



Integrated Report

Includes the management report,
the interim condensed consolidated accounts,
information on corporate governance and on sustainability

1st HALF 2019



CTT – Correios de Portugal, S.A. – Public Company
Avenida D. João II, 13, 1999-001 LISBON – PORTUGAL
Lisbon commercial registry and fiscal no. 500 077 568
Share Capital EUR 75,000,000.00

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1. INTRODUCTION TO CTT

1.1. KEY FIGURES

Economic and financial indicators

| € thousand or %, except where indicated | 1H18 Restated | 1H19 | Δ%19/18 |
|--|------------------|---------|----------|
| Revenues | 355,125 | 354,995 | -0.0 |
| Operating costs excluding depreciation, amortisation, impairments, provisions and non-recurring costs ⁽¹⁾ | 309,055 | 308,598 | -0.1 |
| EBITDA ⁽¹⁾ | 46,070 | 46,397 | 0.7 |
| EBIT | 18,106 | 19,713 | 8.9 |
| EBT | 13,315 | 14,703 | 10.4 |
| Net profit before non-controlling interests | 7,456 | 8,987 | 20.5 |
| Net profit for the period attributable to equity holders | 7,428 | 8,988 | 21.0 |
| Earnings per share(euro) ⁽²⁾ | 0.05 | 0.06 | 21.0 |
| EBITDA margin | 13.0% | 13.1% | 0.1 p.p. |
| EBIT margin | 5.1% | 5.6% | 0.5 p.p. |
| Net profit margin | 2.1% | 2.5% | 0.4 p.p. |
| Capex | 8,265 | 14,700 | 77.9 |
| Free cash flow | -14,294 | -1,047 | 92.7 |

| | 31.12.2018 Restated | 30.06.2019 | Δ%19/18 |
|---------------------------|------------------------|-------------|---------|
| Cash and cash equivalents | 422,717 | 363,684 | -14.0 |
| Own cash | 152,874 | 67,465 | -55.9 |
| Assets | 1,854,470 | 2,291,970 | 23.6 |
| Equity | 135,887 | 129,745 | -4.5 |
| Liabilities | 1,718,582 | 2,162,225 | 25.8 |
| Share capital | 75,000 | 75,000 | - |
| Number of shares | 150,000,000 | 150,000,000 | - |

⁽¹⁾ Excluding impairments, provisions, depreciation, amortisation, IFRS 16 impacts & Specific items.

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

Operating Indicators

| | 1H18 | 1H19 | Δ% 19/18 |
|--|-----------|-------------|-----------|
| Mail | | | |
| Addressed mail volumes (million items) | 357.3 | 320.6 | -10.3 |
| Transactional mail | 307.6 | 279.0 | -9.3 |
| Editorial mail | 19.1 | 17.3 | -9.7 |
| Advertising mail | 241.7 | 262.0 | 8.4 |
| Unaddressed mail volumes (million items) | 211.1 | 237.6 | 12.5 |
| Express & Parcels | | | |
| Portugal (million items) | 9.4 | 9.8 | 4.1 |
| Spain (million items) | 8.5 | 7.8 | -8.2 |
| Financial Services | | | |
| Payments (number of transactions; millions) | 711.4 | 630.2 | -11.4 |
| Savings and insurance (subscriptions; €m) | 1,138.1 | 1,771.4 | 55.6 |
| Banco CTT | | | |
| Number of current accounts | 284,521 | 408,204 | 43.5 |
| Customer deposits (€m) | 736,395.5 | 1,063,597.2 | 44.4 |
| Payments (number of transactions; millions) | 24.1 | 25.1 | 4.5 |
| Mortgage loans book, net (€m) | 131,811.3 | 312,097.7 | 136.8 |
| Consumer credit production (€m) | 18,764.2 | 21,189.5 | 12.9 |
| Loan-to-Deposits ratio (including 321 Crédito) | 20.3% | 69.3% | 49.0 p.p. |
| Number of branches | 212 | 212 | - |
| Staff | | | |
| Staff (FTE) ⁽¹⁾ | 12,486 | 12,394 | -0.7 |
| Retail, transport and distribution networks | | | |
| CTT access points | 2,384 | 2,380 | -0.2 |
| Retail network (post offices) | 580 | 538 | -7.2 |
| Postal agencies | 1,804 | 1,842 | 2.1 |
| Payshop agents | 4,512 | 4,721 | 4.6 |
| Postal delivery offices | 231 | 230 | -0.4 |
| Postal delivery routes | 4,702 | 4,681 | -0.4 |
| Fleet (number of vehicles) | 3,674 | 3,749 | 2.0 |

⁽¹⁾ FTE = Full-time equivalent.

Sustainability indicators

| | 1H18 | 1H19 | Δ% 19/18 |
|---|---------|---------|-----------|
| Customers | | | |
| Customer satisfaction (%) | 78.9 | 78.8 | -0.1 p.p. |
| Staff | | | |
| Number of accidents ^{(1) (2)} | 514 | 529 | 2.9 |
| Training (hours) ⁽¹⁾ | 103,341 | 118,646 | 14.8 |
| Women in management positions (1 st management level) (%) | 28.6% | 20.5% | -8.1 p.p. |
| Community/Environment | | | |
| Value chain - contracts with environmental criteria (%) | 99.4 | 94.2 | -5.2 p.p. |
| Total CO ₂ emissions, scope 1 and 2 (kton.) ^{(1) (2)} | 8.2 | 8.0 | -2.2 |
| Energy consumption (TJ) ^{(1) (2)} | 195.2 | 185.5 | -5.0 |
| Eco-friendly vehicles | 353 | 308 | -12.7 |
| Weight of Eco product range in Direct Mail line (%) ⁽¹⁾ | 38.8 | 37.7 | -1.1 p.p. |
| Investment in the Community (€ thousand) | 612 | 543 | -11.3 |

⁽¹⁾ Provisional data.

⁽²⁾ 1H18 figures updated - information was received after the 1H18 Interim Report release.

1.2. EXTERNAL AWARDS AND DISTINCTIONS

In the 1st half of 2019 CTT received the following awards and distinctions:

- **TRUSTED BRAND**

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

- **2019 MARKETEER AWARD**

CTT was distinguished in the "Corporate Brands" category at the 11th edition of the Marketeer Awards.

- **2019 FIVE STAR AWARD FOR BANCO CTT**

Banco CTT was awarded the 2019 Five Star Award in the "Mortgage Loans" category. Banco CTT was chosen among the five banks in the same category.

- **INTERNATIONAL AWARD FOR PHILATELIC ART AT ASIAGO**

The stamp issue Europa 2018, dedicated to the Bridges of Mainland Portugal, Azores and Madeira, was awarded the 2018 Asiago Award for philatelic design, in the tourism category, by the Olympic Academy of Asiago, Vicenza (Italy).

- **HUMAN RESOURCES PORTUGAL AWARDS**

CTT was distinguished with the Human Resources Portugal 2019 awards, in the "Diversity and Inclusion" category which recognises good practices in diversity and labour inclusion.

- **THE INNOVATION FARMER 2018**

CTT won the "The Innovation Guru Farmer 2018" award of the Exago Innovation Gurus Awards which distinguishes CTT as the customer that best focuses on achieving excellence through innovation.

- **2019 APCE GRAND PRIZE**

CTT was distinguished with two awards of the Portuguese Association of Business Communication (APCE) and of the jury of the 2019 APCE Grand Prize, in the categories of and "Internal Event up to 500 employees - CTT Academy Young Talent Development" and Video "CTT Ads Direct Medal" Its merit was also recognised in 5 other categories.

- **2019 FUNDACOM AWARD**

CTT won a Fundacom Award in the "Video - Multimedia & Digital" category for the work "CTT Ads direct medal".

- **CTT AND CTT EXPRESSO LINES DISTINGUISHED AT THE 2019APCC BEST AWARDS**

At the 2019 APCC Best Awards of the Portuguese Association of Contact Centres, the CTT and CTT Expresso Lines were honoured with the silver award in the Distribution category and the bronze award in the Logistics category. This initiative distinguishes every year the best customer service operations in the country in several categories.

- **CTT CUSTOMS CLEARANCE PORTAL WINS 2019 "INNOVATION" AWARD**

The 2019 "INNOVATION" award was attributed by the International Association of Portuguese Language Communications (AICEP) to the Customs Clearance Portal.

2. STRATEGIC BACKGROUND

2.1. REGULATORY FRAMEWORK

2.1.1. Postal Sector

At European Union level

In 2018, the European Parliament and the Council adopted the **Regulation (EU) 2018/644 on cross-border parcel delivery services**, which aims to increase price transparency and regulatory oversight of these services. This Regulation foresees the publication by the European Commission, on a dedicated website, of public lists of tariffs of the cross-border delivery service providers and gives the regulators more powers to monitor the parcel delivery market. The Commission Implementing Regulation (EU) 2018/1263 of 20 September 2018 establishing the forms for the submission of information by parcel delivery service providers, being such information collected by the national regulatory authority. As a result, in 2019 the CTT group companies providing parcel services provided ANACOM with the data corresponding to the implementation framework of this regulation.

At a national level

Complying with the pricing criteria as defined by a decision of ANACOM of 12.07.2018¹ complemented by a decision of 05.11.2018, the proposal on the **prices of the universal postal service** submitted by CTT on 17.04.2019 was approved by ANACOM by a deliberation of 22.05.2019. The prices foreseen in said proposal, which met the defined pricing principles and criteria, entered into force on 04.06.2019.

This update corresponded to a 1.15% average annual price change of the basket of letter mail, editorial mail and parcels services, excluding the universal service offer to bulk mail senders to whom a special pricing system applies.

With regard to the **special pricing of the postal services included in the universal postal service offer**² applicable to bulk mail senders are concerned, these were also updated on 04.06.2019, following a proposal submitted to the Regulator on 16.05.2019.

In line with the Company's pricing policy for 2019, these updates corresponded to a 1.49% average annual price change of the basket of letter mail, editorial mail and parcels services, which also takes into account the increase in the prices of reserved services (services for the transmission of judicial and other postal notifications) and bulk mail.

In terms of the access to CTT's postal network and in the framework of the commitments made with the Authority for the Competition, on 02.01.2019 an **extension of the access offer to competing postal operators** entered into force, consisting mainly of: (i) the extension of postal services covered by the access offer; (ii) the introduction of new access points to the postal network, further downstream in the postal delivery chain, namely destination production and logistics centres and about 200 destination CTT post offices, whose mail is directly forwarded to postal delivery offices for delivery by the postmen; (iii) the introduction of faster delivery times for some services, in the case of access through the destination post offices; (iv) the possibility for a competing operator to perform additional mail processing tasks; (v) lower pricing for access to the network than that applied to final customers, with differentiated prices depending on the access point, mail service and processing tasks carried out by the competing operator.

On 28 December 2018, following the results of the audit of the 2016 and 2017 annual quality of service levels of the universal postal service, ANACOM decided to stipulate **changes to the Quality of Service Indicators measurement system**, which meant an increase in the costs to be borne by CTT with the contracting of the external entity responsible for the measurement (+€1.6m compared to the same period

¹ Pursuant to Article 14(3) of Law No 17/2012 of 16 April (Postal Law), as amended by Decree-Law No 160/2013 of 19 November and Law No 16/2014 of 4 April.

² As amended by Article 4 of Decree-Law No 160/2013 of 19 November.

of the previous year). Having disagreed with the grounds and scope of ANACOM's stipulations, CTT contested the decision before the administrative courts on 28.03.2019. The new procedures were implemented on 01.07.2019, as provided for in ANACOM's decision.

Following the audit of the 2016 results of the cost accounting system of CTT, on 18.06.2019 ANACOM approved the decision on the results of this year, according to which this entity considers that new criteria for the allocation of costs between the postal activity and the banking activity of the Company have to be segregated and determined the restatement of the cost accounting for the 2016 and 2017 financial years in this respect.

On 10 January 2019, ANACOM stipulated that CTT should present a proposal to complement the **density targets of the postal network and minimum service offer** in force taking into account the following reference framework: (i) that the postal establishment that must provide all the concession services in each municipality is a post office or a postal agency with equivalent characteristics; (ii) that the functioning of said postal agency complies with a number of requirements.

The initial proposal submitted by CTT on 21.02.2019 was analysed by ANACOM, and on 24.04.2019 that entity decided that it did not fully correspond to the defined reference framework. In this respect, CTT presented a new complementary proposal of density targets of the postal network and minimum service offer. The revised proposal, communicated by CTT on 14.06.2019 to the Regulator and accepted by the latter on 11.07.2019, has been the subject of public consultation until 01.08.2019, after which ANACOM will issue its final decision.

Also on 11 July 2019, ANACOM applied to CTT the **compensation mechanism for non-compliance with a Quality of Service Indicator**, imposing a 0.06pp deduction on the weighted average price change of the basket of letter mail, parcels and editorial mail allowed for 2019 (1.15pp). This deduction, which has a reduced impact, is 0.025pp below the value originally proposed by ANACOM (0.085pp) and should be applied for a minimum period of three months.

2.1.2. Financial sector

Regulatory changes continue at a rapid pace, with continuous review of rules and requirements to improve the effectiveness of controls.

2019 is the year of review and, as the first full year after the grace period for the 2018 regulatory implementations, regulators will want to ensure that everything went as planned. The Markets in Financial Instruments Directive (MiFID II), Payment Services Directive 2 (PSD2), and the combat against money laundering and terrorist financing are some of the most striking examples.

The PSD2, to be implemented in the second half of the year, is a European Payment Services Directive aiming at greater transparency and innovation in payment institutions. This new regulation will have a profound impact on the banking sector worldwide, allowing any entity to have access (authorised by the holder) to a payment account or a current account without the need for bank intermediation. The PSD2 will serve as a reason and tool for the supervisory entities to be alert to the use of information by financial institutions in a systematic and detailed manner. Thus, the digital strategies implemented will have to guarantee information security.

In the context of the combat against money laundering and terrorist financing, the first half of the year saw the publication by Banco de Portugal of new instructions for data collection and single annual reporting, adjusting the content of this instrument to assess compliance with the new and demanding applicable legal and regulatory framework and, on the other hand, collect standardised and quantitative information that can be used in comparative analyses of the sectors and subsectors subject to the supervision of the Banco de Portugal.

In the 1st half of 2019, as part of the banking sector reform process, further instructions were issued under the CRD-V Directive, making changes in several areas, including major risks, leverage ratio, liquidity, market risk, counterparty credit risk, as well as reporting and disclosure requirements.

This year, some national regulators in the Euro area are expected to take their first steps towards protection against the threat of cyberattacks using a new structure of European Central Bank (TIBER-EU, Threat Intelligence-based Ethical Red-teaming). However, as this is optional for national authorities, the scope is still unclear and financial institutions should remain attentive to new developments.

On 25 February 2019 the European Banking Authority ("EBA") published revised guidelines on outsourcing arrangements. Given the growing tendency to use outsourcing as a mechanism to reduce costs and increase efficiency, particularly in information systems, the guidelines establish a set of governance requirements to be met when outsourcing arrangements are made. The guidelines also define detailed criteria for determining whether a particular outsourced activity, service, process or function is considered "critical or important". In this context, it should be stressed out the need for a sound outsourcing policy and process that ensures that all risks associated with the outsourcing of critical or important functions are identified, evaluated, monitored, managed, reported and, where appropriate, mitigated.

In early January, the new Insurance Distribution Law was published, which significantly changes the legal framework for insurance and reinsurance distribution, significantly reinforcing the set of rules and procedures applicable across the sector, with a special impact on the organisation and activity of insurance intermediaries. Noteworthy is the foresight of numerous ASF (Insurance and Pension Fund Supervisory Authority) regulatory interventions (the Insurance Distribution Law enables the ASF to issue regulatory standards on more than 29 matters). New vocational training standards and minimum insurance course requirements and content are laid down, as well as continuous professional development requirements to be met. The obligations under the insurance product design and approval policies, which should include the identification of the profile of the respective policyholders or insured persons, who are the target market, are reinforced. Pre-contractual reporting obligations are also strengthened, as is the special obligation of the insurance distributor to assess the adequacy of the product to the insured person.

2.2. STRATEGIC LINES




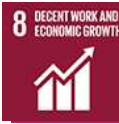






2.3. SUSTAINABLE DEVELOPMENT GOALS

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

Apart from aligning its environmental management strategy with the priority SDG for the sector, CTT mapped and prioritised 8 SDG for its value chain, using the SDG Compass methodology, developed by the WBCSD, UN Global Compact and GRI.

The table below shows the 1st half 2019 performance levels with respect to the goals defined by CTT for 2019.

| | | | |
|---|---|--|---|
| Focused on road accident goals . Accidents increased by 2.9% ³ . Fatal accidents: 0 . Road Safety Programme – with over 10,470 participants |  | Focused on training goals . Training volume of 118.6 thousand hours . Training effort rate of 1.1% |  |
| Focused on renewable energy and energy efficiency goals . 100% of electricity of renewable origin acquired |  | Focused on goals related to labour conditions and access to financial services . Expansion of the banking business |  |
| Focused on electric mobility . More ecological fleet solutions (electric and natural gas) tested |  | Focused on the Eco portfolio . Carbon neutral “Green” Mail and Express mail offer |  |
| Focused on carbon management, compliance with international standards and environmental education . Emissions per postal item reduced by 2% ⁴ . 67 workers trained in eco-efficient driving |  | Focused on anticorruption and bribery, governance and ethics, and engagement with stakeholders . 703 workers trained in the Code of Conduct and Code of Good Conduct for Prevention and Combat of Harassment at Work . Communication article addressed to the internal stakeholders |  |

2.4. RISK MANAGEMENT

2.4.1. Description of the risk management process

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

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organisational model applicable and adjusted to the specificities and to the regulatory framework of its activity. However, a model has been established for articulation

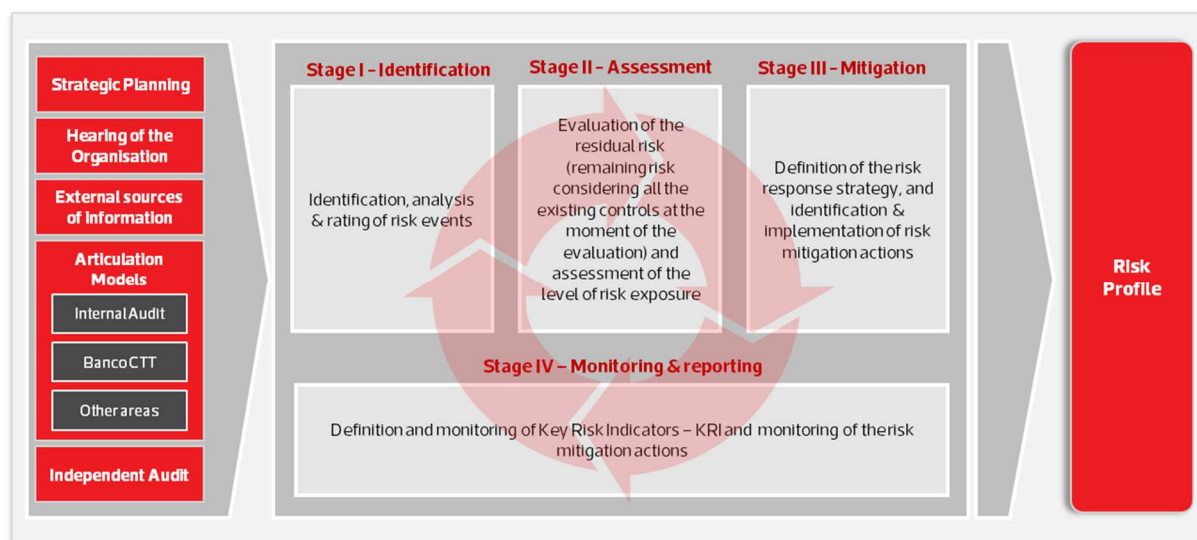
³ Road accidents increased due to a greater number of motorised delivery rounds and to the increase weight and volume of the items to be unloaded and transported.

⁴ Considering direct (scope 1) and indirect (scope 2) emissions.

between the areas responsible for the risk management of CTT and Banco CTT, in order to ensure an alignment relative to the main interdependent risks.

The risk profile is viewed as the main output of the process, reflecting the vision at a given moment on the events that, should they occur, could adversely affect the achievement of the strategic objectives, compromising CTT's sustainability.

The review and continuous updating of the risk profile is, therefore, fundamental, and is based on a dynamic process consisting of four sequential and interrelated phases, fed by a number of inputs, as illustrated in the graph below:






The level of risk exposure arises from the combination of its probability and impact. During stage III, if the level of exposure to a particular risk is not acceptable, corrective or mitigating actions are defined and implemented, aimed at reducing the exposure, by lowering the probability and/or impact.

The evolution of CTT's main risks (those with higher level of exposure) is monitored in stage IV through Key Risk Indicators (KRI). The KRI operate as a barometer of CTT's current level of exposure to risks, warning, in due time, of possible changes of the probability of occurrence and/or impact of the risk event. Each KRI has a defined objective and tolerance level. Surpassing this tolerance level could mean that CTT will incur financial losses that are higher than expected (value-at-risk), thus requiring the adoption of immediate response measures. In some cases, in order to maximise the effectiveness of the KRI, action plans are defined *a priori* with specific mitigation measures the implementation of which is conditional upon surpassing the tolerance levels defined for the KRI.

2.4.2. Risks faced by CTT

In February, the Board of Directors approved the Annual Risk Management Plan, a document that establishes the guidelines on the risk profile and action strategies in this area, defining qualitative criteria (risk appetite) for the management of the main risks arising from CTT's activity and the objectives defined in the Strategic plan.

During the 1st half of 2019, the risk profile of CTT has not undergone substantial changes. Hence, the risks CTT is more exposed to and, as such, have been closely monitored and in respect of which mitigation strategies have been implemented, are briefly described in the tables below:

| Strategic Risks derive from uncertainties resulting from the strategy defined by and the way it is implemented | | Impacted business |
|--|---|---|
| Competition | CTT's businesses have been subject to increasing competitive pressure over the last few years. New players emerged with relevant impact on the Mail business. In the Express & Parcels (E&P) business, e-commerce has led to strong market expansion, making it more competitive and globalised. In this context, CTT's risk is associated to the fact that it might not have sufficient response capacity and agility in relation to the offers of the competition and thus lose Customers, or it could be forced to lower its prices. |    |
| Iberian CEP (Courier, Express and Parcels) challenge | There has been a significant increase of Express & Parcels volumes in Iberia with the trend being maintained (or accelerating). CTT is a leader of the CEP market in Portugal, although in Spain its presence is still low. If CTT is unable to consolidate its position as a reference Iberian Operator in the CEP market, and as this is a fundamental growth lever, the effects on its results will be quite adverse. |    |
| Quality of service (OSU) | The new quality of service framework CTT has to comply with as the provider of the Universal Postal Service is much more demanding than the previous one, setting ambitious goals which are disproportional and inappropriate, far beyond current practices and European trends in this area. For that reason, CTT has requested the declaration of invalidity of the decision, via arbitration and administrative action. |    |
| Public image | CTT's image and reputation and the trust of the Customers, investors and other stakeholders in the brand are key factors for success. For this reason, the occurrence of events triggering negative media pressure on CTT's image could give rise to materially adverse effects on the Company's business and results. |    |
| Mergers & acquisitions | In line with market interest and opportunity, CTT seeks to identify and explore inorganic growth alternatives consistent with the strategy and markets in which the company operates. The risk of this growth strategy stems from the possibility that deviations from the Business Plan may materialise in the total or partial loss of the capital invested in the subsidiary company. |    |
| Operational Risks derive from failures or deficiencies in the management of business processes, people and information systems | | Impacted business |
| Information security | In view of the increasingly stronger dependence on information technologies in CTT's business units, the security and protection of information is a critical issue. Behavioural failures, whether deliberate or not, or cyber-attacks could compromise the confidentiality and/or integrity of the information. If this should happen, CTT could have to face disruptions in its activity, unforeseen costs, loss of sensitive data, application of penalties and/or high reputation damages. |    |
| Continuity of postal operations | The occurrence of certain adverse events, which are unpredictable and inevitable, beyond CTT's will and control, could affect IT, facilities and people, and ultimately lead to stoppage of postal operations. The lack of a prompt and coordinated response could prolong the stoppage time, causing considerable financial losses in addition to irreparable damage to the Company's reputation and image. |    |
| Universal Service Obligations | As the provider of the Universal Postal Service, CTT is subject to general as well as specific obligations with regard to the postal network and the services under the concession. Failure to comply with any of these obligations as well as with other legal provisions, is an infringement. The risk arises from the application of the sanctions provided for in the OSU Concession Bases for breach of contract. |    |
| External Risks derive from more or less unpredictable factors that are beyond the power of intervention and influence of CTT | | Impacted business |
| E-substitution | The intensification of the phenomenon of digitalisation and substitution of physical mail by other forms of digital communication has led to a continuous decline of postal volumes since 2001, with a significant acceleration of this trend in the last 2 years. It is expected to continue to decrease at a fast pace, thus exerting pressure on CTT's revenues. |    |
| Regulatory changes | As the Universal Postal Service provider, CTT operates in an intensely regulated environment, and is subject to a significant number of legal and regulatory requirements relative to the pricing regime, parameters of provision of the Universal Postal Service and quality of service. Changes to these requirements, their application or interpretation could lead to a significant increase of the costs associated to their compliance and consequent adverse effect on CTT's results. |    |


Mail

Express & Parcels

Banco CTT & Financial Services

3. CTT BUSINESS UNITS

3.1. MAIL

The **revenues of the Mail** business unit reached €240.7m in 1H19, -€11.2m (-4.4%) vis-à-vis 1H18, mostly due to the decline in the revenues of **addressed mail** (-€8.9m; -3.9%) and **philately** (-€0.8m; -21.4%) mitigated by revenue growth in **Business Solutions** (+€0.8m; +16.1%) and **unaddressed advertising mail** (+€0.2m; +6.0%).

The 2019 annual update of the prices of the postal services was implemented on 4 June 2019. The annual average change of the prices of the Universal Service⁵ will be +1.49% while the average price change in 1H19 vis-à-vis 1H18 is +2.41%.

| Mail volumes | | | | Million items |
|-------------------------|--------------|--------------|---------------|--------------------|
| | 1H18 | 1H19 | Δ | Δ / working day |
| Transactional mail | 307.6 | 279.0 | -9.3% | -7.8% |
| Advertising mail | 30.6 | 24.4 | -20.4% | -19.1% |
| Editorial mail | 19.1 | 17.3 | -9.7% | -8.3% |
| Addressed mail | 357.3 | 320.6 | -10.3% | -8.8% |
| Unaddressed mail | 211.1 | 237.6 | 12.5% | 14.4% |

At the end of 2Q19, with 2 less working days vs 2Q18, **addressed mail** volumes declined by 9.1%, recovering 2.2 p.p. vis-à-vis 1Q19 (-11.3%). The evolution was even more positive when considering the number of working days, as it went from -11.3% to -6.1% (+5.2 pp).

The decline in **transactional mail** volumes in 1H19 (-9.3%) was influenced by the decrease of **ordinary mail** volumes (-10.7%), mainly in the banking and insurance, utilities & telcos, and Government sectors as well as in the occasional channel, and **priority mail** volumes (-11.0%). Transactional mail has a positive evolution from 1Q19 to 2Q19 when considering the number of working days, as it went from -11.0% to -4.4%, respectively (+6.5 pp).

As a positive contribution, **inbound international mail** volumes increased by 5.4%, continuing in a momentum driven by the growth of e-commerce. The volumes growth of tracked mail (Exprès) and registered mail led to an increase of €3.4m (+19.6%) in revenues.

The decline of **addressed advertising mail** volumes (-20.4%) continued the trend that has marked the domestic and international markets in the last year. This business was affected by the dematerialisation of processes and the change of the business model and the communication and marketing vehicles to other advertising solutions, as well as by the implementation of the new General Data Protection Regulation (GDPR).

Unaddressed advertising mail volumes increased in 2Q19 allowing for a growth in volumes of 12.5% at the end of 1H19. Capturing one of the largest advertisers in the market from the competition and the European elections process (infomail communication service) were determining factors.

In **Business Solutions**, double-digit revenue growth was once more achieved vis-à-vis 1H18 (+€0.8m; +16.1%), especially in the geographical services business and dematerialisation services.

⁵ Including letter mail, editorial mail and parcels of the Universal Service, excluding inbound international mail.

Eco portfolio

CTT customers continue to show interest in CTT's green portfolio products. DM Eco continues to increase its relative weight in the overall direct mail range, currently representing 38% of total direct mail volumes. Green mail, which focuses on convenience and the environmental component, ensuring carbon neutral products, accounted for more than 2 million items sold in the 1st half of the year.

Philately

In the 1st half of 2019, Philately generated €3.0m in revenues, -€0.8m (-21.4%) than those recorded in the 1st half of 2018. The 2019 philatelic plan of issues of CTT has the strongest issues in the 2nd half of the year, hence a recovery in sales is expected.

Issues and Editions of the 1st half of 2019

| Commemorative Issues | |
|---|--|
| <ul style="list-style-type: none"> Portugal-China – 40 Years of Diplomatic Relations Figures from History and Culture 150 Years of the Abolition of Slavery In Portugal 200 Years of the Birth of Queen Maria II 700 Years of the Foundation of the Order of Christ Commemorating Calouste Sarkis Gulbenkian Aga Khan Music Awards Centenary Museums of Portugal (1st group) 100 Years of the International Labour Organisation 100 Years of Einstein's Eclipse 600 Years of the Discovery of the Madeira Archipelago | National and International Events |
| <ul style="list-style-type: none"> Portuguese Autochthonous Breeds (2nd group) Europa Issue – National Birds The Tea (Azores) | Environment and Sustainability |
| <ul style="list-style-type: none"> Traditional Desserts of Portugal (3rd group) Greater Lisbon / Central Portugal Booklets Alentejo / Algarve Booklets | Self-adhesive |

Editions

- Queen Maria II – A Woman between the Family and Politics
- 100 Years of Einstein's Solar Eclipse

3.2. EXPRESS & PARCELS

The **Express & Parcels revenues** amounted to €72.8m in 1H19, in line with 1H18.

Revenues in Portugal stood at €45.9m, +3.9% vs 1H18. The performance of this business in Portugal resulted mostly from the CEP business, which achieved €34.5m (+5.9%), the banking activity that totalled €3.3m (+5.7%), and cargo and logistics that reached €7.9m (+0.6%).

Volumes in Portugal totalled 9.8 million items, +4.1% over 1H18. CEP growth was the result of the entry of new customers (mainly in the B2B segment), the recovery of the occasional segment, the e-commerce growth and the good performance of the international business. The international business contributed €0.5m (+16.3%) to the CEP business, reflecting, on the one hand, a greater focus on the exploitation of business opportunities and, on the other, a significant increase in volumes originating in Germany and Brazil as a result of trade agreements with operators in those countries. The growth in the banking sector delivery business was due to the entry into force of the renegotiations concluded in 2018 and already during 2019, as well as to the award of new services by the customers.

In May, Dott (www.dott.pt) was launched, an e-commerce marketplace that brings together national sellers and buyers and is based on a partnership between CTT (50%) and Sonae (50%) following a soft launch in March. Dott is born with the ambition of being a national e-commerce champion in Portugal, counting already on about 500 stores that sell 17 categories of products. This is a combination of the logistic know-how of CTT and the retail experience of Sonae, which aims to create an online reference brand for the Portuguese consumer.

In **Spain, revenues** of this business stood at €25.9m (-6.3%), a decrease vis-à-vis 1H18 mainly due to the 8.2% decline in volumes, greatly influenced by the loss of one of the largest customers of Tourline. Excluding the impact of this large customer, the evolution of revenues and volumes in 1H19 would have been +9.0% and +9.1%, respectively, resulting from the capture of new customers and the growth of the franchise network.

The **revenues in Mozambique** stood at €1.0m, +4.2% vs 1H18. The CEP and banking sector delivery businesses made a positive contribution to this growth.

3.3. BANCO CTT

The **revenues of Banco CTT** reached €23.6m in 1H19, a growth of €7.8m (+49.7%) over 1H18.

The migration of a part of CTT payments segment to this business unit contributed €6.3m (-8.0%) to the revenues of 1H19. The company 321 Crédito, acquired in May 2019, represented a contribution of €5.1m to the revenues of 1H19.

Excluding the inorganic effect of the acquisition of 321 Crédito, revenues in this segment reached €18.5m, reflecting a year-on-year increase of €2.7m (+17.4%), positively impacted by net interest income growth (+€1.8m; +53.6%) and the growth of the commissions received (+€1.4m, +65.1%) and negatively by the decrease in the area of payments & transfers (-€0.5m; -4.6%).

Noteworthy was the operating performance of Banco CTT, which led to a significant growth of accounts opened to 408 thousand accounts (+124 thousand than in 1H18), along with the continued growth of customer deposits to €1,063.6m (+44.4%), mortgage loan portfolio growth, net of impairment losses, to €312.1m (+136.8% than in 1H18,) and consumer credit production by €21.2m (+12.9% vs 1H18). With the acquisition of 321 Crédito, Banco CTT managed to structurally boost the loan-to-deposit ratio of its credit portfolio from 20.3% in 1H18 to 69.3% in 1H19 through the integration of an amount of €414m in its credit portfolio.

3.4. FINANCIAL SERVICES

Financial Services revenues stood at €15.6m in 1H19, a 24.1% growth over 1H18.

The **Savings & Insurance** products contributed €11.9m to the revenues, a 47.2% year-on-year growth, **Public Debt Certificates**⁶ placements reached €1,739.9m, +62.5% vs 1H18, generating revenues of €11.1m (+53.6% vs 1H18). This growth is less than proportional to the evolution of the amount of subscriptions due to the 5 bp reduction in the company's placement fees, in May 2018.

With regard to **Money Orders** (national and international), 7.4 million transactions were carried out, which represented a decrease of 9.5% vis-à-vis 1H18 and translated into €2.8m (-13.0%) in revenues. In the **Payments** business, mainly tax collections, 630 thousand transactions were processed in 1H19, representing a decrease of 11.4% compared to 1H18, corresponding to revenues of €0.6m (-11.5%).

3.5. FUTURE PERSPECTIVES

For 2019, CTT estimates that EBITDA of the group, including 321 Crédito, is within the range of €100m to €105m and that total investment will amount to €45m, the latter representing a reduction of €10m compared to the initial estimate of €55m, announced in February 2019.

The company will continue to implement the Operational Transformation Plan, with the aim of exceeding the previously announced savings targets, namely through incremental savings in operating costs and a more restrictive policy of termination of employment contracts by mutual agreement, including the increased use of early retirement mechanisms. Additionally, and as long as the necessary market conditions are met, CTT will implement an optimisation plan of the non-strategic real estate assets during the 2nd half of the year.

The focus on optimising and streamlining the use of Company resources will accelerate throughout the year in order to achieve further savings outside the scope of the Operational Transformation Plan, especially regarding central support areas. It is expected that more information on the objectives and results of this initiative will be provided during the results presentation of the 3rd quarter of 2019.

The growth levers remain the strategic pillar for the development and sustainability of CTT, with several initiatives to be carried out in the short and medium term. In the Express & Parcels business unit, Tourline now counts on a new, local management team, very experienced in the sector and in turnaround situations, with a mandate to focus on organic growth, with emphasis on implementing cost efficiency measures in its own network and on maximising the value that can be mobilised through the franchise model. More details on the plan will be communicated during the 3rd quarter results presentation. Banco CTT enters a new stage of its growth with the merger of 321 Crédito and the capture of identified synergies. In conjunction with a better monetisation of the customer base, this will boost the profitability of the banking business, hence the objectives of EBITDA breakeven for the 2nd half of 2019 and Net profit breakeven for 2020 are reaffirmed.

⁶ Savings Certificates and Treasury Certificates Poupança Crescimento.

4. PERFORMANCE

4.1. FINANCIAL CAPITAL

REVENUES

Revenues in line with 1H18 reach €355.0m (–€0.1m) where the performance of Mail & Other (–€11.0m) was offset by the performances of Banco CTT⁷ (+€7.8m), Financial Services⁷ (+€3.0m). Excluding the inorganic effect of 321 Crédito, acquired in May 2019, revenues totalled €349.9m (–€5.2m).

Revenues

| | 1H18 | 1H19 | Δ | Δ % 19/18 |
|--------------------|--------------|--------------|-------------|--------------|
| Revenues | 355.1 | 355.0 | -0.1 | -0.0% |
| Mail & Other | 254.1 | 243.1 | -11.0 | -4.3% |
| Mail | 251.9 | 240.7 | -11.2 | -4.4% |
| Central Structure | 2.2 | 2.3 | 0.1 | 6.4% |
| Express & Parcels | 72.8 | 72.8 | 0.0 | 0.1% |
| Banco CTT | 15.7 | 23.6 | 7.8 | 49.7% |
| Financial Services | 12.5 | 15.6 | 3.0 | 24.1% |

OPERATING COSTS

Operating costs⁸ totalled €308.6m, decreasing 0.1% vs 1H18, due to the reduction of external supplies & services (ES&S) costs (–0.9%) and staff costs (–0.4%), which were partly offset by the increase of other operating costs (+10.2%). Excluding 321 Crédito, operating costs totalled €306.7m (–0.8%).

It is also important to note that the company has been adjusting its operations structure in order to comply with the new quality of service indicators defined by ANACOM, which has weighed on the pace of structural improvement of operational efficiency.

Despite the impact of these regulatory requirements, in 2Q19, the company achieved a steady reduction in its cost structure (–€2.1m; –1.3%) including the acquisition of 321 Crédito. On a like-for-like basis and excluding the effect of the merger of 321 Crédito, operating costs decreased even more significantly in 2Q19 (–4.0M €, –2.6%), showcasing the good progress achieved.

Operating costs⁸

| | 1H18 | 1H19 | Δ | Δ % |
|------------------------|--------------|--------------|-------------|--------------|
| Operating costs | 309.1 | 308.6 | -0.5 | -0.1% |
| Staff costs | 169.8 | 169.2 | -0.6 | -0.4% |
| ES&E | 127.0 | 125.9 | -1.1 | -0.9% |
| Other operating costs | 12.2 | 13.5 | 1.3 | 10.2% |

Staff costs decreased €0.6m (–0.4%), or €1.5m (–0.9%) excluding the effect of the merger of 321 Crédito. The initiatives of the Operational Transformation Plan resulted in savings of €4.5m which were partly offset by the increase in the number of permanent staff in Banco CTT and Tourline (+€1.1m), the increase

⁷ In 2019 and in the same period of the previous year (proforma), part of the payments segment of the Financial Services business unit is considered within Banco CTT business unit, to which it migrated, and excluded from Financial Services. 321 Crédito was merged into Banco CTT business unit in May 2019.

⁸ Excluding depreciation / amortisation, impairments and provisions, as well as the impact of IFRS 16 and specific items.

of fixed-term contracts (+€0.7m), as well as by career progression and rejuvenation of some managerial staff. Until the end of June 2019, no decision was made regarding salary updates for the current year.

External Supplies & Services costs decreased mainly due to the decrease in costs with buildings and fleet of -€3.2m (-9.6%). This is justified both by the optimisation of equipment and by the implementation of efficiency measures in surveillance, security, electricity and cleaning.

On the other hand, direct costs rose to €66.1m (+€1.0m; +1.5%), impacted by the Express & Parcels business, the costs of which rose by €1.4m (+2.9 %) reflecting traffic growth in Portugal (+4.1%), which was higher than the decrease in other business areas (-2.3%). Excluding the effect of 321 Crédito, External Supplies & Services costs amounted to €125.3m (-€1.7m; -1.4%).

Other operating costs increased mostly due to: (i) the increase in interbank fees paid (+€0.5m; +47.9%) as a result of the increase in the number of bank accounts of Banco CTT (+43.5%), which entails higher total transactionality costs; (ii) the inorganic effect of 321 Crédito (+€0.4m); and (iii) stamp duty related to CTT, S.A. financing operations (+€0.2m).

EBITDA

The Company generated an EBITDA⁹ of €46.4m in 1H19, +€0.3m (+0.7%) vs 1H18, with an EBITDA margin of 13.1% (13.0% in 1H18). Excluding the effect of 321 Crédito, EBITDA amounted to €43.2m (-€2.8m; -6.2%).

The evolution of EBITDA was due to the increase in EBITDA of Financial Services (+€4.1m) and Banco CTT (+€3.3m), which offset the decrease in the EBITDA of Mail & Other (-€4.4m) and Express & Parcels (-€2.6m).

EBITDA by Business Unit

| | € million | | | |
|------------------------|-------------|-------------|------------|-------------|
| | 1H18 | 1H19 | Δ | Δ% |
| EBITDA | 46.1 | 46.4 | 0.3 | 0.7% |
| Mail & Other | 45.6 | 41.1 | -4.4 | -9.7% |
| Mail | 68.3 | 61.1 | -7.2 | -10.5% |
| Central structure | -22.7 | -20.0 | 2.7 | 12.1% |
| Express & Parcels | 1.9 | -0.8 | -2.6 | -141.1% |
| Banco CTT (*) | -6.7 | -3.3 | 3.3 | 49.7% |
| Financial Services (*) | 5.3 | 9.4 | 4.1 | 76.9% |

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

SPECIFIC ITEMS

In 1H19, CTT recorded specific items for an amount of -€11.7m, broken down as shown below:

Specific items

| | € million | | | |
|--|--------------|--------------|------------|--------------|
| | 1H18 | 1H19 | Δ | Δ% |
| Specific items affecting EBITDA | -15.1 | -11.7 | 3.4 | 22.5% |
| Specific items affecting EBIT | -17.2 | -11.7 | 5.5 | 32.2% |
| Corporate restructuring costs and strategic projects | -15.3 | -11.6 | 3.7 | 24.4% |
| Other non-recurring revenues and costs | -1.9 | -0.1 | 1.8 | 96.2% |

⁹ Excluding depreciation / amortisation, impairments, provisions, as well as the impact of IFRS 16 and specific items.

The impact on the results of corporate restructuring and strategic projects (–€11.6m) relates mostly to: (i) costs related to termination of employment contracts by mutual agreement in 1H19 (–€6.8m) within the Human Resources Optimisation Programme and costs with consultancy services (–€1.6m) in the context of the Operational Transformation Plan in progress; (ii) costs related to the acquisition of 321 Crédito (–€1.2m); and (iii) costs related to the implementation of the changes to the Quality of Service Indicators (–€1.0m) measurement system, as required by ANACOM.

EBIT stood at €19.7m in 1H19, corresponding to +€1.6m (+8.9%) vis-à-vis 1H18 with a margin of 5.6% (5.1% in 1H18).

The consolidated financial results totalled –€5.0m, which represents a decrease of €0.2m (–4.6%) compared to 1H18.

Financial Results

| | € million | | | |
|--|-------------|-------------|-------------|----------------|
| | 1H18 | 1H19 | Δ | Δ% |
| Financial results | -4.8 | -5.0 | -0.2 | -4.6% |
| Financial income, net | -4.9 | -4.8 | 0.1 | 1.3% |
| Financial costs and losses | 4.9 | 4.9 | 0.0 | 0.5% |
| Financial income | 0.0 | 0.1 | 0.1 | 354.3% |
| Gains / losses in subsidiaries, associated companies and joint ventures | 0.1 | -0.2 | -0.3 | -289.2% |

Financial costs and losses incurred amounted to €4.9m (+0.5%), mainly incorporating financial costs related to post-employment and long-term employee benefits of €2.7m, as well as to the interest associated to finance leases liabilities linked to implementation of IFRS 16 for an amount of €1.9m.

In 1H19, CTT obtained a consolidated net profit attributable to equity holders of the CTT group of €9.0m, which reflects an increase of €1.6m (+21.0%). This increase is positively impacted by the reduction of specific items (–€5.5m) and the merger of 321 Crédito with a net contribution of +€1.8m to the net profit attributable to equity holders (€1.5m in the individual accounts).

INVESTMENT

Capex of the Group stood at €14.7m in 1H19, +77.9% (+€6.4m) above that of 1H18, lower than the forecast amount. This growth is mostly due to the increase in investment related to postal processing equipment (+€6.4m) in the context of the Investment Monitoring Programme.

CASH FLOW

In 1H19, CTT generated an operating cash flow of €7.3m, an improvement over the previous year.

The evolution of working capital in 2018 resulted from the high amounts paid for terminations of employment contracts by mutual agreement in 1H18 (€22.3m) compared to 1H19 (€6.9m). The evolution of the change in working capital in 1H19 (–€12.8m) was negatively impacted by the amounts receivable from other foreign postal operators (–€5.6m), which is received in the 3rd quarter of each year, and by the mobility allowance (–€5.7m), which is most frequently used in the summer.

Cash flow

€ million

| | Consolidated | | |
|--|--------------|--------------|--------------|
| | 1H18 | 1H19 | Δ 19/18 |
| EBITDA | 46.1 | 46.4 | 0.3 |
| Specific items* | 15.1 | 11.7 | 3.4 |
| CAPEX | 8.3 | 14.7 | -6.4 |
| Δ Working capital | -28.1 | -12.8 | 15.3 |
| Operating cash flow | -5.3 | 7.3 | 12.6 |
| Employee benefits | -7.0 | -6.7 | 0.3 |
| Tax | -2.0 | -1.6 | 0.4 |
| Free cash flow | -14.3 | -1.0 | 13.2 |
| Debt (principal + interest) | -7.9 | 36.7 | 44.6 |
| Dividends | -57.0 | -15.0 | 42.0 |
| Financial investments | 0.0 | -112.9 | -112.9 |
| Net change in organic own cash | -79.1 | -92.2 | -13.1 |
| Changes to consolidation perimeter - 321 Crédito | - | 6.8 | - |
| Change in own cash | -79.1 | -85.4 | -6.3 |
| Δ Liabilities related to Financial Services, net ¹⁰ | 70.6 | 18.4 | -52.2 |
| Δ Other ¹¹ | -26.5 | 8.0 | 34.5 |
| Net change in cash (Balance Sheet) | -35.1 | -59.0 | -23.9 |

*Specific items affecting EBITDA.

The €44.6m increase in debt is related to financing operations, including one for €35.0m aimed at carrying out the forecast investment plan. Investments in companies (-€112.9m) correspond to the value of the acquisition of 321 Crédito (€110.8m) and the capital increases made with the company Mktplace – Comércio Eletrónico, S.A. (€2.2m), better known for the Dott brand.

CONSOLIDATED BALANCE SHEET

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

Consolidated Balance Sheet excluding Banco CTT from the consolidation

€ million

| | 31.12.2018 restated | 30.06.2019 | Δ | Δ% |
|-------------------------------|------------------------|----------------|-------------|--------------|
| Non-current assets | 486.6 | 580.9 | 94.3 | 19.4% |
| Current assets | 456.9 | 426.3 | -30.6 | -6.7% |
| Assets | 943.5 | 1,007.2 | 63.8 | 6.8% |
| Equity | 135.9 | 129.7 | -6.1 | -4.5% |
| Liabilities | 807.6 | 877.5 | 69.9 | 8.7% |
| Non-current liabilities | 363.5 | 388.7 | 25.2 | 6.9% |
| Current liabilities | 444.1 | 488.8 | 44.7 | 10.1% |
| Equity and Liabilities | 943.5 | 1,007.2 | 63.8 | 6.8% |

¹⁰ The change in Financial Services net liabilities reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities / banking financial assets, of entities of the CTT group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

¹¹ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques / clearing of Banco CTT cheques and impairment of sight and term deposits.

Consolidated Balance Sheet

| | 31.12.2018 restated | 30.06.2019 | Δ | Δ% |
|-------------------------------|------------------------|----------------|--------------|--------------|
| € million | | | | |
| Non-current assets | 1,108.1 | 1,576.2 | 468.0 | 42.2% |
| Current assets | 746.3 | 715.8 | -30.5 | -4.1% |
| Assets | 1,854.5 | 2,292.0 | 437.5 | 23.6% |
| Equity | 135.9 | 129.7 | -6.1 | -4.5% |
| Liabilities | 1,718.6 | 2,162.2 | 443.6 | 25.8% |
| Non-current liabilities | 364.3 | 488.9 | 124.6 | 34.2% |
| Current liabilities | 1,354.3 | 1,673.4 | 319.1 | 23.6% |
| Equity and Liabilities | 1,854.5 | 2,292.0 | 437.5 | 23.6% |

The key aspects of the comparison between the balance sheet as at 30.06.2019 and that at the end of the 2018 financial year (restated) are:

- **Non-current assets** increased €468.0m, mostly due to the increase of credit to banking clients (+€424.2m), particularly consumer credit as a result of the merger of 321 Crédito (€352.6m) and the increase in Banco CTT (+€71.6m).
- **Equity** decreased €6.1m due to the payment of dividends concerning the 2018 financial year in May 2019 for an amount of €15.0m, which represented a gross dividend per share of €0.10 and was partly offset by the generation of net profit attributable to equity holders of the CTT group in 1H19 for an amount of €9.0m.
- **Non-current liabilities** increased by €124.6m, with emphasis on (i) Other banking financial liabilities of 321 Crédito (€93.9m) associated to the liabilities represented by securities; and (ii) the increase in funding obtained (+€29.9m).
- **Current liabilities** increased by €319.1m, with emphasis on the increase of Banking clients' deposits (+€255.8m).

As at 30 June 2019, the **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €259.6m, -€2.1m than in December 2018, as specified in the table below:

Liabilities related to employee benefits

| | 31.12.2018 | 30.06.2019 | Δ | Δ% |
|-----------------------------------|--------------|--------------|-------------|--------------|
| € million | | | | |
| Total liabilities | 261.7 | 259.6 | -2.1 | -0.8% |
| Healthcare | 251.8 | 250.5 | -1.3 | -0.5% |
| Suspension agreements | 1.6 | 0.6 | -1.0 | -64.7% |
| Other long-term employee benefits | 7.9 | 8.1 | 0.3 | 3.3% |
| Transporta pension plans | 0.3 | 0.3 | 0.0 | -3.2% |
| Other benefits | 0.1 | 0.1 | 0.0 | 27.9% |

4.2. HUMAN CAPITAL

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

Characterisation of Human Capital

As at 30 June 2019, the CTT headcount (permanent and fixed-term staff) consisted of 12,561 employees, 38 less (-0.3%) than in 1H18. This reduction is justified by the decrease in the business units Mail & Other (-193) and Financial Services (-3), which was partly offset by the increase in the business units Express & Parcels (+18) and Banco CTT (+140, of which 115 result from the integration of 321 Crédito in this business unit). Excluding the effect of the merger of 321 Crédito, the number of employees decreases 153 (-1.2%).

| Headcount | | | | |
|-----------------------------------|---------------|---------------|-------------|--------------|
| | 30.06.2018 | 30.06.2019 | Δ 2019/2018 | |
| Mail & Other | 11,178 | 10,985 | -193 | -1.7% |
| Express & Parcels | 1,137 | 1,155 | 18 | 1.6% |
| Banco CTT ^(*) | 253 | 393 | 140 | 55.3% |
| Financial Services ^(*) | 31 | 28 | -3 | -9.7% |
| Total, of which: | 12,599 | 12,561 | -38 | -0.3% |
| Permanent | 10,946 | 10,889 | -57 | -0.5% |
| Fixed-term contracts | 1,653 | 1,672 | 19 | 1.1% |
| Total in Portugal | 12,135 | 12,090 | -45 | -0.4% |

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

There was a decrease of 57 in the number of permanent staff and an increase of 19 in the number of staff with fixed-term contracts. The reduction of staff in the Mail & Other business unit (-218) had a notable impact on this evolution.

Together, the areas of operations and distribution (6,027 employees, of whom 4,410 delivery postmen and women) and the retail network (with 2,574 employees) represented circa 78% of CTT headcount.

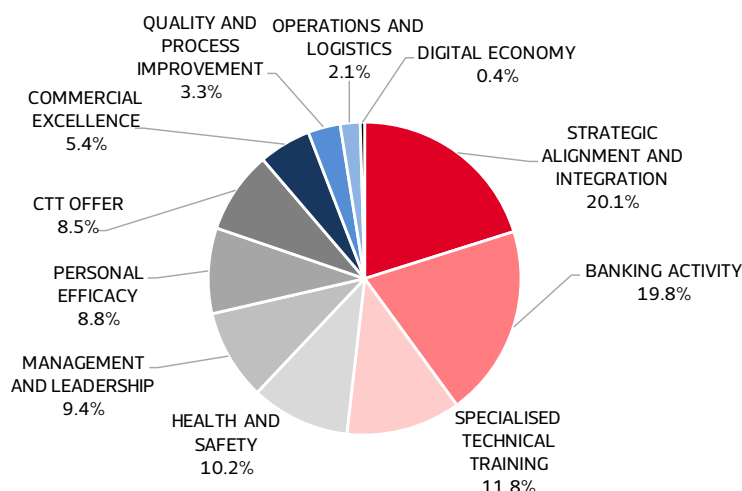
The overall absenteeism rate decreased to 6.4% (-0.5 pp). The main reasons for these absences include illness (3.8%), accidents (0.9%), union activity (0.5%); maternity/paternity leave (0.4%).

It should be highlighted that these figures already include 102 exits that occurred in 2019, to which are added 429 exits, divided into 161 in 2017 and 268 in 2018, which occurred in the context of the Human Resources Optimisation Programme included in the Operational Transformation Plan underway.

Training

During the year, 90% of the employees participated in training actions, involving a total of 219 thousand hours, with an average of 19 hours *per capita*, and a training rate of 1.1% (hours of training/hours of work). The distribution of the hours of training over the 11 programmes which structure the Training Plan is indicated in the graph below.

Training programmes



Among the 11 training programmes carried out the following should be noted: the young talents development programme; the commercial excellence programme; the programme for operating managers in the scope of the Investment and Modernisation Plan; and the mortgage loans certification programme. Training continued to be disseminated on the right to equal opportunities and non-discrimination, the CTT Code of Conduct and the Code of Good Conduct for Prevention and Combat of Harassment at Work.

Occupational Health and Safety

The awareness-raising actions on occupational safety, accident prevention and ergonomics continued at the CTT postal delivery offices and post offices. There were 529 work-related accidents and incidents, 2.9% more than in the same of 2018. In overall terms, the motives that most contributed to the occurrence of accidents at CTT were road accidents (34.5%), which include traffic accidents and people being run over, slipping/sliding (15.3%) and excessive strain (10.3%).

Diversity and equal opportunities

On matters of equal opportunities, CTT participated, together with the Commission for Equality in Labour and Employment (CITE) and the Association of Businessmen for Social Inclusion (EPIS), in the pilot project "Equal Opportunities in Professions", disseminating to the youth of the Basic School 2, 3 Miguel Torga, in Amadora, the good practices on gender equality within the operational functions of CTT. The aim was to make adolescents aware of gender stereotypes in numerous personal, family and professional life situations.

The protocol has been maintained with Lisbon CERCI (Cooperative for the Education and Rehabilitation of Non-adapted Citizens), which provides experiences of integration in employment to disabled young people, involving 13 young adults. This CTT / CERCI partnership is a success story with 16 years of experience. For this reason, at the launch of the NOS film "Campeones" the case was presented to reinforce the film's theme, the social insertion of the intellectually handicapped.

The employees were encouraged to participate in international competitions on the company's values and the focus was on the achievement of balance between personal and family life, by offering tickets to Kidzania, Aquashow, Races and various other shows and events sponsored by the Company. The programme "I am CTT" of partnerships with various entities continued to be fostered, offering discounted prices to the employees.

On matters of diversity, the Board of Directors has four female members (29% of the total), one Executive and 3 Non-Executive members.

4.3. INTELLECTUAL CAPITAL

The following initiatives stand out:

- **Boosting of the Express & Parcels business, especially of electronic commerce:**
 - Implementation of the pilot solution named CTT Now aimed at meeting the needs of fast deliveries within 2 hours. This is a dynamic distribution solution based on a digital platform and mobile app, in an urban context, in the city of Lisbon;
 - Launch of the Dott Marketplace on 1 May, a result of the partnership between CTT and SONAE in the e-commerce area.
- **Reinforcement of the Mail business:**
 - Operating upgrade of the CTT customs portal (platform to simplify the customs clearance process of postal items);
 - Development of the pilot project for an optimised management of the delivery routes of mail items.
- **Strengthening of various operational aspects:**
 - First tests with natural gas-powered trucks.
- **In the financial area, we highlight the strengthening of the activity:**
 - Launch of the 1st Partner Portal in Portugal, transforming this business capture channel in a fully-integrated digital channel;
 - Developments for the launch of the Payshop Virtual Agent (web and mobile app to help users to manage and carry out all their payments and expenses, just a click away).
- **In terms of initiatives of corporate scope, note should be made of the following:**
 - Holding of the 2nd edition of the Innovation Tank, aimed at monitoring specific outcomes, derived from approved ideas in the cycles of the INOV + by CTT platform and startups of interest for the organisation;
 - Final results of the SIFIDE (Tax Incentive System for Corporate R&D) programme, which raised the tax credit collected since 2006 to more than €8m, clearly reflecting the Company's effort/investment in R&D.

4.4. SOCIAL CAPITAL

Our social and environmental patronage policy has given priority to the issues of poverty and social exclusion, culture, language, sports for the disabled, health, solidarity, biodiversity and innovation. To this end, we supported over twenty social welfare initiatives and helps groups that are vulnerable or at risk, through a total investment of 542.6 thousand Euros.

For the 14th consecutive year, CTT supported the fund-raising work for Fenacerci, with the sale of thousands of Magic Glow-Worms at CTT post offices. We sponsored Associação Salvador, 5^a Essência, the Salesianos Foundation and the Portuguese Orthopaedics and Traumatology Society.

The necessary resources were gathered to cope with the damages caused by the cyclone Idai, in Mozambique. The campaign **"Made of Hope"** was launched on 15 March in the 539 post offices of CTT providing 200 thousand packages to collect clothes which were forwarded to Mozambique. Eight containers were sent by sea and 1.6 tonnes of donations by airmail.

In the area of preservation of the **environment and biodiversity**, we continued to sponsor the Iberian Lynx at Lisbon Zoo. In March, CTT and Quercus with a group of volunteers planted 1.5 hectares of pine trees in the National Pinewood Leiria within the campaign "A Tree for the Forest" to reforest this area devastated

by the fires in 2017. This was a carbon neutral initiative as the polluting emissions resulting from the journeys of the employees were offset through the acquisition of carbon credits.

Other volunteer actions were organised, open to workers and their families, such as the visit to the Quercus Wildlife Recovery Centre in Montejunto. Continued support was provided to young people with school failure through mentoring volunteer work under the partnership with EPIS and the League of Friends of Santa Maria Hospital, among others.

Customer satisfaction

The customers' opinion, expressed through satisfaction surveys conducted on a daily basis, indicates that 78.8% of the respondent customers perceive the overall quality of CTT as good or very good, and consider CTT a trustworthy company.

4.5. NATURAL CAPITAL

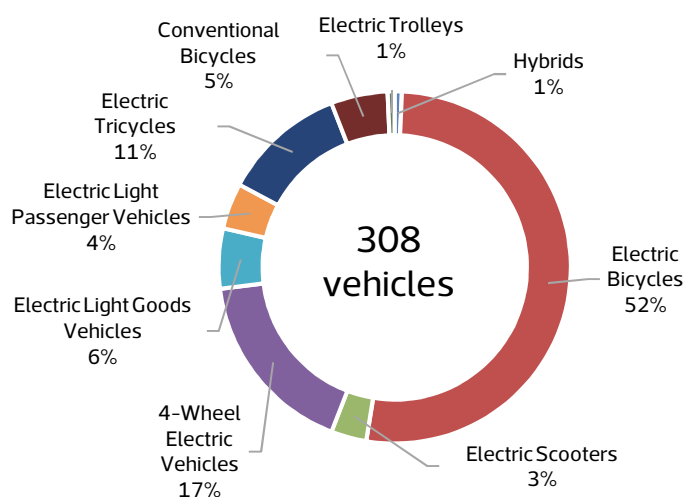
The **energy efficiency** initiatives implemented in the CTT buildings translated into a reduction of 9.1% in electricity consumption, mainly in the post offices and postal delivery offices.

Noteworthy is the start of the installation of small photovoltaic production units in 6 buildings and the energy certification and audit process for around 120 buildings, including the southern and northern production and logistics centres – both intensive energy consumers.

For the 5th consecutive year, CTT has acquired 100% certified green energy for the entire business, with a view to minimising its carbon footprint. Green energy comes from biomass and is purchased in Poland.

Fuel consumption of CTT's **own fleet** decreased (-1.8%). The fleet of 308 alternative vehicles corresponds to 8% of CTT's global fleet, with 3 conventional bikes in operation.

Fleet of alternative vehicles



A pilot test was developed with a natural gas-powered truck on the Lisbon-Porto-Évora axis, in partnership with Iveco Portugal and Dourogás to test the feasibility of using this vehicle in operations. The results obtained are very positive regarding the response to CTT's operational needs, the payback period and the environmental gains that this technology provides in terms of polluting emissions and carbon footprint.

Together with Fuelsave, a pilot project with four trucks has been launched to inform the driver, in real time, of his driving, through data directly available with a view to improve his performance and reduce fuel consumption.

There was a reduction of 2.1% in CTT's **total CO₂ emissions** (scopes 1 and 2) in relation to the same period of the previous year, mainly due to the decrease in the fleet consumption.

In order to raise the employees' awareness for the use of **smoother mobility facilities**, at its headquarters CTT gave them the opportunity to carry out a test drive for bicycles and an electric motorbike, as part of the "I am CTT" project partnership with Vespa Piaggio.

The Company offered glass bottles to central service workers in Lisbon and provided them with filtered water machines. This action promotes the workers' awareness for the **reduction of plastic consumption** and the consequent amount of packaging waste of this material.

Within the scope of the partnership between CTT and Quercus, the 6th edition of the initiative "A tree for the forest" was launched, appealing to the population to purchase kits for **reforestation of the national territory**, on sale in 400 post offices until the end of the year and at the online store until the launch of the next campaign, in 2020. The kit has an innovative feature, its QR Code, and in addition to sending the reader to the campaign website, has sound, allowing the diffusion of different voice messages throughout the year.

CTT was the first postal operator to produce an issue of franking labels on the European project NitroPortugal which, under the slogan "nitrogen: in your body and in your life", aims to raise awareness for the extreme importance of nitrogen for life on Earth as it makes up 78% of the breathing air and integrates the DNA structures of all living things.

To celebrate the World Earth Day, tips and suggestions on small daily habits for proper waste separation, energy saving and reducing paper consumption were circulated to the employees. Several articles of environmental and social nature were published in the internal magazine "Move-nos" with a view to raising the employees' awareness, and the internal TV channel of the headquarters building broadcasted related contents.

Externally, CTT streamed content through the social networks and the retail network TV channel. We were present at conferences as guest speakers to share experiences and knowledge on the issues of sustainable mobility, climate change response and CTT's sustainability programme.

5. CORPORATE GOVERNANCE

5.1. Corporate Bodies and Management¹²

CORPORATE BODIES

Board of Directors

| | |
|----------------------------|--|
| Chairman: | António Sarmento Gomes Mota |
| Executive Chairman: | João Afonso Ramalho Sopas Pereira Bento (CEO) ¹³ |
| Members: | Dionizia Maria Ribeiro Farinha Ferreira Nuno de Carvalho Fernandes Thomaz (Member of the Audit Committee) José Manuel Baptista Fino Céline Dora Judith Abecassis-Moedas António Pedro Ferreira Vaz da Silva Francisco Maria da Costa de Sousa de Macedo Simão Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chairwoman of the Audit Committee) Maria Belén Amatriain Corbi (Member of the Audit Committee) Rafael Caldeira de Castel-Branco Valverde Guy Patrick Guimarães de Goyri Pacheco (CFO) Steven Duncan Wood ¹⁴ Duarte Palma Leal Champalimaud ¹⁵ |

Board of the General Meeting

| | |
|-----------------------|--|
| Chairman: | Júlio de Lemos de Castro Caldas |
| Vice-Chairman: | Francisco Maria de Moraes Sarmento Ramalho |

Remuneration Committee

| | |
|------------------|---|
| Chairman: | João Luís Ramalho de Carvalho Talone |
| Members: | Rui Manuel Meireles dos Anjos Alpalhão Manuel Fernando Macedo Alves Monteiro |

Executive Committee

| | |
|------------------|---|
| Chairman: | João Afonso Ramalho Sopas Pereira Bento (CEO) |
| Members: | Dionizia Maria Ribeiro Farinha Ferreira António Pedro Ferreira Vaz da Silva Francisco Maria da Costa de Sousa de Macedo Simão Guy Patrick Guimarães de Goyri Pacheco (CFO) |

¹² As at the date of approval of this Interim Integrated Report of the 1st Half of 2019.

¹³ Non-Executive Member of the Board of Directors until 12/05/2019, he was appointed as Chairman of the Executive Committee (CEO) to complete the 2017-2019 term of office by a decision of the Board of Directors of 13/05/2019, effective as of 22/05/2019, following the resignation of Francisco José Queiroz de Barros de Lacerda from the position on 10/05/2019.

¹⁴ Elected as Non-Executive Member of the Board of Directors at the Annual General Meeting of 23/04/2019 to complete the 2017-2019 term of office underway.

¹⁵ Co-opted by a decision of the Board of Directors of 19/06/2019 for the position of Non-Executive Member of the Board of Directors. Co-optation subject to ratification of the next Annual General Meeting of CTT shareholders.

Audit Committee

Chairwoman: Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Members: Nuno de Carvalho Fernandes Thomaz
Maria Belén Amatriain Corbi

Corporate Governance, Evaluation and Nominating Committee

Chairman: António Sarmento Gomes Mota

Members: José Manuel Baptista Fino
Céline Dora Judith Abecassis-Moedas
João Afonso Ramalho Sopas Pereira Bento
Rafael Caldeira de Castel-Branco Valverde

Monitoring Committee for the Implementation of the Operational Transformation Plan

Chairman: António Sarmento Gomes Mota

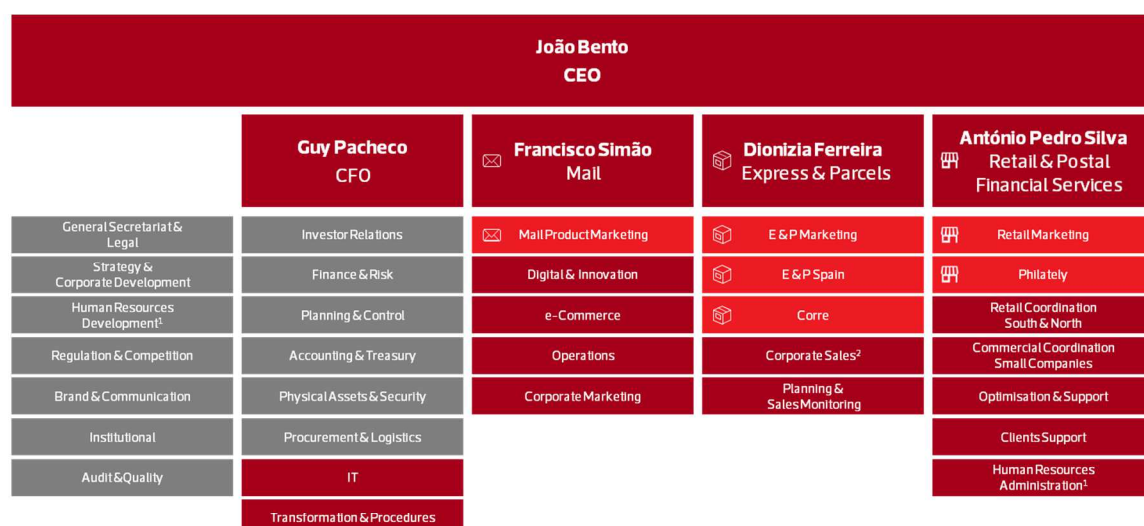
Members: Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia
Rafael Caldeira de Castel-Branco Valverde

Statutory Auditor

Statutory Auditor: KPMG & Associados, SROC, S.A., representada por Paulo Alexandre Martins Quintas Paixão

Alternate Statutory Auditor: Vítor Manuel da Cunha Ribeirinho

MANAGEMENT ORGANISATION – CORPORATE STRUCTURE



Legend: Business Specific Transversal Corporate Structure

Mail
Express & Parcels
Retail & Postal Financial Services

¹ Integrated in the Human Resources Department

² Includes Corporate Sales 1 to 4

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

Pursuant to the internal control mechanisms implemented in accordance with the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest (the “Regulation on Related Parties”) available at www.ctt.pt, the Audit Committee is responsible for implementing internally, among others, the control procedures with respect to transactions with related parties aiming at reinforcing the mechanisms for the prevention, identification and resolution of conflicts of interest and thus increase the degree of transparency and objectivity in the management of this kind of transactions.

In terms of internal functioning, the Executive Committee of CTT is responsible for submitting to the Audit Committee for analysis and then to the Board of Directors for authorisation, the terms and conditions of transactions to be contracted by CTT with related parties, which include qualified Shareholders, senior managers and third parties related to any of these through relevant commercial or personal interests (pursuant to the terms of IAS 24) and also subsidiaries, associated companies and joint ventures.

Pursuant to the aforementioned internal control procedures implemented, and for the purposes of article 66(5)(e) and of article 397 of the Portuguese Companies Code (“PCC”), no business transactions were carried out between CTT and its Directors, either directly or through an intermediary.

For the purposes of reporting as provided for in article 398 of the Portuguese Companies Code, none of the Directors of CTT have exercised, during the first half of 2019, in the Company or in companies related to it through a control or group relationship, any temporary or permanent positions under an employment contract, whether subordinate or autonomous.

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

| Members of the Board of Directors | Internal Appointments | External Appointments |
|--|---|--|
| António Sarmiento Gomes Mota | <ul style="list-style-type: none"> • Non-Executive Chairman of the Board of Directors of CTT • Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT • Chairman of the Selection Committee of Banco CTT, S.A. • Member of the Remuneration Committee of Banco CTT, S.A. (elected at the General Meeting) • Chairman of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT | <ul style="list-style-type: none"> • Member of the Remuneration Committee of PHAROL, SGPS, S.A. • Vice-Chairman of the Board of the Portuguese Institute of Corporate Governance • Chairman of the Supervisory Board of Mystic Invest Holding, S.A. |
| João Afonso Ramalho Sopas Pereira Bento | <ul style="list-style-type: none"> • Member of the Board of Directors and Chairman of the Executive Committee (CEO) of CTT • Chairman of the Remuneration Committee of Banco CTT, S.A. (elected at the General Meeting) • Member of the Selection Committee of Banco CTT, S.A. | <ul style="list-style-type: none"> • Member of the Innovation Strategic Council of VdA Vieira de Almeida • Member of the General Council of the Portuguese Institute of Corporate Governance • Chairman of the Quinta do Peru Golf Club • Member of the Advisory Board of ANI – National Innovation Agency |

| Members of the Board of Directors | Internal Appointments | External Appointments |
|--|--|--|
| | <ul style="list-style-type: none"> Chairman of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. | <ul style="list-style-type: none"> Permanent Member of the Advisory Board of AICEP – Trade & Investment Agency Vice-Chairman of the Engineering Academy Director of QPDM Consulting, S.A. |
| Dionizia Maria Ribeiro Farinha Ferreira | <ul style="list-style-type: none"> Member of the Board of Directors and of the Executive Committee of CTT Chairwoman of the Board of Directors of CTT Contacto, S.A. Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. Member of the Board of Directors of Tourline Express Mensajería, S.L.U. Member of the Board of Directors of Correio Expresso de Moçambique, S.A. | |
| Nuno de Carvalho Fernandes Thomaz | <ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of CTT Member of the Audit Committee of CTT Chairman of the Ethics Committee of CTT | <ul style="list-style-type: none"> Chairman of the Supervisory Board of Sagasta Finance, STC, S.A. Manager of I Cook – Organização de Eventos, Lda. Consultant of IDESCOM – Associação Informação, Desenvolvimento, Comunicação Member of the General Board of the Portuguese Institute of Corporate Governance (on behalf of CTT) Vice-Chairman of the Forum para a Competitividade Chairman of the Alfredo de Sousa Foundation |
| José Manuel Baptista Fino | <ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of CTT Member of the Corporate Governance, Evaluation and Nominating Committee of CTT Member of the Selection Committee of Banco CTT, S.A. | <ul style="list-style-type: none"> Chairman of the Board of Directors of Ramada Energias Renováveis, S.A. Chairman of the Board of Directors of Apra Hill Capital, S.A. Managing Partner of Nova Algodoeira, Lda. Non-Executive Member of the Board of Directors of Speciality Minerals (Portugal) Especialidades Minerais, S.A. Sole Director of Strongmystery, Unipessoal, Lda. Sole Director of Ecletic Surprises, Unipessoal, Lda. |

| Members of the Board of Directors | Internal Appointments | External Appointments |
|--|--|--|
| Céline Dora Judith Abecassis-Moedas | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of José de Mello Saúde, S.A. • Member of the Audit Committee of Europac (Papeles y Cartones de Europa, S.A.) • Lead Independent Director and Chairwoman of the Nominations and Remuneration Committee of Europac (Papeles y Cartones de Europa, S.A.) • Non-Executive Member of the Board of Directors of Europac (Papeles y Cartones de Europa, S.A.) • Deputy Director for Executive Training at the Board of CATÓLICA-LISBON School of Business and Economics • Member of the Advisory Board of COTEC Portugal – Associação Empresarial para a Inovação • Chairwoman of the Innovation Strategic Council of the law firm VdA Vieira de Almeida |
| António Pedro Ferreira Vaz da Silva | <ul style="list-style-type: none"> • Member of the Board of Directors and of the Executive Committee of CTT • Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. • Non-Executive Member of the Board of Directors of Banco CTT, S.A. • Member of the Board of Directors of Payshop (Portugal), S.A. | |
| Francisco Maria da Costa de Sousa de Macedo Simão | <ul style="list-style-type: none"> • Member of the Board of Directors and of the Executive Committee of CTT • Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. • Member of the Board of Directors of CTT Contacto, S.A. | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of Almonda S.A. |
| Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT • Chairwoman of the Audit Committee of CTT • Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT | <ul style="list-style-type: none"> • Chairwoman of the Supervisory Board of Centro Hospitalar S. João, EPE • Non-Executive Member of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A. • Chairwoman of the Supervisory Board of Sogrape, SGPS, S.A. • Partner of Novais, Anacoreta & Associado, SROC |

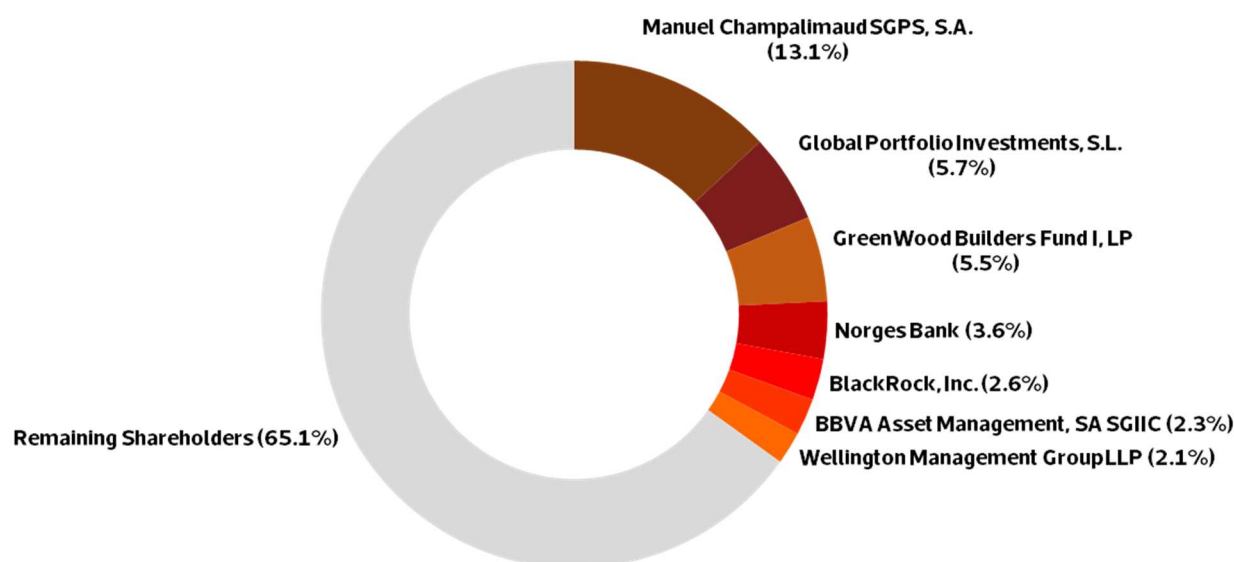
| Members of the Board of Directors | Internal Appointments | External Appointments |
|--|---|---|
| | | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors and of the Audit Committee of Impresa, S.A. • Member of the Advisory Board of the Statutory Auditors Institute • Member of the General Council and of the Executive Committee of the Accounting Standardisation Committee • Member of the Scientific Board of the Portuguese Tax Association • Arbitrator in tax-related matters of CAAD – Administrative Arbitration Board |
| Maria Belén Amatriain Corbi | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT • Member of the Audit Committee of CTT | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of Faes Farma, S.A. • Non-Executive Member of the Board of Directors and Chairwoman of the Audit Committee of PRIM, S.A. • Non-Executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of Euskaltel • Non-Executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of IC-A Instituto de Consejeros-Administradores |
| Rafael Caldeira de Castel-Branco Valverde | <ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT • Member of the Remuneration Committee of Banco CTT, S.A. (elected at the General Meeting) • Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT | <ul style="list-style-type: none"> • Vice-Chairman (Non-executive) of the Board of Directors of Banco Caixa Geral – Brasil, S.A. • Manager of Sal Fin – Consultadoria, Lda. |
| Guy Patrick Guimarães de Goyri Pacheco | <ul style="list-style-type: none"> • Member of the Board of Directors and Chief Financial Officer (CFO) of CTT • Non-Executive Member of the Board of Directors of Banco CTT, S.A. • Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. • Non-Executive Member of the Board of Directors of Tourline Express Mensajería, S.L.U. | <ul style="list-style-type: none"> • Member of the Board of Directors of New Finerge, S.A. • Member of the Board of Directors of Âncora Wind – Energia Eólica, S.A. • Member of the Board of AEM Associação de Empresas Emitentes de Valores Cotados em Mercado (Portuguese Issuers Association) |

| Members of the Board of Directors | Internal Appointments | External Appointments |
|---------------------------------------|---|--|
| Steven Duncan Wood | <ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of CTT | <ul style="list-style-type: none"> Founder and Managing Partner of the Builders Institute, Inc. Member of the Advisory Board of Cortland Associates, Inc. Founder and Managing Partner of GreenWood Investors LLC |
| Duarte Palma Leal Champalimaud | <ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of CTT | <ul style="list-style-type: none"> Vice-Chairman of Manuel Champalimaud, SGPS, S.A. Chairman of the Board of the General Meeting of APIP – Associação Portuguesa da Indústria de Plásticos (Portuguese Association of the Plastics Industry) |

5.3. Capital structure

In the 1st half of 2019, the share capital of CTT, amounting to €75,000,000, was fully subscribed and paid-up, represented by 150,000,000 ordinary shares with a nominal value of €0.50 each. These shares are registered and in book-entry form having no different categories. All shares representing the capital of the Company are admitted to trading on the regulated market Euronext Lisbon.

As at 30 June 2019, CTT shareholder structure in terms of qualifying holdings was as follows:



5.4. Holders of qualifying holdings

At the end of the 1st half of 2019, based on the communications made to the Company, the qualifying holdings in CTT were as follows:

| Shareholders | | No. of shares | % Capital | % Voting rights |
|--|--------------|--------------------|-----------------|-----------------|
| Manuel Champalimaud, SGPS, S.A. ⁽¹⁾ | | 19,257,584 | 12.838% | 12.838% |
| Manuel Carlos de Melo Champalimaud | | 353,185 | 0.235% | 0.235% |
| Manuel Carlos de Melo Champalimaud ⁽¹⁾ | Total | 19,610,769 | 13.074% | 13.074% |
| Global Portfolio Investments, S.L. ⁽²⁾ | | 8 492 745 | 5.662% | 5.662% |
| Indumenta Pueri, S.L. ⁽²⁾ | Total | 8 492 745 | 5.662% | 5.662% |
| GreenWood Builders Fund I, LP ⁽³⁾ | | 8,214,969 | 5.477% | 5.477% |
| GreenWood Investors, S.L. | Total | 8,214,969 | 5.477% | 5.477% |
| Norges Bank | Total | 5,466,641 | 3.644% | 3.644% |
| BlackRock, Inc. ⁽⁴⁾ | Total | 3,937,451 | 2.625% | 2.625% |
| BBVA Asset Management, SA SGIIC ⁽⁵⁾ | Total | 3,495,499 | 2.330% | 2.330% |
| Wellington Management Group LLP ⁽⁶⁾ | Total | 3,105,222 | 2.070% | 2.070% |
| CTT, S.A. (own shares) ⁽⁷⁾ | Total | 1 | 0.000% | 0.000% |
| Other shareholders | Total | 97,676,703 | 65.118% | 65.118% |
| TOTAL | | 150,000,000 | 100.000% | 100.000% |

⁽¹⁾ Includes 19,146,815 shares held by Manuel Champalimaud, SGPS, S.A. and 110,769 shares held by the members of its Board of Directors, of which Duarte Palma Leal Champalimaud, non-executive member of the Board of Directors of CTT, is a member. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who holds the controlling interest in Manuel Champalimaud, SGPS, S.A., and is the holder of 353,185 shares representing 0.235% of the capital of and voting rights in CTT.

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

⁽³⁾ GreenWood Builders Fund I, LP is managed by GreenWood Investors, LLC, of which Steven Duncan Wood, non-executive member of the Board of Directors of CTT, is Managing Member.

⁽⁴⁾ The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release of 26 April 2019 and available on CTT website (www.ctt.pt).

⁽⁵⁾ BBVA ASSET MANAGEMENT, SA, SGIIC exercises the voting rights not in its own name but on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI as their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.

⁽⁶⁾ The full chain of controlled undertakings through which the voting rights are held includes Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP.

⁽⁷⁾ As at this date, CTT holds 1 own share with the nominal value of €0.50 corresponding to 0.000% of the share capital, the inherent voting rights being suspended as prescribed in article 324(1)(a) of the Portuguese Companies Code.

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

5.5. Own shares

As at 30 June 2019 and on this date, CTT holds 1 own share with the nominal value of €0.50 corresponding to 0.000% of the share capital, the inherent voting rights being suspended as prescribed in article 324(1)(a) of the PCC.

6. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 30 JUNE 2019
Euros

| | NOTES | Restated 01.01.2018 | Restated 31.12.2018 | Unaudited 30.06.2019 |
|---|-------|------------------------|------------------------|-------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Tangible fixed assets | 5 | 306,619,741 | 264,708,624 | 259,181,511 |
| Investment properties | 7 | 6,164,849 | 8,179,980 | 7,856,885 |
| Intangible assets | 6 | 47,501,684 | 56,770,556 | 56,271,754 |
| Goodwill | 8 | 9,523,180 | 9,523,180 | 72,765,801 |
| Investments in associated companies | | 296,260 | 296,260 | 296,260 |
| Investments in joint ventures | | - | 496,076 | 2,461,698 |
| Other investments | | 1,503,572 | 1,379,137 | 1,379,137 |
| Investment securities | 9 | 245,827,759 | 429,038,681 | 416,710,457 |
| Other non-current assets | | 1,375,223 | 1,526,644 | 1,580,384 |
| Credit to banking clients | 11 | 64,263,949 | 231,797,420 | 655,974,144 |
| Financial assets available for sale | 9 | 3,175,180 | - | - |
| Other banking financial assets | 10 | 11,831,122 | 22,692,434 | 21,195,550 |
| Deferred tax assets | 25 | 91,954,991 | 81,734,114 | 80,480,917 |
| Total non-current assets | | 790,037,510 | 1,108,143,106 | 1,576,154,498 |
| Current assets | | | | |
| Inventories | | 5,696,996 | 5,568,114 | 5,817,558 |
| Accounts receivable | | 132,480,130 | 135,855,195 | 151,321,351 |
| Credit to banking clients | 11 | 15,083,442 | 16,252,561 | 80,729,649 |
| Income taxes receivable | 22 | 1,552,005 | 5,040,275 | - |
| Deferrals | 12 | 6,600,115 | 6,691,359 | 8,371,574 |
| Investment securities | 9 | 15,721,373 | 25,063,201 | 24,119,866 |
| Other current assets | | 32,338,234 | 35,517,214 | 56,122,853 |
| Financial assets available for sale | 9 | 2,576,194 | - | - |
| Other banking financial assets | 10 | 91,417,084 | 93,621,151 | 25,171,800 |
| Cash and cash equivalents | | 626,825,397 | 422,717,478 | 363,683,650 |
| | | 930,290,968 | 746,326,549 | 715,338,301 |
| Non-current assets held for sale | | - | - | 477,226 |
| Total current assets | | 930,290,968 | 746,326,549 | 715,815,527 |
| Total assets | | 1,720,328,478 | 1,854,469,655 | 2,291,970,025 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 14 | 75,000,000 | 75,000,000 | 75,000,000 |
| Own shares | 15 | (8) | (8) | (8) |
| Reserves | 15 | 79,947,883 | 65,836,875 | 65,857,729 |
| Retained earnings | 15 | 48,787,928 | 4,378,984 | 10,727,995 |
| Other changes in equity | 15 | (32,634,996) | (30,993,430) | (30,993,430) |
| Net profit | | - | 21,499,271 | 8,988,445 |
| Equity attributable to equity holders | | 171,100,807 | 135,721,692 | 129,580,731 |
| Non-controlling interests | | 146,738 | 165,494 | 163,905 |
| Total equity | | 171,247,545 | 135,887,186 | 129,744,636 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Medium and long term debt | 18 | 96,387,393 | 100,282,203 | 130,180,466 |
| Employee benefits | | 252,919,533 | 244,562,078 | 242,913,425 |
| Provisions | 19 | 26,028,332 | 16,019,339 | 18,611,526 |
| Deferrals | 12 | 316,892 | 305,691 | 300,091 |
| Other banking financial liabilities | 10 | - | - | 93,872,760 |
| Deferred tax liabilities | 25 | 3,399,121 | 3,108,662 | 2,975,676 |
| Total non-current liabilities | | 379,051,271 | 364,277,973 | 488,853,944 |
| Current liabilities | | | | |
| Accounts payable | 20 | 384,533,294 | 322,276,222 | 349,029,041 |
| Banking clients' deposits and other loans | 21 | 619,229,680 | 883,950,534 | 1,139,758,940 |
| Employee benefits | | 17,100,808 | 17,119,105 | 16,717,206 |
| Income taxes payable | | - | - | 1,497,523 |
| Short term debt | 18 | 38,297,176 | 27,096,073 | 27,412,978 |
| Deferrals | 12 | 1,432,696 | 2,708,090 | 2,972,745 |
| Other current liabilities | | 91,553,848 | 86,203,693 | 105,832,125 |
| Other banking financial liabilities | 10 | 17,882,160 | 14,950,779 | 30,150,887 |
| Total current liabilities | | 1,170,029,662 | 1,354,304,496 | 1,673,371,445 |
| Total liabilities | | 1,549,080,933 | 1,718,582,469 | 2,162,225,389 |
| Total equity and liabilities | | 1,720,328,478 | 1,854,469,655 | 2,291,970,025 |

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2019
Euros

| | NOTES | Six months ended | | Three months ended | |
|---|-------|-------------------------------------|-------------------------|-------------------------------------|-------------------------|
| | | Unaudited Restated 30.06.2018 | Unaudited 30.06.2019 | Unaudited Restated 30.06.2018 | Unaudited 30.06.2019 |
| Sales and services rendered | 4 | 343,659,196 | 337,177,746 | 172,590,167 | 167,025,762 |
| Financial margin | | 3,314,927 | 9,087,750 | 1,811,690 | 6,587,380 |
| Other operating income | | 8,150,592 | 8,729,937 | 3,779,821 | 4,520,799 |
| | | 355,124,715 | 354,995,433 | 178,181,679 | 178,133,941 |
| Cost of sales | | (6,391,685) | (6,345,536) | (3,164,121) | (3,131,411) |
| External supplies and services | | (111,870,521) | (116,281,424) | (58,062,636) | (58,551,476) |
| Staff costs | 23 | (183,151,744) | (176,680,951) | (93,409,293) | (86,744,196) |
| Impairment of accounts receivable, net | | (292,253) | (1,989,338) | (405,272) | (1,368,007) |
| Impairment of other financial banking assets | | 141,687 | (514,570) | 127,650 | (547,825) |
| Provisions, net | 19 | (1,213,765) | 196,890 | 194,713 | 50,091 |
| Depreciation/amortisation and impairment of investments, net | | (28,213,548) | (26,440,767) | (13,818,189) | (13,157,365) |
| Other operating costs | | (6,036,723) | (7,446,751) | (3,079,013) | (3,845,440) |
| Gains/losses on disposal of assets | 3 | 10,224 | 219,520 | 10,224 | 193,835 |
| | | (337,018,328) | (335,282,926) | (171,605,937) | (167,101,794) |
| | | 18,106,387 | 19,712,507 | 6,575,741 | 11,032,147 |
| Interest expenses | 24 | (4,914,095) | (4,938,536) | (2,430,409) | (2,554,453) |
| Interest income | 24 | 24,961 | 113,409 | 6,682 | 91,240 |
| Gains/losses in subsidiary, associated companies and joint ventures | | 97,593 | (184,625) | (25,199) | (469,586) |
| | | (4,791,541) | (5,009,752) | (2,448,926) | (2,932,799) |
| Earnings before taxes | | 13,314,846 | 14,702,755 | 4,126,815 | 8,099,348 |
| Income tax for the period | 25 | (5,859,201) | (5,716,031) | (2,631,499) | (2,803,016) |
| Net profit for the period | | 7,455,645 | 8,986,724 | 1,495,317 | 5,296,332 |
| Net profit for the period attributable to: | | | | | |
| Equity holders | | 7,428,275 | 8,988,445 | 1,492,065 | 5,290,291 |
| Non-controlling interests | | 27,370 | (1,720) | 3,252 | 6,041 |
| Earnings per share: | 17 | 0.05 | 0.06 | 0.01 | 0.04 |

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2019
Euros

| | NOTES | Six months ended | | Three months ended | |
|---|-------|-------------------------------------|-------------------------|-------------------------------------|-------------------------|
| | | Unaudited Restated 30.06.2018 | Unaudited 30.06.2019 | Unaudited Restated 30.06.2018 | Unaudited 30.06.2019 |
| Net profit for the period | | 7,455,645 | 8,986,725 | 1,495,317 | 5,296,332 |
| Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss) | 15 | (3,164) | 132 | (5,060) | (610) |
| Changes to fair value reserves | 15 | (11,436) | 20,854 | (12,528) | (1,650) |
| Other changes in equity | | (3,164) | (150,260) | (5,059) | (610) |
| Other comprehensive income for the period after taxes | | (17,763) | (129,275) | (22,647) | (2,871) |
| Comprehensive income for the period | | 7,437,882 | 8,857,450 | 1,472,670 | 5,293,461 |
| Attributable to non-controlling interests | | 24,206 | (1,589) | (1,807) | 5,431 |
| Attributable to shareholders of CTT | | 7,413,676 | 8,859,039 | 1,474,477 | 5,288,031 |

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

CTT-CORREIOS DE PORTUGAL, S.A.

Euros

| | NOTES | Share capital | Own Shares | Reserves | Other changes in equity | Retained earnings | Net profit for the year | Non-controlling interests | Total |
|---|-------|-------------------|------------|---------------------|-------------------------|---------------------|-------------------------|---------------------------|---------------------|
| Reported balance on 1 January 2018 | | 75,000,000 | (8) | 79,947,883 | (32,634,996) | 34,268,089 | 27,263,244 | 146,738 | 183,990,949 |
| Impact on initial application of IFRS 16 (net of tax) | 3 | - | - | - | - | (12,743,405) | - | - | (12,743,405) |
| Restated balance on 1 January 2018 | | 75,000,000 | (8) | 79,947,883 | (32,634,996) | 21,524,684 | 27,263,244 | 146,738 | 171,247,544 |
| Adjustment on initial application of IFRS 9 (net of tax) | | - | - | - | - | (185,718) | - | - | (185,718) |
| Adjustment on initial application of IFRS 15 (net of tax) | | - | - | - | - | (1,281,946) | - | - | (1,281,946) |
| Adjusted balance on 1 January 2018 | | 75,000,000 | (8) | 79,947,883 | (32,634,996) | 20,057,019 | 27,263,244 | 146,738 | 169,779,879 |
| Appropriation of net profit for the year of 2017 | | - | - | - | - | 27,263,244 | (27,263,244) | - | - |
| Dividends | 16 | - | - | (15,372,222) | - | (41,627,778) | - | - | (57,000,000) |
| | | - | - | (15,372,222) | - | (14,364,534) | (27,263,244) | - | (57,000,000) |
| Other movements | 15 | - | - | 1,311,267 | - | (1,311,267) | - | (2,235) | (2,235) |
| Actuarial gains/losses - Health Care, net from deferred taxes | 15 | - | - | - | 1,641,566 | - | - | - | 1,641,566 |
| Changes to fair value reserves | 15 | - | - | (50,053) | - | - | - | - | (50,053) |
| Adjustments from the application of the equity method | 15 | - | - | - | - | (2,235) | - | - | (2,235) |
| Restated net profit for the period | 15 | - | - | - | - | - | 21,499,271 | 20,990 | 21,520,262 |
| Restated comprehensive income for the period | | - | - | 1,261,214 | 1,641,566 | (1,313,501) | 21,499,271 | 18,756 | 23,107,306 |
| Restated balance on 31 December 2018 | | 75,000,000 | (8) | 65,836,875 | (30,993,430) | 4,378,984 | 21,499,271 | 165,494 | 135,887,186 |
| Appropriation of net profit restated for the year of 2018 | | - | - | - | - | 21,499,271 | (21,499,271) | - | - |
| Dividends | 16 | - | - | - | - | (15,000,000) | - | - | (15,000,000) |
| | | - | - | - | - | 6,499,271 | (21,499,271) | - | (15,000,000) |
| Other movements | 15 | - | - | - | - | (150,392) | - | 132 | (150,260) |
| Changes to fair value reserves | 15 | - | - | 20,854 | - | - | - | - | 20,854 |
| Adjustments from the application of the equity method | 15 | - | - | - | - | 132 | - | - | 132 |
| Net profit for the period | 15 | - | - | - | - | - | 8,988,445 | (1,720) | 8,986,725 |
| Comprehensive income for the period | | - | - | 20,854 | - | (150,260) | 8,988,445 | (1,589) | 8,857,450 |
| Balance on 30 June 2019 (Unaudited) | | 75,000,000 | (8) | 65,857,729 | (30,993,430) | 10,727,995 | 8,988,445 | 163,905 | 129,744,636 |

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2019
Euro

| | NOTES | Unaudited Restated 30.06.2018 | Unaudited 30.06.2019 |
|--|-------|-------------------------------------|-------------------------|
| Cash flow from operating activities | | | |
| Collections from customers | | 337,818,513 | 325,629,220 |
| Payments to suppliers | | (137,848,706) | (144,755,866) |
| Payments to employees | | (170,753,434) | (159,226,740) |
| Banking customer deposits and other loans | | 117,202,832 | 179,579,170 |
| Credit to banking clients | | (69,586,527) | (90,969,025) |
| Cash flow generated by operations | | 76,832,678 | 110,256,759 |
| Payments/receivables of income taxes | | (2,035,389) | (1,646,660) |
| Other receivables/payments | | 129,646,941 | 41,866,382 |
| Cash flow from operating activities (1) | | 204,444,229 | 150,476,480 |
| Cash flow from investing activities | | | |
| Receivables resulting from: | | | |
| Tangible fixed assets | | 35,600 | 148,100 |
| Investment properties | | 1,246,000 | 420,720 |
| Financial investments | 8 | 222,028 | - |
| Investment securities | | 26,835,918 | 41,708,952 |
| Demand deposits at Bank of Portugal | | 26,575,467 | - |
| Other banking financial assets | | 53,005,000 | 102,455,000 |
| Interest income | | 138,987 | 50,824 |
| Payments resulting from: | | | |
| Tangible fixed assets | | (6,581,222) | (8,510,540) |
| Intangible assets | | (10,553,749) | (9,052,504) |
| Financial investments | 8 | - | (112,932,247) |
| Investment securities | | (167,589,214) | (32,832,813) |
| Demand deposits at Bank of Portugal | | - | (5,774,422) |
| Other banking financial assets | | (56,820,000) | (37,330,000) |
| Cash flow from investing activities (2) | | (133,485,185) | (61,648,930) |
| Cash flow from financing activities | | | |
| Receivables resulting from: | | | |
| Loans obtained | | 11,246,806 | 45,005,668 |
| Other credit institutions' deposits | | - | 106,009,399 |
| Payments resulting from: | | | |
| Loans repaid | | (19,074,050) | (38,221,444) |
| Other credit institutions' deposits | | - | (43,823,906) |
| Other banking financial liabilities | | - | (204,022,327) |
| Interest expenses | | (153,605) | (693,920) |
| Finance leases | | (10,699) | (14,727) |
| Lease liabilities - IFRS 16 | | (14,536,039) | (11,892,010) |
| Dividends | 16 | (57,000,000) | (15,000,000) |
| Cash flow from financing activities (3) | | (79,527,586) | (162,653,266) |
| Net change in cash and cash equivalents (1+2+3) | | (8,568,541) | (73,825,715) |
| Changes in the consolidation perimeter | | - | 6,823,653 |
| Cash and equivalents at the beginning of the period | | 592,677,415 | 414,846,614 |
| Cash and cash equivalents at the end of the period | | 584,108,874 | 347,844,552 |
| Cash and cash equivalents at the end of the period | | | |
| Sight deposits at Bank of Portugal | | 6,180,514 | 11,991,840 |
| Outstanding checks of Banco CTT / Checks clearing of Banco CTT | | 1,518,342 | 3,876,188 |
| Impairment of slight and term deposits | | (98,076) | (28,930) |
| Cash and cash equivalents (Balance sheet) | | 591,709,654 | 363,683,650 |

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

CTT – CORREIOS DE PORTUGAL, S.A.

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

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1. INTRODUCTION

CTT – Correios de Portugal, S.A. – Sociedade Aberta (“CTT” or “Company”), with head office at Avenida D. João II, no. 13, 1999-001 in Lisbon, had its origin in the “Administração Geral dos Correios Telégrafos e Telefones” government department and its legal form is the result of successive re-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 no. 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 onwards 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 2013, CTT’s capital was opened to the private sector. Supported by Decree-Law no. 129/2013 of 6 September and the Resolution of the Council of Ministers (“RCM”) no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatisation of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública – Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by detention 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 bookbuilding process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

The interim condensed consolidated financial statements attached herewith are expressed in Euros, as this is the functional currency of the Group.

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 August 2019.

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 2018, except for the changes mentioned in section 3. Changes to accounting policies, errors and estimates.

2.1 Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2019, and in accordance with IAS 34 – Interim Financial Reporting.

3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

The Group has adopted, as at 1 January 2019, IFRS 16 *Leases*.

IFRS 16 introduces a single lessee accounting model and removes the classification of leases as either operating leases or finance leases.

The lessee is required to recognise assets and liabilities for all leases on the balance sheet at the beginning of the contract and to recognise:

- A right-of-use (RoU) asset representing its right to use the underlying leased asset during the contract period; and
- A lease liability representing its obligation to make lease payments until the end of the contract.

The adoption of IFRS 16 also impacts the income statement considering that the depreciations of the RoU asset and interest on the lease liability are recognised separately instead of the previously recognition of the leases as External Supplies and Services.

Under IFRS 16 the lessee may opt for the non-application of this standard to:

- Short-term leases (12 months or less) which do not include an option to purchase the underlying asset; and
- Leases of low-value underlying assets.

Adoption of IFRS 16 by the CTT Group

The Group adopted the new standard with effect from 1 January 2019 according to the full retrospective transition approach, not having applied the abovementioned exemptions.

Types of leases

The CTT Group conducted a survey of all lease and service contracts that may include rights-of-use assets, and identified three major groups of leases:

i. Real estate leases

Real estate lease agreements that constitute, under IFRS 16, a right of use, having as lease period the initial periods of duration of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain of exercising.

As a practical expedient, the fixed services associated with each property (variable component) were included in the accounting for the right of use.

ii. Car leases

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

The amount of the lease rental depends on the number of kilometres the vehicle travels over the contract period. For this reason, only the minimum rents for the valuation of liabilities and right of use were considered.

As a practical expedient, the fixed services associated with each vehicle (variable component) were included in the accounting for the right of use.

iii. Other leases

Other lease contracts were also identified for stackers and printers, for instance.

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

As a practical expedient, the fixed services associated with each asset (variable component) were included in the accounting for the right of use.

Incremental interest rate

Taking into account that the lease contracts do not have an implicit rate, an incremental interest rate is considered for the discount of the rents.

The incremental interest rate depends on the maturity/duration of the lease contract.

Impacts on the consolidated financial statements

The impacts of the IFRS 16 adoption, with effects as at 1 January 2018, transition date and 31 December 2018 are detailed as follows:

Consolidated statement of financial position – 01.01.2018

| Caption | Reported amount | Adjustments | |
|-----------------------------|----------------------|---------------------|----------------------|
| | | IFRS 16 | Restated amount |
| Tangible fixed assets | 199,855,908 | 106,763,833 | 306,619,741 |
| Deferred tax assets | 87,155,739 | 4,799,252 | 91,954,991 |
| Other assets' captions | 1,321,753,745 | - | 1,321,753,746 |
| Total assets | 1,608,765,392 | 111,563,085 | 1,720,328,478 |
| Retained earnings | 61,531,333 | (12,743,405) | 48,787,928 |
| Other equity's captions | 122,459,617 | - | 122,459,617 |
| Total equity | 183,990,950 | (12,743,405) | 171,247,545 |
| Non-current debt | 73,689 | 96,313,704 | 96,387,393 |
| Current debt | 10,304,390 | 27,992,786 | 38,297,176 |
| Other liabilities' captions | 1,414,396,363 | - | 1,414,396,364 |
| Total liabilities | 1,424,774,442 | 124,306,490 | 1,549,080,933 |

Consolidated statement of financial position – 31.12.2018

| Caption | Reported amount | Adjustments | Restated amount |
|-----------------------------|----------------------|---------------------|----------------------|
| | | IFRS 16 | |
| Tangible fixed assets | 182,986,001 | 81,722,623 | 264,708,624 |
| Deferred tax assets | 81,733,398 | 716 | 81,734,114 |
| Income taxes receivable | 1,108,421 | 3,931,854 | 5,040,275 |
| Other assets' captions | 1,502,986,642 | - | 1,502,986,642 |
| Total assets | 1,768,814,462 | 85,655,193 | 1,854,469,655 |
| Retained earnings | 17,122,389 | (12,743,405) | 4,378,984 |
| Net profit | 19,621,263 | 1,878,008 | 21,499,271 |
| Other equity's captions | 110,008,931 | - | 110,008,931 |
| Total equity | 146,752,583 | (10,865,397) | 135,887,186 |
| Non-current debt | 24,282,526 | 75,999,677 | 100,282,203 |
| Current debt | 6,575,160 | 20,520,913 | 27,096,073 |
| Other liabilities' captions | 1,591,204,193 | - | 1,591,204,193 |
| Total liabilities | 1,622,061,879 | 96,520,590 | 1,718,582,469 |

The impacts of the IFRS 16 adoption, with effects as at 30 June 2018 are detailed as follows:

Consolidated Income Statement - Six months ended 30.06.2018

| Caption | Reported amount | Adjustments | Reclassifications | Restated amount |
|---|------------------|------------------|---|------------------|
| | | IFRS 16 | Gains/losses on disposal of assets ⁽¹⁾ | |
| Other operating income | 8,160,815 | - | (10,224) | 8,150,592 |
| External supplies and services | (128,537,101) | 16,666,580 | - | (111,870,521) |
| Depreciation/amortisation and impairment of investments, net | (15,318,720) | (12,894,828) | - | (28,213,548) |
| Other operating costs | (6,036,723) | - | - | (6,036,723) |
| Gains/losses on disposal of assets | - | - | 10,224 | 10,224 |
| Interest expenses | (2,783,554) | (2,130,541) | - | (4,914,095) |
| Gains/losses in subsidiary, associated companies and joint ventures | 97,593 | - | - | 97,593 |
| Income tax for the period | (5,395,976) | (463,225) | - | (5,859,201) |
| Other captions | 156,091,325 | - | - | 156,091,325 |
| Net profit for the period | 6,277,659 | 1,177,986 | - | 7,455,645 |
| Other comprehensive income | (17,763) | - | - | (17,763) |
| Comprehensive income for the period | 6,259,897 | 1,177,986 | 10,224 | 7,437,882 |
| Net profit for the period attributable to: | | | | |
| Equity holders | 6,250,289 | 1,177,986 | - | 7,428,275 |
| Non-controlling interests | 27,370 | - | - | 27,370 |

⁽¹⁾ Gains and losses related to assets disposals, previously recognised in the captions "Other operating income" and "Other operating costs" are now recognised under the caption "Gains/losses on disposal of assets" by the net amount.

Consolidated cash flow statement – 30.06.2018

| Caption | Reported amount | Adjustments IFRS 16 | Restated amount |
|---|----------------------|------------------------|----------------------|
| Cash flow from operating activities | | | |
| Payments to suppliers | (143,564,195) | 5,715,489 | (137,848,706) |
| Other receivables/payments | 120,826,390 | 8,820,550 | 129,646,941 |
| Other operating receivables/payments | 212,645,995 | - | 212,645,995 |
| Cash flow from operating activities (1) | 189,908,190 | 14,536,039 | 204,444,229 |
| Cash flow from investing activities | | | |
| Other investing receivables/payments | (133,485,185) | - | (133,485,185) |
| Cash flow from investing activities (2) | (133,485,185) | - | (133,485,185) |
| Cash flow from financing activities | | | |
| Lease liabilities - IFRS 16 | - | (14,536,039) | (14,536,039) |
| Other financing receivables/payments | (64,991,547) | - | (64,991,547) |
| Cash flow from financing activities (3) | (64,991,547) | (14,536,039) | (79,527,586) |
| Cash and equivalents at the beginning of the period | 592,677,415 | - | 592,677,415 |
| Cash and cash equivalents at the end of the period | 584,108,874 | - | 584,108,874 |

The impacts on the six-month period ended 30 June 2019 can be analysed in notes 5, 18 and 24.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events.

4. SEGMENT REPORTING

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

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

In 2019, changes were made to the management information structure.

1. The segment reporting has been amended in accordance with the following adjustments:

a. Re-allocation of internal revenues to Operating costs

The purpose of this amendment is allowing the evolution of the consolidated revenues to be seen as the sum of the performance of external products that make up the Group, removing the effects of internal revenues with companies from other business areas. As a result of this change, revenues are now deducted from the respective segments' cost amounts, thus ensuring that the Operating costs and revenue structure is aligned with the actual expenses and revenues of each segment.

b. IFRS16 adoption

The adoption of IFRS16 has changed the manner in which statutory accounts are presented with respect to costs with Fleet and Buildings, which are no longer considered in External Supplies and Services and are accounted for in depreciations and interest. This change had an impact not only on the reporting period (1st quarter of 2019) but also on the historical (1st quarter of 2018), which was restated to allow the comparability of the periods.

c. Migration of the payments business

Some payment services in the Financial Services segment (billing and invoicing, Western Union transfers, integrated solutions and tolls) migrated to Banco CTT segment.

d. Allocation of the Central Structure costs by Segment

The Central Structure reflects a structure of costs with revenues of a negligible value, leaving a net cost structure that until 2018, in terms of central / corporate costs, was split between two segments – 99.7% for the Mail segment and 0.3% for the Financial Services segment.

Considering the immateriality of the value allocated to the Financial Services segment and given the migration of some Payment services from the Financial Services segment to Banco CTT segment, the Company simplified this allocation by placing 100% of the central structure allocation under the Mail segment.

2. Specific items

Any non-recurring items are recognised under the caption "Specific items".

The 1st quarter of 2018 was restated, for comparison purposes, according to the changes performed.

Therefore, the business of CTT is organised in the following segments:

- Mail – CTT, S.A. excluding financial services and payments business but including the retail network, the sales department, the corporate and support areas and CTT Contacto;
- Express & Parcels – includes CTT Expresso, Tourline and CORRE;
- Financial Services – CTT, S.A. Financial Services; and
- Bank – Banco CTT, S.A., Payshop, 321 Crédito and CTT's payments business.

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

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

Besides the four above mentioned segments, there are two sales channels, which are common to all businesses and products, the Retail Network and the Sales Department. In this analysis, the Retail Network, which is connected to the obligations of the universal postal service concession, is incorporated in the Mail segment as well as the Sales Departments, and integrates internal revenues related to the provision of services to other segments, as well as the sale in its network of third-party products and services.

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

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

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

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices.

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

The consolidated income statement by nature and segment of the 1st quarter 2018 and 1st quarter 2019 are as follows:

| Thousand Euros | Restated 30.06.2018 | | | | |
|--|------------------------|-------------------|--------------------|----------------|----------------|
| | Mail | Express & Parcels | Financial Services | Bank | Total |
| Revenues | 254,085 | 72,766 | 12,541 | 15,732 | 355,125 |
| Sales and services rendered | 249,209 | 72,259 | 11,935 | 10,257 | 343,659 |
| Sales | 8,794 | 417 | - | - | 9,211 |
| Services rendered | 240,415 | 71,842 | 11,935 | 10,257 | 334,448 |
| Financial Margin | - | - | - | 3,315 | 3,315 |
| Other operating income | 4,876 | 507 | 607 | 2,161 | 8,151 |
| Operating costs excluding depreciations, amortizations, impairment and provisions | 208,513 | 70,900 | 7,245 | 22,397 | 309,055 |
| Staff costs | 150,871 | 11,319 | 581 | 7,065 | 169,837 |
| External supplies and services | 53,631 | 59,533 | 1,961 | 11,845 | 126,971 |
| Other costs | 9,108 | 1,177 | 97 | 1,864 | 12,246 |
| Internal services rendered | (5,098) | (1,130) | 4,605 | 1,623 | - |
| EBITDA | 45,571 | 1,867 | 5,297 | (6,665) | 46,070 |
| IFRS 16 (impact on EBITDA) | 13,608 | 2,629 | 2 | 427 | 16,667 |
| EBITDA including IFRS 16 | 59,179 | 4,495 | 5,299 | (6,237) | 62,737 |
| Impairment and provisions | 656 | (463) | - | 163 | 356 |
| Depreciation/ amortisation and impairment of investments, net | (21,942) | (3,735) | (110) | (1,984) | (27,770) |
| Specific Items | (14,955) | (1,760) | (361) | (140) | (17,216) |
| EBIT | 22,938 | (1,462) | 4,829 | (8,198) | 18,106 |
| Financial results | | | | | (4,792) |
| Interest expenses | | | | | (4,914) |
| Interest income | | | | | 25 |
| Gains/losses in subsidiary, associated companies and joint ventures | | | | | 98 |
| Earnings before taxes (EBT) | | | | | 13,315 |
| Income tax for the period | | | | | (5,859) |
| Net profit for the period | | | | | 7,456 |
| Non-controlling interests | | | | | (27) |
| Equity holders of parent company | | | | | 7,428 |

| Thousand Euros | 30.06.2019 | | | | |
|--|----------------|-------------------|--------------------|----------------|----------------|
| | Mail | Express & Parcels | Financial Services | Bank | Total |
| Revenues | 243,068 | 72,805 | 15,567 | 23,556 | 354,995 |
| Sales and services rendered | 239,627 | 72,487 | 15,276 | 9,788 | 337,178 |
| Sales | 7,806 | 389 | - | - | 8,195 |
| Services rendered | 231,820 | 72,098 | 15,276 | 9,788 | 328,982 |
| Financial Margin | - | - | - | 9,088 | 9,088 |
| Other operating income | 3,442 | 318 | 291 | 4,680 | 8,730 |
| Operating costs excluding depreciations, amortizations, impairment and provisions | 201,923 | 73,572 | 6,198 | 26,905 | 308,598 |
| Staff costs | 148,019 | 11,832 | 511 | 8,860 | 169,222 |
| External supplies and services | 49,156 | 61,634 | 1,421 | 13,664 | 125,875 |
| Other costs | 9,224 | 1,313 | 77 | 2,886 | 13,501 |
| Internal services rendered | (4,476) | (1,207) | 4,189 | 1,494 | - |
| EBITDA | 41,145 | (768) | 9,369 | (3,349) | 46,397 |
| IFRS 16 (impact on EBITDA) | 10,356 | 2,742 | 11 | 621 | 13,730 |
| EBITDA including IFRS 16 | 51,502 | 1,975 | 9,380 | (2,728) | 60,128 |
| Impairment and provisions | (56) | (1,610) | - | (641) | (2,307) |
| Depreciation/ amortisation and impairment of investments, net | (19,619) | (4,023) | (124) | (2,675) | (26,441) |
| Specific Items | (9,614) | (607) | (245) | (1,202) | (11,667) |
| EBIT | 22,213 | (4,265) | 9,011 | (7,246) | 19,713 |
| Financial results | | | | | (5,010) |
| Interest expenses | | | | | (4,939) |
| Interest income | | | | | 113 |
| Gains/losses in subsidiary, associated companies and joint ventures | | | | | (185) |
| Earnings before taxes (EBT) | | | | | 14,703 |
| Income tax for the period | | | | | (5,716) |
| Net profit for the period | | | | | 8,987 |
| Non-controlling interests | | | | | 2 |
| Equity holders of parent company | | | | | 8,988 |

The amount recorded under specific items relates mostly to corporate restructuring and strategic projects (- €11.6m) of which stand out: (i) costs related to termination of employment contracts by mutual agreement in 1H19 (-€6.8m) within the Human Resources Optimisation Programme and costs with consultancy services (-€1.6m) in the context of the Operational Transformation Plan in progress, (ii) costs related to the acquisition of 321 Crédito (-€1.2m); and (iii) costs related to the implementation of the changes to the Quality of Service Indicators (-€1.0m) measurement system, as required by ANACOM.

The revenues are detailed as follows:

| Thousand Euros | Restated 30.06.2018 | 30.06.2019 |
|------------------------------|------------------------|----------------|
| Mail | 254,085 | 243,068 |
| Transactional mail | 210,139 | 202,080 |
| Editorial mail | 7,651 | 7,400 |
| Parcels (USO) | 3,350 | 3,063 |
| Advertising mail | 12,537 | 10,939 |
| Retail | 5,981 | 5,495 |
| Philately | 3,863 | 3,035 |
| Business Solutions | 4,777 | 5,548 |
| Other | 5,786 | 5,509 |
| Express & Parcels | 72,766 | 72,805 |
| Financial Services | 12,541 | 15,567 |
| Bank | 15,732 | 23,539 |
| | 355,125 | 354,978 |

The assets by segment are detailed as follows:

| Assets (Euros) | 31.12.2018 Restated | | | | | Total |
|--------------------------------|---------------------|-------------------|--------------------|--------------------|----------------------|----------------------|
| | Mail | Express & Parcels | Financial Services | Bank | Non allocated assets | |
| Intangible assets | 15,705,987 | 5,114,530 | 356,968 | 25,038,271 | 10,554,799 | 56,770,556 |
| Tangible fixed assets | 227,289,861 | 33,467,166 | 338 | 1,588,479 | 2,362,780 | 264,708,624 |
| Investment properties | - | - | - | - | 8,179,980 | 8,179,980 |
| Goodwill | 6,161,326 | 2,955,753 | - | 406,101 | - | 9,523,180 |
| Deferred tax assets | - | - | - | - | 81,734,114 | 81,734,114 |
| Accounts receivable | - | - | - | - | 135,855,195 | 135,855,195 |
| Credit to bank clients | - | - | - | 248,049,981 | - | 248,049,981 |
| Investment securities | - | - | - | 454,101,882 | - | 454,101,882 |
| Other banking financial assets | - | - | - | 116,313,585 | - | 116,313,585 |
| Other assets | - | - | - | - | 56,515,079 | 56,515,079 |
| Cash and cash equivalents | - | 5,378,204 | - | 145,339,778 | 271,999,495 | 422,717,478 |
| | 249,157,174 | 46,915,653 | 357,306 | 990,838,078 | 567,201,444 | 1,854,469,655 |

| Assets (Euros) | 30.06.2019 | | | | | Total |
|--------------------------------|--------------------|-------------------|--------------------|----------------------|----------------------|----------------------|
| | Mail | Express & Parcels | Financial Services | Bank | Non allocated assets | |
| Intangible assets | 13,576,576 | 4,889,855 | 244,040 | 26,236,439 | 11,324,844 | 56,271,754 |
| Tangible fixed assets | 215,777,108 | 31,739,916 | - | 3,084,516 | 8,579,971 | 259,181,511 |
| Investment properties | - | - | - | - | 7,856,885 | 7,856,885 |
| Goodwill | 6,161,326 | 2,955,753 | - | 63,648,722 | - | 72,765,801 |
| Deferred tax assets | - | - | - | - | 80,480,917 | 80,480,917 |
| Accounts receivable | - | - | - | - | 151,321,351 | 151,321,351 |
| Credit to bank clients | - | - | - | 736,703,794 | - | 736,703,794 |
| Investment securities | - | - | - | 440,830,323 | - | 440,830,323 |
| Other banking financial assets | - | - | - | 46,367,351 | - | 46,367,351 |
| Other assets | - | - | - | - | 76,029,462 | 76,029,463 |
| Cash and cash equivalents | - | 4,853,317 | - | 154,471,218 | 204,359,115 | 363,683,650 |
| | 235,515,010 | 44,438,841 | 244,040 | 1,471,819,588 | 539,952,546 | 2,291,970,025 |

Debt by segment is detailed as follows:

| Other information (Euros) | 31.12.2018 Restated | | | | |
|---------------------------|---------------------|-------------------|--------------------|----------------|--------------------|
| | Mail | Express & Parcels | Financial Services | Bank | Total |
| Non-current debt | 77,975,310 | 21,545,162 | - | 761,731 | 100,282,203 |
| Bank loans | 24,276,250 | - | - | - | 24,276,250 |
| Lease liabilities | 53,699,060 | 21,545,162 | - | 761,731 | 76,005,953 |
| Current debt | 16,813,808 | 10,101,678 | - | 180,587 | 27,096,073 |
| Bank loans | - | 6,558,116 | - | - | 6,558,116 |
| Lease liabilities | 16,813,808 | 3,543,562 | - | 180,587 | 20,537,957 |
| | 94,789,118 | 31,646,839 | - | 942,318 | 127,378,276 |

| Other information (Euros) | 30.06.2019 | | | | |
|---------------------------|--------------------|-------------------|--------------------|------------------|--------------------|
| | Mail | Express & Parcels | Financial Services | Bank | Total |
| Non-current debt | 107,930,537 | 20,602,041 | - | 1,647,887 | 130,180,466 |
| Bank loans | 58,961,262 | - | - | - | 58,961,262 |
| Lease liabilities | 48,969,275 | 20,602,041 | - | 1,647,887 | 71,219,204 |
| Current debt | 14,735,324 | 12,133,280 | - | 544,374 | 27,412,978 |
| Bank loans | - | 8,963,143 | - | - | 8,963,143 |
| Lease liabilities | 14,735,324 | 3,170,136 | - | 544,374 | 18,449,834 |
| | 122,665,861 | 32,735,321 | - | 2,192,261 | 157,593,443 |

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

| Thousand Euros | 30.06.2018 | 30.06.2019 |
|---------------------------|----------------|----------------|
| Revenue - Portugal | 292,776 | 284,106 |
| Revenue - other countries | 50,884 | 53,072 |
| | 343,659 | 337,178 |

The financial statements are subject to seasonality; however, this does not affect comparability between identical periods in a given year. There are nonetheless atypical / non-recurring factors that may affect comparability between equal periods of the several years such as the number of working days of the period (mobile holidays or weekend holidays), special events (elections, promotional campaigns for clients) which may impact the revenue to increase / decrease from one period to another.

5. TANGIBLE FIXED ASSETS

During the year ended 31 December 2018 and six-month period ended 30 June 2019, the movements occurred in Tangible fixed assets, as well as in the respective accumulated depreciation, were as follows:

| Restated [*] 31.12.2018 | | | | | | | | | | |
|-------------------------------------|----------------------------|-----------------------------------|-------------------|---------------------|------------------|-----------------------------|-----------------------------------|-------------------------------|-------------------|--------------------|
| | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Advance payments to suppliers | Rights of use | Total |
| Tangible fixed assets | | | | | | | | | | |
| Opening balance | 37,102,139 | 342,655,745 | 146,667,392 | 3,381,283 | 62,174,555 | 26,040,114 | 1,500,567 | 391,109 | 265,370,129 | 885,283,033 |
| Acquisitions | - | 555,859 | 2,768,963 | 16,788 | 175,971 | 775,513 | 4,134,480 | 10,256 | - | 9,977,829 |
| New contracts | - | - | - | - | - | - | - | - | 316,136,599 | 316,136,599 |
| Disposals | (545,455) | (1,769,365) | (2,217,254) | (35,899) | (23,810) | (962) | - | - | - | (4,592,744) |
| Transfers and write-offs | (964,691) | (6,671,760) | (4,104,444) | 236,348 | - | (239,712) | (3,225,750) | (179,594) | - | (15,349,603) |
| Terminated contracts | - | - | - | - | - | - | - | - | (95,976,048) | (95,976,048) |
| Adjustments | - | (205,393) | (53,825) | (559) | (40,728) | (3,903) | - | (47,608) | - | (352,008) |
| Closing balance | 35,591,993 | 334,565,087 | 143,060,832 | 3,597,961 | 63,825,994 | 26,571,051 | 2,409,296 | 174,162 | 201,007,740 | 810,804,117 |
| Accumulated depreciation | | | | | | | | | | |
| Opening balance | 3,851,494 | 207,661,484 | 128,294,129 | 3,271,073 | 55,736,402 | 21,213,074 | - | - | 189,582,691 | 609,590,346 |
| Depreciation for the period | - | 9,932,112 | 6,073,870 | 45,576 | 3,081,613 | 1,252,572 | - | - | 25,678,474 | 46,064,217 |
| Disposals | (13,595) | (790,864) | (2,113,563) | (35,899) | (23,810) | (962) | - | - | - | (2,978,692) |
| Transfers and write-offs | (98,745) | (6,240,250) | (4,282,904) | 147,416 | (1,534) | (153,097) | - | - | - | (10,629,125) |
| Terminated contracts | - | - | - | - | - | - | - | - | (95,976,048) | (95,976,048) |
| Adjustments | - | 31 | 13 | 79 | 285 | 122 | - | - | - | 531 |
| Closing balance | 3,739,154 | 210,562,513 | 127,971,545 | 3,428,245 | 58,772,955 | 22,311,709 | - | - | 119,285,117 | 546,071,239 |
| Accumulated impairment | | | | | | | | | | |
| Opening balance | - | - | - | - | - | 49,340 | - | - | - | 49,340 |
| Other variations | - | - | - | - | - | (25,085) | - | - | - | (25,085) |
| Closing balance | - | - | - | - | - | 24,255 | - | - | - | 24,255 |
| Net Tangible fixed assets | 31,852,839 | 324,002,575 | 15,089,287 | 169,716 | 5,053,039 | 4,235,087 | 2,409,296 | 174,162 | 81,722,623 | 264,708,624 |

^{*} Restated values: see note 3

| 30.06.2019 | | | | | | | | | | |
|--|----------------------------|-----------------------------------|-------------------|---------------------|------------------|-----------------------------|-----------------------------------|-------------------------------|-------------------|--------------------|
| | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Advance payments to suppliers | Rights of use | Total |
| Tangible fixed assets | | | | | | | | | | |
| Opening balance | 35,591,993 | 334,565,087 | 143,060,832 | 3,597,961 | 63,825,994 | 26,571,051 | 2,409,296 | 174,162 | 201,007,740 | 810,804,117 |
| Acquisitions | - | 94,280 | 761,816 | 179,040 | 814,514 | 390,608 | 858,028 | 6,429,629 | - | 9,527,915 |
| New contracts | - | - | - | - | - | - | - | - | 3,464,126 | 3,464,126 |
| Disposals | (11,962) | (302,339) | (532,768) | (828) | (6,598) | - | - | - | - | (854,496) |
| Transfers and write-offs | - | 1,070,466 | 56,207 | (1,821) | 29,809 | (88,670) | (1,070,466) | - | - | (4,475) |
| Terminated contracts | - | - | - | - | - | - | - | - | (3,329,167) | (3,329,167) |
| Adjustments | - | 117 | 2,423 | 63 | 224 | 136 | - | - | (19,223) | (16,260) |
| Changes in the consolidation perimeter | - | 420,472 | - | - | 692,154 | 175,664 | - | - | 1,568,767 | 2,857,057 |
| Closing balance | 35,580,031 | 335,848,084 | 143,348,509 | 3,774,416 | 65,356,097 | 27,048,789 | 2,196,859 | 6,603,791 | 202,692,243 | 822,448,817 |
| Accumulated depreciation | | | | | | | | | | |
| Opening balance | 3,739,154 | 210,562,513 | 127,971,545 | 3,428,245 | 58,772,955 | 22,311,709 | - | - | 119,285,117 | 546,071,239 |
| Depreciation for the period | - | 4,688,508 | 2,843,097 | 27,901 | 1,123,872 | 447,566 | - | - | 11,057,998 | 20,188,942 |
| Disposals | (1,747) | (192,958) | (522,532) | (828) | (6,429) | - | - | - | - | (724,495) |
| Transfers and write-offs | - | - | 119,549 | (43) | (36,900) | (87,081) | - | - | - | (4,475) |
| Terminated contracts | - | - | - | - | - | - | - | - | (3,329,167) | (3,329,167) |
| Adjustments | - | 27 | 2,083 | 96 | 184 | 126 | - | - | (2,402) | 113 |
| Changes in the consolidation perimeter | - | 164,081 | - | - | - | 787,799 | - | - | 89,014 | 1,040,894 |
| Closing balance | 3,737,406 | 215,222,170 | 130,413,741 | 3,455,371 | 59,853,683 | 23,460,118 | - | - | 127,100,561 | 563,243,052 |
| Accumulated impairment | | | | | | | | | | |
| Opening balance | - | - | - | - | - | 24,255 | - | - | - | 24,255 |
| Other variations | - | - | - | - | - | - | - | - | - | - |
| Closing balance | - | - | - | - | - | 24,255 | - | - | - | 24,255 |
| Net Tangible fixed assets | 31,842,624 | 320,625,914 | 12,934,768 | 319,044 | 5,502,414 | 3,564,416 | 2,196,859 | 6,603,791 | 75,591,682 | 259,181,511 |

During the six-month period ended 30 June 2019, Land and natural resources and Buildings and other constructions include 572,545 Euros (590,362 Euros as at 31 December 2018), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During the six-month period ended 30 June 2019, the most significant movements in Tangible fixed assets were the following:

Buildings and other constructions:

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

Basic equipment:

The amount of acquisitions mainly relates to the purchase of printers, labelling machines, monitors and optical readers in the amount of 356 thousand Euros by CTT.

Office equipment:

The amount of acquisitions relates essentially the acquisition of several micro-computing equipment for approximately 634 thousand Euros by CTT.

Other tangible fixed assets:

The amount of acquisitions mainly relates to prevention and safety equipment for approximately 239 thousand Euros by CTT.

Tangible fixed assets in progress:

The amounts under this heading are related to the capitalisation of improvements in own and third-party properties.

Rights of Use

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

| | Restated* 31.12.2018 | | | |
|----------------------------------|-------------------------|-------------|--------------|--------------|
| | Buildings | Vehicles | Other assets | Total |
| Tangible fixed assets | | | | |
| Opening balance | 233,881,680 | 23,480,135 | 8,008,314 | 265,370,129 |
| New contracts | 16,169,120 | 14,079,082 | 1,365,457 | 31,613,659 |
| Terminated contracts | (78,846,948) | (9,466,973) | (7,662,127) | (95,976,048) |
| Closing balance | 171,203,852 | 28,092,244 | 1,711,643 | 201,007,740 |
| Accumulated depreciation | | | | |
| Opening balance | 167,335,774 | 15,294,025 | 6,952,892 | 189,582,691 |
| Depreciation for the period | 18,376,976 | 6,073,372 | 1,228,126 | 25,678,474 |
| Terminated contracts | (78,846,948) | (9,466,973) | (7,662,127) | (95,976,048) |
| Closing balance | 106,865,802 | 11,900,424 | 518,891 | 119,285,117 |
| Net Tangible fixed assets | 64,338,050 | 16,191,821 | 1,192,753 | 81,722,623 |

* Restated values: see note 3

| | 30.06.2019 | | | |
|--|-------------|-------------|--------------|-------------|
| | Buildings | Vehicles | Other assets | Total |
| Tangible fixed assets | | | | |
| Opening balance | 171,203,852 | 28,092,244 | 1,711,643 | 201,007,740 |
| New contracts | 1,158,611 | 2,305,515 | - | 3,464,126 |
| Terminated contracts | (1,956,518) | (1,215,723) | (156,926) | (3,329,167) |
| Adjustments | - | (19,223) | - | (19,223) |
| Changes in the consolidation perimeter | 1,419,084 | 149,683 | - | 1,568,767 |
| Closing balance | 171,825,030 | 29,312,495 | 1,554,718 | 202,692,243 |
| Accumulated depreciation | | | | |
| Opening balance | 106,865,802 | 11,900,424 | 518,891 | 119,285,117 |
| Depreciation for the period | 7,448,235 | 3,427,412 | 182,351 | 11,057,998 |
| Terminated contracts | (1,956,518) | (1,215,723) | (156,926) | (3,329,167) |
| Adjustments | - | (2,402) | - | (2,402) |
| Changes in the consolidation perimeter | 71,751 | 17,264 | - | 89,014 |
| Closing balance | 112,429,271 | 14,126,973 | 544,317 | 127,100,561 |
| Net Tangible fixed assets | 59,395,759 | 15,185,522 | 1,010,401 | 75,591,682 |

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 notes (note 24), respectively.

The depreciation recorded in the amount of 20,188,942Euros (20,966,118 Euros on 30 June 2018), is booked under the heading Depreciation/amortisation and impairment of investments, net.

Contractual commitments related to Tangible fixed assets are as follows:

| | 30.06.2019 |
|---|------------|
| Mail Sorting Machines | 14,966,087 |
| Postal delivery equipment | 299,038 |
| Labeling machines | 106,335 |
| Improvements in properties | 39,526 |
| Electric vehicles | 19,325 |
| SADI/SDI - Fire and intrusion detection systems | 11,889 |
| Crusher | 732 |
| | 15,442,932 |

6. INTANGIBLE ASSETS

During the year ended 31 December 2018 and six-month period ended 30 June 2019, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

| 31.12.2018 | | | | | | |
|---------------------------------|----------------------|-------------------|---------------------|-------------------------|-------------------------------|-------------------|
| | Development projects | Computer Software | Industrial property | Other intangible assets | Intangible assets in progress | Total |
| Intangible assets | | | | | | |
| Opening balance | 4,380,552 | 80,235,963 | 13,297,151 | 444,739 | 13,254,456 | 111,612,861 |
| Acquisitions | - | 2,332,323 | 953,564 | - | 17,445,188 | 20,731,075 |
| Transfers and write-offs | - | 15,512,745 | - | - | (15,559,963) | (47,218) |
| Adjustments | - | - | 1,709 | - | - | 1,709 |
| Closing balance | 4,380,552 | 98,081,032 | 14,252,424 | 444,739 | 15,139,681 | 132,298,428 |
| Accumulated amortisation | | | | | | |
| Opening balance | 4,371,234 | 50,542,647 | 8,752,556 | 444,739 | - | 64,111,177 |
| Amortisation for the period | 4,488 | 10,745,367 | 665,827 | - | - | 11,415,682 |
| Transfers and write-offs | - | - | - | - | - | - |
| Adjustments | - | - | 1,012 | - | - | 1,012 |
| Closing balance | 4,375,722 | 61,288,015 | 9,419,396 | 444,739 | - | 75,527,871 |
| Net intangible assets | 4,830 | 36,793,017 | 4,833,029 | - | 15,139,681 | 56,770,556 |

| 30.06.2019 | | | | | | |
|--|----------------------|-------------------|---------------------|-------------------------|-------------------------------|-------------------|
| | Development projects | Computer Software | Industrial property | Other intangible assets | Intangible assets in progress | Total |
| Intangible assets | | | | | | |
| Opening balance | 4,380,552 | 98,081,032 | 14,252,424 | 444,739 | 15,139,681 | 132,298,428 |
| Acquisitions | - | 40,204 | 10,802 | - | 5,120,956 | 5,171,962 |
| Transfers and write-offs | - | 2,480,470 | - | - | (2,480,470) | - |
| Adjustments | - | 1,400 | 2,149 | - | (45,331) | (41,781) |
| Changes in the consolidation perimeter | - | 1,092,007 | 213,269 | - | 462,568 | 1,767,844 |
| Closing balance | 4,380,552 | 101,695,112 | 14,478,644 | 444,739 | 18,197,405 | 139,196,453 |
| Accumulated amortisation | | | | | | |
| Opening balance | 4,375,722 | 61,288,015 | 9,419,396 | 444,739 | - | 75,527,871 |
| Amortisation for the period | 636 | 5,741,628 | 369,876 | - | - | 6,112,141 |
| Transfers and write-offs | - | - | - | - | - | - |
| Adjustments | - | 1,400 | 1,018 | - | - | 2,418 |
| Changes in the consolidation perimeter | - | 1,082,878 | 199,390 | - | - | 1,282,268 |
| Closing balance | 4,376,358 | 68,113,921 | 9,989,680 | 444,739 | - | 82,924,699 |
| Net intangible assets | 4,194 | 33,581,191 | 4,488,964 | - | 18,197,405 | 56,271,754 |

The caption Industrial property includes the license of the trademark "Payshop Internacional" of CTT Contacto, S.A., of 1,200,000 Euros. This license has an indefinite useful life; therefore, it is not being amortised.

The transfers occurred in the six-month period ended 30 June 2019 in Intangible assets in progress to Computer software refer to IT projects which were completed during the period.

The amounts of 525,719 Euros and 474,392 Euros that were capitalised in Computer software or in Intangible assets in progress as at 30 June 2018 and 30 June 2019, respectively, related to the staff costs incurred in the development of these projects.

As at 30 June 2019, Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

| | 30.06.2019 |
|---|-------------------|
| SAP Hana & Hybris Billing | 2,752,059 |
| CRM - software | 805,611 |
| Payment Services Directive 2 - software | 725,666 |
| Mortgage loans - software | 633,407 |
| NAVE evolution | 613,793 |
| Digital channels - software | 580,434 |
| SIGPOSTAL - software | 543,780 |
| e-Fulfilment | 473,211 |
| Mailmanager - software | 431,407 |
| Transaction Monitoring - software | 373,631 |
| Customs portal | 373,327 |
| Management information - Software | 363,349 |
| Aplica Legacy adaptations | 341,627 |
| Data Governance - software | 331,735 |
| Servers, storage e backup | 318,567 |
| International Accounts - Software | 235,033 |
| SAP developments | 218,985 |
| IQS 10 - Tempos de Espera | 218,951 |
| CTTads | 196,778 |
| Robotic Process Automation - software | 194,355 |
| Security and Backup Information | 174,266 |
| Broker Transaccional - software | 159,006 |
| Lease Management - software | 157,956 |
| DOL - Treatment and generation of schedules | 156,551 |
| Recibos On-line - software | 147,267 |
| IT Asset Management - Implementation | 145,330 |
| Identity and Access Management | 140,526 |
| | 11,806,606 |

The amortisation for the period, of 6,112,141 Euros (5,360,239 as at 30 June 2018), was recorded under Depreciation / amortisation and impairment of investments, net.

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

Contractual commitments relative to Intangible assets are as follows:

| | 30.06.2019 |
|--------------------------------------|------------------|
| SAP S/4 Hana e SAP Hybris | 830,377 |
| Accippiens - software | 436,598 |
| CBS - Core Banking System | 324,000 |
| Enterprise Content Management | 184,232 |
| Evolução CH | 106,980 |
| Indicadores Qualidade | 99,489 |
| Datagovernance & Datawarehouse | 82,852 |
| Relatórios Regulamentares - software | 73,908 |
| PAC - Manutenção Clientes e Contas | 65,041 |
| Transaction Monitoring | 58,205 |
| Smart Mailboxes | 56,472 |
| Plataforma Promotores / Parceiros | 46,730 |
| SIG Postal | 44,441 |
| Solução ITSM | 29,819 |
| APP Simulador | 8,080 |
| | 2,447,224 |

7. INVESTMENT PROPERTIES

As at 31 December 2018 and 30 June 2019, the Group has the following assets classified as investment properties:

| | 31.12.2018 | | |
|----------------------------------|----------------------------|-----------------------------------|------------------|
| | Land and natural resources | Buildings and other constructions | Total |
| Investment properties | | | |
| Opening balance | 2,882,477 | 11,824,326 | 14,706,803 |
| Disposals | (98,874) | (812,552) | (911,425) |
| Transfers and write-offs | 724,752 | 5,529,376 | 6,254,128 |
| Other movements | - | (2,518) | (2,518) |
| Closing balance | 3,508,355 | 16,538,633 | 20,046,988 |
| Accumulated depreciation | | | |
| Opening balance | 166,541 | 7,282,857 | 7,449,397 |
| Depreciation for the period | - | 299,932 | 299,932 |
| Disposals | (10,982) | (528,516) | (539,498) |
| Transfers and write-offs | 79,415 | 3,334,258 | 3,413,674 |
| Closing balance | 234,974 | 10,388,531 | 10,623,505 |
| Accumulated impairment | | | |
| Opening balance | - | 1,092,556 | 1,092,556 |
| Impairment for the period | - | (732,506) | (732,506) |
| Transfers | - | 883,452 | 883,452 |
| Closing balance | - | 1,243,502 | 1,243,502 |
| Net Investment properties | 3,273,381 | 4,906,599 | 8,179,980 |

| | 30.06.2019 | | |
|----------------------------------|----------------------------|-----------------------------------|------------|
| | Land and natural resources | Buildings and other constructions | Total |
| Investment properties | | | |
| Opening balance | 3,508,355 | 16,538,633 | 20,046,988 |
| Disposals | (47,378) | (371,704) | (419,082) |
| Closing balance | 3,460,977 | 16,166,929 | 19,627,906 |
| Accumulated depreciation | | | |
| Opening balance | 234,974 | 10,388,531 | 10,623,505 |
| Depreciation for the period | - | 139,812 | 139,812 |
| Disposals | (5,166) | (230,632) | (235,798) |
| Closing balance | 229,808 | 10,297,711 | 10,527,519 |
| Accumulated impairment | | | |
| Opening balance | - | 1,243,502 | 1,243,502 |
| Impairment for the period | - | - | - |
| Closing balance | - | 1,243,502 | 1,243,502 |
| Net Investment properties | 3,231,169 | 4,625,715 | 7,856,885 |

These assets are not allocated to the Group's operating activities, nor have a specific future use.

In the year ended 31 December 2018, the amount recorded under the disposals heading relates to the sale of three properties having the corresponding accounting gains, of 138 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

During the three-month period ended 30 June 2019, the amount of disposals relates to the sale of two property having the corresponding gains, of 127 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

The Depreciation for the period, of 139,812 Euros (114,410 Euros on 30 June 2018), was recorded in the caption Depreciation / amortisation and impairment of investments, net.

8. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 31 December 2018 and 30 June 2019, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

| Company name | Place of business | Head office | 31.12.2018 | | | 30.06.2019 | | |
|--|-------------------|--|-------------------------|----------|-------|-------------------------|----------|-------|
| | | | Percentage of ownership | | | Percentage of ownership | | |
| | | | Direct | Indirect | Total | Direct | Indirect | Total |
| Parent company: | | | | | | | | |
| CTT - Correios de Portugal, S.A. | Portugal | Av. D. João II N.º 13 1999-001 Lisboa | - | - | - | - | - | - |
| Subsidiaries: | | | | | | | | |
| CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso") | Portugal | Av. D. João II N.º 13 1999-001 Lisboa | 100 | - | 100 | 100 | - | 100 |
| Payshop Portugal, S.A. ("Payshop") | Portugal | Av. D. João II N.º 13 1999-001 Lisboa | - | 100 | 100 | - | 100 | 100 |
| CTT Contacto, S.A. ("CTT Con") | Portugal | Av. D. João II N.º 13 1999-001 Lisboa | 100 | - | 100 | 100 | - | 100 |
| Tourline Express Mensajería, SLU. ("TourLine") | Spain | Av. Europa, n.º 9 Coslada, Madrid | 100 | - | 100 | 100 | - | 100 |
| Correio Expresso de Moçambique, S.A. ("CORRE") | Mozambique | Av. 24 de Julho, Edifício 24, n.º 1097, 3.º Piso Bairro da Polana Maputo - Mozambique | 50 | - | 50 | 50 | - | 50 |
| Banco CTT, S.A. ("BancoCTT") | Portugal | Av. D. João II N.º 13 1999-001 Lisboa | 100 | - | 100 | 100 | - | 100 |
| Transporta - Transportes Porta a Porta, S.A. ("Transporta") | Portugal | Estrada de São Marcos N.º 15 2735-521 Cacém | 100 | - | 100 | - | - | - |
| 321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito") | Portugal | Av. Duque d'Ávila, 46, 7º B 1050-083 Lisboa | - | - | - | - | 100 | 100 |

On 31 December 2018, but producing effects as of 1 January 2018, were registered the mergers by incorporation of Mailtec Comunicação, S.A. and Escrita Inteligente, S.A. in CTT - Correios de Portugal through the global transfer of the assets. These transactions had no impact on the consolidation perimeter.

On 26 April 2019 a share capital increase was made in Banco CTT in the amount of 110 million Euros, currently its share capital amounts to 266,400,000 Euros.

As at 2 May 2019 100% of the share capital of 321 Crédito - Instituição Financeira de Crédito, S.A. was acquired for the amount of 110,782,000 Euros.

On 11 June 2019, but producing effects as of 1 January 2019, was registered the merger by incorporation of Transporta - Transportes Porta a Porta, S.A. in CTT Expresso - Serviços Postais e Logística, S.A. through the global transfer of the assets. This transaction had no impact on the consolidation perimeter.

Joint ventures

As at 31 December 2018 and 30 June 2019, the Group held the following interests in joint ventures, accounted for by the equity method:

| Company name | Place of business | Head office | 31.12.2018 | | | 30.06.2019 | | |
|---|-------------------|---|-------------------------|----------|-------|-------------------------|----------|-------|
| | | | Percentage of ownership | | | Percentage of ownership | | |
| | | | Direct | Indirect | Total | Direct | Indirect | Total |
| NewPost, ACE | Portugal | Av. Fontes Pereira de Melo, 40 Lisboa | 49 | - | 49 | 49 | - | 49 |
| PTP & F, ACE | Portugal | Estrada Casal do Canas Amadora | 51 | - | 51 | 51 | - | 51 |
| MKTPlace - Comércio Eletrónico, S.A. ("MKTPlace") | Portugal | Rua Eng.º Ferreira Dias 924 Esc. 5 Porto | 50 | - | 50 | 50 | - | 50 |

On 8 August 2018, MKTPlace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., was formed, regarding the creation of an e-commerce platform to provide integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.

On 2 April and 6 May 2019, the company MKTPlace - Comércio Eletrónico, S.A., was subject to a capital increase in the amount of 2,150,247 Euros made by CTT.

Associated companies

As at 31 December 2018 and 30 June 2019, the Group held the following interests in associated companies accounted for by the equity method:

| Company name | Place of business | Head office | 31.12.2018 | | | 30.06.2019 | | |
|--|-------------------|--|-------------------------|----------|-------|-------------------------|----------|-------|
| | | | Percentage of ownership | | | Percentage of ownership | | |
| | | | Direct | Indirect | Total | Direct | Indirect | Total |
| Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert") | Portugal | Lagoas Parque, Edifício 3, Piso 3 Oeiras | 20 | - | 20 | 20 | - | 20 |
| Mafelosa, SL ^(a) | Spain | Castellon - Spain | - | 25 | 25 | - | 25 | 25 |
| Urpacsur, SL ^(a) | Spain | Málaga - Spain | - | 30 | 30 | - | 30 | 30 |

^(a) Company held by Tourline Mensajería, SLU, which currently has no activity.

Changes in the consolidation perimeter

During the period ended 31 December 2018, the consolidation perimeter was changed with the creation on 8 August 2018 of MKTPlace - Comércio Eletrónico, S.A., whose interests are accounted in accordance with the equity method.

During the six-month period ended 30 June 2019, the consolidation perimeter was changed following the acquisition of 321 Crédito - Instituição Financeira de Crédito, S.A. on 2 May 2019. An initial goodwill in the amount of 63,242,621 Euros has been recognised.

The Purchase Price Allocation (PPA) is ongoing and the Group is still evaluating the assumptions and criteria for the fair value assessment of the assets and liabilities acquired, with special relevance to 321 Crédito's credit portfolio and will be concluded within the 12 months after the acquisition date as required by IFRS 3 - Business Combinations.

Therefore, the initial Goodwill assessed on the date of the acquisition of 321 Crédito is as follows:

| | Initial recognition |
|----------------------------|---------------------|
| Net assets acquired | 412,734,469 |
| Liabilities acquired | 365,195,090 |
| Net assets acquired | 47,539,379 |
| Goodwill | 63,242,621 |
| Acquisition value | 110,782,000 |

The main impacts on the Income Statement at 30 June 2019 are as follows and refer to the months of May and June:

| Income Statement - 30.06.2019 | |
|----------------------------------|------------------|
| Caption | Amount |
| Operating income | 4,376,520 |
| Operating costs | (1,527,352) |
| Impairments and provisions | (793,375) |
| Earnings before taxes | 2,055,793 |
| Income tax | (552,843) |
| Net profit for the period | 1,502,950 |

9. INVESTMENT SECURITIES

As at 31 December 2018 and 30 June 2019, the caption Investment securities showed the following composition:

| | 31.12.2018 | 30.06.2019 |
|---|--------------------|--------------------|
| Non-current | | |
| Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾ | | |
| Debt securities and other fixed-income securities | | |
| Public issuers | 546,260 | 538,440 |
| Other issuers | 311,385 | - |
| | 857,645 | 538,440 |
| Investment securities measured at amortised cost | | |
| Debt securities and other fixed-income securities | | |
| Public issuers | 403,296,616 | 396,501,075 |
| Other issuers | 25,048,798 | 19,840,753 |
| Impairment | (164,378) | (169,811) |
| | 428,181,036 | 416,172,017 |
| | 429,038,681 | 416,710,457 |
| Current | | |
| Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾ | | |
| Debt securities and other fixed-income securities | | |
| Public issuers | 13,765 | 4,050 |
| Other issuers | 617,658 | - |
| | 631,423 | 4,050 |
| Investment securities measured at amortised cost | | |
| Debt securities and other fixed-income securities | | |
| Public issuers | 14,292,141 | 24,101,787 |
| Other issuers | 10,158,084 | 20,155 |
| Impairment | (18,447) | (6,125) |
| | 24,431,778 | 24,115,817 |
| | 25,063,201 | 24,119,866 |
| | 454,101,881 | 440,830,324 |

⁽¹⁾ As at 31 December 2018 and 30 June 2019 includes the amount of 127,791 Euros and 223 Euros, respectively, regarding Accumulated impairment losses.

The analysis of the Investment securities measured at Fair Value through Other Comprehensive Income and the residual maturity of the investment securities as at 31 December 2018 and 30 June 2019 is detailed as follows:

| | 31.12.2018 | | | | | | |
|---|---------------------|------------------------------------|----------------|-----------------------------------|--------------|----------------|------------------|
| | 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 | |
| Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾ | | | | | | | |
| Debt securities and other fixed-income securities | | | | | | | |
| Public-debt securities | | | | | | | |
| National | 13,765 | - | 13,765 | 546,260 | - | 546,260 | 560,025 |
| Foreign | - | - | - | - | - | - | - |
| Other issuers | | | | | | | |
| National | - | - | - | - | - | - | - |
| Foreign | 9,163 | 608,495 | 617,658 | 311,385 | - | 311,385 | 929,043 |
| | 22,928 | 608,495 | 631,423 | 857,645 | - | 857,645 | 1,489,068 |

⁽¹⁾ As at 31 December 2018 includes the amount of 127,791 Euros regarding Accumulated impairment losses.

| | 31.12.2018 | | | | | | |
|---|---------------------|------------------------------------|-------------------|-----------------------------------|--------------------|--------------------|--------------------|
| | 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 | |
| Investment securities measured at amortised cost | | | | | | | |
| Debt securities and other fixed-income securities | | | | | | | |
| Public-debt securities | | | | | | | |
| National | 4,704,139 | 6,551,473 | 11,255,612 | 18,070,554 | 267,159,988 | 285,230,542 | 296,486,154 |
| Foreign | 497,547 | 2,538,983 | 3,036,529 | 42,443,006 | 75,623,068 | 118,066,074 | 121,102,603 |
| Other issuers | | | | | | | |
| National | 5,258,084 | 4,900,000 | 10,158,084 | 17,878,512 | 7,170,286 | 25,048,798 | 35,206,882 |
| Foreign | - | - | - | - | - | - | - |
| | 10,459,770 | 13,990,455 | 24,450,225 | 78,392,071 | 349,953,342 | 428,345,414 | 452,795,639 |

| | | | | 30.06.2019 | | | | |
|---|---------------------|------------------------------------|--------------|-----------------------------------|--------------|----------------|----------------|-------|
| | | | | Current | | Non-current | | Total |
| | Due within 3 months | Over 3 months and less than 1 year | Total | Over 1 year and less than 3 years | Over 3 years | Total | | |
| Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾ | | | | | | | | |
| Debt securities and other fixed-income securities | | | | | | | | |
| Public-debt securities | | | | | | | | |
| National | 4,050 | - | 4,050 | 538,440 | - | 538,440 | 542,490 | |
| Foreign | - | - | - | - | - | - | - | |
| Other issuers | | | | | | | | |
| National | - | - | - | - | - | - | - | |
| Foreign | - | - | - | - | - | - | - | |
| | 4,050 | - | 4,050 | 538,440 | - | 538,440 | 542,490 | |

⁽¹⁾ As at 30 June 2019 includes the amount of 223 Euros regarding Accumulated impairment losses.

| | 30.06.2019 | | | | | | |
|---|---------------------|------------------------------------|-------------------|-----------------------------------|--------------------|--------------------|--------------------|
| | Current | | | Non-current | | | Total |
| | Due within 3 months | Over 3 months and less than 1 year | Total | Over 1 year and less than 3 years | Over 3 years | Total | |
| Investment securities measured at amortised cost | | | | | | | |
| Debt securities and other fixed-income securities | | | | | | | |
| Public-debt securities | | | | | | | |
| National | 5,042,181 | 4,793,271 | 9,835,452 | 13,105,932 | 266,531,270 | 279,637,201 | 289,472,653 |
| Foreign | 3,225,176 | 11,041,158 | 14,266,335 | 42,262,169 | 74,601,705 | 116,863,874 | 131,130,209 |
| Other issuers | | | | | | | |
| National | 20,155 | - | 20,155 | 19,840,753 | - | 19,840,753 | 19,860,907 |
| Foreign | - | - | - | - | - | - | - |
| | 8,287,512 | 15,834,430 | 24,121,941 | 75,208,853 | 341,132,975 | 416,341,828 | 440,463,769 |

The impairment losses, for the year ended 31 December 2018 and the six-month period ended 30 June 2019, are detailed as follows:

| | 31.12.2018 | | | | | |
|--|-----------------|----------------|------------------|--------------|-------------------------------------|-----------------|
| | Opening balance | Increases | Reversals | Utilisations | Changes in the accounting standards | Closing balance |
| Non-current assets | | | | | | |
| Investment securities measured at Fair Value through Other Comprehensive Income | - | 4,325 | (8,387) | - | 4,566 | 504 |
| Investment securities measured at amortised cost | - | 110,568 | (190,198) | - | 244,008 | 164,379 |
| | - | 114,893 | (198,585) | - | 248,575 | 164,883 |
| Current assets | | | | | | |
| Investment securities measured at Fair Value through Other Comprehensive Income | - | 121,166 | - | - | 6,120 | 127,286 |
| Investment securities measured at amortised cost | - | 15,383 | - | - | 3,064 | 18,447 |
| | - | 136,549 | - | - | 9,184 | 145,733 |
| Investment securities measured at Fair Value through Other Comprehensive Income | - | 125,491 | (8,387) | - | 10,686 | 127,790 |
| Investment securities measured at amortised cost | - | 125,951 | (190,198) | - | 247,072 | 182,825 |
| | - | 251,442 | (198,585) | - | 257,759 | 310,616 |

| | 30.06.2019 | | | | | |
|--|-----------------|---------------|-----------------|-----------------|-------------------------------------|-----------------|
| | Opening balance | Increases | Reversals | Utilisations | Changes in the accounting standards | Closing balance |
| Non-current assets | | | | | | |
| Investment securities measured at Fair Value through Other Comprehensive Income | 504 | 17 | (299) | - | - | 223 |
| Investment securities measured at amortised cost | 164,379 | 22,086 | (16,654) | - | - | 169,811 |
| | 164,883 | 22,103 | (16,953) | - | - | 170,034 |
| Current assets | | | | | | |
| Investment securities measured at Fair Value through Other Comprehensive Income | 127,286 | - | (40,230) | (87,056) | - | - |
| Investment securities measured at amortised cost | 18,447 | - | (12,322) | - | - | 6,125 |
| | 145,733 | - | (52,552) | (87,056) | - | 6,125 |
| Investment securities measured at Fair Value through Other Comprehensive Income | 127,790 | 17 | (40,529) | (87,056) | - | 223 |
| Investment securities measured at amortised cost | 182,826 | - | (28,976) | - | - | 175,936 |
| | 310,616 | 22,103 | (69,505) | (87,056) | - | 176,159 |

10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2018 and 30 June 2019, the headings Other banking financial assets and Other banking financial liabilities showed the following composition:

| | 31.12.2018 | 30.06.2019 |
|---------------------------------------|--------------------|--------------------|
| Non-current assets | | |
| Loans to credit institutions | 22,910,185 | 21,407,014 |
| Impairment | (217,751) | (211,463) |
| | 22,692,434 | 21,195,550 |
| Current assets | | |
| Investments in credit institutions | 78,314,989 | 6,153,980 |
| Loans to credit institutions | 14,004,877 | 17,536,737 |
| Impairment | (197,018) | (57,513) |
| Other | 1,509,230 | 5,545,720 |
| Impairment | (10,927) | (4,007,124) |
| | 93,621,151 | 25,171,800 |
| | 116,313,585 | 46,367,350 |
| Non-current liabilities | | |
| Liabilities represented by securities | - | 93,872,760 |
| | - | 93,872,760 |
| Current liabilities | | |
| Liabilities represented by securities | - | 19,857 |
| Other | 14,950,779 | 30,131,030 |
| | 14,950,779 | 30,150,887 |
| | 14,950,779 | 124,023,648 |

Investments in credit institutions and Loans to credit institutions

Regarding these captions the scheduling by maturity is as follows:

| | 31.12.2018 | 30.06.2019 |
|---------------------|--------------------|-------------------|
| Up to 3 months | 24,472,036 | 9,846,680 |
| From 3 to 6 months | 56,031,030 | 4,573,336 |
| From 6 to 12 months | 11,816,800 | 6,570,702 |
| From 1 to 3 years | 14,251,127 | 15,843,848 |
| Over 3 years | 8,659,058 | 8,263,166 |
| | 115,230,051 | 45,097,731 |

The impairment losses, for the year ended 31 December 2018 and the six-month period ended 30 June 2019, are detailed as follows:

| | 31.12.2018 | | | | | |
|--|-----------------|----------------|------------------|--------------|-----------|-----------------|
| | Opening balance | Increases | Reversals | Utilisations | Transfers | Closing balance |
| Non-current assets | | | | | | |
| Investments and loans in credit institutions | - | 564,091 | (462,633) | - | - | 116,293 |
| | - | 564,091 | (462,633) | - | - | 116,293 |
| Current assets | | | | | | |
| Investments and loans in credit institutions | - | - | (310,086) | - | - | 507,104 |
| Other | - | 10,927 | - | - | - | 10,927 |
| | - | 10,927 | (310,086) | - | - | 507,104 |
| | - | 575,018 | (772,719) | - | - | 623,397 |
| | - | 575,018 | (772,719) | - | - | 425,696 |

| | 30.06.2019 | | | | | | Closing balance |
|--|-----------------|---------------|------------------|--------------|-----------------|--|------------------|
| | Opening balance | Increases | Reversals | Utilisations | Transfers | Changes in the consolidation perimeter | |
| Non-current assets | | | | | | | |
| Investments and loans in credit institutions | 217,751 | 76,179 | (82,467) | - | - | - | 211,463 |
| | 217,751 | 76,179 | (82,467) | - | - | - | 211,463 |
| Current assets | | | | | | | |
| Investments and loans in credit institutions | 197,018 | - | (139,505) | - | - | - | 57,513 |
| Other | 10,927 | 5,815 | (9,927) | - | (10,927) | 4,011,235 | 4,007,124 |
| | 207,945 | 5,815 | (149,432) | - | (10,927) | 4,011,235 | 4,064,637 |
| | 425,696 | 81,994 | (231,899) | - | (10,927) | 4,011,235 | 4,276,100 |

Liabilities represented by securities

This caption showed the following composition:

| | 31.12.2018 | 30.06.2019 |
|-----------------|------------|------------|
| Securitisations | - | 93,892,616 |
| | - | 93,892,616 |

As at 30 June 2019 the Liabilities represented by securities are analysed as follows:

| Issue | Issue date | Maturity date | Remuneration | Nominal value | Book value |
|--------------------------------|------------|---------------|-----------------------|---------------|------------|
| Ulysses Finance No.1 – Class A | July 2017 | July 2033 | Euribor 1M + 85 b.p. | 80,204,063 | 79,848,058 |
| Ulysses Finance No.1 – Class B | July 2017 | July 2033 | Euribor 1M + 160 b.p. | 7,000,000 | 6,970,380 |
| Ulysses Finance No.1 – Class C | July 2017 | July 2033 | Euribor 1M + 375 b.p. | 7,100,000 | 7,074,178 |
| | | | | 94,304,063 | 93,892,616 |

As at 30 June 2019, the Group decided to early redeem Chaves Funding no. 7. This securitisation transaction included an auto loan and leasing portfolio and had a nominal value of 197.200.000 Euros at the time of its redemption.

The scheduling by maturity regarding this caption is as follows:

| | 30.06.2019 | | | | | | |
|-----------------|---------------------|------------------------------------|--------|-----------------------------------|--------------|------------|------------|
| | Current | | | Non-current | | | Total |
| | Due within 3 months | Over 3 months and less than 1 year | Total | Over 1 year and less than 3 years | Over 3 years | Total | |
| Securitisations | 19,856 | - | 19,856 | - | 93,872,760 | 93,872,760 | 93,892,616 |
| | 19,856 | - | 19,856 | - | 93,872,760 | 93,872,760 | 93,892,616 |

11. CREDIT TO BANK CLIENTS

As at 31 December 2018 and 30 June 2019, the caption Credit to bank clients was detailed as follows:

| | 31.12.2018 | 30.06.2019 |
|-----------------------------------|--------------------|---------------------|
| Performing loans | 248,114,654 | 742,553,869 |
| Mortgage Loans | 238,667,450 | 312,172,348 |
| Auto Loans | - | 408,640,200 |
| Leasings | - | 11,536,726 |
| Overdrafts | 529,154 | 755,574 |
| Other credits | 8,918,050 | 9,449,022 |
| Overdue loans | 392,852 | 15,087,237 |
| Overdue loans - less than 90 days | 60,947 | 698,963 |
| Overdue loans - more than 90 days | 331,905 | 14,388,275 |
| | 248,507,506 | 757,641,106 |
| Credit risk impairment | (457,525) | (20,937,313) |
| | 248,049,981 | 736,703,793 |

As at 31 December 2018 and 30 June 2019, this caption showed the following composition:

| | 31.12.2018 | | | | |
|----------------------|------------------|---------------|--------------|------------|-------------|
| | Performing Loans | Overdue Loans | Gross amount | Impairment | Net amount |
| Mortgage Loans | 238,667,450 | - | 238,667,450 | (232,315) | 238,435,135 |
| Auto Loans | - | - | - | - | - |
| Leasings | - | - | - | - | - |
| Factoring operations | - | - | - | - | - |
| Overdrafts | 529,154 | 392,852 | 922,006 | (224,843) | 697,163 |
| Other credits | 8,918,050 | - | 8,918,050 | (367) | 8,917,683 |
| | 248,114,654 | 392,852 | 248,507,506 | (457,525) | 248,049,981 |

| | 30.06.2019 | | | | |
|----------------------|------------------|---------------|--------------|--------------|-------------|
| | Performing Loans | Overdue Loans | Gross amount | Impairment | Net amount |
| Mortgage Loans | 312,172,348 | - | 312,172,348 | (74,674) | 312,097,674 |
| Auto Loans | 408,640,200 | 7,659,940 | 416,300,140 | (13,894,125) | 402,406,015 |
| Leasings | 11,536,726 | 3,988,318 | 15,525,044 | (4,323,270) | 11,201,774 |
| Factoring operations | - | 2,920,580 | 2,920,580 | (2,300,466) | 620,114 |
| Overdrafts | 755,574 | 518,400 | 1,273,974 | (343,721) | 930,253 |
| Other credits | 9,449,022 | - | 9,449,022 | (1,057) | 9,447,965 |
| | 742,553,869 | 15,087,238 | 757,641,107 | (20,937,313) | 736,703,793 |

The maturity analysis of the Credit to bank clients as at 31 December 2018 and 30 June 2019 is detailed as follows:

| | 31.12.2018 | | | | | | | |
|----------------|-------------------------|---------------------|------------------------------------|------------|-----------------------------------|--------------|-------------|-------------|
| | Current | | | | Non-current | | | Total |
| | At sight / Undetermined | Due within 3 months | Over 3 months and less than 1 year | Total | Over 1 year and less than 3 years | Over 3 years | Total | |
| Mortgage loans | - | 1,722,857 | 4,921,205 | 6,644,062 | 13,332,739 | 218,690,649 | 232,023,388 | 238,667,450 |
| Auto Loans | - | - | - | - | - | - | - | - |
| Leasings | - | - | - | - | - | - | - | - |
| Overdrafts | 922,006 | - | - | 922,006 | - | - | - | 922,006 |
| Other credits | - | 8,918,050 | - | 8,918,050 | - | - | - | 8,918,050 |
| | 922,006 | 10,640,907 | 4,921,205 | 16,484,118 | 13,332,739 | 218,690,649 | 232,023,388 | 248,507,506 |

| | 30.06.2019 | | | | | | | |
|----------------|----------------------------|------------------------|--|-------------|--------------------------------------|--------------|-------------|-------------|
| | Current | | | | Non-current | | | Total |
| | At sight / Undetermined | Due within 3 months | Over 3 months and less than 1 year | Total | Over 1 year and less than 3 years | Over 3 years | Total | |
| Mortgage loans | - | 2,286,513 | 6,449,868 | 8,736,381 | 17,476,632 | 285,959,335 | 303,435,967 | 312,172,348 |
| Auto Loans | 7,659,940 | 18,493,491 | 46,180,188 | 72,333,619 | 123,221,670 | 220,744,852 | 343,966,521 | 416,300,140 |
| Leasings | 3,988,318 | 765,793 | 2,126,652 | 6,880,763 | 4,962,589 | 3,681,691 | 8,644,280 | 15,525,043 |
| Overdrafts | 1,273,975 | - | - | 1,273,975 | - | - | - | 1,273,975 |
| Other credits | 2,920,580 | 9,449,022 | - | 12,369,601 | - | - | - | 12,369,601 |
| | 15,842,813 | 30,994,819 | 54,756,708 | 101,594,339 | 145,660,891 | 510,385,878 | 656,046,768 | 757,641,106 |

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

| | 31.12.2018 | 30.06.2019 |
|------------------------|--------------------|--------------------|
| Fixed rate | 922,006 | 383,703,900 |
| Floating rate | 247,585,500 | 373,937,206 |
| | 248,507,506 | 757,641,106 |
| Credit risk impairment | (457,525) | (20,937,313) |
| | 248,049,981 | 736,703,793 |

As at 31 December 2018 and 30 June 2019, the analysis of this caption by type of collateral, is presented as follows:

| | 31.12.2018 | | | | |
|------------------------|------------------|---------------|--------------|------------|-------------|
| | Performing Loans | Overdue Loans | Gross amount | Impairment | Net amount |
| Asset-backed Loans | 238,667,450 | - | 238,667,450 | (232,315) | 238,435,135 |
| Other guaranteed Loans | - | - | - | - | - |
| Unsecured Loans | 9,447,204 | 392,852 | 9,840,056 | (225,210) | 9,614,846 |
| | 248,114,654 | 392,852 | 248,507,506 | (457,525) | 248,049,981 |

| | 30.06.2019 | | | | |
|------------------------|------------------|---------------|--------------|--------------|-------------|
| | Performing Loans | Overdue Loans | Gross amount | Impairment | Net amount |
| Asset-backed Loans | 322,964,943 | 2,158,413 | 325,123,356 | (1,835,692) | 323,287,663 |
| Other guaranteed Loans | 403,831,903 | 5,213,960 | 409,045,863 | (11,175,849) | 397,870,014 |
| Unsecured Loans | 15,757,024 | 7,714,865 | 23,471,889 | (7,925,772) | 15,546,116 |
| | 742,553,870 | 15,087,238 | 757,641,108 | (20,937,313) | 736,703,793 |

The analysis of credit to bank clients as at 31 December 2018 and 30 June 2019, by sector of activity, is as follows:

| | 31.12.2018 | | | | |
|---|------------------|---------------|--------------|------------|-------------|
| | Performing Loans | Overdue Loans | Gross amount | Impairment | Net amount |
| Companies | | | | | |
| Public administration and defence, compulsory social security | 8,918,050 | - | 8,918,050 | (367) | 8,917,683 |
| Individuals | | | | | |
| Mortgage Loans | 238,667,450 | - | 238,667,450 | (232,315) | 238,435,135 |
| Consumer Loans | 529,154 | 392,852 | 922,006 | (224,843) | 697,163 |
| | 248,114,654 | 392,852 | 248,507,506 | (457,525) | 248,049,981 |

| | 30.06.2019 | | | | |
|---|------------------|---------------|--------------|--------------|-------------|
| | Performing Loans | Overdue Loans | Gross amount | Impairment | Net amount |
| Companies | | | | | |
| Agriculture, forestry and fishing | 195,203 | 46,986 | 242,189 | (40,462) | 201,727 |
| Mining and quarrying | - | 231,242 | 231,242 | (231,238) | 4 |
| Manufacturing | 2,277,315 | 663,132 | 2,940,447 | (809,578) | 2,130,869 |
| Water supply | 205,560 | 102,735 | 308,295 | (96,714) | 211,581 |
| Construction | 6,913,941 | 1,483,302 | 8,397,243 | (1,861,788) | 6,535,455 |
| Wholesale and retail trade | 2,581,351 | 2,784,927 | 5,366,278 | (2,228,926) | 3,137,352 |
| Transport and storage | 438,124 | 882,668 | 1,320,792 | (858,505) | 462,287 |
| Accommodation and food service activities | 793,633 | 68,110 | 861,743 | (91,296) | 770,447 |
| Information and communication | 167,354 | 26,233 | 193,587 | (25,130) | 168,457 |
| Financial and insurance activities | 4,193 | 11,865 | 16,058 | (11,204) | 4,854 |
| Real estate activities | 1,769,497 | 25,487 | 1,794,984 | (32,397) | 1,762,587 |
| Professional, scientific and technical activities | 298,491 | 120,561 | 419,052 | (114,254) | 304,798 |
| Administrative and support service activities | 72,730 | 941,060 | 1,013,790 | (714,859) | 298,931 |
| Public administration and defence, compulsory social security | 9,449,022 | 90,672 | 9,539,694 | (65,516) | 9,474,178 |
| Education | 259,502 | 15,402 | 274,904 | (15,909) | 258,995 |
| Human health services and social work activities | 231,970 | 4,291 | 236,261 | (5,340) | 230,921 |
| Arts, entertainment and recreation | - | 5,375 | 5,375 | (5,059) | 316 |
| Other services | 21,895,331 | 85,718 | 21,981,049 | (262,375) | 21,718,674 |
| Individuals | | | | | |
| Mortgage Loans | 312,278,919 | - | 312,278,919 | (76,485) | 312,202,434 |
| Consumer Loans | 382,721,734 | 7,497,472 | 390,219,206 | (13,390,278) | 376,828,928 |
| | 742,553,869 | 15,087,238 | 757,641,107 | (20,937,313) | 736,703,793 |

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

| | 31.12.2018 | 30.06.2019 |
|-----------------------------------|------------|------------|
| Amount of future minimum payments | - | 12,344,443 |
| Interest not yet due | - | (807,717) |
| Present value | - | 11,536,726 |

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

| | 31.12.2018 | 30.06.2019 |
|-----------------------------------|------------|------------|
| Due within 1 year | - | 415,554 |
| Due between 1 to 5 years | - | 8,144,227 |
| Over 5 years | - | 3,784,662 |
| Amount of future minimum payments | - | 12,344,443 |

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

| | 31.12.2018 | 30.06.2019 |
|--------------------|------------|-------------------|
| Individuals | - | 1,389,467 |
| Home | - | 106,571 |
| Consumer | - | - |
| Others | - | 1,282,896 |
| Companies | - | 10,147,259 |
| Equipment | - | 702,748 |
| Real Estate | - | 9,444,511 |
| | - | 11,536,726 |

During the year ended 31 December 2018 and six-month period ended 30 June 2019, the movement in the Credit to bank clients' impairment caption was as follows:

| | 31.12.2018 | | | | | Closing balance |
|---------------------------|-----------------|----------------|-----------------|--------------|-------------------------------------|-----------------|
| | Opening balance | Increases | Reversals | Utilisations | Changes in the accounting standards | |
| Non-current assets | | | | | | |
| Credit to banking clients | 59,078 | 230,708 | (57,229) | - | (6,589) | 225,968 |
| | 59,078 | 230,708 | (57,229) | - | (6,589) | 225,968 |
| Current assets | | | | | | |
| Credit to banking clients | 58,573 | 169,107 | - | - | 3,876 | 231,556 |
| | 58,573 | 169,107 | - | - | 3,876 | 231,556 |
| | 117,651 | 399,816 | (57,229) | - | (2,713) | 457,525 |

| | 30.06.2019 | | | | | Closing balance |
|---------------------------|-----------------|------------------|------------------|-----------------|--|------------------|
| | Opening balance | Increases | Reversals | Utilisations | Changes in the consolidation perimeter | |
| Non-current assets | | | | | | |
| Credit to banking clients | 225,968 | 120,577 | (273,921) | - | - | 72,624 |
| | 225,968 | 120,577 | (273,921) | - | - | 72,624 |
| Current assets | | | | | | |
| Credit to banking clients | 231,556 | 932,251 | (67,036) | (14,738) | 19,782,656 | 20,864,690 |
| | 231,556 | 932,251 | (67,036) | (14,738) | 19,782,656 | 20,864,690 |
| | 457,525 | 1,052,828 | (340,957) | (14,738) | 19,782,656 | 1,154,658 |

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

| | 31.12.2018 | 30.06.2019 |
|----------------|--------------------|--------------------|
| Stage 1 | 246,487,327 | 693,077,913 |
| Gross amount | 246,671,668 | 695,063,455 |
| Impairment | (184,341) | (1,985,542) |
| Stage 2 | 1,434,865 | 35,329,074 |
| Gross amount | 1,502,060 | 37,043,548 |
| Impairment | (67,195) | (1,714,474) |
| Stage 3 | 127,789 | 8,296,807 |
| Gross amount | 333,777 | 25,534,105 |
| Impairment | (205,988) | (17,237,297) |
| | 248,049,981 | 736,703,793 |

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

12. DEFERRALS

As at 31 December 2018 and 30 June 2019, the Deferrals included in Current assets and Current and Non-current liabilities showed the following composition:

| | 31.12.2018 | 30.06.2019 |
|------------------------|------------------|------------------|
| Assets deferrals | | |
| Current | | |
| Rents payable | 1,299,445 | 1,426,242 |
| Meal allowances | 1,541,263 | 1,509,527 |
| Other | 3,850,652 | 5,435,805 |
| | 6,691,359 | 8,371,574 |
| Liabilities deferrals | | |
| Non-current | | |
| Investment subsidy | 305,691 | 300,091 |
| | 305,691 | 300,091 |
| Current | | |
| Phone-ix top ups | 110,597 | 100,808 |
| Investment subsidy | 11,201 | 11,201 |
| Contratual liabilities | 1,402,125 | 1,713,348 |
| Other | 1,184,167 | 1,147,388 |
| | 2,708,090 | 2,972,745 |
| | 3,013,781 | 3,272,836 |

The caption "Contractual liabilities" results from the adoption, as at 1 January 2018, 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.

13. ACCUMULATED IMPAIRMENT LOSSES

During the year ended 31 December 2018 and six-month period ended 30 June 2019, the following movements occurred in impairment losses:

| | 31.12.2018 | | | | | |
|--------------------------------|-------------------|------------------|--------------------|------------------|----------------|-------------------|
| | Opening balance | Increases | Reversals | Utilisations | Transfers | Closing balance |
| Non-current assets | | | | | | |
| Tangible fixed assets | 49,341 | - | (25,085) | - | - | 24,256 |
| Investment properties | 1092,556 | - | (732,506) | - | 883,452 | 1,243,502 |
| | 1,141,897 | - | (757,591) | - | 883,452 | 1,267,758 |
| Investment securities | - | 114,893 | (198,585) | - | - | 164,883 |
| Other non-current assets | 1,786,729 | 196,161 | - | - | - | 1,982,890 |
| Credit to banking clients | 59,078 | 230,708 | (57,229) | - | - | 225,968 |
| Other banking financial assets | - | 564,091 | (462,633) | - | - | 217,751 |
| | 1,845,807 | 1,105,853 | (718,447) | - | - | 2,591,492 |
| | 2,987,704 | 1,105,853 | (1,476,038) | - | 883,452 | 3,859,250 |
| Current assets | | | | | | |
| Accounts receivable | 32,583,555 | 4,693,073 | (2,465,765) | (490,358) | - | 33,436,621 |
| Credit to banking clients | 58,573 | 169,107 | - | - | - | 231,556 |
| Investment securities | - | 136,549 | - | - | - | 145,733 |
| Other current assets | 7,335,098 | 431,796 | (226,769) | (23,137) | - | 7,516,988 |
| Other banking financial assets | - | 10,927 | (310,086) | - | - | 207,945 |
| Slight and term deposits | - | 8,271 | (393,885) | - | - | 21,295 |
| | 39,977,226 | 5,449,724 | (3,396,505) | (513,495) | - | 41,560,139 |
| Merchandise | 1,719,745 | 145,341 | (1,585) | (39,390) | - | 1,824,111 |
| Raw, subsidiary and consumable | 658,137 | - | (24,611) | - | - | 633,526 |
| | 2,377,882 | 145,341 | (26,196) | (39,390) | - | 2,457,637 |
| | 42,355,108 | 5,595,065 | (3,422,701) | (552,885) | - | 44,017,776 |
| | 45,342,812 | 6,700,917 | (4,898,739) | (552,885) | 883,452 | 47,877,025 |

| | 30.06.2019 | | | | | | Closing balance |
|----------------------------------|-------------------|------------------|------------------|------------------|-----------------|--|-------------------|
| | Opening balance | Increases | Reversals | Utilisations | Transfers | Changes in the consolidation perimeter | |
| Non-current assets | | | | | | | |
| Tangible fixed assets | 24,256 | - | - | - | - | - | 24,256 |
| Investment properties | 1,243,502 | - | - | - | - | - | 1,243,502 |
| Non-current assets held for sale | - | - | - | (129) | - | 187,659 | 187,530 |
| | 1,267,758 | - | - | (129) | - | 187,659 | 1,455,288 |
| Investment securities | 164,883 | 22,103 | (16,953) | - | - | - | 170,033 |
| Other non-current assets | 1,982,890 | - | - | - | 69,713 | - | 2,052,603 |
| Credit to banking clients | 225,968 | 937,556 | (340,957) | (14,738) | - | 19,782,656 | 20,590,485 |
| Other banking financial assets | 217,751 | 81,994 | (92,394) | - | - | 4,011,235 | 4,218,586 |
| | 2,591,492 | 1,041,653 | (450,304) | (14,738) | 69,713 | 23,793,891 | 27,031,707 |
| | 3,859,250 | 1,041,653 | (450,304) | (14,867) | 69,713 | 23,981,550 | 28,486,995 |
| Current assets | | | | | | | |
| Accounts receivable | 33,436,621 | 2,049,609 | (200,082) | (242,816) | - | - | 35,043,332 |
| Credit to banking clients | 231,556 | 115,272 | - | - | - | - | 346,828 |
| Investment securities | 145,733 | - | (52,550) | (87,058) | - | - | 6,125 |
| Other current assets | 7,516,988 | 201,401 | (69,221) | (12,195) | (58,786) | - | 7,578,187 |
| Other banking financial assets | 207,945 | - | (139,505) | - | (10,927) | - | 57,513 |
| Slight and term deposits | 21,295 | 13,695 | (6,060) | - | - | - | 28,930 |
| | 41,560,138 | 2,379,977 | (467,418) | (342,069) | (69,713) | - | 43,060,915 |
| Merchandise | 1,824,112 | 107,192 | - | (19,696) | - | - | 1,911,608 |
| Raw, subsidiary and consumable | 633,526 | 74,442 | - | - | - | - | 707,968 |
| | 2,457,638 | 181,634 | - | (19,696) | - | - | 2,619,576 |
| | 44,017,776 | 2,561,611 | (467,418) | (361,765) | (69,713) | - | 45,680,491 |
| | 47,877,026 | 3,603,264 | (917,722) | (376,632) | - | 23,981,550 | 74,167,486 |

The net amount between increases and reversals of impairment losses of inventories is recorded in the Consolidated income statement under the caption Cost of sales.

14. EQUITY

As at 30 June 2019, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2018 and 30 June 2019 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

| Shareholder | 31.12.2018 | | |
|--|--------------------|-----------------|-------------------|
| | No. of shares | % | Nominal value |
| Gestmin SGPS, S.A. ^{(1) (2)} | 18,589,534 | 12.393% | 9,294,767 |
| Manuel Carlos de Melo Champalimaud | 284,885 | 0.190% | 142,443 |
| Manuel Carlos de Melo Champalimaud ⁽³⁾ | Total | 12.583% | 9,437,210 |
| Global Portfolio Investments, S.L. ⁽⁴⁾ | 8,492,745 | 5.662% | 4,246,373 |
| Indumenta Pueri, S.L. ⁽⁴⁾ | Total | 5.662% | 4,246,373 |
| GreenWood Builders Fund I, LP | 7,500,502 | 5.000% | 3,750,251 |
| GreenWood Builders Fund I, LP | Total | 5.000% | 3,750,251 |
| Norges Bank | Total | 4.266% | 3,199,595 |
| BlackRock, Inc. ⁽⁵⁾ | Total | 2.587% | 1,940,548 |
| BBVA Asset Management, SA SGIIC ⁽⁶⁾ | Total | 2.330% | 1,747,750 |
| Wellington Management Group LLP ⁽⁷⁾ | Total | 2.070% | 1,552,611 |
| CTT, S.A. (own shares) | Total | 0.000% | 0.50 |
| Other shareholders | Total | 65.501% | 49,125,664 |
| Total | 150,000,000 | 100.000% | 75,000,000 |

(1) Gestmin SGPS, S.A. changed its corporate name to Manuel Champalimaud, SGPS, S.A. as published in the Lisbon Commercial Registry Office on 28 February 2019.

(2) Includes 18,465,215 shares held by Gestmin SGPS, S.A. and 124,319 shares held by the members of the Board of Directors of Gestmin.

- (3) Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who has control over Gestmin, and also directly holds 284,885 shares corresponding to 0.190% of the share capital of and voting rights in CTT.
- (4) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (5) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release published on CTT website (www.ctt.pt) on 17 October 2018.
- (6) BBVA ASSET MANAGEMENT, SA, SGIIC is directly controlled by Cidessa Uno SL. The voting rights are exercised on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI, as per press release published on CTT website (www.ctt.pt) on 26 March 2018.
- (7) The full chain of undertakings controlled by the Wellington Management Group LLP through which the voting rights are held is presented in the press release published on CTT website (www.ctt.pt) on 5 September 2017.

| Shareholder | 30.06.2019 | | |
|--|-------------------------|-----------------|-------------------|
| | No. of shares | % | Nominal value |
| Manuel Champalimaud, SGPS, S.A. ⁽¹⁾ | 19,257,584 | 12.838% | 9,628,792 |
| Manuel Carlos de Melo Champalimaud | 353,185 | 0.235% | 176,593 |
| Manuel Carlos de Melo Champalimaud ⁽¹⁾ | Total 19,610,769 | 13.074% | 9,805,385 |
| Global Portfolio Investments, S.L. ⁽²⁾ | 8,492,745 | 5.662% | 4,246,373 |
| Indumenta Pueri, S.L. ⁽²⁾ | Total 8,492,745 | 5.662% | 4,246,373 |
| GreenWood Builders Fund I, LP ⁽³⁾ | 8,214,969 | 5.477% | 4,107,485 |
| GreenWood Builders Fund I, LP ⁽³⁾ | Total 8,214,969 | 5.477% | 4,107,485 |
| Norges Bank | Total 5,466,641 | 3.644% | 2,733,321 |
| BlackRock, Inc. ⁽⁴⁾ | Total 3,937,451 | 2.625% | 1,968,726 |
| BBVA Asset Management, SA SGIIC ⁽⁵⁾ | Total 3,495,499 | 2.330% | 1,747,750 |
| Wellington Management Group LLP ⁽⁶⁾ | Total 3,105,222 | 2.070% | 1,552,611 |
| CTT, S.A. (own shares) ⁽⁷⁾ | Total 1 | 0.000% | 0.50 |
| Other shareholders | Total 97,676,703 | 65.118% | 48,838,352 |
| Total | 150,000,000 | 100.000% | 75,000,000 |

- (1) Includes 19,146,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 110,769 shares held by the members of its Board of Directors, of which Duarte Palma Leal Champalimaud, non-executive member of the Board of Directors of CTT, is a member. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (2) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L.
- (3) GreenWood Builders Fund I, LP is managed by GreenWood Investors LLC, of which Steven Duncan Wood, Non-Executive member of the Board of Directors of CTT, is a Managing Member.
- (4) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release of 26 April 2019 and available on CTT website (www.ctt.pt).
- (5) BBVA ASSET MANAGEMENT, SA, SGIIC exercises the voting rights not in its own name but on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI as their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.
- (6) The full chain of controlled undertakings through which the voting rights are held includes Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP.
- (7) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.

15. OWN SHARES, RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

Reserves

As at 31 December 2018 and 30 June 2019, the heading Reserves is detailed as follows:

| | 31.12.2018 | | | | |
|-------------------------------------|----------------|---------------------|---------------------|----------------|--------------|
| | Legal reserves | Own shares reserves | Fair Value reserves | Other reserves | Total |
| Opening balance | 15,000,000 | 8 | 50,323 | 64,897,551 | 79,947,883 |
| Distribution of dividends (Note 16) | - | - | - | (15,372,222) | (15,372,222) |
| Other movements | - | - | - | 1,311,267 | 1,311,267 |
| Assets fair value | - | - | (50,053) | - | (50,053) |
| Closing balance | 15,000,000 | 8 | 270 | 50,836,596 | 65,836,875 |

| | 30.06.2019 | | | | |
|-------------------|----------------|---------------------|---------------------|----------------|------------|
| | Legal reserves | Own shares reserves | Fair Value reserves | Other reserves | Total |
| Opening balance | 15,000,000 | 8 | 270 | 50,836,597 | 65,836,875 |
| Assets fair value | - | - | 20,854 | - | 20,854 |
| Closing balance | 15,000,000 | 8 | 21,124 | 50,836,597 | 65,857,729 |

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 30 June 2019, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

Retained earnings

During the year ended 31 December 2018 and six-month period ended 30 June 2019, the following movements were made in the heading Retained earnings:

| | Restated | 30.06.2019 |
|---|--------------|--------------|
| | 31.12.2018* | |
| Opening balance | 21,524,684 | 4,378,984 |
| Application of the net profit of the prior year | 27,263,244 | 21,499,271 |
| Distribution of dividends (Note 16) | (41,627,778) | (15,000,000) |
| Changes to accounting policies | (1,467,664) | - |
| Adjustments from the application of the equity method | (2,235) | 132 |
| Other movements | (1,311,267) | (150,392) |
| Closing balance | 4,378,984 | 10,727,995 |

* Restated values: see note 3

The amount of 1,467,664 Euros relates to the effect of the adoption of IFRS 9 and IFRS 15, which is disclosed in more detail in note 3.

Other changes in equity

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

Thus, for the year ended 31 December 2018 and six-month period ended 30 June 2019, the movements occurred in this heading were as follows:

| | 31.12.2018 | 30.06.2019 |
|------------------------|--------------|--------------|
| Opening balance | (32,634,996) | (30,993,430) |
| Actuarial gains/losses | 2,181,712 | - |
| Tax effect | (540,146) | - |
| Closing balance | (30,993,430) | (30,993,430) |

16. DIVIDENDS

According to the dividend distribution proposal included in the 2018 Annual Report, at the General Meeting of Shareholders, which was held on 23 April 2019, a dividend distribution of 15,000,000 Euros, corresponding to a dividend per share of 0.10 Euros, regarding the financial year ended 31 December 2018 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.10 Euros.

17. EARNINGS PER SHARE

During the three-month periods ended 30 June 2018 and 30 June 2019, the earnings per share were calculated as follows:

| | Restated 30.06.2018* | 30.06.2019 |
|-----------------------------------|-------------------------|-------------|
| Net income for the period | 7,428,275 | 8,988,445 |
| Average number of ordinary shares | 149,999,999 | 149,999,999 |
| Earnings per share | | |
| Basic | 0.05 | 0.06 |
| Diluted | 0.05 | 0.06 |

* Restated values: see note 3

The average number of shares is detailed as follows:

| | 30.06.2018 | 30.06.2019 |
|--|-------------|-------------|
| Shares issued at beginning of the period | 150,000,000 | 150,000,000 |
| Own shares effect | 1 | 1 |
| Average number of shares during the period | 149,999,999 | 149,999,999 |

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

As at 30 June 2019, the number of own shares held by the Group is 1 and its average number for the period ended 30 June 2019 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

18. DEBT

As at 31 December 2018 and 30 June 2019, Debt of the Group showed the following composition:

| | Restated 31.12.2018 * | 30.06.2019 |
|-------------------------|--------------------------|--------------------|
| Non-current liabilities | | |
| Bank loans | 24,276,250 | 58,961,262 |
| Lease liabilities | 76,005,953 | 71,219,204 |
| | 100,282,203 | 130,180,466 |
| Current liabilities | | |
| Bank loans | 6,558,116 | 8,963,143 |
| Lease liabilities | 20,537,957 | 18,449,834 |
| | 27,096,073 | 27,412,978 |
| | 127,378,276 | 157,593,444 |

* Restated values: see note 3

The interest rates applied to other loans, as at 31 December 2018 and 30 June 2019, were between 1.25% and 1.875%.

Bank loans and other loans

As at 31 December 2018 and 30 June 2019, the details of the Group bank loans were as follows:

| Financing entity | 31.12.2018 | | | 30.06.2019 | | |
|--------------------|-------------------|------------------|-------------------|--------------------|------------------|-------------------|
| | Limit | Amount used | | Limit | Amount used | |
| | | Current | Non-current | | Current | Non-current |
| Bank loans | | | | | | |
| Millennium BCP | 11,250,000 | 6,543,879 | - | 11,250,000 | 8,963,143 | - |
| BBVA / Bankinter | 75,000,000 | - | 24,276,250 | 75,000,000 | - | 24,175,689 |
| Novo Banco | - | - | - | 35,000,000 | - | 34,785,573 |
| BIM - (Moçambique) | 14,237 | 14,237 | - | 42,937 | - | - |
| Other loans | | | | | | |
| BIM - (Moçambique) | 6,049 | - | - | - | - | - |
| | 86,270,286 | 6,558,116 | 24,276,250 | 121,292,937 | 8,963,143 | 58,961,262 |

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 30 June 2019 the referred amount corresponded to 24,175,686 Euros.

On April 22, 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. These funds are exclusively intended to provide CTT with the financial means to implement its investment plan. Regarding 30 June 2019, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,785,573 Euros.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal's limits. Additionally, the loans obtained also require compliance with 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 of 31 December 2018.

Lease Liabilities

The Group presents lease liabilities which future undiscounted payments are detailed as follows:

| | Restated* 31.12.2018 | 30.06.2019 |
|--|-------------------------|--------------------|
| Due within 1 year | 25,395,404 | 24,786,109 |
| Due between 1 to 5 years | 68,887,559 | 65,816,099 |
| Over 5 years | 21,517,489 | 18,045,223 |
| Total undiscounted lease liabilities | 115,800,452 | 108,647,431 |
| Current | 20,537,957 | 18,449,834 |
| Non-current | 76,005,953 | 71,219,204 |
| Lease liabilities included in the statement of financial position | 96,543,910 | 89,669,038 |

* Restated values: see note 3

In the three-month periods ended 30 June 2018 and 30 June 2019 the interest expenses associated with these leases were 2,130,969 Euros and 1,886,770 Euros, respectively (note 24).

The movement in the rights of use underlying these lease liabilities can be analysed in note 5.

19. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the year ended 31 December 2018 and six-month period ended 30 June 2019, in order to face legal proceedings and other liabilities arising from past events, the Group recognised Provisions, which showed the following movement:

| | 31.12.2018 | | | | | |
|---|-------------------|-------------------|--------------------|---------------------|------------------|-------------------|
| | Opening balance | Increases | Reversals | Utilisations | Transfers | Closing balance |
| Non-current provisions | | | | | | |
| Litigations | 3,390,479 | 1,209,497 | (1,294,790) | (261,423) | 105,858 | 3,149,620 |
| Onerous contracts | 1,729,651 | 1,509,881 | (394,567) | (119,354) | (883,452) | 1,842,159 |
| Other provisions | 8,338,601 | 1,534,560 | (644,556) | (101,264) | (105,858) | 9,021,484 |
| Sub-total - caption "Provisions (increases)/reversals" | 13,458,730 | 4,253,937 | (2,333,913) | (482,041) | (883,452) | 14,013,263 |
| Restructuring | 11,903,172 | 16,731,772 | (286,479) | (27,321,562) | - | 1,026,902 |
| Other provisions | 666,430 | 316,802 | (4,058) | - | - | 979,174 |
| | 26,028,332 | 21,302,512 | (2,624,450) | (27,803,603) | (883,452) | 16,019,339 |

| | 30.06.2019 | | | | | |
|---|-------------------|------------------|------------------|--------------------|-----------|--|
| | Opening balance | Increases | Reversals | Utilisations | Transfers | Changes in the consolidation perimeter |
| Non-current provisions | | | | | | |
| Litigations | 3,149,620 | 532,966 | (733,509) | (290,292) | 40,965 | - |
| Restructuring | 1,842,159 | - | - | (34,611) | - | - |
| Other provisions | 9,021,484 | 165,173 | (161,519) | (3,270) | (40,965) | 3,197,679 |
| Sub-total - caption "Provisions (increases)/reversals" | 14,013,263 | 698,139 | (895,028) | (328,173) | - | 3,197,679 |
| Restructuring | 1,026,902 | 6,824,130 | - | (6,901,207) | - | - |
| Other provisions | 979,174 | - | - | (3,353) | - | - |
| | 16,019,339 | 7,522,269 | (895,028) | (7,232,733) | - | 3,197,679 |

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 196,890 Euros ((1,213,765) Euros as at 30 June 2018).

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 its lawyers.

Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasises the purposes of optimising the retail network and reinforcing the HR optimisation programme. In 2018, following the continuation of the HR optimisation programme, reinforcements of this provision in the amount of 16,731,772 Euros were recorded in the Group against the caption Staff costs in the income statement. As at 31 December 2018 the provision amounts to 1,026,902 Euros. In the six-month period ended 30 June 2019 this provision was increased by 6,824,130 Euros, amounting to 949,825 Euros as at 30 June 2019.

The utilisations recorded in the six-month period ended 30 June 2019 regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

Also, within the scope of the Operational Transformation Plan, in the area of optimisation of the delivery network and mail processing operations, the Group in the year ended 31 December 2018, created a provision for restructuring in the amount of 1,397,647 Euros which was recognised under "Provisions (increases) / reversals" in the income statement by nature. As at 30 June 2019 the amount provisioned is the same.

Other provisions

For the six-month period ended 30 June 2019, the provision to cover contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences that can be claimed by workers, amounts to 7,030,614 Euros (7,197,562 Euros as at 31 December 2018).

On 30 June 2018, a provision was recognised in Tourline to face the notification issued by the National Commission on Markets and Competition. The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors.

The amount provisioned in 321 Crédito, S.A. amounting to 3,245,351 Euros as at 30 June 2019 (3,197,679 Euros at the acquisition date) is essentially the result of the risk assessment associated with tax contingencies.

As at 30 June 2019, in addition to the previously mentioned situations, this heading also includes:

- the amount of 71,228 Euros to cover costs for dismantlement of tangible fixed assets and/or removal of facilities and restoration of the sites;
- the amount of 670,914 Euros, which arise from the assessment made by the management regarding the possibility of tax contingencies.
- the amount of 309,391 Euros regarding the liability, recognised in the company CTT Expresso, with a labour legal proceeding.

Guarantees provided

As at 31 December 2018 and 30 June 2019, the Group had provided bank guarantees to third parties as follows:

| Description | 31.12.2018 | 30.06.2019 |
|---|------------|------------|
| Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority) | 10,863,848 | 6,423,965 |
| 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 |
| Courts | 232,687 | 273,685 |
| TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport) | 150,000 | 150,000 |
| Municipalities | 122,165 | 124,309 |
| INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office) | 85,056 | 85,056 |
| Solred (Repsol's fuel cards) | 80,000 | 80,000 |
| EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area) | 68,895 | 68,895 |
| Fonavi, Nave Hospitalet | 40,477 | - |
| ANA - Aeroportos de Portugal (Airports of Portugal) | 34,000 | 34,000 |
| EMEL, S.A. (Municipal company managing parking in Lisbon) | 26,984 | 26,984 |
| Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authority of the Lisbon Area) | 13,086 | 26,086 |
| Águas do Norte (Water Supply of the Northern Region) | 23,804 | 23,804 |
| Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas) | 17,000 | 17,000 |
| Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance) | 16,867 | 16,867 |
| Portugal Telecom, S.A. (Telecommunication Company) | 16,658 | 16,658 |
| Refer (Public service for the management of the national railway network infrastructure) | 16,460 | 16,460 |
| Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute) | 16,406 | 24,596 |
| 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 |
| Other entities | 14,103 | 9,144 |
| ACT Autoridade Condições Trabalho (Authority for Working Conditions) | 12,460 | 12,460 |
| ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro) | - | 10,475 |
| SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras) | 9,909 | 9,909 |
| Instituto de Segurança Social (Social Security Institute) | 8,190 | - |
| Promodois (Real estate company) | 6,273 | 6,273 |
| Consejería Salud (Local Health Service/ Spain) | 4,116 | 4,116 |
| Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute) | 3,718 | 3,718 |
| Secretaria-Geral do Ministério da Administração Interna (General Secretariat of the Ministry of Internal Administration) | 3,644 | - |
| EMARP - Empresa de Águas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão) | - | 3,100 |
| Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos) | - | 11,000 |
| Casa Pia de Lisboa, I.P. (Public institute for the promotion and protection of the children and youngsters' rights) | 1,863 | 1,863 |
| IFADAP (National Support Institute for Farming and Fishing) | 1,746 | 1,746 |
| Águas de Coimbra (Services of Water Supply and Sanitation of the city of Coimbra) | 870 | 870 |
| Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto) | 10,720 | 10,720 |
| | 18,908,206 | 14,499,961 |

According to the terms of some lease contracts of the buildings occupied by the Group's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2018 and as at 30 June 2019.

The amounts relating to the Portuguese Tax and Customs Authority ("Autoridade Tributária e Aduaneira") arise essentially from tax enforcement proceedings arising from the inspection process regarding VAT of fiscal years 2013, 2014 and 2015.

Following the risk assessment carried out by its legal advisors, the Group provided bank guarantees under the opposition presented in the arbitral tribunal, considering these proceedings as contingent liabilities.

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

Commitments

As at 30 June 2019, the Group had subscribed promissory notes amounting to approximately 42.9 thousand Euros, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros for the subsidiary Tourline, which are still active as at 30 June 2019.

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

The contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

20. ACCOUNTS PAYABLE

As at 31 December 2018 and 30 June 2019, the heading Accounts payable showed the following composition:

| | 31.12.2018 | 30.06.2019 |
|--|--------------------|--------------------|
| Current | | |
| Advances from customers | 2,939,052 | 2,826,788 |
| CNP money orders | 85,601,930 | 98,317,412 |
| Suppliers | 68,209,836 | 69,741,605 |
| Invoices pending confirmation | 12,332,620 | 11,128,469 |
| Fixed assets suppliers | 5,996,962 | 6,861,981 |
| Invoices pending confirmation (fixed assets) | 9,367,220 | 3,932,005 |
| Values collected on behalf of third parties | 11,491,455 | 12,331,338 |
| Postal financial services | 115,408,707 | 131,029,115 |
| Advances regarding disposals | 12,253 | 122,155 |
| Other accounts payable | 10,916,185 | 12,738,173 |
| | 322,276,222 | 349,029,041 |
| | 322,276,222 | 349,029,041 |

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Centre (CNP), whose payment date to the corresponding pensioners must occur in the month after the closing of the period.

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders.

21. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

As at 31 December 2018 and 30 June 2019, the composition of the heading Banking clients' deposits and other loans is as follows:

| | 31.12.2018 | 30.06.2019 |
|--|--------------------|----------------------|
| Sight deposits | 671,672,699 | 793,339,080 |
| Term deposits | 100,832,482 | 142,718,180 |
| Savings deposits | 111,445,353 | 127,539,952 |
| Banking clients' deposits | 883,950,534 | 1,063,597,212 |
| Other credit institutions' deposits | - | 76,161,728 |
| Other credit institutions' deposits | - | 76,161,728 |
| | 883,950,534 | 1,139,758,940 |

The above-mentioned amounts relate to Banco CTT clients' deposits. As at 31 December 2018 and 30 June 2019, the residual maturity of banking clients' deposits and other loans, is detailed as follows:

| | 31.12.2018 | | | | | Total |
|------------------|---------------------|---------------------|------------------------------------|-----------------------------------|--------------|--------------------|
| | No defined maturity | Due within 3 months | Over 3 months and less than 1 year | Over 1 year and less than 3 years | Over 3 years | |
| Sight deposits | 671,672,699 | - | - | - | - | 671,672,699 |
| Term deposits | - | 47,462,967 | 53,369,515 | - | - | 100,832,482 |
| Savings deposits | 111,445,353 | - | - | - | - | 111,445,353 |
| | 783,118,052 | 47,462,967 | 53,369,515 | - | - | 883,950,534 |

| | 30.06.2019 | | | | | Total |
|--|---------------------|---------------------|------------------------------------|-----------------------------------|--------------|----------------------|
| | No defined maturity | Due within 3 months | Over 3 months and less than 1 year | Over 1 year and less than 3 years | Over 3 years | |
| Sight deposits | 793,339,080 | - | - | - | - | 793,339,080 |
| Term deposits | - | 41,960,126 | 100,758,055 | - | - | 142,718,180 |
| Savings deposits | 127,539,952 | - | - | - | - | 127,539,952 |
| Banking clients' deposits | 920,879,032 | 41,960,126 | 100,758,055 | - | - | 1,063,597,212 |
| Other credit institutions' deposits | - | 76,161,728 | - | - | - | 76,161,728 |
| Other credit institutions' deposits | - | 76,161,728 | - | - | - | 76,161,728 |
| | 920,879,032 | 41,960,126 | 100,758,055 | - | - | 1,139,758,940 |

22. INCOME TAXES RECEIVABLE /PAYABLE

As at 30 June 2019 the caption reflects the estimated income tax regarding 2018, which has not yet been received, as well as the estimated income tax regarding the six-month period ended 30 June 2019.

23. STAFF COSTS

During the three-month periods ended 30 June 2018 and 30 June 2019, the composition of the heading Staff Costs was as follows:

| | 30.06.2018 | 30.06.2019 |
|--|--------------------|--------------------|
| Remuneration | 132,238,459 | 132,626,124 |
| Employee benefits | 2,126,067 | 768,020 |
| Indemnities | 13,603,073 | 7,660,871 |
| Social Security charges | 29,621,293 | 29,364,705 |
| Occupational accident and health insurance | 2,205,242 | 2,250,894 |
| Social welfare costs | 3,311,116 | 3,988,727 |
| Other staff costs | 46,494 | 21,610 |
| | 183,151,744 | 176,680,951 |

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

In the three-month periods ended 30 June 2018 and 30 June 2019, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, S.A. were as follows:

| | 30.06.2018 | | | | |
|---------------------------------|--------------------|-----------------|--------------------|---------------------------------|------------------|
| | Board of Directors | Audit Committee | Remuneration Board | General Meeting of Shareholders | Total |
| Short-term remuneration | | | | | |
| Fixed remuneration | 1,096,839 | 80,143 | 27,900 | 14,000 | 1,218,882 |
| Annual variable remuneration | - | - | - | - | - |
| | 1,096,839 | 80,143 | 27,900 | 14,000 | 1,218,882 |
| Long-term remuneration | | | | | |
| Defined contribution plan RSP | 91,775 | - | - | - | 91,775 |
| Long-term variable remuneration | 20,070 | - | - | - | 20,070 |
| | 111,845 | - | - | - | 111,845 |
| | 1,208,684 | 80,143 | 27,900 | 14,000 | 1,330,727 |

| | 30.06.2019 | | | | |
|---------------------------------|--------------------|-----------------|--------------------|---------------------------------|------------------|
| | Board of Directors | Audit Committee | Remuneration Board | General Meeting of Shareholders | Total |
| Short-term remuneration | | | | | |
| Fixed remuneration | 1,340,715 | 94,286 | 27,900 | 14,000 | 1,476,901 |
| Annual variable remuneration | - | - | - | - | - |
| | 1,340,715 | 94,286 | 27,900 | 14,000 | 1,476,901 |
| Long-term remuneration | | | | | |
| Defined contribution plan RSP | 111,667 | - | - | - | 111,667 |
| Long-term variable remuneration | 25,440 | - | - | - | 25,440 |
| | 137,107 | - | - | - | 137,107 |
| | 1,477,822 | 94,286 | 27,900 | 14,000 | 1,614,008 |

Following the revision of the Remuneration Regulation for Members of the Statutory Bodies for the term of office 2017-2019, the terms of the Long-term Variable Remuneration were revised, with the payment being now made in cash, not in shares as in the previous plan. The plan is now considered as "cash settlement" which, according to IFRS2, implies that the liability should be annually updated and any changes resulting from the assessment should be recorded in the income statement.

The attribution and calculation of the Long-term Variable Remuneration are based on the results of the performance evaluation during the term of office (1 January 2017 to 31 December 2019), which consists of a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies.

The long-term variable remuneration attributed to the executive members of the Board of Directors will be paid at the end of the 2017-2019 term of office, and the amount of 25,440 Euros corresponds to the cost to be assumed in the period between 1 January 2019 and 30 June 2019 and was set by an independent entity.

Employee benefits

The variation registered under Employee benefits mainly reflects the curtailment recognised in the benefit "Telephone subscription fee".

Indemnities

During the six-month period ended 30 June 2019, this caption includes the amount of 6,824,130 Euros related to compensation paid for termination of employment contracts by mutual agreement, initiated in 2018.

Social welfare costs

Social welfare costs relate almost entirely to health costs incurred by the Group with active workers, as well as expenses related to Health and Safety at Work.

During the three-month periods ended 30 June 2018 and 30 June 2019, the heading Staff costs includes the amounts of 292,906 Euros and 338,703 Euros, respectively, related to expenses with workers' representative bodies.

For the three-month periods ended 30 June 2018 and 30 June 2019, the average number of staff of the Group was 12,335 and 12,247, respectively.

24. INTEREST EXPENSES AND INTEREST INCOME

For the three-month periods ended 30 June 2018 and 30 June 2019, the heading Interest Expenses of the Group had the following detail:

| | Restated 30.06.2018* | 30.06.2019 |
|---------------------------------------|-------------------------|------------------|
| Interest expenses | | |
| Bank loans | 30,118 | 19,895 |
| Lease liabilities | 2,130,969 | 1,886,770 |
| Other interest | 116,348 | 345,174 |
| Interest costs from employee benefits | 2,635,732 | 2,680,715 |
| Other interest costs | 928 | 5,981 |
| | 4,914,095 | 4,938,536 |

* Restated values: see note 3

During the three-month periods ended 30 June 2018 and 30 June 2019, the heading Interest income was detailed as follows:

| | 30.06.2018 | 30.06.2019 |
|---------------------------------|---------------|----------------|
| Interest income | | |
| Deposits in credit institutions | 23,421 | 26,664 |
| Other supplementary income | 1,540 | 86,745 |
| | 24,961 | 113,409 |

25. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit between 1,500,000 Euros and 7,500,000 Euros, and 5% of taxable profit above 7,500,000 Euros up to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. Tourline 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 the Group and its subsidiaries CTT – Expresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A., and Banco CTT, S.A. through the Special Regime for the Taxation of Groups of Companies ("RETGS"). The remaining companies are taxed individually.

Reconciliation of the income tax rate

In the three-month periods ended 30 June 2018 and 30 June 2019, the reconciliation between the nominal rate and the effective income tax rate was as follows:

| | Restated* 30.06.2018 | 30.06.2019 |
|--|-------------------------|------------------|
| Earnings before taxes (a) | 13,314,846 | 14,702,756 |
| Nominal tax rate | 21.0% | 21.0% |
| | 2,796,118 | 3,087,579 |
| Tax Benefits | (187,933) | (255,999) |
| Accounting capital gains/(losses) | (6,185) | (40,914) |
| Tax capital gains/(losses) | (4,127) | 9,107 |
| Equity method | - | 38,771 |
| Provisions not considered in the calculation of deferred taxes | - | 27,223 |
| Impairment losses and reversals | 39,513 | 39,101 |
| Other situations, net | 1,121,848 | 1,283,554 |
| Adjustments related with - autonomous taxation | 265,681 | 259,955 |
| Tax losses without deferred tax | 771,761 | 1,035,476 |
| Insufficiency / (Excess) estimated income tax | 203,579 | (830,610) |
| Subtotal (b) | 5,000,255 | 4,653,243 |
| (b)/(a) | 37.55% | 31.65% |
| Adjustments related with - Municipal Surcharge | (230,642) | 297,977 |
| Adjustments related with - State Surcharge | (628,304) | 764,812 |
| Income taxes for the period | 5,859,201 | 5,716,031 |
| Effective tax rate | 44.01% | 38.88% |
| Income taxes for the period | | |
| Current tax | 2,213,652 | 1,644,932 |
| Deferred tax | 3,441,969 | 4,901,708 |
| Insufficiency / (Excess) estimated income tax | 203,579 | (830,610) |
| | 5,859,201 | 5,716,031 |

* Restated values: see note 3

In the six-month period ended 30 June 2019, the same heading refers essentially to the tax credit related to SIFIDE for the year 2017 in the amount of 650,384 Euros, as well as to the excess / insufficiency of the IRC estimate for the years 2017 and 2018, in the net amount of 180,226 Euros.

Deferred taxes

As at 31 December 2018 and 30 June 2019, the balance of deferred tax assets and liabilities was composed as follows:

| | Restated* 31.12.2018 | 30.06.2019 |
|--|-------------------------|-------------------|
| Deferred tax assets | | |
| Employee benefits - healthcare | 70,503,582 | 70,140,335 |
| Employee benefits - pension plan | 77,479 | 81,359 |
| Employee benefits - other long-term benefits | 2,645,244 | 2,067,438 |
| Impairment losses and provisions | 3,561,740 | 3,518,710 |
| Tax losses carried forward | 1,292,888 | 1,289,985 |
| Impairment losses in tangible fixed assets | 283,474 | 270,760 |
| Long-term variable remuneration (Board of directors) | 25,486 | 32,609 |
| Land and buildings | 452,012 | 451,225 |
| Tangible assets' tax revaluation regime | 2,245,007 | 2,084,649 |
| Other | 647,203 | 543,847 |
| | 81,734,114 | 80,480,917 |
| Deferred tax liabilities | | |
| Revaluation of tangible fixed assets before IFRS | 2,337,888 | 2,218,131 |
| Suspended capital gains | 745,377 | 732,148 |
| Other | 25,397 | 25,397 |
| | 3,108,662 | 2,975,676 |

* Restated values: see note 3

As at 30 June 2019, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.6 million Euros and 0.3 million Euros, respectively.

During the year ended 31 December 2018 and six-month period ended 30 June 2019, the movements which occurred under the deferred tax headings were as follows:

| | Restated* 31.12.2018 | 30.06.2019 |
|---|-------------------------|-------------------|
| Deferred tax assets | | |
| Opening balances | 91,954,991 | 81,734,114 |
| Effect on net profit | | |
| Employee benefits - healthcare | (497,200) | (363,247) |
| Employee benefits - pension plan | (2,565) | 3,880 |
| Employee benefits - other long-term benefits | (1,763,943) | (577,806) |
| Impairment losses and provisions | (3,351,649) | (43,030) |
| Tax losses carried forward | 604,499 | (2,903) |
| Impairment losses in tangible fixed assets | 25,860 | (12,714) |
| Long-term variable remuneration (Board of directors) | 14,178 | 7,123 |
| Land and buildings | (42,793) | (787) |
| Tangible assets' tax revaluation regime | (336,293) | (160,358) |
| Other | (4,869,443) | (103,355) |
| Effect on equity | | |
| Employee benefits - healthcare | (540,146) | - |
| Outros | 538,618 | - |
| Closing balance | 81,734,114 | 80,480,917 |
| Deferred tax liabilities | | |
| Opening balances | 3,399,121 | 3,108,662 |
| Effect on net profit | | |
| Revaluation of tangible fixed assets before IFRS adoption | (253,705) | (119,757) |
| Suspended capital gains | (31,145) | (13,229) |
| Other | (5,610) | - |
| Closing balance | 3,108,662 | 2,975,676 |

* Restated values: see note 3

The tax losses carried forward are related to the losses of the subsidiaries Tourline and CTT Expresso/Transporta, and are detailed as follows:

| | Tax losses | Deferred tax assets |
|-------------------------|-------------------|----------------------------|
| Tourline | 52,479,940 | - |
| CTT Expresso/Transporta | 6,142,786 | 1,289,985 |
| Total | 58,622,726 | 1,289,985 |

Regarding 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 to 2019 have no time limit for deduction. Regarding CTT Expresso, the tax loss refers to the years 2017 and 2018 of Transporta, since in 2019 the company was incorporated in CTT Expresso, the tax losses may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.2 million Euros.

SIFIDE

The Group policy for recognition of fiscal credits regarding SIFIDE is to recognise the credit at the moment of the effective receipt of the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits.

For the year ended 31 December 2017, regarding the expenses incurred with R&D of 1,432,825 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax of 650,383 Euros already approved by the Certification Commission.

For the year ended 31 December 2018, regarding the expenses incurred with R&D, of 737,089 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 248,131 Euros.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2016 and onwards may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected, even though the deadlines for the year 2015 have not yet expired.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 30 June 2019.

26. RELATED PARTIES

The Regulation on Assessment and Control of Transactions with CTT's Related Parties defines related party as a qualified shareholder, officer, or even a third party related by any commercial or relevant personal interest and subsidiaries or associates or jointly controlled entities (joint ventures).

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

The other transactions with related parties are communicated to the Audit Committee for the purpose of subsequent examination.

During the three-month periods ended 30 June 2018 and 30 June 2019, the following transactions took place and the following balances existed with related parties:

| | | 30.06.2018 | | | | |
|------------------------|-----------|---------------------|------------------|----------------|------------------|-------------------|
| | | Accounts receivable | Accounts payable | Revenues | Costs | Dividends |
| Shareholders | | - | - | - | - | 57,000,000 |
| Group companies | | | | | | |
| Associated companies | | 2,918 | 11 | 6,119 | 2,619 | - |
| Jointly controlled | | 166,616 | - | 204,685 | - | - |
| Members of the | (Note 23) | | | | | |
| Board of Directors | | - | - | - | 1,096,839 | - |
| Audit Committee | | - | - | - | 80,143 | - |
| Remuneration Committee | | - | - | - | 27,900 | - |
| General Meeting | | - | - | - | 14,000 | - |
| | | <u>169,533</u> | <u>11</u> | <u>210,804</u> | <u>1,221,501</u> | <u>57,000,000</u> |

| | | 30.06.2019 | | | | |
|------------------------|-----------|---------------------|------------------|----------------|------------------|-------------------|
| | | Accounts receivable | Accounts payable | Revenues | Costs | Dividends |
| Shareholders | | - | - | - | - | 15,000,000 |
| Group companies | | | | | | |
| Associated companies | | 2,435 | - | 5,454 | - | - |
| Jointly controlled | | 1,070,835 | - | 173,124 | 34,477 | - |
| Members of the | (Note 23) | | | | | |
| Board of Directors | | - | - | - | 1,340,715 | - |
| Audit Committee | | - | - | - | 94,286 | - |
| Remuneration Committee | | - | - | - | 27,900 | - |
| General Meeting | | - | - | - | 14,000 | - |
| | | <u>1,073,270</u> | <u>-</u> | <u>178,577</u> | <u>1,511,378</u> | <u>15,000,000</u> |

The transactions and balances between subsidiaries are eliminated in the consolidation process and are not disclosed in this note.

27. OTHER INFORMATION

The precautionary measures filed by Intermunicipal Communities or by Municipalities following the process of transformation of Post Office into Postal Agencies, covering situations where only a single post office exists in a county seat, were considered in the first instance that dismissed them or declared its supervening uselessness, only three appeals are pending before the Central Administrative Court.

The arbitral action brought against the Portuguese State, as grantor, requesting the declaration of invalidity of the decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, is still in progress as well as the corresponding administrative action.

The process related to the proposal of the application of 11 contractual fines within the Universal Postal Service Concession Agreement, based on alleged breaches of obligations resulting from the contract, which occurred during 2015, 2016 and 2017 is in the process of questioning witnesses.

On 2 January 2019, a new offer of access to the CTT postal network entered into force, within the framework of commitments entered into with the Portuguese Competition Authority, extending the scope of the existing offer by: (i) increasing the mail services covered; (ii) introducing new access points; (iii) introducing faster delivery times for some services; (iv) allowing a competing operator to perform additional processing tasks; (v) applying lower prices of access to the network than those paid by final customers, including differentiated prices depending on the access point, mail service and handling tasks performed by the competing operator.

On 28 March CTT challenged, in an administrative action, ANACOM's decision issued on 28 December 2018, which determined changes in the measurement system of the Quality of Service Indicators (QSI), to be implemented until 1 July 2019, with significant worsening of the costs to be borne by CTT with the contracting of the QSI measurement system. The new procedures were implemented on 01.07.2017, as determined in ANACOM's deliberation.

Following the results of the auditing process of the cost accounting system for the financial year 2016, on 18.06.2019 ANACOM's approved its decision on the results regarding that financial year, under which that entity considers that new criteria for the allocation of expenses between postal activity and banking activity should be identified, determining the reformulation of the cost accounting system for the 2016 and 2017 financial years in regard to that aspect.

On 10 January 2019, ANACOM determined CTT to present a proposal that complements the density targets of the postal network and of the minimum service offered, that should take into account the following framework: (i) in each county all the concession services must provide provided, whether through a post office or a post agency with equivalent characteristics; (ii) that said post agency observes a set of factors in its operation. The initial proposal submitted by CTT on 21.02.2019 was reviewed by ANACOM having this entity decided on 24.04.2019 that it did not fully correspond to the defined reference framework. Following this, CTT submitted a new complementary proposal on 14.06.2019, which was accepted by the Regulator on 11.07.2019, and it is in public consultation until 01.08.201 and awaits final decision.

On 12.03.2019, CTT was notified of the charge against it filed by ANACOM, charging CTT with the practice of 3 misconduct for the alleged violation of the obligation to have the physical complaints book in the establishments with respect to their activity and 6 allegations of breach of the obligation to immediately and freely provide the complaint book to the users who requested it. On 23 April, CTT was notified of a new indictment in a misconduct procedure, charging CTT with the practice of 20 misconduct related to complaints book, having CTT presented its defence in both proceedings which are now in progress.

28. SUBSEQUENT EVENTS

Following additional information and clarifications on fundamental data provided by CTT on 3 July 2019, on 18 July 2019, CTT was notified of the Tax Authority's decision regarding the discretionary appeal filed in the 2nd quarter of 2018 with a view to confirming the possibility of deduction of the tax loss on CTT Expresso's sale of Tourline in the 2016 financial year. This favourable decision for CTT shall result in an IRC refund of €6.8m (plus interest) that, bearing in mind the relevance to the Tax Authority's decision of the additional information and clarifications provided by CTT after 30 June 2019, was considered as a subsequent non-adjustable event, the effect of which will be recognised by CTT in the financial statements of the 2nd half of 2019.

The members of the Board of Directors of CTT waived part of their base remuneration as from 1 July 2019, in particular:

1. The remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer was reduced by 25% until the end of the term of office;
2. The remuneration of the remaining members of the Board of Directors (Executive and Non-Executive) was reduced by 15% until the end of the term of office.

This initiative aims to emphasise the strong commitment that the management team and the Board of Directors have made to reducing the Company's costs structure.

7. DECLARATION OF CONFORMITY



Declaration of Conformity

Pursuant to article 246(1)(c) of the Portuguese Securities Code, the members of the Board of Directors and of the Audit Committee of CTT - Correios de Portugal, S.A. ("CTT") identified below hereby state that, to the best of their knowledge, the interim condensed consolidated accounts relative to the first half of 2019 were prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of CTT and the companies included in its consolidation perimeter, and that the management report faithfully presents the important events which occurred in the first half of 2019 and their impact on the interim condensed consolidated accounts, as well as the main risks and uncertainties for the second half of the year.

Lisbon, 28 August 2019

The Board of Directors

António Sarmento Gomes Mota
Non-Executive Chairman of the Board of Directors

João Afonso Ramalho Sopas Pereira Bento
Chief Executive Officer (CEO)

Dionizia Maria Ribeiro Farinha Ferreira
Member of the Board of Directors and of the Executive Committee



Nuno de Carvalho Fernandes Thomaz

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

José Manuel Baptista Fino

Non-Executive Member of the Board of Directors

Céline Dora Judith Abecassis-Moedas

Non-Executive Member of the Board of Directors

António Pedro Ferreira Vaz da Silva

Member of the Board of Directors and of the Executive Committee

Francisco Maria da Costa de Sousa de Macedo Simão

Member of the Board of Directors and of the Executive Committee

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

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

Maria Belén Amatriain Corbi

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



Rafael Caldeira de Castel-Branco Valverde
Non-Executive Member of the Board of Directors

Guy Patrick Guimarães de Goyri Pacheco
Member of the Board of Directors and of the Executive Committee (CFO)

Steven Duncan Wood
Non-Executive Member of the Board of Directors

Duarte Palma Leal Champalimaud
Non-Executive Member of the Board of Directors

(SIGNED ON THE ORIGINAL)

8. AUDIT REPORT



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LIMITED REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of CTT – Correios de Portugal, S.A. (the Group), which comprise the condensed consolidated statement of financial position as of 30 June 2019 (that presents a total of Euro 2,291,970,025 and total equity of Euro 129,744,636, including non-controlling interests of Euro 163,905 and a consolidated net profit attributable to the shareholders of Euro 8,988,445), the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Management responsibilities

Management is responsible for the preparation of these condensed consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. Our work was performed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of condensed consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained. The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of CTT – Correios de Portugal, S.A. on 30 June 2019, are not prepared, in all material respects, in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

Lisbon, 28 August 2019

SIGNED IN THE ORIGINAL

KPMG & Associados -

Sociedade de Revisores Oficiais de Contas, S.A.

(registered at CMVM under the nr. 20161489 and at OROC under the nr. 189)

represented by

Paulo Alexandre Martins Quintas Paixão (ROC nr 1427)

9. INVESTOR SUPPORT

CTT investor support is carried out by the **Investor Relations Department of CTT (IR)**, a team of 3 people managed by Peter Tsvetkov.

9.1. Contacts

Email: investors@ctt.pt

Telephone: +351 210 471 087

Fax: +351 210 471 996

9.2. Press releases and disclosure of financial information

During the 1st half of 2019, CTT's disclosure of material information to the market consisted of:

- The Integrated Report 2018, as well as consolidated results presentations and press releases regarding the financial year 2018 and the 1st quarter of 2019; and
- 12 press releases with material information (including the convening of the 2019 Annual General Meeting of Shareholders, and quarterly results press releases and presentations), 11 press releases regarding qualifying holdings in CTT, 17 concerning management transactions of CTT shares, and those referring to the payment of dividends and the election of a Non-Executive Director. In total, 42 communications to the market were produced.

9.3. Events

Throughout the semester, CTT took part in several events, as follows:

- 4 conferences – the Spring Investor Summit in New York, the Market Solutions Forum organised by ESN and the Iberian Forum by ODDO BHF, both in Paris, and the Goldman Sachs European Business Services, Transport & Leisure Conference, in London;
- 4 roadshows – two in Madrid, one of which on corporate governance, one in London and one in New York.

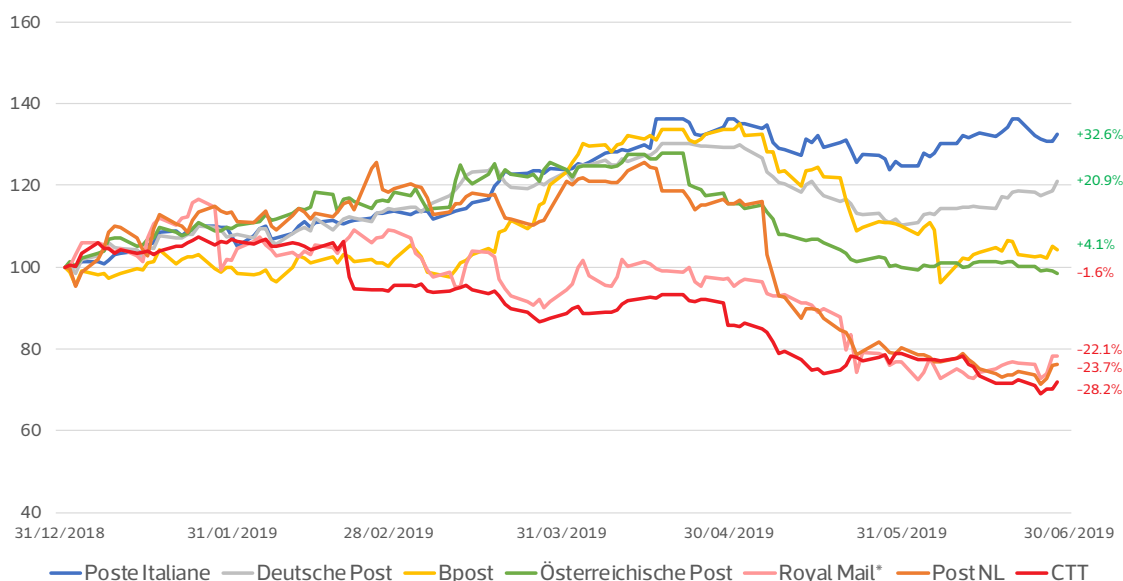
Seven and a half days were spent in these events; the Chairman of CTT spent 1.5 days for this purpose, the CEO of the Company 1 day and the CFO also 1 day. Additionally, CTT also received visits by 7 investors in Lisbon. Throughout the semester, the Company met with 43 investors.

9.4. Share price performance

In the 1st half of 2019, CTT paid a dividend of €0.10 per share and the CTT share price depreciated by 28.17%. Hence, the total shareholder return or TSR (capital gain + dividend, calculated on the basis of the share price as at 31 December 2018) was -24.91%. During this period, the PSI 20 appreciated by 8.58% and recorded a total shareholder return of +13.13%.

In terms of share price appreciation, the best performer of the European postal sector in the semester was Poste Italiane, whose shares appreciated by 32.59% while the remaining 5 peers recorded performances ranging from -23.71% to +20.87%, as show in the following graph:

CTT share price performance vs PSI 20 index & sector
(1st half 2019 - rebased at 100 as at 31 Dec 2018)



* Royal Mail share price in GBP.

As at 30 June 2019, the coverage of CTT shares was provided by 8 research analysts (including Santander which is under review and Jefferies that has restricted coverage). As at that date, the average target price of the 6 remaining analysts was €3.31. One of the analysts issued a negative recommendation on the share, while 4 held neutral recommendations and one held a positive recommendation.

Throughout the semester, circa 74 million CTT shares were traded, corresponding to a daily average of 592 thousand shares, which translates into an annualised turnover ratio of around 100% of the share capital. As at 28 June 2019, in the last trading session of the semester, the closing price of the CTT share was €2.12.

9.5. Financial calendar

CTT financial calendar for the 2nd half of 2019 foresees the following corporate events:

| Event | Date |
|--|------------------|
| 1 st half 2019 Results | 25 July 2019* |
| 1 st half 2019 Interim Report | 28 August 2019* |
| 9 Months 2019 Results | 30 October 2019* |

* After market close

10. CONTACTS

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