



# **Consolidated** Management Report **9M20**

# 20

# Table of Contents

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## 9M20

Highlights	4
------------	---

Governing

Bodies	6
--------	---

Management

Report	7
--------	---

Business Review	7
-----------------	---

Consolidated Financial Review	12
-------------------------------	----

Consolidated Financial

Statements	19
------------	----

# 9M20 Highlights

9M20 Highlights	9M19	9M20	9M20 / 9M19
<b>Operating Highlights</b>			
Homes Passed	4,571.1	4,796.0	4.9%
% FttH	28.6%	35.0%	6.4pp
Total RGUs	9,613.6	9,885.8	2.8%
Pay TV RGUs	1,631.4	1,656.4	1.5%
Convergent + Integrated Customers	914.8	967.6	5.8%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	59.1%	61.3%	2.2pp
Mobile RGUs	4,808.8	4,972.0	3.4%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.8	43.3	(3.4%)
<b>Financial Highlights</b>			
Telco Revenues	1,034.8	995.5	(3.8%)
Telco EBITDA	462.1	449.9	(2.6%)
EBITDA Margin	44.7%	45.2%	0.5pp
Audiovisuals & Cinema Revenues	88.4	41.8	(52.7%)
Audiovisuals & Cinema EBITDA	42.0	21.3	(49.3%)
EBITDA Margin	47.5%	50.9%	3.4pp
Consolidated Revenues	1,092.0	1,013.6	(7.2%)
Consolidated EBITDA	504.1	471.2	(6.5%)
EBITDA Margin	46.2%	46.5%	0.3pp
Net Income Before Associates & Non-Controlling Interests	134.6	81.3	(24.0%)
Net Income	138.1	79.1	(42.7%)
EBITDA - Total CAPEX Excluding Leasings	229.4	201.6	(7.7%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	144.4	470.2	225.7%

## 9M20

- Over 198 thousand RGUs added in 9M20. 3Q20 showed growth in all services with a return to more normalized commercial activity after lockdown; 125 thousand additional RGUs in 3Q20 compared with 76 thousand in 3Q19 and 53 thousand in the previous quarter;
- Core Telco Revenues declined by 3.8% during the first nine months of the year. 3Q20 posted a strong quarterly improvement to -1.4% yoy compared with -7.8% yoy in 2Q20 and -2.2% in 1Q20;
- Continued best in class response to new ways of living, working and socializing, with progressive shifts towards more digital and efficient interactions at all levels of customer experience and operational processes;



- Cinema ticket sales down 62.7% in 9M20, a reflexion of the impact of the pandemic, with NOS cinemas closed between mid-March and the end of June. NOS Lacklustre cinema going in 3Q20 due to the continued postponement of major movie launches, a worldwide issue, is putting a drag on total revenues, however month over month spectator numbers are showing some tenuous signs of improvement;
- Across the board OPEX efficiencies helped to offset revenue declines, with telco EBITDA down just 2.6% in 9M20;
- We accelerated our investment throughout 9M20 totalling 269.6million euros, having increased our footprint to 4.796 million households, 37.8% of which already with FttH, reflecting our commitment to extend the best Gigabit broadband coverage to all Portuguese households;
- In 3Q20 we successfully completed our tower sale agreement in exchange for total proceeds of 550 million euros – close to 375 million of which were already received in September;
- As such, our capital structure was further strengthened to a ratio of 1.4x Net Financial Debt / EBITDA and we continue to fund our business at an average cost of debt of just 1.2% - at the forefront of our sector and reasserting our investment grade rating;
- Already into 4Q20, we successfully negotiated a pioneering active and passive mobile network sharing agreement with Vodafone, which will enable faster, more efficient and environmentally sustainable deployment and running of nationwide networks;
- The strength and efficiency of our telecom operating model, our consolidated market position and one of the strongest balance sheets in the sector, give us the conviction that we possess the best assets and resources to undertake our future investment commitments, namely those associated with 5G deployment and still provide an attractive and sustainable level of shareholder remuneration.

The impact of the COVID 19 pandemic was felt throughout 9M20, especially during 2Q20. This impact on operating and financial results was significantly less during 3Q20, although still the cause of a negative yoy comparison. These impacts during 9M20 were the absence of cinema going due to theatre closures late in 1Q20, through all of 2Q20 and with a sizeable yoy decline in attendance during 3Q20, significant decline of roaming revenues, suspension of premium sports channel billing during the COVID-related break in the Portuguese football league and the more challenging B2B environment.

# Governing Bodies

As at the date of this report, 4 November 2020, NOS' Governing Bodies had the following composition:

## Board of Directors

<b>Chairman of the Board of Directors</b>	Ângelo Paupério
<b>Chairman of the Executive Committee</b>	Miguel Almeida
<b>Members of the Executive Committee</b>	José Pedro Pereira da Costa, Vice-Presidente, CFO Ana Paula Marques, Vice-Presidente Jorge Graça Luís Nascimento Manuel Ramalho Eanes

<b>Members</b>	Ana Rita Cernadas António Domingues António Lobo Xavier António Correia Teles Catarina Távira Cristina Marques João Torres Dolores Joaquim de Oliveira José Carvalho de Freitas Maria Cláudia de Azevedo
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## Fiscal Board

<b>Chairman of the Fiscal Board</b>	José Pereira Alves
<b>Members</b>	Patrícia Couto Viana Paulo Mota Pinto
<b>Alternate</b>	Ana Luísa Aniceto da Fonte

## Officials of the General Meeting of Shareholders

<b>Chairman</b>	Pedro Canastra de Azevedo Maia
<b>Secretary</b>	Tiago Antunes da Cunha Ferreira de Lemos

## Statutory Auditor

<b>In Office</b>	ERNST & YOUNG AUDIT & ASSOCIADOS, SROC, S.A., (ROC number 178 and registered at CMVM with the number 9011, represented by Sandra e Sousa Amorim (ROC number 1213);
<b>Alternate</b>	Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC n.º 1258)

# Management Report

## Business Review

- The positive level of RGU performance, service take-up and strength of underlying customer revenue performance bear testament to the central role that our services play in the day to day lives of customers. Overall RGU net adds in 9M20 amounted to 198.4 thousand, reflecting an increase of 144% when compared with 9M19. Net adds were positive for all segments, with fixed Pay TV net adds of 17.7 thousand, total mobile net adds of 121 thousand and fixed broadband net adds of 37.2 thousand.
- Within mobile, pre-paid net adds were negative by 10.1 thousand (-16.1 thousand in 9M19) and post-paid net adds were positive, at 131.1 thousand. In 3Q20, both posted positive net adds, driven by increased momentum from return to school campaigns leading to higher voice and mobile broadband card subscription and also by a recovery in the pre-paid segment due to the reopening of main shopping venues. Within our mobile customer base, more than 60% are within converged or integrated tariffs, a reflection of a clear preference for the high value proposition associated with taking all services in a single residential offer. As with subscriber numbers, revenues generated by stand-alone personal mobile services represent less than 10% of our total telecom revenues, again demonstrating the strategic relevance of being present in the market as a full-service integrated operator, providing next generation fixed and mobile communication and entertainment.
- In July, a number of offers have been launched, reinforcing our segmentation and digitalization strategy. On 14 July, we launched a new dedicated brand WOO, providing a broadband only solution for fixed and/or mobile, to meet the growing demand for digital only services. The offer can only be subscribed online through a dedicated APP, and all customer interactions are exclusively online. WOO's distinctive characteristic within the NOS portfolio is the fact that it is a 100% native digital product from inception through to commercialization and servicing, thus avoiding the challenges and compromises that usually arise with the digitalization of legacy products and services. The offer targets a customer segment whose focus is high bandwidth connectivity, and is available with 100Mbps, 1 Gbps in fixed and 1000 minutes and a 10 Gbps allowance in mobile. Once the data allowance is used up, rather than connectivity being lost, subscribers are left with a minimum data and speed allowance to ensure messaging on social platforms. Payment is secured over the same formats as the majority of OTT APPS with monthly credit card debits.
- We are continuously innovating with product and service launches designed to better serve our customers and enhance user experience. In July, we launched the Apple TV 4K box integrating all the features and content of our NOS UMA interface, combining the best TV offer in the market with a leading international brand in innovation and usability, for an additional 4.99€ per month. To meet the increased household needs for bandwidth and connectivity, in this new era of remote learning and working, we were the first operator in Portugal to launch Power WiFi by Plume, a simple and quick to self-install solution designed to ensure maximum broadband coverage within the home. Thanks to Adaptive WiFi™ technology by Plume, based on cloud and artificial intelligence, the WiFi signal can be extended to all rooms in the home, whatever the size or configuration, enabling multiple, simultaneous connections without interruption. The service also provides incremental network control and safety and can be monitored remotely over the mobile Plume App.

Prices vary according to layout requirements, ranging from 3€ per month for two extenders, to 6€ per month for larger homes requiring up to 4 extenders.

- In line with our positioning at the forefront of the next wave of 5G technological deployment, we launched a new range of IoT tariffs in September, becoming the first to offer narrowband IoT for the consumer market, with tariffs designed to connect “intelligent” appliances, ready for future connection with the 5G network. All connections can be managed over the NOS App which now includes a dedicated area for customers to receive alerts and service notifications in addition to being able to pay bills and request customer support, amongst other key features. The offer launched in September is designed primarily for use in location and security-based services, and is available in pre-paid, post-paid or integrated payment options. Prices differ according to the appliance being used, and start at €2.99 per month for residential alarms and location devices and increasing to €4.49 for smartwatches.
- With back to school campaigns in 3Q20 we also reinforced our personal equipment promotions for customers, focusing on special campaigns for laptops, tablets and smartphones. Equipment sales are a growing source of revenues albeit at comparatively lower margins and represent an important source of differentiation and customer loyalty.
- By comparison with the pre-lockdown period, daily sessions on our website have grown by more than 30% and on our self-care web platform by more than 50%. These data points show that a structural shift is underway in customer behaviour as they are starting to revert more and more to digital platforms, be it for self care or for transactional purposes. Our ability to accommodate this level of growth in online usage bears witness to the digital transformation programme initiated a couple of years ago to enable increased operational efficiency, leadership in customer satisfaction and long-term sustainable value creation.
- Our B2B segment is posting healthy operational performance although it is not immune to the impact of the pandemic on our customers’ businesses. Sources of revenue pressure in B2B have also been the material decline in roaming revenues in addition to the extension of more flexible payment terms, either in the form of longer payment terms or temporary discounts. Adjusting for these impacts, underlying revenues are performing well, with particularly encouraging progress in IT&Data services.
- We have seen a trend consolidating within companies to become more efficient and adapt to the demands of remote working models and changes in customer habits. Our differentiated value proposition positions us as a key enabler to support companies in their own digital transformation process and we have been focusing our offers, in particular, on cloud-based solutions, managed services and innovation. Along these lines, our reinforced managed service portfolio is gaining momentum as a proportion of new services acquired, namely with offers providing communication, collaborative and call centre management, business LAN/WAN management, security system management, disaster recovery management, data centre and cloud management with housing, co-location, managed hosting and IaaS solutions. The momentum behind take-up of these workplace solutions is the increased demand for secure and reliable remote communications and managed services. To bolster our offers in these arenas we have secured key partnerships for cloud services with Google, Azure and AWS and launched our first edge-cloud offer with AWS (Outpost). In the smaller companies space we are already seeing very encouraging results from the launch of our first block of non-telco digital offers including Microsoft 365, thermal camera (remote temperature measurement), digital menu (targeting the hospitality segment) and digital contact centre, amongst others. Equipment sales and management are also a key element of our B2B proposition, as a provider in partnership with main suppliers. The importance of equipment management has exponentiated due to the pandemic driven change in the traditional workplace environment.

- During 9M20 we continued to pick up the pace of technological deployment as reflected in the higher sequential technological CAPEX in the third quarter. Expansionary investment was directed primarily towards continued FttH deployment within the context of the network sharing agreement and aligned with the strategic importance of delivering best in class NGN capabilities to as many households as possible. Demands on the network from significantly increased traffic volumes remained very high, both fixed and mobile, with increases versus pre-COVID-19 levels of almost 50% in fixed and 25% in mobile internet traffic and of almost 100% in fixed and of 40% in mobile voice traffic. Despite the additional pressure, service levels remained intact with minimal disruption, a result of the significant investments made in past years to deploy our nationwide next generation network, both fixed and mobile. The relevance of well invested and financially sustainable networks is a strategic national priority, as a means of ensuring critical business and social continuity.
- In September we concluded the agreement to sell 100% of the share capital of NOS Towering S.A. to Cellnex, encompassing the disposal of approximately 2,000 sites (towers and rooftops) and a long-term agreement whereby Cellnex will provide NOS Group with active network hosting over the passive infrastructure acquired, for a period of 15 years with automatic renewal for equal periods. In addition, the transaction foresees a perimeter increase of up to 400 additional sites over the next 6 years. The total potential value of the agreements to be reached over a 6-year period is 550 million euros, and an upfront payment of approximately 375 million euros for the sale of NOS Towering (2,000 sites) was already received at the end of 3Q20. With completion of this deal we will be able to move ahead with technological optimization initiatives and expansion of our state-of-the-art mobile network and invest in the long-term value of the company. Through this strategic partnership, we are ensuring the supply of current and future needs in terms of passive mobile infrastructure.
- Already in 4Q20, we signed a set of agreements with Vodafone regarding the sharing of mobile network support infrastructure (passive infrastructures such as towers and poles) and active mobile network elements (active radio equipment such as antennas, amplifiers and remaining equipment). The agreements have a nationwide scope with diverse geographical application according to higher or lower level of population density. In higher density geographies, typically larger urban areas, we will pursue synergies by sharing support infrastructure. In lower density areas, typically rural and interior geographies, in addition to shared use of support infrastructure, we will also share active mobile network. The agreements focus on assets currently held, or that may be held by each party in the future, and on existing 2G, 3G and 4G technology. Incorporation of 5G technology in these agreements will depend on each operators' decision of whether to deploy this technology. Spectrum sharing between the operators is not contemplated. Each operator will maintain exclusive strategic control of its networks, thus ensuring full competitive, strategic and commercial independence and the ability to differentiate in terms of customer service and provision and will be able to develop respective mobile networks independently. With these agreements we will be investing more efficiently by capturing value through synergies. We will also be able to deploy our mobile network faster and in a more environmentally responsible way, thus benefitting customers and remaining stakeholders. Sharing of mobile infrastructure represents an important contribution towards greater geographical cohesion and digital inclusion, both of which are essential to the sustainable development of the country.

Operating Indicators ('000)	9M19	9M20	9M20 / 9M19
<b>Telco <sup>(1)</sup></b>			
Homes Passed	4,571.1	4,796.0	4.9%
Total RGUs	9,613.6	9,885.8	2.8%
o.w. Consumer RGUs	8,131.5	8,356.3	2.8%
o.w. Business RGUs	1,482.1	1,529.5	3.2%
Mobile	4,808.8	4,972.0	3.4%
Pre-Paid	2,013.1	1,998.1	(0.7%)
Post-Paid	2,795.6	2,974.0	6.4%
Pay TV Fixed Access <sup>(2)</sup>	1,347.3	1,374.2	2.0%
Pay TV DTH	284.1	282.2	(0.7%)
Fixed Voice	1,738.5	1,769.3	1.8%
Broadband	1,402.0	1,451.5	3.5%
Others and Data	32.9	36.5	11.1%
3,4&5P Subscribers (Fixed Access)	1,198.2	1,236.9	3.2%
% 3,4&5P (Fixed Access)	88.9%	90.0%	1.1pp
Convergent + Integrated RGUs	4,622.1	4,890.7	5.8%
Convergent + Integrated Customers	914.8	967.6	5.8%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	59.1%	61.3%	2.2pp
% Convergent + Integrated Customers	56.1%	58.4%	2.3pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.6	43.4	(2.8%)
<b>Net Adds</b>			
Homes Passed	176.7	183.4	3.8%
Total RGUs	81.3	198.4	144.0%
o.w. Consumer RGUs	60.0	160.1	166.9%
o.w. Business RGUs	21.4	38.4	79.5%
Mobile	41.1	121.0	194.3%
Pre-Paid	(16.1)	(10.1)	(37.2%)
Post-Paid	57.2	131.1	129.1%
Pay TV Fixed Access	22.8	18.2	(20.3%)
Pay TV DTH	(14.7)	(0.5)	(96.5%)
Fixed Voice	7.9	20.9	163.4%
Broadband	22.9	37.2	62.5%
Others and Data	1.3	1.7	31.6%
3,4&5P Subscribers (Fixed Access)	35.0	27.6	(21.1%)
Convergent + Integrated RGUs	139.3	186.2	33.6%
Convergent + Integrated Customers	25.0	36.9	47.6%

(1) Portuguese Operations.

(2) Fixed Access Subscribers include customers served by the HFC, FTTH and ULL networks and indirect access customers.

## Media and Entertainment

Operating Indicators ('000)	9M19	9M20	9M20 / 9M19
<b>Cinema <sup>(1)</sup></b>			
Revenue per Ticket (Euros)	5.2	5.2	1.4%
Tickets Sold - NOS	4,096.8	1,526.6	(62.7%)
Tickets Sold - Total Portuguese Market <sup>(2)</sup>	11,501.7	3,265.2	(71.6%)
Screens (units)	218	219	0.5%

<sup>(1)</sup> Portuguese Operations

<sup>(2)</sup> Source: ICA - Portuguese Institute For Cinema and Audiovisuals

- Our Media and Entertainment division is posting mixed performance with the relatively solid operational performance of our content rights management and VoD business, within our Audiovisuals division, being offset by the very weak cinema exhibition market affecting both our Cinema Exhibition and Cinema distribution revenues.
- Performance of the cinema exhibition business was clearly impacted by the COVID-19 pandemic, with NOS' cinemas being shut from 16 March until 2 July. At the end of February, NOS' cinema exhibition business was growing well and outperforming the market, with year-to-date growth of 15.1% in terms of attendance, which compares with 12.1% for the market as a whole.
- Although our cinema theatres re-opened on 2 July after lockdown, under strict health and safety measures, the number of spectators has failed to recover significantly, due to successive and indefinite postponement of blockbuster movie launches by the major international studios. The most recent example of a disappointing cancellation was that of the latest James Bond movie, scheduled for November 2020 and now moved forward to April 2021. Of all the blockbuster movie launches originally scheduled for 2020, only Tenet was premiered in August, driving a temporary pick up in audience and meeting the GBO targets for that movie, showing that if studios start releasing the major titles the audience levels will show a strong recovery. Monthly market evolution throughout 3Q20 did show some improvement with September spectator numbers posting growth of 30% over August with the contribution from Tenet. Given the current outlook in terms of movie line-up, we are concentrating our efforts on keeping running costs to a minimum, with the most relevant initiatives being non-renewal of temporary staff contracts and the downward renegotiation of rental contracts.

# Consolidated Financial Review

## Consolidated Income Statement

The following Consolidated Financial Statements have been subject to limited review.

<b>Profit and Loss Statement</b> (Millions of Euros)	9M19	<b>9M20</b>	9M20 / 9M19
Operating Revenues	1,092.0	1,013.6	(7.2%)
Telco	1,034.8	995.5	(3.8%)
Consumer Revenues	737.2	728.7	(1.2%)
Business Revenues	213.0	210.3	(1.3%)
Wholesale and Others	84.6	56.5	(33.2%)
Audiovisuals & Cinema <sup>(1)</sup>	88.4	41.8	(52.7%)
Others and Eliminations	(31.2)	(23.8)	(24.0%)
Operating Costs Excluding D&A	(587.9)	(542.4)	(7.7%)
Direct Costs	(307.7)	(274.9)	(10.7%)
Non-Direct Costs <sup>(2)</sup>	(280.3)	(267.5)	(4.6%)
EBITDA <sup>(3)</sup>	504.1	471.2	(6.5%)
EBITDA Margin	46.2%	46.5%	0.3pp
Telco	462.1	449.9	(2.6%)
EBITDA Margin	44.7%	45.2%	0.5pp
Cinema Exhibition and Audiovisuals	42.0	21.3	(49.3%)
EBITDA Margin	47.5%	50.9%	3.4pp
Depreciation and Amortization	(298.0)	(305.2)	2.4%
(Other Expenses) / Income	(14.0)	(53.9)	284.5%
Operating Profit (EBIT) <sup>(4)</sup>	192.1	112.1	(41.6%)
Share of profits (losses) of associates and joint ventures	2.3	(9.1)	n.a.
(Financial Expenses) / Income	(19.2)	(16.6)	(13.6%)
Income Before Income Taxes	175.2	86.4	(50.7%)
Income Taxes	(38.3)	(14.3)	(62.8%)
Net Income Before Associates & Non-Controlling Interests	134.6	81.3	(39.6%)
Income From Continued Operations	136.9	72.1	(47.3%)
o.w. Attributable to Non-Controlling Interests	0.2	0.6	147.5%
Discontinued Operations	1.0	6.4	n.a.
Net Income	138.1	79.1	(42.7%)

<sup>(1)</sup> Includes cinema operations in Mozambique.

<sup>(2)</sup> Non-Direct Costs Include Commercial & Customer Related Costs and Operating & Structure Costs

<sup>(3)</sup> EBITDA = Operating Profit + Depreciation and Amortization + Integration Costs + Net Losses/Gains on Disposal of Assets + Other Non-Recurrent Losses/Gains

<sup>(4)</sup> EBIT = Income Before Financials and Income Taxes.



## Operating Revenues

Consolidated Revenues declined by 7.2% to 1,013.6 million euros in 9M20. We recorded a marked recovery in revenues with a sequential quarterly improvement in telco revenue performance going from -7.8% in 2Q20 to -1.4% in 3Q20. Consolidated revenue growth improved from -12.1% to -6.4% in the same period, reflecting the positive telco recovery performance. Telco Revenues declined by 3.8% to 995.5 million euros in 9M20.

In 9M20, Consumer and Business revenues declined by 1.2% and 1.3% yoy respectively. Adjusting for the yoy decline in roaming out revenues, which are part of customer bills, Consumer revenues would have declined by 0.9% and Business revenues would have grown by 0.2%. These underlying trends reflect the resilience of our domestic telecom operation, with relatively little impact from the pandemic to date. Wholesale and other revenues were impacted primarily by weak roaming-in revenues and lower advertising revenues yoy. Roaming revenues decreased 47% in 9M20, representing a decline of 1.0% in Telco revenues.

Combined cinema and audiovisual revenues fell by 52.7%, with worldwide, pandemic related restrictions and recommendations resulting in the postponement of major movie premieres and people avoiding public indoor spaces. NOS Cinemas were closed from mid-March until the end of June. After reopening at the beginning of July, we are seeing very slow pick-up in spectator numbers, all of which is leading to a decline in our cinema exhibition revenues (which also include bar and merchandising sales) of 69.3% yoy, to 15.6 million euros. According to data published by the Portuguese Cinema Institute, market box office revenues fell by 71.1%, compared with NOS' decline of 70.4%. As regards our audiovisuals business, revenue decline was less at 42.2% - revenues from its lower margin, cinema distribution, activity were down by 78.9%.

## Consolidated Operating Costs, EBITDA and Net Results

Total OPEX fell by 7.7% in 9M20 to 542.4 million euros, led by a 10.7% decline in direct costs and a 4.6% decline in non-direct costs. As already explained, significant efforts are being made to compensate some of the revenue losses from the pandemic, whilst not compromising on-going commercial activity. Within Direct Costs, savings in programming, traffic and capacity costs and the lower volume of royalties paid, were offset by higher COGS on the back of increased equipment sales, and a higher level of IT related projects within the B2B segment. Non-direct costs were down by 4.6% yoy to 267.5 million euros with some of the most relevant savings being recorded in commercial and customer related costs - namely advertising, commercial outsourcing and billing and commissions - and lower levels of supplies and external services. Specifically within the cinema division, more relevant savings were achieved through rental contract renegotiations and non-renewal of temporary staff contracts.

Consolidated EBITDA fell by 6.5% yoy in 9M20 to 471.2 million euros, a fall of 32.9 million euros - around 42% of the yoy decline in operating revenues. Telco EBITDA performed much better in the period falling by just 2.6% to 449.9 million euros. As with revenues, the driver of lower consolidated EBITDA was the 49.3% decline in Audiovisuals and Cinema EBITDA to 21.3 million euros.

Net results in 9M20 were down 39.6% to 81.3 million euros reflecting a combination of lower EBITDA, a 2.4% increase in D&A due to accelerated depreciation of assets, the increase of 42.4 million euros in non-recurrent items in 1Q20, caused by the impacts of the COVID-19 pandemic, reflecting reinforcement of operating provisions for customer bad debt, onerous contracts and personal protective equipment, a 13.6% decrease in net financial costs and a significantly lower level of tax provision. The lower tax provision in the quarter was in part a natural result of the lower level of earnings and in part due to an increase in tax incentive recognition in 3Q20.

## CAPEX

CAPEX (Millions of Euros) <sup>(1)</sup>	9M19	9M20	9M20 / 9M19
Total CAPEX Excluding Leasing Contracts	274.7	269.6	(1.9%)
Telco	254.8	253.3	(0.6%)
% of Telco Revenues	24.6%	25.4%	0.8pp
o.w. Technical CAPEX	150.5	148.0	(1.6%)
% of Telco Revenues	14.5%	14.9%	0.3pp
Baseline Telco	101.8	102.0	0.2%
Network Expansion / Substitution and Integration Projects and Others	48.6	46.0	(5.3%)
o.w. Customer Related CAPEX	104.4	105.3	0.9%
% of Telco Revenues	10.1%	10.6%	0.5pp
Audiovisuals and Cinema Exhibition	19.8	16.3	(18.0%)
Leasing Contracts	36.3	35.4	(2.4%)
Total Group CAPEX	311.0	305.0	(1.9%)

<sup>(1)</sup> CAPEX = Increase in Tangible and Intangible Fixed Assets, Contract Costs and Rights of Use

Total CAPEX (excluding leasing contracts) declined by 1.9% in 9M20 to 269.6 million euros, reflecting a 1.6% decrease in technical CAPEX and a 0.9% increase in telco customer CAPEX. Within the technical component, we recorded a combination of the acceleration in expansionary CAPEX linked to FttH deployment and in accordance with our long-term coverage plans, with the more subdued phase of investment in the mobile network due to the completion of the single RAN upgrade last year and to the delay in the 5G auction process. Additional customer CAPEX in 3Q20 was related with increased commercial activity, installation of a larger proportion of higher-end customer equipment such as our Giga router, next generation UMA boxes and Apple TV boxes, which are provided in more premium bundles.

Audiovisuals and Cinema CAPEX was 18.0% lower in comparison to 9M19, due to the reduced cinema activity.

As explained in previous quarters and as a result of IFRS16 implementation, we have isolated operational leasing contracts in the table above, to avoid accounting volatility from operating lease capitalization under the new accounting rules.

## Cash Flow

Cash Flow (Millions of Euros)	9M19	9M20	9M20 / 9M19
EBITDA	504.1	471.2	(6.5%)
Total CAPEX Excluding Leasings	(274.7)	(269.6)	(1.9%)
EBITDA - Total CAPEX Excluding Leasings	229.4	201.6	(12.1%)
% of Revenues	21.0%	19.9%	(1.1pp)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(8.7)	(14.7)	68.2%
Leasings (Capital & Interest) <sup>(1)</sup>	(48.5)	(49.3)	1.7%
Operating Cash Flow	172.2	137.6	(20.1%)
Interest Paid	(11.8)	(10.8)	(8.4%)
Income Taxes Paid	(8.8)	(20.7)	136.1%
Disposals	1.4	374.3	n.a.
Other Cash Movements <sup>(2)</sup>	(8.6)	(10.2)	18.5%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	144.4	470.2	225.7%
Financial Investments	0.0	2.1	n.a.
Acquisition of Own Shares	(3.5)	(3.3)	(5.9%)
Dividends	(179.6)	(142.5)	(20.7%)
Free Cash Flow	(38.8)	326.5	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(7.6)	(4.3)	(43.3%)
Change in Net Financial Debt	46.4	(322.1)	n.a.

<sup>(1)</sup> Includes Long Term Contracts.

<sup>(2)</sup> Includes Cash Restructuring Payments and Other Cash Movements.

Cash flow in 9M20 was impacted by the cash-in of 398.6 million euros from the tower sale deal to Cellnex (assets sale of 374 million euros, NOS Towering cash in the amount of 45 million euros and working capital and others in the amount of minus 20.4 million euros) less the cash within NOS Towering at the time of its sale (45 million euros). As a result, total FCF before dividends in the quarter amounted to 470.2 million euros. Operational FCF was 137.6 million euros reflecting lower EBITDA and an increase in working capital and non-cash adjustments, partly due to the one-off effect of 20.4 million euros related to the NOS Towering disposal, as mentioned above. Cash lease payments were stable yoy however it is important to highlight that this line will increase as from 4Q20 due to the conclusion of the tower sale and long term lease agreement with Cellnex. Additional items impacting total FCF, were an increase in cash taxes to 20.7 million euros – related with phasing of payment to tax authorities.

In conclusion, for the first 9 months of 2020, total FCF before dividends amounted to 470.2 million euros – a reflection of the resilience of underlying FCF (96.2 million euros Ytd, ex-tower assets sale) and the significant amount of available funds to meet ongoing investment commitments and still maintain a sustainable level of shareholder remuneration, without compromising the strength of our balance sheet.

## Consolidated Balance Sheet

<b>Balance Sheet</b> (Millions of Euros)	9M19	2019	<b>9M20</b>	9M20 / 9M19
Non-current Assets	2,521.6	2,534.3	2,488.9	(1.3%)
Current Assets	569.3	553.8	621.5	9.2%
<b>Total Assets</b>	<b>3,090.8</b>	<b>3,088.2</b>	<b>3,110.4</b>	<b>0.6%</b>
Total Shareholders' Equity	1,011.7	1,012.3	944.3	(6.7)%
Non-current Liabilities	1,265.9	1,333.3	1,456.9	15.1%
Current Liabilities	813.3	742.5	709.1	(12.8)%
<b>Total Liabilities</b>	<b>2,079.1</b>	<b>2,075.9</b>	<b>2,166.1</b>	<b>4.2%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,090.8</b>	<b>3,088.2</b>	<b>3,110.4</b>	<b>0.6%</b>

## Capital Structure

At the end of 9M20, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,347.9 million euros. Net Financial Debt stood at 771.5 million euros with a cash and short-term investment position on the balance sheet of 180.3 million euros. The increase in Total Net Debt, as well as the decline of Net Financial Debt in 3Q20, are linked to the completion of the NOS Towering deal with Cellnex.

At the end of 9M20, NOS also had 415 million euros in unissued commercial paper programmes.

Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.4x. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that NOS is committed to maintain.

The all-in average cost of debt stood at 1.2% for 9M20, which compares with 1.5% for 9M19.

The average maturity of debt at the end of 9M20 was 2.6 years. Taking into account loans issued at a fixed rate and interest rate hedging operations in place, as at 30 September 2020, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 70%.

On 27 March, NOS announced that it had reached agreements regarding the contractual terms for three financing deals for a total amount of 280 million euros, with three banking institutions:

- 100 million euros maturing in 2025, with Santander, to refinance existing facilities that mature in 2020;
- 90 million euros with BPI and 90 million euros with BBVA, both maturing in 12 months with a view to increase liquidity.

These transactions will enable NOS to refinance all facilities maturing in 2020 and will significantly increase its liquidity position, whilst increasing average debt maturity and maintaining a very attractive average cost of debt.

<b>Net Financial Debt</b> (Millions of Euros)	9M19	2019	<b>9M20</b>	9M20 / 9M19
Short Term	171.6	84.6	97.2	(43.4%)
Medium and Long Term	948.8	1,021.8	854.6	(9.9%)
Total Debt	1,120.4	1,106.4	951.8	(15.1%)
Cash and Short Term Investments	31.2	12.8	180.3	478.3%
Net Financial Debt <sup>(1)</sup>	1,089.3	1,093.6	771.5	(29.2%)
Net Financial Debt / EBITDA after lease payments (last 4 quarters) <sup>(2)</sup>	1.9x	1.9x	1.4x	n.a.
Leasings and Long Term Contracts	239.8	253.7	576.4	140.3%
Net Debt	1,329.1	1,347.3	1,347.9	1.4%
Net Debt / EBITDA	2.1x	2.1x	2.2x	n.a.
Net Financial Gearing <sup>(3)</sup>	57.0%	57.3%	59.0%	2.0pp

(1) Net Financial Debt = Borrowings - Leasings - Cash

(2) EBITDA After Lease Payments = EBITDA - Lease Cash Payments (Capital & Interest)

(3) Net Financial Gearing = Net Debt / (Net Debt + Total Shareholders' Equity).

## Transactions of Own Shares

By the end of 9M20, NOS held, within the scope of its Employee Share Plan and the Regulation on Short and Medium Term Variable Remuneration, aimed at NOS employees, 3,069,601 own shares.

The table below summarizes NOS' own shares transactions, which took place until 30 September 2020:

Description	Number of Shares
Initial Balance	2,595,541
Acquisition	1,440,000
Share Incentive Scheme and Other Remuneration - Distribution	965,940
<b>Final Balance</b>	<b>3,069,601</b>

# Consolidated Financial Statements

## Condensed consolidated statement of financial position at 30 September 2019, 31 December 2019 and 30 September 2020

(Amounts stated in thousands of euros)

	NOTES	30-09-2019	31-12-2019	30-09-2020
<b>ASSETS</b>				
<b>NON - CURRENT ASSETS:</b>				
Tangible assets	7	1,044,520	1,034,813	968,165
Investment property		657	653	641
Intangible assets	8	1,017,895	1,014,066	1,002,703
Contract costs	9	161,670	163,101	160,712
Rights of use	10	196,909	218,383	253,578
Investments in jointly controlled companies and associated companies	11	21,786	18,244	10,742
Accounts receivable - other	12	4,416	4,064	7,744
Tax receivable	13	149	149	149
Other financial assets non-current		226	439	526
Deferred income tax assets	14	73,330	80,428	83,927
<b>TOTAL NON - CURRENT ASSETS</b>		<b>2,521,558</b>	<b>2,534,342</b>	<b>2,488,888</b>
<b>CURRENT ASSETS:</b>				
Inventories	15	40,924	34,081	50,638
Accounts receivable - trade	16	350,054	361,712	258,710
Contract assets	17	68,643	68,059	64,901
Accounts receivable - other	12	24,557	28,128	22,560
Tax receivable	13	3,140	4,631	7,360
Prepaid expenses	18	50,057	43,954	36,577
Non-current assets held-for-sale		600	450	450
Derivative financial instruments	19	106	-	-
Cash and cash equivalents	20	31,173	12,819	180,268
<b>TOTAL CURRENT ASSETS</b>		<b>569,254</b>	<b>553,834</b>	<b>621,465</b>
<b>TOTAL ASSETS</b>		<b>3,090,811</b>	<b>3,088,176</b>	<b>3,110,353</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	21.1	5,152	5,152	5,152
Capital issued premium	21.2	854,219	854,219	854,219
Own shares	21.3	(11,639)	(14,655)	(13,798)
Legal reserve	21.4	1,030	1,030	1,030
Other reserves and accumulated earnings	21.4	17,749	16,041	12,091
Net Income		138,093	143,494	79,121
<b>EQUITY BEFORE NON - CONTROLLING INTERESTS</b>		<b>1,004,604</b>	<b>1,005,281</b>	<b>937,815</b>
Non-controlling interests	22	7,059	7,042	6,467
<b>TOTAL EQUITY</b>		<b>1,011,663</b>	<b>1,012,322</b>	<b>944,282</b>
<b>LIABILITIES</b>				
<b>NON - CURRENT LIABILITIES:</b>				
Borrowings	23	1,111,541	1,216,847	1,366,397
Provisions	24	132,295	94,959	77,992
Accounts payable - other	28	4,916	3,855	1,554
Accrued expenses	25	545	667	386
Deferred income	26	5,226	5,123	4,828
Derivative financial instruments	19	216	265	610
Deferred income tax liabilities	14	11,148	11,626	5,165
<b>TOTAL NON - CURRENT LIABILITIES</b>		<b>1,265,888</b>	<b>1,333,343</b>	<b>1,456,932</b>
<b>CURRENT LIABILITIES:</b>				
Borrowings	23	248,752	143,281	161,758
Accounts payable - trade	27	262,291	259,499	242,795
Accounts payable - other	28	32,788	33,835	29,415
Tax payable	13	35,616	68,202	61,110
Accrued expenses	25	201,977	203,726	187,512
Deferred income	26	31,682	33,834	26,098
Derivative financial instruments	19	155	135	451
<b>TOTAL CURRENT LIABILITIES</b>		<b>813,260</b>	<b>742,511</b>	<b>709,139</b>
<b>TOTAL LIABILITIES</b>		<b>2,079,148</b>	<b>2,075,854</b>	<b>2,166,071</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>3,090,811</b>	<b>3,088,176</b>	<b>3,110,353</b>

As a standard practice, only the annual accounts are audited, therefore the quarterly amounts were not audited autonomously.

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 30 September 2020.

The Chief Accountant

The Board of Directors

## Condensed consolidated statement of income by nature for the nine months ended on 30 September 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	3° QUARTER 19 REPORTED	9M 19 REPORTED	3° QUARTER 19 RESTATED*	9M 19 RESTATED*	3° QUARTER 20	9M 20
<b>REVENUES:</b>							
Services rendered		375,307	1,105,708	342,356	1,012,542	320,407	944,369
Sales		22,263	61,078	22,263	61,078	21,788	57,099
Other operating revenues		5,876	18,397	5,876	18,397	4,747	12,109
	29	<b>403,445</b>	<b>1,185,182</b>	<b>370,495</b>	<b>1,092,017</b>	<b>346,942</b>	<b>1,013,577</b>
<b>COSTS, LOSSES AND GAINS:</b>							
Wages and salaries	30	21,989	62,383	21,874	62,115	21,308	63,455
Direct costs	31	126,161	376,787	94,144	285,414	87,492	248,696
Costs of products sold	32	14,293	42,246	14,293	42,246	18,952	49,480
Marketing and advertising		8,965	21,561	8,965	21,561	4,135	14,459
Support services	33	19,343	59,816	19,343	59,816	19,464	61,226
Supplies and external services	33	28,862	84,889	28,861	84,718	22,532	73,329
Operating losses/(gains)		139	393	139	393	102	388
Indirect taxes		7,149	24,490	7,097	24,438	8,114	24,492
Provisions and adjustments	34	3,143	7,280	3,107	7,244	4,255	6,858
Depreciations, amortisations and impairment losses	7, 8, 9 e 36	97,513	297,974	97,511	297,972	103,579	305,245
Restructuring costs	37	2,755	7,019	2,755	7,019	3,492	4,490
Losses / (gains) on sale of assets, net		(207)	(645)	(207)	(645)	(169)	(290)
Other losses / (gains) non recurrent net	38	4,345	7,634	4,345	7,634	994	49,660
		<b>334,450</b>	<b>991,827</b>	<b>302,227</b>	<b>899,926</b>	<b>294,250</b>	<b>901,488</b>
<b>INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES</b>							
		<b>68,994</b>	<b>193,355</b>	<b>68,268</b>	<b>192,092</b>	<b>52,693</b>	<b>112,090</b>
Net losses / (gains) of affiliated companies	11 e 35	(1,007)	(2,296)	(1,007)	(2,296)	(634)	9,128
Financial costs	39	5,812	16,450	5,812	16,450	4,059	13,310
Net foreign exchange losses / (gains)		12	(36)	(5)	(53)	252	458
Net losses / (gains) on financial assets		(4)	(9)	(4)	(9)	(4)	51
Net other financial expenses / (income)	39	997	2,766	996	2,765	963	2,733
		<b>5,811</b>	<b>16,875</b>	<b>5,792</b>	<b>16,857</b>	<b>4,636</b>	<b>25,680</b>
<b>INCOME BEFORE TAXES</b>							
		<b>63,183</b>	<b>176,480</b>	<b>62,476</b>	<b>175,235</b>	<b>48,058</b>	<b>86,411</b>
Income taxes	14	15,267	38,618	15,107	38,337	3,961	14,269
<b>NET CONSOLIDATED INCOME FROM CONTINUING OPERATIONS</b>							
		<b>47,916</b>	<b>137,862</b>	<b>47,369</b>	<b>136,897</b>	<b>44,097</b>	<b>72,142</b>
Net consolidated income from discontinued operations	45	-	-	550	967	-	6,407
<b>NET CONSOLIDATED INCOME</b>							
		<b>47,916</b>	<b>137,862</b>	<b>47,920</b>	<b>137,864</b>	<b>44,097</b>	<b>78,549</b>
<b>ATTRIBUTABLE TO:</b>							
NOS Group Shareholders		47,897	138,093	47,897	138,093	44,135	79,121
Non-controlling interests	22	19	(231)	19	(231)	(39)	(573)
<b>EARNINGS PER SHARES</b>							
Basic - euros	40	0.09	0.27	0.09	0.27	0.09	0.15
Diluted - euros	40	0.09	0.27	0.09	0.27	0.09	0.15
<b>EARNINGS PER SHARES FROM CONTINUING OPERATIONS</b>							
Basic - euros	40	0.09	0.27	0.09	0.27	0.09	0.14
Diluted - euros	40	0.09	0.27	0.09	0.27	0.09	0.14

\* Restatement resulting from the classification of NOS International Carrier Services as a discontinued operating unit (note 45).

As a standard practice, only the annual accounts are audited, therefore the quarterly amounts were not audited autonomously.

The Notes to the Financial Statements form an integral part of the consolidated statement of income by nature for the nine months ended on 30 September 2020.

The Chief Accountant

The Board of Directors



## Condensed consolidated statement of comprehensive income for the nine months ended on 30 September 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	3° QUARTER 19 REPORTED	9M 19 REPORTED	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
<b>NET CONSOLIDATED INCOME</b>		<b>47,916</b>	<b>137,862</b>	<b>47,916</b>	<b>137,862</b>	<b>44,097</b>	<b>78,549</b>
<b>OTHER INCOME</b>							
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:</b>							
Accounting for equity method	11	86	(72)	86	(72)	(809)	(2,776)
Fair value of interest rate swap	19	270	1,081	270	1,081	(117)	(130)
Deferred income tax - interest rate swap	19	(61)	(243)	(61)	(243)	26	29
Fair value of equity swaps	19	(299)	(481)	(299)	(481)	88	(36)
Deferred income tax - equity swap	19	67	108	67	108	(20)	8
Currency translation differences and others		-	(143)	-	(143)	(73)	(320)
<b>INCOME RECOGNISED DIRECTLY IN EQUITY</b>		<b>63</b>	<b>250</b>	<b>63</b>	<b>250</b>	<b>(905)</b>	<b>(3,225)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>47,979</b>	<b>138,112</b>	<b>47,979</b>	<b>138,112</b>	<b>43,192</b>	<b>75,323</b>
<b>ATTRIBUTABLE TO:</b>							
NOS Group Shareholders		48,120	138,343	48,120	138,343	43,231	75,896
Non-controlling interests		(141)	(231)	(141)	(231)	(39)	(573)
		<b>47,979</b>	<b>138,112</b>	<b>47,979</b>	<b>138,112</b>	<b>43,192</b>	<b>75,323</b>

As a standard practice, only the annual accounts are audited, therefore the quarterly amounts were not audited autonomously.

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the nine months ended on 30 September 2020.

The Chief Accountant

The Board of Directors

## Condensed consolidated statement of changes in shareholders' equity for the nine months ended on 30 September 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS						NON-CONTROLLING INTERESTS	TOTAL
		SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME		
<b>BALANCE AS AT 1 JANUARY 2019</b>		<b>5,152</b>	<b>854,219</b>	<b>(12,132)</b>	<b>1,030</b>	<b>60,276</b>	<b>137,770</b>	<b>7,296</b>	<b>1,053,611</b>
Result appropriation									
Transfers to reserves		-	-	-	-	137,770	(137,770)	-	-
Dividends paid		-	-	-	-	(179,607)	-	-	(179,607)
Acquisition of own shares	21.3	-	-	(3,547)	-	-	-	-	(3,547)
Distribution of own shares - share incentive scheme	21.3	-	-	3,702	-	(3,702)	-	-	-
Distribution of own shares - other remunerations	21.3	-	-	338	-	(60)	-	-	277
Share Plan - costs incurred in the period and others		-	-	-	-	2,823	-	(6)	2,817
Comprehensive Income		-	-	-	-	250	138,093	(231)	138,112
<b>BALANCE AS AT 30 SEPTEMBER 2019</b>		<b>5,152</b>	<b>854,219</b>	<b>(11,639)</b>	<b>1,030</b>	<b>17,749</b>	<b>138,093</b>	<b>7,059</b>	<b>1,011,663</b>
<b>BALANCE AS AT 1 JANUARY 2020</b>		<b>5,152</b>	<b>854,219</b>	<b>(14,655)</b>	<b>1,030</b>	<b>16,041</b>	<b>143,494</b>	<b>7,042</b>	<b>1,012,322</b>
Result appropriation									
Transfers to reserves		-	-	-	-	143,494	(143,494)	-	-
Dividends paid		-	-	-	-	(142,516)	-	-	(142,516)
Acquisition of own shares	21.3	-	-	(4,584)	-	-	-	-	(4,584)
Distribution of own shares - share incentive scheme	21.3	-	-	4,931	-	(4,931)	-	-	-
Distribution of own shares - other remunerations	21.3	-	-	510	-	(276)	-	-	234
Share Plan - costs incurred in the period and others	44	-	-	-	-	3,504	-	(2)	3,502
Comprehensive Income		-	-	-	-	(3,225)	79,121	(573)	75,323
<b>BALANCE AS AT 30 SEPTEMBER 2020</b>		<b>5,152</b>	<b>854,219</b>	<b>(13,798)</b>	<b>1,030</b>	<b>12,091</b>	<b>79,121</b>	<b>6,467</b>	<b>944,282</b>

As a standard practice, only the annual accounts are audited, therefore the quarterly amounts were not audited autonomously.

The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the nine months ended on 30 September 2020.

The Chief Accountant

The Board of Directors

## Condensed consolidated statement of cash flows for the nine months ended on 30 September 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	9M 19	9M 20
<b>OPERATING ACTIVITIES</b>			
Collections from clients		1,388,677	1,234,658
Payments to suppliers		(702,684)	(567,234)
Payments to employees		(81,322)	(80,475)
Receipts / (Payments) relating to income taxes		(8,762)	(20,669)
Other cash receipts / (payments) related with operating activities		(32,505)	(46,417)
<b>CASH FLOW FROM OPERATING ACTIVITIES (1)</b>		<b>563,404</b>	<b>519,863</b>
<b>INVESTING ACTIVITIES</b>			
<b>CASH RECEIPTS RESULTING FROM</b>			
Financial investments		91	-
Disposal of discontinued operating unit	45	-	2,103
Tangible assets		1,620	374,649
Interest and related income		3,700	2,087
		<b>5,411</b>	<b>378,839</b>
<b>PAYMENTS RESULTING FROM</b>			
Tangible assets		(216,946)	(173,449)
Intangible assets and contract costs		(143,840)	(145,103)
		<b>(360,786)</b>	<b>(318,552)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (2)</b>		<b>(355,375)</b>	<b>60,287</b>
<b>FINANCING ACTIVITIES</b>			
<b>CASH RECEIPTS RESULTING FROM</b>			
Borrowings		299,000	268,503
		<b>299,000</b>	<b>268,503</b>
<b>PAYMENTS RESULTING FROM</b>			
Borrowings		(206,833)	(414,827)
Lease rentals (principal)		(48,520)	(49,014)
Interest and related expenses		(22,086)	(18,023)
Dividends	21.4	(179,607)	(142,516)
Aquisition of own shares	21.3	(3,547)	(3,338)
		<b>(460,593)</b>	<b>(627,718)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES (3)</b>		<b>(161,593)</b>	<b>(359,215)</b>
Change in cash and cash equivalents (4)=(1)+(2)+(3)		46,436	220,935
Effect of exchange differences		30	(95)
Cash and cash equivalents at the beginning of the year		(17,754)	(41,772)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>28,712</b>	<b>179,068</b>
Cash and cash equivalents	20	31,173	180,268
Bank overdrafts	23	(2,461)	(1,200)
		<b>28,712</b>	<b>179,068</b>

As a standard practice, only the annual accounts are audited, therefore the quarterly amounts were not audited autonomously.

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the nine months ended on 30 September 2020.

The Chief Accountant

The Board of Directors

## Notes to the condensed consolidated financial statements as at 30 September 2020

(Amounts stated in thousands of euros, unless otherwise stated)

### 1. Introductory Note

NOS, SGPS, S.A. ("NOS", "NOS SGPS" or "Company"), formerly named ZON OPTIMUS, SGPS, S.A. ("ZON OPTIMUS") and until 27 August 2013, named ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("ZON"), with Company headquarters registered at Rua Actor António Silva, n.º9, Campo Grande, was established by Portugal Telecom, SGPS, S.A. ("Portugal Telecom") on 15 July 1999 for the purpose of implementing its multimedia business strategy.

During the 2007 financial year, Portugal Telecom proceeded with the spin-off of ZON through the attribution of its participation in the company to their shareholders, which become fully independent from Portugal Telecom.

During the 2013 financial year, ZON and Optimus, SGPS, S.A. ("Optimus SGPS") have merged through the incorporation of Optimus SGPS into ZON. Thereafter, the Company adopted the designation of ZON OPTIMUS, SGPS, S.A..

On 20 June 2014, because of the launch of the new brand "NOS" on 16 May 2014, the General Meeting of Shareholders approved the change of the Company's name to NOS, SGPS, S.A..

The businesses operated by NOS and its associated companies, form the "NOS Group" or "Group", which includes cable and satellite television services, voice and Internet access services, video production and sale, advertising on Pay TV channels, cinema exhibition and distribution, the production of channels for Pay TV, management of datacentres and consulting services in IT.

NOS shares are listed on the Euronext Lisbon market. The shareholders' structure of the Group as at 30 September 2020 is shown in Note 21.

The business of NOS Comunicações, S.A. ("NOS SA") and its subsidiaries, NOS Açores, NOS Madeira, NOS International Carrier Services (operational unit disposed on 29 July 2020) and NOS wholesale. These companies carry out: a) cable and satellite television distribution; b) the operation of the latest generation mobile communication network, GSM/UMTS/LTE; c) the operation of electronic communications services, including data and multimedia communication services in general; d) IP voice services ("VOIP" - Voice over IP); e) Mobile Virtual Network Operator ("MVNO"), and f) the provision of consultancy and similar services directly or indirectly related to the above mentioned activities and services. The business of these companies is regulated by Law no. 5/2004 (Electronic Communications Law), which establishes the legal regime governing electronic communications networks and services.

NOSPUB and NOS Lusomundo TV operate in the television and content production business, and currently produce films and series channels, which are distributed, among other operators, by NOS SA and its subsidiaries. NOSPUB also manages the advertising space on Pay TV channels and in the cinemas of NOS Cinemas.

NOS Audiovisuais and NOS Cinemas, together with their associated companies, operate in the audiovisual sector, which includes video production and sale, cinema exhibition and distribution, and the acquisition/negotiation of Pay TV and VOD (video-on-demand) rights.

NOS Sistemas is a company dedicated to datacentre management and consulting services in IT.

NOS Inovação main activities are conducting and stimulating scientific activities of R&D (it owns all the intellectual property developed within the NOS Group, intending to guarantee the return of the initial investment through the commercialization of patents and concessions regarding commercial operation, as a result of the creation of new products and services), the demonstration, disclosure, technology and training transfers in the services and information management domains as well as fixed and mobile solutions of the latest generation of TV, internet, voice and data solutions.

These notes to the Financial Statements follow the order in which the items are shown in the consolidated financial statements.

The consolidated financial statements for the nine months ended on 30 September 2020 were approved by the Board of Directors and their issue authorised on 4 November 2020.

The Board of Directors believes that these financial statements give a true and fair view of the Group's operations, financial performance, and consolidated cash flows.

## 2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are described below. These policies were consistently applied to all the financial years presented, unless otherwise stated.

### 2.1. Principles of presentation

The consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Therefore, these financial statements do not include all the information required by IFRS, so they must be read in conjunction with the consolidated financial statements for the year ended on 31 December 2019.

The consolidated financial statements are presented in euros as this is the main currency of the Group's operations and all amounts are presented in thousands of euros, except when referred to the financial statements of subsidiaries located abroad were converted into euros in accordance with the accounting policies described in Note 2.3.20.

The consolidated financial statements were prepared on a going concern basis from the ledgers and accounting records of the companies included in the consolidation (Annex A)), using the historical cost convention, adjusted when necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value (Note 2.3.23).

In preparing the consolidated financial statements in accordance with IFRS, the Board used estimates, assumptions, and critical judgments with impact on the value of assets and liabilities and the recognition of income and costs in each reporting period. Although these estimates were based on the best information available at the date of preparation of the consolidated financial

statements, current and future results may differ from these estimates. The areas involving a higher element of judgment and estimates are described in Note 3.

The group presents a statement of financial position at the beginning of the previous comparative period when there is a retrospective application of an accounting policy, a retrospective restatement or a material reclassification of items in the financial statements. Similarly, the income statements by nature are restated. During the nine months ended on 30 September 2020, the income statements by nature related to the nine months ended on 30 September 2019, were restated due to the disposal of NOS International Carrier Services and respective classification as discontinued unit (Note 45).

In the preparation and presentation of the consolidated financial statements, the NOS Group declares that it complies explicitly and without reservation with IAS/IFRS reporting standards and related SIC/IFRIC interpretations as approved by the European Union.

### Changes in accounting policies and disclosures

The standards and interpretations that became effective in between 1 January 2020 and the date approval of these financial statements are as follows:

- IFRS 3 (amendment), "Business Combinations" (effective for periods beginning on or after 1 January 2020). The intent of the amendment to the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets.
- IAS 1 e IAS 8 (amendment), "Definition of material" (effective for periods beginning on or after 1 January 2020). The intent of amending the standard is to clarify the definition of material and to align the definition used in international financial reporting standards.
- Update of the interest rate reference (issued on 26 September 2019, to be applied for annual periods beginning on or after 1 January 2020). The purpose of this update is to change the standards of financial instruments provided in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.
- Improvements to international financial reporting standards (issued on 29 March 2018, to be applied for annual periods beginning on or after 1 January 2020). These improvements involve reviewing various standards.
- IFRS 16 (amendment), "Leases" (to be applied for periods beginning on or after 1 January 2020). The intent of the amendment is to allow the lessees, as a practical expedient, to not treat alterations/concessions related to COVID-19 as a modification to the lease agreement. The amendment does not affect the lessor.

No material impacts are estimated on the Company's financial statements from the application of these standards and amendments, with exception to the application of IFRS 16, that originated less costs on the "Supplies and External Services" item, of approximately 4 million euros (Note 33).

At the date of approval of these financial statements, there are no standards and interpretations endorsed by the European Union, whose mandatory application occurs in future financial years.

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union, until the date of approval of these financial statements:

- IFRS 17 (new), "Insurance Contracts" (effective for periods beginning on or after 1 January 2021). The general objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts between entities that issue them globally.
- IAS 1 (amendment), "Presentation of financial statements". The change of this standard is intended to clarify the classification of liabilities as current or non-current.
- Improvements to international financial reporting standards 2018-2020 (issued on 14 May 2020, to be applied to annual periods beginning on or after 1 January 2022). These improvements involve the revision of several standards.
- IFRS 4 (amendment), "Insurance Contracts" (issued on 25 June 2020, to be applied in annual periods beginning on or after 1 January 2021). This amendment seeks to address concerns arising from the application of IFRS 9 before the new IFRS 17.
- Update of the interest rate reference (issued on August 28, 2020, to be applied to periods beginning on or after 1 January 2021). This update complements the one issued on September 26, 2019, and aims to change the financial instruments patterns, provided on IFRS 19 Financial Instruments, IAS 39 Financial Instruments: Recognition, Measurement and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The Group has been evaluating the impact of these amendments. It will apply this standard once it becomes effective or when earlier application is permitted.

## 2.2. Bases of consolidation

### Controlled companies

Controlled companies were consolidated by the full consolidation method. Control is deemed to exist when the Group is exposed or has rights, because of their involvement, to a variable return of the entity's activities, and has capacity to affect this return through the power over the entity. Namely, when the Company directly or indirectly holds a majority of the voting rights at a General Meeting of Shareholders or has the power to determine the financial and operating policies. In situations where the Company has, in substance, control of other entities created for a specific purpose, although it does not directly hold equity in them, such entities are consolidated by the full consolidation method. The entities in these situations are listed in Annex A).

The interest of third parties in the equity and net profit of such companies' income presented separately in the consolidated statement of financial position and in the consolidated statement, respectively, under the item "Non-controlling Interests" (Note 22).

The identifiable acquired assets and the liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the existence of non-controlled interests. The excess of acquisition cost over the fair value of the Group's share of identifiable acquired assets and liabilities is stated in Goodwill. When the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

The interests of minority shareholders are initially recognised as their proportion of the fair value of the identifiable assets and liabilities.

On the acquisition of additional equity shares in companies already controlled by the Group, the difference between the share of capital acquired and the corresponding acquisition value is recognised directly in equity.

When an increase in position in the capital of an associated company results in the acquisition of control, with the latter being included in the consolidated financial statements by the full consolidation method, the share of the fair values assigned to the assets and liabilities, corresponding to the percentages previously held, is stated in the income statement.

The directly attributable transaction costs are recognised immediately in profit or loss.

The results of companies acquired or sold during the year are included in the income statements as from the date of obtaining control or until the date of their disposal, respectively.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction shows evidence of impairment of the transferred asset.

When necessary, adjustments are made to the financial statements of controlled companies in order to align their accounting policies with those of the Group.

### Jointly controlled companies

The classification of investments as jointly controlled companies is determined based on the existence of shareholder agreements, which show and regulate the joint control. Financial investments of jointly controlled companies (Annex C) are stated by the equity method. Under this method, financial investments are adjusted periodically by an amount corresponding to the share in the net profits of jointly controlled companies, as a contra entry in "Losses / (gains) of affiliated companies" in the income statement before financial results and taxes. Direct changes in the post-acquisition equity of jointly controlled companies are recognised as the value of the shareholding as a contra entry in reserves, in equity.

Additionally, financial investments may also be adjusted for recognition of impairment losses.

Any excess of acquisition cost over the fair value of identifiable net assets and liabilities (goodwill) is recorded as part of the financial investment of jointly controlled companies and subject to impairment testing when there are indicators of loss of value. When the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

Losses in jointly controlled companies, which exceed the investment made in them, are not recognised, except when the Group has entered into undertakings with that company.

Dividends received from these companies are recorded as a reduction in the value of the financial investments.

### Associated companies

An associated company is a company in which the Group exercises significant influence through participation in decisions about its financial and operating policies, but in which does not have control or joint control.

Any excess of the acquisition cost of a financial investment over the fair value of the identifiable net assets is recorded as goodwill and is added to the value of the financial investment and its recovery is reviewed annually or whenever there are indications of possible loss of value. When the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the statement of comprehensive income in the period in which the acquisition occurs.



Financial investments in the majority of associated companies (Annex B)) are stated by the equity method. Under this method, financial investments are adjusted periodically by an amount corresponding to the share in the net profits of associated companies, as a contra entry in "Losses / (gains) of affiliated companies" in the income statement. Direct changes in the post-acquisition equity of associated companies are recognised as the value of the shareholding as a contra entry in reserves, in equity. Additionally, financial investments may also be adjusted for recognition of impairment losses.

Losses in associated companies, which exceed the investment made in them, are not recognised, except when the Group has entered into undertakings with that associated company.

Dividends received from these companies are recorded as a reduction in the value of the financial investments.

### Holdings in entities without significant influence

Investments made by the Group in entities where it does not have significant influence are initially recorded at cost and subsequently measured at fair value through profit or loss.

These investments are presented under "Other financial assets non-current" in the statement of financial position and changes in fair value are recorded against "Net losses / (gains) of affiliated companies" in the statement of income.

### Balances and transactions between group companies

Balances and transactions as well as unrealised gains between Group companies, and between them and the parent company, are eliminated in the consolidation.

The part of unrealised gains arising from transactions with associated companies or jointly controlled companies attributable to the Group is eliminated in the consolidation. Unrealised losses are similarly eliminated except when they show evidence of impairment of the transferred asset.

## 2.3. Accounting policies

### 2.3.1. Segment reporting

As stipulated in IFRS 8, the Group presents operating segments based on internally produced management information.

Operating segments are reported consistently with the internal management information model provided to the chief operating decision maker of the Group, who is responsible for allocating resources to the segment and for assessing its performance, and for taking strategic decisions.

### 2.3.2. Classification of the statement of financial position and income statement

Realisable assets and liabilities due in less than one year from the date of the statement of financial position are classified as current in assets and liabilities, respectively.

In accordance with IAS 1, "Integration costs", "Losses / (gains) on disposal of assets" and "Other non-recurring costs / (gains)" reflect unusual costs and revenues, that should be disclosed separately from the usual cost and revenues lines, in order to avoid distortion of the financial information from regular operations, and be consistent with the way the group's financial performance is analysed and monitored by management. These unusual costs and revenues may not be comparable to similarly titled measures used by other companies. When determining

whether an event or transaction is unusual, management considers both quantitative and qualitative factors. Examples of unusual costs and revenues are: business restructuring programs and respective compensation; regulatory affairs and lawsuits; extraordinary impairment of assets due to the reduction of their recoverable amount, among others. If costs and revenues meet these criteria, which are applied consistently from year to year, they are treated as unusual and presented in the specific lines above.

In the nine months ended on 30 September 2020, "Other non-recurring costs / (gains)" refer, predominantly, to costs incurred with Covid-19. These costs, directly attributable to the coronavirus outbreak, are both: a) incremental to the costs incurred before the outbreak and which are not expected to occur once the crisis has subsided and operations have returned to normal; and b) clearly separable from the Group's current operations. Namely, a) expenses with expected credit losses resulting from the prospect of significant worsening of bad debt, as a result of the economic downturn and increased unemployment, b) losses with contracts that became onerous due to the pandemic, c) charges with PPE and the purchase and more complete and / or more frequent use of cleaning and disinfection products in the facilities, d) temporary premium payments to compensate employees for the performance of their normal tasks at high exposure to coronavirus, among others.

### 2.3.3. Tangible assets

Tangible assets are stated at acquisition cost, less accumulated depreciation and impairment losses, when applicable. Acquisition cost includes, in addition to the purchase price of the asset: (i) costs directly attributable to the purchase; and (ii) the estimated costs of decommissioning and removal of the assets and restoration of the site, which in Group applies to the cinema operation business, telecommunication towers and offices (Note 7).

Estimated losses resulting from the replacement of equipment before the end of its useful life due to technological obsolescence are recognised by a deduction, from the corresponding asset as a contra entry in profit and loss. The costs of current maintenance and repairs are recognised as a cost when they are incurred. Significant costs incurred on renovations or improvements to the asset are capitalised and depreciated over the corresponding estimated payback period when it is probable that there will be future economic benefits associated with the asset and when these can be measured reliably.

### Non-current assets held for sale

Non-current assets (or discontinued operations), are classified as held for sale if their value is realisable through a sale transaction rather than through their continued use.

This situation is deemed to arise only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition; (ii) the Group has given an undertaking to sell; and (iii) it is expected that the sale will be realised within 12 months. In this case, non-current assets are valued at the lesser of their book value or their fair value less the sale costs.

From the time that certain tangible assets become deemed as "held for sale", the depreciation of such assets ceases and they are classified as non-current assets held for sale. Gains and losses on disposals of tangible assets, corresponding to the difference between the sale price and the net book value, are recognised in results in "Losses / (gains) on disposals of assets".

## Depreciation

Tangible assets are depreciated from the time they are completed or ready to be used. These assets, less their residual value, are depreciated by the straight-line method, in twelfths, from the month in which they become available for use, according to the useful life of the assets defined as their estimated utility.

The depreciation rates used correspond to the following estimated useful lives:

	2019 (YEARS)	2020 (YEARS)
Buildings and other constructions	2 - 50	2 - 50
Technical equipment:		
Network Installations and equipment	7 - 40	7 - 40
Terminal equipment	2 - 8	2 - 8
Other technical equipment	1 - 16	1 - 16
Transportation equipment	3 - 4	3 - 4
Administrative equipment	2 - 10	2 - 10
Other tangible assets	4 - 8	4 - 8

### 2.3.4. Intangible assets

Intangible assets are stated at acquisition cost, less accumulated amortisation and impairment losses, when applicable. Recognised only when they generate future economic benefits for the Group and when they can be measured reliably.

Intangible assets consist mainly of goodwill, telecom and software licenses, content utilisation rights and other contractual rights.

#### Goodwill

Goodwill represents the excess of acquisition cost over the net fair value of the assets, liabilities, and contingent liabilities of a subsidiary, jointly controlled company or associated company at the acquisition date, in accordance with IFRS 3.

Goodwill is recorded as an asset and included in "Intangible assets" (Note 8) in the case of a controlled company or in the case in which the excess of cost has been originated by a merger, and in "Financial investments in group companies" (Note 11) in the case of a jointly controlled company or an associated company.

Goodwill is not amortised and is subject to impairment tests at least once a year, on a specified date, and whenever there are changes in the test's underlying assumptions at the date of the statement of financial position which may result in a possible loss of value. Any impairment loss is recorded immediately in the income statement in "Impairment losses" and is not liable to subsequent reversal.

For the purposes of impairment tests, goodwill is attributed to the cash-generating units to which it is related (Note 8), which may correspond to the business segments in which the Group operates, or a lower level.

#### Internally generated intangible assets

Internally generated intangible assets, including expenditure on research, are expensed when they are incurred. Research and development costs are only recognised as assets when the technical capability to complete the intangible asset is demonstrated and when it is available for use or sale.

## Industrial property and other rights

Assets classified under this item relate to the rights and licenses acquired under contract by the Group to third parties and used in realising the Group's activities, and include:

- Telecom licenses;
- Software licenses;
- Content utilisation rights;
- Other contractual rights.

The content exploration rights are recorded in the consolidated statement of financial position, as intangible assets, when the following conditions are fulfilled: (i) there is control over the content, (ii) the Company has the right to choose the way to explore the content, and (iii) it is available for exhibition.

The conclusion of contracts relating to sports contents, which are not immediately available, originates rights that are initially classified as contractual commitments.

In the specific case of broadcasting rights of sports competitions, these are recognised as assets when the necessary conditions to organise each sports competition are present, which occurs in the homologation date of the participating teams in the competition that is being held in the sports season to be initiated, by the organizing entity, taking into consideration that it is from that date that the conditions for the recognition of an asset are present, namely, the unequivocal attainment of the exploration rights of the games of the stated season. In this situation, the stated rights are recognised in the income statement in "Depreciation, amortisation, and impairment losses", by the linear method, by twelfths, starting from the beginning of the month in which they are available for use.

Resulting from agreements concluded for the cession of the exclusive rights to exploit sports content, and as it is permitted by IAS 1, since 2017, NOS presents the net assets and liabilities of the values ceded to other operators, considering that this compensation best reflects the substance of the transactions.

## Intangible assets in-progress

Group companies periodically carry out an impairment assessment of intangible assets in-progress. This impairment assessment is also carried out whenever events or changes in circumstances indicate that the amount at which the asset is recorded may not be recoverable. When such indications exist, the Group calculates the recoverable value of the asset in order to determine the existence and extent of the impairment loss.

## Amortisation

These assets are amortised by the straight-line method, in twelfths, from the beginning of the month in which they become available for use.

The amortisation rates used correspond to the following estimated useful lives:

	2019 (YEARS)	2020 (YEARS)
Telecom licences	30 - 33	30 - 33
Software licences	1 - 8	1 - 8
Content utilization rights	Period of the contract	Period of the contract
Other	1 - 8	1 - 8

### 2.3.5. Contract costs

This item corresponds to costs incurred in attracting customers and costs associated with fulfilling a contract that are capitalized whenever they meet all of the following criteria:

- i) they are related to an existing contract or a specific future contract;
- ii) generate or increase resources that will be used in the future;
- iii) costs are expected to be recovered; and
- iv) they are not already covered by the scope of another standard, such as inventories, tangible or intangible assets.

These costs are recognised for the period expected to fulfill the contract (2 to 4 years).

The costs of attracting customers are essentially:

- i) Commissions paid to third parties with the acquisition of new contracts / new customers;
- ii) Commissions paid to third parties for upgrading the services provided;
- iii) Commissions paid to third parties for renewal of loyalty of services and offers to customers; and
- iv) Several commissions with revenue collection.

The costs associated with fulfilling the contracts are essentially:

- i) Costs incurred with the portability of mobile / fixed numbers of other operators;
- ii) Variable costs, variables, incurred with the activation of services contracted by customers.

### 2.3.6. Impairment of non-current assets, excluding goodwill

Group companies periodically carry out an impairment assessment of non-current assets. This impairment assessment is also carried out whenever events or changes in circumstances indicate that the amount at which the asset is recorded may not be recoverable. When such indications exist, the Group calculates the recoverable value of the asset to determine the existence and extent of the impairment loss.

The recoverable value is estimated for each asset individually or, if that is not possible, assets are grouped at the lowest levels for which there are identifiable cash flows to the cash-generating unit to which the asset belongs. Each of the Group's businesses is a cash-generating unit, except for the assets allocated to the cinema exhibition business, which are grouped into regional cash-generating units.

The recoverable amount is calculated as the higher of the net sale price and the current use value. The net sale price is the amount that would be obtained from the sale of the asset in a transaction between independent and knowledgeable entities, less the costs directly attributable to the sale. The current use value is the current value of the estimated future cash flows resulting from continued use of the asset or of the cash-generating unit. When the amount at which the asset is recorded exceeds its recoverable value, it is recognised as an impairment loss.

The reversal of impairment losses recognised in previous years is recorded when there are indications that these losses no longer exist or have decreased. The reversal of impairment losses is recognised in the statement of comprehensive income in the year in which it occurs. However, an impairment loss can only be reversed up to the amount that would be recognised (net of amortisation or depreciation) if no impairment loss had been recorded in previous years.

#### 2.3.7. Financial assets

Financial assets are recognised in the statement of financial position of the Group on the trade or contract date, which is the date on which the Group undertakes to purchase or sell the asset.

Initially, apart from commercial accounts receivable, financial assets are recognised at fair value plus directly attributable transaction costs, except for assets at fair value through income in which transaction costs are immediately recognised in income. Trade accounts receivable, at the initial time, are recognised at their transaction price, as defined in IFRS 15.

The financial assets are derecognised when: (i) the Group's contractual rights to receive their cash flows expire; (ii) the Group has substantially transferred all the risks and benefits associated with their ownership; or (iii) although it retains part but not substantially all of the risks and benefits associated with their ownership, the Group has transferred control of the assets.

The financial assets and liabilities are offset and shown as a net value when, and only when, the Group has the right to offset the recognised amounts and intends to settle for the net value.

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortised cost, financial assets at fair value through other comprehensive income. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

##### Financial assets at fair value through profit and loss

This category includes financial derivatives and equity instruments that the Group has not classified as financial assets through other comprehensive income at the time of initial recognition. This category also includes all financial instruments whose contractual cash flows are not exclusively capital and interest.

Gains and losses resulting from changes in the fair value of assets measured at fair value through profit or loss are recognised in results in the year in which they occur under "Losses / (gains) on financial assets", including the income from interest and dividends.

##### Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are those that are part of a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, being that these contractual cash flows are only capital and interest reimbursement on the capital in debt.

##### Financial assets measured at amortised cost

Financial assets measured at amortised cost are those that are included in a business model whose purpose is to hold financial assets in order to receive the contractual cashflows, being that

these contractual cash flows are only capital reimbursement and interest payments on the capital in debt.

### Cash and cash equivalents

The amounts included in "Cash and cash equivalents" correspond to the amounts of cash, bank deposits, term deposits and other investments with maturities of less than three months which may be immediately realisable and with a negligible risk of change of value.

For the purposes of the statement of cash flows, "Cash and cash equivalents" also includes bank overdrafts included in the statement of financial position under "Borrowings" (when applicable).

### 2.3.8. Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to their contractual substance irrespective of their legal form. Equity instruments are contracts that show a residual interest in the Group's assets after deducting the liabilities. The equity instruments issued by Group companies are recorded at the amount received, net of the costs incurred in their issue. Financial liabilities are recognised only when extinguished, i.e. when the obligation is settled, cancelled, or extinguished.

In accordance with IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for:

- a) Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
- b) Financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when it is applied the continued involvement approach;
- c) Financial guarantee contracts;
- d) The commitments to grant a loan at a lower interest rate than the market;
- e) The recognised contingent consideration by a buyer in a concentration of business activities to which IFRS 3 applies. Such contingent consideration shall be subsequently measured at fair value, with changes recognised in profit or loss.

Financial liabilities of the Group include borrowings, accounts payable and derivative financial instruments.

### 2.3.9. Impairment of financial assets

At the date of each financial position statement, the Group analyses and recognises expected losses on its debt securities, loans and accounts receivable. The expected loss results from the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The objective of this impairment policy is to recognise expected credit losses over the respective duration of financial instruments that have undergone significant increases in credit risk since initial recognition, assessed on an individual or collective basis, taking into account all reasonable and sustainable information, including prospects. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the provision for losses relating to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months.



For receivables and assets resulting from contracts under IFRS 15, the Group adopts the simplified approach when calculating expected credit losses. As a result, the Group does not monitor changes in credit risk, recognising instead impairment losses based on the expected credit loss on each reporting date. The Group presents an impairment loss criterion based on the history of credit losses, adjusted by specific prospective factors for the clients and the economic environment.

### 2.3.10. Derivative financial instruments

#### Initial and subsequent recognition

The Group uses derivative financial instruments, such as exchange rate forward contracts, interest rate swaps, to cover its exchange rate risks, interest, respectively. Such derivative financial instruments are initially recorded at fair value on the date the derivative is contracted and are subsequently measured at fair value. Derivatives are presented in assets when their fair value is positive and in liabilities when their fair value is negative.

In terms of hedge accounting, hedges are classified as:

- Fair value hedge when the purpose is to hedge the exposure to fair value changes of a registered asset or liability or an unregistered Groups' commitment;
- Cash flow hedge when the purpose is to hedge the exposure to cash flow variability arising from a specific risk associated with the whole or a component of a registered asset or liability or an anticipated highly probable occurrence or exchange risk associated with an unregistered Groups' commitment;
- Coverage of a net investment in a foreign operational unit.

NOS Group uses derivative financial instruments with fair value and cash flow hedges.

At the beginning of the hedge relationship, the Group formally designates and documents the hedging relationship for which hedge accounting is intended to apply as well as the management and strategy purpose of such hedge.

Until the 1 January 2018, the documentation included the identification of the hedging instrument, the hedged item or transaction, the nature of the hedged risk and the manner in which the Group assessed the effectiveness of changes in the fair value of the hedging instrument according with the Group's exposure to changes in the fair value of the hedge item or cash flows arising from the hedged risk. Such hedges should be highly effective to compensate changes in fair values or cash flows and would be assessed on a continuing basis in order to demonstrate their highly effectiveness over the reporting period.

Beginning 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- i) There is an economic relationship' between the hedged item and the hedging instrument;
- ii) The effect of credit risk does not "dominate the value changes" that result from that economic relationship; and



- iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group actually uses to hedges that quantity of hedged item.

Hedges that meet all the quantifying criteria for hedge accounting are accounted for, as described below:

#### Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward contracts of: i) currency contracts for its exposure to foreign currency risk in forecast transactions and firm commitments; ii) interest rates to cover the risk of volatility of the interest rates; iii) own shares contracts for its exposure to volatility in own shares to be distributed within the scope of share incentive scheme. The ineffective portion relating to foreign currency contracts is recognised as "Net foreign exchange losses/(gains)", the ineffective portion relating to interest rates is recognised as "Financial costs" and the ineffective portion relating to own shares contracts is recognised as "Wages and salaries".

In the nine months ended on 30 September 2020, the Group did not make any changes in the recognition method.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a Group's commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

### 2.3.11. Inventories

Inventories, which mainly include mobile phones, customer terminal equipment, DVDs, and content broadcasting rights, are valued at the lower of their cost or net realisable value.

The acquisition cost includes the invoice price, freight, and insurance costs, using the weighted average cost as the method of costing goods sold.

Inventories are adjusted for technological obsolescence, as well as for the difference between the purchase cost and the net realisable value, whichever is the lower, and this reduction is recognised directly in the income statement.

The net realisable value corresponds to the normal sale price less restocking costs and selling costs.

The differences between the cost and the corresponding net realisable value of inventories, when this is less than the cost, are recorded as operating costs in "Cost of goods sold".

Inventories in transit, since they are not available for consumption or sale, are separated out from other inventories and are valued at their specific acquisition cost.

The signing of contracts related with sports content originates rights that are initially classified as contractual commitments.

The content broadcasting rights are recorded in the consolidated statement of financial position, as Inventories, in the event of the nonexistence of full right over the way of exploration of the asset, by the respective value of cost or net realisable value, whenever it is lower, when programmatic content has been received and is available for exhibition or use, according to contractual conditions, without any production or change, given that the necessary conditions for the organization of each sports competition are present, which occurs in the homologation date of the participating teams in the competition that is being held in the sports season to be initiated, by the organizing entity. The stated rights are recognised in the income statement in "Direct costs: Exhibition costs", on a systematic basis given the pattern of economic benefits obtained through their commercial exploration.

Due to the agreement between the three national operators of reciprocal availability, for several sports seasons "collaborative arrangement", of sports content (national and international) owned by them, (Note 41), NOS considered the recognition of the costs, excluding those divided by the remaining operators, on a systematic basis, given the pattern of economic benefits obtained through their commercial exploration.

### 2.3.12. Subsidies

Subsidies are recognised at their fair value when there is a reasonable assurance that they will be received and Group companies will meet the requirements for their award.

Operating subsidies, mainly for employee training, are recognised in the statement of comprehensive income by deduction from the corresponding costs incurred.

Investment subsidies are recognised in the statement of financial position as deferred income.

If the subsidy is considered as deferred income, it is recognised as income on a systematic and rational basis during the useful life of the asset.

### 2.3.13. Provisions and contingent liabilities

Provisions are recognised when: (i) there is a present obligation arising from past events and it is likely that in settling that obligation, the expenditure of internal resources will be necessary; and (ii) the amount or value of such obligation can be reasonably estimated. When one of the above conditions is not met, the Group discloses the events as a contingent liability unless the likelihood of an outflow of funds resulting from this contingency is remote, in which case they are not disclosed.

Provisions for legal procedures taking place against the Group are made in accordance with the risk assessments carried out by the Group and by their legal advisers, based on success rates.

Provisions for restructuring are only recognised when the Group has a detailed, formal plan, which identify the main features of the restructuring programme, and after these facts have been reported to the entities involved.

Provisions for dismantling costs, removal of assets and restoration of the site are recognised when the assets are installed, in line with the best estimates available at that date. The amount of the provisioned liability reflects the effects of the passage of time and the corresponding financial indexing is recognised in results as a financial cost.

Obligations that result from onerous contracts are registered and measured as provisions. There is an onerous contract when the Company is an integral part of the provisions of an agreement contract, which entail costs that cannot be avoided and exceed the economic benefits derived from the agreement.

Provisions for potential future operating losses are not covered.

Contingent liabilities are not recognised in the financial statements, unless the exception provided under IFRS 3 business combination, and are disclosed whenever there is a good chance to shed resources including economic benefits. Contingent assets are not recognised in the financial statements, being disclosed when there is a likelihood of a future influx of financial resources.

Provisions are reviewed and brought up to date at the date of the statement of financial position to reflect the best estimate at that time of the obligation concerned.

### 2.3.14. Rights of use and Leases

A lease is defined as a contract, or part of a contract, that transfers the right to use a good (the underlying asset) for a period in exchange for a value.

At the beginning of each contract, it is evaluated and identified if it is or contains a lease. This assessment involves an exercise of judgement as to whether each contract depends on a specific asset if NOS obtains substantially all the economic benefits from the use of that asset and whether NOS has the right to control the use of the asset.

All contracts that constitute a lease are accounted for based on the on-balance model in a similar way with the treatment that IAS 17 establishes for financial leases.

At the commencement date of the lease, NOS recognises the liability related to lease payments (lease liability) and the asset representing the right to use the underlying asset during the lease period (the right of use or "ROU").

The cost of interest on the lease liability and the depreciation of the ROU are recognised separately.

Lease liability is remeasured at the occurrence of certain events (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). This remeasurement of the lease liability is recognised as an adjustment in the ROU.

The estimated costs of dismantling, removal of assets and restoration of the site related with leases are recognised in tangible assets with works carried out (Note 2.3.3).

#### 2.3.14.1. Rights of use of assets

The Group recognises the right to use the assets at the start date of the lease (that is, the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, deducted from accumulated depreciation and impairment losses and adjusted for any new measurement of lease liabilities. The cost of the ROU of the assets includes the recognised amount of the lease liability, any direct costs incurred initially and payments already made prior to the initial rental date, less any incentives received.

Unless it is reasonably certain that the Group obtains ownership of the leased asset at the end of the lease term, the recognised right of use of the assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the term of the lease.

Rights of use are subject to impairment.

#### 2.3.14.2. Liabilities with leases

At the start date of the lease, the Group recognises the liabilities measured at the present value of the future payments to be made until the end of the lease.

Lease payments include fixed payments (including fixed payments on the substance), deducted of any incentives to be received, variable payments, dependent on an index or rate, and expected amounts to be paid under residual value guarantees. The lease payments also include the exercise price of a call option if it is reasonably certain that the Group will exercise the option, and penalties for termination of the lease if it is reasonably certain that the Group will terminate the lease.

Variable payments that do not depend on an index or a rate are recognised as an expense in the period in which the event giving rise to them occurs.

To calculate the present value of the lease payments, the Group uses the incremental loan rate at the start date of the lease if the implied interest rate is not readily determinable.

After the start date of the lease, the value of the lease liability is increased to reflect the increase in interest and reduces by the payments made. In addition, the book value of the lease liability is remeasured if there is a change, such as a change in the lease term, fixed payments or the purchase decision of the underlying asset.

### 2.3.15. Income tax

NOS is covered by the special tax regime for groups of companies, which covers all the companies in which it directly or indirectly owns at least 75% of the share capital and which simultaneously are resident in Portugal and subject to Corporate Income Tax (IRC).

The remaining subsidiaries not covered by the special tax regime for groups of companies are taxed individually based on their respective taxable incomes and the applicable tax rates.

Income tax is stated in accordance with the IAS 12 criteria. In calculating the cost relating to income tax for the period, in addition to current tax, allowance is also made for the effect of deferred tax calculated in accordance with the liability method, taking into account the temporary differences resulting from the difference between the tax basis of assets and liabilities and their values as stated in the consolidated financial statements, and the tax losses carried forward at the date of the statement of financial position. The deferred income tax assets and liabilities were calculated based on the tax legislation currently in force or of legislation already published for future application.

As stipulated in the above standard, deferred income tax assets are recognised only when there is reasonable assurance that these may be used to reduce future taxable profit, or when there are deferred income tax liabilities whose reversal is expected to occur in the same period in which the deferred income tax assets are reversed. At the end of each period an assessment is made of deferred income tax assets, and these are adjusted in line with the likelihood of their future use.

The amount of tax to be included, either in current tax or in deferred tax resulting from transactions or events recognised in equity accounts, is recorded directly under those items and does not affect the results for the period.

In a business combination, the deferred tax benefits acquired are recognised as follows:

- a) The deferred tax benefits acquired recognised in the measurement period of one year after the date of merger and that result from new information about facts and circumstances that existed at the date of acquisition are recorded against the goodwill-carrying amount related to the acquisition. If the goodwill-carrying amount is null, any remaining deferred tax benefits are recognised in the income statement.
- b) All the other acquired deferred tax benefits performed are recognised in the income statement (when applicable, directly in shareholders' equity).

### 2.3.16. Share-based payments

The benefits granted to employees under share purchase or share option incentive plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, since it is not possible to reliably estimate the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments in accordance with their share price at the grant date.

The cost is recognised, linearly over the period in which the service is provided by employees, under the caption “Wages and salaries” in the income statement, with the corresponding increase in “Other reserves” in equity.

The accumulated cost recognised at the date of each statement of financial position up to the vesting reflects the best estimate of the number of own shares that will be vested, weighted by the time elapse between the grant and the vesting. The impact on the income statement each year corresponds to the accumulated cost valuation between the beginning and the end of the year.

In turn, benefits granted based on shares but paid in cash lead to the recognition of a liability valued at fair value at the date of the statement of financial position.

### 2.3.17. Equity

#### Legal reserve

Portuguese commercial legislation requires that at least 5% of annual net profit must be appropriated to a legal reserve until it represents at least 20% of the share capital. This reserve is not distributable, except in case of liquidation, but can be used to absorb losses, after having exhausted all other reserves and to increase share capital.

#### Share premium reserves

Issue of shares corresponds to premiums from the issuance or capital increases. According to Portuguese law, share premiums follow the treatment given to the “Legal reserve”, that is, the values are not distributable, except in case of liquidation, but can be used to absorb losses after having exhausted all other reserves and to increase share capital.

#### Reserves for plans of medium term incentive

According to IFRS 2 - “Share-based payments”, the responsibility with the medium-term incentive plans settled by delivery of own shares is recorded as credit under “Reservations for mid-term incentive plans” and such reserve is not likely to be distributed or used to absorb losses.

#### Hedging reserves

Hedging reserve reflects the changes in fair value of derivative financial instruments as cash flow hedges that are considered effective, and they are not likely to be distributed or be used to absorb losses.

#### Own shares reserves

The “Own shares reserves” reflect the value of the shares acquired and follows the same legal regime as the legal reserve. Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IFRS. In addition, the increases resulting from the application of fair value

through equity components, including its application through the net profit can only be distributed when the elements that originated them are sold, exercised liquidated or when the end their use, in the case of tangible assets or intangible assets.

### Own shares

The own shares are recorded at acquisition cost as a deduction from equity. Gains or losses on the sale of own shares are recorded under "Other reserves".

### Retained results

This item includes the results available for distribution to shareholders and earnings per fair value in financial instruments increases, financial investments and investment properties, which, in accordance with paragraph 2 of article 32 of the CSC, will only be available for distribution when the elements or rights that originated them are sold, exercised, terminated, or settled.

### 2.3.18. Revenue

The main types of revenue of NOS subsidiaries are as follows:

i) Revenues of Communications Services:

Cable television, fixed broadband and fixed voice: The revenues from services provided using the fibre optic cable network result from: (a) basic channel subscription packages that can be sold in a bundle with fixed broadband/fixed voice services; (b) premium channel subscription packages and S-VOD; (c) terminal equipment rental; (d) consumption of content (VOD); (e) traffic and voice termination; (f) service activation; (g) sale of equipment; and (h) other additional services (ex: firewall, antivirus).

Satellite television: Revenues from the satellite television service mainly result from: (a) basic and premium channel subscription packages; (b) equipment rental; (c) consumption of content (VOD); (d) service activation; and (e) sale of equipment.

Mobile broadband and voice services: Revenues from mobile broadband Internet access services and mobile voice services result mainly from monthly subscriptions and/or usage of the Internet and voice service, as well as the traffic associated with the type chosen by the client.

- ii) Advertising revenue: Advertising revenues mainly derive from the attraction of advertising for Pay TV channels to which the Group has publicity rights and in cinemas. These revenues are recognised from when they are received, taken off any discounts given.
- iii) Film showings and distribution: Distribution revenue pertains to the distribution of films to film exhibitors not distributed by the Group, that are included in the film showings, whilst income from film showings mostly derive from cinema ticket sales and the product sales in the bars; the film showings revenue includes the revenue from ticket sales and bar sales respectively.
- iv) Revenue from producing and distributing channel content: Revenue from production and distribution essentially includes the sale of DVDs, the sale of content and the distribution of television channels subscriptions to third parties and count from the time at which they are sold, shown, and made available for distribution to telecommunications operators, respectively.



- v) Consultancy and datacentre management: information systems consultancy and datacentre management are the major services rendered by NOS Sistemas.

The Group's revenue is based on the five-step model established by IFRS 15:

- 1) Identification of the contract with the customer;
- 2) Identification of performance obligations;
- 3) Determining the price of the transaction;
- 4) Allocation of the price of the transaction to the performance obligations; and
- 5) Recognition of revenue.

Thus, at the beginning of each contract, the NOS Group evaluates the promised goods or services and identifies, as a performance obligation, every promise of transfer to the customer of any distinct good or service (or package of goods or services). These promises in customer contracts may be express or implied, provided such promises create a valid expectation in the client that the entity will transfer a good or service to the customer, based on the entity's published policies, specific statements or usual business practices.

The NOS Group has internally defined that a performance obligation corresponds to the promise of delivery of a good or service that can be used in an isolated/separated way by the customer and on which there is a clear perception of this good or service by the customer among the available in each contract.

The main performance obligations are summarized as Sales of Mobile Phones, Telephones, Hotspots, DVD's, Movie Tickets and Other Equipment and the Services Rendered of Mobile Internet Services, Fixed Internet, Mobile Phone, Landline Phone, Television, Consulting, Cloud/ IT Services, distribution of audio-visual rights among others.

The provision of Set-top-boxes, routers, modems and other terminal equipment at the customers' home and respective installation and activation services were considered by the group as not corresponding to a performance obligation, since they are necessary actions to fulfil the promised performance obligation.

In determining and allocating the transaction price of each performance obligation, NOS used stand-alone prices of the promised products and services at the time of entering into the agreement with the customer to distribute the amount expected to be received under the contract.

The recognition of revenue occurs at the time of performance of each performance obligation.

Revenue from selling equipment are included when the buyer takes on the risks and advantages of taking possession of goods and the value of the benefits are reasonably quantified.

Revenue from telecom services subscriptions (TV, internet, mobile and fixed voice services bundle subscription, individually or as a bundle) is recognised linearly over the subscription period.

Revenue from equipment rental is recognised linearly over the rental agreement, except in the case of instalment sales, which are accounted as credit sales.

The Group attributes to its customers loyalty points in each call or recharge, that might be exchanged, over a limited period, for discounts in equipment purchase. In each reporting period, NOS recognises the current liability with discounts to be awarded in the future. This responsibility



is calculated based on the amount of points awarded and not yet used, discounted from the estimate of points that will not be used (based on the history of use) and valued based on the offer available at each time for the use of points (specific catalog).

The recognition of liability configures a deferred income (until the date on which the points are definitively converted into benefits), which is recognised at the time of the use of the discount, as a revenue accrual.

Revenue related with traffic, roaming, data usage, audiovisual content, and others is recognised when the service is rendered. The Group also offers various personalised solutions, particularly to its corporate customers in telecom management, access, voice, and data transmission services. These personalised solutions are also recognised when the service is rendered.

Unless demanded or allowed by IFRS, the compensation of revenues and costs is not performed, namely, when it reflects the nature of the transaction or other event.

The compensation of revenues and costs is performed in the following situations:

- (i) When the gross inflows from economic benefits do not result in equity increases to the Group, i.e., the amount charged to the customer is equal to the amount delivered to the partner. This situation is applicable to the revenue obtained by the invoicing special services operators, in these cases the amounts charged on account of the capital are not revenue; and,
- (ii) When the counterpart is not a "customer" but a partner who shares the risks and benefits of developing a product or services in order for it to be commercialised. Thus, a counterpart of a contract will not be a customer if, for instance, the counterpart has hired from NOS to participate in an activity or process in which the parties in the contract share the risks and benefits instead of obtaining the Group's ordinary activities result. These cases are designated collaborative arrangements. This situation is applicable to revenues from operators affected by the reciprocal availability agreement regarding broadcasting rights of sports content.

Discounts granted to customers related with loyalty programmes are allocated to the entire retention contract to which the customer is committed to. Therefore, the discount is recognised as the goods and services made available to the customer.

Amounts that have not been invoiced for are included based on estimates. The differences between the estimated amounts and the actual amounts, which are normally immaterial, are recorded in the next financial year.

Until 31 December 2014, revenue from penalties, due to the inherent uncertainties, was recorded only at the moment it was received, and the amount was disclosed as a contingent asset (Note 43). From 1 January 2015, Revenue from penalties is recognised based on an estimated collectability rate, considering the Group's collection history.

In 2020, due to the impacts resulting from the new coronavirus and the estimated reduction in collections, expected credit losses were recognised for all accounts receivable from penalties. The revenue from penalties is recognised in the "Other income" item upon receipt.

Interest revenue is recognised using the effective interest method, only when they generate future economic benefits for the Group and when they can be measured reliably.

### 2.3.19. Accruals

Group's revenues and costs are recognised in accordance with the accruals principle, under which they are recognised as they are generated or incurred, regardless of when they are received or paid.

The costs and revenues related to the current period and whose expenses and income will only occur in future periods are registered under "Accounts receivable – trade", "Accounts receivable – other", "Prepaid expenses", "Accrued expenses" and "Deferred income", as well as the expenses and income that have already occurred that relate to future periods, which will be recognised in each of those periods, for the corresponding amount.

The costs related to the current period and whose expenses will only occur in that future periods are registered under "Accrued expenses" when it is possible to estimate with certainty the related amount, as well as the timing of the expense's materialization. If uncertainty exists related to any of these aspects, the value is classified as Provisions (Note 2.3.12).

### 2.3.20. Assets, liabilities and transactions in foreign currencies

Transactions in foreign currencies are converted into the functional currency at the exchange rate on the transactions dates. On each accounting date, outstanding balances (monetary items) are updated by applying the exchange rate prevailing on that date. The exchange rate differences in this update are recognised in the income statement for the year in which they were calculated in the item "Losses / (gains) on exchange variations". Exchange rate variations generated on monetary items, which constitute enlargement of the investment denominated in the functional currency of the Group or of the subsidiary in question, are recognised in equity. Exchange rate differences on non-monetary items are classified in "Other reserves" in equity.

The financial statements of subsidiaries denominated in foreign currencies are converted at the following exchange rates:

- The exchange rate obtaining on the date of the statement of financial position for the conversion of assets and liabilities;
- The average exchange rate in the period for the conversion of items in the income statement, apart from cases of affiliated companies that are in a hyperinflationary economy, such as Angola;
- The average exchange rate in the period, for the conversion of cash flows (in cases where the exchange rate approximates to the real rate, and for the remaining cash flows the rate of exchange at the date of the operations is used), apart from cases of affiliated companies that are in a hyperinflationary economy, such as Angola;
- The historical exchange rate for the conversion of equity accounts.

Exchange differences arising from the conversion into euros of the financial statements of subsidiaries denominated in foreign currencies are included in equity under "Other reserves".

In the last quarter of 2017, the Angolan economy was considered a hyperinflationary economy according to IAS 29 - Financial Reporting in Hyperinflationary Economies.

This standard requires that the financial statements prepared in the currency of a hyperinflationary must be expressed in terms of the current measurement unit at the financial statements preparation date.

In summary, the general aspects that must be considered for the restatement of the individual financial statements are the following ones:

- The monetary assets and liabilities are not amended because they are already updated to the current unit at the financial statements date;
- The non-monetary assets and liabilities (that are still not expressed in terms of the current unit at the financial statements) are restated by the application of an index;
- The effect of the inflation on the net monetary position of the subsidiaries companies is reflected in the income statement as a loss in the net monetary position.

Additionally, according to IAS 21, the restatement of the consolidated financial statements is prohibited when the parent company does not operate in a hyperinflationary economy.

The conversion coefficient that was used for the restatement of the individual financial statements of the subsidiaries in Angola was the Consumer Price Index (CPI), issued by the National Bank of Angola.

	<b>Basis 100</b>	<b>CPI</b>	<b>Converted CPI (Basis 100 Year 2010)</b>
dec/10	Year 2010	100.0	100.0
dec/11	Year 2010	111.4	111.4
dec/12	Year 2011	109.0	121.4
dec/13	Year 2014	93.0	130.8
dec/14	Year 2014	100.0	140.5
dec/15	Year 2014	114.3	160.6
dec/16	Year 2014	162.2	227.9
dec/17	Year 2014	204.8	287.8
dec/18	Year 2014	241.1	338.8
sept/19	Year 2014	270.2	379.7

In the last quarter of 2019, the Angolan economy was no longer considered a hyperinflationary economy.

IAS 29 - Financial Reporting in Hyperinflationary Economies provides that "when an economy ceases to be hyperinflationary, the company should treat the amounts expressed in the current unit of measurement at the end of the previous reporting period, as the basis for the carrying amounts in its statements subsequent financial statements ". In this way, the adjustments / revaluations, carried out until the end of the classification as a hyperinflationary economy, are treated as a considered cost / ("deemed cost") and recognised in the same proportion as the assets that gave rise to it.

At 30 September 2020, assets and liabilities expressed in foreign currencies were converted into euros using the following exchange rates of such currencies against the euro, as published by the Bank of Portugal:

	31-12-2019	30-09-2020
US Dollar	1.1234	1.1708
Angolan Kwanza	536.2617	725.1643
British Pound	0.8508	0.9124
Mozambican Metical	68.7000	83.600
Canadian Dollar	1.4598	1.5676
Swiss Franc	1.0854	1.0804
Real	4.5157	6.6308

In the nine months ended on 30 September 2019 and 2020, the income statements of subsidiaries expressed in foreign currencies were converted to euros at the average exchange rates of the currencies of their countries of origin against the euro, which exchange rate used is at the end of the period. The average exchange rates used are as follows:

	9M 19	9M 20
US Dollar	1.1236	1.1224
Angolan Kwanza	373.4811	626.8895
Mozambican Metical	69.5678	77.0656

### 2.3.21. Financial charges and borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accruals principle, except in the case of loans incurred (whether these are generic or specific) for the acquisition, construction or production of an asset that takes a substantial period (over one year) to be ready for use, which are capitalised in the acquisition cost of that asset.

### 2.3.22. Investment property

Investment property mainly includes buildings held to generate rents rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. These are measured initially at cost.

Subsequently, the Group uses the cost model for the valuation of investment property since use of the fair value model would not result in material differences.

An investment property is eliminated from the statement of financial position on disposal or when the investment property is taken permanently out of use and no financial benefit is expected from its disposal.

### 2.3.23. Fair value measurement

The Group measures part of the financial assets, such as financial assets available for sale, and some of its non-financial assets, such as investment properties, at fair value on the date of the financial statements.

The fair value measurement assumes that the asset or liability is exchanged in an orderly transaction among market participants to sell the asset or transfer the liability at the measurement date under current market conditions. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability may occur:

- On the main market of the assets and liabilities, or

- In the absence of a primary market, it is assumed that the transaction occurs in the most advantageous market. This is what maximises the amount that would be received for selling asset or minimises the amount that would be paid to transfer the liability, after considering transaction costs and transport costs.

Since different entities and businesses within a single entity can have access to different markets, the main or most advantageous market for the same asset or liability can vary from one entity to another, or even between businesses within the same entity, but it is assumed that they are accessible to the Group.

The fair value measurement uses assumptions that market participant's use in defining price of the asset or liability, assuming that market participants would use the asset to maximise its value.

The Group uses valuation techniques appropriate to the circumstances whenever there is information to measure the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or of which disclosure is mandatory, are rated on a fair value hierarchy, which ranks data in three levels to be used in the measurement at fair value, and detailed below:

Level 1 – Listed and unadjusted market prices, in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - valuation techniques using inputs that aren't quoted, but which are directly or indirectly observable;

Level 3 - valuation techniques using inputs not based on observable market data, based on unobservable inputs.

The fair value measurement is classified in the same fair value hierarchy level at the lowest level of input, which is significant to the measurement as a whole.

#### 2.3.24. Assets and liabilities offsetting

Financial assets and liabilities are offset and presented at the net amount when, and only when, the Group has the right to offset the recognised amounts and intends to settle for the net amount.

#### 2.3.25. Employee benefits

Personnel expenses are recognised when the service is rendered by employees independently of their date of payment. Here are some specificities:

- a) Termination of employment. The benefits for termination of employment are due for payment when there is cessation of employment before the normal retirement date or when an employee voluntarily accepts to leave in exchange of these benefits. The Group recognises these benefits when it can be shown to be committed to a termination of current employees according to a detailed formal plan for termination and there is no realistic possibility of withdrawal or these benefits are granted to encourage voluntary redundancy. When the benefits of cessation of employment are due more than 12 months after the balance sheet date, they are updated to their present value.

- b) Holiday, holiday allowances, and bonuses. According to the labour law, employees are entitled to 22 days annual leave, as well as one month of holiday allowances, rights acquired in the year preceding payment. These liabilities of the Group are recorded when incurred, independently of the moment of payment, and are reflected under the item "Accounts payable and other".
- c) Labour Compensation Fund (FCT) and the Labour Compensation Guarantee Fund (FGCT). Based on the publication of Law No. 70/2013 and subsequent regulation by Order No. 294-A / 2013, entered into force on 1 October the Labour Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labour (FGCT). In this context, companies that hire a new employee are required to deduct a percentage of the respective salary for these two new funds (0.925% to 0.075% and the FCT for FGCT), in order to ensure, in the future, the partial payment the compensation for dismissal. Considering the characteristics of each Fund, the following is considered:
- The monthly deliveries to FGCT, made by the employer are recognised as expense in the period to which they relate.
  - The monthly deliveries to FCT, made by the employer are recognised as a financial asset, in the caption "Other non-current financial assets" of the entity, measured at fair value with changes recognised in the respective results.

#### 2.3.26. Statement of cash flows

The statement of cash flows is prepared in accordance with the direct method. The Group classifies under "Cash and cash equivalents" the assets with maturities of less than three months and for which the risk of change in value is negligible. For purposes of the statement of cash flows, the balance of cash and cash equivalents also include bank overdrafts included in the statement of financial position under "Borrowings".

The statement of cash flows is divided into operating, investing, and financing activities.

Operating activities include cash received from customers and payments to suppliers, staff and others related to operating activities. Under "Other cash receipts / (payments) related with operating activity" includes the amount received and subsequent payments related to assignments without recourse, coordinated by the Banco Comercial Português and Caixa Geral de Depósitos, and these operations do not involve any change in the accounting treatment of the underlying receivables or in the relationship with their clients.

The cash flows included in investing activities include acquisitions and disposals of investments in subsidiaries and cash received and payments arising from the purchase and sale of tangible and intangible assets, amongst others.

Financing activities include cash received and payments relating to borrowings, the payment of interest and similar costs, finance leases, the purchase and sale of own shares and the payment of dividends.

#### 2.3.27. Subsequent events

Events occurring after the date of the statement of financial position, which provide additional information about conditions that existed at that date, are considered in the preparation of financial statements for the quarter.

Events occurring after the date of the statement of financial position, which provide information on conditions that occur after that date, are disclosed in the notes to the financial statements, when they are materially relevant.

### 3. Judgements and estimates

#### 3.1. Relevant accounting estimates

The preparation of consolidated financial statements requires the Group's management to make judgments and estimates that affect the statement of financial position and the reported results. These estimates are based on the best information and knowledge about past and/or present events and on the operations that the Company considers it may implement in the future. However, at the date of completion of such operations, their results may differ from these estimates.

Changes to these estimates that occur after the date of approval of the consolidated financial statements will be corrected in the income statement in a prospective manner, in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

The estimates and assumptions that imply a greater risk of giving rise to a material adjustment in assets and liabilities are described below:

#### Entities included in the consolidation perimeter

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed, or has rights, to variability in return from its involvement with that entity and can take possession of them through the power it holds over this entity.

The decision that an entity must be consolidated by the Group requires the use of judgment, estimates, and assumptions to determine the extent to which the Group is exposed to return variability and the ability to take possession of them through its power.

Other assumptions and estimates could lead to the Group's consolidation perimeter being different, with direct impact on the consolidated financial statements.

#### Impairment of non-current assets, excluding goodwill

The determination of a possible impairment loss can be triggered by the occurrence of various events, such as the availability of future financing, the cost of capital or other market, economic and legal changes or changes with an adverse effect on the technological environment, many of which are beyond the Group's control.

The identification and assessment of impairment indicators, the estimation of future cash flows, and the calculation of the recoverable value of assets involve a high degree of judgment by the Board.

#### Impairment of goodwill

Goodwill is annually subjected to impairment tests or whenever there are indications of a possible loss of value in accordance with the criteria described in Note 8. The recoverable values of the cash-generating units to which goodwill is allocated are determined based on the calculation of current use values. These calculations require the use of estimates by management.

## Intangible and tangible assets

The life of an asset is the period during which the Company expects that an asset will be available for use and this should be reviewed at least at the end of each financial year.

The determination of the useful lives of assets, the amortisation/depreciation method to be applied, and the estimated losses resulting from the replacement of equipment before the end of its useful life due to technological obsolescence is crucial in determining the amount of amortisation/depreciation to be recognised in the consolidated income statement each period.

These three parameters are defined using management's best estimates for the assets and businesses concerned and taking account of the practices adopted by companies in the sectors in which the Group operates.

The capitalised costs with the audiovisual content distribution rights acquired for commercialisation in the various windows of exhibition are amortised over the period of exploration of the respective contracts. Additionally, these assets are subject to impairment tests whenever there are indications of changes in the pattern generation of future revenue underlying each contract.

## Rights of use

The Group determines the end of the lease as the non-cancelable part of the lease term, together with any periods covered by an option to extend the lease if it is reasonably certain that it will be exercised, or any periods covered by an option to terminate the lease agreement, if it is reasonably certain that it will not be exercised.

The Group has the option, under some of its lease agreements, to lease its assets for additional periods. NOS assesses the reasonableness of exercising the option to renew the contract. That is, NOS considers all the relevant factors that create an economic incentive for exercising the renewal. After the start date, the Group re-evaluates the termination of the contract if there is a significant event or changes in circumstances that are under control and affect its ability to exercise (or not exercise) the renewal option (a change in strategy of business).

## Provisions

The Group periodically reviews any obligations arising from past events, which should be recognised or disclosed. The subjectivity involved in determining the probability and amount of internal resources required to meet obligations may give rise to significant adjustments, either due to changes in the assumptions made, or due to the future recognition of provisions previously disclosed as contingent liabilities.

## Deferred income tax assets

Deferred income tax assets are recognised only when there is strong assurance that there will be future taxable income available to use the temporary differences or when there are deferred tax liabilities whose reversal is expected in the same period in which the deferred tax assets are reversed. The assessment of deferred income tax assets is undertaken by management at the end of each period taking account of the expected future performance of the Group.



### Expected credit losses

The credit risk on the balances of accounts receivable is assessed at each reporting date, using a collection matrix based on the historical past collections adjusted from the future expectation of collections evolution, to determine the uncollectability rate. The expected credit losses of the accounts receivable are thus adjusted for the assessment made, which may differ from the effective risk that will be incurred in the future.

### Fair value of financial assets and liabilities

When the fair value of an asset or liabilities is calculated, on an active market, the respective market price is used. When there is no active market, which is the case with some of the Group's financial assets and liabilities, valuation techniques generally accepted in the market, based on market assumptions, are used.

The Group applies evaluation techniques for unlisted financial instruments, such as derivatives, financial instruments at fair value and instruments measured at amortised cost. The most frequently used valuation models are models of discounted cash flows and option models, which incorporate, for example, interest rate and market volatility curves.

For certain types of more complex derivatives, more advanced valuation models are used containing assumptions and data that are not directly observable in the market, for which the Group uses internal estimates and assumptions.

### 3.2. Errors, estimates, and changes to accounting policies

During the nine months ended on 30 September 2019 and 2020, errors, estimates and changes in material accounting policies relating to prior years were not recognised.

## 4. Change in the perimeter

The changes in the consolidation perimeter, during the financial years ended on 31 December 2019, were:

- 1) The spin-off project of NOS Comunicações, SA took place, creating three new entities, NOS International Carrier Services, SA, NOS Wholesale, SA and NOS Corporate Center, SA, companies to which the assets assigned to the Voice and SMS, Data and roaming and Shared services businesses were transferred, respectively. The spin-off did not have any impact on the consolidated financial statements.
- 2) Additionally, Grupo NOS subscribed 100% of the capital of the NOS 5G Fund and 4.2% of the TechTransfer Fund, in the amount of 10 million euros and 200 thousand euros, respectively.

The changes in the consolidation perimeter, during the nine months ended on 30 September 2020, were:

- 1) Disposal of 100% of share capital of NOS International Carrier Services, S.A. (Note 45).
- 2) Disposal of 100% of share capital of NOS Towering- Gestão de Torres de Telecomunicações, S.A. (Note 46).

## 5. Segment reporting

The business segments are as follows:

- Telco – TV, Internet (fixed and mobile) and voice (fixed and mobile) services rendered and includes the following companies: NOS Technology, NOS Towering, Per-mar, Sontária, NOS, NOS Açores, NOS Communications, NOS Madeira, NOS PUB, NOS SA, NOS Lusomundo TV, Teliz Holding, NOS Sistemas, NOS Sistemas España, NOS Inovação, NOS Internacional SGPS, NOS Corporate Center, NOS Wholesale and NOS International Carrier Services.
- Audiovisual – the supply of video production services and sales, cinema exhibition and distribution and the acquisition/negotiation of Pay TV and VOD (video-on-demand) rights and includes the following companies: NOS Audiovisuais, NOS Cinemas, Lusomundo Moçambique, Lda ("Lusomundo Moçambique"), Lusomundo Imobiliária 2, S.A. ("Lusomundo Imobiliária 2"), Lusomundo Sociedade de Investimentos Imobiliários, SGPS, S.A. ("Lusomundo SII"), Empracine – Empresa Promotora de Atividades Cinematográficas, Lda ("Empracine") and NOS Audio SGPS.

Assets and liabilities by segment at 31 December 2019 and 30 September 2020 are shown below:

	31-12-2019			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
<b>ASSETS</b>				
<b>NON - CURRENT ASSETS:</b>				
Tangible assets	1,021,538	13,275	-	1,034,813
Intangible assets	921,600	92,466	-	1,014,066
Contract costs	163,101	-	-	163,101
Rights of use	182,799	35,584	-	218,383
Investments in jointly controlled companies and associated companies	73,733	47,655	(103,144)	18,244
Accounts receivable - other	76,141	2,923	(75,000)	4,064
Deferred income tax assets	69,158	11,270	-	80,428
Other non-current assets	565	676	-	1,241
<b>TOTAL NON - CURRENT ASSETS</b>	<b>2,508,637</b>	<b>203,849</b>	<b>(178,144)</b>	<b>2,534,342</b>
<b>CURRENT ASSETS:</b>				
Inventories	33,393	688	-	34,081
Account receivables	364,176	64,494	(38,830)	389,840
Contract assets	68,059	-	-	68,059
Prepaid expenses	42,426	1,845	(317)	43,954
Other current assets	2,923	2,158	-	5,081
Cash and cash equivalents	11,988	831	-	12,819
<b>TOTAL CURRENT ASSETS</b>	<b>522,966</b>	<b>70,016</b>	<b>(39,148)</b>	<b>553,834</b>
<b>TOTAL ASSETS</b>	<b>3,031,603</b>	<b>273,865</b>	<b>(217,292)</b>	<b>3,088,176</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	5,152	36,756	(36,756)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(14,655)	-	-	(14,655)
Legal reserve	1,030	88	(88)	1,030
Other reserves and accumulated earnings	47,416	22,145	(53,520)	16,041
Net income	135,892	19,925	(12,323)	143,494
<b>EQUITY BEFORE NON - CONTROLLING INTERESTS</b>	<b>1,029,054</b>	<b>78,914</b>	<b>(102,687)</b>	<b>1,005,281</b>
Non-controlling interests	7,042	-	-	7,042
<b>TOTAL EQUITY</b>	<b>1,036,095</b>	<b>78,914</b>	<b>(102,687)</b>	<b>1,012,322</b>
<b>LIABILITIES</b>				
<b>NON - CURRENT LIABILITIES:</b>				
Borrowings	1,165,451	110,614	(59,218)	1,216,847
Provisions	88,064	6,895	-	94,959
Accrued expenses	667	-	-	667
Other non-current liabilities	9,243	-	-	9,243
Deferred income tax liabilities	11,189	437	-	11,626
<b>TOTAL NON - CURRENT LIABILITIES</b>	<b>1,274,615</b>	<b>117,946</b>	<b>(59,218)</b>	<b>1,333,343</b>
<b>CURRENT LIABILITIES:</b>				
Borrowings	161,469	24,177	(42,365)	143,281
Accounts payable	281,767	19,746	(8,179)	293,334
Tax payable	65,469	2,733	-	68,202
Accrued expenses	186,056	22,201	(4,531)	203,726
Other current liabilities	26,131	8,149	(311)	33,969
<b>TOTAL CURRENT LIABILITIES</b>	<b>720,893</b>	<b>77,005</b>	<b>(55,387)</b>	<b>742,511</b>
<b>TOTAL LIABILITIES</b>	<b>1,995,508</b>	<b>194,951</b>	<b>(114,605)</b>	<b>2,075,854</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>3,031,603</b>	<b>273,865</b>	<b>(217,292)</b>	<b>3,088,176</b>

30-09-2020				
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
<b>ASSETS</b>				
<b>NON - CURRENT ASSETS:</b>				
Tangible assets	955,777	12,388	-	968,165
Intangible assets	913,191	89,512	-	1,002,703
Contract costs	160,712	-	-	160,712
Rights of use	218,943	34,635	-	253,578
Investments in jointly controlled companies and associated companies	115,013	47,926	(152,197)	10,742
Accounts receivable - other	39,828	2,917	(35,001)	7,744
Deferred income tax assets	71,602	12,326	(1)	83,927
Other non-current assets	651	665	-	1,316
<b>TOTAL NON - CURRENT ASSETS</b>	<b>2,475,718</b>	<b>200,369</b>	<b>(187,199)</b>	<b>2,488,888</b>
<b>CURRENT ASSETS:</b>				
Inventories	50,153	485	-	50,638
Account receivables	348,271	39,125	(41,225)	346,171
Prepaid expenses	36,368	575	(366)	36,577
Other current assets	5,458	2,352	-	7,810
Cash and cash equivalents	179,127	1,141	-	180,268
<b>TOTAL CURRENT ASSETS</b>	<b>619,378</b>	<b>43,678</b>	<b>(41,591)</b>	<b>621,465</b>
<b>TOTAL ASSETS</b>	<b>3,095,094</b>	<b>244,047</b>	<b>(228,788)</b>	<b>3,110,353</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	5,152	40,810	(40,810)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(13,798)	-	-	(13,798)
Legal reserve	1,030	1,374	(1,374)	1,030
Other reserves and accumulated earnings	33,950	61,207	(83,066)	12,091
Net income	105,459	155	(26,492)	79,121
<b>EQUITY BEFORE NON - CONTROLLING INTERESTS</b>	<b>986,012</b>	<b>103,546</b>	<b>(151,742)</b>	<b>937,815</b>
Non-controlling interests	6,467	-	-	6,467
<b>TOTAL EQUITY</b>	<b>992,479</b>	<b>103,546</b>	<b>(151,742)</b>	<b>944,282</b>
<b>LIABILITIES</b>				
<b>NON - CURRENT LIABILITIES:</b>				
Borrowings	1,333,254	68,143	(35,000)	1,366,397
Provisions	70,360	7,632	-	77,992
Accrued expenses	386	-	-	386
Other non-current liabilities	6,992	-	-	6,992
Deferred income tax liabilities	4,814	350	1	5,165
<b>TOTAL NON - CURRENT LIABILITIES</b>	<b>1,415,806</b>	<b>76,125</b>	<b>(34,999)</b>	<b>1,456,932</b>
<b>CURRENT LIABILITIES:</b>				
Borrowings	162,389	27,185	(27,816)	161,758
Accounts payable	265,447	16,376	(9,613)	272,210
Tax payable	60,735	375	-	61,110
Accrued expenses	173,042	18,721	(4,252)	187,512
Other current liabilities	25,196	1,719	(366)	26,549
<b>TOTAL CURRENT LIABILITIES</b>	<b>686,809</b>	<b>64,376</b>	<b>(42,047)</b>	<b>709,139</b>
<b>TOTAL LIABILITIES</b>	<b>2,102,615</b>	<b>140,501</b>	<b>(77,046)</b>	<b>2,166,071</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>3,095,094</b>	<b>244,047</b>	<b>(228,788)</b>	<b>3,110,353</b>

The results by segment and investments in tangible and intangible assets, contract costs and rights of use for the nine months ended on 30 September 2019 and 2020 are shown below:

	9M 19 RESTATED						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 19 RESTATED	9M 19 RESTATED
REVENUES:								
Services rendered	324,630	968,935	28,865	76,688	(11,139)	(33,081)	342,356	1,012,542
Sales	17,258	48,163	5,063	13,059	(58)	(144)	22,263	61,078
Other operating revenues	6,063	18,985	319	940	(506)	(1,528)	5,876	18,397
	347,951	1,036,083	34,247	90,687	(11,703)	(34,753)	370,494	1,092,017
COSTS, LOSSES AND GAINS:								
Wages and salaries	19,087	54,208	2,787	7,907	(0)	-	21,874	62,115
Direct costs	92,321	286,371	10,263	25,015	(8,440)	(25,972)	94,144	285,414
Costs of products sold	14,255	42,037	45	229	(7)	(20)	14,293	42,246
Marketing and advertising	9,168	22,221	2,062	5,373	(2,265)	(6,033)	8,965	21,561
Support services	19,402	60,025	442	1,294	(501)	(1,503)	19,343	59,816
Supplies and external services	26,565	78,103	2,786	7,840	(490)	(1,225)	28,861	84,718
Other operating losses / (gains)	127	359	12	34	-	-	139	393
Taxes	7,078	24,349	19	89	-	-	7,097	24,438
Provisions and adjustments	3,133	7,335	(26)	(91)	-	-	3,107	7,244
	191,135	575,008	18,390	47,690	(11,703)	(34,753)	197,822	587,945
EBITDA	156,816	461,075	15,857	42,997	(1)	0	172,672	504,072
Depreciation, amortisation and impairment losses	88,576	272,392	8,937	25,582	(2)	(2)	97,511	297,972
Other losses / (gains), net	6886	13,937	7	71	-	-	6,893	14,008
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	61,353	174,745	6,913	17,344	2	2	68,268	192,091
Net losses / (gains) of affiliated companies	(966)	(2,066)	(41)	(230)	-	-	(1,007)	(2,296)
Financial costs	5,201	15,074	611	1,376	-	-	5,812	16,450
Net foreign exchange losses / (gains)	140	83	(145)	(136)	-	-	(5)	(53)
Net losses / (gains) on financial assets	(3)	(6,709)	(1)	(1,724)	-	8,424	(4)	(9)
Net other financial expenses / (income)	983	2,729	13	36	-	-	996	2,765
	5,355	9,111	437	(678)	-	8,424	5,792	16,857
INCOME BEFORE TAXES	55,996	165,633	6,476	18,023	2	(8,422)	62,474	175,234
Income taxes	13,843	35,086	1,264	3,251	-	-	15,107	38,337
EARNINGS PER SHARES FROM CONTINUING OPERATIONS	42,153	130,546	5,212	14,772	-	(8,422)	47,367	136,896
Net consolidated income from discontinued operations	551	967	-	-	-	-	551	967
NET INCOME	42,704	131,513	5,212	14,772	1	(8,422)	47,917	137,863
CAPEX	93,784	286,416	9,658	24,536	-	-	103,442	310,952
EBITDA - CAPEX	63,032	174,659	6,199	18,461	0	0	69,231	193,120

	9M 20						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	3° QUARTER 20	9M 20	3° QUARTER 20	9M 20	3° QUARTER 20	9M 20	3° QUARTER 20	9M 20
REVENUES:								
Services rendered	317,469	931,068	9,646	36,505	(6,708)	(23,204)	320,407	944,369
Sales	20,760	52,857	1,054	4,327	(26)	(85)	21,788	57,099
Other operating revenues	4,499	11,560	403	1,016	(155)	(467)	4,747	12,109
	342,728	995,485	11,103	41,848	(6,889)	(23,756)	346,942	1,013,577
COSTS, LOSSES AND GAINS:								
Wages and salaries	19,268	56,643	2,040	6,812	-	-	21,308	63,455
Direct costs	93,396	263,294	(5,149)	395	(755)	(14,993)	87,492	248,696
Costs of products sold	18,857	49,302	108	208	(13)	(30)	18,952	49,480
Marketing and advertising	8,121	19,528	695	1,883	(4,681)	(6,952)	4,135	14,459
Support services	18,309	60,251	2,088	1,860	(933)	(885)	19,464	61,224
Supplies and external services	21,776	70,625	1,264	3,599	(508)	(895)	22,532	73,329
Other operating losses / (gains)	89	341	11	47	2	-	102	388
Taxes	8,102	24,431	12	61	-	-	8,114	24,492
Provisions and adjustments	4,194	6,873	61	(15)	-	-	4,255	6,858
	192,112	551,288	1,130	14,850	(6,888)	(23,755)	186,354	542,383
EBITDA	150,616	444,197	9,973	26,998	-	-	160,588	471,194
Depreciation, amortisation and impairment losses	96,202	279,530	7,376	25,715	-	-	103,579	305,245
Other losses / (gains), net	3,653	51,826	664	2,033	-	-	4,317	53,860
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	50,761	112,841	1,933	(750)	-	-	52,693	112,090
Net losses / (gains) of affiliated companies	(609)	9,399	(25)	(272)	-	-	(634)	9,128
Financial costs	3,576	11,565	484	1,745	-	-	4,059	13,310
Net foreign exchange losses / (gains)	(71)	(33)	323	491	-	-	252	458
Net losses / (gains) on financial assets	(4)	(24,394)	-	(2,047)	-	26,492	(4)	51
Net other financial expenses / (income)	960	2,725	-	8	-	-	963	2,733
	3,852	(738)	784	(74)	-	26,492	4,636	25,680
INCOME BEFORE TAXES	46,911	113,579	1,149	(676)	-	(26,492)	48,058	86,411
Income taxes	4,054	15,101	(93)	(832)	-	-	3,961	14,269
EARNINGS PER SHARES FROM CONTINUING OPERATIONS	42,856	98,478	1,241	155	-	(26,492)	44,097	72,142
Net consolidated income from discontinued operations	-	6,407	-	-	-	-	-	6,407
NET INCOME	42,857	104,886	1,241	155	-	(26,492)	44,097	78,549
CAPEX	103,290	283,913	5,794	21,078	-	-	109,084	304,991
EBITDA - CAPEX	47,327	160,284	4,179	5,920	-	-	51,505	166,203

EBITDA = Operational Result + Depreciation, amortisation and impairment losses + Restructuring costs + Losses / (gains) on sale of assets + Other losses / (gains) non-recurrent

CAPEX = Increases in tangible and intangible assets, contract costs and rights of use

Transactions between segments are performed on market terms and conditions in a comparable way to transactions performed with third parties.

At 30 September 2020, fully consolidated foreign companies represent less than 1% of assets (at 31 December 2019: 1%) and their turnover is less than 0,1% of consolidated turnover.

## 6. Financial assets and liabilities classified in accordance with the IFRS 9 – financial instruments

The accounting policies set out in IFRS 9 for financial instruments were applied to the following items:

31-12-2019						
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>ASSETS</b>						
Available-for-sale financial assets	439	-	-	439	-	439
Accounts receivable - trade (Note 16)	361,711	-	-	361,711	-	361,711
Accounts receivable - other (Note 12)	7,640	-	-	7,640	24,552	32,192
Cash and cash equivalents (Note 20)	12,819	-	-	12,819	-	12,819
<b>TOTAL FINANCIAL ASSETS</b>	<b>382,609</b>	<b>-</b>	<b>-</b>	<b>382,609</b>	<b>24,552</b>	<b>407,161</b>
<b>LIABILITIES</b>						
Borrowings (Note 23)	-	-	1,360,127	1,360,127	-	1,360,127
Derivative financial instruments (Note 19)	-	400	-	400	-	400
Accounts payable - trade (Note 27)	-	-	259,501	259,501	-	259,501
Accounts payable - other (Note 28)	-	-	37,577	37,577	112	37,689
Accrued expenses (Note 25)	-	-	204,393	204,393	-	204,393
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>-</b>	<b>400</b>	<b>1,861,598</b>	<b>1,861,998</b>	<b>112</b>	<b>1,862,110</b>
30-09-2020						
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>ASSETS</b>						
Available-for-sale financial assets	526	-	-	526	-	526
Accounts receivable - trade (Note 16)	258,710	-	-	258,710	-	258,710
Accounts receivable - other (Note 12)	11,103	-	-	11,103	19,201	30,304
Cash and cash equivalents (Note 20)	180,268	-	-	180,268	-	180,268
<b>TOTAL FINANCIAL ASSETS</b>	<b>450,607</b>	<b>-</b>	<b>-</b>	<b>450,607</b>	<b>19,201</b>	<b>469,808</b>
<b>LIABILITIES</b>						
Borrowings (Note 23)	-	-	1,528,155	1,528,155	-	1,528,155
Derivative financial instruments (Note 19)	-	1,061	-	1,061	-	1,061
Accounts payable - trade (Note 27)	-	-	242,795	242,795	-	242,795
Accounts payable - other (Note 28)	-	-	30,864	30,864	105	30,969
Accrued expenses (Note 25)	-	-	187,898	187,898	-	187,898
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>-</b>	<b>1,061</b>	<b>1,989,712</b>	<b>1,990,773</b>	<b>105</b>	<b>1,990,878</b>

Considering its nature, the balances of the amounts to be paid and received to/from state and other public entities were considered outside the scope of IFRS 7. Also, the captions of "Prepaid expenses" and "Deferred income" were not included in this note, as the nature of such balances are not included in the scope of IFRS 7.

The Board of Directors believes that the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

The Group's activity is subject to a variety of financial risks, such as market risk, liquidity risk and economical and judicial risks, which are described in the Management Report.

## 7. Tangible assets

In the nine months ended on 30 September 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	DISPOSAL OF NOS TOWERING (NOTE 46)	TRANSFERS AND OTHERS	30-09-2019
<b>ACQUISITION COST</b>						
Lands	838	-	-	-	-	838
Buildings and other constructions	388,170	2,948	(217)	-	9,519	400,420
Basic equipment	2,278,623	32,198	(84,049)	-	102,255	2,329,027
Transportation equipment	567	-	-	-	-	567
Tools and dies	1,406	-	4	-	77	1,487
Administrative equipment	189,070	1,663	(1,571)	-	816	189,978
Other tangible assets	42,553	181	-	-	285	43,019
Tangible assets in-progress	55,220	116,236	-	-	(122,690)	48,766
	<b>2,956,447</b>	<b>153,226</b>	<b>(85,833)</b>	-	<b>(9,738)</b>	<b>3,014,102</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>						
Buildings and other constructions	213,822	7,134	(715)	-	(649)	219,592
Basic equipment	1,493,105	111,872	(83,346)	-	2,647	1,524,278
Transportation equipment	516	2	-	-	45	563
Tools and dies	1,316	42	(4)	-	-	1,354
Administrative equipment	179,428	3,237	(1,545)	-	219	181,339
Other tangible assets	41,905	550	(1)	-	2	42,456
	<b>1,930,092</b>	<b>122,837</b>	<b>(85,611)</b>	-	<b>2,264</b>	<b>1,969,582</b>
	<b>1,026,355</b>	<b>30,389</b>	<b>(222)</b>	-	<b>(12,002)</b>	<b>1,044,520</b>

The net amount of "Transfers and Others" predominantly corresponds to the transfer of assets to "Intangible assets" (Note 8).

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	DISPOSAL OF NOS TOWERING (NOTE 46)	TRANSFERS AND OTHERS	30-09-2020
<b>ACQUISITION COST</b>						
Land	838	-	-	-	-	838
Buildings and other constructions	404,434	320	(59)	(147,411)	5,698	262,982
Basic equipment	2,456,116	33,673	(16,375)	(2,143)	97,901	2,569,172
Transportation equipment	508	6	-	-	4	518
Tools and dies	1,487	-	-	(2)	3	1,488
Administrative equipment	189,992	1,806	(105)	(82)	1,935	193,546
Other tangible assets	43,125	109	-	-	291	43,525
Tangible assets in-progress	39,574	110,453	-	(1,477)	(111,280)	37,270
	<b>3,136,074</b>	<b>146,367</b>	<b>(16,539)</b>	<b>(151,115)</b>	<b>(5,448)</b>	<b>3,109,339</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>						
Buildings and other constructions	222,826	5,820	(7)	(61,901)	(1,632)	165,106
Basic equipment	1,654,724	111,658	(16,183)	(2,067)	49	1,748,181
Transportation equipment	504	2	-	-	4	510
Tools and dies	1,369	34	-	(2)	3	1,404
Administrative equipment	179,235	3,412	(100)	(76)	465	182,936
Other tangible assets	42,603	432	(5)	-	7	43,037
	<b>2,101,261</b>	<b>121,358</b>	<b>(16,295)</b>	<b>(64,046)</b>	<b>(1,104)</b>	<b>2,141,174</b>
	<b>1,034,813</b>	<b>25,009</b>	<b>(244)</b>	<b>(87,069)</b>	<b>(4,344)</b>	<b>968,165</b>

At 30 September 2020, the tangible assets net value is composed mainly by basic equipment, namely:

- Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 720.0 million euros (31 December 2019: 698.5 million euros);
- Terminal equipment installed on client premises, included under Basic equipment, amounts to 101.0 million euros (31 December 2019: 102.9 million euros).

Tangible and intangible assets include interests and other financial expenses incurred directly related to the construction of certain tangible or intangible assets in progress.

At 30 September 2020, total net value of these costs amounted to 13.1 million euros (31 December 2019: 13.7 million euros). The amount of interest capitalised in the nine months ended on 30 September 2020 amounted to 0.7 million euros (31 December 2019: 1 million euros).

## 8. Intangible assets

In the nine months ended on 30 September 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-09-2019
<b>ACQUISITION COST</b>					
Industrial property and other rights	1,521,380	7,151	-	67,793	1,596,324
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	50,211	52,124	-	(69,125)	33,210
	<b>2,212,991</b>	<b>59,275</b>	-	<b>(1,332)</b>	<b>2,270,934</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>					
Industrial property and other rights	1,191,312	59,254	(104)	154	1,250,616
Other intangible assets	2,423	-	-	-	2,423
	<b>1,193,735</b>	<b>59,254</b>	<b>(104)</b>	<b>154</b>	<b>1,253,039</b>
	<b>1,019,256</b>	<b>21</b>	<b>104</b>	<b>(1,486)</b>	<b>1,017,895</b>

The amount of "Transfers and Others" corresponds, mainly, to the transfer of assets from "Tangible assets" (Note 7).

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-09-2020
<b>ACQUISITION COST</b>					
Industrial property and other rights	1,634,046	1,466	-	40,167	1,675,679
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	23,201	49,437	-	(35,027)	37,611
	<b>2,298,647</b>	<b>50,903</b>	-	<b>5,140</b>	<b>2,354,690</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>					
Industrial property and other rights	1,281,835	66,355	(19)	1,568	1,349,739
Intangible assets in-progress	2,746	-	-	(498)	2,248
	<b>1,284,581</b>	<b>66,355</b>	<b>(19)</b>	<b>1,070</b>	<b>1,351,987</b>
	<b>1,014,066</b>	<b>(15,452)</b>	<b>19</b>	<b>4,070</b>	<b>1,002,703</b>

At 30 September 2020, the item "Industrial property and other rights" includes mainly:

- (1) A net amount of 104.3 million euros (31 December 2019: 110.5 million euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i) 33.0 million euros (31 December 2019: 35 million euros) related to the license, (ii) 11.0 million euros (31 December 2019: 11.7 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 3.4 million euros (31 December 2019: 3.6 million euros) related to the Share Capital of "Fundação para as Comunicações Móveis", established in 2007, under an agreement entered with "Ministério das Obras Públicas, Transportes e Comunicações" and the three mobile telecommunication operators in Portugal; (iv) 48.3 million euros (31 December 2019: 51.2 million euros) related with the programme "Initiatives E"; and (v) the net amount of 5.7 million euros (31 December 2019: 6.1 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;
- (2) A net amount of 79.9 million euros (31 December 2019: 82.7 million euros) corresponding to the current value of future payments related with the acquisition of rights of use for frequencies (spectrum) bands of 800 MHz, 1800 MHz, 2600 MHz, which will be used to develop 4th generation services (LTE - Long Term Evolution) and a net amount of 2.8 million euros (31 December 2019: 2.9 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;
- (3) A net amount of 12.7 million euros (31 December 2019: 15.7 million euros) corresponding to the future rights to use movies and series.

Increases in the nine months ended on 30 September 2020 correspond mainly to movies and television series rights of use, for an amount of 14.7 million euros, acquisition and development of software and other assets, for an amount of 35.0 million euros.

## Impairment tests on goodwill

Goodwill was allocated to the cash-generating units of each reportable segment, as follows:

	31-12-2019	30-09-2020
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	<b>641,400</b>	<b>641,400</b>

In this context of uncertainty regarding the level of evolution and contagion of the virus, strong economic slowdown and estimated changes to the consumption pattern of the Portuguese (Note 47.1), the business plans prepared in the year of 2019, are under review in face of the new reality.

It is difficult to project the potential impact of this shock, however, there are already negative impacts in some business areas, namely, the closure of cinemas, a drop in equipment sales and revenues from premium sports channels.

For these reasons, in the nine months ended on 30 September 2020, a review of the impairment tests was carried out, and in the specific case of the Audiovisual segment, a 50% drop in the operating margin of the cinema ticket sales business and the respective distribution of content for cinema exhibition was simulated, which support the recoverability of the carrying amount of Goodwill.

## 9. Contract costs

In the nine months ended on 30 September 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	TRANSFERS AND OTHERS	30-09-2019
<b>ACQUISITION COST</b>				
Cost of attracting customers	362,641	49,067	-	411,708
Costs of fulfilling customer contracts	152,054	25,301	-	177,355
	<b>514,694</b>	<b>74,369</b>	-	<b>589,063</b>
<b>ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES</b>				
Cost of attracting customers	260,712	51,103	-	311,815
Costs of fulfilling customer contracts	91,035	24,544	-	115,579
	<b>351,746</b>	<b>75,647</b>	-	<b>427,393</b>
	<b>162,948</b>	<b>(1,278)</b>	-	<b>161,670</b>

  

	31-12-2019	INCREASES	TRANSFERS AND OTHERS	30-09-2020
<b>ACQUISITION COST</b>				
Cost of attracting customers	427,519	46,326	-	473,845
Costs of fulfilling customer contracts	189,594	25,968	-	215,562
	<b>617,113</b>	<b>72,294</b>	-	<b>689,407</b>
<b>ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES</b>				
Cost of attracting customers	327,650	49,266	-	376,916
Costs of fulfilling customer contracts	126,362	25,417	-	151,779
	<b>454,012</b>	<b>74,683</b>	-	<b>528,695</b>
	<b>163,101</b>	<b>(2,389)</b>	-	<b>160,712</b>

Contract costs refers to commissions paid to third parties and other costs related to raising customers' loyalty contracts. These costs are amortized, systematically and consistently, with the transfer to customers of goods or services to which the asset is related (between 2 and 4 years).



## 10. Rights of use

In the nine months ended on 30 September 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSAL OF NOS TOWERING (NOTE 46)	TRANSFERS AND OTHERS	30-09-2019
<b>ACQUISITION COST</b>					
Telecommunications towers and rooftops	122,014	12,167	-	1,346	135,527
Movie theatres	84,816	4,620	-	-	89,436
Transponders	92,395	(488)	-	-	91,907
Equipments	99,145	13,608	-	(1,477)	111,276
Buildings	65,282	2,815	-	(3,675)	64,422
Fiber optic rental	34,157	-	-	-	34,157
Stores	14,768	1,691	-	149	16,608
Others	22,290	1,461	-	10,652	34,403
	<b>534,867</b>	<b>35,874</b>	<b>-</b>	<b>6,995</b>	<b>577,736</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>					
Telecommunications towers and rooftops	81,614	7,698	-	1,366	90,678
Movie theatres	67,336	4,767	-	-	72,093
Transponders	50,859	4,405	-	(61)	55,203
Equipments	53,365	10,686	-	(192)	63,859
Buildings	33,803	4,658	-	3,246	41,707
Fiber optic rental	24,696	2,288	-	(1,073)	25,911
Stores	9,659	1,626	-	147	11,432
Others	13,061	4,106	-	2,776	19,943
	<b>334,383</b>	<b>40,234</b>	<b>-</b>	<b>6,209</b>	<b>380,827</b>
	<b>200,484</b>	<b>(4,360)</b>	<b>-</b>	<b>786</b>	<b>196,909</b>

  

	31-12-2019	INCREASES	DISPOSAL OF NOS TOWERING (NOTE 46)	TRANSFERS AND OTHERS	30-09-2020
<b>ACQUISITION COST</b>					
Telecommunications towers and rooftops	139,010	13,828	(88,012)	71,670	136,496
Movie theatres	108,681	4,756	-	-	113,437
Transponders	91,907	-	-	-	91,907
Equipments	118,564	9,227	-	-	127,791
Buildings	68,603	1,382	-	(16)	69,969
Fiber optic rental	33,065	-	-	-	33,065
Stores	17,838	636	-	-	18,474
Others	31,324	5,598	(238)	(26)	36,658
	<b>608,992</b>	<b>35,427</b>	<b>(88,250)</b>	<b>71,628</b>	<b>627,797</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>					
Telecommunications towers and rooftops	93,237	8,697	(59,025)	-	42,909
Movie theatres	72,093	5,572	-	-	77,665
Transponders	56,671	4,404	-	-	61,075
Equipments	69,091	11,719	-	-	80,810
Buildings	45,043	5,212	-	(17)	50,238
Fiber optic rental	26,674	2,221	-	-	28,895
Stores	11,975	1,625	-	-	13,600
Others	15,825	3,387	(172)	(14)	19,026
	<b>390,609</b>	<b>42,837</b>	<b>(59,197)</b>	<b>(31)</b>	<b>374,218</b>
	<b>218,383</b>	<b>(7,410)</b>	<b>(29,053)</b>	<b>71,658</b>	<b>253,578</b>

The amount of "Transfers and Others" corresponds, mainly, to the net value of asset leases with Cellnex (Note 46), essentially by transference of the tangible assets from NOS Towering (Note 7).

The caption "Rights of Use" refers to assets associated with lease contracts, resulting from the application of IFRS 16 on January 1, 2019. These assets are amortized according to the duration of the respective agreement, except for the lease of equipment with a purchase option that is amortized over the estimated period of use.

## 11. Investments in jointly controlled companies and associated companies

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019	30-09-2020
<b>INVESTMENTS - EQUITY METHOD</b>		
Sport TV	4,544	-
Dreamia	3,369	3,654
Finstar*	8,635	5,034
Mstar	1,151	1,484
Upstar	391	430
Big Picture 2 Films	154	141
<b>ASSETS</b>	<b>18,244</b>	<b>10,742</b>

\* Consolidated from Finstar and ZAP Media

Movements in "Investments in jointly controlled companies and associated companies" in the nine months ended on 30 September 2019 and 2020 were as follows:

	9M 19 RESTATED	9M 20
<b>AS AT JANUARY 1</b>	<b>19,585</b>	<b>18,244</b>
Gains / (losses) of exercise (Note 35)	2,272	671
Impairment (Note 35)	-	(5,396)
Changes in equity i)	(71)	(2,776)
<b>AS AT SEPTEMBER 30</b>	<b>21,786</b>	<b>10,742</b>

- i) Amounts related to changes in equity of the companies registered by the equity method of consolidation are mainly related to foreign exchange impacts of the investment in currencies other than euro.

The Group's interest in the results and assets and liabilities of the jointly controlled companies and associated companies in the periods ended on 31 December 2019 and 30 September 2020, is as follows:

31-12-2019									
ENTITY	NON CURRENT ASSETS	CURRENT ASSETS	NON CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	98,003	86,330	4,324	161,834	18,175	199,021	(3,570)	25.00%	(893)
Dreamia	13,147	1,237	5,851	1,795	6,738	2,309	(529)	50.00%	(265)
Finstar**	65,825	117,233	-	154,273	28,785	161,522	4,388	30.00%	1,316
Mstar	636	12,366	-	9,165	3,837	24,767	1,893	30.00%	568
Upstar	2,109	76,948	9,434	68,319	1,303	32,908	101	30.00%	30
Big Picture 2 Films	423	2,230	9	1,873	770	6,397	144	20.00%	29
	<b>180,143</b>	<b>296,344</b>	<b>19,618</b>	<b>397,260</b>	<b>59,608</b>	<b>426,923</b>	<b>2,426</b>		<b>787</b>

\* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.

\*\* Consolidated of Finstar and ZAP Media

30-09-2020									
ENTITY	NON CURRENT ASSETS	CURRENT ASSETS	NON CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	147,583	79,952	6,324	199,623	21,588	132,536	3,414	25.00%	853
Dreamia	14,075	1,099	5,959	1,908	7,307	2,387	569	50.00%	285
Finstar**	48,889	111,501	-	143,609	16,781	149,991	(3,584)	30.00%	(1,075)
Mstar	192	10,507	329	5,423	4,947	21,212	1,944	30.00%	583
Upstar	1,690	57,937	9,434	48,761	1,432	20,553	128	30.00%	39
Big Picture 2 Films	615	1,269	271	907	706	2,626	(64)	20.00%	(13)
	<b>213,044</b>	<b>262,266</b>	<b>22,317</b>	<b>400,232</b>	<b>52,762</b>	<b>329,305</b>	<b>2,407</b>		<b>671</b>

\* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.

\*\* Consolidated of Finstar and ZAP Media

Consolidated adjustments are reflected in the indicators presented in the tables above.

In the nine months ended on 30 September 2020, the assets, liabilities and results of jointly controlled companies Finstar and ZAP Media (Finstar Group) are:

30-09-2020							
ENTITY	NON CURRENT ASSETS	CURRENT ASSETS	NON CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME
Finstar	19,576	94,659	-	105,068	9,167	132,313	(3,800)
ZAP Media	16,052	15,828	889	32,114	(1,123)	17,679	(1,895)

The differences between the individual accounts (prepared in accordance with Angolan regulations) and the Finstar Group correspond, predominantly, to the annulment of balances and transactions between the companies and the adjustment because the companies are in a hyperinflationary economy from 2017 to September 2019 (IAS 29).

The Group has several controls regarding the reporting process of its jointly controlled and associated companies. The amounts included in the reported financial statements are subject to

audit in cases where it is legally required. In the remaining cases and in those where the audit has not been completed, specific review procedures are carried out by the Group.

The Board of Directors believes that the seizure of assets to Mrs. Isabel dos Santos, in the specific case of the shares held by her in Finstar and ZAP Media (where she holds 70% of the capital), does not change the control profile, in this case joint control as defined in IFRS 11, and thus relevant consequences for the operational management of companies and NOS are not expected, besides to restrictions on the distribution of dividends (Note 12).

## 12. Accounts receivable – other

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019		30-09-2020	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	5,608	5,032	4,646	9,109
Advances to suppliers	24,552	-	19,201	-
	<b>30,160</b>	<b>5,032</b>	<b>23,847</b>	<b>9,109</b>
Impairment of other receivable	(2,032)	(968)	(1,287)	(1,365)
	<b>28,128</b>	<b>4,064</b>	<b>22,560</b>	<b>7,744</b>

- i) At 30 September 2020, this item corresponds to short-term loans, medium and long-term loans from Group and interests' receivable, to associated companies and the amount receivable of 5.2 million euros from the sale of NOS International Carrier Services (Note 45).

The summary of movements in impairment of other receivable in other accounts receivable is as follows:

	9M 19 RESTATED	9M 20
<b>AS AT JANUARY 1</b>	<b>967</b>	<b>3,000</b>
Increases (Note 34)	299	343
Utilizations / Others	(93)	(691)
<b>AS AT SEPTEMBER 30</b>	<b>1,173</b>	<b>2,652</b>

## 13. Taxes payable and receivable

At 31 December 2019 and 30 September 2020, these items were composed as follows:

	31-12-2019		30-09-2020	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
<b>NON CURRENT</b>				
Debt regularization	149	-	149	-
	<b>149</b>	-	<b>149</b>	-
<b>CURRENT</b>				
Value-added tax	4,211	19,102	6,940	4,678
Income taxes	-	43,428	-	52,954
Personnel income tax withholdings	-	3,597	-	1,545
Social Security contributions	-	1,913	-	1,834
Others	420	162	420	99
	<b>4,631</b>	<b>68,202</b>	<b>7,360</b>	<b>61,110</b>
	<b>4,780</b>	<b>68,202</b>	<b>7,509</b>	<b>61,110</b>

At 31 December 2019 and 30 September 2020, the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2019	30-09-2020
Estimated current tax on income	(25,969)	(32,540)
Tax processes	(43,402)	(44,043)
Payments on account	20,593	21,996
Withholding income taxes	4,096	411
Others	1,254	1,222
	<b>(43,428)</b>	<b>(52,954)</b>

In the nine months ended on 30 September 2020, the item "Tax processes" includes liabilities, related to ongoing tax processes, of which highlights:

- i) Future credits transferred: for the financial year ended at 31 December 2010, NOS SA was notified of the Report of Tax Inspection, when it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of 20 million euros in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that year, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year for 5 years). NOS SA challenged the decisions regarding the 2009 to 2013 fiscal year and will appeal for the judicial review in due time the decision regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavourably, in March 2014. The company has appealed;
- ii) Supplementary Capital: the fiscal authorities believe that NOS SA has broken the principle of full competition under the terms of (1) of Article 58 of the Corporate Tax Code (CIRC) – currently Article 63 –, by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007 of corrections to the determination of its taxable income in the total amount of 20.5 million euros. NOS SA contested the decision with regard to all the above-mentioned years. As for the year 2004, the Court has decided favourably. This decision is concluded (favourably), originating a reversal of provisions, in 2016, in the amount of 1.3 million euros plus interest. As for the years 2006 and 2007, the Porto Fiscal and Administrative Court has already decided unfavourably. As for the year 2005, the Court decided favourably, having been concretized by the Tax Authorities, which meant the provision reversal of one million euros, in 2018.

## 14. Income tax expense

NOS and its subsidiaries are subject to IRC - Corporate Income Tax - at the rate of 21% on taxable amount (taxable profit less eventual tax losses subject to deduction), plus IRC surcharge at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 22.5%. Additionally, following the introduction of austerity measures approved by Law 66-B/2012 of 31 December, and respective addendum published by Law 2/2014 of 16 January, this rate was raised by 3% and will be applied to the company's taxable profit between 1.5 million euros and 7.5

million euros, by 5% to the company's taxable profit which exceeds 7.5 million euros, and by 9% to the company's taxable profit above 35 million euros.

In the calculation of taxable income, amounts, which are not fiscally allowable, are added to or subtracted from the book results. These differences between accounting income and taxable income may be of a temporary or permanent nature.

NOS is taxed in accordance with the Special Regime for Taxation of Corporate Groups, which covers the companies in which it directly or indirectly holds at least 75% of their share capital and which fulfil the requirements of Article 69 of the IRC Code.

The companies covered by the Special Regime for Taxation of Corporate Groups in 2020 are:

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária
- Lusomundo SII
- NOS Açores
- NOS Audiovisuais
- NOS Audiovisuais SGPS
- NOS Cinemas
- NOS Comunicações SA
- NOS Inovação
- NOS Internacional SGPS
- NOS Lusomundo TV
- NOS Madeira
- NOSPUB
- NOS Sistemas
- NOS Technology
- NOS Wholesale
- NOS Corporate Center
- NOS Property
- Per-mar
- Sontária

Under current legislation, tax declarations are subject to review and correction by tax authorities for a period of four years, except when tax losses have occurred or tax benefits have been obtained, whose term, in these cases, matches the deadline to use them. It should be noted that in the event of inspections, appeals, or disputes in progress, these periods might be extended or suspended.

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 30 September 2020.

#### A) Deferred tax

NOS and its associated companies have reported deferred tax relating to temporary differences between the taxable basis and the book amounts of assets and liabilities, and tax losses carried forward at the date of the statement of financial position.

The movements in deferred tax assets and liabilities for the nine months ended on 30 September 2019 and 2020 were as follows:

	31-12-2018	INCOME (NOTE B)	EQUITY	DISPOSAL OF NOS TOWERING (NOTE 46)	30-09-2019
<b>DEFERRED INCOME TAX ASSETS</b>					
Impairment of other receivable	4,796	(3,655)	-	-	1,141
Inventories	1,610	158	-	-	1,768
Other provision and adjustments	51,956	(5,767)	-	-	46,189
Intragroup gains	22,098	(2,709)	-	-	19,389
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,943	(183)	-	-	4,760
Derivatives	238	88	(243)	-	83
	<b>94,404</b>	<b>(20,831)</b>	<b>(243)</b>	<b>-</b>	<b>73,330</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,846	(183)	-	-	2,663
Derivatives	7	127	(108)	-	26
Liabilities recognised under application of IFRS16	-	6,090	-	-	6,090
Others	2,270	99	-	-	2,369
	<b>5,123</b>	<b>6,133</b>	<b>(108)</b>	<b>-</b>	<b>11,148</b>
<b>NET DEFERRED TAX</b>	<b>89,281</b>	<b>(26,964)</b>	<b>(135)</b>	<b>-</b>	<b>62,182</b>

  

	31-12-2019	INCOME (NOTE B)	EQUITY	DISPOSAL OF NOS TOWERING (NOTE 46)	30-09-2020
<b>DEFERRED INCOME TAX ASSETS</b>					
Impairment of other receivable	1,471	5,935	-	-	7,406
Inventories	1,871	214	-	-	2,085
Other provision and adjustments	51,825	(3,386)	-	(3,181)	45,258
Intragroup gains	20,091	3,142	-	(2,088)	21,145
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	5,080	-	-	-	5,080
Assets recognised under application of IFRS 16	-	4,332	-	(1,618)	2,714
Derivatives	90	112	37	-	239
	<b>80,428</b>	<b>10,349</b>	<b>37</b>	<b>(6,887)</b>	<b>83,927</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,799	(110)	-	-	2,689
Liabilities recognised under application of IFRS 16	6,324	(6,291)	-	-	33
Others	2,503	(60)	-	-	2,443
	<b>11,626</b>	<b>(6,461)</b>	<b>-</b>	<b>-</b>	<b>5,165</b>
<b>NET DEFERRED TAX</b>	<b>68,802</b>	<b>16,810</b>	<b>37</b>	<b>(6,887)</b>	<b>78,762</b>

At 30 September 2020, the deferred tax assets related to the other provisions and adjustments are mainly due: i) Impairments and acceleration of amortisations beyond the acceptable fiscally and other adjustments in fixed tangible assets and intangible assets, amounted to 36.0 million euros (31 December 2019: 40.3 million euros; and ii) Other provisions amounted to 9.2 million euros (31 December 2019: 11.5 million euros).

The revaluations of assets refer to the appreciation of telecommunications licenses and other assets at the merger of Group companies.

At 30 September 2020, deferred tax assets were not recognised for an amount of 1.3 million euros, corresponding mainly to tax incentives.

Deferred tax assets were recognised when it is probable that taxable profits will occur in future that may be used to absorb tax losses or deductible tax differences. This assessment was based on the business plans of the Group's companies, which are regularly revised and updated.

At 30 September 2020, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2019: 21%). In the case of temporary differences, the rate used was 22.5% (2019: 22.5%) increased to a maximum of 6.99% (2019: 6.99%) of state surcharge when the taxation of temporary differences in the estimated period of application of the state surcharge was perceived as likely. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grants such tax benefits.

Under the terms of Article 88 of the IRC Code, the Company is subject to autonomous taxation on a series of charges at the rates set out in that Article.

Additionally, under the terms of current legislation in Portugal, tax losses generated from 2012 to 2013 and from 2014 to 2016 may be carried forward for a period of five years and twelve years, respectively, after their occurrence and may be deducted from taxable profits generated during that period, up to a limit of 75% of the taxable profit, in 2012 and 2013, and 70% of taxable profit from 2014 to 2016. For tax losses generated in taxation periods that begin on or after 1 January 2017, the carryover is over a five-year period up to the limit of 70% of the taxable profit.

#### B) Effective tax rate reconciliation

In the nine months ended on 30 September 2019 and 2020, the reconciliation between the nominal and effective rates of tax was as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Income before taxes	62,476	175,235	48,058	86,411
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
<b>ESTIMATED TAX</b>	<b>14,057</b>	<b>39,428</b>	<b>10,813</b>	<b>19,442</b>
Permanent differences i)	107	(93)	(60)	2,468
Differences in tax rate of group companies	(45)	(1,113)	(5)	40
Tax benefits ii)	(2,097)	(8,263)	(7,014)	(10,789)
State surcharge	2,979	8,421	1,177	2,974
Autonomous taxation	183	548	134	512
Others	(77)	(591)	(1,083)	(378)
<b>INCOME TAXES</b>	<b>15,107</b>	<b>38,337</b>	<b>3,961</b>	<b>14,269</b>
Effective Income tax rate	24.2%	21.9%	8.2%	16.5%
Income tax	10,791	11,373	14,791	31,079
Deferred tax	4,316	26,964	(10,830)	(16,810)
	<b>15,107</b>	<b>38,337</b>	<b>3,961</b>	<b>14,269</b>

i) At 30 September 2019 and 2020, the permanent differences were composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Equity method (Note 35)	(1,007)	(2,296)	(634)	9,128
Others	1,485	1,884	366	1,839
	<b>478</b>	<b>(412)</b>	<b>(268)</b>	<b>10,967</b>
	22.5%	22.5%	22.5%	22.5%
	<b>107</b>	<b>(93)</b>	<b>(60)</b>	<b>2,468</b>

ii) This item corresponds to the amount of deferred taxes and the use of tax benefits for which there was no record of deferred taxes: SIFIDE (Business Research and Development Tax Incentives System), a tax benefit introduced by Law 40/2005 of 3 August and RFAI (Investment Tax Incentive Regime) introduced by Law 10/2009 of 10 March; and provisions for used tax incentives.

## 15. Inventories

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019	30-09-2020
<b>INVENTORIES</b>		
Telco	39,476	56,950
Audiovisuals	1,278	1,095
	<b>40,754</b>	<b>58,045</b>
<b>IMPAIRMENT OF INVENTORIES</b>		
Telco	(6,083)	(6,797)
Audiovisuals	(590)	(610)
	<b>(6,673)</b>	<b>(7,407)</b>
	<b>34,081</b>	<b>50,638</b>

The movements occurred in impairment adjustments were as follows:

	9M 19 RESTATED	9M 20
<b>AS AT JANUARY 1</b>	<b>6,167</b>	<b>6,673</b>
Increase and decrease - Cost of products sold (Note 32)	1,888	1,945
Utilizations / Others	(1,273)	(1,210)
<b>AS AT SEPTEMBER 30</b>	<b>6,782</b>	<b>7,408</b>

## 16. Accounts receivable – trade

At 31 December 2019 and 30 September 2020, this item was as follows:

	31-12-2019	30-09-2020
Trade receivables	451,086	402,640
Unbilled revenues i)	64,754	44,437
	<b>515,840</b>	<b>447,077</b>
Impairment of trade receivable	(154,128)	(188,367)
	<b>361,712</b>	<b>258,710</b>

- i) The amounts to be invoiced correspond mainly to the value of contractual obligations already met or partially met and whose invoicing will occur subsequently.

The variation in the item "Accounts receivable - customers" results, predominantly, from the disposal of NOS International Carrier Services and the respective cancellation of its contribution (Note 45), and reinforcement of impairments.

The movements occurred in impairment adjustments were as follows:

	9M 19 RESTATED	9M 20
<b>AS AT JANUARY 1</b>	<b>139,822</b>	<b>154,128</b>
Increases and decreases (Note 34)	11,433	10,704
Penalties - i)	13,899	16,517
Other losses / (gains) non-recurrent (Note 38)	-	27,897
Losses/ (Gains) in participated companies (Note 35)	-	4,135
Utilizations / Others	(21,214)	(25,014)
<b>AS AT SEPTEMBER 30</b>	<b>143,940</b>	<b>188,367</b>

- i) Penalties correspond to the invoiced penalties, in the period, for which the full expected credit losses are registered, and the register was made by deduction from the respective revenue, as described in Note 43.6.



## 17. Contract assets

At 30 September 2020, the contract assets, in the amount of 64.9 million euros ( 31 December 2019: 68.1 million euros), correspond to discounts, attributed to customers at the time of the sale of equipment (included in the telecommunications packages) and which are allocated to monthly fees / services rendered, within the scope of the allocation of credits to different types of performance obligations, according to IFRS 15. These assets are deferred, at the time of sale of the equipment, and recognised over the contract period (service rendered).

## 18. Prepaid Expenses

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019	30-09-2020
Programming costs i)	22,232	14,266
Advertising	183	1,065
Insurance	824	1,016
Costs of litigation procedure activity ii)	6,686	1,757
Others iii)	14,029	18,473
	<b>43,954</b>	<b>36,577</b>

- i) Programming costs correspond to costs inherent to the availability of channels, namely fixed fees, billed in advance. This cost is recognised in the period in which the channel is made available and transmitted, and recognised as a programming cost, in the Consolidated Income Statement.
- ii) Deferred costs related to collection actions correspond to services paid in advance to external entities as part of the processes for recovering customer debts / collection actions. These costs are recognised as the service is provided.
- iii) "Others" includes deferred costs, mainly related to:

Expenses to be recognised from various supplies and external services, such as specialised works, maintenance and repair work and others, billed in advance by suppliers (quarterly or annual billing), the respective expense being recognised in the income statement as the service is provided.

## 19. Derivative financial instruments

### Interest rate derivatives

At 30 September 2020, NOS had contracted two interest rate swaps that ascend to a total of 151 million euros (31 December 2019: 150 million euros) whose swaps maturities expires in 2020 and 2022. The fair value of interest rate swaps, in the negative amount of 168 thousand euros (31 December 2019: negative amount of 38 thousand euros), was recorded in liabilities, against shareholder's equity.

## Own shares derivatives

At 30 September 2020, NOS had contracted two own shares derivatives, in the amount of 1,681 thousand euros (31 December 2019: 2,640 thousand euros), maturing in March 2021 and 2022, in order to cover the delivery of share plans liquidated in cash.

## Exchange rate derivatives

At the date of the statement of the financial position there were foreign currency forwards open for 1,955 thousand euros (31 December 2019: 5,085 thousand euros), whose fair value amounts to a negative net amount of 132 thousand euros (2019: negative in 16 thousand euros).

	NOTIONAL	31-12-2019			
		ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	150,000	-	-	-	38
Equity Swaps	2,640	-	-	119	227
Exchange rate forward	5,085	-	-	16	-
	<b>157,725</b>	-	-	<b>135</b>	<b>265</b>

	NOTIONAL	30-09-2020			
		ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	151,081	-	-	-	168
Equity swaps	1,681	-	-	319	442
Exchange rate forward	1,955	-	-	132	-
	<b>154,717</b>	-	-	<b>451</b>	<b>610</b>

Movements during the nine months ended on 30 September 2019 and 2020 were as follows:

	31-12-2018	RESULT	EQUITY	30-09-2019
Fair value interest rate swaps	(1,211)	-	1,081	(130)
Fair value exchange rate forward	32	74	-	106
Fair value equity swaps	153	87	(481)	(241)
<b>DERIVATIVES</b>	<b>(1,026)</b>	<b>161</b>	<b>600</b>	<b>(265)</b>
Deferred income tax liabilities	(7)	(127)	108	(26)
Deferred income tax assets	238	88	(243)	83
<b>DEFERRED INCOME TAX</b>	<b>231</b>	<b>(39)</b>	<b>(135)</b>	<b>57</b>
	<b>(795)</b>	<b>122</b>	<b>465</b>	<b>(208)</b>

	31-12-2019	RESULT	EQUITY	30-09-2020
Fair value interest rate swaps	(38)	-	(130)	(168)
Fair value exchange rate forward	(16)	(116)	-	(132)
Fair value equity swaps	(346)	(379)	(36)	(761)
<b>DERIVATIVES</b>	<b>(400)</b>	<b>(495)</b>	<b>(166)</b>	<b>(1,061)</b>
Deferred income tax assets	90	112	37	239
<b>DEFERRED INCOME TAX</b>	<b>90</b>	<b>112</b>	<b>37</b>	<b>239</b>
	<b>(310)</b>	<b>(383)</b>	<b>(129)</b>	<b>(822)</b>

## 20. Cash and cash equivalents

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019	30-09-2020
Cash	857	518
Terms deposits i)	11,962	179,750
	<b>12,819</b>	<b>180,268</b>

- i) At 31 December 2019 and 30 September 2020, there are 10 million euros and 9.9 million euros, respectively, recorded in the item "Current deposits" whose use is restricted, because they are held by the Capital Fund NOS 5G, subscribed by NOS.

Additionally, the increase on current deposits balance results from the received value from the disposal of NOS Towering, on 30 September 2020, in the amount of 398.6 million euros (Note 46), partially non used.

## 21. Shareholder's equity

### 21.1. Share capital

At 31 December 2019 and 30 September 2020, the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1 euro cent per share.

The main shareholders as of 31 December 2019 and 30 September 2020 are:

	31-12-2019		30-09-2020	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Sonae, SGPS, S.A. (2)	-	-	38,000,000	7.38%
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	10,891,068	2.11%
<b>TOTAL</b>	<b>290,585,082</b>	<b>56.41%</b>	<b>328,585,082</b>	<b>63.78%</b>

- (1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Portuguese Securities Code, a qualified shareholding of 33.45% of the share capital and voting rights of company, calculated in accordance with Article 20 of the Securities Code, is attributable to Sonaecom SGPS S.A. (7.38% directly and 26.07% from the participation of 50% on the capital of ZOPT, SGPS, SA) and to the entities in a control relationship it, namely, SONTEL, BV and SONAE, SGPS, S.A, companies directly and indirectly controlled by EFANOR INVESTIMENTOS, SGPS, S.A..

### 21.2. Capital issued premium

On 27 August 2013, following the completion of the merger between ZON and Optimus SGPS, the Company's share capital was increased by 856,404,278 euros, corresponding to the total number of issued shares (206,064,552 shares), based on the closing market price of 27 August 2013. The capital increase is detailed as follows:

- i) share capital in the amount of 2,060,646 euros;
- ii) premium for issue of shares in the amount of 854,343,632 euros.

Additionally, the premium for issue of shares was deducted for an amount of 125 thousand euros related to costs with the respective capital increase.

The capital issued premium is subject to the same rules as for legal reserves and can only be used:

- a) To cover part of the losses on the balance of the year that cannot be covered by other reserves;
- b) To cover part of the losses carried forward from the previous year that cannot be covered by the net income of the year or by other reserves;
- c) To increase the share capital.

### 21.3. Own shares

Company law regarding own shares requires the establishment of a non-distributable reserve of an amount equal to the purchase price of such shares, which becomes frozen until the shares are disposed of or distributed. In addition, the applicable accounting rules determine that gains or losses on the disposal of own shares are stated in reserves.

At 30 September 2020 there were 3,069,601 own shares, representing 0.5959% of share capital (31 December 2019: 2,595,541 own shares, representing 0.5038% of the share capital).

Movements in the nine months ended on 30 September 2019 and 2020 were as follows:

	QUANTITY	VALUE
<b>BALANCE AS AT 1 JANUARY 2019</b>	<b>2,069,356</b>	<b>12,132</b>
Acquisition of own shares	610,500	3,547
Distribution of own shares - share incentive scheme	(631,447)	(3,702)
Distribution of own shares - other remunerations	(57,691)	(338)
<b>BALANCE AS AT 30 SEPTEMBER 2019</b>	<b>1,990,718</b>	<b>11,639</b>
<b>BALANCE AS AT 1 JANUARY 2020</b>	<b>2,595,541</b>	<b>14,655</b>
Acquisition of own shares	1,440,000	4,584
Distribution of own shares - share incentive scheme	(875,646)	(4,931)
Distribution of own shares - other remunerations	(90,294)	(510)
<b>BALANCE AS AT 30 SEPTEMBER 2020</b>	<b>3,069,601</b>	<b>13,798</b>

### 21.4. Reserves

#### Legal reserve

Company law and NOS Articles of Association establish that at least 5% of the Company's annual net profit must be used to build up the legal reserve until it corresponds to 20% of the share capital. This reserve cannot be distributed except in the event of liquidation of the company, but it may be used to absorb losses after all other reserves have been exhausted, or for incorporation in the share capital.

#### Other reserves

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IAS / IFRS. Thus, on 30 September 2020, NOS had reserves, which by their nature are considered distributable for an amount of approximately 299.2 million euros, not including the net income.

#### Dividends

The General Meeting of Shareholders held on 8 May 2019 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.35 euros, totalling 180,306 thousand euros. The dividend attributable to own shares amounted to 699 thousand euros.

	DIVIDENDS
Dividends	180,306
Dividends of own shares	(699)
<b>DIVIDENDS PAID</b>	<b>179,607</b>

The General Meeting of Shareholders held on 19 June 2020 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.278 euros, totalling 143,215 thousand euros. The dividend attributable to own shares amounted to 699 thousand euros.

	DIVIDENDS
Dividends	143,215
Dividends of own shares	(699)
<b>DIVIDENDS PAID</b>	<b>142,516</b>

## 22. Non-controlling interests

The movements of the non-controlling interests occurred during the nine months ended on 30 September 2019 and 2020 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2018	ATTRIBUTABLE PROFITS	OTHERS	30-09-2019
NOS Madeira	5,660	(46)	(4)	5,611
NOS Açores	1,636	(186)	(2)	1,448
	<b>7,296</b>	<b>(231)</b>	<b>(6)</b>	<b>7,059</b>

	31-12-2019	ATTRIBUTABLE PROFITS	OTHERS	30-09-2020
NOS Madeira	5,502	(362)	(1)	5,139
NOS Açores	1,540	(211)	(1)	1,328
	<b>7,042</b>	<b>(573)</b>	<b>(2)</b>	<b>6,467</b>

## 23. Borrowings

At 31 December 2019 and 30 September 2020, the composition of borrowings was as follows:

	31-12-2019		30-09-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
<b>LOANS - NOMINAL VALUE</b>	<b>82,851</b>	<b>1,024,667</b>	<b>97,033</b>	<b>855,833</b>
Debtenture loan	-	575,000	-	575,000
Commercial paper	55,000	413,000	77,500	262,500
Foreign loans	18,333	36,667	18,333	18,333
Bank overdrafts	9,518	-	1,200	-
<b>LOANS - ACCRUALS AND DEFERRALS</b>	<b>1,770</b>	<b>(2,848)</b>	<b>119</b>	<b>(1,232)</b>
<b>LOANS - AMORTISED COST</b>	<b>84,621</b>	<b>1,021,819</b>	<b>97,152</b>	<b>854,601</b>
<b>LEASES</b>	<b>58,660</b>	<b>195,028</b>	<b>64,606</b>	<b>511,796</b>
	<b>143,281</b>	<b>1,216,847</b>	<b>161,758</b>	<b>1,366,397</b>

During the nine months ended on 30 September 2020, the average cost of debt of the used lines was approximately 1.2% (2019: 1.5%).

At 30 September 2020 there is no default in terms of capital, interest, conditions for redemption on loans payable or other commitments.

### 23.1. Debenture loans

At 30 September 2020, NOS has a total amount of 575 million euros of bonds issued, respectively, with maturity after one year:

- i) A private placement in the amount of 150 million euros organised by BPI bank and Caixa - Banco de Investimento in March 2015 maturing in March 2022. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.
- ii) A bond issue for an amount of 300 million euros in May 2018, whose maturity occurs in May 2023. The issue bears interest at a fix rate and it is paid annually.
- iii) A bond loan in the amount 50 million euros organised by BPI bank in June 2019 and maturing in June 2024. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.
- iv) A bond loan in the amount 50 million euros organised by Caixa Geral de Depósitos in July 2019 and maturing in July 2024. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.
- v) A bond loan in the amount 25 million euros organised by Medio Banca in July 2019 and maturing in July 2024. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

At 30 September 2020, an amount of 411 thousand euros, corresponding to interest and commissions, was added from this amount and recorded in the item "Loans - accruals and deferrals".

### 23.2. Commercial paper

At 30 September 2020, the Company has borrowings of 340 million euros in the form of commercial paper. The total amount contracted, under underwriting securities, is of 755 million euros, corresponding to thirteen programmes, with six banks, 580 million euros of which bear interest at market rates and 175 million euros are issued in fixed rate. Commercial paper programmes with maturities over one-year totalling 500 million euros are classified as non-current, since the Company can renew unilaterally current issues on or before the programmes' maturity dates and because they are underwritten by the organiser. As such, this amount, although having a current maturity, it was classified as non-current for presentation purposes in the financial position statement.

At 30 September 2020 an amount of 562 thousand euros, corresponding to interest and commissions, was added to this amount, and recorded in the item "Loans - accruals and deferrals".

### 23.3. Foreign loans

In November 2013, NOS signed a Finance Contract with the European Investment Bank for an amount of 110 million euros to support the development of the mobile broadband network in Portugal. In June 2014, the total amount of funds was used. This contract matures in a maximum period of 8 years from the use of the funds, with partial amortisations of 18.3 million euros per year as of June 2017. At 30 September 2020, the amount in borrowings corresponds to 37 million euros.

At 30 September 2020, an amount of 1,263 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan with BEI is at a subsidised rate.

All bank borrowings contracted (apart from BEI loan of 37 million euros, from public issuance of bonds of 300 million euros from two commercial paper program of 75 and 100 million euros issued in fixed rate, besides finance leases) are negotiated at variable short-term interest rates and their book value is therefore broadly similar to their fair value.

## 23.4. Leases

At 31 December 2019 and 30 September 2020, the leases refer mainly to rental agreements for telecommunications towers, movie theaters, equipment, shops and vehicles, exclusive acquisition of satellite capacity and rights to use distribution network capacity.

### Leases – payments

	31-12-2019	30-09-2020
Until 1 year	65,160	90,564
Between 1 and 5 years	149,804	269,887
Over 5 years	62,146	427,262
	<b>277,110</b>	<b>787,714</b>
Future financial costs (lease)	(23,422)	(211,312)
<b>PRESENT VALUE OF LEASE LIABILITIES</b>	<b>253,688</b>	<b>576,402</b>

### Leases – present value

	31-12-2019	30-09-2020
Until 1 year	58,660	64,606
Between 1 and 5 years	136,823	184,193
Over 5 years	58,205	327,603
	<b>253,688</b>	<b>576,402</b>

The leases increase during the nine months ended on 30 September 2020 results from the lease agreement with Cellnex (Note 46).

The maturities of the loans obtained are as follows:

	31-12-2019			30-09-2020		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	2,334	573,221	-	779	573,809	-
Commercial paper	55,648	362,949	50,000	78,103	212,459	50,000
Foreign loans	17,121	35,649	-	17,070	18,333	-
Bank overdrafts	9,518	-	-	1,200	-	-
Leases	58,660	136,823	58,205	64,606	184,193	327,603
	<b>143,281</b>	<b>1,108,642</b>	<b>108,205</b>	<b>161,758</b>	<b>988,794</b>	<b>377,603</b>

## 24. Provisions

At 31 December 2019 and 30 September 2020, the provisions were as follows:

	31-12-2019	30-09-2020
Litigation and other - i)	30,263	25,753
Dismantling and removal of assets - ii)	39,032	25,037
Contingent liabilities - iii)	23,827	23,827
Contingencies - other - iv)	1,837	3,375
	<b>94,959</b>	<b>77,992</b>

- i) At 30 September 2020, the amount under the item "Litigation and other" corresponds to provisions to cover the legal and others claims in-progress.
- ii) The amount under the item "Dismantling and removal of assets" refers to the estimated future costs discounted to the present value, related with the termination of the use of the space where there are telecommunication towers and cinemas;
- iii) The amount in the item "Contingent liabilities" refers to several provisions recorded for present but not likely obligations, related to the merger by incorporation of Optimus SGPS, namely:
  - a. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU): The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a formal contest procedure led by the government for that effect, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros for illegally designating MEO. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has been requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

Therefore:

- In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision that was contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS, SA, NOS Madeira and NOS Açores which were contested by NOS and for which a bail was presented by NOS SGPS (Note 42) to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.

- In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement



notes in the amount of 13 million euros, related to NOS, SA, NOS Madeira and NOS Açores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes. The guarantees that have been accepted by ANACOM.

- In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

- In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, for an amount of 7.7 million euros that was contested by NOS, in standard terms.

- In 2017, NOS, SA, NOS Madeira and NOS Açores were notified of the decision of ANACOM concerning the entities that are obliged to contribute toward the compensation fund and the setting of the values of contributions corresponding to CLSU that must be compensated and relating to the months of 2014 in which MEO still remained as provider of the Universal Service, which establishes for all these companies a contribution totalling close to 2.4 million euros. In December 2017, the settlement notes relating to NOS, SA, NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to Universal Service (not designated through a tender procedure) flagrantly violate the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS has judicially challenged either the approval of audit results of the net cost of universal service related to the pre-competitive period, and the liquidation of each extraordinary contribution, once the Board of Directors is convinced it will be successful in challenges already undertaken;

- iv) The amount under the caption "Contingencies - other" refers to provisions for risks related to miscellaneous events/disputes of various kinds, the settlement of which may result in outflows of cash, and other likely liabilities related to several transactions from previous periods, and whose outflow of cash is probable, namely, costs charged to the current period or previous years, for which it is not possible to estimate reliably the time of occurrence of the expense.

During the nine months ended on 30 September 2019, movements in provisions were as follows:

	31-12-2018	INCREASES	DECREASES	OTHERS	30-09-2019
Litigation and other	58,369	8,961	(6,384)	-	60,946
Dismantling and removal of assets	34,626	89	(89)	3,084	37,710
Contingent liabilities	32,055	-	(663)	-	31,391
Contingencies - other	3,765	4,455	(1,481)	(4,491)	2,248
	<b>128,815</b>	<b>13,505</b>	<b>(8,617)</b>	<b>(1,407)</b>	<b>132,295</b>

During the nine months ended on 30 September 2019, increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer, mainly, to the reassessment of several legal contingencies.

During the nine months ended on 30 September 2020, movements in provisions, were as follows:

	31-12-2019	INCREASES	DECREASES	OTHERS	30-09-2020
Litigation and other	30,263	1,923	(6,310)	(123)	25,753
Dismantling and removal of assets	39,032	597	(73)	(14,519)	25,037
Contingent liabilities	23,827	-	-	-	23,827
Contingencies - other	1,837	4,100	(31)	(2,531)	3,375
	<b>94,959</b>	<b>6,620</b>	<b>(6,414)</b>	<b>(17,173)</b>	<b>77,992</b>

During the nine months ended on 30 September 2020, the increases refer mainly to provisions for legal and other claims plus interests and charges and the reductions refer, predominantly, to the reassessment and prescription of several contingencies and compensations to be paid to employees.

The movements recorded in "Others", under the heading "Dismantling and removal of assets" correspond, predominantly, to the value of the provision of dismantling disposed assets with the disposal of NOS Towering (Note 46).

The net movements for the nine months ended on 30 September 2019 and 2020 reflected in the income statement under Provisions were as follows:

	9M 19 RESTATED	9M 20
Provisions and adjustments (Note 34)	(4,462)	(4,180)
Other losses / (gains) non-recurrent (Notes 37 and 38)	7,023	4,102
Interests - dismantling	-	524
Income tax (Note 12)	-	(1,017)
Other interests	2,327	777
<b>INCREASES AND DECREASES IN PROVISIONS</b>	<b>4,888</b>	<b>206</b>

## 25. Accrued expenses

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019	30-09-2020
<b>NON-CURRENT</b>		
Others	667	386
	<b>667</b>	<b>386</b>
<b>CURRENT</b>		
Invoices to be issued by operators i)	73,113	61,337
Vacation pay and bonuses	25,545	24,410
Professional services	10,703	13,560
Taxes (ANACOM and Cinema Law)	-	10,169
Investments in tangible and intangible assets	20,046	15,854
Content and film rights	13,313	10,753
Programming services	11,058	9,392
Advertising	14,916	10,379
Costs of litigation procedure activity	8,614	6,227
Comissions	6,198	6,590
Energy and water	4,660	2,606
Maintenance and repair	1,788	1,558
Other accrued expenses	13,772	14,677
	<b>203,726</b>	<b>187,512</b>

- i) Amounts related to invoices to be billed by operators, mainly international operators, regarding interconnection costs related with international traffic and roaming services. The variation in this item results mainly from the sale of NOS International Carrier Services and the respective cancellation of its contribution (Note 45).

## 26. Deferred income

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019		30-09-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	33,436	-	25,701	-
Investment subsidy ii)	398	5,123	397	4,828
	<b>33,834</b>	<b>5,123</b>	<b>26,098</b>	<b>4,828</b>

- i) This item relates mainly to the billing of Pay TV services regarding the following month to the report period and amounts received from NOS Comunicações' customers, related with the recharges of mobile phones and purchase of telecommunications minutes yet unused.
- ii) Deferred income related to the implicit subsidy when the BEI loans were obtained at interest rates below market value (Note 23).

## 27. Accounts payable - trade

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019	30-09-2020
Suppliers current account	257,824	242,329
Invoices in reception and conference	1,675	466
	<b>259,499</b>	<b>242,795</b>

## 28. Accounts payable - other

At 31 December 2019 and 30 September 2020, this item was composed as follows:

	31-12-2019	30-09-2020
<b>NON-CURRENT</b>		
Assignment of receivables without recourse i)	3,855	1,554
	<b>3,855</b>	<b>1,554</b>
<b>CURRENT</b>		
Fixed assets suppliers	27,689	24,098
Assignment of receivables without recourse i)	4,865	2,618
Advances from customers	112	105
Others	1,169	2,594
	<b>33,835</b>	<b>29,415</b>
	<b>37,690</b>	<b>30,969</b>

- i) NOS Comunicações, SA materialised a credit assignment transaction, that was coordinated by Banco Comercial Português and Caixa Geral de Depósitos, which it ceded future credits, amounting 63.9 million euros, to be generated by a portfolio of Corporate customers. In the nine months ended on 30 September 2020, the balance amounts to 4.2 million euros. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.

## 29. Operating revenues

Consolidated operating revenues, for the nine months ended on 30 September 2019 and 2020, were as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
<b>SERVICES RENDERED:</b>				
Communications service revenues (i)	312,142	931,188	307,112	899,128
Revenue distribution and cinematographic exhibition (ii)	16,861	40,299	2,605	10,973
Advertising revenue (iii)	5,229	16,197	3,802	10,655
Production and distribution of content and channels (iv)	7,571	22,483	6,255	21,595
Others	554	2,375	633	2,018
	<b>342,356</b>	<b>1,012,542</b>	<b>320,407</b>	<b>944,369</b>
<b>SALES:</b>	-	-		
Telco v)	17,251	48,142	20,744	52,827
Audiovisuals and cinema exhibition vi)	5,013	12,936	1,044	4,272
	<b>22,263</b>	<b>61,078</b>	<b>21,788</b>	<b>57,099</b>
<b>OTHER OPERATING REVENUES:</b>	-	-		
Telco	5,734	17,990	4,501	11,561
Audiovisuals and cinema exhibition	142	407	246	548
	<b>5,876</b>	<b>18,397</b>	<b>4,747</b>	<b>12,109</b>
	<b>370,495</b>	<b>1,092,017</b>	<b>346,942</b>	<b>1,013,577</b>

These operating revenues are shown net of inter-company eliminations.

- i) This item mainly includes revenue relating to: (a) basic channel subscription packages that can be sold in a bundle with fixed broadband/fixed voice services; (b) premium channel subscription packages and S-VOD; (c) terminal equipment rental; (d) consumption of content (VOD); (e) traffic and mobile and fixed voice termination; (f) service activation; (g) mobile broadband access; and (h) other additional services (ex: firewall, antivirus) and services rendered related to datacentre management and consulting services in IT.
- ii) This item mainly includes (a) box office revenue at the NOS Cinemas, and (b) revenue relating to film distribution to other cinema exhibitors in Portugal.
- iii) This item includes advertising revenues on television channels and NOS cinemas.
- iv) This item includes revenues related to production of audiovisual content and distribution of channels, essentially TVCines.
- v) Revenue relating to the sale of terminal equipment, telephones, and mobile phones.
- vi) This item mainly includes sales of bar products by NOS Cinemas and DVD sales.

## 30. Wages and salaries

In the nine months ended on 30 September 2019 and 2020, this item was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Remuneration	16,868	46,875	16,473	48,622
Social taxes	4,306	12,562	4,185	12,568
Social benefits	484	1,446	519	1,506
Other	216	1,232	131	759
	<b>21,874</b>	<b>62,115</b>	<b>21,308</b>	<b>63,455</b>

In the nine months ended on 30 September 2019 and 2020, the average number of employees of the companies included in the consolidation was 2,466 and 2,383, respectively. At 30 September 2020, the number of employees of the companies included in the consolidation was 2,269 employees.

The costs of compensations paid to employees, since they are non-recurring costs, are recorded in the item "Restructuring costs" (Note 37).

## 31. Direct costs

In the nine months ended on 30 September 2019 and 2020, this item was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Exhibition costs	54,935	159,218	46,559	124,252
Traffic costs	18,736	63,950	19,346	58,367
Capacity costs	12,084	35,833	11,734	36,683
Costs related to corporate customers services	5,148	16,308	6,971	21,985
Shared advertising revenues	3,240	10,105	2,882	7,409
	<b>94,144</b>	<b>285,414</b>	<b>87,492</b>	<b>248,696</b>

In the period ended on 30 September 2020, content costs related to onerous contracts were recognized under the heading "Other non-recurring costs / (gains)", in the amount of 10.8 million euros (Note 38).

## 32. Cost of products sold

In the nine months ended on 30 September 2019 and 2020, this item was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Costs of products sold	13,860	40,358	18,315	47,535
Increases / (decreases) in inventories impairments (Note 15)	433	1,888	637	1,945
	<b>14,293</b>	<b>42,246</b>	<b>18,952</b>	<b>49,480</b>

## 33. Support services and supplies and external services

In the nine months ended on 30 September 2019 and 2020, this item was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
<b>SUPPORT SERVICES:</b>				
Call centers and customer support	7,711	23,062	8,689	26,836
Administrative support and others	8,624	26,812	7,775	24,832
Information systems	3,008	9,942	3,000	9,558
	<b>19,343</b>	<b>59,816</b>	<b>19,464</b>	<b>61,226</b>
<b>SUPPLIES AND EXTERNAL SERVICES:</b>				
Maintenance and repair	10,488	30,289	10,421	31,520
Electricity	5,168	16,794	4,527	15,396
Professional services	3,013	8,636	2,900	8,163
Communications	1,434	4,417	982	3,031
Installation and removal of terminal equipment	1,175	4,589	774	2,280
Travel and accommodation	985	3,269	284	1,282
Other supplies and external services	6,599	16,724	2,644	11,657
	<b>28,862</b>	<b>84,718</b>	<b>22,532</b>	<b>73,329</b>

Given the application of IFRS 16, (Note 2.1) discounts from rents were recognised, on the item "Other Supplies and external services", in the amount of approximately 4 million euros.

## 34. Provisions and adjustments

In the nine months ended on 30 September 2019 and 2020, these items were composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Provisions (Note 24)	81	(4,499)	342	(4,180)
Impairment of account receivables - trade (Note 16)	2,981	11,433	3,682	10,704
Impairment of account receivables - others (Note 12)	34	299	227	343
Others	11	11	4	(9)
	<b>3,107</b>	<b>7,244</b>	<b>4,255</b>	<b>6,858</b>

## 35. Losses / (gains) of affiliated companies, net

In the nine months ended on 30 September 2019 and 2020, this item was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
<b>EQUITY METHOD (NOTE 11)</b>				
Sport TV	421	844	(3,233)	(853)
Dreamia	(19)	(216)	(39)	(284)
Finstar	(1,155)	(2,033)	(289)	1,075
Mstar	(218)	(825)	(211)	(583)
Upstar	(6)	(28)	(25)	(39)
Others	(23)	(14)	14	13
	<b>(999)</b>	<b>(2,272)</b>	<b>(3,784)</b>	<b>(671)</b>
<b>OTHERS i)</b>	<b>(8)</b>	<b>(24)</b>	<b>3,150</b>	<b>9,799</b>
	<b>(1,007)</b>	<b>(2,296)</b>	<b>(634)</b>	<b>9,128</b>

- i) During the nine months ended on 30 September 2020, as a result of the estimated negative impacts with the spread of the new coronavirus COVID-19 (Note 46), namely, a significant drop in revenue related to premium sports channels, an impairment for the financial investment of Sport TV in the amount of 5.4 million euros (Note 11) was recognised.

Additionally, also taking into account the estimated negative impacts with the spread of the new coronavirus COVID-19 (Note 46), and the destabilization of the Angolan economy with the drop in oil demand and prices, impairments were recognised for the value of dividends and other accounts receivable from the Angolan subsidiary Finstar, in the amount of 4.6 million euros (Notes 12 and 16).

## 36. Depreciation, amortisation and impairment losses

In the nine months ended on 30 September 2019 and 2020, this item was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
<b>TANGIBLE ASSETS</b>				
Buildings and other constructions	2,557	7,134	535	5,820
Basic equipment	35,042	111,872	42,158	111,658
Transportation equipment	1	2	-	2
Tools and dies	16	42	10	34
Administrative equipment	1,207	3,237	1,048	3,412
Other tangible assets	166	550	134	432
	<b>38,989</b>	<b>122,837</b>	<b>43,885</b>	<b>121,358</b>
<b>INTANGIBLE ASSETS</b>				
Industrial property and other rights	19,514	59,254	20,703	66,355
	<b>19,514</b>	<b>59,254</b>	<b>20,703</b>	<b>66,355</b>
<b>CONTRACT COSTS</b>				
Contract costs	25,558	75,647	24,568	74,683
	<b>25,558</b>	<b>75,647</b>	<b>24,568</b>	<b>74,683</b>
<b>RIGHTS OF USE</b>				
Rights of use	13,451	40,234	14,419	42,837
	<b>13,451</b>	<b>40,234</b>	<b>14,419</b>	<b>42,837</b>
<b>INVESTMENT PROPERTY</b>				
Investment property	1	2	4	12
	<b>1</b>	<b>2</b>	<b>4</b>	<b>12</b>
	<b>97,513</b>	<b>297,974</b>	<b>103,579</b>	<b>305,245</b>

## 37. Restructuring Costs

In the nine months ended on 30 September 2019 and 2020, this item was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Personnel compensation	652	3,059	3,421	4,103
Supplies and external services related to restructuring process	1,730	2,631	-	-
Personnel costs related to non-recurrent projects	373	1,329	71	387
	<b>2,755</b>	<b>7,019</b>	<b>3,492</b>	<b>4,490</b>

## 38. Other losses/ (gains) non-recurrent, net

In the nine months ended on 30 September 2019 and 2020, the other non-recurring costs / (gains) was composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
<b>COSTS:</b>				
Losses resulting from COVID-19 impacts (Note 47) i)	-	-	1,279	42,665
Others	4,345	7,634	(285)	6,995
<b>TOTAL</b>	<b>4,345</b>	<b>7,634</b>	<b>994</b>	<b>49,660</b>

- i) In the nine months ended on 30 September 2020, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, the company recognised the following extraordinary expenses:
- reinforcement of expected credit losses from accounts receivable, in the amount of approximately 20.9 million euros, resulting from the incorporation, in the projection model of future collections, of the new projections released by the Bank of Portugal for the growth of the GDP and unemployment rate for the next 3 years, and identification of customers particularly affected by the current crisis, namely, in the cinema business;
  - recognition of expected credit losses from all penalties billed to customers and not provisioned, in the amount of approximately 7.0 million euros, as a consequence of the foreseeable sharp reduction in their collection;
  - loss recognition for onerous contracts related to premium sports content, in the amount of 10.8 million euros;
  - and losses related to the acquisition of various security materials to combat the spread of the new coronavirus COVID-19, in the amount of approximately 4.0 million euros.

In Note 47.1. additional disclosures about the impacts arising from COVID-19 are presented.

### 39. Financing costs and other financial expenses / (income), net

In the nine months ended on 30 September 2019 and 2020, financing costs and other financial expenses / (income) were composed as follows:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
<b>FINANCING COSTS:</b>				
<b>INTEREST EXPENSE:</b>				
Borrowings	3,127	10,051	2,758	8,282
Finance leases	2,058	6,843	1,609	4,786
Derivatives	371	1,151	18	55
Others	1,154	1,902	486	2,243
	<b>6,710</b>	<b>19,947</b>	<b>4,871</b>	<b>15,366</b>
<b>INTEREST EARNED</b>	(898)	(3,497)	(812)	(2,056)
	<b>5,812</b>	<b>16,450</b>	<b>4,059</b>	<b>13,310</b>
<b>NET OTHER FINANCIAL EXPENSES / (INCOME):</b>				
Comissions and guarantees	811	2,203	943	2,382
Others	185	562	20	351
	<b>996</b>	<b>2,765</b>	<b>963</b>	<b>2,733</b>

Interest earned mainly corresponds to default interests charged to customers.

### 40. Net earnings per share

Earnings per share for the nine months ended on 30 September 2019 and 2020 were calculated as follow:

	3° QUARTER 19 RESTATED	9M 19 RESTATED	3° QUARTER 20	9M 20
Consolidated net income attributable to shareholders	47,897	138,093	44,135	79,121
Number of ordinary shares outstanding during the period (weighted average)	513,166,298	513,226,521	512,466,203	512,760,589
Basic earnings per share - euros	0.09	0.27	0.09	0.15
Diluted earnings per share - euros	0.09	0.27	0.09	0.15



In the above periods, there were no diluting effects on net earnings per share, so the diluted earnings per share are equal to the basic earnings per share.

## 41. Guarantees and financial undertakings

### 41.1. Guarantees

At 31 December 2019 and 30 September 2020, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2019	30-09-2020
Tax authorities i)	26,852	26,355
Others ii)	10,515	11,160
	<b>37,367</b>	<b>37,515</b>

- i) At 31 December 2019 and 30 September 2020, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 43).
- ii) At 31 December 2019 and 30 September 2020, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings and guarantees provided to cinema owners, and bank guarantees given to providers of satellite capacity renting services.

In connection with the finance obtained by Upstar from Banco Comercial Português, totalling 10 million euros, NOS signed a promissory note, proportional to the participation held, of 30% of the loan.

During the first quarterly of 2015, 2016, 2017 and 2018, and following the settlement notes to CLSU 2007-2009, 2010-2011, 2012-2013 and 2014, respectively, NOS constituted guarantees in favour of the Universal Service Compensation Fund in the amount of 23.6 million euros, 16.7 million euros, 17.5 million euros and 3.0 million euros, respectively, in order to prevent the introduction of tax enforcement proceedings in order to enforce recovery of the amounts paid.

In addition to the guarantees required by the tax authorities, sureties were set up for the current fiscal processes, which NOS was a surety for NOS SA for an amount of 14.1 million euros.

### 41.2. Other undertakings

#### Covenants

Of the loans obtained, in addition to being subject to the Group complying with its operating, legal and fiscal obligations, 100% are subject to cross-default, Pari Passu and Negative Pledge clauses and 89% to ownership clauses.

In addition, approximately 22% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA after leasing payment, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA after leasing payment, approximately 1% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA after leasing payment and approximately 11% require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA.

Net Financial Debt = Loans - Leasings - Cash and Cash Equivalents

EBITDA = Operational Result + Depreciation, amortisation and impairment losses + restructuring costs + Losses / (gains) on sale of assets + Other losses / (gains) non-recurrent

EBITDA after leasing payments = EBITDA - Leasing payments (Capital and Interest)

#### Assignment agreements football broadcast rights

In December 2015, NOS signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, SA of television rights of home matches of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract began in 2016/2017 sports season, had an initial duration of three years, and might be renewed by decision of either party up to a total of 10 sports seasons, with the overall financial consideration reaching the amount of 400 million euros, divided into progressive annual amounts.

Also, in December 2015, NOS signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting and Communication Platforms, S.A. for the assignment of the following rights:

- 1) TV broadcasting rights and multimedia home games of Sporting SAD;
- 2) The right to explore the static and virtual advertising at Stadium José Alvalade;
- 3) The right of transmission and distribution of Sporting TV Channel;
- 4) The right to be its main sponsor.

The contract will last 10 seasons, concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights stated in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January 2016, with the overall financial consideration amounting to 446 million euros, divided into progressive annual amounts.

Also, in December 2015, NOS SA has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

- 1) Associação Académica de Coimbra – Organismo Autónomo de Futebol, SDUQ, Lda
- 2) Os Belenenses Sociedade Desportiva Futebol, SAD
- 3) Clube Desportivo Nacional Futebol, SAD
- 4) Futebol Clube de Arouca – Futebol, SDUQ, Lda
- 5) Futebol Clube de Paços de Ferreira, SDUQ, Lda
- 6) Marítimo da Madeira Futebol, SAD
- 7) Sporting Clube de Braga – Futebol, SAD
- 8) Vitória Futebol Clube, SAD

The contracts began in the 2019/2020 sports season and last up to 7 seasons, apart from the contract with Sporting Clube de Braga - Futebol, SAD which lasts 9 seasons.

During the year of 2016, NOS SA has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

- 1) C. D. Tondela – Futebol, SDUQ, Lda
- 2) Clube Futebol União da Madeira, Futebol, SAD
- 3) Grupo Desportivo de Chaves – Futebol, SAD
- 4) Sporting Clube da Covilhã – Futebol, SDUQ, Lda
- 5) Clube Desportivo Feirense – Futebol, SAD
- 6) Sport Clube de Freamunde – Futebol, SAD

- 7) Sporting Clube Olhanense – Futebol, SAD
- 8) Futebol Clube de Penafiel, SDUQ, Lda
- 9) Portimonense Futebol, SAD

The contracts began in the 2019/2020 sports season and last up to 3 seasons.

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, in order to assure to both companies, directly by the assigning party or indirectly through the transfer to third party content distribution channels or models, the availability of broadcasting rights of the sports clubs home football games, as well as the broadcasting and distribution rights of sports and sports clubs channels, whose rights are owned by each of the companies in each moment. The agreement came into force from the beginning of the sports season 16/17, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

Considering that the contract signed allowed for the possibility of extending the agreement to the other operators, in July 2016 MEO and Cabovisão joined the agreement, ending the lack of availability of Porto Canal in the NOS's channel grid, assuring that every Pay TV client can have access to every relevant sports content, regardless of which operator they use.

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

Season	2020/21	following
Estimated cash-flows with the contract signed by NOS with the sport entities*	121.4 M€	764.4 M€
NOS estimated cash-flows, for the contracts signed by NOS ( net amounts charged to the operators) and for the contracts signed by the remaining operators	63.9 M€	425.6 M€

\*Includes games and channels broadcasting rights, advertising and others.

### Network sharing contract with Vodafone

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement of infrastructure development and sharing with a nationwide scope. This partnership allows the two Operators providing their commercial offers under a shared network at the beginning of 2018.

The agreement covers the reciprocal sharing of dark fibre in approximately 2.6 million of homes in which each of the entities shares with the other one an equivalent investment value, in other words, they share similar goods. It is assumed that both companies retain full autonomy, independence, and confidentiality concerning the design of the commercial offers, the management of the customers' database and the choice of technological solutions they might decide to implement, that did not originate any impact on the consolidated financial statements (according to IAS 16, this exchange of similar non-monetary assets will be presented on a net basis).

The partnership has also been extended to mobile infrastructure sharing where it is agreed a minimum sharing of 200 mobile towers.

## 42. Related parties

### 42.1. Balances and transactions between related parties

Transactions and balances between NOS and companies of the NOS Group were eliminated in the consolidation process and are not subject to disclosure in this note.

The balances at 31 December 2019 and 30 September 2020 and transactions in the nine months ended on 30 September 2019 and 2020 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

#### Balances at 31 December 2019

	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
<b>ASSOCIATED COMPANIES</b>	<b>23,780</b>	<b>8,044</b>	<b>-</b>
Big Picture 2 Films	41	625	-
Sport TV	23,739	7,419	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>18,029</b>	<b>3,834</b>	<b>2,923</b>
Dreamia Holding BV	-	-	2,923
Dreamia SA	2,623	2,465	-
Finstar	7,654	10	-
Mstar	14	-	-
Upstar	7,066	1,217	-
ZAP Media	672	142	-
<b>OTHER RELATED PARTIES</b>	<b>10,014</b>	<b>8,734</b>	<b>-</b>
Banco BIC Português, S.A.	372	-	-
Centro Colombo- Centro Comercial, S.A.	140	7	-
Digitmarket-Sistemas de Informação,SA	273	222	-
EFACEC Engenharia e Sistemas	21	1,388	-
EFACEC Serviços Corporativos	480	-	-
ITRUST - Cyber Security and Intellig.,SA	317	510	-
Maiashopping- Centro Comercial, S.A.	293	1	-
MDS Corretor de Seguros, SA	107	-	-
Modelo Continente Hipermercados,SA	704	81	-
Norteshopping-Centro Comercial, S.A.	121	6	-
Olivedesportos - Publicidade, Televisão e Media	-	3,792	-
RACE-Refrig. & Air Condit.Engineering,SA	99	321	-
SC - Sociedade de Consultoria, SA	171	-	-
Sierra Portugal, SA	510	(5)	-
Sonae MC – Serviços Partilhados, SA	682	-	-
UNITEL S.a.r.l.	2,468	1,564	-
UNITEL T+ Telecomunicações, S.A.	179	290	-
Worten-Equipamento para o Lar,SA	1,679	540	-
Other related parties	1,398	18	-
	<b>51,823</b>	<b>20,611</b>	<b>2,923</b>

## Transactions in the nine months ended on 30 September 2019

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
<b>ASSOCIATED COMPANIES</b>	<b>1,397</b>	<b>41,772</b>	<b>-</b>	<b>-</b>
Big Picture 2 Films	75	2,891	-	-
Sport TV	1,322	38,881	-	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>11,941</b>	<b>(1,024)</b>	<b>933</b>	<b>-</b>
Dreamia Holding BV	-	-	105	-
Dreamia SA	2,794	(161)	-	-
Finstar	7,499	-	-	-
MSTAR	26	-	-	-
Upstar	1,423	(863)	827	-
ZAP Media	199	-	-	-
<b>OTHER RELATED PARTIES</b>	<b>18,646</b>	<b>21,835</b>	<b>-</b>	<b>52</b>
Banco BIC Português, S.A.	1,168	-	-	-
Cascaishopping- Centro Comercial, S.A.	11	611	-	-
Centro Colombo- Centro Comercial, S.A.	13	1,537	-	-
Centro Vasco da Gama-Centro Comercial,SA	11	816	-	-
Continente Hipermercados, S.A.	234	30	-	-
Digitmarket-Sistemas de Informação,SA	175	5,391	-	-
EFACEC Serviços Corporativos	874	-	-	-
EFACEC Energia	155	36	-	-
EFACEC Engenharia e Sistemas	86	1,688	-	-
Gaiashopping I- Centro Comercial, S.A.	19	301	-	-
ITRUST - Cyber Security and Intellig.,SA	32	1,591	-	-
Maiashopping- Centro Comercial, S.A.	11	366	-	-
MDS Corretor de Seguros, SA	391	71	-	-
Modalfa-Comércio e Serviços,SA	117	-	-	-
Modelo - Dist.de Mat. de Construção,S.A.	102	-	-	-
Modelo Continente Hipermercados,SA	2,593	130	-	-
Norteshopping-Centro Comercial, S.A.	12	1,052	-	-
Olivedesportos - Publicidade, Televisão e Media	20	2,034	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	144	-	-	-
Público-Comunicação Social,SA	97	39	-	-
RACE-Refrig. & Air Condit.Engineering,SA	162	95	-	-
Rio Sul - Centro Comercial, SA	7	95	-	-
SC-Consultadoria,SA	870	-	-	-
SDSR - Sports Division SR, S.A.	199	-	-	-
SFS, Gestão e Consultoria, S.A.	4	253	-	-
Sierra Portugal, SA	2,067	109	-	-
Solinca - Health & Fitness, SA	314	-	-	-
Sonae Arauco Portugal, S.A.	336	-	-	-
Sonae MC - Serviços Partilhados, SA	2,475	1	-	-
Spinveste - Promoção Imobiliária, SA	-	156	-	-
UNITEL S.a.r.l.	1,908	388	-	-
We Do Consulting-Sist. de Informação (*)	306	3,491	-	-
Worten-Equipamento para o Lar,SA	1,990	997	-	-
Other related parties	1,743	557	-	52
	<b>31,984</b>	<b>62,583</b>	<b>933</b>	<b>52</b>

## Balances at 30 September 2020

	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
<b>ASSOCIATED COMPANIES</b>	<b>12,857</b>	<b>8,435</b>	-
Big Picture 2 Films	4	37	-
Sport TV	12,853	8,399	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>14,425</b>	<b>2,246</b>	<b>2,917</b>
Dreamia Holding BV	65	-	2,907
Dreamia SA	1,701	638	10
Finstar	7,140	66	-
Mstar	11	-	-
Upstar	4,639	1,400	-
ZAP Media	871	142	-
<b>OTHER RELATED PARTIES</b>	<b>9,083</b>	<b>2,664</b>	-
Banco BIC Português, S.A.	221	-	-
Centro Vasco da Gama-Centro Comercial,SA	47	100	-
Digitmarket-Sistemas de Informação,SA	545	251	-
Maiashopping- Centro Comercial, S.A.	28	(146)	-
MDS Corretor de Seguros, SA	148	(0)	-
Modelo Continente Hipermercados,SA	1,288	19	-
Norteshopping-Centro Comercial, S.A.	50	(117)	-
S21SEC Portug-Cyber Security Services,SA	214	235	-
SC-Consultadoria,SA	163	-	-
SFS, Gestão e Consultoria, S.A.	1	112	-
Sierra Portugal, SA	592	(2)	-
Sonae MC – Serviços Partilhados, SA	647	-	-
UNITEL S.a.r.l.	2,630	1,919	-
Unitel STP	81	73	-
Worten-Equipamento para o Lar,SA	1,061	83	-
Other related parties	1,369	139	-
	<b>36,366</b>	<b>13,345</b>	<b>2,917</b>

## Transactions in the nine months ended on 30 September 2020

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
<b>ASSOCIATED COMPANIES</b>	<b>1,063</b>	<b>14,840</b>	-	-
Big Picture 2 Films	63	1,355	-	-
Sport TV	1,000	13,485	-	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>10,906</b>	<b>210</b>	<b>58</b>	-
Dreamia Holding BV	-	-	49	-
Dreamia SA	2,882	101	10	-
Finstar	7,397	(2)	-	-
MSTAR	9	-	-	-
Upstar	419	111	-	-
ZAP Media	199	-	-	-
<b>OTHER RELATED PARTIES</b>	<b>20,798</b>	<b>12,582</b>	-	-
Banco BIC Português, S.A.	1,317	-	-	-
BPI	700	-	-	-
CascaShopping- Centro Comercial, S.A.	11	348	-	-
Centro Colombo- Centro Comercial, S.A.	13	836	-	-
Centro Vasco da Gama-Centro Comercial,SA	11	440	-	-
Continente Hipermercados, S.A.	279	32	-	-
Digitmarket-Sistemas de Informação,SA	10	5,186	-	-
EFACEC Engenharia e Sistemas	41	777	-	-
EFACEC Serviços Corporativos	1,314	-	-	-
Gaiashopping I- Centro Comercial, S.A.	11	203	-	-
Insco Insular de Hipermercados, S.A.	133	28	-	-
Maiashopping- Centro Comercial, S.A.	7	122	-	-
MDS Corretor de Seguros, SA	643	-	-	-
Modalfa-Comércio e Serviços,SA	119	-	-	-
Modelo - Dist.de Mat. de Construção,S.A.	102	-	-	-
Modelo Continente Hipermercados,SA	3,209	56	-	-
Norteshopping-Centro Comercial, S.A.	2,596	648	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A	230	-	-	-
S21SEC Portug-Cyber Security Services,SA	36	1,813	-	-
SC-Consultadoria,SA	713	-	-	-
SDSR - Sports Division SR, S.A.	219	-	-	-
SFS - Financial Services, IME, S.A.	109	-	-	-
SFS, Gestão e Consultoria, S.A.	5	221	-	-
Sierra Portugal, SA	1,797	73	-	-
Solinca - Health & Fitness, SA	241	-	-	-
Sonae Arauco Portugal, S.A.	271	-	-	-
Sonae MC - Serviços Partilhados, SA	2,306	-	-	-
Unitel S.a.r.l.	131	125	-	-
Unitel T+	213	274	-	-
Worten-Equipamento para o Lar,SA	2,410	835	-	-
Other related parties	1,599	563	-	-
	<b>32,767</b>	<b>27,631</b>	<b>58</b>	-

The Company regularly performs transactions and signs contracts with several parties within the NOS Group. Such transactions were performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

Due to the large number of low value related parties' balances and transactions, it was grouped in the heading "Other related parties" the balances and transactions with entities whose amounts are less than 100 thousand euros.

## 43. Legal actions and contingent assets and liabilities

### 43.1. Legal actions with regulators and Competition Authority (AdC)

- NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019) as Electronic Communications Services Networks Supplier, and furthermore the refund of the amounts that meanwhile were paid within the scope of the mentioned acts of settlement was requested. The settlements for the year 2018 were impugned in the first semester of 2019. The settlements of the year 2019 were impugned until the final of first semester of 2020.

The settlement amounts are, respectively, as follows:

- NOS SA: 2009: 1,861 thousand euros, 2010: 3,808 thousand euros, 2011: 6,049 thousand euros, 2012: 6,283 thousand euros, 2013: 7,270 thousand euros, 2014: 7,426 thousand euros, 2015: 7,253 thousand euros, 2016: 8,242 thousand euros, 2017: 9,099 thousand euros, 2018: 10,303 thousand euros and 2019: 10,169 thousand euros;
- NOS Açores: 2009: 29 thousand euros, 2010: 60 thousand euros, 2011: 95 thousand euros, 2012: 95 thousand euros, 2013: 104 thousand euros, 2014: 107 thousand euros, 2015: 98 thousand euros, 2016: 105 thousand euros, 2017: 104 thousand euros, 2018: 111 thousand euros and 2019: 107 thousand euros;
- NOS Madeira: 2009: 40 thousand euros, 2010: 83 thousand euros, 2011: 130 thousand euros, 2012: 132 thousand euros, 2013: 149 thousand euros, 2014: 165 thousand euros, 2015: 161 thousand euros, 2016: 177 thousand euros, 2017: 187 thousand euros, 2018: 205 thousand euros and 2019: 195 thousand euros.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. NOS SA, NOS Açores and NOS Madeira claim, namely: i) addition to defects of unconstitutionality and illegality, related to the inclusion in the cost accounting of ANACOM of the provisions made by the latter, due to judicial proceedings against the latter (including these appeals of the activity rate) and ii) that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

Six sentences on the matter were given, within the scope of the contestation of the annual rate of 2009 (Ex-ZON), 2010 (Ex-ZON in April 2018 and NOS Madeira in May 2020), 2011 (NOS Madeira in May 2020) and 2012 (Ex-ZON and Ex-Optimus, in September 2017 and May 2018, respectively). The first judgment ruled in favour of the respective contestation, only based on lack of prior hearing, but ordered ANACOM to pay interest. ANACOM submitted an appeal concerning that decision, but the Court of Appeal declined it by decision in July 2013. The five remaining decisions also, in turn, ruled in favour of the respective contestations, but, this time for fundamental reasons, annulled the contested act by unlawfulness with the legal consequences, namely imposing the refund of the tax that was paid but still not refunded to NOS and ordering ANACOM to pay compensatory interest. These decisions were the subject of an appeal from ANACOM to the Tribunal Central Administrativo – Sul (Central Administrative Court – South), where it is pending, or, as for the 2 most recent, await final decision.



The remaining proceedings are awaiting trial and/or decision.

- During the first quarter of 2017, NOS was notified by ANACOM of the initiation of an infraction process related to communications of prices update at the end of 2016. On this date, it is impossible to determine what the scope of the infraction proceedings is to be.
- On 17 July 2020, NOS was notified by the AdC of an illegality note (accusation) related to digital marketing without a google search engine, which accuses the operators MEO, NOS, NOWO and Vodafone of concertation, for a period ranging from between 2010 and 2018, failing to identify a concrete fine. It is not possible, at this moment, to estimate the value of an eventual fine.

NOS is preparing its written defence and only after its presentation, can the AdC decide on a conviction or acquittal, being the Board of Directors' conviction, taking into account the elements it knows, that will be able to demonstrate the various arguments in favour of its defence.

#### 43.2. Tax authorities

During the course of the 2003 to 2020 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2018 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 28.5 million euros, added interest, and charges. These settlement notes, which totally were contested, are the respective lawsuits in progress.

Based on the advice obtained from the process representatives and tax consultants, the Board of Directors maintains the belief in a favourable outcome, which is why these proceedings are maintained in court. However, in accordance with the principle of prudence, an assessment of the group's level of exposure to these proceedings is made periodically, in the light of the evolution of case law, and consequently the provisions recorded for this purpose are adjusted. The Group provided the bank guarantees demanded by the tax authorities, in connection with these proceedings, as stated in Note 41.

#### 43.3. Actions by MEO against NOS SA, NOS Madeira and NOS Açores and by NOS SA against MEO

- In 2011, MEO brought against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million of Euros, as compensation for alleged unauthorized portability of NOS SA in the period between March 2009 and July 2011. NOS SA contested, and the Court ordered an expert opinion, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor. In that regard, it sentenced NOS to the payment of approximately 5.3 million euros to MEO, a decision of which NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied with the decision and did not appeal against the part of the sentence that acquitted NOS. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which it gave reason to the claims of NOS, in the

sense that interests should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice (SCJ), that appeal which found that the facts established by the Lower Courts were insufficient to resolve on the substance of the case. Consequently, the SCJ ordered that the court under appeal should amplify the facts. The case was transferred to the Court of First Instance for the extension of the facts. In November 2019, the Court of First Instance granted the parties the possibility of requesting the production of supplementary evidence on the subject of the extension, with NOS requesting an expert examination and the repetition of testimonial evidence. In February 2020, the Court considered that the expansion of the matter of fact leads to the need to obtain new evidence, which requires the analysis of the information relating to all portabilities that serve as the basis for the process, determining the carrying out of expert evidence for that purpose. The process awaits the appointment of the expert.

- In 2011, NOS SA brought an action in Lisbon Judicial Court against MEO, claiming payment of 22.4 million euros, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the performance of expert evidence of technical nature and an economic-financial survey, which were completed in June 2018. MEO argued for the nullity of the expert economic-financial report, which was deferred. At the beginning of March 2020, the parties were notified of the scheduled judicial due diligence for 17 April 2020, with a view to scheduling the acts to be carried out at the final hearing, establishing the number of sessions and their likely duration, as well as the designation of the respective dates and, also, attempted conciliation. The diligence was, meanwhile, rescheduled. It is the understanding of the Board of Directors, corroborated by the attorneys accompanying the process, that it is, in formal and substantive terms, likely that NOS SA will be able to win the lawsuit, due to MEO already having been convicted for the same offences by ANACOM, however, it is not possible to determine the outcome of the action.

#### 43.4. Action brought by DECO

In March 2018, NOS was notified of a lawsuit brought by DECO against NOS, MEO and NOWO, in which a declaration of nullity of the obligation to pay the price increases imposed on customers at the end of 2016 is requested. In April and May 2018, the operators, including NOS, lodged a defence. The action's value has been fixed at EUR 60,000. Initially, a prior hearing was scheduled for October 8, 2019, which was then cancelled due to the judge declaring himself unable to hear the case. The process has already been redistributed and the prior hearing took place on 10 September 2020. We are still waiting for the presentation of proof requirements and the scheduling of the final hearing. The Board of Directors is convinced that the arguments used by the author are not justified, which is why it is believed that the outcome of the proceeding should not result in significant impacts for the Group's financial statements.

#### 43.5. Interconnection tariffs

At 30 September 2020, accounts receivable and accounts payable include 37,139,253 euros and 43,475,093 euros, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the non-definition of

interconnection tariffs of 2001. In what concerns to that dispute with MEO, the result was totally favourable to NOS S.A., having already become final.

#### 43.6. Contractual penalties

The general conditions that affect the agreement and termination of this contract between NOS and its clients, establish that if the products and services provided by the client can no longer be used prior to the end of the binding period, the client is obliged to pay damages immediately.

In the first quarter of 2020, due to the foreseeable sharp reduction in the collection of these penalties, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, NOS recognised expected credits losses to all penalties billed to customers and not provisioned, in the amount of approximately 7.0 million euros (Note 38).

At 30 September 2020, the amounts billed and to be received from these indemnities amount to 109.8 million euros.

## 44. Share incentive scheme

On 23 April 2014, the General Meeting approved the Regulation on Short and Medium-Term Variable Remuneration, which establishes the terms of the Share Incentive Scheme ("NOS Plan"). This plan aimed at more senior employees with the vesting taking place three years being awarded, assuming that the employee is still with the company during that period.

At 30 September 2020, the unvested plans are:

	NUMBER OF SHARES
<b>NOS PLAN</b>	
Plan 2018	917,528
Plan 2019	784,163
Plan 2020	1,454,680

During the nine months ended on 30 September 2020, the movements that occurred in the plans are detailed as follows:

	NOS PLAN 2017	NOS PLAN 2018	NOS PLAN 2019	NOS PLAN 2020	TOTAL
<b>BALANCE AS AT 31 DECEMBER 2019:</b>	<b>856,299</b>	<b>866,098</b>	<b>739,162</b>	<b>-</b>	<b>2,461,559</b>
<b>MOVEMENTS IN THE PERIOD:</b>					
Awarded	-	-	-	1,364,152	1,364,152
Vested	(855,334)	(7,938)	(5,401)	(6,973)	(875,646)
Cancelled / elapsed / corrected <sup>(1)</sup>	(965)	59,368	50,402	97,501	206,306
<b>BALANCE AS AT 30 SEPTEMBER 2020</b>	<b>-</b>	<b>917,528</b>	<b>784,163</b>	<b>1,454,680</b>	<b>3,156,371</b>

(1) Refers mainly to correction made for dividends paid, exit of employees not entitled to the vesting of shares and other adjustments resulting from the way the shares are vested.

The share plans costs are recognised over the year between the awarding and vesting date of those shares. The responsibility is calculated taking into consideration the share price at award date of each plan, for plans settled in shares, or at the closing date, for plans settled in cash. As at 30 September 2020, the outstanding responsibility related to these plans is 5,302 thousand euros

and is recorded in Reserves, for an amount of 4.434 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 868 thousand euros, for plans liquidated in cash.

The costs recognised in previous years and in the period, and its liabilities are as follows:

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at 31 December 2019	1,443	4,891	6,334
Costs of plans vested in the period	-	(3,959)	(3,959)
Costs incurred in the period and others	(575)	3,502	2,927
<b>TOTAL COST OF THE PLANS</b>	<b>868</b>	<b>4,434</b>	<b>5,302</b>

Exceptionally, in the first quarter of 2020, the plans to be settled in cash due in the year, were paid in shares.

## 45. Discontinued operations unit

On 1 April 2020, NOS had reached an agreement with Tofane Global, SAS ("TOFANE") and IBASIS PORTUGAL, SA ("iBasis"), to sell all of NOS Internacional Carrier Services, SA's ("NOS ICS") share capital to iBasis, TOFANE's fully owned subsidiary and to supply NOS group companies with wholesale international voice and SMS services, which were previously provided by NOS ICS.

With this transaction NOS will increase its focus on its core telecom business whilst optimizing the underlying cost structure for international voice and SMS traffic.

Completion of this agreement occurred on 29 June 2020. The sale price amounts to 9.6 million euros and the receipt of 5.5 million euros will take place over 5 years (Note 12).

The classification of the sale of the company as a discontinued operating unit, caused the comparative periods, in the consolidated income statement, to be restated.

In the nine months ended on 30 September 2019 and 2020, the contributions to the results of this discontinued operating unit are as follows:

	9M 19	9M 20
<b>REVENUES:</b>	<b>93,166</b>	<b>51,788</b>
<b>COSTS, LOSSES AND GAINS:</b>		
Wages and salaries	268	122
Direct costs	91,373	50,864
Supplies and external services	171	213
Taxes	52	242
Provisions and adjustments	36	-
Depreciation, amortisation and impairment losses	2	3
	<b>91,901</b>	<b>51,444</b>
<b>INCOME BEFORE FINANCIAL RESULTS AND TAXES</b>	<b>1,265</b>	<b>344</b>
Net foreign exchange losses / (gains)	17	(9)
Net other financial expenses / (income)	1	1
	<b>18</b>	<b>(8)</b>
<b>INCOME BEFORE TAXES</b>	<b>1,247</b>	<b>352</b>
Capital gain on disposal of the discontinued unit	-	6,151
Income taxes	281	96
<b>NET CONSOLIDATED INCOME FROM DISCONTINUED OPERATIONS</b>	<b>967</b>	<b>6,407</b>
<b>EARNINGS PER SHARES</b>		
Basic - euros	0.00	0.00
Diluted - euros	0.00	0.00

In the period ended on 30 September 2020, cash flows from operating activities amounted to 2.3 million euros.

In the period ended on 30 September 2020, the net cash flows generated from the sale of the company are:

- Cash received for the sale of the company: 4,359 thousand euros
- Cash deducted from debt sold as part of the discontinued operation: 2,256 thousand euros
- Net cash inflows on the date of sale: 2,103 thousand euros.

## 46. Disposal of NOS Towering

On 14 April 2020, NOS Comunicações, SA and Cellnex Telecom, SA entered into an agreement whose purpose is to transfer to Cellnex the shares representing the entire share capital of NOS Towering, SA, encompassing the disposal of approximately 2,000 sites (towers and rooftops).

On the same date, the parties entered into a long-term agreement to whereby Cellnex will provide the NOS Group with active network hosting over the passive infrastructure acquired, for a period of 15 years, automatically renewed for equal periods. In addition, this agreement foresees a perimeter increase of up to 400 additional sites over the next 6 years.

The potential value of the agreements to be reached over a 6-year period is 600 million euros, being dependent on the sale of additional sites and configuration alteration of the sites. The expected impact on pro forma operating cash flow for NOS in year 1 is approximately 22 million euros.

This agreement will enable NOS to continuously optimize and expand its state-of-the-art mobile network, while reinforcing its ability to invest in the long-term value of the company. By joining forces with Cellnex in Portugal, through this strategic partnership, NOS ensures the supply of current and future needs of its passive mobile infrastructure. In addition to this agreement, NOS will continue to pursue other investment efficiency opportunities.

At 30 September 2020, the operation was materialized with Cellnex payment of 398.6 million euros. The received value for the sale of NOS Towering decomposes on the following way:

- Assets sale: 374 million euros;
- Cash deducted from the debt sold with the company: 45 million euros;
- Working capital and others: -20.4 million euros.

The operation of the sale of NOS Towering configures, from an accounting point of view and for the purposes of consolidated accounts, a sale and lease back.

The operation, in the initial moment, did not generate impacts on the results.

The contributions of NOS Towering before the disposal have the following composition:

	30-09-2020
<b>ASSETS</b>	
<b>NON - CURRENT ASSETS</b>	
Tangible Assets	87,069
Rights of use	29,053
Deferred tax assets	6,887
<b>TOTAL NON - CURRENT ASSETS</b>	<b>123,009</b>
<b>CURRENT ASSETS:</b>	
Other assets	3,573
Cash and cash equivalents	45,030
<b>TOTAL CURRENT ASSETS</b>	<b>48,603</b>
<b>TOTAL ASSETS</b>	<b>171,612</b>
<b>LIABILITIES</b>	
<b>NON - CURRENT LIABILITIES</b>	
Borrowings	(29,482)
Provisions	(15,188)
<b>TOTAL NON - CURRENT LIABILITIES</b>	<b>(44,669)</b>
<b>CURRENT LIABILITIES:</b>	
Borrowings	(6,761)
Accounts payable	(23,844)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(30,604)</b>
<b>TOTAL LIABILITIES</b>	<b>(75,273)</b>
<b>TOTAL ASSETS AND LIABILITIES</b>	<b>96,338</b>

## 47. Other matters

### 47.1. COVID-19

With the emergence, spread and infection of the new coronavirus COVID-19, several measures were taken to contain the virus with very significant estimated impacts on the Portuguese economy, as well as in other economies, namely, limitations on travel rights and closure of several facilities and establishments.

As a result of the population's confinement measures, people and companies were and are being forced to adapt to a new reality, transforming the way they work and the way we socialize.

In the uncertainty posed by this threat, it is essential that companies design and implement, in a timely manner, structured and efficient contingency plans that guarantee employee protection and business continuity or that, at least, mitigate the resulting effects.

#### Health and safety risk and business interruption

In this context, from the very first moment, NOS has a permanent COVID-19 Monitoring Office, whose mission is to provide the organization with the necessary conditions to manage this risk, as well as to analyse and monitor the evolution of the different phases. The main objectives of the COVID-19 Monitoring Office are to ensure that NOS, its Companies, its Employees and Partners are prepared to face the COVID-19 Pandemic, in order to:

- Minimize the health impact to employees and to all those with whom they;

- ii. Guarantee business continuity, ensuring the provision of services considered critical, for which it is necessary to certify the availability of key resources - employees, suppliers, agents, partners, etc. - and the need to adapt to the specific requirements of clients.

Both objectives are supported by a coherent and structured communication on the topic with the different stakeholders and a high level articulation with official authorities, in particular with the General Health Directorate.

Our main concern is of course the health and well-being of all our employees. To ensure employee health and safety and business continuity, from an early stage we implemented a number of protective measures such as remote work practices, on site personal protection, travel restrictions to employees and visitors and also restrictions to participate in non-essential events and meetings and reinforced hygiene measures.

We are committed to support our customers during the current COVID-19 public health crisis. At a time when many Portuguesees are changing their habits and routines and working remotely, keeping our customers connected is the main objective of NOS. To this end, we facilitate access to services, through data offers, temporary suspension of monthly payment of premium sports channels, reinforcement of the ability to implement business services and guaranteeing a safe and secure service in our stores, in order to safeguard our customers, employees and partners. The NOS Telecommunications Network supports a set of basic services of our society, which include our National Health System. In this context of global health emergency, the maintenance of Portuguese communications is a fundamental task.

#### Liquidity and interest rate risk

Prudent liquidity risk management implies maintaining an adequate level of cash and cash equivalents to meet assumed liabilities, associated with the negotiation of credit lines with financial institutions.

At 30 September 2020, the average maturity of the group's financing is 2.9 years, with no non-compliance with the covenants due to the reduction in results projected for this year, being expected.

#### Credit risk

Credit risk is essentially related to credit for services provided to customers, monitored on a regular business basis and for which expected credit losses are determined considering: i) the customer's risk profile; ii) the average receipt period; iii) the client's financial condition; and iv) future perspective of the evolution of the collections.

In the nine months ended on 30 September 2020, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, the company recognized extraordinary expected credit losses of 27.9 million euros (Note 38) , incorporating, in the projection model of future collections, the new projections released by Banco de Portugal for GDP growth and Unemployment rate for the next 3 years.

#### Impacts

This is a situation of uncertainty and very dynamic, which makes it extremely difficult to estimate impacts, which always have to consider several scenarios and countless variables. Evidence of this difficulty is the historical drops and sharp volatility of exchanges, all over the world; the great



variations that occurred in the last quarters of the future projections of macroeconomic indicators, as well as the disparity of these projections between the various agencies.

The impacts on NOS were already felt in the results of the nine months ended on 30 September 2020, with a drop in revenues, consolidated EBITDA and operational cash-flows of -7.2% (-61.7 million euros); -6.5% (-29.4 million euros) and -20.1% (-34.6million euros), respectively, which shows a reduction in activity in:

- i. Cinemas and Audiovisuals: complete closure of NOS' theatres from 16 March to 2 July, and postponement of a number of movie premieres, slightly offset by cinema rentals negotiations;
- ii. Roaming and international calls: traffic and revenues impacted by restrictions imposed on international travel;
- iii. Equipment sales: with the closure of shopping centers and travel restrictions, there was a reduction in the sale of mobile phones and equipment, which is partially offset by the increase in online sales (in the long run there may be a positive effect on the evolution customer take-up of digital channels);
- iv. Mobile data revenues: quarantine and isolation situations imply an increase in the use of wireless networks, reducing the use of mobile data; and,
- v. Drop in revenue related to premium sports during the period when the national championship was suspended and advertising content.

On the other hand, the projections made for the Portuguese economy, led to a reassessment of projections and estimates, which resulted in the reinforcement, in the nine months ended on 30 September 2020, of impairments of accounts receivable (27.9 million euros) and other costs recognised, related to onerous contracts (10.8 million euros) (Note 38), as well as the recording of impairments in the item "Losses / (Gains) in subsidiaries", in the amount of 9.5 million euros (Note 35). A review of the impairment tests was also carried out, with no evidence of impairment being concluded, either in Goodwill or in other types of assets.

In terms of the projection of future impacts, these will depend on the extent, namely timing, of the spread of the virus and the respective containment measures, making it difficult to predict the scale of the impact, in the knowledge, however, that it will occur in the areas mentioned above. NOS' capital structure is within the 2x Net Financial Debt / EBITDA After Leasings Payments (EBITDA - Leasings Payments (Capital and Interest)) threshold, so the Board of Directors believes that the company will overcome the negative impacts caused by this crisis, without jeopardizing business continuity, this conviction is demonstrated with the maintenance of the shareholders' remuneration policy with the payment of dividends on 3 July 2020.

#### 47.2. Preventive seizure of 26.075% of the share capital of NOS, SGPS, S.A.

On 4 April 2020, SONAECON, SGPS, SA, holder of 50% of the capital of ZOPT, SGPS, SA (hereinafter "ZOPT"), was informed by this company of the communication received from the Central Criminal Investigation Court of Lisbon (hereinafter Tribunal) to proceed to the preventive seizure of 26.075% of the share capital of NOS, SGPS, SA, corresponding to half of the shareholding in NOS held by ZOPT and, indirectly, by the companies Unitel International Holdings, BV and Kento Holding Limited ", controlled by Eng.<sup>a</sup> Isabel dos Santos.

Under the terms of the aforementioned decision, the foreclosed shares are deprived of the exercise of voting rights and the right to receive dividends, the latter of which must be deposited with Caixa Geral de Depósitos, S.A. at the court's discretion.



The other half of ZOPT's participation in NOS share capital, corresponding to an identical percentage of 26.075% - and which, at least in line with the criterion used by the Court, embodies the 50% held in ZOPT by SONAECOM - was not subject to seizure, nor the rights attached to it were subject to any limitation.

Additionally, on 12 June 2020, ZOPT was notified of the order issued by the Lisbon Central Criminal Investigation Court, which authorizes it to exercise the voting right corresponding to the 26.075% of NOS share capital preventively seized under the aforementioned Court order.

## 48. Subsequent events

At 22 October 2020, NOS SGPS, S.A. ("NOS") hereby informs that various agreements were reached, between NOS Comunicações, S.A. and NOS Technology S.A., on one hand, and Vodafone Portugal, Comunicações Pessoais, S.A., on the other, regarding the sharing of mobile network support infrastructure (passive infrastructures such as towers and poles) and active mobile network elements (active radio equipment such as antennas, amplifiers and remaining equipment). These agreements aim to allow bigger efficiency of NOS investments, caption of value through the exploration of synergies and fastest and more environmentally responsible development of the mobile network in Portugal, providing more benefits to clients and other stakeholders. Furthermore, the sharing of mobile network infrastructures is an important contribute to foster territorial cohesion and digital inclusivity, essential elements to a country wide sustainable development.

To the date of approval of this document, no other relevant subsequent events took place to be disclosed in the present report.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

## 49. Annexes

### A) Companies included in the consolidation by the full consolidation method

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 30-09-2019	DIRECT 30-09-2020	EFFECTIVE 30-09-2020
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Fundo de Capital de Risco N5G	Lisbon	Movies exhibition	NOS	-	100%	100%
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Invest and support the development of companies that aim to commercialize technologies and products that result from scientific and technological research	Lusomundo SII	100%	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda.	Maputo	Movies exhibition and commercialization of other public events	NOS Cinemas	100%	100%	100%
NOS Sistemas, S.A. ('NOS Sistemas')	Lisbon	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Sistemas España, S.L.	Madrid	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Açores Comunicações, S.A.	Ponta Delgada	Distribution of television by cable and satellite and operation of telecommunications services in the Azores area	NOS SA	84%	84%	84%
NOS Audiovisuais, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Property, S.A.	Luxembourg	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic communications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Corporate Center, S.A.	Lisbon	Service rendered of business support and management and administration consultancy services, including accounting, logistics, administrative, financial, tax, human resources services and any other services that are subsequent or related to previous activities. The company may also perform any other services. activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraph, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS	100%	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS International Carrier Services, S.A. (a)	Lisbon	Service rendered and exploitation of electronic communications, namely, service rendered of national and international voice and SMS traffic transport services, as well as associated support signaling. The company may also perform any other activities that are complementary, subsidiary or ancillary, referred to in the preceding paragraph, directly or through participation in any other forms of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS	100%	-	-
NOS Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas, S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS	100%	100%	100%
NOS TECHNOLOGY - Conceção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis')	Matosinhos	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services	NOS SA	100%	100%	100%
NOS TOWERING - Gestão de Torres de Telecomunicações, S.A. ('Be Towering') (b)	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	-	-
NOS Wholesale, S.A.	Lisbon	Trade, service rendered and exploitation of wholesale offerings of national and international electronic communications services and related services, namely information and communication technology services Rendering of consulting services and support to contract management in roaming business. The organization of the material and human resources necessary for the commercialization, promotion and operation of electronic communications networks and circuits. The company may also perform any other activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraphs, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	0%	100%	100%
Per-Mar - Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS SA	100%	100%	100%
Teliz Holding B.V. (c)	Lisbon	Management of group financing activities	NOS	100%	100%	100%

(a) Company disposed on 1 June 2020

(b) Company disposed on 30 September 2020

(c) Headquarters altered from Amsterdam to Lisbon

## B) Associated companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 30-09-2019	DIRECT 30-09-2020	EFFECTIVE 30-09-2020
Big Picture 2 Films, S.A.	Oeiras	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	20.00%	20.00%	20.00%
Big Picture Films, S.L.	Madrid	Distribution and commercialization of movies	Big Picture 2 Films, S.A.	20.00%	100.00%	20.00%
Sport TV Portugal, S.A.	Lisbon	Conception, production, realization and commercialization of sports programs for telebroadcasting, purchase and resale of the rights to broadcast sports programs for television and provision of publicity services	NOS	25.00%	25.00%	25.00%

## C) Jointly controlled companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 30-09-2019	DIRECT 30-09-2020	EFFECTIVE 30-09-2020
Dreamia Holding B.V.	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV	50.00%	100.00%	50.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA	Maputo	Distribution of television by satellite, operation of telecommunications services	NOS	30.00%	30.00%	30.00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communications services provider, production, commercialization, broadcasting and distribution of audiovisual contents	NOS	30.00%	30.00%	30.00%
ZAP Media S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Cinemas, S.A. (a)	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	-	-
ZAP Publishing, S.A. (a)	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	ZAP Media	30.00%	-	-

(a) Companies liquidated and dissolved in December 2019

Financial investments whose participation is less than 50% were considered as joint arrangements due to shareholder agreements that confer joint control.

## D) Companies in which NOS does not have significant influence

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 30-09-2019	DIRECT 30-09-2020	EFFECTIVE 30-09-2020
Associação Laboratório Colaborativo em Transformação Digital - DTX	Guimarães	Research applied to different areas associated with digital transformation to encourage cooperation between R&D units, educational institutions and the productive sector	NOS Inovação, S.A.	4.92%	4.92%	4.92%
Fundo TechTransfer	Lisboa	Invest and support the development of companies that aim to commercialize technologies and products that result from scientific and technological research	NOS Inovação, S.A.	-	3.90%	4.20%
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisboa	Insurance services	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisboa	Insurance services	NOS	0.02%	0.02%	0.02%

(a) The financial investments in these companies are fully provisioned.

# Limited review report prepared by Auditor registered in CMVM



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

## Limited review report on the consolidated condensed financial statements

### Introduction

We have performed a limited review on the consolidated condensed financial statements of NOS, S.G.P.S., S.A. (the Entity), which comprise the Consolidated Condensed Statement of Financial Position as at 30 September 2020 (which shows a total of 3,110,353 thousand Euros and a shareholders' equity total of 944,282 thousand Euros), including a consolidated net profit attributable to equity holders of the parent of 79,121 thousand Euros), the Consolidated Condensed Statement of Income by Nature, the Consolidated Condensed Statement of the Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the nine month period then ended, and the related notes to the consolidated condensed financial statements, including a summary of significant accounting policies.

### Management responsibilities

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

### Auditor's responsibilities

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

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

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

### Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of NOS S.G.P.S., S.A., as at 30 September 2020, have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for the interim financial reporting (IAS 34).

#### Emphasis of Matter

We draw attention to the disclosures included in the Notes to the condensed consolidated financial statements regarding: i) the impacts on the financial statements and the uncertainties resulting from the Covid-19 pandemic (notes 35, 38 and 47.1); and ii) the preventive seizure of 26.075% of the Entity's share capital (note 47.2). Our conclusion is not modified in respect to these matters.

Porto, 4<sup>th</sup> November 2020

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

(Signed)

Sandra e Sousa Amorim - ROC nr. 1213  
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