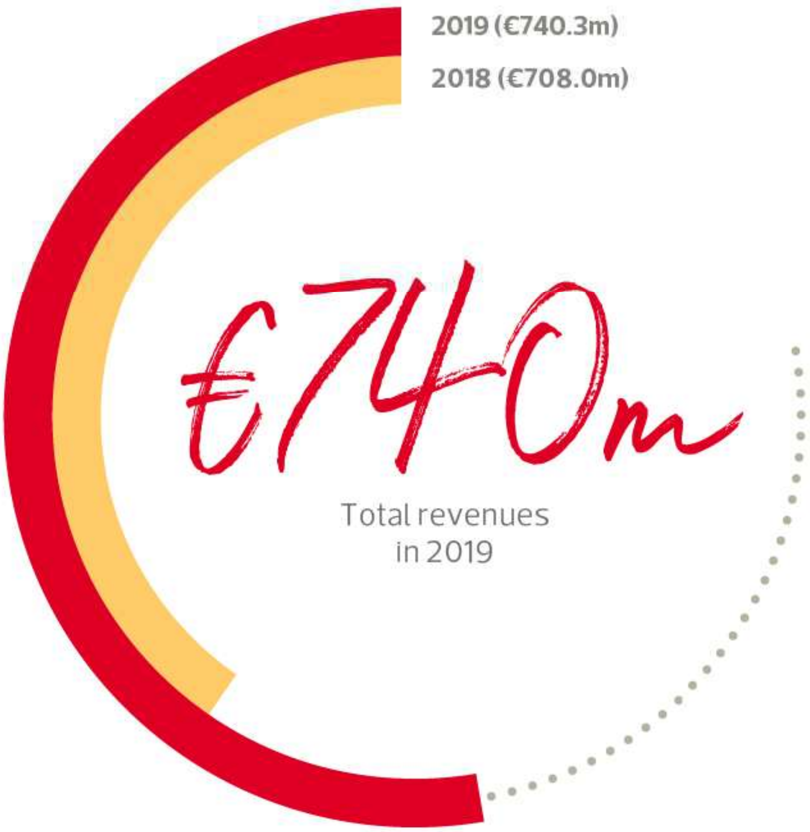
We go further to bring the world

Closer.

INTEGRATED REPORT
2019

Financial Indicators



Community Indicators

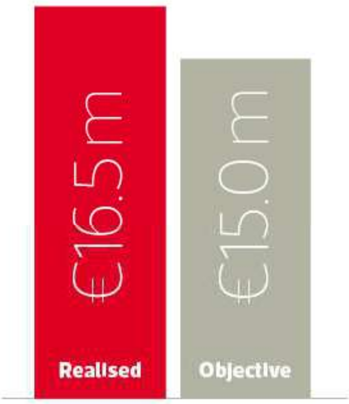
12,355
CTT Employees

2,370
CTT access points

Sustainability Indicators

-2.5%
Decrease in energy consumption

315
Ecological vehicles in fleet



Operating costs savings
Impact on the P&L

Operational Indicators

619 m
Items
Addressed Mail

+11.2%
Parcels volumes growth in Portugal

461 k
Banco CTT
No. of current accounts

€3.7m
Banco CTT reaches positive EBITDA in its fourth year of operation

€101.5m
EBITDA guidance delivered

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01

Introduction to CTT

We go further in *Proximity*

We go further to bring the world closer.

1. INTRODUCTION TO CTT

1.1 Statement of the Chairman of the Board of Directors

2019 was a year of transition in terms of CTT management, but in which the objectives announced to the market were achieved. G1 G48

In May 2019 there was a change in the leadership of the executive team, with João Bento taking over as CEO since the end of May 2019. In October and January 2020 João Sousa and João Gaspar da Silva joined the executive team.

On this occasion, it is important to say a sincere word of thanks to Francisco de Lacerda, who led CTT's transition from a public company to a private and listed company with great success and started the process of changing the company by investing on new growth areas to overcome the inevitable decline in the mail business. We are also grateful for the valuable work carried out by the members of the executive team who have ceased their functions, Dionízia Ferreira (in the executive management of CTT since 2012) and Francisco Simão (since 2017).

The new executive management team gathers, in the opinion of the Board of Directors, the motivation, experience and knowledge necessary to respond with determination and success to the multiple challenges that lie ahead of CTT. G38

In 2019, CTT once again achieved the objectives assumed before the market, in terms of the evolution of revenues and EBITDA. In addition, we achieved and exceeded the goals we set for 2019 under the Operational Transformation Plan, the implementation of which has allowed us to consistently capture higher-than-expected savings, and we are now strengthening our savings expectations for 2020.

In the areas of express, parcels and logistics, there was again significant growth, taking advantage of the acceleration of e-commerce penetration. In this field, it is worth mentioning the launch of DOTT, a Portuguese "e-marketplace", which positions CTT in a relevant position in the e-commerce ecosystem in Portugal while also contributing to the growth of activity in the area of express and parcels. Also within the scope of this business area, it is worth mentioning the reinforcement of our commitment in Spain, with the appointment of a new management team with high local, sector and turnaround experience, fully committed to recovery of the express and parcels business in this geography, essential for the affirmation of CTT as a leading Iberian operator. EC7

With regard to the second growth lever, Banco CTT, in 2019 its customer portfolio, the funds captured and mainly the credit granted continued to grow at a high pace, assuming already a relevant presence in the market, particularly strong in the younger and "digital" customers segment. It should be noted that the EBITDA breakeven in this business area was achieved in the 3rd quarter of the year, before the date that had been previously communicated to the market. A contribution to this was the acquisition and successful integration of 321 Crédito, a car credit company for individuals, which well complements the portfolio of products offered by the bank while, at the same time, allows the bank to capitalize on its demonstrated capacity to capture customer deposits.

2020 is a very relevant year for CTT.

At the end of this year the concession agreement for the provision of the Universal Postal Service expires, a service that CTT has been historically rendering in Portugal and that it wishes to continue to supply. In the scope of the discussion on the new concession framework, the Board of Directors of CTT considers it essential that the next agreement promotes the sustainability and economic viability of the provision of the service and that, being naturally demanding in terms of quality of service, it is aligned with the practice observed in this area in most European countries.

2020 is also a historic landmark for CTT as it celebrates 500 years of the Post in Portugal. On this historical date we wish to make an enthusiastic and determined commitment to continue serving the Portuguese well, in quality and innovation, and remain as a symbol that they trust. We also wish to continue to build a sustainable path for the almost 12,000 employees of the Company whose valuation is essential for our future success and to continue to be a reference company in environmental terms.

We also have a clear goal of value creation in the long term to all the shareholders and we wish to remain a company that follows the best practices in corporate governance matters, ensuring maximum rigor and transparency in relation to all stakeholders.

António Gomes Mota, Chairman of the Board of Directors

1.2 Statement of the CEO

| G1

2019 was another challenging year for the postal market both in Portugal and Europe, but also a year in which CTT delivered on its most relevant targets.

The decline of addressed mail volumes continued to accelerate, increasing pressure on mail revenues thus leading CTT, like most postal operators, to enhance its business model transformation to mitigate the impacts of the ongoing and accelerating digitalisation process transversal to the whole of the economy. On the other hand, very much for the same reasons, the express and parcels market continues to exhibit significative growth, mostly in the B2C segment, driven by e-commerce growth. The latter accommodates part of the impacts of mail volumes decline and reinforces the wider area of logistics, as one of the more promising growth levers for postal operators.

2019 was at the same time a year of transition and strengthening of our core operations and a year of significant business diversification. Transition, given the considerable renewal of the executive team and the reorganisation of the company towards a stronger customer orientation. Strengthening of our core competences, given the very sizeable investment in increasing the automation of production and distribution facilities – a key to adapt CTT to the new mail and parcels market reality – and the reinforcement of our retail network, bolstering proximity to the population. Finally, it was a year of significant business diversification, given the renewed commitment to affirm CTT as a very relevant Iberian player in the parcels sector, not only by assembling a very strong management team in Spain, with local, sector and turnaround experience, and developing a new strategy to reach EBITDA breakeven during 2021; but also by launching **dott.pt** in partnership with Sonae and aiming to become the leading Portuguese online marketplace, this is part of a comprehensive effort to become a one-stop-shop for Portuguese e-sellers with an offer that spans from building online stores to providing all the required services of delivery, returns, payment, fulfilment and so on; and, finally, also by reinforcing our banking venture with the acquisition and successful integration of 321 Crédito, allowing Banco CTT to achieve EBITDA breakeven in the 3rd quarter of 2019 (one quarter earlier than guided).

These changes and achievements allowed CTT to deliver on the 2019 guidance, increasing total revenues and EBITDA by 4.6% and 12.2% to €740.3m and €101.5m, respectively, and achieving a significant increase of net profit, up 35.8% to €29.2m, enabling what we would like to mark as the beginning of a new cycle of sustainable growth.

2019 overview

The **Mail & other** business revenues decreased by 1.6% to €490.9m as a result of a combination of higher-than -expected volumes decline and a favourable mix evolution. The solid performance of higher-value registered and international mail, benefiting also from the positive contribution from the legislative elections were unable to fully offset the declines in letter (-€16.6m) and advertising mail (-€1.2m) revenues.

On the other hand, the **Express and Parcels** revenues continued to grow in 2019, reaching €152.4m (+2.4%), despite the ongoing restructuring and the loss of a major client in Spain, although with a deterioration of EBITDA, highly influenced by the Spanish business performance.

In Portugal, after a slow start, parcels volumes registered significant growth in 2019 (+10.7% vs. 2018) and revenues exhibited a high single-digit increase. This performance is explained by the acquisition of two large clients in the 2nd half of 2019 (namely, Amazon and Santa Casa da Misericordia), by the significant growth in the revenues from non-contractual costumers, by the solid growth in international volumes and by the development of the logistics segment.

In Spain, the modest gradual recovery trend of the previous year was halted in 2019 by the loss of a key client and the fast increase of the minimum wage. To improve the Spanish business's performance, a new management team was assembled to launch a turnaround plan, as it is a strong belief of management that Spain remains a key growth pillar for the CTT Express & Parcels business due to its market size, growth dynamics, and relevance to the Portuguese CEP market.

The postal **Financial Services** business demonstrated a considerable recovery in 2019. High double-digit growth in saving and insurance placements, mainly driven by the robust pace of public debt certificates sales, allowed CTT to reach €34.1m in revenues, a year-on-year growth of 27.2%, and 62.1% growth in EBITDA.

For **Banco CTT**, 2019 was a landmark year. Four years after launch it achieved EBITDA breakeven, with the successful integration of 321 Crédito, a specialised used auto lender, acquired in May. Deposits exceeded €1bn, the mortgage lending book grew c.70% to €405m and off-balance sheet customer retirement funds exceeded €350m only one year after the launch of the product, in partnership with Zurich insurance. Additionally, Banco CTT continued to significantly increase the number of clients at a reasonably steady pace of 10 thousand per month since the launch of operations, having closed the year with more than 461 thousand current accounts, and a bias towards young and highly digital costumers.

Globally, the non-mail business contributed for 34% of the Company's topline, (3 p.p. more than in 2018) confirming the trend of continued diversification, although still lagging our European peers, which we see as a positive sign and an opportunity for further growth.

2019 was also an important year in terms of investing in increased efficiency along the lines of the Operational Transformation Plan. Newly implemented measures allowed us to exceed the €15m cost savings objective for the year by €1.5m. Staff costs, excluding 321 Crédito, increased by 2.3% as savings from the human resources optimisation program were offset by new admissions in the growth areas, by the salary increases negotiated with the unions and by seasonal temporary hiring. External Supplies & Services costs, excluding 321 Crédito, increased by 1.6%, as we realised significant savings in facilities & fleet management costs (€4.8m).

In what concerns stakeholder management, a major decision was taken in late May regarding the previously announced retail network optimisation strategy: it was decided and publicly announced that the process of closing of post offices (own stores) replaced by postal agencies was to be halted; additionally, the company would start a process of reopening its own post offices in some of the rural municipalities that were left without any. Meanwhile, 6 of such own stores have already been reopened, reinforcing our commitment of proximity to the population.

Last but not the least, the implementation of the Modernisation and Investment Plan has progressed according to plan, aiming at increasing the quality of service and boosting operational efficiency, while fully merging the mail and parcels networks. Several operations centres were redesigned and upgraded, accessibility conditions – namely for parcels processing – were improved, the first (of five) new mixed mail sorter machines was installed in Cabo Ruivo in 2019 (meanwhile 3 more were installed and activated) and the routing technology for our mailmen and women was significantly upgraded.

Thinking forward: 2020 and the future

2020 will be a transformational year and the beginning of a new strategic cycle for CTT. We believe that maximising the focus in our stakeholders – *clients*, *employees*, *shareholders*, and *society* – delivering with excellence in our core and new business areas, will be the key to a successful journey to the future.

Regarding our **clients**, CTT is preparing a broader value proposition for both the B2C and B2B segments. We want to enhance our standing as the undisputed market leader in mail – indeed, the universal mail provider for Portugal and the Portuguese people, 500 years after inception – and the market leader for parcels delivery. In terms of B2B, we want to position as the preferred logistic partner to companies; in B2C, we want to be seen both as a physical site (our unparallel retail network) and a digital one, for people to find a wide portfolio of solutions; regarding the bank, we want to be recognised as a simple, no-frills and close-to-people bank. We will continue to develop deep knowledge about our current and potential clients, aiming to fulfil their needs, develop better solutions and deliver the required quality of service. Our strategy to improve customer experience in every touchpoint will receive great attention in 2020, with the implementation of digital initiatives in different channels such as our new website and set of apps, but also in CTT physical network points, meeting current trends and new customer needs.

Moving to **employees**, we will focus on development of our workforces, namely in reskilling initiatives and programs adjusted to each employee segment, with a renewed effort on better work-life balance, higher gender equality concerns, and improved corporate culture, through initiatives that allow us to promote CTT as an employer of choice that upholds people's development and well-being. We want to turn every CTT employee into a true ambassador of the CTT brand, but we also want our employees to excel in terms of quality and productivity.

On the **shareholders** front, we reaffirm our strong commitment to be a top performer in terms of shareholder return amongst the European postal peers, driven by transparency and aligned with the best practices in the market regarding ESG actions.

We are also fully committed to the **society**; we intend to continue to provide all types of postal and logistics services with excellence, but also to emerge as a one-stop-shop for all companies, specially SMEs, willing to endorse the new challenges and opportunities of e-commerce; on top of that we aim at consistently investing in making our presence and activities more and more sustainable and also more adequate to the needs of the population, as to be defined in the new concession contract for the universal postal service after 2020. And we will continue to reinforce CTT's proximity to the population with real actions. 2020 we will also see the deployment of the new CTT brand, positioning CTT as a comprehensive logistics operator that fulfils clients' needs while maintaining the recognition and trust of our stakeholders in the year in which we will be celebrating 500 years of service.

Moving from a stakeholder perspective to a business line point of view, it is our main goal to counter the impact of the mail volumes decline on the revenues and profitability. We will continue to invest in value-added mail products, develop business solutions in adjacent markets, for example digital mail and business outsourcing opportunities, leveraging on our assets and client networks.

2020 will also witness the preparation to accommodate the challenges and the impacts of the end of the EU-wide "de minimis" exemption for VAT on inbound mail starting in January 1st, 2021 for imported parcels.

Additionally, the end of the current universal service contract represents a unique opportunity to adapt it, given the current level of mail volumes declines and the new trends in users' needs, to ensure that the new concession contract allows for mid-term sustainability, namely by adopting demanding but achievable quality of services objectives, combined with a fair price mechanism and the required stability throughout the contract. CTT is proud to be the universal postal service provider and wants to continue its role as such, maintaining and strengthening the proximity to the Portuguese population, provided the conditions for a sustainable universal postal service are met.

In **Express & Parcels**, we intend to consolidate the Iberian positioning, maintaining CTT as the Portuguese last-mile market leader while restructuring and resuming growth and converging to profitability in Spain, leveraging on the steady progress in e-commerce-driven B2C deliveries. In 2020 we aim to convert the consistent top-line increase into a more significant margin growth in Portugal, reviewing product and pricing definition methodologies, to meet market needs and the expected customer evolution while benefiting from the efficiency gains promised by the Modernisation and Investment Plan. Moreover, we are strengthening the coordination of operations between Portugal and Spain, allowing the company to compete in the cross-border Iberian market. In that sense, a new unified management team (executive committee) has been already put in place.

CTT's **Retail Network**, one of the largest in Portugal, plays an important role for the Portuguese population, but represents also a unique opportunity for business diversification. Our focus relies on the implementation of a new positioning as a non-specialised retail network, expanding and adjusting our product portfolio to each geography and retail segment, increasing the offer of convenience services and implementing virtual retail operator solutions, while guaranteeing that the universal service requirements are met and delivering our core services with excellence. We also intend to continue to play an important role in capture of the savings of the Portuguese population, reinforcing our position as the preferred channel for the placements of the Republic's **public debt** products.

As for **Banco CTT**, after achieving EBITDA breakeven in 2019, the short-term goal is for it to continue its path to a net profit breakeven in 2020. It needs to consolidate its positioning as an innovative and fast-growing player in the retail banking market, while at the same time it builds a credible equity story that not only ensures sustainability but also renders it attractive for potential partners that CTT wants to attract to this venture.

Meanwhile, the bank has positioned itself to accomplish this by steering to business areas that are not highly dependent on the current level of (low) interest rates.

Complementarily to all this, we also want to reinforce our upgraded **efficiency targets**, aiming at €18m cost savings for 2020. To achieve this ambition, we will continue to simplify our business structure and boost internal process digitalisation with emphasis on process redesign and robotization.

Last but not the least, as far as **sustainability** is concerned, we intend to continue to be a leading player in the logistics sector globally and a leading player in the Portuguese corporate scene. Having already achieved such an important milestone as the reduction of carbon emissions by 27.5% between 2013 and 2019, we need to continue implementing a carbon emissions management strategy leading to further improving our performance. In 2019, we continued the fleet electrification process, signed the United Global Compact "Business Ambition for 1.5ºC" – aiming to achieve zero emissions in 2050 and limit global warming to 1.5ºC until 2030 – adhered to the World Business Council for Sustainable Development (WBCSD) enterprise mobility pact for Lisbon, thus reinforcing CTT's commitment for sustainable mobility and carbon emissions management, amongst many other initiatives. We know climate change is to be taken seriously and are duly committed to accept and deliver on our share of responsibilities.

Final statement

I am very proud of what CTT accomplished in my first 7 months as CEO, but nothing could have been achieved without the efforts and commitment of our employees, as well as the involvement and alignment with most of our other stakeholders, certainly all our clients and shareholders, as well as the strong support from our Board of Directors. But allow me a special word of thanks to my great team of Executive Committee colleagues and the remarkable set of first-line managers, including those that recently joined the team.

2020 will be an important year for CTT. A historical one, since we celebrate an impressive 500 years of history of mail services in Portugal. A challenging year in which the current universal postal public service concession contract terminates, and we will have to continue to transform ourselves at a pace that will ensure our sustainability. A turning point, as we hope to extend and increase the revenues growth cycle by widening the scope of CTT products and services offer with increasing innovative business solutions around our anchor areas of mail and parcels, along with the growth of our logistics footprint and that of Banco CTT.

I am very confident we will deliver this ambitious goal while fulfilling our mission, because, like no one else,

we connect people and companies, committed to deliver!

João Bento, Chief Executive Officer

1.3 Explanation of the Nature of the Integrated Report

Scope and boundary

CTT publishes its integrated report for the second time. This report contains CTT's financial and non-financial information, complying with the individual and consolidated management reporting requirements, namely as stipulated in articles 65, 66, 66-A, 66-B, and 508 to 508-G of the Portuguese Companies Code, with the reporting on CTT's business and performance being directed at all stakeholders.

The integrated report contains information on the strategy, management and performance of the Group's main business units, with a view to creating sustainable value. The risks inherent to the activity are also analysed and a review is also made of the way that CTT incorporates the different capital (financial, human, intellectual, social and natural), following the *Guidelines* proposed by the *International Integrated Reporting Council* (IIRC). This report also contains information about Corporate Governance, the Individual and Consolidated Financial Statements of CTT and the performance of the main aspects of sustainability.

The integrated report of 2019 discloses CTT's strategic vision and dedication in generating value over time and in promoting environmental protection and social integration. It includes information about issues that significantly affect CTT's ability to generate value in the short, medium and long-term.

This report discloses the results relative to the financial year ended on 31 December 2019, whenever possible presenting aggregate information on CTT, S.A. and all its subsidiaries, jointly referred to as CTT. G28 G17

During the reporting period, Banco CTT acquired 321 Crédito and there was a merger, by incorporation of the companies Transporta and Tourline Express into CTT Expresso. However, these transactions do not significantly change the scope of the reporting in relation to the previous year. G18 G23 G13 G22

CTT – Correios de Portugal, S. A. – Public Company, a public limited liability company listed on the stock exchange, with 100% of its capital dispersed among institutional and private shareholders. The Board of Directors is composed of fourteen executive and non-executive Directors, and the corporate bodies were elected at the General Meeting for the 2017-2019 three-year period. G3 G7 G7 G20

Commitment

CTT complies with the obligations established in article 508-G of the Companies Code, as amended by Decree-Law 89/2017, of 28 July, disclosing in an integrated manner the management information and the non-financial information, which CTT publishes annually, relative to the environmental and social areas, the employees, gender equality, non-discrimination, respect for human rights, the fight against corruption and attempted bribery, as well as information on corporate governance. G30

This is CTT's fifteenth annual sustainability Report. The reporting structure and contents respect the Global Reporting Initiative (GRI) as a reference for the preparation of sustainability reports and respective protocols for the calculation of indicators. This report adopted the fourth generation of guidelines for sustainability reports, having obtained COMPREHENSIVE validation, attributed by the verifying entity KPMG & Associados. In order to access the GRI Table with the location of each indicator, see Annex IV. G30 G29 G33 G32

With regards to its materiality, the report incorporates contributions obtained from a stakeholder survey conducted in compliance with the guidelines of the Standard AA1000SES, which enabled updating the mapping and identification of the relevant topics and critical stakeholders of the Company.

In 2019 and as in previous years, based on the reporting model featured in the Portuguese Securities Market (CMVM) Regulations and the recommendations of the Portuguese Corporate Governance Institute (IPCG) Code (in force from 1 January 2018), CTT continue to comply with a significant series of recommendations relative to corporate governance.

The essential principles for the definition of the contents of this report are transparency, relevance, coverage and completeness, in order to provide a convenient and objective presentation to the stakeholders that will use this document.

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G5
G31

1.4 Key Figures

1.4.1 Economic and financial indicators

G9

€ thousand or %, except where otherwise indicated

	'18 Restated	'19	Δ 19/18
Revenues	708,034	740,286	4.6%
Operating costs [(1)]	617,605	638,824	3.4%
EBITDA [(1)]	90,429	101,462	12.2%
EBIT	45,595	47,285	3.7%
EBT	35,142	35,527	1.1%
Net profit for the period	21,520	29,285	36.1%
Net profit for the period attributable to CTT equity holders	21,499	29,197	35.8%
Earnings per share (euro) [(2)]	0.14	0.19	35.8%
EBITDA margin	12.8%	13.7%	0.9 p.p.
EBIT margin	6.4%	6.4%	-0.1 p.p.
Net profit margin	3.0%	3.9%	0.9 p.p.
Capex	30,654	45,442	48.2%
Free cash flow	15,035	32,335	115.1%

	'31.12.18 Restated	'31.12.19	Δ 19/18
Cash and cash equivalents	422,717	442,996	4.8%
Own cash	146,282	115,376	-21.1%
Assets	1,854,470	2,513,441	35.5%
Equity	135,887	131,415	-3.3%
Liabilities	1,718,582	2,382,026	38.6%
Share capital	75,000	75,000	0.0%
Number of shares	150,000,000	150,000,000	0.0%

[(1)] Excluding depreciation, amortisation, impairments, provisions, IFRS 16 impact and specific items.

[(2)] Considering the number of shares outstanding excluding 1 own share.

1.4.2 Operating Indicators

	'18	'19	Δ 19/18
Mail			
Addressed mail volumes (million items)	680.7	619.0	-9.1%
Transactional mail	585.8	536.0	-8.5%
Editorial mail	37.2	34.8	-6.5%
Advertising mail	57.8	48.2	-16.5%
Unaddressed mail volumes (million items)	427.3	521.4	22.0%
Express & Parcels			
Portugal (million items)	19.8	22.0	11.2%
Espanha (million items)	17.5	15.8	-9.8%
Financial Services			
Payments (number of transactions; millions)	1.3	1.2	-7.8%
Savings and insurance (subscriptions; €m)	2,696.8	3,971.7	47.3%
Banco CTT			
Number of current accounts	347,941	461,271	32.6%
Customer deposits (€m)	883,950.5	1,283,567.3	45.2%
Payments (number of transactions; millions)	49.5	52.2	5.5%
Mortgage loans book, net (€m)	238,435.1	405,074.1	69.9%
Consumer credit production (€m)	41,640.0	43,901.9	5.4%
LTD (including 321 Crédito)	28.1%	69.0%	41.0 p.p.
Number of branches	212	212	0.0%
Staff			
Staff (FTE) [1]	12,634	12,732	0.8%
Retail, Transport and Distribution Networks			
CTT access points	2,383	2,370	-0.5%
Retail network (post offices)	538	539	0.2%
Postal agencies	1,845	1,831	-0.8%
Payshop agents	4,600	4,821	4.8%
Postal delivery offices	230	226	-1.7%
Postal delivery routes	4,701	4,660	-0.9%
Fleet (number of vehicles)	3,685	3,804	3.2%

[1] FTE = Full-Time Equivalent.

1.4.3 Sustainability Indicators

	'18	'19	Δ 19/18
Customers			
Customer satisfaction (%)	78.9	79.1	0.2 p.p
Staff			
Number of accidents	1,017	1,080	6.2%
Training (hours)	240,879	251,032	4.2%
Women in management positions (1st management level) (%)	23.3	20.0	-3.3 p.p
Community/Environment			
Value chain - contracts with environmental criteria (%)	95.8	98.9	3.1 p.p
Total CO_2 emissions, scope 1 and 2 (kton.) (1) (2) (4)	16.4	16.7	1.8%
Energy consumption (TJ) (1) (4)	390.4	380.7	-2.5%
Eco-friendly vehicles	311	315	1.3%
Weight of Eco product range in Direct Mail line (%) (3)	39.6	43.5	3.9 p.p
Investment in the Community (€ thousand)	1,190	1,018	-14.5%

EC7
EN32
EN3
PR5
LA6
EC8
EN27
EN16
EN15
EN7

(1) Provisional figures.

(2) Update of 2018 data.

(3) Volumes.

(4) Including green energy.

1.5 External Awards and Distinctions

CTT continues to be a Trusted Brand of the Portuguese

For the 16th time, CTT was distinguished as one of Portugal's Trusted Brands, in a study carried out by Reader's Digest magazine, achieving first place in the Postal and Logistics Services category, with 90% of the votes.

CTT Brand elected Superbrand *2019*

The CTT brand was once again distinguished as a Brand of Excellent at the Superbrands 2019.

Marketeer Awards 2019

CTT is the brand of the year, having won the *Corporate Brands* category in the 11th edition of the Marketeer Awards.

Human Resources Portugal Awards

CTT was distinguished in the *Human Resources* Portugal 2019 in the Diversity and Inclusion category, which recognises workplace diversity and inclusion best practice.

Leadership Level A- in the Carbon Disclosure Project 2019

CTT achieved the *Leadership A-* grade, in the *Carbon Disclosure Project (CDP) rating* of 2019, the most important international carbon stock market rating. This result is an important recognition of the work that CTT has progressively developed on matters of carbon management and combat of climate change.

Banco CTT wins the Five Stars 2019 award in the Mortgage Loan category, among the five banks assessed in the same category. The assessment criteria are the five main variables that influence consumers' decision to purchase: satisfaction upon trying out products; price-quality relationship; intention to buy or recommendation; trust in the brand; and innovation.

Logistics Excellence Award

CTT won the Logistics Excellence 2019 Award, attributed by the APLOG (Portuguese Logistics Association) and Modern Logistics Magazine, with the project name *Order Now* – Automation in the Logistics Process as a Response to e-commerce.

AICEP Innovation Award

Attributed to the Customs Clearance Portal by the International Association of Portuguese-Speaking Communications (AICEP). With the new online customs clearance platform, CTT had made the process simpler, more transparent and faster, contributing to increased customer satisfaction.

Innovation Guru Farmer 2018

CTT won the Innovation Farmer 2018 trophy of the Exago Innovation Guru Awards. The trophy distinguishes the customer that best keeps its focus on achieving excellence in innovation. CTT introduced the Innovation Tank, a new process of selection of ideas derived from INOV+, which counteracts the slowdown in the last stage of the innovation funnel, enabling a 400% increase of efficiency in the implementation stage.

APCE Distinction

CTT won the two first-place awards in the categories: internal event up to 500 employees – CTT *Academy Young Talent Development* and *Video* – CTT *Ads Direct Medal* attributed by the Portuguese Association of Corporate Communication (APCE). CTT was also distinguished due to merit in the following categories: Internal Publication – *Move-nos* magazine; Corporate Radio and Television – CTT TV; Video – A Tree for the Forest; Internal Digital Format: Intranet, Apps and Social Networks – CTT Intranet; Internal event up to 500 employees – Dinner of 36 and 40 Year Insignias.

Fundacom Awards

The video CTT Ads Direct Medal won the Video, Multimedia & Digital category warded by Fundacom, a foundation with the mission of driving and strengthening strategic communication in Spanish and Portuguese worldwide.

CTT and CTT Express Lines Awarded at the APCC Best Awards 2019

The CTT and CTT Express Lines were distinguished at the APCC Best Awards 2019 of the Portuguese Association of Contact Centres, with silver and bronze medals, respectively, in the category of Delivery and Logistics.

International Award for Philatelic Art at Asiago

The Europa 2018 issue, dedicated to Bridges of Mainland Portugal, Azores and Madeira, was distinguished with the Asiago 2018 Award for Philatelic Design, in the Tourism Category, awarded by the Asiago Olympic Academy – Vicenza (Italy).

Graphis Gold Award

Design of the 250 Years of Imprensa Nacional Issue distinguished with the Graphis Gold award by Graphis -The International Journal of Visual Communication, a reference publication in the world of graphic arts, since 1944.

"From Cocoa to Chocolate", CTT wins the Portugal Cookbook Fair 2019

The edition of the CTT book won the Portugal Cookbook Fair 2019 prize; an event that seeks to celebrate the best gastronomy books published in the country.

Distinctions

Raul Moreira distinguished by the Navy

Chief of Staff of the Navy, Admiral António Maria Calado, granted Raul Moreira, CTT Philately Director, the "Vasco da Gama" Naval Medal for "tremendous receptiveness to the proposals of association to significant events of the Navy", contributing to honour and esteem the navy and the country.

CTT launched first stamp of the world with LED light

CTT launched a philatelic issue allusive to the Three Kings, with a particularity that is unique in the world. One of the stamps has a LED light in the guiding star. This light-emitting diode is activated by simply taking it close to a mobile phone with near-field communication (NFC) technology.

02
Strategic Background

We go further in *Leadership*

We go further to bring the world closer.

2. STRATEGIC BACKGROUND

2.1 Economic, Sectoral and Regulatory Environment

2.1.1 Economic framework

International economy

The global economy is estimated to have grown at the slowest rate of the last ten years in 2019, by around 3.0%[1], thus recording a slowdown in relation to the 3.6% of 2018. This slowdown was experienced in various countries, as a consequence of the barriers to international trade and geopolitical uncertainty, which significantly affected the global manufacturing sector, especially the production of motor vehicles. The increase and uncertainty of customs tariffs, in particular between the United States of America and China, have undermined confidence for new investments and global trade relations. According to OECD estimates, the real growth of international trade should slow down from 3.7% in 2018 to 1.2% in 2019[2]. In contrast, the service sector maintained its buoyancy, which enabled keeping the labour market with unemployment rates at low levels and signs of rising salaries, especially in the developed economies. Domestic demand was the main driver of growth, in particular private consumption. Despite the buoyancy in the labour market, in 2019, inflation remained at low levels, in most cases at rates below the targets of the Central Banks of each country, and this was a year marked by even more expansionary monetary policies.

Economic activity in the euro zone slowed down, particularly affected by the contraction of industrial activity, with visible effects on the German economy in the second quarter of 2019. Exports declined, experiencing the weakening of demand by China. The uncertainty as to the United Kingdom staying in the European Union was a recurrent theme throughout 2019, and it was only in December, with the victory of the Conservatives, that the deadlock underway was broken. In Spain, after two elections in 2019, it was still not possible to form a government throughout the entire year. In Italy, the Five Star Movement and Lega government coalition came to an end, with a new coalition between the Five Star Movement and the Democratic Party having been formed, with the same Prime Minister.

In the United States, the economy slowed down from 2.9% growth in 2018 to around 2.2%[3] in 2019, with a particularly strong slowdown in the investment component. The greatest contribution came from private consumption, underpinned by an unemployment rate at minimum levels of the last 50 years and increased salaries.

Monetary Policy in the euro zone became even more expansionary in 2019. After the end of the asset purchase programme of the European Central Bank (ECB) in 2018, the expectations for 2019 pointed to a period of normalisation and possible increase in reference interest rates of the single currency. This did not actually take place, with the ECB having cut the interest rate on deposits by 0.1% to -0.50% in September, resuming the purchase of assets for an indefinite period at a rate of 20 billion euros per month and announcing a new programme of targeted longer-term refinancing operations(TLTRO), with slightly lower rates and longer maturities. In order to mitigate the adverse effects of negative interest rates, the ECB decided that a current multiple of 6 times the minimum bank reserves would not be subject to the deposit interest rate. The leadership of the ECB changed, with Mário Draghi ending his term of office and being replaced by Christine Lagarde, who announced that during 2020 there would be a strategic review of the remit and clarification of ECB goals.

In the United States of America, the monetary policy also became more expansionary, reversing the increase rate rises of 2018. The Federal Reserve cut the reference interest rate by 0.75%, ending the year in the range

[1] Source: International Monetary Fund – *World Economic Outlook*, October 2019
[2] Source: OECD *Economic Outlook*, Volume 2019 Issue 2
[3] Source: FOMC - Federal Open Market Committee *minutes*, December 2019

of 1.50%-1.75%. The gradual reduction of the Federal Reserve balance was suspended with the Federal Reserve starting to buy short-term assets following some difficulties in the repo market in September.

National economy

The Portuguese economy should have grown by 2.0%[4] in 2019, after growth of 2.4% in 2018. This slowdown reflects an approximation to the potential growth rate of the economy. The external context became less favourable in 2019, with a slowdown of exports and industry. The service sector remained relatively immune, which enabled maintaining the positive trend in the labour market. Domestic demand, in particular investment, was the main contributor to the growth of the national economy. The buoyancy of domestic demand elevated the growth rate of imports and the lower external demand, especially of countries outside the euro zone, slowed down the growth rate of exports, which would lead Portugal to return to a deficit in the Balance of Trade in Goods and Services in 2019, after the surpluses recorded between 2013 and 2018.

Budget implementation in 2019 maintained its trend of improvement, with an estimated balanced public budget. Public debt levels also maintained their downward trend, with a lower implicit interest rate and a longer repayment profile. In 2019, the rating agencies Standard & Poor's and Fitch upgraded the risk rating and the agency Moody's changed the outlook to positive.

The labour market continued to show a positive trend, with the unemployment rate at historically low levels and job creation increasing. The growth of employment reflects an absorption of workers coming from situations of unemployment and an increase, albeit minor, of the active population, due to the higher female participation, increased retirement age and a positive migration balance.

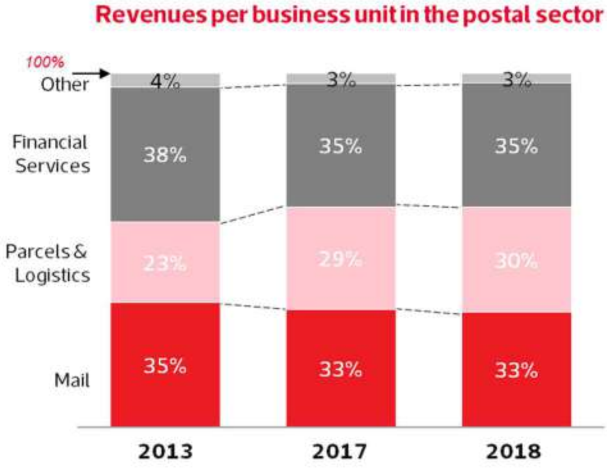
The inflation rate in 2019 should slow down to 0.3%[4], especially influenced by the evolution of energy products, affected by the reduction of the price of oil and the lower electricity and gas prices due to administrative measures in regulated pricing and lower tax rate. The inflation rate, excluding energy products, also decelerated, with various legislative measures significantly reducing the price of some goods and services.

2.1.2 Sectoral framework

In line with previous years, the postal sector continued to experience a trend towards business diversification as a consequence of digital substitution and in order to increase income in markets of major growth such as the Parcels & Logistics market. Accordingly, the weight of the postal business is increasingly lower, accounting for less than 35% in 2018, while in contrast the Parcels & Logistics segment is the strongest growing business, currently accounting for around one third of the revenue in the postal sector[5].

However, despite the effort towards revenue diversification, postal services still contribute with over half the revenue in approximately 40% of the global postal operators analysed.

[4] Source: Economic Bulletin December 2019 – Banco de Portugal
[5] Source: "Global Postal Industry Report 2019" International Post Corporation.

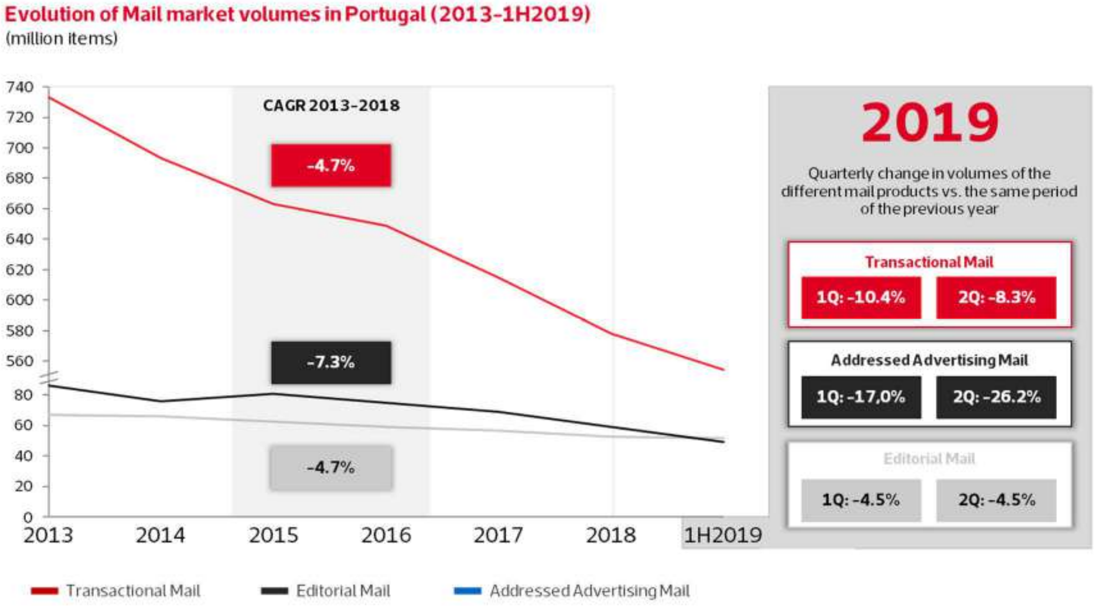


Source: IPC "Global Postal Industry Report 2019", report developed by the International Post Corporation (IPC) gathering information on 50 postal operators at international level.
Note: The methodology used by IPC was changed in the 2019 report, which includes Japan Post's financial services that had been excluded in previous reports as this operator was considered an outlier. For that reason, information related to 2017 is included based on the new methodology, which changes the information contained in CTT's Integrated Report 2018. The sum of the parts may be greater than 100% due to rounding.

Mail

In the mail business, the replacement by digital channels continues to exert pressure on postal volumes, with a clear trend of acceleration of the decline of volumes, with a reduction of 5.9% of the volume in 2018 at an international level, corresponding to 1.3 percentage points than the decline observed in 2017 and considerably above the average annual decline recorded between 2008 and 2018 of 3.5%[6].

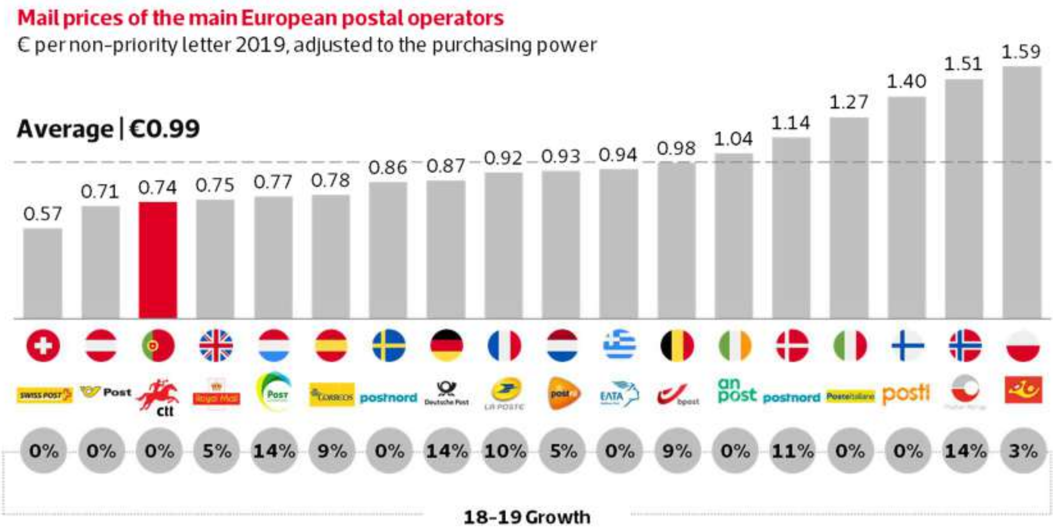
In the Portuguese market, as is the case in all the other markets, there is a widespread trend of acceleration of the decline of mail, expressed most strongly in transactional and addressed advertising mail.



Source: ANACOM, "Postal Services – Statistical information – 1st Semester 2019"

[6] Source: "*Global Postal Industry Report 2019*" *International Post Corporation.*

In order to mitigate the trend of acceleration of the decline of mail, postal operators have continued to focus on strategies of increasing prices of mail products, with the price of domestic mail having increased by close to 6.5% annually between 2012 and 2019[7]. Portugal, despite the price increases in recent years, continues to be among the European countries where prices are lower, as can be seen in the graph below, which compares the prices in some operators, adjusted to the purchasing power, of the non-priority domestic mail (with a delivery standard above D+1, except for operators that only have this service standard.



Source: IPC Consumer Rates, domestic mail prices with delivery standard above D+1 (proxy for CTT ordinary mail with D+3 delivery standard), except for operators that only have this service standard (AN Post, Bpost, Deutsche Post and Austrian Post); CTT price originates in an internal source (€0.53) using the IPC rationale of the purchasing power adjustment factor (as in 2019 the price was temporarily reduced during the IPC analysis period, the price published by IPC does not correspond to the final price in 2019)

On the other hand, the operators have sought to adopt various strategies to contain costs and increase efficiency, where it has been detected that the reduction of delivery days, the integration of the mail and parcel networks, and a flexible human resources structure are the main keys to boosting efficiency among mail operators.

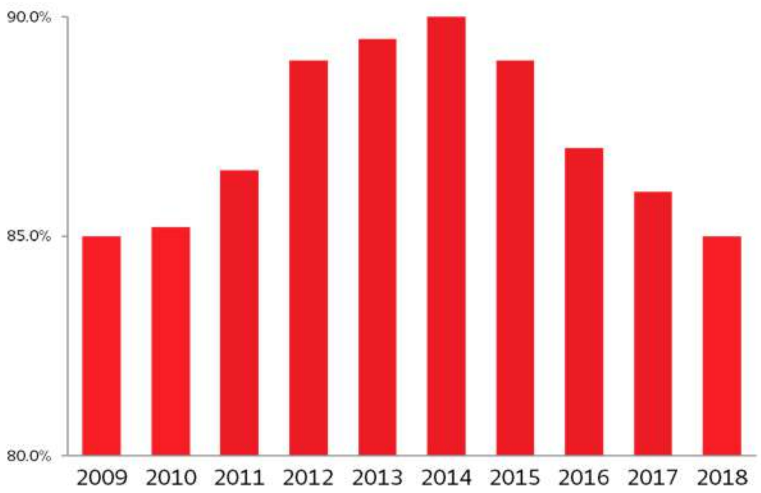
Source: IPC "Global Postal Industry Report 2019", report developed by the International Post Corporation (IPC) gathering information on 50 postal operators at international level.

[7]Source: "*Global Postal Industry Report 2019*" *International Post Corporation.*

At the same time, the regulatory context has progressively become more flexible with a view to accommodating the major transformation observed in the sector and ensure the sustainability of the Universal Postal Service within the respective national budgets. Various member states of the European Union have endorsed a series of measures concerning the Universal Postal Service, such as the reduction of quality targets, after the increase of the average figure between 2011 and 2014, flexibilization of delivery speed (e.g. in 6 countries, among which Norway, Denmark and Sweden, D+1 is not included in the Universal Service), flexibility of delivery through the introduction of different frequencies of delivery, in line with the particularities of the countries (e.g. Norway, Finland and Italy), reduction of the group of products under the concession contract or measures in terms of price flexibilization (e.g. commercial freedom, increased limits of price variation). On the other hand, other Member States have chosen to create mechanisms of compensation of universal service providers both directly, through direct funding of the Universal Postal Service, and indirectly, through the introduction of grants for other activities such as services of general economic interest (e.g. Belgium, United Kingdom) or tax benefits (e.g. France) [8].

Finally, the great evolution of *e-commerce* is viewed as a positive point for the sector. An increase has been

Evolution of the average quality of service target for D+1 priority mail



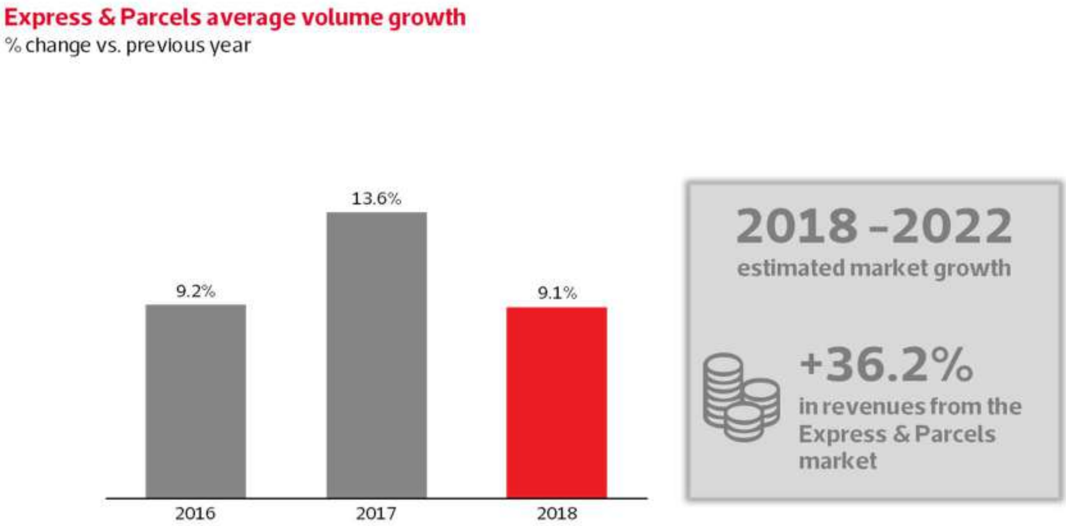
Source: ERGP, "Report on QoS, consumer protection and complaint handling"

observed in the number of small parcels, primarily coming from China, with a positive contribution in terms of revenue for mail operators.

Express & Parcels

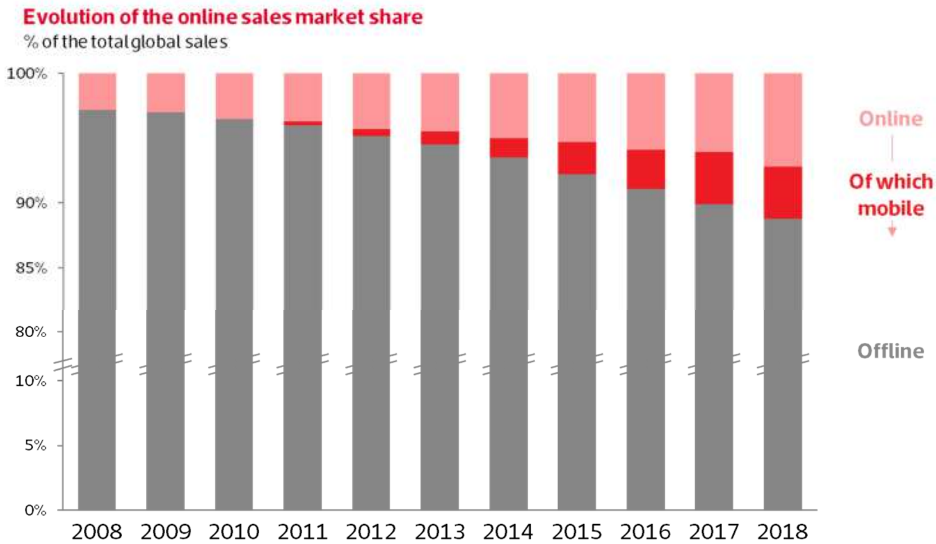
The express and parcels market continues to show significant growth, with the volume of express items and parcels having grown by close to 9% in 2018 in postal operators at an international level. It is estimated the revenue of this market should have grown by around 26% by 2022 (source IPC), continuing to be extremely attractive [9].

[8] Source: Copenhagen Economics in Main Developments in the Postal Sector 2013-2016; ERGP; annual reporting; websites of operators providing the universal service; reports of regulators.
[9] Source: "*Global Postal Industry Report 2019*" *International Post Corporation.*



Source: IPC "Global Postal Industry Report 2019", report developed by the International Post Corporation (IPC) gathering information on 50 postal operators at international level.

This growth is essentially due to the increase of B2C parcels, driven by the continuous growth of electronic commerce, which already represents around 10% of total purchases worldwide. In the last decade, online commerce has grown on average by 20% per year, according to Euromonitor, showing a growth rate far higher than the growth of traditional retail.



Source: IPC "Global Postal Industry Report 2019", report developed by the International Post Corporation (IPC) gathering information on 50 postal operators at international level.

This same trend of growth of the express and parcel market is observed in the Iberian Peninsula. In Portugal, the volume of parcels grew by around 10% in 2018, with this trend of growth having been maintained in the first semester of 2019 (around 7% year-on-year) [10]. In Spain, the volume of parcels grew by around 16% in 2018, maintaining constant growth in relation to 2017[11].

This market evolution is driven by the rapid growth of *e-commerce* the Iberian Peninsula, with growth of around 17% in Portugal and above 20% in Spain in 2018[12], driven by the progressive increase of the internet

[10] Source: ANACOM, "Serviços postais – Primeiro semestre 2019".
[11] Source: *Comisión Nacional de los Mercados y la Competencia, "Informe Anual del Sector Postal" (2018).*
[12] Source: *e-commerce Report* CTT 2019.

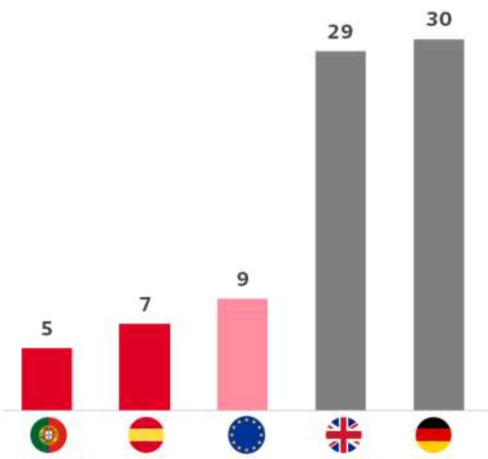
penetration in the two countries, currently standing at 93% in Spain[13] (and at 75% in Portugal, where it is expected that by 2025 the great majority of the Portuguese population will also have access to the internet (91%)[14].

In 2018, 5 out of every 10 Portuguese carried out online shopping (about 46%, corresponding to 10 p.p. more than in 2017) (source: *e-commerce Report*, CTT 2019). In Spain, around 44% of the population carried out online shopping in 2018, of which around 90% led to receiving a parcel[15].

	Internet penetration	E-commerce growth	% of the population buying online
Portugal	75% (in 2018)	17%	c.46%
Spain	93% (in 2019)	>20%	c.44%

However, as the degree of penetration of e-commerce in the Iberian Peninsula is lower than that observed in other European countries, both in terms of the growth recorded in recent years in Portugal (CAGR 2013-17 <8%) and the number of parcels per capita in Portugal and Spain, it is believed that there is high potential for growth in the Iberian Peninsula, as it is at a lower stage of maturity in relation to other more mature markets.

Parcels per Capita
(2017)



E-commerce growth
(CAGR 2013-17)

Source: WIK – Development of Cross-border E-commerce through Parcel Delivery; EU Commission

With respect to profitability in this segment, the downward trend of pressure on prices continues to be felt, as a consequence of the pressure exerted by competition, the growing bargaining power of e-sellers and the expectations of e-buyers of cost-free deliveries. Additionally, the operators have continued to increase their cost base to adapt to the new reality and needs, namely the challenges in B2C parcel delivery (e.g. convenience for the receiver, flexibility to change delivery place, date and time, tracking in real time, etc.).

[13] Source: *We are social, "Digital in 2019 España"*.
[14] Source: ACEPI: "Annual Study of the Economy and Digital Society 2019"; internet penetration figure relative to 2018.
[15] Source: *Comisión Nacional de los Mercados y la Competencia.*

Financial markets

The year of 2019 was a positive in practically all classes of assets. During 2019, the trade negotiations between the USA and China, the accommodative turnaround of the Central Banks, Brexit and the fears of slowdown of economic growth dictated both the improvements and devaluations in the markets.

In the stock market, the main stock exchanges of the advanced economies showed gains above 20% and the emerging markets had gains above 10%. Part of these appreciations were a recovery of the devaluations occurred at the end of 2018, a particularly volatile period, but even so the share indices significantly surpassed the historical peaks recorded in the summer of 2018. The FTSE Global ALL Cap Total Return Index, which includes developed and emerging markets, appreciated by 27.09% in 2019 and 7.28% in relation to the peaks recorded in 2018[16]

The bond market was marked by the changes in the expectations of the Central Banks. During 2019 the Bund interest rate at 10 years in Germany fell from 0.43% to -0.19%, and in the United States the Treasury interest rate at 10 years fell from 0.77% to 1.92%. It should be noted that this movement was not linear, with sharp decreases up to August, at which time the Bund reached -0.71% and the entire German yield curve traded at negative interest rates, followed by a rise in the interest rate in the last 4 months of the year. In August, the Bloomberg Barclays Global Aggregate index, which only includes debt with investment rating in various currencies, recorded more than USD 17 billion of securities with a yield below zero to maturity, around 30% of total issuances.

The Portuguese credit spread at 10 years, compared to Germany, decreased by 0.85%, ending the year at 0.63%, a figure below the spread at 10 years of Spain. The Italian spread showed high volatility during 2019, having recorded a maximum of 2.87% after the elections for the European Parliament in May, an increase in August with the heightening of expectations of early elections, followed by a period of reduction when the new parliamentary coalition of the Democratic Party and Five Stars Movement formed a government, ending the year at 1.60% compared to Germany.

The European credit spread, observed by the CDS Markit iTraxx Europe Senior index at 5 years, showed a reverse performance to that of 2018: the regular rise from 45 bps to 87 bps during 2018 was fully reversed, also in a relatively regular form, to 44 bps at the end of 2019. The trend of the credit spread of issuers of speculative level in euros was identical, ending the year at historical minimum figures of around 200 bps in the iTraxx Crossover 5Y index. The credit spreads of financial debt in euros fell by more than half, with senior debt falling by 56 bps to 52 bps and subordinated debt falling by 115 bps to 114 bps throughout the year.

The barrel of Brent appreciated by 23% to $66 per barrel, in particular due to OPEC's decision in December to prolong the production cuts and reduce the production quotas by more than 500 thousand barrels a day. Copper showed a lower appreciation of 6.3% and gold stood out by its 18% appreciation, when observing the price per ounce in dollars, having reached historical maximum figures when observing the price per ounce in euros.

The euro depreciated by 1.60% when compared to the 19 currencies of the main trading partners of the euro zone[17]. The euro devalued by 1.95% in relation to the North American dollar, and by 5.76% in relation to the pound sterling, a movement exacerbated by the result of the elections in the English parliament and reduction of the uncertainty enshrouding Brexit. Special note should also be made of the renminbi, with the Chinese currency having devalued in relation to the dollar, surpassing the psychological barrier of 7 yuan per USD in August and ending the year at 6.96, after the expectations of concordance and signing of the first phase agreement between the two countries.

[16] Source: Bloomberg
[17] Source: *ECB Daily Nominal EER-19 Euro Effective Exchange Rate*

Portuguese banking system[18]

In 2019, the Portuguese banking system continued to consolidate the progress observed over the last year. There was an increase of profitability, reflecting factors of structural nature and developments partly of more circumstantial nature, such as the reduction of costs related to provisions and impairments.

The non-performing loan ratio (NPL) continued on the downward trend started in June 2016, essentially reflecting the reduction of its volume on the balance sheet, in line with the guidelines and plans to reduce non-performing assets submitted to the supervisory authorities, which have been progressively implemented by the banks.

Special reference should be made to the fact that the banking system continued the trend of strengthening its capital ratios. The increase of own funds was essentially the result of the evolution of common equity tier 1 (CET 1), reflecting, in particular, the evolution of the components of retained earnings and other comprehensive income.

In a context of downward revision of the economic growth projections in the euro zone and persistence of inflation below the target, the ECB announced a package of monetary stimulus measures in September 2019, embodied in lower interest rates for a more prolonged period (lower-for-longer). The reduction of medium and long-term interest rates signals that the Euribor should only return to positive figures in a considerably longer horizon.

The context of very low interest rates has been reflected in funding costs at a global level, being particularly favourable to economic agents with high debt levels, enabling, on the one hand, the relief of debt service, but also improving capacity for their funding at lower costs and/or at longer maturities.

In contrast to this scenario of short-term gains, the maintenance of the environment of lower-for longer interest rates could constitute a challenge to the sustainability of the net interest income of new loans, exacerbating the need for the expansion of loan granting, aimed at an offsetting quantity effect. In the short-term, the net effect could be positive on the bank's profitability.

In Portugal there has been a differentiation of interest rate spreads by risk class in new loans to non-financial companies by the main banks of the system. There has also been a progressive improvement of the risk profile of new loans. In the case of individuals, new mortgage loans have also been granted to customers with lower risk profiles, following the indications of the macroprudential policy measure endorsed by Banco de Portugal. In the consumer credit segment, two factors should be highlighted, the stock has maintained a high annual variation rate (close to 10%), but on the other hand, the new consumer credit, especially personal credit, has interrupted the decelerating trajectory observed since mid-2018. Furthermore, the prolongation of maturity periods associated to new auto credit and personal credit has continued to be observed.

Banco de Portugal shall continue to monitor the developments in the credit market, appraising, as a factor able to enhance vulnerability, especially in consumer credit, the ongoing increase of maturities in auto credit and personal credit.

The Portuguese banking sector is materially exposed to some asset classes the value of which could be affected in the event of an abrupt and significant revaluation of risk premiums in international financial markets, with potential to negatively affect the profitability and capital of the sector. These assets include real estate assets, exposures secured by real estate and public debt securities, in particular domestic sovereign debt, but also of other European geographies whose values show high correlation in markets. Concerning public debt, not only has there been an increase of exposure to these securities, but also an extension of their maturities and average duration, which implies greater sensitivity to market risks. Moreover, the majority of these assets are stated at fair value, with impact on capital. Therefore, notwithstanding the more favourable regulatory treatment of this exposure, it is crucial for banks to have suitable capital buffers for the possible materialisation of this risk, which could also be mitigated by the adoption of hedge mechanisms.

[18] Financial Stability Report – December 2019

With respect to the exposure to assets of real estate nature or backing, it should be noted that the evolution of prices in the real estate market has benefited from the strong dynamics of tourism and direct investment by non-resident, thus continuing to increase market sensitivity to the action of non-residents. It should also be noted that, in the more recent quarters, there is continued evidence of overvaluation in residential real estate in aggregate terms, which advises particular prudence in carrying out operations that have assets of this nature as security, where it should be ensure that the credit granting criteria are appropriate to the risk incurred.

Additionally, banks should adjust their business models, in particular via investment in digitalisation, in order to remain technologically efficient and competitive, especially in view of the entry of new participants in the financial intermediation activity (Bigtechs). Reflecting not only the technological developments associated to the access, maintenance and management of information, but also regulatory changes, this investment will be an essential route to the preservation of the utility of the traditional operators for customers of financial services and, accordingly, the value of their activity. The strengthening of investment in information technology could be complemented by the development of partnerships with the new players that could add value to the development of the activity, by making the most of economies of scale, experience and range. Technological security aspects should be protected appropriately (minimising cyber risk, more likely to occur in the new context, where communication and information technologies will become increasingly prominent), as well as risk management in general and internal control.

Likewise, the adequacy of the internal control systems allocated to the prevention of money laundering and terrorist financing is extremely important. In this context, special reference is made to the completion, expected to be soon, of the exercise taking place at a national level, of updating the national assessment of the risks of money laundering and terrorist financing. This exercise should enable a mapping of the main national threats in this sphere, combined with an assessment of the main vulnerabilities and sector controls, based on which response measures shall be defined to correct the detected weaknesses.

Credit institutions, in particular, should pursue cautious policies, both in terms of the control of the risk of their exposures, and with respect to strengthening their capacity to absorb any possible materialisation of the risks referred to above, with implications on the dividend distribution policy.

2.1.3 Regulatory Framework

International and EU framework

Concerning the European Union, note should be made of the implementation of Regulation (EU) 2018/644, of the European Parliament and of the Council of 18 April 2018, relative to **cross-border parcel delivery services**. This regulation, aimed at increasing the transparency of prices and the regulatory supervision of these services, seeks to facilitate the access to public pricing of cross-border delivery service providers, in a specific website for the purpose provided by the European Commission, and grants the regulators more powers to monitor the parcel delivery market. Implementing Regulation (EU) 2018/1263, published on 20 September 2018, established the forms for the presentation of information of information by parcel delivery service providers in this regard, with the collection of the information being carried out by the national regulator. Accordingly, in 2019, the CTT Group companies that provide parcel service submitted the corresponding data to ANACOM.

The Third Extraordinary Congress of the Universal Postal Union (UPU) was held from 24 to 26 September 2019, following the demands of the United States of America for a **review of the terminal dues remuneration for E-format letter-post items** (small packets and large letters), the volume of which has increased significantly, in mail flows generated by electronic commerce over the last few years. The changes introduced, aimed at ensuring the compensation of the destination operator for the costs of sorting and delivering mail derived from other countries, are reflected in an acceleration of the increased terminal costs for these items and the gradual introduction of self-declared rates from 2021 onwards, for most countries. Only countries with a certain volume (very high) of mail could choose to self-declare the rates already on 01.07.2020 (in practice, only the USA could benefit from this exception).

National framework

Under the criteria for price formation defined by ANACOM resolution of 12 July 2018[19], complemented by resolution of 5 November 2018, the proposed **prices of the universal service** submitted by CTT on 17 April 2019 was approved by ANACOM, by resolution of 22 May 2019. The prices inherent to this proposal, which complied with the established price formation principles and criteria, took effect on 4 June 2019.

This update corresponded to an average annual variation of 1.15% in the price of the basket of letter mail, editorial mail and parcel services, not including the universal service offer to bulk mail senders, to which special prices apply.

The **special prices for postal services included in the universal service offer**[20], applicable to bulk mail senders, were also updated on 4 June 2019, following the proposal submitted to the Regulator on 16 May 2019.

Pursuant to the Company's tariff policy for 2019, the aforesaid updates corresponded to an average annual variation of 1.49% in prices, also reflecting the effect of the updating of prices for reserved services (service of legal summons and notifications by post) and for special prices for bulk mail.

Following the audit of the results of 2016 **of CTT's cost accounting system**, on 18 June 2019, ANACOM approved the decision relative to the results of this financial year, according to which this entity considers that new criteria should be identified for the division of expenses between the Company's postal activity and banking activity, determining the reformulation of the cost accounting for 2016 and 2017 in this aspect. CTT delivered the reformulated results relative to these years, as well as the results of 2018, pursuant to the new criteria during the second semester.

Regarding access to CTT's postal network, under the commitments made to the Competition Authority (AdC), on 2 January 2019, an **expansion of the access offer provided to competitive postal operators** entered into force, which essentially consists of: (i) an increase of the mail services covered by the access offer; (ii) the introduction of new points of access to the postal network, more downstream in the postal delivery chain, namely destination production and logistics centres and about 200 CTT destination post offices, whose mail is directly forwarded to the postal delivery centres, for delivery by the postmen; (iii) the introduction of a faster delivery period for some services, in the case of access through the destination post offices; (iv) the possibility of a competitive operator being able to carry out additional sorting tasks; (v) the application of pricing for access to the network lower than that applied to final customers, with differentiated prices according to the access point, mail services and handling tasks carried out by the competitive operator.

On 28 December 2018, following the outcome of the audit to the annual figures for 2016 and 2017 of the quality of the universal postal service, ANACOM decided to determine **alterations to the system of measurement of the Quality of Service Indicators** (QSI), which imply an exacerbation of the costs payable by CTT, related to the hiring of an external entity responsible for the measurement. Having disagreed with the grounds and scope of ANACOM's determinations, CTT filed an objection to the resolution at the administrative courts on 28 March 2019. The new procedures were implemented on 1 July 2019, as stipulated in ANACOM's resolution.

On 11 July 2019, ANACOM applied the **mechanism of compensation due to non-compliance with a Quality of Service Indicator** to CTT, imposing a deduction of 0.06 p.p. to the weighted average variation of the prices of the basket of correspondence, parcel and editorial mail services permitted for 2019 (1.15%). This deduction, of low material significance, is 0.025 p.p. lower than the value initially proposed by ANACOM (0.085 p.p.), and was applied for a minimum period of three months.

On 10 January 2019, ANACOM determined that CTT present a proposal to complement the **goals on density of the postal network and minimum offers of services** in force, with the following reference framework: (i) that the postal establishment that in each municipality should provide the entirety of the concessioned services should be a post office or postal agency with equivalent features; (ii) that the aforesaid postal agency should observe a series

[19] Under number 3 of article 14 of Law 17/2012, of 26 April (Postal Law), amended by Decree-Law 160/2013, of 19 November, and by Law 16/2014, of 4 April.
[20] As amended by article 4 of Decree-Law 160/2013, of 19 November.

of factors in terms of its operation. CTT was notified on 26 August 2019 of the approval of its revised proposal, which it implemented in 60 business day, as determined by the regulatory authority.

To complement the resolution referred to above, on 24 April 2019, ANACOM approved the decision on **prior disclosure, to the users and to ANACOM, of the closure or reduction of the opening hours of postal establishments**, determining that all changes in this regard should be reported at least 20 business days before the date that they should take effect. On 14 June 2019, CTT also presented a request for clarification on the scope of the actions to be reported in this context, which is still awaiting the regulator's appraisal.

Financial sector

A decade after the financial crisis, the regulatory reforms implemented as a consequence of this crisis are practically completed and the agendas of the regulators now seem to be focused on the challenges posed by the technological changes, on the growing concern with security and privacy and with environmental sustainability.

Indeed, although the European regulatory agenda was dominated by Brexit in 2019, the attention of the regulators of the financial sector has also been directed to new areas, in response to the growing digitalisation of the banking sector and consequently to its greater vulnerability to cybercrime, to incidents related to failures in information systems or excessive dependence on service providers under outsourcing arrangements. Concerns related to the prevention of money laundering and terrorist financing also grew in the last year.

At a national level, 2019 started with the publication of the Insurance and Reinsurance Distribution law (Law 7/2019, of 16 January) which significantly changed the legal framework on distribution of insurance and reinsurance, considerably strengthening the series of rules and procedures applicable transversally to the sector, with special impact on the organisation and activity of insurance mediators. A large number of regulatory interventions are foreseen by the Insurance and Pension Funds Supervisory Authority; hence, more novelties are awaited that shall complete this system. It is important to highlight the additional requirements of vocational training, in particular the new requirements of continuous professional enhancement, as well as the reinforcement of the obligations related to the policies of design and approval of insurance products, duties of pre-contractual information and the special duty of the insurance distributor appraising the suitability of the product to the insured person. With respect to investment products based on insurance, a more exacting framework is established, in view of the nature of the products and without prejudice to compliance with the obligations arising from Regulation (EU) 1286/2014 (Legal System of Packaged Retail and Insurance-based Investment Products (PRIIPs)) and Law 35/2018, of 20 July. In the marketing of these products and according to the type of marketing (sale without advice or sale with advice), the mediators should comply with specific duties, identical to those defined in the Markets in Financial Instruments Directive (MiFID II).

A review was also made of the system of mandatory reporting of financial information (Law 17/2019, of 14 February), extending the requirement that financial institutions report, to the Tax Authority, the accounts held by residents in Portugal, when the balance or aggregate value exceeds 50,000 euros at the end of each year.

Regarding the protection of bank deposits, with Law 23/2019, of 13 March, prior ranking is now given to most deposits in relation to all other ordinary credit (it should be noted that the previous system prior ranking only benefited deposits up to the amount covered by the Deposit Guarantee Fund and the deposits of individuals and micro, small and medium-sized enterprises for the amount that exceeded this limit). Thus, the deposits, still classified as ordinary or subordinated, of the so-called "large depositors" now also benefit from prior ranking (although they continue to be classified at a lower level in the credit hierarchy, in case of insolvency, relative to credit due to deposits that currently already benefit from prior ranking). A category of «non-privileged» senior debt has been created, which should have a priority position, in the insolvency hierarchy, higher than that of equity instruments and subordinated liabilities that are not considered equity instruments, but lower than that of other senior liabilities.

The regulatory technical rules of the duties of reporting of financing operations through real estate values (referred to as SFTR) were published in April 2019, and shall enter into force from April 2020.

Concerning outsourcing, the European Banking Authority Guidelines (GL/2019/02) were published and entered into force, specifying the provisions on internal governance, including healthy risk management, that the institutions should implement when outsourcing duties, in particular when outsourcing essential and important duties.

Law 58/2019, of 8 August, was published on the topic of Data Protection, seeking to enforce certain aspects of the General Data Protection Regulation (GDPR), amending the law that regulates the organisation and operation of the National Data Protection Commission (CNPD) and (explicitly) revoking Law 67/98, of 26 June (Data Protection Law). Special reference is made to the fact that the new Law adds various duties to the data protection officer established in the GDPR, namely, "*ensure the conduct of audits, both periodic and unscheduled; raise the awareness of the users on the importance of the time detection of security incidents and on the need to immediately inform the security manager; and ensure relations with the data subjects on issues covered by the GDPR and by the national legislation on data protection issues*".

2019 was also the first year of effective application of the revised Payment Services Directive (PSD2), transposed to Portugal by Decree-Law 91/2018, of 12 November, which approved the Legal System of Payment Services and Electronic Currency currently in force. In this context, the banks completed the development of the Application Programming Interfaces (APIs) that enable access to payment accounts and the initiation of payments of third-party entities, and implemented the new requirements on strong authentication. In this regard, it is important to highlight the postponement of the application of the customer's strong authentication for card-based payments through the internet (following the publication of the Opinion of the European Banking Authority on 16 October), from 14 September 2019 to 31 December 2020, due to the complexity of the adaptations that will need to be done by the card issuers, as well as by the merchants that accept this method of payment in online shopping.

2.2 Strategic Lines

G2
G4
G17
EC7
EC8
G8

We connect people and companies, committed to deliver!

Inputs

Financial Capital
- Management efficiency & focus on results
- Portfolio diversification, enhancing existing networks (distribution & retail)

Human Capital
- Recognition of the +12,000 employees
- Investment in training (+ 251k hours)
- Talent development

Intellectual Capital
- Trusted & proximity brand
- Sector in-depth know-how & experience
- Innovation strategy

Social Capital
- Partnerships & cooperation protocols with institutions
- Volunteers pool

Natural Capital
- Integrated Quality, Environment & Safety policy
- Quality certifications (ISO 14001)

Strategy & Business model

We focus on our stakeholders...

CUSTOMERS

Be **more than just the best logistics partner** of the companies.

Be the **physical and digital site where people can find a variety of services and products** that are **simple, affordable and close.**

Be recognized as a **simpler, closer, uncomplicated bank.**

EMPLOYEES

Build a desirable business project aiming to have in each employee a CTT ambassador, based on the development of our employees, the promotion of the work / family balance and gender diversity, and the continued improvement of labour relations.

SHAREHOLDERS

Be a **top performer in shareholder return** in the European postal sector and the PSI 20, build a **reference shareholder base** and be a **model of transparency** in the relationship with the capital markets.

SOCIETY

Be the **incumbent of a sustainable universal postal service that meets the needs of the population,** be a **trusted brand** recognised by the population and the local authorities, and be a **reference in social and environmental sustainability.**

PARTNERSHIP | VALUE CREATION | PROXIMITY | TRUST

... ensuring excellence in delivery

- **Preserve the value of the Mail business**
- **Consolidate our Iberian position, leading in Portugal and growing in Spain**
- **Be one of the largest non-specialised retail networks in Portugal**
- **Be an innovative and fast-growing banking operator**
- **Develop new businesses, promoting the diversification of profits**

GROWTH | DIVERSIFICATION | EFFICIENCY | INNOVATION

Outputs

+ value for customers: services and quality

+ innovation

+ value for shareholders: financial strength

valuing and training the employees

+ trust and proximity to citizens, contributing to their development

contribution to a more sustainable ecosystem: environmental responsibility

ensure the USO and other CTT awarded services

cultural and digital transformation

2.3 Sustainable Development Goals

The United Nations Sustainable Development Goals (SDG) have become an essential work instrument for companies, as they work as guidelines to support them in the definition, implementation, communication and reporting of their strategies, goals and activities. The SDG has 17 priority topics identified and endorsed by 190 countries at a global level, for the preservation of the planet and the dignity of human beings.

Apart from aligning its environmental management strategy with the priority SDG for the sector, derived from a study of the IPC (International Post Corporation), CTT mapped and prioritised the SDG for its value chain[21], using SDG Compass methodology developed by the WBCSD, UN Global Compact and GRI.

The SDG that could contribute to fostering positive impacts or mitigating/preventing negative impacts were identified and allocated to each phase of the value chain, taking into account the risks and opportunities.

CTT has joined the A New Deal for Europe: a Europe with a shared sustainable vision for its future initiative launched by PostEurop, which seeks to contribute to a more sustainable Europe, by achieving the SDG. The CEO is committed to boosting the development of CTT's business in a more sustainable manner, supporting the fight against climate change, the pursuit of carbon neutrality, the preservation of biodiversity and the promotion of fairness and social inclusion.

The majority of these goals are already incorporated in CTT's activities and programmes, in various aspects, and feature in the table on Sustainability Commitments (Annex III). Consultation of the SDG Compass corporate indicators supported the identification and choice of CTT's specific indicators and goals, listed below, merely for illustrative purposes .

LA6
SO4
EN19
EN27

3 GOOD HEALTH AND WELL-BEING — **Good health and well-being** Focused on road accident goals Reduce accident rate by: 5% Fatal accidents: 0	**4 QUALITY EDUCATION** — **Quality education** Focused on training goals Volume of training: 316 thousand hours Training effort rate: 1.45%
7 AFFORDABLE AND CLEAN ENERGY — **Affordable and clean energy** Focused on renewable energy and energy efficiency goals Acquire 100% of electricity of renewable origin Improve the efficiency of CTT's own fleet in 2018-2020: 5%	**8 DECENT WORK AND ECONOMIC GROWTH** — **Decent work and economic growth** Focused on goals related to labour conditions and access to financial services Increased satisfaction with working conditions Expand the banking business
11 SUSTAINABLE CITIES AND COMMUNITIES — **Sustainable cities and communities** Focused on electric mobility Expand the electric fleet Test more ecological fleet solutions	**12 RESPONSIBLE CONSUMPTION AND PRODUCTION** — **Responsible consumption and production** Focused on the eco portfolio "Green" Mail offer Express offer, carbon offsetting

[21] CTT has identified various value and supply chains for its business activities that are distinctive from one another. In this exercise, the value chain of the postal, express and parcels business was adopted, due to being one of the most significant.

Climate action

Focused on carbon management, Compliance with international norms and Environmental education

Reduce emissions per postal item between 2013 and 2025: 20%

Train employees in eco-efficient driving: 320

Peace, justice and effective institutions

Focused on anti-corruption and bribery, governance and ethics, and engagement with stakeholders

Extending de training on the Code of Conduct: 1,000 employees

Training on the Code of Conduct for Prevention and Combat of Harassment at Work: 2,000 employees

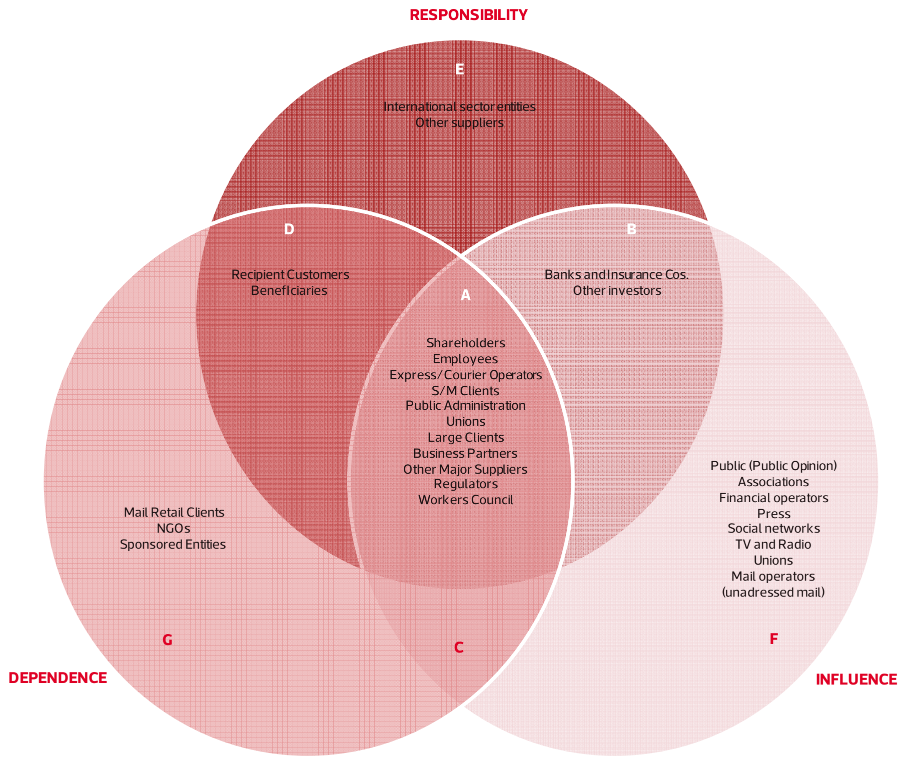
Hold periodic meetings of the Sustainability Committee

Promote communication segmented by stakeholders

2.4 Analysis of Materiality

The analysis of materiality reflects inputs derived from the last exercise of hearing the stakeholders, conducted by CTT in conformity with the guidelines of Standard AA1000SES. This enabled the mapping, identification of the relevant topics and critical stakeholders of the Company, and consequently the definition of the stakeholder engagement strategy, which has been applied systematically. A new exercise was started in 2019 which will be completed during 2020, with the expected identification of critical new topics, in order to enable CTT's proper positioning in relation to these stakeholders' needs and perceptions.

Mapping of the Stakeholders



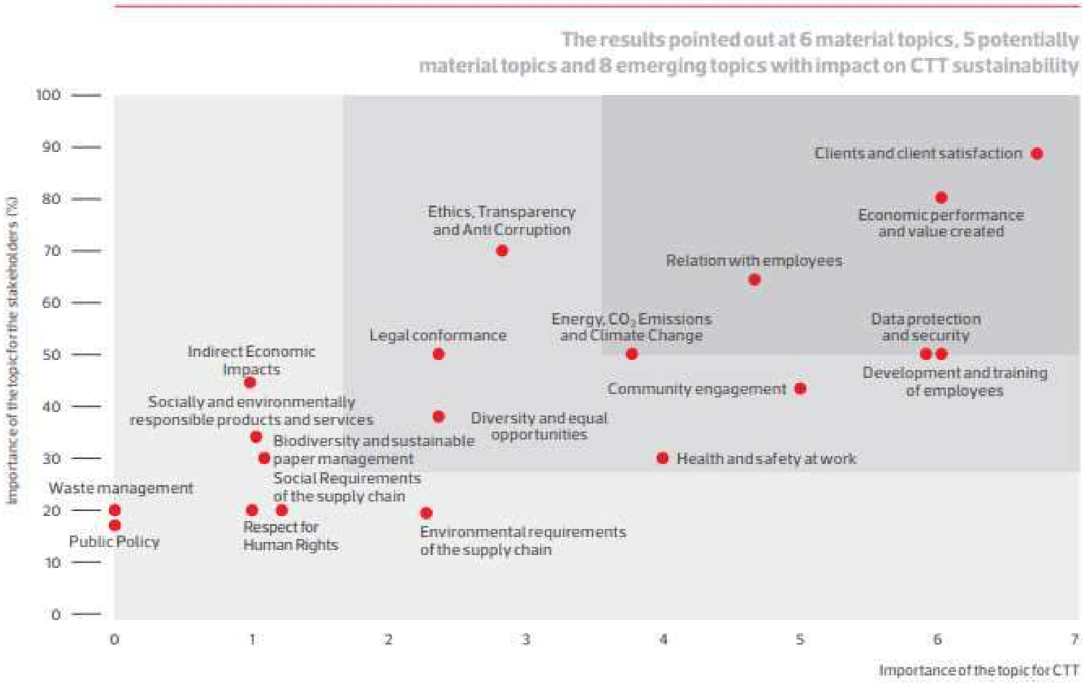
Source: Hearing of stakeholders - PWC

The materiality matrix and material topics

The resulting matrix for the year positioned the critical needs in a different way, pointing to the need for a greater focus on these and others. This has been an instrument of support to the senior management in the decision-making process and definition of priority action on matters of sustainability.

The hierarchisation of the topics took into account the relevance criteria indicated by AA1000SES - *Stakeholder Engagement Standard* (relationship with commitments or policies, financial effects in the organisation, legal compliance and benchmark analysis), supplemented with an assessment of impact against probability of occurrence. The perceptions and points of view of the stakeholders were crossed with the management's vision, gave rise to the materiality matrix. G25

Materiality Matrix



Source: Hearing of stakeholders - PWC

The results of the materiality analysis and the level of criticality attributed to the different topics are reflected in the selection of the contents of the present report and in the emphasis given to them. However, we continue to present data on other issues that are less critical, due to considering them pertinent to the presentation of our accounts, to engagement with the stakeholders, and to contribute to the achievement of the SDG, which is the case of sustainable marketing, biodiversity and equal opportunities, among others.

G19

Material topics	Potentially material topics	Emerging topics
Customers and customer satisfaction	Ethics, transparency/anti-corruption	Indirect economic impacts
Economic performance	Legal compliance	Environmentally responsible products and services
Energy, CO_2 emissions and climate change	Engagement with the community	Environmental requirements of the supplier chain
Relations with employees	Diversity and equal opportunities	Biodiversity and sustainable paper management
Employee development and training	Occupational health and safety	Waste management

Data protection and security		Respect for human rights Social requirements of the supplier chain Public policy

The stakeholders were requested to comment, irrespective of the relevance of the topics, on the respective performance. The results of the exercise, in line with other polls, studies and surveys conducted among customers and the population in general revealed that CTT has a strong presence in the market and that the stakeholder's perception of the Company's responses and adopted measures is in general very favourable. All the suppliers and partners consider that CTT shows a clear vision of its responsibilities in the economic, social and environmental pillars, followed by 92% of the employees, 75% of the capital market, 66.7% of the community and 58.3% of the customers. G20 G21

The opportunities for improvement identified strengthening communication on sustainability activities carried out and focus on segmented communication, in particular to the capital market and customers.

2.5 Stakeholder Engagement G37

The different forms and means of engagement used have been reflected in practice in regular actions of consultation, dialogue and monitoring of stakeholder needs and satisfaction, such as through surveys, answers G26 in writing to institutional investors, research analysts, other investors and public in general, in-house meetings with customers, market analysts and investors, shareholders, hosting of visits, conferences, working parties, panels, newsletters, release of privileged information, reports, qualifying holdings relative to transactions and acquisitions and other types of external and internal communication which the Company undertakes in its daily activity.

The hearing of stakeholders carried out previously continued to support us in the definition of the stakeholder engagement strategy and to identify stakeholders that could benefit from stronger communication. The hearing exercise underway will enable us to update and refine our strategy of engagement with critical stakeholders.

The communication channels, the most common approaches and some of the measures implemented during this year to meet stakeholder expectations are listed below. CTT's objective is to establish effective, permanent and transparent engagement with its stakeholders, reinforcing all forms and channels of hearing and G27 involvement.

Table 1 – List of stakeholders and forms of engagement

Critical stakeholders	Expectations and needs	Forms of communication with stakeholders and their hearing	Measures adopted
Shareholders and Investors	Provision of clear, transparent and timely information that enables knowing the Company's evolution and its economic, financial and governance Management alignment with shareholder guidelines	Quarterly, half-yearly and annual reporting presented in a rigorous, reliable and consistent manner through submission of press releases, half-yearly and annual reports and financial statements disclosed on the Company and CMVM websites Participation in conferences, roadshows, meetings and video conferences with investors and market analysts Clarification of shareholders and other investors through the telephone line and mailbox provided for the purpose	Dividend Payment Social and environmental initiatives and investments Ongoing communication with market analysts, seeking to increase the number of analysts that cover the CTT shares Maintenance and deepening of engagement with the stakeholders through participation conferences, roadshows, meetings, video conferences and webcasts to disclose results and communicate management guidance in relation to the business strategy Participation in business environment and sustainability ratings
Regulators	Quality of service of the Universal Postal Service Prices of the Universal Postal Service Criteria for density of the postal network and minimum service offers Compliance with market competition rules	Information on services Participation in hearings and/or public consultations of draft decisions Regular reporting of indicators Regular answering of requests for information and clarifications	Procedure for collection and organisation of information for compliance with reporting requirements Compliance with the universal service obligations on matters of quality, prices and network coverage Maintenance of a cost accounting system and calculation of the net cost of the universal system (CLSU) Monitoring of the application of Community and national principles and rules on market competition Answering of requests for information of the Regulators
Other Legal Authorities	Audits Clarification meetings Legislative compliance	Company best practice Company strategy Ethics and transparency Regular reporting	Regular provision of information Compliance with the legal and contractual requirements

G24
G27
G26
G37
G50

Critical stakeholders	Expectations and needs	Forms of communication with stakeholders and their hearing	Measures adopted
Customers:	Best products at accessible prices, i.e. better quality/price relationship Reliability and trust Convenience Satisfaction Flexibility and customisation Security of postal items (accountability) Security of the banking operations Geographic coverage and accessibility Responsibility and environmental image Closer and more frequent relations (newsletters, portals, focus groups, satisfaction assessment studies, etc.)	Information campaigns Personalised and permanent communication After-sales actions Advertising and accessibility of the information Proactive management of failings Call centre /attendance lines Key Account Managers, managers of large accounts and customer managers Market studies Regular surveys on delivery and counter service services Decentralised meetings of the Management with customers	Improved customer satisfaction Launch and reformulation of new customised business solutions 212 Banco CTT branches Environmentally more responsible operating model (fleet and buildings) Studies on the adequacy of the offer of products and services Consolidation of the ecological portfolio (products and services)
Competitors	Participation in initiatives of common interest Sector benchmarking Provision of access to the network	Participation in forums Participation in benchmarking exercises Representation in bodies of the postal sector	Compliance with market rules Intervention in joint projects, in the context of sectoral bodies
Employees	Stability (employment security, wage, social protection) Adequate remunerations Opportunities for career development and professional progression Good working conditions Recognition of merit Participative management Maintenance of social support measures Equal opportunities and management of the diversity Better work-family balance Retirement conditions	Information in due time Personalised communication through the leadership/dialogue chain Team meetings Written internal communication (magazine, thematic newsletters, electronic formats, letters, intranet) Training Forums Systems for suggestions Surveys	Widespread disclosure of work-related information Continuity of the Hygiene &Safety programme Assessment of working conditions Modernisation and renovation of infrastructure and equipment Training on safe/defensive/ecological driving 88% of the employees covered by training Participation in the INOV+ programme Companies for Gender Equality Trainee programmes Integration of trainees in voluntary work projects

Critical stakeholders	Expectations and needs	Forms of communication with stakeholders and their hearing	Measures adopted
Unions/ Workers Committee	Respect for their opinions/positions Transparent negotiation Consultation on matters of corporate responsibility Participation in collective bargaining and contracting processes Compliance with Public Service Obligations Maintenance of social support measures to the employees and their family	Monthly and/or extraordinary meetings with the senior management Meetings with Union Organisations and Associations Representing Functional Groups, whenever necessary Relevant communication management	Review of the Company Agreement salary component signed 90.4% of the employees covered by collective bargaining agreements G11 Pay increase of 0.8% to 1.2%, with minimum increase of €10 Harmonisation of work hours
Suppliers	Equal opportunities and transparency (clear rules) Compliance with payment and other deadlines Increased volume of new supplies Tightening of relations Recording of suppliers for the different procurement categories Qualification of suppliers Assessment of suppliers	Information and communication of company projects Sustainable procurement policy – contractual clauses Regular communication on non-compliance in supplies – opportunity for improvement Electronic platform	High standards in social, human rights and environmental requirements Eco-friendly Procurement Policy – compliance with the objectives Participation in the development of new products/services and improvement of those existing Invitation of suppliers to meetings for presentation of products/services provided Implementation of an electronic platform
Media	Access to reliable and relevant information Communication to the market	Media Advisory (direct contact with the media) *Press Releases* Press conferences Presence in the social networks Reporting	Disclosure of information on the services, projects, results and other aspects of corporate life
Community	Compliance with Public Service Obligations Proximity/presence in the field Stimulation of the local economy Capacity of communication/dialogue with local partners Accessibility to the services Good corporate citizenship, in social and environmental terms	Direct/personalised information CTT website Presence in the local and national press and social media Direct contact with the postman and counter service personnel Awareness-raising on the topic of sustainability with 11 philatelic issues and book edition, among other items. Topics: culture, biodiversity, environmental and historical personalities (printing of 3.6 million items)	Support to social inclusion: - 95% of accessibility to post offices by people with reduced mobility - collection of donations through Payshop agents - 22 voluntary work initiatives Renovation of CTT post office premises Environmental programme – reduction of energy consumption and emissions

Memberships and significant participation | G16

In the context of the Company's sustainability strategy, CTT is a member and develops joint activities with BCSD Portugal (Business Council for Sustainable Development), APQ (Portuguese Association for Quality), APCE (Portuguese Association of Corporate Communication), APEE (Portuguese Association of Business Ethics) and APVE (Portuguese Electric Vehicle Association).

CTT is also a member of APDC (Portuguese Association for the Development of Communication), APAN (Portuguese Advertisers Association), ICAP (Civil Advertising Self-Discipline Agency), COTEC (Business Association for Innovation), APEL (Portuguese Association of Publishers and Book Sellers), IPAI (Portuguese Internal Audit Institute) and IPCG (Portuguese Corporate Governance Institute), among others.

As a founding member of the Universal Postal Union (UPU), CTT is present in a number of other affiliated organisations such as PostEurop (Association of European Public Postal Operators), UPAEP (Postal Union of the Americas, Spain and Portugal), Euromed (Postal Union of the Mediterranean) and AICEP (International Association for Portuguese Expression Communications). | G15

CTT was elected in 2016 to represent Portugal, for four years, at the of Postal Operations Council of UPU and as member of the Board of Directors of PostEurop, for three years. In this body, CTT holds the position of Vice-Chairman of the Environment working party and Chairman of the Innovation Forum. CTT is also a member of IPC – International Post Corporation.

2.6 Corporate Ethics

Training actions in e-learning format on the contents of the Codes of Conduct ("CTT and Subsidiaries" and "CTT and Bank") and "Code of Good Conduct for the Prevention and Combat of Harassment" were successfully completed by 670 and 1180 employees, respectively, this year. | G57

The activity of the Ethics Committee, in addition to monitoring the communications received in the existing channels on any breaches of the Code of Conduct, or forwarded by the Audit Committee (CAUD), under the procedures established for the communication of irregularities (whistleblowing), focused on monitoring the indices of training on the CTT and Subsidiaries Code of Conduct and the Code of Good Conduct for the Prevention and Combat of Harassment at Work, as well as the analysis of indicators on the evolution of cases in disciplinary and work-related litigation areas related to topics of harassment, equality and non-discrimination, loyalty, secrecy, confidentiality and data protection, external activities and conflicts of interest, and other rules of conduct.

The responsibility for the technical support provided to the Ethics Committee relative to the operationalisation of the system of communication of irregularities / whistleblowing is entrusted to the Audit and Quality Department, which assures the confidential handling of the received communications and assures the principle of non-retaliation in relation to the persons reporting irregularities. | G58

Procedures are defined for the communication of irregularities (whistleblowing) elated to non-compliance with rules on conduct, which are appraised and decided upon by the Ethics Committee, which also ensures the handling of irregularities which, under the Regulation on Procedures for Communication of Irregularities (RPCI), are conveyed by the Audit Committee for analysis and confirmation of sufficient grounds to investigate.

In 2019, the Ethics Committee received 10 communications that were appraised and decided, with a view to assessing any irregularities related to non-compliance with rules on conduct and combat of harassment. Six were closed as they did not fall within matters of ethics/conduct, and the other six were analysed by the competent service. Under the RPCI no cases were received for handling.

We also highlight the activity developed by the Compliance division which, under the provision of financial services and following the application of current procedures regarding the identification and reporting of suspicions of money laundering and terrorist financing, 136 reports were made to the entities laid down in current legislation (DCIAP - Central Department for Investigation and Penal Action and UIF/PJ - Financial Intelligence Unit of the Criminal Investigation Police), covering financial service operations provided by CTT that came to approximately 9 million euros.

Also in this context, special note is made of the new training action ministered during the year (in e-learning format) on prevention of money laundering and terrorist financing, prevention of money laundering and terrorist financing, developed in coordination with the IFB (Portuguese Bank Training Institute) aimed at the employees more directly involved in the marketing of financial products, which was attended by 2,283 employees. **SO4**

Procedures are in force at the Company to identify active and passive perpetrators of situations of bribery and corruption with a view to their placement within the legal-criminal system. In this context, accusations and claims are investigated and an analysis is made of procedures and practices which may lead to or represent irregular or corrupt behaviour. **SO5**

As a result of the audit and inspection actions, 121 CTT post offices, 81 CTT access points and 87 postal delivery offices were audited, representing, respectively, 22%, 23% and 40% of the eligible total number., CTT access points correspond to customer service units with transactions with an average remuneration equal to or above €200/month. Following the investigations prior to disciplinary hearings, there were 5 unilateral terminations of employment contracts.

All the operations of Banco CTT are submitted to risk assessment. The customers and transactions made are analysed according to the risk they might represent in terms of use of Banco CTT for purposes of money laundering or terrorist financing (which includes the crime of corruption). **SO3**

The relevant relations with financial and non-financial counterparts are also subject to a due diligence process which seeks to prevent the conduct of business with entities that show risks of money laundering or might represent reputation risks, due to being involved in financial crimes or associated to practices of corruption.

No cases of fraud or other offences were recorded. Banco CTT has an Anti-Money Laundering and Terrorist Financing Policy (PBCFT) and a series of processes and procedures aimed at assuring compliance with the legal requirements and mitigating the risks of Banco CTT being used for these purposes. Annually, a team of external auditors makes an assessment of the processes and procedures and conducts effectivity tests. No significant risks were detected in relation to corruption in the assessments carried out. **G47**

Compliance with ethical requirements

CTT was charged with a €2,131.94 fine pursuant to laws and regulations relative to products and services. The Company was not the object of any lawsuits in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations. **PR9 SO7 EN29 SO8**

There were 410 occurrences/proceedings relative to non-compliance with labour laws and regulations, with 64 having been resolved in addition to 361 of previous years. **LA16**

CTT assures the safeguarding of the Company's responsibilities on legal matters and complies with the Code of Advertising and Marketing Communication Practice of the ICC (International Chamber of Commerce), being represented at and a member of ICAP (Civil Advertising Self-discipline Agency) and APAN (Portuguese Advertisers Association). CTT complies with codes/regulations, such as the Code of Conduct on Advertising Matters and the Code of Fair Practices on Environmental Advertising, among others. CTT abides by the self-discipline that the industry impose upon itself, with the objective of ensuring, quickly and efficiently, respect for the rules in advertising communication. **G16**

The Company's Code of Conduct is clear in relation to marketing and advertising practices, with compulsory disclosure of correct and accurate information on the marketed products and services, namely their technical characteristics, after-sales assistance, prices and payment terms.

ANACOM (National Authority on Communications) is responsible for the regulation and supervision of the postal sector. CTT's activity, as a universal postal service provider, is annually subject to two types of audits: G35

- Audit of the quality of service indicators and information request system of CTT to verify the reliability of the results and adequacy of the methodology for determining the quality of service levels. Following the audits relative to 2016 and 2017, completed in 2018, ANACOM made adjustments to the system of measurement of quality of service indicators, implemented on 1 January 2019. The audit relative to 2018 is still underway.

- Audit of CTT's cost accounting system, to check the conformity of the system and the obtained results, as well as compliance with national and international rules, standards and good practices. On 18 June 2019, ANACOM approved the decision relative to the results of this financial year, according to which this entity identified new criteria for the division of expenses between the Company's postal activity and banking activity, determining the reformulation of the cost accounting for 2016 and 2017, in this aspect. CTT delivered the reformulated results relative to these years, as well as the results of 2018, pursuant to the new criteria during the second semester, and is awaiting the completion of the audits.

2.7 Risk Management

G47

2.7.1 Description of the risk management process

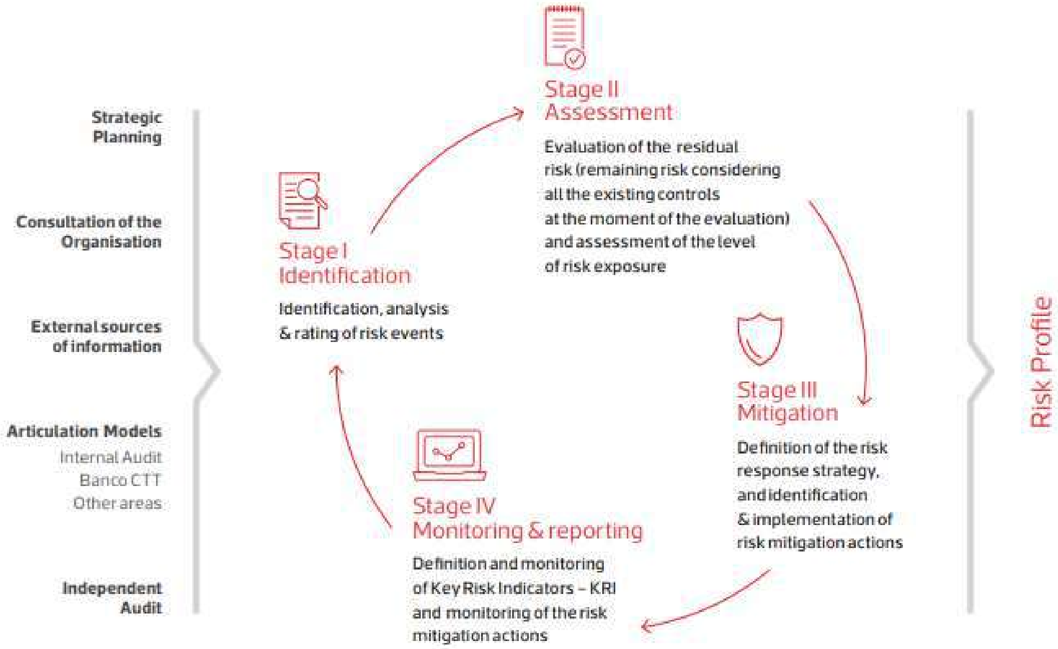
The risks arising from the activity of CTT and its subsidiaries are managed pursuant to the manner described in the **Regulations of the Risk Management System** approved by the Board of Directors. This document, in addition to establishing guiding standards, principles and procedures for Risk Management, 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 of 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:

Risk management

Integrated Risk Management System



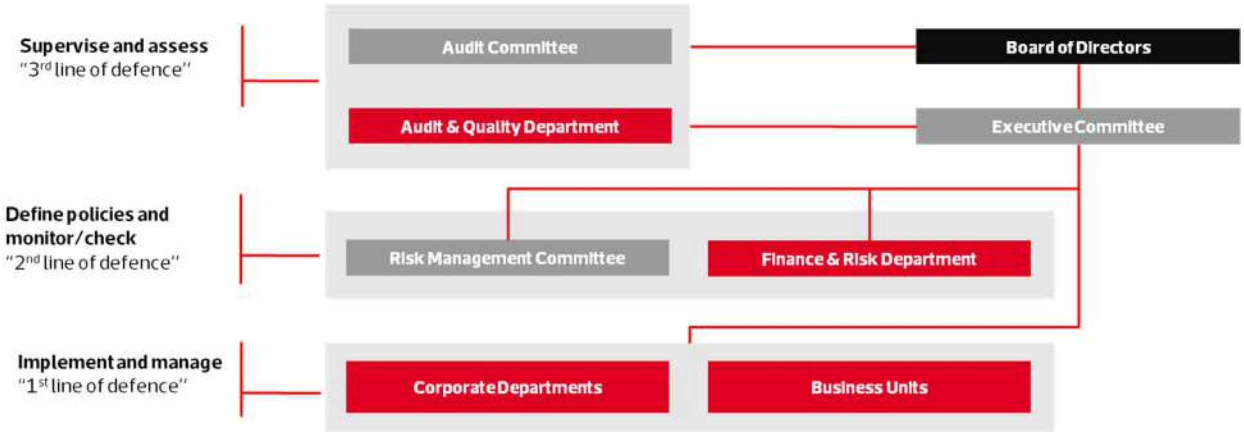
The risks identified during Phase I are assessed in Phase II according to qualitative and quantitative criteria in terms of probability of occurrence, impact and speed of materialisation of the effect, pursuant to the guidelines established in the Regulations of the Risk Management System.

The **level of exposure to risk** arises from the combination of its probability and impact. During Phase 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. | SO3

The evolution of CTT's main risks (those with higher level of exposure) monitored in Phase IV through **Key Risk Indicators (KRI)**. The KRI operate as a barometer of CTT's current level of exposure to risks, warning, in due time, of possible changes of the probability of occurrence and/or impact of the risk event. Each KRI as 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 maximise the efficacy of the KRI, action plans are defined *a priori* with specific mitigation measures whose implementation is conditioned to the surpassing of the defined tolerance levels for the KRI. | G45 | G46

Governance Model

At CTT, risk management and control are undertaken by the entire organisational structure, involving the top management down to the more operational levels, through a model of "3 lines of defence" based on Audit and Internal Control best practice: G45 G46



The **Board of Directors** approves CTT's main risk policies and guidelines, defining its profile and objectives on risk-taking matters and creating systems for their control. CTT assesses the efficacy of the risk management system on an annual basis, with a view to ensuring that the risks effectively incurred are consistent with the defined objectives. G47

The **Audit Committee** supervises and appraises the risk management policies and system, and may propose measures to the Executive Committee aimed at improving their functioning. It also monitors and appraises the profile and objectives on matters of risk-taking, the levels of exposure to risk and the mitigation measures in this context. G45

The **Executive Committee** approves CTT's risk profile and levels of exposure to risk, as well as the models, processes and procedures for risk management, in addition to the proposed mitigation initiatives, ensuring their implementation and taking into account the terms and objectives defined and approved by the Board of Directors.

The **Risk Management Committee** supports the Executive Committee in the process of preparation and approval of the risk management strategies and policies, monitoring their implementation.

The **Finance and Risk Department**, directly dependent on the Executive Committee (hierarchically reporting to the Chief Financial Officer ("CFO")), is responsible for the centralised coordination of the risk management system of CTT and the planning and implementation of risk management programmes supported by the Company's Regulations of the Risk Management System.

The **Audit and Quality Department** assesses the quality and efficacy of the Risk Management system and identifies and characterises risk events under the audit activities carried out.

All the remaining **corporate departments** and **business units** operationalise the approved risk management policies and procedures, and propose mitigation actions for the main risks identified.

2.7.2 Identification of risks (risk matrix) and CTT response

G2

The main risks faced by CTT during the implementation of its strategy and business processes are described in the following table. For each risk, its rationale is presented, its applicable classification, the business segments affected, a brief description of the mitigation strategies implemented, the trend of evolution in relation to the previous year: G14

Business affected	Evolution	Risk rationale	Mitigation	
		Competition **Category:** Strategic **Sub-Category:** Competitiveness Although no new operators emerged in the market in 2019, the competitive pressure on the CTT Postal business remained strong. In the Express & Parcels business, e-commerce continues to boost market growth, making it increasingly globalised and attractive to the entrance of new players. In this context, CTT might not have sufficient response capacity and agility in relation to the offers of the competition, and could thus lose customers or be forced to lower its prices.	As a modern company, attentive to the market and to customer needs, CTT continues to focus on the development of products that integrate its existing skills and assets, continuously innovating its portfolio, adjusting its pricing ad seeking to explore emerging market niches. With a view to boosting the Express & Parcels business and, in particular, e-commerce, CTT launched Dott marketplace , in 2019, arising from a partnership with Sonae, and the CTT Now service to meet the need for rapid deliveries in up to 2 hours in Greater Lisbon. CTT also made important agreements with Amazon for non-exclusive delivery of parcels in Portugal and with Santa Casa da Misericórdia for delivery of social gambling to the establishments of its network of mediators.	G4 EC7
		Iberian CEP (Courier Express and Parcels) challenge **Category:** Strategic **Sub-Category:** Competitiveness The CEP market in Spain is eight times larger than the Portuguese market and is growing faster than the Spanish economy (six times larger than the Portuguese) driven by e-commerce. Although CTT maintains leadership in last mile delivery in Portugal, an important presence in Spain is fundamental to strengthen CTT's business, especially as the cross-border flows are also very significant and growing in both countries. If CTT is unable to consolidate its position in the Iberian CEP market, and as this is a crucial driver of growth in response to the decline of the traditional postal business, the effects on its results will be fairly adverse.	CTT's strategy for the Express & Parcels business aims to develop and consolidate its positioning as a strong reference Iberian operator, with an integrated operation in Portugal and Spain. Accordingly, a plan of investment in CTT Expresso Spain is underway, with the aim being for the operation in Spain to begin showing profit from 2021. In addition to the rebranding this turnaround plan foresees strong investment in reinforcement of equipment with a view to achieving higher levels of automation and, consequently, efficiency and control of delivery. The plan will be managed by a team with extensive knowledge and experience in the sector, hired for this very purpose.	EC7 EC8
		Operational Transformation Plan **Category:** Strategic **Sub-Category:** Competitiveness At the end of 2017, CTT presented the market with an ambitious Operational Transformation Plan focused on the postal business, in order to improve its profitability, strengthen quality of service and lend support to the Company's transformation in the medium term. Risk arises from the possibility of the plan's objectives not being reached, namely impact on EBITDA.	In order to strengthen the focus on the implementation of the Operational Transformation Plan, CTT has operated an implementation and governance model with ongoing involvement of the Executive Committee and follow-up by the Board of Directors, through the Implementation Monitoring Committee of the Implementation led by the Chairman of the Board of Directors and Non-Executive Directors, including the Non-Executive Director representing the shareholders. CTT will continue to implement the Operational Transformation Plan, with a view to surpassing the savings goals previously announced to the market, which were once again achieved in 2019.	G45
		Public image **Category:** Strategic **Sub-Category:** Brand/Reputation CTT's image and reputation and the confidence and trust of the 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 could give rise to materially adverse effects on the Company's business and results.	Aware of the challenges of current communication and the imperative need to defend and preserve its image among its key stakeholders, CTT has maintained its priority on communication focused on proactiveness, anticipation, clarity and positivism.	G26

Business affected	Evolution	Risk rationale	Mitigation	
		Performance of Banco CTT **Category:** Strategic **Sub-Category:** Competitiveness Banco CTT is a recent bank operating in a very competitive atmosphere. In this context, the adoption of appropriate strategies and the agility in adapting them according to the evolution of the surrounding environment and the identification of new opportunities are vital. Any deviation from the business plan could negatively affect the Group's net profit.	Banco CTT actively manages its strategic risk through continuous reviews of its business plan according to the evolution of the actual business, economic and competitive changes and of market conditions. In 2019, Banco CTT completed the acquisition of the entirety of the share capital of 321 Crédito. This acquisition was part of Banco CTT's development strategy, introducing a new business line, generating funding synergies and optimising the consolidated balance sheet through a significant increase of the loan portfolio and loan-to-deposit ratio from about 30% to more than 70%.	EC7 EC8
		Cybersecurity **Category:** Operational **Sub-Category:** IT In view of the increasingly stronger dependence on information technologies in CTT's business lines, the security and protection of information is a very critical issue. In addition to deliberate or unintentional behavioural failures of CTT employees or third parties, nowadays there are grounds to be particularly concerned about the growth in terms of volume and sophistication of cyber-attacks to companies and even States. If CTT should be the target of this type of crime, it could have to face disruptions in its activity, unforeseen costs, loss of sensitive data, application of penalties and/or high reputation damages.	CTT has invested in its information security solutions, strengthening standards of robustness and quality, and implementing control procedures and tools to identify vulnerabilities and threats. Training actions are carried out regularly aimed at enhancing the culture and attitude of extra protection of information in the entire Company. Banco CTT has developed a security programme to assure the privacy of sensitive data of its customers and to defend the infrastructures, systems and other critical assets against threats of fraud, cybercrime, theft or loss of information	G26
		Universal Service performance goals **Category:** Strategic **Sub-Category:** Regulation / Universal Service As a provider of the Universal Postal Service, CTT is required to comply with a series of quality of service parameters. The new table of indicators to which CTT is now subject in 2019 is much more exacting than the previous, not only because the number of indicators has increased (more than doubled, a trend contrary to the observed at a European level) but also because goals have been established that are overly ambitious and in some cases statistically unachievable. Non-compliance with the quality of service indicators by CTT will be reflected in the application of the compensation mechanism for users, which consists in deduction of the price variation permitted in the following year.	CTT is committed to providing a high-quality postal service, in accordance with best practice at a European level, with reference to proportional and feasible goals, adjusted to the needs of the users. Considering that the approval of the new quality parameters and performance objectives of the Universal Postal Service is disproportional and inappropriate, going far beyond current practices and European trends in this matter, CTT has requested the declaration of invalidity of the decision of the Regulator (ANACOM), via arbitral and administrative action.	G27
		Occupational accidents **Category:** Operational **Sub-Category:** Human Resources CTT's business is labour intensive and requires a large number of employees, especially in the operational areas. Despite the ongoing effort to prevent occupational accidents caused by road or other incidents, the occurrence of occupational accidents is a latent problem and constitutes a significant risk in such a huge labour force.	Under its Occupational Health and Safety Policy, CTT is committed to ensure that all its employees have safe conditions in all aspects of their work, with a view to preventing injuries and health problems. About 90% of occupational accidents occur in the operational areas; therefore, this is where most effort has been concentrated in reducing accident rates, namely through recurring awareness-raising campaigns and specific training actions.	G27
		E-substitution **Category:** External **Sub-Category:** Macro-trends The intensification of the phenomenon of digitalisation and replacement of physical mail by other forms of digital communication have led to a continuous decline of postal volumes. The postal market has lost more than 50% of its addressed mail volumes since 2001. In recent years there has been an increased speed of decline, with the trend having exacerbated in 2019, exerting pressure on CTT's operating revenues which are still very dependent on the Mail business.	In order to respond to the systematic fall of addressed mail volumes, CTT has progressively focused on diversification of the business, particularly driven by Express & Parcels and Banco CTT. At the same time, the main objective of the implementation of the Operational Transformation Plan is the restructuring of the postal business, seeking to adjust the fixed cost structure to medium term needs, maintaining high operational standards. In 2019, CTT also joined the launch in Portugal of the Keep Me Posted initiative – The Citizen's Right to Choose aimed at promoting the freedom of choice of citizens in relation to physical or digital formats of correspondence.	EC7

Business affected	Evolution	Risk rationale	Mitigation	
		Regulatory changes **Category:** External **Sub-Category:** Political As a Universal Postal Service provider, CTT operates in an intensely regulated environment, and is subject to a significant number of legal and regulatory requirements relative to the pricing regime, parameters of provision of the Universal Postal Service and quality of service. The alteration of these requirements, of their application or interpretation could lead to a significant increase of the costs associated to their compliance and consequent adverse effect on CTT's results. Also in terms of the configuration of the aspects of execution of the future Universal Postal Service concession contract, we cannot exclude the possible aggravation of the level of exigency and complexity of the conditions and requirements that may be defined and presented, that, in a scenario in which CTT continues with the mission of providing a public service, would represent an additional risk.	CTT is ruled by the conduct of active regulatory management, able to drive the sustainability of the Universal Postal Service. For this reason, regulatory certainty and predictability are essential conditions for the provision of a public service with high levels of quality and proximity to the population. In 2019, disagreeing with the grounds and scope of the measure, CTT resorted to the administrative courts to contest a deliberation of the Regulator on changes to the system of measurement of the quality of service indicators. Under the preparation of the new contractual framework of the Universal Postal Service concession, CTT participated in the Public Consultation promoted by ANACOM and requested by the Government to gather contributions on the terms and conditions that should be associated to the provision of the Universal Postal Service, its specifications, the need to nominate a Universal Postal Service provider in its different components, and the interest of postal operators in providing this service.	G27
		Extreme climate phenomena **Category:** External **Sub-Category:** Disasters The increased frequency and severity of extreme phenomena associated with climate change, such as droughts, floods, cold or heat waves, have become a major concern of societies at a worldwide scale. The risk to CTT arises from the potentially devastating effects caused by the occurrence of this type of phenomena and the direct economic losses derived thereof.	The damages (human and material) to buildings and the fleet caused by extreme weather conditions are covered by insurance. In case these phenomena occur, CTT has established communication channels with the authorities, namely the Civil Protection, aimed at ensuring the protection of the facilities and its employees.	G26 EC2
		Environmental damage **Category:** Strategic **Sub-Category:** Brand/Reputation 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 and noise emission. Risks arise from reputation damage due to a perception of CTT as an environmentally unfriendly company.	In order to minimise its carbon footprint, CTT has implemented certified environmental management programmes and systems. Energy and carbon efficiency are ensured through measures to rationalise electricity, the acquisition of green energy and the promotion of ecological and/or carbon neutral products and services. Sustainable mobility is also promoted by CTT through the management and streamlining of fleet consumption, the expansion of the electric fleet and the search for smooth mobility solutions. Supplemented by training actions, these initiatives strengthen the Company's engagement with the employees and stakeholders.	G26 SO2 EN30

ctt

03

Business Units

We go further in *Ambition*

We go further to bring the world closer.

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
17 PARTNERSHIPS FOR THE GOALS

YEARS

3. CTT BUSINESS UNITS

3.1 Mail

Mail revenues of the 4th quarter of 2019 were almost in line with those of the same period of 2018 (-0.2%), totalling €125.7m. In 2019, they stood at €484.6m which corresponds to a decrease of €10.5m (-2.1%) vis-à-vis 2018. EC1

This decrease is mainly the result of the combined effect of the €9.5m decline (-2.1%) in the revenues of **addressed mail** and €1.4m (-17.3%) decline in those of **philately**, mitigated by the strong revenue growth in **international inbound mail** of €7.6m (+20.4%) and in **international outbound mail** of €3.9m (+9.3%), the latter positively influenced by items associated to the legislative election process in the 3rd quarter of 2019 (+€5.3m).

The revenues of **unaddressed advertising mail** increased by €1.1m (+15.7%) as a result of market share gains, and those of the **business solutions** grew by €0.7m (+7.4%) due to the more diversified offer, especially in geographical services.

Mail volumes G4

million items

	4Q18	4Q19	Δ%	2018	2019	Δ%
Transactional mail	140.6	130.1	-7.5%	585.8	536.0	-8.5%
Advertising mail	14.7	12.6	-14.0%	57.8	48.2	-16.5%
Editorial mail	9.7	9.3	-3.6%	37.2	34.8	-6.5%
Addressed mail	**165.0**	**152.1**	**-7.8%**	**680.7**	**619.0**	**-9.1%**
Unaddressed mail	**110.5**	**144.9**	**31.1%**	**427.3**	**521.4**	**22.0%**

The evolution of **transactional mail** volumes (-8.5%) continued to be negatively affected by the **domestic ordinary mail** volumes decline of 42.6 million items (-9.5%), particularly in the banking and insurance, telecommunications and government sectors, as well as by the **priority mail** volumes decline of 8.2 million items (-31.2%). **Green mail** grew by 1.5 million items (+39.8%) which corresponds to some substitution, as the prepaid registered items and priority items product line was discontinued.

The decline trend of **addressed advertising mail** volumes slowed down in the 2nd half of 2019 (-12.1%) compared to the 1st half of the year (-20.4%) and reached a -16.5% decrease (-14.9% in revenues) in 2019. The implementation of the new General Data Protection Regulation (GDPR) together with the digitalisation of processes and the new business, communication and marketing models focusing on other types of advertising solutions impacted the performance of this product throughout the year.

Unaddressed advertising mail volumes continued its high growth dynamics in the 4th quarter of 2019 (+31.1%), which compares with 5.9%, 18.5% and 31.4% in the 1st, 2nd and 3rd quarters, respectively, thus consolidating growth in 2019 (+22.0%) and leading to a revenue increase of €1.1m (+15.7%). New customer acquisitions and the European and legislative elections (infomail) were the main reasons for the growth of this business line.

The **retail** business grew €0.1m (+ 1.0%), excluding the effect of Phone-Ix revenues in 2018 (€0.6m) that ceased activity on 31 December 2018. The growth in lottery sales, new partnerships that made it possible to expand the telecommunications offer, and new business models involving the sharing of space and advertising at the CTT Retail Network were the reasons for this growth.

Accessibility

As the Universal Postal Service provider, CTT's activity is of intrinsically social nature. By definition, all residents in Portugal are potential customers, whether active or passive (receivers of letter mail). G8

With close to 78 thousand customers/day at CTT post offices and a daily average of one postal item delivered per household, accessibility is one of its distinctive features. The Company provides the largest contact network at a national level, operating as a structuring and determinant element for social cohesion within the country. EC8

At the end of the year, CTT's network of contact with the public consisted of 2,370 access points, comprising 539 CTT post offices and 1,831 postal agencies, as well as 4,660 postman delivery rounds, ensuring the availability and accessibility of the attendance and delivery service, embodying a convenient and multi-service platform. SO1

Supplementing this, the network also had 1,933 points of sale of stamps, 117 automatic stamp vending machines and 14 automatic vending machines of mail products. The network of mailboxes was composed of 10,731 boxes, located at 9,619 geographic points at a national level. Apart from these, there are also 4,821 Payshop agents.

The dimensioning of the postal network is determined by two critical factors: the capacity to generate business and the obligations to provide the aforesaid public service of universal character. This universal service implies that CTT is an operator committed to providing service throughout the entire country, in a permanent form, in the most far-flung and hidden corners, without exceptions and at the same price. SO2

This reality generates conflicting goals between the maintenance of the Company's economic sustainability and its action of social responsibility towards the surrounding community, with the inherent costs. In this context and when necessary, CTT has established solutions with local partners, preferably Parish Councils, in this way keeping the relations of proximity and trust that CTT has upheld with the customers and population, and assuring the quality of service.

Any alteration and impact on the community of possible changes in the operating model are analysed internally, based on information collected onsite by internal and external agents, so as to assure the satisfaction of the population. SO10

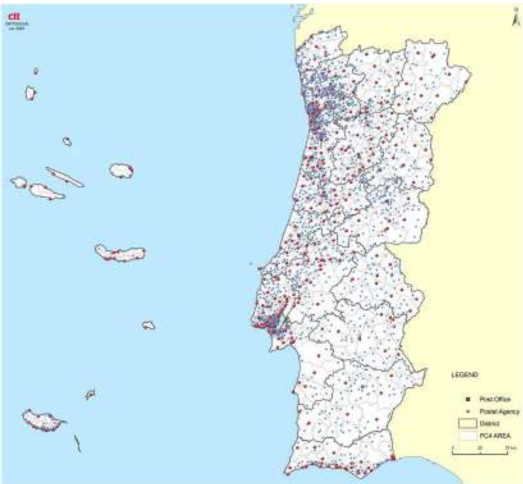
As established in the Concession Contract, for 2018/2020 the objectives were defined for postal network density considering factors such as the distance to be travelled by customers in order to reach the closest access point, according to the urban or rural nature of the geographic areas, as well as the citizens' accessibility to the various mail services and the opening hours when they can use them. Full compliance with the objectives defined reinforces the Company's intention to maintain a network offering proximity and convenience to its customers and the population in general.

In European terms and based on the available data, CTT continues to show a good level of penetration of the postal services, with a postal coverage similar to that of the European Community average.

Postal density and coverage G8

	Inhabitants per postal establishment					Km² per postal establishment				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
EU Average	4,389	4,605	5,167	4,989	n.a.	38	40	45	43	n.a.
Portugal	4,444	4,413	4,350	4,314	4,338	40	39	39	39	39

Source: UPU
Note: Considering fixed postal establishments



Retail Network and postal agencies

Network of postal delivery offices

In terms of accessibility by disabled people, the Company continued to pursue modernisation and renovation work of the value of 82,473 euros. The types of accesses which have been constructed include interior or exterior access, ramps, lift platforms, removable ramps, ramping in public areas close to the entrance of the post office, alteration of façades with door opening with side elevation, or others. Thus, around 95% of the total post offices currently show improved conditions of accessibility. EC7

Eco portfolio

CTT has progressively experienced the continued interest of its customers in using environmentally friendly mail products which are very often also an element of communication, in view of the customers' sensitivity to these arguments, thus contributing to improve the Company's image among the public. Since its launch in 2010, total sales of the range of CTT eco products represent revenues of approximately 108 million euros, to a large extent driven by the visibility of their environmental and carbon attributes. EN7

"Green" mail is a 100% ecological offer, which focuses on the environmental component and guarantees the carbon neutrality of its products, at no additional costs for customers. In 2019, the "green" mail revenues and volumes showed an increase, with close to 5.9 million items having been sold, corresponding to a 36% increase year-on-year. On average, 53.5 grams of CO_2 are emitted for each "green" mail item delivered by CTT. EN27 EN19

The range of eco direct marketing services provides a distinctive symbol for the campaigns which stand out positively due to their environmental performance, through compliance with various ecological criteria. This measure sought to project the use of the channel of mail with ecological merit, through the use of ecological raw materials, responsible production processes and appropriate management of the end of life cycle. In 2019, the eco range maintained its relative weight (43%) in the domestic direct mail volumes, involving around 20.8 million items.

CTT carries out the carbon offsetting of "Green" Mail by supporting two projects, one national and the other international. The voting process took place in 2018 and is valid for two years, giving rise to the national project named Create Woods which promotes the planting of indigenous species, original trees and bushes of the Portuguese flora, and to the international project that promotes the use of renewable biomass, through a factory that produces bricks and other construction materials in the northeast of Brazil.

Philately

In 2019, philately generated revenues of €6.7m, -€1.4m (-17.3%) than the figure recorded in 2018. A recovery is expected in 2020 with the celebration of the 500 Years of Postal Services in Portugal and various philatelic initiatives associated to this event.

During the year, CTT was awarded two philatelic prizes: the ASIAGO Award for Philatelic Art for the "Europe 2018 – Bridges" issue, and the Graphis Gold Award for the "250 Years of Imprensa Nacional" issue.

There were various issues with innovations, in particular: (i) the "Europe – National Birds" issue, that, using augmented reality, enables hearing the chirping of the birds; (ii) the "150 Years since the Birth of Mahatma Gandhi" issue produced on *khadi*, the natural fibre handcrafted fabric that Mahatma Gandhi spun on his *charkha* (spinning wheel) and used for his clothing, with Portugal and India being the only countries of the world used to print stamps; and (iii) the Christmas issue that, for the first time in the world, included a LED light.

<table>
<tr><th colspan="2">Commemorative Issues of 2019</th></tr>
<tr><td>

Portugal China – 40 Years of Diplomatic Relations
Figures from History and Culture
150 Years of the Abolition of Slavery in Portugal
200 Years of the Birth of Queen Maria II
700 Years of the Foundation of the Order of Christ
Commemorating Calouste Sarkis Gulbenkian (joint issue with Armenia)
Aga Khan Music Awards
Centenary Museums of Portugal (1st group)
100 Years of the International Labour Organisation
100 Years of Einstein's Eclipse
600 Years of the Discovery of the Madeira Archipelago
World Figures from History and Culture
International Year of the Periodic Table
Commemorating Artur de Sousa
500 Years of the Magalhães – Elcano Expedition (joint issue with Spain)
40 Years of the National Health Service
20 Years of Harry Potter in Portugal
150 Years of the Birth of Mahatma Gandhi
500 Years of the Postal Service (4th group)
30 Years of ANACOM – National Communications Authority
Archbishops of Braga (2nd group)
The Liberal Revolution of 1820
Christmas 2019
600 years of Crónica de Portugal 1419
Almeida's Bible: Unabridged Edition 1819-2019

</td><td>National and International Events 2019</td></tr>
</table>

Commemorative Issues of 2019	
• Portuguese Autochthonous Breeds (2nd group) • Europa Issue – National Birds • The Tea (Azores) • Costumes of the Mediterranean (EuroMed) • 100 Years of the of the Directorate-General for Livestock Services	***Environment and Sustainability***
• Traditional Desserts of Portugal (3rd group) • Greater Lisbon / Central Portugal Booklets • Alentejo / Algarve Booklets	***Self-adhesive***

Editions 2019
• Queen Maria II – A Woman between Family and Politics • 100 Years of Einstein's Solar Eclipse • Centenary Museums of Portugal I • The Liberal Revolution of 1820 • My Stamp Album 2019 • Portugal in Stamps 2019

More information on the plan of philatelic issues of CTT at:
https://www.ctt.pt/correio-e-encomendas/filatelia/plano-filatelico/plano-de-emissoes/index.html#panel2-1

3.2 Express & Parcels

The **Express & Parcels revenues** amounted to €152.4m in 2019, +€3.5m (+2.4%) vis-à-vis 2018.

Revenues in Portugal totalled €98.2m, +7.4% compared to the previous year. The development of this business in Portugal resulted mostly from the **CEP** business, which reached €75.0m (+10.7%), the banking activity that totalled €6.7m (+5.3%) and logistics that amounted to €3.1m (+1.5%). The cargo business totalled €12.4m (-2.8%).

Volumes in Portugal totalled 22.0 million items, +11.2% vs. 2018. The **CEP** business performance posted sustained improvement throughout the year, as its volumes grew +1.4%, +3.7%, +13.3% and +22.0% from the 1st to the 4th quarter. **Cargo** volumes also showed a positive evolution during 2019, reaching a growth of 15.8% in the 4th quarter, which translated into a growth of 14.9% in 2019. This performance was driven by relevant customer additions, both in the B2B and in the B2C segment (e-commerce), and a good performance in the international area.

CTT continued its strategy of developing the B2C market in Portugal and promoting Portuguese e-sellers by launching the Dott marketplace and the e-fulfilment platform "CTT Logística".

The **Dott** marketplace was launched in May through a partnership between CTT and Sonae. At the end of 2019, 663 sellers were present on this platform (an increase of 103 in the 4th quarter) and more than 1.5 million products were available. At the end of 2019, there were around 50 thousand registered users (an increase of 29 thousand in the 4th quarter).

At the end of 2019, CTT launched "CTT Logística", another solution to promote the development of e-commerce in Portugal, particularly for Portuguese SMEs that aim to start or develop their digital presence. This solution provides a complete fulfilment platform, from the creation of the product catalogue, storage, order preparation and distribution to the final consumer, allowing customers to focus on the development and sale of their products.

Revenues in Spain stood at €51.8m, -€3.7m (-6.8%) vis-à-vis the previous year mainly due to the 9.8% decline in volumes, greatly influenced by the loss of one of the largest customers. Excluding the impact of this large customer, the evolution of revenues and volumes in 2019 would have been +8.8% and +7.0%, respectively.

On 20 December 2019, Tourline was merged into the company CTT Expresso as a branch in Spain. The company has a new management team in Spain that is focused on improving its operating model to ensure more efficiency and better quality of service in a market where e-commerce is increasingly representative, and to resume growth in order to ensure scale and profitability, positioning itself as an Iberian reference operator, especially in cross-border flows.

Revenues in Mozambique accelerated in the 4th quarter of 2019 (+40.4%), confirming the 3rd quarter trend (+40.8%), which compares to a previous performance of 4.2% in the 1st half of 2019. Due to this acceleration the operation in Mozambique managed to close 2019 with 23.0% growth vs. 2018.

CEP and banking businesses contributed positively to this growth, underpinned by the capture of new businesses in the health area (collection of biological samples.

Eco portfolio

In 2019, CTT once again put to public vote the selection of the projects for full carbon offsetting of the Express offer through the CTT website (www.ctt.pt). The emissions produced along the value chain, which are unavoidable, are fully offset by the support given to two projects with environmental benefits (fight against climate change and conservation of biodiversity) and social benefits (support to employment creation and improvement of the quality of life of local communities). The winners were the national project "Conservation of fluvial bodies", which seeks to preserve some of the most threatened freshwater fish species in our country, fostering actions of reproduction of these species and conservation measures for their habitat to later return them to the natural environment, and the international project "Bandeira e Capelli" which promotes the use of renewable biomass for the production of bricks, roof tiles and structural ceramic products, sold on the local market by two ceramic factories located in the state of Alagoas . This initiative fulfils the expectations of our stakeholders and allows them to participate actively in the decision-making process.

G26
EN7
EN19
EN27

G27

The express offer accounts for 15.1% of the company's total revenues.

3.3 Banco CTT

G4

The **revenues of Banco CTT** reached €62.9m in 2019, representing year-on-year growth of €29.3m (+87.2%). These revenues were achieved with a €21.0m contribution from 321 Crédito, acquired in May 2019. Excluding the inorganic effect of the acquisition of 321 Crédito, the revenues amounted to €41.9m, +€8.3m (+24.5%) vis-à-vis 2018.

The revenues growth of this business unit, excluding 321 Crédito, counted on the good performance achieved with the net interest income growth (+€4.9m; +61.8%), registering a year-on-year increase of 53.6% in the 4th quarter of 2019. The commissions received from the banking activity grew by 79.3% in 2019, due to the growth in the placement of the PPR product (Retirement Savings Plan) in partnership with the insurance company Zurich (+€331.0m placed), as well as in customer transactionality and consumer credit.

EC7
EC8

Noteworthy was the operating performance of Banco CTT, which led to a significant growth of accounts opened to 461 thousand accounts (+113 thousand more than at the end of 2018) which shows the great capacity of Banco CTT to open more than 450 accounts/day, together with the continued growth of customer deposits to €1,283.6m (+45.2%) and the growth of the mortgage loan portfolio net of impairments to €405.1m (+69.9%). With the acquisition of 321 Crédito, Banco CTT structurally boosted the loan-to-deposit ratio of its credit portfolio from 28.1% as at December 2018 to 69.0% as at December 2019, through the integration of an amount of €479.6m in its portfolio of credit to customers, and the sustained growth of mortgage credit.

In the specialised credit area, the operational performance is to be highlighted with an auto loan production of more than €200m in the 12 months of 2019, representing a market share of around 11.8% in the used car loans segment.

The payments business recorded a year-on-year decrease of €0.6m (-2.9%) in commissions received, and total revenues of €20.1m. Despite the decrease in payment products revenues, it is worth noting the 85.8% growth in ticketing due to new contracts signed in 2019, and also due to the launch of a new service in early December 2019 that allows payment of products with references through MBSPOT in the Payshop network, expanding the offer to B2B customers and creating greater convenience and options for users of the network.

3.4 Financial Services

G4

Financial Services revenues reached €34.1m in 2019, a growth of €7.3m (+27.2%) compared to 2018. EC1

Savings & Insurance products contributed €26.9m to the revenues, corresponding to a 42.1% increase vs. the previous year. Of these, the **Public Debt Certificates** (Savings Certificates and Treasury Certificates Poupança Crescimento) represented €25.3m (+47.0% vs. 2018) and reached €3,912.1m in subscriptions, +51.9% compared to the volume recorded in 2018. The remuneration paid by IGCP, the Treasury and Public Credit Management Institution, to the Company will decrease in 2020 as it will vary according to the sales volume. EC7

The robust performance of the **Savings & Insurance** products more than offset the evolution of **Payments** (+1.7%) and **Money Orders** (-8.6%) revenues.

3.5 Future perspectives

G4

Save the impacts resulting from the crisis associated with the ongoing pandemic, which are still difficult to estimate, CTT, supported by organic developments in the growth levers and the contribution of 321 Crédito, should post a 4% to 6% revenue growth which, together with the implementation of efficiency measures, should translate into a high single-digit growth of EBIT and an EBITDA equal to or above €110m in 2020.

EC7 G8

Addressed mail volumes are expected to decline 6% to 8%, while double-digit growth is projected for the Express & Parcels business in Portugal. To cope with the latter and support the operation in general, CTT estimates that it would need a €40m investment, aimed at increasing automation and eliminating capacity bottlenecks in the Express & Parcels business unit.

With regard to the dividend for the 2019 financial year, the Board of Directors will propose a shareholder remuneration of €0,11 per share, a 10% increase vs. the previous year, payable in May 2020. EC8

CTT has formally announced its intent to be the new universal service concessionaire, of a more sustainable concession contract.

04

Performance

We go further in Innovation

We go further to bring the world closer.

4. PERFORMANCE

4.1 Financial Capital

Revenues

Revenues totalled €740.3m in 2019, a growth of €32.3m (+4.6%) vis-à-vis 2018. This evolution was underpinned by the revenue growth in Banco CTT (+87.2%), Financial Services (+27.2%) and Express & Parcels (+2.4%) business units that more than offset the decrease in the revenues of Mail & other (-1.6%). Excluding 321 Crédito, revenues amounted to €719.2m (+1.6%). | EC1

Revenues

Million €

	2018	2019	∆ABS	∆
Revenues	**708.0**	**740.3**	**32.3**	**4.6%**
Mail & other	498.7	490.9	- 7.8	-1.6%
Mail	495.1	484.6	- 10.5	-2.1%
Central Structure	3.7	6.3	2.6	72.2%
Express & Parcels	148.9	152.4	3.5	2.4%
Banco CTT	33.6	62.9	29.3	87.2%
Financial Services	26.8	34.1	7.3	27.2%

Operating Costs

Operating costs [22] totalled €638.8m, a year-on-year growth of €21.2m (+3.4%), with a €7.8m impact from 321 Crédito[23]. Excluding 321 Crédito, operating costs totalled €631.0m (+2.2%).

Operating Costs

€ million

	2018	2019	∆	∆%
Operating costs	**617.6**	**638.8**	**21.2**	**3.4%**
Staff costs	332.9	344.1	11.2	3.4%
ES&S	257.6	264.7	7.0	2.7%
Other operating costs	27.1	30.0	3.0	11.0%

Staff costs increased by €11.2m (+3.4%) in 2019. Excluding the effect of 321 Crédito, the growth amounted to €7.6m (+2.3%). In 2018, the Company recognised gains related to the cancellation of the liability associated

[22] Excluding depreciation / amortisation, impairments and provisions, the impact of IFRS 16 and specific items.

[23] Amount regarding the full consolidation. In terms of the business unit, the amount is +€8.0m as a result of transactions that are not eliminated in the consolidation between business units.

with the monthly life annuity (+€3.5m) and the updated labour accidents pensions liability (+€1.1m). Excluding these effects, cost growth was €3.0m (+0.9%) due to salary updates (+€2.3m) and also to cost increases as a result of the evolution of Banco CTT (+€1.0m) and CTT Expresso in Spain (+€0.8m), which were not fully offset by the cost reduction initiatives.

External supplies & services costs increased by €7.0m (+2.7%), of which €3.0m resulted from the integration of 321 Crédito. Excluding the inorganic effect, the growth was €4.0m (+1.6%) which includes the increased costs from international mail volumes related to the elections (€3.4m) and the €4.2m cost increase in the Express & Parcels business, reflecting the volumes growth in Portugal. The cost growth was partially offset by savings in the facilities area (buildings and fleet) with €5.3m lower costs (-8.1%). The optimisation of the real estate properties allowed for a €4.4m reduction of the building rents

Other operating costs grew by €3.0m (+11.0%) mostly due to: (i) the increase in interbank fees paid (+€0.7m), (ii) stamp duty (+€0.6m) related to the loans obtained, and (iii) the inorganic effect of 321 Crédito (+€1.3m).

EBITDA

In 2019, the Company generated an EBITDA [24] of €101.5m, +€11.0m (+12.2%) compared to 2018, with an EBITDA margin of 13.7% (12.8% in 2018).

The evolution of EBITDA was due to the inorganic effect of the acquisition of 321 Crédito (+€13.2m) and the increase in the operating margins of the Financial Services (+€8.3m) and Banco CTT [25] (+€3.5m) which offset the decreases in Mail & other (-€8.2m) and Express & Parcels (-€5.6m).

EBITDA by business unit

€ million

	2018	2019	Δ	Δ%
EBITDA	**90.4**	**101.5**	**11.0**	**12.2%**
Mail & other	86.7	78.5	-8.2	-9.5%
Mail	130.9	121.1	-9.8	-7.5%
Central Structure	- 44.2	- 42.6	1.6	3.6%
Express & Parcels	3.3	- 2.3	-5.6	-170.8%
Banco CTT (*)	-12.9	3.7	16.6	128.8%
Financial Services (*)	13.3	21.6	8.3	62.1%

(*) In 2019 and in the same period of the previous year (proforma), the figures include the migration of the payments services from the Financial Services business unit to Banco CTT.

Specific Items

In 2019, CTT recorded specific items for an amount of €18.2m, broken down as shown below:

Specific Items

€ million

	2018	2019	Δ	Δ%
Specific items	**18.4**	**18.2**	**-0.2**	**-0.9%**
Corporate restructuring costs and strategic projects	26.3	16.9	-9.5	-36.0%
Other non-recurring revenues and costs	-7.9	1.4	9.3	117.3%

Specific items are in line with those of 2018 (-€0.2m) mostly as a result of the €8.6m reduction in other revenues from capital gains related to the sale of real estate which was offset by the €9.6m cost reduction

[24] Excluding depreciation / amortisation, impairments and provisions, the impact of IFRS 16 and specific items.
[25] Excluding the inorganic effect of 321 Crédito.

associated with restructuring within the Human Resources Optimisation Programme.

EBIT and Net Profit

EBIT stood at €47.3m in 2019, +€1.7m (+3.7%) vs. 2018, with a margin of 6.4% (same as in 2018).

The consolidated financial results totalled -€11.8m, corresponding to a decrease of €1.3m (-12.5%) compared to the previous year.

Financial Results

€ million

	2018	2019	Δ	Δ%
Financial results	**-10.5**	**-11.8**	**-1.3**	**-12.5%**
Financial income, net	-9.7	-10.4	-0.7	-7.3%
Financial costs and losses	-9.7	-10.4	-0.7	-7.4%
Financial income	0.0	0.1	0.0	30.6%
Gains / losses in subsidiaries, associated companies and joint ventures	-0.8	-1.4	-0.6	-76.0%

Financial costs and losses incurred amounted to €10.4m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €5.4m and interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €3.7m.

In 2019, CTT obtained a consolidated net profit attributable to equity holders of the CTT group of €29.2m, corresponding to an increase of €7.7m (+35.8%) vs. 2018. This increase is positively impacted by the integration of 321 Crédito with a net contribution of +€7.6m to the consolidated accounts and by a corporate tax refund of €6.8m as a result of a favourable Tax Authority decision on the deduction of the tax loss on CTT Expresso's sale of Tourline to CTT, S.A. in the 2016 financial year.

Investment

Capex stood at €45.4m, +48.2% (+€14.8m) compared to 2018, reflecting the implementation of the Modernisation & Investment Plan that foresees the installation of new and more efficient sorting machines and the growing start-up of multi-product platforms that will allow CTT to realise operating synergies as an integrated operator.

Cash flow

In 2019 CTT generated an operating cash flow of €44.5m, an improvement of €10.8m vs. 2018.

Cash flow

€ million	2018	2019	Δ
EBITDA	90.4	101.5	11.0
Specific items*	16.1	16.8	0.8
CAPEX	30.7	45.4	14.8
Δ Working capital	-10.0	5.3	15.3
Operating cash flow	**33.7**	**44.5**	**10.8**
Employee benefits	-11.6	-14.4	-2.8
Tax	-7.1	2.2	9.3
Free cash flow	**15.0**	**32.3**	**17.3**
Debt (principal + interest)	20.9	59.3	38.4
Dividends	-57.0	-15.0	42.0
Financial investments	-1.4	-114.4	-113.0
Net change in organic own cash	**-22.4**	**-37.7**	**-15.3**
Changes to consolidation perimeter - 321 Crédito	0.0	6.8	6.8
Change in own cash	**-22.4**	**-30.9**	**-8.5**
Δ Liabilities related to Financial Services & other & Banco CTT[26]	-155.4	30.9	186.3
Δ Other[27]	-26.3	20.3	46.5
Net change in cash (balance sheet)	**-204.1**	**20.3**	**224.4**

*Specific items affecting EBITDA.

The positive evolution of the change in working capital vs. 2018 resulted mainly from: (i) the lower amount of payments related to company restructuring in the context of the HR Optimisation Programme which impacted positively the third-party liabilities (+€11.7m), and (ii) a positive evolution in accounts payable (+€3.4m).

The change in working capital in 2019 (+€5.3m) includes the positive impact of the change in items related to capex (+€8.4m) and the negative impact of accounts receivable from foreign postal operators (-€3.3m).

The €38.4m increase in debt is related to financing operations aimed at carrying out the forecast investment plan and optimise the capital structure.

Financial investments (-€114.4m) correspond to the amount of the acquisition of 321 Crédito (€110.8m) and the capital increases made in the company Mktplace – Comércio Eletrónico, S.A. (€3.6m), better known as the Dott brand.

[26] The change in net liabilities of Financial Services & other 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.
[27] 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

€ million

	31.12.2018 restated	31.12.2019	Δ	Δ%
Non-current assets	1,108.1	1,734.7	626.5	56.5%
Current assets	746.3	778.8	32.4	4.3%
Assets	**1,854.5**	**2,513.4**	**659.0**	**35.5%**
Equity	**135.9**	**131.4**	**-4.5**	**-3.3%**
Liabilities	**1,718.6**	**2,382.0**	**663.4**	**38.6%**
Non-current liabilities	364.3	512.8	148.6	40.8%
Current liabilities	1,354.3	1,869.2	514.9	38.0%
Equity and Liabilities	**1,854.5**	**2,513.4**	**659.0**	**35.5%**

The key aspects of the comparison between the balance sheet as at 31.12.2019 and that at the end of the 2018 financial year (restated) are:

- **Assets** increased by €659.0m, mostly due to the increase of credit to banking clients (€637.8m), particularly consumer credit, as a result of the acquisition of 321 Crédito (+€479.5m) and the organic increase in Banco CTT (+€158.3m).

- **Equity** decreased by €4.5m negatively impacted by: (i) the payment of dividends concerning the 2018 financial year in May 2019 for an amount of €15.0m, which represented a gross dividend per share of €0.10, and (ii) the recognition of actuarial losses related to post-employment benefits (-€18.8m), following the review of the assumptions underlying the calculation of liabilities. It was positively impacted by the generation of net income attributable to equity holders of the CTT Group in 2019 for an amount of €29.2m.

- **Liabilities** increased by €663.4m, with emphasis on the increase of banking clients' deposits and other loans (+€437.5m), the increase of debt (+€48.0m) following the funding operations occurred in 2019, the increase of other banking financial liabilities (+€79.1m) related to loan securitisation, the €51.5m growth of accounts payable, and the €25.0m increase in employee benefits.

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

Consolidated Balance Sheet excluding Banco CTT

€ million

	31.12.2018 restated	31.12.2019	Δ	Δ%
Non-current assets	486.6	615.8	129.3	26.6%
Current assets	456.9	456.9	0.0	0.0%
Assets	**943.5**	**1,072.8**	**129.3**	**13.7%**
Equity	**135.9**	**131.4**	**-4.5**	**-3.3%**
Liabilities	**807.6**	**941.3**	**133.8**	**16.6%**
Non-current liabilities	363.5	432.0	68.5	18.8%
Current liabilities	444.1	509.3	65.2	14.7%
Equity and Liabilities	**943.5**	**1,072.8**	**129.3**	**13.7%**

As at 31 December 2019, the **liabilities related to employee benefits** (post-employment and long-term benefits) increased to €286.7m, +€25.0m compared to December 2018, as specified in the table below:

Liabilities related to employee benefits

€ million

	31.12.2018	31.12.2019	Δ	Δ%
Total liabilities	**261.7**	**286.7**	**25.0**	**9.6%**
Healthcare	251.8	274.4	22.6	9.0%
Healthcare (321 Crédito)	-	1.3	1.3	100.0%
Suspension agreements	1.6	3.1	1.5	97.0%
Other long-term employee benefits	7.9	7.1	-0.7	-9.5%
Other post-employment benefits	-	0.2	0.2	100.0%
Pension plan	0.3	0.4	0.1	17.1%
Other benefits	0.1	0.1	0.1	55.9%

The recorded increase, especially in the CTT, S.A. Healthcare liabilities, relates mostly to the reduction of the discount rate from 2.1% to 1.6%, as well as to the combined effect of a higher-than-expected growth rate of healthcare costs per capita in 2019, and to the update of the medical costs growth rate from 3.75% to 3.3% in 2019.

Consolidated net debt

Consolidated net debt

€ million

	31.12.2018 restated	31.12.2019	Δ
Net debt	**-18.9**	**60.0**	**78.9**
ST & LT debt	**127.4**	**175.4**	**48.0**
Of which finance leases (IFRS16)	96.5	84.0	-12.6
Own cash (I+II)	**146.3**	**115.4**	**-30.9**
Cash & cash equivalents	**422.7**	**443.0**	**20.3**
Cash & cash equivalents at the end of the period (I)	**414.8**	**414.9**	**0.0**
Other cash items	7.9	28.1	20.3
Other Financial Services liabilities, net (II)	**-268.6**	**-299.5**	**-30.9**

The key aspects of the comparison between the financial cash as at 31.12.2019 and that at the end of the 2018 financial year (restated) are as follows:

- **Own cash** decreased by €30.9m due to investments in companies (-€114.4m) and payment of dividends (-€15.0m) partly offset by the generation of free cash flow (+€32.3m) and financing activities, net (+€59.9m).

- **Short-term & long-term debt** increased by €48.0m mainly due to long-term loans obtained amounting to €57.5m which were partly offset by the reduction of the liabilities from financial leases in the scope of IFRS16.

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

Consolidated net debt excluding Banco CTT

€ million

	31.12.2018 restated	31.12.2019	Δ
Net debt with Banco CTT under equity method	**50.8**	**144.1**	**93.3**
ST & LT debt	**126.5**	**173.2**	**46.8**
Of which finance leases (IFRS 16)	95.6	81.8	-13.9
Own cash (I+II)	**75.6**	**29.1**	**-46.5**
Cash & cash equivalents	**277.4**	**268.2**	**-9.2**
Cash & cash equivalents at the end of the period (I)	**277.4**	**268.2**	**-9.2**
Other cash items	0.0	0.0	0.0
Other Financial Services liabilities, net (II)	**-201.8**	**-239.1**	**-37.4**

Economic value

EC1

The Company distributed over 356 million euros in wages and benefits, it remunerates its shareholders, is an important taxpayer and invests in the community.

Direct economic value generated and distributed by CTT

€ thousand

	2018 restated	2019	Δ% 18/19
Direct economic value generated	**707,467**	**738,949**	**4.4%**
Revenues	**707,467**	**738,949**	**4.4%**
Direct economic value distributed	**754,533**	**727,889**	**-3.5%**
Operating costs	317,070	336,467	**6.1%**
Wages and Employee benefits	353,612	356,004	**0.7%**
Payments to providers of capital	66,705	25,421	**-61.9%**
Payments to the Government	15,957	8,979	**-43.7%**
Community Investments	1,190	1,018	**-14.4%**
Accumulated economic value	**-47,066**	**11,060**	**123.5%**

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 organisation; maintenance of a good social environment; continuous investment in training and qualification; optimisation and adjustment of the staff, taking into account the need to respond to market evolution and challenges.

4.2.1 Characterisation of human capital

The number of employees (permanent and fixed-term) at CTT, as at 31 December[28], stood at 12,355, corresponding to 258 (+2.1%) more than in the same period of 2018. This growth was influenced by the acquisition of 321 Crédito, which contributed with 122 employees. The number of employees who left and were recruited stood at 2,089 and 2,692 respectively and the turnover rate corresponded to 16.9%.

LA1
G10
G9

	31.12.2018	31.12.2019	Δ	Δ%
Mail & other	10,689	10,719	30	0.3%
Express & Parcels	1,117	1,201	84	7.5%
Banco CTT (*)	260	406	146	56.2%
Financial Services (*)	31	29	-2	-6.5%
Total, of which:	**12,097**	**12,355**	**258**	**2.1%**
Permanent	10,884	10,979	95	0.9%
Fixed-term contracts	1,213	1,376	163	13.4%
Portugal	11,650	11,874	224	1.9%
Other geographies	447	481	34	7.6%

(*) In 2019 and in the same period of the previous year (proforma), the figures include the migration of the payments services from the Financial Services business unit to Banco CTT.

The overall rate of absenteeism decreased both at CTT, S.A. (-0.3 p.p.) to 6.9%, and in Group CTT to 6.6% (-0.1 p.p.). The motives that most contributed to these absences were illness (4.0%), accidents (1.0%); union activity (0.5%) and maternity/paternity (0.5%). It should be noted that the absence, excluding parental leave, compassionate leave and leave related to student status, stood at 6.2%. However, the absenteeism rate calculated in conformity with Global Reporting Initiative (GRI) guidelines is 4.8%. The rate of return to work after parental leave was 99%.

LA8
LA6
LA3

4.2.2 Remuneration

On 12 November 2019, CTT and 11 union associations representing the employees reached an agreement relation to review of the basic monthly salaries and amounts for salary progressions, with retroactive effects as at 1 January 2019, between 0.8% and 1.2%, according to the salaries, with the guaranteed minimum increase of 10 euros. The same increase was applied to the subsidiary companies, in order to ensure overall equality of conditions.

G53
G52

This Agreement takes into account the value given to an environment of stability and social peace in the Company, which is the purpose of CTT, aimed at valuing the work factor.

In conformity with the principles of the labour legislation, there is no difference in the attribution of the basic wage of men and women. However, during career progression, for various motives, differences in the average remuneration have occurred historically, within each professional category, which have been more favourable to men, as can be seen in the following table.

[28] For further information see Table 1 – Employees in Annex IV.

Ratios and remunerations, by gender and professional group

LA13

Professional category	Average female salary (€)	Average male salary (€)	F/M Ratio
Senior personnel	2,042.18	2,499.21	0.82
Middle management	1,398.26	1,422.06	0.98
Counter service	1,078.65	1,160.71	0.93
Delivery	820.77	916.98	0.90
Other groups	970.61	955.02	1.02
Total	**1,182.51**	**1,093.09**	**1.08**

4.2.3 Career development and talent management

The Company Agreement establishes the objective and professional content for each qualification level and professional category. The criteria for career progression and professional evolution are also defined, based on the principles of recognition, merit and performance, acquisition and increase of skills, with emphasis of each employee's dedication, effort towards development and contribution to the value chain.

Under its policy on talent management and reinforcement of human capital, CTT carry out attraction and recruitment actions in the market seeking new knowledge and skills, as well as the development of the technical, middle and senior personnel so as to ensure that they are able to accompany the demands of innovation and evolution of the business.

Special reference should be made to the "Young Talent Development" programme, in the CTT Academy. This programme aims to create value for young people and for the Company by developing their skills and increasing their commitment to the organisation. This programme involved 27 employees and closes in the first quarter of 2020.

Aimed at the development of talent, encouragement of teamwork and in order to boost the involvement of the employees in innovation processes, the +Talent +Innovation| Go Creative, initiative was launched, with duration of four months, which engaged the employees of different departments, organised into three working parties. LA10

The design of a modular programme of training in leadership has begun, directed in a differentiated manner to various talent groups.

CTT has pursued action aimed at retaining staff with suitable skills and high motivation levels, capable of accompanying the requirements of innovation and evolution of the business. Concerning talent management, CTT considers actions for both the attraction and recruitment on the market of new know-how and skills, and the development of the existing technical, middle and senior personnel.

In this regard, the 4th edition of the Trainee Program 2019/21 – "Everything you need to start" was launched, aimed at attracting and retaining young people of high potential, promoting their development under a structured overall program, contributing to the rejuvenation of the staff, fostering a culture of mobility and positioning CTT as an "Employer of first choice". The Programme involved 12 Trainees.The 3rd edition of the Trainee Program was completed in March 2019, resulting in the recruitment of 10 employees.

Continuing the effort of attracting talent, relations with universities have intensified, in particular with CTT's regular participation in job fairs, the welcoming of final year students (Open Day), protocols with universities, curricular internships and support in master's theses.

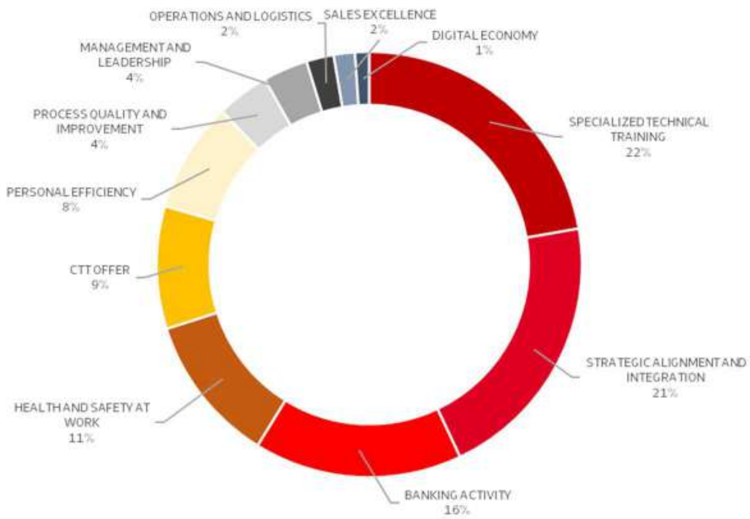
The performance assessment process is carried out annually, in the year after that of the year to which it refers, and covers all the permanent employees with a contract of six months or more who are not in a situation of unpaid leave or suspended contract. This year this involved 10,165 employees, corresponding to the total eligible number. LA11

The performance management system is based on the assessment of behaviours and the achievement of objectives, established for the employees, according to the various activities and functional groups, with a view to reinforcing the alignment between the business and performance, the consolidation of the corporate culture and values, and the recognition and differentiation of the contributions. This process involves communication between the senior staff and the employees, including the summing up of the activity and the presentation of the objectives for the new cycle, favouring the identification of training actions and development.

4.2.4 Training

During 2019, 88% of the employees participated in training actions[29], covering a total of around 251 thousand hours, with an average of 20 hours *per capita*, and a training rate of 1.1% (hours of training/hours of work). The distribution of the hours of training over the 11 programmes which structure the Training Plan is indicated in the graph below. | LA9

Training programmes



In corporate terms, the emphasis is placed on dissemination of the training programme associated to the Code of Conduct for Prevention and Combat of Harassment at Work, which involved 1,080 participations and a volume of 6,612 hours.

The training programme for teams of post offices with Banco CTT. Of the total number of employees working in the marketing of mortgage loans, over 700 obtained certification, and over 1000 carried out/renewed certification in Euro Notes and Coins. Almost 100 also obtained certification as Persons Directly Involved in Insurance Distribution Activity (PDEADS), required for the marketing of the insurance offer (Relaunch of Mapfre 1,983 participations, MyZurich 1,021 participations, PPR Investimento Fidelidade 540 participations, PPR + Banco CTT 568 participations, Seguro + Auto Generali 227 participations, and Multicare Health Offer 160 participations, involving a total volume of 12,379 hours). In conformity with the current legislation, the post office teams received training in Prevention of Money Laundering and Terrorist Financing, covering appropriate modules for their intervention – Banking and/or Postal/Retail – amounting to 2,105 participations. | SO3

In the operational context, investment continued in the Road Prevention programme at CTT, which involved more than 25,000 participations, with 67 postmen and women having carried out training in Eco-defensive driving for motorcycles.

Concerning the Modernisation and Investment Plan, special note should be made of the blended learning programme aimed at combating absenteeism directed at the senior operational personnel – Foundations of People Management, covering the procedures associated to sick-leave and the application of disciplinary

[29] For further information, see Table 1 – Employees, in Annex IV.

regulations – which involved 1,398 participations (volume of 7,328 hours), as well as 3 teambuilding sessions named "Time to Change – We All Make it Happen", carried out with the teams of the first Delivery Centres constituted (Ourém, Oliveira de Azeméis and Bragança), as well as the training of Operators and Maintenance Technicians with a view to the installation of the first Mixed mail Sorter (MMS) machine in the CPLS (Production and Logistics Centre in Lisbon (volume of 1,116 hours).

The strategic programmes Pegasus (SAP HANA application) and Orion (CRM - Sales Pillar and Service Pillar) involved the dissemination of training to key and end users, involving 621 participants.

Regarding the CTT Academy, the following should be noted in particular:

- The Postgraduate Training Programme for participants in the Young Talent Development Programme, which closed with a challenge, Flight Simulation, a surprise activity in which the 26 participants tackled issues during a day of 20 consecutive hours;

- The Programme for Commercial Excellence, focused on the Sectors and clusters of Products offered in the B2B segment – Express Cargo and Logistics, Mail and Payments – which involved 628 participations of 110 employees and a volume of more than 4,000 hours in activities related to product knowledge, sales laboratory, hands-on operational set-up and product/sale/operation/after-sales alignment workshops.

Due to the efficiency gains it generates, it should be noted that the remote training achieved more than 18 thousand participations, representing 38% of the total hours of training carried out.

4.2.5 Management of labour relations

The employees have a channel of communication with the management, through the various representative bodies. The Workers Committee and 111 Workers Sub-committees perform their legally attributed duties. CTT maintains permanent contact with the Workers Committee , through monthly meetings, at the highest level and specific meetings, whenever necessary, both with the Workers Committee and each of the unions. G26 G27

As at 31 December 2019, 90.4%[30] of the employees were covered by the Company Agreement and 73.9%[16] were union members (permanent and fixed-term), which decreased by 0.3 p.p. and fell by 2.1 p.p. year-on-year, respectively. G11

In the European context, the company maintained its participation in the European Social Dialogue Committee for the Postal Sector, which involves representatives of the unions and postal operators of the European Union.

4.2.6 Social benefits and social action

The fundamental objective of the measures of intervention among the beneficiaries involved diagnosis, prevention of situations of socioeconomic destitution or vulnerability, their subsequent identification and taking of measures/response, in order to address the identified gaps and promote autonomy and capacity-building. These actions were essentially aimed at the most fragile beneficiaries – the elderly, children and youth with disabilities and/or chronic diseases.

Regulations for Social Work are in force, aimed at protecting the beneficiaries in the areas of healthcare, benefits for family expenses for subscribers of Caixa Geral de Aposentações (CGA), attributing child and youth benefit, as well as other allowances. In this context, CTT has a health plan with benefits assured to permanent staff when employed, pre-retired and retired employees and their family under certain conditions provided that they are members of the scheme. As a rule, employees of CTT's subsidiaries benefit from health insurance which enables coverage of their household members. LA2

[30] Excludes Corre, CTT Expresso Spain and 321 Crédito

At the end of the year, CTT's health plan had 38,787 beneficiaries, of which 19,447 were former or current employees (with 9,310 being active), 19,340 family members (with 13,145 active) and 788 special rescissions (employees and families). EC3

4.2.7 Occupational health and safety

EC3

The Occupational Health services were provided by Medicisforma. During this period, 9,135 medical tests were carried out, 6.2% less than in the same period of the previous year.

A total of 292 interventions were carried out to assess working conditions and risks at CTT establishments, including subsidiaries.

The awareness-raising actions on occupational safety, accident prevention and ergonomics were continued at the postal delivery offices and CTT post offices.

There were 1,080 occupational accidents and incidents, 6.2% more than in 2018, including one fatal accident. However, the days lost decreased by 13.8% as a result of reinforced prevention and adoption of more cautious attitudes by the workers. In overall terms, the motives that most contributed to the occurrence of accidents were road accidents (33.9%), which include traffic accidents and people being run over, slipping/sliding (14.7%) and false movement (13.2%). LA6

Accidents and injuries at CTT

Group	No. of accidents	No. of injuries	Injury rate	No. of days lost	Rate of days lost	No. of occupational diseases
Female	284	177	2.8	5512	85.6	7
Male	796	556	4.3	18,808	144.2	5
Total	**1,080**	**733**	**3.8**	**24,320**	**124.9**	**12**

Excluding data of Corre and CTT Expresso Spain.

In the calculation of the rates, the result was multiplied by 100,000, for easier reading, otherwise the results would be around 0.00.

4.2.8 Diversity and equal opportunities

The Company guides its action by respect for the guarantees and rights stipulated in the Universal Declaration of Human Rights of the United Nations, the Charter of Fundamental Rights of the European Union, the Constitution of the Portuguese Republic and the Law, in particular in the labour legislation. HR5 HR6

To this end, the CEO signed the CEO Guide to Human Rights promoted by the WBCSD (World Business Council for Sustainable Development). CTT published its Diversity and Inclusion Policy, and continues to promote values and practices in accordance with the guiding principles of CTT's management commitment.

On matters of human resources policies directed towards the promotion of equality, the following are highlighted:

- Commitment to develop policies aimed at equal opportunities in recruitment, professional career, promotions and vocational training;
- Integration of a young Mozambican trainee under support to the Girl Move Foundation;
- Renewal of CTT's endorsement agreement of the Business Forum for Gender Equality (IGEN), of which it is a founding member, promoted by the Commission for Equality in Labour and Employment (CITE), undertaking commitments for 2020 on matters of wage differences;

The protocol has been maintained with Lisbon CERCI (Cooperative for the Education and Rehabilitation of Non-adapted Citizens), which provides experiences of integration in employment to young people who are disabled, which involved 13 young adults. HR3

We encourage the employees to participate in internal competitions on the company's values and invest in achieving balance between personal and family. We offer entry tickets to Kidzania, the Serralves Foundation, Oceanarium, Races, Marathons, new cinema releases and other sports, environmental and cultural events sponsored by the company. We continue to foster the "I am CTT" programme of partnerships with various entities, which offer discount prices and entertainment opportunities to employees and families.

In this regard, CTT, EPIS (Association of Businesspersons for Inclusion) and CITE (Commission for Equality in Labour and Employment) developed a pilot project called "Among Equals in Professions", aimed at drawing the attention of youth to gender stereotypes in professions. The project took place at Escola EB 2,3 Miguel Torga, in Amadora, with the students having been challenged to think about the similarities and differences between men and women in the labour environment and represent them in text and drawing.

On matters of diversity, the Board of Directors includes three women (21.4 % of the total), non-executive members, with CTT's management and supervisory bodies thus complying with the legal thresholds in relation to gender balance up to 2019. The weight of female first line managers fell by 3.3 p.p. to 20%. However, in second line managers women continue to account for 49%. LA12

4.3 Intellectual Capital

Digital transformations that continue to permeate all organisations force CTT to adapt its activity to new paradigms. Accordingly, these transformations inspired a series of R&D achievements at the company in in particular: EC7 G4

- Boosting of the Express & Parcels business, especially of electronic commerce through:
    - Launch of a parcel lockers network, automatic lockers for delivery of parcels, that includes CTT24H, a virtual address service. Expansion, via partnerships of the locker network accessible to CTT customers and start of the marketing of corporate lockers aimed at companies with a large number of employees;
    - Implementation of a pilot of the CTT Now service, for dynamic delivery on a digital platform and mobile application, in an urban context (Lisbon), for fast delivery in 2 hours;
    - Beginning of the online marketing in Portugal (partnership with the Polish startup Packhelp;
    - Deepening/continuation of contacts with potential international partners for the development of e-commerce business in the cross-border component;
    - Launch of Dott Marketplace, (partnership between CTT and Sonae) in the area of e-commerce, having achieved 663 e-sellers and 1.5 million products by the end of the year;
    - Launch of a new integrated solution, CTT Logistics, which, an online via portal, enables meeting logistics, storage and delivery needs, focused primarily on Portuguese SMEs.
- Reinforcement of the Mail business:
    - Online provision of the Customer Area, of restricted access, for customers to conduct the management of the mail of their companies in a convenient, simple and independent manner, whenever they want.
- Strengthening of various operational aspects:

  - Implementation of 4 new hybrid machines for sorting slender and medium-sized mail at Lisbon Production and Logistics Centre, resulting in a more efficient operational model;

  - Testing of the new system of equipment with OCR (Optical Character Recognition) which will enable integrating various tasks currently carried out upstream at postal delivery offices and accelerating the transfer of knowledge;

  - Award of CTT's Order programme with the PEL (Logistics Excellence Award), an initiative of APLOG (Portuguese Logistics Association) and the magazine Modern Logistics. Order Now has enabled the almost full automation of the internal logistics process and processing of parcels received in the CTT network;

- In the financial area we highlight the strengthening of the activity:

  - Of Banco CTT, with automation of the account maintenance process, promoting greater speed in the resolution of changes requested by customers. Reformulation of the architecture supporting the digital channels, aimed at a consolidated customisation and experience of the customers in Banco CTT's different channels;

  - Of Payshop, CTT's single payments brand, through:

    - pursuit of the launch of the Payshop Virtual Agent (web and mobile app to help users to manage and carry out all their payments and expenses, just a click away);

    - (re)launch of the ticketing service of Porto Intermodal Transport (TIP), partners of Payshop;

    - launch of a new service of payment of entities and references via automated teller machines in the Payshop Agent network for acceptance of collection documents that only contain the possibility of payment via Multibanco (automated teller machine) reference, through the current Payshop terminal;

    - launch of the new image of the Payshop Agent network: "Pay, Load and Buy"

- In terms of initiatives of corporate scope, note should be made of the following:

  - The creation of the RPA (Robotic Process Automation) Centre of Excellence, to improve operational efficiency and efficacy, enhancing internal resources for greater value-added tasks. The RPA has delivered 36 automated processes of different areas, generating a saving of 7,600 hours. More than 100 new opportunities of automation are foreseen;

  - The "+ INOVAÇÃO by CTT" programme, with the completion of 8 cycles of challenges on the Management of Ideas platform (INOV + by CTT), having reached around 2,000 users;

  - Holding of the 2nd edition of the Innovation Tank, aimed follow-up at the highest level of specific outcomes, derived from ideas approved the cycles of the INOV + by CTT platform and startups identified;

  - Pursuit of the activities of the 1,520 CTT StartuProgram, aimed at identifying the startups most aligned with CTT's goals and strategy;

  - Holding of six sessions of Exploratory Innovation to disseminate the expected impact on the company's activity of the main technological/social/cultural trends observed;

  - Submission of CTT and Banco CTT applications to the SIFIDE (Business R&D Tax Incentive System) programme under which the company has gained more than 7 million euros of tax credit since 2006, being clear evidence of the effort and investment in R&D.

4.4 Social Capital

CTT's activity has a positive social impact on the local communities, as the company fosters a service of proximity, of quality, to all citizens, all over the country, confirmed by the relatively high perception of indicators on reputation. **| SO2**

Our social and environmental patronage policy has given priority to the issues of poverty and social exclusion, culture, language, sports for the disabled, health, solidarity, biodiversity and innovation. To this end, we support twenty-four initiatives related to biodiversity, social welfare and assistance to groups that are vulnerable or at risk, through an investment of 1 million euros. We also organise voluntary work actions which seek to make a difference through the presence of our employees.

Some of these initiatives of social and environmental investments accomplished during the year are highlighted below:

Under **solidarity**, CTT delivered around two tons of donations to the youth association "Nasce e Renasce" (Born and Reborn) derived from the internal programme of collection of donations among the employees, and delivered three tons of donations to "Entrajuda" (Mutual Help) of items derived from postal scrap. **| SO1**

CTT responded to the disaster caused by the cyclone Idai that hit Mozambique with the "Made of Hope" campaign, having collected and sent 70 tons of clothes donated by its employees and the Portuguese population.

As much as 1.2 tons of out-of-date schoolbooks to the Food Bank, under the Paper for Food Campaign were delivered. For the 14th consecutive year, CTT supported the fund-raising work for Fenacerci with the sale of 20,366 Magic Glow-Worms at CTT post offices. CTT joined the XXS-XXL Campaign of the Portuguese Association of Support to Premature Babies and organised charity walks in Lisbon, Porto, Coimbra, Funchal and Ponta Delgada, converting each participation into a symbol value which the company donated by a Solidarity Institution, chosen by the employees "Semear Sorrisos" (Sowing Smiles).

Payshop continued its protocols of support to thirteen Private Social Solidarity Institutions, having raised donations for them of the value of 4,111 euros. CTT Expresso Spain once again sponsored the organisation Save the Children.

Social Integration was promoted, with the offer of free postage and other donations to the Aboim Ascensão Shelter, the NGO Aidglobal, the Salesianos Foundation and Quinta Essência Association. Support to the More Moving Movements Association with adapted chairs at beaches accessible to children with reduced mobility.

The Solidarity Father Christmas initiative was organised for the 10th consecutive year, having attracted "sponsors" for children in socially deprived situations. 1,388 letters were received from children who had written to Father Christmas, that were available at 13 CTT post offices and on the *website*, enabling anyone to fulfil the wishes of a child. Presents were forwarded to all of them free of charge, safeguarding the anonymity of the sponsor and child.

In the context of **health and sports**, CTT sponsored the Always Woman Race and the Médis Line Race, supported the Portuguese Association Against Leukaemia, the Magic Hair Association in transporting wigs to children of Acreditar (Association of Parents and Friends of Children with Cancer), Coimbra Paediatric Hospital, São João do Porto Hospital and Make a Wish Lisbon. Once again, CTT organised at the head office building two in-house blood donation campaigns with the Portuguese Institute of Blood and Transplantation (IPST), having obtained the participation of 141 employers.

In the area of preservation of the **environment and biodiversity**, CTT continued to sponsor the Iberian Lynx at Lisbon Zoo and joined the European Mobility Week. In partnership with Quercus, the 6th edition of the project "A Tree for the Forest" was launched, once again appealing to the population to buy the kits, aimed at national re-afforestation, which were on sale at 400 CTT post offices and the online store. Under this project, 8,049 trees were planted by the spring of 2019, corresponding to the number of kits sold in the previous year, with the assistance of hundreds of external volunteers who joined the cause. **| SO2**

A game on the Facebook page "Esfera CTT" allusive to the topic was launched, offering each winner a kit and a visit to one of the Quercus Wildlife Recovery Centres. The IGCP (Portuguese Treasury and Public Debt Management Agency) also endorsed this aim of preservation of nature, launching an awareness-raising campaign with this project, offering subscribers a kit, in other words, a tree to be planted.

Concerning **assistance to development**, the Company supported the Serralves Foundation, the National Culture Centre and the Porto Editora Literacy 3 Di project which is a national competition aimed at assessing the skills of students of the 2nd and 3rd cycles of elementary education, involving their teachers and educational establishments, in fours dimensions of knowledge: Mathematics, Science, Reading and English. G15

In order to encourage writing, CTT launched the international competition of the Universal Postal Union "The Best Letter" among young people resident in Portugal. The topic was "Writing a letter about your heroes". The three final prizes are awarded by this body of the United Nations. The winning letter, of the bracket of 9-11 year-olds represented Portugal at the international competition and was awarded an honourable mention, in a competition with thousands of young people worldwide.

CTT continued to strongly support **voluntary work**, with the organisation of 22 initiatives with various reference partners, involving 358 volunteers and their families, covering a total of 1,548 hours. The rule continued in force which allows the volunteers to participate in ongoing initiatives in the voluntary work plan, with their time assigned by the company for up to 16 hours, per year, per employee. Moreover, five years ago we introduced long-term voluntary work with specific rules, associated to the particularities of each project.

This is the case of EPIS, of which CTT is a partner and in our second year of the 2nd edition of the EPIS/CTT Mentoring Voluntary programme, with eight CTT mentors supporting eight young people, at risk of failure at school, on a continuous basis. The role of the mentor is to ensure close monitoring and the establishment of a good relationship so as to be able to motivate and stimulate each young person to develop her/his human and academic potential, convey attitudes and values, strengthen the young person's self-esteem and social integration, empowering her/him to construct a positive life project.

The Company continued to add value to the follow-up provided by these mentors with a team of 8 CTT young trainees, who volunteered to offer educational support, with regular tutoring given to these same students, especially in maths, Portuguese and English. The success of the 1st edition of this three-year project has been reflected in the results, which have been gratifying and have positively influenced the personal and academic life of the students, with 80% having completed the 3rd cycle.

Likewise, in the context of long-term voluntary action and the trainee integration programme, CTT has been part of street teams of the Vitae Association, supported the Zoo and the League of Friends of Hospital de Santa Maria.

At an environmental level and following the "A Tree for the Forest" initiative, CTT volunteers, together with Quercus and the support of the Nature Conservation and Forest Institute and local authorities, participated in an action of planting indigenous trees in Leiria Pine Forest.

CTT supported biodiversity by organising two visits to the Quercus Wildlife Recovery Centre in Montejunto, with the employees and their families having had the opportunity to take care of wounded or abandoned wild animals together with the Centre's personnel.

Customer Satisfaction

Communication with customers

CTT has a significant impact on Portuguese society due to its presence throughout the entire country as well as in international markets, reaching the most remote places, its importance in terms of employment and the production of wealth, and as a vehicle of enhancement of the competitiveness of the national business structure. CTT provides information on its website on the characteristics of its products and services as well as on its quality of service aggregate performance. PR3

CTT is a powerful platform of convenience and multiple services with a postal, financial and banking vocation, in terms of quality, efficiency and value creation, aimed at meeting the needs of citizens and economic agents. The company is an essential element of the country's social and economic development, contributing to improve the quality of life of its customers and employees, as a result of its dynamics, service-driven culture and attitude of social responsibility. EC8

CTT is driven by the market in general and the corporate segment in particular, offering CTT brand products, which reflect the increasingly more diversified areas of its competence, from mail and business solutions, parcels and express, financial and bank services, printing and finishing, etc. Therefore, each customer is assured regular, presential and specialised attention, enabling an overall and integrated offer of services and products aimed at creating value and the potential boosting of each entrepreneurial business act. There are 212 Banco CTT branches in the entire country, providing bank services to the population and promoting a differentiated offer.

There are various channels for submission of requests for information and/or claims, with a continued trend of replacement of traditional printed forms by easier methods. Fourteen external mailboxes and nine differentiated attendance lines are currently available, in addition to the Nave system, where the complaint is physically submitted at CTT post offices. The trend to use mediation entities by customer has been maintained, namely CTT's Customer Ombudsman. PR3

The customer services received over 2.3 million contacts by telephone and e-mail, with a 11% decrease in relation to the previous year. The telephone channel grew by 6% and accounts for 61% of all contacts, while the e-mail channel showed an opposite movement in having fallen by 28%, representing 39% of the contacts received.

Customer Satisfaction

The customers' opinion, expressed through satisfaction surveys conducted on a daily basis, indicates that 79.1% of the respondent customers consider that the overall quality of CTT is good or very good, and 83.4% of the customers considered CTT a trustworthy company. They also express a favourable opinion in relation to the quality of delivery (81.5%) and quality of the attendance (91.8%), considering the attendants competent (93.8%) and friendly (93.7%). The satisfaction levels regarding the correspondence delivery period stand at 75.1% for priority mail and 71.1% for non-priority mail. For the queue waiting time, the study points to satisfaction levels of 74.5%. PR5

The results obtained in the Quality of Service Indicators highlighted ordinary mail which achieves 98.3% of deliveries within 5 days, priority mail with 98.7% of deliveries within 3 days in flows with origin and destination in Mainland Portugal, and 97.9% within 4 days in flows between the Mainland, Azores and Madeira (CAM), registered mail with 99.8% within 3 days in Mainland Portugal and 95.3% within 4 days in CAM flows, Intra-Community international mail within 5 days (95.9%), where the result of this indicator depends on the performance of the postal operators of origin and destination, as well as a Queue Waiting Time of less than 10 minutes which reaches 88.6%.

The certification method is the preferred tool in the management of customer relations and has created strong in-house motivational dynamics, contributing in a significant manner to the consistency and quality of the services provided, optimising processes in the different stages along the value chain, developing and fostering the participation of the employees and improving customer satisfaction with a strengthening of CTT's image.

The management systems successfully maintained the existing certifications concerning Quality (ISO 9001), Environment (ISO 14001) and Safety (OHSAS 18001) in CTT's corporate certification, at the Production and Logistics Centres, and at its most important subsidiaries. The certification of services of Postal Agencies was also expanded, with 296 Certified Postal Agencies at the end of the year. The IPC (International Post Corporation) certification at Lisbon Airmail Unit and the Information Security certification (ISO 27001) in the operational area of Printing and Finishing were maintained, with CTT's current certifications always being able to be viewed at www.ctt.pt.

CTT's Management Policies on Quality, Environment, Occupational Safety and Health, and Information Security were updated in December 2019.

Some subsidiaries heard their customers: 83.3% of the final customers of CTT Expresso, in Spain, stated being satisfied with the brand. 83% of the bank's customers said they were very satisfied. G26 PR5

CTT has progressively made a considerable investment in the implementation of certified management systems in various areas. This strategic focus has contributed significantly to the consistency and quality of the services provided and optimisation of the processes in the different stages of the value chain, creating strong dynamics of internal motivation, by developing and fostering employee participation, with impact on the improvement of customer satisfaction and strengthening of CTT's image.

In the implementation of management systems, different approaches and timings were adopted for the different areas of the company and Group, with the certifications shown in the table below having been successfully maintained in 2019.

Certifications	Recognitions	Quality	Environment	Safety	Information Security	Services
Benchmarks		**ISO 9001**	**ISO 14001**	**OHSAS 18001 NP4397**	**ISO 27001 IEC**	**SC-POCO-74**
Postal Agencies (296 units)						X
Production and Logistics Centres		X	X	X		
Corporate _CTT		X	X	X		
CTT Expresso		X	X	X		
CTT Contacto		X	X			
Printing and Finishing Operational Area		X	X		X	

Claims and inquiries

The processes relative to customer claims constitute a unique and privileged form of detection of anomalies observed in the use of all CTT products and services. Accordingly, the aftersales and customer support area is responsible for disseminating the voice of the customer throughout the organisation, in the search for new solutions that enable increasing the satisfaction of our customers. PR4

CTT received 277,125 cases (Mail and Express business units) related to marketed services and products, showing 9% growth in relation to the previous year. The Mail business area recorded, in the application supporting the handling of claims, 142,956 cases relative to customer claims about marketed services and products[31], showing a year-on-year reduction of 2%. LA16

The main motives underlying the claims are related to the perceived delay in delivery and items that have gone astray.

Claims

SO11

	'18	'19	Δ '19/'18
Claims received[1]	255,366	277,125	9%
Claims received and answered	233,265	258,030	11%

[1] Includes cases of claims related to the Universal and Non-Universal Service. Excludes data of CORRE, CTT Expresso Spain and Banco CTT.

[31] Includes claims about Financial Services

The main origin of the claims answered, in the international service concerning inbound mail (claims about items entered into Portugal) is China followed by Singapore and Germany. In terms of outbound mail, the main destinations of the claimed items are the USA, United Kingdom and France.

17,686 compensations were processed of the value of 781,578 euros, representing a 16% decrease in relation to the previous year. The compensations of the international service accounted for 93% of the total value. The most frequent causes of the compensations are items that have gone astray and lack of response of the destination postal operator.

Amount of compensation [3]

	'18	'19	Δ '19/'18
Compensations (€)	1,745,699	1,741,806	0%

[3] Includes information regarding the Universal and the Non-Universal Postal Service. Excludes CORRE, CTT Expresso Spain and Banco CTT data.

The Express business area recorded 134,169 cases[32] related to claims, growing by 22% in relation to 2018. The motives of greatest impact on claims against Express are delays in delivery and additional services not carried out. At CTT Expresso Portugal, 15,844 compensations were processed of the value of 960,228 euros, representing a 17% increase in relation to the previous year[33]. The most frequent causes of the compensations are lost items, delays in delivery and damaged items.

Banco CTT had 587 claims in the Complaints Book, received 92 claims online and 148 were addressed to Banco de Portugal

4.5 Natural Capital

4.5.1 Environmental management policy and systems

CTT is a rather non-aggressive company compared to other sectors of activity, whose impacts primarily involve pollutant emissions into the atmosphere, essentially of greenhouse gas (GHG), mainly associated to its own and outsourced transport which currently accounts for almost all the carbon footprint (scopes 1, 2 and 3) of the company. | EN30

Comparing CTT's carbon intensity with its impact in terms of creation of value, we find that the company's contribution to national GDP (GVA/GDP) stood at 2.0‰, much higher than its contribution to total national greenhouse gas emissions, which was approximately 0.2‰ (scopes 1 e 2). | SO2

With an active and conscious role in the defence of the environment, CTT has implemented its Quality, Environment, Occupational Safety and Health, Energy and Carbon Management, Climate Change and Responsible Procurement policies. CTT's commitment to sustainability is visible throughout the organization and has a continuous impact on its daily operations and business model, reflecting the challenges of the company and the response to the needs of the stakeholders.

[32] Includes claims of Transporta

[33] Definitive recording of the merger by incorporation of the company Transporta - Transportes Porta a Porta, S.A. into CTT Expresso – Serviços Postais e Logística, S.A., of CTT - Correios de Portugal, S.A., in June 2019

CTT has identified, assessed and prioritised the following most significant corporate risks that could compromise the attainment of its strategic objectives and negatively affect its sustainable growth (chapter 2.7. Risk Management, above). Three strategic and external risks were assessed and prioritised at an environmental level, associated to the frequency and severity of occurrence of extreme weather phenomena, the negative perception of CTT's image by its customers, investors and other stakeholders, with respect to its environmental reputation, and its inability to respond adequately to the emergence of new paradigms in the market, consumer requirements and new regulations and legislation. The response to these risks is based on a strategy that aims to mitigate such risks and enhance opportunities, with an impact at an operational level on brand reinforcement and reputation, value chain optimisation and customer loyalty. | G46 | EC2 | G2

In order to align the organisation's management practices with its environmental priorities and targets, from the top to the base, CTT has incorporated sustainability variables in the management scorecards of the operational units. This practice enables placing the environmental agenda within the radar of the managers and other employees, ensuring the follow-up of situations and introduction of any necessary corrective measures. Some of the recent and most relevant business decisions in the short and long-term were influenced by considerations on reduction of the carbon footprint and enhancement of energy efficiency (further identified below. | G47

4.5.2 Energy

With a significant weight in the carbon footprint, direct energy consumption accounts for around 6% of the value of the company's total external supplies and services and is a priority issue with respect to the monitoring and implementation of energy efficiency measures. The increased energy efficiency leads to direct environmental gains – each joule of energy saved is reflected in a lower production of carbon emissions – as well as in a more solid consolidated balance sheet of the company in the short and long-term.

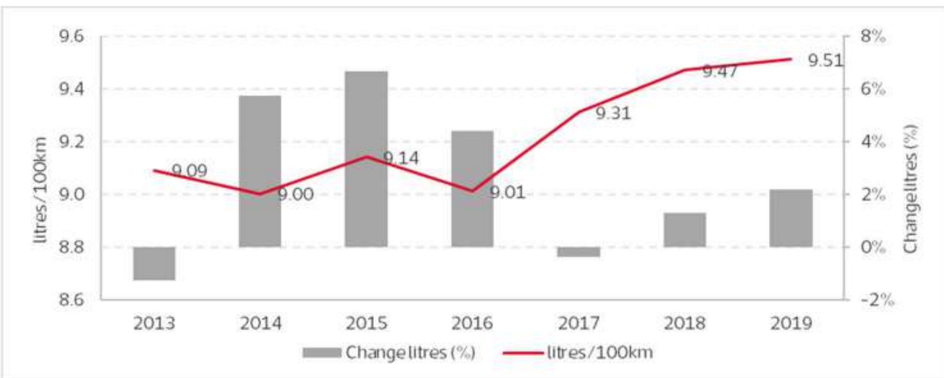
In 2019, electrical energy consumption corresponded to about 37% of total energy consumed. However, all the electrical energy comes from 100% renewable resources. CTT's annual electricity consumption fell by 8.8%, reflecting the restructuring in progress of the buildings as well as the energy efficiency measures. | EN3

CTT also consumes minor amounts of power produced by the existing thermal solar panels at the Lisbon head office and at the Maia building. Thermal power is also used for air conditioning at the Lisbon head office building, in Lisbon (only building which uses this source of energy).

Fuel continues to represent CTT's main energy source (61%). The overall efficiency of CTT's fleet, measured in litres/100 km, showed a slight decrease of 0.4% in relation to 2018, in spite of the increased volume of the fleet for transport of parcels and express due to the increased volume of e-commerce. | EN3 EN6

| EN5

Evolution of the average consumption of the CTT fleet



In this regard, an increase in fuel consumption was observed in 2018 (2.2%), as a result of the operational changes indicated above, as well as the increase of the company's own fleet activity of delivery and transport.

CTT also still consumes gas, for the activity of the canteens of some of the CTT buildings.

CTT energy consumption

EN3

GJ	'18	'19	Δ '19/'18
Total green electricity consumption	155,576.8	141,921.2	-8.8%
Solar panel power consumption	127.2	127.2	0.0%
Thermal power consumption	6,575.7	6,632.2	0.9%
Total fuel consumption	226,421.8	231,122.1	2.1%
Total gas consumption	1,651.8	1,058.4	-35.9%
Total	**390,353.4**	**380,691.4**	**-2.5%**

There was an overall reduction in CTT's energy consumption, associated to a reduction in electricity and gas consumption. EN6

Total energy consumption is reflected in an energy bill of close to €14,7m. EN31 EN4

Buildings

Reinforcing the commitment to reduce energy consumption, with direct consequences on greenhouse gas emissions, CTT has implemented various energy efficiency and facility modernisation measures. These interventions have primarily focused on the major components of the energy bills, air conditioning and lighting respectively. Follow-up was also ensured of the legal obligations applicable to CTT's buildings, concerning energy certification and energy audits, covering 131 buildings. Furthermore, a project was awarded for the monitoring of energy consumption at 72 CTT facilities for the three-year period 2020-2022, with a view to identifying opportunities for improvement and action proposals. EN6

Operating centres and delivery offices

The three production and logistics centres (CPL) are the largest energy consumers, out of CTT's total of approximately one thousand buildings, with the South and North being energy intensive consumers.

As a result of the effort to rationalise energy consumption and implement energy efficiency measures in these centres, there was an absolute reduction of electricity consumption in these two largest production and logistics centres. EN6

At the North Production and Logistics Centre, work continued towards the optimisation of the scheduling of the lighting and areas to be illuminated, the timing adjusted to the production periods of the air conditioning system and the replacement of pendant lights and self-contained units by LED lighting. At the South Production and Logistics Centre, the reduction was due to a reformulation of mail sorting machinery, with the removal of 13 machines and installation of 4 new machines that are technologically more advanced and energy efficient.

The delivery offices (CE) and postal logistics and delivery centres (CLD) also underwent interventions, with:

- Reformulation of lighting systems, including the installation of LED solutions in 6 facilities, including the Airmail Unit (EPA), foreseeing a zone dedicated to electric vehicle charging;
- Remodelling of 5 postal logistics and delivery centres (CLD) with construction practices aimed at improving energy efficiency.

Administrative services building

The CTT head office, in Lisbon, is responsible for 4% of CTT's total consumption of energy. Monitoring and control based on advanced solutions has thus become imperative, in order to identify and optimise potential actions to reduce consumption/costs.

Particular note should be made of the fact that part of the power consumed in the building comes from renewable sources, namely thermal solar power produced for hot sanitary water. **EN7**

Other buildings

Following best practice tested in previous years, 228 interventions were carried out in buildings, leading to higher energy efficiency and also contributing to the reduction of CTT's energy footprint. **EN6**

In general terms, the following actions are noteworthy:

- Opening of 2 new post offices in new places and reopening of 2 post offices, with construction practices aimed at improving energy efficiency;
- Interventions in access ramps at 2 postal agencies;
- Improvements to the air conditioning of the facilities, with the replacement of older units by equipment with a higher energy efficiency class;
- Interventions in elevators, upgrading of electrical switchboards, replacement of air compressors and review of their network.

CTT also focuses on more ecological and more efficient solutions for buildings, having started the installation of 3 small photovoltaic production pilot plants with a power output of up to 419 kW, in 2019. Plans have been laid for the extension of the solution to a further 3 facilities and consequent installed power to a further 280 kW. **EN7**

Charging points for electric vehicles were installed at CE Porto Alto, at the North Production and Logistics Centre and at the head office building, due to the growing expansion of the electric fleet for mail delivery.

The actions were continued in terms of replacement of computer equipment by more efficient equipment, enabling energy saving in the establishments.

Cutting energy consumption is essential for CTT, which annually spends around 7 million euros on electricity. **EN6**

Mobility

CTT operates one of the largest and most modern fleets of national companies, composed of 3,697 vehicles under direct operation, with transport services also being outsourced to third parties. CTT's fleet includes 315 less pollutant vehicles.

CTT Vehicles

	'18	'19	Δ '19/'18
Total vehicles in operation[34]	3,613	3,697	2%
Less pollutant vehicles	311	315	1%

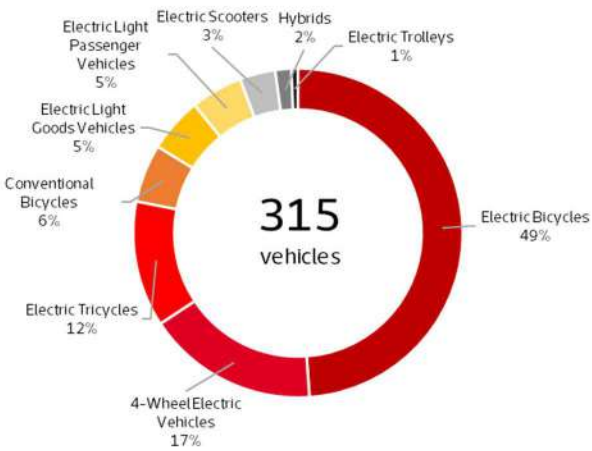
[34] Excludes the fleet of CORRE and 321 Crédito

CTT's total activity covered 68 million km travelled by its own fleet (1.8% more than in 2018), plus 71 million km travelled by the outsourced road fleet (21% more than in 2018).

The search for economically efficient and environmentally friendly solutions has led to the acquisition of alternative vehicles, primarily electric vehicles, which currently correspond to 9% of CTT's total fleet, comprising 315 vehicles. In the same context, the integration of conventional vehicles with increasingly more recent technological solutions not only enables optimising operating costs but also the highest possible reduction of the negative impacts of its activity. EN19 EN6

EN3 EN4

Type of alternative vehicles



Due to the increase in the transport of express items, the fleet was strengthened with 64 light goods vehicles contracted under a vehicle operating lease system, aimed at increasing the volume required for the operation. In 2019, 100 two-wheel vehicles for delivery of mail and parcels became operational, with a positive impact on the fleet's efficiency level.

The overall average age of the fleet of CTT, S.A. increased in relation to the previous year, currently standing at 3.1 years.

Average age of the CTT, S.A. fleet

	'17	'18	'19
Overall average age	3.0	2.3	3.1

CTT has prepared a new Plan for Rationalisation of Consumption and Energy (PRCE) - for its fleet, with the seal of approval of the Directorate-General for Energy and Geology (DGEG) for the three-year period of 2018-2020. In 2019, work continued to accomplish the fleet renewal plan, the optimisation of the delivery rounds and transport, the control of supplies and maintenance of vehicles, the installation of GPS systems in the operational vehicles, and the training and awareness-raising of drivers and fleet managers on safe and efficient driving. EN6 EN7

The delivery operational fleet was subject to 30 monitoring actions onsite, carried out by CTT technical personnel, to raise the drivers' awareness on care and best practice in fleet use and maintenance.

In 2019, CTT organised the edition of Drivers' Challenge Portugal, hosting 17 participant teams nationwide, at the Centre Production and Logistics Centre (CPLC) in Taveiro, Coimbra. This event is part of the IPC Sustainability Programme, and aims to distinguish best practice in the postal sector concerning reduction of EN19 consumption and CO_2 emissions, road safety and quality of service to the customer, among other aspects. The winning team of the national competition will represent at the international final of the IPC Drivers' Challenge, held in 2020 in the Netherlands.

Under the Road Safety programme, CTT reduced its road-related accidents by 7.2%, in relation to 2018 (occupational accidents and material damage), with a total of 34.9 accidents per million kilometres travelled. Since this programme started in 2015, road-related absenteeism has fallen by 47,690 days, despite the annual increase observed in occupational accidents (15.6% more), with one death having occurred related to a two-wheeled vehicle.

Training and awareness-raising actions regarding Road Prevention were promoted among employees, involving a total of more than 27,000 participations, including all kinds of actions (awareness-raising, practical training of driving and training for senior managers).

CTT was invited to share knowledge and experience in the context of its Road Safety programme, through its presence at the International Conference on Traffic Safety, held in Abu-Dhabi in the United Arab Emirates, as well as through the Parar Institute in São Paulo, Brazil.

Also concerning road safety, CTT joined the EDWARD (European Day Without A Road Death) project, promoted by the European Union and supported by the United Nations, which challenges every one of us to make a personal commitment to road safety. The message of 2019 was "No matter how much we use roads, we are all much more vulnerable than we think".

CTT once again took part in the European Mobility Week, an event that has been commemorated for various years to reiterate its commitment to values related to the environment and corporate civic participation in the context of soft mobility. CTT's programme included a series of awareness-raising actions, with the presentation of electric vehicles and test - drives of electric passenger vehicles from the north to the south of Portugal. During this week, CTT invited all the employees to reflect on their mobility habits and find more responsible solutions, such as alternative transport and/or sharing lifts.

We highlight that the city of Lisbon won the European Mobility Week Award 2018, which CTT joined with its participation in the event held in Avenida da Liberdade.

CTT signed the Business Mobility Pact for the City of Lisbon, at the invitation of Lisbon City Council, the World Business Council for Sustainable Development (WBCSD) and BCSCD Portugal. This agreement is public, voluntary, free of charge and collaborative, 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. **EN7**

In pursuing its focus on vehicles with alternative, less pollutant and more sustainable engines, a long-term test was conducted on a natural gas fuelled truck, which has lower emissions of greenhouse gas, particulates and nitrogen oxides (the pollutants that most contaminate the air of zones with dense traffic) compared to a similar vehicle with a diesel engine. **EN15**

CTT's carpooling platform, aimed at mitigating the emissions generated by employee commuting, has already enabled savings of around 15.33 tons of CO_2 and 90,687 km travelled since its launch at the end of 2015. **EN19**

4.5.3 Atmospheric emissions and climate change

Climate change affects the company's costs, revenues and reputation, playing a fundamental role in the definition of its strategy. In most cases, the influence of the topic derives from the commitment to adaptation to climate change and potential financial gains, more than from the response to compliance with legal and regulatory obligations.

In 2019, there was increase (3.5%) in CTT's total CO2 equivalent emissions (scopes 1, 2 and 3) in relation to the previous year, mainly due to the increase of outsourced activity for transport of items by surface and air mail.

The emissions arising from CTT's own fleet activity increased year-on-year (1.8%) which is reflected in the total direct and indirect emissions derived from the acquisition of energy for own use (scopes 1 and 2). EN15

Scope 3, associated to outsourced transport, continues to represent the largest portion of emissions, accounting for 72.3% of the overall emissions of the company's activity, followed by scope 1 emissions relative to fuel consumption by the fleet and gas consumption in buildings (27.4%), and scope 2 relative to consumption of electricity and air conditioning (0.3 %). EN17

CTT carbon emissions

EN17 EN16 EN19 EN15

t CO_2e	'18	'19	Δ '19/'18
Direct emissions – Scope 1	16,261.5	16,540.5	1.7%
Indirect emissions – Scope 2	188.5	190.1	0.9%
Indirect emissions – Scope 3	41,803.9	43,446.1	3.9%
Total Emissions (Scopes 1, 2 and 3)	**58,168.9**	**60,176.6**	**3.5%**

Greenhouse gas emissions (t CO_2e)	'18	'19	Δ '19/'18
Fleet [35]	16,162.8	16,475.9	1.9%
Gas	98.7	64.6	-34.6%
Total direct emissions (scope 1)	16,261.5	16,540.5	1.7%
Other pollutants (t)			
NO_X	178.3	179.0	0.4%
SO_X	46.0	47.0	2.1%

Direct emissions (scope 1) increased due to the higher fuel consumption by CTT's own fleet (previously referred to in the sub-chapter on Energy).

Direct atmospheric emissions of CTT (tons)

EN21

Indirect emissions derive from the electric and thermal energy consumed in buildings, as well as other indirect consumption that occurs along the value chain. These include emissions derived from outsourced road, air and sea transport, business travel and journeys between home and the workplace (commuting). EN16

By acquiring green electricity for 100% of its consumption since 2015, CTT reports zero carbon emissions for electricity consumption based on the specific carbon content of the electricity supplier (market-based approach). The assessment of the Company's total carbon footprint on the basis of the domestic energy mix (location-based approach) shows that the acquisition of energy corresponds to approximately 13.5 kt CO_2 per year. Thus, the acquisition of green energy influences the overall carbon footprint of CTT, as well as its EN19

[35] Excludes the fleet of CORRE and 321 Crédito.

achievement of the carbon reduction targets adopted.

Indirect atmospheric emissions from electricity and thermal power consumption by CTT

EN16
EN17

t CO_2e[36]	'18	'19	Δ '19/'18
Electricity consumption	0	0	0,0%
Thermal power consumption	188,5	190,1	0,9%
Total Indirect Emissions (scope 2)	**188,5**	**190,1**	**0,9%**

There was increased activity of the outsourced road fleet (+5.7% of the distance travelled), with direct impact on the associated carbon emissions.

The emissions derived from the air transport of mail, parcels and express recorded an increase in relation to the previous year, despite the reduction of international air transport. The increase is associated to a considerable growth of national air transport in the Mainland Portugal – Madeira axis.

The reduction observed in emissions derived from the sea transport of parcels and express, used in inter-island and mainland-island routes, was essentially due to the decreased postal volume of the express segment originating in the Azores with mainland destination.

The emissions derived from home-work-home journeys of the employees increased moderately, due to the increased number of employees of the Group and average distance travelled.

With a view to minimise carbon emissions associated to travel abroad, the practice of holding national or international meetings by audio or video-conference was continued. The increase in relation to the previous year was primarily based on the longer distance travelled in this type of journey. EN6

Other indirect atmospheric emissions EN4

t CO_2	'18	'19	Δ '19/'18
Air transport	11,272.8	11,696.7	3.8%
Sea transport	56.3	56.6	0.6%
Road transport by outsourced fleet [37]	24,205.8	25,407.7	5.0%
Air and rail travel on company business [38]	7.7	7.0	-8.9%
Commuting	6,261.3	6,278.0	0.3%
Total outsourced transport (scope 3)	**41,803.9**	**43,446.1**	**3.9%**

Considering direct (scope 1) and indirect (scope 2), carbon emissions the carbon incorporation of each postal item is 14.0g of CO_2, which implied a minor improvement of 0.9% in relation to the previous year. This improvement was due to the increase of total volume having been greater than the increase of fuel consumption. Incorporating the scope 3 emissions, there was a 0.6% increase, associated to the factors presented above. EN18

[36] Excludes CORRE and 321 Crédito.
[37] Excludes CORRE, Transporta and 321 Crédito.
[38] Only includes international travel of CTT S.A.

Climate change

CTT considers that the combat of climate change is an increasingly important topic for society and for companies. CTT joined the United National Global Compact initiative "Business Ambition for 1.5ºC", aimed at contributing to halt global warming and limit the increase of the global average temperature below 1.5˚C. In this regard, CTT is part of a group of merely 326 companies in the entire world with ambitious targets to reduce carbon emissions approved, on the present date, by the Science Based Target Initiative (SBTi).

In this regard, CTT is committed to reducing absolute emissions by 30% by 2025 relative to 2013 and emissions by letter or parcel by 20% over the same period.

CTT achieved Leadership position, with an A- grade, in what is considered the principal rating of energy and carbon sustainability at a worldwide level, the Carbon Disclosure Project (CDP) in the front line of the fight against climate change. With performances above the sectoral and national average, CTT was ranked in 1st place at a national level and in 2nd place of the worldwide postal sector.

In the sectoral index of carbon proficiency, the Environmental Measurement and Monitoring System of the IPC (International Post Corporation), CTT achieved the fifth best classification, among nineteen participants at a worldwide level, having recorded an impressive reduction of carbon emissions since the beginning of this programme (-64%, from 2008 to 2019) and been a sectoral benchmark in three of the assessment pillars associated to the carbon policy and management strategy.

CTT participated in the first Green Postal Day, promoted by the IPC, together with 11 other worldwide postal operators. This initiative aims to mark the positive results of the collective effort that postal operators worldwide have been putting into practice to counter climate change and reduce their carbon emissions. The Green Postal Day supports the International Day of Zero Emissions and the European Mobility Week.

Under the identification and assessment of impacts derived from climate phenomena, with implications in terms of costs and operations, 22 events occurred, in particular winter storms, snowfalls and hurricanes. It is estimated that these events had an impact of 34.6 thousand euros in operational terms and 10.6 thousand euros associated to work potential.

On these matters, CTT adopts the following formulation of principles:

Policy on Energy and Carbon Management and Climate Change

- Creation of value for the business, and likewise generating value for society;
- Improvement of the energy efficiency of equipment, facilities, fleet and product design, with a view to continuous improvement of performance;
- Provision of information and resources, in order to achieve the established objectives and targets;
- Respect for the legal and regulatory framework in force and other commitments which the company endorses;
- Active involvement with partners, employees, customers, community and all other stakeholders aimed at the dissemination and promotion of these principles.

4.5.4 Consumption, waste and biodiversity

Water

Postal activity is not particularly intensive in its use of water, although water constitutes a resource for the daily operation of the facilities, namely for human consumption, irrigation or occasional situations of vehicle washing and use in air conditioning equipment.

CTT Water Consumption

	'18	'19	Δ '19/'18
Consumption (m^3) [39]	51,059.3	48,717.5	-4.3%

EN8

There was a reduction in water consumption[40], essentially associated to the consumption of CTT Expresso Spain derived from the closing of its own operational centres. Nonetheless, measures were implemented to streamline consumption, such as the installation of flow restriction devices, reduction of the number of vehicle washes and greater proactivity in resolving break-downs and repairs. CTT monitors the information in real time on the consumption of network water using telemetering, for the buildings of the Lisbon region, with a view to optimising water consumption and costs.

The total cost related to water consumption at CTT represents 263 thousand euros.

Consumption of materials

Although CTT's activity involves very little incorporation of intermediate or final materials in its supply process, priority has been given to their reduction.

This year, close to 3,154.4 tons of consumption[41] of materials were recorded, of which 82.4% refer to paper and 15.6% to plastic. Overall, there was a general reduction of consumption of materials, due to the extinction of some CTT products.

The incorporation of recycled materials in products currently represents 4.7%. EN2

The implementation of actions aimed at decreasing the consumption of consumables and the dematerialisation of procedures by digital models continued, especially in the operational areas. Information and awareness-raising actions to minimise the consumption of materials were directed at employees, through the internal TV circuit of the head office and other internal means of communication.

Under the "Online Receipts" service provided by CTT – a solution with functionalities for digital marketing and assessment of attendance quality of service, based on the dematerialisation of invoices – the number of registered users surpassed 70 thousand users, while the number of processed invoices surpassed 7 million, contributing to the reduction of consumables and costs related to the printing of these documents. EN27

Waste

Continuing the internal management practice and final sending of waste to the most suitable destination, recovery solutions, instead of sending waste to landfills, are given priority. This year there was a reduction in the annual quantity of waste produced, as well as the total recovery rate which stood at 85.3%, a little below that observed in the previous year, due to the increased amount of waste sent for elimination. EN27

[39] Among the subsidiaries, excludes the consumption of CORRE and 321 Crédito.
[40] For CTT S.A., the figures only include the consumption of the production and logistics centres and buildings supplied by EPAL.
[41] The reported figures were obtained via analysis of the acquisitions made through the e-procurement electronic system. The gradual expansion and improvements introduced to the accounting process regarding the consumption of materials have enabled the inclusion of more products and the identification of different types of materials.

Waste

	'18	'19	Δ '19/'18	Destination
Paper and cardboard	604.1	604.1	595.5	Recovery
Plastic	205.3	205.3	143.8	Recovery
Wooden pallets	299.7	205.7	209.9	Recovery
Undifferentiated waste	245.4	245.4	191.9	Recovery/Disposal
Other	299.9	299.9	156.2	Recovery/Disposal
National Total	**1,654.6**	**1,560.4**	**1,297.3**	

EN28

Waste by hazard level and destination [42]

Tons	Recovery	Disposal	Total
Hazardous waste	3.3	18.2	21.5
Non-hazardous waste	1,103.3	172.5	1,275.8
Total	**1,106.5**	**190.7**	**1,297,3**

CTT continues to participate in the inverse logistics process in partnership with a major customer of the food sector, transporting, in return, the waste of the latter's final customers. Concerning the circular economy, new projects in the area of waste transport for CTT customers were also implemented. EN27

Biodiversity

The use of paper, as the most representative format used in postal communication, has a relevant effect, albeit indirect, on forests and biodiversity. Therefore, while not considered a critical topic, the company manages its impacts on biodiversity in an active manner and in line with its management framework, focusing on the use of paper derived from sustainable forests and on promoting the use of certified paper in its products and services. EN12 EN27

For the 6th consecutive year, yet another edition of the "A Tree for the Forest" initiative was launched, within the scope of the partnership between CTT and Quercus. This campaign aims to restore the forest of some zones of the country with indigenous species, namely protected areas, Classified Areas and National Forests at high risk of fire or more affected by forest fires. Up to date around 90 thousand trees have been planted in these zones, with the collaboration of hundreds of volunteers, external to the company, who joined this initiative. The kits were also available on CTT's Online Store. EN13

The launch of various collectable stamp issues on environmental matters included, in 2019, the publication of 3 stamp issues and 1 label dedicated to the topics of "Indigenous Breeds" (2nd edition), "Europe – National Birds", "The Tea of the Azores" and "Nudibranch Species", involving a total of 1.8 million philatelic units. Also this year, CTT distinguished itself by presenting a unique stamp issue in the world, dedicated to Christmas, which includes a small LED light, activated by a mobile phone with near-field communication (NFC) technology. It is important to mention that all of CTT's philatelic issues, as well as the "meuselo" personalised products, are produced with Forest Stewardship Council (FSC) certified paper.

CTT continued its adherence to the Print Power programme, associated to awareness-raising campaigns on responsible communication using paper, with the disclosure of a brochure, produced within the scope of the working party, on this theme.

[42] The amount of waste does not include CORRE or Transporta

Training and Awareness-Raising

CTT has regularly developed, both internally and externally, a large number of awareness-raising initiatives aimed at boosting knowledge on the matter, disseminating good practices by the employees and all other stakeholders, and drawing attention to certain environmental aspects, such as the conservation of resources, the protection of nature and the need for eco-efficiency, among other issues.

CTT, together with two other associations of the paper industry, launched the initiative in Portugal named Keep Me Posted – Citizen's Right to Choose. The Europe-wide campaign promotes the citizen's right to choose how to receive important information, such as accounts and statements from service providers, without any penalisation or imposition as to the choice between paper or digital format.

CTT maintains the bimonthly internal publication of the magazine *Move-nos* (around 22 thousand copies per edition), with regular publication of articles and contents of an environmental and social nature, as well as a section dedicated to Road Prevention, with a view to raising the awareness of employees CTT also broadcasts content within the scope of these themes on its internal TV channel at the head office and in the retail network.

The internal communication network, intranet, a point of connection for all the company's personnel, discloses CTT's sustainability policies and commitments, as well as its performance and initiatives undertaken with a view to environmental protection.

The monthly dissemination of topics on social and environmental responsibility continued in the e-newsletter "In Focus", directed at the employees of the retail network and the dissemination of these topics, via e-newsletter, was also extended to the workers of the operational centres, in Portugal.

At an external level, CTT regularly shares news items on sustainability, through its Facebook page – *Esfera CTT*, which currently has more than 44 thousand fans. CTT is also present on the social networks LinkedIn and Instagram, which have more than 49 thousand followers. In 2019, a new competition "A Tree for the Forest 2019" was launched on Instagram, that reached more than 62 thousand users with more than 100 participations.

Articles were published in the Portuguese magazine "Imagens de Marca", dedicated to projects and actions undertaken by CTT, in particular the initiatives named "Made of Hope" in humanitarian aid to Mozambique and Keep me Posted, the "A Tree for the Forest" campaign and participation in the European Mobility Week. Articles on CTT's sustainability programme were also published in the magazines Marketeer and Executive Digest.

CTT participated in conferences with a view to sharing good practices and raising the awareness of the participants. At an international level, CTT participated, as a guest, in the IPC's annual Sustainability, in which work was developed to define sectoral targets and to achieve the United Nations Sustainable Development Goals. At a national level, CTT participated in the Smart Cities 2019 conferences in Aveiro and Ponta Delgada, dedicated to the themes of "Soft Mobility" and "Climate Change", and in the E3S Colloquium dedicated to the theme of "Conscious management in the effective use of resources". CTT also participated in the Condado music festival, with the promotion/sale of the "A Tree for the Forest" kit.

Environmental investment

The total value of environmental investment in 2019 was close to €2.3m. In terms of the distribution of the investment - the majority took place at CTT S.A. - there was a significant focus on prevention measures, with a view to improving the overall performance of CTT. The indicators are presented below. EN31

Environmental Investments

(1000€)[43]	'18	'19	Δ '19/'18
Maintenance, conservation of buildings	1,030.5	82.47	-92.0%
Renewal of the conventional fleet	691.2	1,243.8	79.9%
Environmental reporting, partnerships, events and sponsorships	108.9	121.0	11.1%
Information technology equipment	106.0	742.4	600.4%
Renewal of the electric fleet	66.4	0.00	-100.0%
Certifications and legal compliance	41.4	40.6	-2.0%
Energy and carbon management	16.9	88.8	425.2%
National Total	**2,061.3**	**2,319.0**	**12.5%**

[43] Excludes CORRE, Transporta and 321 Crédito.

05
Corporate Governance

We go further in Confidence

We go further to bring the world closer.

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

YEARS

5. CORPORATE GOVERNANCE[44]

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Part I – Information on shareholder structure, organisation and corporate governance

5.1. SHAREHOLDER STRUCTURE

5.1.1. Capital Structure

1. Capital Structure

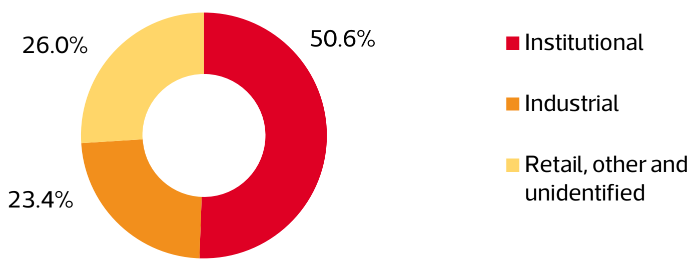
CTT's share capital is €75,000,000.00, fully paid-up and underwritten, being represented by 150,000,000 ordinary (there are no different categories), registered, book-entry shares with nominal value of €0.50 each, listed for trading on the regulated market managed by Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A. ("Euronext Lisbon").

Characterisation of the capital structure

At the end of 2019, a study was conducted aimed at characterising CTT's capital structure. It identified 152 institutional shareholders with approximately 51% of the Company's capital and 2 industrial holders with around 23% of the CTT share capital, while it also revealed that retail and other investors were holding circa 26% of capital.

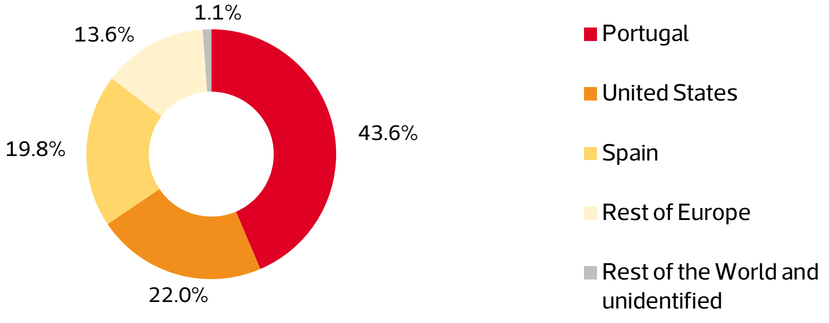
Hence, according to this survey CTT shareholder composition in terms of the profile of the investors was as follows as at December 2019:

CAPITAL STRUCTURE BY INVESTOR PROFILE



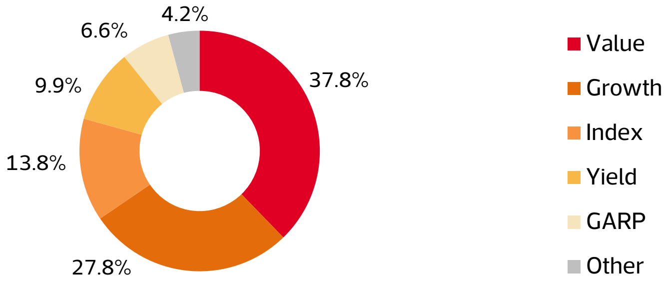
According to the same study, with regard to **geographical breakdown**, at the end of 2019 CTT's shareholder base was mostly based in **Portugal** (43.6% of the capital), the **United States of America** (22.0%) and **Spain** (19.8%). In the **rest of Europe**, investors held over 13.6% of CTT's share capital, as illustrated below:

GEOGRAPHICAL BREAKDOWN



The study also included an analysis of CTT's shareholder composition by **investment strategy** which demonstrated that, at the end of 2019, institutional investors with a **Value** type of investment strategy were the most representative in CTT's shareholder base (37.8%) followed by those with a **Growth** strategy (27.8%) and **Index Funds** (13.8%). Investors with a **Yield** strategy represented around 10% of the total institutional investment in CTT, and **GARP** (Growth at A Reasonable Price) type held circa 7% of the capital, as shown graphically below:

INSTITUTIONAL SHARES BY INVESTMENT STRATEGY



Finally, the study demonstrated that, at the end of 2019, the 10 largest shareholders of CTT (including institutional and industrial shareholders) held 50% of the Company's capital (compared to 46% at the end of 2018), while the 25 largest held 65% (similar to that at the end of 2018).

2. Restrictions to the transfer of shares

CTT shares are **not subject to any limitations** (whether statutory or legal) regarding their transfer or ownership.

Although CTT's shares are freely transferable, their acquisition implies, as of the commercial registration date of Banco CTT (a credit institution fully owned by CTT), **compliance with the legal requirements on direct or indirect qualified shareholdings** established in the Legal Framework of Credit Institutions and Financial Companies laid down in Decree-Law 298/92, of 31 December, in its current version.

In particular, and pursuant to article 102 of this Legal Framework, anyone intending to hold a qualified holding in CTT and indirectly in Banco CTT (i.e. direct or indirect holding equal to or higher than 10% of the share capital or voting rights or that, for any reason, enables exerting significant influence on the management) should previously inform Banco de Portugal on their project for the purpose of its non-opposition thereto. In turn, acts or facts that give rise to the acquisition of a shareholding of at least 5% of the capital or voting rights of CTT and indirectly in Banco CTT, should be communicated to Banco de Portugal, within 15 days as of its occurrence, pursuant to article 104 of said Legal Framework.

3. Own shares

As at 31 December 2019, and on the present date, **CTT held and holds 1 own share, with the nominal value of €0.50, corresponding to 0.000% of the share capital**, with all the inherent rights being suspended by force of the provisions in article 324(1)(a) of the Portuguese Companies Code ("PCC").

4. Significant agreements with change of control clauses

As at 31 December 2019, and on the present date, the following contracts of strategic relevance to CTT with clauses related to changes in control, were and are in force:

- The agreement for the **sale of Cetelem credit product**s in the CTT Retail Network and website concluded on 23 June 2014 with **BNP Paribas Personal Finance, S.A.**, whose scope was extended to Banco CTT on 31 August 2016. This agreement was amended on 20 December 2018 but remained unchanged as to the possibility of unilateral termination by any of the parties, under certain circumstances, in the event of a change of shareholder control.
- The contract concluded on 16 July 2013 with **Fidelidade – Companhia de Seguros, S.A.** for the brokerage of this entity's insurance, whose scope was extended to Banco CTT on 22 July 2016, with a new contract having been concluded on this same date for specific brokerage of health insurance also of Fidelidade. The possibility of termination by any of the parties in the event of a change in the counterpart's shareholder structure was maintained, as well as the possibility of unilateral termination by Fidelidade if CTT should lose control of Banco CTT.
- The agreement entered into, on 20 September 2018, with **Western Union Payment Services Network EU/EEA Limited (Western Union)** and **Western Union Payment Services Ireland Limited (WUPSIL)** for the provision of fund transfer services, which establishes the possibility of unilateral termination of the contract by Western Union in the event of a change of control in the shareholding structure of CTT, remains in force.
- The 3 **agreements entered into on 18 November 2015 between CTT and Banco CTT** (a fully-owned CTT company which exercises its on-site activity mainly through CTT Retail Network), that govern the use of resources inherent to the Retail Network and the CTT/Banco CTT partnership in regard to the CTT Channel, the multiple employer regime adopted for labour agreements with the Retail Network employees and the rendering of services between the parties, also remain in force. These agreements provide that either party may take it upon itself to initiate the renegotiation of the business / financial balance of the agreement, in good faith and at arm's length, should the respective control or group relationship cease to exist or if an event occurs that leads to CTT becoming controlled by a Banco CTT's competitor.

The aforesaid clauses constitute **normal market conditions in this type of contract for the sale/distribution of financial products and partnership agreements** (especially for the protection of the parties if control of the counterparty is taken by competitors). **They are not intended to have an adverse effect on the free transferability of CTT shares and neither are they able to do so**.

On the other hand, the Company is **not a party to any other significant agreements that become effective, are amended or terminated (including the effects thereof) in the event of a change of control in CTT following a takeover bid**.

No measures have either been adopted, nor is CTT a party to significant agreements that trigger any payments or the bearing of costs by the Company in the event of change of control or changes to the composition of the management body and which are deemed capable of hindering the free transfer of CTT shares and the Shareholders' free assessment of the performance of members of CTT's management body.

5. Rules on the renewal or repeal of defensive measures, particularly those limiting the number of votes that may be held or exercised by a single Shareholder, individually or together with other Shareholders

The Articles of Association set no limits to the number of votes that may be held or exercised by a single Shareholder, individually or jointly with other Shareholders.

6. Shareholders' agreements that are known to the Company and may lead to restrictions on the transfer of securities or voting rights

The Company is **not aware of any shareholder agreements** regarding CTT, namely on matters of transfer of securities or voting rights.

5.1.2. Shares and bonds held

7. Qualified Shareholders, Percentage of Share Capital and Votes Attributable thereto, Source and Causes of Attribution

As at 31 December 2019, **based on the communications to the Company** made up to this date, the structure of the qualified holdings in CTT, calculated under the terms of article 20 of the Portuguese Securities Code, was as follows (notwithstanding changes disclosed to the market up to the date hereof and also identified in the table below):

Shareholders		Number of Shares	% Share Capital	% Voting Rights
Manuel Champalimaud, SGPS, S.A. (1)		19,271,134	12.847%	12.847%
Manuel Carlos de Melo Champalimaud		353,185	0.235%	0.235%
Manuel Carlos de Melo Champalimaud (1)	**Total**	**19,624,319**	**13.082%**	**13.082%**
GreenWood Builders Fund I, LP (2)		8,759,082	5.839%	5.839%
GreenWood Investors LLC(2)	**Total**	**8,759,082**	**5.839%**	**5.839%**
Global Portfolio Investments, S.L. (3)		8,492,745	5.662%	5.662%
Indumenta Pueri, S.L. (3)	**Total**	**8,492,745**	**5.662%**	**5.662%**
Norges Bank (4)	**Total**	**5,834,490**	**3.890%**	**3.890%**
BlackRock, Inc. (5)	**Total**	**4,496,864**	**2.998%**	**2.998%**
BBVA Asset Management, SA SGIIC (6)	**Total**	**3,495,499**	**2.330%**	**2.330%**
Wellington Management Group LLP(7)	**Total**	**3,321,219**	**2.214%**	**2.214%**
BPI Gestão de Activos (8)	**Total**	**3,044,307**	**2.030%**	**2.030%**
CTT, S.A. (ações próprias)	**Total**	**1**	**0.000%**	**0.000%**
Restantes acionistas	**Total**	**92,931,474**	**61.954%**	**61.954%**
TOTAL		**150,000,000**	**100.000%**	**100.000%**

(1) Includes 19,146,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 124,319 shares held by the members of its Board of Directors as at the date of the corresponding communication by the qualified shareholder on 24/05/2019. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

(2) GreenWood Investors, LLC exercises the voting rights not in its own name but on behalf of the fund GreenWood Builders Fund I, LP as its management company. The full chain of controlled undertakings through which the voting rights are held includes GreenWood Investors, LLC and GreenWood Performance Investors, LLC.

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

(4) According to the press releases on qualifying holdings published on CTT's website (https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=participacao&year=2020&search=) on 13, 14 and 15 January, and on 10, 13 and 20 February 2020, Norges Bank changed its qualifying holding in CTT and now holds 6,689,408 voting rights and/or financial instruments of CTT, corresponding to 4.459% of its share capital and voting rights.

(5) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release of 14/11/2019 and available on CTT website (https://www.ctt.pt/contentAsset/raw-data/c4ccb8ff-2ac5-4e24-9832-cae4c5a7584a/ficheiroPdf/BlackRock%2014Nov2019_EN.pdf?byInode=true).

(6) BBVA ASSET MANAGEMENT, SA, SGIIC exercises the voting rights not in its own name but on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI as their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.

(7) The full chain of Wellington Management Group LLP controlled undertakings through which the voting rights are held is shown as attachment to the qualifying holding press release of 2/12/2019 and available on CTT website (https://www.ctt.pt/contentAsset/raw-data/01522f97-e26c-4fcb-a1f1-944cf26865b3/ficheiroPdf/Wellington%202Dec2019_EN.pdf?byInode=true).

(8) This holding corresponds to the number of shares held by Portuguese securities investment funds managed by BPI Gestão de Activos-Sociedade Gestora de Fundos de Investimento Mobiliário, S.A., as well as held by portfolios regarding which BPI Gestão de Activos -Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. carries out the discretionary management.

8. Number of shares and bonds held by members of the management and supervisory bodies

The table shows the **number of shares held by the members of the managing and supervisory bodies** who exercised functions in 2019 and exercise to the present date according to the communications made to the Company in 2019, as well as **their closely related parties**, including all their acquisitions, encumbrances or transfers of ownership, as follows:

Board of Directors [a] [b]	Nº of shares as at 31/12/2018	Date	Acquisition	Encumbrance	Disposal	Price (€)	Nº of shares as at 31/12/2019
António Sarmento Gomes Mota	0	---	---	---	---	---	0
João Afonso Ramalho Sopas Pereira Bento [c]	13,550 [c]	27/05/2019	2,450			2.248	
		28/05/2019	2,500	---	---	2.286	
		30/05/2019	1,500			2.270	20,000
Nuno de Carvalho Fernandes Thomaz	0	---	---	---	---	---	0
José Manuel Baptista Fino	0	---	---	---	---	---	0
Céline Dora Judith Abecassis-Moedas	0	---	---	---	---	---	0
António Pedro Ferreira Vaz da Silva	0	28/11/2019	3,500	---	---	3.083	3,500 [d]
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	0	---	---	---	---	---	0
Maria Belén Amatriain Corbi	0	---	---	---	---	---	0
Rafael Caldeira de Castel-Branco Valverde	0	---	---	---	---	---	0
Guy Patrick Guimarães de Goyri Pacheco [e]	0	29/05/2019	1,000			2.260	
		29/05/2019	1,000	---	---	2.284	
		29/05/2019	3,000			2.280	
		29/05/2019	1,000			2.290	6,000
Steven Duncan Wood	0 [f]	---	---	---	---	---	0
Duarte Palma Leal Champalimaud	15,000 [g]	---	---	---	---	---	15,000
João Carlos Ventura Sousa	300 [h]	---	---	---	---	---	300
João Miguel Gaspar da Silva	0 [i]	---	---	---	---	---	0

[a] Includes the members of the Executive Committee and the Audit Committee.

[b] Francisco José Queiroz de Barros de Lacerda terminated the duties of Vice-Chairman of the Board of Directors and Chief Executive Officer of CTT on 30/06/2019 and the duties of Chief Executive Officer (CEO) on 22/05/2019. On 31/12/2018 and as at the date of termination of duties, he held 67,982 Company shares. Dionizia Maria Ribeiro Farinha Ferreira terminated the duties of Executive Board Member of CTT on 18/09/2019. On 31/12/2018 and as at the date of termination of duties, she held 48,828 Company shares. Francisco Maria da Costa de Sousa de Macedo Simão terminated the duties of Executive Board Member of CTT on 06/01/2020. On 31/12/2018 and as at the date of termination of duties, he held no shares of the Company.

[c] Number of shares held at the date of his appointment by the Board of Directors to the position of Chief Executive Officer of the Company. Acquisitions disclosed to the market in management transactions press releases of 29/05/2019 and 05/06/2019 available on CTT website, on https://www.ctt.pt/contentAsset/raw-data/0936b2d9-27ed-4f78-9a2f-9852e372cded/ficheiroPdf/Management%20Transaction_Jo%C3%A3oBento%2029May2019.pdf?byInode=true and https://www.ctt.pt/contentAsset/raw-data/3912c4cf-bdbd-45ea-b64a-8c9118c13815/ficheiroPdf/Management%20Transaction_Jo%C3%A3oBento%2005June2019.pdf?byInode=true.

[d] Acquisition disclosed to the market in a management transactions press release of 29/11/2019 available on CTT website, on https://www.ctt.pt/contentAsset/raw-data/9d57e9ab-d3df-4bca-9838-5e9c749ce3b5/ficheiroPdf/Management%20Transaction_AntPedroSilva%2029Nov2019.pdf?byInode=true.

[e] Acquisition disclosed to the market in a management transactions press release of 30/05/2019 available on CTT website, on https://www.ctt.pt/contentAsset/raw-data/b3befc0a-bb6d-41fe-a354-86f88d6eca23/ficheiroPdf/Management%20Transaction_GuyPacheco%2030May2019%20(1).pdf?byInode=true .
[f] Number of shares held at the date of his election as Non-Executive Board Member at the Annual General Meeting held on 23/04/2019.
[g] Number of shares held as at 19/06/2019, date of his co-optation to the position of Non-Executive Board Member (subject to ratification at the next Annual General Meeting).
[h] Number of shares held at the date of his co-optation to the position of Executive Board Member (subject to ratification at the next Annual General Meeting) to replace Dionizia Maria Ribeiro Farinha Ferreira, effective as of 18/09/2019.
[i] Number of shares held at the date of his co-optation to the position of Executive Board Member (subject to ratification at the next Annual General Meeting) to replace Francisco Maria da Costa de Sousa de Macedo Simão, effective as of 06/01/2020.

Closely Related Parties	Nº of shares as at 31/12/2018	Date	Acquisition	Encumbrance	Disposal	Price (€)	Nº of shares as at 31/12/2019
Manuel Champalimaud SGPS, S.A. [a][b]	18,465,215	[d]	[d]	---	---	[d]	19,146,815
GreenWood Builders Fund I, LP [c]	7,500,502[c]	[d]	[d]	---	---	[d]	8,759,082

[a] Entity closely related to João Afonso Ramalho Sopas Pereira Bento, who was its Vice-Chairman of the Board of Directors and CEO until 28/05/2019.

[b] Entity closely related to Duarte Palma Leal Champalimaud, who is Non-Executive Board Member of CTT since 19/06/2019 and Vice-Chairman of the Board of Directors of Manuel Champalimaud SGPS, S.A.. On 19/06/2019, Manuel Champalimaud SGPS, S.A. held 19,046,815 CTT shares, according to the communications made to the Company.

[c] Entity closely related to Steven Duncan Wood, Non-Executive member of the Board of Directors of CTT and Managing Member of GreenWood Investors, LLC, management company of the GreenWoodBuilders Fund I, LP. On 31/12/2018 and as at 23/04/2019, date of the Annual General Meeting that elected Steven Duncan Wood as Non-Executive member of the Board of Directors of CTT, the GreenWood Builders Fund I, LP held 7,500,502 CTT shares, as per communications made to the Company.

[d] The details of the transactions are presented in Annex II of this Report.

Statutory Auditor	Nº of shares as at 31/12/2018	Date	Acquisition	Encumbrance	Disposal	Price (€)	Nº of shares as at 31/12/2019
KPMG & Associados, SROC, S.A.	0	---	---	---	---	---	0
Paulo Alexandre Martins Quintas Paixão	0	---	---	---	---	---	0
Vítor Manuel da Cunha Ribeirinho	0	---	---	---	---	---	0

As at 31 December 2019, the members of the managing and supervisory bodies of CTT did not hold any **bonds** issued by the Company or any **shares or bonds issued by companies in a control or group relationship with CTT**, nor did they carry out any transactions relative to those securities during 2019, under the terms and for the purposes of article 447 of the PCC.

9. Special powers of the board of directors, especially with respect to resolutions on share capital increase

The powers attributed to the Board of Directors of CTT are described in point 21 of Part I below. Statutorily, **there are no provisions attributing special powers to the Board of Directors regarding capital increases**, since this is a matter of the exclusive competence of the General Meeting.

10. Significant commercial relationships between qualified Shareholders and the Company

The significant commercial relations maintained between the Company and its holders of qualifying holdings during the 2019 financial year correspond to **transactions with related parties** identified in point 92 of Part I below.

5.2. Corporate Bodies and Committees

| LA12

5.2.1. General Meeting

a) Composition of the Board of the General Meeting

11. Identification, office and term of office (beginning and end) of the members of the Board of the General Meeting

Under the terms of article 10 of the Articles of Association of CTT, the Board of the General Meeting is composed of **a Chairman and a Vice-Chairman**, elected every 3 years, at the General Meeting. In 2019, the composition of the Board of the General Meeting was as follows:

Members	Position	Term of Office (1)
Júlio de Lemos de Castro Caldas (2)	Chairman	2017/2019
Francisco Maria Freitas de Moraes Sarmento Ramalho	Vice Chairman	2017/2019

(1) Members initially elected on 12/11/2013 to complete the term of office 2012/2014, with the General Meeting of 24/03/2014 having deliberated to extend their duties to the term of office 2014/2016. Re-elected for the 2017-2019 term of office at the Annual General Meeting of 20/04/2017.

(2) Júlio de Lemos de Castro Caldas passed away on 04/01/2020.

Pursuant to that same provision, the members of the Board of the General Meeting are assisted by the Secretary of the Company, duties performed in 2019 and currently by Maria da Graça Farinha de Carvalho.

b) Exercise of voting rights

12. Restrictions on voting rights

CTT's Articles of Association **do not contain any limitations on voting rights** or any systems highlighting equity rights.

Pursuant to articles 7 and 8 of the Articles of Association, the right to vote at the General Meeting is given to shareholders who, on the **record date**, corresponding to 0 hours (GMT) of the 5th trading day prior to the General Meeting, hold at least **1 share**. Under those same provisions, the right to vote can be exercised by representation, correspondence or electronic means and can cover all the matters presented in the call notice. The exercise of the right to vote by any of these methods should be carried out under the terms, within the stipulated periods and through the mechanisms established in detail in the call notice in order to encourage shareholder participation. Participation and exercise of voting rights was permitted by any of these methods at the Annual General Meeting held in 2019.

13. Maximum percentage of voting rights that may be exercised by a single Shareholder or by Shareholders related to the former in any of the ways set out in article 20(1) of the Portuguese Securities Code

CTT's Articles of Association **do not contain any percentage limit to voting rights** that may be exercised by a single shareholder or by shareholders who are in any of the relations noted in article 20(1) of the Portuguese Securities Code.

14. Shareholder resolutions for which the Articles of Association require a qualified majority, in addition to those stipulated by law

CTT's Articles of Association **do not require qualified majorities** in order to take resolutions beyond those prescribed by law.

5.2.2. Management and Supervision

c) Composition

15. Adopted governance model

The Company has endorsed an **Anglo-Saxon type of governance model** since 2014. | G7

The corporate bodies include the General Meeting, the Board of Directors, which is responsible for the Company's administration, the Audit Committee and the Statutory Auditor, with the last two being responsible for its supervision. | G38

System of Checks and Balances

- In this regard, the **General Meeting** has powers to: (i) elect the members of the governing bodies (including the members of the Board of the General Meeting, the Board of Directors and the Audit Committee as well as the Statutory Auditor, the latter as proposed by the Audit Committee), (ii) assess the annual report of the Board of Directors and the opinion of the Audit Committee, (iii) determine the allocation of profits and (iv) pass resolutions amending the Articles of Association. | G40
- Under its management duties, the **Board of Directors** has delegated day-to-day management powers to the Executive Committee (see description in point 21 of Part I below), whose action is supervised by the non-executive Directors, namely by the Corporate Governance, Evaluation and Nominating Committee which, since 22 May 2019 and currently is composed of four non-executive Directors, all of whom are independent (in performing the duties referred to in the same point,) given that the Director João Afonso Ramalho Sopas Pereira Bento has taken up the position of Chief Executive Officer of CTT as of that date.
- The **Audit Committee** (composed of independent non-executive Directors), together with the **Statutory Auditor**, perform the duties of supervision that arise from the applicable legal and regulatory provisions, is responsible for promoting and monitoring the independence of the Statutory Auditor and the Company's internal audit, with a view to contributing to the quality of the financial information and the efficacy of the internal control, risk management and internal audit systems (see description in point 38 of Part I below).
- Furthermore, the **Remuneration Committee** (composed of members who are independent in relation to the administration and elected by the General Meeting) is responsible for establishing the remunerations of the corporate bodies (see description in point 66 of Part I below).

This governance model has enabled the consolidation of CTT's governance structure and practices, in line with the best national and international practices, promoting the effective performance of duties and coordination of the corporate bodies, the proper operation of a system of checks and balances and the accountability of its management to its shareholders and other stakeholders.

16. Articles of association rules on procedural and substantive requirements applicable to the appointment and replacement of members of the Board of Directors

Pursuant to articles 9 and 12 of the Articles of Association, the election of the Board of Directors is entrusted to the General Meeting, including its Chairman and Vice-Chairman, by a majority of the votes cast by the shareholders present or represented (or by the most voted proposal in the event of several proposals), and one of the members of the Board of Directors can be elected from among persons proposed in lists submitted by groups of shareholders, provided that none of these groups holds shares representing more than 20% and less than 10% of the share capital.

PCC provisions regarding the replacement of members of the Board of Directors are applicable in the absence of such provisions in the Articles of Association. Under the terms of article 16 of the Articles of Association, it is provided for that the absence of a Director at more than 2 meetings of this body, whether consecutive or interspersed, without a reason accepted by the Board of Directors, shall be deemed definitively absent and shall be replaced pursuant to the PCC.

No other procedural and substantive requirements are defined in the Company's Articles of Association for the purpose of appointment or replacement of members of the Board of Directors.

The criteria and requirements regarding the profile of new members of the corporate bodies are described in point 19 of Part I below.

17. Composition of the Board of Directors and Executive Committee

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LA12

Pursuant to article 12 of the Articles of Association, the Board of Directors is composed of 5 to 15 members, for a 3-year renewable term of office under the applicable law.

During 2019, changes were made to the composition of the Board of Directors, which at 31 December 2019, and on the present date, was and is composed of **14 Directors**, of whom 5 are members of the Executive Committee:

Members [1]	Board of Directors	Executive Committee	Audit Committee	Independence [2]	Date of 1st Appointment [3]
António Sarmento Gomes Mota	Chairman			Yes	12/11/2013
João Afonso Ramalho Sopas Pereira Bento [4]	Member	Chairman			20/04/2017
Nuno de Carvalho Fernandes Thomaz	Member		Member	Yes	24/03/2014
José Manuel Baptista Fino	Member			Yes	19/12/2014
Céline Dora Judith Abecassis-Moedas	Member			Yes	04/08/2016
António Pedro Ferreira Vaz da Silva	Member	Member			20/04/2017
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Member		Chairwoman	Yes	20/04/2017
Maria Belén Amatriain Corbi	Member		Member	Yes	20/04/2017
Rafael Caldeira de Castel-Branco Valverde	Member			Yes	20/04/2017
Guy Patrick Guimarães de Goyri Pacheco	Member	Member			19/12/2017
Steven Duncan Wood [5]	Member				23/04/2019
Duarte Palma Leal Champalimaud [6]	Member				19/06/2019
João Carlos Ventura Sousa [7]	Member	Member			18/09/2019
João Miguel Gaspar da Silva [8]	Member	Member			06/01/2020

[1] Francisco José Queiroz de Barros de Lacerda left office as Vice-Chairman of the Board of Directors on 30/06/2019 and on 22/05/2019 left office as Chief Executive Officer (CEO). Dionizia Maria Ribeiro Farinha Ferreira and Francisco Maria da Costa de Sousa de Macedo Simão left office as a Members of the Board of Directors and of the Executive Committee on 18/09/2019 and on 06/01/2020, respectively.
[2] The assessment of independence was conducted in accordance with the criteria defined in point 18.1 of Annex I of CMVM Regulation 4/2013, and the provisions in III.4 of the IPCG Code and in number 5 of article 414 of the PCC for non-executive members of the Audit Committee.
[3] The date of the first appointment to a governing body at CTT is presented here.
[4] João Afonso Ramalho Sopas Pereira Bento was appointed Chief Executive Officer (CEO) on 13/05/2019, taking effect on 22/05/2019, having up to that date and since 20/04/2017 held office as Member of the Board of Directors of CTT.
[5] Elected to the position of Member of the Board of Directors at the Annual General Meeting of 23/04/2019.
[6] Co-opted by resolution of the Board of Directors of 19/06/2019 (subject to ratification at the next General Meeting) to the position of Member of the Board of Directors.
[7] Co-opted by resolution of the Board of Directors of 03/09/2019 taking effect on 18/09/2019 (subject to ratification at the next General Meeting) to the position of Member of the Board of Directors and Executive Committee to replace Dionizia Maria Ribeiro Farinha Ferreira.
[8] Co-opted by resolution of the Board of Directors of 18/12/2019 taking effect on 06/01/2020 (subject to ratification at the next General Meeting) to the position of Member of the Board of Directors and Executive Committee to replace Francisco Maria da Costa de Sousa de Macedo Simão.

18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members who may be considered independent

G39

As at **31 December 2019 and on the present date, the Board of Directors was and is composed of 5 executive members and 9 non-executive members, including 7 independent members, among whom the Chairman of the Board of Directors,** indicated in the table of point 17 of Part I above.

50.0% of the total number of members of the Board of Directors and 77.8% of its non-executive members, in office as at 31 December 2019, are deemed independent, pursuant to the criteria set out in point 18.1 of Annex I of CMVM Regulation 4/2013, and with respect to the members of the Audit Committee, pursuant to number 5 of article 414 of the PCC (and pursuant to international criteria and practices).

In order to assess the independence of the members of the Board of Directors and of its non-executive members, the criteria referred to in recommendation III.4 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance were also considered.

Accordingly, the Company has a number of non-executive and independent members that fully complies with the recommendations III.2 and III.4 of the IPCG Code and is considered appropriate to its size and to the complexity of the risks inherent in its activity.

With a view to ensuring coordination and effectiveness in the performance of duties by the non-executive Directors, the Company has adopted, in addition to the mechanisms aimed at making the Executive Committee's supervision effective (see point 21.2 of Part I below), the following procedures:

The non-executive Directors (including the members of the Audit Committee) may request:

a. from the Chairman of the Board of Directors or from the Chairman of the Executive Committee the provision of the necessary or convenient information to carry out their tasks, competences and duties, in particular, information relative to the competences delegated to the Executive Committee and its performance, the implementation of the budget, annual and multiannual plans and the state of the management. This information should be provided in an appropriate and timely manner;

b. the presence at meetings of said bodies/committees of members of the corporate bodies, senior staff or other employees of the CTT Group, in articulation with the Executive Committee.

19. Professional qualifications and other relevant background for each member of the Board of Directors

Under its Diversity and Inclusion Policy, available for consultation at "Group CTT", "Sustainability", "Policies, Reports and Indices", on the **CTT website** (www.ctt.pt), CTT has defined the general principles by which its action should be guided on issues related to diversity and inclusion of its human resources, including with respect to the composition of its governing bodies. G40

CTT also has internal policies of diversity and selection, aimed at ensuring the implementation of a process of transparent selection of the Company's Directors, based on:

- Guidelines on the quantitative and qualitative composition of the Board of Directors and a Matrix of Skills to be approved by the Corporate Governance, Evaluation and Nominating Committee, following the Board of Directors' self-assessment process and prior analysis of potential areas of improvement; and
- Recommendations to be approved and disclosed by this same Committee concerning the election of the members of the governing bodies, based on a substantiated report presenting an appraisal of the knowledge, experience, dedication, requirements on independence and incompatibilities, and merit of the candidates recommended for election or re-election.

As demonstrated in the Corporate Governance, Evaluation and Nominating Committee recommendations and Terms of Reference disclosed to the shareholders in February 2017 and March 2020 available for consultation in "Group CTT" "Investors" "Shareholders Meetings" on the **CTT website** (www.ctt.pt) for the electoral processes of the members of the governing bodies and specifically for the 2020/2022 term of office, CTT's Diversity Policy seeks to foster an appropriate gender and age diversity, as well as complementary academic and professional skills and experience within its management and supervisory bodies. Particular reference is made to the following aspects taken into account in the selection processes:

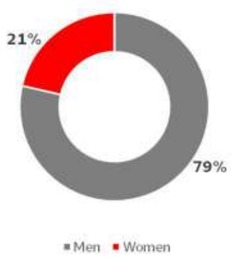
- Diversity of skills, knowledge, experience and gender as a crucial factor for the successful performance of these duties;
- A suitable balance of ages and cultural background (arising, for example, from nationalities and role in civil society, etc.);

- Representation in these bodies of a diverse range of knowledge and academic experience considering the strategic challenges facing CTT, namely in the following areas of knowledge and professional experience: Leadership, Strategy and Management; Finance and Risk; Accounting and Audit; Sector/Industry (mail, express & parcels, financial services, banking); Legal and Regulations; Human Resources; Marketing/Commercial and Communication; Information and Technology Systems; Corporate Governance, Social Responsibility and Ethics.

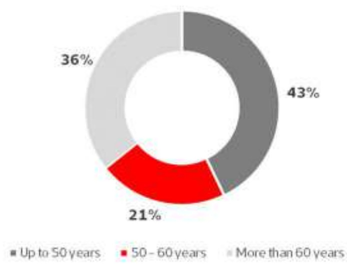
The graphs below reflect this action, see Annex I of this Report which presents the *curricula* of the members of the Board of Directors of CTT, highlighting the following level of **diversity of this board in terms of gender, age, independence and professional background as at 31 December 2019**: G40

LA12

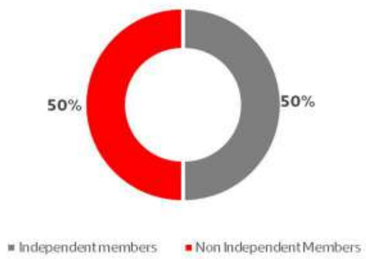
Gender:
21% Female Directors



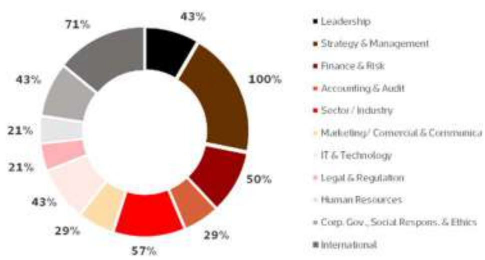
Age:
Average age of 54 years



Independence:
50% Independent Directors, corresponding to 77.8% of the non-executive Directors



Professional Background:
Balance of skills and relevant experience



20. Customary and significant relationships of a family, professional or commercial nature between members of the Board of Directors and Shareholders with qualified holdings greater than 2% of voting rights

The **Director** João Afonso Ramalho Sopas Pereira Bento tendered his resignation on 22 May 2019 from the positions of Vice-Chairman of the Board of Directors and Chief Executive Officer of Manuel Champalimaud, SGPS, S.A., as well as the positions of Chairman of the Board of Directors of OZ Energia, S.A. and Manager of Manuel Champalimaud Serviços, Unipessoal Lda.

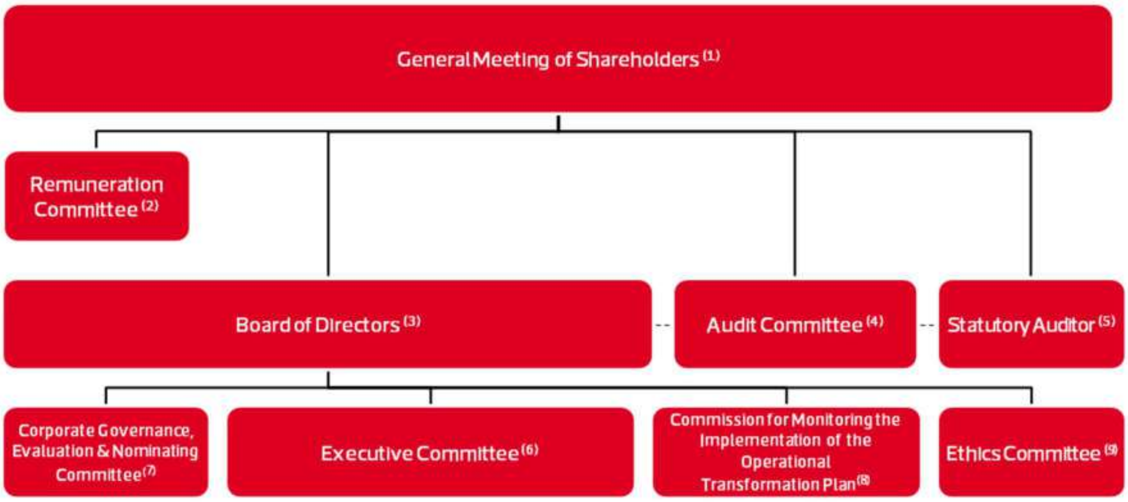
The **Non-Executive Director** Duarte Palma Leal Champalimaud performs the duties of Vice-Chairman of the Board of Directors of Manuel Champalimaud, SGPS, S.A.

The **Non-Executive Director** Steven Duncan Wood performs the duties of Director of GreenWood Investors LLC, the management company of GreenWood Builders Fund I, LP.

Save as stated in the previous paragraphs, CTT received no notice of any other regular significant family, professional or commercial relationships between Board members and qualified Shareholders with more than 2% of voting rights in CTT, either as at 31 December 2019 or the present date.

21. Division of powers among the various Company corporate bodies, committees and/or departments

As at 31 December 2019 and the present date, the powers of CTT's corporate bodies and committees are distributed as follows, as further detailed in the points of Part I indicated below:



(1) See in particular the powers of the General Meeting described in point 15 above.
(2) See in particular the powers of the Remuneration Committee and its articulation with the Corporate Governance, Evaluation and Nominating Committee described in points 15, 21.4 and 66 of this chapter.
(3) See in particular the powers of the Board of Directors described in point 21.1 of this chapter.
(4) See in particular the powers of the Audit Committee described in points 15, 37 and 38 of this chapter.
(5) See in particular the powers of the Statutory Auditor described in points 15 and 38 of this chapter.
(6) See in particular the powers delegated by the Board of Directors to the Executive Committee, as well as the committees and departments supporting the Executive Committee, under the terms described in points 15, 21.2 and 21.3 of this chapter.
(7) See in particular the powers of the Corporate Governance, Evaluation and Nominating Committee of the Board of Directors and its articulation with the Remuneration Committee described in points 15, 21.4 and 66 of this chapter.
(8) See in particular the powers of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan described in point 21.6 of this chapter.
(9) See in particular the powers of the Ethics Committee, described in point 21.5 of this chapter as a committee supporting the Audit Committee and the Board of Directors pursuant to the powers of these bodies.

21.1. Board of Directors

G34

The Board of Directors is the corporate body responsible for the Company's management and representation, under the legal terms and the Articles of Association. It is entrusted with all acts and operations relative to the corporate scope that do not fall within the powers of the Company's other corporate bodies, under article 13 of the Articles of Association and article 5 of the Board of Directors' Regulation.

Main powers of the Board of Directors

G42

- Stipulate the strategic guidelines and risk profile of the CTT Group;
- Approve the objectives and main management and risk policies and the general aspects of the business structure of the CTT Group;
- Ensure the effectiveness of the internal control, risk management and internal audit systems of the CTT Group, annually assessing their compliance and approving the necessary adjustments;
- Approve the annual and multi-annual activity, strategic, investment and/or financial plans and the annual budgets of the CTT Group, as well as any amendments that prove necessary;

- Pass resolutions on relocations of registered offices and share capital increases or reductions, mergers, demergers and transformations and amendments to the Articles of Association to be submitted to the Company's General Meeting;
- Approve the annual, half-yearly and quarterly reports and accounts;
- Pass resolutions on the provision of bonds and personal or asset guarantees, as provided by law;
- Define internal procedures for approval of business deals with related parties of the CTT Group;
- Establish the policies on selection and diversity and the standards of conduct enforced in the CTT Group;
- Present notices to convene the General Meetings of the Company;
- Co-opt Directors of the Company;
- Appoint the Company Secretary and his/her alternate;
- Annually assess the overall performance of the Board of Directors, its internal committees and members.

Role of the Independent Chairman of the Board of Directors G39

- Represent the Board of Directors in and out of court;
- Coordinate the activity of this body, allocating matters to Directors, when advisable for management purposes, and calling and chairing the respective meetings;
- Exercise the casting vote in the context of the Board of Directors' resolutions;
- Overseeing the correct implementation of the Board of Directors' resolutions;
- Promote communication between the Company and all its stakeholders;
- Follow-up and consult the Executive Committee on the performance of the competences delegated thereto;
- Contribute to the effective performance of duties and powers by non-executive Directors and the internal committees of the Board of Directors, ensuring that their work is coordinated and that the necessary mechanisms are in place for them to receive, in a timely fashion, the appropriate information for them to make independent and informed decisions;
- Coordinate the assessment of the Board of Directors' performance with respect to compliance with the strategic guidelines and risk profile, the plans, budgets and internal control, risk management and internal audit systems of the CTT Group, and the overall performance of the Board of Directors, its internal committees and members.

21.2. Executive Committee

The Board of Directors has delegated the Company's day-to-day management to the Executive Committee, as set out under article 13 of the Articles of Association and article 6 of the Regulations of the Board of Directors.

Matters of relevance for the strategic lines, general policies and structure of the CTT Group are excluded from the aforesaid delegation of competences.

Matters reserved to the Board of Directors, excluded from the current management delegated to the Executive Committee

- Acquisitions of shareholdings (i) in countries where the Group is not present, (ii) in new business units for the Group, or (iii) of value per operation greater than €20m;
- Investments by the Group not included in the annual budget whose value per operation exceeds €10m and divestments by the Group of value per operation greater than €10m;
- Disposals or encumbrances of shares (i) that result in the Group's exiting a certain country or business unit, or (ii) whose value per operation is greater than €20m;
- Taking on debt, in the form of financing or the issue of securities, in a value per operation greater than €150m or whose maturity exceeds 5 years;
- Any other business or operation that entails liabilities or obligations greater than €50m, per transaction or act, for the Group;

- The matters indicated as main powers in point 21.1 above, except for powers related to the provision of bonds and personal or asset-backed guarantees under the legal terms.

Role of the Chairman of the Executive Committee

- Ensure that all information on the Executive Committee's activity and resolutions is provided to the other members of the Board;
- Ensure compliance with the limits to the delegation of power and the Company's strategy and proposing to the Board of Directors a list of the management issues that should be specifically entrusted to each Executive Committee's member;
- Coordinate the Executive Committee's activities, chairing its meetings, overseeing execution of resolutions and distributing among its members the preparation or monitoring of the issues to be analysed or decided by the Executive Committee;
- Exercise the casting vote in the context of the Executive Committee's resolutions.

Under the Board of Directors and Executive Committee Regulations, the Company adopts the following mechanisms to better oversee the Executive Committee:

- In order to ensure that all members of the Board of Directors and other corporate bodies and committees are up to date on the status of the Company's management, the Executive Committee's agendas and meeting minutes are sent to non-executive Directors;
- At the Board of Directors' meetings, the Executive Committee presents the summarised information deemed relevant on the activities carried out since the last meeting;
- The Executive Committee is also obliged to provide the members of the Board of Directors and all other members of the corporate bodies and committees with any additional or supplementary clarifications and information that are requested on the performance of their attributions, duties and competences, in due time and appropriately;
- Non-executive directors shall actively take part in the decisions deemed strategic for the Company due to their amount or risk, as well as in the definition of the main management and risk policies, and in the general aspects of the Group CTT business structure by means of regular Board of Directors' meetings, and shall request the members of the Executive Committee to provide them with clarifications and hold specific meetings, including with the heads of the business units directly involved;
- Non-executive directors shall hold meetings among themselves, of which minutes shall be drawn up, to discuss, follow-up and assess the implementation of the decisions, specifically strategic ones or those involving risk, adopted by the Board of Directors.

Under its delegated competences, the Executive Committee can entrust one or more of its members to deal with certain matters and subdelegate to one or more of its members the exercise of some of its delegated powers.

On the present date, the powers of the Executive Committee are allocated to its members as follows: G39

21.3. Executive Committee support Committees

G34 G35 G36 G17

The Management Support Committees have been thoroughly reviewed, as a result of CTT's new management structure, as shown above, with the following Committees currently supporting the Executive Committee:

MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS

Risk Management Committee

Composed of the executive Director in charge of Risk Management, the Heads of Finance, Risk & M&A, Audit & Quality, Planning & Control, Human Resources, Information Systems, Accounting and Taxes, and Physical Assets, as well as the Representatives (Local Risk Officers) of the business units (Mail, Express & Parcels and Financial Services). The Committee is chaired by the Director in charge of Risk Management and coordinated by the Head of Finance, Risk & M&A. The members of the Executive Committee and other Heads of Department participate whenever invited.

Strengthen organisational engagement around the topic of risk, aggregating the different visions and sensitivities of the areas involved and promoting the integration of risk management in business processes, described in further detail in subchapter 2.7.1. Description of the risk management process, chapter 2.7. Risk Management of this Report, as referred to in paragraph 52 of Part I below.

Credit Committee

Composed of the executive Director in charge of the Financial area, the executive Directors in charge of the commercial areas and the Heads of Accounting and Taxes, Finance, Risk & M&A, Small Enterprises, Large Enterprises South, Large Enterprises North, Medium-sized Enterprises, Public Administration, Management of the Retail Network, B2B Commercial Support and B2C Commercial Support. The Committee is chaired by the Director in charge of the Financial area and coordinated by the Head of Accounting and Taxes. The members of the Executive Committee and other Heads of Department participate whenever invited.

Define and submit to the Executive Committee the Customer credit policies. Appraise and review the risk levels and credit limits. Decide on granting/reviewing/ suspending credit prior to the formalisation of the respective contracts. Assess proposals to conclude payment agreements, when the amounts in question are relevant. Monitor and evaluate the results of the implementation of customer credit policy and identification of measures to achieve the defined goals.

MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS	
Investment Committee	
Composed of the executive Director in charge of the Financial area, the Directors proposing eligible projects and the heads of the Planning & Control department, and the Finance, Risk & M&A office. The Committee is chaired by the Director in charge of the Financial area and coordinated by the Head of Finance, Risk & M&A. The members of the Executive Committee and other Heads of Department participate whenever invited.	Carry out the analysis of investments whenever requested by the Executive Committee, in order to ensure stronger efficiency of the action of the Executive Committee or Board of Directors in important projects.
Sustainability Committee	
Composed of the executive Directors, the Heads of the Brand & Sustainability, Human Resources, Physical Assets, Procurement & Logistics, Transport & Delivery Operations, and Audit & Quality Departments and by the head of Sustainability within the Communication & Sustainability Department. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Head of Communication & Sustainability. Other Heads of Department may participate when invited by any of the Directors.	Strengthen the CTT organisation's engagement in the diverse aspects of sustainability, as a pillar of economic, social and environmental development.
Human Resources Committee	
Composed of the executive Directors, the heads of the Human Resources, Mail Production Operations, Transport & Delivery Operations, Express, Cargo & Logistics Operations and Management of the Retail Network Departments. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Head of Human Resources. Other Heads of Department may participate when invited by any of the Directors.	Support the Board of Directors and the Executive Committee in the definition of human resources policies, namely concerning recruitment, selection and hiring, the performance assessment system, vocational training, careers and remunerations.
Innovation Committee	
Composed of the executive Directors, the heads of the Digital, Transformation & Innovation, Mail Product Management, Management of Retail Products, Savings & Payments, Management of Express Products, Cargo & Logistics, Management of Business Solutions & Advertising, and Planning & Operations Development Departments. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Director of Digital, Transformation & Innovation. Other Heads of Department may participate when invited by any of the Directors.	Support the definitions of the main lines of CTT's innovation strategy and ensure CTT's continued involvement in the overall progression of the components of the programme named +INOVAÇÃO by CTT and the main trends of innovation in its various dimensions (technological, economic, cultural, social, organisational, etc.).

In addition to the above-mentioned Committees supporting the Executive Committee, the following Committees were created:

Business Units Executive Committees and their goals	
Mail Executive Committee	
Composed of the Executive Director responsible for the Mail P&L, who performs the duties of Committee Chairman, the Operations Director (COO) and the heads of Mail Product Management, B2B Segment Management, Transport & Delivery Operations, Planning & Control and Mail Production Operations. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of Mail P&L. Manage the current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Executive Committee and Board of Directors. Prepare the monthly reviews for discussion by the Executive Committee.
Express Executive Committee	
Composed of the Executive Director responsible for the Express, Mail & Logistics P&L, who chairs the Committee, the Operations Director (COO), the representative of the CTT Expresso Branch in Spain, the CTT Heads of Express, Cargo & Logistics Product Management and Planning & Control and the Financial and Operations Directors of the Branch in Spain of CTT Expresso. The members of the Executive Committee participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of the Iberian express business. Manage current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Board of Directors of CTT Expresso. Prepare the monthly reviews for discussion by the Board of Directors of CTT Expresso.
Retail & Postal Financial Services Executive Committee	
Composed of the Executive Director responsible for the Retail & Postal Financial Services P&L, who chairs the Committee, as well as the Heads of Management of the Retail Network, B2C Segment, Retail Product Management, B2C Commercial Support and Corporate Solutions & Advertising Management. The CEO and the CFO participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of retail and financial services P&L which are specific to CTT as a postal operator. Manage the current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Executive Committee and Board of Directors. Prepare the monthly reviews for discussion by the Executive Committee.
Business Solutions and Advertising Executive Committee	
Composed of the Executive Director responsible for the B2B commercial area, who chairs the Committee, the Heads of Corporate Solutions & Advertising Management, Corporate Solutions Operations, B2B Commercial Support, B2B Segment Management and the head of the Management Reporting & Analytics area. The CEO and the CFO participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of the P&L of the corporate solutions and advertising business area. Manage the current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Executive Committee and Board of Directors. Prepare monthly reviews for discussion by the Executive Committee.

21.4. Corporate Governance, Evaluation and Nominating Committee

The Corporate Governance, Evaluation and Nominating Committee is responsible for the following main competences established in the Regulations of the Board of Directors and in its Internal Regulations:

Corporate governance structure and practices and ethics

- Assist the Board of Directors in the definition and assessment of CTT's governance model, principles and practices;
- Collaborate in preparing the annual corporate governance report of the Company;
- Oversee the definition and monitoring of the ethics and conduct standards within the Group;
- Draft recommendations to the Board of Directors concerning corporate governance requirements and good practices, conflicts of interest, incompatibilities, independence and specialisation;
- Prepare a report on the operation and effectiveness of the governance model, principles and practices of the Company, as well as on the Company's level of compliance with the applicable requirements;
- Assess the corporate image of CTT among the shareholders, investors, financial analysts, the market in general and supervisory authorities, and monitor any Portuguese Securities Market Commission's inspections;
- Support and monitor the Board's definition of the Company's social responsibility and sustainability policies and strategies.

Performance assessment and remunerations G51 G52

- Propose or issue an annual opinion to the Remuneration Committee on the management body remuneration policy and the annual statement to be submitted to the General Meeting for this purpose;
- Monitor and support the annual assessment of the Board's overall performance, as well as of the Board internal committees and of the Executive Committee's members, taking into account, in particular, compliance with the Company's strategic plan, the budget and risk management;
- Propose to the Remuneration Committee the result of the qualitative assessment of executive Directors' performance in the context of the overall assessment model for the purpose of stipulating the variable remuneration to be defined by that Committee;
- Propose or issue an opinion to the Board of Directors and Remuneration Committee, as applicable, on share award plans, stock options or stock options based on Company share price variations.

Nominations

- Draft and update recommendations on qualifications, knowledge and experience in carrying out corporate duties for selecting members for CTT's management and supervisory bodies, after hearing the Chairman and, in the case of executive Directors, the CEO;
- Monitor the processes of selecting the group's top management and corporate bodies' members of other companies that CTT is entitled to appoint;
- Monitor the drafting, together with the Executive Committee, of succession plans;
- Propose to the Board of Directors the termination of office of Executive Committee's members, following an assessment and consultation with the CEO;
- Issue opinions relative to the performance, by members of the Executive Committee, of executive duties in companies which are not part of the Group.

21.5. Ethics Committee G56 G57 G58

The mission of the Ethics Committee is to monitor and supervise all the matters related to the application of CTT and Subsidiaries' Code of Conduct, in the context of the Internal Regulations, the handling of irregularities which within the scope of the Regulations on Procedures of Communication of Irregularities are reported by the Audit Committee, as well as the legislative changes related to these matters and always in articulation with the governing bodies, committees and structures of the Group.

This Committee is responsible for:

Group's code of conduct

- Promoting the disclosure, application and compliance with the Group's Code of Conduct, for this purpose defining plans and channels of communication for all hierarchical levels, as well as preventive training actions for their dissemination and compliance, supporting the Board of Directors, the Executive Committee and the Corporate Governance, Evaluation and Nominating Committee in performing their duties.

Code of conduct for prevention and combat of harassment at work

- Promoting disclosure, implementation and compliance with the Code of Best Conduct for preventing and combating harassment in the workplace by all those who work there, including the members of the corporate bodies and top management in their relationship with superiors, fellow workers and subordinates.

Whistleblowing system

- Promoting the handing of whistleblowing within the Group, upon communication by the Audit Committee, under the terms of the Regulations of the Ethics Committee and the Regulations on Procedures of Communication of Irregularities.

21.6. Committee for the Monitoring of the Implementation of the Operational Transformation Plan

The Committee for the Monitoring of the Implementation of the Operational Transformation Plan, currently composed of the Chairman of the Board of Directors, António Sarmento Gomes Mota, who chairs, and the non-executive Directors, Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia and Rafael Caldeira de Castel-Branco Valverde, is an *ad hoc* committee created to monitor the implementation of this plan, thus improving the information given to the Board of Directors and continued supervisory activity by all the non-executive members of the Board of Directors. In 2019, the composition and scope of this Committee was extended to include the monitoring of the regulatory agenda and the negotiation of the new universal postal service concession contract, as well as the monitoring and follow-up of investment plans (capex).

The Committee for the Monitoring of the Implementation of the Operational Transformation Plan is responsible for the following duties and powers:

Duties and powers of advisory nature

- Monitoring of the Executive Committee's implementation of the Operational Transformation Plan;
- Appraisal of the reports and updated information of the Executive Committee concerning the implementation of the Operational Transformation Plan;
- Appraisal of the status of the implementation of key aspects of the Operational Transformation Plan and the evolution of the key financial and business indicators of CTT vs. the objectives of this Plan and their discussion with the members of the Executive Committee and/or with the senior staff of CTT's strategic and operational areas, in articulation with the Executive Committee;
- Preparation, whenever deemed convenient or when requested by the Board of Directors, of reports on the implementation of the Operational Transformation Plan;
- Monitor the regulatory agenda and the negotiation of the new universal postal service concession contract;
- Follow-up and monitor CTT's investment plans (capex).

During the 2019 financial year, this Committee held 6 meetings to monitor the execution of the various initiatives of the Operational Transformation Plan and the development of other issues within its duties.

PREVENTION OF CONFLICTS OF INTEREST

Pursuant to the Regulations of the Board of Directors and corporate committees which can be consulted at "Group CTT", "The Company", "Corporate Governance", "Articles of Association and Regulations", on **CTT website** (www.ctt.pt), the Company adopts mechanisms to prevent the existence of conflicts of interest between the members and the Company, under the following terms:

Mechanisms to prevent the existence of conflicts of interest

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- The members of the corporate bodies and committees cannot participate in, interfere in or vote on resolutions about issues in which they have, on their own account or for a third party, an interest in conflict with that of the Company;
- They shall inform the other members (via their Chairman if the conflict does not involve this person) with sufficient time in advance of the facts that could constitute or give rise to a conflict of interest, without prejudice to the duty to provide information and clarifications that may be requested from them.

d) Operation

22. Existence and place where the Board of Directors and Executive Committee's internal regulations are available for consultation

The full text of the Board of Directors' and Executive Committee's internal Regulations are available at "Group CTT", "The Company", "Corporate Governance", "Articles of Association & Regulations", on **CTT website** (www.ctt.pt).

23. Number of Board of Directors' meetings and attendance of each member

The Board of Directors held **19 meetings in 2019** (see "Group CTT ", "The Company", "Corporate Governance", "Governing Bodies", "Meetings" on **CTT website** (www.ctt.pt) with the following attendance by its members:

Members	Percentage attendance (1)	Attendance	Representation	Absences
António Sarmento Gomes Mota	100%	19	0	0
Francisco José Queiroz de Barros de Lacerda (2)	75%	9	0	3
Dionizia Maria Ribeiro Farinha Ferreira (3)	93%	14	0	1
Nuno de Carvalho Fernandes Thomaz	95%	18	1	0
José Manuel Baptista Fino	100%	19	0	0
Céline Dora Judith Abecassis-Moedas	89%	17	2	0
António Pedro Ferreira Vaz da Silva	100%	19	0	0
Francisco Maria da Costa de Sousa de Macedo Simão (4)	95%	18	1	0
João Afonso Ramalho Sopas Pereira Bento (5)	95%	18	0	1
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	100%	19	0	0
Maria Belén Amatriain Corbi	84%	16	3	0
Rafael Caldeira de Castel-Branco Valverde	95%	18	1	0
Guy Patrick Guimarães de Goyri Pacheco	100%	19	0	0
Steven Duncan Wood (6)	100%	12	0	0
Duarte Palma Leal Champalimaud (7)	88%	7	1	0
João Carlos Ventura Sousa (8)	100%	4	0	0

(1) Percentage in relation to attendance.
(2) Left office as Vice-Chairman of the Board of Directors on 30/06/2019 and on 22/05/2019 left office as Chief Executive Officer (CEO).
(3) Left office as Member of the Board of Directors and of the Executive Committee on 18/09/2019.

(4) Left office on 06/01/2020 as Member of the Board of Directors and of the Executive Committee, having been replaced by João Miguel Gaspar da Silva.

(5) Appointed Chief Executive Officer (CEO) on 13/05/2019, taking effect on 22/05/2019, having, up to that date and since 20/04/2017, held office as Member of the Board of Directors of CTT.

(6) Elected to the position of Member of the Board of Directors at the Annual General Meeting of 23/04/2019.

(7) Co-opted by resolution of the Board of Directors of 19/06/2019 to the position of Member of the Board of Directors (subject to ratification at the next General Meeting).

(8) Co-opted by resolution of the Board of Directors of 03/09/2019 taking effect on 18/09/2019 to the position of Member of the Board of Directors and Executive Committee (subject to ratification at the next General Meeting) to replace Dionizia Maria Ribeiro Farinha Ferreira.

24.Indication of the governing bodies which are competent to carry out the assessment of the performance of the executive directors | G44

Pursuant to article 9 of CTT's Articles of Association, the Remuneration Committee is responsible for stipulating remuneration of corporate body members and, consequently, defining the management body's remuneration policy and principles and the overall assessment model for the variable remuneration of the executive Directors, under the terms described in points 66 and following of Part I below.

In turn, pursuant to its Regulation, the Corporate Governance, Evaluation and Nominating Committee is responsible for supporting the Remuneration Committee and the Board of Directors in assessing management body members, as described in point 21 of Part I above and in points 70 and 71 of Part I below.

The **Audit Committee** is responsible, pursuant to its Regulations, for the annual assessment, in articulation with the Board of Directors, of the internal operation of the Board of Directors and its committees, as well as for relations between the Company's bodies and committees, and may attend the Executive Committee meetings whenever this appears appropriate or legally due.

25.Predetermined criteria for assessing the performance of the executive Directors

For this issue points 66 and following of Part I below present details on the remuneration policy and principles for the management body, including a description of the criteria, objectives and limits of the variable remuneration of the executive Directors, in particular in **point 71 of Part I below which details the applicable performance evaluation criteria**.

26.Availability of each member of the Board of Directors, indicating positions held simultaneously in other companies, within and outside the group, and other relevant activities performed by members of the Board of Directors | G39

Offices held simultaneously in other companies, in and outside the Group, and other activities carried out by the Company's Directors are detailed in Annex I of this Report.

The performance of executive duties by the executive Directors in entities that were not part of the CTT Group is subject to the issue of an opinion by the Corporate Governance, Evaluation and Nominating Committee, pursuant to the Regulations of this Committee (see point 27 of Part I below).

As supplementary information, we highlight that:

- The full availability of the Executive Directors in performing their duties in 2019, which can be confirmed by their 95% attendance of the 19 meetings of the Board of Directors and 98% attendance at the 49 meetings of the Executive Committee and by their performance of executive duties exclusively within the Group;
- The Non-Executive Directors have also shown a high degree of availability in 2019, as shown by their average attendance of 96% in the 19 meetings of the Board of Directors, 17 meetings of the Audit Committee and 11 meetings of the Corporate Governance, Evaluation and Nominating Committee.

e) Committees within the management body

27. Committees created within the Board of Directors and place where their internal regulations are available for consultation

See points 21 and 22 of Part I above on the committees created within the Board of Directors. Concerning the Audit Committee, please also see point 38 of Part I below. The aforesaid committees have adopted internal regulations whose full texts are available at "Group CTT", "The Company", "Corporate Governance", "Articles of Association & Regulations", on **CTT website** (www.ctt.pt).

28. Composition of the Executive Committee

As at 31 December 2019, and on today's date, the Executive Committee was composed of **5 members and its composition is currently as follows**:

Members (1)	Position
João Afonso Ramalho Sopas Pereira Bento	Chairman
Guy Patrick Guimarães de Goyri Pacheco	Member
António Pedro Ferreira Vaz da Silva	Member
João Carlos Ventura Sousa	Member
João Miguel Gaspar da Silva	Member

(1) Francisco José Queiroz de Barros de Lacerda left office on 22/05/2019 as Chief Executive Officer, having been replaced on that date by João Afonso Ramalho Sopas Pereira Bento who was non-executive Director until then.
Dionizia Maria Ribeiro Farinha Ferreira left office on 18/09/2019 as member of the Board of Directors and of the Executive Committee, having been replaced on that date by João Carlos Ventura Sousa.
Francisco Maria da Costa de Sousa de Macedo Simão left office on 06/01/2020 as member of the Board of Directors and of the Executive Committee, having been replaced on that date by João Miguel Gaspar da Silva.

29. Powers of each committee created and overview of the activities carried out in the exercise of those powers

See point 21 of Part I above on the powers of the committees created within the Board of Directors and of the Executive Committee.

29.1 Executive Committee

During 2019, the Executive Committee held **49 meetings**, ("Group CTT", "The Company", "Corporate Governance", "Governing Bodies", "Meetings" on **CTT website**(www.ctt.pt) having passed resolutions on various matters within its powers, namely the following:

April	• **Updating of prices** taking effect on 1 June 2019. The updating corresponded to a 1.49% annual average variation of the price of the basket of: (i) letter mail, editorial mail and parcel services; (ii) citations and notifications; and (iii) bulk mail services. • **Increase of the share capital of Banco CTT** of 110 million euros, underwritten and fully paid-up in cash, on 29/04/2019, with the share capital amounting to 266.4 million euros after the increase.
June	• Signing of the **Review Agreement for CTT's 2015 Company Agreement**, taking effect on 1 January 2019, giving rise to a salary increase between 0.8 and 1.2 % in basic monthly salaries up to 2,821.10 euros, with a guaranteed minimum increase of 10.00 euros; an identical increase was applied in the subsidiary companies. • **Merger by incorporation**, through the total transfer of the assets of the subsidiary Transporta – Transportes Porta a Porta, S.A., (Transporta) on 11/06/2019, to the company CTT Expresso – Serviços Postais e Logística, S.A., (CTT Expresso), two companies of the CTT Group, which resulted in an **increase of the share capital of CTT Expresso** of the value of 250 thousand euros, with the share capital amounting to 5.25 million euros after the increase.

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December	• **Cross-border merger by incorporation**, through the total transfer of the assets of the company Tourline Express Mensajería, S.L.U. (Tourline), on 20/12/2019, to the company CTT Expresso – Serviços Postais e Logística, S.A., (CTT Expresso), two companies of the CTT Group, which resulted in an **increase of the share capital of CTT Expresso** of the value of 500 thousand euros, with the share capital amounting to 5.75 million euros after the increase. • **Increase of the share capital of Banco CTT** of 20 million euros, underwritten and fully paid-up in cash, on 23/12/2019, with the share capital amounting to 286.4 million euros after the increase.

29.2 Corporate Governance, Evaluation and Nominating Committee

As at 31 December 2019, and on the present date, the Board of Directors was and is composed of **4 non-executive, independent directors**:

Members [(1)]	Position
António Sarmento Gomes Mota	Chairman
José Manuel Baptista Fino	Member
Céline Dora Judith Abecassis-Moedas	Member
Rafael Caldeira de Castel-Branco Valverde	Member

(1) João Afonso Ramalho Sopas Pereira Bento was appointed as Chief Executive Officer by resolution of the Board of Directors of 13/05/2019, taking effect on 22/05/2019, the date on which he ceased performing duties in this Committee.

This Committee held **11 meetings** in **2019**, with the following attendance by its members:

Members	Percentage attendance [(1)]	Attendance	Representation	Absences
António Sarmento Gomes Mota (Chairman)	100%	11	0	0
José Manuel Baptista Fino	100%	11	0	0
Céline Dora Judith Abecassis-Moedas	100%	11	0	0
João Afonso Ramalho Sopas Pereira Bento[(2)]	80%	4	0	1
Rafael Caldeira de Castel-Branco Valverde	100%	11	0	0

(1) Percentage in relation to attendance.
(2) Appointed Chief Executive Officer by resolution of the Board of Directors of 13/05/2019 taking effect on 22/05/2019, date on which he ceased performing duties in this Committee.

During this year, the Committee carried out the following main activities:

- Monitoring of the **General Meeting election processes, support and formulation of recommendations on the processes of selection and appointment of the members of the Board of Directors of CTT and subsidiaries of the Group**;
- Monitoring and support in the processes of **annual assessment of the overall performance of the Board of Directors, qualitative assessment of the Executive Committee and its members**, and self-assessment of the Committee, with information subsequently reported to the Remuneration Committee on the outcome of the qualitative assessment of the performance of the members of the Executive Committee, and approval of the standard questionnaires to be used for the purpose;
- **Definition of the models for assessment of independence and the absence of incompatibilities by the members of the CTT corporate bodies** and appraisal of **compliance with the requirements of independence of the Non-Executive Directors who are not part of the Audit Committee**, for purposes of the Annual Report on Corporate Governance;
- Preparation of the **annual Report on appraisal of the operation and efficacy of the corporate governance model, principles and practices and the annual assessment of the overall performance of the Board of Directors relative to the financial year**;
- Appraisal and **issue of an annual opinion on the annual statement of the Remuneration Committee** on the remuneration policy of the corporate bodies for the 2017/2019 term of office;

- Appraisal of the initiatives developed by CTT under its **sustainability and social responsibility policies**;
- Annual appraisal of the internal Regulations of the Corporate Governance, Evaluation and Nominating Committee and the Regulations on Appraisal and Control of Transactions with Related Parties and Prevention of Situations of Conflict of Interest;
- Appraisal of the Diversity and Inclusion Policy and of the proposed change of the Code of Conduct of CTT Senior Staff and Insiders, following the entry into force of CMVM Regulation 7/2018.

29.3 Ethics Committee (*)

As at 31 December 2019 and on the current date, this Committee was and is composed of **3 members and its current composition is as follows**:

Members (1)	Position
Nuno de Carvalho Fernandes Thomaz (2)	Chairman
Julieta Aurora Barracho Gomes Jorge Cainço (3)	Member
Marisa Luz Bento Garrido Marques Oliveira (4)	Member

(1) António Augusto Labrincha Correia Marques left office on 31/01/2020.
(2) In the capacity of independent non-executive director and member of the Audit Committee.
(3) In the capacity of Head of Audit & Quality.
(4) She integrated this Committee on 19/01/2020 in the capacity of Director of Human Resources.

During 2019, this Committee held **6 meetings** (see "Group CTT", "The Company", "Corporate Governance", "Corporate Bodies", "Meetings" on **CTT website** (www.ctt.pt) carried out the following main activities:

- Ensure the analysis and treatment of all communications received denouncing violations of the Code of Conduct and Code of Good Conduct for Preventing and Combating Harassment at Work, as well as those sent by the Audit Committee (CAUD), as part of the procedures for reporting irregularities (whistleblowing).
- Monitoring the evolution of cases dealt with in the disciplinary and labour litigation areas, relating to harassment issues and other rules of conduct.
- Monitoring of the degree of accomplishment of the training on Codes of Conduct ("CTT and Subsidiaries" and "CTT and Bank") and "Code of Good Conduct for Preventing and Combating Harassment", in all CTT's structures and Subsidiaries.

5.2.3. Oversight

f) Composition

30. Supervisory body for the adopted model

The supervision of the Company's activity is entrusted to the **Audit Committee and Statutory Auditor**. For further details on this topic, see point 15 of Part I above.

31. Composition of the Audit Committee, minimum and maximum number of members and term of office, set out in the Articles of Association, number of permanent members, date of first appointment and date of the termination of office for each member

Pursuant to article 19 of CTT's Articles of Association, the Audit Committee is composed of 3 directors, 1 of whom will be its Chairman. All are elected at the General Meeting (for a renewable term of office of 3 years), together with all the other directors, where the proposed lists for the composition of the Board of Directors should detail the members that are intended to be part of the Audit Committee and indicate its Chairman.

As at 31 December 2019, and on the present date, the Audit Committee was and is composed of the following **non-executive Directors, who meet the applicable requirements on incompatibilities, independence and**

expertise, possessing the academic qualifications that are legally required and appropriate to the performance of their duties and with at least 1 of its members having knowledge of accounting, in compliance with article 423-B of the PCC, article 3 of Law 148/2015, of 9 September, and article 19 of the Articles of Association:

Members	Position	Date of 1st appointment (1)	Independence (2)
Mª Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Chairman	20/04/2017	Yes
Nuno de Carvalho Fernandes Thomaz	Member	19/12/2014	Yes
Maria Belén Amatriain Corbi	Member	20/04/2017	Yes

(1) The date of the first appointment to a supervisory body at CTT is presented here.

(2) The assessment of independence was conducted in accordance with the provisions in article 414(5) of the PCC.

32. Members of the Audit Committee deemed independent, under article 414(5) of the PCC

See point 31 of Part I above.

33.Professional qualifications and other relevant curricular data for each of the members of the supervisory body

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As noted in paragraph 19 above of this chapter, CTT has an **internal diversity policy in the composition of the Board of Directors**, approved by the Corporate Governance, Evaluation and Nominating Committee, pursuant to which individual criteria and attributes are defined, namely competence, independence, integrity, availability and experience relative to the profile that the Board of Directors' members, including the Audit Committee members, should have and which, pursuant to the legal and regulatory terms, are mandatory requirements for the appropriate performance of these duties.

The table below presents a summary of the academic and professional qualifications and other curricular elements that were considered pertinent in the application of the individual criteria and attributes established in the Diversity Policy in relation to each one of CTT's Audit Committee members:

Members	Position	Academic Qualifications	Professional Experience
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Chairwoman	1991: Degree in Management, Universidade Católica Portuguesa (UCP) 1999: Master in Economics, Universidade do Porto 2002: Statutory Auditor, Ordem dos Revisores Oficiais de Contas (OROC) 2009: PhD in Management, ISCTE-Instituto Universitário de Lisboa	She has over 20 years of academic experience, particularly as a Professor in the areas of Accounting and Taxation, Director of the Msc in Auditing and Taxation and Scientific Coordinator at Católica Porto Business School of UCP and over 10 years of professional experience as member of management and supervisory bodies of large companies (listed and unlisted) in Portugal. She is currently a Member of the Audit Committee of Impresa, SGPS. S.A., Chairwoman of the Supervisory Board of Sogrape, SGPS, S.A., Member of the Board of Directors of Sonaegest - Sociedade Gestora de Fundos de Investimento, S.A. and Chairwoman of the Supervisory Board of Centro Hospitalar S. João, EPE. As a Statutory Auditor she is also Member of the Management Board of the Portuguese Statutory Auditors Bar (from 2012 to 2018 she was Chairwoman of its Supervisory Board) and represents this entity at the

Members	Position	Academic Qualifications	Professional Experience
			Executive Committee of the Commission of Accounting Standards.
Nuno de Carvalho Fernandes Thomaz	Member	**1965**: Law Degree, Universidade Clássica de Lisboa	He started his professional career as a lawyer in Portugal, from 1965 to 1974, having simultaneously held management roles in major national and international financial and industrial consortiums, such as the Anglo-American Group/De Beers (Portugal), in Banco do Alentejo and the parabanking company Diners Club. In Brazil, from 1975 to 1981, he was a consultant at Interbrás - Petrobrás and Chairman of Banco Pinto de Magalhães and of the securities broker Pinto de Magalhães. He has held, since 1981, various executive management positions, in particular at the Jorge de Mello/Nutrinveste Group, as Member, Vice-Chairman and Chairman of more than 25 industrial and financial companies (such as Tabaqueira, Molaflex and Incofina). Over the years, he has also held positions in major companies listed in Portugal, such as Luz Saúde. He has been the Chairman of the Supervisory Board of Sagasta Finance, STC, S.A. since 2016.
Maria Belén Amatriain Corbi	Member	**1982**: Degree in Law and Economics – ICADE E-1, Universidad Pontificia de Comillas, Madrid, Spain **2015**: Good Governance Certificate, IC-A Instituto de Consejeros-Administradores, Espanha	From 1997 to 2012, she held various positions at the Telefónica Group (a telecommunications company listed in various countries), including the position of CEO of Telefónica Móviles Spain, CEO of Telefónica Spain (fixed & mobile), CEO and Chairwoman of the Board of Directors at a worldwide level of TPI (Yellow Pages). More recently, she has held positions of leadership and membership of management and supervisory bodies at large companies including companies listed in Spain, in non-executive roles and in Audit, Risk, Compliance and Remuneration Committees, including at SolidO (2015-2017), Banco Evo (2014-2019). She has been the Chairwoman of PRIM, S.A. since 2016.

All the members of the Audit Committee are independent, according to the annual statements submitted to CTT. On this issue, see point 31 of Part I above as well as Annex I of this Report, see pages 351-373 presenting the curricula of the members of the supervisory board of CTT with further details on the professional qualifications and other relevant curricular elements of each of these members.

g) Operation

34. Existence and place where the supervisory body's internal regulations are available for consultation

The full text of the Operating Regulations of the Audit Committee can be consulted at "Group CTT", "The Company", "Corporate Governance", "Articles of Association and Regulations", on CTT website (www.ctt.pt).

35. Number of Audit Committee's meetings and attendance by each member

The Audit Committee held **17 meetings in 2019** (see " Group CTT ", "The Company", "Corporate Governance", "Governing Bodies", "Meetings" on **CTT website** (www.ctt.pt) with the following attendance by its members:

Members	Percentage attendance [(1)]	Attendance	Representation	Absences
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chairwoman)	100%	17	0	0
Nuno de Carvalho Fernandes Thomaz	100%	17	0	0
Maria Belén Amatriain Corbi	94%	16	1	0

[(1)] Percentage in relation to attendance.

During 2019, the Audit Committee carried out the following main activities:

- Regular monitoring of the Company's activity in compliance with the law and the regulations, namely through (i) the participation of its members in the meetings of the Board of Directors (ii) holding of meetings with members of the Executive Committees of CTT and Banco CTT and with various Heads of Department of both entities and the Statutory Auditor, (iii) participation in CMVM public consultations on audit matters; and (iv) assessment of compliance with the requirements on incompatibilities, independence and specialisation by its members;

- Oversight of the quality and integrity of the financial information contained in the documents presenting CTT's accounts, particularly through the (i) regular monitoring of the process of preparation and disclosure of the financial information; (ii)) analysis of the impact of the accounts of the subsidiaries on CTT's accounts; (iii) monitoring of the pertinent financial and operational indicators; (iv) analysis of the consolidated and individual quarterly and half-yearly accounts of the year; and (v) appraisal of CTT's Integrated Report;

- Supervision of the internal audit, internal control and risk management systems of the activity, namely: (i) monitoring of the activity of the Audit and Quality department concerning internal audit and compliance; (ii) appraisal of the quality of the internal control system for prevention of money laundering and terrorist financing; (iii) appraisal of the risk governance model of CTT and Banco CTT, and analysis of the main risks and mitigation actions associated to this; (iv) appraisal of the cost accounting model; (v) appraisal of CTT's strategic lines for the three-year period; and (vi) appraisal of the Ethics Committee's activity report, the reports on whistleblowing, the reports on the reporting of infringements of the Code of Conduct and the Executive Committee's reports on transactions with related parties;

- Supervision of the performance of duties by the Statutory Auditor, including in particular: (i) appraisal of the legal certification of accounts relative to the previous year; (ii) appraisal of the proposed hiring of legal review of accounts services and prior authorisation of the hiring of non-audit services provided by the statutory auditor, and appraisal of the reports of the Executive Committee on work awarded to the statutory auditor and respective fees; (iii) annual assessment of the performance of the statutory auditor, namely as to independence; (iv) appraisal of the statutory auditor's additional report; (v) appraisal of the limited review report on the consolidated Financial Statements if the first semester and general monitoring of the preparatory work of the legal certification of accounts of the year; (vi) analysis and discussion with the statutory auditor on accounting policies, main audit issues and findings of their audit work and assessment of the general internal control environment; and (vii) appraisal of the statutory auditor's Transparency Reports of the previous year;

- Definition of the process of selection of the new Statutory Auditor for the CTT Group companies (except Banco CTT and its subsidiaries) for the term of office 2021/2023, including approval of the respective Consultation Programme and Terms of Reference.

36. Availability of each member of the Audit Committee, indicating offices held simultaneously in other companies, in and outside the group, and other relevant activities carried out by members of the Audit Committee

Positions held simultaneously in other companies, in and outside the CTT Group, and other activities carried out by the Company's Audit Committee's members are detailed in their *curricula* provided for consultation in Annex I of this Report (see pages 351-373). On this matter, also see points 26 and 33 of Part I above.

h) Powers and duties

37. Procedures and criteria applicable to the intervention of the supervisory body on the engagement of additional services from the external auditor

When engaging non-audit services, CTT and Banco CTT, as entities of public interest held entirely by CTT, observe the rules in the respective Regulation on the Provision of Services by the Statutory Auditor, according to which **CTT's Audit Committee and Banco CTT's Audit Committee** are responsible for assessing the requests for engaging the Statutory Auditor for non-audit services by CTT, by its parent company or by the entities under its control (as applicable), with its engagement being subject to the **prior authorisation** of these bodies.

The referenced oversight bodies take into account therein, mainly the following aspects:

- Whether the services are prohibited and whether the provision of the services will affect the Statutory Auditor's independence;
- Whether the engagement of this service from the Statutory Auditor does not exceed the maximum limits of fees legally applicable to non-audit services;
- The Statutory Auditor's experience and knowledge of the Company.

38. Other supervisory body duties

The **Audit Committee**, as a supervisory body, has the following main powers established by law, the Company's Articles of Association and its Regulations:

Oversight of financial information quality and integrity

- Assess whether the accounting policies and procedures and valuation criteria are consistent with generally accepted accounting principles and whether they are suitable to the correct presentation and valuation of the Company's assets, liabilities and results;
- Supervise compliance with and correct application of accounting principles and standards;
- Issue an opinion on the annual management report, including the non-financial statement, the accounts for the year and the proposals presented by the Company's management;
- Oversee the preparation and disclosure of financial information;
- Certify whether the Company's Annual Corporate Governance Report includes all the items matters referred to in article 245-A of the Portuguese Securities Code.

Supervision of the internal audit, internal control and risk management systems

- Supervise the effectiveness and adequacy of the internal audit, internal control and risk management systems, by annually assessing these systems and proposing, to the Executive Committee, measures aimed at improving their functioning as proven necessary;
- Annually assess the internal controls relative to (i) the process of preparation and disclosure of financial information, (ii) accounting and audit matters, and (iii) matters on prevention of money laundering and terrorist financing;
- Issue an opinion on the work plans and resources of the Company's Audit & Quality Department, including the compliance services, and that of other internal control services of the Company, as applicable, and assess their independence;
- Monitor internal audit matters, together with the Board of Directors and Executive Committee, analysing reports from the Audit & Quality Department, including the compliance services, and that of other internal control services of the Company, as applicable;
- Debating the content of the internal control report with the Executive Committee and Statutory Auditor;
- Define and implement, together with the Board of Directors, and oversee the procedures for handling irregularities;
- Assess, in articulation with the Board of Directors and Executive Committee, the risk policy and the strategic lines of the Company, (i) periodically monitoring the work and resources allocated to the management and risk function, (ii)

monitoring and issuing an opinion on the strategic lines and the profile and objectives on matters of risk-taking, the measures of mitigation, the monitoring procedures and integrated risk assessment methodologies, (iii) promoting an annual assessment of the degree of compliance and performance of the risk management policy and system, and the creation of periodic controls to assess whether the risks effectively incurred by the Company are consistent with the risk profile and objectives assumed on risk-taking matters, and (iv) promoting an annual assessment of compliance with the Company's strategic plan and the budget;

- Annually assess, in articulation with the Board of Directors and Executive, the internal functioning of the Board of Directors and its committees, as well as the relations between the Company's bodies and committees;
- Issue a prior and binding opinion, directed at the Board of Directors, on the internal procedure on approval of significant transactions with related parties to be subject to its prior favourable opinion and/or the prior approval of the Board of Directors;
- Issue favourable opinion on transactions with members of the Board of Directors and transactions with related parties considered significant, under the established legal and regulatory terms and the procedure referred to in the previous paragraph;
- Monitor and supervise the mechanisms implemented for purposes of approval, control and disclosure of transactions with related parties.

Oversight of the statutory auditor

- Select the Statutory Auditor, after appraisal of qualifications and independence for the performance of duties, and proposing its nomination and issuing an opinion to the Executive Committee on the terms of the contract for provision of services in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- Annually assess the work conducted by the Statutory Auditor and its adequacy to perform the duties, and proposing its dismissal to the General Meeting and termination of the contract for provision of services of the Statutory Auditor to the Board of Directors, when on the grounds of fair cause;
- Verify, monitor, oversee and assess the Statutory Auditor's independence as prescribed by law and assess the annual confirmation of its independence vis-à-vis the Company (including the Statutory Auditor's own independence and that of his/her partners and other senior officers/managers, as prescribed by law);
- Verify the adequacy of and give prior consent, in a substantiated manner, to the Statutory Auditor's providing non-audit services to CTT and to the entities under its control, as well as assess the Statutory Auditor's annual statement therein related, in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- Discuss threats to its independence with the Statutory Auditor and the safeguards implemented to mitigate them;
- Propose the Statutory Auditor's remuneration to the competent bodies;
- Permanently monitor the activity and contractual ties with the Statutory Auditor, in particular as regards financial information and the effectiveness of internal control mechanisms, namely by (i) procuring the latter is endowed with the conditions necessary to carry out its activity, (ii) being the Statutory Auditor's main liaison within the Company, and (iii) receiving the content of all its reports (never after any other body or committee), and being aware of the exchange of correspondence with the Statutory Auditor relative to the Company and the companies in controlling or group relations with the Company;
- Monitor and oversee the annual individual and consolidated statutory audit, namely its execution, and assess the content of the annual statutory audit reports and audit reports with the Statutory Auditor, namely as regards any possible reservations presented thereby, in order to make recommendations to the Board of Directors and Executive Committee;
- Assess the Statutory Auditor's additional report, which namely sets out the results/issues deemed fundamental to the statutory audit that has been carried out (including debating with the Statutory Auditor those fundamental results/issues);
- Include, in the Audit Committee's annual report on its activities, information about the results of the legal review of accounts and the way that it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role of the Audit Committee in the process;
- Monitor the situation of the works involved in the legal review of accounts least on a quarterly basis in order to supervise the integrity and quality of the quarterly and half-yearly financial information.

In turn, the **Statutory Auditor** is responsible for examining the Company's accounts, pursuant to the law and Regulations on the Provision of Services by the Statutory Auditor referred to above.

The official review of accounts and audit duties performed by the Statutory Auditor, which include, among others, the verification that the corporate bodies' remuneration policies and systems approved by the Remuneration Committee are applied, the effectiveness and operation of internal control mechanisms and reporting of any deficiencies to the Audit Committee, are conducted by the entity referred to in points 39 and following of Part I below.

5.2.4. Statutory auditor

39. Statutory auditor and audit partner who represents it

At the Annual General Meeting held on 18 April 2018, **KPMG & Associados, SROC, S.A.** ("KPMG"), statutory auditor number 189, represented by the partner Paulo Alexandre Martins Quintas Paixão (statutory auditor number 1427), was re-elected as the Company's Statutory Auditor for the 2018/2020 term of office. At this same General Meeting, Vítor Manuel da Cunha Ribeirinho (statutory auditor number 1081) was elected Alternate Statutory Auditor.

40. Number of consecutive years the Statutory Auditor has carried out duties for the Company and/or the Group

KPMG has been CTT's Statutory Auditor **since 5 May 2014**. It was elected on that date to complete the 2012/2014 term of office, was re-elected on 5 May 2015 (for the 2015/2017 term of office) and on 18 April 2018 (2018/2020 three-year period).

41. Description of additional services rendered to the Company by the Statutory Auditor

See points 46 and 47 below on the services rendered by the Statutory Auditor to the Company in 2019.

5.2.5. External Auditor

42. External auditor and the audit partner who represents it in carrying out those duties, and its CMVM registration number

In line with Law 148/2015, of 9 September, in its current wording, and the amendments therefrom on the Portuguese Securities Code, in 2019 and on the present date, the CTT's Auditor is KPMG, **registered with the CMVM under no. 20161489**, represented by the partner Paulo Alexandre Martins Quintas Paixão.

43. Number of consecutive years the external auditor and the audit partner who represents it have carried out those duties for the Company and/or the Group

KPMG has been the Statutory Auditor / (external) Auditor since 2014, and was represented by its partner Maria Cristina Santos Ferreira until 1 May 2017 and, since then, by its partner Paulo Alexandre Martins Quintas Paixão. In 2012 and 2013, KPMG was the Company's independent auditor.

44. Rotation policy and frequency of rotation of the external auditor and respective partner who represents it in carrying out those duties

Law 140/2015, of 7 September ("Chartered Accountants Regime"), sets out mandatory rules on the rotation of the Statutory Auditor and the partner involved, which apply to CTT as a "public interest company". These rules are reflected in the Regulation for the Provision of Services by the Statutory Auditor approved by the Company.

In this regard, considering that KPMG (i) was engaged as the **independent auditor in 2012 and 2013 and as Statutory Auditor / (external) Auditor as of 2014**, and that (ii) the partner in charge was replaced taking effect on 1 May 2017, as indicated in point 43 of Part I above, the Company is in compliance with the legal rotation period of the Statutory Auditor and respective audit partner defined in the Chartered Accountants Regime.

Considering however, that the current **Statutory Auditor / (external) Auditor** term of office will end in 2020 and in order to ensure that the new Statutory Auditor / (external) Auditor to be appointed fully complies with the legal requirements regarding independence, as provided for in the Chartered Accountants Regime, approved by Law 140/2015, of 7 September, and in the Legal Regime of Audit Supervision, approved by Law 148/2015, of 9 September, the next call for the holding of the CTT Annual General Meeting to be held on 21 April 2020 according to the financial calendar released by CTT for this purpose, it will include a point with the proposal of the **CTT Audit Committee** for the designation of the new Statutory Auditor / (external) Auditor for the term of office 2021/2023.

45. Corporate body responsible for assessing the External Auditor and frequency of such assessment

See point 38 of Part I above on the **Audit Committee**'s powers as regards the Statutory Auditor / Auditor's **annual assessment**. In exercising its powers, the Audit Committee verified the Statutory Auditor's independence and positively assessed its work during the financial year of 2019.

46. Non-audit work carried out by the external auditor for the Company and/or companies within a control relationship, internal procedures for the approval of such services and the reasons for their engagement

In 2019, KPMG was engaged by CTT and the entities under its control or companies in a control relationship with CTT for the following non-audit services (considering the understanding expressed by the CMVM on 9 September 2019 in its update to "Frequently-asked questions about the entry into force of the new Chartered Accountants Regime and the Statutory Audit Supervision Regime"), hereinafter "**Non-Audit Services Engaged in 2019**":

- Services of limited review of the interim consolidated financial statements of CTT for the six-month period ended on 30 June 2019 and limited review of the financial statements of Banco CTT and 321 Crédito for the six-month periods ended on 30 June 2019 and on 30 June 2020;
- Services of limited reliability assurance of the information on sustainability for 2019;
- Services of issue of the opinion of the statutory auditor of Banco CTT and Payshop for 2019 and 2020 and of 321 Crédito for 2019 on the adequacy and efficacy of the internal control system with respect to the preparation and disclosure of the financial information;
- Services of issue of the opinion of the supervisory body relative to the internal control system of Payshop for 2019 and 2020;
- Services of issue of the supervisory body's opinion on the quality of the internal control system of Payshop for prevention of money laundering and terrorist financing for 2019 and 2020;
- Services of issue of opinion on the adequacy of the process of quantification of the credit portfolio's impairment and the reasonableness of the individual and collective impairment of Banco CTT and 321 Crédito for 2019 and 2020;
- Technical support services for prevention of money laundering and terrorist financing;
- Services of issue of the supervisory body's opinion on the projects of merger of Transporta and Tourline into CTT Expresso;
- Participation of CTT employees in the overall IFRS update training.

The **Regulations on the Provision of Services by the Statutory Auditor** includes procedures for the engagement of non-audit services by CTT and the entities under its control, subjecting them to the prior authorization of the CTT Audit Committee and the Audit Committee of Banco CTT (as a public interest entity wholly owned by CTT), as indicated in point 37 of Part I above, which were followed for the Non-Audit Services Engaged in 2019.

Accordingly, the authorisation for engaging these Non-Audit Services Engaged in 2019: (a) was based in particular on analysis and confirmation (i) that the services in question are not included in the list of prohibited services and do not constitute a threat to the independence and objectivity of KPMG within the context of auditing work, and do not generate any personal interest situation, and (ii) that the engagement of such services does not exceed the annual amount recommended for the engagement of the aforementioned services from the Statutory Auditor when they are not required by law; and (b) was grounded on KPMG's knowledge of the Company and the entities it controls, thus assuring possession of the relevant information for the provision of such services (in particular given the nature of the vast majority of the Non-Audit Services Engaged in 2019) and its experience in carrying out similar work.

Besides the Non-Audit Services Engaged in 2019, non-audit services engaged in 2018 were partially provided by KPMG in 2019, with the total amount of these services being reflected under "Accounted Services" in the table shown in point 47 below.

As seen from the analysis of the information in the aforesaid table, **the Non-Audit Services Engaged in 2019 represent 25.8% of the total value of the services hired from the Statutory Auditor**, with the entire amount of the non-audit services accounting for 23.4% of the total value of the services provided by the Statutory Auditor and entities Auditor and entities of its network/group in 2019.

47. Annual remuneration paid by the Company and/or legal entities within a control or group relationship to the auditor and other natural or legal persons, specifying the percentage relating to each type of service

The table below indicates the amounts corresponding to the fees of KPMG and entities of its network/group in 2019:

	Engaged Services [1]		Accounted Services [2]		Paid Services [1]	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
CTT	**357,795**	**23.6%**	**365,775**	**34.1%**	**424,658**	**38.7%**
Statutory Audit	317,740	21.0%	319,548	29.7%	320,108	29.2%
Quality Assurance Services	36,900	2.4%	35,727	3.3%	36,900	3.4%
Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Non-audit services	3,155	0.2%	10,500	1.0%	67,650	6.2%
Other Companies within CTT Group	**1,156,025**	**76.4%**	**708,413**	**65.9%**	**671,414**	**61.3%**
Amount of Statutory Audit	804,860	53.2%	503,417	46.9%	525,659	48.0%
Amount of Quality Assurance Services	338,865	22.4%	189,621	17.7%	145,755	13.3%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	12,300	0.8%	15,375	1.4%	0	0.0%
TOTAL	**1,513,820**	**100%**	**1,074,188**	**100%**	**1,096,072**	**100%**
Total Audit Services	**1,122,600**	**74.2%**	**822,965**	**76.6%**	**845,767**	**77.2%**
Total Non-Audit Services [3]	**391,220**	**25.8%**	**251,223**	**23.4%**	**250,305**	**22.8%**

[1] Includes VAT at the applicable legal rate.
[2] Includes invoiced amounts and specialised amounts of the financial year.
[3] See point 46 of this chapter above.

The table above was prepared based on the classification arising from the CMVM's understanding as mentioned in point 46 of Part I above.

5.3. INTERNAL ORGANISATION

5.3.1. Articles of Association

48. Provisions applicable to the amendment of the Company's Articles of Association

The General Meeting is responsible for passing resolutions on any amendment to the Articles of Association. CTT's Articles of Association do not contain special provisions for the amendment thereof. The general rules provided for in the PCC apply thereto, i.e. such resolution must be passed by a General Meeting:

- In which, on the first call, Shareholders holding shares corresponding to at least one third of the Company's share capital are present or represented; and
- By a two-thirds majority of votes cast, either on the first or second call, unless, on the second call, Shareholders holding shares corresponding to at least half of the Company's share capital are present or represented, in which case the resolution may be taken by simple majority of votes cast.

5.3.2. Reporting irregularities (whistleblowing)

49. Mechanisms and policy adopted by the Company for the reporting of irregularities (whistleblowing)

Pursuant to the Regulation on the Whistleblowing System that sets out the internal procedures for the reception, retention and handling of irregularity communications, in line with best practices in this area, CTT's **Audit Committee** is responsible for receiving irregularity communications presented by the Company's Shareholders, employees and others, in order to ensure the necessary independence of these procedures.

RECEPTION	• Irregularity communications must be addressed, in writing, to CTT's Audit Committee, through any of the following mechanisms and must include the information stated in the Regulation on the Whistleblowing System: Email: irregularidades@ctt.pt Address: Remessa Livre 8335, Loja de Cabo Ruivo, 1804-001 Lisbon
INVESTIGATION	• Once an irregularity communication has been received and recorded, the Audit Committee forwards it to the Ethics Committee, which will carry out actions to verify the existence of sufficient grounds for an investigation. Once the investigation has come to a close, the Ethics Committee will propose to the Audit Committee the appropriate measures be adopted or the closing of the procedure. • Given its powers and composition referred to in points 21.5 and 29.3 of Part I above (in particular, its being chaired by a member of the Audit Committee and having as its member the Head of Audit & Quality who functionally reports to CTT´s supervisory body), the Ethics Committee supports an effective investigation and the preparation of the Audit Committee's decision in a manner independent from the Board of Directors.
DECISION	• Although the investigation is led by the Ethics Committee, it is the Audit Committee that receives and records communications, as well as makes the final decision on whether those are closed or other measures adopted, under the terms of the referenced Regulation on the Whistleblowing System. • The Audit Committee's resolutions under these procedures are subject to the general safeguards regarding conflicts of interest set out in its Internal Regulation and which are relevant should a reported irregularity entail one of its members According to this Regulation, members of this body cannot vote or participate in resolutions on matters in which they have a conflicting interest.

Within these procedures and as detailed in the referenced Regulation, the following rights and **safeguards are granted to anyone presenting a complaint:**

- Confidential handling of irregularity communications;
- Confidential, secure handling and safeguarding of the records and the information;
- Right to information, access and correction of personal data; and
- Prohibition on CTT from retaliating against any whistleblower under this mechanism.

During 2019, no occurrence of any irregularity was communicated to the Audit Committee.

5.3.3. Internal control and risk management

50. Persons/corporate bodies responsible for internal audit and the internal control system

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Aligned with the best practices, the **Board of Directors** is the corporate body responsible for ensuring the effectiveness of the internal control, risk management and internal audit systems, encouraging a culture of control throughout the organization, based on an internal control system that aims to ensure the efficient and sustainable conduct of business and operations, the protection of resources and assets, and compliance with applicable policies, plans, procedures and regulations, as well as with:

- Processes for the monitoring and continuous improvement of the Internal Control System, underpinned by the assessment and mitigation of critical risks, ensured by Internal Audit (Operational Risks) and Risk Management (Strategic Risks), in close coordination with the corporate and business units;
- Internal information and reporting mechanisms, allowing the organisation's performance to be monitored, observed and improved at all levels;
- Processes for identifying and responding to risks in order to pursue the Company's strategic objectives, as defined by the Board of Directors.

The **Audit Committee**, as CTT's supervisory body, is responsible for the supervision of (i) the quality and integrity of the financial information, (ii) efficacy of the internal audit, internal control and risk management systems and (iii) independence of the Statutory Auditor, monitoring the activity of the statutory auditor and external audit.

The **internal audit function** (3rd line of defence) is ensured by the Audit & Quality Department, which is responsible for the independent assessment of the appropriateness and effectiveness of CTT and other Group companies' internal control systems, through the continuous monitoring of major risks and timely reporting to the Management and Supervisory Bodies of action plans to mitigate the identified risks, whose implementation is systematically monitored through follow-up actions.

Therefore, (i) the **Board of Directors** is responsible for stipulating the Company's strategic goals and risk limits and for creating systems for their control, in order to ensure that risks incurred are consistent with those objectives, and (ii) the **Audit Committee** is responsible for assessing the operation of internal control and risk management systems, which was carried out in 2019 as described in this chapter and in points 51 and 55 of Part I below and subchapters 2.7.1. Description of the risk management process, and 2.7.2. identification of risks (risk matrix) and CTT response of chapter 2.7 Risk Management of this Report.

51. Hierarchical/operational dependence on other Company bodies

The **Audit and Quality Department** reports hierarchically to the Executive Committee (through its CEO) and functionally to the Audit Committee.

In compliance with the Articles of Association and the Audit Committee Regulation, the **Audit Committee** has the following responsibilities:

- Ongoing monitoring, assessment and oversight of internal accounting and auditing procedures, as well as the effectiveness and suitability of the risk management, internal control and internal auditing systems.
- Stating its opinion on the work plans and resources allocated to the Audit & Quality Department and compliance services, and supervising its activities;
- Monitoring internal audit, together with the Board of Directors and the Executive Committee, assessing the reports from the Audit & Quality Department and from the compliance services;
- Supervising the risk policy and system, monitoring the implemented procedures, and the integrated risk assessment methodologies, proposing to the Executive Committee measures intended to improve the operation of the financial information internal control systems, of the risk management system and of internal audit;
- Debating the content of the internal control report with the Executive Committee and Statutory Auditor.

52. Other functional areas with risk control powers

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

53. Identification and description of the main risks (economic, financial and legal) to which the Company is exposed in exercising its activity

See subchapter 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7 Risk Management.

54. Description of the process for identifying, assessing, monitoring, controlling and managing risk

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

55. Main elements of the internal control and risk management systems implemented in the Company regarding the disclosure of financial information

The disclosure of financial information is monitored by both the management and Supervisory Bodies and by the Business Units and Corporate Departments. The financial reporting documents and other financial information are prepared by the Planning & Control Department and Investor Relations Office, based on information provided by the Accounting & Taxes Department and the Business Units.

All the financial reporting documents are approved by the **Board of Directors and reviewed by the Audit Committee and the Statutory Auditor**.

In particular, the Audit Committee is responsible for supervising the adoption of the principles and policies regarding the identification and management of the main financial and operational risks associated with CTT's activity, namely by monitoring the activities of the Audit & Quality Department and the Finance, Risk and M&A Office.

The Audit Committee is also responsible for overseeing the independence of the Statutory Auditor and the preparation and disclosure of the Company's financial information. In this context, this body:

- Holds meetings to monitor these processes with members of the Executive Committee, the Statutory Auditor and with the Heads of Accounting & Taxes, Planning & Control Departments and the Finance, Risk and M&A Office;
- Assesses the Audit & Quality Department's reports (specifically with respect to internal audit and internal control of the financial report), in order to make any proposals to the Executive Committee;
- Monitors internal audit, together with the Executive Committee, namely with respect to the procedures related to financial reporting, detection of risks, irregularities and conflicts of interest, and the safeguarding of assets;
- Monitors the main vulnerabilities identified by the Company and the mitigation plans.

The work carried out by the Audit Committee during 2019 sought, above all, to supervise the suitability of the preparation and disclosure of financial information and ensure that the internal and external auditors were able to perform their duties with independence and impartiality.

In turn, to issue the legal certification of accounts and the audit report, the Statutory Auditor assesses the internal control mechanisms of the main business processes of the Group companies with an impact on financial reporting.

I. INVESTOR SUPPORT

56. Department responsible for investor relations, its composition, duties, information provided by the department and contact details

See chapter 10. Investor Support.

57. Market relations representative

See chapter 10. Investor Support.

58. Proportion and waiting time limit for information requests made in the year or pending from previous years

See chapter 10. Investor Support.

5.3.4. Website

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59. Address

See chapter 11. Website.

60. Place where information is available about the name, public company status, registered office and other identifying details

See chapter 11. Website.

61. Place where the Articles of Association and the Internal Regulations of the corporate bodies and/or committees may be found

See chapter 11. Website.

62. Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details

See chapter 11. Website.

63. Website where the financial statements are available, together with the half-yearly calendar of corporate events

See chapter 11. Website.

64. Place where the records of all resolutions taken in the Company's General Meetings, the share capital represented and voting results are available

See chapter 11. Website.

65. Place where the records of all resolutions taken in the Company's General Meetings, the share capital represented and voting results are available

See chapter 11. Website.

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5.4. REMUNERATION

5.4.1. Powers to stipulate remuneration

66. Powers to stipulate remuneration for corporate bodies, members of the Executive Committee and Company senior officers

As per article 9 of the Company's Articles of Association, the General Meeting has the power to stipulate remuneration for corporate body members. It may appoint a **Remuneration Committee** for this purpose.

As the Board of Directors of CTT considers that the Company's directors, under articles 248-B of the Portuguese Securities Code and 3 of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT, the Remuneration Committee is responsible for stipulating their remuneration.

As further detailed in point 21.4 of Part I above, the **Corporate Governance, Evaluation and Nominating Committee** has consultation powers on assessment and remuneration matters and supports the Remuneration Committee in stipulating remuneration.

The attribution of these advisory competences is in line with best practices (namely of the financial sector) in that the body which defines the remuneration should be supported by a committee within the Board of Directors, which contributes with its independence, knowledge and experience in the definition of a remuneration policy suited to the particularities of the sector and the Company, especially with detailed knowledge on its strategic and risk profile.

5.4.2. Remuneration Committee

67. Composition of the Remuneration Committee, including natural and legal persons engaged to assist said committee and statement on independence of each member and consultant

As at 31 December 2019, and at the present date, the composition of the Remuneration Committee was and is as follows:

Members [(1)]	Position	Date of 1st appointment
João Luís Ramalho de Carvalho Talone	Chairman	24/03/2014
Rui Manuel Meireles dos Anjos Alpalhão	Member	24/03/2014
Manuel Fernando Macedo Alves Monteiro	Member	28/04/2016

(1) Members re-elected at the General Meeting held on 20/04/2017 for the 2017/2019 term of office.

All members of the Remuneration Committee are independent from the CTT Board of Directors, since none of them (i) is part of any corporate body of the Company nor of any company within a control or group relationship with CTT and / or (ii) has any family relationship (i.e., through his spouse, relatives and/or kin in a direct line up to the third degree inclusive) with any Board member.

In 2019, CTT's Remuneration Committee maintained Mercer's support, for the exercise of its functions, as a consultant specialised in remuneration and human resources matters, and the Remuneration Committee considered, in the context of the engagement process, the experience accumulated by Mercer in the definition of the remuneration policy for the previous term of office, as well as the rigour and professionalism with which it always carried out the requested work.

In 2019, Mercer provided other services to the Company, which obtained authorisation from the Remuneration Committee for contracting such services. In this context and in order to ensure the necessary conditions of independence in the provision of services by Mercer to the Remuneration Committee, procedures were adopted to ensure the necessary objectivity and impartiality of the consultants who collaborate with the Remuneration Committee through, in particular, the segregation of the teams assigned to the different services and "Chinese walls".

68. Knowledge and experience of the members of the remuneration committee on remuneration policy

The *curricula vitae* of the members of the Remuneration Committee are presented in Annex I of the Report (see pages 351-373). As shown therein, all the members of this Committee have **appropriate knowledge** to analysis and decide on the matters within their power, in view of their training and extensive professional experience, namely via:

- Their performance of executive and non-executive administrative positions in various sectors, in Portugal and abroad, and supervisory positions, in both cases in companies of considerable size and with shares listed on the stock exchange, as well the holding of positions in a number of national and international entities in the capital market area;
- Abilities and experience in general in areas of corporate governance, remuneration policy, human resources, finance and risk.

5.4.3. Remuneration structure

69. Description of the remuneration policy of the management and supervisory bodies referenced in article 2 of Law 28/2009, of 19 June

The remuneration policy of the governing bodies for the **term of office 2017/2019** was defined and implemented by the Remuneration Committee in 2017, based on an extensive reflection and the assistance of specialised consultants on:

- The experience obtained in 2014/2016 with the implementation of the remuneration policy for that term of office, marked by CTT's transition from a state-owned company to an exclusively private-held company dispersed on the market;
- The benchmark studies carried out both in terms of recommendations on corporate governance and market comparatives; and
- The business goals defined for this term, as part of the Company's ongoing diversification strategy in 4 business segments with different challenges and maturity levels (possible changes to this policy are also admitted by the Remuneration Committee should any relevant changes to the activity, structure and / or dimension of the Company and regulatory developments occur).

In 2018, in order to give greater relevance to the quantitative criteria in relation to the qualitative criteria for attribution of the amount of annual variable remuneration, as detailed in point 71 of Part I below, the Remuneration Committee decided to amend the remuneration policy of the corporate bodies for the **2017/2019 term of office.**

The remuneration policy continues to be based on the following **main principles already present in the previous term of office**:

- Operate as an instrument of the **talent management** policy;
- **Compensate** work, **stimulate** performance, **reward** outcomes, in view of individual performance and merit;
- Contribute to attract, develop and retain competent professionals, seeking to be **competitive** in relation to Portuguese market practices by companies of similar complexity;
- Promote the **alignment of interests** with the values and culture of CTT, with the business strategy, with the Company's shareholders and, in general, with all the other stakeholders;
- Contribute to the **creation of value**, especially in the medium and long-term, following sustained management practices.

In turn, **the benchmarking analysis conducted during this term of office** was based on a peer group composed of 20 companies selected according to 3 non-cumulative criteria: sector, regulated/non-regulated market and stability of cash flow, thus covering the remuneration practices applied:

- By 8 European companies of the sector (Bpost, Deutsche Post DHL, La Poste, Poste Italiane, Poste NL, Post Nord, Royal Mail and TNT);
- By the 12 most significant companies in Portugal at that date, including large Portuguese companies and PSI-20 companies (BPI, Brisa, EDP, EDP Renováveis, Galp, Jerónimo Martins, Millennium BCP, NOS, Navigator, REN, Semapa and Sonae);
- Specifically in the case of the benefits detailed in points 75 and 76 below, a different peer group was considered, focused on the top positions of Portuguese companies; and
- Specifically with respect to the members of the Board of the General Meeting, a different peer group was also considered, composed of Portuguese companies, including those listed in the PSI-20.

The approved policy also represents an evolution with a view to **continuous alignment with best governance practices**, defining various mechanisms aimed at:

- Promoting the effective supervisory capacity of the non-executive Directors and appraisal of the performance of the executive management according to the objectives defined in the Company's annual budgets and in the long-term business plans, approved by the Board of Directors;
- Fostering the alignment of management interests considering the particularities of the activity developed by CTT in its 4 business segments, with different challenges and maturity levels (with possible changes to this policy by the Remuneration Committee in view of relevant changes to the activity, structure and/or size of the Company and the regulatory developments); and
- Contributing to the sustainability of the Company and its results, and the creation of value for the shareholders, considering the evolution of the risk profile and the long-term strategic goals of CTT.

In view of the above, the remuneration of the **executive Directors** includes a **fixed component and a variable component**, **the latter consisting of a portion intended to compensate performance in the short-term and another intended to compensate long-term performance.**

The **fixed remuneration component** for this term of office was stipulated taking into account the following cumulative criteria: market median and competitiveness; sustainability of CTT's performance; and the nature and complexity of the duties (reason for which the CEO, CFO and remaining executive Directors' remuneration is different), particularly for the required skills and responsibilities of such duties within the context of the 4 business segments in which CTT operates (including Banco CTT, a regulated company wholly owned by CTT).

This component includes the annual basic remuneration paid 14 times per year and the annual meals allowance (which can be reviewed annually by the Remuneration Committee), as well as the benefits detailed in points 75 and 76 below.

In turn, the **variable remuneration ("RV")** of the executive Directors is composed of:

- An **annual component (Annual Variable Remuneration or AVR)**, conditional on the predefined quantitative and qualitative objectives being achieved in each financial year; it is paid in cash in the month after the approval of the accounts by the Annual General Meeting following each financial year; and
- A **long-term component (Long-Term Variable Remuneration or LTVR)**, conditional on the Total Shareholder Return (TSR) for CTT shares by comparison with the average-weighted TSR of a peer group, as well as the results of the annual qualitative assessment through the term of office (up to 31 December 2019), as well as the investment and lock-up of part of the AVR in CTT shares, being paid in cash in 2 deferred tranches (one in 2020 and the other in 2021).

Both the annual variable remuneration and the long-term variable remuneration are subject to minimum and maximum limits, namely in relation to the base remuneration, to different accomplishment levels and to diverse conditions of attribution, assessment of performance and adjustment, as explained below.

Non-executive Directors **exclusively earn an annual fixed remuneration**, paid 14 times per year.

For this term of office, its amount was defined cumulatively considering the following criteria: the market median; the level of commitment in terms of time and estimated number of meetings (with a differentiated additional remuneration being attributed to the non-executive Directors in committees); and the level of complexity and responsibility of each position determining a valuation of the performance of duties in the Audit Committee (in view of the duties of this supervisory body) and in the Corporate Governance, Evaluation and Nominating Committee (also with responsibilities in terms of the subsidiaries) and the positions of chairing committees and the Board of Directors (in particular the role of Chairman described in point 21.1 above, whether in the leadership of the Board or before the Company's stakeholders with a dispersed capital structure).

To summarise, the remuneration policy approved for this term of office is based on the following pillars in line with **best national and international practices**:

Compensation mix	• Appropriate balance between fixed and variable remuneration; • Appropriate balance between short and long-term remuneration.
Performance measures	• Appropriate balance between individual and collective goals; • Appropriate balance between financial and non-financial goals; • Performance measures that consider the Company's strategy and risk profile and establish suitable KPI and targets for the strategic plan of the CTT Group in the short and medium/long-term, based on market practices in this regard.
Alignment of interests	• Definition of a minimum performance level to achieve the variable remuneration; • Definition of the maximum performance level from which there is no additional payment of variable remuneration (caps); • Equal levels of accomplishment for all members of the Executive Committee contributing to team cohesion; • Deferral via the criteria of access to long-term variable remuneration and its payment on 2 tranches, as well as via the connection between long-term variable remuneration and annual variable remuneration; • Conditions for granting long-term variable remuneration, including investment and lock-up of part of the annual variable remuneration in Company shares; • Establishment of adjustment mechanisms to determine the reduction or reversal of the attribution and/or payment of variable remuneration (malus/clawback provisions).
Transparency	• Independent Remuneration Committee, assisted by specialised consultants and by a specialised and independent internal Board of Directors committee; • Detailed disclosure of information to the shareholders whenever requested; • Alignment with the peer group and strategic goals of the Company;

- Consolidation of the overall remuneration in terms of CTT, without earning remuneration for positions held in other companies of the Group.
- Presence of the Chairman or, in his absence, another member of the Remuneration Committee, at the Annual General Meeting and in any others, if the agenda includes an issue related to the remuneration of members of the Company's bodies and committees, or if this presence has been requested by the shareholders.

These principles and structural elements of the remuneration policy of the members of the management and supervisory bodies of CTT are detailed in the following points of this chapter 5 and are also included in the **statement on the remuneration policy submitted by the Remuneration Committee for approval at the Annual General Meeting** to be held on 21 April 2020, which will be previously subject to the favourable opinion of the Corporate Governance, Evaluation and Nominating Committee.

In the annual statement submitted by the Remuneration Committee for approval by the Annual General Meeting, the due information is disclosed pursuant to Law 28/2009, of 19 June, as well as (i) information about the criteria for determination of remuneration and the rules in force on matters of termination of duties, (ii) total remuneration detailed by the different components including the proportion relative to fixed remuneration and variable remuneration, as well as (iii) information on the inexistence of deviations from the procedures of application of the approved remuneration policy.

Furthermore, under the **Company's Operational Transformation Plan** and in the context of the adjustments to the Human Resources policy established therein, all the members of the Board of Directors waived part of their fixed remuneration for 2018 and the executive Directors also waived the annual variable remuneration for 2017 and 2018 (see points 77 and 79 below). In 2019 the members of the Board of Directors partially waived the fixed remuneration with reference to the period from 1 July 2019 to the end of the term of office.

70. Information on the way the remuneration is structured so as to permit the alignment of the interests of the members of the management board with the long-term interests of the Company, as well as on the manner in which it is based on the assessment of performance and discourages excessive risk taking

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70.1 Setting limits of the annual basic remuneration, the AVR and the LTVR, and discouraging excessive risk taking

The **value of fixed remuneration** is defined according to the criteria indicated in point 69 above, focused on alignment with market practices and on differentiation according to dedication and the level of complexity and responsibility of the positions held. This component should discourage excessive risk-taking, in view of the strategic goals and challenges of the 4 business segments in which the Company operates.

CTT's non-executive Directors receive exclusively fixed remuneration.

In turn, the variable remuneration of the executive Directors is subject to **maximum caps defined in the remuneration policy, namely by reference to the annual basic remuneration**, also consisting of a discouragement to excessive risk-taking, as follows:

- The target annual variable remuneration is 55% of the annual basic remuneration for each executive Director. Therefore, in a scenario in which 100% of the annual variable remuneration goals are attained, each executive Director will be entitled to annual variable remuneration in cash of the value of 55% of his/her annual base remuneration.
- If the goals attained surpass this target, the maximum annual variable remuneration each executive Director may receive is 85% of his/her annual basic remuneration.
- The target long-term variable remuneration is 120% of the annual basic remuneration for each executive Director. Therefore, in a scenario in which 100% of the long-term variable remuneration goals are attained, each executive Director will be entitled to long-term variable remuneration in cash of 120% of his/her annual basic remuneration.

- If the goals attained surpass this target, the maximum long-term variable remuneration each executive Director may receive is 180% of his/her annual basic remuneration.
- If the minimum limits of accomplishment described in point 71 below are not achieved, there is no entitlement to variable remuneration.

Further, in order to discourage excessive risk-taking, and as better detailed in point 70.2 below, if the maximum variable remuneration goals are attained, the annual fixed remuneration component will represent an average 41% of the total annual remuneration for the executive Directors. The remaining 59% will be attributed as a variable (annualised) component. In turn, in the case of achievement of the target goals of the variable remuneration, **the fixed component of annual remuneration will represent on average 51% and the annualised variable component will represent on average 49% of total annual remuneration**.

Finally, and pursuant to article 23 of the Articles of Association, the variable remuneration of the executive Directors may consist of a percentage of the consolidated profits. In this case, the overall percentage of profits allocated to the variable remuneration cannot exceed, in each year, the amount corresponding to 5% of the consolidated profit for the year.

70.2 Performance assessment criteria, balance between remuneration components and resulting alignment of interests

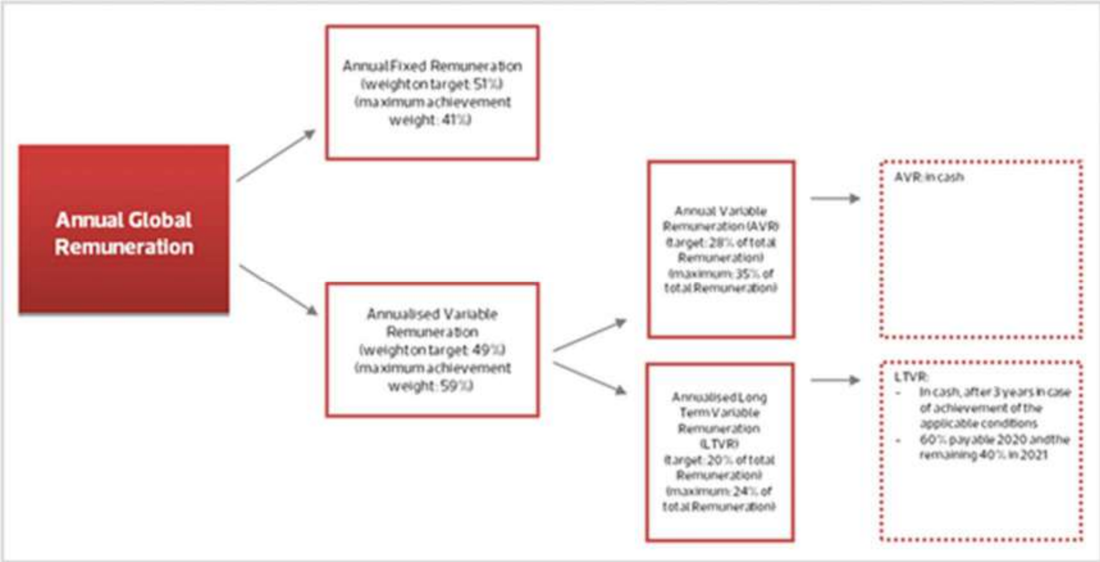
The award and amount of the variable remuneration are conditional on **compliance with pre-set goals measured using performance assessment criteria**, as described in point 71 below. This component will vary according to the degree of achievement of:

- Annual goals based on quantitative assessment criteria (set on the basis of best market practices, as well as on the business plan and the annual budget approved by the Board of Directors and related to the EBITDA, ROI and TSR of the Company vis-à-vis a peer group) and individual qualitative assessment criteria (defined by the Corporate Governance, Evaluation and Nominating Committee, within parameters established by the Remuneration Committee); and
- Multi-annual goals for the term of office (3 years) established according to long-term assessment criteria (defined on the basis of the benchmark studies), quantitative nature (with regard to the Company's TSR) and qualitative nature (considering the result of the individual assessment of each Director within the scope of the annual variable remuneration).

Moreover, both the AVR and the LTVR are conditional on the minimum performance achievement thresholds and gradual goals described in point 71 below.

Thus, these performance assessment criteria, achievement goals and thresholds seek to establish a remuneration policy that fosters the alignment of the interests of the Board members with CTT's interests and long-term performance.

The chart below shows the fixed and variable (annualised) remuneration weight in comparison to the total annual remuneration awarded, on average, to the Executive Committee members for achieving on the target and maximum achievement of the VR goals. In overall terms, there is a **balance between the fixed annual remuneration and the total variable annualised remuneration** which also fosters the above-mentioned alignment of interests.



Overall, there is a balance between the fixed annual remuneration and the total variable annualised remuneration. The weight of the variable component in relation to the total fixed remuneration is in line with the best market practices of a universe of national and European reference companies (entities of the postal sector), incorporated in the benchmarking exercise.

In sum, the effective attribution of this **remuneration mix depends on a performance assessment** according to the criteria and goals described in point 71 below and contributes to the alignment of interests of the Directors with those of the Company, as follows:

- The **fixed component** serves as a reference for the allocation of the VR, is subject to limits, can be reviewed annually by the Remuneration Committee thus providing an adequate balance both remuneration components;
- The **AVR and the LTVR** depend on the assessment of pre-determined and gradual quantitative and qualitative performance criteria with an assessment period that matches the financial year and the term of office, respectively;
- The **LTVR** is also dependent on the investment and lock-up of a minimum of 25% of the AVR in Company shares and is paid, in a long-term perspective, in two tranches (until 2021), thus constituting an additional incentive to keep the Company's performance positive beyond the term of office.

Moreover, in terms of the remuneration policy, the executive Directors **cannot conclude contracts or other instruments, either with the Company or with third parties, whose effect is mitigating the risk inherent to the variability of the variable remuneration**.

Lastly, notwithstanding the waiver by the executive Directors of part of the fixed remuneration and of the AVR for this term of office (in line with the Company's Operational Transformation Plan and as detailed in points 77 and 79 below), a remuneration mix based on the performance assessment is maintained, in line with the criteria and goals and with the AVR and LTVR assessment process described in point 71 below which will contribute to the alignment of the Directors' interests with the Company.

71. Reference, if applicable, to the existence of a variable remuneration component and information on any potential impact of the performance assessment thereon

As noted in point 69 of Part I above, the Remuneration Committee decided to change the remuneration policy, giving greater relevance to the quantitative criteria in relation to the qualitative criteria for attribution of the amount of AVR, since the qualitative component will only give rise to the attribution and payment of AVR if the assessment of the quantitative goals leads to the attribution and payment of any AVR.

The value of the **AVR** earned by the executive Directors is **70% of the assessment of the following criteria and quantitative goals**, established by the Remuneration Committee based on the business plan and budget of the CTT Group and on the benchmarking carried out:

- The amount of the annual **recurring EBITDA margin** of each CTT business unit: (i) mail; (ii) express & parcels; (iii) financial services; and (iv) Banco CTT (30%);
- The consolidated growth percentage of the recurring EBITDA of CTT (as defined by CTT's Audit Committee) vis-à-vis the previous calendar year (25%);
- The **ROI growth percentage** (ratio between the consolidated recurring EBITDA and invested capital), in comparison to the previous calendar year (25%);
- An **annual TSR of Company shares** equal to or greater than 0 and its comparison to the weighted average TSR for a peer group (20%). This peer group consists of 2 subgroups with: (i) 60% weight to the TSR for the PSI-20 index and (ii) 40% weight to the (simple average) TSR for a set of relevant sector peers (Austrian Post, Bpost, PostNL and Royal Mail, notwithstanding changes defined by the Remuneration Committee due to relevant corporate restructurings).

The awarding of AVR in terms of these goals is also dependent on the observance of (i) a **weighted average of these goals above 80%** and (ii) a **recurring EBITDA margin that complies with at least 85% of the established goal.**

When these conditions are met, the recorded performance in terms of the quantitative criteria and goals is remunerated **in a graduated way, according to the degree of accomplishment and parameters defined** by the Remuneration Committee, in particular:

- If the recorded performance meets the set goal in less than 80% (90% in the case of the TSR goal), no AVR will be awarded for that quantitative target, nor will it be awarded if the qualitative individual targets are met;
- If the recorded performance is between 80% and 90% of the set goal (between 90% and 95% in the case of the TSR goal), that amount will be between 24.75% and 33% of the annual basic remuneration of each executive Director;
- If the recorded performance is between 90% and 130% of the set goal (between 95% and 110% in the case of the TSR goal), that amount will be between 33% and 85% of the annual basic remuneration of each executive Director;
- If the recorded performance meets the set goal by more than 130% (over 110% in the case of the TSR goal), that amount will correspond to 85% of the annual basic remuneration of each executive Director.

30% of the granted AVR amount is derived from the assessment of individual qualitative goals set and assessed by the Corporate Governance, Evaluation and Nominating Committee based on the parameters set by the Remuneration Committee and with a view to fostering the Company's values and sustainability, functioning and efficient relationship with CTT's various corporate bodies and committees and the relationship with its stakeholders. However, pursuant to the change introduced in 2018, this component will only impact the attribution and calculation of the annual variable remuneration when the **assessment of the quantitative goals of CTT leads to the attribution and payment of the AVR.** According to these **parameters**, the recorded performance in terms of these goals is **remunerated in a graduated way**, as follows:

- The annual variable remuneration on this account is based on a percentage of the annual basic remuneration between 55% and a maximum of 85%, according to the degree of accomplishment. There is only entitlement to this if the general performance recorded corresponds to an assessment of at least the target 3 (on a scale of accomplishment of 1 to 5); and
- The annual qualitative assessment of the CEO cannot exceed, by more than one level, the annual average assessment of all the other members of the Executive Committee.

In this context, the Corporate Governance, Evaluation and Nominating Committee defined an assessment model in which the relevant criteria are the composition, image and activity of the Executive Committee, as well as its relationship with the various corporate bodies and stakeholders (including aspects such as sustainability and environment, organisational culture, corporate reputation and relationship with Shareholders, employees, regulators and customers), as well as each member's individual contribution to the Executive Committee's performance.

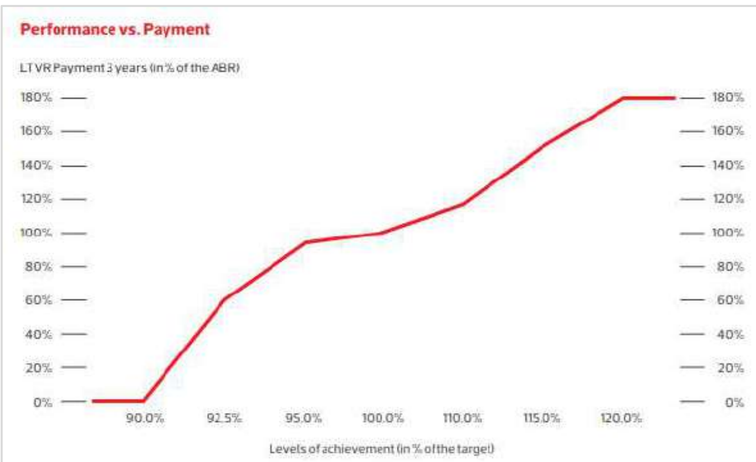
In turn, the attribution of **long-term variable remuneration** to the executive Directors is subject to the following **conditions of attribution**:

- A **minimum of 90% of the TSR performance of CTT shares by comparison with the average weighted TSR of the peer group shares** (the same as applicable for the AVR) during the assessment period (between 1 January 2017 and 31 December 2019);
- The **sum of the** overall annual **qualitative AVR assessments** of the executive Director for 2017, 2018 and 2019 is equal to or greater than 9; and
- The **investment in CTT shares of a minimum of 25% of the AVR amount received by each Director every year** and a post-term lock-up period (in 2021).

Once these conditions have been met, the calculation of the amount of LTVR to be awarded is based on the comparison of recorded TSR performance for Company shares and the weighted-average TSR for the peer group made up of the subgroups identified above for the AVR, as well as the sum of the annual overall qualitative AVR assessment, **gradually in line with the degree of achievement and the parameters established** by the Remuneration Committee, in particular:

- If the TSR for the Company's shares is less than 90% of the weighted TSR for the peer group's shares, no LTVR will be awarded;
- If the TSR for the Company's shares is between 90% and 94.9% of the average weighted TSR for the peer group's shares, each executive Director is awarded an amount of between 25% to 88% of his/her annual basic remuneration;
- If the TSR for the Company's shares is between 95% and 119% of the average weighted TSR for the peer group's shares, each executive Director is awarded an amount of between 95% to 174% of his/her annual basic remuneration;
- If the TSR for the Company's shares is equal to or greater than 120% of the average weighted TSR for the peer group's shares, each executive Director is awarded 180% of his/her annual basic remuneration;
- If the TSR for the Company's shares is less than 0, the amount of LTVR to be paid is subject to a weighting factor of 0.8;
- In addition, if the sum of the annual overall qualitative AVR assessments is less than 9, an adjustment factor of 0 is applied, and an adjustment factor of 1 is applied if it is between 9 and 15.

As better illustrated in the following graph:



72.Deferral of payment of the variable component of remuneration and deferral period

The attribution and calculation of the long-term variable remuneration is based on long-term performance, as both the Company's TSR compared to the peer group and the outcome of the individual qualitative assessments are appraised throughout the entire duration of the term of office (from 1 January 2017 to 31 December 2019).

Moreover, the LTVR is awarded on the condition that the executive Director remains in the Company throughout that period (without prejudice to the provisions below in this point 72), as well as the investment of part of the annual variable remuneration in shares and its retention/lock-up to the date of payment of the LTVR in 2 tranches.

Considering that, under the Company's Operational Transformation Plan, the executive Directors waived their annual variable remuneration attributable in 2017 and 2018 (points 77 and 79 below), the precedent condition is not met for the acquisition of the right over the entire value calculated at the end of the period of assessment of the long-term variable remuneration, specifically the investment in shares representing the Company's capital of a minimum of 25% of the amounts received each year as annual variable remuneration. Thus, the sum attributable as long term variable remuneration will be impacted by the amount of 1/3, for each year that no annual variable remuneration is attributed, as if the precedence had not been fulfilled.

Through these mechanisms, **a period of deferral of part of the annual variable remuneration and the long-term variable remuneration up to 2021** is established under the following terms:

- The LTVR is awarded subject to, inter alia, the investment of a minimum of 25% of the AVR amount received each year in CTT shares and a lock-up period (free of encumbrances) until the day after the approval of the 2020 accounts by the General Meeting ("Lock-up Period"); therefore, **at least 25% of the AVR received is subject to this deferral period/mechanism (in 2021);**
- Furthermore, the Remuneration Committee conducts an annual appraisal and confirms the fulfilment of the LTVR access conditions and the amount to be granted in this respect in the 4 months after the AVR payment date in 2020 (granting);
- The calculated LTVR is paid (vesting) as follows: (a) 60% of the calculated amount, in the month after fulfilment of the LTVR access conditions (in 2020) and (b) the remaining 40%, one year after that date (**in 2021**), **thus creating a deferral period/mechanism for the LTVR in 2 tranches.**

The payment of the variable remuneration relative to an assessment period in which termination of duties occurs shall not be due (continued performance), except in situations of termination by mutual agreement, retirement, death, invalidity or other case of early termination of office for reasons not imputable to the director (namely in the event of change of control of the Company), in which case the Remuneration Committee will define a pro-rata attribution. If a director leaves for any motive, with the exception of dismissal on fair grounds or any other situation which leads to the application of an adjustment mechanism (as described below), after the assessment period, but before the payment of the variable remuneration, its entire payment will take place to the extent corresponding to that period.

The AVR and the LTVR are also subject to the following adjustment mechanisms, which are enforced during the deferral period, i.e. up to the second date of payment of the LTVR in 2021:

- The **reduction of the VR** when the award and/or payment of the same is not yet an acquired right (malus provision) and reversal by way of **retention and/or return of the VR** when payment already constitutes an acquired right (clawback provision);
- Applicable to all or part of the **VR (attributable, attributed and/or paid);**
- In the following **situations**, which the Remuneration Committee is responsible for ascertaining after consulting inter alia the Corporate Governance, Evaluation and Nominating Committee: the Director participated directly and decisively in or his actions were the cause of significant losses; a serious or fraudulent breach of the Code of Conduct or internal rules with a significant negative impact, or situations which constitute just cause for dismissal; and/or misstatements and/or material errors or omissions in the financial statements to which the Director's objective conduct was a decisive contributing factor.

Thus, a significant component of the VR is **conditional on the Company's positive performance during the deferral period** as follows:

- Positive performance until the end of the term of office for the purposes of LTVR is measured by comparing the recorded performance of the **TSR** for Company shares with the weighted-average TSR for a peer group. This assessment is strengthened further by the requirement for a **minimum individual qualitative AVR assessment** as a condition for awarding the LTVR, by providing that the sum of the overall annual qualitative assessments of each executive Director must be greater than or equal to 9; and
- The incentive to maintain the positive performance of 2019 up to the second date of payment of the LTVR in 2021 arises from the **Lock-up Period** applicable to the acquired shares of a value corresponding to at least 25% of the AVR received.

These rules thus seek to align the interests of the management team in a long-term perspective with the interests of the Company, the shareholders and all other stakeholders, whose pursuit, in view of the particularities of the Company and sector, is considered to arise from the **combination of the performance assessment criteria applicable throughout the 3 years of the term of office** (both the Company's TSR and the individual qualitative assessment described above) **and the Lock-up Period applicable to the shares acquired through the AVR received**.

73. Criteria underlying the awarding of variable remuneration in shares and the holding of these shares by the executive Directors; potential agreements regarding these shares, namely hedging or risk transfer agreements, their limits and proportionate value in terms of total annual remuneration

Not applicable. See point 71 above.

74. Criteria for variable remuneration allocation by way of options and respective deferral period and strike price

Not applicable. See point 71 above.

75. Main parameters and grounds of any annual bonus scheme and any other non-cash benefits

The Company has not adopted any system of annual bonuses or other non-cash benefits, without prejudice to the following paragraph.

Supplementing the provisions in point 76 below, the executive Directors earn the following **non-cash supplementary benefits, of fixed nature**: entitlement to use a vehicle (including fuel and tolls), life and personal accident insurance (including during travel) and access to the health benefit system (IOS – Instituto de Obras Sociais) under the same terms as the Company employees. The Chairman of the Board of Directors is also entitled to use a vehicle (including fuel and tolls).

76. Main characteristics of supplementary pension schemes or early retirement for the directors and date on which they were individually approved by the General Meeting

Without prejudice to the following paragraph, **the Company's remuneration policy does not consider the attribution of supplementary pensions** or the attribution of any compensation in the event of the early retirement of its directors.

The monthly fixed remuneration of the executive Directors includes an amount defined by the Remuneration Committee according to the benchmarking, intended for allocation to a defined contribution pension plan or retirement saving plan (or other retirement saving instruments), specifically chosen by each executive Director.

5.4.4. Disclosure of remuneration

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77. Annual remuneration earned, in aggregate and individually, by the members of the Company's management body, including fixed and variable remuneration and the various components of the latter

The tables below indicate the gross remuneration paid in 2019 by the Company to the **members of the Board of Directors and Audit Committee**:

Member	Position	Amounts		
		Fixed remuneration[1]	AVR 2018 [2]	Total
Francisco José Queiroz de Barros de Lacerda [3]	Chief Executive Officer (CEO)	841,784.06	0.00 €	841,784.06 €
Dionizia Maria Ribeiro Farinha Ferreira [4]	Executive Director	675,975.99	0.00 €	675,975.99 €
António Pedro Ferreira Vaz da Silva	Executive Director	409,252.51	0.00 €	409,252.51 €
Francisco Maria da Costa de Sousa de Macedo Simão	Executive Director	385,749.28	0.00 €	385,749.28 €
Guy Patrick Guimarães de Goyri Pacheco	Executive Director (CFO)	439,777.54	0.00 €	439,777.54 €
João Afonso Ramalho Sopas Pereira Bento [5]	Chief Executive Officer (CEO)	313,239.24	0.00 €	313,239.24 €
João Carlos Ventura Sousa [6]	Executive Director	107,654.30	0.00 €	107,654.30 €
Total remuneration of the Executive Committee		3,173,432.92	0.00 €	3,173,432.92 €

Member	Position	Amount [7]
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Non-Executive Director, Chairwoman of the Audit Committee and Member of a Committee other than the Audit Committee	83,249.95 €
Nuno de Carvalho Fernandes Thomaz	Non-Executive Director, Member of the Audit Committee and of a Committee other than the Audit Committee	69,374.97 €
Maria Belén Amatriain Corbi	Non-Executive Director and Member of the Audit Committee	69,374.97 €
Total remuneration of the Audit Committee		221,999.89 €
António Sarmento Gomes Mota	Chairman of the Board of Directors and of Committees other than the Audit Committee	306,250.00 €
José Manuel Baptista Fino	Non-Executive Director and Member of a Committee other than the Audit Committee	60,125.03 €
Céline Dora Judith Abecassis-Moedas	Non-Executive Director and Member of a Committee other than the Audit Committee	60,125.03 €
João Afonso Ramalho Sopas Pereira Bento [5]	Non-Executive Director and Member of Committees other than the Audit Committee	21,821.44 €
Rafael Caldeira de Castel-Branco Valverde	Non-Executive Director and Member of Committees other than the Audit Committee	60,125.03 €
Steven Duncan Wood [8]	Non-Executive Director and Member of a Committee other than the Audit Committee	0.00 €
Duarte Palma Leal Champalimaud [9]	Non-Executive Director and Member of a Committee other than the Audit Committee	29,466.68 €
Total remuneration of the of the non-executive Directors who are not members of the Audit Committee		537,913.21 €
Total remuneration of the non-executive Directors		759,913.10 €
Total remuneration of the Board of Directors and the Audit Committee members		3,933,346.02 €

[1] Amount of the fixed remuneration of the executive Directors in proportion to the time they performed duties in 2019. This amount includes (i) the annual basic remuneration (ABR), (ii) the annual meals allowance (9.01 euros per business day of each month, 12 times a year), and (iii) the fixed amount paid annually allocated to the retirement savings plan corresponding to 10% of the ABR. The ABR paid in 2019 includes a partial reduction with reference to the period from 01/07/2019 to 31/12/2019 of 25% relative to the ABR defined in the remuneration policy approved for the term of office 2017/2019 for the CEO, and a partial reduction with reference to the period from 01/07/2019 to 31/12/2019 of 15% relative to all the other executive Directors.

[2] The executive Directors waived their AVR for 2017 and 2018, and for this reason and regardless of the result of the assessment conducted relative to 2018, no AVR was paid in 2019.

[3] Left office as Vice-Chairman of the Board of Directors on 30/06/2019 and on 22/05/2019 he left office as Chief Executive Officer (CEO). The amount of €615,990.54 resulting from the agreement of termination of duties concluded between the Director and the Company is included in the remuneration disclosed hereby.

[4] Left office on 18/09/2019 as Member of the Board of Directors and of the Executive Committee. The amount of €384,766.66 resulting from the agreement of termination of duties concluded between the Director and the Company is included in the remuneration disclosed hereby and was recorded in 2019.

[5] Appointed Chief Executive Officer (CEO) on 13/05/2019, taking effect on 22/05/2019, having up to that date and since 20/04/2017 held office as Member of the Board of Directors of CTT.

[6] Co-opted by resolution of the Board of Directors of 03/09/2019 taking effect on 18/09/2019 (subject to ratification at the next General Meeting) to the position of Member of the Board of Directors and Executive Committee.

[7] Amount of the fixed remuneration of the non-executive Directors in proportion to the time they performed duties in 2019. Non-executive Directors do not earn any variable remuneration. The ABR paid in 2019 includes a partial reduction with reference to the period from 01/07/2019 to 31/12/2019 of 25% relative to the ABR defined in the remuneration policy approved for the term of office 2017/2019 for the Chairman of the Board of Directors and a partial reduction with reference to the period from 01/07/2019 to 31/12/2019 of 15% of the ABR for all the other Directors.

[8] Elected to the position of Member of the Board of Directors at the General Meeting of 23/04/2019, having waived the payment of remuneration in 2019.

[9] Co-opted by resolution of the Board of Directors of 19/06/2019 (subject to ratification at the next General Meeting) to the position of Member of the Board of Directors.

As indicated in the table above, and without prejudice to the remuneration policy in force in the term of office in force described in points 69 and following above, as a result of the **Operational Transformation Plan** approved and disclosed in December 2017 and including a series of adjustments related to CTT's policy on Human Resources:

- During 2019, the Chairman of the Board of Directors and the Chairman of the Executive Committee waived the amount corresponding to **25% of their annual basic remuneration** for all the effects established in the remuneration policy;
- During 2019, all the other members of the Board of Directors and Executive Committee waived the amount corresponding to **15% of their annual basic remuneration** for all the effects established in the remuneration policy;
- The executive Directors also waived their **annual variable remuneration relative to 2017 and 2018**, regardless of the results of the performance assessment process to be conducted pursuant to the remuneration policy approved by the Remuneration Committee, described in points 69 and following above;
- In turn, and already in 2019, due to the strong pressure resulting from numerous factors including the weight of operating costs, the members of the Board of Directors partially waived the fixed remuneration for the period from 1 July 2019 until the end of their term of office , with the Chairman of the Board of Directors and the Chairman of the Executive Committee waiving 25% of the basic monthly remuneration and the other members 15%. The attribution of AVR to the executive Directors for the year 2019 will depend on the achievement of predefined quantitative and qualitative objectives, as described in point 69 above;
- Following a study carried out by an independent entity as at 31 December 2019, the conclusion was that that the TSR of CTT shares is less than 90% of the weighted average TSR of the shares of the peer group, so there will be no place for the attribution of LTVR to the executive Directors relative to their performance in 2017/2019. Hence, no costs were recognised in the period from 1 January 2019 to 31 December 2019 and the amounts registered in previous years, 2017 and 2018, of a total of €91,020 were equally derecognised.

There was no deviation from the procedures of application of the approved remuneration policy, described in point 69 above, as illustrated in the remuneration table above which indicates the annual amount of remuneration earned, as a whole and individually, by the members of the Company's management body, including fixed and variable remuneration, as well as indication of the different components giving rise to the fixed remuneration.

78. Amounts paid, for whatever reason, by other companies in a controlling or group relationship or that are subject to common control

During 2019, the companies in a controlling or group relationship with the Company **did not pay the members of the Board of Directors any remunerations** or amounts for any reason.

79. Remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for these bonuses and/or profit-sharing

During 2019, the members of the Board of Directors were not paid any amounts in the form of profit-sharing or bonuses.

80. Compensation paid or owed to former executive Directors relating to the termination of their office during the financial year

Following the employment termination agreements concluded between the previous executive Chairman, Francisco José Queiroz de Barros de Lacerda and the former executive Director Dionizia Maria Ribeiro Farinha Ferreira, with these terminations of duties having been disclosed to the market on 10 May 2019 and 3 September 2019 respectively, CTT recorded staff costs of €615,990.54 and €384,766.66 as at 31 December 2019, relative to the total maximum value to be settled by the Company to these staff members for these early terminations of duties during 2019, given observance of all the assumptions of these agreements.

It is foreseen in the remuneration policy approved by CTT's Remuneration Committee for the term of office of 2017/2019 that in the event of the termination of duties of the members of the Board of Directors, the legally established compensatory rules shall be applicable. For further details, see point 83 below.

81. Annual remuneration earned, in aggregate and individually, by members of the Company's oversight body, for the purposes of Law 28/2009, of 19 June

See point 77 of Part I above with respect to the members of the Audit Committee.

82.Remuneration of the Chairman of the Board of the General Meeting during the reference year

During 2019, the remuneration earned by the Chairman and Vice-Chairman of the Board of the General Meeting was, respectively, ten thousand and four thousand euros.

5.4.5. Agreements affecting remuneration

83.Contractual limits for compensation payable upon dismissal without just cause of a director and their connection with the variable remuneration component

The members of CTT's corporate bodies **did not enter into any remuneration or compensation agreements with the Company**. The remuneration policy approved by CTT's Remuneration Committee for the term of office 2017/2019 establishes that in the event of the termination of duties of members of the Board of Directors, the legally stipulated rules for compensation will be applicable, without prejudice to the provisions in point 72 above by reference to the variable remuneration.

- The compensation by law to members of the Board of Directors (including executive Directors), in the event of their dismissal without just cause, is indemnity for damages suffered thereby, as prescribed by law and may not exceed the remuneration that Board member would presumably receive until the end of the period for which he/she was elected.

Thus, considering the absence of individual agreements in this area and the terms of the remuneration policy approved by the Remuneration Committee in the event of a dismissal that does not arise from a serious breach of duty nor from the inability to carry out duties normally, but that is nonetheless due to inadequate performance, the Company will only be obliged to pay compensation as prescribed by law.

See point 72 of Part I above on the impact of termination of duties relative to variable remuneration.

84.Agreements between the company and members of the management body and senior officers, under article 248-B(3) of the Portuguese Securities Code providing for compensation in the event of resignation, dismissal without just cause or termination of employment following a change of control in the Company

During 2019, **there were no agreements between the Company and the members of the Board of Directors or the Audit Committee** which provided for compensation in the case of resignation, dismissal without just cause or termination of employment following a change of control in the Company, notwithstanding point 72 of Part I above.

On this issue, it should be noted that CTT's Board of Directors considers that the Company's directors, in acceptance of articles 248-B of the Portuguese Securities Code and 3 of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT.

5.4.6. Share award plans or stock option plans

85.Identification of the plan and its intended beneficiaries

As better defined in point 71 above, the remuneration policy approved by the Remuneration Committee for the term of office 2017/2019 does not foresee the attribution of any shares to executive Directors as remuneration. Furthermore, the Company does not have in force, on the present date, any type of plan for stock options.

86. Characteristics of the plan (awarding conditions, share lock-up clauses, share price and strike price criteria, exercise period for the options, characteristics of the shares or options to be awarded, incentives to purchase shares and/or exercise options)

As noted in point 85 of Part I above.

87. Stock options for Company employees and staff

As noted in point 85 of Part I above.

88. Control mechanisms provided for in any employee-share ownership scheme in as much as voting rights are not directly exercised by those employees

No system of employee participation in equity was in force in 2019 or exists in CTT.

5.5. TRANSACTIONS WITH RELATED PARTIES

5.5.1. Control mechanisms and procedures

89. Mechanisms implemented by the Company to control related party transactions

Since 2014, the Company has been implementing procedures aimed at ensuring strict compliance with the legal and accounting rules and current best practices concerning transactions with related parties and the pursuit of CTT's interests in this regard, in particular through the **Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest.**

To this end, "Related Parties" are considered to be:

- Any Shareholder with at least 2% of CTT's share capital, whether directly or indirectly, pursuant to article 20 of the Portuguese Securities Code;
- Members of CTT's management and supervisory bodies and any officers who, although not members of these corporate bodies are so classified under the referenced Regulation, or any third party related thereto through any significant commercial or personal interest;
- Subsidiaries, associated companies and jointly controlled entities (joint ventures) of CTT.

According to that Regulation, "Transactions with Related Parties" (i.e., all onerous or gratuitous legal transactions or a transfer of resources, services or obligations between, on the one hand, CTT and/or subsidiaries and, on the other hand, a related-party) shall adhere to the following principles:

- They can only take place based on motives clearly within the scope of CTT business interests;
- They must be entered into at arm's length, pursuant to the legislation in force and in line with the best corporate governance practices, in order to ensure transparency and the full protection of CTT's interests;
- They must always be put in writing, specifying their respective terms and conditions;
- Loans to "Related Parties" are expressly prohibited, except to subsidiaries, associated companies or jointly controlled entities (joint-ventures);
- They should be clearly and accurately disclosed in the notes to the Company's financial statements, with sufficient detail to identify the "Related Party" and the main conditions regarding the transactions;

- "Significant Transactions", i.e., of an amount greater than € 1,000,000 relating to a single business or to a series of businesses carried out in each financial year with the same related party (excluding from this scope the transactions between CTT and subsidiary companies whose capital is wholly owned directly or indirectly by CTT), are subject to a prior favourable opinion by the supervisory body;
- Similarly, the "transaction with Directors" (directly or through an intermediary) shall be subject to a prior favourable opinion by the supervisory body, without prejudice of these transactions being subject to the approval of the Board of Directors or the Executive Committee in accordance with their delegated powers;
- All "transactions with related parties" not subject to a prior favourable opinion shall be subject to subsequent consideration by the supervisory body.

See point 91 of Part I below on the prior and subsequent mechanisms for the Audit Committee to control transactions with related parties.

90. Transactions subject to control in the reference year

In 2019, there were no **transactions with related parties, subject to prior control** by the Company's supervisory body under the procedures described in the Regulations on Assessment of Transactions with Related Parties and Prevention of Conflicts of Interest mentioned in points 89 and 91 of Part I of this chapter.

Additionally, transactions that corresponded almost entirely to the provision of services directly and indirectly related to the postal activity were subject to subsequent **control by the aforesaid body**.

For further details on Transactions with Related Parties, see Note 50 - Related Parties to the consolidated and individual financial statements in chapter 7 of this Report (see pages 304-307).

91. Procedures and criteria applicable to the oversight body's intervention in the prior assessment of business transactions to be carried out between the Company and qualified shareholders

According to the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest, "Significant Transactions with Related Parties" are submitted by the Executive Committee to the **prior opinion of the Audit Committee**, under the following terms:

- Transactions of an amount exceeding 1,000,000 euros relative to a single transaction or to a set of transactions carried out in each financial year qualify for this purpose, except for transactions carried out between CTT and directly or indirectly fully-owned subsidiaries of CTT;
- In this context, the Audit Committee analyses, in particular, the terms and conditions, scope and opportunity of the transaction, the interest of the related party, any limitations that may be imposed on CTT as a result of the transaction, the implemented pre-contractual procedures, the mechanisms adopted to resolve or prevent potential conflicts of interest and evidence that the operation will be carried out at arm's length;
- Also subject to the prior opinion of the Audit Committee are transactions to be entered into, on the one hand, by management body members of CTT and/or subsidiaries (directly or through a third party) and, on the other hand, by CTT and/or subsidiaries, under the terms and for the purposes set out in articles 397 and 423-H of the PCC and the procedure set out in the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest.

All other "Transactions with Related Parties" are communicated to the Audit Committee for subsequent review, namely in the context of the annual activity report, by the last day of July or January, according to whether the transaction occurred in the 1st or 2nd semester of the year.

5.5.2. Transaction information

92. Place in the financial reporting documents where information on business transactions with related parties pursuant to IAS 24 is available

The relevant transactions with related parties are described in Note 50 to the consolidated and individual financial statements in chapter 7 of this Report (see pages 304-307), and were carried out under normal market conditions.

PART II – ASSESSMENT OF CORPORATE GOVERNANCE

1. Identification of the adopted corporate governance code

In conformity with the provisions in number 1 of article 2 of CMVM Regulation 4/2013, CTT has adopted the Corporate Governance Code of the Portuguese Institute of Corporate Governance, in the version published in 2018, ("IPCG Code") which can be consulted at www.cgov.pt.

2. Analysis of compliance with the adopted corporate governance code

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
I. General Provisions			
General principle	Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.		
I.1. Company's relationship with investors and disclosure			
Principle	Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	56 to 63 (see chapters 10. Investor support and 11. Website, pages 345-348 of this Report)
I.2. Diversity in the composition and functioning of the company's governing bodies			
Principle I.2.A.	Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.		
Principle I.2.B.	Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Adopted	16, 19, 26 and 33
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted	21, 22, 23, 27, 29, 34 and 35
I.2.3.	The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	Adopted	22, 34 and 61 (see also for point 61 chapter 11. Website, pages 345-348 of this Report)

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
I.2.4.	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	23, 28, 29, 35, 62 and 67 (see also for point 62 chapter 11. Website, pages 345-348 of this Report)
I.2.5.	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (*whistleblowing*) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Adopted	21.5, 35 and 49 G58 G42
I.3. Relationships between the company bodies			
Principle	Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.		
I.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	18 and 21
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	18 and 21
I.4. Conflicts of interest			
Principle	The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.		G41
I.4.1.	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Adopted	21
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	21
I.5. Related party transactions			
Principle	Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.		
I.5.1.	The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	Adopted (1)	38, 89 and 91
I.5.2.	The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Adopted (1)	91

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
II. Shareholders and general meetings			
Principle II.A.	As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.		
Principle II.B.	The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.		
Principle II.C.	The company should also allow the participation of its shareholders in in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.		
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted	14
II.3.	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Adopted	12
II.4.	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Explain below	---
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	n.a.	5 and 13
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	4
III. Non-executive management, monitoring and supervision			
Principle III.A.	The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.		
Principle III.B.	The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.		
Principle III.C.	The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.		
III.1.	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1..	n.a.	17 and 18
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Adopted	17 and 18

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Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	Adopted	17 and 18
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; or vi. having been a qualified holder or representative of a shareholder of qualifying holding.	Adopted(2)	17, 18, 19, 20 and 78
III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	n.a.	17 and 18
III.6.	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Adopted	21
III.7.	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	n.a.	15
III.8.	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Adopted	35 and 38
III.9.	Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Adopted	21, 29, 66 and 67
III.10.	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Adopted	54

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
III.11.	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	Adopted	38, 50 to 52 (see also for point 52 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management, pages 48-50 of this Report)
III.12.	The supervisory body should provide its view on the work plans and resources of the internal auditing services, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest and the detection of potential irregularities.	Adopted	38, 50, 51 and 55
IV. Executive management			
Principle IV.A.	As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.		
Principle IV.B.	In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.		
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Adopted	26
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted	21
IV.3.	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Adopted	21, 50 and 52 (see also for point 52 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management pages 48-50 of this Report)
IV.4.	As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.	Adopted	38, 50 to 52 (see also for point 52 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management pages 48-50 of this Report
V. Evaluation of performance, remuneration and appointment			
V.1. Annual evaluation of performance			
Principle	The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.		

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Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	21, 24, 29, 66, 70 and 71
V.1.2.	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	24, 35 and 38
V.2. Remuneration			
Principle	The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.		
V.2.1.	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Adopted	66 and 67
V.2.2.	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Adopted	69 to 74
V.2.3.	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19 June, should additionally contain the following:	Adopted	
	i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;		69 to 75, 77 and 79
	ii. remunerations from companies that belong to the same group as the company;		78
	iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;		85
	iv. information on the possibility to request the reimbursement of variable remuneration;		69 and 72
	v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;		69 and 77
	vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.		69 and 80

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
V.2.4.	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	n.a.	76 and 80
V.2.5.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	69
V.2.6.	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Adopted	67
V.3. Remuneration of the Directors			
Principle	The directors should receive compensation: i. that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company; ii. that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and iii. that rewards performance.		
V.3.1.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Adopted	69, 70 and 71
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Adopted	72
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	n.a.	85
V.3.5.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Adopted	69 and 70
V.3.6.	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Adopted	83
V.4. Appointments			
Principle	Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.		

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
V.4.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Adopted	19, 21 and 29
V.4.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	n.a.	21 and 29
V.4.3.	This nomination committee includes a majority of nonexecutive, independent members.	Adopted	29
V.4.4.	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	Adopted	16, 19, 21 and 29
VI. Risk management			
Principle	Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.		
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Adopted	21, 50, 52 and 54 (see also for point 52 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management, pages 48-50 of this Report)
VI.2.	Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Adopted	50 to 55 (see also for points 52 to 54 subchapters 2.7.1. Description of the risk management process and 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7. Risk management, pages 48-53 of this Report)
VI.3.	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Adopted	21, 50, 52 and 54 (see also for point 52 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management, pages 48-50 of this Report
VII. Financial Statements and Accounting			
VII.1 Financial Information			
Principle VII.A.	The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.		

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Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
Principle VII.B.	The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	38
VII.2 Statutory audit of accounts and supervision			
Principle	The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations.		
VII.2.1.	Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	Adopted	37 and 38
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	38
VII.2.3.	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	38 and 45
VII.2.4.	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	n.a	---
VII.2.5.	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	n.a	---

Comply or Explain

Recommendation II.4

"The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings"

Although the Company does not offer participation by telematic means in the general meetings to its shareholders, suitable means are implemented for the active and unimpaired participation of all its shareholders in these meetings. This involves, namely, the possibility of the shareholders also being able to vote by correspondence or electronic vote, with materially equivalent effects to participation by telematic means.

Notwithstanding this possibility, which is established in the Company's Articles of Association since its privatisation, and according to what has been practice in the Company's last general meetings, voting by electronic means has never been exercised. Some shareholders voted by correspondence in the first general meetings held after privatisation, but this type of participation has not been used recently.

Without prejudice to the future implementation of telematic means for participation in general meetings, CTT considers that the costs of implementing a solution of this nature could very well be disproportionate to the actual participation through these means by the shareholders, taking into account their clear preference for participation in person or through representation under the legal terms, as revealed by the practice in the last general meetings.

For this reason, the Company considers that the means currently provided for shareholder participation in the general meetings are adequate, namely through electronic vote, **in line with the principles of good corporate governance and materially equivalent to compliance with this Recommendation**.

(1) Recommendations I.5.1 and I.5.2.

"The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body."

"The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months."

Regarding Recommendation I.5.1. of IPCG Code, it is considered as adopted by CTT insofar as the related party transactions that (i) require the previous authorization of the managing board, and (ii) due to their higher value require an additional favourable report of the supervisory body, are defined in what concerns their type, scope and minimum amount, individually or in an aggregate manner, in CTT's Regulation on Appraisal and Control of Transactions with Related Parties and Prevention of Situations of Conflicts of Interest (hereinafter ("Related Party Regulation"), which was approved by the Board of Directors of CTT in 2014 with a previous favourable opinion of the Audit Committee, in its current version, available at "Group CTT", "Company", "Governance", "Statutes and Regulations" on the CTT website (www.ctt.pt), as explained below:

a) the transactions (except those included in CTT's own trade and in which no special advantage is granted to the director or an intermediary, according to the reasoning presented upon decision making) to be concluded between, on the one hand, members of the managing bodies of CTT and / or its subsidiaries (directly or through an intermediary) and, on the other hand, CTT and / or subsidiary companies, under the terms and for the purposes of the provisions of articles 397 and 423-H of the PCC **are subject to prior authorization by the Board of Directors**;

b) all the transactions mentioned in paragraph a) above, as well as significant transactions, that is, of an amount greater than €1,000,000, relating to a single business or to a series of businesses carried out in each financial year with the same related party (excluding from this scope the transactions between CTT and subsidiary companies whose capital is wholly owned directly or indirectly by CTT), **are subject to a prior favourable opinion by the Audit Committee**.

By default, all the transactions with related parties that do not fall within the scope of subparagraphs a) and b) above may be approved by the Executive Committee without prior approval by the Board of Directors and / or prior favourable opinion by the Audit Committee, to the extent of the respective delegation of powers, under the provisions of article 407 of the PCC, article 13(2) of the Articles of Association and article 6(1) of the

Regulation of the Board of Directors of CTT, available for consultation in "Group CTT", "The Company", "Corporate Governance", "Statutes and Regulations", on the CTT website (www.ctt.pt).

It is, therefore, in this sense, and now by reference also to Recommendation I.5.2. of the IPCG Code, that CTT considers it is the Executive Committee's responsibility to inform the Audit Committee of said transactions for further consideration by this body, at least every six months. Unless there is a better understanding, all other transactions, i.e., those listed in subparagraphs a) and b) are already necessarily communicated in due course to the Audit Committee for the purpose of submitting a request for prior opinion thereon.
In summary:

- The Company considers that it adopts Recommendations I.5.1 and I.5.2 of the IPCG Code, since it is the management body that effectively defines, and defined, through the approval of the Related Parties Regulation, which transactions require the prior approval of this body, and which ones, because they are of higher value, still require a favourable prior opinion from the supervisory body;

- CTT further considers that the communication by the Executive Committee to the supervisory body, carried out within the scope of the delegation of the day-to-day management powers of the Board of Directors, is adequate and is in line with the principles of good corporate governance.

Without prejudice to the aforementioned, the **Board of Directors** took the initiative, exceptionally and at the request of the Executive Committee, of **communicating to the supervisory body the report on transactions with related parties occurred during the second half of 2019**, which although they are not subject to a prior favourable opinion, are subsequently assessed by the supervisory body under the terms of the Related Parties Regulation.

(2) Recomendation III.4

*"Each company should include a number of non-executive directors that corresponds to **no less than one third**, but always plural, who satisfy the legal **requirements of independence**. For the purposes of this recommendation, an independent person is one who is not **associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision**, namely due to:*

i. *having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;*
ii. *having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;*
iii. *having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;*
iv. *having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;*
v. *having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings;*
vi. *having been a qualified holder or representative of a shareholder of qualifying holding."*

Although there is no total coincidence of criteria for assessing the independence of non-executive members of the Board of Directors, between, on the one hand, CMVM Regulation 4/2013 (Point18.1 of Annex I to said Regulation) which, in the case of the members of the Board of Directors who are also members of the Audit Committee, refers to the Portuguese Companies Code, and, on the other hand, the IPCG Code which generally refers to independence requirements without express reference to the regime of the Portuguese Companies Code as regards the members of the Audit Committee, **the Company fully complies with Recommendation III.4. of the IPCG Code** to the extent that, in accordance with the criteria defined for the purposes of this Recommendation, 50% of all its directors are independent, this percentage being 77.8% when measured solely in terms of its non-executive Directors.

06

Proposal for the Appropriation of Results

We go further in Excellence

We go further to bring the world closer.

6. PROPOSAL FOR THE APPROPRIATION OF RESULTS

Under the terms of article 23 of the Articles of Association of CTT - Correios de Portugal, S.A. ("CTT" or "Company"), the annual net profit, duly approved, will be appropriated as follows:

a) A minimum of 5% will be transferred to the legal reserve, until the required amount is reached;

b) A percentage will be distributed to the shareholders as dividends and as decided by the General Meeting;

c) The remaining amount will be appropriated as deliberated by the General Meeting in the interest of the Company.

Under the terms of article 295(1) of the Portuguese Companies Code ("PCC"), a minimum of 5% is intended for the constitution of the legal reserve and, if necessary, its reintegration until this reserve reaches 20% of the share capital. As the share capital is €75,000,000.00, 20% is calculated at €15,000,000.00, whereby the legal reserve as at 31 December 2019 corresponds to the minimum amount required by the Articles of Association and the PCC.

Pursuant to article 294(1) of the PCC, save for another bylaw provision or a resolution passed with a majority of 3/4 of the votes corresponding to the share capital in a General Meeting called for that purpose, half of the financial year's distributable profits must be distributed to shareholders, as set out by law. CTT's Articles of Association contain no provision contrary to the referenced legal provision.

Distributable profits are the financial year's net profit after the constitution or increase of the legal reserve and after negative retained earnings have been covered, if applicable. As at 31 December 2019, the legal reserve is fully constituted and retained earnings are positive. For the financial year ended 31 December 2019, net profit for the year in the individual accounts amounted to €29,196,933.00.

Given the accounting rules in force, an amount of €2,849,172.00 is already reflected in the stated net profit regarding profit sharing with CTT employees and executive Board members.

Accordingly, and in compliance with the provisions applicable under the law and the Articles of Association, the Board of Directors proposes that:

a) The net profit for the 2019 financial year, totalling €29,196,933.00, as per the individual financial statements, is allocated as follows:

Dividends*..€16,500,000.00

Retained earnings €12,696,933.00

b) A maximum amount of €2,849,172.00 (already considered in the individual financial statements) is allocated to CTT employees and executive Board members as bonuses.

* Distribution of €16,500,000.00 in dividends, which corresponds to €0.11 per share.

Lisbon, 16 March 2020

For the Board of Directors

07

Consolidated and individual financial statements

7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2018, 31 DECEMBER 2018 AND 31 DECEMBER 2019
Euros

	NOTES	Group			Company		
		Restated	Restated		Restated	Restated	
		01.01.2018	31.12.2018	31.12.2019	01.01.2018	31.12.2018	31.12.2019
ASSETS							
Non-current assets							
Tangible fixed assets	5	275,326,349	264,708,624	263,443,040	244,833,955	229,532,691	226,480,627
Investment properties	7	6,164,849	8,179,980	7,653,000	6,164,849	8,179,980	7,653,000
Intangible assets	6	47,501,684	56,770,556	62,012,644	19,789,332	25,422,412	27,640,021
Goodwill	9	9,523,180	9,523,180	70,201,828	-	-	-
Investments in subsidiary companies	10	-	-	-	120,041,302	113,576,926	233,475,030
Investments in associated companies	11	296,260	296,260	293,434	295,779	295,779	292,953
Investments in joint ventures	12	-	496,076	2,723,803	-	496,076	2,723,803
Other investments	13	1,503,572	1,379,137	1,379,137	1,503,572	1,379,137	1,379,137
Debt securities	14	245,827,759	429,038,681	424,851,179	-	-	-
Shareholders	50	-	-	-	2,658,000	1,350,000	15,058,000
Accounts receivable	18	-	-	-	-	-	661,287
Other non-current assets	23	1,375,223	1,526,644	1,543,308	1,092,403	1,252,268	1,237,070
Credit to banking clients	19	64,263,949	231,797,420	792,469,611	-	-	-
Financial assets available for sale	14	3,175,180	-	-	-	-	-
Other banking financial assets	15	11,831,122	22,692,434	18,764,049	-	-	-
Deferred tax assets	49	91,954,991	81,734,114	89,329,806	89,353,409	79,559,985	85,539,541
Total non-current assets		**758,744,118**	**1,108,143,106**	**1,734,664,839**	**485,732,601**	**461,045,254**	**602,140,469**
Current assets							
Inventories	17	5,696,996	5,568,114	5,860,069	5,022,455	5,187,053	5,491,844
Accounts receivable	18	132,480,130	135,855,195	146,471,712	95,987,068	100,059,980	112,842,210
Credit to banking clients	19	15,083,442	16,252,561	93,350,959	-	-	-
Shareholders	50	-	-	-	3,755,511	10,599,851	1,689,268
Income taxes receivable	36	1,552,005	5,040,275	-	1,564,777	4,965,933	-
Deferrals	20	6,600,115	6,691,359	7,305,261	5,111,904	5,045,157	5,384,781
Debt securities	14	15,721,373	25,063,201	31,560,152	-	-	-
Other current assets	23	32,338,234	35,517,214	35,766,227	27,922,910	28,987,226	26,939,374
Financial assets available for sale	14	2,576,194	-	-	-	-	-
Other banking financial assets	15	91,417,084	93,621,151	14,660,286	-	-	-
Cash and cash equivalents	22	626,825,397	422,717,478	442,995,724	376,590,733	271,758,311	261,591,807
		930,290,968	746,326,549	777,970,390	515,955,358	426,603,511	413,939,283
Non-current assets held for sale	21	-	-	805,675	-	-	-
Total current assets		**930,290,968**	**746,326,549**	**778,776,065**	**515,955,358**	**426,603,511**	**413,939,283**
Total assets		**1,689,035,086**	**1,854,469,655**	**2,513,440,904**	**1,001,687,959**	**887,648,765**	**1,016,079,752**
EQUITY AND LIABILITIES							
Equity							
Share capital	25	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Own shares	26	(8)	(8)	(8)	(8)	(8)	(8)
Reserves	26	79,947,883	65,836,875	65,852,595	79,897,560	65,836,605	65,836,605
Retained earnings	26	48,787,928	4,378,984	10,867,301	48,856,774	4,387,132	10,679,731
Other changes in equity	26	(32,634,996)	(30,993,430)	(49,744,144)	(32,653,520)	(31,001,308)	(49,540,583)
Net profit		-	21,499,271	29,196,933	-	21,499,271	29,196,933
Equity attributable to equity holders		171,100,807	135,721,692	131,172,677	171,100,806	135,721,692	131,172,677
Non-controlling interests	29	146,738	165,494	242,255	-	-	-
Total equity		**171,247,545**	**135,887,186**	**131,414,932**	**171,100,806**	**135,721,692**	**131,172,677**
Liabilities							
Non-current liabilities							
Accounts payable	33	-	-	-	-	312,744	309,007
Medium and long term debt	30	75,182,674	100,282,203	148,597,934	58,732,903	77,986,890	127,316,593
Employee benefits	31	252,919,533	244,562,078	267,286,679	252,595,578	244,249,491	265,431,555
Provisions	32	26,028,332	16,019,339	17,635,379	29,550,059	13,257,258	12,847,350
Deferrals	20	316,892	305,691	294,490	316,892	305,691	294,490
Other banking financial liabilites	15	-	-	76,060,295	-	-	-
Deferred tax liabilities	49	3,399,121	3,108,662	2,958,115	3,368,115	3,083,265	2,855,318
Total non-current liabilities		**357,846,552**	**364,277,973**	**512,832,892**	**344,563,547**	**339,195,339**	**409,054,313**
Current liabilities							
Accounts payable	33	384,533,294	322,276,222	373,790,665	361,001,085	300,597,319	344,227,004
Banking clients' deposits and other loans	34	619,229,680	883,950,534	1,321,418,042	-	-	-
Shareholders	50	-	-	-	12,821,447	5,539,255	22,109,176
Employee benefits	31	17,100,808	17,119,105	19,416,212	17,069,013	17,087,341	19,383,977
Income taxes payable	36	-	-	5,958,753	-	-	1,948,562
Short term debt	30	28,208,503	27,096,073	26,813,567	14,653,193	16,850,735	12,898,704
Deferrals	20	1,432,696	2,708,090	3,454,477	1,425,534	2,066,612	2,624,716
Other current liabilities	35	91,553,848	86,203,693	100,353,646	79,053,334	70,590,472	72,660,624
Other banking financial liabilities	15	17,882,160	14,950,779	17,987,719	-	-	-
Total current liabilities		**1,159,940,989**	**1,354,304,496**	**1,869,193,080**	**486,023,606**	**412,731,734**	**475,852,762**
Total liabilities		**1,517,787,541**	**1,718,582,469**	**2,382,025,972**	**830,587,153**	**751,927,073**	**884,907,075**
Total equity and liabilities		**1,689,035,086**	**1,854,469,655**	**2,513,440,904**	**1,001,687,959**	**887,648,765**	**1,016,079,752**

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED INCOME STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2019

Euros

	NOTES	Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		Restated 31.12.2018	31.12.2019	Restated 31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Sales and services rendered	4/39	685,944,622	688,021,669	177,803,975	181,631,937	525,021,420	522,297,559	140,125,677	135,789,237
Financial margin	40	7,867,424	29,315,856	2,370,311	10,421,070	-	-	-	-
Other operating income	41	14,402,062	22,948,405	3,238,466	8,682,378	38,346,794	40,541,244	9,058,697	12,527,182
		708,214,108	740,285,930	183,412,752	200,735,385	563,368,214	562,838,803	149,184,373	148,316,420
Cost of sales	17	(13,896,222)	(14,261,450)	(4,222,929)	(4,805,042)	(13,140,650)	(13,588,474)	(5,686,394)	(4,620,763)
External supplies and services	42	(229,468,821)	(242,776,520)	(61,021,802)	(64,942,709)	(120,270,321)	(121,098,644)	(31,698,471)	(31,309,271)
Staff costs	43	(353,611,793)	(356,004,365)	(87,510,047)	(93,868,310)	(314,762,343)	(310,883,876)	(79,771,918)	(81,201,296)
Impairment of accounts receivable, net	44	(2,242,880)	(7,800,406)	(1,958,287)	(3,603,244)	646	(1,905,392)	(50,966)	(1,247,811)
Impairment of other financial banking assets	44	(197,743)	(3,095,636)	(224,864)	(1,409,457)	-	-	-	-
Provisions, net	32	(1,920,024)	905,250	(941,817)	393,979	(89,590)	1,367,746	(435,624)	669,600
Depreciation/amortisation and impairment of investments, net	45	(56,705,242)	(54,223,229)	(13,883,706)	(14,760,277)	(44,373,999)	(41,077,288)	(10,840,342)	(11,242,399)
Other operating costs	46	(13,828,616)	(16,233,140)	(3,765,301)	(4,730,529)	(9,331,854)	(8,823,425)	(2,699,267)	(2,383,682)
Gains/losses on disposal of assets	47	9,251,708	488,912	9,113,595	34,690	9,251,708	452,776	9,113,595	28,900
		(662,619,634)	(693,000,585)	(164,415,158)	(187,690,900)	(492,716,403)	(495,556,578)	(122,069,388)	(131,306,721)
		45,594,474	**47,285,345**	**18,997,594**	**13,044,485**	**70,651,811**	**67,282,225**	**27,114,985**	**17,009,699**
Interest expenses	48	(9,705,026)	(10,421,170)	(2,389,736)	(2,920,989)	(8,394,183)	(9,094,665)	(2,057,701)	(2,567,708)
Interest income	48	48,711	63,609	12,262	(133,260)	232,643	351,179	54,193	(46,674)
Gains/losses in subsidiary, associated companies and joint ventures	10/11/12	(795,935)	(1,400,621)	(893,528)	(788,869)	(23,901,254)	(12,795,844)	(8,127,539)	(3,299,162)
		(10,452,250)	(11,758,182)	(3,271,002)	(3,843,118)	(32,062,794)	(21,539,329)	(10,131,047)	(5,913,544)
Earnings before taxes		**35,142,224**	**35,527,163**	**15,726,592**	**9,201,367**	**38,589,017**	**45,742,896**	**16,983,938**	**11,096,154**
Income tax for the period	49	(13,621,962)	(6,242,463)	(5,679,570)	(2,798,067)	(17,089,746)	(16,545,962)	(6,930,580)	(4,751,404)
Net profit for the period		**21,520,262**	**29,284,700**	**10,047,021**	**6,403,300**	**21,499,271**	**29,196,933**	**10,053,358**	**6,344,751**
Net profit for the period attributable to:									
Equity holders		21,499,271	29,196,933	10,053,359	6,344,751				
Non-controlling interests	29	20,990	87,767	(6,338)	58,549				
Earnings per share:	28	**0.14**	**0.19**	**0.00**	**(0.00)**	**0.14**	**0.19**	**0.14**	**0.19**

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2019

Euros

	NOTES	Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		Restated		Restated		Restated		Restated	
		31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Net profit for the period		**21,520,262**	**29,284,700**	**10,047,021**	**6,403,300**	**21,499,271**	**29,196,933**	**10,053,359**	**6,344,751**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	26	(2,235)	(10,954)	(230)	(9,523)	(718,603)	(206,672)	(48,185)	(224,490)
Changes to fair value reserves	26	(50,053)	15,720	(37,309)	(3,527)	-	-	-	-
Employee benefits (non re-classifiable adjustment to profit and loss)	31	2,181,712	(25,769,253)	2,181,712	(25,769,253)	2,195,449	(25,540,045)	2,195,449	(25,540,045)
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	49	(540,146)	7,018,539	(540,146)	7,018,539	(543,237)	7,000,770	(543,237)	7,000,770
Other changes in equity	26/29	(2,235)	(11,005)	(230)	140,818	-	-	-	150,392
Other comprehensive income for the period after taxes		**1,587,043**	**(18,756,952)**	**1,603,797**	**(18,622,946)**	**933,609**	**(18,745,947)**	**1,604,027**	**(18,613,372)**
Comprehensive income for the period		**23,107,305**	**10,527,747**	**11,650,818**	**(12,219,646)**	**22,432,880**	**10,450,986**	**11,657,386**	**(12,268,623)**
Attributable to non-controlling interests		18,756	76,762	(6,568)	48,975				
Attributable to shareholders of CTT		23,088,549	10,450,986	11,657,386	(12,268,621)				

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 2018 AND 31 DECEMBER 2019

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Reported balance on 1 January 2018		**75,000,000**	**(8)**	**79,947,883**	**(32,634,996)**	**34,268,089**	**27,263,244**	**146,738**	**183,990,949**
Impact on initial application of IFRS 16 (net of tax)	3	-	-	-	-	(12,743,405)	-	-	(12,743,405)
Restated balance on 1 January 2018		**75,000,000**	**(8)**	**79,947,883**	**(32,634,996)**	**21,524,684**	**27,263,244**	**146,738**	**171,247,545**
Adjustment on initial application of IFRS 9 (net of tax)		-	-	-	-	(185,718)	-	-	(185,718)
Adjustment on initial application of IFRS 15 (net of tax)		-	-	-	-	(1,281,946)	-	-	(1,281,946)
Adjusted balance on 1 January 2018		**75,000,000**	**(8)**	**79,947,883**	**(32,634,996)**	**20,057,019**	**27,263,244**	**146,738**	**169,779,880**
Appropriation of net profit for the year of 2017		-	-	-	-	27,263,244	(27,263,244)	-	-
Dividends	27/29	-	-	(15,372,222)	-	(41,627,778)	-	-	(57,000,000)
		-	**-**	**(15,372,222)**	**-**	**(14,364,534)**	**(27,263,244)**	**-**	**(57,000,000)**
Other movements	26/29	-	-	1,311,267	-	(1,311,267)	-	(2,235)	(2,235)
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	1,641,566	-	-	-	1,641,566
Changes to fair value reserves	26	-	-	(50,053)	-	-	-	-	(50,053)
Adjustments from the application of the equity method	26	-	-	-	-	(2,235)	-	-	(2,235)
Restated net profit for the period		-	-	-	-	-	21,499,271	20,990	21,520,262
Restated comprehensive income for the period		**-**	**-**	**1,261,214**	**1,641,566**	**(1,313,501)**	**21,499,271**	**18,755**	**23,107,305**
Restated balance on 31 December 2018		**75,000,000**	**(8)**	**65,836,875**	**(30,993,430)**	**4,378,984**	**21,499,271**	**165,494**	**135,887,186**
Appropriation of net profit restated for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-	-
Dividends	27/29	-	-	-	-	(15,000,000)	-	-	(15,000,000)
		-	**-**	**-**	**-**	**6,499,271**	**(21,499,271)**	**-**	**(15,000,000)**
Other movements	26/29	-	-	-	-	-	-	(11,005)	(11,005)
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	(18,750,714)	-	-	-	(18,750,714)
Changes to fair value reserves	26	-	-	15,720	-	-	-	-	15,720
Adjustments from the application of the equity method	26	-	-	-	-	(10,954)	-	-	(10,954)
Net profit for the period		-	-	-	-	-	29,196,933	87,767	29,284,700
Comprehensive income for the period		**-**	**-**	**15,720**	**(18,750,714)**	**(10,954)**	**29,196,933**	**76,762**	**10,527,747**
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**

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

CTT-CORREIOS DE PORTUGAL, S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2019
Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Reported balance on 1 January 2018		**75,000,000**	**(8)**	**79,897,560**	**(32,653,520)**	**34,336,935**	**27,263,244**	**183,844,211**
Impact on initial application of IFRS 16 (net of tax)	3	-	-	-	-	(12,743,405)	-	(12,743,405)
Restated balance on 1 January 2018		**75,000,000**	**(8)**	**79,897,560**	**(32,653,520)**	**21,593,530**	**27,263,244**	**171,100,806**
Adjustment on initial application of IFRS 9 (net of tax)		-	-	-	-	(250,252)	-	(250,252)
Adjustment on initial application of IFRS 15 (net of tax)		-	-	-	-	(561,743)	-	(561,743)
Adjusted balance on 1 January 2018		**75,000,000**	**(8)**	**79,897,560**	**(32,653,520)**	**20,781,535**	**27,263,244**	**170,288,811**
Appropriation of net profit for the year of 2017		-	-	-	-	27,263,244	(27,263,244)	-
Dividends	27/29	-	-	(15,372,222)	-	(41,627,778)	-	(57,000,000)
		-	**-**	**(15,372,222)**	**-**	**(14,364,534)**	**(27,263,244)**	**(57,000,000)**
Other movements	26/29	-	-	1,311,267	-	(1,311,267)	-	-
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	1,652,211	-	-	1,652,211
Adjustments from the application of the equity method	26	-	-	-	-	(718,603)	-	(718,603)
Restated net profit for the period		-	-	-	-	-	21,499,271	21,499,271
Restated comprehensive income for the period		**-**	**-**	**1,311,267**	**1,652,211**	**(2,029,869)**	**21,499,271**	**22,432,880**
Restated balance on 31 December 2018		**75,000,000**	**(8)**	**65,836,605**	**(31,001,308)**	**4,387,132**	**21,499,271**	**135,721,692**
Appropriation of net profit restated for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-
Dividends	27/29	-	-	-	-	(15,000,000)	-	(15,000,000)
		-	**-**	**-**	**-**	**6,499,271**	**(21,499,271)**	**(15,000,000)**
Other movements	26/29	-	-	-	-	-	-	-
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	(18,539,275)	-	-	(18,539,275)
Adjustments from the application of the equity method	26	-	-	-	-	(206,672)	-	(206,672)
Net profit for the period		-	-	-	-	-	29,196,933	29,196,933
Comprehensive income for the period		**-**	**-**	**-**	**(18,539,275)**	**(206,672)**	**29,196,933**	**10,450,986**
Balance on 31 December 2019		**75,000,000**	**(8)**	**65,836,605**	**(49,540,583)**	**10,679,731**	**29,196,933**	**131,172,677**

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL CASH FLOW STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2019
Euro

	NOTES	Group		Company	
		Restated 31.12.2018	31.12.2019	Restated 31.12.2018	31.12.2019
Cash flow from operating activities					
Collections from customers		697,835,645	664,480,523	544,886,904	513,563,811
Payments to suppliers		(277,128,442)	(285,307,181)	(147,975,117)	(146,419,908)
Payments to employees		(346,172,370)	(327,850,919)	(307,719,484)	(284,771,784)
Banking customer deposits		264,794,538	399,332,735	-	-
Credit to bank clients		(167,899,571)	(232,863,958)	-	-
Cash flow generated by operations		**171,429,800**	**217,791,199**	**89,192,303**	**82,372,119**
Payments/receivables of income taxes		(7,077,454)	2,229,383	(18,395,230)	7,398,903
Other receivables/payments		(72,904,796)	86,121,283	(81,543,600)	44,278,369
Cash flow from operating activities (1)		**91,447,550**	**306,141,865**	**(10,746,527)**	**134,049,391**
Cash flow from investing activities					
Receivables resulting from:					
Tangible fixed assets		2,165,963	152,580	2,165,963	152,580
Investment properties		510,040	1,113,700	510,040	1,113,700
Non-current assets held for sale		10,265,000	-	10,265,000	-
Financial investments		222,028	-	222,028	-
Debt securities	14	59,089,135	54,365,867	-	-
Demand deposits at Bank of Portugal		26,538,563	-	-	-
Other banking financial assets	15	151,858,231	116,865,000	-	-
Interest income		197,189	86,258	174,797	67,343
Dividends		-	-	16,193,196	250,000
Loans granted		-	-	8,565,000	1,350,000
Payments resulting from:					
Tangible fixed assets		(12,729,185)	(18,752,159)	(10,000,847)	(16,380,784)
Intangible assets		(15,679,199)	(17,514,480)	(8,209,869)	(10,021,028)
Financial investments	8	(1,389,604)	(114,407,523)	(42,929,604)	(135,125,523)
Debt securities	14	(256,581,281)	(63,920,455)	-	-
Demand deposits at Bank of Portugal		-	(19,706,616)	-	-
Other banking financial assets	15	(165,163,231)	(34,499,849)	-	-
Loans granted		-	-	(14,300,000)	(6,100,000)
Cash flow from investing activities (2)		**(200,696,351)**	**(96,217,678)**	**(37,344,296)**	**(164,693,711)**
Cash flow from financing activities					
Receivables resulting from:					
Loans obtained		48,179,048	73,196,336	25,000,000	57,500,000
Other credit institutions' deposits		-	202,340,829	-	-
Payments resulting from:					
Loans repaid		(27,148,520)	(43,647,903)	(205,500)	(521,875)
Other credit institutions' deposits		-	(183,459,746)	-	-
Interest expenses		(281,263)	(878,610)	(238,517)	(822,771)
Lease liabilities	30	(32,331,266)	(26,991,454)	(26,269,005)	(20,672,669)
Other banking financial liabilites	15	-	(222,288,337)	-	-
Dividends	27	(57,000,000)	(15,000,000)	(57,000,000)	(15,000,000)
Cash flow from financing activities (3)		**(68,582,000)**	**(216,728,885)**	**(58,713,022)**	**20,482,685**
Net change in cash and cash equivalents (1+2+3)		(177,830,801)	(6,804,698)	(106,803,845)	(10,161,636)
Changes in the consolidation perimeter		-	6,823,653	-	-
Merger		-	-	1,983,395	-
Cash and equivalents at the beginning of the period		592,677,416	414,846,614	376,590,733	271,770,284
Cash and cash equivalents at the end of the period	22	414,846,614	414,865,569	271,770,284	261,608,648
Cash and cash equivalents at the end of the period		**414,846,614**	**414,865,569**	**271,770,284**	**261,608,648**
Sight deposits at Bank of Portugal		6,217,418	25,924,034	-	-
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		1,674,742	2,226,045	-	-
Impairment of slight and term deposits		(21,295)	(19,925)	(11,973)	(16,842)
Cash and cash equivalents (Balance sheet)		**422,717,478**	**442,995,724**	**271,758,311**	**261,591,807**

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

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the consolidated and individual financial statements
(Amounts expressed in Euros)

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1. Introduction

1.1 CTT – Correios de Portugal, S.A. (parent company)

CTT – Correios de Portugal, S.A. – Sociedade Aberta ("CTT" or "Company"), with head office at Avenida D. João II, no. 13, 1999-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" government department and its legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the communications area.

Decree-Law no. 49.368, of 10 November 1969 founded the state-owned company CTT - Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92, of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A..

On 31 January 2013 the Portuguese State through the Order 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A..

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euros, being from that date onward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During the financial year ended 31 December 2013, CTT's capital was opened to the private sector. Supported by Decree-Law no. 129/2013, of 6 September and the Resolution of the Council of Ministers ("RCM") no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatisation of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública - Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by holding and 6.36% by allocation.

On 5 September 2014, the second phase of the privatisation of CTT took place. The shares held by Parpública - Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT's capital, were subject to a private offering of Shares ("Equity Offering") via an accelerated book building process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

The financial statements attached herewith are expressed in Euros, as this is the functional currency of the **Group** and the **Company**.

These financial statements were approved by the Board of Directors and authorised for issue on 16 March 2020.

1.2 Business

The main activity of CTT and its subsidiaries ("CTT Group" or "Group"): CTT - Expresso – Serviços Postais e Logística, S.A. and its branch in Spain, Payshop (Portugal), S.A., CTT Contacto, S.A., Corre – Correio Expresso de Moçambique, S.A., Banco CTT, S.A. and 321 Crédito – Instituição Financeira de Crédito, S.A., is to ensure the provision of universal postal services, to render postal services and financial services. During 2015, within the scope of its financial services, CTT Group extended the scope of its activity with the establishment of Banco CTT, S.A., whose main activity is performing banking activities, including all the accessory, connected and similar operations compatible with the banking activity and allowed by law. The CTT Group also provides complementary services[45], such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, and the provision of public interest or general interest services.

The postal service is provided by CTT under the Concession contract of the Universal Postal Service signed on 1 September 2000 between the Portuguese State and CTT. In addition to the services rendered under the concession, CTT can provide other postal services as well as develop other activities, particularly those which enable the use of the universal service network in a profitable manner, either directly or through incorporation or interests in companies or other forms of cooperation between companies. Within these activities it should be highlighted the provision of services of public interest or general interest subject to conditions to be agreed with the State.

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, in 2012 the transposition into the national legal order took place through the adoption of Law no. 17/2012, of 26 April ("new Postal Law"), with the changes introduced in 2013 by Decree-Laws no. 160/2013, of 19 November and by Law no. 16/2014, of 4 April, revoking the Law no. 102/99, of 26 July.

The new Postal Law establishes the legal regime for the provision of postal services in full competition in the national territory, as well as international services originating or terminating in the country.

Since the new Postal Law has become effective, the postal market in Portugal has been fully open to competition, eliminating areas within the universal service that were still reserved to the provider of the universal postal service, CTT – Correios de Portugal, S.A.. However, for reasons of general interest, the following activities and services remained reserved: placement of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

According to the new Postal Law the universal postal service includes the following services, of national and international scope:

- A postal service for letter mail (excluding direct mail), books, catalogues, newspapers and other periodicals up to 2 kg;
- A postal service for postal parcels up to 10 kg, as well as delivery in the country of parcels received from other Member States of the European Union weighing up to 20kg; and
- A delivery service for registered items and a service for insured items.

As a result of the new Postal Law, the Portuguese Government has revised the basis of the concession, through the publication of Decree-Law no. 160/2013, of 19 November, after which the Fourth Amendment to the concession contract of the universal postal service came into effect on 31 December 2013.

[45] The activity developed in the scope of electronic communications networks and services, acting as mobile virtual network operator (MVNO), ceased on 1 January 2019.

The concession contract signed between the Portuguese State and CTT on 1 September 2000, subsequently amended on 1 October 2001, 9 September 2003, 26 July 2006 and 31 December 2013, covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place mailboxes on public roads for the acceptance of mail, (ii) the issuance and sale of postage stamps with the word "Portugal" and (iii) the service of registered mail used in legal or administrative proceedings;
- The provision of special payment orders which allows the transference of funds electronically and physically, at national and international level, designated by postal money order service, on an exclusive basis; and
- Electronic Mailbox Service, on a non-exclusive basis.

As the Universal Postal Service incumbent operator, CTT remains the provider of universal postal services until 2020, ensuring the exclusivity of the reserved activities and services mentioned above.

Once the concession ends and, in the event, that it is not granted to CTT, CTT may provide, together with any other operators, all the postal services, in a system of free competition, in accordance with a strategic and commercial policy, excluding the services granted by concession on an exclusive basis.

In summary, considering the legal and regulatory framework in force, CTT considers that there are no grounds for the introduction of any relevant change to the accounting policies of the **Group** and the **Company**.

2. Significant accounting policies

The significant accounting policies adopted by the **Group** and the **Company** in the preparation of the consolidated and individual financial statements are those mentioned hereinafter.

2.1 Basis of presentation

The consolidated and individual financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2019.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the IAS issued by the International Accounting Standards Committee ("IASC") and the respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"). Hereinafter, these standards and interpretations are generally referred to as "IFRS".

In addition to the standards that became effective as of 1 January 2019, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated and individual financial statements as at 31 December 2019 and described in Note 2.2 through Note 2.32, there are additional issued standards and interpretations, described in Note 2.1.2, which did not became mandatory in the year starting on 1 January 2019.

2.1.1 New standards or amendments adopted by the Group and the Company

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

- **IFRS 16 - Leases -** On 13 January 2016 the IASB issued IFRS 16 - Leases, effective for annual reporting periods beginning on or after 1 January 2019. The standard was endorsed in European Union by EU Regulation 1986/2017, of 31 October. Earlier application is allowed as long as IFRS 15 is also applied. This new standard replaces IAS 17 - Leases.

  IFRS 16 introduces a single lessee accounting model and removes the classification of leases as either operating leases or finance leases.

  The lessee is required to recognise assets and liabilities for all leases on the balance sheet at the beginning of the contract and to recognise:
  - A right-of-use (RoU) asset representing its right to use the underlying leased asset during the contract period; and
  - A lease liability representing its obligation to make lease payments until the end of the contract.

  The adoption of IFRS 16 will also impact the income statement considering that the depreciations of the RoU asset and interest on the lease liability will be recognised separately instead of the current recognition of the leases as External Supplies and Services.

  Under IFRS 16 the lessee may opt for the non-application of this standard to:
  - Short-term leases (12 months or less) which do not include an option to purchase the underlying asset; and
  - Leases of low-value underlying assets (indicative value of 5,000 Euro).

  See the impacts on the adoption of IFRS 16 in note 3.

- **IFRIC 23 Uncertainty over Income Tax Treatment -** On June 7, 2017 was issued an interpretation on how to handle, in an accounting manner, uncertainties about the tax treatment of income taxes, especially when tax legislation requires that a payment be made to the Authorities in the context of a tax dispute and the entity intends to appeal to appeal a tax examination which resulted in a payment to a taxation authority. The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criterion of probability defined by the standard as to the favorable outcome in favor of the entity on the matter concerned. In this context, the entity may use the most likely amount method or, if the resolution can dictate ranges of values, use the expected value method. IFRIC 23 was endorsed by EU Commission Regulation 2018/1595, 23rd October and becomes effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The **Group** and **Company** did not registered a significant impact from this interpretation.

- **Prepayment features with negative compensation (amendments to IFRS 9)** - Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The board clarified that IFRS 9 requires the prepares to recalculate the amortised cost of the modification financial liability by discounting the modified contractual cash flows using the original EIR and recognize any adjustment in profit or loss (align with financial assets). This amendment was endorsed by EU Commission Regulation 2018/498 and becomes effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The **Group** and **Company** did not registered a significant impact from this amendment.

- **The annual improvements cycle 2015-2017 -** issued by IASB on 12 December 2017, introduce amendments, with effective date for annual periods beginning on or after, 1 January 2019, to the standards IFRS 3 (remeasure its previously held interest in a joint operation when it obtains control of the business), IFRS 11 (not remeasure its previously held interest in a joint operation when it obtains joint control of the business), IAS 12 (accounts for all income tax consequences of dividend payments in the same way), IAS 23 (treat as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale). The **Group** and **Company** did not registered a significant impact from this amendment.

- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures** - In October 2017, IASB issued Long-term interests in Associates and Joint Ventures (Amendments to IAS 28). The Amendments clarify that IFRS 9 applies to financial instruments in associates or joint ventures to which the equity method is not applied, including long-term interests. The Amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2019. The **Group** and **Company** did not registered a significant impact from this amendment.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement -** In February 2018, the International Accounting Standards Board issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. The Amendments now specify that an entity should use the updated assumptions from remeasurement of its net defined benefit liability (asset) in order to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The Amendments result in a different allocation of the total comprehensive income between service cost, interest and other comprehensive income. The Amendments apply prospectively to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Earlier application is permitted. The **Group** and **Company** did not registered a significant impact from this amendment.

2.1.2 New standards, amendments and interpretations issued, but without effective application to the years starting on 1 January 2019 or not early adopted

2.1.2.1 The Group and the Company decided to opt for not having an early application of the following standards and/or interpretations endorsed by the EU:

- **Definition of Material (amendments to IAS 1 and IAS 8)** - On 31 October 2018, the International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgments. The Amendments consist of (a) replacing the term "could influence" with "could reasonably be expected to influence"; (b) including the concept of "obscuring information" alongside the concepts of "omitting" and "misstating" information in the definition of material; (c) clarifying that the "users" referred to are the primary users of general purpose financial statements referred to in the Conceptual Framework; and (d) aligning the definition of material across IFRS publications. The amended definition of material therefore states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments are effective from 1 January 2020 but may be applied earlier. The **Group** and **Company** do not expect a significant impact form this amendment.

- **Amendments to References to the Conceptual Framework in IFRS Standards –** In March 2018, the International Accounting Standards Board (Board) issued a comprehensive set of concepts for financial reporting, the revised Conceptual Framework for Financial Reporting (Conceptual Framework), which aim is to update, in existing Standards, references to, and quotes from, the existing version of the Conceptual Framework or the version that was replaced in 2010 so that they refer to the revised Conceptual Framework. The revised Conceptual Framework has an effective date of 1 January 2020—with earlier application permitted—for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction. The **Group** and **Company** do not expect a significant impact form this amendment. The **Group** and **Company** do not expect a significant impact form this amendment.

- **Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)** – On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. Additionally, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.
  The Amendments provide exceptions so that entities would apply hedge accounting requirements assuming that the interest rate benchmark on which the hedged risk or hedged cash flows of the hedged item or cash flows of the hedging instrument are based is not altered as a result of the IBOR reform. The proposed exceptions apply only to the hedge accounting requirements and the Amendments do not provide relief from any other consequences arising from interest rate benchmark reform.
  The Amendments are limited in scope. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the Amendments, then discontinuation of hedge accounting is still required.
  In addition, the Amendments clarify that if an entity designated interest rate benchmark-based cash flows as the hedged item in a cash flow hedge, the entity would not assume for the purpose of measuring hedge ineffectiveness that the expected replacement of the interest rate benchmark with an alternative benchmark rate will result in zero cash flows after the replacement. The hedging gain or loss should be measured using the interest rate benchmark-based cash flows when applying a present value technique, discounted at a market-based discount rate that reflects market participants' assumptions about the uncertainty arising from the reform.
  The Amendments are mandatory to all hedging relationships to which the exceptions are applicable. The amendments have an effective date of annual periods beginning on or after 1 January 2020. Earlier application is permitted. The amendments would be applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which the entity first applies the Amendments and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the Amendments (i.e. even if the reporting period is not an annual period).
  The **Group** and **Company** do not expect a significant impact form this amendment.

2.1.2.2 Standards, amendments and interpretations issued that are not yet effective for the Group and the Company:

- **IFRS 17 – Insurance Contracts** - The IASB issued on 18 May 2017 a standard that superseded IFRS 4 and completely reformed the treatment of insurance contracts. The standard introduces significant changes to the way in which the performance of insurance contracts is measured and presented with various impacts also at the level of the financial position. The standard expected to be effective for annual periods beginning on or after 1 January 2021. IFRS 17, being a standard applicable only to entities in the insurance sector, will have no impact on the **Group**'s financial statements.

- **Definition of a Business (amendments to IFRS 3 Business Combinations)** - On 22 October 2018, the IASB issued the amendments to its definition of a business.
  The Amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. They also clarify that a set of activities and assets can qualify as a business without including all of the inputs and processes needed to create outputs, or including the outputs themselves, by replacing the term "ability to create outputs" with "ability to contribute to the creation of outputs".
  It is no longer necessary to assess whether market participants are capable of replacing any missing inputs or processes (for example by integrating the acquired activities and assets) and continuing to produce outputs.
  The Amendments focus on whether acquired inputs and acquired substantive processes, together, significantly contribute to the ability to create outputs. The Amendments shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier application permitted. If entities apply the Amendments earlier, they shall disclose that fact.

- **Clarification requirements for classifying liabilities as current or non-current (amendments to IAS 1 – Presentation of Financial Statements) –** IABS issued on 23 January 2020 narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.
  The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. This amendment is effective for periods stating on 1 January 2022.
  The **Group** and the **Company** do not expect a significant impact from the adoption of these amendments on their financial statements.

2.2 Consolidation principles

Investments in companies in which the **Group** holds the control, in other words, where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, were consolidated in these financial statements by the full consolidation method. The companies consolidated by the full consolidation method are shown in Note 8.

Equity and net profit for the period corresponding to third-party participation in subsidiaries are reflected separately in the consolidated balance sheet and consolidated income statement in the caption Non-controlling interests. The gains and losses attributable to non-controlling interests are allocated to them.

The assets and liabilities of each Group company are recorded at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as goodwill. If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is recorded as income of the year.

Transaction costs directly attributable to business combinations are immediately recognised in profit and loss.

Non-controlling interests include the third parties portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to be in accordance with the **Group**'s accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

2.3 Segment reporting

The Group presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses;

(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and

(iii) for which discrete financial information is available.

The **Group** did not apply the aggregation criteria provided for in paragraph 12 of IFRS 8.

2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the **Group** and the **Company** functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favourable and unfavourable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting dates are recognised in the profit or loss for the year.

The exchange rates used in the translation of the financial statements expressed in foreign currency are the closing exchange rates for assets and liabilities and the average exchange rate for the year for income and expenses.

The following exchange rates were used in the translation of the balances and financial statements in foreign currency:

	2018		2019	
	Close	Average	Close	Average
Mozambican Metical (MZN)	70.24000	71.29330	68.70000	69.43667
United States Dollar (USD)	1.14500	1.17932	1.12340	1.11945
Special Drawing Right (SDR)	1.21424	1.21724	1.23600	1.24133

Source: Bank of Portugal

2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the asset and restoration of the location (Notes 2.21 and 32).

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight-line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other property, plant and equipment	5 – 10

Lands are not depreciated.

Depreciation terminates when the assets are re-classified as held for sale.

Tangible fixed assets in progress correspond to tangible assets that are still under construction/production and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

The costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful lives are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gain or loss arising from the disposal of tangible fixed assets is defined by the difference between the sale proceeds and the carrying amount of the assets and is recorded in the consolidated income statement under the heading Gains/losses on disposal of assets.

2.6 Intangible assets

Intangible assets are registered at acquisition cost, less accumulated amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the **Group** and the **Company**, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included the expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognised through profit or loss when incurred.

Intangible assets are amortised through the straight-line method, from the month when they are available for use, during their expected useful life, which varies between 3 and 20 years:

	Years of useful life
Development projects	3
Industrial property	3 – 20
Software	3 – 10

The exceptions to the assets related to industrial property and other rights, which are amortised over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortised, but, rather, are subject to impairment tests on an annual basis and whenever there is indication that they might be impaired.

Gains or losses arising from the disposal of intangible assets, are determined by the difference between the sales proceeds and the respective carrying value on the date of the disposal, are recorded in the consolidated income statement under the heading Gains/losses on disposal of assets.

2.7 Investment properties

Investment properties are properties (land or buildings) held by the **Group** and the **Company** to obtain rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or

b) sale in the ordinary course of business.

Investment properties comprise mainly properties that the **Group** and the **Company** did not affect to the rendering of services and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates considered are between 10 and 50 years.

The **Group** and the **Company** ensure that an annual assessment of assets qualified as investment properties is carried out in order to determine any impairment and to disclose their fair value.

Costs incurred in relation to investment properties, namely with maintenance, repairs, insurance and property taxes are recognised as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalised.

2.8 Impairment of tangible fixed assets and intangible assets, except goodwill

The **Group** and the **Company** carry out impairment assessments of its tangible and intangible assets, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case of the existence of such evidence, the recoverable amount of the asset is determined in order to measure the extent of the impairment loss. When it is not possible to determinate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future estimated discounted cash flows of the assets during their estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of the time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the Consolidated and individual income statement.

The reversal of impairment losses recognised in prior years is recorded whenever there is evidence that the recognised impairment losses no longer exist or have decreased, being recognised in the Consolidated and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in the previous years.

2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the fair value of the identifiable assets, liabilities and contingent liabilities of each entity that is acquired and included by the full consolidation method, or subsidiary, on the respective acquisition date, in accordance with IFRS 3 (Revised) – Business Combinations.

Goodwill is not amortised. In the assessment of the goodwill impairment, this value is allocated to the cash generating unit or units it refers to. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. The discount rate used for discounting cash flows corresponds to the WACC before taxes ("Weighted Average Cost of Capital") estimated according to the rates and capital structures of the entities sector. The impairment tests are carried out on each reporting date, or earlier if impairment risk indicators were identified.

Impairment losses are not reversible.

In the sale of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

2.10 Concentration of corporate activities

Subsidiary and Associated companies

Investments in subsidiary and associated companies are recorded in the consolidated and individual balance sheet by the equity method (Note 10 and 11).

A subsidiary company is an entity over which the **Group** and/or the **Company** exercises control. Control is presumed to exist when the **Group** and / or the **Company** is exposed, or has the right to variable returns arising from its involvement in the subsidiary and has the ability to influence those returns due to its power over the subsidiary regardless of the percentage over its equity.

On the other hand, an associated company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, but where the **Group** or the **Company** does not have control or joint control, which in general happens whenever the investment is between 20% and 50%.
In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the subsidiary and associated companies against "Gain/losses in subsidiary, associated companies and joint-ventures", and by other changes in equity in Other comprehensive income".

Additionally, investments in subsidiary and associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the income statement.

The excess of the acquisition cost over the fair value of the identifiable assets and liabilities of each subsidiary and/or associated company at the date of acquisition is recognised as goodwill and presented as part of the financial investment in the caption Investments in subsidiaries and/or associates. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement under "Gain/losses in subsidiary, associated companies and joint-ventures", after confirmation of the fair value.

Whenever the losses in subsidiary and/or associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the **Group** and/or the **Company** incurs in any legal or constructive obligation of assuming all these losses on behalf of the subsidiary and/or associated company, in which case a provision is recorded.

The dividends received from subsidiary and associated companies are recorded as a decrease in the carrying value of "Investments in subsidiary companies" and "Investments in associated companies", respectively.

With the exception of goodwill impairment, if the impairment losses recorded in previous years are no longer applicable, these are reversed.

Unrealised gains and losses on transactions with subsidiary and associated companies are eliminated in proportion to the Group's interest in the subsidiary and/or associated companies, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

Joint Ventures

Investments in joint ventures are recorded in the balance sheet by the equity method. The classification of the investments in joint ventures is determined based on the existence of a contractual agreement, which demonstrates and rules the joint control. In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the joint ventures against "Gain/losses in subsidiary, associated companies and joint-ventures", and by other changes in equity in "Other comprehensive income".

Additionally, investments in joint ventures may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded as costs in the consolidated income statement.

Unrealised gains and losses on transactions with joint ventures are eliminated in proportion to the Group's interest in the entities, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

In the case of concentrations of business activities between entities under common control, the **Group** and the **Company** apply the communion of interest method, and no goodwill is recognised.

2.11 Financial assets

Classification, initial recognition and subsequent measurement

At initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortised cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

i) the **Group**'s business model for financial asset management; and
ii) the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to January 1, 2018, the **Group** carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way assets are managed and how the information is made available to management bodies. The information considered in this evaluation included:

- the policies and objectives established for the portfolio and the practical operationality of these policies, including how the management strategy focuses on receiving contractual interest or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the **Group**'s management bodies;
- assessing the risks that affect the performance of the business model (and the financial assets held under this business model) and how these risks are managed;
- the frequency, volume and frequency of sales in previous periods, the reasons for such sales and expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the **Group** establishes financial asset management objectives and how cash flows are obtained;
  and
- Evaluation if the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payments of Principal and Interest).

Evaluation if the contractual cash flows correspond only to the receipt of principal and interest (*SPPI - Solely Payments of Principal and Interest*).

For the purposes of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (eg liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the **Group** considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations where contractual terms could modify the periodicity and amount of cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the **Group** took into consideration:

- contingent events that may modify the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;

- clauses that may limit the **Group**'s right to claim cash flows in relation to specific assets (eg contracts with clauses that prevent access to assets in default cases); and
- characteristics that may modify the compensation for the time value of money.

In addition, an advance payment is consistent with SPPI criteria, if:
- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at the initial recognition.

Reclassification between categories of financial instruments

If the **Group** changes its financial asset management business model, which is expected to occur not frequently and exceptionally, it reclassifies all the affected financial assets in accordance with the requirements set forth in IFRS 9 - "Financial instruments". The reclassification is applied prospectively from the date it becomes effective. Pursuant to IFRS 9 - "Financial instruments", reclassifications of equity instruments for which the option to valuation at fair value has been included by the counterpart of other comprehensive income or to financial assets and liabilities classified at fair value in the fair value option are not allowed.

Derecognition of financial assets

i) The **Group** derecognises a financial asset when, and only when:
   - contractual rights to cash flows arising from the financial asset expire; or
   - transfers the financial asset as defined in points ii) and iii) below and the transfer meets the conditions for derecognition in accordance with point iv).

ii) The **Group** transfers a financial asset if, and only if, one of the following occurs:
   - transfer the contractual rights to receive the cash flows resulting from the financial asset; or
   - retain the contractual rights to receive the cash flows arising from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients in an agreement that satisfies the conditions set out in point (iii).

iii) When the **Group** retains the contractual rights to receive cash flows from a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'final recipients'), the **Group** treats the transaction as a transfer of a financial asset if, and only if, all three conditions are satisfied:
   - the **Group** has no obligation to pay amounts to final recipients unless it receives equivalent amounts resulting from the original asset. The short-term advances by the entity with the right to full recovery of the amount borrowed plus interest at market rates do not violate this condition;
   - the **Group** is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as a guarantee to final recipients for the obligation to pay them cash flows; and
   - the **Group** has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays. In addition, you are not entitled to reinvest these cash flows, except in the case of investments in cash or cash equivalents (as defined in IAS 7 Cash Flow Statements) during the short liquidation period between the date of receipt and the date of delivery required of final recipients, and interest received as a result of such investments is passed on to final recipients.

iv) When the **Group** transfers a financial asset (see item ii above), it must assess to what extent it retains the risks and benefits arising from the ownership of that asset. In this case:
   - if the **Group** transfers substantially all the risks and benefits arising from the ownership of the financial asset, it derecognises the financial asset and separately recognizes as assets or liabilities any rights and obligations created or retained with the transfer;
   - if the **Group** retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

- if the **Group** does not transfer or substantially retain all risks and rewards of ownership of the financial asset, it must determine whether it has retained control of the financial asset. In this case:
  - if the **Group** has not retained control, it must derecognise the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained with the transfer;
  - if the **Group** has retained control, it must continue to recognize the financial asset to the extent of its continued involvement in the financial asset.

- The transfer of risks and benefits referred to in the previous point is assessed by comparing the **Group**'s exposure, before and after the transfer, to the variability of the amounts and times of occurrence of the net cash flows resulting from the transferred asset.

- The question whether the **Group** retained the control or not (see item iv above) of the transferred asset depends on the ability of the transferee to sell the asset. If the transferee has the practical capacity to sell the asset in its entirety to an unrelated third party and is able to exercise that capacity unilaterally and without the need to impose additional restrictions on the transfer, the entity is deemed not to have retained control. In all other cases, the entity shall be deemed to have retained control.

Loans written off
The **Group** recognises a credit written off when it does not have reasonable expectations to recover an asset in whole or in part. This recognition occurs after all the recovery actions developed by the **Group** prove to be fruitless. Credits written off are recorded in off-balance sheet accounts.

2.11.1 Financial assets at amortised cost

Classification
A financial asset is classified in the category "Financial assets at amortised cost" if it meets all of the following conditions:

- the financial asset is held in a business model whose main objective is the holding of assets to collect its contractual cash flows; and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

The "Financial assets at amortised cost" category includes investments in credit institutions, credit to clients and debt securities managed based on a business model whose purpose is to receive their contractual cash flows (government and corporate bonds).

Initial recognition and subsequent measurement
Investments in credit institutions and credit to clients are recognised at the date the funds are made available to the counterparty (settlement date). Debt securities are recognised on the trade date, that is, on the date the **Group** commits itself to acquire them.

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses for expected credit losses, which are recorded against the caption "Impairment of other financial assets net of reversals and recoveries".

Interest on financial assets at amortised cost is recognised under the caption "Interest and similar income calculated through the effective rate", based on the effective interest rate method and in accordance with the criteria described in note 2.23.

The gains or losses generated at the time of derecognition are recorded under the caption "Results with derecognition of financial assets at amortised cost".

2.11.2 Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified in the category "Financial assets at fair value through other comprehensive income" if it meets all of the following conditions:

i) the financial asset is held in a business model in which the purpose is to collect its contractual cash flows and the sale of this financial asset;

ii) their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies, the **Group** may irrevocably choose to classify it in the category Financial assets at fair value through other comprehensive income (FVOCI). This option is exercised on a case-by-case basis, investment for investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32, not applicable to financial instruments at fair value through other comprehensive income, and may be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific line item of income designated "Income from other financial assets fair value by counterpart of other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses. Impairment losses are recognised in the income statement under the item "Impairment of other financial assets net of reversals and recoveries", in consideration of other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognised under "Interest and similar income calculated through the effective rate" based on the effective interest rate method and in accordance with the criteria described in note 2.23.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and subsequently measured at fair value. The changes in the fair value of these financial assets are recorded by counterpart of other comprehensive income. Dividends are recognised in income when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value transferred to retained earnings at the time of their derecognition.

2.11.3 Financial assets at fair value through profit and loss

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortised cost (2.11.1) or at fair value through other comprehensive income (FVOCI) (2.11.2).
Financial assets held for trading or management and whose performance is assessed on a fair value basis are measured at fair value through profit and loss because they are neither held for the collection of contractual cash flows nor the sale of these financial assets.

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

2.12 Equity

Costs related to the issuance of new shares are recognised directly in the share capital as a deduction from the value of the cash inflow.

Costs related to an issue of equity which has not been completed are recognised as costs.

2.13 Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Debt
Loans are recorded as liabilities at the carrying value received, net of issuance expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortised cost, with the corresponding financial costs calculated based on the effective interest rate and stated through the income statement according to the accrual basis assumption, with the due and unpaid amounts as at the reporting date being classified under the item of "Accounts payable" (Note 33).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

Accounts payable
Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective amortised cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

Non- derivatives financial liabilities

The non-derivatives financial liabilities include mainly deposits from costumers. These financial liabilities are recognised (i) initially at their fair value less the transaction costs and (ii) subsequently at amortised cost, based on the effective interest rate method. The **Group** derecognise financial liabilities when they are canceled, extinguished or expired.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.15 Securitisation operations

The **Group** has two consumer credit securitization operations in progress (Ulisses Finance No.1 and Chaves Funding No.8) and maintains control over the assets and liabilities of these operations to the extent that it has acquired its residual tranches. These entities are consolidated in the Group's financial statements in accordance with accounting policy 2.2.

2.16 Impairment of financial assets

Impairment losses

The **Group** determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified in one of the following three stages:

- Stage 1: operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected to 12 months).
- Stage 2: operations in which there has been a significant increase in credit risk since its initial recognition, but which are not impaired, are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (expected lifetime losses).
- Stage 3: operations in an impairment situation are classified in this stage. Impairment losses associated with operations classified at this stage correspond to expected lifetime losses. Credit operations purchased or originted in impairment situation (Purchased or Originated Credit-Impaired – POCI) are also classified in stage 3.

Forward looking information

For models based on historical data, namely those applicable to Auto Credit, the use of a Forward Looking component based on macroeconomic variables with historical series and projections of suitable organisms that are considered relevant for the purposes of estimating default probabilities is expected. In this case, the Gross Domestic Product, the Unemployment Rate and the Harmonized Index of Consumer Prices were selected.

At the reference date, and as a result of the last revision of the Model, this component was not being applied since there were no explanatory and intuitive statistical relationships between these variables and the behavior of the historical data used.

Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, in order to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behaviour of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop);
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

Definition of financial assets in default and in impairment

Customers who meet at least one of the following criteria are considered in default:

- Existence of installments of principal or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Claims in litigation;
- Cross-default credits;
- Credits restructured due to financial difficulties;
- Credits in quarantine default;
- Claims for which there is a suspicion of fraud or confirmed fraud.

Estimates of expected credit losses - Individual analysis

Clients who meet one of the following conditions are the subject of an individual analysis:

- Private clients with exposures above 500,000 euros,
- Exposures to credit institutions, sovereign entities, central banks or companies through debt securities in stages 2 or 3.

Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped taking into account their risk characteristics and subject to a collective impairment analysis. The **Group**'s credit portfolio is divided by internal risk grades and according to the following segments:

Financial assets

Retail Offer	**Mortgage Loans**	Consists of the Bank's mortgage lending offer which has a residential real estate property as collateral, regardless of the degree of completion of its construction
	Overdrafts	Includes the Bank's overdraft offer and credit overrunning
	Car Credit	Includes 321 Crédito's used car loan with reservation of ownership
Sovereign debt		Eurozone public debt securities and exposures obtained through the credit assignment contract
Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities
Other		Several legacy portfolios of 321 Credit in run-off phase

The expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the **Group** expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross accounting value and the current value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the **Group** expects to receive;

The main inputs used to measure expected credit losses on a collective basis include the following variables:

- Probability of default (PD);
- Loss Given Default (LGD); and
- Exposure at default ("Exposure at Default").

These parameters are obtained through internal statistical models, and other relevant historical data, taking into account already existing regulatory models adapted according to the requirements of IFRS 9.

PDs are calculated based on historical data, when available, or benchmarks, in the remaining cases. If there is a change in the degree of risk of the counterparty or exposure, the estimate of the associated PD also varies. The PDs are calculated considering the contractual maturities of exposures.

The **Group** collects performance and default indicators on its credit risk exposures with analysis by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The **Group** estimates LGD parameters based on benchmarks and based on the recovery history, for the segments that exist. In the case of contracts secured by real estate, the LTV (loan-to-value) ratios are a parameter of great relevance in determining the LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The **Group** derives EAD values from the counterparty's current exposure and potential changes to its current value as a result of contractual conditions. For commitments, the value of the EAD considers both the amount of credit used and the expectation of future potential value that may be used according to the contract.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the **Group** calculates the amount of expected credit losses taking into account the risk of default during the maximum maturity period contract, even if, for the purposes of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the **Group** has the right to demand payment or terminate the commitment or guarantee.

For financial assets "Deposits in other credit institutions", "Investments in other credit institutions" and "Investments in securities", impairments are calculated by allocating:

i) a probability of default that derives from the rating of the issuer or counterparty, respectively; and
ii) a Loss Given Default (LGD) defined by the **Group**, based on data from Moody's rating agency, and depending on whether it is a Corporate or Sovereign entity.

<u>Modification of financial assets</u>
If the conditions of a financial asset are modified, the **Group** assesses whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered to have expired and the principles described in note 2.11 Financial assets apply.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in the derecognition of the financial asset, then the **Group** first recalculates the gross book value of the financial asset by applying the original effective interest rate of the asset and recognises the resulting adjustment as gain or loss of the modification in the profit or loss statement. For variable rate financial assets, the original effective interest rate used to calculate the gain or loss of the modification is adjusted to reflect current market conditions at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross book value of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Estimated expected credit losses - Receivables under IFRS 15

For receivables under IFRS 15, the **Group** and the **Company** apply a simplified impairment model whereby the expected loss is calculated based on the experience of actual historical losses over the period considered to be statistically significant, estimating loss rates by company and / or customer typology for the entire asset period, and not only for 12 months.

The historical losses incurred are reviewed in order to reflect the differences between the expected economic conditions and those of the historical period used.

The expected losses are updated whenever there is a significant change in the credit risk in the company, changes in the type of customers or changes in the business or macroeconomic environment.

2.17 Inventories

Goods and raw materials, subsidiary materials and consumables are valued at the lowest cost between the acquisition cost and net realisable value, using the weighted average cost as the method of assigning cost.

The acquisition cost includes the invoice price and transport and insurance costs.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption "Cost of sales".

2.18 Non-current assets held for sale and discontinued operations

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realised through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) there is a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as held for sale, are measured at the lowest between the carrying value before this classification and fair value minus costs to sell. Whenever the fair value is less than the carrying value, the difference is recognised in the item Depreciation / amortisation and impairment of investments, net in the Income statement.

Non-current assets held for sale are presented in a separate caption in the balance sheet.

Non-current assets held for sale are not depreciated or amortised.

In the scope of the banking activity and in the course of the current activity of granting credit, the **Group** runs the risk of not being able to have all of its credit reimbursed. In the case of loans with collateral, the **Group** proceeds to execute these assets in donation / adjudication to settle the credit granted.

Pursuant to the provisions of the General Regime of Credit Institutions and Financial Companies (RGICSF), banks are prevented, unless authorized by Banco de Portugal, from acquiring properties that are not essential for their installation and operation or for the pursuit of their corporate purpose (paragraph 1 of article 112 of the RGICSF), however, being able to acquire properties by reimbursement of their own credit, and the resulting situations must be regularised within a period of 2 years which, if there is a reason, may be extended by Banco de Portugal, in conditions that it determines (article114º of the RGICSF).

These assets are recorded, at their initial recognition, at the lower of their fair value less expected costs of sale and the balance sheet value of the credit granted under recovery (credit falling due in the case of finance lease contracts). Subsequently, these assets are measured at the lower of the initial recognition value and the fair

Whenever the fair value, net of sales and maintenance costs (including haircuts defined in the discount table contained in Annex II of Circular Letter No. 2018/00000062) is found to be lower than the amount for which it is recognised in the **Group**'s balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against profit or loss of the year. If the fair value net of selling costs, after the recognition of impairments, indicates a gain, the **Group** may reflect that gain up to the maximum amount of impairment that has been recorded on that asset.

Periodic property appraisals are carried out by independent appraisers specialized in this type of services.

Earnings from discontinued operations are presented on a specific line, in the income statement, after Income tax and before Net profit for the year.

Whenever the **Group** and the **Company** are committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as held for sale, provided they meet the above requirements, even if, after the sale, the **Group** and the **Company** still keep a residual interest in the subsidiary.

2.19 Distribution of dividends

The distribution of dividends, when approved by the shareholders at the Annual General Meeting of the Company, is recognised as a liability.

2.20 Employee benefits

The **Group** and the **Company** adopt the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, the criteria set out in IAS 19, namely using the Projected unit credit method (Note 31).

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognised in each period, an annual actuarial study is prepared by an independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

Post-employment benefits – healthcare

- IOS Plan

Workers who are integrated in "Caixa Geral de Aposentações" ("CGA", General Retirement Pension Fund) and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the state pension scheme while they remain bound to the Company by an individual employment contract, having no rights when they become pensioners, or in a situation of pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries' co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.25% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee was unified, and the same fee is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The management of the healthcare plan is ensured by the IOS – Instituto das Obras Sociais (Institute of Social Works) and regulated by the CTT's Regulation of the Social Works, which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis - Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

The future liabilities with post-employment benefits arising from the past services of the Group's employees are reflected in the Group's financial statements through the recognition of a specific liability, with no plan or funding arrangement having been constituted to cover these responsibilities, being its financing made through the Group's regular activity.

- Insurance policy

Following the Human Resources Optimization Programme, initiated in 2016, the Company assured the workers, as part of the incentive package, the maintenance of a Healthcare Plan through a health insurance with identical coverage and co-payments, as laid down in the Regulation of the Social Works (ROS), in accordance with the following criteria:

- Workers aged 50 and over: maintenance of healthcare benefits for themselves and their family members enrolled according to ROS, through a health insurance policy, with payment of quotas in the same amount as they were paying (2.25% of their income), or higher if the future payments (if they will exist) will be higher, with mandatory delivery of income proof;

- Workers under the age of 50: maintenance of healthcare benefits according to ROS, through a health insurance policy, for a period of two years, exempt from the payment of the quota, after which they will not benefit from any healthcare solution supported by the Company.

At present, the management of this plan is carried out by Médis - Companhia Portuguesa de Seguros de Saúde, S.A..

- Health care plan – SAMS

The company 321 Crédito, S.A. is responsible for paying medical care benefits to all its employees in a situation of retirement, as well as for survival pensioniers.

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

For the liability calculation, the values of Annex III in the ACT are considered, which takes into consideration the growth rate of the salary table. For the length of service rendered, the seniority date in the group was considered.

On each reporting date, the company keeps a liability recorded based on an actuarial study prepared by a specialised and independent entity that quantifies the responsibilities for the payment of medical care charges as mentioned above.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31December 2019, there were 123 active beneficiaries and 2 pensioners, benefiting from this type of health care.

Other benefits

- End of Career Awards

Under clause 69 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15th, 321 Crédito, S.A. is responsible for the payment, on the retirement date, due to disability or old age, of a premium in the amount equal to 1.5 times the effective monthly remuneration earned on that date. In the event of death on the job, a premium determined under the terms of paragraph 1 of clause 69 of the ACT will be paid and with reference to the effective monthly remuneration that the worker earned at the date of death.

For this purpose, the base salary, seniority and all extra components are considered. The seniority periods are calculated according to the value established in Annex II of the ACT, including the increase resulting from the number of years of service.

The liability was established based on an actuarial study prepared by a specialised and independent entity and measured using the projected credit unit method.

- Death allowance resulting from an accident at work

In accordance with the provision in clause 72 of the banking sector ACT published in BTE No. 38 of 2017 of October 15, and in the event of the death of a participant, 321 Crédito, S.A. proceeds to pay a capital called a death allowance.

For the liability for the death benefit resulting from an accident at work, the calculations took into account the amount fixed in Annex II of the ACT, considering the growth rate of the salary scale and the probabilities of death.

The liability was established based on an actuarial study prepared by a specialized and independent entity and measured using the projected unit credit method.

Post-employment benefits – Pension Plan

The company CTT Expresso - Serviços Postais e Logística, S.A. pays to a closed group of employees of Transporta – Transportes Porta a Porta, S.A. (which was merged into CTT Expresso during the year 2019) in retirement situation, a supplementary retirement pension over the amounts paid by the Social Security.

At each reporting date, the Company maintains a liability based on an actuarial study prepared by a specialised and independent entity that quantifies the liabilities for the payment of supplementary pensions to employees of the company at the time it was acquired from the Portuguese State.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2019, there were 20 beneficiaries receiving this type of Complementary Pension Benefit.

Other long-term benefits

The **Group** and the **Company** also assumed, towards certain groups of workers, a series of constructive and contractual obligations, namely:

- Suspension of contracts, redeployment, pre-retirement contracts, and release from employment

The liability for the payment of salaries to employees in the above-mentioned situations or equivalent, is fully recognised in the income statement at the time they move into these conditions.

- Telephone subscription fee

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (4,439 beneficiaries as at 31 December 2018 and 4,363 beneficiaries as at 31 December 2019) to those who benefited from it as at 01/06/2004, of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

- Pensions for work accidents

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma.

The liabilities incurred up to 31 December 2015 will continue to be borne by CTT. As of 1 January 2016, CTT contracted an insurance policy to cover these responsibilities, as is already the case for Social Security workers.

As at 31 December 2018 and 31 December 2019 there were 67 and 68 beneficiaries, respectively, receiving this type of pension.

- Monthly life annuity (SMV)

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97, of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT.

However, the SMV has been replaced by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT.

The Social Provision for Inclusion is automatically allocated to the SMV beneficiaries covered by the Social Security system. However, as regards the workers who are beneficiaries of the convergent social protection regime, beneficiaries of the SMV, the Social Inclusion Benefit is not automatic, and the workers are required to request the respective conversion of the SMV, pursuant to article 52, paragraph 2 of Decree-Law no. 126-A/2017, of 6 October.

Accordingly, in order to inform the beneficiaries of these changes, the Company sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.

As at 31 December 2019 there were 9 beneficiaries under these conditions (18 beneficiaries as at 31 December 2018), receiving a monthly amount of 177.64 Euros, 12 months a year until 2023, at most, date on which CTT will cease to pay this benefit. This amount is updated by an Implementing Order of the Ministry of Finance and the Ministry of Labour and Social Security.

- Defined contribution plan – Open Pension Fund or Retirement Savings Plan

Following the remuneration model of the Statutory Bodies defined by the Remuneration Committee, a fixed monthly amount was determined to be allocated to an Open Pension Fund or Retirement Savings Plan to be attributed to the executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan. Under a defined contribution plan, fixed contributions are paid into a fund but there is no legal or constructive obligation to further payments being made if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The obligation is therefore effectively limited to the amount agreed to be contributed to the fund and the actuarial and investment risk is effectively placed on the employee. For defined contribution plans, the amount recognised in the period is the contribution payable in exchange for services rendered by employees during the period. Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

2.21 Share-based payments

The benefits granted to the executive members of the Board of Directors 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 recognised at fair value at the date of allocation.

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 date of allocation of the benefit is recognised as a linear cost 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 value of these liabilities is determined at the time of assignment 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 linear manner between the date of attribution and the maturity date, in proportion to the time elapsed between those dates.

2.22 Provisions and contingent liabilities

Provisions (Note 32) are recognised when, cumulatively: (i) there is a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest expenses (Note 48).

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

Provision for financial investments

Whenever losses in the subsidiaries or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the Company incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in associated companies.

Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the Company and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;
- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those entailed by the restructuring, or not associated with the ongoing activities of the entity.

The restructuring provision does not include the costs of retraining or relocating continuing staff, marketing and investments in new systems and distribution networks and are recognised on the same basis as if they appeared independently of a restructuring in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as part of the restructuring.

Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the probability of payment based on the opinion of the lawyers.

Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the events are disclosed as contingent liabilities (Note 32). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the Company's control, or (ii) present obligations which arise from past events, but which are not recognised because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period when that change in probability occurs.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognised in the financial statements of the period when the change will probably occur.

The Company does not recognise contingent assets and liabilities.

2.23 Revenue

The revenue is measured by the amount that the entity expects to be entitled to receive under the contract entered into with the customer.

The revenue recognition model is based on five steps in order to determine when the revenue should be recognised and the amount:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price; and
5) Recognise revenue.

The revenue is recognised only when the "performance obligation" is met and depends on whether the "performance obligations" are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time.

The revenue regarding the provision of postal services, namely the sales of philatelic and pre-paid products, is recognised only when the performance obligation is satisfied, i.e., only at the moment of the effective utilisation of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognised at the time of the sale. In the remaining situations, the revenue is deferred in accordance with the referred standard of use.

The revenue from the rendering of express services is recognised only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer, being the revenue deferred until that moment.

The revenue from the sale of merchandising products from postal business is recognised when the products are transferred to the buyer, which usually occurs at the time of the transaction, being at that time fulfilled the "performance obligation".

The revenue from PO Boxes is recognised over the term of the contracts. By subscribing to the "PO Boxes" service, CTT customers can receive their mail at a PO box in a CTT store instead of receiving mail at their home or company headquarters. Customers pay a single annual fee for subscribing to the service, with no additional fee being paid depending on the amount of correspondence received. Thus, a single performance obligation was identified corresponding to the provision of the PO box over the period of 1 year, with revenue fully allocated to the only performance obligation identified and recognized linearly over the contract period (1 year).

The revenue from the recharging of prepaid mobile phone services is deferred and recognised in earnings, according to the traffic of the specific client, during the period when the service is rendered and, therefore, the "performance obligation" is satisfied.

The revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognised in provisional accounts in the month that the traffic occurs. Differences between the estimated and final amounts determined in agreement with those operators, which are not usually significant, are recognised in the consolidated income statement when the accounts become final.

The fees from collections made and from the sale of financial products are recognised on the date that the client is charged. Only the fee from collections charged by CTT is recognised as revenue, as CTT acts as an agent. The recognised revenue corresponds only to the commission charged by CTT, which acts as an agent. The performance obligation underlying the recognition of revenue resulting from collections made by the issuer and the sale of financial products corresponds to financial intermediation in the sale / placement / redemption of financial products and collection of invoices on behalf of counterparties in intermediation contracts. The remuneration of these contracts is variable according to IFRS 15, as CTT is entitled to receive a fixed amount as a "bonus performance" when selling / placing / redeeming financial products or collecting invoices on behalf of counterparties in intermediation contracts. This component is estimated according to the "most likely amount".

The **Group** acts as an agent in these transactions to the extent that:

- Does not obtain control of the goods or services provided to end customers;
- It does not have any inventory risk (not applicable in this type of services);
- It is not identified by the end customer as the party responsible for fulfilling the performance obligations; and
- The price of the financial product is not defined by the **Group**.

The prices of the services rendered in the scope of the concession of the Universal Postal Service have been subject to regulation under a price agreement signed between CTT and ANACOM.

The revenue from interest is recognised using the effective interest rate method, provided that it is probable that economic benefits will flow into the **Group** and the **Company**, and their amount can be measured reliably.

The **Group** and the **Company** register a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. The **Group** and the **Company** consider the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognised as operating cash flow.

Within the scope of banking activity, the income from services, fees and commissions is recognised as follows:

- Fees and commissions that are earned in the execution of a significant act, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period that the services are provided; and
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recorded through profit or loss using the effective interest rate method.

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Financial margin) through the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established in the initial recognition of financial assets or liabilities and is not subsequently reviewed.

For calculating the effective interest rate, it is estimated future cash flows considering all contractual terms of the financial instrument but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction.

In the case of financial assets or groups of similar financial assets for which impairment losses have been recognised, interest recorded in interest and similar income is determined based on the interest rate used to measure the impairment loss.

2.24 Subsidies obtained

Subsidies are recognised when there is reasonable assurance that they will be received and that the **Group** and the **Company** will comply with the conditions required for their attribution.
Investment subsidies associated to the acquisition or production of tangible fixed assets are initially recognised in non-current liabilities and are subsequently allocated, on a systematic basis, as revenue for the period, consistent and proportional to the depreciation of the assets acquired through these subsidies.

Operating subsidies, namely those for employee training, are recognised in the income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

2.25 Leases

According to IFRS 16, the lessee now applies a single lease accounting model, removing the classification of leases as either operating leases or finance leases.

The **Group** leases several buildings and vehicles. Lease contracts are usually negotiated for fixed periods, but extension options may exist, although in most contracts the renewal periods require the agreement of the lessor and lessee. Rental terms and conditions are negotiated on an individual basis.

The **Group** and the **Company** determine whether a contract is a lease or includes a lease on the contract's start date.

When it comes to a lease agreement, the **Group** and the **Company** account right-of-use (RoU) assets, which are recognised in the item of Tangible fixed assets with the corresponding lease liabilities, on the date when the control over the use of the asset leased is transferred to the **Group** or the **Company**.

The **Group** and the **Company** did not use the practical expedients permitted by IFRS 16 of not considering short-term leases (12 months or less) or leases of low-value underlying assets (assets with unit value in condition of "New" less than 5,000 USD), and the respective payments were considered for the determination of the right-of-use assets.

The **Group** and the **Company** used the practical expedient allowed by IFRS 16 to not separate the lease and non-lease components.

Lease liabilities are initially measured at the present value of the lease payments that fall due after the lease comes into effect, discounted at the implied interest rate of the contract. When this rate cannot be determined, the **Group**'s incremental interest rate is used, corresponding to the interest rate that the lessee would have to pay to obtain an asset of similar value in an economic environment with comparable terms and conditions.

Lease payments included in the measurement of lease liabilities include: fixed payments, less lease incentives receivable; variable payments that depend on an index or rate; amounts expected to be paid by the lessee as guarantees of residual value; the exercise price of a call option if the lessee is reasonably certain to exercise that option; penalty payments to terminate the lease, if the lease term reflects the exercise of the termination option.

The lease liability is measured at amortised cost, using the effective interest method and is remeasured when there are changes to future payments resulting from the application of indexes or rates or if there are other changes such as the change in the lease term, change in expectation about exercising a purchase option, renewing the term or terminating the contract. In these cases, the **Group** and the **Company** recognise the amount of the remeasurement of the Lease Liability as an adjustment to the Assets under the Right- of-Use.

The Rights-of-Use assets are presented in an isolated class, integrating the item of Tangible fixed assets, initially measured at the cost model, which comprises the initial value of the lease liability, adjusted for any payment made before the start date of the contract. lease, plus any initial costs incurred and an estimate for costs of dismantlement (when applicable), less any incentives received. The Right-to-Use asset is subsequently depreciated using the straight-line method in accordance with the lease term. The Right-of-Use is periodically adjusted by certain remeasurements to the Lease liabilities, namely by updating indexes or price renegotiations, and by impairment losses (if any).

Variable rents that do not depend on an index or rate are not included in the measurement of the Lease Liability or the Right-of-Use asset. Such payments are recognised as expenses in the period in which the event or condition giving rise to payments occurs.

When the **Group** or the **Company** transfers an asset to a third party, and simultaneously enters into a lease agreement for the same asset with that third party, the **Group** and the **Company** apply the requirements of IFRS 15 to determine whether the transfer qualifies as a sale of the asset.

If the transfer qualifies as a sale transaction, the **Group** and the **Company** will measure the Right-of-Use asset of the leaseback as a proportion of the previous net book value that relates to the Right-of-Use retained by the **Group** or **Company**, recording a gain or loss in proportion to the rights transferred to the third party.

If the fair value of the sale's retribution of the asset is not equivalent to its fair value, or if the lease payments do not correspond to market values, the **Group** or **Company** will make the following adjustments to measure the results of the sale at fair value: Any terms below the market will be recorded as prepayment of the lease; and any terms above market will be accounted as an additional financing provided by the third party to the **Group** or **Company**.

When the **Group** or **Company** subleases part of the Right-of-Use asset to another entity, it starts to act as lessee in relation to the main lessor and as sublease in relation to the sublease.

As a sublease, the **Group** and the **Company** determine at the lease start date, whether the lease qualifies as financial or operational, considering: i) as the underlying asset of the sublease contract, the Right-of-Use asset recognised in the main lease agreement ; and ii) as the discount interest rate, the interest rate implicit in the sublease or the incremental interest rate of the main lease.

When the sublease contract qualifies as a finance lease, the **Group** and the **Company** derecognise the Right-of-Use asset, and record a balance receivable from the sub-leaseholder, which is subsequently settled by recording accrued interest and repayments made by the sub-leaseholder.

2.26 Borrowing costs

Financial charges related to loans are recognised in net profit, when incurred. However, interest expenses are capitalised when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

Financial charges on loans obtained are recorded as financial expenses in accordance with the effective interest rate method.

2.27 Taxes

Corporate income tax ("IRC")

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period of the Group companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid, reflecting the existence of uncertainty about the tax treatment of income taxes, if any, according to IFRIC 23 - Uncertainty about tax treatment of income tax. The estimate is made based on the most likely method, or, if the resolution can dictate ranges of values in question, use the expected value method.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date, reflecting the existence of uncertainty about the tax treatment of income taxes.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least 90% of the share capital and which are simultaneously resident in Portugal and taxed under IRC except 321 Crédito - Instituição Financeira de Crédito, S.A.. The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

Value Added Tax ("VAT")

For purposes of VAT, the Company follows the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method. In a similar situation is also Banco CTT, which due to the nature of its operations, essentially financial operations, also uses the pro rata method for VAT purposes. The other Group companies, with fiscal residence in Portugal, also follow the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, performing mostly non-exempted operations, thus being subject to VAT.

2.28 Accrual basis

The revenues and costs are recorded according to the accrual basis, and therefore, are recognised as they are generated, regardless of the time they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in "Other current assets" or in "Other current liabilities". Deferred revenues and costs paid in advance are recorded under the heading Deferrals, under liabilities and assets, respectively.

2.29 Provision of the insurance mediation service

CTT, SA and Banco CTT Group subsidiaries namely 321 Crédito are entities authorized by the Insurance and Pension Funds Supervisory Authority ("ASF") to practice insurance mediation, in the category of Linked

Insurance Mediator, according to the article 8, subparagraph a), subparagraph i), of Decree-Law no. 144/2006, of July 31, developing the activity of insurance mediation in the life and non-life lines.

Within the scope of insurance mediation services, the **Group** sells insurance contracts. As remuneration for insurance brokerage services, the **Group** receives insurance contract brokerage commissions, which are defined in agreements / protocols established with Insurance Companies.

Commissions received by insurance mediation services are recognized in accordance with the principle of accrual basis, so commissions whose receipt occurs at a different time in the period to which they refer are recorded as an amount receivable under an "Other Assets" item.

2.30 Judgements and estimates

In the preparation of the consolidated and individual financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.
The main judgements and estimates made in the preparation of the financial statements arise in the following areas:

i) Tangible fixed and intangible assets / estimated useful lives

Depreciation/amortisation is calculated on the acquisition cost using the straight-line method, from the month when the asset is available for use. The depreciation/amortisation rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

ii) Impairment of Goodwill

Goodwill is tested at least once a year, with the purpose of verifying if it is impaired, in accordance with the policy referred to in Note 2.9. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

iii) Impairment of accounts receivable

The **Group** and the **Company** record expected credit losses of each operation as a result of the deterioration of the credit risk since its initial recognition. In case of expected losses in account receivables in the scope of IFRS 15 the **Group** and the **Company** applied the simplified method calculating expected credit losses until maturity for all account receivables based on past records of credit losses throughout the period considered statistically relevant, estimating the rate of expected losses by companies and customer typology.

iv) Impairment losses in financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of the impairment losses of financial instruments involve judgements and estimates relative to the following aspects, among others:
Significant increase of credit risk: Impairment losses correspond to the expected losses in case of default over a time horizon of 12 months for assets at stage 1, and the expected losses considering the probability of occurrence of a default event any time up to the maturity date of the financial instrument for assets at stage 2 and 3. An asset is classified at stage 2 whenever there has not been a significant increase in its credit risk since its initial recognition. The Group's assessment of the existence of a significant increase of credit risk considers qualitative and quantitative information, reasonable and sustainable.
Definition of group of assets with common credit risk features: When the expected loan losses are measured on a collective basis, the financial instruments are grouped together based on common risk features. This procedure is necessary to ensure that, in case there is a change of the credit risk features, the segmentation of the assets is reviewed. This review can give rise to the creation of new portfolios or to the transfer of the assets to existing portfolios, which better reflect their credit risk features.
Probability of default: The probability of default represents a determinant factor in the measurement of the expected loan losses. The probability of default corresponds to an estimate of the probability of default in a particular time period, calculated based on benchmarks or using market data.
Loss given default: Corresponds to an estimated loss in a default scenario. This is based on the difference between the contractual cash flows and those that the Group expects to receive, via cash flows generated by the business of the client or credit collateral. Loss given default is calculated based on, among other aspects, the different scenarios of recovery, market information, the costs involved in the recovery process and the estimated valuation of the collateral associated to credit operations.

v) Deferred taxes

The recognition of deferred tax assets assumes the existence of future net profit and taxable income. The deferred tax assets and liabilities were determined based on the tax legislation currently in force, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

vi) Employee benefits

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 31, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

vii) Provisions

The **Group** and the **Company** exercise considerable judgement in the measurement and recognition of provisions. Judgement is required in order to assess the probability of litigation having a successful outcome. Provisions are recorded when the current lawsuits are expected to lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

Sources of estimation uncertainty:
The main sources of uncertainties in the estimates performed are detailed below:

i) De minimis

The Directive of the Council of the European Union 2017/2455, determines the elimination of the VAT exemption for goods with a value of less than 22 € as of 1/1/2021, which implies that all the postal items with authorization to enter the EU, will pay VAT and Customs Duties (DA), ceasing to exist the figure of Customs Duties. Currently, less than 2% of extra-Community traffic is subject to a Customs Declaration. This change could lead to a significant reduction in traffic originating outside the Community. Given this risk, CTT intends to implement measures of automation of the declarative and treatment process based on the object's notice information in order to minimize the impact of this change on the business and on the need for reinforcement of physical (space) and human resources to comply with this directive given the status of universal postal operator and being obliged to deliver the received objects from other postal operators. In this way, it is intended to mitigate the risk of loss of remuneration for terminal charges, relating to extra-Community traffic, which currently amount to approximately 25 million Euros per year.

ii) Concession contract

CTT – Correios de Portugal, S.A. ("CTT") are the current universal postal service provider, namely of the universal postal service until 31 December 2020.

During 2020, the Portuguese Government will organise the administrative process for the designation of the universal postal service provider in the subsequent period.

CTT are, as always, committed to the provision of public service, which is an integral part of its identity, with the conviction that they are the entity in the best conditions to provide it, due to the fact that they meet the requirements of financial strength, technical capacity, the necessary physical facilities and knowledge. The estimates made, namely regarding the assessments of the recoverability of non-current assets, consider the scenario of renewal of the public postal service concession to be probable with equivalent conditions to the current one.

iii) Evolution of the Covid-19 Virus situation

Despite material impacts has not yet been verified in their activity, CTT is following the evolution of the situation of the Covid-19 virus, both nationally and globally, given the international dimension of some of the Group's businesses, in order to take the necessary measures to minimize the impact of the Covid-19 virus on the Company in a timely manner, in order to:

1. Ensure workers' lives and health through effective preventive advise on health care and the provision of adequate information and safeguards;
2. Prepare the operational response and keep essential services up and running; and
3. Minimize the effects of an eventual interruption of work activities and prepare for the rapid restoration of the company's normal functioning.

Given the limited available information at present, regarding the severity of both the potential epidemic and the preventive measures that governments may take, it is extremely difficult to quantify, with a reasonable degree of confidence, any financial impacts.

Management will continue to monitor the threat and its business' implications and provide all necessary information to its stakeholders.

2.31 Cash Flow Statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax. Investment activities namely include acquisitions and divestments in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

2.32 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

3. Changes to accounting policies, Errors and Estimates

The **Group** and **Company** have adopted, as at 1 January 2019, IFRS 16 *Leases*.

IFRS 16 introduces a single lessee accounting model and removes the classification of leases as either operating leases or finance leases.

The lessee is required to recognise assets and liabilities for all leases on the balance sheet at the beginning of the contract and to recognise:

- A right-of-use (RoU) asset representing its right to use the underlying leased asset during the contract period; and
- A lease liability representing its obligation to make lease payments until the end of the contract.

The adoption of IFRS 16 also impacts the income statement considering that the depreciations of the RoU asset and interest on the lease liability are recognised separately instead of the previously recognition of the leases as External Supplies and Services.

Under IFRS 16 the lessee may opt for the non-application of this standard to:

- Short-term leases (12 months or less) which do not include an option to purchase the underlying asset; and
- Leases of low-value underlying assets.

Adoption of IFRS 16 by the CTT Group

The **Group** and the **Company** adopted the new standard with effect from 1 January 2019 according to the full retrospective transition approach, not having applied the abovementioned exemptions, applying the IFRS 16 model to all contracts, regardless of their term and value.

On the adoption of IFRS 16, the **Group** and the **Company** recognised lease liabilities for leases that previously had been recognised as "operating leases", in accordance with IAS 17 - Leases.

These liabilities were recognised at the present value of the lease payments remaining on 1 January 2018, discounted by applying the interest rate implicit in the lease, or in cases where this was not possible, applying the lessee's incremental interest rate, determined at the start date of each contract.

Types of leases

The **Group** and the **Company** conducted a survey of all lease and service contracts that may include rights-of-use assets, and identified three major groups of leases:

i. Real estate leases

Real estate lease agreements that constitute, under IFRS 16, a right of use, having as lease period the initial periods of duration of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain of exercising.

As a practical expedient, the fixed services associated with each property (variable component) were included in the accounting for the right of use.

ii. Car leases

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

The amount of the lease rental depends on the number of kilometres the vehicle travels over the contract period. For this reason, only the minimum rents for the valuation of liabilities and right of use were considered.

As a practical expedient, the fixed services associated with each vehicle (variable component) were included in the accounting for the right of use.

iii. Other leases

Other lease contracts were also identified for stackers and printers, for instance.

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

As a practical expedient, the fixed services associated with each asset (variable component) were included in the accounting for the right of use.

Incremental interest rate

Taking into account that the lease contracts do not have an implicit rate, an incremental interest rate is considered for the discount of the rents.

The incremental interest rate depends on the maturity/duration of the lease contract.

Impacts on the financial statements

The impacts of the IFRS 16 adoption, in the **Group** and the **Company**, with effects as at 1 January 2018, the transition date and 31 December 2018, in the financial position statement, are detailed as follows:

Consolidated statement of financial position - 01.01.2018

Caption	Reported amount	Adjustments IFRS 16	Restated amount
Tangible fixed assets	199,855,908	75,470,441	275,326,349
Deferred tax assets	87,155,739	4,799,252	91,954,991
Other assets' captions	1,321,753,745	-	1,321,753,746
Total assets	**1,608,765,392**	**80,269,693**	**1,689,035,086**
Retained earnings	61,531,333	(12,743,405)	48,787,928
Other equity's captions	122,459,617	-	122,459,617
Total equity	**183,990,950**	**(12,743,405)**	**171,247,545**
Non-current debt	73,689	75,108,985	75,182,674
Current debt	10,304,390	17,904,113	28,208,503
Other liabilities' captions	1,414,396,363	-	1,414,396,364
Total liabilities	**1,424,774,442**	**93,013,098**	**1,517,787,541**
Total equity and liabilities	**1,608,765,392**	**80,269,693**	**1,689,035,086**

Individual statement of financial position - 01.01.2018

Caption	Reported amount	Adjustments IFRS 16	Restated amount
Tangible fixed assets	183,397,373	61,436,582	244,833,955
Investments in subsidiary companies	124,181,057	(4,139,755)	120,041,302
Deferred tax assets	86,007,545	3,345,864	89,353,409
Other assets' captions	547,459,293	-	547,459,293
Total assets	**941,045,268**	**60,642,691**	**1,001,687,959**
Retained earnings	61,600,179	(12,743,405)	48,856,774
Other equity's captions	122,244,032	-	122,244,032
Total equity	**183,844,211**	**(12,743,405)**	**171,100,806**
Non-current debt	-	58,732,903	58,732,903
Current debt	-	14,653,193	14,653,193
Other liabilities' captions	757,201,057	-	757,201,057
Total liabilities	**757,201,057**	**73,386,096**	**830,587,153**
Total equity and liabilities	**941,045,268**	**60,642,691**	**1,001,687,959**

Consolidated statement of financial position - 31.12.2018

Caption	Reported amount	Adjustments IFRS 16	Reported amount
Tangible fixed assets	182,986,001	81,722,623	264,708,624
Deferred tax assets	81,733,398	716	81,734,114
Income taxes receivable	1,108,421	3,931,854	5,040,275
Other assets' captions	1,502,986,642	-	1,502,986,642
Total assets	**1,768,814,462**	**85,655,193**	**1,854,469,655**
Retained earnings	17,122,389	(12,743,405)	4,378,984
Net profit	19,621,263	1,878,008	21,499,271
Other equity's captions	110,008,931	-	110,008,931
Total equity	**146,752,583**	**(10,865,397)**	**135,887,186**
Non-current debt	24,282,526	75,999,677	100,282,203
Current debt	6,575,160	20,520,913	27,096,073
Other liabilities' captions	1,591,204,193	-	1,591,204,193
Total liabilities	**1,622,061,879**	**96,520,590**	**1,718,582,469**
Total equity and liabilities	**1,768,814,462**	**85,655,193**	**1,854,469,655**

Individual statement of financial position – 31.12.2018

Caption	Reported amount	Adjustments IFRS 16	Reported amount
Tangible fixed assets	167,839,804	61,692,887	229,532,691
Investments in subsidiary companies	118,057,011	(4,480,085)	113,576,926
Deferred tax assets	79,559,985	-	79,559,985
Shareholders	12,048,528	(1,448,677)	10,599,851
Income taxes receivable	1,034,079	3,931,854	4,965,933
Other assets' captions	449,413,380	-	449,413,380
Total assets	**827,952,787**	**59,695,978**	**887,648,765**
Retained earnings	17,130,537	(12,743,405)	4,387,132
Net profit	19,621,263	1,878,008	21,499,271
Other equity's captions	109,835,289	-	109,835,289
Total equity	**146,587,089**	**(10,865,397)**	**135,721,692**
Non-current debt	24,276,250	53,710,640	77,986,890
Current debt	-	16,850,735	16,850,735
Other liabilities' captions	657,089,448	-	657,089,448
Total liabilities	**681,365,698**	**70,561,375**	**751,927,073**
Total equity and liabilities	**827,952,787**	**59,695,979**	**887,648,765**

The impacts, in the **Group** and **Company**, of the IFRS 16 adoption, with effects as at 31 December 2018 in the income statement by nature and in the cash flow statement, are detailed as follows:

Consolidated Income Statement – twelve months ended 31.12.2018

Caption	Reported amount	Adjustments	Reclassifications	Restated amount
		IFRS 16	Gains/losses on disposal of assets [1]	
Other operating income	23,653,770	-	(9,251,708)	14,402,062
External supplies and services	(261,769,040)	32,300,219	-	(229,468,821)
Depreciation/amortisation and impairment of investments, net	(31,343,765)	(25,361,477)	-	(56,705,242)
Other operating costs	(13,828,616)	-	-	(13,828,616)
Gains/losses on disposal of assets	-	-	9,251,708	9,251,708
Interest expenses	(5,510,975)	(4,194,051)	-	(9,705,026)
Gains/losses in subsidiary, associated companies and joint ventures	(795,935)	-	-	(795,935)
Income tax for the period	(12,755,279)	(866,683)	-	(13,621,962)
Other captions	321,992,094	-	-	321,992,094
Net profit for the period	**19,642,254**	**1,878,008**	**-**	**21,520,262**
Other comprehensive income	1,587,043	-	-	1,587,043
Comprehensive income for the period	**21,229,297**	**1,878,008**	**-**	**23,107,305**
Net profit for the period attributable to:				
Equity holders	19,621,263	1,878,008	-	21,499,271
Non-controlling interests	20,990	-	-	20,990

[1] Gains and losses related to assets disposals, previously recognised in the captions "Other operating income" and "Other operating costs" are now recognised under the caption "Gains/losses on disposal of assets" by the net amount.

Individual Income Statement – twelve months ended 31.12.2018

Caption	Reported amount	Adjustments	Reclassifications	Restated amount
		IFRS 16	Gains/losses on disposal of assets [1]	
Other operating income	47,598,502	-	(9,251,708)	38,346,794
External supplies and services	(146,539,326)	26,269,005	-	(120,270,321)
Depreciation/amortisation and impairment of investments, net	(24,147,906)	(20,226,093)	-	(44,373,999)
Other operating costs	(9,331,854)	-	-	(9,331,854)
Gains/losses on disposal of assets	-	-	9,251,708	9,251,708
Interest expenses	(5,432,295)	(2,961,888)	-	(8,394,183)
Gains/losses in subsidiary, associated companies and joint ventures	(23,560,924)	(340,330)	-	(23,901,254)
Income tax for the period	(16,227,059)	(862,687)	-	(17,089,746)
Other captions	197,262,125	-	-	197,262,125
Net profit for the period	**19,621,263**	**1,878,007**	**-**	**21,499,271**
Other comprehensive income	933,609	-	-	933,609
Comprehensive income for the period	**20,554,873**	**1,878,007**	**-**	**22,432,880**

[1] Gains and losses related to assets disposals, previously recognised in the captions "Other operating income" and "Other operating costs" are now recognised under the caption "Gains/losses on disposal of assets" by the net amount.

Consolidated cash flow statement - 31.12.2018

Caption	Reported amount	Adjustments IFRS 16	Restated amount
Cash flow from operating activities			
Payments to suppliers	(289,648,004)	12,519,562	(277,128,442)
Other receivables/payments	(92,685,453)	19,780,657	(72,904,796)
Other operating receivables/payments	441,480,788	-	441,480,788
Cash flow from operating activities	**59,147,331**	**32,300,219**	**91,447,550**
Cash flow from investing activities			
Other investing receivables/payments	(200,696,351)	-	(200,696,351)
Cash flow from investing activities	**(200,696,351)**	**-**	**(200,696,351)**
Cash flow from financing activities			
Lease liabilities	(31,047)	(32,300,219)	(32,331,266)
Other financing receivables/payments	(36,250,734)	-	(36,250,734)
Cash flow from financing activities	**(36,281,781)**	**(32,300,219)**	**(68,582,000)**
Cash and equivalents at the beginning of the period	592,677,416	-	592,677,416
Cash and cash equivalents at the end of the period	414,846,614	-	414,846,614

Individual cash flow statement - 31.12.2018

Caption	Reported amount	Adjustments IFRS 16	Restated amount
Cash flow from operating activities			
Payments to suppliers	(154,463,465)	6,488,348	(147,975,117)
Other receivables/payments	(101,324,257)	19,780,657	(81,543,600)
Other operating receivables/payments	218,772,190	-	218,772,190
Cash flow from operating activities (1)	**(37,015,532)**	**26,269,005**	**(10,746,527)**
Cash flow from investing activities			
Other investing receivables/payments	(37,344,296)	-	(37,344,296)
Cash flow from investing activities (2)	**(37,344,296)**	**-**	**(37,344,296)**
Cash flow from financing activities			
Lease liabilities	-	(26,269,005)	(26,269,005)
Other financing receivables/payments	(32,444,017)	-	(32,444,017)
Cash flow from financing activities (3)	**(32,444,017)**	**(26,269,005)**	**(58,713,022)**
Merger	1,983,395	-	1,983,395
Cash and equivalents at the beginning of the period	376,590,733	-	376,590,733
Cash and cash equivalents at the end of the period	271,770,284	-	271,770,284

The impacts in the twelve-month period ended 31 December 2019 can be analysed in notes 5, 18 and 24.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events.

4. 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.

In 2019, changes were made to the management information structure.

1. The segment reporting has been amended in accordance with the following adjustments:

    a. Re-allocation of internal revenues to Operating costs

The purpose of this amendment is allowing the evolution of the consolidated revenues to be seen as the sum of the performance of external products that make up the Group, removing the effects of internal revenues with companies from other business areas. As a result of this change, revenues are now deducted from the respective segments' cost amounts, thus ensuring that the Operating costs and revenue structure is aligned with the actual expenses and revenues of each segment.

b. IFRS16 adoption

The adoption of IFRS16 has changed the manner in which statutory accounts are presented with respect to costs with Fleet and Buildings, which are no longer considered in External Supplies and Services and are accounted for in depreciations and interest. This change had an impact not only on the reporting period (2019) but also on the historical (2018), which was restated to allow the comparability of the periods.

c. Migration of the payments business

Some payment services in the Financial Services segment (billing and invoicing, Western Union transfers, integrated solutions and tolls) migrated to the segment Bank.

d. Allocation of the Central Structure costs by Segment

The Central Structure reflects a structure of costs with revenues of a negligible value, leaving a net cost structure that until 2018, in terms of central / corporate costs, was split between two segments – 99.7% for the Mail segment and 0.3% for the Financial Services segment. Considering the immateriality of the value allocated to the Financial Services segment and given the migration of some Payment services from the Financial Services segment to the Bank segment, the Company simplified this allocation by placing 100% of the central structure allocation under the Mail segment.

2. Specific items

Any non-recurring items are recognised under the caption "Specific items".

The period of 2018 was restated, for comparison purposes, according to the changes performed.

Therefore, the business of CTT is organised in the following segments:

- Mail – CTT, S.A. excluding financial services and payments bussiness but including the retail network, the sales department, the corporate and support areas and CTT Contacto;
- Express & Parcels – includes CTT Expresso (and its branch in Spain) and CORRE;
- Financial Services – CTT, S.A. Financial Services; and
- Bank – Banco CTT, S.A., Payshop, 321 Crédito and CTT's payment bussiness.

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.

Besides the four above mentioned segments, there are two sales channels, which are common to all businesses and products, the Retail Network and the Sales Department. In this analysis, the Retail Network, which is connected to the obligations of the universal postal service concession, is incorporated in the Mail segment as well as the Sales Departments, and integrates internal revenues related to the provision of services to other segments, as well as the sale in its network of third-party products and services.

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices.

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) previously unallocated, are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of 2018 and 2019 are as follows:

	Restated 2018				
Thousand Euros	**Mail**	**Express & Parcels**	**Financial Services**	**Bank**	**Total**
Revenues	**498,747**	**148,906**	**26,773**	**33,608**	**708,034**
Sales and services rendered	491,319	147,868	26,015	20,743	685,945
Sales	*19,511*	*810*	*-*	*-*	*20,321*
Services rendered	*471,808*	*147,058*	*26,015*	*20,743*	*665,624*
Financial Margin	-	-	-	7,867	7,867
Other operating income	7,428	1,038	759	4,997	14,222
Operating costs excluding depreciations, amortizations, impairment and provisions	**412,002**	**145,642**	**13,470**	**46,490**	**617,605**
Staff costs	294,583	22,656	1,128	14,532	332,898
External supplies and services	106,583	122,940	3,373	24,753	257,649
Other costs	20,608	2,346	179	3,924	27,058
Internal services rendered	(9,772)	(2,300)	8,790	3,282	-
EBITDA	**86,745**	**3,264**	**13,303**	**(12,883)**	**90,429**
IFRS 16 (impact on EBITDA)	25,986	5,399	4	911	32,300
EBITDA including IFRS 16	**112,731**	**8,663**	**13,307**	**(11,971)**	**122,730**
Impairment and provisions	314	(2,457)	-	(342)	(2,484)
Depreciation/amortisation and impairment of investments, net	(43,519)	(7,989)	(222)	(4,531)	(56,262)
Specific Items	(14,538)	(2,642)	(361)	(848)	(18,389)
EBIT	**54,988**	**(4,425)**	**12,724**	**(17,692)**	**45,595**
Financial results					(10,452)
Interest expenses					*(9,705)*
Interest income					*49*
Gains/losses in subsidiary, associated companies and joint ventures					*(796)*
Earnings before taxes (EBT)					**35,142**
Income tax for the period					(13,622)
Net profit for the period					**21,520**
Non-controlling interests					(21)
Equity holders of parent company					**21,499**

	2019				
Thousand Euros	**Mail**	**Express & Parcels**	**Financial Services**	**Bank**	**Total**
Revenues	**490,919**	**152,415**	**34,054**	**62,897**	**740,286**
Sales and services rendered	482,255	151,835	33,809	20,123	688,022
Sales	*18,215*	*752*	*-*	*-*	*18,966*
Services rendered	*464,041*	*151,083*	*33,809*	*20,123*	*669,055*
Financial Margin	-	-	-	29,316	29,316
Other operating income	8,664	580	246	13,458	22,948
Operating costs excluding depreciations, amortizations, impairment and provisions	**412,423**	**154,726**	**12,487**	**59,188**	**638,824**
Staff costs	298,453	24,868	986	19,825	344,131
External supplies and services	102,567	129,332	2,926	29,840	264,665
Other costs	20,445	2,874	155	6,555	30,028
Internal services rendered	(9,041)	(2,348)	8,420	2,969	-
EBITDA	**78,496**	**(2,311)**	**21,567**	**3,709**	**101,462**
IFRS 16 (impact on EBITDA)	19,809	5,683	28	1,353	26,872
EBITDA including IFRS 16	**98,305**	**3,372**	**21,594**	**5,063**	**128,334**
Impairment and provisions	(583)	(5,143)	-	(2,872)	(8,598)
Depreciation/amortisation and impairment of investments, net	(40,003)	(8,301)	(332)	(5,588)	(54,222)
Specific Items	(14,356)	(2,068)	(292)	(1,510)	(18,227)
EBIT	**43,363**	**(12,140)**	**20,970**	**(4,907)**	**47,285**
Financial results					(11,758)
Interest expenses					*(10,421)*
Interest income					*64*
Gains/losses in subsidiary, associated companies and joint ventures					*(1,401)*
Earnings before taxes (EBT)					**35,527**
Income tax for the period					(6,242)
Net profit for the period					**29,285**
Non-controlling interests					(88)
Equity holders of parent company					**29,197**

The amount recorded under specific items relates mostly to corporate restructuring and strategic projects (- €8.4m) of which stand out: (i) costs related to termination of employment contracts by mutual agreement and suspension of contracts (-€10.8m) within the Human Resources Optimisation Programme and costs with consultancy services (-€1.6m) in the context of the Operational Transformation Plan in progress, (ii) costs related to the acquisition of 321 Crédito (-€1.5m); and (iii) costs related to the implementation of the changes to the Quality of Service Indicators (-€1.0m) measurement system, as required by ANACOM.

The revenues are detailed as follows:

Thousand Euros	Restated 2018	2019
Mail	**498,747**	**490,919**
Transactional mail	413,107	406,364
Editorial mail	14,742	14,476
Parcels (USO)	6,833	6,478
Advertising mail	24,212	22,970
Retail	13,537	13,039
Philately	8,159	6,747
Business Solutions	9,552	10,254
Other	8,606	10,591
Express & Parcels	**148,906**	**152,415**
Portugal	91,392	98,191
Parcels	67,780	75,025
Cargo	12,775	12,421
Banking network	6,318	6,651
Logistics	3,100	3,146
Other	1,419	949
Spain	55,524	51,775
Mozambique	1,990	2,448
Financial Services	**26,773**	**34,054**
Savings & Insurance	18,929	26,892
Money orders	6,086	5,565
Payments	1,147	1,167
Other	611	431
Bank	**33,608**	**62,897**
Net interest income	7,867	12,731
Interest income	8,580	13,631
Interest expense	(712)	(900)
Fees & commissions income	4,988	8,942
Own produts	3,757	5,516
Consumer credit & insurance	1,230	3,425
Payments & other	20,753	20,185
321 Crédito	-	21,040
	708,034	**740,286**

The assets by segment are detailed as follows:

Assets (Euros)	Restated 2018 *					
	Mail	Express & Parcels	Financial Services	Bank	Non allocated assets	Total
Intagible assets	15,705,987	5,114,530	356,968	25,038,271	10,554,799	56,770,556
Tangible fixed assets	227,289,861	33,467,166	338	1,588,479	2,362,780	264,708,624
Investment properties	-	-	-	-	8,179,980	8,179,980
Goodwill	6,161,326	2,955,753	-	406,101	-	9,523,180
Deferred tax assets	-	-	-	-	81,734,114	81,734,114
Accounts receivable	-	-	-	-	135,855,195	135,855,195
Credit to bank clients	-	-	-	248,049,981	-	248,049,981
Investment securities	-	-	-	454,101,882	-	454,101,882
Other banking financial assets	-	-	-	116,313,585	-	116,313,585
Other assets	-	-	-	-	56,515,079	56,515,079
Cash and cash equivalents	-	5,378,204	-	145,339,778	271,999,495	422,717,478
	249,157,174	**46,915,653**	**357,306**	**990,838,078**	**567,201,444**	**1,854,469,655**

* Restated values: see note 3

Assets (Euros)	2019					
	Mail	Express & Parcels	Financial Services	Bank	Non allocated assets	Total
Intagible assets	20,481,133	5,514,463	145,655	27,682,577	8,188,816	62,012,644
Tangible fixed assets	222,297,077	33,599,340	103	3,204,855	4,341,666	263,443,040
Investment properties	-	-	-	-	7,653,000	7,653,000
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	89,329,806	89,329,806
Accounts receivable	-	-	-	-	146,471,712	146,471,712
Credit to bank clients	-	-	-	885,820,569	-	885,820,569
Investment securities	-	-	-	456,411,331	-	456,411,331
Other banking financial assets	-	-	-	33,424,335	-	33,424,335
Other assets	-	-	-	-	54,871,239	54,871,239
Cash and cash equivalents	-	5,403,455	-	174,819,282	262,772,987	442,995,724
Non-current assets held for sale	-	-	-	805,675	-	805,675
	248,939,536	**47,473,011**	**145,758**	**1,643,253,372**	**573,629,227**	**2,513,440,904**

Debt by segment is detailed as follows:

Other information (Euros)	Restated 2018 *				
	Mail	Express & Parcels	Financial Services	Bank	Total
Non-current debt	**77,975,310**	**21,545,162**	**-**	**761,731**	**100,282,203**
Bank loans	24,276,250	-	-	-	24,276,250
Lease liabilities	53,699,060	21,545,162	-	761,731	76,005,953
Current debt	**16,813,808**	**10,101,678**	**-**	**180,587**	**27,096,073**
Bank loans	-	6,558,116	-	-	6,558,116
Lease liabilities	16,813,808	3,543,562	-	180,587	20,537,957
	94,789,118	**31,646,839**	**-**	**942,318**	**127,378,276**

* Restated values: see note 3

Other information (Euros)	2019				
	Mail	Express & Parcels	Financial Services	Bank	Total
Non-current debt	**127,340,075**	**19,770,671**	**-**	**1,487,187**	**148,597,934**
Bank loans	81,702,538	-	-	-	81,702,538
Lease liabilities	45,637,538	19,770,671	-	1,487,187	66,895,396
Current debt	**12,908,333**	**13,203,570**	**-**	**701,665**	**26,813,567**
Bank loans	-	9,749,470	-	-	9,749,470
Lease liabilities	12,908,333	3,454,099	-	701,665	17,064,097
	140,248,408	**32,974,241**	**-**	**2,188,852**	**175,411,501**

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

Thousand Euros	2018	2019
Revenue - Portugal	569,837	577,527
Revenue - other countries	116,108	110,495
	685,945	688,022

5. Tangible fixed assets

During the years ended 31 December 2018 and 31 December 2019, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

Group	Restated 2018 *									
	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	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109	265,370,129	885,283,033
Acquisitions	-	555,859	2,768,963	16,788	1,715,971	775,513	4,134,480	10,256	-	9,977,829
New contracts	-	-	-	-	-	-	-	-	27,964,696	27,964,696
Disposals	(545,455)	(1,769,365)	(2,217,254)	(35,899)	(23,810)	(962)	-	-	-	(4,592,744)
Transfers and write-offs	(964,691)	(6,671,760)	(4,104,444)	236,348	-	(239,712)	(3,225,750)	(179,594)	-	(15,149,603)
Terminated contracts	-	-	-	-	-	-	-	-	(79,202,381)	(79,202,381)
Remeasurements									3,648,963	3,648,963
Adjustments	-	(205,393)	(53,825)	(559)	(40,721)	(3,903)	-	(47,608)	-	(352,008)
Closing balance	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	217,781,407	827,577,785
Accumulated depreciation										
Opening balance	3,851,494	207,661,484	128,294,129	3,271,073	55,716,402	21,213,074	-	-	189,899,688	609,907,343
Depreciation for the period	-	9,932,112	6,073,870	45,576	3,081,613	1,252,572	-	-	25,361,477	45,747,220
Disposals	(13,595)	(790,864)	(2,113,563)	(35,899)	(23,810)	(962)	-	-	-	(2,978,692)
Transfers and write-offs	(98,745)	(6,240,250)	(4,282,904)	147,416	(1,534)	(153,097)	-	-	-	(10,629,115)
Terminated contracts	-	-	-	-	-	-	-	-	(79,202,381)	(79,202,381)
Adjustments	-	31	13	79	285	122	-	-	-	531
Closing balance	3,739,154	210,562,512	127,971,545	3,428,245	58,772,955	22,311,709	-	-	136,058,784	562,844,906
Accumulated impairment										
Opening balance	-	-	-	-	-	49,340	-	-	-	49,340
Other variations	-	-	-	-	-	(25,085)	-	-	-	(25,085)
Closing balance	-	-	-	-	-	24,255	-	-	-	24,255
Net Tangible fixed assets	**31,852,839**	**124,002,575**	**15,089,287**	**169,716**	**5,053,039**	**4,235,087**	**2,409,296**	**174,162**	**81,722,623**	**264,708,624**

* Restated values: see note 3

Group	2019									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	217,781,407	827,577,785
Acquisitions	-	289,864	5,397,771	205,223	4,132,769	1,087,015	5,037,328	10,933,074	-	27,083,044
New contracts	-	-	-	-	-	-	-	-	6,995,186	6,995,186
Disposals	(11,962)	(302,339)	(1,085,186)	(828)	(10,822)	-	-	-	-	(1,411,137)
Transfers and write-offs	-	3,990,959	8,798,878	(199,167)	714,914	(14,188)	(3,990,959)	(8,693,236)	(1,023,301)	(416,100)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Remeasurements									2,200,608	2,200,608
Adjustments	-	497	12,141	461	875	590	-	-	108,299	122,863
Other movements	-	-	-	-	-	1,826,550	35,907	-	-	1,862,457
Changes in the consolidation perimeter	-	420,472	-	-	692,154	175,664	-	-	1,549,917	2,838,207
Closing balance	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Accumulated depreciation										
Opening balance	3,739,154	210,562,512	127,971,545	3,428,245	58,772,955	22,311,709	-	-	136,058,784	562,844,906
Depreciation for the period	-	9,445,914	5,641,044	56,981	2,342,240	1,803,688	-	-	21,631,653	40,921,520
Disposals	(1,747)	(192,958)	(1,022,632)	(828)	(14,649)	-	-	-	-	(1,232,814)
Transfers and write-offs	-	-	107,382	(128,381)	640,734	40,895	-	-	(858,850)	(198,220)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Adjustments	-	89	7,736	325	759	506	-	-	-	9,415
Changes in the consolidation perimeter	-	164,081	-	-	666,123	121,676	-	-	89,014	1,040,894
Closing balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	-	-	108,932,275	555,397,374
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	(83)	-	-	-	(83)
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	**31,842,624**	**118,984,901**	**23,479,360**	**247,308**	**6,947,721**	**5,344,038**	**3,491,573**	**2,414,000**	**70,691,514**	**263,443,040**

The depreciation recorded in the **Group** amounting to 40,921,520 Euros (45,747,220 Euros on 31 December 2018), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 45).

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. acquired in May 2019.

During the years ended 31 December 2018 and 31 December 2019, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

Company	Restated 2018 *									
	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	35,088,242	325,657,556	111,589,384	2,479,246	54,221,300	24,436,503	1,491,945	390,149	228,140,480	783,494,805
Acquisitions	-	-	1,469,923	16,788	1,508,162	690,094	3,913,866	10,256	-	7,609,089
New contracts	-	-	-	-	-	-	-	-	16,833,435	16,833,435
Disposals	(545,455)	(1,769,365)	(1,806,460)	(35,899)	(23,810)	(962)	-	-	-	(4,181,950)
Transfers and write-offs	(964,691)	(6,427,618)	(4,052,883)	236,348	-	(232,458)	(3,217,193)	(178,635)	-	(14,837,131)
Terminated contracts	-	-	-	-	-	-	-	-	(71,413,244)	(71,413,244)
Remeasurements									3,648,963	3,648,963
Adjustments	-	(205,312)	(52,444)	(633)	(40,839)	(4,008)	-	(47,608)	-	(350,843)
Mergers	189,543	1,377,229	8,298,449	3,359	1,555,760	335,331	-	-	-	11,759,672
Closing balance	33,767,640	318,632,490	115,445,969	2,699,209	57,220,574	25,224,499	2,188,618	174,162	177,209,633	732,562,795
Accumulated depreciation										
Opening balance	3,851,494	198,068,971	99,125,056	2,459,124	48,660,149	19,742,818	-	-	166,703,898	538,611,510
Depreciation for the period	-	9,374,884	4,630,949	27,010	2,639,912	1,216,051	-	-	20,226,093	38,114,900
Disposals	(13,595)	(790,864)	(1,806,460)	(35,899)	(23,810)	(962)	-	-	-	(2,671,589)
Transfers and write-offs	(98,745)	(5,939,375)	(4,231,327)	147,416	(1,534)	(145,860)	-	-	-	(10,269,426)
Terminated contracts	-	-	-	-	-	-	-	-	(71,413,244)	(71,413,244)
Adjustments	-	-	-	-	-	-	-	-	-	-
Mergers	-	1,080,853	7,785,106	2,470	1,438,762	326,508	-	-	-	10,633,699
Closing balance	3,739,154	201,794,470	105,503,323	2,600,122	52,713,479	21,138,556	-	-	115,516,746	503,005,849
Accumulated impairment										
Opening balance	-	-	-	-	-	49,340	-	-	-	49,340
Other variations	-	-	-	-	-	(25,085)	-	-	-	(25,085)
Closing balance	-	-	-	-	-	24,255	-	-	-	24,255
Net Tangible fixed assets	**30,028,486**	**116,838,020**	**9,942,646**	**99,088**	**4,507,094**	**4,061,689**	**2,188,618**	**174,162**	**61,692,887**	**229,532,691**

* Restated values: see note 3

Company	2019									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	33,767,640	318,632,490	115,445,969	2,699,209	57,220,574	25,224,499	2,188,618	174,162	177,209,633	732,562,795
Acquisitions	-	-	4,626,819	24,141	3,137,082	828,982	3,216,568	10,933,074	-	22,766,665
New contracts	-	-	-	-	-	-	-	-	4,122,504	4,122,504
Disposals	(11,962)	(302,339)	(816,006)	-	(10,822)	-	-	-	-	(1,141,129)
Transfers and write-offs	-	3,477,521	8,633,181	(199,167)	794,929	72,894	(3,477,521)	(8,693,236)	(171,814)	436,787
Terminated contracts	-	-	-	-	-	-	-	-	(40,397,104)	(40,397,104)
Remeasurements									2,200,608	2,200,608
Adjustments	-	-	-	-	-	1,679,068	-	-	-	1,679,068
Closing balance	33,755,677	321,807,672	127,889,963	2,524,183	61,141,762	27,805,443	1,927,665	2,414,000	142,963,827	722,230,194
Accumulated depreciation										
Opening balance	3,739,154	201,794,470	105,503,323	2,600,122	52,713,479	21,138,556	-	-	115,516,746	503,005,849
Depreciation for the period	-	8,894,895	4,257,791	10,982	1,962,949	1,740,501	-	-	16,661,552	33,528,670
Disposals	(1,747)	(192,958)	(779,208)	-	(10,653)	-	-	-	-	(984,566)
Transfers and write-offs	-	-	(18,819)	(128,381)	681,254	127,976	-	-	(89,483)	572,547
Terminated contracts	-	-	-	-	-	-	-	-	(40,397,104)	(40,397,104)
Adjustments	-	-	-	-	-	-	-	-	-	-
Closing balance	3,737,406	210,496,407	108,963,087	2,482,723	55,347,029	23,007,033	-	-	91,691,711	495,725,395
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	(83)	-	-	-	(83)
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	**30,018,271**	**111,311,265**	**18,926,877**	**41,461**	**5,794,733**	**4,774,238**	**1,927,665**	**2,414,000**	**51,272,117**	**226,480,627**

The depreciation recorded in the **Company** amounting to 33,528,670 Euros (38,114,900 Euros on 31 December 2018), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 45).

In the **Group** and the **Company**, as at 31 December 2019, Land and natural resources and Buildings and other constructions include 554,730 Euros (590,362 Euros as at 31 December 2018), 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 (Note 1) 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.

During the year ended 31 December 2019, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:
The movements associated to additions and transfers relate to the capitalisation of repairs in own and third-party buildings of CTT and CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain.

Basic equipment:
The amount of acquisitions mainly relates to the purchase by CTT the acquisition of parcel sorting machines in the amount of 1,854 thousand Euros , the acquisition of motorcycles, tricycles and quadricycles in the amount of 416 thousand Euros, trailers in the amount of 533 thousand Euros, printers, labellers, monitors, scales and optical readers worth 817 thousand Euros, pallets for Rest Mail in the amount of 229 thousand Euros upgrades to mail sorting machines in the amount of 302 thousand Euros by CTT. CTT Expresso acquired IT equipment worth approximately 257 thousand Euros.

Office equipment:
The amount of acquisitions relates essentially to the purchase by CTT of several micro-computing equipment in the amount of 2,472 thousand Euros and medium and large size equipment of about 542 thousand Euros and the purchase of IT equipment in the amount of 769 thousand Euros by CTT Expresso.

Other tangible fixed assets:
The amount of acquisitions relates essentially to the acquisition by CTT of prevention and safety equipment in the amount of 585 thousand Euros.

Tangible fixed assets in progress:
The amounts under this heading are related to costs of improvements in own and third-party property.

Advance payments to suppliers:
The acquisition caption includes the acquisition of sorting machines (MMS) in the amount of approximately 10,416 thousand Euros by CTT.

Rights of Use
Following the adoption of IFRS 16 the **Group** and **Company** recognised rights of use, detailed by type of asset, as follows:

Group	Restated 2018*			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	233,881,680	23,480,135	8,008,314	265,370,129
New contracts	12,520,157	14,079,082	1,365,457	27,964,696
Terminated contracts	(62,073,280)	(9,466,973)	(7,662,127)	(79,202,381)
Remeasurements	3,648,963	-	-	3,648,963
Closing balance	187,977,519	28,092,244	1,711,643	217,781,407
Accumulated depreciation				
Opening balance	167,652,771	15,294,025	6,952,892	189,899,688
Depreciation for the period	18,059,979	6,073,372	1,228,126	25,361,477
Terminated contracts	(62,073,280)	(9,466,973)	(7,662,127)	(79,202,381)
Closing balance	123,639,470	11,900,424	518,891	136,058,784
Net Tangible fixed assets	**64,338,050**	**16,191,821**	**1,192,753**	**81,722,623**

* Restated values: see note 3

Group	2019			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	187,977,519	28,092,244	1,711,643	217,781,407
New contracts	3,275,146	3,643,838	76,202	6,995,186
Transfers and write-offs	(1,004,078)	(19,223)	-	(1,023,301)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Remeasurements	2,200,608	-	-	2,200,608
Adjustments	24,605	56,854	26,839	108,299
Changes in the consolidation perimeter	1,419,084	130,833	-	1,549,917
Closing balance	157,442,425	20,652,319	1,529,045	179,623,789
Accumulated depreciation				
Opening balance	123,639,470	11,900,424	518,891	136,058,784
Depreciation for the period	15,252,183	6,015,929	363,540	21,631,653
Transfers and write-offs	(855,861)	(2,989)	-	(858,850)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Adjustments	5	(5)	-	-
Changes in the consolidation perimeter	71,751	17,264	-	89,014
Closing balance	101,657,089	6,678,395	596,791	108,932,275
Net Tangible fixed assets	**55,785,336**	**13,973,924**	**932,254**	**70,691,514**

The depreciation recorded, in the **Group**, in the amount of 21,631,653 Euros (25,361,477 Euros on 31 December 2018), is booked under the heading Depreciation/amortisation and impairment of investments, net.

Company	Restated 2018*			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	200,076,435	20,456,436	7,607,610	228,140,480
New contracts	2,245,438	13,540,616	1,047,380	16,833,435
Terminated contracts	(55,082,319)	(8,779,717)	(7,551,209)	(71,413,244)
Remeasurements	3,648,963	-	-	3,648,963
Closing balance	150,888,518	25,217,335	1,103,781	177,209,633
Accumulated depreciation				
Opening balance	146,385,923	13,583,283	6,734,692	166,703,898
Depreciation for the period	13,940,192	5,285,251	1,000,650	20,226,093
Terminated contracts	(55,082,319)	(8,779,717)	(7,551,209)	(71,413,244)
Closing balance	105,243,796	10,088,817	184,134	115,516,746
Net Tangible fixed assets	**45,644,722**	**15,128,518**	**919,647**	**61,692,887**

* Restated values: see note 3

Company	2019			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	150,888,518	25,217,335	1,103,781	177,209,633
New contracts	1,941,948	2,180,556	-	4,122,504
Terminated contracts	(30,259,896)	(10,136,398)	(811)	(40,397,104)
Transfers and write-offs	(171,814)	-	-	(171,814)
Remeasurements	2,200,608	-	-	2,200,608
Closing balance	124,599,364	17,261,493	1,102,970	142,963,827
Accumulated depreciation				
Opening balance	105,243,796	10,088,817	184,134	115,516,746
Depreciation for the period	11,234,740	5,267,930	158,883	16,661,552
Terminated contracts	(30,259,896)	(10,136,398)	(811)	(40,397,104)
Transfers and write-offs	(89,483)	-	-	(89,483)
Closing balance	86,129,156	5,220,349	342,205	91,691,711
Net Tangible fixed assets	**38,470,208**	**12,041,144**	**760,765**	**51,272,117**

The depreciation recorded, in the **Company**, in the amount of 16,661,552 Euros (20,226,093 Euros on 31 December 2018), is booked under the heading Depreciation/amortisation and impairment of investments, net.

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (Note 30) and Interest expenses and income notes (Note 48), respectively.

In 2019, no interest on loans was capitalised, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

According to the analysis of impairment signs with reference to 31 December 2019, no events or circumstances were identified that indicate that the amount for which the **Group**'s and the **Company**'s tangible fixed assets are recorded may not be recovered.

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

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets, are as follows:

	Group	Company
Improvements in properties	354,558	354,558
Motorcycles	495,474	495,474
Trailers	222,956	222,956
Computer equipment	66,296	-
Improvements in properties - Banco CTT	27,825	27,825
	1,167,109	**1,100,813**

6. Intangible assets

During the years ended 31 December 2018 and 31 December 2019, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortisation, were as follows:

Group	2018						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	-	111,612,861
Acquisitions	-	2,332,323	953,564	-	17,445,188	-	20,731,075
Transfers and write-offs	-	15,512,745	-	-	(15,559,963)	-	(47,218)
Adjustments	-	-	1,709	-	-	-	1,709
Closing balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	-	132,298,428
Accumulated amortisation							
Opening balance	4,371,234	50,542,647	8,752,556	444,739	-	-	64,111,177
Amortisation for the period	4,488	10,745,367	665,827	-	-	-	11,415,682
Transfers and write-offs	-	-	-	-	-	-	-
Adjustments	-	-	1,012	-	-	-	1,012
Closing balance	4,375,722	61,288,015	9,419,396	444,739	-	-	75,527,871
Net intangible assets	**4,830**	**36,793,017**	**4,833,029**	**-**	**15,139,681**	**-**	**56,770,556**

Group	2019						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	-	132,298,428
Acquisitions	-	1,106,752	2,365,069	-	14,817,787	69,072	18,358,681
Transfers and write-offs	-	13,595,464	8,579	-	(14,331,297)	(69,072)	(796,326)
Adjustments	-	1,400	9,098	-	-	-	10,498
Changes in the consolidation perimeter	-	1,092,007	213,269	-	462,568	-	1,767,844
Closing balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	-	151,639,125
Accumulated amortisation							
Opening balance	4,375,722	61,288,015	9,419,396	444,739	-	-	75,527,871
Amortisation for the period	1,272	12,754,618	782,218	-	-	-	13,538,108
Transfers and write-offs	-	(730,878)	3,624	-	-	-	(727,254)
Adjustments	-	1,400	4,087	-	-	-	5,487
Changes in the consolidation perimeter	-	1,082,878	199,390	-	-	-	1,282,268
Closing balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Net intangible assets	**3,558**	**39,480,622**	**6,439,725**	**-**	**16,088,740**	**-**	**62,012,644**

The amortisation in the **Group** for the year ended 31 December 2019, amounting to 13,538,108 Euros (11,415,682 Euros as at 31 December 2018) was recorded under Depreciation / amortisation and impairment of investments, net (Note 45).

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. as at the acquisition date.

During the years ended 31 December 2018 and 31 December 2019, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortisation, were as follows:

Company	2018						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	3,717,326	44,311,825	5,126,108	-	10,128,953	-	63,284,212
Acquisitions	-	252,013	952,037	-	10,896,790	-	12,100,840
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	10,480,928	-	-	(10,480,928)	-	-
Adjustments	-	357,917	(190)	-	-	-	357,727
Mergers	-	738,487	2,317	-	9,984	-	750,788
Closing balance	3,717,326	56,141,169	6,080,272	-	10,554,799	-	76,493,567
Accumulated amortisation							
Opening balance	3,714,111	36,680,365	3,100,404	-	-	-	43,494,880
Amortisation for the period	3,216	6,344,147	369,396	-	-	-	6,716,759
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	-	-	-
Adjustments	-	186,117	-	-	-	-	186,117
Mergers	-	673,313	87	-	-	-	673,400
Closing balance	3,717,326	43,883,941	3,469,888	-	-	-	51,071,155
Net intangible assets	**-**	**12,257,228**	**2,610,384**	**-**	**10,554,799**	**-**	**25,422,412**

Company	2019						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	3,717,326	56,141,169	6,080,272	-	10,554,799	-	76,493,567
Acquisitions	-	249,323	2,021,311	-	7,728,943	69,072	10,068,649
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	9,359,094	8,579	-	(10,094,927)	(69,072)	(796,326)
Closing balance	3,717,326	65,749,586	8,110,162	-	8,188,816	-	85,765,890
Accumulated amortisation							
Opening balance	3,717,326	43,883,941	3,469,888	-	-	-	51,071,155
Amortisation for the period	-	7,221,757	560,211	-	-	-	7,781,968
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	(730,878)	3,624	-	-	-	(727,254)
Closing balance	3,717,326	50,374,820	4,033,723	-	-	-	58,125,869
Net intangible assets	**-**	**15,374,766**	**4,076,439**	**-**	**8,188,816**	**-**	**27,640,021**

The amortisation in the **Company**, for the year ended 31 December 2019, amounting to 7,781,968 Euros (6,716,759 Euros as at 31 December 2018) was recorded under Depreciation / amortisation and impairment of investments, net (Note 45).

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

The transfers occurred in the year ended 31 December 2018 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 797,116 Euros and 947,419 Euros were capitalised in computer software or in intangible assets in progress as at 31 December 2018 and 31 December 2019, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2018, the most significant movements of the **Group** companies in Intangible assets were the following:

Computer software:

The amount of acquisitions relate essentially to the purchase by CTT of "Traffic Management" software in the amount of 119 thousand Euros and "SGC" software in the amount of 125 thousand Euros and to the acquisition of "SQL" software in the amount of 412 thousand Euros by Banco CTT.

Industrial property:

The acquisitions under this heading relate essentially to the purchase by CTT of "Microsoft" licenses in the amount of 1,852 thousand Euros and of "Storage and Backup" licenses in the amount of 105 thousand Euros and to the acquisition by CTT Expresso purchase of "Microsoft" licenses in the amount of 300 thousand Euros.

As at 31 December 2019 the **Group** and the **Company** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group	Company
CRM - software	1,453,722	1,453,722
Mortgage loans - software	849,084	-
SAP Hana & Hybris Billing	838,393	838,393
SIGPOSTAL - software	658,603	658,603
Management information - Software	581,878	581,878
Mailmanager - software	565,753	565,753
Transactions broker - software	479,467	-
Transaction Monitoring - software	450,140	-
Customs portal	402,654	402,654
NAVE evolution	387,020	387,020
Data Governance - software	331,735	-
Servers, storage e backup	321,617	321,617
Account Opening Process - software	306,278	-
	7,626,343	**5,209,639**

The **Group** and the **Company** have not identified any relevant uncertainties regarding the conclusion of ongoing projects, nor about their recoverability. Even so, the recoverability of the values of intangible assets in progress was tested in the scope of impairment tests of the assets of the Cash Generating Unit to which they belong.

Most of the projects are expected to be completed in 2020.

The amount of research and development expenses incurred by the **Group** and the **Company** in 2019, in the amount of 1,063,800 Euros and 948,585 Euros, respectively, was disclosed in Note 49.

In 2019, no interest on loans was capitalised, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

According to the analysis of impairment signs with reference to 31 December 2019, no events or circumstances were identified that indicate that the amount for which the **Group**'s and the **Company**'s intangible assets are recorded may not be recovered.

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.

Contractual commitments relative to the **Group** and the **Company** Intangible assets are as follows:

	Group	Company
CBS - Core Banking System	795,550	-
SAP S/4 Hana e SAP Hybris	656,949	656,949
Account Opening Process	447,394	-
Virtual Agent	24,930	-
Enterprise Content Management	1,368	1,368
	1,926,190	**658,317**

7. Investment properties

As at 31 December 2018 and 31 December 2019, the **Group** and the **Company** have the following assets classified as investment properties:

Group and Company	2018			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	2,882,477	11,824,326	-	14,706,803
Additions	-	-	-	-
Disposals	(98,874)	(812,552)	-	(911,425)
Transfers and write-offs	724,752	5,529,376	-	6,254,128
Other movements	-	(2,518)	-	(2,518)
Closing balance	**3,508,355**	**16,538,633**	**-**	**20,046,988**
Accumulated depreciation				
Opening balance	166,541	7,282,857	-	7,449,397
Depreciation for the period	-	299,932	-	299,932
Disposals	(10,982)	(528,516)	-	(539,498)
Transfers and write-offs	79,415	3,334,258	-	3,413,674
Other movements	-	-	-	-
Closing balance	**234,974**	**10,388,531**	**-**	**10,623,505**
Accumulated impairment				
Opening balance	-	1,092,556	-	1,092,556
Impairment for the period	-	(732,506)	-	(732,506)
Transfers	-	883,452	-	883,452
Closing balance	-	1,243,502	-	1,243,502
Net Investment properties	**3,273,381**	**4,906,599**	**-**	**8,179,980**

Group and Company	2019			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	3,508,355	16,538,633	-	20,046,988
Additions	-	-	-	-
Disposals	(195,997)	(1,528,862)	-	(1,724,859)
Transfers and write-offs	-	-	-	-
Closing balance	**3,312,358**	**15,009,771**	**-**	**18,322,129**
Accumulated depreciation				
Opening balance	234,974	10,388,531	-	10,623,505
Depreciation for the period	-	261,092	-	261,092
Disposals	(21,122)	(943,491)	-	(964,612)
Closing balance	**213,853**	**9,706,133**	**-**	**9,919,985**
Accumulated impairment				
Opening balance	-	1,243,502	-	1,243,502
Impairment for the period	-	(494,358)	-	(494,358)
Closing balance	-	749,144	-	749,144
Net Investment properties	**3,098,506**	**4,554,494**	**-**	**7,653,000**

These assets are not allocated to the **Group** and the **Company** 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 2019 which were conducted by independent entities, amounts to 12,261,900 Euros (12,706,416 Euros as at 31 December 2018).
In the year ended 31 December 2019, the amount recorded under the disposals heading relates to the sale of three properties having the corresponding accounting gains, of 353 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

Depreciation for the year ended on 31 December 2019, of 261,092 Euros (299,932 Euros on 31 December 2018) was recorded in the caption Depreciation/amortisation and impairment of investments, net (Note 45).

Impairment losses of the **Company** for the period amounting to (494,358) Euros ((732,506) Euros on 31 December 2018) were recorded in the caption Depreciation/amortisation and impairment of investments, net (Note 45) and are explained by the market value reduction observed in some buildings.

8. Companies included in the consolidation

Subsidiary companies

As at 31 December 2018 and 31 December 2019, 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	2018 Percentage of ownership			2019 Percentage of ownership		
			Direct	Indirect	Total	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
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Av. Europa, n.º 9 Coslada, Madrid	100	-	100	-	-	-
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edificio 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
Transporta - Transportes Porta a Porta, S.A. ("Transporta")	Portugal	Estrada de São Marcos N.º 15 2735-521 Cacém	100	-	100	-	-	-
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7º B 1050-083 Lisboa	-	-	-	-	100	100

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 26 April 2019 a share capital increase was made in Banco CTT in the amount of 110 million Euros, currently its share capital amounts to 266,400,000 Euros.

As at 2 May 2019 100% of the share capital of 321 Crédito – Instituição Financeira de Crédito, S.A. was acquired for the amount of 110,782,000 Euros. See impact of the acquisition on changes in the consolidation perimeter below.

On 11 June 2019, but producing effects as of 1 January 2019, was registered the merger by incorporation of Transporta – Transportes Porta a Porta, S.A. in CTT Expresso – Serviços Postais e Logística, S.A. through the global transfer of the assets. This transaction had no impact on the consolidation perimeter.

On December 20, but taking effect on 1 January 2019, the merger by incorporation of Tourline Express Mensajería, SLU in CTT Expresso - Serviços Postais e Logística, S.A., through the global transfer of the assets was registered. This operation had no impact on the consolidation perimeter. As a result of this operation, CTT Expresso - Serviços Postais e Logística, S.A., sucursal em Espanha was created ("CTT Expresso branch in Spain").
On 23 December 2019 a new share capital increase was made in Banco CTT in the amount of 20 million Euros, currently its share capital amounts to 286,400,000 Euros.

Joint ventures
As at 31 December 2018 and 31 December 2019, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	2018 Percentage of ownership			2019 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.º Ferreira Dias 924 Esc. 5 Porto	50	-	50	50	-	50

On 8 August 2018, Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., was formed, regarding the establishment of an e-commerce platform to provide 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 2 April, 6 May and 6 August 2019, the company MKTPlace - Comércio Eletrónico, S.A., was subject to capital increases in the amount of 3,625,523 Euros made by CTT.

Associated companies
As at 31 December 2018 and 31 December 2019, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	2018 Percentage of ownership			2019 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	Lagoas Parque, Edifício 3, Piso 3 Oeiras	20	-	20	20	-	20
Mafelosa, SL [(a)]	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacksur, SL [(a)]	Spain	Málaga - Spain	-	30	30	-	30	30

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

Structured entities

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

Name	Constitution Year	Place of issue	% Economic Interest	Consolidation Method
Ulisses Finance No.1 (*)	2017	Portugal	12.2%	Full
Chaves Funding No.8 (*)	2019	Portugal	100%	Full

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

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

	2019
Cash and cash equivalents	7,730,012
Other banking financial liabilities (Debt securities issued)	76,077,368

Changes in the consolidation perimeter

During the period ended 31 December 2018, the consolidation perimeter was changed with the creation on 8 August 2018 of Mktplace - Comércio Eletrónico, S.A., whose interests are accounted in accordance with the equity method.

In the year ended 31 December 2019, the consolidation perimeter was changed following the acquisition of 321 Crédito – Instituição Financeira de Crédito. On July 24, 2018, the Group agreed to purchase 100% of 321 Crédito, an institution specialising in granting credit for the purchase of used motor vehicles by retail customers, through an external network of points of sale.

The agreement was signed with Firmus Investimentos, SGPS, S.A., an entity owned by Cabot Square Capital LLP, and by Eurofun, which jointly held the total share capital of 321 Crédito.

On April 22, the suspensive conditions provided for in the purchase and sale contract of 321 Crédito by Banco CTT were verified, including the non-opposition to the transaction by the competent banking supervision entities and the Competition Authority.

The acquisition was made at an initial price of 100 million Euros, settled on the closing date of the transaction, on May 2, 2019. The price was also subject to a price adjustment mechanism in order to reflect the change in regulatory own funds from 31 December 2017 to 31 March 2019, which amounted to 10,782 thousand euros, also settled in May 2019. The final price was 110,782,000 euros.

The **Group** incurred in expenses related to the acquisition of 321 Crédito of 1,608 thousand Euros related to the transaction, namely financial advisory and legal costs. These expenses were recorded under the item External Supplies and Services.

Recognition and measurement of identifiable assets acquired, and liabilities assumed in accordance with IFRS:

The recognition of Goodwill calculated on the purchase of 321 Crédito is shown as follows:

(thousands euros)

Caption	Amount
Equity of 321 Crédito – 2 May 2019	**47,539**
Fair value adjustments:	
Credit to clients	1,627
Non-current assets available for sale	803
Deferred tax assets	882
Financial liabilities related to transferred assets	539
Provisions	(1,301)
Other diferences	13
Fair value of net assets acquired	**50,103**
Acquisition price	110,782
Goodwill	**60,679**

Goodwill is mainly attributable to the human capital skills of 321 Crédito and the synergies expected to be achieved with the integration of the company into the **Group**'s existing businesses.

The methods of measuring fair value applied by the **Group** are detailed as follows:

- Credit to customers

The customer credit portfolio acquired as part of the 321 Crédito, SA share acquisition operation was measured at fair value at the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. Fair value was estimated as the current amount of future discounted financial flows from acquired assets, considering the expectations of fluctuations in the value and term of financial flows, the temporal value of financial flows and the market conditions of similar portfolios.

Stage 1

The fair value of credits in Stage 1 corresponds to the sum of the Net Present Value ("NPV") of the credits granted by 321 Crédito. In order to determine the NPV of each operation, two steps were followed:

1. Estimation of a fixed monthly installment, which translates into the amount of principal repaid to 321 Credit by borrowers on a monthly basis.
   This exercise was carried out based on the NPV formula, which was inverted to determine the amount of the benefit, and considers the following parameters:
   a) Current value: Value of the maturing amount of the credit under analysis;
   b) b) Interest rate: Rate of return on the credit operation under analysis;
   c) c) Duration (monthly): Monthly time horizon until the credit maturity under analysis.

2. Determination of the Fair Value of the credit granted, obtained by applying the NPV formula, which considers the following parameters:
   a) Constant monthly installment;
   b) Weighted average discount rate of the Internal Rate of Return on loans granted in April 2019;
   c) Duration (monthly).

Stage 2

The calculation of the fair value of credits in Stage 2 follows a methodology identical to that used for credits in Stage 1, considering also the amount of impairment of these credits, in order to affect the calculation of fair value the specific credit risk determined for these operations.

Stage 3

The assumption was made that the fair value of Stage 3 credits corresponds to their gross value less the expected losses for each credit.

- Non-current assets held for sale

The fair value of real estate assets held for sale correspond to the appraisal value resulting from the analysis of 321 Crédito, which comprises the immediate sale value ("ISV") resulting from real estate appraisals adjusted for the effects of cost estimates and sales periods.

- Deferred tax assets

The estimated value for the purposes of PPA corresponds to the amount of deferred taxes in April 2019 referring to (i) estimates of deductible temporary differences made by 321 Crédito, and (ii) differences between the fair value and the net book value of the credit to clients and financial liabilities associated with transferred assets.

- Financial liabilities associated with transferred assets

The fair value was determined through the market value for the tranches traded in the market and the net book value for the others.

- Provisions

The fair value results from the analysis carried out regarding the effective risk of the identified contingent liabilities.

For the remaining 321 Crédito assets and liabilities, the estimated fair value corresponds to its net book value.

The Income Statement of 321 Crédito as at 31 December 2019 is as follows (months of May to December):

Income Statement - 31.12.2019

Caption	Amount
Financial margin	15,702,037
Other operating income and costs	(3,716,589)
Impairments and provisions	(1,255,576)
Other costs	(41,653)
Earnings before taxes	**10,688,219**
Income tax	(1,096,317)
Net profit for the period	**9,591,902**

9. Goodwill

As at 31 December 2018 and 31 December 2019, the **Group** Goodwill was made up as follows:

Group	Year of acquisition	2018	2019
Mailtec Comunicação, S.A.	2004	6,161,326	6,161,326
Payshop Portugal, S.A.	2004	406,101	406,101
321 Crédito - Instituição Financeira de Crédito, S.A.	2019	-	60,678,648
Transporta, S.A.	2017	2,955,753	2,955,753
		9,523,180	**70,201,828**

During the years ended 31 December 2018 and 31 December 2019, the movements in Goodwill were as follows:

Group	2018	2019
Opening balance	9,523,179	9,523,179
Acquisitions	-	60,678,648
Impairment	-	-
Closing balance	**9,523,179**	**70,201,828**

The acquisitions in the period ended 31 December 2019 relate to the acquisition of the company 321 Crédito – Instituição Financeira de Crédito, S.A., and a Goodwill amounting to 60,678,648 Euros, as shown in Note 8.

Goodwill impairment assessment

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

During the year ended 31 December 2019, in order to determine the recoverable amount of its investments, the **Group** performed impairment tests as at 31 December 2018 and 31 December 2019 based on the following assumptions:

		2018			
Company name	**Activity**	**Base for determining the recoverable amount**	**Explicit period for cash flows**	**Discount rate (WACC)**	**Perpetutiy rate growth**
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	10.11%	1.0%
Tourline Express Mensajería, SLU.	Cargo and Logistics	Equity Value/DCF	7 years	10.05%	1.0%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	9.61%	1.0%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	10.11%	1.0%

		2019				
Company name	**Activity**	**Base for determining the recoverable amount**	**Explicit period for cash flows**	**Discount rate (WACC)**	**Discount rate (Cost of Equity)**	**Perpetutiy rate growth**
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.17%	-	1.4%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	9.29%	-	2.3%
CTT Expresso, branch in Spain	Cargo and Logistics	Equity Value/DCF	7 years	9.36%	-	1.6%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	-	10.00%	2.0%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	5 years	-	10.00%	2.0%

The generalised reduction in the discount rate (WACC) in the period ended 31 December 2019 resulted mainly from the decrease in the "Country Risk Premium" due to the improvement in the rating of the Portuguese Republic and the decrease in the "Risk free rate".

The cash flow projections were based on historical performance and 5-year business plans, approved by the Board of Directors, except Tourline, for which the 7-year business plan was considered, to the extent that changes to the Company's strategy implied the use of a longer period until operating cash flow stability was reached. . Payshop's impairment test was carried out together with the analysis of the recoverability of the investment in Banco CTT (Note 10).

As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2019 there were no indications of impairment losses.

As at 31 December 2018 and 31 December 2019, the impairment losses registered in the **Group** are as follows:

	2018					
	Year of acquisition	**Initial value of Goodwill**	**Impairment losses for the period**	**Accumulated impairment losses**	**Disposals**	**Carrying value**
Tourline Express Mensajería, SLU	2005	20,671,985	-	20,671,985	-	-
Mailtec Comunicação, S.A.	2004	7,294,638	-	1,133,312	-	6,161,326
		27,966,623	**-**	**21,805,297**	**-**	**6,161,326**

	2019					
	Year of acquisition	**Initial value of Goodwill**	**Impairment losses for the period**	**Accumulated impairment losses**	**Disposals**	**Carrying value**
Tourline Express Mensajería, SLU	2005	20,671,985	-	20,671,985	-	-
Mailtec Comunicação, S.A.	2004	7,294,638	-	1,133,312	-	6,161,326
		27,966,623	**-**	**21,805,297**	**-**	**6,161,326**

Sensitivity analyses were performed on the results of the impairment tests, namely the following key assumptions: (i) reduction of 50 basis points in the growth rate in perpetuity and (ii) increase of 50 points in the different discount rates used. The results of the sensitivity analyses carried out do not determine the existence of signs of impairment in Goodwill.

10. Investments in subsidiary companies

During the years ended 31 December 2018 and 31 December 2019, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

Company	Restated 2018 *			2019		
	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total
Opening balance	124,181,057	(4,237,541)	119,943,515	113,576,926	-	113,576,926
Equity method	(12,885,180)	(10,220,139)	(23,105,319)	(11,342,668)	-	(11,342,668)
Distribution of dividends	(483,106)	-	(483,106)	-	-	-
Share capital increase	33,429,633	14,457,680	47,887,313	131,500,000	-	131,500,000
Other	(30,665,478)	-	(30,665,478)	(259,228)	-	(259,228)
Closing balance	**113,576,926**	**-**	**113,576,926**	**233,475,030**	**-**	**233,475,030**

* Restated values: see note 3

The caption Share capital increase includes the Banco CTT's share capital increases, occurred on 26 April and 23 December 2019 in the amount of 110,000,000 Euros and 20,000,000 Euros, respectively.

This caption also includes the increase operation, occurred on April 2019, recognised under the caption "Other Equity Instruments", in the subsidiary Transporta (which was merged into CTT Expresso during the year 2019), in the amount of 1,500,000 Euros.

As at 31 December 2018 and 31 December 2019, the detail by company of Investments in subsidiaries of the **Company** was as follows:

Company	Restated 2018 *								
	% held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	Proportion of net profit
CTT Expresso,S.A.	100%	54,144,987	44,662,567	9,482,420	3,733,582	-	9,482,420	-	3,733,582
CTT Contacto, S.A.	100%	4,382,565	1,315,230	3,067,335	1,197,713	-	3,067,335	-	1,197,713
CORRE - Correio Expresso Moçambique, S.A.	50%	1,526,261	1,195,273	330,988	41,981	-	165,494	-	20,991
Banco CTT, S.A.	100%	997,820,455	908,324,331	89,496,123	(17,485,341)	-	89,496,123	-	(17,485,341)
Tourline Express Mensajería, SLU	100%	29,785,562	25,926,388	3,859,173	(7,967,344)	-	2,216,018	-	(7,967,344)
Transporta - Transportes Porta à Porta, S.A.	100%	10,581,455	10,548,999	32,457	(2,560,766)	2,955,753	32,457	-	(2,560,766)
Mailtec Comunicação S.A.		-	-	-	-	6,161,326	-	-	-
						9,117,079	**104,459,847**	**-**	**(23,061,166)**

* Restated values: see note 3

Company	2019								
	% held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	Proportion of net profit
CTT Expresso,S.A.	100%	107,416,667	98,960,174	8,456,493	(4,644,588)	2,955,753	8,463,833	-	(4,644,588)
CTT Contacto, S.A.	100%	5,250,057	957,483	4,292,574	1,225,240	-	4,292,569	-	1,225,240
CORRE - Correio Expresso Moçambique, S.A.	50%	1,825,513	1,341,003	484,510	175,534	-	242,255	-	87,767
Banco CTT, S.A.	100%	1,560,859,258	1,349,503,769	211,355,489	(8,011,087)	-	211,359,293	-	(8,011,087)
Mailtec Comunicação S.A.		-	-	-	-	6,161,326	-	-	-
						9,117,079	**224,357,951**	**-**	**(11,342,668)**

The **Company**'s investment in Banco CTT was subject to an impairment test with reference to 31 December 2019, and no impairment was determined. The impairment test was carried out considering a cost of equity of 10%.

For the years ended 31 December 2018 and 31 December 2019, the net income in subsidiary companies arising from the application of the equity method, and stated under Gains/losses in subsidiaries, associated companies and joint ventures in the Income statement were recognised against the following items on the balance sheet:

Company	Restated 2018*	2019
Investment in subsidiaries		
CTT Expresso,S.A.	3,733,582	(4,644,588)
CTT Contacto, S.A.	1,197,713	1,225,240
CORRE - Correio Expresso Moçambique, S.A.	20,991	87,767
Banco CTT, S.A.	(17,485,341)	(8,011,087)
Tourline Express Mensajería, SLU	(7,967,344)	-
Transporta - Transportes Porta à Porta, S.A.	(2,560,766)	-
	(23,061,166)	**(11,342,668)**
Provisions - Investment in subsidiaries		
CORRE - Correio Expresso Moçambique, S.A.	-	-
Tourline Express Mensajería, SLU	-	-
Transporta - Transporte Porta à Porta, S.A.	-	-
	-	**-**
	(23,061,166)	**(11,342,668)**

11. Investments in associated companies

For the years ended 31 December 2018 and 31 December 2019, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2018	2019	2018	2019
Gross carrying value				
Opening balance	296,260	296,260	295,779	295,779
Equity method - proportion of net income	-	(2,825)	-	(2,825)
Closing balance	**296,260**	**293,434**	**295,779**	**292,953**

As at 31 December 2018 and 31 December 2019, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2018	2019	2018	2019
Multicert, S.A.	295,779	292,953	295,779	292,953
Urpacksur, S.L.	481	481	-	-
	296,260	**293,434**	**295,779**	**292,953**

Group	2018							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [(a)]	20%	2,796,735	1,317,841	1,478,894	202,821	295,779	-	n.a.
Mafelosa, SL [(b) (c)]	25%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
Urpacksur [(b) (c)]	30%	n.a.	n.a.	n.a.	n.a.	481	-	n.a.
						296,260	**-**	**-**

[(a)] Data reported as at December 2015
[(b)] Companies held by Tourline Express Mensajeria
[(c)] Companies without activity

Group	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [(a)]	20%	3,985,057	2,520,290	1,464,767	251,014	292,953	-	(2,825)
Mafelosa, SL [(b) (c)]	25%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
Urpacksur [(b) (c)]	30%	n.a.	n.a.	n.a.	n.a.	481	-	n.a.
						293,434	**-**	**(2,825)**

[(a)] Data reported as at December 2018
[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).
[(c)] Companies without activity

Company	2018							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [(a)]	20%	2,796,735	1,317,841	1,478,894	202,821	295,779	-	n.a.
						295,779	**-**	**-**

[(a)] Data reported as at December 2015

Company	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	3,985,057	2,520,290	1,464,767	251,014	292,953	-	(2,825)
						292,953	**-**	**(2,825)**

[a] Data reported as at December 2018

For the year ended 31 December 2019, losses were recognised in associated companies arising from the application of the equity method, in the amount of (2,825) Euros.

12. Investments in joint ventures

As at 31 December 2018 and 31 December 2019, the detail of the **Group** and the **Company** investments in joint ventures were as follows:

Group and Company	2018							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
MKTPlace - Comércio Eletrónico, S.A	50%	3,179,597	2,187,445	992,151	(1,787,057)	496,076	-	(893,528)
PTP & F, ACE	51%	-	-	-	-	-	-	-
NewPost, ACE	49%	-	-	-	-	-	-	-
						496,076	**-**	**(893,528)**

Group and Company	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
MKTPlace - Comércio Eletrónico, S.A	50%	7,149,588	1,757,833	5,391,755	(3,681,863)	2,723,803	-	(1,397,796)
PTP & F, ACE	51%	-	-	-	-	-	-	-
NewPost, ACE	49%	-	-	-	-	-	-	-
						2,723,803	**-**	**(1,397,796)**

13. Other investments

The amount of Other investments as at 31 December 2018 and 31 December 2019, in the **Group** and the **Company**, were as follows:

Entity	Head office	Group and Company	
		2018	2019
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
Tagus Park	Lisbon - Portugal	1,372,743	1,372,743
CEPT	Copenhagen - Denmark	237	237
		1,379,137	**1,379,137**

In February 2018, the investment in Eurogiro Network was sold, resulting in a capital gain of 97,593 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

During the year, no impairment loss was recognised in these investments.

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. These instruments were not measured through discounted cash flows since these could not be reliably determined.

14. Debt securities

As at 31 December 2018 and 31 December 2019, the caption Debt securities, in the **Group**, showed the following composition:

	2018	2019
Non-current		
Financial assets at fair value through other comprehensive income [1]		
Government bonds	546,260	528,420
Bonds issued by other entities	311,385	-
	857,645	**528,420**
Financial assets at amortised cost		
Government bonds	403,296,616	409,886,034
Bonds issued by other entities	25,048,798	14,605,943
Impairment	(164,378)	(169,217)
	428,181,036	**424,322,759**
	429,038,681	**424,851,179**
Current		
Financial assets at fair value through other comprehensive income [1]		
Government bonds	13,765	13,727
Bonds issued by other entities	617,658	-
	631,423	**13,727**
Financial assets at amortised cost		
Government bonds	14,292,141	31,536,069
Bonds issued by other entities	10,158,084	14,491
Impairment	(18,447)	(4,136)
	24,431,778	**31,546,424**
	25,063,201	**31,560,152**
	454,101,881	**456,411,331**

[1] As at 31 December 2018 and 31 December 2019 includes the amount of 127,791 Euros and 225 Euros, respectively, regarding Accumulated impairment losses.

The analysis of the Financial assets at fair Value through other comprehensive income and the Financial assets at amortised cost, by remaining maturity, as at 31 December 2018 and 31 December 2019 is detailed as follows:

	2018						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at fair value through other comprehensive income [1]							
Government bonds							
National	13,765	-	13,765	546,260	-	546,260	560,025
Foreign	-	-	-	-	-	-	-
Bonds issued by other entities							
National	-	-	-	-	-	-	-
Foreign	9,163	608,495	617,658	311,385	-	311,385	929,043
	22,928	**608,495**	**631,423**	**857,645**	**-**	**857,645**	**1,489,068**

[1] As at 31 December 2018 includes the amount of 127,791 Euros regarding Accumulated impairment losses.

	2018						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortised cost							
Government bonds							
National	4,704,139	6,551,473	11,255,612	18,070,554	267,159,988	285,230,542	296,486,154
Foreign	497,547	2,538,983	3,036,529	42,443,006	75,623,068	118,066,074	121,102,603
Bonds issued by other entities							
National	5,258,084	4,900,000	10,158,084	17,878,512	7,170,286	25,048,798	35,206,882
Foreign	-	-	-	-	-	-	-
	10,459,770	**13,990,455**	**24,450,225**	**78,392,071**	**349,953,342**	**428,345,414**	**452,795,639**

	2019						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at fair value through other comprehensive income [1]							
Government bonds							
National	13,727	-	13,727	528,420	-	528,420	542,147
Foreign	-	-	-	-	-	-	-
Bonds issued by other entities							
National	-	-	-	-	-	-	-
Foreign	-	-	-	-	-	-	-
	13,727	**-**	**13,727**	**528,420**	**-**	**528,420**	**542,147**

[1] As at 31 December 2019 includes the amount of 225 Euros regarding Accumulated impairment losses.

	2019						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortised cost							
Government bonds							
National	4,538,504	4,717,697	9,256,202	41,143,284	236,717,591	277,860,875	287,117,077
Foreign	752,422	21,527,446	22,279,868	34,645,814	97,379,345	132,025,158	154,305,026
Bonds issued by other entities							
National	14,491	-	14,491	14,605,943	-	14,605,943	14,620,434
Foreign	-	-	-	-	-	-	-
	5,305,417	**26,245,143**	**31,550,561**	**90,395,041**	**334,096,936**	**424,491,976**	**456,042,537**

The impairment losses, for the period ended 31 December 2018 and 31 December 2019, are detailed as follows:

	2018						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the accounting standards	Closing balance
Non-current assets							
Financial assets at fair value through other comprehensive income	-	4,325	(8,387)	-	-	4,566	504
Financial assets at amortised cost	-	110,568	(190,198)	-	-	244,008	164,379
	-	114,893	(198,585)	-	-	248,575	164,883
Current assets							
Financial assets at fair value through other comprehensive income	-	121,166	-	-	-	6,120	127,286
Financial assets at amortised cost	-	15,383	-	-	-	3,064	18,447
	-	**136,549**	**-**	**-**	**-**	**9,184**	**145,733**
Financial assets at fair value through other comprehensive income	***-***	***125,491***	***(8,387)***	***-***	***-***	***10,686***	***127,790***
Financial assets at amortised cost	***-***	***125,951***	***(190,198)***	***-***	***-***	***247,072***	***182,825***
	-	**251,442**	**(198,585)**	**-**	**-**	**257,759**	**310,616**

	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the accounting standards	Closing balance
Non-current assets							
Financial assets at fair value through other comprehensive income	504	19	(40,529)	(299)	40,529	-	225
Financial assets at amortised cost	164,379	31,512	(43,292)	-	16,618	-	169,217
	164,883	31,531	(83,821)	(299)	57,147	-	169,442
Current assets							
Financial assets at fair value through other comprehensive income	127,286	-	-	(86,757)	(40,529)	-	-
Financial assets at amortised cost	18,447	2,678	(370)	-	(16,618)	-	4,136
	145,733	**2,678**	**(370)**	**(86,757)**	**(57,147)**	**-**	**4,136**
Financial assets at fair value through other comprehensive income	***127,790***	***19***	***(40,529)***	***(87,056)***	***-***	***-***	***225***
Financial assets at amortised cost	***182,826***	***34,190***	***(43,662)***	***-***	***-***	***-***	***173,353***
	310,616	**34,209**	**(84,191)**	**(87,056)**	**-**	**-**	**173,578**

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, in the periods ended on 31 December 2018 and 31 December 2019, they are detailed as follows:

	2018	2019
	Stage 1	Stage 1
Opening balance	-	127,790
Change in the accounting standards	10,686	-
Change in period:		
Increases due to origination and acquisition	125,491	-
Changes due to change in credit risk	(8,387)	19
Decrease due to derecognition repayments and disposals	-	(127,585)
Write-offs	-	-
Changes due to update in the institution's methodology for estimatior	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	**127,790**	**225**

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

	2018 Stage 1	2019 Stage 1
Opening balance	-	127,790
Change in the accounting standards	10,686	-
Change in period:		
ECL income statement change for the period	117,104	(40,510)
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	(87,056)
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	**127,790**	**225**

For the impairment losses of Financial assets at amortised cost, the movements by stages, in the periods ended on 31 December 2018 and 31 December 2019, they are detailed as follows:

	2018 Stage 1	2019 Stage 1
Opening balance	-	182,825
Change in the accounting standards	247,072	-
Change in period:		
Increases due to origination and acquisition	125,951	13,008
Changes due to change in credit risk	(190,198)	(4,033)
Decrease due to derecognition repayments and disposals	-	(18,447)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	**182,825**	**173,353**

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

	2018 Stage 1	2019 Stage 1
Opening balance	-	182,825
Change in the accounting standards	247,072	-
Change in period:		
ECL income statement change for the period	(64,247)	(9,473)
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	**182,825**	**173,353**

According to the accounting policy described in Note 2.11, the Group regularly assesses whether there is objective evidence of impairment in its financial asset portfolios at fair value through other comprehensive income and other financial assets at amortized cost, following the criteria described in Note 2.30.

15. Other banking financial assets and liabilities

As at 31 December 2018 and 31 December 2019, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	2018	2019
Non-current assets		
Loans to credit institutions	22,910,185	18,928,416
Impairment	(217,751)	(166,249)
Other	-	1,882
	22,692,434	**18,764,049**
Current assets		
Investments in credit institutions	78,314,989	1,650,072
Loans to credit institutions	14,004,877	11,551,960
Impairment	(197,018)	(47,303)
Other	1,509,230	5,688,014
Impairment	(10,927)	(4,182,457)
	93,621,151	**14,660,286**
	116,313,585	**33,424,335**
Non-current liabilities		
Debt securities issued	-	76,060,295
	-	**76,060,295**
Current liabilities		
Debt securities issued	-	17,073
Other	14,950,779	17,970,646
	14,950,779	**17,987,719**
	14,950,779	**94,048,014**

Investments in credit institutions and Loans to credit institutions

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

	2018	2019
Up to 3 months	24,472,036	3,367,931
From 3 to 12 months	67,847,830	9,834,101
From 1 to 3 years	14,251,127	13,689,301
Over 3 years	8,659,058	5,239,115
	115,230,051	**32,130,448**

Impairment

The impairment losses, for the period ended 31 December 2018 and 31 December 2019, are detailed as follows:

	2018							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets								
Investments and loans in credit institutions	-	564,091	(462,633)	-	-	-	116,293	217,751
	-	**564,091**	**(462,633)**	**-**	**-**	**-**	**116,293**	**217,751**
Current assets								
Investments and loans in credit institutions	-	-	(310,086)	-	-	-	507,104	197,018
Other	-	10,927	-	-	-	-	-	10,927
	-	**10,927**	**(310,086)**	**-**	**-**	**-**	**507,104**	**207,945**
	-	**575,018**	**(772,719)**	**-**	**-**	**-**	**623,397**	**425,696**

	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets								
Investments and loans in credit institutions	217,751	91,523	(244,427)	-	101,403	-	-	166,249
	217,751	**91,523**	**(244,427)**	**-**	**101,403**	**-**	**-**	**166,249**
Current assets								
Investments and loans in credit institutions	197,018	24,916	(73,229)	-	(101,403)	-	-	47,303
Other	10,927	224,755	(53,534)	-	(10,927)	4,011,235	-	4,182,457
	207,945	**249,672**	**(126,763)**	**-**	**(112,330)**	**4,011,235**	**-**	**4,229,760**
	425,696	**341,194**	**(371,190)**	**-**	**(10,927)**	**4,011,235**	**-**	**4,396,009**

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2018 and 31 December 2019, they are detailed as follows:

	2018 Stage 1	2019 Stage 1
Opening balance	-	414,769
Change in the accounting standards	623,397	-
Change in period:		
Increases due to origination and acquisition	564,091	52,737
Changes due to change in credit risk	(772,719)	(64,377)
Decrease due to derecognition repayments and disposals	-	(189,576)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment	**414,769**	**213,552**

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

	2018 Stage 1	2019 Stage 1
Opening balance	-	414,769
Change in the accounting standards	623,397	-
Change in period:		
ECL income statement change for the period	(208,628)	(201,217)
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment	**414,769**	**213,552**

Debt securities issued

This caption showed the following composition:

	2018	2019
Securitisations	-	76,077,368
	-	**76,077,368**

As at 31 December 2019 the Debt securities issued are analysed as follows:

Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 - Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	61,938,000	61,963,646
Ulisses Finance No.1 - Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	7,004,497
Ulisses Finance No.1 - Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,109,225
				76,038,000	**76,077,368**

The movement of this item in the year is as follows:

	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	201,660,418	-	(201,600,000)	(60,418)	-
Ulisses Finance No.1	-	101,060,139	-	(25,007,517)	24,746	76,077,368
	-	**302,720,556**	**-**	**(226,607,517)**	**(35,672)**	**76,077,368**

During June 2019, the **Group** decided to early redeem Chaves Funding no. 7. This securitisation transaction included an auto loan and leasing portfolio and had a nominal value of 197.200.000 Euros at the time of its redemption.

The scheduling by maturity regarding this caption is as follows:

	2019						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Securitisations	17,073	-	17,073	-	76,060,295	76,060,295	76,077,368
	17,073	**-**	**17,073**	**-**	**76,060,295**	**76,060,295**	**76,077,368**

16. Financial risk management

The **Group** and the **Company** activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the Group in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the **Group** and the **Company**'s financial performance. Financial risks include credit risk, interest rate risk, exchange rate risk, liquidity risk and capital risk.

Under the non-banking activity, financial risk management integrates the Risk Management System of the **Group** and the **Company** reporting directly to the Executive Committee. The departments of Finance and Risk Management and Accounting and Treasury ensure the centralised management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the Group and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the **Group** and the **Company** are exposed to. The **Group** and the **Company** are developing an integrated risk management system.

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.

Banco CTT's risk management and internal control policy aims to maintain an adequate relationship between its equity and the activity developed, as well as the corresponding risk profile assessment/ return per business line. It also aims to support the decision-making process, being able to enhance, both in the short and long term, the ability to manage the risks to which Banco CTT is exposed and allow clear communication of the ways in which the risks arising from the business must be managed in order to create the basis for a solid operating environment. In this context, monitoring and control of the main types of risks to which the Bank's activity is subject becomes relevant.

<u>Credit risk</u>

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the **Group** and the **Company.** Thus, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

Under the non-banking activity, the deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the net income of the Group companies. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

The credit risk management is based on a set of standards and guidelines, part of the Granting of credit to customers Regulation ("Regulamento de Concessão de Crédito a Clientes" (RCCC)) and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of the **Group** and the **Company** Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the Customer's capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the Group companies and monthly monitored by the Credit Committee with the purpose of limiting the credit granted to Customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted and analysing the recoverability of the receivables.

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client. The amounts of accounts receivable were adjusted for bank guarantees and advance deposits for the purpose of calculating expected losses.

In the case of customers in the Mail, Express and Parcels and Financial Services segments, the existence of a reduced probability that the customer will pay in full its credit obligations is essentially determined based on the following criteria:

- Overdue credits with high seniority;
- Clients in bankruptcy, insolvency or liquidation; and
- Credits in litigation.

Regarding banking clients, those who meet at least one of the following criteria are considered to be default:

- Existence of payments of capital or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Credits in litigation;
- Cross-default credits;
- Restructured credits due to financial difficulties;
- Default quarantined credits;
- Credits for which there is a suspected fraud or confirmed fraud.

The movement of impairment losses of accounts receivable is disclosed in Notes 24 and 44. As at 31 December 2019, the **Group** and the **Company** believe that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made both by the **Group** and the **Company**. With the purpose of reducing that risk, the Group and the **Company** policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The **Group** and the **Company** credit risk quality, as at 31 December 2019, related to these types of assets (Cash and cash equivalents as stated in Note 22, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating [1]	2019	
	Group	**Company**
Aa3	3,264,277	5,326
A2	47,582,002	84,351
Baa1	151,775,525	104,351,406
Baa2	53,084,157	45,113,321
Baa3	29,497,632	-
Ba2 [2]	209	209
Ba3	36,970,913	35,166,484
B1	47,596,029	42,540,462
Outros [3]	13,978,480	1,040,328
	383,749,225	**228,301,887**

[1] Rating assigned by Moody's.

[2] Conversion of BB rating by Standard & Poor's.

[3] Others with no rating.

As at 31 December 2019, the **Group** and the **Company** caption Cash and cash equivalents included term deposits, net of impairments, of 64,662,643 Euros and 59,995,355 Euros, respectively (97,225,446 Euros and 90,821,129 Euros as at 31 December 2018) (Note 22).

The following table includes the maximum exposure to credit risk associated with financial assets held by the **Group** and the **Company**. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated and individual balance sheet:

	Group		Company	
	2018	**2019**	**2018**	**2019**
Non-current				
Debt securities	429,038,681	424,851,179	-	-
Accounts receivable	-	-	-	661,287
Other assets	1,526,644	1,543,308	1,252,268	1,237,070
Credit to bank clients	231,797,420	792,469,611	-	-
Other banking financial assets	22,692,434	18,764,049	-	-
Current				-
Accounts receivable	135,855,195	146,471,712	100,059,980	112,842,210
Credit to bank clients	16,252,561	93,350,959	-	-
Debt securities	25,063,201	31,560,152	-	-
Other assets	13,263,830	8,731,765	12,280,804	8,881,347
Other banking financial assets	92,122,848	13,182,971	-	-
Cash and cash equivalents	376,872,216	383,749,225	251,401,353	228,301,887
	1,344,485,030	**1,914,674,931**	**364,994,405**	**351,923,802**

Regarding Banco CTT, credit risk is associated with the degree of uncertainty of expected returns, due to the incapacity of either the borrower (or its guarantors, if any), or the issuer of a security or the counterparty of a contract to fulfil its obligations.

As its main activity is the commercial banking business, with special emphasis on the retail segment, in a first phase, Banco CTT offers simple credit products - mortgage loans and overdraft facilities associated with a current account with payroll/pension domiciliation and, through the acquisition of 321 Crédito, the offer of specialised credit at the point of sale. In addition, Banco CTT is exposed to credit risk in other of its activities, namely direct exposure to credit risk associated with investments and deposits with other credit institutions, euro area public debt securities, debt instruments of others issuers (credit institutions and companies), securities referring to the securitisation of credit rights related to the billing of the Portuguese tariff deficit, and other 321 Crédito's portfolios, which are essentially in the run-off phase.

The control and mitigation of credit risk are carried out through the early detection of signs of deterioration in the portfolio, namely through early warning systems and the pursuit of appropriate actions to prevent the risk of default, to regularise the effective default and to create conditions that maximize recovery results. The quantification / measurement of credit risk is carried out on a monthly basis, through the assessment of the necessary impairment to cover credit to customers, resulting from the application of a collective and individual impairment model.

The monitoring of Banco CTT's credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses, is carried out on a regular basis by the Capital and Risk Committee, by the Audit Committee and the Board of Directors of Banco CTT. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

The following table presents information on credit risk exposures of the banking activity (net of impairment and including off-balance exposures), on 31 December 2018 and 31 December 2019:

	2018	2019
Central administrations or Central banks	424,194,419	471,295,224
Credit Instituitions	228,172,950	154,268,707
Companies	44,839,515	18,040,561
Retail Clients	4,341,352	467,468,187
Real estate secured loans	247,042,010	421,747,775
Loans in default	127,789	7,290,879
Other elements	40,850,311	57,071,875
Risk items	**989,568,346**	**1,597,183,207**

During 2019, Banco CTT used an impairment model that is based on IFRS 9 and the respective reference criteria of Bank of Portugal defined in Circular Letter nº62 / 2018. In addition, the model considers the definitions and criteria that have been published by European Banking Authority (EBA).

Interest rate risk

Changes in interest rates have a direct impact on the financial results of the **Group** and the **Company**. The interest rate risk manifests itself in three forms: (i) through the remuneration obtained with the application of the surplus liquidity, (ii) by the amount of the charges with the bank loans obtained and (iii) with the determination, through the impact on the discount rate, the estimate of liabilities with benefits to employees.

In order to reduce the impact of interest rate risk, the **Group** and the **Company** monitor market trends on a regular and systematic basis, with a view to leveraging the term/rate ratio on the one hand and risk/yield on the other.

The **Group** and the **Company** generally negociate their deposits at fixed rates, while loans are negotiated at variable rates.

The application of surpluses liquidity follows criteria of diversification of financial risks, both in terms of terms and institutions, which are regularly reviewed and updated.

In the **Group** the investment of surplus liquidity, on 31 December 2018 and 31 December 2019, generated interest income of 43,873 Euros and 39,298 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2018 and 2017, amounting to 87,344 Euros and 42,232 Euros, respectively (Note 41).

In the **Company** the investment of surplus liquidity, on 31 December 2018 and 31 December 2019, generated interest income of 22,601 Euros and 22,723 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2018 and 2017, amounting to 87,344 Euros and 42,232 Euros, respectively (Note 41).

The prospects for the evolution of the money market do not point to an increase in the reference rates of the Eurozone, so it is expected that they will remain in negative territory for some time. In this scenario, the **Group** and the **Company** believe that the resulting differential between fixed rate financial assets and variable rate financial liabilities represents a potentially minor impact on the income statement.

If the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2019, the effect in the interest would have been 71 thousand Euros in the **Group** and 130 thousand Euros in the **Company** (142 thousand Euros and 260 thousand Euros as at 31 December 2018, respectively).

In the scope of banking activity, Banco CTT manages the interest rate risk on a continuous basis and within the specific tolerance limits defined by its Board of Directors. Until now, Banco CTT has been managing interest rate risk in its balance sheet structurally by using natural hedges in the composition of the investment portfolio, without recourse to derivative instruments.

Foreign currency exchange rate risk

Under the non-banking activity, exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities.
As at 31 December 2018 and 31 December 2019, the net exposure (assets minus liabilities) of the **Group** amounted to 8,245,565 SDR (10,012,095 Euros at the exchange rate €/SDR 1.21424), and 8,408,782 SDR (10,393,255 Euros at the exchange rate €/SDR 1.236), respectively.

As far as the **Company** is concerned, as at 31 December 2018 and 31 December 2019, the net exposure (assets minus liabilities) amounted to 7,942,890 SDR (9,644,575 Euros at the exchange rate €/SDR 1.21424), and 8,122,209 SDR (10,039,051 Euros at the exchange rate €/SDR 1.236), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2018 and 31 December 2019, assuming an increase / decrease of 10% in the exchange rate € / SDR, the **Group**'s profit and losses would have been higher by 1,001,209 Euros and by 1,039,326 Euros, respectively. The impact on the **Company**'s profit and losses would have been higher by 964,457 Euros and by 1,003,905 Euros, respectively.

In the scope of the banking activity, Banco CTT does not incur in foreign currency exchange rate risk, since it only operates in the euro currency.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the Group's financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash on hand, the **Group** and the **Company** believe that they have the capacity to meet their obligations.

Their main contractual obligations are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following tables detail the expected contractual obligations and financial commitments as at 31 December 2018 and 31 December 2019 for the **Group** and the **Company** and do not reconcile with the balance sheet:

Group	Restated 2018*			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	31,953,520	93,163,809	21,517,489	146,634,818
Accounts payable	308,408,731	-	-	308,408,731
Banking client deposits and other loans	883,950,534	-	-	883,950,534
Other current liabilities	30,490,693	-	-	30,490,693
Non-financial liabilities				
Non-contingent financial commitments [1]	3,573,673	-	-	3,573,673
	1,258,377,151	**93,163,809**	**21,517,489**	**1,373,058,449**

Group	2019			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	29,918,100	144,834,084	14,737,518	189,489,702
Accounts payable	360,079,510	-	-	360,079,510
Banking client deposits and other loans	1,321,418,042	-	-	1,321,418,042
Other current liabilities	40,843,760	-	-	40,843,760
Non-financial liabilities				
Non-contingent financial commitments [1]	3,093,299	-	-	3,093,299
	1,755,352,711	**144,834,084**	**14,737,518**	**1,914,924,313**

[1] The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

Company	Restated 2018*			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	19,393,212	75,276,607	8,835,576	103,505,395
Accounts payable	288,306,317	312,744	-	288,619,061
Other current liabilities	21,409,620	-	-	21,409,620
Non-financial liabilities				
Non-contingent financial commitments [1]	1,514,778	-	-	1,514,778
	330,623,927	**75,589,351**	**8,835,576**	**415,048,854**

Company	2019			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	14,829,464	131,884,819	3,897,164	150,611,447
Accounts payable	333,182,282	309,007	-	333,491,289
Other current liabilities	21,868,312	-	-	21,868,312
Non-financial liabilities				
Non-contingent financial commitments [1]	1,759,130	-	-	1,759,130
	371,639,188	**132,193,826**	**3,897,164**	**507,730,179**

[1] The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

In the scope of banking activity, liquidity risk is the risk of the Bank's potential inability to satisfy its financing repayment obligations without incurring in significant losses, due to more onerous financing conditions or the sale of assets under market values.

Banco CTT is exposed to the liquidity risk inherent to its business of transforming maturities, granted in the long-term (essentially in mortgage loans) and usually taken essentially in the short-term (deposits). Therefore, a prudent management of liquidity risk is crucial.

Banco CTT created a liquidity risk management structure with clear cut responsibilities and processes in order to ensure that all participants in liquidity risk management are perfectly coordinated, that management controls are effective and that complies in a comfortable way with all regulatory requirements.

At the level of the different assets, constant monitoring of the possibility of their transaction is maintained, duly framed by limits for operation in each market. Regarding structural liquidity, the **Group** prepares a monthly liquidity report, taking into account not only the effective maturity date of the various products but also their behavioural maturity, through which the structural mismatches for each time bucket are determined.

Capital risk

The **Group** and the **Company** manage their capital to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the **Group** and the **Company** may adjust the amount paid to shareholders in dividends, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored on the basis of the adjusted solvency ratio, calculated as: Equity / Liabilities.

During the years ended 31 December 2018 and 31 December 2019, the **Group** and the **Company** maintained their high solvency ratio.

The solvency ratios at 31 December 2018 and 31 December 2019 were as follows:

	Group		Company	
	Restated 2018*	2019	Restated 2018*	2019
Equity	135,887,186	131,414,932	135,721,692	131,172,677
Liabilities	1,718,582,469	2,382,025,972	751,927,073	884,907,075
Amounts of third parties	195,171,896	236,614,131	195,171,896	236,614,131
Adjusted solvency ratio (1)	8.9%	6.1%	24.4%	20.2%

* Restated values: see note 3

(1) Equity / (Liabilities - Amounts of third parties in Cash and cash quivalents)

The **Group**'s solvency ratio, during the year ended 31 December 2018, was significantly impacted by Banco CTT's liabilities, namely by the caption Banking clients' deposits, which justifies the reduction observed in this ratio. Therefore, if the effect of Banco CTT (including Payshop and 321 Crédito) had not been considered the solvency ratio would be 22.2% and 18.6% in the years ended 31 December 2018 and 2019, respectively.

Regarding Banco CTT, the definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

Banco CTT seeks to achieve high financial solidity by maintaining a total own funds ratio - the ratio between own capital and risk-weighted assets - comfortably above the legal minimum as set out in Directive 2013/36/EU and Regulation (EU) No. 575/2013, adopted on 26 June 2013 by the European Parliament and the Council.

The Group conducts an annual self-assessment exercise to determine the levels of capital adequacy in relation to its business model. This process is regulated by Banco de Portugal Instruction nº3/2019 and by the EBA guidelines and fulfils the objectives of Pillar II of the Basel II Agreement, in order to ensure that the risks to which the institutions are exposed are correctly evaluated and that the internal capital available to them is adequate in view of their risk profile.

Banco CTT has developed and formalised its methodology for the Internal Capital Assessment Adequacy Process (ICAAP), in order to ensure that the risks to which it is exposed are adequately assessed and that the internal capital it has is adequate to its risk profile. The methods and procedures adopted are based on the assessment and quantification of internal capital and the risks through quantitative and qualitative methods.

The referred Regulation (EU) No. 575/2013 comprises a set of transitional provisions allowing the phased application of the requirements, providing the possibility for credit institutions to gradually accommodate the new requirements both at the level of own funds and at the level of minimum capital ratios.

Capital ratios – Banco CTT

The main goal of capital management is ensuring compliance with the Bank's strategic goals as regards capital adequacy, thereby complying and enforcing compliance with the minimum capital requirements stipulated by the supervisory authorities.

In calculating capital requirements, Banco CTT used the standard method for credit risk and risk of the counterpart, used the basic indicator method for operational risk and used the standard method with the maturity-based approach to market risk.

Capital, calculated pursuant to Directive 2013/36/UE and Regulation (UE) no. 575/2013 of the European Parliament and of the Council and Bank of Portugal Notice 10/2017, include Common and additional Equity Tier 1 and Tier 2 capital. Tier 1 includes Common Equity Tier 1 (CET1) and additional Tier 1 capital.

The Bank's Common Equity Tier 1 includes: a) paid-up capital and retained earnings and reserves, b) regulatory deductions related to intangible assets and losses for the financial year underway and c) prudential filters. The Bank has no additional Tier 1 capital, nor Tier 2 capital (*tier* 2).

The current legislation contemplates a transition period between the own funds requirements according to national legislation and those calculated according to Community legislation in order to phase both the non-inclusion/exclusion of elements previously considered (phased-out) or the inclusion/deduction of new elements (phased-in). At the prudential framework level, institutions should report Common Equity Tier 1, tier 1 and total ratios of not less than 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer and a countercyclical buffer, in the case of the Bank, 0%, but benefiting from a transitional period that end on the end of 2019.

Bank of Portugal Notice 10/2017 governs the transition period set out in the CRR as regards capital, namely regarding the deduction related to deferred taxes generated before 2014 and to the subordinated debt and non-eligible hybrid instruments, both of which are not applicable to Banco CTT.

With the introduction of IFRS 9 the Bank chose to recognise in stages the respective impacts of the static component in accordance with article 473-A of the CRR.

As at 31 December 2018 and 2019, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

	2018		2019	
	CRR Phasing in	CRR Fully Implemented	CRR Phasing in	CRR Fully Implemented
OWN FUNDS				
Share Capital	**156,400,000**	**156,400,000**	**286,400,000**	**286,400,000**
Retained Earnings	**(48,660,891)**	**(48,660,891)**	**(66,147,585)**	**(66,147,585)**
Other Reserves	**(53,422)**	**(53,422)**	**(207,127)**	**(207,127)**
Prudential Filters	**(1,219)**	**(1,219)**	**15,448**	**15,448**
Fair value reserve	270	270	15,990	15,990
Additional Valuation Adjustment (AVA)	(1,489)	(1,489)	(542)	(542)
Deduction to the main Tier 1 elements	**(42,908,742)**	**(43,568,709)**	**(96,824,512)**	**(97,415,009)**
Losses for the period	(17,486,694)	(17,486,694)	(8,011,087)	(8,011,087)
Intangible assets	(25,387,312)	(25,387,312)	(88,709,220)	(88,709,220)
IFRS 9 adoption	(34,735)	(694,703)	(104,205)	(694,703)
Items not deducted from Own Funds according to article 437 of CRR	**-**	**-**	**2,093,072**	**2,093,072**
Deferred tax assets	-	-	2,093,072	2,093,072
Common Equity Tier 1	**64,775,727**	**64,115,759**	**123,236,224**	**122,645,727**
Tier 1 Capital	**64,775,727**	**64,115,759**	**123,236,224**	**122,645,727**
Total Own Funds	**64,775,727**	**64,115,759**	**123,236,224**	**122,645,727**
RWA				
Credit Risk	258,673,290	258,673,290	600,297,582	600,297,582
Operational Risk	16,512,591	16,512,591	45,816,101	45,816,101
Market Risk	-	-	486,680	486,680
IFRS 9 Adjustments	-	(480,327)	-	(334,964)
	275,185,881	**274,705,554**	**646600363**	**646,265,399**
CAPITAL RATIOS				
Common Equity Tier 1	23.54%	23.34%	19.16%	19.08%
Tier 1 Ratio	23.54%	23.34%	19.16%	19.08%
Total Capital Ratio	23.53%	23.34%	19.16%	19.08%
REGULATORY MINIMUM RATIOS				
Common Equity Tier 1	6.38%	7.00%	7.00%	7.00%
Tier 1 Ratio	7.88%	8.50%	8.50%	8.50%
Total Capital Ratio	9.88%	10.50%	10.50%	10.50%

The values presented regarding 2018 in the table above are the reported values and not the restated values resulting from the adoption of IFRS 16.

17. Inventories

As at 31 December 2018 and 31 December 2019, the **Group** and the **Company** Inventories are detailed as follows:

	2018					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	4,849,214	1,824,112	6,673,326	4,479,790	1,804,417	2,675,374
Raw, subsidiary and consumable materials	3,273,849	633,526	2,640,324	3,242,516	633,526	2,608,990
Advances on purchases	(97,311)	-	(97,311)	(97,311)	-	(97,311)
	8,025,752	**2,457,638**	**5,568,114**	**7,624,995**	**2,437,942**	**5,187,053**

	2019					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	5,403,997	2,116,305	3,287,693	5,059,847	2,093,793	2,966,054
Raw, subsidiary and consumable materials	3,429,590	725,188	2,704,402	3,383,003	725,187	2,657,816
Advances on purchases	(132,026)	-	(132,026)	(132,026)	-	(132,026)
	8,701,562	**2,841,493**	**5,860,069**	**8,310,824**	**2,818,980**	**5,491,844**

Cost of sales

During the years ended 31 December 2018 and 31 December 2019, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

	2018					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,784,094	2,881,001	7,665,095	4,374,052	2,865,245	7,239,297
Purchases	10,841,803	4,034,546	14,876,349	9,933,670	4,003,309	13,936,979
Offers	(36,451)	-	(36,451)	(36,451)	-	(36,451)
Adjustments	(364,164)	(240,690)	(604,854)	(135,631)	(240,688)	(376,319)
Impairment of inventories	143,757	(24,611)	119,146	124,061	(24,611)	99,450
Closing balance	(4,849,214)	(3,273,849)	(8,123,063)	(4,479,790)	(3,242,516)	(7,722,306)
Cost of sales	**10,519,824**	**3,376,397**	**13,896,222**	**9,779,911**	**3,360,739**	**13,140,650**

	2019					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,849,214	3,273,849	8,123,063	4,479,790	3,242,516	7,722,306
Purchases	10,866,751	3,703,524	14,570,275	10,261,958	3,667,872	13,929,830
Offers	-	-	-	-	-	-
Adjustments	(3,856)	2,006	(1,850)	(3,856)	2,006	(1,850)
Impairment of inventories	311,889	91,662	403,551	289,377	91,662	381,039
Closing balance	(5,403,997)	(3,429,590)	(8,833,587)	(5,059,847)	(3,383,003)	(8,442,850)
Cost of sales	**10,620,000**	**3,641,450**	**14,261,450**	**9,967,421**	**3,621,053**	**13,588,474**

Impairment

During the years ended 31 December 2018 and 31 December 2019, the movements in the **Group** Accumulated impairment losses (Note 24) were as follows:

	2018						
Group	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Merchandise	1,719,745	145,341	(1,585)	(39,390)	-	-	1,824,111
Raw, subsidiary and consumable materials	658,137	-	(24,611)	-	-	-	633,526
	2,377,882	**145,341**	**(26,196)**	**(39,390)**	**-**	**-**	**2,457,637**

	2019						
Group	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Merchandise	1,824,111	313,018	(1,129)	(19,695)	-	-	2,116,305
Raw, subsidiary and consumable materials	633,526	91,661	-	-	-	-	725,187
	2,457,637	**404,679**	**(1,129)**	**(19,695)**	**-**	**-**	**2,841,492**

For the years ended 31 December 2018 and 31 December 2019, impairment losses of inventories were recorded in the **Group** net of reversals amounting to 119,146 Euros and 403,551 Euros, respectively, in the caption Cost of sales.

In relation to the **Company**, during the years ended 31 December 2018 and 31 December 2019, the movements in Accumulated impairment losses (Note 24) were as follows:

	2018						
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Merchandise	1,680,355	124,061	-	-	-	-	1,804,416
Raw, subsidiary and consumable materials	593,428	-	(24,611)	-	-	64,709	633,526
	2,273,783	**124,061**	**(24,611)**	**-**	**-**	**64,709**	**2,437,942**

	2019						
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Merchandise	1,804,416	289,377	-	-	-	-	2,093,793
Raw, subsidiary and consumable materials	633,526	91,662	-	-	-	-	725,188
	2,437,942	**381,039**	**-**	**-**	**-**	**-**	**2,818,981**

For the years ended 31 December 2018 and 31 December 2019, impairment losses of inventories were recorded in the **Company** net of reversals amounting to 99,450 Euros and 381,039 Euros, respectively, in the caption Cost of sales.

18. Accounts receivable

As at 31 December 2018 and 31 December 2019 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	2018	2019	2018	2019
Non-current				
Group companies [(1)]	-	-	-	661,287
	-	**-**	**-**	**661,287**
Current				
Third parties	90,258,876	98,114,516	49,242,789	55,047,904
Postal operators	44,613,717	47,981,357	42,706,081	46,046,281
Group companies [(1)]	982,602	375,838	8,111,111	11,748,025
	135,855,195	**146,471,712**	**100,059,980**	**112,842,210**
	135,855,195	**146,471,712**	**100,059,980**	**113,503,497**

[(1)] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2018 and 31 December 2019, the ageing of accounts receivable is detailed as follows:

Accounts receivable	2018					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	68,261,228	7,958	68,253,270	47,385,292	5,903	47,379,389
Overdue [(1)]:						
0-30 days	10,844,534	182,341	10,662,193	5,797,877	807	5,797,070
31-90 days	15,860,031	26,935	15,833,096	11,797,859	5,935	11,791,924
91-180 days	9,714,210	134,667	9,579,542	6,555,255	21,950	6,533,305
181-360 days	16,559,170	454,681	16,104,489	14,095,422	40,337	14,055,085
> 360 days	48,052,644	32,630,040	15,422,604	18,515,953	4,012,746	14,503,207
	169,291,816	**33,436,621**	**135,855,195**	**104,147,658**	**4,087,678**	**100,059,980**

[(1)] The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Accounts receivable	2019					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	70,155,715	1,366,006	68,789,710	47,845,821	1,760	47,844,061
Overdue [(1)]:						
0-30 days	12,486,360	14,800	12,471,560	9,202,001	2,308	9,199,693
31-90 days	20,563,592	810,187	19,753,405	17,476,987	49,149	17,427,837
91-180 days	8,260,228	887,104	7,373,123	5,315,051	50,093	5,264,958
181-360 days	11,419,842	1,323,043	10,096,799	8,133,126	113,276	8,019,849
> 360 days	61,567,810	33,580,695	27,987,115	30,027,429	4,280,330	25,747,098
	184,453,546	**37,981,835**	**146,471,712**	**118,000,414**	**4,496,917**	**113,503,497**

[(1)] The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The net amount of the accounts receivable balances overdue over 360 days is broken down as follows:

	Group		Company	
	2018	2019	2018	2019
Other accounts receivable	775,457	3,580,667	440,295	2,168,562
Foreign operators	14,647,147	24,406,448	14,062,912	23,578,536
Total	**15,422,604**	**27,987,115**	**14,503,207**	**25,747,098**
Foreign operators - payable (Note 33)	**(15,282,334)**	**(18,543,513)**	**(14,865,688)**	**(18,155,347)**

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of up to 22 months for the presentation of the accounts and, therefore, the foreign operators' balances reflect the expected trend of this specific business.

Regarding UPU regulations, the accounts between Foreign Operators are cleared by netting accounts. The credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 33).

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables changed from 2.1% at the end of 2018 to 1.8% as at 31 December 2019, in the **Group** and from 2.5% at the end of 2018 to 2.1% as at 31 December 2019 in the **Company**.

	Group		Company	
	2018	2019	2018	2019
Advance deposits	1,377,872	1,319,695	1,366,654	1,310,804
Bank guarantees	515,873	484,020	81,253	75,253
Total	**1,893,745**	**1,803,715**	**1,447,907**	**1,386,057**

Impairment losses

During the years ended 31 December 2018 and 31 December 2019, the movement in the **Group** Accumulated impairment losses caption (Note 24) was as follows:

	2018						
Group	Opening balance	Increases	Reversals	Utilisations	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Accounts receivable	32,583,555	4,693,073	(2,465,765)	(490,358)	-	(883,883)	33,436,621
	32,583,555	**4,693,073**	**(2,465,765)**	**(490,358)**	**-**	**(883,883)**	**33,436,621**

	2019						
Group	Opening balance	Increases	Reversals	Utilisations	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Accounts receivable	33,436,621	7,204,092	(766,236)	(1,892,645)	-	-	37,981,832
	33,436,621	**7,204,092**	**(766,236)**	**(1,892,645)**	**-**	**-**	**37,981,832**

For the years ended 31 December 2018 and 31 December 2019, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 2,227,308 Euros and 6,437,856 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 44).

During the years ended 31 December 2018 and 31 December 2019, the movement in Accumulated impairment losses caption (Note 24) of the **Company** was as follows:

	2018						
Company	Opening balance	Increases	Reversals	Utilisations	Mergers	Changes in the accounting standards	Closing balance
Accounts receivable	4,060,165	175,452	-	(142,251)	74,548	(80,236)	4,087,678
	4,060,165	**175,452**	**-**	**(142,251)**	**74,548**	**(80,236)**	**4,087,678**

	2019						
Company	Opening balance	Increases	Reversals	Utilisations	Mergers	Changes in the accounting standards	Closing balance
Accounts receivable	4,087,678	585,751	-	(176,512)	-	-	4,496,917
	4,087,678	**585,751**	**-**	**(176,512)**	**-**	**-**	**4,496,917**

For the years ended 31 December 2018 and 31 December 2019, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 175,452 Euros and 585,751 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 44).

19. Credit to banking clients

As at 31 December 2018 and 31 December 2019, the **Group** caption Credit to banking clients was detailed as follows:

	2018	2019
Performing loans	**248,114,654**	**884,922,781**
Mortgage Loans	238,667,450	405,168,238
Auto Loans	-	469,774,742
Leasings	-	8,977,360
Overdrafts	529,154	1,002,441
Other credits	8,918,050	-
Overdue loans	**392,852**	**4,875,990**
Overdue loans - less than 90 days	60,947	740,614
Overdue loans - more than 90 days	331,905	4,135,376
	248,507,506	**889,798,770**
Credit risk impairment	**(457,525)**	**(3,978,200)**
	248,049,981	**885,820,571**

The maturity analysis of the Credit to bank clients as at 31 December 2018 and 31 December 2019 is detailed as follows:

	2018							
	Current				Non-current			
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Mortgage loans	-	1,722,857	4,921,205	6,644,062	13,332,739	218,690,649	232,023,388	238,667,450
Auto Loans	-	-	-	-	-	-	-	-
Leasings	-	-	-	-	-	-	-	-
Overdrafts	922,006	-	-	922,006	-	-	-	922,006
Other credits	-	8,918,050	-	8,918,050	-	-	-	8,918,050
	922,006	**10,640,907**	**4,921,205**	**16,484,118**	**13,332,739**	**218,690,649**	**232,023,388**	**248,507,506**

	2019							
	Current				Non-current			
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Mortgage loans	563	2,963,207	8,424,196	11,387,966	22,801,200	370,979,635	393,780,835	405,168,801
Auto Loans	3,120,988	21,508,729	53,448,350	78,078,067	138,181,295	256,636,368	394,817,663	472,895,730
Leasings	445,221	671,623	1,843,173	2,960,017	3,962,260	2,500,304	6,462,564	9,422,580
Overdrafts	1,682,194	-	-	1,682,194	-	-	-	1,682,194
Other credits	629,465	-	-	629,465	-	-	-	629,465
	5,878,431	**25,143,559**	**63,715,719**	**94,737,709**	**164,944,755**	**630,116,307**	**795,061,062**	**889,798,770**

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

	2018	2019
Fixed rate	922,006	427,176,016
Floating rate	247,585,500	462,622,754
	248,507,506	**889,798,770**
Credit risk impairment	(457,525)	(3,978,200)
	248,049,981	**885,820,571**

As at 31 December 2018 and 31 December 2019, the analysis of this caption by type of collateral, is presented as follows:

	2018				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	238,667,450	-	238,667,450	(232,315)	238,435,135
Other guaranteed Loans	-	-	-	-	-
Unsecured Loans	9,447,204	392,852	9,840,056	(225,210)	9,614,846
	248,114,654	**392,852**	**248,507,506**	**(457,525)**	**248,049,981**

	2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	414,131,534	733,350	414,864,883	(410,314)	414,454,569
Other guaranteed Loans	463,692,443	1,651,366	465,343,809	(1,938,840)	463,404,969
Unsecured Loans	7,098,804	2,491,274	9,590,078	(1,629,045)	7,961,033
	884,922,781	**4,875,990**	**889,798,770**	**(3,978,200)**	**885,820,570**

The credit type analysis of the caption, as at 31 December 2018 and 31 December 2019 is detailed as follows:

	2018				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	238,667,450	-	238,667,450	(232,315)	238,435,135
Auto Loans	-	-	-	-	-
Leasings	-	-	-	-	-
Overdrafts	529,154	392,852	922,006	(224,843)	697,163
Other credits	8,918,050	-	8,918,050	(367)	8,917,683
	248,114,654	**392,852**	**248,507,506**	**(457,525)**	**248,049,981**

	2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Auto Loans	469,774,742	3,120,988	472,895,730	(3,339,385)	469,556,345
Leasings	8,977,360	445,221	9,422,580	(99,647)	9,322,933
Overdrafts	1,002,441	679,753	1,682,194	(434,392)	1,247,802
Other credits	-	629,465	629,465	(10,101)	619,364
	884,922,781	**4,875,990**	**889,798,770**	**(3,978,200)**	**885,820,571**

The analysis of credit to bank clients as at 31 December 2018 and 31 December 2019, by sector of activity, is as follows:

	2018				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Public administration and defence, compulsory soci	8,918,050	-	8,918,050	(367)	8,917,683
Individuals					
Mortgage Loans	238,667,450	-	238,667,450	(232,315)	238,435,135
Consumer Loans	529,154	392,852	922,006	(224,843)	697,163
	248,114,654	**392,852**	**248,507,506**	**(457,525)**	**248,049,981**

	2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,111,340	8,581	1,119,921	(19,854)	1,100,067
Mining and quarrying	22,559	-	22,559	(130)	22,430
Manufacturing	3,414,359	82,939	3,497,297	(53,265)	3,444,032
Water supply	192,904	5,712	198,615	(5,806)	192,809
Construction	8,289,160	198,054	8,487,214	(46,230)	8,440,985
Wholesale and retail trade	5,370,786	654,597	6,025,382	(41,074)	5,984,309
Transport and storage	1,459,131	27,086	1,486,217	(35,098)	1,451,119
Accommodation and food service activities	1,969,233	15,598	1,984,831	(40,979)	1,943,852
Information and communication	347,009	1,459	348,467	(2,804)	345,663
Financial and insurance activities	167,845	702	168,547	(2,503)	166,044
Real estate activities	1,788,935	10,730	1,799,665	(12,427)	1,787,238
Professional, scientific and technical activities	1,107,319	7,105	1,114,424	(12,141)	1,102,283
Administrative and support service activities	1,611,610	289,475	1,901,084	(19,749)	1,881,336
Education	648,410	997	649,407	(4,634)	644,773
Human health services and social work activities	876,026	851	876,878	(14,683)	862,195
Arts, entertainment and recreation	478,756	2,074	480,830	(9,266)	471,564
Other services	14,038,952	34,985	14,073,937	(106,888)	13,967,049
Individuals					
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Consumer Loans	436,860,210	3,534,481	440,394,691	(3,455,994)	436,938,697
	884,922,781	**4,875,989**	**889,798,770**	**(3,978,200)**	**885,820,570**

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

	2018	2019
Stage 1	**246,487,327**	**834,895,752**
Gross amount	246,671,668	836,958,434
Impairment	(184,341)	(2,062,682)
Stage 2	**1,434,865**	**39,336,322**
Gross amount	1,502,060	40,207,967
Impairment	(67,195)	(871,645)
Stage 3	**127,789**	**11,588,496**
Gross amount	333,777	12,632,369
Impairment	(205,988)	(1,043,873)
	248,049,981	**885,820,571**

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

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

	2018	2019
Amount of future minimum payments	-	9,632,194
Interest not yet due	-	(654,835)
Present value	**-**	**8,977,360**

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

	2018	2019
Due within 1 year	-	2,532,976
Due between 1 to 5 years	-	5,835,429
Over 5 years	-	1,263,789
Amount of future minimum payments	**-**	**9,632,194**

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

	2018	2019
Individuals	**-**	**1,097,230**
Home	-	95,072
Consumer	-	-
Others	-	1,002,158
Companies	**-**	**7,880,129**
Equipment	-	634,577
Real Estate	-	7,245,552
	-	**8,977,360**

Impairment losses

During the year ended 31 December 2018 and 31 December 2019, the movement in the **Group** under the Accumulated impairment losses caption (Note 24) was as follows:

	2018								
	Opening balance	Increases	Reversals	Utilisations	Transfers	Movements of PPA	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets									
Credit to banking clients	59,078	230,708	(57,229)	-	-	-	-	(6,589)	225,968
	59,078	**230,708**	**(57,229)**	**-**	**-**	**-**	**-**	**(6,589)**	**225,968**
Current assets									
Credit to banking clients	58,573	169,107	-	-	-	-	-	3,876	231,556
	58,573	**169,107**	**-**	**-**	**-**	**-**	**-**	**3,876**	**231,556**
	117,651	**399,816**	**(57,229)**	**-**	**-**	**-**	**-**	**(2,713)**	**457,525**

	2019								
	Opening balance	Increases	Reversals	Utilisations	Transfers	Movements of PPA	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets									
Credit to banking clients	225,968	2,298,517	(1,777,703)	(469,677)	611,781	(5,446,614)	7,149,174	-	2,591,450
	225,968	**2,298,517**	**(1,777,703)**	**(469,677)**	**611,781**	**(5,446,614)**	**7,149,174**	**-**	**2,591,450**
Current assets									
Credit to banking clients	231,556	5,409,498	(2,876,295)	(705,364)	(611,781)	(12,694,345)	12,633,482	-	1,386,750
	231,556	**5,409,498**	**(2,876,295)**	**(705,364)**	**(611,781)**	**(12,694,345)**	**12,633,482**	**-**	**1,386,750**
	457,525	**7,708,015**	**(4,653,998)**	**(1,175,041)**	**-**	**(18,140,959)**	**19,782,656**	**-**	**3,978,200**

For the years ended 31 December 2018 and 31 December 2019, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 342,586 Euros and 3,054,017 Euros, respectively in the caption Impairment of accounts receivable, net (Note 44).

Regarding the movements in impairment losses by stages, in the periods ended on 31 December 2018 and 31 December 2019, they are detailed as follows:

	2018			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	59,757	6,465	51,429	117,651
Change in period:				
Increases due to origination and acquisition	139,850	49,988	74,024	263,861
Changes due to change in credit risk	(13,966)	15,444	78,348	79,826
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(1,935)	(1,309)	(570)	(3,814)
Write-offs	-	-	-	-
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	1,344	(848)	(496)	-
Stage 2	(516)	1,595	(1,079)	-
Stage 3	(193)	(4,140)	4,333	-
Foreign exchange and other	-	-	-	-
Impairment	**184,341**	**67,195**	**205,989**	**457,525**
Of which: POCI	-	-	-	-

	2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	184,341	67,195	205,989	457,525
Change in period:				
Increases due to origination and acquisition	2,553,925	305,614	230,886	3,090,425
Changes due to change in credit risk	(842,651)	1,469,995	(49,602)	577,742
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(139,146)	(64,702)	(410,302)	(614,150)
Write-offs	-	-	(1,175,041)	(1,175,041)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	403,848	(373,530)	(30,318)	-
Stage 2	(82,928)	121,868	(38,940)	-
Stage 3	(14,707)	(717,728)	732,435	-
Foreign exchange and other	-	62,932	1,578,765	1,641,697
Impairment	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Of which: POCI	-	-	*(1,293,376)*	*(1,293,376)*

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

	2018			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	59,757	6,465	51,429	117,651
Change in period:				
ECL income statement change for the period	123,949	64,123	151,802	339,873
Stage transfers (net)	635	(3,393)	2,758	-
Disposals	-	-	-	-
Utilisations during the period	-	-	-	-
Write-offs	-	-	-	-
Write-off recoveries	-	-	-	-
Foreign exchange and other	-	-	-	-
Impairment	**184,341**	**67,195**	**205,989**	**457,525**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	184,341	67,195	205,989	457,525
Change in period:				
ECL income statement change for the period	1,572,128	1,710,907	(229,018)	3,054,017
Stage transfers (net)	306,213	(969,390)	663,177	-
Disposals	-	-	-	-
Utilisations during the period	-	-	-	-
Write-offs	-	-	(1,175,041)	(1,175,041)
Write-off recoveries	-	-	-	-
Foreign exchange and other	-	62,932	1,578,765	1,641,697
Impairment	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**

20. Deferrals

As at 31 December 2018 and 31 December 2019, the Deferrals included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2018	2019	2018	2019
Assets deferrals				
Current				
Rents payable	1,299,445	1,391,768	1,037,114	1,025,236
Meal allowances	1,541,263	1,486,218	1,541,263	1,486,218
Other	3,850,652	4,427,275	2,466,780	2,873,327
	6,691,359	**7,305,261**	**5,045,157**	**5,384,781**
Liabilities deferrals				
Non-current				
Investment subsidy	305,691	294,490	305,691	294,490
	305,691	**294,490**	**305,691**	**294,490**
Current				
Phone-ix top ups	110,597	-	110,597	-
Investment subsidy	11,201	11,201	11,201	11,201
Contratual liabilities	1,402,125	1,533,212	760,647	1,028,940
Other	1,184,167	1,910,064	1,184,167	1,584,574
	2,708,090	**3,454,477**	**2,066,612**	**2,624,716**
	3,013,781	**3,748,967**	**2,372,303**	**2,919,206**

The caption "Contractual liabilities" results from the application of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced but not yet recognised as revenue because the performance obligations have not yet been met as recommended by the standard.

The "Contractual liabilities" recognised by the **Group** essentially refer to values related to stamps and prepaid postage of priority mail in the amount of 1,028,940 euros (760,647 euros on 31 December 2018), whose revenue is expected to be recognised in January 2020 (estimate of 80% of the item's value) and the remaining during 2020, and to objects invoiced and not delivered on 31 December 2019 in the express segment, in the amount of 504,272 euros (641,478 euros as of December 31, 2018), whose revenue is recognised upon delivery in the following month.

The revenue recognised by the **Group** and **Company** in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1.402.125 Euros and 760.647 Euros, respectively.

No "Assets resulting from contracts" associated with the application of IFRS 15 - Revenue from contracts with customers were recognised.

21. Non-current assets held for sale and Discontinued operations

As at 31 December 2018 and 31 December 2019 the amounts recorded under this caption, in the **Group**, are detailed as follows:

	2018	2019
Non-current assets held for sale		
Real estate	-	989,446
Equipment	-	838
	-	**990,284**
Impairment	-	(184,609)
	-	**805,675**

During the year ended 31 December 2018 the amount of 4,355,273 Euros related to the real estate located in Rua da Palma, was reclassified to the caption Non-current assets held for sale following the promissory purchase agreement in May 2018 which set the operation's completion until the end of 2018.
In 2018, following the conclusion of the above-mentioned sale, there are no amounts recognised under this heading. The sale of these properties resulted in a capital gain of 8.5 million Euros was recognised under Gains/Losses on disposals of assets in the income statement (Note 47).

Regarding 2019, the non-current assets held for sale correspond to properties and equipment recovered following the termination of financial and operating lease contracts, for which, in applicable cases, impairment was recorded, which reflects the difference between the gross amount and the appraised value of said assets.

As determined in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations the associated depreciations of the assets referred above have ceased.

<u>Impairment losses</u>

During the year ended 31 December 2019, the movement in the **Group** under the caption "Impairment of Non-current assets held for sale" (Note 24) was as follows:

	2019					
	Opening balance	Increases	Reversals	Utilisations	Changes in the consolidation perimeter	Closing balance
Current assets						
Non-current assets held for sale	-	9	(3,059)	-	187,659	184,609
	-	**9**	**(3,059)**	**-**	**187,659**	**184,609**

As at 31 December 2018 and 31 December 2019, there were no operations classified as discontinued operations.

22. Cash and cash equivalents

As at 31 December 2018 and 31 December 2019, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	Group		Company	
	2018	2019	2018	2019
Cash	45,866,557	59,266,424	20,368,931	33,306,761
Slight deposits	169,754,656	182,192,757	161,223,251	168,289,690
Demand deposits at Bank of Portugal	6,217,417	29,497,627	-	-
Deposits in other credit institutions	104,308,402	107,376,274	-	-
Term deposits	96,570,446	64,662,643	90,166,129	59,995,355
Cash and cash equivalents (Balance sheet)	**422,717,478**	**442,995,724**	**271,758,311**	**261,591,807**
Sight deposits at Bank of Portugal	(6,217,418)	(25,924,034)	-	-
Outstanding checks / Checks clearing	(1,674,742)	(2,226,045)	-	-
Impairment of slight and term deposits	21,295	19,924	11,973	16,842
Cash and cash equivalents (Cash flow statement)	**414,846,614**	**414,865,569**	**271,770,284**	**261,608,648**

The heading Sight deposits at Bank of Portugal includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of deposits and other liabilities.

Impairment

In the scope of IFRS 9 – Financial instruments the Group has begun to recognised impairment on sight and term deposits as well as on investments in credit institutions. Therefore, in the period ended 31 December 2018 and 31 December 2019, the movement recorded under the caption "Impairment of sight and term deposits" (Note 24) related to the **Group** is detail as follows:

Group	2018				
	Opening balance	Increases	Reversals	Changes in the accounting standards	Closing balance
Sight and term deposits	-	8,270	(393,885)	406,909	21,295
	-	**8,270**	**(393,885)**	**406,909**	**21,295**

Group	2019				
	Opening balance	Increases	Reversals	Changes in the accounting standards	Closing balance
Sight and term deposits	21,295	5,351	(6,723)	-	19,923
	21,295	**5,351**	**(6,723)**	**-**	**19,923**

For the year ended 31 December 2018 and 31 December 2019 impairment losses (increases net of reversals) of sight and term deposits amounted to (385,614) Euros and (1,372) Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 44).

Regarding the **Company**, in the period ended 31 December 2018 and 31 December 2019, the movement recorded under the caption "Impairment of sight and term deposits" (Note 24) related to the **Company** is detail as follows:

Company	2018				
	Opening balance	Increases	Reversals	Changes in the accounting standards	Closing balance
Sight and term deposits	-	-	(392,868)	404,841	11,973
	-	**-**	**(392,868)**	**404,841**	**11,973**

Company	2019				
	Opening balance	Increases	Reversals	Changes in the accounting standards	Closing balance
Sight and term deposits	11,973	4,868	-	-	16,842
	11,973	**4,868**	**-**	**-**	**16,842**

For the year ended 31 December 2018 and 31 December 2019 impairment losses (increases net of reversals) of sight and term deposits amounted to (392,868) Euros and 4,868 Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 44).

23. Other non-current and current assets

As at 31 December 2018 and 31 December 2019, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

	Group		Company	
	2018	2019	2018	2019
Non-current				
Advances to staff	254,009	208,261	254,009	208,261
Other receivables from staff	2,476,953	2,523,249	2,476,953	2,523,249
Labour compensation fund	301,029	444,314	191,452	296,348
Other non-current assets	477,543	467,280	312,744	309,007
Impairment	(1,982,890)	(2,099,796)	(1,982,890)	(2,099,796)
	1,526,644	**1,543,308**	**1,252,268**	**1,237,070**
Current				
Advances to suppliers	359,466	307,196	359,466	261,382
Advances to staff	3,843,311	3,739,987	3,845,493	3,738,317
Postal financial services	5,838,741	4,415,627	5,838,741	4,415,627
State and other public entities	416,638	1,234,063	75	-
Debtors by accrued revenues	5,090,021	7,216,595	4,104,813	6,951,828
Amounts collected on CTT behalf	1,480,410	560,755	1,207,336	251,428
Guaranteed	393,162	338,513	-	-
Advances to lawyers	72,594	78,740	-	-
Debtors by asset disposals	83,294	69,854	83,294	69,854
Payshop agents	407,301	349,935	-	-
Mobility allowances for Autonomous Regions	10,337,363	5,900,466	10,337,363	5,900,466
Office for media	208,887	290,427	208,887	290,427
Sundry debtors	277,500	340,363	277,500	318,812
Collections	2,040,035	1,387,681	1,935,101	427,629
Deposits	697,146	2,396,558	199,823	216,907
Customs	668,730	705,401	668,730	705,401
Non-core billing	1,689,356	1,663,429	1,303,948	1,374,678
Billing to partners	3,163,675	2,947,681	-	-
Other current assets	5,966,574	10,164,689	5,246,078	9,675,375
Impairment	(7,516,988)	(8,341,733)	(6,629,421)	(7,658,758)
	35,517,214	**35,766,227**	**28,987,226**	**26,939,374**

The amounts recorded in the caption Postal financial services refer to receivables from the redemption of savings products and the sale of insurance.

The Caption Mobility allowances for Autonomous Regions refers to the amounts paid to residents of the Autonomous Regions of Madeira and the Azores on trips between the Mainland and the Autonomous Regions or between the Autonomous Regions.

Debtors by accrued revenues

As at 31 December 2018 and 31 December 2019, the debtors by accrued revenues refer to amounts not invoiced namely regarding postal financial services, philatelic products, philatelic agents and other amounts.

Impairment

For the years ended 31 December 2018 and 31 December 2019, the movement in the **Group** Accumulated impairment losses (Note 24) was as follows:

Group	2018						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Other current and non-current assets	9,121,827	627,957	(226,769)	(23,137)	-	-	9,499,878
	9,121,827	**627,957**	**(226,769)**	**(23,137)**	**-**	**-**	**9,499,878**

Group	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Other current and non-current assets	9,499,878	1,585,794	(100,274)	(232,877)	10,927	(321,918)	10,441,530
	9,499,878	**1,585,794**	**(100,274)**	**(232,877)**	**10,927**	**(321,918)**	**10,441,530**

For the years ended 31 December 2018 and 31 December 2019, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 401,188 Euros and 1,485,520 Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 44).

Regarding the **Company**, during the years ended 31 December 2018 and 31 December 2019, the movement in the Accumulated impairment losses caption (Note 24) was as follows:

Company	2018						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Other current and non-current assets	8,313,595	417,761	(200,990)	(22,059)	-	104,005	8,612,312
	8,313,595	**417,761**	**(200,990)**	**(22,059)**	**-**	**104,005**	**8,612,312**

Company	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Other current and non-current assets	8,612,312	1,400,753	(85,980)	(168,532)	-	-	9,758,553
	8,612,312	**1,400,753**	**(85,980)**	**(168,532)**	**-**	**-**	**9,758,553**

For the years ended 31 December 2018 and 31 December 2019, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 216,771 Euros and 1,314,773 Euros, respectively in the caption Impairment of accounts receivable, net (Note 44).

24. Accumulated impairment losses

During the years ended 31 December 2018 and 31 December 2019, the following movements occurred in the **Group**'s impairment losses:

Group	2018							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets								
Tangible fixed assets	49,341	-	(25,085)	-	-	-	-	24,256
Investment properties	1,092,556	-	(732,506)	-	883,452	-	-	1,243,502
	1,141,897	**-**	**(757,591)**	**-**	**883,452**	**-**	**-**	**1,267,758**
Debt securities	-	114,893	(198,585)	-	-	-	248,575	164,883
Other non-current assets	1,786,729	196,161	-	-	-	-	-	1,982,890
Credit to banking clients	59,078	230,708	(57,229)	-	-	-	(6,589)	225,968
Other banking financial assets	-	564,091	(462,633)	-	-	-	116,293	217,751
	1,845,807	**1,105,853**	**(718,447)**	**-**	**-**	**-**	**358,279**	**2,591,492**
	2,987,704	**1,105,853**	**(1,476,038)**	**-**	**883,452**	**-**	**358,279**	**3,859,250**
Current assets								
Accounts receivable	32,583,555	4,693,073	(2,465,765)	(490,358)	-	-	(883,883)	33,436,621
Credit to banking clients	58,573	169,107	-	-	-	-	3,876	231,556
Debt securities	-	136,549	-	-	-	-	9,184	145,733
Other current assets	7,335,098	431,796	(226,769)	(23,137)	-	-	-	7,516,988
Other banking financial assets	-	10,927	(310,086)	-	-	-	507,104	207,945
Slight and term deposits	-	8,271	(393,885)	-	-	-	406,909	21,295
	39,977,226	**5,449,724**	**(3,396,505)**	**(513,495)**	**-**	**-**	**43,190**	**41,560,139**
Merchandise	1,719,745	145,341	(1,585)	(39,390)	-	-	-	1,824,111
Raw, subsidiary and consumable	658,137	-	(24,611)	-	-	-	-	633,526
	2,377,882	**145,341**	**(26,196)**	**(39,390)**	**-**	**-**	**-**	**2,457,637**
	42,355,108	**5,595,065**	**(3,422,701)**	**(552,885)**	**-**	**-**	**43,190**	**44,017,776**
	45,342,812	**6,700,917**	**(4,898,739)**	**(552,885)**	**883,452**	**-**	**401,469**	**47,877,025**

Group	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets								
Tangible fixed assets	24,256	-	(83)	-	-	-	-	24,173
Investment properties	1,243,502	-	(494,358)	-	-	-	-	749,144
	1,267,758	**-**	**(494,442)**	**-**	**-**	**-**	**-**	**773,316**
Debt securities	164,883	31,531	(83,821)	(299)	57,147	-	-	169,441
Other non-current assets	1,982,890	-	-	-	116,906	-	-	2,099,796
Credit to banking clients	225,968	2,298,517	(1,777,703)	(5,916,288)	611,781	7,149,174	-	2,591,449
Other banking financial assets	217,751	91,523	(244,428)	-	101,403	-	-	166,249
	2,591,492	**2,421,571**	**(2,105,952)**	**(5,916,587)**	**887,237**	**7,149,174**	**-**	**5,026,935**
	3,859,250	**2,421,571**	**(2,600,394)**	**(5,916,587)**	**887,237**	**7,149,174**	**-**	**5,800,251**
Current assets								
Accounts receivable	33,436,621	7,204,092	(766,236)	(1,892,645)	-	-	-	37,981,832
Credit to banking clients	231,556	5,409,498	(2,876,295)	(13,399,710)	(611,781)	12,633,482	-	1,386,750
Debt securities	145,733	2,678	(370)	(86,758)	(57,147)	-	-	4,136
Other current assets	7,516,988	1,585,794	(100,275)	(554,795)	(105,979)	-	-	8,341,734
Other banking financial assets	207,945	249,671	(126,763)	-	(112,330)	4,011,236	-	4,229,759
Slight and term deposits	21,295	5,352	(6,723)	-	-	-	-	19,923
	41,560,139	**14,457,085**	**(3,876,662)**	**(15,933,908)**	**(887,237)**	**16,644,718**	**-**	**51,964,134**
Non-current assets held for sale	-	9	(3,059)	-	-	187,659	-	184,609
	-	**9**	**(3,059)**	**-**	**-**	**187,659**	**-**	**184,609**
Merchandise	1,824,111	313,018	(1,129)	(19,695)	-	-	-	2,116,305
Raw, subsidiary and consumable	633,526	91,662	-	-	-	-	-	725,188
	2,457,637	**404,680**	**(1,129)**	**(19,695)**	**-**	**-**	**-**	**2,841,493**
	44,017,776	**14,861,773**	**(3,880,850)**	**(15,953,603)**	**(887,237)**	**16,832,377**	**-**	**54,990,236**
	47,877,025	**17,283,344**	**(6,481,244)**	**(21,870,190)**	**-**	**23,981,551**	**-**	**60,790,487**

Regarding the **Company**, during the years ended 31 December 2018 and 31 December 2019, the movement in the Accumulated impairment losses was as follows:

	2018							
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Changes in the accounting standards	Closing balance
Non-current assets								
Tangible fixed assets	49,340	-	(25,085)	-	-	-	-	24,255
Investment properties	1,092,556	-	(732,506)	-	883,452	-	-	1,243,502
	1,141,896	**-**	**(757,591)**	**-**	**883,452**	**-**	**-**	**1,267,757**
Other non-current assets	1,786,730	196,161	-	-	-	-	-	1,982,890
	1,786,730	**196,161**	**-**	**-**	**-**	**-**	**-**	**1,982,890**
	2,928,626	**196,161**	**(757,591)**	**-**	**883,452**	**-**	**-**	**3,250,647**
Current assets								
Accounts receivable	4,060,165	175,452	-	(142,251)	-	74,548	(80,236)	4,087,678
Other current assets	6,526,865	221,600	(200,990)	(22,059)	-	104,005	-	6,629,421
Slight and term deposits	-	-	(392,868)	-	-	-	404,841	11,973
	10,587,030	**397,052**	**(593,858)**	**(164,310)**	**-**	**178,553**	**324,605**	**10,729,072**
Merchandise	1,680,355	124,061	-	-	-	-	-	1,804,416
Raw, subsidiary and consumable	593,428	-	(24,611)	-	-	64,709	-	633,526
	2,273,783	**124,061**	**(24,611)**	**-**	**-**	**64,709**	**-**	**2,437,942**
	12,860,813	**521,113**	**(618,469)**	**(164,310)**	**-**	**243,262**	**324,605**	**13,167,014**
	15,789,439	**717,274**	**(1,376,060)**	**(164,310)**	**883,452**	**243,262**	**324,605**	**16,417,662**

	2019							
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Changes in the accounting standards	Closing balance
Non-current assets								
Tangible fixed assets	24,255	-	(83)	-	-	-	-	24,172
Investment properties	1,243,502	-	(494,358)	-	-	-	-	749,144
	1,267,757	**-**	**(494,441)**	**-**	**-**	**-**	**-**	**773,316**
Other non-current assets	1,982,890	-	-	-	116,906	-	-	2,099,796
	1,982,890	**-**	**-**	**-**	**116,906**	**-**	**-**	**2,099,796**
	3,250,647	**-**	**(494,441)**	**-**	**116,906**	**-**	**-**	**2,873,112**
Current assets								
Accounts receivable	4,087,678	585,751	-	(176,512)	-	-	-	4,496,917
Other current assets	6,629,421	1,400,753	(85,981)	(168,531)	(116,906)	-	-	7,658,758
Slight and term deposits	11,973	4,868	-	-	-	-	-	16,842
	10,729,072	**1,991,373**	**(85,981)**	**(345,043)**	**(116,906)**	**-**	**-**	**12,172,516**
Merchandise	1,804,416	289,377	-	-	-	-	-	2,093,793
Raw, subsidiary and consumable	633,526	91,662	-	-	-	-	-	725,188
	2,437,942	**381,039**	**-**	**-**	**-**	**-**	**-**	**2,818,981**
	13,167,014	**2,372,411**	**(85,981)**	**(345,043)**	**(116,906)**	**-**	**-**	**14,991,497**
	16,417,662	**2,372,411**	**(580,422)**	**(345,043)**	**-**	**-**	**-**	**17,864,609**

25. Equity

As at 31 December 2019, 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 section 5.1.1 of the Integrated Report.

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

Own shares

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

As at 31 December 2019, CTT held 1 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

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

Reserves

As at 31 December 2018 and 31 December 2019, the **Group**'s and **Company**'s heading Reserves showed the following composition:

	2018									
	Group					Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	50,323	64,897,551	79,947,883	15,000,000	8	-	64,897,551	79,897,560
Distribution of dividends (Note 27)	-	-	-	(15,372,222)	(15,372,222)	-	-	-	(15,372,222)	(15,372,222)
Other movements	-	-	-	1,311,267	1,311,267	-	-	-	1,311,267	1,311,267
Assets fair value	-	-	(50,053)	-	(50,053)	-	-	-	-	-
Closing balance	**15,000,000**	**8**	**270**	**50,836,597**	**65,836,875**	**15,000,000**	**8**	**-**	**50,836,597**	**65,836,605**

	2019									
	Group					Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	270	50,836,597	65,836,875	15,000,000	8	-	50,836,597	65,836,605
Assets fair value	-	-	15,720	-	15,720	-	-	-	-	-
Closing balance	**15,000,000**	**8**	**15,990**	**50,836,597**	**65,852,595**	**15,000,000**	**8**	**-**	**50,836,597**	**65,836,605**

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 31 December 2019, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

Retained earnings

During the years ended 31 December 2018 and 31 December 2019, the following movements were made in the **Group** and the **Company** heading Retained earnings:

	Group		Company	
	Restated 2018*	2019	Restated 2018*	2019
Opening balance	21,524,684	4,378,984	21,593,530	4,387,132
Application of the net profit of the prior year	27,263,244	21,499,271	27,263,244	21,499,271
Distribution of dividends	(41,627,778)	(15,000,000)	(41,627,778)	(15,000,000)
Changes to accounting polices	(1,467,664)	-	(811,995)	-
Adjustments from the application of the equity method	(2,235)	(10,954)	(718,603)	(206,672)
Other movements	(1,311,267)	-	(1,311,267)	-
Closing balance	**4,378,984**	**10,867,301**	**4,387,132**	**10,679,731**

* Restated values: see note 3

Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading (Note 31).

Thus, for the years ended 31 December 2018 and 31 December 2019, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group		Company	
	2018	2019	2018	2019
Opening balance	(32,634,996)	(30,993,430)	(32,653,520)	(31,001,308)
Actuarial gains/losses (Note 31)	2,181,712	(25,769,253)	2,195,448	(25,540,045)
Tax effect (Note 49)	(540,146)	7,018,539	(543,237)	7,000,770
Closing balance	**(30,993,430)**	**(49,744,144)**	**(31,001,308)**	**(49,540,583)**

27. Dividends

According to the dividend distribution proposal included in the 2017 Annual Report, at the General Meeting of Shareholders, which was held on 18 April 2018, a dividend distribution of 57,000,000 Euros regarding the financial year ended 31 December 2017 was proposed and approved. The amount of41,627,778 Euros was withdrawn from retained earnings and 15,372,222 Euros from reserves. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.38 Euros.

According to the dividend distribution proposal included in the 2018 Annual Report, at the General Meeting of Shareholders, which was held on 23 April 2019, a dividend distribution of 15,000,000 Euros, corresponding to a dividend per share of 0.10 Euros, regarding the financial year ended 31 December 2018 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.10 Euros.

28. Earnings per share

During the years ended 31 December 2018 and 31 December 2019, the earnings per share were calculated as follows:

	Restated 2018*	2019
Net income for the period	21,499,271	29,196,933
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.14	0.19
Diluted	0.14	0.19

* Restated values: see note 3

The average number of shares is detailed as follows:

	2018	2019
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	1	1
Average number of shares during the period	149,999,999	149,999,999

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

As at 31 December 2019, the number of own shares held is 1 and its average number for the year ended 31 December 2019 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

29. Non-controlling interests

During the years ended 31 December 2018 and 31 December 2019, the following movements occurred in non-controlling interests:

	2018	2019
Opening balance	146,738	165,494
Net profit for the year attributable to non-controlling interest	20,991	87,767
Other movements	(2,235)	(11,006)
Closing balance	**165,494**	**242,255**

As at 31 December 2018 and 31 December 2019, non-controlling interests are fully related to Correio Expresso de Moçambique, S.A..

30. Debt

As at 31 December 2018 and 31 December 2019, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Non-current liabilities				
Bank loans	24,276,250	81,702,538	24,276,250	81,702,538
Lease liabilities	76,005,953	66,895,396	53,710,640	45,614,055
	100,282,203	**148,597,934**	**77,986,890**	**127,316,593**
Current liabilities				
Bank loans	6,558,116	9,749,470	-	-
Lease liabilities	20,537,957	17,064,097	16,850,735	12,898,704
	27,096,073	**26,813,567**	**16,850,735**	**12,898,704**
	127,378,276	**175,411,501**	**94,837,625**	**140,215,297**

* Restated values: see note 3

As at 31 December 2019, the interest rates applied to bank loans were between 1.25% and 1.875% (31 December 2018: 1.25% and 1.875%).

<u>Bank loans and other loans</u>

As at 31 December 2018 and 31 December 2019, the details of the **Group** and **Company** bank loans were as follows:

Group	2018			2019		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	6,543,879	-	11,250,000	9,749,470	-
BBVA / Bankinter	75,000,000	-	24,276,250	75,000,000	-	46,891,381
Novo Banco	-	-	-	35,000,000	-	34,811,157
BIM - (Mozambique)	14,237	14,237	-	44,870	-	-
Other loans						
BIM - (Mozambique)	6,049	-	-	-	-	-
	86,270,286	**6,558,116**	**24,276,250**	**121,294,870**	**9,749,470**	**81,702,538**

Company	2018			2019		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	100,000	-	-	50,000	-	-
Novo Banco	-	-	-	35,000,000	-	34,811,157
BBVA / Bankinter	75,000,000	-	24,276,250	75,000,000	-	46,891,381
	75,100,000	**-**	**24,276,250**	**110,050,000**	**-**	**81,702,538**

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used,

presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 31 December 2019 the referred amount corresponded to 46,891,381 Euros. By a company decision, the remaining available amount will not be used.

On April 22, 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. Regarding 31 December 2019, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,811,157 Euros.

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 rations of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the Group and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December.

Lease Liabilities

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

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Due within 1 year	25,395,404	20,168,630	19,393,212	14,829,464
Due between 1 to 5 years	68,887,559	63,131,546	51,000,357	50,182,282
Over 5 years	21,517,489	14,737,518	8,835,576	3,897,164
Total undiscounted lease liabilities	**115,800,452**	**98,037,694**	**79,229,145**	**68,908,910**
Current	20,537,957	17,064,097	16,850,735	12,898,704
Non-current	76,005,953	66,895,396	53,762,583	45,614,055
Lease liabilities included in the statement of financial position	**96,543,910**	**83,959,493**	**70,613,318**	**58,512,759**

* Restated values: see note 3

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

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Lease liabilities interests (note 48)	4,194,503	3,663,261	2,961,888	2,424,680
Variable payments not included in the measurament of the lease liability (note 42)	1,608,400	3,050,726	1,310,705	2,586,907

* Restated values: see note 3

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

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Total of lease payments	(32,331,266)	(26,991,454)	(26,269,005)	(20,672,669)

* Restated values: see note 3

The movement in the rights of use underlying these lease liabilities can be analysed in note 5.

31. Employee benefits

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

During the years ended 31 December 2018 and 31 December 2019, the **Group** and the **Company** liabilities presented the following movement:

	2018								
	Group					Company			
	Healthcare	Pension Plan	Other long-term employee benefits	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	253,972,386	355,750	15,652,065	40,140	270,020,341	253,972,386	15,652,065	40,140	269,664,591
Movement of the period	(2,173,876)	(11,399)	(6,204,763)	50,880	(8,339,158)	(2,173,876)	(6,204,763)	50,880	(8,327,759)
Closing balance	**251,798,510**	**344,351**	**9,447,302**	**91,020**	**261,681,183**	**251,798,510**	**9,447,302**	**91,020**	**261,336,832**

	2019										
	Group							Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	251,798,510	-	344,351	-	9,447,302	91,020	261,681,183	251,798,510	9,447,302	91,020	261,336,832
Movement of the period	22,630,030	1,285,591	58,829	198,589	797,790	(91,020)	24,879,809	22,630,030	797,790	(91,020)	23,336,800
Closing balance	**274,428,540**	**1,285,591**	**403,180**	**198,589**	**10,245,092**	**-**	**286,560,992**	**274,428,540**	**10,245,092**	**-**	**284,673,632**

The heading Other post-employment benefits essentially refers to the benefit End of Career Awards and to the Death Allowance resulting from Work Accidents.

The heading Other long-term benefits essentially refers to the benefit Pensions for work accidents and to the on-going staff reduction programme.

The caption Other long-term benefits for the Statutory Bodies refers to the long-term variable remuneration assigned to the executive members of the Board of Directors, which, as mentioned in note 43, was cancelled in 2019 because it is no longer expected that the necessary conditions for its payment will be accomplished.

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

	Group		Company	
	2018	2019	2018	2019
Non-current liabilities	244,562,078	267,286,679	244,249,491	265,431,555
Current liabilities	17,119,105	19,416,212	17,087,341	19,383,977
	261,681,183	**286,702,892**	**261,336,832**	**284,815,532**

As at 31 December 2018 and 31 December 2019, the costs related to employee benefits recognised in the consolidated and individual income statement and the amount recognised directly in Other changes in equity were as follows:

	Group		Company	
	2018	2019	2018	2019
Costs for the period				
Healthcare	9,468,797	9,436,794	9,468,797	9,436,794
Healthcare - SAMS	-	54,405	-	-
Pension plan	7,100	7,174	-	-
Other benefits	-	6,201	-	-
Other long-term employee benefits	(3,496,528)	3,388,466	(3,496,528)	3,388,466
Other long-term benefits statutory bodies	50,880	-	50,880	-
	6,030,249	**12,893,040**	**6,023,149**	**12,825,261**
Other changes in equity				
Healthcare	(2,195,448)	25,540,045	(2,195,448)	25,540,045
Healthcare - SAMS	-	130,890	-	-
Pension Plan	13,736	83,890	-	-
Other benefits	-	14,427	-	-
	(2,181,712)	**25,769,253**	**(2,195,448)**	**25,540,045**

<u>Healthcare - IOS Plan and Insurance policy</u>

As mentioned in Note 2.20, CTT is responsible for financing both healthcare plans applicable to certain employees – IOS Plan and Insurance policy.

In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2019.

The main assumptions followed in the **Group** and the **Company** actuarial study of both plans were:

	2018	2019
Financial assumptions		
Discount rate	2.10%	1.60%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/2006 (with △ GDP < 2%)	Law no. 53-B/2006 (with △ GDP < 2%)
Inflation rate	1.50%	1.50%
Health costs growth rate	3.75%	3.30%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability table	Swiss RE	Swiss RE

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

The discount rate is determined by the **Group** and the **Company** analysis of the evolution of the macroeconomic context and the constant need to match the actuarial and financial assumptions to that reality. Therefore, as a result of that analysis the discount rate was changed to 1.60%.

The salaries expected growth rate is determined according to the salary policy defined by the **Group** and the **Company**.

The pensions expected growth rate is determined considering the estimated evolution of inflation and GDP growth rate.

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the plan's data.

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

The evolution of the present value of the **Group** and the **Company** liabilities related to the healthcare plans has been as follows:

Group and Company	2019	2018	2017	2016	2015
Liabilities at the end of the period					
IOS plan	265,509,580	244,758,317	250,622,728	246,367,140	236,806,000
Insurance policy	8,918,960	7,040,193	3,349,658	2,743,059	-
	274,428,540	**251,798,510**	**253,972,386**	**249,110,199**	**236,806,000**

For the years ended 31 December 2018 and 31 December 2019, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2018	2019	2018	2019	2018	2019
Opening balance	253,972,386	251,798,510	250,622,728	244,758,317	3,349,658	7,040,193
Service cost of the year	4,598,000	4,223,000	4,598,000	4,223,000	-	-
Interest cost of the year	4,977,000	5,174,000	4,911,000	5,029,000	66,000	145,000
Plan amendment	(106,203)	39,794	(3,704,171)	(1,201,035)	3,597,968	1,240,830
Pensioners contributions	4,745,795	4,997,232	4,591,286	4,737,962	154,509	259,270
(Payment of benefits)	(13,620,976)	(16,749,186)	(13,228,127)	(16,047,943)	(392,850)	(701,243)
(Other costs)	(572,043)	(594,855)	(547,319)	(568,343)	(24,724)	(26,512)
Actuarial (gains)/losses	(2,195,448)	25,540,045	(2,485,080)	24,578,623	289,631	961,422
Closing balance	**251,798,510**	**274,428,540**	**244,758,317**	**265,509,580**	**7,040,193**	**8,918,960**

Under the human resources optimisation process, started in 2016 and maintained until 2019, some employees are no longer considered in the IOS healthcare plan ("*Instituto das Obras Sociais*") being from that date onwards covered by an insurance policy with similar coverages of the IOS healthcare plan and the same monthly contributions and co-payments in the existing terms, as referred to in note 2.19. This revised plan has been considered as an amendment to the plan and therefore recognised in profit and loss under the caption Staff costs.

The total costs for the period were recognised as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2018	2019	2018	2019	2018	2019
Staff costs/employee benefits (Note 43)	3,919,754	3,667,939	346,509	2,453,621	3,573,244	1,214,318
Other costs	572,043	594,855	547,319	568,343	24,724	26,512
Interest expenses (Note 48)	4,977,000	5,174,000	4,911,000	5,029,000	66,000	145,000
	9,468,797	**9,436,794**	**5,804,829**	**8,050,965**	**3,663,968**	**1,385,830**

As at 31 December 2019, regarding the IOS Plan, the actuarial (gains)/losses in the amount of 24,578,623 Euros ((2,485,080) Euros as at 31 December 2018) were recognised in equity under Other changes in equity, net of deferred taxes of (6,882,014) Euros (695,822 Euros as at 31 December 2018).

In this respect, the amount of the actuarial (gains)/losses accounted in 31 December 2019 regarding the IOS Plan mainly refer to the reduction in the discount rate as well as to conjugated effect of the growth in healthcare costs per capita in 2019 being higher than the expected growth rate and the review of the growth rate of medical costs from 3.75% to 3.3%.

In what refers to the Insurance Policy, as at 31 December 2018 and as at 31 December 2019, the amounts of 289,631 Euros and 961,422 Euros, respectively, related to the actuarial (gains)/losses were recognised in equity under Other changes in equity, net of deferred taxes of (81,097) Euros and (269,198) Euros, respectively.

The best estimate the **Group** and the **Company** have at this date for costs related to the healthcare plan, which they expect to recognise in the next annual period is 8,664 thousand Euros.

The sensitivity analysis performed for the IOS Plan and Insurance policy leads to the following conclusions:

(i) If there was an increase of 100 b.p. in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 338,834 thousand Euros, increasing by approximately 23.5%.

(ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.8%, amounting to 284,857 thousand Euros.

(iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of the health care plan liability for past services of about 2.6% amounting to a total of 281,515 thousand Euros.

<u>Healthcare - SAMS</u>

As mentioned in Note 2.20, the **Group** is responsible for paying medical care charges to all 321 Crédito, S.A. employees in a situation of retirement, as well as for survival pensioners.

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

In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2019.

The main assumptions followed in the **Group** actuarial study were:

	2019
Financial assumptions	
Discount rate	1.50%
Salaries growth rate	1.25%
Inflation rate	1.00%
Demographic assumptions	
Mortality table	Men: TV 88/90 Women: TV 88/90 (-1)
Disability table	Swiss RE

For the year ended 31 December 2019, the movement of **Group** liabilities with the Healthcare – SAMS was as follows:

Group	2019
Opening balance	-
Changes in the consolidation perimeter	1,101,362
Service cost of the year	32,944
Interest cost of the year	21,461
(Payment of benefits)	(1,065)
Actuarial (gains)/losses	130,890
Closing balance	**1,285,591**

The total costs for the period were recognised as follows:

Group	2019
Staff costs/employee benefits (Note 43)	32,944
Other costs	-
Interest expenses (Note 48)	21,461
	54,405

The best estimate the **Group** has at this date for costs related to the Healthcare – SAMS, which it expects to recognise in the next annual period, is 115,891 Euros.

The sensitivity analysis performed in the year ended 31 December 2019 for the Healthcare – SAMS leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 6.4%, amounting to 1,367,869 Euros.

<u>Pension Plan</u>

As mentioned in Note 2.20, the **Group** is responsible for the payment of cash benefits in the form of supplementary retirement pension contributions over the amounts paid by Social Security to a closed group of employees of Transporta, which was merged into CTT Expresso during the year 2019.

In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2019.

The main assumptions followed in the **Group** actuarial study were:

	2018	2019
Financial assumptions		
Discount rate	2.10%	1.50%
Salaries growth rate	2.25%	2.25%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability rate	EKV 80	EKV 80

For the year ended 31 December 2018 and 31 December 2019, the movement of **Group** liabilities with the Pension Plan was as follows:

Group	2018	2019
Opening balance	355,750	344,351
Service cost of the year	303	276
Interest cost of the year	6,797	6,898
(Payment of benefits)	(32,235)	(32,235)
Actuarial (gains)/losses	13,736	83,890
Closing balance	**344,351**	**403,180**

The total costs for the period were recognised as follows:

Group	2018	2019
Staff costs/employee benefits (Note 43)	303	276
Other costs	-	-
Interest expenses (Note 48)	6,797	6,898
	7,100	**7,174**

The best estimate the **Group** has at this date for costs related to the pension plan, which it expects to recognise in the next annual period, is 5,977 Euros.

The sensitivity analysis performed in the year ended 31 December 2018 for the Pension Plan leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 2.2%, amounting to 412,050 Euros.

Other benefits

Following the mentioned note 2.20, the **Group** assumed the commitment regarding the payment of a "End of Career award" on the date of retirement, due to disability or old age, in the amount of 1.5 times the effective monthly remuneration earned in that date as well as the payment of a capital called "Death Allowance resulting from Work Accidents" to 321 Crédito, S.A. employees. Both benefits are attributed under the banking sector ACT published in BTE nº 38 of 2017 of October 15, clauses 69 and 72, respectively.

In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2019.

The main assumptions followed in the **Group** actuarial study were:

	2019
Financial assumptions	
Discount rate	1.50%
Salaries growth rate	1.25%
Demographic assumptions	
Mortality rate due to work accident	0.0035%
Mortality table	Men: TV 88/90 Women: TV 88/90 (-1)

For the year ended 31 December 2019, the movement of **Group** liabilities with the Other post-employment benefits was as follows:

Group	2019
End of Career Awards	
Opening balance	-
Changes in the consolidation perimeter	171,770
Service cost of the year	2,592
Interest cost of the period	3,332
(Payment of benefits)	-
Actuarial (gains)/losses	14,293
Closing balance	**191,986**
Death Allowance resulting from Work Accidents	
Opening balance	-
Changes in the consolidation perimeter	6,191
Service cost of the year	155
Interest cost of the period	122
(Payment of benefits)	-
Actuarial (gains)/losses	134
Closing balance	**6,603**
Total	**198,589**

The total costs for the period were recognised as follows:

Group	2019
Staff costs/employee benefits (Note 43)	
End of Career Awards	2,592
Death Allowance resulting from Work Accidents	155
	2,747
Interest expenses (Note 48)	3,454
	6,201

The best estimate the **Group** has at this date for costs related to the Other post-employment benefits, which it expects to recognise in the next annual period, is 14,996 Euros.

The sensitivity analysis performed in the year ended 31 December 2019 for the Other post-employment benefits leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 6.4%, amounting to 211,298 Euros.

Other long-term employee benefits

As mentioned in Note 2.20, in certain situations, the **Group** and the **Company** has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable. As at 31 December 2019, an actuarial study was requested to an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of the **Group** and the **Company** liabilities were:

	2018	2019
Financial assumptions		
Discount rate	2.10%	1.50%
Salaries growth rate (Suspension of contracts)	2.25%	2.25%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	1.50%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)

For the years ended 31 December 2018 and 31 December 2019, the movement of **Group** and the **Company** liabilities with other long-term employee benefits was as follows:

Group and Company	2018	2019
Suspension of contracts, redeployment and release of employment		
Opening balance	3,311,871	1,591,506
Interest cost of the period	47,354	72,571
Liabilities relative to new beneficiaries	-	3,411,765
(Payment of benefits)	(2,058,910)	(2,086,590)
Actuarial (gains)/losses	291,191	146,037
Closing balance	**1,591,506**	**3,135,288**
Telephone subscription fee		
Opening balance	1,503,339	1,422,611
Interest cost of the period	28,487	28,235
(Payment of benefits)	(140,360)	(19,859)
Actuarial (gains)/losses	31,145	(971,882)
Closing balance	**1,422,611**	**459,105**
Pension for work accidents		
Opening balance	6,943,008	6,243,316
Interest cost of the period	134,938	126,641
(Payment of benefits)	(430,448)	(465,219)
Actuarial (gains)/losses	(404,182)	668,881
Closing balance	**6,243,316**	**6,573,619**
Monthly life annuity		
Opening balance	3,893,847	189,869
Interest cost of the period	76,887	3,579
Curtailment	(3,542,819)	(85,874)
(Payment of benefits)	(78,517)	(19,007)
Actuarial (gains)/losses	(159,529)	(11,486)
Closing balance	**189,869**	**77,081**
Total	**9,447,302**	**10,245,092**

During the years ended 31 December 2018 and 31 December 2019, the total costs for the year were recognised as follows:

Group and Company	2018	2019
Staff costs/employee benefits (Note 43)		
Suspension of contracts, redeployment and release of employment	291,191	3,557,801
Telephone subscription fee	31,145	(971,882)
Pension for work accidents	(404,182)	668,881
Monthly life annuity	(3,702,348)	(97,360)
	(3,784,194)	**3,157,440**
Interest expenses (Note 48)	287,666	231,026
	(3,496,528)	**3,388,466**

The liability reduction recognised, on 31 December 2018, in the benefit "Monthly life annuity" (SMV) was due to the replacement by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October, and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT. In accordance and in order to inform the beneficiaries of these changes, the Company sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.
In the year ended 31 December 2019, following the analysis of the historical data of the monthly costs per beneficiary and the number of beneficiaries of the Telephone subscription fee performed by the independent expert, a liability reduction was recorded in the amount of 971,882 Euros, in the heading Staff costs since it related to long-term employee benefits.

The liabilities related to new beneficiaries on 31 December 2019 in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimisation process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

The actuarial (gains)/losses regarding long-term employee benefits recognised as at 31 December 2019 mainly relates to the changes occurred in the discount rate as well as to the movements in the beneficiary population which, according to IAS 19 – Employee benefits, were recognised in the caption Staff costs in the income statement.

The best estimate that the **Company** has at this date for costs with other long-term benefits, which it expects to recognise in the next year is 138,764 Euros.

The sensitivity analysis performed on 31 December 2019 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 25 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 1.70%, increasing to 10,419 thousand Euros.

Other long-term benefits for the Statutory Bodies

CTT approved, with effect from 31 December 2017, the Remuneration Regulation for Members of the Statutory Bodies for the period 2017-2019, which defines the allocation of a long-term variable remuneration, to be paid in cash (note 2.19). The plan is now considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting therefrom should be recorded in the income statement.

The amount to be attributed to the members of the CTT Executive Committee is based on the results of the performance evaluation during the term of office (1 January 2017 to 31 December 2019), which consists of (i) a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (ii) the sum of the overall annual qualitative AVR assessments of the executive Directors and (iii) the investment in CTT shares of a minimum of 25% of the AVR amount received by each Director. This calculation is performed by an independent entity and, if attributed, will be paid at the end of the 2017-2019 term.

Following the study carried out by an independent entity on 31 December 2019, was concluded that the assumptions regarding the attribution of the Long-Term Variable Remuneration were not verified, so, no expense was recognised in the period between 1 January 2019 and 31 December 2019. The amounts recorded in previous years, 2017 and 2018, totalling 91,020 Euros were also derecognised.

32. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the years ended 31 December 2018 and 31 December 2019, in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognised provisions, which showed the following movement:

	2018							
Group	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current provisions								
Litigations	3,390,479	1,209,497	(1,294,790)	(261,423)	105,858	-	-	3,149,620
Restructuring	1,729,651	1,509,881	(394,567)	(119,354)	(883,452)	-	-	1,842,159
Other provisions	8,338,601	1,534,560	(644,556)	(101,264)	(105,858)	-	-	9,021,484
Sub-total - caption "Provisions (increases)/reversals"	**13,458,730**	**4,253,937**	**(2,333,913)**	**(482,041)**	**(883,452)**	**-**	**-**	**14,013,263**
Restructuring	11,903,172	16,731,772	(286,479)	(27,321,562)	-	-	-	1,026,902
Other provisions	666,430	316,802	(4,058)	-	-	-	-	979,174
	26,028,332	**21,302,512**	**(2,624,450)**	**(27,803,603)**	**(883,452)**	**-**	**-**	**16,019,339**

	2019							
Group	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current provisions								
Litigations	3,149,620	1,975,191	(1,652,175)	(691,483)	67,824	-	-	2,848,977
Restructuring	1,842,159	100,826	(863,627)	(39,610)	-	-	-	1,039,748
Other provisions	9,021,484	210,045	(675,510)	(2,942)	(67,824)	1,499,282	397,421	10,381,956
Sub-total - caption "Provisions (increases)/reversals"	**14,013,263**	**2,286,062**	**(3,191,312)**	**(734,035)**	**-**	**1,499,282**	**397,421**	**14,270,681**
Restructuring	1,026,902	7,504,481	-	(7,852,242)	-	-	-	679,141
Other provisions	979,174	1,826,549	-	(120,167)	-	-	-	2,685,556
	16,019,339	**11,617,093**	**(3,191,312)**	**(8,706,444)**	**-**	**1,499,282**	**397,421**	**17,635,379**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (1,920,024) Euros as at 31 December 2018 and 905,250 Euros as at 31 December 2019.

	2018						
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Non-current provisions							
Litigations	2,942,813	1,132,552	(1,216,749)	(231,611)	105,858	30,878	2,763,740
Restructuring	1,729,651	1,146,861	(394,567)	(119,354)	(883,452)	-	1,479,139
Other provisions	8,248,347	156	(578,663)	(18,772)	(105,858)	4,327	7,549,538
Sub-total - caption "Provisions (increases)/reversals"	**12,920,810**	**2,279,569**	**(2,189,979)**	**(369,737)**	**(883,452)**	**35,205**	**11,792,417**
Investments in subsidiary and associated companies	4,237,541	10,220,139	-	(14,457,680)	-	-	-
Restructuring	11,841,708	16,418,645	(268,479)	(27,088,781)	-	11,748	914,840
Other provisions	550,000	-	-	-	-	-	550,000
	29,550,059	**28,918,354**	**(2,458,458)**	**(41,916,198)**	**(883,452)**	**46,953**	**13,257,257**

	2019						
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Non-current provisions							
Litigations	2,763,740	1,187,436	(1,448,738)	(368,540)	67,824	-	2,201,722
Restructuring	1,479,139	-	(863,627)	(39,610)	-	-	575,902
Other provisions	7,549,538	-	(242,817)	-	(67,824)	-	7,238,897
Sub-total - caption "Provisions (increases)/reversals"	**11,792,417**	**1,187,436**	**(2,555,182)**	**(408,150)**	**-**	**-**	**10,016,521**
Investments in subsidiary and associated companies	-	-	-	-	-	-	-
Restructuring	914,840	7,243,452	-	(7,556,531)	-	-	601,761
Other provisions	550,000	1,679,067	-	-	-	-	2,229,067
	13,257,257	**10,109,956**	**(2,555,182)**	**(7,964,681)**	**-**	**-**	**12,847,350**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to (89,590) Euros as at 31 December 2018 and 1,367,746 as at 31 December2019.

Litigations

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

The reversal of the provision for litigations, in the amount of 1,652,175 Euros as at 31 December 2018 and 1,294,790 Euros as at 31 December 2019, essentially results from lawsuits whose decision, which was made known in the course of 2018 or 2019, respectively, proved to be favourable to the Group, or, not being favourable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasises the purposes of optimising the retail network and reinforcing the HR optimisation programme. Following the maintenance, in 2018 and 2019, on the HR optimisation programme, the provision created for this purpose amounted to 679,141 Euros and 601,762 Euros as at 31 December 2019, in the **Group** and **Company**, respectively, and have been recorded against the caption Staff costs in the income statement. It is expected that this provision will be substantially used in 2020.

The utilisations recorded in the same period regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

Also, within the scope of the Operational Transformation Plan, in the area of optimisation of the delivery network and mail processing operations, the **Group** and the **Company**, in the period ended 31 December 2018, created a provision for restructuring in the amount of 1,397,647 Euros and 1,034,626 Euros, respectively, which was recognised under "Provisions (increases) / reversals" in the income statement by nature. As at 31 December 2019 following an update/revision of the underlying criteria, the provision amounted, in the **Group** and **Company**, to 1,039,748 Euros and 575,902 Euros, respectively.

Other provisions

As at 31 December 2018 the provision, in the **Group** and the **Company**, to cover any contingencies relating to labour litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 6,891,248 Euros (7,197,562 as at 31 December de 2018). The amount of the provision corresponds to the Group's best estimate for the outflow, and it is not possible to estimate the expected moment for the outflow as it depends on the moment when proceedings are initiated by the Group's employees.

As at 31 December 2019, a provision is recognised in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition, which has now been the subject of an appeal to the Spanish Audiencia Nacional (National High Court). The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors and the Group is awaiting the outcome of the process.

The amount provisioned in 321 Crédito, S.A. amounting to 1,709,212 Euros as at 31 December 2019 (1,499,282 Euros at the acquisition date) is essentially the result of the risk assessment associated with tax contingencies.

As at 31 December 2019, in addition to the previously mentioned situations, this heading also includes in the **Group** and the **Company**:

- the amount of 71,228 Euros in the **Group** and **Company** 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 in the **Group** and **Company**, which arise from the assessment made by the management regarding the possibility of tax contingencies;
- the amount of 309,007 Euros regarding the liability, recognised in the company CTT Expresso, with a labour legal proceeding;
- the amount of 1,826,549 Euros in the **Group** and 1,679,067 Euros in the **Company**, to cover costs of operational vehicles restoration.

Guarantees provided

As at 31 December 2018 and 31 December 2019, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

Description	Group		Company	
	2018	2019	2018	2019
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	10,863,848	8,211,715	10,863,848	6,150,425
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comission Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845	3,148,845	3,148,845
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886	1,792,886	1,792,886
O Feliz - Imobiliaria (Real estate company)	-	381,553	-	381,553
EUROGOLD (Real estate company)	-	288,384	-	288,384
Courts	232,687	281,830	87,927	254,610
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000	-	-
Municipalities	122,165	118,658	118,658	118,658
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printinc	85,056	85,056	-	-
Solred (Repsol's fuel cards)	80,000	80,000	-	-
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Su|	68,895	68,895	68,895	68,895
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	-	55,000	-	-
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000	26,984	34,000
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	26,984	34,000	26,984
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Manager	16,406	21,557	16,406	16,406
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Wate	17,000	17,000	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658	16,658	16,658
Refer (Public service for the management of the national railway network infrastru	16,460	16,460	-	-
Other entities	14,103	16,144	-	-
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000	-	-
Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authorit	13,086	13,000	13,086	13,000
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing spo	-	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	-	10,475	-	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres	9,909	9,910	9,909	9,910
Promodois (Real estate company)	6,273	6,273	6,273	6,273
Consejeria Salud (Local Health Service/Spain)	4,116	4,116	-	-
Instituto do Emprego e Formação Profissional (Employment and Professional Traini	3,718	3,718	3,718	3,718
EMARP - Empresa de Aguas e Resíduos de Portimão (Services of Water Supply and	-	3,100	-	3,100
IFADAP (National Support Institute for Farming and Fishing)	1,746	1,746	1,746	1,746
ADAM - Águas do Alto Minho (Services of Water Supply and Sanitation of theRegioı	-	466	-	-
APIN - Empresa Intermunicipal de Ambiente do Pinhal Interior, EIM, S.A. (Inter-muni	-	-	-	-
ARM - Águas e Resíduos da Madeira, SA (Services of Water Supply and Sanitation c	-	-	-	-
Instituto de Segurança Social (Social Security Institute)	8,190	-	8,190	-
Casa Pia de Lisboa, I.P. (Public institute for the promotion and protection of the child	1,863	-	1,863	-
Águas de Coimbra (Services of Water Supply and Sanitation of the city of Coimbra)	870	-	870	-
Fonavi, Nave Hospitalet	40,477	-	-	-
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	12,460	-	12,460	-
Secretaria-Geral do Ministério da Administração Interna (General Secretariat of the	3,644	-	3,644	-
	18,908,206	**16,991,290**	**18,344,007**	**14,464,667**

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 2018 and 31 December 2019, in the **Group** and the **Company**.

The amounts relating to the Portuguese Tax and Customs Authority ("Autoridade Tributária e Aduaneira") arise essentially from tax enforcement proceedings arising from the inspection process regarding VAT of fiscal years 2014 and 2015.

Following the risk assessment carried out by its legal advisors, the **Company** provided bank guarantees under the opposition presented in the arbitral tribunal, considering these proceedings as contingent liabilities.

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 2018 and 31 December 2019, the **Group** subscribed promissory notes amounting to approximately 42.7 thousand Euros and 43.7 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** and the **Company** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the branch of CTT Expresso in Spain which are still active as at 31 December 2019.

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

The **Group** and the **Company** contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

33. Accounts payable

As at 31 December 2018 and 31 December 2019, the **Group** and the **Company** heading Accounts payable showed the following composition:

	Group		Company	
	2018	2019	2018	2019
Non-current				
Other accounts payable	-	-	312,744	309,007
	-	**-**	**312,744**	**309,007**
Current				
Advances from customers	2,939,052	2,824,160	2,914,849	2,802,829
CNP money orders	85,601,930	87,890,044	85,601,930	87,890,044
Suppliers	68,209,836	76,261,148	55,841,227	61,198,520
Invoices pending confirmation	12,332,620	10,560,107	9,144,335	7,729,040
Fixed assets suppliers	5,996,962	14,189,288	4,246,703	10,386,919
Invoices pending confirmation (fixed assets)	9,367,220	9,543,900	9,265,281	8,927,218
Values collected on behalf of third parties	11,491,455	8,495,311	8,798,133	3,910,828
Postal financial services	115,408,707	153,139,714	115,408,707	153,139,714
Advances regarding disposals	12,253	14,108	12,253	12,948
Other accounts payable	10,916,185	10,872,886	9,363,900	8,228,945
	322,276,222	**373,790,665**	**300,597,319**	**344,227,004**
	322,276,222	**373,790,665**	**300,910,063**	**344,536,011**

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year.

Postal financial services

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

Suppliers and fixed assets suppliers

As at 31 December 2018 and 31 December 2019 the **Group** and the **Company** heading Suppliers showed the following composition:

	2018	2019	2018	2019
Other suppliers	33,444,068	37,687,552	21,115,816	22,755,573
Postal operators	34,751,168	38,543,677	33,735,978	37,588,225
Group companies [(1)]	14,599	29,919	989,432	854,722
	68,209,836	**76,261,148**	**55,841,227**	**61,198,520**

[(1)] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2018 and 31 December 2019, the ageing of the **Group** and the **Company** balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

Suppliers	Group		Company	
	2018	2019	2018	2019
Non-overdue	24,039,588	27,642,651	15,614,171	17,488,764
Overdue [(1)]:				
0-30 days	9,663,956	8,238,539	6,905,445	4,753,459
31-90 days	9,804,326	9,017,884	9,359,383	8,338,296
91-180 days	145,873	3,212,476	11,134	3,128,468
181-360 days	9,215,690	9,466,567	9,105,105	9,334,187
> 360 days	15,340,404	18,683,031	14,845,990	18,155,347
	68,209,836	**76,261,148**	**55,841,227**	**61,198,520**

[(1)] The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Fixed assets suppliers	Group		Company	
	2018	2019	2018	2019
Non-overdue	3,825,896	9,332,586	2,397,916	7,797,251
Overdue:				
0-30 days	1,185,391	3,970,902	987,071	1,886,499
31-90 days	342,142	352,883	309,297	262,638
91-180 days	225,309	95,600	181,767	67,489
181-360 days	21,202	2,100	-	2,100
> 360 days	397,022	435,217	370,652	370,943
	5,996,962	**14,189,288**	**4,246,703**	**10,386,919**

The current amount of accounts payable overdue over 360 days is as follows:

	Group		Company	
	2018	2019	2018	2019
Other suppliers	58,070	139,518	(19,699)	-
Foreign operators	15,282,334	18,543,513	14,865,688	18,155,347
Total	**15,340,404**	**18,683,031**	**14,845,990**	**18,155,347**
Foreign operators - receivable (Note 18)	**(14,647,147)**	**(24,406,448)**	**(14,062,912)**	**(23,578,536)**

The balances between Foreign Operators are cleared by netting accounts. These amounts refer to the accounts receivable balances related to these entities (Note 18).

There are no ongoing judicial or extrajudicial proceedings to regularise the balances of suppliers that were past due on 31 December 2019.

34. Banking clients' deposits and other loans

As at 31 December 2018 and 31 December 2019, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	2018	2019
Sight deposits	671,672,699	961,771,839
Term deposits	100,832,482	169,581,292
Savings deposits	111,445,353	152,214,134
Banking clients' deposits	**883,950,534**	**1,283,567,265**
Other credit institutions' deposits	-	37,850,777
Other credit institutions' deposits	**-**	**37,850,777**
	883,950,534	**1,321,418,042**

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

As at 31 December 2018 and 31 December 2019, the residual maturity of banking client deposits and other loans, is detailed as follows:

	2018					
	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	Total
Sight deposits and saving accounts	783,118,052	-	-	-	-	783,118,052
Term deposits	-	47,462,967	53,369,515	-	-	100,832,482
	783,118,052	**47,462,967**	**53,369,515**	**-**	**-**	**883,950,534**

	2019					
	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	Total
Sight deposits and saving accounts	1,113,985,973	-	-	-	-	1,113,985,973
Term deposits	-	53,164,869	116,416,423	-	-	169,581,292
Banking clients' deposits	**1,113,985,973**	**53,164,869**	**116,416,423**	**-**	**-**	**1,283,567,265**
Other credit institutions' deposits	-	37,850,777	-	-	-	37,850,777
Other credit institutions' deposits	**-**	**37,850,777**	**-**	**-**	**-**	**37,850,777**
	1,113,985,973	**53,164,869**	**116,416,423**	**-**	**-**	**1,321,418,042**

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

35. Other current liabilities

As at 31 December 2018 and 31 December 2019, the **Group** and the **Company** heading Other current liabilities showed the following composition:

	Group		Company	
	2018	2019	2018	2019
Current				
Estimated holiday pay, holiday subsidy and other remunerations	43,327,134	45,438,083	38,211,318	39,152,347
Estimated supplies and external services	30,489,604	40,727,670	21,393,548	21,752,223
State and other public entities				
Value Added Tax	2,445,030	3,252,871	1,998,433	2,939,364
Personal income tax withholdings	3,283,953	3,240,540	2,947,445	2,703,138
Social Security contributions	3,921,463	4,400,302	3,415,546	3,549,098
Caixa Geral de Aposentações	2,124,680	1,989,746	2,106,102	1,974,306
Local Authority taxes	515,970	474,854	502,007	474,060
Other taxes	94,770	713,489	-	-
Other	1,090	116,089	16,072	116,089
	86,203,693	**100,353,646**	**70,590,472**	**72,660,624**

36. Income taxes receivable / payable

As at 31 December 2018 and 31 December 2019 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	Restated 2018*	2019	Restated 2018*	2019
Current assets				
Corporate income tax	5,040,275	-	4,965,933	-
	5,040,275	**-**	**4,965,933**	**-**
Current liabilities				
Corporate income tax	-	5,958,753	-	1,948,562
	-	**5,958,753**	**-**	**1,948,562**

* Restated values: see note 3

The **Company**'s current assets and current liabilities relative to corporate income tax were calculated as follows:

Company	Restated 2018*	2019
Estimated income tax	(5,519,303)	(13,670,858)
Estimated Group companies' income tax	2,535,336	7,043,476
Payments on account	7,295,799	4,291,044
Withholding taxes	654,101	387,775
	4,965,933	**(1,948,562)**

* Restated values: see note 3

37. Financial assets and liabilities

As at 31 December 20186 and 31 December 2019, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

Group	Restated 2018 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current debt securities (Note 14)	428,181,036	857,645	-	-	-	429,038,681
Other non-current assets (Note 23)	1,526,644	-	-	-	-	1,526,644
Non-current credit to bank clients (Note 19)	231,797,420	-	-	-	-	231,797,420
Other non-current banking financial assets (Note 15)	22,692,434	-	-	-	-	22,692,434
Current accounts receivable (Note 18)	135,855,195	-	-	-	-	135,855,195
Current credit to bank clients (Note 19)	16,252,561	-	-	-	-	16,252,561
Current debt securities (Note 14)	24,431,778	631,423	-	-	-	25,063,201
Other current assets (Note 23)	13,263,830	-	-	-	22,253,385	35,517,214
Other current banking financial assets (Note 15)	92,122,848	-	-	-	1,498,303	93,621,151
Cash and cash equivalents (Note 22)	422,717,478	-	-	-	-	422,717,478
Total Financial assets	**1,388,841,224**	**2,868,205**	**-**	**-**	**23,751,688**	**1,415,461,117**
Liabilities						
Non-current debt (Note 30)	-	-	-	100,282,203	-	100,282,203
Current accounts payable (Note 33)	-	-	-	308,408,731	13,867,491	322,276,222
Banking client deposits and other loans (Note 34)	-	-	-	883,950,534	-	883,950,534
Current debt (Note 30)	-	-	-	27,096,073	-	27,096,073
Other current liabilities (Note 35)	-	-	-	30,490,693	55,713,000	86,203,693
Total Financial liabilities	**-**	**-**	**-**	**1,350,228,234**	**69,580,490**	**1,419,808,724**

Group	2019 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current debt securities (Note 14)	424,322,759	528,420	-	-	-	424,851,179
Other non-current assets (Note 23)	1,543,308	-	-	-	-	1,543,308
Non-current credit to bank clients (Note 19)	792,469,611	-	-	-	-	792,469,611
Other non-current banking financial assets (Note 15)	18,762,167	-	1,882	-	-	18,762,167
Current accounts receivable (Note 18)	146,471,712	-	-	-	-	146,471,712
Current credit to bank clients (Note 19)	93,350,959	-	-	-	-	93,350,959
Current debt securities (Note 14)	31,546,424	13,727	-	-	-	31,560,152
Other current assets (Note 23)	8,731,765	-	-	-	27,034,463	35,766,227
Other current banking financial assets (Note 15)	13,182,971	-	-	-	1,477,315	14,660,286
Cash and cash equivalents (Note 22)	442,995,724	-	-	-	-	442,995,724
Total Financial assets	**1,973,377,400**	**1,921,285**	**1,882**	**-**	**28,511,778**	**2,003,810,463**
Liabilities						
Non-current debt (Note 30)	-	-	-	148,597,934	-	148,597,934
Other non-current banking financial liabilities (Note 15)	-	-	-	76,060,295	-	76,060,295
Current accounts payable (Note 33)	-	-	-	360,079,510	13,711,155	373,790,665
Banking client deposits and other loans (Note 34)	-	-	-	1,321,418,042	-	1,321,418,042
Current debt (Note 30)	-	-	-	26,813,567	-	26,813,567
Other current liabilities (Note 35)	-	-	-	40,843,760	59,509,886	100,353,646
Other current banking financial liabilities (Note 15)	-	-	-	17,073	17,970,646	17,987,719
Total Financial liabilities	**-**	**-**	**-**	**1,973,813,108**	**73,221,041**	**2,047,034,149**

The **Group** believes that the fair value of its financial assets and liabilities is similar to its book value, with the exception of the following caption:

	2018		2019	
	Book value	Fair value	Book value	Fair value
Financial assets				
Credit to bank clients	248,049,981	248,049,981	885,820,570	892,174,737
Debt securities - Financial assets at amortised cost	452,612,813	466,861,665	455,869,183	490,960,823
Financial liabilities				
Other banking financial liabilities - Debt securities issued	-	-	76,077,368	76,992,755

Regarding the **Company**, as at 31 December 2018 and 31 December 2019, the categories of financial assets and liabilities were broken down as follows:

Company	Restated 2018 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current shareholders (Note 50)	1,350,000	-	-	-	-	1,350,000
Other non-current assets (Note 23)	1,252,268	-	-	-	-	1,252,268
Accounts receivable (Note 18)	100,059,980	-	-	-	-	100,059,980
Current shareholders (Note 50)	10,558,000	-	-	-	41,851	10,599,851
Other current assets (Note 23)	12,280,804	-	-	-	16,706,422	28,987,226
Cash and cash equivalents (Note 22)	271,758,311	-	-	-	-	271,758,311
Total Financial assets	**397,259,363**	**1,379,137**	**-**	**-**	**16,748,273**	**415,386,774**
Liabilities						
Non-curent accounts payable (Note 33)	-	-	-	312,744	-	312,744
Non-current debt (Note 30)	-	-	-	77,986,890	-	77,986,890
Current accounts payable (Note 33)	-	-	-	288,306,317	12,291,002	300,597,319
Shareholders (Note 50)	-	-	-	-	5,539,255	5,539,255
Current debt (Note 30)	-	-	-	16,850,735	-	16,850,735
Other current liabilities (Note 35)	-	-	-	21,409,620	49,180,852	70,590,472
Total Financial liabilities	**-**	**-**	**-**	**404,866,306**	**67,011,109**	**471,564,670**

Company	2019 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current shareholders (Note 50)	15,058,000	-	-	-	-	15,058,000
Non-current accounts receivable (Note 18)	661,287	-	-	-	-	661,287
Other non-current assets (Note 23)	1,237,070	-	-	-	-	1,237,070
Current accounts receivable (Note 18)	112,842,210	-	-	-	-	112,842,210
Current shareholders (Note 50)	1,350,000	-	-	-	339,268	1,689,268
Other current assets (Note 23)	8,881,347	-	-	-	18,058,027	26,939,374
Cash and cash equivalents (Note 22)	261,591,807	-	-	-	-	261,591,807
Total Financial assets	**401,621,721**	**1,379,137**	**-**	**-**	**18,397,295**	**421,398,153**
Liabilities						
Non-curent accounts payable (Note 33)	-	-	-	309,007	-	309,007
Non-current debt (Note 30)	-	-	-	127,316,593	-	127,316,593
Current accounts payable (Note 33)	-	-	-	333,182,282	11,044,722	344,227,004
Shareholders (Note 50)	-	-	-	-	22,109,176	22,109,176
Current debt (Note 30)	-	-	-	12,898,704	-	12,898,704
Other current liabilities (Note 35)	-	-	-	21,868,312	50,792,312	72,660,624
Total Financial liabilities	**-**	**-**	**-**	**495,265,891**	**83,946,209**	**579,212,100**

The **Company** believes that the fair value of its financial assets and liabilities is similar to its book value.

38. Subsidies obtained

As at 31 December 2018 and 31 December 2019, the information regarding subsidies or grants obtained (Note 2.24) to the **Group** and the **Company** was as follows:

	2018 Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,569,423	316,892	9,868,022	9,714,706	153,316	9,551,130	316,892
Operating subsidy	200,667	200,667	-	200,667	-	177,045	177,045	-	177,045	-
	10,086,982	**9,933,666**	**153,316**	**9,770,090**	**316,892**	**10,045,067**	**9,891,751**	**153,316**	**9,728,175**	**316,892**

	2019 Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,580,624	305,691	9,868,022	9,714,706	153,316	9,562,331	305,691
Operating subsidy	200,667	200,667	-	200,667	-	177,045	177,045	-	177,045	-
	10,086,982	**9,933,666**	**153,316**	**9,781,291**	**305,691**	**10,045,067**	**9,891,751**	**153,316**	**9,739,376**	**305,691**

The amounts received as investment subsidy – FEDER - are recognised in the income statement, under the heading Other operating income, as the corresponding assets are amortised.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. ("Institute of Employment and Professional Training") ("IEFP"), received under the Employment Internships Programme configures the typology of Grants related to income or operational expenses and is recognised as revenue in the same period of the related expense.

The amounts received were initially deferred (Note 20) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognised.

39. Sales and services rendered

For the years ended 31 December 2018 and 31 December 2019, the significant categories of the **Company** revenue were as follows:

Company	2018	2019
Sales	19,513,226	18,224,386
Mail services rendered	450,558,128	441,949,622
Postal financial services	34,673,666	41,673,750
Electronic vehicle identification devices	5,836,523	5,792,169
Telecommunication services	633,798	7,469
Other services	13,806,079	14,650,162
	525,021,420	**522,297,559**

Other services fundamentally concern:

	2018	2019
Photocopies Certification	211,766	237,390
Reg. Aut. Madeira and Azores transport allowance	1,089,841	1,144,577
Others Philately	76,452	108,319
Costums presentation tax	2,031,746	1,787,448
Corfax	71,145	46,746
Non-adressed mail	178,698	218,319
Portugal Telecom services	97,254	60,388
Digital mailRoom	453,410	516,787
Other services	9,595,767	10,530,189
	13,806,079	**14,650,163**

In the year ended 31 December 2019, the Printing & Finishing services, in the amount of 7,296,685 Euros, are presented under the caption Other services (7,394,745 Euros as at 31 December 2018).

In the periods ended 31 December 2018 and December 2019, there are no variable components associated with contracts with customers with associated uncertainty.

40. Financial margin

As at 31 December 2018 and 31 December 2019, the composition of the **Group** heading Financial margin was as follows:

Group	2018	2019
Interest and similar income calculated using the effective interest method	**8,560,486**	**30,958,390**
Interest on loans and advances to credit institutions repayable on demand	424	-
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	453,679	566,743
Loans and advances to customers	1,856,021	23,272,204
Debt securities	6,225,967	7,110,170
Interest on financial assets at fair value through other comprehensive income		
Debt securities	24,395	10,706
Other interest	-	(1,432)
Interest expense and similar charges	**693,061**	**1,642,534**
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(3,294)	(101,875)
Resources from customers	692,771	974,110
Debt securities issued	-	766,137
Other interest	3,584	4,162
	7,867,424	**29,315,856**

The caption Interest and similar income for the year ended 31 December 2019 includes the amount of 103 thousand Euros related to impaired financial assets – Stage 3 (2018: 16 thousand Euros).

The hedging Interest on loans and advances to customers includes the amount of (3,738) thousand Euros (2018: 163 thousand Euros) related to commissions and other costs and income recorded in accordance with the effective interest rate method, as referred to in the accounting policy described in note 2.23.

The caption Interest on resources from other credit institutions in the amount of (102) thousand Euros (2018: (3) thousand Euros) essentially includes sales operations with repurchase agreement, contracted at market rates.

41. Other operating income

For the years ended 31 December 2018 and 31 December 2019, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	Restated 2018*	2019	Restated 2018*	2019
Supplementary revenues	4,375,869	3,256,790	34,007,908	34,651,067
Early settlement discounts received	63,390	51,172	7,111	4,664
Gains inventories	107,755	32,930	107,755	32,930
Favourable exchange rate differences of assets and liabilities other than financing	835,310	709,792	781,859	694,618
Income from financial investments	515,385	292,824	279,310	237,979
Income from non-financial investments	183,619	8,116	131,459	8,116
Income from fees and commissions	4,987,549	10,705,112	-	-
Interest income and expenses - financial services	87,344	42,232	87,344	42,232
VAT adjustments	2,846,769	1,366,411	2,846,769	1,366,411
Other	399,073	6,483,025	97,279	3,503,228
	14,402,062	**22,948,405**	**38,346,794**	**40,541,244**

* Restated values: see note 3

Regarding the **Group** and the **Company**, the interest related to the Financial Services segment is recognised under this caption (Note 2.23).

The amount related to VAT adjustments mainly results from the improvements made in the procedures of the VAT deduction methodology in the **Company**.

In the **Group** and **Company**, the "Others" item essentially reflects amounts related to the reimbursement of expenses and the recovery of credits classified as bad debt and settlement of accounts payable outstanding balances whose payment is no longer probable.

In the Group the caption "Income from fees and commissions" is detailed as follows:

Group	2018	2019
Income from fees and commissions		
From banking services	3,719,192	6,466,858
From credit intermediation services	1,030,605	2,309,704
From insurance mediation services	184,508	1,902,130
From other commissions	53,243	26,420
	4,987,549	**10,705,112**

Regarding the **Company**, the caption Supplementary revenues fundamentally relates to:

Company	2018	2019
Royalties	500,000	500,000
Services rendered to Group companies (1)	29,528,309	30,941,482
Rental of spaces in urban buildings	2,340,050	1,814,565
Other	1,639,548	1,395,019
	34,007,908	**34,651,067**

(1) Includes subsidiary, associated and joint-ventures companies.

42. External supplies and services

For the years ended 31 December 2018 and 31 December 2019, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group		Company	
	Restated		Restated	
	2018*	2019	2018*	2019
Subcontracts	14,543,375	15,121,435	100,363	74,432
Specialised services	63,719,663	65,514,522	35,540,729	32,601,744
Specialized services rendered by Group companies (1)	97,850	91,075	3,343,329	3,095,207
Materials	2,689,439	2,309,113	1,542,188	1,357,027
Energy and fuel	16,325,161	15,551,778	14,255,358	13,535,387
Staff transportation	183,669	161,870	181,698	158,451
Transportation of goods	71,278,018	75,007,059	11,496,682	11,643,465
Rents				
Vehicle operational lease	1,608,400	3,050,726	1,310,705	2,586,907
Other rental charge	5,003,457	4,549,422	5,163,864	3,321,965
Communication	1,777,986	1,141,523	720,035	257,823
Insurance	1,573,825	1,618,170	727,333	582,243
Litigation and notary	214,420	266,326	162,844	125,084
Cleaning, hygiene and confort	3,810,373	3,773,371	3,378,814	3,324,839
Postal Agencies	5,763,001	6,649,249	5,781,273	6,667,136
Postal operators	22,154,802	25,253,612	21,234,894	24,172,506
Delivery subcontracting	6,121,495	5,901,760	6,121,495	5,901,760
Other services	12,603,211	16,815,509	5,663,986	8,343,015
Other services rendered by Group companies (1)	677	-	3,544,730	3,349,653
	229,468,821	**242,776,520**	**120,270,321**	**121,098,644**

(1) Includes subsidiary, associated and joint-ventures companies.
* Restated values: see note 3

(i) Specialised services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;

(ii) Energy and fuel refer mainly to diesel for vehicles used in the operating process;

(iii) Transportation of goods refers to costs with the transportation of mail in several ways (sea, air, surface);

(iv) "Other Rental chages" essentially refer to the rental of software and other equipment whose contracts did not comply with the requirements of IFRS 16. Regarding "Vehicle operational lease" the amount recognised refers to the part that exceeds the minimum guaranteed rent which, as provided for in IFRS 16, should not be considered in the right of use;

(v) Postal operators refer to costs with peer postal operators.

43. Staff costs

During the years ended 31 December 2018 and 31 December 2019, the composition of the **Group** and the **Company** heading Staff Costs was as follows:

	Group		Company	
	2018	2019	2018	2019
Remuneration	262,636,194	268,429,904	232,070,788	232,823,494
Employee benefits	404,659	7,099,788	369,356	7,028,821
Indemnities	21,318,586	9,380,970	20,644,374	8,660,030
Social Security charges	58,012,659	58,766,637	51,106,780	50,867,435
Occupational accident and health insurance	4,433,987	4,671,145	4,180,454	4,388,609
Social welfare costs	6,707,488	7,609,370	6,390,590	7,115,486
Other staff costs	98,220	46,551	-	-
	353,611,793	**356,004,365**	**314,762,343**	**310,883,876**

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

As at 31 December 2018 and 31 December 2019, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

Company	2018				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,358,913	174,857	55,800	14,000	2,603,570
Annual variable remuneration	-	-	-	-	-
	2,358,913	**174,857**	**55,800**	**14,000**	**2,603,570**
Long-term remuneration					
Defined contribution plan RSP	183,550	-	-	-	183,550
Long-term variable remuneration	50,880	-	-	-	50,880
	234,430	**-**	**-**	**-**	**234,430**
	2,593,343	**174,857**	**55,800**	**14,000**	**2,838,000**

Company	2019				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,523,191	204,857	55,800	14,000	2,797,848
Annual variable remuneration	801,968	-	-	-	801,968
	3,325,159	**204,857**	**55,800**	**14,000**	**3,599,816**
Long-term remuneration					
Defined contribution plan RSP	203,442	-	-	-	203,442
Long-term variable remuneration	-	-	-	-	-
	203,442	**-**	**-**	**-**	**203,442**
	3,528,601	**204,857**	**55,800**	**14,000**	**3,803,258**

Following the revision of the Remuneration Regulation for Members of the Statutory Bodies for the term of office 2017-2019, the terms of the Long-term Variable Remuneration were revised, with the payment being now made in cash, not in shares as in the previous plan. The plan is now considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting from the assessment should be recorded in the income statement.

The attribution and calculation of the Long-term Variable Remuneration are based on the results of the performance evaluation during the term of office (1 January 2017 to 31 December 2019), which consists of (i) a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (ii) the sum of the overall annual qualitative AVR assessments of the executive Directors and (iii) the investment in CTT shares of a minimum of 25% of the AVR amount received by each Director. This calculation is carried out by an independent entity and, if attributed, will be paid at the end of the 2017-2019 term.

Following the study carried out by an independent entity on 31 December 2019, was concluded that the assumptions regarding the attribution of the Long-Term Variable Remuneration were not verified, so, no expense was recognised in the period between 1 January 2019 and 31 December 2019. The amounts recorded in previous years, 2017 and 2018, totalling 91,020 Euros were also derecognised.

For the year ended 31 December 2019, the amount of 801,968 Euros was recognised as Annual Variable Compensation for the members of the Statutory Bodies which was determined by an actuarial study carried out by an independent entity.

Remuneration

The change in the "Remuneration" caption arises essentially from the combined effect of the HR optimisation programme initiatives included in the Operational Transformation Plan, the salary revision agreed with the workers' representative organisations and the increase in term contracts necessary to the operational activity. The acquisition of 321 Crédito, S.A., in May 2019, contributed to the increase observed in the Group (with 8 months in 2019).

Employee benefits

The change registered in the caption Employee benefits mainly reflects the liability reduction related to the benefit "Monthly life annuity" which occurred on 31 December 2018 and liability increase related to new beneficiaries in the Suspension of contracts, redeployment and release of employment benefit following agreements of suspension of employment contracts entered into or terminated in the meantime, which was recorded on 31 December 2019.

Indemnities

During the period ended 31 December 2019, this caption includes the amount of 8,378,074 Euros related to compensation paid to employees for termination of employment contracts by mutual agreement. It also includes the amounts paid to the executive members of the Board of Directors who resigned their mandate.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the **Group** and the **Company** with the active workers, as well as expenses related to Health and Safety at work.

As at 31 December 2018 and 31 December 2019, the **Group** and the **Company** heading Staff costs includes the amounts of 778,065 Euros and 771,157 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2019, the average number of staff of the **Group** and the **Company** was 12,369 and 10,852 employees, respectively, (12,391 employees and 10,957 employees in the year ended 31 December 2018).

44. Impairment of accounts receivable and Impairment of other financial banking assets

For the years ended 31 December 2018 and 31 December 2019, the detail of Impairment of accounts receivable, net and Impairment of other financial banking assets, net of the **Group** and the **Company** was as follows:

	Group		Company	
	2018	2019	2018	2019
Impairment of accounts receivable				
Impariment losses				
Accounts receivable	4,693,073	7,204,092	175,452	585,751
Other current and non-current assets	627,957	1,464,196	417,761	1,400,753
Slight and term deposits	8,270	5,352	-	4,868
	5,329,300	8,673,640	593,213	1,991,373
Reversals of impairment losses				
Accounts receivable	2,465,765	766,236	-	-
Other current and non-current assets	226,769	100,275	200,990	85,981
Slight and term deposits	393,885	6,723	392,868	-
	3,086,420	873,234	593,858	85,981
Net movement of the period	**(2,242,880)**	**(7,800,406)**	**645**	**(1,905,392)**
Impairment of other financial banking assets				
Impariment losses				
Debt securities	251,442	34,209	-	-
Other current and non-current assets	-	121,598	-	-
Other banking financial assets	575,018	341,194	-	-
Credit to banking clients	399,816	7,708,015	-	-
	1,226,276	8,205,016	-	-
Reversals of impairment losses				
Debt securities	198,585	84,191	-	-
Other banking financial assets	772,719	371,191	-	-
Credit to banking clients	57,229	4,653,998	-	-
	1,028,533	5,109,380	-	-
Net movement of the period	**(197,743)**	**(3,095,636)**	**-**	**-**
	(2,440,623)	**(10,896,042)**	**645**	**(1,905,392)**

45. Depreciation/amortisation (losses/reversals)

For the years ended 31 December 2018 and 31 December 2019, the detail of Depreciation/ amortisation and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Tangible fixed assets				
Depreciation (Note 5)	45,747,220	40,921,520	38,114,900	33,528,670
Impairment losses (Note 5)	(25,085)	(83)	(25,085)	(83)
Intangible assets				
Amortisation (Note 6)	11,415,682	13,538,108	6,716,759	7,781,968
Impairment losses (Note 6)	-	-	-	-
Investment properties				
Depreciation (Note 7)	299,932	261,092	299,932	261,092
Impairment losses (Note 7)	(732,506)	(494,358)	(732,506)	(494,358)
Non-current assets held for sale				
Impairment losses (Note 7)	-	(3,050)	-	-
	56,705,242	**54,223,229**	**44,373,999**	**41,077,288**

* Restated values: see note 3

46. Other operating costs

For the years ended 31 December 2018 and 31 December 2019, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

	Group		Company	
	2018	2019	2018	2019
Taxes and other fees	2,297,179	2,668,371	2,038,929	2,361,379
Other contributions	66,767	176,087	-	-
Bad debts	424,790	143,612	16,130	74,384
Losses in inventories	497,718	89,672	497,718	89,705
Unfavourable exhange rate differences of assets	806,923	662,942	746,496	508,032
Donations	1,189,620	1,018,272	1,188,919	1,018,272
Bankingservices	2,918,701	3,101,828	2,717,680	2,898,942
Interest on arrears	58,330	72,736	54,590	53,642
Contractual penalties	47,136	8,137	47,136	8,137
Subscriptions	758,216	851,938	695,812	739,243
Expenses of fees and commissions	2,357,732	3,483,868	-	-
Indemnities	1,174,475	1,769,026	502,704	569,168
Other costs	1,231,030	2,186,652	825,740	502,522
	13,828,616	**16,233,140**	**9,331,854**	**8,823,425**

The caption "Taxes and other fees" in the **Group** includes the amounts of 1,320,971 Euros and 1,315,953 Euros, for the years ended 31 December 2018 and 31 December 2019, respectively, relating to ANACOM fees.

The caption "Other contributions" essentially includes:

a) The amounts of 78,514 Euros and 37,387 Euros as at 31 de December 2018 and 31 December 2019, respectively, regarding the Contribution over the banking sector, estimated according to the terms of the Decree-Law no. 55-A/2010;

b) The amounts of 76,816 Euros and 15,854 Euros as at 31 de December 2018 and 31 December 2019, respectively, related to the Contribution for the single resolution fund under the Unique Resolution Mechanism and in accordance with paragraph 2 of Article 70 of Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014;

c) The amounts of 19,003 Euros and 12,496 Euros as at 31 de December 2018 and 31 December 2019, respectively, of periodic contributions that must be paid to the Resolution Fund, as set forth in Decree-Law no. 24/2013.

The caption "Expenses of fees and commissions" is detailed as follows:

Group	2018	2019
Expenses of fees and commissions		
From banking services	2,271,461	3,391,747
From securities operations	71,657	64,606
From other services	14,614	27,515
	2,357,732	**3,483,868**

47. Gains/losses on disposals of assets

For the years ended 31 December 2018 and 31 December 2019, the heading Gains/losses on disposals of assets of the **Group** and the **Company** had the following detail:

	Group		Company	
	Restated 2018*	2019	Restated 2018*	2019
Losses on disposal of assets	-	(143,213)	-	(116,525)
Gains on disposal of assets	9,251,708	632,124	9,251,708	569,301
	9,251,708	**488,912**	**9,251,708**	**452,776**

* Restated values: see note 3

In the year ended 31 December 2018 this caption included, in the **Group** and the **Company**, the accounting gains obtained on the sale of three properties classified as Investment properties in the amount of 138 thousand Euros, the accounting gain obtained on the sale of one property classified as Tangible fixed assets in the amount of 590 thousand Euros as well as the gain in the amount of 8.5 million Euros regarding the sale of real estate properties located at Rua da Palma.

In the year ended 31 December 2019 this caption includes essentially, in the **Group** and **Compan**y, the amount of 353 thousand Euros related to the recognition of the accounting gain obtained on the sale of three properties classified as Investment properties.

48. Interest expenses and Interest income

For the years ended 31 December 2018 and 31 December 2019, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

	Group		Company	
	Restated 2018*	2019	Restated 2018*	2019
Interest expenses				
Bank loans	77,378	1,109,248	7,764	1,066,903
Lease liabilities	4,194,503	3,663,261	2,961,888	2,424,680
Other interest	83,421	67	83,323	-
Interest costs from employee benefits (Note 31)	5,271,463	5,436,839	5,264,666	5,405,026
Other interest costs	78,261	211,755	76,542	198,055
	9,705,026	**10,421,170**	**8,394,183**	**9,094,665**

* Restated values: see note 3

During the years ended 31 December 2018 and 31 December 2019, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2018	2019	2018	2019
Interest income				
Deposits in credit institutions	43,873	39,298	22,601	22,723
Loans to Group companies [(1)]	-	-	205,204	304,145
Other supplementary income	4,838	24,311	4,838	24,311
	48,711	**63,609**	**232,643**	**351,179**

[(1)] Includes subsidiary, associated and joint-ventures companies.

49. Income tax for the period

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

Corporate income tax is levied on CTT and its subsidiaries CTT – Expresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., through the Special Regime for the Taxation of Groups of Companies ("RETGS"). The remaining companies are taxed individually.

Reconciliation of the income tax rate

For the years ended 31 December 2018 and 31 December 2019, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Earnings before taxes (a)	35,142,224	35,527,163	38,589,017	45,742,896
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	7,379,867	**7,460,704**	**8,103,694**	**9,606,008**
Tax Benefits	(411,759)	(431,942)	(374,296)	(340,274)
Accounting capital gains/(losses)	(1,969,369)	(91,900)	(1,970,385)	(86,387)
Tax capital gains/(losses)	854,473	381	857,146	(2,357)
Equity method	187,641	294,130	4,947,794	2,687,127
Provisions not considered in the calculation of deferred taxes	21,150	(48,029)	33	(909)
Impairment losses and reversals	214,761	664,438	62,371	318,102
Compensation for insurable events	129,873	216,833	107,944	161,447
Depreciation and car rental charges	99,693	56,617	16,552	23,042
Credits uncollectible	22,912	25,390	2,190	10,852
Difference between current and deferred tax rates	211,606	(1,648)	211,606	(1,648)
Fines, interest, compensatory interest and other charges	21,164	34,672	9,514	8,411
Other situations, net	401,662	982,156	646,051	598,501
Adjustments related with - autonomous taxation	553,829	567,037	480,657	454,508
Adjustments related with - undistributed variable remuneration	539,549	255,677	503,061	253,145
Impact of the change in income tax rate (deferred tax)	539,891	-	539,891	-
Tax losses without deferred tax	1,606,221	-	-	-
Insuficiency / (Excess) estimated income tax	658,644	(7,685,038)	798,715	(401,340)
Subtotal (b)	11,061,808	2,299,478	14,942,538	13,288,228
(b)/(a)	31.48%	6.47%	38.72%	29.05%
Adjustments related with - Municipal Surcharge	698,118	913,448	515,356	693,247
Adjustments related with - State Surcharge	1,862,036	3,029,537	1,631,852	2,564,487
Income taxes for the period	**13,621,962**	**6,242,463**	**17,089,746**	**16,545,962**
Effective tax rate	38.76%	17.57%	44.29%	36.17%
Income taxes for the period				
Current tax	7,831,517	9,126,335	10,306,915	13,670,858
Deferred tax	5,131,801	4,801,166	5,984,117	3,276,444
Insuficiency / (Excess) estimated income tax	658,644	(7,685,038)	798,715	(401,339)
	13,621,962	**6,242,463**	**17,089,746**	**16,545,962**

* Restated values: see note 3

In the year ended 31 December 2018, the heading Insufficiency/(Excess) estimated income tax mainly relates to the insufficiency of the income tax estimate of previous years in the net amount of 1,111,546 Euros and to the tax credit related to SIFIDE of 2016 in the amount of 452,822 Euros.

In the year ended 31 December 2019, the heading "Insuficiency / (Excess) estimated income tax" refers essentially to the tax credit related to SIFIDE for the year 2017 in the amount of 650,383 Euros, as well as to the excess / insufficiency of the IRC estimate for the years 2016, 2017 and 2018, in the net amount of 7,034,655 Euros. The excess of the IRC estimate for the year 2016 relates to an IRC refund in the amount of 6.8M€ following Tax Authority's favourable decision regarding the deduction of the tax loss on CTT Expresso's sale of Tourline in the 2016 financial year.

Deferred taxes

As at 31 December 2018 and 31 December 2019, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Deferred tax assets				
Employee benefits - healthcare	70,503,582	76,839,990	70,503,582	76,839,990
Employee benefits - pension plan	77,479	84,668	-	-
Employee benefits - other long-term benefits	2,645,244	2,868,626	2,645,244	2,868,626
Impairment losses and provisions	3,561,740	5,032,656	3,405,180	3,124,282
Tax losses carried forward	1,292,888	1,289,985	-	-
Impairment losses in tangible fixed assets	283,474	385,810	283,474	385,810
Long-term variable remuneration (Board of diretors)	25,486	-	25,486	-
Land and buildings	452,012	356,809	452,012	356,809
Tangible assets' tax revaluation regime	2,245,007	1,924,292	2,245,007	1,924,292
Other	647,203	546,970	-	39,732
	81,734,114	**89,329,806**	**79,559,985**	**85,539,541**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	2,337,888	2,137,282	2,337,888	2,137,282
Suspended capital gains	745,377	718,036	745,377	718,036
Non-current assets held for sale	-	83,010	-	-
Other	25,397	19,787	-	-
	3,108,662	**2,958,115**	**3,083,265**	**2,855,318**

* Restated values: see note 3

The deferred tax asset related to Tangible assets tax revaluation regime was recognised following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 31 December 2019 the deferred tax asset amounts to 1,924,292 Euros.

As at 31 December 2019, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.1 million Euros and 0.2 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2018 and 31 December 2019, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	Restated 2018 *	2019	Restated 2018 *	2019
Deferred tax assets				
Opening balances	91,954,991	81,734,114	86,059,097	79,559,985
Changes in the consolidation perimeter	-	1,679,394	-	-
Effect on net profit				
Employee benefits - healthcare	(497,200)	(664,362)	(497,200)	(664,362)
Employee benefits - pension plan	(2,565)	(10,581)	-	-
Employee benefits - other long-term benefits	(1,763,943)	223,382	(1,763,943)	223,382
Impairment losses and provisions	(3,351,649)	(287,039)	(3,450,701)	(280,898)
Tax losses carried forward	604,499	(2,904)	(13,591)	-
Impairment losses in tangible fixed assets	25,860	102,337	25,860	102,336
Long-term variable remuneration (Board of diretors)	14,178	-	14,178	-
Land and buildings	(42,793)	(95,203)	(42,793)	(95,203)
Tangible assets' tax revaluation regime	(336,293)	(320,715)	(336,293)	(320,715)
Other	(4,869,443)	(47,157)	(204,486)	14,246
Effect on equity				
Employee benefits - healthcare	(543,237)	7,000,770	(543,237)	7,000,770
Employee benefits - pension plan	3,091	17,769	-	-
Others	538,618	-	313,095	-
Closing balance	**81,734,114**	**89,329,806**	**79,559,985**	**85,539,541**

* Restated values: see note 3

	Group		Company	
	2018	2019	2018	2019
Deferred tax liabilities				
Opening balances	3,399,121	3,108,662	3,368,115	3,083,265
Changes in the consolidation perimeter	-	83,010	-	-
Effect on net profit				
Revaluation of tangible fixed assets before IFRS adoption	(253,705)	(200,606)	(253,705)	(200,606)
Suspended capital gains	(31,145)	(27,341)	(31,145)	(27,341)
Other	(5,610)	(5,610)	-	-
Closing balance	**3,108,662**	**2,958,115**	**3,083,265**	**2,855,318**

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:

Company	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	61,016,826	-
CTT Expresso/Transporta	6,142,786	1,289,985
Total	**67,159,612**	**1,289,985**

Regarding CTT – Expresso, S.A., branch in Spain (prior Tourline), the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017 and 2018 have no time limit for deduction. Regarding CTT Expresso the tax losses refer to the years 2017 and 2018 of the company Transporta, which was merged in CTT Expresso during the year 2019 and may be carried forward in the next 5 years.

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

<u>SIFIDE</u>

The **Group** and the **Company** policy for recognition of fiscal credits regarding SIFIDE is to recognise the credit at the moment of the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits.

For the year ended 31 December 2017 the expenses incurred with R&D, of 1,432,825 Euros and 1,035,199 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 590,740 Euros and 336,440 Euros, respectively. According to the notification of the Certification Commission, a tax credit of 650,383 Euros was attributed to the **Group** and 324,729 Euros to the **Company**.

For the year ended 31 December 2018 the expenses incurred with R&D, of 737,089 Euros and 1,003,838 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 248,131 Euros and 326,247 Euros, respectively.

For the year ended 31 December 2019 the expenses incurred with R&D, of 1,063,800 Euros and 948,585 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 443,571 Euros and 352,807 Euros, respectively.

<u>Other information</u>

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 2016 and onwards may still be reviewed and corrected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2019.

50. Related parties

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager or third party with any of these related through relevant commercial or personal interest (under the terms of IAS 24) and also subsidiaries, associates and joint ventures of CTT. It is considered that there is a "relevant commercial or personal interest" in relation to (i) close family members of the managers and qualified shareholder(s) who, at each moment, have significant influence (as defined above) on CTT, as well as (ii) controlled entities (individually or jointly), either by management, qualified shareholders or by the persons referred to in (i). For this purpose, "control" is considered to exist when the party has, directly or indirectly, the power to guide the financial and operational policies of an entity in order to obtain benefits from its activities. Additionally, "close family members" are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

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

The other related parties' transactions are communicated to the Audit Committee for the purpose of subsequent examination.

During the years ended 31 December 2018 and 31 December 2019, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

Group		2018				
		Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders		-	-	-	-	57,000,000
Group companies						
Associated companies		4,525	14,599	12,321	105,998	-
Jointly controlled		978,077	-	371,865	-	-
Members of the	(Note 43)					
Board of Directors		-	-	-	2,358,913	-
Audit Committee		-	-	-	174,857	-
Remuneration Committee		-	-	-	55,800	-
General Meeting		-	-	-	14,000	-
		982,602	**14,599**	**384,186**	**2,709,569**	**57,000,000**

Group		2019				
		Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders		-	-	-	-	15,000,000
Group companies						
Associated companies		5,370	29,919	12,799	95,703	-
Jointly controlled		370,468	-	529,039	-	-
Members of the	(Note 43)					
Board of Directors		-	-	-	3,325,159	-
Audit Committee		-	-	-	204,857	-
Remuneration Committee		-	-	-	55,800	-
General Meeting		-	-	-	14,000	-
		375,838	**29,919**	**541,838**	**3,695,519**	**15,000,000**

During the years ended 31 December 2018 and 31 December 2019, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

Comapny		Restated 2018									
		Accounts receivable	Shareholders and Group companies (DB)	Rights of use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders		-	-	-	-	-	-	-	-	-	57,000,000
Group companies											
Subsidiaries		8,195,321	12,940,956	31,335	43,617	2,825,440	5,539,255	30,250,897	3,957,486	205,204	-
Associated companies		4,525	-	-	-	14,102	-	12,321	102,109	-	-
Joint Ventures		977,959	-	-	-	-	-	371,713	-	-	-
Other related parties		200,637	457,571	-	-	378,522	-	939,792	3,855,833	-	-
Members of the	(Note 43)										
Board of Directors		-	-	-	-	-	-	-	2,358,913	-	-
Audit Committee		-	-	-	-	-	-	-	174,857	-	-
Remuneration Committee		-	-	-	-	-	-	-	55,800	-	-
General Meeting		-	-	-	-	-	-	-	14,000	-	-
		9,378,442	**13,398,528**	**31,335**	**43,617**	**3,218,064**	**5,539,255**	**31,574,723**	**10,518,997**	**205,204**	**57,000,000**

DB – Debit balance; CB – Credit balance

Company		2019								
	Accounts receivable	Shareholders and Group companies (DB)	Rights of use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders	-	-	-	-	-	-	-	-	-	15,000,000
Group companies										
Subsidiaries	13,270,695	16,465,675	-	-	2,780,599	22,109,174	32,401,276	2,790,807	304,145	-
Associated companies	5,370	-	-	-	29,919	-	12,799	93,726	-	-
Joint Ventures	137,388	-	-	-	-	-	335,559	-	-	-
Other related parties	263,190	281,592	-	-	355,937	-	1,106,542	3,616,366	-	-
Members of the (Note 43)										
Board of Directors	-	-	-	-	-	-	-	3,325,159	-	-
Audit Committee	-	-	-	-	-	-	-	204,857	-	-
Remuneration Committee	-	-	-	-	-	-	-	55,800	-	-
General Meeting	-	-	-	-	-	-	-	14,000	-	-
	13,676,643	**16,747,267**	**-**	**-**	**3,166,455**	**22,109,174**	**33,856,177**	**10,100,714**	**304,145**	**15,000,000**

DB - Debit balance; CB - Credit balance

Regarding the **Company**, as at 31 December 2018 and 31 December 2019, the nature and detail, by company of the Group, of the main debit and credit balances was as follows:

Company				Restated 2018				
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Rights of use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries								
Banco CTT, S.A.	817,612	-	817,612	-	-	26,143	5,539,255	5,565,398
CTT Expresso,S.A.	3,912,914	9,934,259	13,847,173	31,335	43,617	1,993,274	-	1,993,274
CTT Contacto, S.A.	279,586	348,698	628,284	-	-	452,161	-	452,161
CORRE - Correio Expresso Moçambique, S.A.	745,828	-	745,828	-	-	-	-	-
Tourline Express Mensajeria, S.A.	1,346,582	-	1,346,582	-	-	34,121	-	34,121
Transporta - Transportes Porta a Porta, S.A.	1,092,800	2,658,000	3,750,800	-	-	319,740	-	319,740
Associated companies								
Multicert - Serviços de Certificação Electrónica, S.A.	4,525	-	4,525	-	-	14,102	-	14,102
Joint Ventures								
NewPost, ACE	108,099	-	108,099	-	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	869,860	-	869,860	-	-	-	-	-
Other related parties								
Payshop Portugal, S.A.	200,637	457,571	658,208	-	-	378,522	-	378,522
	9,378,442	**13,398,528**	**22,776,970**	**31,335**	**43,617**	**3,218,064**	**5,539,255**	**8,757,319**

DB - Debit balance; CB - Credit balance

Company				2019				
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Rights of use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries								
Banco CTT, S.A.	1,681,656	-	1,681,656	-	-	564	10,620,797	10,621,362
CTT Expresso,S.A.	10,520,992	16,408,000	26,928,992	-	-	2,586,550	11,488,377	14,074,927
CTT Contacto, S.A.	268,920	57,674	326,594	-	-	193,484	-	193,484
CORRE - Correio Expresso Moçambique, S.A.	799,127	-	799,127	-	-	-	-	-
Associated companies								
Multicert - Serviços de Certificação Electrónica, S.A.	5,370	-	5,370	-	-	29,919	-	29,919
Joint Ventures								
NewPost, ACE	137,388	-	137,388	-	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	-	-	-	-	-
Other related parties								
Payshop Portugal, S.A.	250,954	281,592	532,547	-	-	355,937	-	355,937
321 Crédito – Instituição Financeira de Crédito, S.A.	12,236	-	12,236	-	-	-	-	-
	13,676,643	**16,747,267**	**30,423,910**	**-**	**-**	**3,166,455**	**22,109,174**	**25,275,630**

DB - Debit balance; CB - Credit balance

As far as the **Company** is concerned, during the years ended 31 December 2018 and 31 December 2019, the nature and detail, by company of the Group, of the main transactions was as follows:

Company					Restated 2018				
	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights of use / Interest on lease liabilities	Interest Income
Subsidiaries									
Banco CTT, S.A.	-	-	-	807,979	1,326,474	-	-	-	-
CTT Expresso,S.A.	-	48,723	133,706	316,887	23,575,487	2,060,552	-	34,692	5,835
CTT Contacto, S.A.	-	60,196	23,683	38,269	2,783,652	1,855,427	-	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	218,823	-	-	-	-
Tourline Express Mensajeria, S.A.	34,498	3,749	-	2,302	538,399	-	-	-	125,869
Transporta - Transportes Porta a Porta, S.A.	-	115,569	-	4,390	638,234	6,816	-	-	73,500
Associated companies									
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	12,321	-	102,109	-	-	-
Joint Ventures									
NewPost, ACE	-	-	-	-	362,064	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	-	9,649	-	-	-	-
Other related parties									
Payshop Portugal, S.A.	-	-	52,254	122,610	817,182	3,855,833	-	-	-
	34,498	**228,236**	**209,643**	**1,304,758**	**30,269,966**	**7,880,735**	**-**	**34,692**	**205,204**

Company	2019								
	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights of use / Interest on lease liabilities	Interest Income
Subsidiaries									
Banco CTT, S.A.	-	-	-	1,156,250	2,208,740	-	-	-	-
CTT Expresso,S.A.	124,600	283,572	155,677	345,563	25,704,036	2,169,296	122	32,534	304,145
CTT Contacto, S.A.	-	96,446	2,487	4,729	2,753,325	588,825	30	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	228,634	-	-	-	-
Associated companies									
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	12,799	-	93,693	33	-	-
Joint Ventures									
NewPost, ACE	-	-	-	-	317,492	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	18,067	-	-	-	-	-
Other related parties									
Payshop Portugal, S.A.	-	-	36,638	187,683	814,038	3,616,366	-	-	-
321 Crédito – Instituição Financeira de Crédito, S.A.	-	-	-	104,820	-	-	-	-	-
	124,600	**380,018**	**194,801**	**1,829,911**	**32,026,266**	**6,468,180**	**184**	**32,534**	**304,145**

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 32.

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

51. Fees and services of the external auditors

The information concerning the fees and services provided by the external auditors is detailed in section 5.2.5 of the Integrated Report.

52. Information on environmental matters

The environmental responsibility is one of the relevant topics identified in the course of CTT stakeholders' materiality exercise and mapping and integrates the Sustainability strategy of the Group, from a perspective of risk and opportunity management, as presented in more detail in sections 2.3, 2.4 and 4.6 of the Integrated Report.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

53. Provision of insurance mediation service

In accordance with the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the **Group** and the **Company** discloses the relevant information regarding the activity of insurance mediation according to article 4 of the above-mentioned Regulatory Standard.

a) Description of the accounting policies adopted for the recognition of revenue

The accounting policies adopted for the recognition of revenue regarding the provision of insurance mediation services is detailed in Note 2.29.

b) Indication of total revenue received detailed by nature

By nature	Group 2018	Group 2019	Company 2018	Company 2019
Cash	1,898,393	3,548,515	1,713,885	1,646,385
Kind	-	-	-	-
	1,898,393	**3,548,515**	**1,713,885**	**1,646,385**

By type	Group 2018	Group 2019	Company 2018	Company 2019
Commissions	1,898,393	3,548,515	1,713,885	1,646,385
Fees	-	-	-	-
Other remuneration	-	-	-	-
	1,898,393	**3,548,515**	**1,713,885**	**1,646,385**

c) Indication of total revenues relating to insurance contracts intermediated by the Company detailed by Branch Life and Non-Life

	Group 2019		Company 2019	
By entity	Branch Life	Branch Non-Life	Branch Life	Branch Non-Life
Insurance Companies	3,453,935	94,581	1,615,122	31,263
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	3,453,935	**94,581**	**1,615,122**	**31,263**

d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal or greater than 25% of the total remuneration earned by the portfolio

By entity	Group 2018	Group 2019	Company 2018	Company 2019
Insurance Companies	-	-	-	-
FIDELIDADE	83.94%	36.49%	92.20%	92.63%
ZURICH	-	31.87%	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-

e) Values of customers' accounts, at the beginning at the end of the year, as well as the volume handled over the year applicable to insurance intermediaries that handle funds related to insurance contracts

Accounts 'Customers'	Group 2018	Group 2019	Company 2018	Company 2019
Open Balance	-	-	-	-
Closing Balance	-	-	-	-
Volume handled				
Debt	167,294,972	75,341,676	167,294,972	75,341,676
Credit	4,739,823	1,845,412	4,739,823	1,037,418

f) Accounts receivable and payable broken down by source

	Group			
By entity	Accounts receivable 2018	Accounts receivable 2019	Accounts payable 2018	Accounts payable 2019
Policyholders, insureds or beneficiaries	-	-	-	-
Insurance companies	2,066,306	2,321,018	37,180	680,974
Reinsurance undertakings	-	-	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	2,066,306	**2,321,018**	**37,180**	**680,974**

	Company			
By entity	Accounts receivable 2018	Accounts receivable 2019	Accounts payable 2018	Accounts payable 2019
Policyholders, insureds or beneficiaries	-	-	-	-
Insurance companies	1,082,423	1,040,691	37,180	42,555
Reinsurance undertakings	-	-	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	1,082,423	**1,040,691**	**37,180**	**42,555**

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Group			
	Accounts receivable		Accounts payable	
	2018	2019	2018	2019
Funds received in order to be transferred to insurance companies for payment of insurance premiums	4,739,823	1,845,412	4,458,059	1,737,226
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	-	-	-	-
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	166,732,744	74,922,325	167,294,972	75,341,676
Remuneration in respect of insurance premiums already collected and to be collected	1,898,393	3,548,515	-	-
Other mediators	-	-	-	-
Total	**173,370,960**	**80,316,252**	**171,753,031**	**77,078,902**

By entity	Company			
	Accounts receivable		Accounts payable	
	2018	2019	2018	2019
Funds received in order to be transferred to insurance companies for payment of insurance premiums	4,739,823	1,037,418	4,458,059	927,945
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	-	-	-	-
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	166,732,744	74,922,325	167,294,972	75,341,676
Remuneration in respect of insurance premiums already collected and to be collected	1,713,885	1,646,385	-	-
Other mediators	-	-	-	-
Total	**173,186,452**	**77,606,128**	**171,753,031**	**76,269,621**

Note: The remaining paragraphs of the standard do not apply.

54. Other information

Only two of the precautionary measures filed by Intermunicipal Communities or by Municipalities following the process of transformation of Post Offices into Postal Agencies, covering situations where only a single post office exists in a county seat, are at the appeal stage before the Central Administrative Court. All the remaining ones were dismissed, or it was considered that there was no need to adjudicate.

In the arbitral action brought against the Portuguese State, as grantor, requesting the declaration of invalidity of the Decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, 2 out of 3 experts have been appointed and written testimony is in progress. The administrative action had no further development.

The process related to the proposal of the application of 11 contractual fines within the Universal Postal Service Concession Agreement, based on alleged breaches of obligations resulting from the contract which occurred during 2015, 2016 and 2017, is pending a decision following the submission of evidence.

On 01.07.2019, the new procedures stipulated by ANACOM in its decision of 28 December 2018 based on the results of the audit to the quality of the universal postal service indicators of 2016 and 2017. This decision of ANACOM stipulated changes to the Quality of Service Indicators (QSI) measurement system involving additional costs to be borne by CTT with the contracting of external supplier responsible for the measurement.

Having disagreed with the rationale and scope of ANACOM's stipulations, CTT challenged the decision before the administrative courts on 28.03.2019, and the proceedings are running in court.

Following the audit of the 2016 results of the cost accounting system of CTT, on 18.06.2019 ANACOM approved the decision on the results regarding that financial year, under which that entity considers that new criteria for the allocation of costs between the postal activity and the banking activity of the Company should be identified, and specified that the cost accounting system for the 2016 and 2017 financial years in this regard should be restated, and also that the results of the 2018 cost accounting system should be delivered in accordance with the new criteria. The results of the three financial years were submitted to ANACOM on 20.08.2019, 17.09.2019 and 02.09.2019, respectively.

On 26.08.2019, ANACOM issued its final decision on the process it had started on 10.01.2019 when it instructed CTT to submit a proposal to complement the density targets of the postal network and minimum service offer in force until then. This decision, made after a public consultation, confirmed the draft decision of 11.07.2019 and accepted CTT's proposal, to be implemented within 60 days. During this period CTT will have to improve the procedures and corresponding documents on the training and management of postal agencies located in more densely populated areas.

In the administrative proceedings filed by ANACOM against CTT charging the Company with the alleged violation of the obligation to have a hard copy of the complaints book in the establishments operating on behalf of CTT and the alleged breach of the obligation to immediately provide at no cost the complaints book to the users who requested it, CTT presented its defense. In the meantime, ANACOM has again questioned witnesses and changed the facts, which generated a reaction in CTT's case files.

55. Subsequent events

Evolution of the Covid-19 Virus situation

Despite material impacts have not yet been verified in their activity, CTT is following the evolution of the situation of the Covid-19 virus, both nationally and globally, given the international dimension of some of the Group's businesses, in order to take the necessary measures to minimize the impact of the Covid-19 virus on the Company in a timely manner, in order to:

i. Ensure workers' lives and health through effective preventive advise on health care and the provision of adequate information and safeguards;
ii. Prepare the operational response and keep essential services up and running; and
iii. Minimize the effects of an eventual interruption of work activities and prepare for the rapid restoration of the company's normal functioning.

Given the limited available information at present, regarding the severity of both the potential epidemic and the preventive measures that governments may take, it is extremely difficult to quantify, with a reasonable degree of confidence, any financial impacts.

Management will continue to monitor the threat and its business' implications and provide all necessary information to its stakeholders.

In accordance with the accounting standards, this event was considered a non-adjustable subsequent event.

08
Declaration of conformity

8. DECLARATION OF CONFORMITY

For the purposes of article 245(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 declare that, to the best of their knowledge, the management report, the annual individual and consolidated accounts, the legal accounts certificate of and other accounting documents (i) were prepared in compliance 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, (ii) faithfully describe the business evolution, the performance and position of CTT and the companies included in the consolidation perimeter, and (iii) contain a description of the major risks faced by CTT in its activity.

Lisbon, 16 March 2020

The Board of Directors

The (non-executive) Chairman of the Board of Directors
António Sarmento Gomes Mota

The Chief Executive Officer (CEO)
João Afonso Ramalho Sopas Pereira Bento

The Member of the Board of Directors and of the Executive Committee (CFO)
Guy Patrick Guimarães de Goyri Pacheco

The Member of the Board of Directors and of the Executive Committee
António Pedro Ferreira Vaz da Silva

The Member of the Board of Directors and of the Executive Committee
João Carlos Ventura Sousa

The Member of the Board of Directors and of the Executive Committee
João Miguel Gaspar da Silva

The (non-executive) Member of the Board of Directors and of the Audit Committee
Nuno de Carvalho Fernandes Thomaz

The (non-executive) Member of the Board of Directors
José Manuel Baptista Fino

The (non-executive) Member of the Board of Directors
Céline Dora Judith Abecassis-Moedas

The (non-executive) Member of the Board of Directors and Chairwoman of the Audit Committee
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

The (non-executive) Member of the Board of Directors and of the Audit Committee
Maria Belén Amatriain Corbi

The (non-executive) Member of the Board of Directors
Rafael Caldeira de Castel-Branco Valverde

The (non-executive) Member of the Board of Directors
Steven Duncan Wood

The (non-executive) Member of the Board of Directors
Duarte Palma Leal Champalimaud

(SIGNED ON THE ORIGINAL)

09

Audit report, report and opinion of the audit committee and independent limited assurance report

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STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **CTT – Correios de Portugal, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 (showing a total of 2,513,440,904 euros and shareholders' equity of 131,414,932 euros, including a profit of 29,196,933 euros), and the consolidated income statement by nature, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **CTT – Correios de Portugal, S.A.** as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Risk	Our response to identified risk
The Group is active in several business areas (Post, Express & Parcels, Financial services and Banking) and the policies for the recognition of revenue are different for each of the area, as mentioned in notes 2.23 and 39. We considered the presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue arising from pressure on management to achieve the estimated results.	Our audit procedures included, among others, the following: — Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Group related to revenue recognition; — Tests of details to deferred revenue related to philately and prepaid; — Test of detail to the credit notes; — Substantive analytical procedures to postal services and financial postal services revenue and tests of the journal entries in order to identify and test the risk of fraud and possible override of the implemented controls; and Review of the disclosures made by the Group taking into account the applicable accounting framework.

Employee benefits

Risk	Our response to identified risk
The responsibilities with post-employment health benefits and other long-term benefits of employees and board members amount to 286,560,992 euros and involve a significant degree of judgment in the definition of long term assumptions, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.20, 2.30 and 31.	Our audit procedures included, among others, the following: — Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Group related to the assumptions and estimates applied; — Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation and the methodology for the computation of the responsibility; — Comparison of the information provided by management to the independent actuary for the computation of the responsibility; and — Review of the disclosures made by the Group taking into account the applicable accounting framework.

Investment in Banco CTT (Bank)

Risk

As referred in note 1.2 the Banco CTT ("Bank") started its activity at the end of 2015, and in 2019 continued the strategy for investment with the acquisition of 321 Crédito – Instituição Financeira de Crédito, S.A. in 2019 and the increase of the number of branches and launch of new products.

The monitoring of the budget and business plan approved by the shareholder is relevant to the audit strategy, particularly the impact of market conditions and the consequent adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity.

Our response to identified risk

Our audit procedures included, among others, the following:

— Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Group related to the Business Plan approval and related assumptions;

— Analysis of the valuation methodology used, *Dividend Discount Model* (DDM), with the involvement of our valuation specialists;

— Analysis of the computation of the recoverable amount of Banco CTT and its investment in 321 Crédito – Instituição Financeira de Crédito, S.A and of the main assumptions of the impairment model, namely the discount rate (cost of equity), the perpetuity growth rate, the Core Tier 1 requirements considered for the computation of profits available for distribution, dividends distributed and capital increases;

— Test the mathematical accuracy of the impairment model;

— Comparison of the financial projections with the budget and plan approved and presented to the Banco de Portugal;

— Discuss with management the future expectations, namely in relation to credit concession, forms of financing and expected profitability;

— Performance of sensitivity analyses to the main assumptions; and

— Review of the disclosures made by the Group taking into account the applicable accounting framework.

Impairment for loans to customers – auto loans and leasing

Risk

In 31 December 2019, according to note 19 of the Financial Statements, the caption Credit to banking clients – auto loans and leasing total 482,319,310 euro.

For the purpose of impairment calculation, the financial assets measured at amortized cost are classified into three categories (Stage 1, 2 or 3) taking into account the identification or not of a significant deterioration in credit risk, since their initial recognition or if these are assets with impariment. For the Group, determining this effect is a relevant process since it influences the associated Expected Credit Loss ('ECL') levels.

The impairment is calculated based on the expected loss estimated by the Group, as disclosed in note 2.16 of the Financial Statements.

The collective analysis is based on estimates and assumptions for determining the ECL taking into account (i) the historical information of losses in credit portfolios with similar risk determined taking into account the category to which they are allocated; and (ii) the knowledge of the economic and credit environment and its influence on the level of historical and future losses ('forward looking').

In the most relevant exposures of each credit segment and in contracts that meet certain qualitative characteristics, the amount of the impairment is determined using an individual analysis, which implies a value judgment in determining the best estimate of the cash flows of these operations.

The impairment assessment process is highly complex in its design and implementation and includes several estimates and judgments by the Group. This process takes into account factors such as the probability of default, risk ratings, the value of collateral associated with each transaction, recovery rates and estimates of both future cash flows and the time of receipt.

The use of alternative methodologies and other assumptions and estimates could result in different levels of recognized impairment losses, with the consequent impact on the Group's results.

Our response to identified risk

Our audit procedures included, among others, the following:

- Inquiries to Management about the process of identifying and determining impairment losses;
- Evaluation of the design and implementation of controls and testing of controls operating effectiveness related to the impairment model;
- Analysis of the alignment of accounting policies with IFRS 9;
- Analysis of the classification process of financial assets based on their credit risk (Stage 1, 2 and 3);
- Evaluation of the ECL estimation process;
- For credits whose impairment losses are determined on a collective basis, test, with the support of our experts in this area, the underlying models. Additionally, testing the adequacy and accuracy of the significant assumptions used in the model;
- For credits whose impairment losses are determined on an individual basis, analysis, for a sample of operations, of the information used by the Group to carry out the economic analysis of the client and assess the reasonableness of the defined impairment rate;
- Evaluation of disclosures made by the Group in accordance with the applicable accounting framework.

Housing loans Banco CTT (Bank)

Risk

In 31 December 2019 the caption Credit to banking clients total 406,321,928 euro according to note 19 of the Financial Statements. This caption includes an amount of 405,168,801 Euro related to housing loans.

The Group started, through Banco CTT ("Bank"), conceding housing loans in March 2017. This process was newly created by the bank, based on an IT workflow developed with an external partner.

Due to the recent integration of this process in the bank, defined objectives to the management and the relevance to bank activity, we classify this area as a key audit matter.

Our response to identified risk

Our audit procedures included, among others, the following:

- Understanding the credit concession process, since the proposals reception until the final booking and associated disclosure, identifying the risks and related controls;
- Analysis of the minutes of the Credit Committee, where the proposals with higher risk are discussed and the key guidelines for the credit concession process are defined;
- Analysis of the integration of processes between the bank and the other partners, as well as between the operational and accounting systems;
- Evaluation of the design and implementation of controls and testing of controls operating effectiveness related to the credit concession process and to the impairment model implemented by the bank to comply with the framework of IFRS 9;
- External confirmation of a sample of exposures included in the loan portfolio;
- Testing of interest of the period and accrued interest;
- Testing of impairment calculated according to IFRS 9; and
- Evaluation of disclosures made by the Group in accordance with the applicable accounting framework.

Responsibilities of Management and the Supervisory Body for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

On the non-financial information defined in the article 508-B of the Portuguese Companies' Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group has prepared a separate report where includes the non-financial information defined in article 508-B of the Portuguese Companies' Code, having that report being published with the management report.

On the additional matters provided in article nr. 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Group in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;

- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud;

- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 13 March 2020; and

- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Group in conducting the audit.

16 March 2020

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **CTT – Correios de Portugal, S.A.** (the Entity or CTT), which comprise the individual statement of financial position as at 31 December 2019 (showing a total of 1,016,079,752 euros and shareholders' equity of 131,172,677 euros, including a profit of 29,196,933 euros), the individual income statement, individual statement of comprehensive income, individual statement of changes in equity and individual cash flows statement for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **CTT – Correios de Portugal, S.A**. as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Risk	Our response to identified risk
The Entity is active in several business areas (Post, Express & Parcels, Financial services and Banking) and the policies for the recognition of revenue are different for each of the area, as mentioned in notes 2.23 and 39. We considered the presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue arising from pressure on management to achieve the estimated results.	Our audit procedures included, among others, the following: — Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Entity related to revenue recognition; — Tests of details to deferred revenue related to philately and prepaid; — Test of detail to the credit notes; — Substantive analytical procedures to postal services and financial postal services revenue and tests of the journal entries in order to identify and test the risk of fraud and possible override of the implemented controls; and — Review of the disclosures made by the Entity taking into account the applicable accounting framework.

Employee benefits

Risk	Our response to identified risk
The responsibilities with post-employment health benefits and other long-term benefits of employees and board members amount to 284,673,632 euros and involve a significant degree of judgment in the definition of long term assumptions, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.20, 2.30 and 31.	Our audit procedures included, among others, the following: — Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Entity related to the assumptions and estimates applied; — Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation and the methodology for the computation of the responsibility; — Comparison of the information provided by management to the independent actuary for the computation of the responsibility; and — Review of the disclosures made by the Entity taking into account the applicable accounting framework.

Investment in Banco CTT (Bank)

Risk

As referred in note 1.2 the Banco CTT ("Bank") started its activity at the end of 2015, and in 2019 continued the strategy for investment with the acquisition of 321 Crédito – Instituição Financeira de Crédito, S.A. in 2019 and the increase of the number of branches and launch of new products.

The monitoring of the budget and business plan approved by the shareholder is relevant to the audit strategy, particularly the impact of market conditions and the consequent adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity.

Our response to identified risk

Our audit procedures included, among others, the following:

— Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Entity related to the Business Plan approval and related assumptions;

— Analysis of the valuation methodology used, *Dividend Discount Model* (DDM), with the involvement of our valuation specialists;

— Analysis of the computation of the recoverable amount of Banco CTT and its investment in 321 Crédito – Instituição Financeira de Crédito, S.A and of the main assumptions of the impairment model, namely the discount rate (cost of equity), the perpetuity growth rate, the Core Tier 1 requirements considered for the computation of profits available for distribution, dividends distributed and capital increases;

— Test the mathematical accuracy of the impairment model;

— Comparison of the financial projections with the budget and plan approved and presented to the Banco de Portugal;

— Discuss with management the future expectations, namely in relation to credit concession, forms of financing and expected profitability;

— Performance of sensitivity analyses to the main assumptions; and

— Review of the disclosures made by the Entity taking into account the applicable accounting framework.

Responsibilities of Management and the Supervisory Body for the Financial Statements

Management is responsible for:

— the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;

— the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;

— designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

— the adoption of accounting policies and principles appropriate in the circumstances; and,

— assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor´s Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies’ Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment of the Entity, we have not identified any material misstatements.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Entity to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

On the non-financial information defined in the article 66-B of the Portuguese Companies’ Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Entity has prepared a separate report where includes the non-financial information defined in article 66-B of the Portuguese Companies’ Code, having that report being published with the management report

On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

— We were first appointed as auditors of the Entity in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;

— Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud;

— We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 13 March 2020; and

— We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Entity in conducting the audit.

16 March 2020

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

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Independent Limited Assurance Report

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.))

To the Board of Directors of
CTT - Correios de Portugal, S.A.

Introduction

We were engaged by the Board of Directors of CTT - Correios de Portugal, S.A. ("CTT") to provide limited assurance as to whether nothing has come to our attention that causes us to believe that the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2019, identified in the Annex IV "GRI index and indicators", is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Core.

Board of Directors' Responsibilities

The Board of Directors of CTT is responsible for:

— The preparation and presentation of the sustainability information included in the Report in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI), for the level Core, and the information and assertions contained therein; and,

— Establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement described in "Scope" section and to express a conclusion based on the work performed.

Scope

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. That Standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2019, identified in the Annex IV "GRI index and indicators" is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Core, as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement on sustainability information consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented in the Report, applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with the responsible persons to understand the processes implemented in CTT to identify material issues for the relevant stakeholders of CTT;
- Interviews with relevant staff, at corporate and business units, responsible for providing the sustainability information in the Report;
- Comparing the transactions identified to corresponding information in the relevant underlying sources to assess the accuracy of the information and determine whether all the relevant information contained in such underlying sources has been included in the Report; and
- Reading the information presented in the Report to conclude if it is in line with our overall knowledge of, and experience with, the sustainability performance of CTT.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2019, identified in the Annex IV "GRI index and indicators" is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Core.

Restriction of use and distribution of our report

Our report is not intended to be used for any other purpose. Any party other than the intended addresses who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. We accept or assume no responsibility and deny any liability to any party other than CTT for our work, for this independent limited assurance report, or for the conclusions we have reached.

16 March 2020

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

10
Investor support

10. INVESTOR SUPPORT

The mission of the **Investor Relations (IR)** department of CTT is to ensure a solid and long-term relationship between, on the one hand, shareholders, investors and research analysts, the Portuguese Securities Market Commission (CMVM), Euronext Lisbon, and the capital markets in general and, on the other, the Company and its corporate bodies, providing timely, clear and transparent information representing the current evolution of CTT in economic, financial and corporate governance terms. Additionally, the department ensures that the Company's strategy is proactively articulated with investors and research analysts and that the Company has a complete understanding of the perception the markets have of it. G26 G27 G50

CTT's IR team consists of 3 people and is managed by Peter Tsvetkov, with **contacts** as follows:

Address: Avenida D. João II, nº 13, 12th floor
1999-001 Lisboa-Portugal
investors@ctt.pt
Telephone: +351 210 471 087
Fax: +351 210 471 996
Website: www.ctt.pt

The **Market Relations Representative** of CTT is the Executive Director and CFO, Guy Patrick Guimarães de Goyri Pacheco.

In 2019, within the above-mentioned mission of the IR, CTT carried out the following initiatives:

- In addition to the regular publication of financial accounts (Integrated Report 2018 and Interim Integrated Report of the 1st half of 2019), 19 press releases with material information (including press releases and presentations of quarterly results) were issued, as well as 16 press releases regarding qualifying holdings in CTT and 29 concerning management transactions of CTT shares. In total, 64 communications to the market were produced.

- 452 e-mails were received and processed from institutional investors, 1,142 from *research* analysts, 281 from organisers of investor events and conferences and 936 from other investors and the general public. As some of these e-mails did not call for an answer (e.g. research reports on CTT and peers which the IR receives from brokers) or were responded directly by phone, the number of responses given by e-mail and respective response times are indicated in the table below. At the end of 2019, no e-mail or other query was left unanswered.

2018-2019 comparative table of the responses given by e-mail

	within 1h*		from 1h to 24h*		more than 24h*		Total	
	2018	2019	2018	2019	2018	2019	2018	2019
To institutional investors	126	170	36	55	12	2	174	227
To analysts	132	72	39	20	3	6	164	98
To other (retail investors, general public, etc.)	176	180	139	88	9	6	324	274
Total	**434**	**422**	**204**	**163**	**24**	**14**	**662**	**599**
Percentage	65,6%	70,4%	30,8%	27,3%	3,6%	2,3%	100%	100%

* counted from the time of receipt of the inquiry.

- During the year, 12 days were spent in external meetings with investors, 6 of which in 6 conferences (organised by 6 different brokers in 4 different cities) and 6 days in 6 roadshows (organised by 4 different brokers in 4 different cities); one of the latter was a corporate governance roadshow. Additionally, CTT received visits by 10 investors in Lisbon. Throughout the year, the Company met with 88 investors.

As at 31 December 2019, the coverage of CTT shares was provided by 6 research analysts (8 at the end of 2018). As at that date, the average target price of the 4 analysts who provided regular coverage of the share (i.e. who issued research and recommendations in the last 12 months) was €3.21; Santander and Jefferies were under revision. One of the analysts issued a negative recommendation on the share, while 2 held neutral recommendations and one held a positive recommendation.

Throughout the year 2019, circa 155 million CTT shares were traded, corresponding to a daily average of 607 thousand shares, which translates into an annualised turnover ratio of around 103% of the share capital, which is a clear measure of the liquidity level of the stock As at 31 December 2019, in the last trading session of the year, the closing price of the CTT share was €3.19.

In 2019, CTT paid a dividend of €0.10 per share and the CTT share price appreciated by 8.28%. Hence, the total shareholder return or TSR (capital gain + dividend, calculated on the basis of the share price as at 31 December 2018) was 11.68%. During this period, the PSI 20 appreciated by 10.20% and recorded a total shareholder return of 14.99%.

In terms of share price appreciation, the best performer of the European postal sector in 2019 was Poste Italiane, whose shares appreciated by 44.90%, while the remaining peers recorded depreciations ranging from 42.24% to -11.57%.

CTT share performance vs PSI 20 & EU postal sector

(Year 2019 – rebased at 100 at 31 Dec 2018)

* Royal Mail share price in euros.

11
Website

11. WEBSITE

Address

CTT's website address is as follows: www.ctt.pt

Place where information is available about the name, public company status, registered office and other identifying details

This information can be consulted at "CTT and Investors", "The Company", "Corporate Governance", "Identification of the Company" on CTT's website (www.ctt.pt).

Place where the Articles of Association and the Internal Regulations of the corporate bodies and/or committees may be found

This information can be consulted at "CTT and Investors", "The Company", "Corporate Governance", "Articles of Association & Regulations" on CTT's website (www.ctt.pt).

Place where information is available on the names of the members of governing bodies members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details G7

This information can be consulted at "CTT and Investors", "The Company" ("Corporate Governance" section) and "Investor Relations" ("Contacts" section) on CTT's website (www.ctt.pt).

Website where the financial statements are available, together with the half-yearly calendar of corporate events

This information can be consulted at "CTT and Investors", "Financial Information" on CTT's website (www.ctt.pt).

CTT's financial calendar for 2020 includes the following corporate events:

Event	Date
2019 Annual Results and Integrated Report	16 March 2020 *
2020 Annual Shareholders' Meeting	21 April 2020
1st Quarter 2020 Results	6 May 2020 *
Ex-dividend date	19 May 2020
Dividend payment	21 May 2020
1st Half 2020 Results	5 August 2020 *
1st Half 2020 Interim Report	31 August 2020
9 months 2020 Results	4 November 2020 *

* After market close

Place where notices to convene for General Meetings and all related preparatory and subsequent information are disclosed

This information may be found at "CTT & Investors", "Investor Relations", "Shareholders Meetings" on CTT's website (www.ctt.pt).

Place where the records of all resolutions taken in the Company's General Meetings, the share capital represented and voting results are available

This information can be consulted at "CTT and Investors", "Investor Relations", "General Meetings", onCTT's website (www.ctt.pt).

Place where the sustainability report and the sustainability principles and initiatives of the Company available

This information can be consulted at "CTT and Investors", "Financial Information", "Consolidated Accounts" and additional information at "CTT Investors", "Sustainability", on CTT's website (www.ctt.pt). We are interested in receiving comments, which can be sent to the following address: sustentabilidade@ctt.pt, or to the physical address, CTT- Correios de Portugal, c/o Comunicação e Sustentabilidade/ Sustentabilidade e Ambiente. G31

Annex I

Curricula

YEARS

ANNEX I – *CURRICULA*

CURRICULA OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AND REMUNERATION COMMITTEE

G40

I. Members of the management and supervisory bodies

António Sarmento Gomes Mota

Chairman of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Non-Executive and Independent)

Date of birth and nationality	10 June 1958, born in Portugal
Date of 1st appointment at CTT	12 November 2013
Term of office	2017-2019

Academic qualifications

- ✓ **2000**: Doctorate in Business Management, ISCTE - Instituto Universitário de Lisboa
- ✓ **1984**: MBA, Universidade Nova de Lisboa
- ✓ **1981**: Licentiate degree in Business Organisation and Management, ISCTE - Instituto Universitário de Lisboa

Internal management and supervisory positions

- ✓ **2017-...:** Non-executive chairman of the Board of Directors of CTT (from 2014 to 2016 Vice-Chairman of the Board of Directors, Non-executive Director and Lead Independent Director of CTT)
- ✓ **2014-2016**: Chairman of the Audit Committee of CTT (from 2013 to 2014 Chairman of the Fiscal Board of CTT)

Other internal positions

- ✓ **2019-** Chairman of the Selection and Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A.
- ✓ **2017-...:** Chairman of the Committee of the Monitoring of the Implementation of the Operational Transformation Plan of CTT
- ✓ **2014-...:** Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT (appointed for the term of office 2017-2019)
- ✓ **2016-2019:** Member of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A.
- ✓ **2015-2019:** Chairman of the Selection Committee of Banco CTT, S.A.

Professional experience

- ✓ His main professional occupation in addition to his academic activity, are the duties performed at CTT.
- ✓ He has followed a business path for 30 years, holding management positions in the banking, consulting and financial service sectors. Over these years he has chaired various Boards of Directors and Supervisory Boards in major companies listed on the stock exchange operating in Portugal and abroad (the case of EDP present in 14 countries).
- ✓ He has extensive experience in the areas of corporate governance, strategy, business assessment and risk management, as a consultant in the past, as a member of the corporate governance, remuneration and audit committees and as Vice-Chairman and currently Chairman of the Portuguese Institute of Corporate Governance.
- ✓ Full Professor of Finance at ISCTE Business School since 2005. Director of ISCTE Business School (from 2003 to 2012), Chairman of INDEG/ISCTE (2005 to 2012). Author of various reference works in the areas of corporate finance, financial markets and instruments, strategy and corporate restructuring. He has also been a member and chairman of audit committees of major listed companies.

Management and supervisory positions in other companies (last 5 years)

- ✓ **2019-...:** Chairman of the Supervisory Board of Mysticinvest Holding, S.A.
- ✓ **2018-2019:** Chairman of the Fiscal Board of Mystic Invest SGPS, S.A.
- ✓ **2009-2017:** Member of the General and Supervisory Board and Audit Committee of EDP - Energias de Portugal, S.A., having been chairman of the Audit Committee since 2015
- ✓ **2013-2016**: Chairman of the Board of Directors (non-executive) of SDC -Investimentos, SGPS, S.A.
- ✓ **2014-2015**: Vice-Chairman of the Board of Directors (non-executive) of Soares da Costa Construção, SGPS, S.A.

- ✓ **2009-2012**: Non-executive member of the Board of Directors and Chairman of the Nomination and Remuneration Committee of Cimpor - Cimentos de Portugal, SGPS, S.A.

Other external positions (last 5 years)

- ✓ **2013-...:** Member of the Remuneration Committee of PHAROL, SGPS, S.A., having been its Chairman since 2018
- ✓ **2010-...:** Vice-Chairman of the Board of the Portuguese Institute of Corporate Governance, having been its Chairman since 2016

João Afonso Ramalho Sopas Pereira Bento

Member of the Board of Directors and Chief Executive Officer (CEO) of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	12 November 1960, born in Portugal
Date of 1st appointment at CTT	20 April 2017
Term of office	2017-2019

Academic qualifications

- ✓ **1999**: Aggregation in Smart Systems at Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1992**: Doctorate in Civil Engineering, Imperial College, London and equivalence of the Doctoral degree by Universidade de Lisboa
- ✓ **1987**: Master's in Structural Engineering at Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1983**: Licentiate degree in Civil Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa

Internal management and supervisory positions

- ✓ **2019-...:** Chairman of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. (appointed to the position of Chairman on 27 June 2019)
- ✓ **2017-...:** Member of the Board of Directors of CTT and Chief Executive Officer (appointed to the position of Chief Executive Officer on 13 May 2019 effective 22 May 2019. Until that date and since 2017 he was non-executive member of the Board of Directors of CTT)

Other internal positions

- ✓ **2019-** Member of the Selection and Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A.
- ✓ **2019-**...: Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. (CORRE)
- ✓ 2019-...: Member of the Selection Committee (elected at the General Meeting) of Payshop (Portugal), S.A.
- ✓ 2019-...: Member of the Selection and Remuneration Committee (elected at the General Meeting) of 321 Crédito – Instituição Financeira de Crédito, S.A.
- ✓ **2019-2019:** Member of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A.
- ✓ **2019-2019:** Member of the Selection Committee (elected at the General Meeting) of Banco CTT, S.A.
- ✓ **2017-2019:** Member of the Committee for Monitoring the Implementation of the Operational Transformation Plan of CTT
- ✓ **2017-2019:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Exercising the duties of Vice-Chairman and CEO at Gestmin, SGPS, S.A, which changed its designation to Manuel Champalimaud, SGPS, S.A. in 2019 was his main professional occupation from 2015 to 2019. From 2017 he became a non-executive member of the Board of Directors of CTT. In 2019 he was appointed Chief Executive Officer and he ceased all his functions at Group Manuel Champalimaud.
- ✓ In CTT, as Chief Executive Officer, he is responsible for the areas of Institutional Relations, Strategy & Business Development, Audit & Quality, Communication & Sustainability, Digital & Innovation, Legal Office & General Secretariat, Human Resources (Development), Regulation & Competition, holding also the position of Chairman of the Board of Directors of the subsidiary CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ He has 30 years of professional experience in executive and non-executive positions in large companies listed on the stock exchange in Portugal and Brazil, especially in the sectors of infrastructures and energy. He was an executive member of the Board of Directors of Brisa for 11 years, a listed company on the stock exchange with activity in Portugal and abroad (at the time operating in 5 countries), being responsible, among others, for the areas of operations, innovation, business development and international, chairing various infrastructure concessionaires. From 2000 to 2003, he was a non-executive member of the Board of Directors of EDP, at that time being the largest listed company on the stock exchange in Portugal. From 2011 to 2015 he was a member of the Board of Directors and CEO of Efacec, an industrial company recognised for its innovation in equipment and automation in the energy business, at that time present in 22 countries, being responsible for areas such as risk management, human resources, communication, innovation and international business.
- ✓ He started his professional career as an academic, being a Full Professor at Instituto Superior Técnico (IST) since 2000. He took extended leave in 2002, so as to be able to hold business management positions on a full-time basis.

Management and supervisory positions in other companies (last 5 years)

- ✓ **2015-...:** Director at QPDM Consulting, S.A. (since 2019 he is the Chairman of the Board of Directors)
- ✓ **2019-2019:** Chairman of the Board of Directors of I.-Charging, Mobilidade Eléctrica, S.A.
- ✓ **2016-2019:** Chairman of the Board of Directors of OZ Energia, S.A.
- ✓ **2016-2019**: Manager of Manuel Champalimaud Serviços, Unipessoal, Lda.

- **2015-2019:** Vice-Chairman of the Board of Directors and Chief Executive Officer of Manuel Champalimaud, SGPS, S.A.
- **2016-2016:** Member of the Board of Directors of Sogestão, S.A.
- **2014-2016:** Member of the Board of Directors of CCB - Fundação Centro Cultural de Belém
- **2012-2015:** Member of the Board of Directors of Grupo José de Mello, SGPS, S.A.
- **2011-2015:** Member of the Board of Directors and Chief Executive Officer of Efacec Capital, SGPS, S.A.
- **2011-2015:** Chairman of various subsidiaries of Efacec: Efacec-Sistemas de Gestão (PT), Efacec Energia - Máquinas e Equipamentos Eléctricos (PT), Efacec Engenharia e Sistemas (PT), Efacec-Serviços de Manutenção e Assistência (PT), Efacec Marketing Internacional (PT), Gemp - Empreendimentos Imobiliários (PT), Empovar (PT), Efacec USA, Inc. (US), Efacec India Private Limited (IN), Efacec Handling Solutions (PT), Efacec Moçambique (MZ), Efasa (ZA).

Other external positions (last 5 years)

- **2017-...:** Member of the Strategic Innovation Council of VdA - Vieira de Almeida & Associados, Sociedade de Advogados, RL
- **2016-...:** Member of the General Council of the Portuguese Institute of Corporate Governance
- **2015-**...: Chairman of Quinta do Peru Golf Club
- **2014-...:** Member of the Advisory Council of ANI (National Innovation Agency)
- **2013-...:** Permanent member of the Advisory Council of AICEP (Agency for Investment and External Trade of Portugal)
- **2011-...:** Vice-Chairman of the Engineering Academy
- **2007-2019:** Honorary Chairman of ASECAP (European Association of Operators of Toll Road Infrastructures)
- **2015-2018:** Member of the Board of COTEC Portugal - Business Association for Innovation (Chairman from 2012 to 2015)
- **2014 - 2018:** Member of the General Council of Universidade de Lisboa
- **2014-2015:** Chairman of the General Meeting of APGEI (Portuguese Association of Industrial Management and Engineering)
- **2012-2015**: Member and co-coordinator of CNEI (National Council for Entrepreneurship and Innovation)

Nuno de Carvalho Fernandes Thomaz

Non-executive member of the Board of Directors and member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	5 August 1943, born in Portugal
Date of 1st appointment at CTT	24 March 2014
Term of office	2017-2019

Academic qualifications

- ✓ **1965**: Licentiate degree in Law, Universidade Clássica de Lisboa

Internal management and supervisory positions

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT (position held since 2014, re-elected for the term of office 2017-2019)
- ✓ **2017-...:** Member of the Audit Committee of CTT (position held since 2014, re-elected for the term of office 2017-2019)

Other internal positions

- ✓ **2017-...:** Chairman of the Ethics Committee of CTT (position held since 2014, re-elected for the term of office 2017-2019)
- ✓ **2014-2014:** Member of the Corporate Governance, Evaluation and Nominating Committee

Professional experience

- ✓ Exercise of positions of leadership and consulting at universities and non-profit making organisations (supplementary to being a non-executive member at CTT) are currently his main professional occupation.
- ✓ A law graduate, he started his professional career by practicing law in Portugal, from 1965 to 1974, having simultaneously held management positions in large financial and industrial consortiums, both national and international, namely at the Anglo-American/De Beers Group (Portugal), at Banco do Alentejo and the para-bank Diners Club. In Brazil, from 1975 to 1981, he was a consultant at Interbrás - Petrobrás and Chairman of Banco Pinto de Magalhães and the distributor and broker of securities Pinto de Magalhães.
- ✓ In Portugal, from 1981 he held various executive management positions in the Jorge de Mello/Nutrinveste Group, as member, Vice-Chairman and Chairman of more than 25 industrial and financial companies (namely Tabaqueira, Molaflex, Incofina). Recently, he has performed duties in large companies listed on the stock exchange in Portugal, such as Luz Saúde.

Management and supervisory positions in other companies (last 5 years)

- ✓ **2019-...:** Manager in the NForum Executivos - Consultoria e Formação, Unipessoal Lda.
- ✓ **2016 - ...:** Chairman of the Board of Auditors of Sagasta Finance, STC, S.A.
- ✓ **2014 - 2015:** Non-executive member of the Board of Directors of Espírito Santo Saúde, SGPS, S.A.
- ✓ **2010 - 2017:** Chairman of Sociedade Gestora do Fundo de Capital de Risco Bem Comum
- ✓ **2005 - 2019:** Manager of I Cook - Organização de Eventos, Lda.

Other external positions (last 5 years)

- ✓ **2019-...:** Chairman of the Board of Directors in Nova Forum - Instituto de Formação de Executivos da UNL
- ✓ **2019-...:** Chairman of the Board of Directors in Fundação Alfredo de Sousa
- ✓ **2018 -...:** Consultant at IDESCOM - Associação Informação, Desenvolvimento, Comunicação
- ✓ **2016 - ...:** Member of the General Council of the Portuguese Institute of Corporate Governance, representing CTT
- ✓ **2006 - ...:** Vice-Chairman of the Forum for Competitivity
- ✓ **2015 - 2018:** Member of the Advisory Council of Luz Saúde, S.A.
- ✓ **2009 - 2018:** Chairman of the Council of the Faculty of Nova School of Business and Economics
- ✓ **2008 - 2017:** Member of the International and European Boards of UNIAPAC – Union des Entrepeneurs Chrétiens
- ✓ **2011 - 2016:** Member of the Advisory Council of the Portuguese Institute of Corporate Governance
- ✓ **2008 - 2015:** Vice-Chairman of ACEGE – Christian Association of Entrepreneurs and Managers

José Manuel Baptista Fino

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	10 January 1954, born in Portugal
Date of 1st appointment in CTT	19 December 2014
Term of office	2017-2019

Academic qualifications

- ✓ **1972-1974**: Attended the course on Business Studies in North East London Polytechnic, UK

Management and supervisory functions held internally

- ✓ **2017-...:** Non-Executive Member of the Board of Directors of CTT (holds these functions since 2014, re-elected for the term of office 2017-2019)

Other internal functions held

- ✓
- ✓ **2017-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT (holds these functions since 2014, reappointed for the term of office 2017-2019)
- ✓ **2015-2019:** Member of the Selection Committee of Banco CTT, S.A.

Professional experience

- ✓ His board positions at listed and large companies (including CTT since 2014) and his entrepreneur role in various sectors are his main occupation.
- ✓ An entrepreneur since 1977, he was a promoter and a manager in several companies in Portugal, Spain and most recently in Mozambique, which include activities in home retailing as Snucker and Area Infinitas (a company that resulted from the franchise of Habitat in Portugal), in the promotion of real estate and in the agro-industrial activity.
- ✓ While representing relevant shareholder positions, he was a Non-Executive Member of the Board of Directors of Cimpor - Cimentos de Portugal, SGPS, S.A. for 8 years (2004-2012), and from 2008 to 2018, a Non-Executive Member of the Board of Directors of SDC – Investimentos SGPS, S.A., both of which Portuguese companies listed on Euronext Lisbon and operating in Portugal and abroad. He is also a Non-Executive Member of the Board of Directors of Speciality Minerals (Portugal), a subsidiary of the multinational group Minerals Technologies Inc., in Portugal.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2018-...:** Sole Manager of Strongmystery, Unipessoal, Lda.
- ✓ **2018-...:** Sole Manager of Ecletic Surprises, Unipessoal, Lda.
- ✓ **2009-...:** Chairman of the Board of Directors of Ramada Energias Renováveis, S.A.
- ✓ **2001-...:** Chairman of the Board of Directors of Apra Hill Capital, S.A.
- ✓ **1997-...:** Managing Partner of Nova Algodoeira, Lda.
- ✓ **1994-...:** Non-Executive Member of the Board of Directors of Speciality Minerals (Portugal) Especialidades Minerais, S.A.
- ✓ **2008-2018:** Non-Executive Member of the Board of Directors of SDC - Investimentos, SGPS, S.A.
- ✓ **2007-2018:** Sole Director of Dignatis - Investimentos Imobiliários e Turísticos SGPS, S.A.
- ✓ **1996-2018:** Sole Director of Dorfino Imobiliário, S.A.

Other external functions held (last 5 years)

- ✓ ---

Céline Dora Judith Abecassis-Moedas

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	1 June 1971, born in France
Date of 1st appointment in CTT	4 August 2016
Proposed term of office	2017-2019

Academic qualifications

- ✓ **1999**: Ph.D. in Management Studies, École Polytechnique, Paris
- ✓ **1996**: MSc in Scientific Methods of Management, Dauphine Université, Paris
- ✓ **1994**: BA in Management and Economics, Ecole Normale Supérieure de Cachan and La Sorbonne

Management and supervisory functions held internally

- ✓ **2017-...:** Non-executive Member of the Board of Directors of CTT (co-opted in 2016, re-elected for the term of office 2017-2019)

Other internal functions held

- ✓ **2017-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Her first-class academic activities in strategy and innovation and her non-executive positions in listed companies are her main professional occupation.
- ✓ She has over 15 years' experience working with corporations as a consultant, teaching executive education and sitting at corporate boards. She is an Associate Professor of Strategy and Innovation at Católica Lisbon School of Business and Economics and an Affiliate Professor at ESCP Europe. Her research has been published in top international journals. She was an International Faculty Fellow at MIT Sloan School of Management and an Assistant Professor at Queen Mary – University of London. She worked as a Management Consultant at AT Kearny in London from 2000 to 2002 and E-Business Product Manager at Lectra in New York. She started her career at France Telecom Research Lab.
- ✓ More recently she has been performing Lead Independent Director and other non-executive roles in large and listed companies, taking part of specialized board committees.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2016-...:** Non-Executive Member of the Board of Directors of José de Mello Saúde, S.A.
- ✓ **2011-...:** Manager of Crimson Investment Management, Sociedade Unipessoal, Lda.
- ✓ **2015-2019:** Member of the Audit Committee of Europac (Papeles y Cartones de Europa, S.A.)
- ✓ **2015-2019:** Lead Independent Director and Chairwoman of the Nominations and Remuneration Committee of Europac (Papeles y Cartones de Europa, S.A.)
- ✓ **2012–2019:** Non-executive Member of the Board of Directors of Europac (Papeles y Cartones de Europa, S.A.)

Other external functions held (last 5 years)

- ✓ **2019-...**: Dean for Executive Education at the Dean's Office of Católica Lisbon School of Business and Economics
- ✓ **2018-...**: Member of the Consultive Council of COTEC Portugal - Associação Empresarial para a Inovação
- ✓ **2017-...**: Chairwoman of the Innovation Strategic Board of VdA - Vieira de Almeida & Associados, Sociedade de Advogados, RL

António Pedro Ferreira Vaz da Silva

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	13 November 1966, born in Portugal
Date of 1st appointment in CTT	20 April 2017
Term of office	2017-2019

Academic qualifications

- ✓ **2016:** Banco CTT Top Management Training Programme, Instituto Superior de Gestão Bancária and Associação Portuguesa de Bancos
- ✓ **2014**: Corporate Management Programme, AESE Business School
- ✓ **1984**: High School Degree, Amadora School

Management and supervisory functions held internally

- ✓ **2018-...:** Member of the Board of Directors of Payshop (Portugal), S.A.
- ✓ **2017-...:** Member of the Board of Directors and of the Executive Committee of CTT
- ✓ **2017-...:** Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- ✓ **2017-...:** Non-executive Member of the Board of Directors of Banco CTT, S.A.

Other internal functions held

- ✓ ---

Professional experience

- ✓ As executive member on the Board of Directors of CTT he is responsible for the Mail P&L, Retail & Postal Financial Services P&L, B2C Commercial and (Management of) Human Resources business areas that comprise the Departments of Philately, B2C External Channels Management, Management of the Retail Network, Retail Products Management, Savings and Payments, Mail Products Management, B2C Segment Management, Human Resources (Management) and B2C Commercial Support.
- ✓ With a 20-year professional career in commercial and retail banking at MillenniumBcp, he held several roles within the group in Portugal. He joined the Private and Business team of MillenniumBcp in 2000.
- ✓ In 2004, he joined CTT as Senior Sales Manager at CTT, being responsible for the operational and sales on the South area at Retail Network. He successfully developed his career in CTT becoming the Head of the Retail Network in 2013, acquiring extensive experience in team and HR management and incentives, and sales and marketing of the various products placed through the Retail Network (from Mail and Express & Parcels to Financial Services, as well as services of general interest). Throughout this 16-year period at CTT he has been engaged in several key initiatives and projects related to the optimization and rationalisation of the Retail Network and its portfolio, as well as leveraging on the proximity and capillarity associated to this network.
- ✓ His track record at CTT contributed to make the Retail Network an increasingly important sales and service channel in CTT's revenue growth in all business units and a national wide platform of convenience and multi-services, having played an active role in the launching in 2016 of Banco CTT in CTT Retail Network.

Management and supervisory functions held in other companies (last 5 years)

- ✓ ---

Other external functions held (last 5 years)

- ✓ ---

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Non-Executive Member of the Board of Directors and Chairwoman of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	14 December 1967, born in Portugal
Date of 1st appointment in CTT	20 April 2017
Term of office	2017-2019

Academic qualifications

- ✓ **2009**: PhD in Management, ISCTE-Instituto Universitário de Lisboa
- ✓ **2002**: Statutory Auditor, Ordem dos Revisores Oficiais de Contas (OROC)
- ✓ **1999**: Master in Economics, Universidade do Porto
- ✓ **1991**: Degree in Management, Universidade Católica Portuguesa (UCP)

Management and supervisory functions held internally

- ✓ **2017-...:** Non-Executive Member of the Board of Directors of CTT
- ✓ **2017-...:** Chairwoman of the Audit Committee of CTT

Other internal functions held

- ✓ **2017-...:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ Her first-class academic activity and positions in supervisory bodies of large and listed companies are her main occupation. She was elected in April 2017 as Chair of the Audit Committee of CTT, position that she currently holds.
- ✓ She has over 20 years of academic experience, being a Professor at the UCP since 1993 in the areas of accounting and tax. Between 2010 and 2017, she was Director of Msc in Audit and Tax of the Faculdade de Economia e Gestão of the UCP and Scientific Coordinator of the Católica Porto Business School of the UCP. She was also a deputy director of the presidency of Centro Regional do Porto of the UCP for management and entrepreneurship.
- ✓ Being a Statutory Auditor for more than 15 years, she became Chairwoman of the Fiscal Board of the Portuguese Statutory Auditors Bar in 2012 and became a member of the Management Board in November 2017. She is the representative of OROC in the Commission of Accounting Standards. Likewise, she is a member of management and supervisory bodies of large companies listed and not listed in Portugal (since 2008), having been elected in 2017 for a chairmanship position of the supervisory body of Centro Hospitalar de São João.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2017-...**: Chairwoman of the Fiscal Board of Centro Hospitalar S.João, EPE
- ✓ **2016-...**: Non-Executive Member of the Board of Directors of Sonaegest-Sociedade Gestora de Fundos de Investimento, S.A.
- ✓ **2016-...**: Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A.
- ✓ **2014-...**: Partner of the Novais, Anacoreta & Associado, SROC
- ✓ **2008-...**: Non-Executive Member of the Board of Directors and Member of the Audit Committee of Impresa, SGPS, S.A.
- ✓ **2012-2018**: Chairwoman of the Fiscal Board of Ordem dos Revisores Oficiais de Contas and its representative in the *Fédération des Experts-Comptables Européens*

Other external functions held (last 5 years)

- ✓ **2018-...:** Member of the Management Board of Statutory Auditors Order

- ✓ **2017-**...: Member of the General Council and of the Executive Committee of Commission of Accounting Standards, representing the Order of the Statutory Auditors
- ✓ **2014-...:**Managing partner of Novais, Anacoreta & Associado, SROC**2011-...:** Member of the Scientific Council of Associação Fiscal Portuguesa
- ✓ **2011-**...: Tax Arbitrator at the Portuguese Administrative Arbitration Centre (CAAD)

Maria Belén Amatriain Corbi

Non-Executive Member of the Board of Directors and Member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	29 December 1958, born in Spain
Date of 1st appointment in CTT	20 April 2017
Term of office	2017-2019

Academic qualifications

- ✓ **2015:** Good Governance Certificate, IC-A Instituto de Consejeros-Administradore, Spain
- ✓ **1982**: ICADE E-1, Law Degree & Economics Certificate, Universidad Pontificia de Comillas, Madrid, Spain

Management and supervisory functions held internally

- ✓ **2017-...:** Non-Executive Member of the Board of Directors of CTT
- ✓ **2017-...:** Member of the Audit Committee of CTT

Other internal functions held

- ✓ ---

Professional experience

- ✓ Her positions as a non-executive member in several Board of Directors are her main professional occupation, mainly as a member of Appointments and Remuneration Committees and Audit, Compliance and Risk Committees.
- ✓ For 15 years and until 1997, she held several functions in the areas of marketing and advertising, being senior officer in client services and marketing for 10 years.
- ✓ From 1997 to 2012, she held several responsibilities in Telefónica Group (listed telecom company worldwide), including CEO of Telefónica Móviles Spain, CEO of Telefónica Spain (fix & mobile), CEO and President of the Board of TPI (Yellow pages) Worldwide.
- ✓ More recently she holds chairmanship and membership positions in several Spanish listed and large companies, acting in a non-executive role within the Board of Directors and in Audit, Risk, and Compliance and Remuneration Committees, including at Banco Evo from 2014 to 2019.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2018-...:** Non-executive Member of the Board of Directors of Faes Farma, S.A. (since 2019, she is the Chairwoman of the Nominations and Remuneration Committee)
- ✓ **2016 - ...:** Non-executive Member of the Board of Directors and Chairwoman of the Audit Committee of PRIM, S.A. (listed Technological Health)
- ✓ **2016 -...:** Non-executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of the IC-A Instituto de Consejeros-Administradores
- ✓ **2015 - ...:** Non-executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of Euskaltel (listed Telecommunications)
- ✓ **2014 - 2019:** Non-executive Member of the Board of Directors, Member of the Risk Committee, Member of the Audit & Compliance Committee (being its Chairwoman in 2018-2019) and Chairwoman of the Appointments and Remuneration Committee (being its Vice Chairwoman in 2018-2019) of Banco Evo, S.A.U. (Spain)
- ✓ **2015 – 2017:** Non-executive Member of the Board of Directors, Chaiwoman of the Appointments and Remuneration Commission and Member of the Audit Committee of SolidQ (Business Intelligence)
- ✓ **2013 - 2016:** Non-executive Member of the Board of Directors of Capital Radio, Economía, S.L.
- ✓ **2012 - 2016:** Non-executive Member of the Board of Directors of Amacor, Gestión Inmobiliaria, S.L.

Other external functions held (last 5 years)

- ✓ Awarded the Great Cross of Civil Merit by the Government, Internet development in Spain

Rafael Caldeira de Castel-Branco Valverde

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	15 April 1953, born in Portugal
Date of 1st appointment in CTT	20 April 2017
Term of office	2017-2019

Academic qualifications

- ✓ **1975**: Degree in Economics, Instituto Superior de Economia, Universidade Técnica de Lisboa

Management and supervisory functions held internally

- ✓ **2017-...:** Non-executive Member of the Board of Directors of CTT

Other internal functions held

- ✓ **2017-...:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT
- ✓ **2017-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT
- ✓ **2017-2019:** Member of the Remuneration Committee (elected by the General Meeting) of Banco CTT, S.A.

Professional experience

- ✓ The provision of management consulting services is now his main occupation.
- ✓ With a long 30-year professional career in investment banking at Haitong Bank, S.A. (formerly BESI-Banco Espírito Santo de Investimento, S.A.), where he started as Managing Director of Corporate Finance, having subsequently assumed various positions in product management and management and executive bodies.
- ✓ In the last 11 years he was Vice-Chairman of the Board of Directors and member of the Executive Committee of Haitong Bank, S.A, having held in Portugal and abroad several positions as Commercial Head**,** Global Head of Corporate Finance, Global Head of Acquisition Finance, Global Head of Asset Management and Global Head of Private Banking. He was also the representative at FSA (financial services regulator in the United Kingdom) of the London branch of Haitong Bank, S.A.
- ✓ From 2008 to 2015 he was a non-executive member of the Board of Directors of EDP Renováveis. S.A. (global player in the renewable energy sector with registered offices in Spain and with shares listed in Euronext Lisbon since 2008), taking part of the Nominations and Remunerations Committee as independent Director.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2018-...**: Manager of Sal Fin – Consultadoria, Lda.
- ✓ **2017-...:** Vice-Chairman (Non-executive) of the Board of Directors of Banco Caixa Geral – Brasil, S.A.
- ✓ **2015-2017:** Non-Executive Member of the Board of Directors of Empark – Aparcamientos y Servicios S.A.
- ✓ **2015-2016**: Chairman of the Board of Directors of Haitong Banco de Investimento do Brasil, S.A.
- ✓ **2008-2016**: Member of the Board of Directors of Haitong Securities (UK) Limited
- ✓ **2008-2016**: Respresentative of the London branch of Haitong Bank, S.A. before the FSA
- ✓ **2005-2016**: Vice-Chairman of the Board of Directors and member of the Executive Committee of Haitong Bank, S.A.
- ✓ **2014-2015:** Chairman of the Executive Committee of Haitong Banco de Investimento do Brasil, S.A.
- ✓ **2008-2015**: Non-Executive Member of the Board of Directors and of the Nominations and Remunerations Committee of EDP Renováveis, S.A.
- ✓ **2010-2014:** Member of the Board of Directors of SSI Investimentos, SGPS, S.A. (incorporated into Haitong Bank S.A.)

Other external functions held (last 5 years)

- ✓ **2013-2016**: Member of the Board of Directors of Câmara de Comércio e Indústria Luso-Brasileira (CCILB)
- ✓ **2013-2016**: Member of the Board of Directors of Câmara Portuguesa de Comércio no Brasil (CPCB)
- ✓ **2013-2015**: Representative of the Haitong Banco de Investimento do Brasil, S.A. at Associação Brasileira de Bancos Internacionais (ABBI)

Guy Patrick Guimarães de Goyri Pacheco

Member of the Board of Directors and Chief Financial Officer (CFO) of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	25 May 1977, born in Portugal
Date of 1st appointment in CTT	19 December 2017
Term of office	2017-2019

Academic qualifications

- ✓ **2011:** The Lisbon MBA – Católica/Nova - Leaders who transform
- ✓ **2010:** Leadership Executive Program, Universidade Católica Portuguesa
- ✓ **2000:** Degree in Economics, Faculdade de Economia da Universidade do Porto

Management and supervisory functions held internally

- ✓ **2018-...:** Non-executive Member of the Board of Directors of Banco CTT
- ✓ **2017-...:** Member of the Board of Directors and Chief Financial Officer (CFO) of CTT
- ✓ **2017-...:** Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ **2018-2019:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal functions held

- ✓ ---

Professional experience

- ✓ As Executive Director, he is currently responsible in CTT for the areas of Finance, Risk and M&A, Investor Relations, Procurement & Logistics, Accounting & Taxes, Transformation, Planning & Control, Physical Assets, and IT.
- ✓ Between 2015 and 2017 he had as main occupation the functions of CFO of PT Portugal, SGPS, S.A. and between 2011 and 2015 the functions of Head of Planning and Control of Portugal Telecom, SGPS, S.A. (listed company).
- ✓ Financial, planning and control and financial and operational reporting are his core competence areas, having performed top management functions in these domains over 17 years in PT Group.
- ✓ With an extensive experience and transformational profile in functions related to strategic transformation of the telecommunications and digital business sector, with a national and international presence (working between 2001 to 2017 in markets marked by a challenging regulatory, technologic and competitive context, having been, between 2007 and 2011, specially involved in transformation and continuous improvement projects) having led as CFO optimization and cost reduction plans in the same sector.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2017-...:** Member of the Board of Directors of New Finerge, S.A.
- ✓ **2017-2019:** Member of the Board of Directors of Âncora Wind – Energia Eólica, S.A.
- ✓ **2017-2018:** Member of the Board of Directors of First State Wind Energy Investments, S.A.
- ✓ **2017-2017:** Non-executive Member of the Board of Directors of Sport TV Portugal, S.A.
- ✓ **2016-2017:** Chairman of the Board of Directors of Janela Digital – Informática e Telecomunicações, S.A.
- ✓ **2016-2017:** Non-executive Member of the Board of Directors of Capital Criativo, SCR, S.A.
- ✓ **2015–2017:** Member of the Executive Committee (Chief Financial Officer) of PT Portugal, SGPS, S.A.
- ✓ **2015-2017:** Chairman of the Fiscal Board of Hungaro Digitel Plc.
- ✓ **2015-2017:** Member of the Board of Directors of PT Pay, S.A.
- ✓ **2015-2016:** Chairman of the Fiscal Board of Fibroglobal – Comunicações Electrónicas, S.A.
- ✓ **2013-2015:** Member of the Board of Directors of PT Centro Corporativo, S.A.
- ✓ **2013-2015:** Member of the Fiscal Board of Fundação Portugal Telecom
- ✓ **2011-2014: Non-Executive Member of the Board of Directors of PT PRO – Serviços Administrativos e de Gestão Partilhados, S.A.**

Other external functions held (last 5 years)

- ✓ **2018 -...:** Member of the Board of AEM (Portuguese Issuers Association)

Steven Duncan Wood

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	17 December 1982, American
Date of 1st appointment in CTT	23 April 2019
Term of office	2017-2019

Academic qualifications

- ✓ **2005**: BA in Economics, Political Economy and International Relations, Tulane University

Management and supervisory functions held internally

- ✓ **2019 -...:** Non-executive Member of the Board of Directors of CTT elected at the Annual General Meeting of 23/04/2019 to complete the 2017/2019 term of office.

Other internal functions held

- ✓ **2019-...:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan

Professional experience

- ✓ He is a Chartered Financial Analyst ("CFA"), who focuses on distressed, deep value and special situations investment strategies having founded GreenWood Investors in 2010.
- ✓ He began his career with the special situations team at Kellogg Capital Group, and later worked as an investment banking analyst for RBC Capital Markets in the Syndicated and Leveraged Finance group, having deepened his knowledge of distressed, deep value, and special situations strategies as a research analyst at Carr Securities from 2009 to 2013. Walter Carucci at Carr Securities provided the inspiration for founding GreenWood Investors.
- ✓ Since 2016, he has also served on the Investment Advisory Board of Cortland Associates, a value-oriented St. Louis-based investment advisor in the United States of America.
- ✓ In 2017, founded the Builders Institute Inc., an educational non-profit, to bring the same message of long-term value creation to a much broader audience.
- ✓ He is currently the Managing Member of GreenWood Performance Investors, LLC and the general partner of GreenWood Global Micro Fund, LP, a fund launched in February 2014, as well as GreenWood Builders Fund I, LP, GreenWood Offshore Builders Fund I, and GreenWood Global Fund.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2017 - ....:** Founder and Managing Member of the Builders Institute, Inc.
- ✓ **2016 - ...:** Advisory Board Member of Cortland Associates, Inc.
- ✓ **2010 - ...:** Founder and Managing Member of Greenwood Investors LLC

Other external functions held (last 5 years)

- ✓ ---

Duarte Palma Leal Champalimaud

Non-Executive member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	5 December 1975, born in Brazil
Date of 1st appointment in CTT	19 June 2019
Term of office	2017-2019

Academic qualifications

- ✓ **2016-2018**: *OPM 51 Class*, Harvard Business School, EUA
- ✓ **2009**: *Leading the Family Business Program*, IMD, Switzerland
- ✓ **2008**: *MBA International*, Católica Porto Business School
- ✓ **2001**: Postgraduate studies in Business management, Fundação Dom Cabral, Brazil
- ✓ **2000**: Degree in Mechanical Engineering, Kingston University, England

Management and supervisory functions held internally

- ✓ **2019-...:** Non-Executive Member of the Board of Directors of CTT (co-opted to complete the 2017/2019 term of office)
- ✓ **2018-2019:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal functions held

- ✓ **2019-...:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ His position as a member of the Board of Directors of Gestmin, SGPS, S.A., which changed its corporate name in 2019 to Manuel Champalimaud, SGPS, S.A., has been his main occupation since 2005.
- ✓ He joined the CTT Group in 2018 having then been appointed as a member of the Board of Directors of the subsidiary Tourline Express Mensajería, S.L.U., a position he held till July 2019. As of June 2019, he became a non-executive member of the Board of Directors of CTT, a position that he holds in addition to those of Vice-Chairman of the Board of Directors of Manuel Champalimaud, SGPS, S.A..
- ✓ He has a vast professional background in management and senior management positions, with a large experience in the industrial and technological areas within the Manuel Champalimaud Group, having led the acquisition of some of its main assets and played an important role in the internationalization of the Group, namely through the expansion of GLN to Mexico, an industrial company known for its technological innovation work in the sector of plastic molds. He held within this company, from 2013 to 2016, the functions of Chief Executive Officer (CEO) having, during this period, been responsible for the development of the company IT systems and for the acquisition of Famolde, a company specialized in the design and production of high technical content molds, particularly in micro-molds. Throughout his professional career, he was also responsible for several operational areas including human resources and technological innovation areas and was co-founder of a digital startup directed to the healthcare area, the consultaclick.com, from which the first European online appointment booking platform was developed.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2007 - ...:** Manager of Sotaque – Assessoria de Comunicação e Traduções, Lda.
- ✓ **2005 - ...:** Member of the Board of Directors of Manuel Champalimaud, SGPS, S.A. (having been appointed Vice-Chairman in 2019)
- ✓ **2016-2018:** Member of the Board of Directors of PIEP – Polo de Inovação em Engenharia de Polímeros
- ✓ **2014-2017:** Chairman of the Board of Directors of GLN, S.A., having also held the position of CEO between 2013 and 2016

Other external functions held (last 5 years)

- ✓ **2016-...:** Chairman of the Board of the General Meeting of APIP – Associação Portuguesa da Indústria de Plásticos

João Carlos Ventura Sousa

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	26 March 1975, born in Portugal
Date of 1st appointment in CTT	18 September 2019
Term of office	2017-2019

Academic qualifications

- ✓ **2011**: Leadership and Innovation Programme, Católica School of Business & Economics, Portugal
- ✓ **1999**: Master of Business Management, INDEG/ISCTE, Portugal
- ✓ **1998**: Degree in Management and Marketing, Instituto Superior de Línguas e Administração, Portugal

Management and supervisory functions held internally

- ✓ **2020-...:** Chairman of the Board of Directors and of CTT-Contacto, S.A.
- ✓ **2019-...:** Member of the Board of Directors and of the Executive Committee of CTT (co-opted to complete the 2017/2019 term of office)
- ✓ **2019-**...: Member of the Board of Directors of CTT Expresso, Serviços Postais e Logística, S.A.
- ✓ **2019-2019**: Chairman of the Board of Directors of Tourline Express Mensagería, S.L.U.

Other internal functions held

- ✓ ---

Professional experience

- ✓ Since 2015, he has been performing management functions, in particular as Executive Member of the Board of Directors (Chief Sales and Marketing Officer) of Altice Portugal (formerly Portugal Telecom), Member of the Board of Directors and Chief Executive Officer (CEO) of PT Cloud and Data Center and Portugal Telecom Data Center, having been appointed, as from September 2019, as Executive Member of the Board of Directors of CTT, holding also the positions of member of the Board of Directors of CTT Expresso, Serviços Postais e Logística, S.A. and Chairman of the Board of Directors of CTT-Contacto, S.A..
- ✓ As executive member of the Board of Directors of CTT he is responsible for the Express, Mail & Logistics P&L, B2B Commercial, including the areas of E-Commerce, Public Administration, Small, Medium and Large Companies (North & South), Communication & Sustainability (Marketing & Advertising), Express Products Management, Cargo & Logistics, B2B Segment Management, Business Solutions & Advertising Management, B2B Commercial Support, and for the business of the participated companies operating abroad, CORRE in Mozambique and CTT Expresso (branch in Spain).
- ✓ He started his professional career at Marconi as a Product and Market Manager responsible for the management of international products and tariffs and business development, having joined, two years later, Teleweb as New Businesses and Tariffs Manager being one of the members of the original team that launched this operator.
- ✓ Since 2001 he joined Portugal Telecom Group (currently Altice Portugal) as a SME manager at TMN, in charge of product development, sales channels and business development. During this period, he achieved market leadership in the B2B segment and launched the first convergent solution (Officebox). In 2004 he was the corporate market manager for TMN and in 2007 he was director of the B2B segment of Portugal Telecom where he was responsible, among others, for the implementation of the sales strategy and for the management and operational development of several sales channels, namely for the management of the marketing plan and pricing strategy of the B2B offer (Wireline, Wireless and ICT) in all variables and for the Up & Cross Sell, having at that time played a fundamental role in the automation of the commercial processes.
- ✓ Throughout his professional career at the Portugal Telecom Group (currently Altice Portugal he was also responsible for the development and implementation of various organic restructuring programmes and, in this context, for mergers and acquisitions initiatives, having actively participated in the launch of new technological services and in the outsourcing of business processes in which he was responsible for the definition, communication and implementation of a medium and long-term strategy for customers, partners and employees.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2017-2019:** Member of the Board of Directors and Chief Executive Officer (CEO) of PT *Cloud and Data Centers S.A.*
- ✓ **2017-2019:** Member of the Board of Directors and Chief Executive Officer (CEO) of Portugal Telecom *Data Center S.A.*
- ✓ **2015-2019:** Member of the Board of Directors and of the Executive Committee (CMO) of Altice Portugal S.A.

Other external functions held (last 5 years)

- ✓ ---

João Miguel Gaspar da Silva

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	01 June 1976, born in Portugal
Date of 1st appointment in CTT	6 January 2020
Term of office	2017-2019

Academic qualifications

- ✓ **2004**: M.B.A., Kellogg School of Management, Northwestern University (Evanston-IL, USA)
- ✓ **2000**: Degree in Electrical Engineering, Instituto Superior Técnico, Lisboa

Management and supervisory functions held internally

- ✓ **2020-...:** Member of the Board of Directors and of CTT Expresso, Serviços Postais e Logística, S.A.
- ✓ **2019-...:** Member of the Board of Directors and of the Executive Committee of CTT co-opted to complete the 2017/2019 term of office)
- ✓ **2018-...:** Member of the Board of Directors of CTT-Contacto, S.A.
- ✓ **2018-2019:** Member of the Board of Directors of Transporta – Transportes Porta a Porta, S.A.
- ✓ **2018-2018:** Member of the Board of Directors of Mailtec Comunicação, S.A.

Other internal functions held

- ✓ ---

Professional experience

- ✓ His professional activity has been focused on areas of operations in different sectors, namely Strategic Consulting, Logistics and Transport of Valuables, as well as Courier and Express and Parcels. He joined CTT in 2018 as Operations Director having been appointed, still in 2018, as member of the Board of Directors of CTT Contacto, S.A., Mailtec Comunicação, S.A. and Transporta – Transportes Porta a Porta, S.A. all companies of the CTT Group. As Operations Director at CTT, he managed all operations of collection, printing and finishing, handling and distribution of mail, parcels and express and cargo, with direct responsibilities on the definition and execution of CTT Modernisation and Investment Plan.
- ✓ Currently, as executive member of the Board of Directors of CTT (COO) he is responsible for the Operations Transformation Programme, for the areas of Customer Support & Quality of Operations, for Express, Cargo & Logistics Operations, International & Autonomous Regions Operations, Mail Production Operations, Business Solutions Operations, Transport & Delivery Operations, and Operations Planning & Development in addition to the positions of Member of the Board of Directors of the subsidiaries CTT Expresso, Serviços Postais e Logística, S.A. and of CTT-Contacto, S.A..
- ✓ Having started his professional career as a Monitor (1998-1999) in the mathematics department of Instituto Superior Técnico, in 1999 he joined Motorola as a Junior Researcher, where he took part in the UMTS radio interface development team.
- ✓ In 2000 he joined McKinsey & Company as Business Analyst (2000-2002) and later as Associate (2004-2006), during which time he developed various skills as a consultant in different areas of this company's activity. From 2007 to 2009, he served as Engagement Manager, leading various operations projects in the services sector and gaining experience in implementing Lean Operations programmes in various business sectors.
- ✓ In 2009, he joined Prosegur as Managing Director of the Logistics and Values Unit and later accumulated the duties of Managing Director of the security technology unit. In 2013, he was assigned to Prosegur's Country Manager position in Portugal, under which he became responsible for all Prosegur Group P&L in the country. Two years later, and after the separation of businesses by this multinational company in the various geographies in which it operates, he was appointed Managing Director of Prosegur Security Portugal, the company's human and technological surveillance area.

Management and supervisory functions (last 5 years)

- ✓ **2013-2018:** Manager at Prosegur – Companhia de Segurança, Lda.

Other external functions held (last 5 years)

- ✓ ---

II. Members of the Remuneration Committee

João Luís Ramalho de Carvalho Talone

Chairman of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT)
(Independent)

Date of birth and nationality	27 October 1951, born in Portugal
Date of 1st appointment at CTT	24 March 2014
Term of office	2017-2019

Academic qualifications

- ✓ **2002**: AMP, Harvard Business School
- ✓ **1984**: MBA, Universidade Nova de Lisboa
- ✓ **1974**: Licentiate degree in Civil Engineering, Instituto Superior Técnico de Lisboa

Internal positions

- ✓ **2014**...: Chairman of the Remuneration Committee of CTT (re-elected for the term of office 2017-2019)

Professional experience

- ✓ Currently his main professional activity is Founding Partner of Magnum Capital, the largest Iberian private equity fund, and member of the Board of Directors of various Portuguese companies.
- ✓ During 13 years (1988-2001) he was an executive member of the Board of Directors of Millenniumbcp. He was Special Commissioner for the Portuguese Government (2002-2003), where he led the process of extinction of the State Company of Investments and Equity Holdings (IPE), which held and controlled the largest industrial equity stakes of the State. He was also executive Chairman of EDP - Energias de Portugal, S.A. (2003-2006), one of the largest European operators of the energy sector and Vice-Chairman of the Board of Directors of HidroCantábrico (2005-2006).

Management and supervisory positions in other companies (last 5 years)

- ✓ **2018-...:** Director at Grupo S. Roque – Máquinas e Tecnologias Laser, S.A.
- ✓ **2018-...:** Director at Grupo Lexer
- ✓ **2017-...:** Director at Grupo ITA, Barcelona
- ✓ **2006-...:** Chairman of the Board of Directors of Grupo Vendap
- ✓ **2014-2017:** Member of the Board of Directors of Grupo Nace
- ✓ **2006-2017:** Chairman of the Board of Directors of Grupo Generis
- ✓ **2006-2016**: Member of the Board of Directors of Grupo Eptisa
- ✓ **2008-2015**: Chairman of the Board of Directors of Iberwind – Desenvolvimento e Projectos, S.A.

Other external positions (last 5 years)

- ✓ **2017 - ...:** Member of the Advisory Council of Banco de Portugal
- ✓ **2017-...:** Director at Fundação Alfredo de Sousa, linked to NOVA SBE
- ✓ **2013-...:** Member of the Engineering Academy
- ✓ **2006-...:** Partner-Founder of Magnum Capital, the largest Iberian private equity fund
- ✓ **2014-2016**: Member of CNEI (National Council for Entrepreneurship and Innovation)
- ✓ **2014-2016**: Representative of Portugal at the Trilateral Committee

Rui Manuel Meireles dos Anjos Alpalhão

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	5 August 1963, born in Portugal
Date of 1st appointment at CTT	24 March 2014
Term of office	2017-2019

Academic qualifications

- ✓ **2007:** Doctorate in Finance, Instituto Universitário de Lisboa
- ✓ **1988:** Master's in Administration and Management, Universidade Nova de Lisboa
- ✓ **1985:** Licentiate degree in Economics, Universidade Nova de Lisboa

Internal positions

- ✓ **2014-...**: Member of the Remuneration Committee of CTT (re-elected for the term of office 2017-2019)

Professional experience

- ✓ Currently, his main professional activity is that of member of the Board of Directors of various Portuguese companies.
- ✓ He was director at companies participated (and controlled) by Banco Totta & Açores and Caixa Geral de Depósitos, and coordinated the management buy-in of a fund manager, whose executive administration he would later assure. Subsequently, he created FundBox Holdings, which holds qualifying holdings in three fund holding companies and started business in the market of distressed assets.
- ✓ He began his professional career in university teaching, and is currently Invited Associate Professor of Finance at Instituto Universitário de Lisboa. He has published scientific articles and books on finance and economics.

Management and supervisory positions in other companies (last 5 years)

- ✓ **2016- ...:** Chairman of the Board of Directors of Trans Three Portugal, S.A.
- ✓ **2008-...:** Member of the Board of Directors of Safeunit, S.A. and Chairman since 2018
- ✓ **2008-...:** Member of the Board of Directors of Safeshare – Consultoria, S.A.
- ✓ **2005-...:** Founder and Chairman of the Board of Directors of FundBox Holdings, S.A.
- ✓ **2005-2018:** Manager of Tram 28, Lda.
- ✓ **2011-2016**: CEO of FundBox – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.
- ✓ **2007 - 2015:** Member of the Board of Directors of Sintra Retail Park – Parques Comerciais, S.A.
- ✓ **2007-2015:** Member of the Board of Directors of Lansdowne, SGPS, S.A.
- ✓ **2007-2015:** Member of the Board of Directors of Lima Retail Park, S.A.

Other external positions (last 5 years)

- ✓ Member of the PSI20 Index Committee at Euronext Lisbon

Manuel Fernando Macedo Alves Monteiro

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	12 April 1957, born in Portugal)
Date of 1st appointment at CTT	28 April 2016
Term of office	2017-2019

Academic qualifications

- ✓ **2006**: Advanced Management Program (Wharton University of Penn) and Director's Consortium (Corporate Governance Program, Wharton University of Penn, with Stanford Law School and Chicago School of Business)
- ✓ **1981**: Licentiate degree in Law, Faculty of Law of Coimbra

Internal positions

- ✓ **2016-...**: Member of the Remuneration Committee of CTT (re-elected for the term of office 2017-2019)

Professional experience

- ✓ Currently, his main professional activity is that of non-executive member of the Board of Directors of various Portuguese companies.
- ✓ With extensive experience in the capital market he was successively Chairman of the Porto Stock Exchange, Chief Executive Officer (CEO) of the Porto Derivatives Exchange, CEO of the Stock Exchange of Lisbon and Porto, Chairman of Interbolsa, CEO of Euronext Lisbon and member of the Boards of Directors of the Stock Exchanges of Paris, Amsterdam, Brussels and Clearnet (France). He has held positions in various executive corporate bodies of international organisations linked to the capital market, namely the FIABV (Ibero-American Federation of Stock Exchanges), ECOFEX (European Federation of Options and Futures Exchanges), IFCI (International Finance and Commodities Institute, founding committee), ECMI (European Capital Markets Institute) and EFFAS (European Federation of Financial Analysts Societies).
- ✓ He was also a non-executive member of management bodies and member of supervision in Portuguese companies listed on the stock exchange, such as Jerónimo Martins, EDP and Novabase.
- ✓ He has also held important positions in organisations connected to the financial market and Portuguese business world, including the positions of Chairman of the Board of APDMC - Portuguese Association for the Development of the Capital Market, member of the Advisory Board of the Capital Market (chaired by the Minister of Finance) and the Advisory Council of the CMVM (Portuguese Securities Market Commission). He was Chairman of IPCG (Portuguese Institute of Corporate Governance) and APAF (Portuguese Association of Financial Analysts).

Management and supervisory positions in other companies (last 5 years)

- ✓ **2019-...:** Non-Executive member of the Board of Directors of Mysticinvest Holding, S.A.
- ✓ **2018-...:** Executive member of the Board of Directors of Munich Partners, AG
- ✓ **2017-**...: Executive member of the Board of Directors of Portanto Consulting FZE (UAE)
- ✓ **2017-**...: Executive member of the Board of Directors of Big Tree Fund GP, Limited
- ✓ **2006-...:** Non-executive member of the Board of Directors of CIN-Corporação Industrial do Norte, S.A.
- ✓ **2017-2020**: Executive member of the Board of Directors of Big Tree Asset Management, Limited
- ✓ **2015-2019:** Non-executive member of the Board of Directors and Chairman of the Remunerations Committee of Mystic Invest, SGPS, S.A.
- ✓ **2016-2018**: Chairman of the Board of Directors of SDC – Investimentos SGPS, S.A. (in 2014-2016 he was member of the Board of Directors)
- ✓ **2006-2015**: Member of the General and Supervisory Board and of the Audit Committee, and Chairman of the Corporate Governance and Sustainability Committee of EDP - Energias de Portugal, S.A.
- ✓ **2006-2015**: Non-executive member of the Board of Directors, Audit Committee and Corporate Governance Committee of Novabase, SGPS, S.A.

Other external positions (last 5 years)

- ✓ **2018-...:** Chairman of the Consultative Board of CPBS – Católica Porto Business School.
- ✓ **2012-...:** Chairman of the Board of the General Meeting and the Advisory Board of Portuguese Association of Financial Analysts.

In 2003 he was awarded the distinction of "*Chevalier de l'Ordre Nationale de la Legion d'Honneur*" by the President of France

Annex II

Management transactions of CTT shares

ANNEX II – Management transactions of CTT shares

Transactions of CTT shares carried out in 2019 by members of the Board of Directors of CTT and closely related persons.

Detail of the transactions of **Manuel Champalimaud SGPS, S.A.**, entity closely related to the Directors of the Company **João Afonso Ramalho Sopas Pereira Bento** (who was its Vice-Chairman of the Board of Directors and CEO until 28/05/2019) and **Duarte Palma Leal Champalimaud**, according to the communications sent to CTT:

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.170	11,658	15.05.2019
Acquisition	XLIS	2.174	10,000	15.05.2019
Acquisition	XLIS	2.178	486	15.05.2019
Acquisition	XLIS	2.198	4,756	15.05.2019
Acquisition	XLIS	2.204	12,600	15.05.2019
Acquisition	XLIS	2.194	5,000	16.05.2019
Acquisition	XLIS	2.196	4,500	16.05.2019
Acquisition	XLIS	2.198	5,000	16.05.2019
Acquisition	XLIS	2.200	5,000	16.05.2019
Acquisition	XLIS	2.202	5,000	16.05.2019
Acquisition	XLIS	2.206	5,187	16.05.2019
Acquisition	XLIS	2.210	14,656	16.05.2019
Acquisition	XLIS	2.212	4,999	16.05.2019
Acquisition	XLIS	2.214	7,158	16.05.2019
Acquisition	XLIS	2.220	10,000	16.05.2019
Acquisition	XLIS	2.152	2,500	17.05.2019
Acquisition	XLIS	2.166	7,500	17.05.2019
Acquisition	XLIS	2.172	2,500	17.05.2019
Acquisition	XLIS	2.174	5,000	17.05.2019
Acquisition	XLIS	2.176	2,500	17.05.2019
Acquisition	XLIS	2.180	25,000	17.05.2019
Acquisition	XLIS	2.182	4,840	17.05.2019
Acquisition	XLIS	2.188	9,360	17.05.2019
Acquisition	XLIS	2.194	5,000	17.05.2019
Acquisition	XLIS	2.198	2,500	17.05.2019
Acquisition	XLIS	2.200	7,500	17.05.2019
Acquisition	XLIS	2.204	10,000	17.05.2019
Acquisition	XLIS	2.210	2,500	17.05.2019

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.194	2,005	20.05.2019
Acquisition	XLIS	2.200	5,000	20.05.2019
Acquisition	XLIS	2.204	13,556	20.05.2019
Acquisition	XLIS	2.206	61,444	20.05.2019
Acquisition	XLIS	2.210	22,500	20.05.2019
Acquisition	XLIS	2.212	5,000	20.05.2019
Acquisition	XLIS	2.220	17,995	20.05.2019
Acquisition	XLIS	2.236	7,500	20.05.2019
Acquisition	XLIS	2.196	6,650	21.05.2019
Acquisition	XLIS	2.200	22,500	21.05.2019
Acquisition	XLIS	2.206	6,287	21.05.2019
Acquisition	XLIS	2.208	2,500	21.05.2019
Acquisition	XLIS	2.214	2,500	21.05.2019
Acquisition	XLIS	2.220	2,500	21.05.2019
Acquisition	XLIS	2.230	22,192	21.05.2019
Acquisition	XLIS	2.236	5,000	21.05.2019
Acquisition	XLIS	2.238	5,000	21.05.2019
Acquisition	XLIS	2.240	25,609	21.05.2019
Acquisition	XLIS	2.248	1,762	21.05.2019
Acquisition	XLIS	2.250	4,500	22.05.2019
Acquisition	XLIS	2.252	2,500	22.05.2019
Acquisition	XLIS	2.256	3,000	22.05.2019
Acquisition	XLIS	2.258	5,000	22.05.2019
Acquisition	XLIS	2.268	3,600	22.05.2019
Acquisition	XLIS	2.282	7,500	22.05.2019
Acquisition	XLIS	2.286	3,294	22.05.2019
Acquisition	XLIS	2.288	1,709	22.05.2019
Acquisition	XLIS	2.290	6,397	22.05.2019
Acquisition	XLIS	2.292	8,446	22.05.2019
Acquisition	XLIS	2.294	2,500	22.05.2019
Acquisition	XLIS	2.298	595	22.05.2019
Acquisition	XLIS	2.300	18,459	22.05.2019
Acquisition	XLIS	2.302	25,000	22.05.2019
Acquisition	XLIS	2.306	21,000	22.05.2019
Acquisition	XLIS	2.308	10,000	22.05.2019
Acquisition	XLIS	2.310	12,900	22.05.2019

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.312	9,500	22.05.2019
Acquisition	XLIS	2.314	5,500	22.05.2019
Acquisition	XLIS	2.270	2,500	23.05.2019
Acquisition	XLIS	2.274	2,500	23.05.2019
Acquisition	XLIS	2.280	2,500	23.05.2019
Acquisition	XLIS	2.286	5,000	23.05.2019
Acquisition	XLIS	2.290	5,000	23.05.2019
Acquisition	XLIS	2.292	5,000	23.05.2019
Acquisition	XLIS	2.294	7,500	23.05.2019
Acquisition	XLIS	2.296	7,500	23.05.2019
Acquisition	XLIS	2.298	25,000	23.05.2019
Acquisition	XLIS	2.300	31,969	23.05.2019
Acquisition	XLIS	2.302	531	23.05.2019
Acquisition	XLIS	2.304	5,000	23.05.2019

Detail of the transactions of **GreenWood Builders Fund I, LLP**, entity closely related to **Steven Duncan Wood**, who was elected as Director of the Company at the Annual General Meeting held on 23/04/2019, according to the communications sent to CTT as of that date:

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.480	2,852	02.05.2019
Acquisition	XLIS	2.482	8,743	02.05.2019
Acquisition	XLIS	2.486	5,000	02.05.2019
Acquisition	XLIS	2.490	10,000	02.05.2019
Acquisition	XLIS	2.496	5,000	02.05.2019
Acquisition	XLIS	2.500	5,000	02.05.2019
Acquisition	XLIS	2.504	5,000	02.05.2019
Acquisition	XLIS	2.506	15,000	02.05.2019
Acquisition	XLIS	2.508	5,000	02.05.2019
Acquisition	XLIS	2.510	15,000	02.05.2019
Acquisition	XLIS	2.514	5,000	02.05.2019
Acquisition	XLIS	2.516	10,000	02.05.2019
Acquisition	XLIS	2.530	3,594	03.05.2019
Acquisition	XLIS	2.536	5,000	03.05.2019
Acquisition	XLIS	2.540	15,000	03.05.2019
Acquisition	XLIS	2.546	10,000	03.05.2019
Acquisition	XLIS	2.550	10,000	03.05.2019
Acquisition	XLIS	2.554	5,000	03.05.2019
Acquisition	XLIS	2.556	5,000	03.05.2019
Acquisition	XLIS	2.560	10,000	03.05.2019
Acquisition	XLIS	2.564	10,000	03.05.2019
Acquisition	XLIS	2.566	15,000	03.05.2019
Acquisition	XLIS	2.570	5,000	03.05.2019
Acquisition	XLIS	2.480	2,148	06.05.2019
Acquisition	XLIS	2.482	1,257	06.05.2019
Acquisition	XLIS	2.487	5,000	06.05.2019
Acquisition	XLIS	2.490	5,000	06.05.2019
Acquisition	XLIS	2.493	5,000	06.05.2019
Acquisition	XLIS	2.494	10,000	06.05.2019
Acquisition	XLIS	2.500	26,406	06.05.2019
Acquisition	XLIS	2.480	10,000	07.05.2019
Acquisition	XLIS	2.490	15,000	07.05.2019
Acquisition	XLIS	2.500	5,000	07.05.2019

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.460	5,000	08.05.2019
Acquisition	XLIS	2.476	5,000	08.05.2019
Acquisition	XLIS	2.296	10,000	22.05.2019
Acquisition	XLIS	2.300	5,000	22.05.2019
Acquisition	XLIS	2.270	5,000	23.05.2019
Acquisition	XLIS	2.280	5,000	23.05.2019
Acquisition	XLIS	2.286	5,000	23.05.2019
Acquisition	XLIS	2.290	5,000	23.05.2019
Acquisition	XLIS	2.294	5,000	23.05.2019
Acquisition	XLIS	2.296	5,000	23.05.2019
Acquisition	XLIS	2.300	5,000	23.05.2019
Acquisition	XLIS	2.230	5,000	24.05.2019
Acquisition	XLIS	2.240	5,000	24.05.2019
Acquisition	XLIS	2.242	5,000	24.05.2019
Acquisition	XLIS	2.244	5,000	24.05.2019
Acquisition	XLIS	2.250	20,000	24.05.2019
Acquisition	XLIS	2.251	5,000	24.05.2019
Acquisition	XLIS	2.254	5,000	24.05.2019
Acquisition	XLIS	2.260	5,000	24.05.2019
Acquisition	XLIS	2.270	5,000	24.05.2019
Acquisition	XLIS	2.280	5,000	24.05.2019
Acquisition	XLIS	2.290	5,000	24.05.2019
Acquisition	XLIS	2.240	5,000	27.05.2019
Acquisition	XLIS	2.244	5,000	27.05.2019
Acquisition	XLIS	2.246	10,000	27.05.2019
Acquisition	XLIS	2.250	5,000	27.05.2019
Acquisition	XLIS	2.256	5,000	27.05.2019
Acquisition	XLIS	2.276	5,000	28.05.2019
Acquisition	XLIS	2.280	9,222	28.05.2019
Acquisition	XLIS	2.294	5,000	28.05.2019
Acquisition	XLIS	2.305	1,535	28.05.2019
Acquisition	XLIS	2.258	10,000	29.05.2019
Acquisition	XLIS	2.260	15,000	29.05.2019
Acquisition	XLIS	2.270	5,000	29.05.2019
Acquisition	XLIS	2.280	778	29.05.2019
Acquisition	XLIS	2.290	5,000	29.05.2019

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.300	5,000	29.05.2019
Acquisition	XLIS	2.306	3,465	29.05.2019
Acquisition	XLIS	2.250	5,000	30.05.2019
Acquisition	XLIS	2.266	1,035	30.05.2019
Acquisition	XLIS	2.270	610	30.05.2019
Acquisition	XLIS	2.276	5,639	30.05.2019
Acquisition	XLIS	2.280	10,000	30.05.2019
Acquisition	XLIS	2.260	5,000	31.05.2019
Acquisition	XLIS	2.266	3,965	31.05.2019
Acquisition	XLIS	2.270	4,390	31.05.2019
Acquisition	XLIS	2.276	9,361	31.05.2019
Acquisition	XLIS	2.278	5,000	31.05.2019
Acquisition	XLIS	2.280	5,000	31.05.2019
Acquisition	XLIS	2.290	5,000	31.05.2019
Acquisition	XLIS	2.300	10,000	31.05.2019
Acquisition	XLIS	2.310	10,000	31.05.2019
Acquisition	XLIS	2.316	5,000	31.05.2019
Acquisition	XLIS	2.270	10,000	03.06.2019
Acquisition	XLIS	2.272	5,000	03.06.2019
Acquisition	XLIS	2.276	5,000	03.06.2019
Acquisition	XLIS	2.280	5,000	03.06.2019
Acquisition	XLIS	2.282	5,000	03.06.2019
Acquisition	XLIS	2.286	5,000	03.06.2019
Acquisition	XLIS	2.294	5,000	03.06.2019
Acquisition	XLIS	2.260	5,000	04.06.2019
Acquisition	XLIS	2.270	5,000	04.06.2019
Acquisition	XLIS	2.280	1,311	04.06.2019
Acquisition	XLIS	2.286	5,000	04.06.2019
Acquisition	XLIS	2.289	5,000	04.06.2019
Acquisition	XLIS	2.290	5,000	04.06.2019
Acquisition	XLIS	2.270	1,740	05.06.2019
Acquisition	XLIS	2.280	8,689	05.06.2019
Acquisition	XLIS	2.290	5,000	05.06.2019
Acquisition	XLIS	2.294	5,000	05.06.2019
Acquisition	XLIS	2.300	10,000	05.06.2019
Acquisition	XLIS	2.304	5,000	05.06.2019

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.270	1,883	06.06.2019
Acquisition	XLIS	2.260	5,000	07.06.2019
Acquisition	XLIS	2.270	1,377	07.06.2019
Acquisition	XLIS	2.080	4,467	24.06.2019
Acquisition	XLIS	2.086	5,000	24.06.2019
Acquisition	XLIS	2.090	5,000	24.06.2019
Acquisition	XLIS	2.094	5,000	24.06.2019
Acquisition	XLIS	2.096	5,000	24.06.2019
Acquisition	XLIS	1.924	5,000	30.07.2019
Acquisition	XLIS	1.926	5,000	30.07.2019
Acquisition	XLIS	1.930	5,000	30.07.2019
Acquisition	XLIS	1.910	7,500	31.07.2019
Acquisition	XLIS	1.920	5,000	31.07.2019
Acquisition	XLIS	1.926	10,849	31.07.2019
Acquisition	XLIS	1.934	5,000	31.07.2019
Acquisition	XLIS	1.936	5,000	31.07.2019
Acquisition	XLIS	1.920	195	01.08.2019
Acquisition	XLIS	1.926	4,151	01.08.2019
Acquisition	XLIS	1.890	5,000	02.08.2019
Acquisition	XLIS	1.900	10,000	02.08.2019
Acquisition	XLIS	1.910	5,000	02.08.2019
Acquisition	XLIS	1.919	9,805	02.08.2019
Acquisition	XLIS	1.880	5,000	05.08.2019
Acquisition	XLIS	1.860	5,000	09.08.2019
Acquisition	XLIS	1.866	5,000	09.08.2019
Acquisition	XLIS	1.810	5,000	12.08.2019
Acquisition	XLIS	1.816	5,000	12.08.2019
Acquisition	XLIS	1.830	5,000	12.08.2019
Acquisition	XLIS	1.840	5,000	12.08.2019
Acquisition	XLIS	1.850	5,000	12.08.2019
Acquisition	XLIS	1.800	5,000	13.08.2019
Acquisition	XLIS	1.830	5,000	20.08.2019
Acquisition	XLIS	1.834	5,000	20.08.2019
Acquisition	XLIS	1.835	5,000	20.08.2019
Acquisition	XLIS	1.836	10,000	20.08.2019
Acquisition	XLIS	1.836	15,000	21.08.2019

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	1.870	5,000	22.08.2019
Acquisition	XLIS	1.875	5,000	22.08.2019
Acquisition	XLIS	1.876	5,000	22.08.2019
Acquisition	XLIS	1.880	5,000	22.08.2019
Acquisition	XLIS	1.886	5,000	22.08.2019
Acquisition	XLIS	1.856	5,000	26.08.2019
Acquisition	XLIS	1.860	5,000	26.08.2019
Acquisition	XLIS	1.866	5,000	26.08.2019
Acquisition	XLIS	1.860	5,000	29.08.2019
Acquisition	XLIS	1.870	5,000	29.08.2019
Acquisition	XLIS	1.876	5,000	29.08.2019
Acquisition	XLIS	2.040	5,000	10.09.2019
Acquisition	XLIS	2.090	10,000	10.09.2019
Acquisition	XLIS	2.120	5,000	11.09.2019
Acquisition	XLIS	2.126	15,000	11.09.2019
Acquisition	XLIS	2.130	5,000	11.09.2019
Acquisition	XLIS	2.134	5,000	11.09.2019
Acquisition	XLIS	2.137	5,000	11.09.2019
Acquisition	XLIS	2.138	5,000	11.09.2019
Acquisition	XLIS	2.120	15,000	12.09.2019
Acquisition	XLIS	2.124	5,000	12.09.2019
Acquisition	XLIS	2.125	5,000	12.09.2019
Acquisition	XLIS	2.126	5,000	12.09.2019
Acquisition	XLIS	2.130	15,000	12.09.2019
Acquisition	XLIS	2.132	5,000	12.09.2019
Acquisition	XLIS	2.136	5,000	12.09.2019
Acquisition	XLIS	2.140	5,000	12.09.2019
Acquisition	XLIS	2.166	10,000	13.09.2019
Acquisition	XLIS	2.168	5,000	13.09.2019
Acquisition	XLIS	2.170	56,613	13.09.2019
Acquisition	XLIS	2.172	10,000	13.09.2019
Acquisition	XLIS	2.174	5,000	13.09.2019
Acquisition	XLIS	2.186	5,000	13.09.2019
Acquisition	XLIS	2.186	5,000	16.09.2019
Acquisition	XLIS	2.188	5,000	16.09.2019
Acquisition	XLIS	2.190	5,000	16.09.2019

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.192	5,000	16.09.2019
Acquisition	XLIS	2.196	10,000	16.09.2019
Acquisition	XLIS	2.200	10,000	16.09.2019
Acquisition	XLIS	2.204	5,000	16.09.2019
Acquisition	XLIS	2.209	5,000	16.09.2019
Acquisition	XLIS	2.186	5,000	17.09.2019
Acquisition	XLIS	2.190	15,000	17.09.2019
Acquisition	XLIS	2.196	10,000	17.09.2019
Acquisition	XLIS	2.200	10,000	17.09.2019
Acquisition	XLIS	2.204	10,000	17.09.2019
Acquisition	XLIS	2.206	15,000	17.09.2019

Annex III

Sustainability commitments

ANNEX III – SUSTAINABILITY COMMITMENTS

Commitments[46]

🟢 **Accomplished (≥95%)** 🔴 **Not accomplished** 🟡 **In progress/partially achieved**

Topic	Goal ('19)	Accomplishment ('19)	Progr. ('19)	CTT Goals for 2020 and following
Policy and Strategy				
UN Global Compact	-	Adherence to the Business Ambition for 1.5ºC initiative	–	Analyse joining in 2020
Carbon Disclosure Project - Climate Change	-	Leadership Position A-	🟢	Disclosure in 2020 (position ≥)
Dow Jones Sustainability Index	Await launch and prepare submission	Iberian Index was not launched	🔴	-
Reporting Standard	GRI4 - Comprehensive	Integrated Report 2019 Comprehensive	🟢	GRI4 Comprehensive
Sustainability Committee	Regular activity	Not accomplished	🔴	Regular activity
UN Sustainable Development Goals	Integration	Accomplished	🟢	Implementation (continuous)
Relations with Stakeholders				
Strategy of engagement with Stakeholders	Segmented communication	Annual sustainability report; Communication to employees	🟢	Segmented communication
Website sustainability content structure	Completion	In progress	🟡	Completion in 2020
Ethics				
Code of Conduct (e-learning)	Total internal training 1,000 employees	670	🟡	Continuation (1,000 employees)
Code of conduct against harassment	Total internal training 3,000 employees	1,180	🟡	Continuation (2,000 employees)
Environmental management				
Energy Management System ISO 50001	Implementation	Training needs identified and carried out	🟡	Analysis of feasibility for 2021
Computer application for Management Commitments	Completion	Re-programmed	🟡	Completion in 2020
Energy efficiency				
Energy audits of buildings	Completion in 2020	In progress	🟢	To be continued in 2020
Electricity consumption	-1%	-8.8%	🟢	-1%
Energy certification of buildings	Buildings (SCE)[47]	EC for 121 buildings	🟢	To be continued in 2020
Energy audit of the fleet and PRCE implementation	Implementation in progress	PRCE in progress	🟢	To be continued up to 2020
PRCE of the CTT fleet – specific consumption	Improve efficiency (by 5% by 2020)	PRCE in progress	🟢	Improve efficiency (by 5% by 2020)
Fuel consumption	0%	2.0%	🔴	-2%
Efficiency gains in fuel consumption	Review metrics	In progress	🟡	Review metrics
100% LED lighting	Expansion	5 Delivery offices and 1 CO	🟢	Continued expansion

[46] Excluding CORRE and 321 Crédito
[47] SCE - System of certification of buildings

Topic	Goal ('19)	Accomplishment ('19)	Progr. ('19)	CTT Goals for 2020 and following
Energy efficiency (cont.)				
Specialised monitoring of the energy consumption of buildings[48]	-	-		Annual 10% reduction of consumption in relation to the base year of 2019
Sustainable Mobility				
Fleet of electric and less pollutant vehicles	Strengthening (acquisition of 85 vehicles and natural gas heavy test).	NG heavy test		Testing of electric light passenger vehicles, scooters tricycles; Feasibility study of support fleet electrification; Inclusion of eco models in the company vehicle catalogue
Investment in the operational fleet	Strengthening (11 light goods and 4 heavy vehicles)[1]	Renovation of 72 light goods vehicles, 200 motorcycles, 4 tractors and 4 semi-trailers		Renovation of 114 motorcycles and 641 light goods vehicles
Car Pooling Platform	Expansion in 2019	Expansion carried out by the employees		Promotion of the use of the platform (continuous)
Drivers' Challenge	Organisation of the national Drivers' Challenge and participation in the international, in 2019	National Drivers' Challenge held		Participation in the international Drivers' Challenge in 2020
Road safety - number of accidents[49] per km travelled	-5%	-7.2%		-5%
Climate Change				
Direct and indirect CO_2 emissions (2008-20)	-33%	Accumulated variation: -3.5%		2020 goal achieved. Maintain
Ditto (annual)	0.9%	1.8%		-1%
CO_2 emissions of scopes 1, 2 and 3 (2013-25)	-30%	Accumulated variation: -27.5%		Maintain (6% reduction by 2025)
CO_2 emissions of scopes 1, 2 and 3 (2005-30)	-30%	Accumulated variation: -27.5%		Maintain (7% reduction by 2030)
Ditto (annual)	0.9%	3.3%		-1.2%
CO_2 intensity/postal item scopes 1, 2 and 3 (2013-25)	-20%	Accumulated variation: -11.1%		2025 goal Maintain
Ditto (annual)	0.2%	0.6%		-1.2%
Acquisition of electricity of renewable origin	Maintain full coverage	100% Green Energy		Maintain full coverage
Consumption Management				
Water consumption	0%	4.3%		0%
Paper consumption (except Production & Digitalisation)	0%	-6.0%		0%
Waste Management				
Recovery rate	Increased recovery rate	Rate of 85.2% (deteriorated by 2.6%)		Increased recovery rate
Biodiversity				
Press releases, advertisements and mailings	Continuous activity	Keep Me Posted campaign launched		Continuous activity
Initiatives to promote biodiversity	Sponsorship	6th edition of "A Tree for the Forest"		7th edition of "A Tree for the Forest"

[48] Total amount of most consuming CTT building (approximately 75% of total consumption)
[49] Road traffic accidents with material damage and work accidents

	'19			
Topic	**Goal**	**Accomplishment**	**Progr.**	**CTT Goals for 2020 and following**
Training and Awareness-Raising				
Environmental awareness	Holding and launch of the course	Reprogrammed launch		Launch underway in 2020
Thematic philatelic issues and publications	5 philatelic issues	11 philatelic issues and 1 label		6 philatelic issues
Thematic lectures on sustainability	Dissemination actions	Internal and external dissemination of the CTT programme		Continues in 2020
Quality of Service				
Certification of postal agencies	Extend the certification of postal agencies	Accomplished with expansion		Extend to a further 50, to a total of 350 certified agencies
Certification of the subsidiaries	Maintain subsidiaries covered	Suspended certification of Transporta, which was integrated in CTT Expresso.		Maintain subsidiaries certified
Corporate certification	Maintain	Accomplished		Evolve in Corporate Certification
Average treatment times of claims [50]	10 days national and 38 days international	9 days national and 38 days international		Maintenance of the goal (10 national and 38 international)
QS international	Improve/maintain the positioning in the IRA-E, K+1 ranking	We did not improve (16th place) [51]		Improve/maintain the positioning in the IRA-E, K+1 ranking
	Maintain the inbound GMS result above the target	90.6% [52], above the target of 88%		Maintain the inbound GMS result above the target
Procurement				
Pre-contractual procedures with environmental criteria	60%	97.0%		Maintenance of the goal
Contracts concluded with environmental criteria	60%	98.9%		Maintenance of the goal
Qualification and assessment of suppliers	Completion of 3 modules in the Recording System	In progress		Implementation of the recording and supplier qualification system in the electronic platform (continuous action)
Hygiene and Safety				
Work-related fatalities (own liability)	0 deaths	1 fatal accident		0 fatal accidents
Number of work accidents	-5%	6.2% (1,080 accidents)		-5%
Days lost	-5%	-16% (24,320)		-5%
Interior Air Quality (QAI)	Conduct of Interior Air Quality (QAI) audits	Under preparation		Conduct of Interior Air Quality (QAI) audits
Qualification				
Training effort rate	1.2%	1.1%		1.45%*
Volume of training	244,300 hours	251,032 hours		316,000 hours *
Training in eco-efficient driving	10 drivers	67 drivers		Training of 320 drivers*

* Provisional figures

Average treatment time - average time of treatment of requests for CTT information and claims, minus the time elapsed between the date of entry into the company and date of entry into the service – (calendar days) Source: SIAC

[51] Provisional figure, subject to change

[52] Provisional figure, subject to change

Topic	'19 Goal	Accomplishment	Progr.	CTT Goals for 2020 and following
Sustainable Marketing				
Participatory carbon offset model	Voting process for 100% of the Expresso offer	Accomplished		Voting process for "Green" Mail
Implementation of social business services/inverse logistics services	Assess extension to new businesses and implementation	In progress		Assess extension to new businesses and implementation
Community				
Social and environmental voluntary work actions	12 actions	22 actions carried out		12 actions
Long duration voluntary work	Maintain and reinforce	Launch of the 3rd edition of EPIS Mentoring and other continuous actions		Maintain EPIS partnership and strengthen continuous voluntary work
Diversity				
Professional occupation for disabled persons	12 people	13 people		13 people
Equal opportunities	Training via e-learning of 1,000 employees	195 employees		294 employees
Gender Equality Plan	Phased implementation	Preparation of the new Plan		Continuation
Wage gap analysis	Completion	Absence of finalised external tool		Completion in 2020

Annex IV
GRI index and indicators

ANNEX IV – INDEX AND GRI INDICATORS

Table 1 – Employees

Human Resources	'18			'19 CTT			
Indicators	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual Δ (%)**
Labour Indicators (no. of people)							
Employees	**12,097**	**10,663**	**1,434**	**12,335**	**10,743**	**1,612**	**2.1**
Female	4,018	3,613	405	4,125	3,650	475	2.7
Male	8,079	7,050	1,029	8,230	7,093	1,137	1.9
Type of contract (no. of people)							
Permanent	**10,884**	**9,825**	**1,059**	**10,979**	**9,735**	**1,244**	**0.9**
Female	3,599	3,279	320	3,687	3,283	404	2.4
Male	7,285	6,546	739	7,292	6,452	840	0.1
Fixed-term	**1,213**	**838**	**375**	**1,376**	**1,008**	**368**	**13.4**
Female	419	334	85	438	367	71	4.5
Male	794	504	290	938	641	297	18.1
Full-time	**11,788**	**10,490**	**1,298**	**12,021**	**10,565**	**1,456**	**2.0**
Female	**3,902**	**3,533**	**369**	**4,018**	**3,579**	**439**	**3.0**
Permanent	3,544	3,248	296	3,638	3,260	378	2.7
Fixed-term	358	285	73	380	319	61	6.1
Male	**7,886**	**6,957**	**929**	**8,003**	**6,986**	**1,017**	**1.5**
Permanent	7,256	6,534	722	7,264	6,443	821	0.1
Fixed-term	630	423	207	739	543	196	17.3
Part-time	**309**	**173**	**136**	**334**	**178**	**156**	**8.1**
Female	**116**	**80**	**36**	**107**	**71**	**36**	**-7.8**
Permanent	55	31	24	49	23	26	-10.9
Fixed-term	61	49	12	58	48	10	-4.9
Male	**193**	**93**	**100**	**227**	**107**	**120**	**17.6**
Permanent	29	12	17	28	9	19	-3.4
Fixed-term	164	81	83	199	98	101	21.3
Age group (no. of people)							
<30	**950**	**651**	**299**	**1,105**	**769**	**336**	**16.3**
Female	317	255	62	325	262	63	2.5
Male	633	396	237	780	507	273	23.2
30 to 50	**6,912**	**5,957**	**955**	**6,906**	**5,853**	**1,053**	**-0.1**
Female	2,411	2,097	314	2,472	2,109	363	2.5
Male	4,501	3,860	641	4,434	3,744	690	-1.5
>50	**4,235**	**4,055**	**180**	**4,344**	**4,121**	**223**	**2.6**
Female	1,290	1,261	29	1,328	1,279	49	2.9
Male	2,945	2,794	151	3,016	2,842	174	2.4

Human Resources	'18			'19			CTT
Indicators	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual Δ (%)**
Professional category (no. of people)							
Senior personnel	**1,282**	**1,017**	**265**	**1,288**	**1,013**	**275**	**0.5**
Female	**628**	**500**	**128**	**646**	**514**	**132**	**2.9**
<30	48	27	21	49	26	23	2.1
30 to 50	422	323	99	430	330	100	1.9
>50	158	150	8	167	158	9	5.7
Male	**654**	**517**	**137**	**642**	**499**	**143**	**-1.8**
<30	33	21	12	38	23	15	15.2
30 to 50	396	278	118	388	270	118	-2.0
>50	225	218	7	216	206	10	-4.0
Middle management	**429**	**383**	**46**	**401**	**370**	**31**	**-6.5**
Female	**159**	**151**	**8**	**151**	**149**	**2**	**-5.0**
<30	0	0	0	0	0	0	0.0
30 to 50	62	54	8	53	51	2	-14.5
>50	97	97	0	98	98	0	1.0
Male	**270**	**232**	**38**	**250**	**221**	**29**	**-7.4**
<30	0	0	0	0	0	0	0.0
30 to 50	120	90	30	104	83	21	-13.3
>50	150	142	8	146	138	8	-2.7
Counter service	**2,435**	**2,435**	**0**	**2,397**	**2,397**	**0**	**-1.6**
Female	**1,679**	**1,679**	**0**	**1,656**	**1,656**	**0**	**-1.4**
<30	94	94	0	98	98	0	4.3
30 to 50	926	926	0	922	922	0	-0.4
>50	659	659	0	636	636	0	-3.5
Male	**756**	**756**	**0**	**741**	**741**	**0**	**-2.0**
<30	30	30	0	45	45	0	50.0
30 to 50	296	296	0	285	285	0	-3.7
>50	430	430	0	411	411	0	-4.4
Delivery	**5,317**	**4,934**	**383**	**5,208**	**4,974**	**234**	**-2.1**
Female	**725**	**684**	**41**	**742**	**721**	**21**	**2.3**
<30	86	69	17	80	80	0	-7.0
30 to 50	500	477	23	509	489	20	1.8
>50	139	138	1	153	152	1	10.1
Male	**4,592**	**4,250**	**342**	**4,466**	**4,253**	**213**	**-2.7**
<30	361	243	118	296	294	2	-18.0
30 to 50	2,780	2,584	196	2,670	2,490	180	-4.0
>50	1,451	1,423	28	1,500	1,469	31	3.4

Human Resources		'18			'19			CTT
Indicators		**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual Δ (%)**
Professional category (no. of people)								
Other groups		**2,634**	**1,894**	**740**	**3,061**	**1,989**	**1,072**	**16.2**
Female		**827**	**599**	**228**	**930**	**610**	**320**	**12.5**
<30		89	65	24	98	58	40	10.1
30 to 50		501	317	184	558	317	241	11.4
>50		237	217	20	274	235	39	15.6
Male		**1,807**	**1,295**	**512**	**2,131**	**1,379**	**752**	**17.9**
<30		209	102	107	401	145	256	91.9
30 to 50		909	612	297	987	616	371	8.6
>50		689	581	108	743	618	125	7.8
Leadership by gender (no. of people)		**211**	**175**	**36**	**182**	**148**	**34**	**-13.7**
Administration		**5**	**5**	**-**	**5**	**5**	-	**0**
Female		1	1	-	0	0	-	-100
Male		4	4	-	5	5	-	25
Leadership – 1st line		**43**	**35**	**8**	**40**	**32**	**8**	**-7.0**
Female		10	10	0	8	8	0	-20
Male		33	25	8	32	24	8	-3.0
Leadership – 2nd line	**a)**	**163**	**135**	**28**	**137**	**111**	**26**	**-16.0**
Female		79	68	11	67	56	11	-15.2
Male		84	67	17	70	55	15	-16.7
Diversity (no. of people)	**a)**							
Foreign employees		**44**	**31**	**13**	**85**	**63**	**22**	**93.2**
Female		14	13	1	21	20	1	50.0
Male		30	18	12	64	43	21	113.3
Employees with special needs		**257**	**247**	**10**	**262**	**252**	**10**	**1.9**
Female		112	107	5	125	120	5	11.6
Male		145	140	5	137	132	5	-5.5
Schooling level (no. of people)								
University education		1,809	1,490	319	1,963	1,545	418	8.5
12th year		5,536	4,886	650	5,743	5,039	704	3.7
3rd cycle elementary education		3,334	2,983	351	3,339	2,959	380	0.1
< 3rd cycle elementary education		1,418	1,304	114	1,310	1,200	110	-7.6
Turnover rate		**17.7**	**17.0**	**22.4**	**16.9**	**16.4**	**20.2**	**-0.8 p.p.**
Female		**15.8**	**16.4**	**10.6**	**15.8**	**16.1**	**13.3**	**0 p.p.**
<30		6.2	6.3	4.7	6.4	6.2	**7.4**	0.2 p.p.
30 to 50		6.3	6.5	4.7	6.8	7.0	**5.5**	0.5 p.p.
>50		3.3	3.5	1.2	2.6	2.8	**0.4**	-0.7 p.p.
Male		**18.0**	**17.3**	**23.0**	**17.5**	**16.6**	**23.1**	**-0.5 p.p.**
<30		9.7	8.7	16.9	9.2	8.2	**15.3**	-0.5 p.p.
30 to 50		4.8	4.8	3.6	5.5	5.3	**4.7**	0.6 p.p.
>50		3.5	3.8	1.2	2.8	3.1	**1.1**	-0.7 p.p.

Human Resources				'18			'19	CTT
Indicators		**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual Δ (%)**
Contracting rate		**18.9**	**17.6**	**30.7**	**21.8**	**20.1**	**33.0**	**2.9 p.p.**
Female		**19.0**	**19.0**	**19.5**	**21.0**	**20.5**	**24.8**	**2 p.p.**
<30		9.4	9.5	8.4	9.6	9.2	12.2	0.2 p.p.
30 to 50		9.3	9.2	10.1	11.1	11.0	12.4	1.8 p.p.
>50		0.3	0.2	1.0	0.3	0.3	0.2	0 p.p.
Male		**18.5**	**16.9**	**29.6**	**22.2**	**19.9**	**36.4**	**3.7 p.p.**
<30		11.8	10.5	21.2	13.5	12.0	23.1	1.7 p.p.
30 to 50		6.1	5.9	7.8	8.1	7.5	12.0	2 p.p.
>50		0.6	0.6	0.7	0.6	0.5	1.3	0 p.p.
Rate of Return		**100**	**100**		**99**	**99**		**-1 p.p.**
Female								
Male								
Rate of Retention		**100**	**100**		**100**	**100**		**0 p.p.**
Female								
Male								
Prevention and Safety	**b)**							
Total no. of work accidents		**1,017**	**896**	**121**	**1,080**	**975**	**105**	**6.2**
Female		266	250	16	284	268	16	6.8
Male		751	646	105	796	707	89	6.0
Injury rate due to work accidents	*10^(5)	**3.9**	**3.8**	**5.1**	**3.8**	**3.7**	**4.9**	**-0.2 p.p.**
Female		3.1	3.1	2.9	2.8	2.7	3.7	-0.4 p.p.
Male		4.3	4.1	5.8	4.3	4.2	5.3	0 p.p.
Rate of occupational diseases	*10^(5)	**0.03**	**0.03**	**0.00**	**0.06**	**0.07**	**0.00**	**0 p.p.**
Female		0.05	0.05	0.00	0.11	0.11	0.00	0.1 p.p.
Male		0.02	0.03	0.00	0.04	0.04	0.00	0 p.p.
Rate of days lost due to work accidents	*10^(5)	**142.9**	**137.8**	**197.4**	**124.9**	**127.2**	**93.6**	**-18.1 p.p.**
Female		93.4	91.3	125.3	85.6	84.6	109.9	-7.8 p.p.
Male		167.4	161.6	220.3	144.2	149.1	89.5	-23.2 p.p.
Deaths		**0**	**0**	**0**	**1**	**1**	**0**	**100**
Absenteeism		**5.1**	**5.5**	**2.6**	**4.8**	**5.2**	**2.7**	**-0.3 p.p.**
Training	**b)**							
No. of training hours		**218,607**	**202,129**	**16,478**	**229,384**	**211,457**	**17,927**	**4.9**
Average training hours		**19**	**19**	**15**	**20**	**20**	**18**	**4.0**
Female		28	28	26	30	30	29	6.0
Male		14	14	11	14	14	14	1.9
Average hours per category								
Senior personnel		**43**	**44**	**42**	**41**	**39**	**48**	**-5.1**
Female		47	48	46	41	40	45	-13.1
Male		39	40	38	41	38	51	4.3
Middle management		**28**	**30**	**21**	**28**	**29**	**17**	**-2.3**
Female		30	30	42	31	31	23	1.9
Male		27	29	17	26	27	16	-5.2

Human Resources		**'18**			**'19**		**CTT**
Indicators	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual Δ (%)**
Counter service	**31.6**	**31.6**	**15.5**	**41**	**41**	**-**	**28.3**
Female	32.5	32.5	15.5	42	42	-	28.2
Male	29.9	29.9	-	38	38	-	27.1
Delivery	**8.1**	**8.2**	**4.4**	**7**	**7**	**7**	**-17.3**
Female	9.0	9.1	4.2	7	7	7	-17.6
Male	7.9	8.1	4.5	7	7	7	-17.2
Other	**8.3**	**27.7**	**5.4**	**14**	**15**	**6**	**63.0**
Female	12.0	21.7	7.5	15	16	10	26.4
Male	6.9	39.2	4.9	13	15	5	85.5
Wage ratio by gender (F/M) b)	**1.07**	**1.07**	**1.19**	**1.08**	**1.08**	**1.18**	**0 p.p.**
Senior personnel	**0.80**	**0.84**	**0.63**	**0.82**	**0.87**	**0.66**	**0 p.p.**
Female (€)	2,006.9	2,070.2	1,759.7	2,042.2	2,089.2	1,859.1	1.8
Male (€)	2,519.1	2,450.7	2,777.0	2,499.2	2,414.0	2,805.1	-0.8
Middle management	**1.00**	**0.98**	**0.95**	**0.98**	**0.96**	**0.83**	**0 p.p.**
Female (€)	1,379.2	1,399.0	1,005.0	1,398.3	1,404.0	972.3	1.4
Male (€)	1,378.1	1,430.9	1,056.2	1,422.1	1,463.0	1,177.2	3.2
Counter service	**0.93**	**0.93**	**-**	**0.93**	**0.93**	**-**	**0 p.p.**
Female (€)	1,073.9	1,073.9	-	1,078.7	1,078.7	-	0.4
Male (€)	1,157.0	1,157.0	-	1,160.7	1,160.7	-	0.3
Delivery	**0.91**	**0.90**	**1.00**	**0.90**	**0.89**	**1.01**	**0 p.p.**
Female (€)	813.3	823.5	624.8	820.77	820.44	834.83	0.9
Male (€)	895.2	916.0	626.6	916.98	921.23	826.59	2.4
Other	**0.98**	**0.96**	**1.01**	**1.02**	**0.99**	**1.07**	**0 p.p.**
Female (€)	941.2	959.6	768.3	970.61	990.69	838.90	3.1
Male (€)	964.3	1,003.0	760.5	955.02	1,004.5	783.09	-1.0
Labour Relations (%) b)							
Collective labour agreements	90.7	98.4	7.5	90.4	98.4	5.6	-0.3 p.p.
Union membership (%)	76.0	79.3	40.8	73.9	77.0	40.3	-2.1 p.p.

a) Excludes data of CORRE and Tourline

b) Excludes data of CORRE, Tourline and 321 Crédito

G10
G11
EC5
LA1
LA3
LA6
LA7
LA9
LA12
LA13

Table 2 – Environment

Environment	'18			'19			
Indicators a)	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual Δ (%)**
Energy consumption (GJ)	**390,353.4**	**351,854.5**	**38,498.8**	**380,691.4**	**343,699.4**	**36,992.0**	**-2.5%**
Total electricity consumption	155,576.8	135,430.7	20,146.1	**141,921.2**	**123,375.7**	**18,545.5**	**-8.8%**
Conventional electricity consumption	0.0	0.0	0.0	0.0	0.0	0.0	-
Green electricity consumption	155,576.8	135,430.7	20,146.1	141,921.2	123,375.7	18,545.5	-8.8%
Solar panel power consumption	127.2	127.2	0.0	127.2	127.2	0.0	0.0%
Thermal power consumption	6,575.7	6,575.7	0.0	6,632.2	6,632.2	0.0	0.9%
Total fuel consumption	226,421.8	208,069.0	18,352.7	230,952.4	212,505.9	18,446.5	2.0%
Total gas consumption	1,651.8	1,651.8	0.0	1,058.4	1,058.4	0.0	-35.9%
Average fleet consumption (l/100km)	**9.2**	**9.5**	**6.9**	**9.2**	**9.5**	**7.0**	**0.4%**
Less pollutant vehicles (unit)	**311.0**	**311.0**	**0.0**	**315.0**	**310.0**	**5.0**	**1.3%**
Total direct atmospheric emissions of CO_2 (scope 1) (ton CO_2)	**16,176.5**	**14,870.4**	**1,306.1**	**16,461.5**	**15,148.6**	**1,312.9**	**1.8%**
Fuel consumption	16,078.0	14,771.9	1,306.1	16,396.9	15,084.0	1,312.9	2.0%
Gas consumption	98.5	98.5	0.0	64.6	64.6	0.0	-34.4%
Total indirect atmospheric emissions of CO_2 (scope 2) (ton CO_2)	**188.5**	**188.5**	**0.0**	**190.1**	**190.1**	**0.0**	**0.9%**
Electricity consumption	0.0	0.0	0.0	0.0	0.0	0.0	-
Thermal power consumption	188.5	188.5	0.0	190.1	190.1	0.0	0.9%
Total Indirect Emissions (scope 3) (ton CO_2) b)	**41,803.9**	**14,491.9**	**27,312.0**	**43,446.1**	**14,294.1**	**29,152.0**	**3.9%**
Air transport	11,272.8	7,249.6	4,023.2	11,696,7	7,066.6	4,630.1	3.8%
Sea transport	56.3	4.4	51.9	56.6	4.4	52.2	0.6%
Road transport by outsourced fleet b)	24,205.8	1,632.7	22,573.1	27,407.7	1,505.5	23,902.3	5.0%
Air and rail travel on company business	7.7	7.7	0.0	6.9	6.9	0.0	-8.9%
Commuting	6,261.3	5,597.5	663.8	6,278.0	5,710.6	567.4	0.3%
Offset CO_2 emissions (ton CO_2)	**980.5**	**320.2**	**660.3**	**1,011.6**	**314.4**	**697.2**	**3.2%**

a) Excludes data of CORRE and 321 Crédito
b) Excludes data of CORRE, Transporta and 321 Crédito

Environment	'18			'19			
Indicators a)	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual Δ (%)**
Scopes 1+2 (ton CO_2)	**16,365.0**	**15,058.9**	**1,306.1**	**16,663.7**	**15,338.7**	**1,312.9**	**1.8%**
Scopes 1+2+3 (ton CO_2) b)	**58,168.9**	**29,550.8**	**28,618.1**	**60,097.7**	**29,632.8**	**30,464.9**	**3.3%**
Carbon incorporation by postal item (scopes 1 and 2) (g CO_2/item)	**14.2**	**21.9**	**2.8**	**14.0**	**24.5**	**2.3**	**-0.9%**
Carbon incorporation by postal item (scopes 1, 2 and 3) b) (kg CO_2/item)	**50.3**	**43.0**	**61.0**	**50.6**	**47.3**	**54.3**	**0.6%**
Carbon intensity per €1000 turnover (scopes 1+2) (kg CO_2/1000€)	**22.8**	**26.3**	**6.9**	**22.5**	**27.3**	**5.9**	-1.4%
Captured water by spring source (M^3)	**51,059.3**	**37,003.8**	**14,055.6**	**48,717.5**	**36,420.3**	**12,297.2**	-4.3%
Well	1,843.0	1,843.0	0.0	1,631.0	1,631.0	0.0	**-11.5%**
Public network	47,854.1	33,798.6	14,055.6	46,063.5	33,766.3	12,297.2	**-3.4%**
Rainwater	1,362.20	1,362.20	0.0	1,023.0	1,023.0	0.0	-24.9%
Spillage (unit)	**8.0**	**8.0**	**0.0**	**4,0**	**4,0**	**0.0**	-50%
Consumption of materials (ton)	**3,569.2**	**1,304.0**	**2,265.3**	**3,154.4**	**2,474.4**	**680.0**	-6.3 %
Paper	2,860.1	1,032.0	1,828.1	2,599.9	2,330.4	269.5	-3.4%
Plastic	576.0	243.8	332.2	491,6	122.7	369.0	-22.6%
Metal	4.4	3.7	0.7	4.3	3.7	0.6	-2.6%
Other materials	128.8	24.5	104.2	58.7	17.7	40.9	64.1%
Waste routed to final destination	-	-	-	-	-	-	-
Total waste (ton)	1,560.6	738.7	821.9	1,297.3	663.6	633.6	-16.9%
Recovery Rate (unit/100)	0.9	0.9	0.8	0.9	0.8	0.9	-2.6%
Environmental Certification	-	-	-	-	-	-	-
ISO 14001 certified Units/Companies	Corporate+4	Corporate	4 companies	Corporate+4	Corporate	4 companies	-
FSC certified Units/Companies	1.0	0.0	1.0	0.0	0.0	0.0	-
Environment Investment and Costs (1000€)	**2,065.9**	**1,972.9**	**93.0**	**2,319.0**	**2,292.6**	**26.4**	**1.9%**

a) Excludes data of CORRE and 321 Crédito
b) Excludes data of CORRE, Transporta and 321 Crédito

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Table 3 –Content Index and GRI Indicators

Table of Environmental, Social and Economic performance indicators

Indicator	Description	Page(s)	SDG
Strategy and Analysis			
G-1	Chairman's Statement	9, 11	
G-2	Description of key impacts, risks, and opportunities.	38, 51, 86	
Organizational Profile			
G-3	Report the name of the organization	15	
G-4	Report the primary brands, products, and/or services	3, 38, 51, 57, 62, 63, 79	
G-5	Report the location of organization's headquarters	16	
G-6	Report the number of countries where the organization operates, and names of countries with either the organization has significant operations or that are specifically relevant to the sustainability issues covered in the report. *Portugal, Spain and Mozambique*	398	
G-7	Type and nature of ownership and legal form	15, 113, 347	
G-8	Markets served, including geographic breakdown, sectors served, and types of customers/beneficiaries *The Organisation also operates abroad in locally established companies in Spain and Mozambique. Although in both countries the provision of services is at the level of Express Mail of items and merchandise, in Spain the customers are especially classified in the area of private customers and in Mozambique there is a large proportion of public sector customers*	38, 58, 59, 63, 398	
G-9	Scale of the reporting organization, including: Total number of employees; Total number of operations; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity; Quantity of products or services provided	17, 74	
G-10	Total employees by employment type, contract and gender	74, 395	ODS 8
G-11	Report the percentage of total employees covered by collective bargaining agreements	45, 77, 395	ODS 8
G-12	Describe the organization's supply chain *The supply chain with which business was conducted by Procurement is 92% composed of national suppliers or with representation in Portugal and 8% of foreign suppliers. The group of suppliers with the highest percentage of awarded value is that of Transport with 31%, followed by IT/Communications with 45% and Saleable Material, Sales Support and Consumables with 12%. These values were calculated based on the cases awarded in 2019, and do not take into account renewals.*	398	
G-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	15	
G-14	Report whether and how the precautionary approach or principle is addressed by the organization	51	
G-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	46, 82	
G-16	Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic	46, 47	
Identified Material Aspects and Boundaries			
G-17	Operational structure of the organisation, participated companies and joint ventures, included, or not, in the report	15, 38, 120	
G-18	Process for defining the report content and aspect boundaries	15	
G-19	List all the material aspects identified in the process for defining report content	41	

Indicator	Description	Page(s)	SDG
G-20	For each material aspect, report the aspect boundary within the organisation	15, 42	
G-21	For each material aspect, report the aspect Boundary outside the organisation	42	
G-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	15, 127	
G-23	Significant changes from previous reporting periods in the Scope and aspect boundaries	15	
Stakeholder Engagement			
G-24	List of stakeholder groups engaged by the organisation	43	
G-25	Basis for identification and selection of stakeholders with whom to engage	41	
G-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	42, 43, 51, 52, 53, 62, 77, 84, 343	
G-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	42, 43, 52, 53, 62, 77, 343	
Report Profile			
G-28	Reporting period (such as fiscal or calendar year) for information provided	15	
G-29	Date of most recent previous report (if any)	15	
G-30	Reporting cycle (such as annual, biennial)	15	
G-31	Provide the contact point for questions regarding the report or its contents	16, 141, 348	
G-32	GRI content index	15, 398	
G-33	Policy and current practice with regard to seeking external assurance for the report Involvement of the senior management	15	
Governance			
G-34	Governance structure of the organisation, including its commissions or committees Identify any committees responsible for decision-making on economic, environmental and social impacts	114, 117, 120	
G-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	48, 120	
G-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	120	
G-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics If consultation is delegated, describe to whom and any feedback processes to the highest governance body	42, 43	
G-38	Composition of the highest governance body and its committees by executive or non-executive position, independence and gender Governance tenure, responsibilities, commitments and competences of each individual relating to economic, environmental and social impacts	9, 113	
G-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	114, 118, 120, 126	ODS 16
G-40	Nomination and selection processes for the highest governance body and its committees, including considerations on diversity, independence, experience and other topics	113, 115, 116, 130, 351	ODS 5 ODS 16
G-41	Processes for the highest governance body to ensure conflicts of interest and whether conflicts of interest are disclosed to the stakeholders	45, 125, 160	ODS 16
G-42	Report the highest governance body's and senior executives' roles in the development, approval and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	117, 160	
G-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	139	ODS 4
G-44	Processes for evaluation of the highest governance body's performance, especially with respect to economic, environmental and social performance. Indicate their frequency and measures taken	126, 163	

Indicator	Description	Page(s)	SDG
G-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	49, 50, 51, 139, 161	ODS 16
G-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	49, 50, 86, 166	
G-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	47, 48, 50, 86, 139	
G-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered	9	
G-49	Process adopted for communicating critical concerns to the highest governance body	139	
G-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	43, 343	
Remuneration and Incentives			
G-51	Remuneration policies for the highest governance body and senior executives	123, 142, 153	
G-52	Process adopted for determining remuneration	74, 123, 142, 153	
G-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	74, 146, 161	ODS 16
G-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country *Ratio of 22.3*	400	
G-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country *0*	400	
Ethics and Integrity			
G-56	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	123	ODS 16
G-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines)	46, 123	ODS 16
G-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	46, 123, 160	ODS 16
Economic performance (consolidated data)			
	Management approach, targets, performance, policies and framework	38-42, 46-53, 76-77, 79-80, 385-388	
EC1	Direct economic value generated and distributed	57, 63, 67, 73	ODS 8
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	53, 86	ODS 13
EC3	Coverage of the organization's defined benefit plan obligations	78	
EC4	Financial assistance received from the Government (see table below)	400	

	Group [(1)]
Tax benefits	*1,663,153*
Tax credits	*324,729*
Total	*1,987,882*

[(1)] Excludes Banco CTT and 321 Crédito.
The Bank received €94,486.77 as a grant for net employment creation. .

Indicator	Description	Page(s)	SDG
Market Presence			
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation *At the end of 2019, the lowest salary paid by CTT was €622 for men and €622 euros for women, corresponding to ratios of 1.04 and 1.04 respectively in relation to the national minimum wage (€600).* *Note: Excludes data of CORRE, Tourline and 321 Crédito.*	395, 401	ODS 1
EC6	Percentage of senior management at significant locations of operation that are hired from the local community *The managers are hired above all according to their skills.*	401	
Indirect Economic Impacts			
EC7	Development and impact of infrastructure investments and services provided	9, 38, 51, 52, 59, 62, 63, 79	
EC8	Significant indirect economic impacts, including the extent of impacts	19, 38, 51, 52, 58, 62, 63, 83	
Procurement Practices			
EC9	Proportion of spending on local suppliers at significant locations of operation *Negotiation and Procurement is managed in a centralised form, with all the company's contractualisation needs being consolidated regardless of the origin of the need and location of the provision of the service or supply. Location criteria are not used for purposes of selection of suppliers, unless this proves necessary from the operational point of view, which is justified by practices of equal opportunities arising not only from the company's own choice but in certain circumstances of the rules of public procurement. However, as CTT is a company with a presence throughout the entire Portuguese territory, many contractualised services have a relevant impact on the local economy due to being provided with local resources (e.g. cleaning services, fuel, maintenance).*	401	ODS 12
Labour			
	Management approach, targets, performance, policies and framework	46-53, 73-79, 385-388, 391-395	
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	74, 395	ODS 5 ODS 8
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	77	ODS 8
LA3	Return to work and retention rates after parental leave, by gender	74, 395	ODS 5 ODS 8
Labour Relations			
LA4	Minimum number of prior notice in relation to operational changes, including if this procedure is specified in collective agreements. *Notice to enforce operational changes is given 30 days in advance. There are other notice periods according to the situation in question, all described in the Company Agreement*	401	
Hygiene and Safety			
LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes *The prior requirements for the establishment of occupational health and safety committees have been fulfilled. However, these committees are not yet operational as there is no employee representatives have yet been elected. Elections are expected to be organized at the workplaces by the ERCT.* *Every six months, the company asks its employees to complete a questionnaire about occupational health and safety at their workplaces*	401	
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	19, 39, 74, 78, 395	ODS 3

Indicator	Description	Page(s)	SDG
LA7	Workers with high incidence or high risk of disease related to their occupation *There were 12 occupational diseases (7 among women). No data for Corre and Tourline*	395, 402	ODS 3
LA8	Health and safety topics covered in formal agreements with trade unions *No others are known apart from those foreseen in the regulation of social work - ROS and in the Company Agreement. The new ROS of CTT maintains a high level of protection, with greater balance in the division of costs between the Company and the beneficiaries, and promoting a more rational use of the benefits*	74, 402	ODS 8
Training			
LA9	Average hours of training per year per employee by gender, and by employee category	76, 395	ODS 4 ODS 5
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings *33,640 hours of training were conducted with the participation of 4,322 employees, in 8 thematic areas for improvement of skills*	75, 402	ODS 4 ODS 8
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	75	ODS 5
Diversity and Equal Opportunities			
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	79, 112, 114, 116, 395	ODS 5 ODS 8
Equal Remuneration for Women and Men			
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	75, 395	ODS 5 ODS 8 ODS 10
Supplier Labour Practices Assessment			
LA14	Percentage of new suppliers that were screened based on labour practices criteria *Of the 11 new suppliers of CTT, SA, 8 (73%) were selected based on criteria associated to labour practices.* *In the case of Production & Digitalisation and CTT Contacto, 100% of the 3 and 26 new suppliers, respectively, were selected in accordance with these practices*	402	ODS 8 ODS 16
LA15	Significant actual and potential negative human rights impact on labour practices associated to the supply chain and actions taken *No negative impacts observed*	402	
Labour Practices Grievance Mechanisms			
LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	47, 84	ODS 16
Human Rights			
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening *The number of contracts considered significant stood at 354 (97%), in which all include clauses relative to compliance with legislation and good practices on matters of human rights*	402	ODS 10 ODS 12
HR2	Total hours of training on human rights policies and procedures relative to aspects of human rights that are relevant to operations, including the percentage of employees trained *3,877 employees received 11,763 hours of training on human rights policies, representing 31.4% of the national total number of employees*	402	ODS 4
Non-discrimination			
HR3	Total number of incidents of discrimination and corrective actions taken *No cases of discrimination occurred*	79	
Freedom of Association and Collective Bargaining			
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights *There is no risk. This is consigned in the Portuguese Constitution and in the Company Agreement*	402	ODS 10

Indicator	Description	Page(s)	SDG
Child Labour			
HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour *Based on the Company Agreement, there are no impediments to the free exercise of the right to freedom of association or to collective bargaining. Supply agreement negotiations include the signing of a declaration of principles by suppliers whereby they state their commitment towards social responsibility, as expressed in clause n) "Observes all principles and procedures concerning the right to freedom of association, forced labour, child labour and equality defined in ILO's (International Labour Organization) Fundamental Conventions"*	78, 403	ODS 16
Trabalho Forçado			
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour *All forms of child labour are prohibited by CTT. See HR5*	78, 403	ODS 16
Security Practices			
HR7	Percentage of security personnel trained in the organization of Human Rights policies or procedures that are relevant to operations *The majority of the security personnel is external to the Company, but with assured training and compliance with requirements associated to human rights aspects*	403	
Indigenous Rights			
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken *Not applicable*	403	
Assessment			
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessment *0%. Please see HR5*		
Supplier Human Rights Assessment			
HR10	Percentage of new suppliers that were screened using human rights criteria *73% of new suppliers were screened using human rights criteria*	403	ODS 16
HR11	Significant actual and potential negative human rights impact in the supply chain and actions taken in this respect *There is no plan of audits to suppliers in order to specifically assess compliance with this point. However, as noted above, the award of products and services is formally subordinated to compliance with the principles and procedures relative to human rights defined in the Universal Declaration of Human Rights. Any breach in this matter, whether due to indirect knowledge or observance during the monitoring visits made by the procurement team, shall be acted upon immediately and may constitute fair grounds for contractual rescission*	403	ODS 12
Human Rights Grievance Mechanism			
HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms *None recorded*	403	
Society			
Local Communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	58, 81	
SO2	Operations with significant actual and potential negative impacts on local communities	53, 58, 81, 85	
Anti-corruption			
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks detected	47, 49, 76	

Indicator	Description	Page(s)	SDG
SO4	Communication and training on anti-corruption policies and procedures *43.2% of the employees received training on anti-corruption procedures* *During the procurement process, they inform the suppliers of the Code of Ethics and Responsible Procurement Policy. We consider that the business partners that know this are those that sign the statement which includes mention of these two documents of CTT. Of the 245 suppliers that we awarded purchases, 233 signed the statement, i.e. 95%*	39, 47, 404	ODS 4 ODS 16
SO5	Confirmed cases of corruption and actions taken *No cases of corruption occurred*	47, 404	ODS 16
Public Policy			
SO6	Total value of political contributions by country and recipient/beneficiary *No contributions were made*	404	
Anti-competitive Behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	47	ODS 16
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	47	
Supplier Assessment for Impacts on Society			
SO9	Percentage of new suppliers that were screened using criteria for impacts on society *73% of the new suppliers were selected in accordance with these criteria, with 233 having been submitted to assessments of impacts on society*	404	
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken *No significant, real or potential negative impacts on society were detected in the supplier chain*	58, 404	
Impacts on Society Grievance Mechanisms			
SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms *None recorded*	84, 404	
Products and Services			
Customer Health and Safety			
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement *The appraisal and selection of retail products for sale at CTT post offices is based on criteria such as the recognition of the partner, its environmental practices and product certification, in order to assure compliance with the legislated health and safety rules relative to merchandising products, especially those intended for use by children, as is the case of toys*	404	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes *No cases were recorded of non-compliance relative to health and safety caused by products or services*	404	ODS 16
Product and Service Labelling			
PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements *This year, 17 buildings were recorded in the integrated registration system of the Portuguese Environment Agency (APA) and CTT now participates in the Sociedade Ponto Verde integrated system for management of the waste of the non-reusable packaging placed by CTT on the market.*	82, 83, 404	ODS 12
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes *CTT recorded 44,049 incidents and 12,263 cases of non-compliance*	84, 404	
PR5	Results of surveys measuring customer satisfaction	19, 83, 84	

Indicator	Description	Page(s)	SDG
Marketing Communications			
PR6	Sale of banned or disputed products *CTT does not sell this type of products*	405	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes *No cases of non-compliance were detected*	405	
Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data *With respect to mail, items that have gone astray, delays and occasional anomalies in delivery figure as the main causes of customer claims, with no claims having been received which might be associated to breach of customer privacy, namely the unlawful interception of letter mail*	405	ODS 16
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	47	
Environment			
Consumption of materials			
	Management approach, targets, performance, policies and framework	48-53, 85-86, 90-93, 95-97, 385-388, 396-397	
EN1	Materials used by weight or volume		
EN2	Percentage of materials used that are recycled input materials	94, 397	ODS 15
Energy			
EN3	Energy consumption within the organization	19, 86, 87, 89, 397	ODS7 ODS 12
EN4	Energy consumption outside the organization *Value calculated through the emission factors derived from energy suppliers*	87, 89, 92, 397, 405	
EN5	Energy intensity	86, 397	ODS7 ODS 12
EN6	Reduction of energy consumption	86, 87, 88, 89, 92, 397	ODS7 ODS 9 ODS 12 ODS 13
EN7	Reductions in energy requirements of products and services	19, 59, 62, 88, 89, 90	ODS7 ODS 9 ODS 12 ODS 13
Water			
EN8	Total water withdrawal by source	94, 397	ODS 6
EN9	Water sources significantly affected by withdrawal of water *In view of the nature of the company's productive processes, the consumption of water by CTT is fairly low, in relative terms. Water is essentially used for human consumption, cleaning and irrigation of green areas*	405	ODS 6
EN10	Percentage and total volume of water recycled and reused	397	ODS 6
Biodiversity			
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas *All CTT premises are located in urban and/or industrial areas Regarding land use, the impact on biodiversity is associated to the size and location of the real estate properties, situated in urban and industrial areas, where there is no knowledge to suggest that CTT develops activity or operates facilities inside protected zones or areas with a high biodiversity index*	405	ODS 15

Indicator	Description	Page(s)	SDG
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas *CTT is involved in partnerships/projects with public and private entities acting in favour of biodiversity and promotes in-house and public awareness-raising actions on the topic*	95, 406	ODS 15
EN13	Habitats protected or restored	95	ODS 13 ODS 15
EN14	Total number of IUCN Red List species and national conversation list species with habitats in areas affected by operations, by level of extinction risk *Not applicable*	406	
Emissions			
EN15	Direct greenhouse gas (GHG) emissions (scope 1)	19, 90, 91, 397	ODS 12 ODS 13
EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	19, 91, 92, 397	ODS 12 ODS 13
EN17	Energy indirect greenhouse gas (GHG) emissions (scope 3)	91, 92, 397	
EN18	Greenhouse gas (GHG) emissions intensity	92, 397	
EN19	Reduction of greenhouse gas (GHG) emissions	39, 59, 62, 89, 90, 91, 397	ODS 11 ODS 13
EN20	Emissions of ozone-depleting substances (ODS) *There were no emissions of this type*		ODS 13
EN21	NO_x, SO_x and other significant air emissions	91	
Effluents and Waste			
EN22	Total water discharge by quality and destination *Discharged into a municipal collector only at one facility of the Centre region*		ODS 6
EN23	Total weight of waste by type and disposal method	397	ODS 12
EN24	Total number and volume of significant spills *Two spills occurred at the South production and logistics centre and two spills occurred at the North production and logistics centres, which can be placed in this context. However, they had no significant impact*	406	
EN25	Weight of transported, imported, exported or treated waste, deemed hazardous under the terms of the Basel Convention *Not applicable*	406	
EN26	Identity, size, protected status and value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff *Not applicable*	406	
Products and Services (environmental impacts)			
EN27	Extent of impact mitigation of environmental impacts of products and services *The focus on ecologically friendly consumption has concentrated not only on reducing the environmental impact associated to the use of resources but also on the selection of suppliers through the inclusion of environmental criteria in tender procedures.*	19, 39, 59, 62, 94, 95, 406	ODS 11 ODS 12 ODS 17
EN28	Percentage of products sold and their packaging materials that are reclaimed by category	95	
Legal and Regulatory Compliance			
EN29	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations *CTT was not the object of any lawsuits in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations.*	47, 406	ODS 16
Transport			
EN30	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce *Although external noise is considered an area of low relevance to the business, noise emissions are monitored periodically in accordance with the regulations in force on this matter, with the obtained results being within the applicable legal parameters*	53, 85, 406	

Indicator	Description	Page(s)	SDG
EN31	Total environmental protection expenditures and investments by type	87, 96, 397	ODS 7 ODS 9 ODS 11 ODS 12 ODS 13
Supplier Environmental Assessment			
EN32	Percentage of new suppliers that were screened using environmental criteria *Environmental criteria were used in 97% of pre-contractual procedures, and contracts concluded with environmental criteria represented 99% of the total*	19, 407	ODS 8 ODS 12 ODS 13 ODS 17
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken *CTT has a Policy of Responsible Procurement, aimed at promoting the improvement of the environmental and social aspects of the value chain, through the involvement and accountability of its suppliers. This Policy includes the following features: the Policy is publicly available at www.ctt.pt; it covers the fields of Health, Safety, Environment, Working Conditions, Ethics and Business Continuity; it is integrated in the tender documents; includes a rescission clause due to non-compliance; it is applicable to all suppliers*	407	ODS 6 ODS 8 ODS 9 ODS 11 ODS 13 ODS 15 ODS 17
Environmental Grievance Mechanisms			
EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms *No complaints were detected in this context*	407	

(Source: GRI 4 (2013) "Sustainability Reporting Guidelines")

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