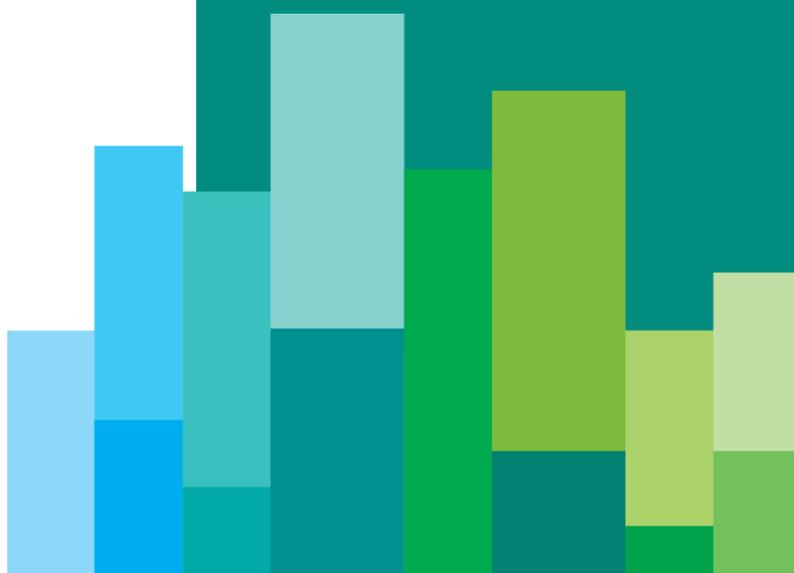


# MANAGEMENT REPORT

## SEPTEMBER 2020



**INTERBOLSA**

A EURONEXT COMPANY

This translation has been prepared to the best of our knowledge and does not represent a legally binding document.

In case of legal matters the original documents written in Portuguese, should be consulted.

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## 1 MISSION AND BUSINESS AREAS

INTERBOLSA - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (hereinafter referred to as INTERBOLSA) is a public limited company whose purpose is the management of securities settlement systems and central securities depository systems.

INTERBOLSA's mission is:

- to provide capital market participants, financial institutions and issuing entities, securities registration, deposit and custody systems and settlement systems for transactions on those securities;
- contribute to the development and efficiency of the capital market, particularly in the areas of settlement and custody, through the provision of superior quality services and infrastructures that respond safely and reliably to the needs of market agents, thus creating competitive conditions, reducing systemic risks and safeguarding investors' rights.

To fulfil its mission, and in accordance with Regulation (EU) 909/2014, of the Parliament and the Council of 23 July 2014 (hereinafter, CSD Regulation or CSDR), INTERBOLSA carries out a wide range of activities in the following areas of activity:

- Initial recording of securities in a book-entry system ('notary service');
- Providing and maintaining securities accounts at the top tier level ('central maintenance service');
- Operating and managing a securities settlement system ('settlement service');
- Non-Banking Type Ancillary Services, of which the following stand out: the allocation and management of ISIN codes as the National Numbering Agency (NNA), the organisation of the Loan Management System (SGE) and the Investment Fund System (SFI) and the CSD links with other Central Securities Depository.

## 2 MAIN ACTIVITY AREAS

### 2.1 INITIAL REGISTRATION AND MANAGEMENT OF SECURITIES IN CENTRALISED SECURITIES SYSTEM;

In terms of initial registration of securities in a Centralised Securities System, INTERBOLSA performs the following functions:

- Registration of securities issues represented in book-entry form and the carrying out of the related controls;
- Registration of securities issues represented by certificates, their safekeeping and the carrying out of controls;
- Registration of positions held by Financial Intermediaries and other participants in open accounts with centralised securities systems, and reflected in the TARGET2-Securities (T2S) platform;
- Carrying out all the procedures necessary for corporate actions and other events, namely changes in the share capital of companies, payment of income and depreciation.

Issuers, Financial Intermediaries and other entities which, under the terms of the law and regulations in force, may be affiliated (custodian entities), Banco de Portugal and INTERBOLSA itself, as the controlling entity, participate in the Centralised Securities Systems.

The Centralised Securities System is made up of an interlinked set of accounts through which the securities registered in it are set up and transferred. The control of the quantity of securities in circulation and of the rights thereto is also ensured.

## **2.2 OPERATING A SECURITIES SETTLEMENT SYSTEM**

The Settlement Systems have the following functions:

- The settlement of transactions carried out on a regulated market or in a Multilateral Trading Facility (MTF);
- The settlement of Over-The-Counter (OTC) transactions;
- The settlement of Free-of-Payment (FOP) transfers;
- Settlement related to corporate actions inherent to securities registered or deposited with Centralised Securities Systems;
- The processing of financial settlements on participants' dedicated open cash accounts on the T2S platform for payments in euros and on open cash accounts in the foreign currency payment system (SPME), operated by the Caixa Geral de Depósitos.

Participants in the Settlement Systems are the Financial Intermediaries affiliated to INTERBOLSA, and other entities that, under the terms of the law and regulations in force, may assume the status of affiliate, which ensure the physical and financial settlement of operations carried out in a regulated market and in a multilateral trading system, as well as OTC operations.

It should be noted that since 29 March 2016 INTERBOLSA has provided the settlement service through the TARGET2-Securities (T2S) platform, operated by the Eurosystem, handling the securities accounts and participants' dedicated cash accounts open on that platform, for payments in euros. Payments in foreign currencies not accepted by the T2S platform continue to be processed through the foreign currency payment system (SPME) operated by the Caixa Geral de Depósitos.

## **2.3 NON-BANKING TYPE ANCILLARY SERVICES**

INTERBOLSA provides a range of non-banking services that do not involve credit or liquidity risks, contributing to enhance the security, efficiency and transparency of securities markets, which include: settlement services, account registration services and management of the centralised securities system. In particular:

### **NATIONAL NUMBERING AGENCY**

INTERBOLSA, as the National Numbering Agency, is in charge of assigning ISIN (International Securities Identification Number), FISN (Financial Instrument Short Name) and CFI (Classification of Financial Instruments) codes, ensuring, in INTERBOLSA's context, the following functions:

- Assignment of ISIN codes to all securities and other financial instruments issued in Portugal;
- Assignment of CFI codes to all securities and other financial instruments with ISIN code. This code identifies the securities' type and form;
- Assignment of FISN codes to all securities and other financial instruments with ISIN code. The Financial Instrument Short Name code has been developed to provide a consistent and uniform approach to standardize short descriptions for financial instruments;
- Nationwide disclosure of the assigned ISIN and CFI codes, as well as making this information available to all ANNA members;
- To act as intermediary between the national entities and the other National Numbering Agencies.

## INVESTMENT FUNDS MANAGEMENT

INTERBOLSA also manages an Investment Funds System, which allows Financial Intermediaries and Fund Management companies the following functionalities:

- The registration and control of investment fund units (open and closed), including ETFs, with whole or fractioned quantities;
- The automatic processing of subscriptions and amortisation of units of open-end investment funds, carried out by using an order routing mechanism;
- The settlement of transactions on investment fund/ETF units;
- The processing of corporate actions associated with investment fund/ETF units.

## CSD LINKS

The establishment of CSDs Links between INTERBOLSA, as an Investor CSD, and other Central Securities Depository (Issuers CSDs), enables INTERBOLSA participants to hold in their accounts financial instruments originally registered in those CSDs, allowing the transfer of securities between INTERBOLSA's participants and the participants in those CSDs, in real time.

The operation of the links is based on the existing functionalities of the TARGET2-Securities (T2S) platform which, through an INTERBOLSA securities account (called omnibus account) open in the foreign CSD, and a mirror account created in INTERBOLSA, allows the control of securities in circulation in Portugal.

The corporate actions of securities issued in other central securities offices is processed by the respective Central Securities Depository (CSD). INTERBOLSA guarantees the redistribution to its participants of the money or securities resulting from the exercise of rights received.

Conversely, the establishment of CSD Links between INTERBOLSA, such as Issuer CSD, and other Central Securities Depository (Investor CSD), enables the participants of these CSD to hold in their accounts financial instruments originally registered with INTERBOLSA, allowing the cross-border transfer of these securities, as well as the processing of corporate actions, through the pan-European platform T2S.

## INFORMATION SERVICES

INTERBOLSA regularly provides statistical, historical and financial information to Financial Intermediaries, Issuers, the Portuguese Securities Market Commission (CMVM), the Bank of Portugal, the European Central Bank, auditors and all other entities that request it.

One of the most relevant activities of INTERBOLSA's information services area is the provision of a service that allows Issuers of registered securities, issued in book-entry or certificates form and registered in the Centralised Securities Systems, to have access to information relating to the identification of the holders of the securities issued by them, as well as the quantity of each one held.

### **3 FRAMEWORK OF ACTIVITY**

#### **3.1 INSTITUTIONAL FRAMEWORK**

INTERBOLSA is a wholly owned subsidiary of Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. and, therefore, part of the Euronext Group (de ora em diante, abreviadamente, Euronext Lisbon)

As a fully owned subsidiary of Euronext Lisbon, INTERBOLSA is currently part of Euronext Group, which manages several stock exchanges, in addition to INTERBOLSA manages the Norwegian CSD (Euronext VPS) and Denmark CSD (VP Securities), integrated in a holding Company – Euronext. N.V.

INTERBOLSA and its activities are specifically governed by the provisions of INTERBOLSA's by-laws, by the provisions of Regulation (EU) 909/2014 of 23 July (CSDR), the Legal Framework for Central Securities Depository, approved by Law 35/2018 of 20th July, the Portuguese Securities Code, the Portuguese Corporate Code, as well as other applicable legislation and regulations.

INTERBOLSA has been authorized as a CSD under the CSD Regulation, since 12 July 2018.

## **4 ANALYSIS OF ACTIVITY FROM JANUARY TO SEPTEMBER 2020**

### **4.1 AFFILIATES IN INTERBOLSA'S SYSTEMS**

As of 30 September 2020, INTERBOLSA had 32 affiliates in the Centralised Securities Systems and the Settlement Systems.

Since March 2019, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), has also participated in INTERBOLSA's systems as an Issuer CSD.

In addition to the above-mentioned affiliates, the following are also participants in the systems managed by INTERBOLSA: Banco de Portugal, the Treasury and Public Debt Management Agency, IGCP, E.P.E, LCH, S.A., OMIClear - Sociedade de Compensação de Mercados de Energia, SGCCCC, S.A., European Central Counterparty, N.V. (EuroCCP), Euronext Paris, Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A. and the Comissão do Mercado de Valores Mobiliários as the managing entity of the Investor Compensation Scheme.

It should be noted that, in the context of INTERBOLSA's management of securities settlement systems and the participation of this managing entity in the T2S platform, the participants in the settlement systems managed by INTERBOLSA may assume the quality of participant with direct connection (DCP - Directly Connected Party) or indirect connection (ICP - Indirectly Connected Party) to the referred T2S platform, both qualities being subject to the supervision and oversight powers foreseen in the regulations of INTERBOLSA.

Participants with indirect connection to the T2S platform (ICPs) maintain their connection to the local systems of INTERBOLSA through the communication channels provided by this management entity, accessing the T2S platform through these same systems.

Participants with direct connection to the T2S platform (DCPs) maintain only a technical access to that platform, for settlement services and related services. The contractual link for the purpose of participation in the INTERBOLSA systems, including participation in the T2S platform, remains solely and exclusively with INTERBOLSA.

## 4.2 CENTRALISED SECURITIES SYSTEMS

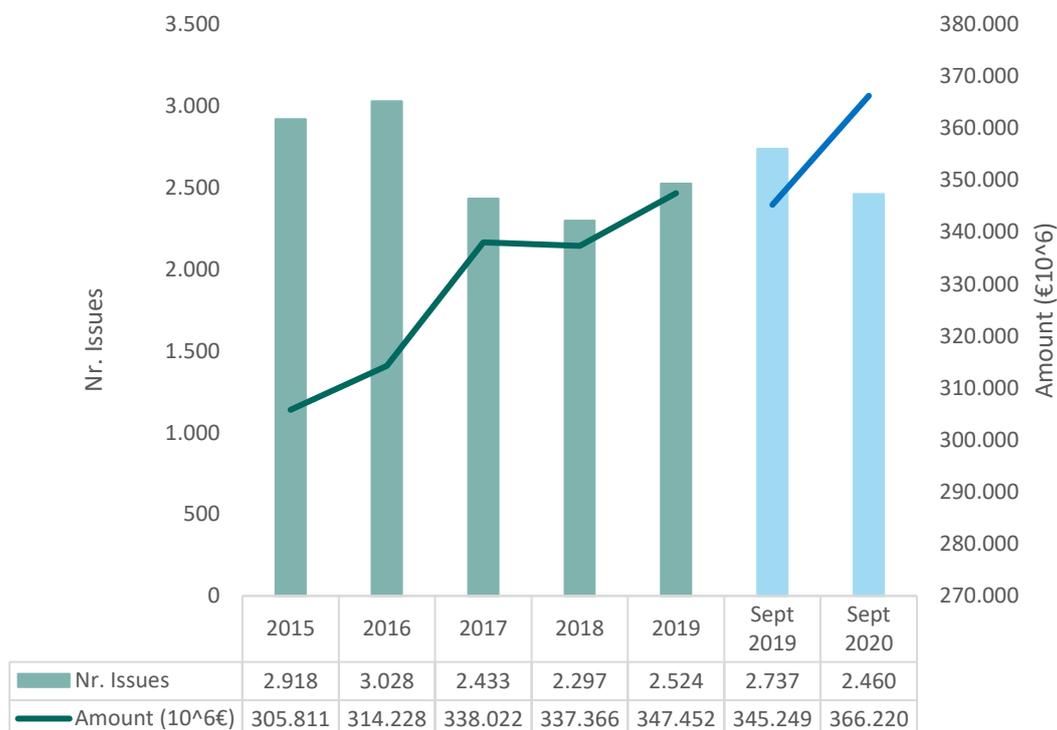
### 4.2.1 SECURITIES REGISTRATION

At the end of September 2020, there were 2,460 securities issues under management by the Centralised Securities Systems. In absolute terms, the number of securities issues was down 10.1%.

Total issues were valued at EUR 366.2 billion, compared with EUR 345.2 billion registered on 30 September 2019 (+6.1%).

It should be noted that in the period under review the valuation of warrants (1,087) and certificates (155) issues is not considered.

#### ASSETS UNDER CUSTODY



### ASSETS UNDER CUSTODY BY TYPE OF ISSUE

Type of securities	30/09/2019		30/09/2020	
	Nr. Issues	Value (10 <sup>^3</sup> €)	Nr. Issues	Value (10 <sup>^3</sup> €)
<b>Shares</b>	<b>444</b>	<b>105.205</b>	<b>434</b>	<b>100.485</b>
<b>Rights</b>	<b>11</b>	<b>347</b>	<b>17</b>	<b>1.357</b>
<b>Debt</b>	<b>666</b>	<b>237.808</b>	<b>647</b>	<b>261.992</b>
<b>Public Debt</b>	<b>33</b>	<b>151.424</b>	<b>35</b>	<b>170.034</b>
Treasury Bonds	27	139.294	29	157.421
Treasury Bills	6	12.130	6	12.613
<b>Corporate Debt</b>	<b>633</b>	<b>86.384</b>	<b>612</b>	<b>91.957</b>
Bonds	572	84.436	570	90.433
Convertible securities (VMOC's)	3	139	3	139
Commercial paper	56	1.730	37	1.306
Participation Bonds	2	79	2	79
<b>Other</b>	<b>1.616</b>	<b>1.890</b>	<b>1.362</b>	<b>2.386</b>
Fund Shares	53	1.143	86	1.615
Warrants	1.402		1.087	
Certificates	121		155	
Structured Securities	40	747	34	771
<b>Total of Assets Under Custody</b>	<b>2.737</b>	<b>345.249</b>	<b>2.460</b>	<b>366.220</b>

The valuation referred to in the above table is carried out based on the following:

- the nominal value, in the case of debt securities and other securities not admitted to trading on a market;
- the market prices, for securities admitted to trading, other than debt securities, disclosed by the respective management entity;
- the value of the unit informed by the management entity, for units not admitted to trading on a market;
- the share issue value without nominal value, not admitted to trading on the market, corresponding to the fraction of the share capital in question;
- the value of warrants and certificates is not shown in the table above.

The shares had 434 issues, minus 10 issues in year-on-year terms, valued at EUR 100.5 billion, thus representing a decrease of 4.5%.

In regards to long-term public debt, the amount registered rose 12.3% year-on-year, with the number of issues rising to 29, two more than in the same period in 2019.

The number of issues of Treasury Bills remained stable in comparative and year-on-year terms, with the valuation of short-term public debt under management by INTERBOLSA growing from EUR 12.1 billion to EUR 12.6 billion (+4.0%).

The securities representing private debt, totalling 612 issues (21 less than those registered in the same period of last year), amount to EUR 92.0 billion at the end of the period (+6.5%).

Within this segment, the following should be highlighted: i) the 7.1% increase in the registered amount of long-term private debt bonds, despite the decrease in the number of issues from 572 to 570; ii) the decrease in commercial paper issues registered in INTERBOLSA's systems, from 56 to 37, with the amount under custody down from EUR 1.7 to EUR 1.3 billion (-24.5%).

Continuing the trend seen in 2019, the fund units show an increase of 33 issues, thus reaching 86 issues, valued at EUR 1.6 billion at the end of September 2020. In percentage and year-on-year terms, investment units grew 62.3% in number of issues and 41.3% in value.

In terms of number of issues, warrants fell by 22.5% (-315 issues), with certificates showing an increase of 34 issues.

On 30 September 2020 there were also 34 issues registered related to “other structured values”, compared to 40 issues of this nature registered in the same period of the previous year. The amount was EUR 771 million compared to EUR 747 million under custody on 30 September 2019.

#### **4.2.2 CONTROL OF ISSUANCE OF SECURITIES**

In the scope of its registration and control activity, INTERBOLSA has implemented reconciliation mechanisms that protect and ensure the integrity of the securities issues that are registered in the Centralised Securities Systems.

### 4.2.3 CORPORATE ACTIONS AND OTHER EVENTS

In the first 9 months of 2020, there were 5,832 operations processed for corporate actions and other events, compared with the 4,618 operations carried out in the same period of 2019 (+1,217 operations).

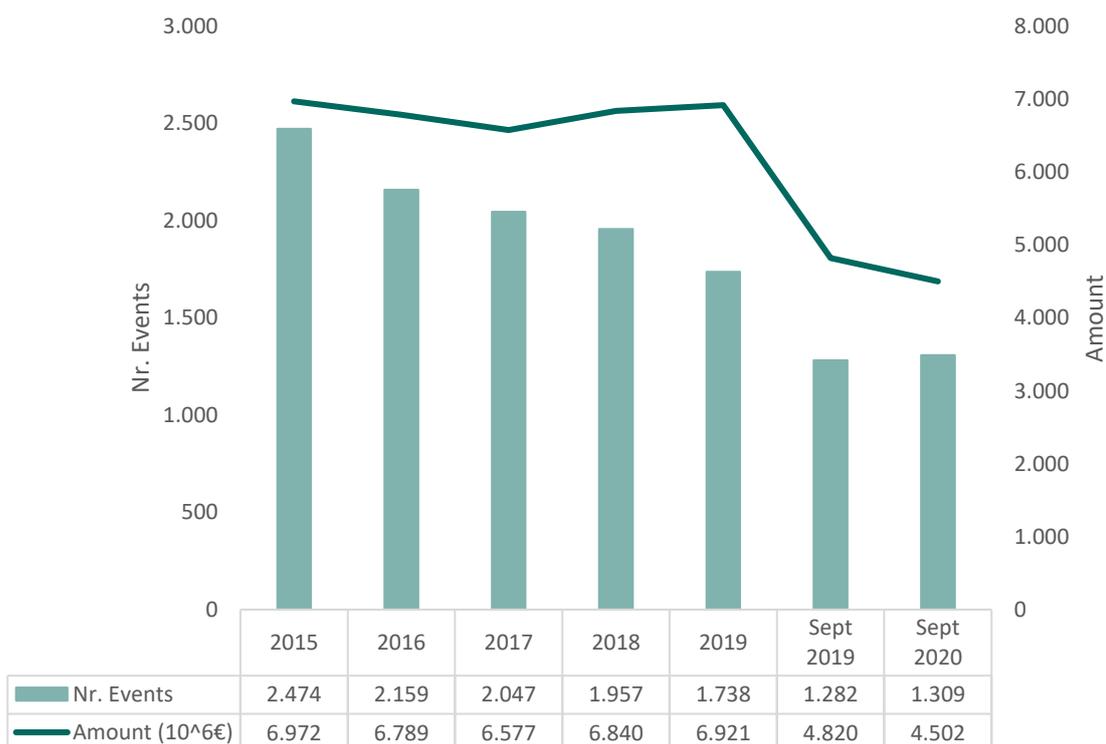
The increase in the number of events was not followed by the processed amount which in the period under review amounted to EUR 38.0 billion, representing in year-on-year terms a decrease of 12.3%.



### INTEREST PAYMENTS AND OTHER INCOME

The Centralised Securities Systems processed 1,309 interest payments and similar income operations, compared to 1,282 in the same period of the previous year (-0.1%).

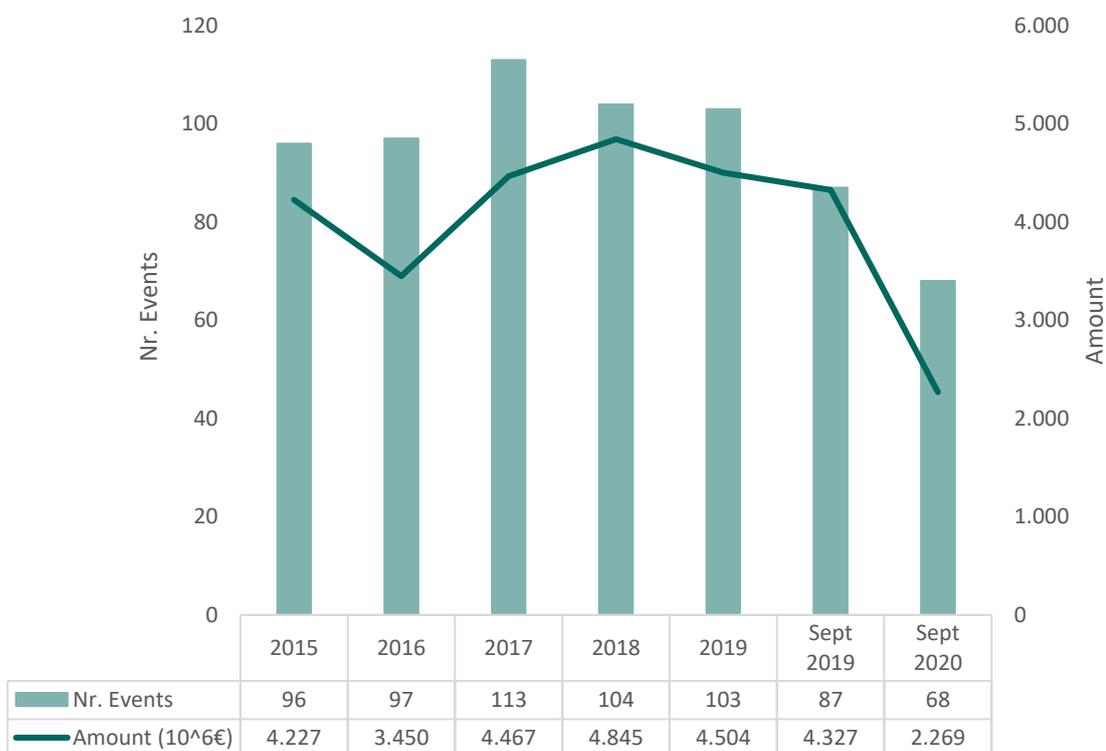
The amount paid was EUR 4.5 billion, representing a decrease of 8.9% compared to the same period of 2019.



### DIVIDENDS PAYMENT AND SIMILAR INCOME

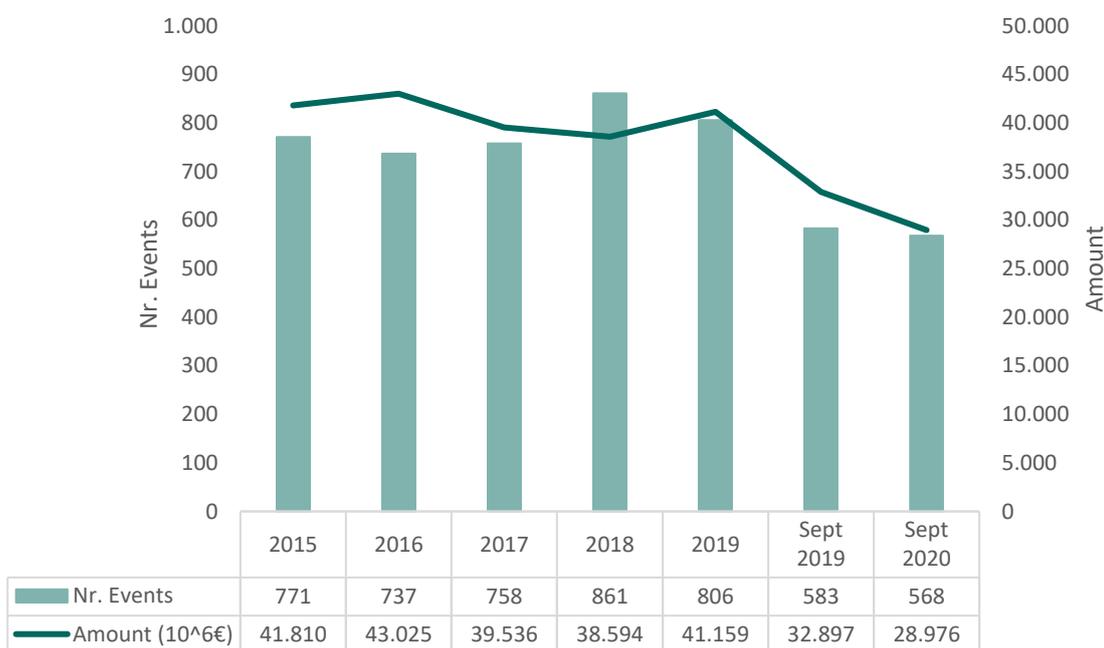
By the end of September 2020, a total of 68 dividend payment operations and other similar income were processed, valued at EUR 2.3 billion. In the same period of last year, 87 operations were processed amounting to EUR 4.3 billion.

Both the number of transactions and the amount of dividends and income paid decreased compared to the same period of the previous year, justified by the recommendations made by the ECB and the Banco de Portugal to credit institutions not to pay dividends until at least 1 October, with the aim of enabling these entities to support the real economy by financing families and companies in the current context of the crisis caused by the Covid-19 pandemic.



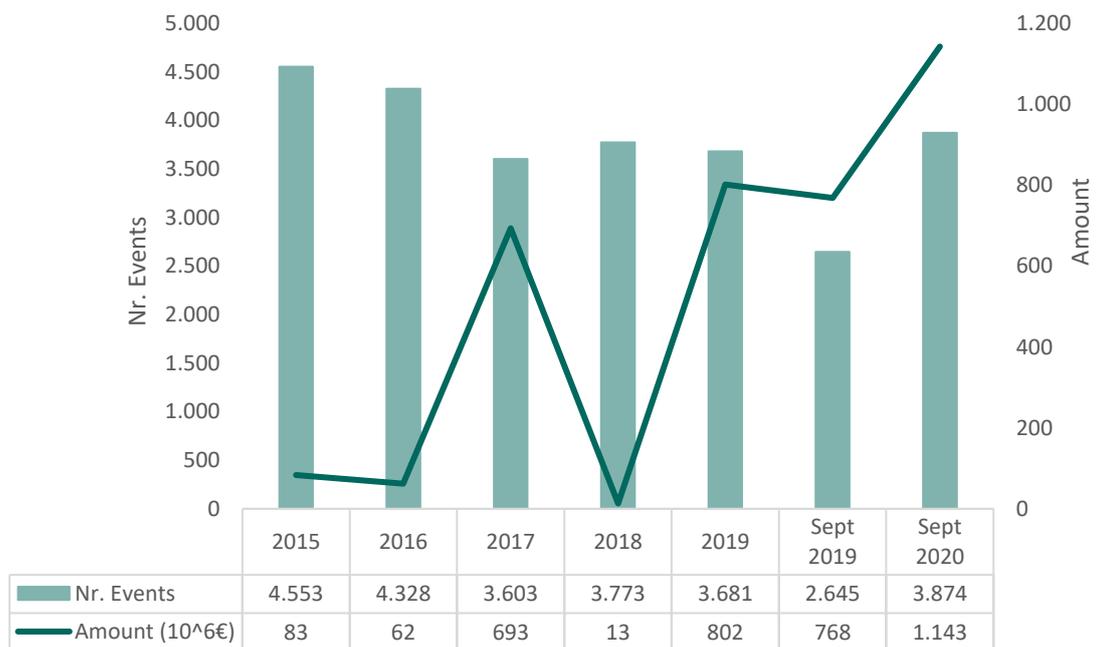
## REDEMPTIONS

With regard to redemptions processed during the period under review, there was a decrease in the number of operations from 583 to 568 on 30 September 2020. This trend was accompanied by the amount, which during the period under review amounted to EUR 29.0 billion, compared with EUR 32.9 billion, representing in comparative and year-on-year terms a negative variation of 12.2%.



### EXERCISE OF WARRANTS & CERTIFICATES

By 30 September 2020 INTERBOLSA had processed 3,858 operations for exercising warrants, and 16 operations for certificates totalling EUR 1.1 billion. In the same period last year, there were 2,644 warrants operations and one certificate operation totalling to EUR 768 million.



## CAPITAL CHANGES

Up to 30 September 2020, 14 capital changes operations were carried out, which is the same amount processed in the previous year.

The total amount processed up to September 2020 was EUR 1.1 billion, compared to EUR 504 million in the same period of the previous year.

The increase in the amount processed is justified by 4 capital subscription operations that took place in the first nine months of 2020.

In addition to these operations, INTERBOLSA's systems also processed in 2020 4 company merger operations, 3 reserve incorporation and 3 capital reduction operations.

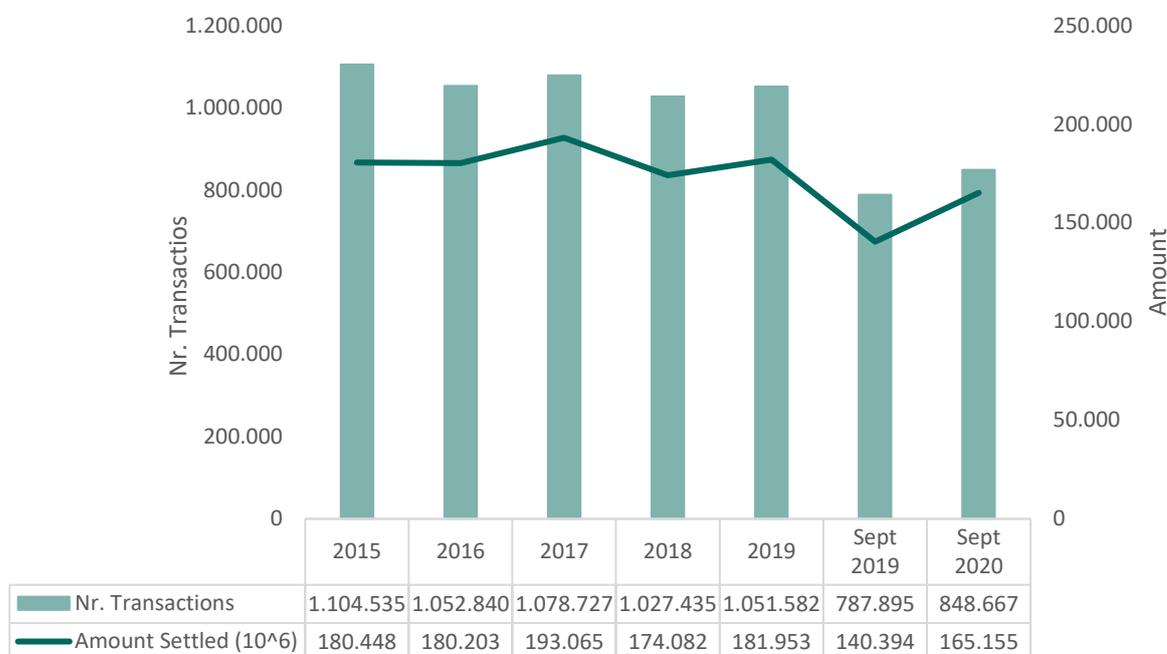
## OTHER EVENTS

In the first nine months of 2020, 5 conversions of the form of representation and 2 changes in nominal value of share capital were also processed.

### 4.3 SETTLEMENT SYSTEMS

In the first 9 months of 2020, a total of 848,667 transactions were settled, amounting to EUR 165.2 billion, compared to 787,895 transactions, amounting to EUR 140.4 billion, settled in the same period of the previous year.

The increase in both the number of settlement instructions and the amounts settled is explained by the increased market volatility caused by the COVID-19 pandemic that has affected most regions of the world and, in particular, Europe since late February 2020.



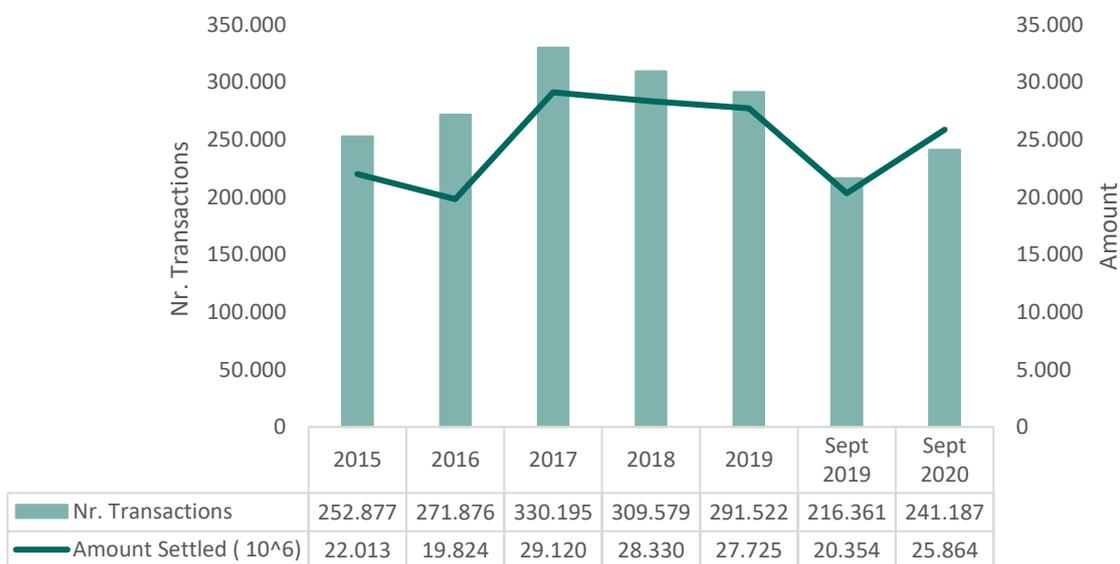
### 4.3.1 GUARANTEED AND NON-GUARANTEED TRANSACTIONS

Up to 30 September 2020, a total of 241,187 transactions were settled on the markets managed by Euronext Lisbon and on other markets and, guaranteed by a central counterparty, the amount involved in these transactions was EUR 25.9 billion.

In comparative and year-on-year terms, an increase of 11.5% was recorded in the number of transactions settled. This trend was followed by the amount settled, which recorded a positive year-on-year change of 27.1%.

The increase in both settlement instructions and in the amounts involved in transactions is also explained by the increased market volatility caused by the COVID-19 pandemic that has affected Europe since late February 2020.

#### GUARANTEED TRANSACTION, MADE IN MARKETS MANAGED BY EURONEXT LISBON AND OTHER MARKETS



The number of transactions carried out on regulated market and MTFs and not guaranteed by a central counterparty amounted to 660, compared with 1,863 in the same period a year earlier.

The amount settled followed the trend in the number of instructions, amounting to EUR 2 million at the end of September 2020, compared with EUR 5 million in the same period of 2019.

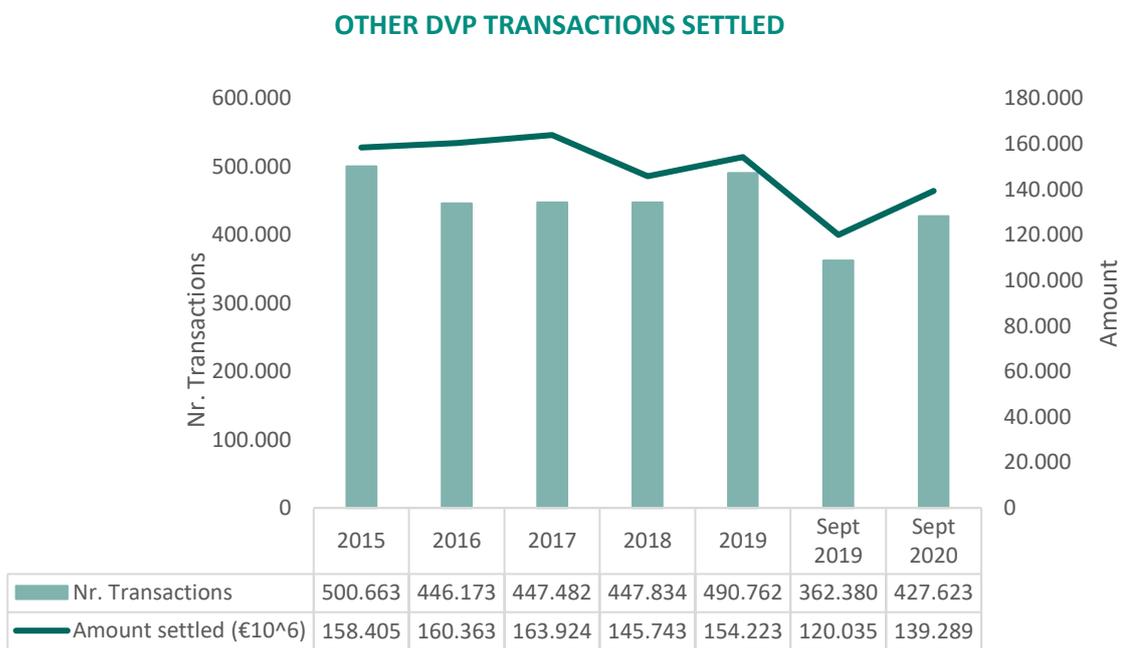
### NON GUARANTEED TRANSACTIONS, MADE IN MARKETS MANAGED BY EURONEXT LISBON AND OTHER MARKETS



### 4.3.2 OTHER DVP AND FOP TRANSACTIONS

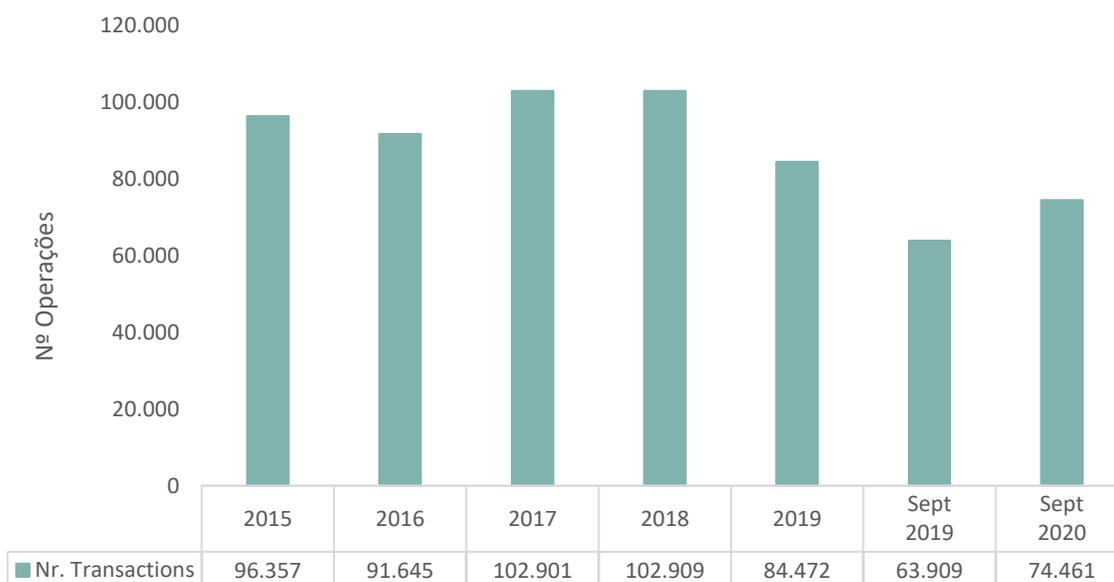
Also, as a result of the increased market volatility, the number of over-the-counter (OTC) transactions increased by 18.0% (from 362,380 to 427,623).

The amount settled in the period under review totaled to EUR 139.3 billion, compared to EUR 120.0 billion settled in the same period of 2019 (+16.0%).



In regards to the number of free-of-payment (FOP) transactions carried out, there was an absolute increase in the number of operations carried out (+10,552), representing a percentage and year-on-year variation of 16.5.

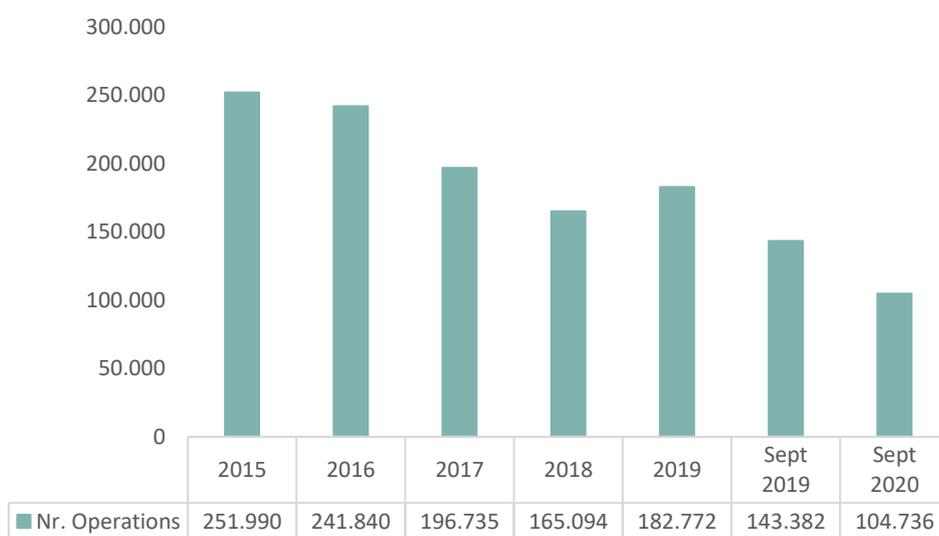
### OTHER FOP TRANSACTIONS SETTLED



### 4.3.3 OTHER SECURITIES MOVEMENTS

In the first 9 months of 2020, a total of 104,736 transfers of securities were executed, 9,012 less comparative and year-on-year transfers, representing a decrease of 11.3% compared with the number of account movements made during the same period in 2019.

#### ACCOUNT MOVEMENTS

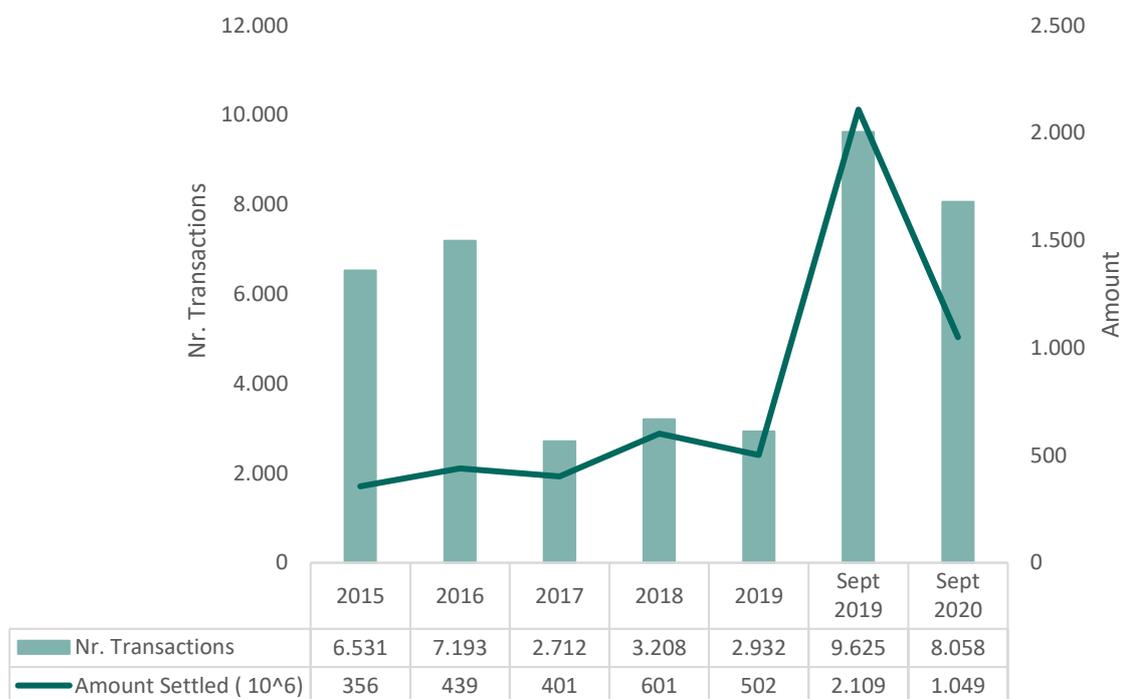


#### 4.3.4 UNSETTLED TRANSACTIONS

Unsettled transactions resulting from guaranteed and not guaranteed transactions by a central counterparty carried out in markets managed by Euronext Lisbon and in other markets amounted to 8,058, representing a year-on-year decrease of 16.3%.

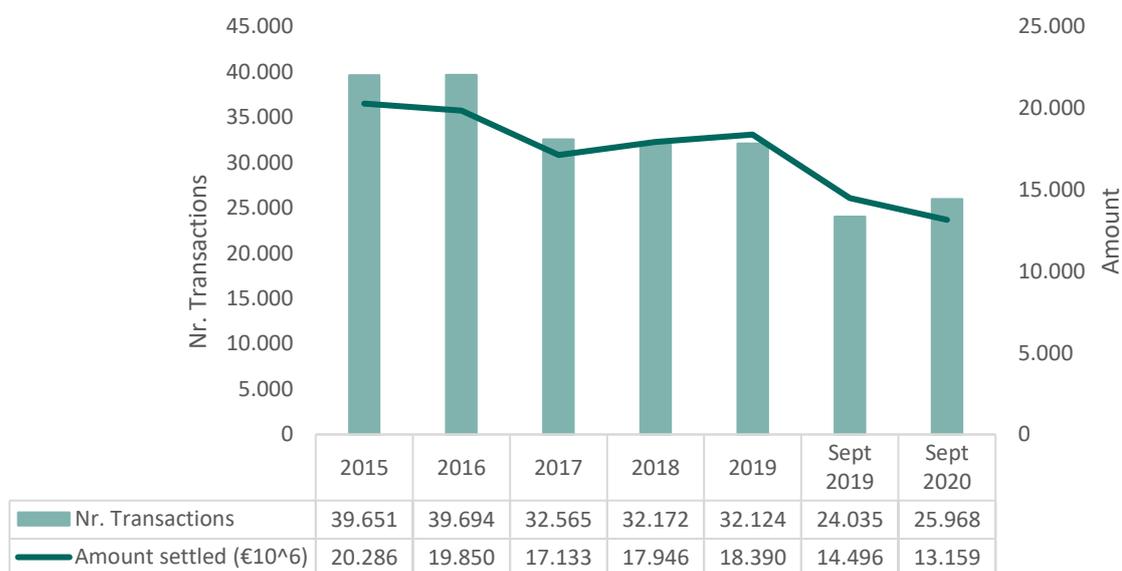
The amount involved in unsettled transactions amounted to EUR 1.0 billion, compared with EUR 2.1 billion unsettled during the first 9 months of 2019 (-50.2%).

#### UNSETTLED TRANSACTIONS - GUARANTEED AND NOT GUARANTEED



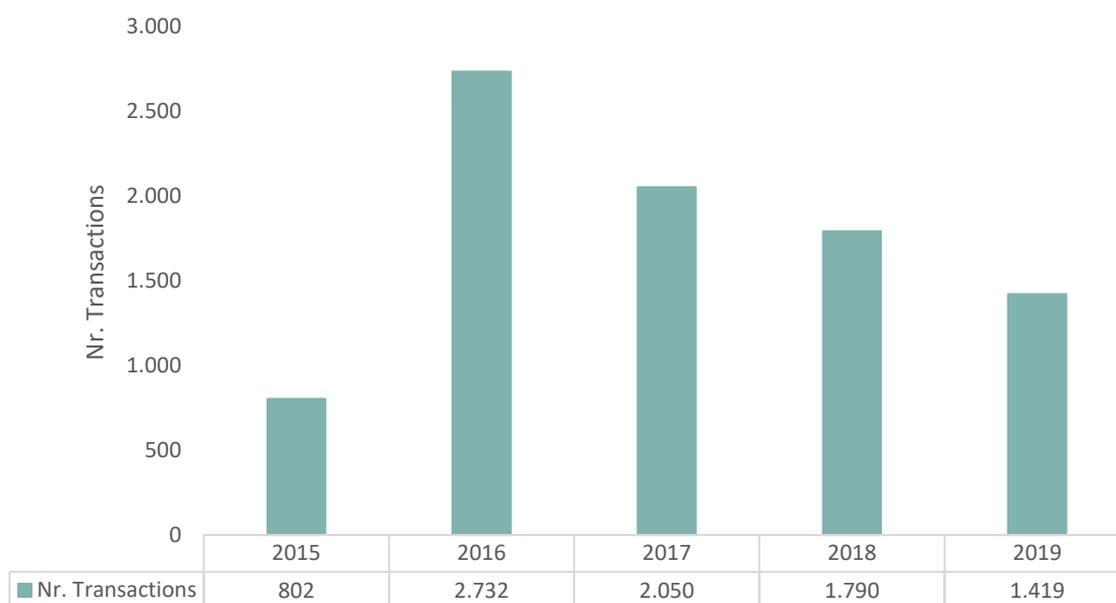
The number of unsettled transactions on the intended settlement date (ISD), resulting from DVP operations, increased by 8.0%, and the amount involved in these operations decreased from EUR 14.5 to EUR 13.2 billion (-9.2%).

### UNSETTLED TRANSACTIONS – DVP



In turn, unsettled transactions on the intended settlement date (ISD), resulting from FOP operations, amounted to 12,545, compared with 14,038 unsettled transactions of this nature in the same period of the previous year.

#### UNSETTLED TRANSACTIONS – FOP



#### 4.3.5 FOREIGN CURRENCY SETTLEMENT SYSTEM (SLME)

INTERBOLSA has implemented a settlement system in foreign currencies, using a commercial bank money payment system operated by CGD - Caixa Geral de Depósitos, S.A., which allows income payments and the financial settlement of non-guaranteed market transactions and OTC (over-the-counter).

The foreign currency settlement system (SLME) is prepared to process transactions in USD, GBP, JPY, CHF, CAD, AUD and may be extended to other convertible currencies, after the necessary analysis, whenever this proves necessary to meet market needs.

On 30 September 2020, 17 foreign currency issues were registered in the Centralised Securities System (2 less than those registered at the end of September 2019), 15 of which were in US dollars and 2 in Japanese Yen.

#### **4.4 ANCILLARY SERVICES**

##### **4.4.1 NATIONAL NUMBERING AGENCY**

Within the scope of its functions, INTERBOLSA, as the National Coding Agency, at the end of September had 7,170 active ISIN codes and their CFI and FISN codes.

In compliance with the objective of divulging, at an international level, the ISIN and CFI codes attributed by the National Codification Agency, INTERBOLSA provides, on a daily basis, information to the central database, operated by ASB - ANNA Service Bureau. In this way, all ISIN information can be accessed by all entities that need it as well as by the member coding agencies of ANNA - Association of National Numbering Agencies.

INTERBOLSA also promotes the dissemination of the codes attributed by this Agency, maintaining for this purpose the possibility for interested parties to subscribe to a database containing ISIN and CFI information, with daily or weekly updates.

The INTERBOLSA Portal, in an area reserved for Customers, includes a module with information on the ISIN codes assigned.

##### **4.4.2 INFORMATION SERVICES**

INTERBOLSA continued its activity of providing regular statistical, historical and financial information to Financial Intermediaries, Issuers, the Securities Market Commission, the Bank of Portugal, the European Central Bank, auditors and all other entities that requested it.

One of the most relevant activities of INTERBOLSA's information management area is the provision of a service that allows Issuers of registered securities, issued in dematerialised or securitised form and registered in the Centralised Securities Systems, to have access to information relating to the identification of the holders of the securities issued by them, as well as the quantity of each one held.

On 3 September 2020, INTERBOLSA implemented the necessary procedures to enable it to comply with the changes resulting from the Shareholders' Directive II (SRD II) on the exercise of certain rights of shareholders of listed companies and aimed at encouraging the involvement of shareholders in the long term, as well as from the Implementing Regulation (EU) 2018/1212 establishing minimum requirements for the application of the provisions of SRD II with regard to the identification of

shareholders, the transmission of information and the facilitation of the exercise of shareholders' rights.

On INTERBOLSA's portal, in an area reserved for Customers, a module is available allowing Issuers to request information on the identification of holders of registered shares, receiving, in its dedicated area, the file containing the information requested for a given reference period.

Though, it should be noted that the Centralised Systems manage global accounts, opened by the affiliated Financial Intermediaries, which, at each moment, contain the sum of the individualised registration accounts opened by investors with the Financial Intermediary (depository/registrar) of their choice. Consequently, INTERBOLSA requests from Financial Intermediaries, participants in the Systems it manages, information on the holders of the securities subject to the Issuer's request and, after consolidating the information received, forwards it to the Issuer.

#### **4.4.3 CSD LINKS**

INTERBOLSA developed and prepared test environments for the direct CSD Link with Clearstream Banking Frankfurt (CBF) through the first quarter of 2020.

This link will allow all participants to hold on their open accounts with the INTERBOLSA systems private or public debt instruments issued on CBF.

## 5 ECONOMIC AND FINANCIAL ANALYSIS

### 5.1 INTRODUCTION

INTERBOLSA adopts International Financial Reporting Standards (IFRS) in the preparation of its financial statements, hence enabling the entire financial community to analyse the financial statements of this management entity on an internationally recognised basis adopted by most European companies, thus facilitating their interpretation and also comparability with similar companies.

Bearing this in mind and ensuring the transparency and quality of the information provided to the market, this Report exclusively mirrors the economic and financial analysis of INTERBOLSA's individual accounts.

### 5.2 FINANCIAL RESULTS

INTERBOLSA's net profit amounted to EUR 8.9 million at the end of September 2020, an increase of 10.2% over the same period last year.

Operating profit amounted to 12.1 million, up 1.1 million euros year-on-year. This indicator shows a year-on-year increase of 10.3%.

#### FINANCIALS

Amounts expressed in EUR

	30/09/2020	30/09/2019	Var.	Var.%
Operational income	16.994.593	16.343.148	651.445	4,0%
Operational costs	4.570.922	4.944.593	-373.671	-7,6%
<b>EBITDA</b>	<b>12.423.671</b>	<b>11.398.555</b>	<b>1.025.116</b>	<b>9,0%</b>
Depreciation & Amortization	317.833	425.458	-107.625	-25,3%
<b>Operating income</b>	<b>12.105.838</b>	<b>10.973.097</b>	<b>1.132.741</b>	<b>10,3%</b>
Financial Results	-4.087	-5.331	1.244	-23,3%
<b>Profit before taxes</b>	<b>12.101.751</b>	<b>10.967.766</b>	<b>1.133.985</b>	<b>10,3%</b>
Corporate tax	3.206.504	2.899.053	307.451	10,6%
<b>NET PROFIT</b>	<b>8.895.247</b>	<b>8.068.713</b>	<b>826.534</b>	<b>10,2%</b>

### 5.3 REVENUES

At the end of September 2020, INTERBOLSA's total income amounted to EUR 17.0 million, an increase of 4.0% year-on-year.

#### MAIN ITEMS OF OPERATIONAL INCOMES

ITEM	30/09/2020	30/09/2019	Amounts expressed in EUR	
			Var.	Var. %
Use of systems	559.760	628.969	-69.209	-11,0%
Settlement & account movements	1.375.821	1.215.038	160.783	13,2%
Corporate Actions	420.700	452.540	-31.840	-7,0%
Maintenance	13.488.402	13.058.240	430.162	3,3%
Issues registration	231.930	203.565	28.365	13,9%
Issues cancellation	205.540	161.930	43.610	26,9%
T2S information	70.434	66.888	3.546	5,3%
Other operational revenues	507.062	446.431	60.631	13,6%
<b>Total services provided</b>	<b>16.859.649</b>	<b>16.233.601</b>	<b>626.048</b>	<b>3,9%</b>
Other revenues	134.944	109.547	25.397	23,2%
<b>TOTAL REVENUES</b>	<b>16.994.593</b>	<b>16.343.148</b>	<b>651.445</b>	<b>4,0%</b>

On 1 January 2019, INTERBOLSA's price lists came into force, reflecting the reduction in prices of registration and cancellation of warrants, the change in prices to be charged following requests for manual corrections to corporate actions, as well as the definition of a new commission to be charged for the dissemination of information to the market. On the same date, INTERBOLSA decided to adjust its price list for settlement services in order to cover the increased costs imposed by the ECB (European Central Bank) for the use of the European T2S platform.

Therefore, referring to the above table, the revenue generated by the use of the systems shows a year-on-year decrease of 11.0% explained by the decrease in the use of the reference restrictions included in the securities accounts opened in the centralised securities system.

Revenues generated by settlement systems and account movements show a positive year-on-year up 13.2%, justified by the increased market volatility in response to the COVID-19 pandemic that affects Europe since late February 2020.

In the context of the revenues generated by the Centralised Securities Systems and, during the period under review, the revenues from corporate actions and other events show a year-on-year decrease

of 7.0%, mainly explained by the decrease in the number of dividend payment processed by INTERBOLSA's systems. This decrease in dividend payments is the result of the recommendations made to credit institutions by the ECB and the Bank of Portugal not to distribute dividends at least until October 2020, with the aim of enabling these entities to support the real economy by financing families and companies in the current context of the crisis caused by the COVID-19 pandemic.

At the end of the first 9 months of 2020, revenues from maintenance of issues and commission applied over the position in account held by the financial intermediaries show an absolute year-on-year increase of EUR 430,000 (+3.3%), explained by the 6.3% increase in the average amounts under management by INTERBOLSA. The increase in the average amounts by 13.1% of long-term public debt and an increase in long-term private debt by 7.0% should be noted. Overall, the average value of shares and units shows a decrease of 2.8% compared to the same period in 2019.

Revenues from the registration of new issues in the Centralised Securities Systems rose 13.9%, while revenues generated by the cancellation of issues grew 26.9% in comparative and year-on-year terms.

Revenue generated by the information made available via the T2S platform grew 5.3% when compared to the revenue generated in the same period of 2019, also explained by the increased market volatility that generated more settlement instructions.

The item "Other Services" includes all the services provided by INTERBOLSA that are not detailed in the previous items, namely deposits and withdrawals of securities, special commission for the management of securities, commissions charged within the management of the National Coding Agency, as well as the income generated by INTERBOLSA's private communications network and SWIFT communications for connection to the T2S platform. The figures recorded under this item grew by 13.6%, essentially due to the increased use of SWIFT messages in response to increased settlement instructions.

## 5.4 COSTS

At the end of September 2020, INTERBOLSA has operating costs of EUR 4.9 million, an absolute decrease of EUR 481.3 thousand compared to the same period of the previous year.

### MAIN OPERATIONAL COSTS ITEMS

Amounts expressed in EUR

ITEM	Sept 2020	Sept 2019	Var.	Var. %
Staff costs	2.221.772	2.155.003	66.769	3,1%
Communications & Information Technology	522.650	551.872	-29.222	-5,3%
Consultancy & professional services	969.888	1.347.915	-378.027	-28,0%
Accommodation expenses	123.083	129.392	-6.309	-4,9%
Provisions and impairment	17.285	13.742	3.543	25,8%
Regulator (CMVM)	570.000	570.000	0	0,0%
Other costs	146.244	176.669	-30.425	-17,2%
<b>Total Costs</b>	<b>4.570.922</b>	<b>4.944.593</b>	<b>-373.671</b>	<b>-7,6%</b>
Depreciation & Amortisation	317.833	425.458	-107.625	-25,3%
<b>Total of Operational Costs</b>	<b>4.888.755</b>	<b>5.370.051</b>	<b>-481.296</b>	<b>-9,0%</b>

The overall cost reduction is explained by the reduction in Consultancy and Professional services costs, which are down by 28.0%, following the cancellation of accrual made to handle with amounts not invoiced by the European Central Bank for services provided by the use of the T2S platform. In 2020 the ECB made a comprehensive assessment of its billing system as a result of successive errors between 2018 and 2019, which resulted in over-invoiced and un-invoiced amounts being cleared and accounted for in 2020.

Staff costs shows an increase of 3.1% explained by the strengthening of the IT team and the operational team. In June 2020, non-recurring costs were also accounted.

Communications & Information Technology costs are down by 5.3% explained by the decrease in costs with the SWIFT communications network, following the decision to subscribe the end of the day account position file of T2S on a monthly basis.

Other expenditure/other income includes travel expenses, insurance, vehicle costs, bank charges and membership fees. The 17.2% decrease in this item is explained by the decrease in travel expenses following the COVID-19 pandemic.

Depreciation and amortisation show an increase of EUR 108,000 justified by the end of the depreciation of the internally developed software (T2S) and the implementation of a new lease contract for computer equipment.

## 5.5 OWNERSHIP STRUCTURE

INTERBOLSA's net assets amounted to EUR 25.3 million in September 2020, representing a decrease of EUR 2.1 million compared to December 2019, reflected mainly in "Cash & Bank Balance".

The net liabilities of this management entity, amounting to EUR 5.2 million, were down by 2.1% compared to December 2019, mainly due to the increase in corporate income tax (IRC) calculated in conjunction with the decrease in the account "Creditors and other liabilities".

Shareholders' equity stood at EUR 20.1 million at the end of September 2020, 9.2% less than in September 2019, justified by the combination of the following factors: the net profit of December 2019, distributed to the shareholder in April 2020, and the effect of the actuarial evaluation relating to the INTERBOLSA Pension Fund.

### MAIN ITEMS OF OWNERSHIP STRUCTURE

	Amounts expressed in EUR			
	30/09/2020	3/12/2019	Var.	Var.%
Assets	25.296.613	27.442.565	-2.145.952	-7,8%
Liabilities	5.164.022	5.274.823	-110.801	-2,1%
Equity	20.132.591	22.167.743	-2.035.152	-9,2%

## FINANCIAL STATEMENTS

**STATEMENT OF FINANCIAL POSITION**

**30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

(Amounts expressed in EUR)

	<b>September 20</b>	<b>December 19</b>
<b>ASSETS</b>		
Tangible assets	214.507	227.896
Intangible assets	5.684	16.191
Right-of-Use assets	504.761	488.033
Other financial assets	1.818	1.526
Deferred income tax assets	46.165	104.732
<b>Total of non-current assets</b>	<b>772.935</b>	<b>838.377</b>
Other	2.548.296	2.459.081
Cash & Bank Balances	21.975.382	24.145.108
<b>Total current assets</b>	<b>24.523.678</b>	<b>26.604.189</b>
<b>Total of Assets</b>	<b>25.296.613</b>	<b>27.442.565</b>
<b>Equity and Liabilities</b>		
Capital	5.500.000	5.500.000
Legal Reserve	5.500.000	5.500.000
Other reserves	(2.522.300)	(2.449.601)
Retained earnings	2.827.058	2.827.058
Other capital instruments – Shares Premium	(67.414)	(72.345)
Net income for the year attributed to shareholders	8.895.247	10.862.630
<b>Total Equity</b>	<b>20.132.591</b>	<b>22.167.743</b>
<b>Liabilities</b>		
Employees benefit provision	1.723.290	1.631.092
Loans obtained	242.518	264.811
Deferred tax liabilities	-	2.344
<b>Total of non-current liabilities</b>	<b>1.965.809</b>	<b>1.898.246</b>
Other payables	1.978.267	2.598.141
Loans obtained	278.281	247.153
Current income tax liabilities	941.665	531.283
<b>Total current assets liabilities</b>	<b>3.198.213</b>	<b>3.376.577</b>
<b>Total Liabilities</b>	<b>5.164.022</b>	<b>5.274.823</b>
<b>Total Equity &amp; Liabilities</b>	<b>25.296.613</b>	<b>27.442.565</b>

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED ON 30 SEPTEMBER OF 2020 AND 2019

(Amounts expressed in EUR)

	September 20	September 19
Revenues		
- Settlement & Custody	16.859.649	16.233.601
Other revenues	134.944	109.547
	16.994.593	16.343.148
<i>Operating costs</i>		
Staff costs	2.221.772	2.155.003
Depreciation & Amortisation	317.832	425.458
Communications & Information Technology	522.650	551.872
Consultancy & professional services	969.888	1.347.915
Accommodation expenses	123.083	129.392
Provisions and impairment	17.286	13.742
Other expenses	716.244	746.669
	4.888.755	5.370.051
Operating income	12.105.838	10.973.097
Financial income	536	12
Financial expenses	4.623	5.343
Net financial income	(4.087)	(5.331)
Profit before taxes	12.101.751	10.967.766
Income tax expenses		
- Current income tax	3.150.281	2.887.302
- Deferred income tax	56.223	11.751
Profit after taxes	8.895.247	8.068.713
Gains and losses recognised directly in Reserves:		
Post-employment benefits – Actuarial deviation	(72.699)	(525.000)
Stock options	5.931	(17.985)
	(66.768)	(542.985)
Comprehensive income	8.828.479	7.525.729
Net Profit per share - Basic	1,61	1,37
Net Profit per share - Diluted	1,61	1,37

## CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED ON 30 SEPTEMBER OF 2020 AND 2019

(Amounts expressed in EUR)

	<u>September 20</u>	<u>September 19</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receiving from clients	19.482.692	18.905.719
Payment to suppliers	(2.596.969)	(2.396.116)
Payments to staff	(1.320.684)	(1.136.551)
<b>Cash generated by operations</b>	<u>15.565.039</u>	<u>15.373.051</u>
(Payment) / receipt of income tax	(2.739.899)	(2.850.949)
Other receipts / (payments)	(3.841.339)	(3.756.079)
<b>Cash flows from operating activities (1)</b>	<u><b>8.983.801</b></u>	<u><b>8.766.023</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments in respect of:		
- Tangible assets	(62.873)	(14.882)
- Intangible Assets	-	(13.982)
- Financial investments	-	-
- Other assets	-	-
Receipts from:		
- Tangible assets	-	7.907
- Intangible Assets	-	-
- Financial investments	-	-
- Other assets	-	-
- Investment subsidies	-	-
- Interest and similar income	-	-
- Dividends	-	-
<b>Cash flows from investing activities (2)</b>	<u><b>(62.873)</b></u>	<u><b>(20.958)</b></u>
<b>Cash flow from financing activities</b>		
Receipts from:		
- Financing obtained	-	-
- Capital achievements and other equity instruments	-	-
- Coverage of losses	-	-
- Donations and subsidies	4.707	-
- Other financing operations	-	-
Payments in respect of:		
- Depreciation on leasing contracts	(227.951)	(205.118)
- Interest and similar expenses	(4.779)	(5.209)
- Dividends	(10.862.630)	(9.971.586)
- Reductions in capital and other equity instruments	-	-
- Other financing operations	-	-
<b>Cash flows from financing activities (3)</b>	<u><b>(11.090.654)</b></u>	<u><b>(10.181.913)</b></u>
<b>Variation in cash and cash equivalents (1+2+3)</b>	<u><b>(2.169.726)</b></u>	<u><b>(1.436.847)</b></u>
<b>Effect of exchange rate differences</b>	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u><b>24.145.108</b></u>	<u><b>23.160.119</b></u>
<b>Cash and cash equivalents at end of period</b>	<u><b>21.975.382</b></u>	<u><b>21.723.272</b></u>

## STATEMENT OF CHANGE IN EQUITY

### FOR THE YEARS ENDED ON 31 DECEMBER 2019 AND 30 SEPTEMBER 2020

(Amounts expressed in EUR)

	<u>Total Own Capital</u>	<u>Capital</u>	<u>Legal Reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Net profit</u>
1 December 2019	22.127.415	5.500.000	5.500.000	(1.671.228)	2.827.058	9.971.586
Comprehensive income:						
- Net profit	10.862.630	-	-	-	-	10.862.630
- Actuarial gains recognised in the period	(839.000)	-	-	(839.000)	-	-
- Share Premium	(11.717)	-	-	(11.717)	-	-
	<u>10.011.913</u>	<u>-</u>	<u>-</u>	<u>(850.717)</u>	<u>-</u>	<u>10.862.630</u>
Distribution of Profits						
- Dividend distribution	(9.971.586)	-	-	-	-	(9.971.586)
	<u>(9.971.586)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9.971.586)</u>
31 December 2019	<u>22.167.742</u>	<u>5.500.000</u>	<u>5.500.000</u>	<u>(2.521.946)</u>	<u>2.827.058</u>	<u>10.862.630</u>
Comprehensive income:						
- Net profit	8.895.247	-	-	-	-	8.895.247
- Actuarial (loss)gains recognised in the period	(72.699)	-	-	(72.699)	-	-
- Share Premium	4.931	-	-	4.931	-	-
	<u>8.827.479</u>	<u>-</u>	<u>-</u>	<u>(67.768)</u>	<u>-</u>	<u>8.895.247</u>
Distribution of Profits						
- Dividend distribution	(10.862.630)	-	-	-	-	(10.862.630)
	<u>(10.862.630)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10.862.630)</u>
30 September 2020	<u>20.132.591</u>	<u>5.500.000</u>	<u>5.500.000</u>	<u>(2.589.714)</u>	<u>2.827.058</u>	<u>8.895.247</u>