



1st Quarter 2023 Consolidated Results



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CTT - Correios de Portugal, S.A.

1st Quarter 2023 Consolidated Results

- **Revenues¹** reached €241.8m in 1Q23 (+€7.0m; +3.0% y.o.y), growing across all business units, except Mail & Other, broken down as follows: Financial Services & Retail (+€16.8m; +141.6% y.o.y); Banco CTT (+€6.0m; +21.4% y.o.y); Express & Parcels (+€3.3m; +5.4% y.o.y); and Mail & Other (-€19.1m; -14.3% y.o.y).
- **Mail & Other** was negatively impacted in 1Q23, when compared with 1Q22, by two effects that occurred in that period: (i) the revenues from the laptop sale project (€21.5m) in the business solutions segment in 1Q22; and (ii) additional revenues from international outbound mail in February 2022 due to the rerun of legislative elections in the European constituency (€3.5m).
- **Express & Parcels** revenues reached €64.7m in 1Q23 (+€3.3m), achieving a quarterly growth in absolute terms similar to the annual growth of 2022 compared to 2021.
- **Banco CTT** continued to grow in 1Q23, with a positive performance of the net interest income, which amounted to €22.0m (+€5.6m; +34.2% y.o.y), underpinned by the growth of the consumer credit portfolio (auto), mortgage and other loans.
- **Financial Services & Retail** revenues registered a positive evolution in 1Q23, continuing the trend that began in 2022, as a result of the greater attractiveness of public debt certificates, especially savings certificates, in a context of interest rates more favourable to this savings product.
- **Recurring EBIT** stood at €25.7m in 1Q23 (+€19.0m; +285.3% y.o.y) with a margin of 10.6% (2.8% in 1Q22). It grew in all business units, except Express & Parcels.
- **Operating cash flow** stood at €44.2m in 1Q23 (+€33.8m; +326.4 % y.o.y).
- **Net profit²** of €16.1m in 1Q23, an increase of €10.7m vis-à-vis 1Q22.

Consolidated results

	€ million			
	1Q22	1Q23	Δ	Δ%
Revenues¹	234.7	241.8	7.0	3.0%
Mail & Other	133.5	114.4	(19.1)	(14.3%)
Express & Parcels	61.3	64.7	3.3	5.4%
Banco CTT	28.0	34.1	6.0	21.4%
Financial Services & Retail	11.9	28.7	16.8	141.6%
Operating costs³	212.7	201.0	(11.7)	(5.5%)
EBITDA⁴	22.0	40.8	18.8	85.2%
Depreciation & amortisation	15.4	15.1	(0.2)	(1.6%)
Recurring EBIT	6.7	25.7	19.0	»
Specific items	(2.7)	0.7	3.4	127.1%
EBIT	9.4	25.0	15.6	»
Financial results (+/-)	(2.1)	(3.1)	(1.0)	(46.4%)
Income tax for the period	1.8	5.7	3.9	»
Non-controlling interests	0.0	0.0	(0.0)	(138.9%)
Net profit for the period²	5.4	16.1	10.7	»

¹ Excluding specific items.

² Attributable to equity holders.

³ From 2021 onwards, operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS16 is presented pursuant to this standard.

⁴ Excluding depreciation & amortisation and specific items.

1. Operational and Financial Performance

Consolidated revenues

CTT's **consolidated revenues** amounted to €241.8m in 1Q23, an increase of €7.0m (+3.0%) compared to 1Q22 that reflects the growth in all business units, except Mail & Other, broken down as follows: Financial Services & Retail (+€16.8m; +141.6% y.o.y); Banco CTT (+€6.0m; +21.4% y.o.y); Express & Parcels (+€3.3m; +5.4% y.o.y); and Mail & Other (-€19.1m; -14.3% y.o.y).

Mail & Other

In 1Q23, the **revenues of Mail & Other** amounted to €114.4m (-€19.1m; -14.3% y.o.y). This decline versus 1Q22 was the result of two factors: (i) the revenues from the laptop sale project (€21.5m) in the **business solutions** segment in 1Q22; and (ii) additional revenues from **international outbound mail** in February 2022 due to the rerun of legislative elections in the European constituency (€3.5m).

Excluding those effects, the revenues of this business unit would have grown in 1Q23 (+€5.9m; +5.4% y.o.y).

In 1Q23, **transactional mail revenues** reached €92.0m (+€2.3m; +2.5% y.o.y), mainly due to the very positive performance of **registered mail** revenues (+€5.0m; +16.0% y.o.y) boosted by the growth of contractual customers, especially the government and banking & insurance sectors. **International outbound mail** decreased by €2.5m (-19.4% y.o.y) penalised by the additional revenues from the legislative elections in 1Q22. Excluding this impact, the revenues from international outbound mail would have grown by €1.0m (+10.0% y.o.y). **International inbound mail** posted a growth of €0.2m (+3.7% y.o.y) as a result of the increase in revenues generated by the new offer aimed at international integrators, which offset the decline that has been observed in postal operators (terminal dues). There was a decline of €0.3m in **ordinary mail** (-0.8% y.o.y) and €0.2m in **priority mail** (-9.8% y.o.y) while **green mail** stabilised (+0.1% y.o.y).

The remaining business lines posted: (i) growth in **parcels of the universal postal service** (+€0.2m; +12.5% y.o.y), **editorial mail** (+€0.0m; +0.5% y.o.y) and **other mail products and services** (+€0.4m; +52.4% y.o.y); and (ii) decline in **advertising mail** (-€1.2m; -27.5% y.o.y) and **philately** (-€0.1m; -7.4% y.o.y).

In **philately**, it is noteworthy the issue of the 1st Portuguese Crypto Stamp under the motto "Collect the Future" in both physical and NFT (Non-Fungible Token) format.

In 1Q23, **business solutions** recorded revenues of €11.4m (-€20.8m; -64.7% y.o.y). However, excluding the effect of the additional sale of laptops that took place in 1Q22 this segment would have grown €0.7m (+6.5% y.o.y). CTT continues to reinforce its focus on the **Business Process Services** and **Contact Center** areas by attracting and implementing new businesses in different sectors. Of note is the significant growth in: (i) the solution of **management of administrative offences and administrative proceedings**, as new municipalities have joined it; and (ii) **digital components** with the provision of services for sending documents (invoices) with Qualified Electronic Signature pursuant to Decree-Law no. 28/2019, of 15 February, with CTT currently producing and sending several million digitally signed documents per month.

On 1 March 2023 there was an **update of the prices** of postal services provided in the scope of the universal service⁵ basket of letter mail, editorial mail and parcels services, defined in accordance with the Pricing Criteria set out in the Universal Postal Service Price Convention for the 2023-2025 period, which was entered into by the National Authority for Communications (ANACOM), the Consumer Directorate-General and CTT. For 2023 this update corresponds to a 6.24% average annual price variation, which also reflects the effect of the update of the special prices for bulk mail.

The average price change of the universal postal service⁵ in 1Q23 was +6.55%.

Mail volumes

In 1Q23, **addressed mail volumes** declined by 5.2% y.o.y. Excluding the one-off volumes of international outbound mail in February 2022, due to the rerun of the legislative elections in the European constituency, this decrease would have been 4.4% y.o.y

Mail volumes

	Million items			
	1Q22	1Q23	Δ	Δ%
Transactional mail	104.5	100.9	(3.6)	(3.5%)
Advertising mail	8.4	6.0	(2.4)	(28.7%)
Editorial mail	6.9	6.7	(0.2)	(2.6%)
Addressed mail	119.8	113.6	(6.2)	(5.2%)
Unaddressed advertising mail	109.9	76.4	(33.5)	(30.5%)

In 1Q23, **transactional mail** volumes decreased by 3.5% y.o.y.

Ordinary mail slightly decreased (-4.4% y.o.y) as a consequence of the intrinsic trend in the postal sector primarily due to the digital transformation of communications.

International outbound mail decreased by 25.2% y.o.y. (-7.5% y.o.y excluding the volumes from the legislative elections).

Despite the decline in **international inbound mail** (-7.8% y.o.y), there was an improvement compared to 4Q22 (+9.3%), reversing the downward trend that began in the 2nd half of 2021 due to the fact that, on 1 July 2021, the abolition of the VAT exemption on postal items below €22 (*de minimis*) came into force, leading to the need for customs clearance of all items of extra-EU origin. This resulted in an increase in customs transit times due to a complex and one-by-one process, which, ultimately, led to the migration of this type of flows to express networks.

In the opposite direction, **registered mail** volumes grew (+17.5% y.o.y) in 1Q23, driven by the dynamics of contractual customers, especially the government and banking & insurance sectors.

Addressed advertising mail volumes decreased by 28.7% y.o.y. and **unaddressed advertising mail** decreased by 30.5% y.o.y. The increase in the price of paper has led some of the customers to opt for a more digital strategy. Also the fact that there were some campaigns in 1Q22 which were not replicated this year adversely affected performance in this quarter.

During this period the following CTT Ads offers were disseminated: “Creativity”, “Database” (to leverage the Direct Mail product line), “Create Campaigns” and “Digital Media”. New partnerships with various entities were launched to expand and complement the digital advertising offer, thus seeking to anticipate the customers' needs.

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

Express & Parcels

Express & Parcels revenues amounted to €64.7m in 1Q23 (+€3.3m; +5.4% y.o.y), thus achieving a quarterly growth in absolute terms similar to the annual growth of 2022 compared to 2021.

Revenues in Portugal recorded €33.9m in 1Q23 (+€2.9m; +9.3% y.o.y) and volumes totalled 8.6 million items (+14.3% y.o.y).

CEP revenues amounted to €30.6m in 1Q23 (+€3.0m; +10.9% y.o.y), with a 12.9% y.o.y. increase of volumes per working day and high quality of service levels. This growth was driven essentially by e-commerce (B2C) customers, particularly large global marketplaces and national and international e-sellers.

The **banking documents delivery** product line recorded revenues of €1.1m in 1Q23 (-0.5% y.o.y) in a context of continued reduction of the capillarity of banking networks, as well as of lower collection/delivery frequency.

Revenues of the **cargo** product line amounted to €1.0m in 1Q23 (-25.9% y.o.y), a reduction related to the change in the operating strategy, which aimed at repositioning this product line within positive margin levels (the contribution margin⁶ in 1Q23 was 13.5%). This implied the exit of some customers as well as the withdrawal from some activity sectors without operating synergies.

The **logistics** product line, which is a pillar of the development of the vertical integration strategy with CEP, recorded revenues of €0.9m in 1Q23 (+27.9% y.o.y). This strong growth was underpinned by the recovery of a major customer and a three-month logistics operation won in response to a public tender.

CTT continued to roll out its 24-hour locker (**Locky**) strategy allowing clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7) in most lockers. As at the end of March 2023, CTT's Locky network comprised 606 units in various locations around the country, namely in hospitals, intermodal transport platforms, shopping centres, university campuses, physical retail networks, parking lots, gas stations or, in the case of private lockers, in condominiums and in office/business areas.

Revenues in Spain stood at €29.7m in 1Q23 (+0.6% y.o.y), with 9.3 million items and an average unit revenue growth of 9.5% y.o.y.

CTT Express began its new customer clearance service with the opening of a new unit in San Fernando de Henares, which meets the needs of extra-EU clients. It is thus positioned as an operator that adds value at any stage of the supply chain, both for customers and addressees.

Revenues in Mozambique in 1Q23 amounted to €1.1m (+29.9% y.o.y). This growth was driven by a partnership with a freight forwarder in Africa which started at the end of 1Q22.

⁶ Revenues minus direct operating costs (excludes overheads, essentially buildings and fleet).

Banco CTT

Banco CTT **revenues** reached €34.1m in 1Q23 (+€6.0m; +21.4% y.o.y).

Revenue growth was due to the positive performance of **net interest income**, which totalled €22.0m in 1Q23 (+€5.6m; +34.2% y.o.y). Interest received increased by €9.4m compared to 1Q22, and interest paid increased by €3.9m compared to 1Q22 due to the increase in interest rates on customer deposits and securitisations of auto loans.

Interest from **consumer credit** amounted to €12.7m in 1Q23 (+€2.1m; +19.4% y.o.y) and **auto loans** reached a loan portfolio net of impairments of €784.0m (+3.1% vs. December 2022). Auto loans production stood at €66.8m in 1Q23 (+10.8% y.o.y).

The **cartão Universo** consumer credit portfolio generated revenues of €5.8m in 1Q23 (+€1.2m; +26.9% y.o.y), with a balance sheet volume, net of impairments, of €321.8m in 1Q23 (-€32.0m; -9.0% vs. December 2022). The end of the partnership by 31 December 2023 will entail a progressive reduction of the portfolio which, given the current economic environment, particularly regarding the associated interest rates and cost of risk, will allow Banco CTT to gain strategic options in the management of its portfolio.

Interest from **mortgage loans** stood at €3.8m in 1Q23 (+€2.9m; +315.8% y.o.y), considering that in 1Q23 Euribor rates are higher than in 1Q22, when they were negative. Base interest rates for mortgage loans reflected strong growth as a result of the rise in key interest rates defined by the European Central Bank (ECB), due to the increase in inflation in the Euro area. The mortgage loan portfolio net of impairments totalled €671.8m in 1Q23 (+2.0% vs. December 2022). Mortgage loan production amounted to €49.2m in 1Q23 (+€10.3m; +26.4% y.o.y).

Also worthy of note is the interest received on **other credit** relating to the application of surplus liquidity at Banco de Portugal, which increased by €2.4m in 1Q23 compared with 1Q22.

Commissions received in this business unit reached €11.2m in 1Q23, (+€0.7m; +6.2% y.o.y). Noteworthy are the following positive contributions in 1Q23: (i) commissions from **accounts and cards**, which amounted to €3.0m (+€0.3m; +12.2% y.o.y), (ii) **payments**, which totalled €4.6m (+€0.3m; +7.9% y.o.y); and (iii) **insurance** amounting to €0.9m (+€0.1m; +15.9% y.o.y).

In terms of less favourable performance, as a result of the current economic context, there was a retraction: (i) in **savings products** (off-balance sheet) with a reduction of €11.4m, -1.3% compared to December 2022 in the net off-balance volume, with the respective commissions received amounting to €1.2m (+€0.0m; +3.0% y.o.y) which corresponds to a net off-balance sheet volume of €880.4m; and (ii) in commissions received on **consumer credit** (off-balance sheet) with €0.6m (-€0.1m; -17.7% y.o.y).

Customer deposits (Banco CTT consolidation) stood at €2,241.4m in March 2023 (-1.7% vs. December 2022), with a 25.1% increase in fixed-term deposits and a 12.1% reduction in current account deposits compared to December 2022. The **number of accounts** was 612k (10k more than in December 2022).

The **loan-to-deposit ratio** reached 79.5% as at the end of March 2023.

The **cost of risk** (consolidated and accumulated as at March 2023) stood at 1.4%, down by 0.1 p.p. compared to December 2022, due to the decrease in the customer loan portfolio, especially consumer credit (Universo credit card).

Financial Services & Retail

Financial Services & Retail **revenues** amounted to €28.7m in 1Q23 (+€16.8m; +141.6% y.o.y). There was a positive evolution in revenues in 1Q23, as a result of the higher attractiveness of public debt certificates, especially Savings Certificates, against an interest rate backdrop more in favour of this savings product.

Financial services (excluding other revenues) obtained revenues of €25.0m (+€17.2m; +223.2% y.o.y).

Public debt certificates (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €23.2m in 1Q23 (+€17.5m; +306.7% y.o.y).

Subscriptions of these certificates amounted to €7,543.6m in 1Q23, an average of €117.9m/day (€18.5m/day in 1Q22), which compares to €8,138.0m throughout 2022. This is the outcome of a new interest rate conjuncture that places public debt as a more interesting investment alternative.

These positive results in public debt certificates made it possible to absorb the less favourable performance of **money orders**, which recorded revenues of €1.1m in 1Q23 (-€0.3m; -20.9% y.o.y). The additional issues of social benefits in 1Q22, created under the current macroeconomic framework, did not occur in 1Q23, which was also burdened by the structural decline resulting from the substitution of this means of payment.

It should be noted that CTT reinforced the commercial dynamism of **non-banking financial products** in the beginning of 2Q23, in the area of non-life insurance, including auto, health, personal accidents, multi-risk, etc., by entering into a distribution agreement with Generali.

Retail products and services (excluding other revenues) reached €3.4m in revenues in 1Q23 (-€0.7m; -17.1% y.o.y).

This reduction is in line with the strategy CTT has defined for the retail network of discontinuing some products, including scratch cards, and repositioning its retail network as a service platform, including: (i) the offer of self-services including the distribution of mail and express and parcels products and services; (ii) the distribution of public debt; (iii) the marketing of insurance products; and (iv) the provision of convenience services for citizens. Aimed at improving customer service and experience, a strategy of digital channels and self-services is also being developed, focusing on the search for complementarity between physical and digital and between in-store and self-service.

Operating Costs

Operating costs totalled €216.8m in 1Q23 (-€8.5m; -3.8% y.o.y).

Operating Costs

€ million

	1Q22	1Q23	Δ	Δ%
Staff costs	91.8	97.7	5.9	6.5%
ES&S	85.3	84.8	(0.5)	(0.6%)
Impairments & provisions	5.7	8.0	2.3	39.4%
Other costs	29.9	10.4	(19.4)	(65.1%)
Operating costs (EBITDA)	212.7	201.0	(11.7)	(5.5%)
Depreciation & amortisation	15.4	15.1	(0.2)	(1.6%)
Specific items	(2.7)	0.7	3.4	127.1%
Corporate restructuring costs and strategic projects	0.7	1.0	0.4	56.1%
Other non-recurring revenues and costs	(3.4)	(0.3)	3.1	91.4%
Operating costs	225.4	216.8	(8.5)	(3.8%)

Staff costs increased by €5.9m (+6.5% y.o.y) in 1Q23, mostly as a result of the salary increase and the increase in the national minimum wage (+€4.2m), which constituted an additional effort by the company due to the current economic situation. Additionally, the growth in the contact centre activity and document management of the Mail & Other corporate solutions business line, as well as in the Express & Parcels activity, also contributed to this evolution in costs.

External supplies & services costs decreased by €0.5m (-0.6% y.o.y), essentially due to the impact of elections in 1Q22 (-€3.3m). This effect was partially offset by the growth in direct costs of services associated to growing businesses, especially in Express & Parcels (+€2.7m).

Impairments and provisions increased by €2.3m in 1Q23 (+39.4% y.o.y), as a result of the growth in the auto loans and the Universo credit card portfolios.

Other costs decreased by €19.4m (-65.1% y.o.y), mainly due to the business solutions laptop sale project that took place in 1Q22 (-€20.7m y.o.y).

Depreciation & amortisation decreased by €0.2m (-1.6% y.o.y) in 1Q23, positively impacted by the revision of the useful life of some assets (-€0.9m). This effect was partly offset by investment in IT systems (+€0.2m), furniture (+€0.1m), and to new building and vehicle lease contracts which impacted amortisation (+€0.3m), due to the IFRS 16 accounting standard.

Specific items amounted to €0.7m in 1Q23, due to: (i) restructuring costs, namely suspension agreements of employment contracts (+€0.3m); (ii) strategic projects (+€0.7m); (iii) the change of head office building (-€0.2m); and (iv) gross gains from the appreciation of contracted derivatives (-€0.1m).

Staff

On 31 March 2023, the number of CTT **employees** (permanent employees and fixed-term employees) was 12,918, up 349 compared to 31 March 2022 (+2.8% y.o.y).

	Headcount			
	31.03.2022	31.03.2023	Δ	Δ%
Mail & Other	10,774	10,792	18	0.2%
Express & Parcels	1,305	1,583	278	21.3%
Banco CTT	460	506	46	10.0%
Financial Services & Retail	30	37	7	23.3%
Total, of which:	12,569	12,918	349	2.8%
Permanent	11,360	11,379	19	0.2%
Fixed-term contracts	1,209	1,539	330	27.3%
Portugal	11,898	11,982	84	0.7%
Other geographies	671	936	265	39.5%

There was an increase in the number of employees in all business units, mainly in the Express & Parcels business unit (+278) and Banco CTT (+46). The Mail & Other business unit also presented a slight increase, as a result of the increment in the activity of the contact centre and the document management of the business solutions area, which was partially compensated by the prosecution of the Human Resources optimisation programme underway mainly in the central structure.

Together, the areas of operations and distribution within the mail network (4,996 employees, of whom 4,006 are delivery postmen and women) and the retail network (2,234 employees) represented circa 63.5% of CTT's permanent staff.

Recurring EBIT

Recurring EBIT stood at €25.7m in 1Q23 (+€19.0m; +285.3% y.o.y), with a margin of 10.6% (2.8% in 1Q22). All business units, except Express & Parcels, posted recurring EBIT growth: Financial Services & Retail by +€12.8m, +245.6% y.o.y; Banco CTT by +€0.9m, +25.3% y.o.y; as well as Mail & Other by +€6.0m, +181.3% y.o.y. In Express & Parcels (-€0.7m; -50.1% y.o.y), the decline was due to the increased costs associated with the expansion of sorting centres and the increase in fuel prices, and in Portugal there was also a decrease in the average revenue per item due to the change of the product mix (greater flows of smaller items).

	Recurring EBIT by business unit			
	€ million			
	1Q22	1Q23	Δ	Δ%
EBIT by business unit	6.7	25.7	19.0	»
Mail & Other	(3.3)	2.7	6.0	»
Express & Parcels	1.3	0.7	(0.7)	(50.1%)
Banco CTT	3.4	4.3	0.9	25.3%
Financial Services & Retail	5.2	18.1	12.8	»

Financial results and Net profit

The **consolidated financial results** amounted to -€3.1m (-€1.0m; -46.4% y.o.y).

Financial Results

	1Q22	1Q23	Δ	Δ%
Financial results	(2.1)	(3.1)	(1.0)	(46.4%)
Financial income, net	(2.1)	(3.1)	(1.0)	(49.0%)
Financial costs and losses	(2.2)	(3.5)	(1.3)	(58.5%)
Financial income	0.1	0.4	0.3	»
Gains/losses in subsidiaries, associated companies and joint ventures	(0.0)	(0.0)	0.0	84.1%

€ million

Financial costs and losses incurred amounted to €3.5m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €1.8m, the most significant increase of which is due to the increase in the discount rate in the 2022 valuation, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €0.8m and interest expense on bank loans for an amount of €0.7m.

In 1Q23, CTT obtained a **consolidated net profit** attributable to equity holders of €16.1m, which is €10.7m above 1Q22. The evolution of consolidated net income was positively impacted by the growth of recurring EBIT (+€19.0m) and negatively affected by (i) the worsening of net financial results (-€1.0m), (ii) the unfavourable evolution of the corporate income tax for the period (+€3.9m), (iii) specific items, as in 1Q22 CTT registered a gain of €2.7m as compared to a loss of €0.7m registered in 2023, as mentioned above.

Investment

Capex stood at €5.6m in 1Q23 (-€0.4m; -6.2% y.o.y).

This evolution is justified above all by the investment made in sorting centres as of late. CTT maintains its focus on improving IT systems, especially in the area of Express & Parcels where investment in IT systems to support the business was reinforced.

Cash flow

In 1Q23, the Company generated an operating **cash flow** of €44.2m (+€33.8m; +326.4% y.o.y). The growth of operating cash flow is primarily explained by (i) the favourable performance in terms of generated EBITDA (+€18.8m to €40.8m), as well as by (ii) the very positive evolution of working capital (+€15.4m). The €2.7m reduction in the non-cash items at the EBITDA level was offset by higher cash costs related with specific items (a deterioration of €3.4m). On the other hand, the capex in 1Q23 was broadly stable as compared to 1Q22.

In terms of working capital, the evolution observed results from a positive performance of EBITDA-related items, reflecting a more efficient management of accounts receivable which positively impacted the average collection period, as well as investment-related items which performed positively in terms of the average payment deadlines.

Cash flow

€ million

	1Q22	1Q23	Δ	Δ%
EBITDA	22.0	40.8	18.8	85.2%
Non-cash items*	(2.3)	0.4	2.7	119.1%
Specific items **	2.7	(0.7)	(3.4)	(127.1%)
Capex	(5.9)	(5.6)	(0.4)	(6.2%)
Δ Working capital	(6.2)	9.2	15.4	»
Operating cash flow	10.4	44.2	33.8	»
Employee benefits	(4.2)	(4.4)	(0.2)	(5.8%)
Tax	0.0	(0.1)	(0.1)	«
Free cash flow	6.2	39.7	33.4	»
Debt (principal + interest)	(4.0)	34.7	38.7	»
Acquisition of own shares	(1.6)	0.0	1.6	100.0%
Disposal of buildings	0.0	0.0	0.0	0.0%
Change in adjusted cash	0.6	74.4	73.8	»
Δ Liabilities related to Financial Serv. & others and Banco CTT, net	(118.2)	59.2	177.3	150.1%
Δ Other	5.8	(1.0)	(6.9)	(117.8%)
Net change in cash	(111.7)	132.5	244.2	»

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

Consolidated balance sheet

Consolidated balance sheet

€ million

	31.12.2022	31.03.2023	Δ	Δ%
Non-current assets	2,253.3	2,255.0	1.8	0.1%
Current assets	1,804.2	1,890.8	86.6	4.8%
Assets	4,057.5	4,145.8	88.3	2.2%
Equity	224.9	241.0	16.1	7.2%
Liabilities	3,832.6	3,904.8	72.2	1.9%
Non-current liabilities	789.4	803.2	13.7	1.7%
Current liabilities	3,043.1	3,101.6	58.5	1.9%
Equity and consolidated liabilities	4,057.5	4,145.8	88.3	2.2%

The key aspects of the comparison between the **balance sheet** as at 31.03.2023 and that as at 31.12.2022 are as follows:

- **Assets** grew by €88.3m, largely due to the growth in cash and cash equivalents following the significant increase of amounts received as advances for the payment of money orders (+€132.5m), partly attenuated by the decrease in other banking financial assets (-€48.3m) as a result of the bank applications made by Banco CTT in Banco de Portugal.
- **Equity** increased by €16.1m following the net profit attributable to shareholders of the CTT Group in 1Q23 in the amount of €16.1m.

- **Liabilities** increased by €72.2m, mostly due to the increase in accounts payable (+€93.1m) largely due to the amounts received as advances for the payments of money orders, and the increase of debt following the contracted commercial paper programmes (+€27.3m). In the opposite sense, there was a decrease in banking clients' deposits and other loans (-€35.1m) and other banking financial liabilities (-€14.2m).

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

Consolidated balance sheet with Banco CTT under equity method

	31.12.2022	31.03.2023	Δ	Δ%
€ million				
Non-current assets	687.9	682.1	(5.8)	(0.8%)
Current assets	566.0	733.1	167.1	29.5%
Assets	1,253.9	1,415.2	161.3	12.9%
Equity	225.2	241.3	16.1	7.1%
Liabilities	1,028.7	1,173.9	145.2	14.1%
Non-current liabilities	331.1	364.9	33.8	10.2%
Current liabilities	697.6	809.0	111.4	16.0%
Equity and consolidated liabilities	1,253.9	1,415.2	161.3	12.9%

Liabilities related to employee benefits

Liabilities related to employee benefits (post-employment and long-term benefits) stood at €208.3m in March 2023, down by €1.9m compared to December 2022, broken down as specified in the table below:

Liabilities related to employee benefits

	31.12.2022	31.03.2023	Δ	Δ%
€ million				
Total liabilities	210.2	208.3	(1.9)	(0.9%)
Healthcare	190.4	189.4	(1.0)	(0.5%)
Healthcare (321 Crédito)	1.0	1.0	0.0	2.8%
Suspension agreements	10.3	9.4	(0.9)	(9.0%)
Other long-term employee benefits	5.1	5.1	(0.0)	(0.9%)
Other long-term benefits (321 Crédito)	0.2	0.2	0.0	2.7%
Pension plan	0.2	0.2	(0.0)	(1.9%)
Other benefits	3.0	3.0	0.0	0.0%
Deferred tax assets	(59.5)	(59.1)	0.4	0.7%
Current amount of after-tax liabilities	150.7	149.2	(1.5)	(1.0%)

These liabilities related to employee benefits are associated with deferred tax assets amounting to €59.1m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €149.2m.

Consolidated net debt

Consolidated net debt

€ million

	31.12.2022	31.03.2023	Δ	Δ%
Net debt	29.8	(17.3)	(47.1)	«
ST & LT debt	196.0	223.3	27.3	14.0%
of which Finance leases (IFRS16)	125.9	118.2	(7.7)	(6.1%)
Adjusted cash (I+II)	166.2	240.6	74.4	44.8%
Cash & cash equivalents	456.5	589.0	132.5	29.0%
Cash & cash equivalents at the end of the period (I)	410.8	544.4	133.6	32.5%
Other cash items	45.7	44.6	(1.0)	(2.3%)
Other Financial Services liabilities, net (II)	(244.6)	(303.8)	(59.2)	(24.2%)

The key aspects of the comparison between the **consolidated net debt** as at 31.03.2023 and that as at 31.12.2022 are as follows:

- **Adjusted cash** increased by €74.4m, as the positive performance of the operating cash flow (+€44.2m) offset the payment of employee benefits (-€4.4m) and tax payments (-€0.1m), as well as the contracting of commercial paper programmes (+€34.7m).
- **Short-term & long-term debt** increased by €27.3m essentially due to the combined effect of the decrease in lease liabilities (-€7.7m) and the increase in bank loans (+€35.0m) as a result of the above-mentioned commercial paper programmes.

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

Consolidated net debt with Banco CTT under equity method

€ million

	31.12.2022	31.03.2023	Δ	Δ%
Net debt with Banco CTT under equity method	192.6	150.1	(42.5)	(22.1%)
ST & LT debt	192.0	219.6	27.6	14.4%
of which Finance leases (IFRS16)	122.0	114.5	(7.4)	(6.1%)
Adjusted cash (I+II)	(0.5)	69.6	70.1	»
Cash & cash equivalents	361.2	518.9	157.7	43.7%
Cash & cash equivalents at the end of the period (I)	361.2	518.9	157.7	43.7%
Other cash items	(0.0)	(0.0)	(0.0)	«
Other Financial Services liabilities, net (II)	(361.7)	(449.4)	(87.6)	(24.2%)

2. Other highlights

Regulatory issues

As announced to the market on 26 January 2023, the **prices** of the letter mail, editorial mail and parcels services covered by the Universal Postal Service Price Convention, were updated effective 1 March 2023. This update corresponded to an average annual price variation of 6.58%. The overall average annual price variation, also reflecting the effect of the update of special prices for bulk mail, is 6.24%.

Main ESG milestones achieved

At the beginning of 2023, CTT committed to pursuing the objectives of the Faster, Better and Greener transformation programme, including its environmental, social and governance dimensions, as defined in the sustainability programme for the 2025-2050 period.

In the **environmental dimension**, the evolution of the electrification of the "green" fleet for the last mile was 0.6 percentage points, from 15.3% of the total number of vehicles at the end of 2022 to 15.9% on 31 March. In the whole CTT fleet, the number of "green" vehicles is already 665, mostly electric and in activity for last-mile distribution. It should be recalled that CTT's commitment is to reach a net-zero carbon balance by 2030, with 50% "green" vehicles in the last mile by 2025 and 100% by 2030. For this purpose, CTT reinforced its investment in the last-mile fleet with the goal of doubling the electrification of this segment of its own fleet as early as 2023.

CTT reinforced its efforts to incorporate recycled materials in its offer, in the first quarter of 2023, and extended its scope to philatelic products and Banco CTT. If we consider this extension, on 31 March 2023, 49.4% of CTT's offer in Portugal already incorporated recycled and reused materials. Considering only the mail, express and parcels offer in Portugal, there was a positive trend already in the first quarter, with an increase in the incorporation of recycled materials to 59.2%, compared to 54.9% at the end of 2022. CTT's commitment is to incorporate recycled and reused material in 80% of its offer by 2025 and reach 100% by 2030.

On the **internal social front**, CTT has the ambition to ensure full gender parity in top and middle management by 2025. At the end of the 1st quarter of 2023, women (the under-represented gender) represented 39.5% of the leadership functions in the top and middle management of CTT and its subsidiaries (in line with the trend seen at the end of 2022). Additionally, the implementation of the Fast Track CTT leadership programme is underway, aiming to strengthen the role of CTT's leaders, aligning the mission, vision and respective values. This programme relies on the active participation of its leaders and aims to better prepare them to respond to current and future challenges.

In relation to **external social impact**, the commitment to ensure that 1% of recurring EBIT is invested in social impact programmes by 2025 was practically achieved (the ascertained value was 0.97%) at the end of 2022. In the first three months of 2023, donations to social institutions were an additional 157 thousand euros, reaching 0.61% of the recurring EBIT. This value will be adjusted throughout the year, when some of the already planned donations, of more relevant values, will take place.

CTT also reinforced the invitation to participate in social and volunteer programmes for workers and their families, who responded positively to the call. To be highlighted are the EPIS Mentoring and Tutoring programme, which kicked off with a face-to-face meeting at Seixal Secondary School on 6 January, the blood collection initiative and the planting in Serra da Estrela of trees donated by CTT clients who joined the 9th edition of the participative citizenship initiative "A Tree for the Forest". In total, 100 volunteer workers dedicated a total of 443 hours (more than 4 hours per worker) to these initiatives until 31 March 2023.

Finally, it is also worth highlighting that CTT was elected for the 16th time as Trusted Brand by the Portuguese, through a survey carried out by the Reader's Digest Selections, leading in the Mail and Logistics Services category.

Outlook for 2023

Following the robust 1Q23 performance, particularly in the Financial Services and Banco CTT business units, CTT revised upward the guidance for 2023. Thus, the Company expects to achieve a recurring EBIT of at least €80m (compared to the previously communicated 10% growth to a €70m level).

Risk outlook is maintained, as follows: (1) high geopolitical uncertainty; and (2) macro risks will continue to be relevant and persistent, namely inflation, cost of energy and raw materials.

As mentioned above, revenue and recurring EBIT guidance reflects continued growth and transformation, notwithstanding a challenging environment.

3. Subsequent events

The Annual General Meeting held on 20 April 2023 approved the appropriation of results relative to the 2022 financial year as proposed by the Board of Directors, including the payment of a €0.125 gross dividend per share.

The General Meeting also passed a resolution on a share capital reduction of €717,500.00 for the purpose of releasing excess capital, by means of the cancellation of 1,435,000 shares representing 0.997% of the share capital, already acquired in connection with the share buyback programme, as well as on the related reserves.

On 21 April 2023, the CTT share capital reduction in the amount mentioned above was registered before the Commercial Registry Office, whereby 1,435,000 shares held by the Company were cancelled. CTT's share capital thus became 71,957,500.00 Euros, represented by 143,915,000 shares with the nominal value of fifty cents per share. Paragraphs 1 and 2 of Article 4 of the Articles of Association were amended accordingly.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the three months of 2023, which are attached hereto.

Lisbon, 4 May 2023

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 29-Q of the Portuguese Securities Code. It is also available on CTT website at:

https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1

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Disclaimer

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By reading this document, you agree to be bound by the foregoing restrictions.

Forward-looking statements

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

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

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

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



3 Months Report 2023

Interim condensed consolidated
financial statements

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AND 31 MARCH 2023 (Euros)

	NOTES	31.12.2022	Unaudited 31.03.2023
ASSETS			
Non-current assets			
Tangible fixed assets	4	303,205,780	295,299,824
Investment properties	6	6,183,979	6,131,870
Intangible assets	5	69,408,609	68,435,401
Goodwill		80,256,739	80,256,739
Investments in associated companies		481	481
Other investments		961,394	961,394
Financial assets at fair value through profit or loss		26,219,905	24,191,223
Debt securities at amortised cost	8	409,388,745	389,667,099
Other non-current assets		1,177,648	1,263,351
Credit to banking clients	10	1,287,676,223	1,321,260,064
Other banking financial assets	9	961,446	350,503
Deferred tax assets	26	67,823,608	67,202,432
Total non-current assets		2,253,264,557	2,255,020,381
Current assets			
Inventories		8,040,976	7,980,392
Accounts receivable		147,130,876	147,265,207
Credit to banking clients	10	489,888,789	461,378,817
Income taxes receivable	23	1,102,700	8,268
Prepayments	11	9,011,875	12,325,811
Financial assets at fair value through profit or loss		26,478,525	26,587,722
Debt securities at amortised cost	8	128,391,899	153,094,006
Other current assets		76,482,423	79,649,948
Other banking financial assets	9	461,226,081	413,492,323
Cash and cash equivalents	12	456,469,298	589,008,781
		1,804,223,442	1,890,791,275
Non-current assets held for sale		200	200
Total current assets		1,804,223,642	1,890,791,475
Total assets		4,057,488,199	4,145,811,856
EQUITY AND LIABILITIES			
Equity			
Share capital	14	72,675,000	72,675,000
Own shares	15	(10,826,390)	(10,826,390)
Reserves	15	53,844,057	53,844,057
Retained earnings	15	64,647,067	101,046,457
Other changes in equity	15	6,857,207	6,857,207
Net profit		36,406,519	16,135,054
Equity attributable to equity holders		223,603,460	239,731,385
Non-controlling interests		1,326,016	1,309,603
Total equity		224,929,476	241,040,988
Liabilities			
Non-current liabilities			
Medium and long term debt	18	136,197,923	171,830,497
Employee benefits		185,257,617	183,702,998
Provisions	19	12,632,267	12,270,479
Debt securities issued at amortised cost	21	445,226,206	425,859,137
Prepayments	11	260,886	258,086
Deferred tax liabilities	26	9,847,476	9,249,242
Total non-current liabilities		789,422,375	803,170,439
Current liabilities			
Accounts payable	20	525,211,751	618,274,282
Banking clients' deposits and other loans	22	2,245,329,918	2,210,279,108
Employee benefits		22,091,681	21,734,607
Income taxes payable	23	—	4,432,006
Short term debt	18	59,756,744	51,473,567
Financial liabilities at fair value through profit or loss		26,344,517	24,262,400
Debt securities issued at amortised cost	21	351,654	433,097
Prepayments	11	3,678,140	10,812,581
Other current liabilities		114,161,276	127,873,138
Other banking financial liabilities	9	46,210,667	32,025,643
Total current liabilities		3,043,136,348	3,101,600,429
Total liabilities		3,832,558,723	3,904,770,868
Total equity and liabilities		4,057,488,198	4,145,811,856

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2022 AND 31 MARCH 2023

Euros

	NOTES	Unaudited 31.03.2022	Unaudited 31.03.2023
Sales and services rendered	3	209,578,237	210,190,917
Financial margin		16,407,396	22,011,867
Other operating income		8,759,838	9,588,593
		234,745,471	241,791,377
Cost of sales		(25,473,870)	(4,905,904)
External supplies and services		(85,939,317)	(85,638,490)
Staff costs	24	(92,018,805)	(98,058,994)
Impairment of accounts receivable, net		(1,281,248)	(1,665,205)
Impairment of other financial banking assets		(3,780,615)	(6,283,772)
Provisions, net	19	(658,302)	(22,203)
Depreciation/amortisation and impairment of investments, net		(15,379,662)	(14,830,212)
Net gains/(losses) of assets and liabilities at fair value through profit or loss		3,805,592	147,633
Other operating costs		(4,695,853)	(5,599,817)
Gains/losses on disposal/ remeasurement of assets		44,392	24,992
		(225,377,688)	(216,831,972)
		9,367,783	24,959,405
Interest expenses	25	(2,199,332)	(3,486,309)
Interest income	25	111,114	375,321
Gains/losses in subsidiary, associated companies and joint ventures		(40,649)	(6,480)
		(2,128,867)	(3,117,468)
Earnings before taxes		7,238,916	21,841,937
Income tax for the period	26	(1,826,317)	(5,716,167)
Net profit for the period		5,412,599	16,125,770
Net profit for the period attributable to:			
Equity holders		5,388,750	16,135,054
Non-controlling interests		23,851	(9,285)
Earnings per share:	17	0.04	0.11

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2022 AND 31 MARCH 2023

Euros

	NOTES	Unaudited 31.03.2022	Unaudited 31.03.2023
Net profit for the period		5,412,599	16,125,770
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	19,392	(7,128)
Changes to fair value reserves	15	(1,398)	—
Other changes in equity		19,392	(7,128)
Other comprehensive income for the period after taxes		37,386	(14,256)
Comprehensive income for the period		5,449,985	16,111,513
Attributable to non-controlling interests		43,243	(16,414)
Attributable to shareholders of CTT		5,406,744	16,127,927

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 2022 AND 31 MARCH 2023

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 31 December 2021		75,000,000	(6,404,963)	67,078,351	(43,998,612)	43,904,074	38,404,113	563,106	174,546,069
Capital Decrease		(2,325,000)	17,152,548	(14,827,548)	—	—	—	—	—
Appropriation of net profit for the year of 2021		—	—	—	—	38,404,113	(38,404,113)	—	—
Dividends		—	—	—	—	(17,656,441)	—	—	(17,656,441)
Acquisition of own shares	15	—	(21,573,976)	—	—	—	—	—	(21,573,976)
Share plan	15	—	—	1,620,000	—	—	—	—	1,620,000
		(2,325,000)	(4,421,428)	(13,207,548)	—	20,747,671	(38,404,113)	—	(37,610,417)
Other movements	15	—	—	—	—	—	—	827,244	827,244
Actuarial gains/losses - Health Care, net from deferred taxes	15	—	—	—	50,855,819	—	—	—	50,855,819
Changes to fair value reserves	15	—	—	(26,746)	—	—	—	—	(26,746)
Adjustments from the application of the equity method	15	—	—	—	—	(4,678)	—	—	(4,678)
Net profit for the period		—	—	—	—	—	36,406,519	(64,334)	36,342,185
Comprehensive income for the period		—	—	(26,746)	50,855,819	(4,678)	36,406,519	762,910	87,993,824
Balance on 31 December 2022		72,675,000	(10,826,390)	53,844,057	6,857,207	64,647,067	36,406,519	1,326,016	224,929,476
Appropriation of net profit for the year of 2022		—	—	—	—	36,406,519	(36,406,519)	—	—
		—	—	—	—	36,406,519	(36,406,519)	—	—
Other movements	15	—	—	—	—	—	—	(7,128)	(7,128)
Adjustments from the application of the equity method	15	—	—	—	—	(7,128)	—	—	(7,128)
Net profit for the period		—	—	—	—	—	16,135,054	(9,285)	16,125,770
Comprehensive income for the period		—	—	—	—	(7,128)	16,135,054	(16,413)	16,111,514
Balance on 31 March 2023		72,675,000	(10,826,390)	53,844,057	6,857,207	101,046,457	16,135,054	1,309,603	241,040,988

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2022 AND 31 MARCH 2023

Euros

	NOTES	Unaudited 31.03.2022	Unaudited 31.03.2023
Cash flow from operating activities			
Collections from customers		208,445,349	223,437,428
Payments to suppliers		(123,965,452)	(112,232,332)
Payments to employees		(72,504,968)	(75,517,392)
Banking customer deposits		44,920,394	(35,827,082)
Credit to bank clients		(52,144,212)	(10,122,242)
Cash flow generated by operations		4,751,111	(10,261,620)
Payments/receivables of income taxes		31,238	(99,345)
Other receivables/payments		(45,418,458)	101,011,986
Cash flow from operating activities (1)		(40,636,109)	90,651,021
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		3,360	3,360
Financial investments		2	—
Investment in securities at fair value through other comprehensive income	8	1,470,500	—
Investment in securities at amortised cost	8	187,881,491	—
Demand deposits at Bank of Portugal		—	23,185,900
Applications at the Central Bank		—	48,200,000
Other banking financial assets	9	2,335,000	5,320,000
Interest income		16,917	466,601
Payments resulting from:			
Tangible fixed assets		(4,466,844)	(2,826,513)
Intangible assets		(7,075,478)	(5,850,504)
Investment in securities at fair value through other comprehensive income	8	(1,146,911)	—
Investment in securities at amortised cost	8	(233,643,726)	(4,933,000)
Demand deposits at Bank of Portugal		(1,325,700)	—
Other banking financial assets	9	(3,250,000)	(4,200,000)
Cash flow from investing activities (2)		(59,201,389)	59,365,844
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained	18	33,934,486	73,388,066
Payments resulting from:			
Loans repaid	18	(34,189,027)	(38,878,904)
Interest expenses		(101,654)	(242,811)
Confirming	18	(3,636,486)	—
Lease liabilities	18	(7,990,527)	(8,868,615)
Debt securities issued at amortised cost	9	(4,081,971)	(19,363,764)
Acquisition of own shares	15	(1,628,781)	—
Cash flow from financing activities (3)		(17,693,960)	6,033,972
Net change in cash and cash equivalents (1+2+3)		(117,531,458)	156,050,837
Cash and equivalents at the beginning of the period		856,957,546	410,798,975
Cash and cash equivalents at the end of the period	12	739,426,088	566,849,811
Cash and cash equivalents at the end of the period		739,426,088	566,849,811
Sight deposits at Bank of Portugal		21,263,500	—
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		5,503,166	22,185,121
Impairment of sight and term deposits		(6,762)	(26,151)
Cash and cash equivalents (Balance sheet)		766,185,993	589,008,781

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

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the interim condensed consolidated financial statements

(Amounts expressed in Euros)

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1. Introduction

CTT – Correios de Portugal, S.A. (“CTT” or “Company”), with head office at Avenida dos Combatentes, 43, 14th floor, 1643-001 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-organisations 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 onward, 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.

At the meeting of the Company's Board of Directors held on 16 March 2022, it was unanimously decided to approve the implementation of a Buy-back programme for the Company's own shares, including the related terms and conditions, with the sole purpose of reducing the Company's share capital through the cancellation of shares acquired under the aforementioned programme, subject to prior approval by the General Meeting.

At the General Meeting held on 21 April 2022, a resolution was approved regarding the maximum number of shares to be acquired under the Buy-back Programme.

Subsequently, on 7 November 2022, the Company's share capital reduction in the amount of 2,325,000 euros, through the cancellation of 4,650,000 shares representing 3.1% of the share capital, was registered in the Commercial Register Office, with the Company's share capital to be composed of 145,350,000 shares with the nominal value of 0.50 Euros each.

The financial statements attached herewith are expressed in Euros, as this is the main currency of the Group's operations.

The shares of CTT are listed on Euronext Lisbon.

These financial statements were approved by the Board of Directors and authorised for issue on 4 May 2023.

2. Significant accounting policies

The accounting policies adopted, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2022, except for the new standards and amendments effective from 1 January 2023.

2.1 New standards or amendments adopted by the Group

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

- **IFRS 17 - Insurance Contracts** - IFRS 17 applies to all insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as some guarantees and some financial instruments with discretionary participation features. In general terms, IFRS 17 provides an accounting model for insurance contracts that is more useful and more consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
- **Amendments to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information** - This amendment to IFRS 17 refers to the presentation of comparative information on financial assets in the initial application of IFRS 17.

The amendment adds a transition option that allows an entity to apply an “overlay” in the classification of a financial asset in the comparative period(s) presented in the initial application of IFRS 17. The “overlay” allows all financial assets, including those held in connection with non-contract activities within the scope of IFRS 17, to be classified on an instrument-by-instrument basis in the comparative period(s) in line with how the entity expects these assets to be classified in the initial application of IFRS 9.

- **Amendments to IAS 1 – Disclosure of Accounting Policies** - These amendments are intended to assist the entity in the disclosure of 'material' accounting policies, previously designated as 'significant' policies. However, due to the non-existence of this concept in the IFRS standards, it was decided to substitute the concept “materiality”, a concept already known by the users of the financial statements. When assessing the materiality of accounting policies, the entity must consider not only the size of transactions but also other events or conditions and their nature.
- **Amendments to IAS 8 – Definition of accounting estimates** - The amendment clarifies the distinction between changes in accounting estimates, changes in accounting policy and the correction of errors. Additionally, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.

- **Amendments to IAS 12** – Deferred tax relating to assets and liabilities arising from a single transaction.

The amendment clarifies that payments that settle a liability are tax deductible, however it is a matter of professional judgment whether such deductions are attributable to the liability that is recognised in the financial statements or to the related asset. This is important in determining whether there are temporary differences in the initial recognition of the asset or liability.

Thus, the initial recognition exception is not applicable to transactions that gave rise to equal taxable and deductible temporary differences. It is only applicable if the recognition of an active lease and a passive lease gives rise to taxable and deductible temporary differences that are not equal.

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

2.2 Basis of preparation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2023, and in accordance with IAS 34 - Interim Financial Reporting.

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

3. Segment reporting

In accordance with IFRS 8, the Group discloses the segment financial reporting.

The Board of Directors regularly reviews segmental reports, using them to assess and communicate each segment performance, as well as to decide on how to allocate resources.

The business of CTT is organised in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, S.A., New Spring Services S.A., CTT IMO - Sociedade Imobiliária, S.A. MedSpring, S.A., CTT IMO Yield, S.A., CTT Services, S.A and CTT, S.A. excluding:
 - Business related to postal financial services and retail products - Financial Services & Retail;
 - The business of payments related with collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.
- **Express & Parcels** – includes CTT Expresso S.A., CORRE S.A., Fundo Inovação Techtree and Open Lockers, S.A.;
- **Financial Services & Retail** - Postal Financial Services and the sale of products and services in the retail network of CTT, S.A.;
- **Bank** – Banco CTT S.A., S.A., Payshop S.A., 321 Crédito S.A. and CTT's payment business (mentioned above).

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

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

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

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the several operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices. The Mail segment provides internal services essentially related to the retail network (included in the Mail segment). Additionally, the Financial Services Segment uses the Retail network to sell its products. The use of the Retail network by other segments, as Express & Parcels and CTT Bank is, equally, presented in the line "Internal Services Rendered".

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of the three months of 2022 and 2023 are as follows:

Thousand Euros	31.03.2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	133,466	61,348	11,889	28,042	234,745
Sales and services rendered	132,460	61,240	11,760	4,118	209,578
<i>Sales</i>	23,304	32	3,269	—	26,605
<i>Services rendered</i>	109,156	61,208	8,491	4,118	182,973
Financial Margin	—	—	—	16,407	16,407
Other operating income	1,006	108	129	7,517	8,760
Operating costs - EBITDA	126,645	56,789	6,632	22,633	212,699
Staff costs	77,343	7,318	250	6,895	91,806
External supplies and services	26,933	48,752	571	9,066	85,322
Other costs	23,978	656	3,231	1,987	29,852
Impairment and provisions	581	530	390	4,219	5,720
Internal services rendered	(2,190)	(467)	2,190	466	(1)
EBITDA	6,821	4,559	5,257	5,409	22,046
Depreciation/amortisation and impairment of investments, net	10,121	3,224	25	2,010	15,380
EBIT recurring	(3,300)	1,335	5,232	3,399	6,666
Specific items	759	170	—	(3,631)	(2,702)
<i>Business restructurings</i>	133	81	—	—	214
<i>Strategic studies and projects costs</i>	377	62	—	—	439
<i>Other non-recurring income and expenses</i>	249	27	—	(3,631)	(3,355)
EBIT	(4,059)	1,165	5,232	7,030	9,368
Financial results					(2,129)
<i>Interest expenses</i>					(2,199)
<i>Interest income</i>					111
Gains/losses in subsidiary, associated companies and joint ventures					(41)
Earnings before taxes (EBT)					7,239
Income tax for the period					1,826
Net profit for the period					5,413
Non-controlling interests					24
Equity holders of parent company					5,389

Thousand Euros	31.03.2023				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	114,352	64,660	28,723	34,057	241,791
Sales and services rendered	113,006	64,448	28,283	4,453	210,191
<i>Sales</i>	2,360	—	2,440	—	4,799
<i>Services rendered</i>	110,647	64,448	25,844	4,453	205,392
Financial Margin	—	—	—	22,012	22,012
Other operating income	1,345	212	440	7,591	9,589
Operating costs - EBITDA	102,171	60,450	10,611	27,730	200,962
Staff costs	80,034	8,761	1,246	7,689	97,730
External supplies and services	22,725	51,100	393	10,632	84,850
Other costs	4,861	550	2,608	2,393	10,411
Impairment and provisions	930	593	7	6,441	7,971
Internal services rendered	(6,378)	(553)	6,357	575	—
EBITDA	12,180	4,210	18,113	6,327	40,830
Depreciation/amortisation and impairment of investments, net	9,496	3,543	33	2,068	15,139
EBIT recurring	2,684	667	18,080	4,259	25,691
Specific items	644	140	—	(54)	731
<i>Business restructurings</i>	180	150	—	—	330
<i>Strategic studies and projects costs</i>	691	—	—	—	691
<i>Other non-recurring income and expenses</i>	(227)	(10)	—	(54)	(290)
EBIT	2,040	527	18,080	4,313	24,959
Financial results					(3,118)
<i>Interest expenses</i>					(3,486)
<i>Interest income</i>					375
Gains/losses in subsidiary, associated companies and joint ventures					(7)
Earnings before taxes and non-controlling interests (EBT)					21,842
Income tax for the period					5,716
Net profit for the period					16,126
Non-controlling interests					(9)
Equity holders of parent company					16,135

As at 31 March 2023, the specific items amounted to 0.7 million euros, are due to: (i) restructuring costs, namely suspension agreements of employment contracts (+€0.3m); (ii) strategic projects (+€0.7m); (iii) the change of head office building (-€0.2m); and (iv) gross gains from the appreciation of contracted derivatives (-€0.1m).

The revenues are detailed as follows:

Thousand Euros	31.03.2022	31.03.2023
Mail	133,466	114,352
Transactional mail	89,756	92,029
Editorial mail	3,119	3,135
Parcels (USO)	1,748	1,966
Advertising mail	4,216	3,058
Philately	1,069	991
Business Solutions	32,179	11,365
Other	1,380	1,809
Express & Parcels	61,348	64,660
Portugal	30,992	33,890
Parcels	27,647	30,649
Cargo	1,414	1,048
Banking network	1,080	1,076
Logistics	675	864
Other	176	253
Spain	29,548	29,720
Mozambique	809	1,050
Financial Services & Retail	11,889	28,723
Savings & Insurance	6,051	23,616
Money orders	1,417	1,121
Payments	196	239
Retail	4,128	3,422
Other	97	325
Bank	28,042	34,057
Net interest income	16,407	22,012
Interest income (+)	17,479	26,756
Interest expense (-)	(1,072)	(4,744)
Fees & commissions income (+)	10,743	11,211
Credits	1,378	1,210
Savings & Insurance	1,906	2,062
Accounts and Cards	3,014	3,339
Payments	4,418	4,571
Other commissions received	27	29
Other	892	834
	234,745	241,791

The revenue detail, related to sales and services rendered and financial margin, for the three-months periods ended 31 March 2022 and 31 March 2023, by revenue sources, are detailed as follows:

Nature	31.03.2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	128,035,512	—	—	—	128,035,512
Express services	—	61,240,267	—	—	61,240,267
Merchandising products sales	—	—	411,429	—	411,429
PO Boxes	—	—	385,136	—	385,136
International mail services (*)	4,424,838	—	—	—	4,424,838
Financial Services fees	—	—	10,963,008	20,525,444	31,488,452
"Sales and Services rendered" and "Financial Margin" total	132,460,350	61,240,267	11,759,573	20,525,444	225,985,634

(*) Inbound Mail

Nature	31.03.2023				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	108,835,879	—	—	—	108,835,879
Express services	—	64,447,868	—	—	64,447,868
Merchandising products sales	—	—	316,575	—	316,575
PO Boxes	—	—	451,413	—	451,413
International mail services (*)	4,170,521	—	—	—	4,170,521
Financial Services fees	—	—	27,515,280	26,465,250	53,980,530
"Sales and Services rendered" and "Financial Margin" total	113,006,400	64,447,868	28,283,268	26,465,250	232,202,786

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	31.12.2022					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	29,226,579	7,734,013	364,038	25,708,809	6,375,169	69,408,609
Tangible fixed assets	213,252,192	81,844,891	36,878	5,452,949	2,618,871	303,205,780
Investment properties	—	—	—	—	6,183,979	6,183,979
Goodwill	16,216,237	2,955,753	—	61,084,749	—	80,256,739
Deferred tax assets	—	—	—	—	67,823,608	67,823,608
Accounts receivable	—	—	—	—	147,130,876	147,130,876
Credit to bank clients	—	—	—	1,777,565,012	—	1,777,565,012
Financial assets at fair value through profit or loss	—	—	—	52,698,430	—	52,698,430
Debt securities at amortised cost	—	—	—	537,780,644	—	537,780,644
Other banking financial assets	—	—	—	462,187,527	—	462,187,527
Other assets	10,775,826	25,379,275	11,326,793	35,289,719	14,005,884	96,777,497
Cash and cash equivalents	—	23,442,625	—	130,359,498	302,667,177	456,469,298
Non-current assets held for sale	—	—	—	200	—	200
	269,470,834	141,356,557	11,727,709	3,088,127,536	546,805,564	4,057,488,199

Assets (Euros)	31.03.2023					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	31,809,512	8,699,295	364,869	24,846,783	2,714,941	68,435,401
Tangible fixed assets	207,695,059	80,189,927	29,954	5,348,403	2,036,481	295,299,824
Investment properties	—	—	—	—	6,131,870	6,131,870
Goodwill	16,216,237	2,955,753	—	61,084,749	—	80,256,739
Deferred tax assets	—	—	—	—	67,202,432	67,202,432
Accounts receivable	—	—	—	—	147,265,207	147,265,207
Credit to bank clients	—	—	—	1,782,638,881	—	1,782,638,881
Financial assets at fair value through profit or loss	—	—	—	50,778,945	—	50,778,945
Debt securities at amortised cost	—	—	—	542,761,105	—	542,761,105
Other banking financial assets	—	—	—	413,842,826	—	413,842,826
Other assets	11,677,847	27,047,687	7,971,430	35,248,930	20,243,752	102,189,645
Cash and cash equivalents	—	29,158,980	—	101,248,994	458,600,807	589,008,781
Non-current assets held for sale	—	—	—	200	—	200
	267,398,655	148,051,642	8,366,253	3,017,799,816	704,195,490	4,145,811,856

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

	31.12.2022					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	10,687,971	3,967,727	125,669	3,897,385	—	18,678,753
Tangible fixed assets	20,153,598	23,903,875	—	1,561,666	458,948	46,078,087
	30,841,569	27,871,602	125,669	5,459,051	458,948	64,756,839

	31.03.2023					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	833,997	1,324,126	20,015	878,290	—	3,056,429
Tangible fixed assets	1,037,898	1,422,120	—	224,413	—	2,684,432
	1,871,895	2,746,247	20,015	1,102,703	—	5,740,860

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

- “Intangible assets” (2,714,941 Euros): the unallocated amount is related to part of the intangible assets in progress, which are allocated to the underlying segment in the moment they become firm assets;
- “Tangible fixed assets” (2,036,481 Euros): This amount corresponds to a part of the tangible fixed assets in progress and advances payments to suppliers, which are allocated to the related segment at the time of the transfer to firm assets;
- “Investment properties” (6,131,870 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- “Deferred tax assets” (67,202,432 Euros): These assets are mainly comprised of deferred tax assets associated with employee benefits, being those related to the CTT, S.A. Health Plan the most relevant amount, as detailed in note 26 - Income tax for the period. CTT, S.A. is allocated to different segments, as already mentioned, the allocation of these assets to the different segments does not seem possible to be carried out reliably;
- “Accounts receivables” (147,265,207 Euros): This amount cannot be allocated, due to the existence of multi-products customers, whose receivable amounts correspond to more than one segment;
- “Other assets” (20,243,752 Euros): This amount is mainly related to investments in associated companies and investments in joint ventures, that are not allocated to the operating activity, which is why they are not allocated to any segment, as well as some captions of prepayments and other current and non-current assets, mostly related to CTT S.A., which are allocated to different segments and this allocation is not possible to be carried out reliably;
- “Cash and cash equivalents (458,600,807 Euros): the unallocated amount is related, essentially, to the cash and cash equivalents of CTT S.A., as this company concentrates the business segments’ Mail, Financial Services & Retail and Bank, and it is not possible to split the amounts of cash and bank deposits by each CTT’s businesses.

Debt by segment is detailed as follows:

	31.12.2022				
Other information (Euros)	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	86,221,715	47,207,447	14,320	2,754,441	136,197,923
Bank loans	40,706,101	—	—	—	40,706,101
Lease liabilities	45,515,614	47,207,447	14,320	2,754,441	95,491,822
Current debt	43,016,079	15,550,912	18,221	1,171,532	59,756,744
Bank loans	21,588,169	7,783,898	—	—	29,372,066
Lease liabilities	21,427,911	7,767,015	18,221	1,171,532	30,384,678
	129,237,794	62,758,359	32,541	3,925,972	195,954,667

Other information (Euros)	31.03.2023				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	124,478,660	44,787,924	10,703	2,553,211	171,830,497
Bank loans	47,717,982	—	—	—	47,717,982
Commercial Paper	34,923,258	—	—	—	34,923,258
Lease liabilities	41,837,419	44,787,924	10,703	2,553,211	89,189,257
Current debt	34,480,549	15,870,728	17,296	1,104,994	51,473,567
Bank loans	14,804,858	7,796,857	—	—	22,601,716
Commercial Paper	(114,824)	—	—	—	(114,824)
Lease liabilities	19,790,514	8,073,871	17,296	1,104,994	28,986,676
	158,959,208	60,658,652	27,999	3,658,205	223,304,065

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

Thousand Euros	31.03.2022	31.03.2023
Revenue - Portugal	167,880	163,339
Revenue - other countries	41,698	46,852
	209,578	210,191

The revenue rendered in other countries, includes the revenue from the Express & Parcels rendered in Spain by CTT Expresso branch in this country, in the amount of 28,413 thousand Euros (31 March 2022: 28,352 thousands of euros).

4. Tangible fixed assets

During the year ended 31 December 2022 and the three-months period ended 31 March 2023, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, were as follows:

	31.12.2022									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,623,210	340,476,500	169,083,615	3,607,398	72,055,630	27,369,691	3,612,902	4,763,076	256,671,618	913,263,640
Acquisitions	—	510,894	4,542,226	175,677	2,448,334	1,112,055	6,899,239	1,008,038	—	16,696,462
New contracts	—	—	—	—	—	—	—	—	32,163,406	32,163,406
Disposals	(14,309)	(209,892)	(761,272)	—	(29,279)	—	—	—	—	(1,014,752)
Transfers and write-offs	—	2,475,616	8,272,318	(135,248)	(191,361)	(74,613)	(6,509,623)	(5,618,537)	(55,207,647)	(56,989,095)
Remeasurements	—	—	—	—	—	—	—	—	23,981,383	23,981,383
Adjustments	—	1,332	22,017	1,676	24,510	160,119	16,292	—	(4,192)	221,754
Closing balance	35,608,901	343,254,451	181,158,903	3,649,503	74,307,835	28,567,252	4,018,810	152,577	257,604,568	928,322,799
Accumulated depreciation										
Opening balance	3,562,627	229,858,304	138,852,469	3,441,543	66,789,717	21,267,005	—	—	153,184,938	616,956,602
Depreciation for the period	—	9,017,208	7,044,204	62,669	1,717,246	1,377,100	—	—	29,389,515	48,607,942
Disposals	(824)	(137,555)	(760,152)	—	(18,325)	—	—	—	—	(916,856)
Transfers and write-offs	—	(68,992)	(89,374)	—	(191,361)	(74,921)	—	—	(43,177,040)	(43,601,687)
Adjustments	—	526	65,316	1,429	2,300	1,547	—	—	347,773	418,891
Closing balance	3,561,803	238,669,491	145,112,462	3,505,640	68,299,578	22,570,731	—	—	139,745,187	621,464,892
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Increases	—	218,840	—	—	—	(3,335)	—	—	3,417,162	3,632,667
Closing balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Net Tangible fixed assets	32,047,098	104,366,119	36,046,441	143,862	6,008,257	5,980,396	4,018,810	152,577	114,442,220	303,205,780

	31.03.2023									
	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	35,608,901	343,254,451	181,158,903	3,649,503	74,307,835	28,567,252	4,018,810	152,577	257,604,568	928,322,799
Acquisitions	—	133,007	759,864	—	174,648	325,166	1,082,384	18,583	—	2,493,653
New contracts	—	—	—	—	—	—	—	—	190,779	190,779
Disposals	—	—	(145,405)	—	—	—	—	—	—	(145,405)
Transfers and write-offs	—	851,264	—	—	97,866	(6,186)	(851,264)	—	(46,420)	45,261
Terminated contracts	—	—	—	—	—	—	—	—	(1,248,177)	(1,248,177)
Remeasurements	—	—	—	—	—	—	—	—	258,451	258,451
Adjustments	—	(517)	(43,452)	(1,124)	(1,024)	(797)	—	—	—	(46,913)
Closing balance	35,608,901	344,238,205	181,729,910	3,648,378	74,579,326	28,885,435	4,249,930	171,160	256,759,201	929,870,446
Accumulated depreciation										
Opening balance	3,561,803	238,669,491	145,112,462	3,505,640	68,299,578	22,570,731	—	—	139,745,187	621,464,892
Depreciation for the period	—	2,488,222	1,137,811	16,732	429,100	364,261	—	—	7,971,548	12,407,673
Disposals	—	—	(145,405)	—	—	—	—	—	—	(145,405)
Transfers and write-offs	—	—	—	—	—	(6,186)	—	—	(32,181)	(38,367)
Terminated contracts	—	—	—	—	—	—	—	—	(1,248,177)	(1,248,177)
Adjustments	—	(231)	(20,943)	(688)	(1,128)	(527)	—	—	59,681	36,165
Closing balance	3,561,803	241,157,481	146,083,925	3,521,684	68,727,551	22,928,279	—	—	146,496,058	632,476,781
Accumulated impairment										
Opening balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Reversals	—	(93,789)	—	—	—	—	—	—	(1,464,498)	(1,558,287)
Closing balance	—	125,052	—	—	—	16,125	—	—	1,952,664	2,093,841
Net Tangible fixed assets	32,047,098	102,955,672	35,645,985	126,694	5,851,775	5,941,031	4,249,930	171,160	108,310,479	295,299,824

The depreciation recorded in the Group amounting to 12,407,673 Euros (11,656,888 Euros on 31 March 2022), is booked under the caption Depreciation/amortisation and impairment of investments, net.

As at 31 March 2023, Land and natural resources and Buildings and other constructions include 450,417 Euros (458,441 Euros as at 31 December 2022), related to land and property in co-ownership with the company MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force (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 by CTT's accounting records and the statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), the entity responsible for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) concludes that CTT's assets do not include any public or private domain assets of the Portuguese State.

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

In the first quarter of 2023, the Group reviewed the useful lives of some classes of tangible fixed assets, of which the following stand out: computer equipment from the office equipment class, essentially extending them from 3 to 6 years; ii) sorting machines, from basic equipment class, essentially extending them from 8 to 15 years; and iii) improvement works on third-party buildings in the Buildings and other constructions class, in which case their useful life was evaluated together with the underlying lease term. The review of the useful life was carried out based on the analysis of the historical average effective use of the assets allocated to the underlying class taking into account their current estimated economic life, as well as the analysis of the useful lives practised for similar assets by the Peer Groups of CTT Group. Changes in useful lives are accounted for prospectively. The impact of this change results in a reduction in depreciation in the three-month period ended 31 March 2023 of 465 thousand euros and an estimated reduction for the year 2023 of 1,830 thousand euros.

During the three-months period ended 31 March 2023, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

The movements associated with acquisitions and transfers concern to capitalisation works in own and third-party buildings in several CTT and CTT Expresso facilities.

Basic equipment:

The amount relating to acquisitions mainly concerns the acquisition of various postal equipment for the amount of 172 thousand Euros by CTT Expresso and the acquisition of lockers for the amount of 295 thousand Euros by Open Lockers.

Office equipment:

The amount relating to acquisitions mainly concerns the acquisition of furniture in the amount of 39 thousand Euros, at CTT, as well as the acquisition of several micro-computer equipment in the amount of 40 thousand Euros and the acquisition of furniture worth 22 thousand Euros at CTT Expresso.

Other tangible fixed assets:

The acquisitions caption essentially includes prevention and safety equipment in the amount of approximately 96 thousand Euros and the acquisition of fixed communication equipment for an approximate amount of 156 thousand Euros at CTT.

Tangible fixed assets in progress and advance payments to suppliers:

Under the tangible fixed assets in progress acquisitions caption and advances payments suppliers are, essentially, booked the work in progress in the new headquarters building - Green Park at CTT.

Rights of Use

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

	31.12.2022			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	221,150,166	33,910,310	1,611,141	256,671,618
New contracts	24,666,056	3,892,932	3,604,418	32,163,406
Transfers and write-offs	(55,627,031)	901,179	(481,795)	(55,207,647)
Remeasurements	23,900,634	80,749	—	23,981,383
Adjustments	(6,272)	2,080	—	(4,192)
Closing balance	214,083,554	38,787,250	4,733,764	257,604,568
Accumulated depreciation				
Opening balance	135,142,142	17,015,249	1,027,547	153,184,938
Depreciation for the period	21,125,315	7,383,869	880,331	29,389,515
Transfers and write-offs	(42,812,311)	(273,521)	(91,208)	(43,177,040)
Adjustments	268,566	79,207	—	347,773
Closing balance	113,723,712	24,204,805	1,816,670	139,745,187
Accumulated impairment				
Opening balance	—	—	—	—
Increases	3,417,162	—	—	3,417,162
Closing balance	3,417,162	—	—	3,417,162
Net Tangible fixed assets	96,942,681	14,582,445	2,917,094	114,442,220

	31.03.2023			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	214,083,554	38,787,250	4,733,764	257,604,568
New contracts	140,342	50,437	—	190,779
Transfers and write-offs	—	(46,420)	—	(46,420)
Terminated contracts	(1,248,177)	—	—	(1,248,177)
Adjustments	258,451	—	—	258,451
Closing balance	213,234,170	38,791,267	4,733,764	256,759,201
Accumulated depreciation				
Opening balance	113,723,712	24,204,805	1,816,670	139,745,187
Depreciation for the period	5,854,572	1,864,314	252,662	7,971,548
Transfers and write-offs	—	(32,181)	—	(32,181)
Terminated contracts	(1,248,177)	—	—	(1,248,177)
Adjustments	59,681	—	—	59,681
Closing balance	118,389,788	26,036,937	2,069,332	146,496,058
Accumulated impairment				
Opening balance	3,417,162	—	—	3,417,162
Reversals	(1,464,498)	—	—	(1,464,498)
Closing balance	1,952,664	—	—	1,952,664
Net Tangible fixed assets	92,891,717	12,754,330	2,664,432	108,310,479

The depreciation recorded, in the amount of 7,971,548 Euros (6,972,133 Euros on 31 March 2022), is booked under the caption "Depreciation/amortisation and impairment of investments, net."

As at 31 December 2022, the caption "Transfers and write-offs" essentially books the adjustment of the right of use associated with the lease agreement of the former CTT headquarters building - Edificio Báltico, following the remeasurement of the underlying liability, carried out within the scope of the decision to change headquarters premises. During 2022, an amendment to the lease in force was identified, embodied in a negotiation process in the pre-completion phase, which i) not being a separate lease; and ii) reducing the lease term, resulted in the adjustment of the right of use corresponding to a gross amount of 52,413 thousand euros and accumulated amortisations in the amount of 40,990 thousand euros, which together with the adjustment of the corresponding lease liability in the amount of 14,847 thousand euros, originated a gain of 3,424 thousand euros recognised under the caption "Gains/losses on sale/remasurement of assets". Additionally, on 31 December 2022, a new amendment to the aforementioned lease agreement was recorded due to a breach of agreed pre-contractual conditions which, once again, i) not being a separate lease; and ii) increasing the lease term, implied the remeasurement and recognition of the liability for the remaining term of the lease contract, in the amount of 14,231 thousand Euros, taking into account the discount rate in force on the date of this new amendment, as well as the corresponding right-of-use asset recognised under "Remeasurements" caption, in the same amount. Also with reference to 31 December 2022, an impairment loss was recognised for the aforementioned right of use, in the amount of 3,636 thousand Euros, corresponding to the period in which there is an expectation that the right of use do not generate economic benefits for the Group because the building is vacant. Additionally, an amount of 4,282 thousand Euros was recognised under the caption "New Contracts", relating to the lease agreement for the new CTT headquarters building – Green Park. As at 31 March 2023, the amount recorded under "reversals" caption corresponds to the contract period that has already elapsed, the impairment being reversed in proportion to the depreciation of the right of use.

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

For the three-months period ended 31 March 2023, no interest on loans was capitalised, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

According to the analysis of impairment triggers as at 31 March 2023, no events or circumstances were identified that indicate that the amount for which the Group's tangible fixed assets are recorded may not be recovered.

Other information

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

1. Yield Portfolio:

As disclosed in a notice to the market on 19 June 2022, CTT is in exclusive negotiations, with a third party, for the management of this portfolio, which essentially comprises (1) the properties associated with the retail network of CTT and (2) warehouses and logistics and distribution centers of CTT's operational network in Portugal. As a result of this negotiation, on 31 October 2022, the company CTT IMO Yield, S.A. was created, with the purpose of holding and managing this income portfolio (note 7).

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

2. Development Portfolio

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

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

The contractual commitments related to Tangible fixed assets at 31 March 2023, amount to 1,683,349 Euros.

5. Intangible assets

During the year ended 31 December 2022 and the three-months period ended 31 March 2023, the movements which occurred in the main categories of the Intangible assets, as well as the respective accumulated amortisation, were as follows:

	31.12.2022					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Acquisitions	—	2,324,541	861,415	—	17,112,475	20,298,431
Transfers and write-offs	—	18,791,615	(114,634)	(1,053,154)	(19,594,954)	(1,971,127)
Adjustments	—	—	24,387	—	50,177	74,564
Other movements - PPA NewSpring Services	—	—	—	1,864,330	—	1,864,330
Closing balance	4,380,552	169,466,935	19,591,397	2,309,070	9,434,984	205,182,938
Accumulated amortisation						
Opening balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Amortisation for the period	1,013	14,211,222	1,572,482	481,118	—	16,265,834
Transfers and write-offs	—	(686,343)	(114,564)	(1,053,154)	—	(1,854,061)
Adjustments	—	—	13,682	—	—	13,682
Closing balance	4,380,552	115,896,437	14,571,483	925,857	—	135,774,330
Accumulated impairment						
Opening balance	—	—	—	—	60,617	60,617
Impairment losses for the period	—	—	—	—	(60,617)	(60,617)
Closing balance	—	—	—	—	—	—
Net intangible assets	—	53,570,497	5,019,914	1,383,213	9,434,984	69,408,609

	31.03.2023					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	169,466,935	19,591,397	2,309,070	9,434,984	205,182,938
Acquisitions	—	1,247,487	165,890	—	1,643,052	3,056,429
Transfers and write-offs	—	6,716,409	—	—	(6,814,326)	(97,917)
Adjustments	—	—	(8,113)	—	—	(8,113)
Closing balance	4,380,552	177,430,831	19,749,174	2,309,070	4,263,710	208,133,337
Accumulated amortisation						
Opening balance	4,380,552	115,896,437	14,571,483	925,857	—	135,774,330
Amortisation for the period	—	3,525,662	312,844	90,210	—	3,928,716
Adjustments	—	—	(5,109)	—	—	(5,109)
Closing balance	4,380,552	119,422,100	14,879,219	1,016,066	—	139,697,936
Accumulated impairment						
Opening balance	—	—	—	—	—	—
Closing balance	—	—	—	—	—	—
Net intangible assets	—	58,008,731	4,869,956	1,293,003	4,263,710	68,435,400

The amortisation for the period ended 31 March 2023, amounting to 3,928,716 Euros (3,670,607 Euros as at 31 March 2022) was recorded under Depreciation / amortisation and impairment of investments, net.

In the first quarter of 2023, the Group reviewed the useful lives of some classes of intangible assets, in particular application software, belonging to the Computer Software class, extending them from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical average effective use of the assets allocated to the underlying class, taking into account their current estimated economic life. Changes in useful lives are accounted for prospectively. The impact of this change

results in a reduction in amortisation in the three-month period ended 31 March 2023 of 551 thousand euros and an estimated reduction for the year 2023 of 1,772 thousand euros.

In the period ended 31 December 2022, the caption “Other movements - PPA NewSpring Services” refers to the customer contracts portfolio acquired as part of the NewSpring Services’ shares acquisition transaction, and determined within the PPA scope (note 7).

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

The transfers occurred in the period ended 31 March 2023 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 2,270,912 Euros and 553,157 Euros were capitalised in computer software and in Intangible assets in progress as at 31 December 2022 and 31 March 2023, respectively, related to staff costs incurred in the development of these projects.

During the period ended 31 March 2023, the most significant movements in Intangible assets were the following:

Computer software:

The acquisitions item essentially includes acquisitions by CTT Espresso of the “Application Integration” software in the amount of 343 thousand Euros, in the “Micro IO” software in the amount of 270 thousand euros, in the “SalesForce” software in the amount of 247 thousand Euros.

Industrial property:

The acquisitions item essentially includes the acquisitions, by CTT, of “Desk Management” licenses in the amount of 161 thousand Euros.

The intangible assets in progress as at 31 March 2023 refer to IT projects that are being developed, the most significant being the following:

	31.03.2023
ERP - SAP Success Factors	707,489
New Ecosystem Operations - Software	403,940
Client Area B2B - Software	374,842
Client Area B2C - Software	271,453
Gateway	261,472
	2,019,196

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

Most of the projects are expected to be completed in 2023.

Regarding the economic period of 2022, the Group are still identifying and quantifying the expenses incurred, as disclosed in Note 26.

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

In the three-months period ended 31 March 2023, no interest on loans was capitalised, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

Contractual commitments related intangible assets at 31 March 2023, amount to 3,983,665 Euros.

6. Investment properties

During the year ended 31 December 2022 and the three-months period ended 31 March 2023, the Group has the following assets classified as properties:

	31.12.2022		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,889,422	11,230,168	14,119,589
Disposals	(27,175)	(177,275)	(204,450)
Closing balance	2,862,247	11,052,892	13,915,139
Accumulated depreciation			
Opening balance	158,649	7,240,580	7,399,229
Depreciation for the period	—	210,263	210,263
Disposals	(3,081)	(128,433)	(131,513)
Closing balance	155,569	7,322,410	7,477,979
Accumulated impairment			
Opening balance	—	392,936	392,936
Impairment for the period	—	(139,754)	(139,754)
Closing balance	—	253,181	253,181
Net Investment properties	2,706,679	3,477,300	6,183,979

	31.03.2023		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,862,247	11,052,892	13,915,139
Closing balance	2,862,247	11,052,892	13,915,139
Accumulated depreciation			
Opening balance	155,569	7,322,410	7,477,979
Depreciation for the period	—	52,110	52,110
Closing balance	155,569	7,374,520	7,530,088
Accumulated impairment			
Opening balance	—	253,181	253,181
Closing balance	—	253,181	253,181
Net Investment properties	2,706,679	3,425,191	6,131,870

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

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2022 which were conducted by independent entities, amounts to 10,200,003 Euros.

The depreciation for the three-months period ended 31 March 2023, of 52,110 Euros (53,148 Euros on 31 March 2022) was recorded in the caption Depreciation/amortisation and impairment of investments, net.

For the three-months period ended 31 March 2023, the rents amount charged by the Group for properties and equipment leases classified as investment properties was 8,184 Euros (31 March 2022: 9,769 Euros).

7. Companies included in the consolidation

Subsidiary companies

As at 31 December 2022 and 31 March 2023, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries were included in the consolidation:

Company name	Place of business	Head office	31.12.2022			31.03.2023		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
<u>Parent company:</u>								
CTT - Correios de Portugal, S.A.	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	—	—	—	—	—
<u>Subsidiaries:</u>								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
CTT Soluções Empresariais, S.A. ("CTT Sol")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edifício 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Moçambique	50	—	50	50	—	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Building Atrium Saldanha 1 Floor 3 1050 -094 Lisbon	100	—	100	100	—	100
Fundo Inovação TechTree ("TechTree")	Portugal	Av Conselheiro Fernando de Sousa, 19 13º Esq 1070-072 Lisboa	60	40	100	60	40	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Avenida da Boavista, Nr 772, 1.º, Boavista Prime Bulding 4100-111 Oporto	—	100	100	—	100	100
NewSpring Services, S.A. ("NSS")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT IMO - Sociedade Imobiliária, S.A. ("CTTi")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Open Lockers, S.A. ("Lock")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	66	66	—	66	66
MedSpring, S.A. ("Med")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT Services, S.A. ("Serv")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT Imo Yield, S.A. ("IMOY")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100

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

On 26 January 2022, CTT IMO was subject to a capital increase in the form of supplementary capital in the amount of 7,150,000 Euros.

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

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

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

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

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

As part of a corporate reorganisation in the Group, on 8 July 2022 the Board of Directors of Banco CTT approved the sale of its subsidiary Payshop Portugal, and its terms, to CTT - Correios de Portugal, S.A., with its implementation is still dependent on the contract signature with the buyer and the non-opposition of the regulator, which is expected to occur within 1 year. Therefore, as at 31 March 2023, at the level of the individual and consolidated accounts of Banco CTT, Payshop's assets and liabilities are classified as discontinued assets and liabilities. This reclassification does not, however, have an impact on the consolidated accounts of the CTT group.

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

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

On 30 November 2022, the company CTT Services, S.A., owned by CTT Soluções Empresariais, was established, whose corporate purpose is to provide backoffice technical services, advice, support and logistical support for technological activities and document processing and production, the provision of services and "Know-how" to companies in the area of new technologies, as well as the provision of services in the area of technical and commercial support, software development, information technology projects and consultancy for carrying out studies and IT advisory .

On 29 March 2023, Open Lockers was subject to a capital increase in the form of supplementary capital in the amount of 396,000 Euros.

Joint ventures

As at 31 December 2022 and 31 March 2023, the Group held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	31.12.2022			31.03.2023		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	—	49	49	—	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	—	51	51	—	51
Wolfspring, ACE	Portugal	Urbanização do Passil, nº100-A 2890-852 Alcochete	—	50	50	—	50	50

On 13 January 2022, the investment in Mktplace - Comércio Eletrônico, S.A., (Dott) (corresponding to 50% of the share capital of the entity), was sold to Worten - Equipamentos para o Lar, S.A., holder of the remaining shareholder participation.

Associated companies

As at 31 December 2022 and 31 March 2023, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	31.12.2022			31.03.2023		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL ^(a)	Espanha	Castellon - Espanha	—	25	25	—	25	25
Urpacsur, SL ^(a)	Espanha	Málaga - Espanha	—	30	30	—	30	30

^(a) Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline 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	Consolidation Method
Ulisses Finance No.1 (*)	2017	Portugal	Full
Ulisses Finance No.2 (*)	2021	Portugal	Full
Ulisses Finance No.3 (*)	2022	Portugal	Full
Chaves Funding No.8 (*)	2019	Portugal	Full
Next Funding No.1 (*)	2021	Portugal	Full

(*) Entities incorporated within the scope of securitisation operations, recorded in the consolidated financial statements in accordance with the Group's continued involvement, determined based on the holding of residual interests (equity piece or excess spread) of the respective vehicles and to the extent that the Group holds substantially the risks and rewards associated with the underlying assets and has the ability to affect these same risks and rewards..

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

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

	31.12.2022	31.03.2023
Cash and cash equivalents	22,640,074	23,032,455
Financial assets at fair value through profit and loss (Derivatives)	26,219,905	24,191,223
Financial assets at amortised cost - Credit to banking clients - Credit Cards (Note 10)	353,815,583	321,815,857
Financial assets at amortised cost (Credit to banking clients - Other receivables)	(40,672,436)	(37,619,908)
Financial assets at amortised cost (Debt securities)	(319,776,400)	(292,797,469)

Changes in the consolidation perimeter

On 16 June 2021, CTT, through its subsidiary CTT Soluções Empresariais, S.A., entered into a purchase agreement for the entire share capital of NewSpring Services, S.A. and its holding company HCCM – Outsourcing Investment, which operate in the Business Process Outsourcing (BPO) and Contact Center market. The Purchase Price Allocation (PPA), which was in progress on 31 December 2021, was concluded during the financial year of 2022, as provided for in IFRS 3 – Business combinations.

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

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

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

The contingent components related to the contractually established earnouts, and with reference to 31 December 2022, were already materialised, with no discrepancies from the initial estimate having been found.

The goodwill is mainly attributable to the skills of NewSpring Services' human capital and the synergies expected to be achieved with the integration of the company into the Group's existing businesses.

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

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

In the period ended 31 December 2022, the entities MedSpring, S.A., CTT IMO Yield, S.A. e CTT Services, S.A. were established and the structured entity Ulisses Finance no.3 was created, having both integrated the consolidation perimeter. The company HCCM - Outsourcing Investment, S.A. was merged by incorporation into the company CTT Soluções Empresariais, S.A., through the global transfer of the assets of the acquired company to the acquiring company, and subsequent extinction of the incorporated company, with reference to 1 January 2022.

During three-months period ended 31 March 2023, there were no changes in the consolidation perimeter.

8. Debt securities

As at 31 December 2022 and 31 March 2023, the caption Debt securities, showed the following composition:

	31.12.2022	31.03.2023
Non-current		
Financial assets at amortised cost		
Government bonds	409,510,672	389,783,050
Impairment	(121,927)	(115,951)
	409,388,745	389,667,099
Current		
Financial assets at amortised cost		
Government bonds	128,401,573	153,104,683
Impairment	(9,674)	(10,677)
	128,391,899	153,094,006
	537,780,644	542,761,105
	537,780,644	542,761,105

The financial assets at amortised cost are managed based on a business model whose objective is to receive its contractual cash flows.

The analysis of the Financial assets at amortised cost, by remaining maturity, as at 31 December 2022 and 31 March 2023 is detailed as follows:

				31.12.2022			

The impairment losses, for the year ended 31 December 2022 and three-months period ended 31 March 2023, are detailed as follows:

31.12.2022						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	2,572	—	(2,572)	—	—	—
Financial assets at amortised cost	111,953	39,065	(28,784)	—	(307)	121,927
	114,525	39,065	(31,356)	—	(307)	121,927
Current assets						
Financial assets at fair value through other comprehensive income	623	—	(623)	—	—	—
Financial assets at amortised cost	8,551	3,100	(2,284)	—	307	9,674
	9,174	3,100	(2,907)	—	307	9,674
Financial assets at fair value through other comprehensive income	3,194	—	(3,194)	—	—	—
Financial assets at amortised cost	120,504	42,165	(31,068)	—	—	131,602
	123,698	42,165	(34,262)	—	—	131,602
31.03.2023						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Financial assets at amortised cost	121,927	347	(4,901)	—	(1,422)	115,951
	121,927	347	(4,901)	—	(1,422)	115,951
Current assets						
Financial assets at amortised cost	9,674	32	(451)	—	1,422	10,677
	9,674	32	(451)	—	1,422	10,677
Financial assets at amortised cost	131,602	379	(5,353)	—	—	126,629
	131,602	379	(5,353)	—	—	126,629

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, for the year ended 31 December 2022 and three-months period ended 31 March 2023, they are detailed as follows:

	31.12.2022	31.03.2023
	Stage 1	Stage 1
Opening balance	3,194	—
Change in period:		
Increases due to origination and acquisition	—	—
Changes due to change in credit risk	—	—
Decrease due to derecognition repayments and disposals	(3,194)	—
Impairment - Financial assets at fair value through other comprehensive income	—	—

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

	31.12.2022	31.03.2023
	Stage 1	Stage 1
Opening balance	3,194	3,194
Change in period:		
ECL income statement change for the period	(3,194)	—
Impairment - Financial assets at fair value through other comprehensive income	—	—

For the impairment losses of Financial assets at amortised cost, the movements by stages, in the year ended 31 December 2022 and three-months period ended 31 March 2023, they are detailed as follows:

	31.12.2022	31.03.2023
	Stage 1	Stage 1
Opening balance	120,505	131,602
Change in period:		
Increases due to origination and acquisition	26,972	—
Changes due to change in credit risk	(7,324)	(4,973)
Decrease due to derecognition repayments and disposals	(8,552)	—
Impairment - Financial assets at amortised cost	131,602	126,629

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

	31.12.2022	31.03.2023
	Stage 1	Stage 1
Opening balance	120,505	131,602
Change in period:		
ECL income statement change for the period	11,097	(4,973)
Impairment - Financial assets at amortised cost	131,602	126,629

According to the accounting policy in force, the Group regularly assesses whether there is objective evidence of impairment in its financial asset portfolios at amortised cost.

9. Other banking financial assets and liabilities

As at 31 December 2022 and 31 March 2023, the caption “Other banking financial assets” and “Other banking financial liabilities” showed the following composition:

	31.12.2022	31.03.2023
Non-current assets		
Loans to credit institutions	961,720	350,603
Impairment	(274)	(100)
	961,446	350,503
Current assets		
Investments in central banks	450,250,022	402,033,500
Investments in credit institutions	4,700,523	4,703,167
Loans to credit institutions	4,277,698	3,766,859
Impairment	(1,394)	(878)
Other	3,805,177	4,797,086
Impairment	(1,805,945)	(1,807,411)
	461,226,081	413,492,323
	462,187,527	413,842,826
Current liabilities		
Other	46,210,667	32,025,643
	46,210,667	32,025,643
	46,210,667	32,025,643

Investments in credit institutions and Loans to credit institutions

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

	31.12.2022	31.03.2023
Up to 3 months	455,572,501	407,418,780
From 3 to 12 months	3,655,742	3,084,746
From 1 to 3 years	961,721	350,603
	460,189,963	410,854,129

The caption "Investments at credit institutions" showed an annual average return of 1.252% (31 December 2022: 1.361%).

The amount of 402,033,500 Euros recorded in investments in central banks corresponds to overnight deposits with the Bank of Portugal remunerated at a rate of 3.00%.

Impairment

The impairment losses, in the year ended 31 December 2022 and three-months period ended 31 March 2023, are detailed as follows:

31.12.2021						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	1,709	140	(508)	—	(1,067)	274
	1,709	140	(508)	—	(1,067)	274
Current assets						
Investments and loans in credit institutions	2,197	712	(2,581)	—	1,067	1,394
Other	1,800,306	52,283	(4,548)	(42,097)	—	1,805,945
	1,802,504	52,995	(7,129)	(42,097)	1,067	1,807,339
	1,804,213	53,135	(7,637)	(42,097)	—	1,807,613

31.03.2023						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	274	27	(97)	—	(104)	100
	274	27	(97)	—	(104)	100
Current assets						
Investments and loans in credit institutions	1,394	232	(853)	—	104	878
Other	1,805,945	1,531	(64)	—	—	1,807,411
	1,807,339	1,763	(917)	—	104	1,808,289
	1,807,614	1,790	(1,014)	—	—	1,808,389

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2022 and three-months period ended 31 March 2023, they are detailed as follows:

	31.12.2022	31.03.2023
	Stage 1	Stage 1
Opening balance	3,906	1,669
Change in period:		
Increases due to origination and acquisition	852	259
Changes due to change in credit risk	(892)	(380)
Decrease due to derecognition repayments and disposals	(2,197)	(570)
Impairment	1,668	978

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

	31.12.2022	31.03.2023
	Stage 1	Stage 1
Opening balance	3,906	1,668
Change in period:		
ECL income statement change for the period	(2,237)	(691)
Impairment	1,668	978

The caption “Other current liabilities” essentially books the balance of banking operations pending of financial settlement.

10. Credit to banking clients

As at 31 December 2022 and 31 March 2023, the caption Credit to banking clients was detailed as follows:

	31.12.2022	31.03.2023
Performing loans	1,808,576,514	1,815,615,073
Mortgage Loans	659,528,828	672,833,380
Auto Loans	780,322,145	803,459,150
Credit Cards	364,276,261	334,679,586
Leasings	3,098,317	2,751,254
Overdrafts	1,350,964	1,891,703
Overdue loans	23,724,664	28,086,950
Overdue loans - less than 90 days	1,407,206	1,712,544
Overdue loans - more than 90 days	22,317,458	26,374,406
	1,832,301,179	1,843,702,024
Credit risk impairment	(54,736,167)	(61,063,142)
	1,777,565,012	1,782,638,882

The maturity analysis of the Credit to banking clients as at 31 December 2022 and 31 March 2023 is detailed as follows:

31.12.2022									
	Current					Non-current			Total
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	
Mortgage loans	—	4,636,444	12,111,511	12,322	16,760,276	33,650,594	609,130,280	642,780,874	659,541,150
Auto Loans	—	31,350,940	83,953,302	12,548,440	127,852,682	218,528,051	446,489,852	665,017,903	792,870,584
Credit Cards	—	364,276,261	—	9,536,389	373,812,649	—	—	—	373,812,649
Leasings	—	343,726	802,179	156,492	1,302,398	1,277,212	675,199	1,952,411	3,254,809
Overdraft	1,350,964	—	—	1,471,022	2,821,986	—	—	—	2,821,986
	1,350,964	400,607,371	96,866,992	23,724,664	522,549,991	253,455,856	1,056,295,331	1,309,751,188	1,832,301,179

31.03.2023									
	Current					Non-current			Total
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	
Mortgage loans	—	4,466,768	10,803,082	13,315	15,283,165	30,402,380	627,161,150	657,563,530	672,846,695
Auto Loans	—	32,280,513	86,442,567	16,361,554	135,084,634	225,007,535	459,728,537	684,736,071	819,820,705
Credit Cards	—	334,679,586	—	10,079,097	344,758,684	—	—	—	344,758,684
Leasings	—	305,222	712,322	122,547	1,140,091	1,134,143	599,566	1,733,708	2,873,799
Overdraft	1,891,703	—	—	1,510,436	3,402,140	—	—	—	3,402,140
	1,891,703	371,732,090	97,957,970	28,086,950	499,668,713	256,544,057	1,087,489,253	1,344,033,310	1,843,702,023

The Credit Cards caption essentially books a portfolio of credit cards acquired within the scope of the Universo Partnership with Universo, IME, S.A.. This portfolio was recognised in the Group's financial statements to the extent that the Group is a sole investor in the Next Funding No.1 securitisation operation and, therefore, in compliance with the conditions set out in IFRS 10 - Consolidated Financial Statements, the securitisation operation is consolidated.

On 31 December 2022, the Group, through its subsidiary Banco CTT, and Universo, IME, reviewed the terms of the Partnership Agreement in the area of financial services, communicated to the market on 1 April 2021. In this context, Banco CTT and Universo agreed on the terms for the termination of the

Agreement with a view to ending the partnership by December 2023. Notwithstanding this agreement, the conditions provided for in IFRS 10 for recognition of the credit card portfolio credit in the Group's financial statements continue to be verified on 31 December 2022. Under this agreement, Banco CTT will be entitled to compensation of 2,000 thousand euros.

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

	31.12.2022	31.03.2023
Fixed rate	1,147,499,141	1,161,817,404
Floating rate	684,802,038	681,884,620
	1,832,301,179	1,843,702,023
Credit risk impairment	(54,736,167)	(61,063,142)
	1,777,565,012	1,782,638,882

As at 31 December 2022 and 31 March 2023, the analysis of this caption by type of collateral, is presented as follows:

	31.12.2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	662,647,627	146,757	662,794,383	(1,036,479)	661,757,905
Other guaranteed Loans	761,033,646	5,465,861	766,499,507	(25,917,657)	740,581,850
Unsecured Loans	384,895,241	18,112,047	403,007,288	(27,782,031)	375,225,257
	1,808,576,514	23,724,664	1,832,301,179	(54,736,167)	1,777,565,012

	31.03.2023				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	675,607,806	97,202	675,705,008	(1,140,223)	674,564,785
Other guaranteed Loans	784,212,401	5,435,422	789,647,823	(26,759,016)	762,888,807
Unsecured Loans	355,794,865	22,554,327	378,349,192	(33,163,904)	345,185,288
	1,815,615,073	28,086,950	1,843,702,023	(61,063,142)	1,782,638,882

The credit type analysis of the caption, as at 31 December 2022 and 31 March 2023 is detailed as follows:

	31.12.2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	659,528,828	12,322	659,541,150	(913,526)	658,627,625
Auto Loans	780,322,145	12,548,440	792,870,585	(32,596,578)	760,274,007
Credit Cards	364,276,261	9,536,389	373,812,649	(19,997,066)	353,815,583
Leasings	3,098,317	156,492	3,254,809	(58,560)	3,196,249
Overdrafts	1,350,964	1,471,022	2,821,986	(1,170,437)	1,651,548
	1,808,576,514	23,724,664	1,832,301,179	(54,736,167)	1,777,565,012

	31.03.2023				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	672,833,380	13,315	672,846,695	(1,027,246)	671,819,449
Auto Loans	803,459,150	16,361,554	819,820,704	(35,838,788)	783,981,916
Credit Cards	334,679,586	10,079,097	344,758,684	(22,942,827)	321,815,857
Leasings	2,751,254	122,547	2,873,801	(52,461)	2,821,340
Overdrafts	1,891,703	1,510,436	3,402,140	(1,201,820)	2,200,320
	1,815,615,073	28,086,950	1,843,702,023	(61,063,142)	1,782,638,882

The analysis of credit to bank clients as at 31 December 2022 and 31 March 2023, by sector of activity, is as follows:

	31.12.2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	73,517,445	1,432,171	74,949,616	(2,636,453)	72,313,163
Agriculture, forestry and fishing	8,953,383	111,188	9,064,571	(284,460)	8,780,112
Mining and quarrying	1,275,893	2,431	1,278,324	(17,045)	1,261,279
Manufacturing	6,335,183	149,505	6,484,688	(209,049)	6,275,639
Water supply	76,074	—	76,074	(877)	75,198
Construction	12,763,802	393,388	13,157,190	(607,158)	12,550,031
Wholesale and retail trade	10,508,686	160,442	10,669,128	(312,582)	10,356,546
Transport and storage	7,191,249	189,058	7,380,307	(249,279)	7,131,028
Accommodation and food service activities	5,522,098	97,047	5,619,145	(234,925)	5,384,220
Information and communication	825,977	165	826,142	(4,572)	821,570
Financial and insurance activities	281,488	6,662	288,150	(16,097)	272,052
Real estate activities	1,882,180	3,234	1,885,414	(38,052)	1,847,362
Professional, scientific and technical activities	2,199,136	19,674	2,218,810	(71,056)	2,147,754
Administrative and support service activities	3,876,731	90,129	3,966,861	(186,372)	3,780,489
Public Administration, Defense and Social Security	95,618	—	95,618	(488)	95,130
Education	790,979	1,941	792,920	(13,857)	779,063
Human health services and social work activities	1,356,996	46,801	1,403,797	(33,217)	1,370,580
Arts, entertainment and recreation	1,196,427	93,056	1,289,483	(98,709)	1,190,774
Other services	8,385,545	67,450	8,452,994	(258,658)	8,194,336
Individuals	1,735,059,070	22,292,494	1,757,351,563	(52,099,713)	1,705,251,851
Mortgage Loans	659,618,068	12,322	659,630,390	(915,248)	658,715,142
Consumer Loans	1,075,441,002	22,280,172	1,097,721,173	(51,184,465)	1,046,536,709
	1,808,576,515	23,724,665	1,832,301,179	(54,736,166)	1,777,565,012

	31.03.2023				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	80,367,584	1,762,113	82,129,696	(3,126,935)	79,002,764
Agriculture, forestry and fishing	10,743,742	138,548	10,882,290	(390,996)	10,491,294
Mining and quarrying	1,400,247	3,410	1,403,657	(26,224)	1,377,434
Manufacturing	6,464,666	173,585	6,638,251	(234,977)	6,403,274
Water supply	60,990	—	60,990	(640)	60,350
Construction	14,041,124	489,613	14,530,737	(718,018)	13,812,720
Wholesale and retail trade	11,110,132	190,600	11,300,732	(337,347)	10,963,385
Transport and storage	8,442,173	253,742	8,695,915	(326,917)	8,368,998
Accommodation and food service activities	5,893,347	99,604	5,992,951	(270,530)	5,722,421
Information and communication	849,838	978	850,816	(7,318)	843,499
Financial and insurance activities	270,882	33,010	303,891	(16,192)	287,699
Real estate activities	1,821,450	7,629	1,829,080	(42,005)	1,787,074
Professional, scientific and technical activities	2,349,712	22,083	2,371,795	(85,183)	2,286,612
Administrative and support service activities	4,293,651	126,352	4,420,003	(216,671)	4,203,332
Public administration and defence, compulsory social security	92,949	—	92,949	(474)	92,475
Education	761,691	13,269	774,960	(15,766)	759,194
Human health services and social work activities	1,631,595	20,121	1,651,715	(32,705)	1,619,011
Arts, entertainment and recreation	1,383,864	112,792	1,496,656	(107,342)	1,389,314
Other services	8,755,531	76,777	8,832,308	(297,630)	8,534,678
Individuals	1,735,247,489	26,324,836	1,761,572,325	(57,936,208)	1,703,636,116
Mortgage Loans	672,920,969	13,315	672,934,284	(1,028,950)	671,905,333
Consumer Loans	1,062,326,520	26,311,521	1,088,638,041	(56,907,258)	1,031,730,783
	1,815,615,073	28,086,950	1,843,702,023	(61,063,142)	1,782,638,882

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

	31.12.2022	31.03.2023
Stage 1	1,660,385,770	1,647,546,540
Gross amount	1,667,898,411	1,654,054,627
Impairment	(7,512,642)	(6,508,087)
Stage 2	82,154,887	99,565,126
Gross amount	89,109,896	107,785,644
Impairment	(6,955,009)	(8,220,518)
Stage 3	35,024,355	35,527,215
Gross amount	75,292,871	81,861,752
Impairment	(40,268,516)	(46,334,538)
	1,777,565,012	1,782,638,882

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

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

	31.12.2022	31.03.2023
Amount of future minimum payments	3,548,810	3,222,371
Interest not yet due	(450,493)	(471,117)
Present value	3,098,317	2,751,254

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

	31.12.2022	31.03.2023
Due within 1 year	1,580,023	1,464,887
Due between 1 to 5 years	1,632,323	1,438,244
Over 5 years	336,463	319,240
Amount of future minimum payments	3,548,810	3,222,371

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

	31.12.2022	31.03.2023
Individuals	403,140	365,325
Home	83,393	81,226
Others	319,747	284,099
Companies	2,695,176	2,385,929
Equipment	178,712	174,485
Real Estate	2,516,465	2,211,444
	3,098,317	2,751,254

Impairment losses

During year ended on 31 December 2022 and three-months period ended 31 March 2023, the movement under the Accumulated impairment losses caption (Note 13) was as follows:

31.12.2022							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	15,601,705	17,177,617	(7,208,624)	(569,135)	(3,063,025)	136,426	22,074,965
	15,601,705	17,177,617	(7,208,624)	(569,135)	(3,063,025)	136,426	22,074,965
Current assets							
Credit to banking clients	15,488,685	25,415,289	(10,665,581)	(842,068)	3,063,025	201,852	32,661,202
	15,488,685	25,415,289	(10,665,581)	(842,068)	3,063,025	201,852	32,661,202
	31,090,390	42,592,906	(17,874,205)	(1,411,203)	—	338,278	54,736,167

31.03.2023							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	22,074,965	4,996,504	(2,651,432)	(12,639)	(1,661,337)	27,185	22,773,246
	22,074,965	4,996,504	(2,651,432)	(12,639)	(1,661,337)	27,185	22,773,246
Current assets							
Credit to banking clients	32,661,202	8,400,894	(4,457,996)	(21,251)	1,661,337	45,710	38,289,896
	32,661,202	8,400,894	(4,457,996)	(21,251)	1,661,337	45,710	38,289,896
	54,736,167	13,397,398	(7,109,428)	(33,889)	—	72,895	61,063,142

The impairment losses of Credit to banking clients (net of reversals) for the period ended 31 March 2023 amounted to 6,287,970 Euros (3,748,749 Euros as at 31 March 2022) was booked in the caption "Impairment of other financial banking assets."

The movements in impairment losses by stages, in the year ended on 31 December 2022 and three-months period ended 31 March 2023, they are detailed as follows:

	31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	6,473,619	4,602,577	20,014,195	31,090,391
Change in period:				
Increases due to origination and acquisition	2,038,514	1,487,610	2,647,941	6,174,065
Changes due to change in credit risk	(2,048,547)	2,295,799	19,878,455	20,125,706
Decrease due to derecognition repayments and disposals	(642,399)	(236,262)	(702,409)	(1,581,070)
Write-offs	(291)	—	(1,410,913)	(1,411,203)
Transfers to:				
Stage 1	2,334,939	(1,211,886)	(1,123,053)	—
Stage 2	(457,083)	1,877,211	(1,420,128)	—
Stage 3	(197,724)	(1,808,474)	2,006,199	—
Foreign exchange and other	11,616	(51,566)	378,228	338,278
Impairment	7,512,642	6,955,009	40,268,516	54,736,167
<i>Of which: POCI</i>	—	—	926,910	926,910

	31.03.2023			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	7,512,642	6,955,009	40,268,516	54,736,167
Change in period:				
Increases due to origination and acquisition	385,677	77,242	40,468	503,387
Changes due to change in credit risk	(1,995,098)	2,320,341	6,090,922	6,416,165
Changes due to modifications without derecognition	—	—	—	—
Decrease due to derecognition repayments and disposals	(204,634)	(74,488)	(352,460)	(631,582)
Write-offs	—	—	(33,890)	(33,890)
Changes due to update in the institution's methodology for estimation	—	—	—	—
Transfers to:				
Stage 1	1,332,428	(1,002,729)	(329,699)	—
Stage 2	(505,724)	1,590,722	(1,084,998)	—
Stage 3	(19,560)	(1,646,876)	1,666,436	—
Foreign exchange and other	2,356	1,298	69,242	72,895
Impairment	6,508,087	8,220,518	46,334,538	61,063,142
<i>Of which: POCI</i>	—	—	1,006,063	1,006,063

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

	31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	6,473,619	4,602,577	20,014,195	31,090,391
Change in period:				
ECL income statement change for the period	(652,433)	3,547,147	21,823,987	24,718,701
Stage transfers (net)	1,680,131	(1,143,149)	(536,982)	—
Utilisations during the period	—	—	—	—
Write-offs	(291)	—	(1,410,913)	(1,411,203)
Foreign exchange and other	11,616	(51,566)	378,228	338,278
Impairment	7,512,642	6,955,009	40,268,516	54,736,167

	31.03.2023			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	7,512,642	6,955,009	40,268,516	54,736,167
Change in period:				
ECL income statement change for the period	(1,814,054)	2,323,094	5,778,930	6,287,970
Stage transfers (net)	807,144	(1,058,883)	251,740	—
Write-offs	—	—	(33,889)	(33,889)
Foreign exchange and other	2,356	1,298	69,242	72,895
Impairment	6,508,087	8,220,518	46,334,538	61,063,142

Sensitivity Analysis

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

The Group considers that the parameters assumed to be more sensitive or susceptible to changes in the economic cycle are the Probability of Default (PD – Probability of Default) for most portfolios and the Loss Given Default (LGD – Loss Given Default) for the case of the credit card.

In this context, a sensitivity analysis was carried out to determine what would be the impairment of the global portfolio if those parameters suffered a relative deterioration of 10%, conclude that the increase in impairment would be 2,695 thousand euros, corresponding to about 4%.

11. Prepayments

As at 31 December 2022 and 31 March 2023, the Prepayments included in current assets and current and non-current liabilities showed the following composition:

	31.12.2022	31.03.2023
Prepaid Assets		
Current		
Rents payable	861,806	650,158
Meal allowances	1,360,349	1,349,950
Other	6,789,720	10,325,704
	9,011,875	12,325,811
Prepaid Liabilities		
Non-current		
Investment subsidy	260,886	258,086
	260,886	258,086
Current		
Investment subsidy	11,201	11,201
Contratual liabilities	1,165,324	1,400,111
Other	2,501,615	9,401,269
	3,678,140	10,812,581
	3,939,027	11,070,667

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

The variation in the caption “Other current prepaid liabilities” is mainly explained by the deferral of income for the subsequent period related to the commission earned on placing public debt.

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” essentially refer to amounts related to stamps and prepaid postage of priority mail in the amount of 571,207 Euros (877,484 Euros on 31 December 2022), whose revenue is expected to be recognised in April 2023 (estimate of 80% of the item's value) and the remaining during 2023, and to objects invoiced and not delivered on 31 March 2023 in the express segment, in the amount of 828,904 Euros (287,840 Euros as at 31 December 2022), whose revenue is recognised upon delivery in the following month.

The revenue recognised in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 895,533 Euros.

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

12. Cash and cash equivalents

As at 31 December 2022 and 31 March 2023, cash and cash equivalents correspond to the amount of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	31.12.2022	31.03.2023
Cash	71,794,674	91,530,490
Sight deposits	160,127,945	167,001,419
Demand deposits at Central Banks	38,636,396	15,821,204
Deposits in other credit institutions	59,140,984	53,842,078
Term deposits	126,769,299	260,813,591
Cash and cash equivalents (Statement of Financial position)	456,469,298	589,008,781
Sight deposits at Bank of Portugal	(23,185,900)	—
Outstanding checks / Checks clearing	(22,492,340)	(22,185,121)
Impairment of slight and term deposits	7,917	26,151
Cash and cash equivalents (Cash flow statement)	410,798,975	566,849,811

The caption “Sight deposits at Bank of Portugal” includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of the average amount of deposits and other liabilities, over each reserve maintenance period. As at 31 March 2023, the daily average of the minimum mandatory availability for the period in force was 22 468 800 Euros.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 March 2023, a total amount of demand deposits of 15,821,204 Euros (31 December 2022: 38,636,396 Euros). The change in this caption is justified by a lower cash availability explained by a reduction in customer deposits.

As of the reserve counting period that began on 30 October 2019, the ECB introduced the tiering regime, which exempted part of the excess reserves deposited by credit institutions with the central bank from the negative remuneration then associated with the deposit facility rate. The tiering ceased to apply on 27 July 2022, following the European Central Bank Governing Council's decision to increase the deposit facility rate to a non-negative amount.

Within the scope of the tiering system, all credit institutions subject to the minimum reserve system have an excess reserve limit which is effectively remunerated at a rate of 0%. This limit is based on a multiple applied to the amount of the minimum reserves to be met, adopted by decision of the ECB Governing Council, and subject to change by it.

The tiering system came into effect with a multiple of six. At its meeting on 8 September 2022, the Governing Council decided to suspend this system, setting the multiplier to zero.

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

Impairment

In the year ended on 31 December 2022 and three-months period ended 31 March 2023, the movement recorded under the caption "Impairment of sight and term deposits" (Note 13) related to the Group is detail as follows:

31.12.2022					
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Sight and term deposits	24,913	1,715	(18,711)	—	7,917
	24,913	1,715	(18,711)	—	7,917

31.03.2023					
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Sight and term deposits	7,917	20,997	(2,764)	—	26,151
	7,917	20,997	(2,764)	—	26,151

The Impairment losses (increases net of reversals) for the period ended 31 March 2023 in the amount of 18,233 Euros (18 551 Euros as at 31 March 2022) were recorded under the caption "Impairment of accounts receivable (losses/reversals)".

13. Accumulated impairment losses

During the year ended on 31 December 2022 and three-months period ended 31 March 2023, the following movements occurred in the impairment losses:

31.12.2022							
Group	Opening balance	Increases	Reversals	Utilisations	Transfers	Other movements	Closing balance
Non-current assets							
Tangible fixed assets	19,460	3,636,002	(3,335)	—	—	—	3,652,127
Investment properties	392,936	—	(139,754)	—	—	—	253,182
Intangible assets	60,617	—	—	(60,617)	—	—	—
	473,013	3,636,002	(143,089)	(60,617)	—	—	3,905,309
Debt securities at fair value through other comprehensive income	2,572	—	(2,572)	—	—	—	—
Debt securities at amortised cost	111,953	39,065	(28,784)	—	(307)	—	121,927
Other non-current assets	2,749,010	—	—	—	157,837	—	2,906,847
Credit to banking clients	15,601,705	17,177,617	(7,208,624)	(569,135)	(3,063,025)	136,426	22,074,965
Other banking financial assets	1,709	140	(508)	—	(1,067)	—	274
	18,466,949	17,216,822	(7,240,487)	(569,135)	(2,906,562)	136,426	25,104,013
	18,939,963	20,852,823	(7,383,576)	(629,752)	(2,906,562)	136,426	29,009,322
Current assets							
Accounts receivable	39,883,599	3,835,005	(1,641,407)	(669,845)	—	1,695	41,409,047
Credit to banking clients	15,488,685	25,415,289	(10,665,581)	(842,068)	3,063,025	201,852	32,661,202
Debt securities at fair value through other comprehensive income	623	—	(623)	—	—	—	—
Debt securities at amortised cost	8,551	3,100	(2,284)	—	307	—	9,674
Other current assets	10,325,865	1,796,674	(303,789)	(113,117)	(157,837)	—	11,547,796
Other banking financial assets	1,802,503	52,995	(7,129)	(42,097)	1,067	—	1,807,339
Slight and term deposits	24,913	1,715	(18,711)	—	—	—	7,917
	67,534,741	31,104,778	(12,639,523)	(1,667,127)	2,906,562	203,547	87,442,978
Non-current assets held for sale	164,441	8,236	(172,038)	—	—	—	638
	164,441	8,236	(172,038)	—	—	—	638
Merchandise	3,131,405	—	(211,906)	(172,098)	—	—	2,747,401
Raw, subsidiary and consumable	867,668	68,233	(13,587)	—	—	—	922,313
	3,999,073	68,233	(225,494)	(172,098)	—	—	3,669,714
	71,698,254	31,181,246	(13,037,055)	(1,839,225)	2,906,562	203,547	91,113,329
	90,638,215	52,034,070	(20,420,631)	(2,468,977)	—	339,973	120,122,649

Group	31.03.2023						Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other movements	
Non-current assets							
Tangible fixed assets	3,652,127	—	(1,558,287)	—	—	—	2,093,841
Investment properties	253,182	—	—	—	—	—	253,182
	3,905,309	—	—	(1,558,287)	—	—	2,347,022
Debt securities at amortised cost	121,927	347	(4,901)	—	(1,422)	—	115,951
Other non-current assets	2,906,847	—	—	—	18,061	—	2,924,908
Credit to banking clients	22,074,965	4,996,504	(2,651,432)	(12,639)	(1,661,337)	27,185	22,773,246
Other banking financial assets	274	27	(97)	—	(104)	—	100
	25,104,013	4,996,878	(2,656,430)	(12,639)	(1,644,802)	—	25,814,205
	29,009,322	4,996,878	(2,656,430)	(1,570,925)	(1,644,802)	—	28,161,227
Current assets							
Accounts receivable	41,409,047	1,183,961	(180,734)	(107,653)	—	(806)	42,303,816
Credit to banking clients	32,661,202	8,400,894	(4,457,996)	(21,251)	1,661,337	45,710	38,289,896
Debt securities at amortised cost	9,674	32	(451)	—	1,422	—	10,677
Other current assets	11,547,796	590,873	(68,294)	(12,177)	(18,061)	—	12,040,138
Other banking financial assets	1,807,339	1,763	(917)	—	104	—	1,808,289
Slight and term deposits	7,917	20,997	(2,764)	—	—	—	26,151
	87,442,978	10,198,520	(4,711,156)	(141,081)	1,644,802	44,905	94,478,968
Non-current assets held for sale	638	—	—	—	—	—	638
	638	—	—	—	—	—	638
Merchandise	2,747,401	—	(241,164)	(11,047)	—	—	2,495,190
Raw, subsidiary and consumable	922,313	24,715	—	—	—	—	947,029
	3,669,714	24,715	(241,164)	(11,047)	—	—	3,442,219
	91,113,329	10,223,236	(4,952,319)	(152,128)	1,644,802	44,905	97,921,824
	120,122,649	15,220,114	(7,608,750)	(1,723,053)	—	44,905	126,083,049

As at 31 December 2022, the increase in impairment on “Credit to banking clients” essentially concerns the increase in credit exposure by 259 million euros.

The amounts classified as “Other movements”, with reference to 31 December 2022 and 31 March 2023, refer to the movements resulting from adjustments to POCI credits (Purchase or Originated Credit Impaired) regarding the acquisition of 321 Crédito on 1 May 2019, according to IFRS 3 - Business Combinations.

14. Equity

On 16 March 2022, the implementation of a share buyback programme was approved, with the sole purpose of reducing the Company's share capital, through the extinction of the acquired shares. The implementation of this programme is explained in detail in note 15.

Subsequently, on 7 November 2022, the Company's share capital reduction in the amount of 2,325,000 euros, through the cancellation of 4,650,000 shares representing 3.1% of the share capital, was registered in the Commercial Register Office. Thus, on 31 December 2022 and 31 March 2023, the Company's share capital was composed of 145,350,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2022 and 31 March 2023 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

31.12.2022

Shareholders		Number of Shares	% Share Capital	Nominal Value
Global Portfolio Investments, S.L. ⁽¹⁾		21,787,696	14.990 %	10,893,848
Indumenta Pueri, S.L. ⁽¹⁾	Total	21,787,696	14.990 %	10,893,848
Manuel Champalimaud, SGPS, S.A. ⁽²⁾		19,261,815	13.252 %	9,630,908
Manuel Carlos de Melo Champalimaud		500,185	0.344 %	250,093
Manuel Carlos de Melo Champalimaud ⁽²⁾	Total	19,762,000	13.596 %	9,881,000
GreenWood Builders Fund I, LP ⁽³⁾		10,025,000	6.897 %	5,012,500
GreenWood Investors LLC ⁽³⁾	Total	10,025,000	6.897 %	5,012,500
Green Frog Investments Inc	Total	7,730,000	5.318 %	3,865,000
Norges Bank	Total	3,105,287	2.136 %	1,552,644
Bestinver Gestión S.A. SGIIC ⁽⁴⁾	Total	3,024,366	2.081 %	1,512,183
CTT, S.A. (own shares) ⁽⁵⁾	Total	2,935,000	2.019 %	1,467,500
Other shareholders	Total	76,980,651	52.962 %	38,490,326
TOTAL		145,350,000	100.000 %	72,675,000

⁽¹⁾ Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..

⁽²⁾ Includes 19,246,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 15,000 shares held by Duarte Palma Leal Champalimaud, Vice-Chair of its Board of Directors and Non-executive Director of CTT. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

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

⁽⁴⁾ Bestinver Gestión S.A. SGIIC is a Spanish fund management company. As such, it exercises the voting rights attached to the shares property of the investment institutions it manages and represents. Additionally, Bestinver Gestión, S.A. SGIIC has been granted a power of attorney to exercise the voting rights attached to the shares under the property of the pension funds managed by Bestinver Pensiones EGFP, S.A..

⁽⁵⁾ Shares held by CTT following the share capital reduction in the amount of 2,325,000 Euros through the cancellation of 4,650,000 shares held by the Company, representing 3.1% of its share capital. The share capital reduction was registered before the Commercial Registry Office on 7 November 2022 and announced to the market on 8 November 2022 (see press releases available on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1).

31.03.2023

Shareholders		Number of Shares	% Share Capital	Nominal Value
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⁽³⁾ GreenWood Investors, LLC, of which Steven Wood, Non-Executive member of the Board of Directors of CTT, is a Managing Member, exercises the voting rights not in its own name but on behalf of the fund GreenWood Builders Fund I, LP as its

management company. The full chain of controlled undertakings through which the voting rights are held includes GreenWood Investors, LLC and GreenWood Performance Investors, LLC..

- (4) Bestinver Gestión S.A. SGIIC is a Spanish fund management company. As such, it exercises the voting rights attached to the shares property of the investment institutions it manages and represents. Additionally, Bestinver Gestión, S.A. SGIIC has been granted a power of attorney to exercise the voting rights attached to the shares under the property of the pension funds managed by Bestinver Pensiones EGFP, S.A..
- (5) Shares held by CTT following the share capital reduction in the amount of 2,325,000 Euros through the cancellation of 4,650,000 shares held by the Company, representing 3.1% of its share capital. The share capital reduction was registered before the Commercial Registry Office on 7 November 2022 and announced to the market on 8 November 2022 (see press releases available on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1).

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

Own shares

As at 31 December 2022, the following movements were made in the caption "Own Shares":

	Quantity	Amount	Average Price
Balance 31 December 2021	1,500,001	6,404,963	4.27
Acquisitions	6,084,999	21,573,976	3.55
Cancellation (due to share capital reduction)	(4,650,000)	(17,152,548)	3.69
Balance 31 December 2022	2,935,000	10,826,390	3.69

During the three-months period ended 31 March 2023, the following movements were made in the caption "Own Shares":

	Quantity	Amount	Average Price
Balance 31 December 2022	2,935,000	10,826,390	3.69
Balance 31 March 2023	2,935,000	10,826,390	3.69

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

Thus, at the General Meeting held on 21 April 2022, the share capital reduction of up to 2,325,000 Euros was approved, with the purpose of releasing the excess of share capital, through the extinction of up to 4,650,000 shares representing up to 3.1% of the share capital already acquired or that were to be acquired within the scope of a share buyback programme. The maximum monetary amount of the approved Buyback Programme was 18,000,000 Euros.

Subsequently, on 27 July 2022, and still within the scope of the authorisation granted at the Annual General Meeting of Shareholders held on 21 April 2022, the Company's Board of Directors deliberated to increase the maximum pecuniary amount and number of shares that could be acquired under the share buyback programme of the **Company**, as follows:

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

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

The Buyback Programme started on 17 March 2022 and would last until 18 December 2022 unless, however, the maximum number of shares to be acquired or the maximum pecuniary amount of the Buyback Programme were reached, which happened to 8 September 2022, thus ending before the end of its maximum duration period.

Considering the resolution of the General Meeting of 21 April 2022 which authorised the reduction of the share capital, and the acquisition of own shares having been fulfilled for this purpose, the commercial register was registered, on 7 November 2022, reduction of the **Company's** share capital in the amount of 2,325,000 euros, through the extinction of 4,650,000 own shares, as explained in note 14.

As at 31 December 2022 and 31 March 2023, the Company held, as a result of the acquisition and cancellation operations indicated herein, an accumulated amount of 2,935,000 own shares, representing 2.02% of the share capital, including 1,500,001 of own shares previously acquired, with par value of 0.50 Euros, with all inherent rights related to suspended shares, with the exception of those relating to the receipt of new shares in the case of capital increase by incorporation of reserves, as provided for in article 324(1)(a)) of the Commercial Companies Code.

Considering that the Company's Annual General Meeting held in 2022 only approved the extinction of up to 4,650,000 own shares corresponding to 3.1% of the share capital, the General Meeting held on 20 April 2023 approved the capital reduction for cancellation of the remaining 1 434 999 shares acquired under the buy-back programme referred to above.

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 2022 and 31 March 2023, the caption "Reserves" showed the following composition

	31.12.2022				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	6,404,963	26,746	45,646,642	67,078,351
Share Capital decrease	—	(17,152,548)	—	2,325,000	(14,827,548)
Own shares acquisition	—	21,573,976	—	(21,573,976)	—
Assets fair value	—	—	(26,746)	—	(26,746)
Share Plan	—	—	—	1,620,000	1,620,000
Closing balance	15,000,000	10,826,390	—	28,017,666	53,844,057

	31.03.2023				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	10,826,390	—	28,017,666	53,844,057
Closing balance	15,000,000	10,826,390	—	28,017,666	53,844,057

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.)

The commercial legislation Code obliges, within the scope of the own shares regime provided in article 324, the existence of a reserve equal to the amount for which the shares are accounted for, which becomes unavailable as long as these shares remain in the company's possession. Additionally, applicable accounting standards determine that gains or losses on the sale of own shares are booked in reserves.

As at 31 March 2023, this caption includes the amount of 10,826,390 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

Retained earnings

During the year ended on 31 December 2022 and three-months period ended 31 March 2023, the following movements were made in caption "Retained earnings":

	31.12.2022	31.03.2023
Opening balance	43,904,074	64,647,067
Application of the net profit of the prior year	38,404,113	36,406,519
Distribution of dividends (note 16)	(17,656,441)	—
Adjustments from the application of the equity method	(4,678)	(7,128)
Closing balance	64,647,067	101,046,457

Other changes in equity

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

During the year ended on 31 December 2022 and three-months period ended 31 March 2023, the movements occurred in this caption were as follows:

	31.12.2022	31.03.2023
Opening balance	(43,998,612)	6,857,207
Actuarial gains/losses	70,558,124	—
Tax effect (Note 26)	(19,702,304)	—
Closing balance	6,857,207	6,857,207

16. Dividends

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

According to the dividend distribution proposal included in the 2022 Annual Report, at the General Meeting of Shareholders, which was held on 20 April 2023, a dividend distribution of 17,801,875 Euros, corresponding to a dividend per share of 0.125 Euros, regarding the financial year ended 31 December 2022 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings.

17. Earnings per share

During the three-months periods ended 31 March 2022 and 31 March 2023, the earnings per share were calculated as follows:

Group	31.03.2022	31.03.2023
Net income for the period	5,388,750	16,135,054
Average number of ordinary shares	149,001,324	142,415,000
Earnings per share		
Basic	0.04	0.11
Diluted	0.04	0.11

The average number of shares is detailed as follows:

	31.03.2022	31.03.2023
Shares issued at beginning of the period	150,000,000	145,350,000
Average number of shares realised	150,000,000	145,350,000
Own shares effect	998,676	2,935,000
Average number of shares during the period	149,001,324	142,415,000

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

As at 31 March 2023, the number of own shares held is 2,935,000 and its average number for the period ended 31 March 2023 is 2,935,000, justified by the fact that there were no movements in the period.

There are no dilutive factors of earnings per share.

18. Debt

As at 31 December 2022 and 31 March 2023, the Debt caption showed the following composition:

	31.12.2022	31.03.2023
Non-current liabilities		
Bank loans	40,706,101	47,717,982
Commercial Paper	—	34,923,258
Lease liabilities	95,491,822	89,189,257
	136,197,923	171,830,497
Current liabilities		
Bank loans	29,372,066	22,601,716
Commercial Paper	—	(114,824)
Lease liabilities	30,384,677	28,986,676
	59,756,744	51,473,567
	195,954,667	223,304,064

As at 31 March 2023, the interest rates applied to bank loans were between 4.341% and 5.216% (31 December 2022: 3.693% and 4.568%).

Bank loans and Commercial Paper

As at 31 December 2022 and 31 March 2023, the details of the bank loans were as follows:

	31.12.2022			31.03.2023		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	12,350,926	8,106,120	778,704	12,270,370	8,119,080	698,148
BBVA / Bankinter	33,250,000	14,136,880	18,944,129	33,250,000	7,063,992	26,037,491
Novo Banco	28,000,000	7,129,066	20,983,268	28,000,000	7,418,644	20,982,343
Commercial paper						
BBVA / Bankinter	—	—	—	15,000,000	(76,732)	14,964,687
Novo Banco	—	—	—	20,000,000	(38,092)	19,958,571
	73,600,926	29,372,066	40,706,101	108,520,370	22,486,892	82,641,240

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. Subsequently, due to the non-use of all the funds, the limit was reduced again to 33.250 million euros. As at 31 March 2023, the referred used amount, net of commissions and added by the amount of interests to be paid in the following period corresponded to 33,101,483 Euros. By the Group decision, the remaining available amount will not be used.

On 22 April 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. On 31 December 2022, the limit was reduced to 28 million euros, due to non-use of all funds. As at 31 March 2023, the 28 million Euros were used and are presented in the statement of financial position net of commissions and added by the amount of interests to be paid in the following period, in the total amount of 28,400,987 Euros.

As disclosed to the market on 7 March 2023, CTT contracted 35 million euros in bank loans in the form of commercial paper, indexed to sustainability goals, maturing in 2026, with two financial institutions - Novo Banco, S.A. and Banco Bilbao Vizcaya Argentaria S.A. - Portuguese Branch.

These bank loans are set within CTT's Sustainability Related Financing Reference Framework that was the subject of a Second Party Opinion disclosed by S&P Global Ratings. Therefore, the referred financing lines are indexed to the goal of reducing carbon emissions of CTT's activity (scopes 1, 2 and 3 emissions) by at least 30% by 2025 in relation to 2013, which is validated by the Science Based Targets initiative and aligned with the best practices of the sector.

With these operations, CTT consolidates the link between its financing cost and its performance in terms of sustainability, reinforcing and demonstrating its strategic relevance and the commitment to achieve ambitious leadership goals regarding ESG (Environment, Social and Governance) indicators.

As at 31 March 2023, the amount used presented in the statement of financial position, net of commissions and plus the amount of interest to be paid in the following period, amounts to 14,887,955 Euros in the case of BBVA/Bankinter and 19,920,479 Euros in Novo Banco. These commercial paper programmes are shown in non-current liabilities, since the Group's practice/expectation will be to use the contracts during their period of validity and having the right to roll-over these loans.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal's limits. Additionally, the loans obtained also require compliance with ratios of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the Group and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December. As at 31 December 2022, the Group is in compliance with financial covenants.

Lease Liabilities

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

	31.12.2022	31.03.2023
Due within 1 year	33,738,178	31,742,576
Due between 1 to 5 years	64,061,159	59,436,053
Over 5 years	41,692,362	39,655,699
Total undiscounted lease liabilities	139,491,699	130,834,328
Current	30,384,677	28,986,676
Non-current	95,491,822	89,189,257
Lease liabilities included in the statement of financial position	125,876,499	118,175,933

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

	31.03.2022	31.03.2023
Lease Liabilities interests (note 25)	733,266	805,700
Variable payments not included in the measurement of the lease liability	502,139	435,245

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

	31.03.2022	31.03.2023
Total of lease payments	(7,990,527)	(8,868,615)

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

Reconciliation of Changes in the responsibilities of Financing activities

The reconciliation of changes in the responsibilities of financing activities as at 31 December 2022 and 31 March 2023, is detailed as follows:

	31.12.2022	31.03.2023
Opening Balance	201,119,450	195,954,666
Movements without cash	44,304,863	1,708,851
<i>Contract changes</i>	40,529,793	412,401
<i>IFRS 16 Interests</i>	3,124,941	771,520
<i>Others</i>	650,130	524,929
Loans:		
Inflow	104,856,928	73,388,066
Outflow	(120,618,233)	(38,878,904)
Lease liabilities:		
Inflow	—	—
Outflow	(33,708,341)	(8,868,615)
Closing balance	195,954,667	223,304,065

19. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the year ended on 31 December 2022 and three-months period ended 31 March 2023 in order to face legal proceedings and other liabilities arising from past events the Group recognised provisions, which showed the following movement:

Group	31.12.2022						Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	Regularisations	
Non-current provisions							
Litigations	2,834,799	1,516,656	(1,304,899)	(114,458)	213,598	—	3,145,696
Restructuring	—	453,598	—	(293,450)	—	—	160,148
Other provisions	7,314,082	3,894,875	(4,819,453)	(155,924)	(213,598)	—	6,019,982
Commitment provisions	314,163	39,865	(229,571)	—	—	—	124,457
Sub-total - caption "Provisions (increases)/ reversals"	10,463,043	5,904,994	(6,353,923)	(563,832)	—	—	9,450,283
Investments in subsidiaries and associated companies	—	168,972	—	—	—	—	168,972
Restructuring	1,455,737	145,993	(50,000)	—	(1,250,000)	(102,344)	199,386
Other provisions	2,760,741	158,488	—	(105,603)	—	—	2,813,626
	14,679,520	6,378,447	(6,403,923)	(669,435)	(1,250,000)	(102,344)	12,632,267

Group	31.03.2023					Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	
Non-current provisions						
Litigations	3,145,696	117,569	(246,011)	(47,243)	—	2,970,011
Onerous contracts	—	—	—	(74,011)	—	86,137
Other provisions	6,019,982	201,132	(40,459)	(269,217)	—	5,911,438
Commitment provisions	124,457	19,207	(29,235)	—	—	114,429
Sub-total - caption "Provisions (increases)/reversals"	9,450,283	337,908	(315,705)	(390,471)	—	9,082,015
Investments in subsidiaries and associated companies	168,972	6,480	—	—	—	175,452
Restructuring	199,386	—	—	—	—	199,386
Other provisions	2,813,626	—	—	—	—	2,813,626
	12,632,267	344,388	(315,705)	(390,471)	—	12,270,479

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 658,302 Euros as at 31 March 2022 and 22,203 Euros as at 31 March 2023.

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

Litigations

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

The reversal of the provision for litigations, in the amount of (1,304,899) Euros as at 31 December 2022 and (246,011) Euros as at 31 March 2023, essentially results from lawsuits whose decision, which was made known in the course of 2022 or 2023, 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 caption).

Onerous contracts

The provision for onerous contracts is intended to cover contracts in which the unavoidable costs of meeting the obligations of the contracts exceed the economic benefits that are expected to be received under them, amounting at 31 March 2023 the amount of 86,137 euros.

Other provisions

As at 31 December 2022, the amount of 3,780,356 Euros provisioned in previous years to cover possible contingencies related to labour litigation actions not included in the current court proceedings, related to remuneration differences that could be claimed by workers, was fully reversed, as it is understood that the probability of outflows associated with these contingencies is currently remote.

As at 31 March 2023, a provision is recognised in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition. This process was originated during the year 2016, based on the alleged contrary action to article 1 of the Law 15/2017 ("Law on Competition Defense") and article 101° of the Treaty on the Functioning of the European Union ("TFUE"). This notification amounted to 3,148,845 Euros and, in previous years, has already been subject of an appeal to the Spanish Audiencia Nacional (National High Court). Regarding this matter,

Tourline (currently designated as CTT Expresso branch in Spain) submitted a formal request to the coercive measure suspension, and the request was accepted under the condition of a guarantee presentation – a procedure that was duly and timely adopted by Tourline. During 2022, the Spanish Audiencia Nacional dismissed the appeal and ratified the fine of 3,148,845 Euros plus final and unappealable costs. Regarding this subject, the provision booked in previous years, which amounted to 1,400,000 Euros, was increased by 1,800,000 Euros, amounting at 31 December 2022, the amount of 3,200,000 Euros and results from the evaluation carried out by the **Group's** legal advisors. As at 31 March 2023, no relevant developments had occurred, with the provision remaining in the amount of 3,200,000 Euros.

The amount provisioned in 321 Crédito, S.A. amounting to 918 285 Euros as at 31 March 2023 (741,641 Euros at 31 December 2022) mainly results from the management assessment regarding the possibility of materialising tax contingencies and other processes.

As at 31 March 2023, in addition to the previously mentioned situations, this caption also includes:

- the amount of 269,827 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 664,872 Euros, which results from the assessment carried out by management regarding the possibility of materialising contingent amounts to be paid to third parties under the scope of contracts entered into;
- the amount of 309,007 Euros regarding the liability, recognised in the company CTT Expresso, with a labour legal proceeding;
- the amount of 2,025,666 Euros to cover costs of operational vehicles restoration;
- the amount of commitments for guarantees provided to third parties to cover promotional contests in the amount of 590,060 Euros.

Commitments provisions

Commitments provisions refer to provisions for indirect credit, amounting to 114,429 Euros in the period ended 31 March 2023 (31 December 2022: 124,457 Euros).

Restructuring

In June 2021, CTT approved an HR optimisation programme that included the launch of a Voluntary Leave Programme based on the conclusion of Suspension or Pre-Retirement Agreements. As at 31 December 2022, regarding the new agreements performed during 2022, an amount of 1,250,000 Euros was transferred to the caption employee benefits in the statement of financial position. As at 31 March 2023, there were no changes to the mentioned caption.

Guarantees provided

As at 31 December 2022 and 31 March 2023, the Group has provided bank guarantees to third parties as follows:

	31.12.2022	31.03.2023
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	4,389,246	4,364,246
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comissão Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
Fidelidade, Multicare, Cares - (Glintt BPO)	1,022,834	1,500,000
MARATHON (Closed investment fund)	810,435	810,435
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	480,000	480,000
Courts	339,230	339,230
EUROGOLD (Real estate company)	318,299	318,299
CIVILRIA (Real estate company)	224,305	224,305
TRANSPORTES BERNARDO MARQUES, S.A.	220,320	220,320
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Via Direta	150,000	150,000
Municipalities	118,658	118,658
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	68,386	68,386
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000
GNB Companhia de seguros vida SA (Insurance company)	25,000	25,000
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557
EMEL, S.A. (Municipal company managing parking in Lisbon)	19,384	19,384
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Alegro Alfragide	—	16,837
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460
Other entities	16,144	16,144
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
DOLCE VITA TEJO (Real State Company)	13,832	13,832
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	9,160	9,160
Consejería Salud (Local Health Service/Spain)	4,116	4,116
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,719	—
	15,635,616	16,100,900

Bank guarantees

As at 31 March 2023, the bank guarantees provided in favour of “Autoridade Tributária e Aduaneira” (Portuguese Tax and Customs Authority), in a global amount of 4,364,246 Euros, were essentially provided for the suspension of tax enforcement proceedings.

Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the Company's services, the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2022 and 31 March 2023.

CTT provided a bank guaranty, on behalf of CTT Expresso branch in Spain, to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition (“Comisión Nacional de los Mercados y la Competencia”) in the amount of 3,148,845 Euros, regarding the legal proceedings of CTT Expresso branch in Spain with the National Audience in Spain.

Commitments

As at 31 December 2022 and 31 March 2023., the Group subscribed promissory notes amounting to approximately 44.4 thousand Euros and 43.6 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group engaged guarantee insurances in the total amount of 5,658,910 Euros(31 December 2022: 5,444,387 Euros), with the purpose of guaranteeing the fulfilment of contractual obligations assumed by third parties. In addition, the Group also assumed commitments relating to real estate rents under lease contracts and rents for other leases.

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

20. Accounts payable

As at 31 December 2022 and 31 March 2023, the caption “Accounts payable” showed the following composition:

	31.12.2022	31.03.2023
Current		
Advances from customers	2,175,341	2,161,477
CNP money orders	—	93,800,595
Suppliers	97,417,126	100,851,674
Invoices pending confirmation	12,194,096	10,413,604
Fixed assets suppliers	4,900,077	5,285,271
Invoices pending confirmation (fixed assets)	6,495,524	3,091,161
Values collected on behalf of third parties	10,069,404	16,193,367
Postal financial services	360,890,497	357,776,013
Deposits	676,504	714,831
Charges	14,844,784	14,390,597
Compensations	1,105,808	1,187,036
Postal operators - amounts to be settled	680,423	569,426
Amounts to be settled to third parties	1,659,136	1,374,351
Amounts to be settled in stores	3,012,730	4,433,307
Other accounts payable	9,090,299	6,031,572
	525,211,751	618,274,282

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year. The absence of a balance verified on 31 December 2022 is related to the fact that the IGFSS advance for the settlement of CNP money orders only occurred in the first days of January 2023.

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.

21. Debt Securities issued at amortised cost

This caption showed the following composition:

	31.12.2022	31.03.2023
Non current liabilities		
Debt securities issued	445,226,206	425,859,137
	445,226,206	425,859,137
Current liabilities		
Debt securities issued	351,654	433,097
	351,654	433,097
	445,577,860	426,292,234

As at 31 December 2022 and 31 March 2023, the Debt securities issued are analyzed as follows:

31.12.2022					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	4,233,007	4,237,732
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,113,012
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	189,826,075	191,350,779
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	9,318,904	9,315,433
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	18,637,808	18,633,429
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	10,530,362	10,531,837
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,447,995	3,449,193
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,211,458	1,212,427
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	375,000	375,254
Ulisses Finance No.3 - Class A	June 2022	June 2039	Euribor 1M + 90 bps	168,000,000	167,808,294
Ulisses Finance No.3 - Class B	June 2022	June 2039	Euribor 1M + 200 bps	8,000,000	7,828,704
Ulisses Finance No.3 - Class C	June 2022	June 2039	Euribor 1M + 370 bps	12,000,000	11,741,334
Ulisses Finance No.3 - Class D	June 2022	June 2039	Euribor 1M + 525 bps	6,000,000	5,665,908
Ulisses Finance No.3 - Class E	June 2022	June 2039	Euribor 1M + 650 bps	5,000,000	4,758,885
Ulisses Finance No.3 - Class F	June 2022	June 2039	Euribor 1M + 850 bps	1,000,000	965,514
Ulisses Finance No.3 - Class G	June 2022	June 2039	Euribor 1M + 785 bps	600,000	590,125
				445,280,609	445,577,860

31.03.2023					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	1,795,060	1,797,548
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,114,929
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	176,584,910	178,004,364
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	8,668,871	8,667,906
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	17,337,743	17,338,195
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	9,795,825	9,799,754
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,207,482	3,209,435
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,126,953	1,128,149
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	150,000	150,141
Ulisses Finance No.3 - Class A	June 2022	June 2039	Euribor 1M + 90 bps	168,000,000	167,870,668
Ulisses Finance No.3 - Class B	June 2022	June 2039	Euribor 1M + 200 bps	8,000,000	7,847,331
Ulisses Finance No.3 - Class C	June 2022	June 2039	Euribor 1M + 370 bps	12,000,000	11,769,924
Ulisses Finance No.3 - Class D	June 2022	June 2039	Euribor 1M + 525 bps	6,000,000	5,699,929
Ulisses Finance No.3 - Class E	June 2022	June 2039	Euribor 1M + 650 bps	5,000,000	4,783,832
Ulisses Finance No.3 - Class F	June 2022	June 2039	Euribor 1M + 850 bps	1,000,000	969,243
Ulisses Finance No.3 - Class G	June 2022	June 2039	Euribor 1M + 785 bps	150,000	140,887
				425,916,844	426,292,234

During the year ended on 31 December 2022 and three-months period ended 31 March 2023, the movement of this item is as follows:

31.12.2022					
	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	24,532,237	—	(13,188,001)	6,508	11,350,744
Ulisses Finance No.2	253,263,517	—	(17,927,399)	(467,765)	234,868,353
Ulisses Finance No.3	—	201,500,000	(2,699,000)	557,764	199,358,764
	277,795,753	201,500,000	(33,814,400)	96,507	445,577,860

31.03.2023					
	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	11,350,743	—	(2,437,947)	(319)	8,912,477
Ulisses Finance No.2	234,868,352	—	(16,475,817)	(94,592)	218,297,944
Ulisses Finance No.3	199,358,764	—	(450,000)	173,049	199,081,813
	445,577,860	—	(19,363,764)	78,138	426,292,234

In 31 December 2022, the movements booked in “Issues” is related to the issuance of a new credit securitisation operation called Ulisses Finance n° 3, carried out through 321 Crédito.

The scheduling by maturity regarding this caption is as follows:

31.12.2022							
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Securitisations	351,654	—	351,654	—	445,226,206	445,226,206	445,577,860
	351,654	—	351,654	—	445,226,206	445,226,206	445,577,860

31.03.2023							
	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	433,097	—	433,097	—	425,859,137	425,859,137	426,292,234
	433,097	—	433,097	—	425,859,137	425,859,137	426,292,234

Asset securitisation

Ulisses Finance Nr.1

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

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

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

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

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

Chaves Funding Nr.8

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

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

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

Ulisses Finance No.2

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

The structure of the transaction includes six collateralised Tranches from A to F and additionally tranches G and Z. All tranches are dispersed in the capital market, with the exception of class Z, whose initial value was 1.5 million euros.

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

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

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

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

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

Next Funding Nr.1

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

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

Ulisses Finance Nr. 3

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

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

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

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

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

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

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

Additionally, the Group, through 321 Crédito, maintained, as at 31 March 2023, the Fénix operation as the only live unrecognised securitisation operation. The Group's involvement in this operation is limited to providing servicing services.

22. Banking clients' deposits and other loans

As at 31 December 2022 and 31 March 2023, the composition of the caption Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2022	31.03.2023
Sight deposits	1,608,322,164	1,413,255,128
Term deposits	184,027,482	398,254,587
Savings deposits	452,980,272	398,769,392
	2,245,329,918	2,210,279,108

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 sight 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 mobilisable without penalty on remuneration.

For the three-months period ended 31 March 2023 the average rate of return on customer funds was 0.17% (31 December 2022: 0.02%).

As at 31 December 2022 and 31 March 2023, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2022					
	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	2,061,302,436	—	—	—	—	2,061,302,436
Term deposits	—	83,544,873	100,482,609	—	—	184,027,482
	2,061,302,436	83,544,873	100,482,609	—	—	2,245,329,918

	31.03.2023					
	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	1,812,024,521	—	—	—	—	1,812,024,521
Term deposits	—	100,252,811	298,001,775	—	—	398,254,587
	1,812,024,521	100,252,811	298,001,775	—	—	2,210,279,108

23. Income taxes receivable /payable

As at 31 March 2023, the caption reflects the estimated income tax regarding 2022, which has not yet been paid, as well as the estimated income tax regarding the three-months period ended 31 March 2023.

24. Staff costs

During three-months periods ended 31 March 2022 and 31 March 2023, the composition of the caption Staff Costs was as follows:

	31.03.2022	31.03.2023
Remuneration	71,652,208	77,597,755
Employee benefits	1,652,877	748,089
Indemnities	238,251	272,416
Social Security charges	15,212,086	16,308,547
Occupational accident and health insurance	995,564	944,140
Social welfare costs	2,238,380	2,148,843
Other staff costs	29,439	39,204
	92,018,805	98,058,994

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

During the three-months periods ended 31 March 2022 and 31 March 2023, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were:

	31.03.2022				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	694,908	39,643	4,950	—	739,501
Annual variable remuneration	—	—	—	—	—
	694,908	39,643	4,950	—	739,501
Long-term remuneration					
Defined contribution plan RSP	49,425	—	—	—	49,425
Long-term variable remuneration	362,143	—	—	—	362,143
	411,568	—	—	—	411,568
	1,106,476	39,643	4,950	—	1,151,069

	31.03.2023				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	719,597	39,643	4,950	—	764,190
Annual variable remuneration	—	—	—	—	—
	719,597	39,643	4,950	—	764,190
Long-term remuneration					
Defined contribution plan RSP	49,425	—	—	—	49,425
Long-term variable remuneration	—	—	—	—	—
	49,425	—	—	—	49,425
	769,022	39,643	4,950	—	813,615

Long-term variable remuneration ("LTVR")

The Long-term variable remuneration model for the 2020/2022 term of office is based on the participation of the executive Directors in the Options Plan, which is set out in the remuneration policy proposal approved by the Annual General Meeting of 21 April 2021 and based on the proposal of the Remuneration Committee.

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

The Options Plan mentioned provides for the following main rules applicable to the allocation and exercise of the options and the financial settlement, and delivery and retention of the shares within the LTVR:

- The Options Plan regulates the allocation to its participants of options which confer the right to allocate shares representing CTT's share capital, subject to certain conditions applicable to the exercise and settlement of the options;
- The Options Plan sets out the number of options allocated that may be exercised by the Plan's participants (the CEO, the CFO, the remaining executive Directors and the Top Manager), according to the table forward, the date of attribution corresponding to the date of the referred plan's approval at the General Meeting;
- The Options Plan sets five tranches of options that differ only by their different exercise price or strike price, as shown in the table below:

Tranche	Number of options - per participant			Exercise Price or Strike Price
	CEO	CFO	Other executive administrators	
1	700,000	400,000	300,000	€ 3.00
2	700,000	400,000	300,000	€ 5.00
3	700,000	400,000	300,000	€ 7.50
4	700,000	400,000	300,000	€ 10.00
5	700,000	400,000	300,000	€ 12.50

In the case of the Top Management, the Board of Directors approved the attribution of a global number of 1,200,000 options, subject to the conditions defined for the governing bodies.

- The exercise date of all the options is 1 January 2023, given the end of the 3-year term of office 2020/2022;
- The number of CTT shares eventually to be awarded to the participants (via physical or financial settlement pursuant to the terms of the Options Plan), following the automatic exercise of the options on the exercise date as foreseen on the Options Plan, depends on the difference between the exercise price (strike price) and the Share Price (i.e., the average price, weighted by the trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions carried out in the 45 days prior to the exercise date, i.e., on 1 January 2023) and results from the application of the following formula:

No. of Shares = No. of Options Exercised x [(Share Price - Exercise Price (Strike Price)) / Share Price]

Thus, subject to the eligibility conditions and the retention mechanism referred below, each participant is entitled to receive the total number of CTT shares resulting from the sum of the number of shares due for each tranche, calculated according to the referred formula.

- f. The Executive Committee Options Plan provides for the financial settlement of 25% of the options (cash settlement) and the physical settlement of 75% of the options (equity settlement), without prejudice to, exceptionally and in a scenario where the number of own shares held by CTT is not sufficient, determining that the Remuneration Committee establishes a compensation mechanism through the allocation of a cash amount and financial settlement of the options whose physical settlement is not possible. The plan for CTT's Top Management provides for the physical settlement of 100% of the options;
- g. In the event that shares are granted depending on stock market performance and the Company's positive performance as defined in the plan, the options will be subject to settlement over the deferral/retention period;
- h. 50% of the LTVR is settled on the fifth trading day immediately following the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023, subject to verification of positive performance with respect to each of the 2021 and 2022 financial years, half by way of financial settlement in cash, in the case of the Executive Committee, (i.e. 25% of the options on a pro rata basis with respect to each of its 5 tranches) and the other half (i.e. 25% of the options also on a pro rata basis with respect to each of its 5 tranches) by way of physical settlement through the delivery of CTT shares. In the case of Top Management, the 50% of the LTVR settled on this date will be settled through the physical delivery of CTT shares;
- i. The remaining 50% of the LTVR (i.e. 50% of the options equally on a pro rata basis with respect to each of its 5 tranches) are settled through the delivery of CTT shares (physical settlement), in 2 tranches of 1/2 of the shares retained, respectively: (i) on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at an annual general meeting of the Company to be held in 2024, or on 31 May 2024 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2023; and (ii) on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at an annual general meeting of the Company to be held in 2025, or on 31 May 2025 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.
- j. The exercise of the options and their settlement are also subject to the eligibility conditions, namely, remaining in office during the term of office by rule, absence of situations of material non-compliance with the Options Plan, and no situations giving rise to the application of the adjustment mechanisms);

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

For the cash-settlement component, the the liability amount is updated at the end of each reporting period, depending on the number of shares or share options awarded and their fair value at the reporting date, based on a study carried out by an independent entity. The liability amount determined in the study on 31 December 2022 amounted to 179,583 Euros, which led to the reversal of an amount of 231,847 Euros in the staff costs caption in the period of 2022.

In the period ended 31 December 2022, the amount recognised in staff costs amounted to 1,388,153 Euros, of which (231,847) Euros corresponds to the cash settlement component and 1,620,000 Euros corresponds to the equity instrument settlement component (Note 15).

Taking into account the end of the three-year term of office 2020/2022, the Remuneration Committee, in accordance with the Options Plan, has determined, on 1 January 2023, the number of shares to be attributed to each participant as LTVR (which attribution and settlement being subject to the rules set out in the Options Plan, described above). This determination was made through a study carried out by an independent entity.

For this purpose, the Share Price was calculated, based on the criteria described above, with the value of 3.168647 Euros was set as the value of the share for the purposes of the final calculation of the shares to be attributed.

In accordance with point 5.4.1 of the Options Plan, the Remuneration Committee determined that the Strike Prices shown in the table above should be adjusted to the distribution of dividends during 2021 and 2022, in accordance with the following formula:

Adjusted Strike Price = Previous Strike Price - shareholder remuneration per Company share x (1 - % of treasury shares of the Company)

According to the formula above, the adjusted Strike Prices corresponding to each tranche were updated in accordance with the table below:

Tranche	Number of options - per participant			Exercise Price or Strike Price
	CEO	CFO	Other executive administrators	
1	700,000	400,000	300,000	€ 2.799139
2	700,000	400,000	300,000	€ 4.799139
3	700,000	400,000	300,000	€ 7.799139
4	700,000	400,000	300,000	€ 9.799139
5	700,000	400,000	300,000	€ 12.299139

In accordance with the conditions of the Options Plan, and taking the Share Price of 3,168647 Euros mentioned above as a reference, only the Exercise Price (Strike Price) of the first tranche was taken into account, since the Share Price did not reach the Exercise Price (Strike Price) of the second tranche. Thus, the following formula was applied to determine the number of shares:

$(\text{Share Price} - \text{Strike Price}) / \text{Share Price} = (3,168647 - 2,799139) / 3,168647 = 0.116614$

Considering the above, each option was entitled to the attribution of 0.116614 shares which, multiplied by the number of options attributed to each participant, gave rise to the attribution of the following number of shares to each participant by way of LTVR:

Participant	CEO	CFO	Other executive directors (three members)	Total
Shares	81,629	46,645	104,949	233,226

In the case of Top Management, a total of 127 103 shares to be awarded were calculated.

As mentioned above, providing for the Option Plan, in the case of the Board of Directors, the financial settlement of 25% of the shares attributed (cash settlement) and the physical settlement of 75% of the same (equity settlement), 50% of the shares attributed as LTVR were settled on the fifth trading day

immediately after the annual general meeting of the Company that approved the accounts for the 2022 financial year, held on 10 April 2023, half through financial settlement in cash and the other half through of physical settlement through the delivery of CTT shares to participants. In the case of top management, 50% of the shares awarded were paid through physical settlement on the same date. The remaining 50% of the allocated shares are subject to the deferral and retention mechanisms explained above.

As at 31 March 2023, and considering that the plan options were exercised on 1 January 2023, there was no change in the fair value of the cash settlement component. Likewise, in the case of the physical settlement component, and considering the exercise date of the options, this was fully recognised in 2021 and 2022, with no impacts recorded with reference to 31 March 2023..

Annual variable remuneration ("AVR"):

In the period ended 31 December 2021, the amount of 1,447,419 Euros was recognised as an estimated annual variable remuneration for members of the Governing Bodies. In 2022, the determination of the final amount to be settled was carried out, with 50% of the amount having already been settled, as stipulated in the Remuneration Regulation.

In the period ended 31 December 2022, the amount of 1,492,467 Euros was recognised as an estimated annual variable remuneration for members of the Governing Bodies.

For the three-months periods ended 31 March 2022 and 31 March 2023, the caption Staff costs includes the amounts of 72,083 Euros and 210,172 Euros related to expenses with workers' representative bodies.

For three-months period ended 31 March 2023, the average number of staff of the Group was 12,800 (12,560 employees for the period ended 31 March 2022).

25. Interest expenses and Interest income

For the three-months periods ended 31 March 2022 and 31 March 2023, the caption Interest Expenses had the following detail:

	31.03.2022	31.03.2023
Interest expenses		
Bank loans	406,063	709,002
Lease liabilities	733,266	805,700
Interest costs from employee benefits	970,726	1,790,858
Other interest costs	89,277	180,749
	2,199,332	3,486,309

During the three-months periods ended 31 March 2022 and 31 March 2023, the caption Interest income was detailed as follows:

	31.03.2022	31.03.2023
Interest income		
Deposits in credit institutions	4,676	326,422
Other supplementary income	106,438	48,899
	111,114	375,321

26. Income tax for the period

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

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

Reconciliation of the income tax rate

For the three-months periods ended 31 March 2022 and 31 March 2023, the reconciliation between the nominal rate and the effective income tax rate was as follows:

	31.03.2022	31.03.2023
Earnings before taxes (a)	7,238,916	21,841,937
Nominal tax rate	21.0%	21.0%
	1,520,173	4,586,807
Tax Benefits	(73,476)	(53,073)
Accounting gains/(losses)	(1,964)	(3,194)
Tax gains/(losses)	980	1,597
Equity method	(112,806)	—
Provisions not considered in the calculation of deferred taxes	12,287	8,454
Impairment losses and reversals	64,538	109,201
Compensation for insurable events	64,208	23,051
Depreciation and car rental charges	6,832	6,391
Credits uncollectible	29,676	25,444
Difference between current and deferred tax rates	—	(58,716)
Fines, interest, compensatory interest and other charges	1,802	6,083
Other situations, net	29,245	(19,236)
Adjustments related with - autonomous taxation	140,903	173,571
Insufficiency / (Excess) estimated income tax	(95,617)	(73,651)
Subtotal (b)	1,586,782	4,732,730
(b)/(a)	21.92%	21.67%
Adjustments related with - Municipal Surcharge	112,747	312,253
Adjustments related with - State Surcharge	126,788	671,184
Income taxes for the period	1,826,317	5,716,167
Effective tax rate	25.23%	26.17%
Income taxes for the period		
Current tax	1,082,200	5,746,840
Deferred tax	839,734	42,978
Insufficiency / (Excess) estimated income tax	(95,617)	(73,651)
	1,826,317	5,716,167

Deferred taxes

As at 31 December 2022 and 31 March 2023, the balance related to deferred tax assets and liabilities was composed as follows:

	31.12.2022	31.03.2022
Deferred tax assets		
Employee benefits - healthcare	53,302,302	53,033,157
Employee benefits - pension plan	51,604	50,521
Employee benefits - other long-term benefits	5,090,460	4,933,476
Impairment losses and provisions	2,400,419	2,390,684
Tax losses carried forward	2,765,595	3,014,327
Impairment losses in tangible fixed assets	1,594,826	1,182,057
Long-term variable remuneration (Board of directors)	1,049,729	1,049,729
Land and buildings	332,610	332,610
Tangible assets' tax revaluation regime	962,147	881,968
Other	273,917	333,902
	67,823,608	67,202,432
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	1,519,019	1,477,719
Suspended gains	631,893	625,356
PPA Movements - NewSpring Services	387,300	362,041
Fair Value Adjustments	7,108,430	6,598,641
Other	200,835	185,485
	9,847,476	9,249,242

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 March 2023 the deferred tax asset amounts to 881,968 Euros.

The deferred tax liability relating to "fair value adjustments" essentially refers to the deferred tax associated with the caption "Financial assets and liabilities at fair value through profit or loss".

As at 31 March 2023, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.2 million Euros and 0.4 million Euros, respectively.

During the years ended 31 December 2022 and 31 March 2023, the movements which occurred under the deferred tax captions were as follows:

	31.12.2022	31.03.2022
Deferred tax assets	87,255,087	67,823,608
Opening balances		
Effect on net profit		
Employee benefits - healthcare	(414,767)	(269,144)
Employee benefits - pension plan	(11,597)	(1,082)
Employee benefits - other long-term benefits	359,712	(156,984)
Impairment losses and provisions	(1,738,614)	(9,735)
Tax losses carried forward	686,684	248,732
Impairment losses in tangible fixed assets	1,113,639	(412,769)
Share Plan	594,329	—
Land and buildings	(11,042)	—
Tangible assets' tax revaluation regime	(320,715)	(80,179)
Other	(89,819)	59,985
Effect on equity		
Employee benefits - healthcare	(19,593,906)	—
Employee benefits - pension plan	(5,383)	—
Other	—	—
Closing balance	67,823,608	67,202,432

	31.12.2022	31.03.2022
Deferred tax liabilities		
Opening balances	2,427,513	9,847,476
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(165,194)	(41,300)
Suspended capital gains	(26,149)	(6,537)
Non-current assets held for sale	(42,718)	—
PPA Movements - NewSpring Services	(134,713)	(25,259)
Fair Value Adjustments	7,108,430	(538,726)
Other	15,818	33,624
Effect on equity		
Other	142,477	(20,036)
Others		
PPA movements - NewSpring Services	522,013	—
Saldo final	9,847,476	9,249,242

During the year ended 31 December 2022 and the three-months period ended 31 March 2023, the tax losses carried forward are detailed as follows:

Group	31.12.2022		31.03.2022	
	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	77,006,639	—	79,092,200	—
CTT Expresso/Transporta	13,133,872	2,758,113	13,133,872	2,758,113
CTT Soluções Empresariais/HCCM	—	—	1,184,437	248,952
CTT IMO	—	—	34,572	7,262
Total	92,226,071	2,758,113	93,445,080	3,014,327

Regarding CTT – Expresso, S.A., branch in Spain (prior Tourline), the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017, 2018,

2019, 2020, 2021 and 2022 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognised, given its losses history.

Regarding to CTT Expresso/ Transporta, the tax losses presented refer to the losses of Transporta for the years 2014 and 2015 and 2017 and 2018, since in 2019 this company was incorporated into CTT Expresso, which can be reported in the next 14 years (previously 12 years, but extended to 14 years under exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic), for the years 2014 and 2015 and 7 years (previously 5 years, but extended to 7 years within the scope of exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic) for the years 2017 and 2018. The recognition of deferred tax assets related to Transporta's tax losses is supported by the estimate of future taxable profits of CTT Expresso, based on the company's 8-year business plan (ie, until 2030).

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

It should be noted that, following the acquisition of HCCM – Outsourcing Investment, S.A, a request was made to maintain the tax losses that had been determined with reference to the periods from 2015 to 2020 (in the total amount of 1,300,311 Euros), in relation to which awaits a favourable response from the Tax and Customs Authority during the three-months period ended 31 March 2023. Therefore, in the three-month period ended 31 March 2023, the related deferred tax asset was recorded. It should be noted that, as previously mentioned, HCCM – Outsourcing Investment, S.A. was merged by incorporation into the entity CTT Soluções Empresariais, S.A., with reference to 1 January 2022.

Law No. 24-D/2022, of December 30 – “OE 2023” – includes a rule, identified as promoting the principle of solidarity between financial years (logic of continuity of business cycles), which determines the end of time limit for reporting tax losses calculated in previous years.

Despite being a rule for application to financial years beginning on or after 1 January 2023, the calculation of deferred tax on 31 December 2022 in respect of tax losses was considered rational.

In another sense, the percentage of the amount of deductible tax losses in each financial year is reduced from 70% to 65%, therefore it is expected that Companies will take longer to take advantage of the deduction of tax losses.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.73 million Euros.

SIFIDE

The Group recognises an estimate of the tax credit that was submitted for certification by the competent authority (ANI – Agência Nacional de Inovação) in the period to which the investments relate.

Regarding to R&D expenses incurred by the Group in the 2020 financial year, with the submission of the application, these amounted to approximately 5,304,741 Euros, with the Group having the possibility of benefiting from a income tax deduction estimated at 3,850,195 Euros. As at 31 March 2023, the tax credit for the year 2020 is already fully deferred by the Certifying Commission (ANI).

Regarding R&D expenses incurred by the Group in the financial year of 2021, with the submission of the application, these amounted to the amount of 6,474,190 Euros, with the Group having the possibility of benefiting from a income tax deduction estimated at 3,816,703 euros. During the first three months of this year, the Certifying Commission granted, in relation to the 2021 financial year, two tax credits in the

global amount of 577,893 Euros, and the Group is currently awaiting receipt of the declarations relating to the remaining amount.

As for the financial year 2022, the Group is still identifying and quantifying the expenses incurred with R&D that will integrate the applications that will be submitted during the year 2023.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2019 and onwards may still be reviewed and corrected.

The Board of Directors believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 March 2023.

27. Related parties

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager, subsidiaries companies' managers or third party with any of these related through relevant commercial or personal interest (under the terms of IAS 24) and also subsidiaries, associates and joint ventures of CTT. It is considered that there is a "relevant commercial or personal interest" in relation to (i) close family members of the managers, subsidiaries companies' managers and qualified shareholders who, at each moment, have significant influence on CTT, as well as (ii) controlled entities (individually or jointly), either by management, subsidiaries companies' managers qualified shareholders or by the persons referred to in (i). For this purpose, "control" is considered to exist when an investor is exposed or holds rights in relation to variable results through its relationship with it and has the capacity to affect those results through the power it exercises over the investee. Additionally, "close family members" are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

According to the Regulation, the significant transactions with related parties, as well as transactions that members of the Board of Directors of CTT and/or its subsidiaries conduct with CTT and/or its subsidiaries, must be previously approved by resolution of Board of Directors, preceded by a prior favourable opinion of Audit Committee, except when included in the normal company's business and no special advantage is granted to the director directly or by an intermediary. Significant transaction is any transaction with a related party whose amount exceeds one million Euros, and / or carried out outside current activity scope of CTT and / or subsidiaries and / or outside market conditions.

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

For the three-months periods ended 31 March 2022 and 31 March 2023, the following transactions took place and the following balances existed with related parties:

Group	31.03.2022					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	—	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	198,694	—	180,830	160,498	—	—
Members of the (Note 24)						
Board of Directors	—	—	—	694,908	—	—
Audit Committee	—	—	—	39,643	—	—
Remuneration Committee	—	—	—	4,950	—	—
General Meeting	—	—	—	—	—	—
	198,694	—	180,830	899,999	—	—

Group	31.03.2022					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	—	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	258,723	56	134,340	83	—	—
Members of the (Note 24)						
Board of Directors	—	—	—	719,597	—	—
Audit Committee	—	—	—	39,643	—	—
Remuneration Committee	—	—	—	4,950	—	—
General Meeting	—	—	—	—	—	—
	258,723	56	134,340	764,273	—	—

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

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

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

28. Other information

As announced to the market on 26 January 2023, an update of the price of the basket of letter mail, editorial mail and parcels services covered by the Universal Postal Service Price Convention, corresponding to an average annual price variation of 6.58%, took effect as from 1 March 2023. This update corresponded to an average annual price variation of 6.58%. The overall average annual price variation, also reflecting the effect of the update of special prices for bulk mail, is 6.24%.

With regard to the legal proceedings relating to ANACOM's Decision regarding the quality of service parameters and performance targets applicable to the universal postal service provision, of July 2018, the Government's appeal against the decision of the Arbitration Court continues. This decision acknowledges that ANACOM's decision constituted an abnormal and impressionable change in

circumstances, causing damages amounting to 1,869,482 euros. The administrative actions against ANACOM, the first concerning the same decision and the second concerning the deliberation of December 2018 regarding the new measurement procedures to be applied to the indicators, had no developments.

As CTT appealed the decision to apply a fine of 153,750 euros for twenty-six administrative offences related to the non-compliance with postal network density targets and minimum service offers, and the publication of quality of service indicators and information on prices charged at various postal establishments in 2014 and 2015, the Lisbon Court of Appeal reduced the fine to 57 thousand euros. As CTT disagreed with the grounds of the decision that upheld some of the administrative offences, it appealed to the Constitutional Court on 23 February 2023. This process is still at the appeal stage. The administrative offence proceeding of which CTT was charged by ANACOM for alleged violation of the measurement procedure of the quality of service indicators (IQS) in 2016 and 2017 is ongoing.

Following the proposal to apply contractual fines in the amount of 753 thousand euros, on 4 August 2022, CTT requested the constitution of an arbitration court, under the terms of the concession agreement. The arbitration court has been constituted and the process is underway. For the same facts, CTT had already been notified of the filing of an administrative offence proceeding on 30 August 2021, which is running its course, with no developments, following the presentation of the respective defences. On 23 February, CTT was notified to comment on a new proposal for the application of contractual fines submitted by ANACOM to the Government, in relation to the alleged contractual breach of the quality of service obligation in the years 2016, 2017, 2018 and 2019. CTT submitted its comments on 6 April, in which it defends there is no basis in fact or in law for the ascertainment of any contractual liability and requests additional evidence. The application of contractual fines and the respective amount depends on the further steps of the administrative procedure.

A decision is awaited in the arbitration proceedings for the protection of CTT's rights filed by CTT against the Portuguese State on 11 June 2021. Specifically: (a) the impacts and contractual effects, namely compensatory (which CTT estimates to be approximately 23 million euros), of the COVID-19 pandemic, as well as of the public measures adopted in that context; and (b) the legal compatibility, impacts and contractual effects, namely compensatory (which CTT estimates to be approximately 44 million euros), of the decision to extend the concession agreement. The above mentioned figures correspond to the amounts to which CTT, with the data available at the time, considers to be entitled and are subject to update, assessment and decision in the process, which is ongoing.

There are no relevant developments in the lawsuits filed on 18 January 2022 by the companies Vasp Premium – Entrega Personalizada de Publicações, LDA. (Vasp) and Iberomail – Correio Internacional, S.A., (Iberomail) against CTT before the Competition, Regulation & Supervision Court, seeking the conviction of CTT for abuse of dominant position. CTT follows the best market practices and considers the request to be totally unfounded, as these lawsuits concern facts assessed by the Competition Authority (AdC) in the scope of a proceeding that was closed with the imposition of commitments, which CTT has implemented and reports annually to the AdC.

Strategic Partnership - Generali Seguros

On 6 November 2022, CTT - Correios de Portugal, S.A. and its subsidiary Banco CTT, S.A. entered into a strategic partnership agreement with Generali Seguros, S.A. (Tranquilidade/Generali Seguros).

The transaction concluded between the parties includes:

- Long-term distribution agreements, with 5-years exclusivity renewable periods, for the distribution by CTT and Banco CTT of life and non-life insurance products of Tranquilidade/Generali Seguros;

- Subscription by Tranquilidade/Generali Seguros of a 25 million euros reserved share capital increase in Banco CTT, in exchange for a shareholding of approximately 8.71%. A Shareholders' Agreement will provide Tranquilidade/Generali Seguros with minority interests with the size of the shareholding.

The agreement aims to combine the experience of Tranquilidade/Generali Seguros in the development and management of insurance products with the distribution capacity of CTT and Banco CTT through their nationwide networks coverage and digital channels. The insurance distribution agreements contemplate a fixed price by Tranquilidade/Generali Seguros of 1 million euros and 9 million euros to CTT and Banco CTT, respectively, to be settled in the initial six years, and additional contingent payments depending on the performance achieved over the term of the agreements.

The CTT Group expects that the transaction, which is subject to suspensive conditions, including approval by the banking and insurance regulatory authorities, will be completed by the end of 2023.

29. Subsequent events

Following the resolution of the Annual General Meeting of Shareholders of CTT - Correios de Portugal, S.A. held on 20 April 2023, which approved the share capital reduction in the amount of 717,500 Euros for the purpose of releasing excess capital, on 21 April 2023, the CTT share capital reduction in the amount mentioned above through the cancellation of 1,435,000 shares held by the Company, representing 0.997% of its share capital and acquired under the share buyback programme carried out from 17 March to 8 September 2022, was registered before the Commercial Registry Office.

As such, CTT's share capital is now 71,957,500 Euros, represented by 143,915,000 shares with the nominal value of fifty cents per share.

With the exception of what is mentioned above, after 31 March 2023 and up to the date that the financial statements were approved for issue, no relevant or material facts have occurred in the Group's activity that have not been disclosed in the notes to the financial statements.