




Consolidated Management Report **1H20**

20

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1H20 Highlights

1H20 Highlights	1H19	1H20	1H20 / 1H19
Operating Highlights			
Homes Passed	4,494.7	4,684.7	4.2%
% FttH	28.6%	35.0%	6.4pp
Total RGUs	9,537.5	9,760.7	2.3%
Pay TV RGUs	1,617.1	1,647.9	1.9%
Convergent + Integrated Customers	907.1	957.5	5.6%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	59.2%	61.0%	1.9pp
Mobile RGUs	4,769.1	4,869.9	2.1%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.9	42.3	(5.9%)
Financial Highlights			
Telco Revenues	687.4	652.8	(5.0%)
Telco EBITDA	305.1	294.4	(3.5%)
EBITDA Margin	44.4%	45.1%	0.7pp
Audiovisuals & Cinema Revenues	54.9	30.7	(44.0%)
Audiovisuals & Cinema EBITDA	26.3	16.2	(38.5%)
EBITDA Margin	48.0%	52.6%	4.7pp
Consolidated Revenues	721.5	666.6	(7.6%)
Consolidated EBITDA	331.4	310.6	(6.3%)
EBITDA Margin	45.9%	46.6%	0.7pp
Net Income Before Associates & Non-Controlling Interests	88.2	37.8	(57.2%)
EBITDA - Total CAPEX Excluding Leasings	149.0	138.8	(6.8%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	100.0	88.1	(11.9%)

1H20

The impact of COVID 19 on operating and financial results was significant during 1H20, being felt more in 2Q20 than in 1Q20 due to nationwide lockdown for almost the entire quarter. Although the government announced gradual easing of restrictions from mid May, economic recovery has been very tenuous, with many businesses and sectors yet to open or working under very limited conditions.

All the main financial and operational impacts of the pandemic highlighted in our 1Q20 report persisted in 2Q20, namely the absence of cinema going due to theatre closures, significant decline of roaming revenues, suspension of premium sports channel billing and the more challenging B2B environment. In the case of premium sports channels, customers started to be billed again from 1 June 2020 with the restart of the Portuguese football league.

Operating highlights

- Core telecom operations demonstrated a resilient performance, as reflected in levels of subscriptions and relatively intact underlying contract billing, thus confirming the sector to be a pillar of stability against the general economic downturn. Subscriber gross adds and commercial activity started to pick-up with the deconfinement as from mid-May. Notwithstanding this good performance, total telco revenue growth was negative yoy due to maintained suspension of premium sports channel billing throughout the lockdown period and insipient roaming revenues. Also, the B2B segment was more susceptible to the pressures of lockdown with business clients striving to contain costs and negotiate more lenient payment terms. Conscious of our national relevance as an agent of economic recovery, we accommodated a more flexible stance towards account relations whilst also extending operational and technical support to companies grappling with the challenges of an almost overnight shift to remote and digitalized business models.
- Cinema operations had already come to a standstill in March with the closure of all theatres, a situation that was extended throughout the entire second quarter and that was only lifted at the beginning of July. Audiovisual revenues from the cinema distribution business also continued to suffer, albeit the remaining businesses within this unit sustained stable yoy performance.
- Technological investments were lower yoy, due to phasing of deployment plans which remain on track within the context of the FttH network sharing agreement and aligned with the strategic importance of delivering best in class NGN capabilities to as many households as possible. New ways of working, learning, communicating and delivering entertainment have driven, in just a few months, a surge in consumer demand and habits that would have taken years under more normal circumstances, thus reinforcing the need for continued technological upgrades and deployments. Our customer related CAPEX was down 5.1% yoy in 1H20, with a 9.4% drop in 1Q20 due to the reduction of commercial activity and was stable in 2Q20 in comparison with 2Q19, reflecting a pickup in sales and retention activity with gradual deconfinement from mid-May;

Financial Highlights

- The financial impacts of the pandemic were more material in 2Q20 than in 1Q20 as a result of the more extensive period under lockdown. All business divisions were negatively affected however the relative magnitude of the pandemic was considerably more significant on the Cinema and Audiovisuals division, both in terms of revenues and profitability.
- Telecom revenues were down 5.0% in 1H20 to 652.8 million euros impacted primarily by suspended premium sport channel revenues in the lockdown period, the significant reduction of roaming traffic and B2B sales. Much of the Revenue decline was compensated by lower OPEX,

primarily activity related direct costs, and as such, EBITDA declined by just 3.5% to 294.4 million euros.

- Cinema and Audiovisuals revenues fell by 44.0% to 30.7 million euros reflecting a 100% yoy decline in exhibition revenues in 2Q20. The impact on EBITDA was a decline of 38.5% yoy to 16.2 million euros, with lower revenues being mitigated by lower royalty costs.
- The combined impact of these distinct trends on consolidated results was a 7.6% decline in Consolidated Revenues to 666.6 million euros and a 6.3% decline in EBITDA to 310.6 million euros.
- Telco EBITDA-CAPEX declined very slightly by 0.5% yoy to 133.2 million euros with lower CAPEX almost offsetting the decline in EBITDA.
- Total FCF fell 11.9% (11.9 million euros) to 88.1 million euros, less than the absolute fall in EBITDA due to lower CAPEX, primarily driven by the phasing profile of investment in the mobile network.
- Our Balance Sheet remains very strong, with Net Debt / EBITDA at 1.8x at the end of 1H20 and will be further reinforced upon completion of the NOS Towering sale to Cellnex. Total potential proceeds of the deal are 550 million euros, 375 million euros of which to be received up-front upon finalization of the deal.
- At the end of June, the Competition Authority approved the sale of NICS - NOS International Carrier Services to Tofane, which had already been deconsolidated as from the start of 1Q20, with accounts restated for 2019.
- At the beginning of 3Q20, the Portuguese Competition Authority announced its non opposition to the agreement signed in April between NOS Comunicações and Cellnex to sell 100% of NOS Towering to the latter, which encompasses around 2000 sites (towers and rooftops), for an upfront consideration of approximately 375 million euros, to be received on final closing of the transaction. In addition, NOS and Cellnex had signed 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 which renews automatically for equal periods. This agreement foresees a perimeter increase of up to 400 additional sites over the next 6 years. The total potential value of the agreements to be received over a 6-year period, is 550 million euros. As such, NOS Towering was considered an Asset Held for Sale for accounting purposes under IFRS 5.

Governing Bodies

As at the date of this report, 22 July 2020, NOS' Governing Bodies had the following composition:

Board of Directors

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

Fiscal Board

Chairman of the Fiscal Board	José Pereira Alves
Members	Patrícia Couto Viana Paulo Mota Pinto
Alternate	Ana Luisa Aniceto da Fonte

Officials of the General Meeting of Shareholders

Chairman	Pedro Canastra de Azevedo Maia
Secretary	Tiago Antunes da Cunha Ferreira de Lemos

Statutory Auditor

In Office	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);
Alternate	Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC n.º 1258)

Management Report

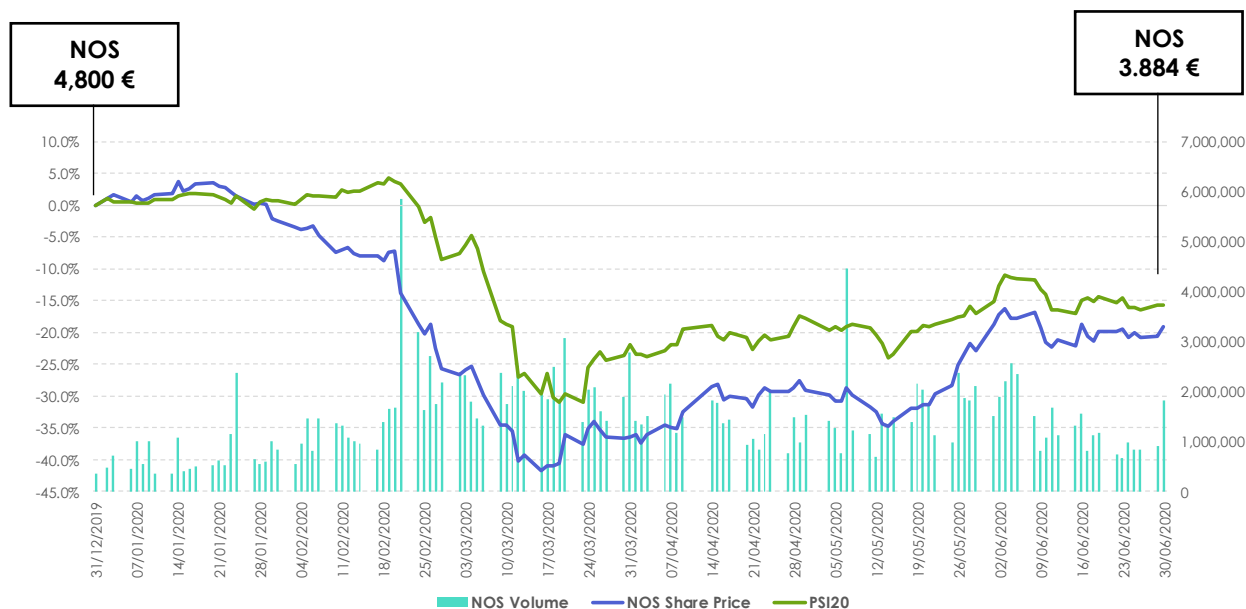
Capital Markets

NOS' Share Performance

On 30 June 2020, the close price of NOS' shares was 3.884 euros, which represents a 19.1% decrease since the beginning of the year, and which compares with a 15.8% decline of the main Portuguese share index, PSI20.

Due to the COVID-19 pandemic, NOS' AGM was delayed, which postponed the approval and therefore payment of the dividend, in the amount of 0.278 euros, which took place only on 03 July 2020. Taking the amount of the dividend into consideration, NOS' Total Shareholder Return in 1H20 would have been -13.2%.

In 1H20 more than 184.9 million NOS shares were traded, which translates to an average daily volume of 1.468 million shares per market session.



As such, the daily average volume of NOS in 1H20 represents 0.28% of its total number of shares outstanding.

The highest price at which NOS shares were traded this semester was 4.990 euros (on 14 January 2020), while their lowest trade price was 2.680 euros (on 16 March 2020).

As previously mentioned, the main Portuguese share index, PSI20, posted in 1H20 a drop of 15.8%. Additionally, the Spanish index, IBEX35, fell by 24.3%. FTSE100 (United Kingdom) declined by 18.2%, as well as DAX (Germany) and CAC40 index (France), which decreased by 17,4% and 7.1% respectively, in 1H20.

1H20 Market Announcements

The activity developed by the Investor Relations Office provides permanent and updated information to the financial community about the activities of NOS, through regular press releases, presentations and communications on the quarterly, half-yearly and annual results, as well as any other relevant events that may occur.

13/01/2020	NOS informs on NOS 2019-2024 Bonds Interest Payment
20/01/2020	NOS informs on NOS €25M FRN due 2024 Bonds Interest Payment
23/01/2020	NOS informs on resignation of Non Executive Board Members
27/01/2020	NOS informs on appointment of the Chairman of the Board of Directors
04/02/2020	NOS informs on Letter of Intent signed with VODAFONE PORTUGAL
13/02/2020	NOS informs on review of "BBB-" long term issuer credit rating and stable outlook by S&P
21/02/2020	NOS informs on 4Q19 Earnings Announcement
20/03/2020	NOS informs on NOS 2015-2022 Bonds Interest Payment
25/03/2020	NOS informs on co-optation of Members of the Board of Directors
27/03/2020	NOS informs on celebration of financing contracts
31/03/2020	NOS informs on shares delivered to Board Members and employees of the NOS Group
01/04/2020	NOS informs on agreement with Tofane Global S.A.S. and with IBASIS PORTUGAL S.A. to sell all of NOS International Carrier Services S.A. share capital
04/04/2020	NOS informs on announcement by Sonaecom, SGPS, S.A.
06/04/2020	NOS informs on Manager Transactions
06/04/2020	NOS informs on Manager Transactions
06/04/2020	NOS informs on Manager Transactions
06/04/2020	NOS informs on Manager Transactions
06/04/2020	NOS informs on Manager Transactions
06/04/2020	NOS informs on Manager Transactions
14/04/2020	NOS informs on agreement between NOS Comunicações, S.A. and Cellnex Telecom, S.A. to sell 100% of the share capital of NOS Towering S.A.
24/04/2020	NOS informs on "NOS, SGPS, S.A. €300mn 1.125% Notes due 02 May 2023" Bond Interest payment
30/04/2020	NOS informs on FY19 Annual Report and Accounts, approved by the Board of Directors on 20 February 2020
06/05/2020	NOS informs on 1Q20 Earnings Announcement
07/05/2020	NOS informs on 1Q20 Results Presentation
15/05/2020	NOS informs on Qualified Shareholding of Banco BPI, S.A.
25/05/2020	NOS informs on General Shareholders Meeting
29/05/2020	NOS informs on 1Q20 Consolidated Management Report
15/06/2020	NOS informs on announcement by Sonaecom, SGPS, S.A.

1H20 Main Investor Relations Events

Below we present the major Investor Relation events, which took place in 1H20. This Office provides all clarifications to the financial community in general - shareholders, investors (both institutional and retail) and analysts, also assisting and supporting the exercise of the shareholders rights. The Investor Relations Office promotes regular meetings of the executive management team with the financial community through the participation in specialized conferences, roadshows, both in Portugal or in major international financial centers, and often meets with investors who visit Portugal.

Following the contingency measures applied due to the COVID-19 pandemic, many events, that would usually occur in the main European markets, were conducted virtually, using various digital tools.

18/03/2020	Citigroup Telecoms Conference (virtual format)
11/05/2020	Roadshow (virtual format)
13/05/2020	Roadshow (virtual format)
14/05/2020	UBS Virtual Pan European Small and Mid-Cap Conference 2020 (virtual format)
15/05/2020	Roadshow (virtual format)
04/06/2020	Roadshow (virtual format)
05/06/2020	Bank of America "Made in Iberia Days" 2020 Conference (virtual format)

NOS' legal representative for Capital Markets is Maria João Carrapato.

Any interested parties are invited to request information from the Investor Relations Office, using the following contacts:

Rua Actor António Silva, nº 9

1600-404 Lisboa

Ph. / Fax: +(351) 21 782 47 25 / +(351) 21 782 47 35

E-mail: ir@nos.pt

Governing Bodies Shareholdings

Under the terms and for the purposes of Article 9, Paragraph a) and numbers 6 and 7 of Article 14 of CMVM Regulation 5/2008, and according to the information provided to the Company by the Governing Bodies, NOS hereby informs on the shareholdings of the members of its Governing Bodies, including the Audit and Finance Committee and the Alternate and In Office Statutory Auditors, at 30 June 2020:

Name	Position / Job	Shares					
		Balance 31-12-2019	1H20 Transactions				Balance 30-06-2020
			Acquisitions *	Disposals	Unit Price *	Date	
Ângelo Gabriel Ribeirinho dos Santos Paupério ⁽¹⁾ <i>ZOPT, SGPS, SA</i>	Chairman of the Board of Directors	0 268.644.537	- -	- -	- -	- -	0 268.644.537
Miguel Nuno Santos Almeida	Chairman of the Executive Committee	72.060	85.301	-	3,042 €	31/03/2020	157.361
José Pedro Faria Pereira da Costa	Executive Member	130.272	63.086	-	3,042 €	31/03/2020	193.358
Manuel Ramalho Eanes	Executive Member	0	48.277	-	3,042 €	31/03/2020	48.277
Ana Paula Garrido de Pina Marques	Executive Member	37.463	48.277	-	3,042 €	31/03/2020	85.740
<i>Spouse</i>		19.155	10.743	-	3,042 €	31/03/2020	29.898
Luís Moutinho do Nascimento	Executive Member	80	-	-	-	-	80
Jorge Filipe Pinto Sequeira dos Santos Graça	Executive Member	0	33.467	-	3,042 €	31/03/2020	33.467
Ana Rita Ferreira Rodrigues Cernadas	Non-Executive Member	0	-	-	-	-	0
António Domingues	Non-Executive Member	0	-	-	-	-	0
António Bernardo Aranha da Gama Lobo Xavier	Non-Executive Member	0	-	-	-	-	0
António Lobão Teles	Non-Executive Member	0	-	-	-	-	0
Catarina Eufémia Amorim da Luz Távira Van-Dûnem	Non-Executive Member	0	-	-	-	-	0
Cristina Maria de Jesus Marques	Non-Executive Member	0	-	-	-	-	0
João Pedro Magalhães da Silva Torres Dolores ⁽²⁾ <i>ZOPT, SGPS, SA</i>	Non-Executive Member	0 268.644.537	- -	- -	- -	- -	0 268.644.537
Joaquim Francisco Alves Ferreira de Oliveira	Non-Executive Member	0	-	-	-	-	0
Maria Cláudia Teixeira de Azevedo ⁽³⁾ <i>ZOPT, SGPS, SA</i>	Non-Executive Member	0 268.644.537	- -	- -	- -	- -	0 268.644.537
José Carvalho de Freitas	Non-Executive Member	0	-	-	-	-	0
José Pereira Alves	Chairman of the Fiscal Board	0	-	-	-	-	0
Paulo Cardoso Correia da Mota Pinto	Member of the Fiscal Board	0	-	-	-	-	0
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	Member of the Fiscal Board	0	-	-	-	-	0
Ana Luisa Nabais Aniceto da Fonte	Substitute Member of the Fiscal Board	0	-	-	-	-	0
Ernst & Young Audit & Associados, SROC, S.A.	Statutory Auditor	0	-	-	-	-	0
Sandra e Sousa Amorim	Statutory Auditor	0	-	-	-	-	0
Pedro Jorge Pinto Monteiro da Silva e Paiva	Substitute Statutory Auditor	0	-	-	-	-	0

(1) Ângelo Gabriel Ribeirinho dos Santos Paupério is member of the Board of Directors of ZOPT, SGPS, S.A., which owned, on 31 December 2019 a share correspondent to 52.15% of the share capital and voting rights of NOS and a member of the Board of Directors of Sonaeocom, SGPS, S.A.

(2) João Pedro Magalhães da Silva Torres Dolores is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 31 December 2019, correspondent to 52.15% of the share capital and voting rights of NOS, and member of Board of Directors of Sonaeocom, SGPS, S.A.

(3) Maria Cláudia Teixeira de Azevedo is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 31 December 2019, correspondent to 52.15% of the share capital and voting rights of NOS, and member of Board of Directors of Sonaeocom, SGPS, S.A.

* Share acquisitions with a 90% discount under the Short and Medium Term Variable Remuneration Regulation of NOS, SGPS, S.A.

Qualified Shareholdings

Under the terms of paragraph c) of number 1 of article 9 of the Regulation 5/2008 of the Portuguese Securities Committee (CMVM), NOS hereby informs on its qualified shareholdings held by third parties, which have been reported to the Company.

The structure of NOS' Qualified Shareholdings disclosed to the company, was, in 30 June 2019, as follows:

Shareholders	Number of Shares	% Share Capital and Voting Rights
ZOPT, SGPS, SA ⁽¹⁾	268,644,537	52.15%
MFS Investment Management	11,049,477	2.14%
Norges Bank	10,891,068	2.11%
Banco BPI, S.A.	10,407,031	2.02%
Total	300,992,113	58.43%

(1) According to paragraphs b) and c) of number 1 of article 20º and article 21º of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of NOS, SGPS, S.A. as calculated in the terms of article 20º of the Portuguese Securities Code, is attributable to ZOPT, Sonaecom and the following companies:

a. This qualified holding is attributable to the companies Kento Holding Limited ("**Kento**") and Unitel International Holdings, BV ("**Unitel International**"), as well as to Mrs. Isabel dos Santos, under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, being (i) Kento and Unitel International directly and indirectly controlled by Mrs. Isabel dos Santos and (ii) ZOPT controlled together by its shareholders Kento, Unitel International and Sonaecom SGPS S.A., as a result of the shareholders agreement entered into between these entities;

b. The aforementioned qualified holding is also attributable to Sonaecom SGPS S.A., and all entities in a control relationship with Sonaecom, namely SONTEL, BV and SONAE, SGPS, S.A., directly or indirectly controlled by EFANOR INVESTIMENTOS, SGPS, S.A., also under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, as a result of the control relationship and shareholders agreement mentioned in a.

As of November 29th, 2017, EFANOR INVESTIMENTOS, SGPS, S.A., no longer has a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code.

Note: The calculation of the voting rights corresponding to each shareholder does not consider own shares held by the Company.

On 3 July 2020, Banco BPI updated his position from 2.02% to 5.01%. Thus, NOS' Qualified Shareholdings disclosed to the company, is the following:

Shareholders	Number of Shares	% Share Capital and Voting Rights
ZOPT, SGPS, SA ⁽¹⁾	268,644,537	52.15%
Banco BPI, S.A.	25,803,574	5.01%
MFS Investment Management	11,049,477	2.14%
Norges Bank	10,891,068	2.11%
Total	316,388,656	61.42%

(1) According to paragraphs b) and c) of number 1 of article 20º and article 21º of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of NOS, SGPS, S.A. as calculated in the terms of article 20º of the Portuguese Securities Code, is attributable to ZOPT, Sonaecom and the following companies:

a. This qualified holding is attributable to the companies Kento Holding Limited ("**Kento**") and Unitel International Holdings, BV ("**Unitel International**"), as well as to Mrs. Isabel dos Santos, under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, being (i) Kento and Unitel International directly and indirectly controlled by Mrs. Isabel dos Santos and (ii) ZOPT controlled together by its shareholders Kento, Unitel International and Sonaecom SGPS S.A., as a result of the shareholders agreement entered into between these entities;

b. The aforementioned qualified holding is also attributable to Sonaecom SGPS S.A., and all entities in a control relationship with Sonaecom, namely SONTEL, BV and SONAE, SGPS, S.A., directly or indirectly controlled by EFANOR INVESTIMENTOS, SGPS, S.A., also under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, as a result of the control relationship and shareholders agreement mentioned in a.

As of November 29th, 2017, EFANOR INVESTIMENTOS, SGPS, S.A., no longer has a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code.

Note: The calculation of the voting rights corresponding to each shareholder does not consider own shares held by the Company.

A detailed record of the qualified shareholdings' announcements can be found at NOS' corporate website, at www.nos.pt/ir.

Transactions of Own Shares

By the end of 1H20, NOS held, within the scope of its Employee Share Plan and the Regulation on Short and Medium Term Variable Remuneration, aimed at NOS employees, 2,514,004 own shares.

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

Description	Number of Shares
Initial Balance	2,595,541
Acquisition	875,000
Share Incentive Scheme and Other Remuneration - Distribution	956,537
Final Balance	2,514,004

Business Review

We posted solid RGU performance in 1H20 with net adds of 73.4 thousand, with 2Q20 reflecting good growth when compared with both 2Q19 and 1Q20. The positive net adds performance was felt across almost all business lines, with fixed Pay TV net adds of 8.5 thousand, total mobile net adds of 18.9 thousand and fixed broadband net adds of 25.5 thousand. Within mobile two distinct trends occurred: post paid net adds reached 69.4 thousand, however closure and social distancing of the main shopping centres and street retail formats and the drop in tourism, inevitably ended up penalizing pre-paid mobile performance in the quarter, with negative pre-paid net adds of 50.5 thousand. Subscribers to convergent and integrated bundles grew by 26.8 thousand, further increasing their weight in the fixed access customer base to 61% by the end of 1H20. These bundled services are core in Portuguese households and reflect the importance that customers place on subscribing to combined fixed and mobile services with high bandwidth and more flexible, made-to-measure tariff plans that include very high usage allowances and a rich content line up.

From a value perspective, core B2C contract revenues in fixed services were stable, with some upside from discretionary voice traffic driven by greater volumes of international calls. Equipment sales slowed during the initial phase of lockdown however they have now started to recover strengthened by digital sales offers, and reinforced by campaigns rewarding customer loyalty, best price guaranteed equipment sold in instalments and client only campaigns for equipment renewal.

Our “N Days” have proven a huge success with selected devices offered at best price promotions, four times a year. In addition, in mid-March we launched a laptop and tablet campaign in monthly instalments, leveraging increased need for work/learn from home solutions. On the downside, as is to be expected, revenues were impacted negatively by the suspension of premium sports channel billing still throughout April and May and the significant decline of roaming revenues.

Already in July, a number of offers have been launched, reinforcing our segmentation and digitalization strategy. On 3 July we included the Apple TV box in our portfolio of terminal equipment available within NOS bundles for an additional rental charge, providing a cutting edge 4K NOS user interface experience within the Apple ecosystem, and targeting a pro-digital, more premium customer segment.

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.

Adoption of our digital platforms continues to record very strong growth with the pandemic, leveraging the structural progress made within our company wide transformation programme. Users of our NOS and WTF APPS grew by around 50% and 30% respectively in comparison with before the pandemic and daily sessions on our NOS website and self care platforms grew by approximately 20%. Although deconfinement could abate the pace of digital adoption by consumers, a structural change is clearly underway, and we will strive to maximize this momentum to accelerate our digital optimization targets.

The B2B segment is experiencing a structural opportunity for transformation, with many businesses having to deal with the challenges posed by moving almost overnight from traditional interactions with their customers, suppliers and employees to new ways of working over remote, digital platforms. Connectivity, network quality, cloud, managed IT services and security are quintessential **to ensuring operational continuity and service reliability. Against this backdrop, NOS’ competencies** and technological platforms have enabled us to provide our clients with fast and technologically cutting-edge support to deploy their own remote work platforms.

Areas of strategic focus for us are hybrid cloud solutions and managed services, and we signed strategic partnerships with key cloud platforms in the last months, namely Google, AWS and Azure, with a view to positioning NOS as a preferred, specialist partner for hybrid solutions. On the managed services front we are recording very encouraging growth by offering, amongst others, management solutions for service desks, data bases, systems and data centres. During the peak of the pandemic we were particularly successful with the launch of a digital first, agile development programme targeting the SME segments, with 9 main service offerings in the IT and security arena. Mobility offers were strengthened during lockdown with provision of mobility centric offers, remote call centres and services for local councils and health professionals. We also secured a number of technological partnerships within the academic ecosystem making NOS a key provider of remote digital learning tools. We expanded on the offers already reported such as our sophisticated analytics programme to support public institutions to monitor the COVID pandemic. The transformational work we have been doing to improve, digitalize and automate operational process,

has provided the backdrop to be able to accelerate provision of solutions during the pandemic. In some cases we have reduced lead times of a couple of weeks to just a couple of days, bearing witness to the capabilities of our highly skilled and technologically advanced teams and platforms.

In terms of revenues, the B2B segment recorded mixed effects. On the one hand we achieved incremental revenues from provision of more data and IT managed services, but on the other we witnessed some deterioration due to selective contract renegotiations driven by financial distress situations. At a time when many of our customers are facing partial or complete lockdown of their operations and subsequent loss of revenues, we acknowledged our social responsibility to support them during this difficult period and thus reinforce our ties as a long-term partner. This was true across most sectors, with some of the most impacted being those dependent on hospitality, tourism and retail. Overall B2B revenues were also impacted by lack of premium sports channel billing during the lockdown period and the significant decline of roaming revenues due to the drop in international travel.

In terms of demands on the network, 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. It is becoming ever more important, in a world scarred by the plights of the COVID-19 pandemic, for countries to recognize the strategic relevance of a well invested and financially sustainable telecommunications sector, thus ensuring critical business and social continuity.

Deployment of our FttH network continued throughout 1H20, and is on schedule according to the terms of our network sharing agreement. By the end of 1H20, we were covering 4.685 million households, an additional 72.2 thousand during the semester and bringing total FttH penetration up to 35.0% as a proportion of total fixed footprint. Expansionary investment in the mobile network is going through a transitional lull, having completed the Single RAN upgrade last year, we are now awaiting the final terms of the 5G license process, expected to be concluded by the end of 2020, to determine future mobile investment plans. As announced in February, we are in exclusive negotiations with Vodafone to reach a mobile network sharing agreement to enhance the efficiency of our investments and achieve larger and faster coverage of the national territory, thus delivering a reinforced service with more benefits for our customers. We believe this agreement will also be a significant contribution to the economic and digital development of the country. We will maintain exclusive strategic control of our networks, ensuring independence in the definition and provision of services to our customer base. The original timeline to reach a definitive agreement has been slightly

pushed out beyond June due to the inevitable process delays caused by lockdown, however an agreement is likely to be achieved in the short term.

We signed a relevant technological deal during 2Q20, with 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). A long-term agreement was also signed 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 potential value of the agreements to be reached over a 6-year period is 550 million euros, with an upfront payment of approximately 375 million euros for the sale of NOS Towering (2,000 sites) to be concluded during 2020. At the beginning of July, the Competition Authority announced its non-opposition to this transaction and final closing is now dependent on completion of internal formalities between the parties in the coming months. Once completed, 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. In addition to this agreement, we will continue to pursue other investment efficiency opportunities.

As regards our ongoing management of the operational impacts of the pandemic, we continue to demonstrate best in class response at all levels, incorporating social distancing recommendations in all processes and interactions whilst proactively supporting and engaging employees, customers, communities and business partners. After the challenges imposed by moving to remote work and social distancing with lockdown in 1Q20, 2Q20 was marked by the planning and implementation of a safe and gradual return to the workplace. This progressive deconfinement is being implemented with the return of progressive waves of employees, on a rotational weekly basis, with a mid-summer target of 50% occupancy levels. With the reopening of shopping centres we have now reopened the vast majority of our own and franchised stores, and floor traffic is gradually starting to recover, although still to significantly lower levels than pre-COVID-19.

Operating Indicators ('000)	1H19	1H20	1H20 / 1H19
Telco ⁽¹⁾			
Homes Passed	4,494.7	4,684.7	4.2%
Total RGUs	9,537.5	9,760.7	2.3%
o.w. Consumer RGUs	8,062.6	8,247.9	2.3%
o.w. Business RGUs	1,474.9	1,512.8	2.6%
Mobile	4,769.1	4,869.9	2.1%
Pre-Paid	1,994.0	1,957.7	(1.8%)
Post-Paid	2,775.1	2,912.2	4.9%
Pay TV Fixed Access ⁽²⁾	1,329.7	1,364.5	2.6%
Pay TV DTH	287.4	283.4	(1.4%)
Fixed Voice	1,729.3	1,766.7	2.2%
Broadband	1,389.5	1,439.8	3.6%
Others and Data	32.5	36.4	12.0%
3,4&5P Subscribers (Fixed Access)	1,176.7	1,224.7	4.1%
% 3,4&5P (Fixed Access)	88.5%	89.8%	1.3pp
Convergent + Integrated RGUs	4,574.7	4,823.9	5.4%
Convergent + Integrated Customers	907.1	957.5	5.6%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	59.2%	61.0%	1.9pp
% Convergent + Integrated Customers	56.1%	58.1%	2.0pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.9	42.3	(5.9%)
<i>Net Adds</i>			
Homes Passed	134.7	72.2	(46.4%)
Total RGUs	183.5	73.4	(60.0%)
o.w. Consumer RGUs	(8.9)	51.7	(677.9%)
o.w. Business RGUs	14.2	21.7	53.4%
Mobile	173.4	18.9	(89.1%)
Pre-Paid	23.5	(50.5)	(315.3%)
Post-Paid	149.9	69.4	(53.7%)
Pay TV Fixed Access	19.2	8.5	(55.6%)
Pay TV DTH	(16.2)	0.7	(104.2%)
Fixed Voice	(33.5)	18.3	(154.5%)
Broadband	42.2	25.5	(39.6%)
Others and Data	(1.6)	1.6	(195.6%)
3,4&5P Subscribers (Fixed Access)	13.5	15.4	13.8%
Convergent + Integrated RGUs	91.9	119.4	29.9%
Convergent + Integrated Customers	17.3	26.8	54.9%

(1) Portuguese Operations.

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

Cinemas and Audiovisuals

Operating Indicators ('000)	1H19	1H20	1H20 / 1H19
Cinema ⁽¹⁾			
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 ⁽²⁾	6,734.5	2,542.1	(62.3%)
Screens (units)	218	219	0.5%

(1) Portuguese Operations

(2) Source: ICA - Portuguese Institute For Cinema and Audiovisuals

The sales of NOS cinema tickets declined by 62.7% in 1H20, to 1.527 million tickets, a reflection of the performance of the market as a whole^[1], which declined by 62.2% in the same period.

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. The top films exhibited by NOS in 1H20 were "1917", "Bad Boys For Life", "Birds of Prey (and the Fantabulous Emancipation of One Harley Quinn)", "Jumanji: The Next Level" and "Sonic The Hedgehog". The average revenue per ticket, of 5.2 euros for 1H20, marginally improved by 1.4% yoy. NOS' gross box-office revenues decreased by 62.3% in 1H20, which compares with 61.4% for the market as a whole. Until the end of February, NOS was up by 16.3% year-to-date, with the market improving by 14.1%.

Due to the pandemic, NOS' cinemas were closed from 16 March to 2 July with no revenue generating activity whatsoever during this period. The reopening of theatres on 2 July has since taken place, under the strictest health and safety measures defined by the General Health Directorate and, **additionally, certified by ISQ, an external entity which validated all procedures and awarded all NOS' cinema theatres the "Safe Places. Safe People" Seal of Trust. ISQ will also undertake quarterly audits** to ensure safety standards are being maintained. Until 22 July, to encourage people to go back to the theatres, ticket prices have been cut for both normal 2D sessions and for the innovative IMAX, 4DX, ScreenX and XVision exhibition formats.

Although theatres have now re-opened under the most stringent safety standards, the level of cinema going is not set to accelerate by much in the first few months due to the postponement of a considerable number of blockbuster movies, originally scheduled for 3Q20, and which are now only going to be launched in 4Q20 or 2021. Examples of premieres delayed are "Top Gun: Maverick" (July to December), "Minions: The Rise of Gru" (July to 2021), "Soul" (June to November), "Wonderwoman 1984" (August to October), "The Hitman's Wife's Bodyguard" (August to November). The more

^[1] Source: ICA - Portuguese Institute For Cinema and Audiovisuals

mainstream movies still scheduled for exhibition in 3Q20 are "Tenet", "Mulan" and "The King ' s Man", and this is yet to be confirmed depending on the opening of the US and other key markets.

In the Audiovisuals area, NOS distributed 5 out of the top 10 cinema box-office hits in 1H20, "1917", "Birds of Prey (and the Fantabulous Emancipation of One Harley Quinn)", "Sonic The Hedgehog", "Star Wars: Episode IX - The Rise of Skywalker" and "Frozen II", maintaining its status of clear leadership in this market. In the second quarter, the cinema distribution activity was equally impacted by the lockdown, and therefore did not contribute any revenues. The remaining business lines, such as rights management or VoD, declined slightly yoy but maintained a healthy and normal level of performance in comparison with previous periods.

Consolidated Financial Review

Consolidated Income Statement

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

Profit and Loss Statement (Millions of Euros)	1H19	1H20	1H20 / 1H19
Operating Revenues	721.5	666.6	(7.6%)
Telco	687.4	652.8	(5.0%)
Consumer Revenues	488.8	481.3	(1.5%)
Business Revenues	141.9	138.4	(2.5%)
Wholesale and Others	56.7	33.0	(41.7%)
Audiovisuals & Cinema ⁽¹⁾	54.9	30.7	(44.0%)
Others and Eliminations	(20.7)	(16.9)	(18.6%)
Operating Costs Excluding D&A	(390.1)	(356.0)	(8.7%)
Direct Costs	(206.2)	(175.9)	(14.7%)
Non-Direct Costs ⁽²⁾	(183.9)	(180.1)	(2.0%)
EBITDA ⁽³⁾	331.4	310.6	(6.3%)
EBITDA Margin	45.9%	46.6%	0.7pp
Telco	305.1	294.4	(3.5%)
EBITDA Margin	44.4%	45.1%	0.7pp
Cinema Exhibition and Audiovisuals	26.3	16.2	(38.5%)
EBITDA Margin	48.0%	52.6%	4.7pp
Depreciation and Amortization	(200.5)	(201.7)	0.6%
(Other Expenses) / Income	(7.1)	(49.5)	n.a.
Operating Profit (EBIT) ⁽⁴⁾	123.8	59.4	(52.0%)
Share of profits (losses) of associates and joint ventures	1.3	(9.8)	n.a.
(Financial Expenses) / Income	(12.4)	(11.3)	(8.7%)
Income Before Income Taxes	112.8	38.4	(66.0%)
Income Taxes	(23.2)	(10.3)	(55.6%)
Net Income Before Associates & Non-Controlling Interests	88.2	37.8	(57.2%)
Income From Continued Operations	89.5	28.0	(68.7%)
o.w. Attributable to Non-Controlling Interests	0.3	0.5	113.1%
Discontinued Operations	0.4	6.4	n.a.
Net Income	90.2	35.0	(61.2%)

⁽¹⁾ Includes cinema operations in Mozambique.

⁽²⁾ Non-Direct Costs Include Commercial & Customer Related Costs and Operating & Structure Costs

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

⁽⁴⁾ EBIT = Income Before Financials and Income Taxes.

During 1H20, several business segments were impacted by the restrictions imposed by the pandemic. The biggest impacts within the Telco sector were felt in terms of: i) revenues from premium sports channel subscriptions, which were offered free of charge to subscribers during April

and May due to absence of live matches (billing restarted in June with the restart of the Portuguese football league); ii) roaming and international travel revenues which have dropped to absolute lows due to the restrictions on non-essential international travel. The Cinema and Audiovisuals business was the most impacted on a relative basis given the complete closure of theatres since 16 March, **which drove a collapse in ticket sales and lower audiovisuals revenues given the latter's high dependence on cinema distribution activity.**

Operating Revenues

Consolidated revenues fell by 7.6% yoy to 666.6 million euros, reflecting a 5.0% decline in telecom revenues to 652.8 million euros and a 44.0% decline in Audiovisuals and Cinema revenues.

Within the Telco segment, B2C revenues recorded a 1.5% decline to 481.3 million euros combining a 3.8% decline in residential revenues which was partially mitigated by yoy growth in stand-alone mobile revenues of 5.5%. The decline is explained by the decline in premium sports channel revenues, roaming-out revenues and by lower DtH subscriber numbers yoy. B2B revenues posted a decline of 2.5% yoy to 138.4 million euros, similarly, affected by a reduction of revenues in B2B customers more severely hit by the pandemic, as well as lower revenues from premium sports channel revenues and discretionary traffic and roaming out revenues. Other Telco and Wholesale revenues fell to 33.0 million euros yoy led by the negative impact of lower roaming-in revenues, mass-calling services and advertising revenues.

The cinema business recorded no revenues whatsoever in the second quarter due to complete closure of theatres as from 16 March. The impact of the pandemic should start to gradually reduce with the reopening of movie theatres from 2 July onwards, although stringent health and safety restrictions and movie release dates suggest that spectator levels will continue well below pre-pandemic levels. Total Cinema and Audiovisuals Revenues fell by 44.0% to 30.7 million euros.

EBITDA and Net Results

Total OPEX fell by 8.7% in 1H20 to 356.0 million euros with the direct cost base down by 14.7% yoy to 175.9 million euros. The largest savings coming from programming and royalties and lower roaming traffic and MCS related interconnection costs. Non-direct costs posted a smaller decline of 2.0% to 180.1 million euros reflecting a combination of lower commercial costs and savings achieved in general third-party service provision such as cinema cleaning and maintenance expenses, a non-renewal of temporary staff contracts and a reduction in cinema rentals.

Consolidated EBITDA fell by 6.3% to 310.6 million euros, combining a 3.5% decline in Telco EBITDA to 294.4 million euros and a 38.5% decline in Audiovisuals and Cinema EBITDA to 16.2 million euros.

Net Results in 1H20 declined by 61.2% to 35.0 million euros as a result of the decline in EBITDA and 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.

Additional items affecting yoy comparisons of Net Results were the 8.7% decline in net financial results and the lower level of provisions for income tax explained by the yoy decline of 66.0% in Earnings before Income Tax to 38.4 million euros. Contribution from Associated Companies posted a yoy deterioration to losses of 9.8 million euros on the back of provisions booked, weaker operating results and currency exchange differences at ZAP and impairments recorded in 1Q20 at Sport TV. Net Results in 1H20 were also impacted by the accounting capital gain of 6.2 million euros in 2Q20, resulting from the sale of NOS International Carrier Services.

CAPEX

CAPEX (Millions of Euros) ⁽¹⁾	1H19	1H20	1H20 / 1H19
Total CAPEX Excluding Leasing Contracts	182.4	171.8	(5.8%)
Telco	171.3	161.3	(5.8%)
% of Telco Revenues	24.9%	24.7%	(0.2pp)
o.w. Technical CAPEX	103.0	96.5	(6.3%)
% of Telco Revenues	15.0%	14.8%	(0.2pp)
Baseline Telco	71.2	69.6	(2.2%)
Network Expansion / Substitution and Integration Projects and Others	31.8	26.9	(15.4%)
o.w. Customer Related CAPEX	68.3	64.8	(5.1%)
% of Telco Revenues	9.9%	9.9%	(0.0pp)
Audiovisuals and Cinema Exhibition	11.2	10.5	(5.9%)
Leasing Contracts	25.1	24.1	(3.8%)
Total Group CAPEX	207.5	195.9	(5.6%)

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

Total CAPEX (excluding leasing contracts) was 5.8% lower in 1H20 at 171.8 million euros, driven by a 6.3% yoy decline in telco technical CAPEX essentially because of mobile deployment phasing. The pace of ongoing FttH deployment is on track, however investment in mobile networks is going through a more subdued phase given the completion last year of the single RAN upgrade and the delay in the 5G license auction process. Customer Related CAPEX was also 5.1% lower yoy at 64.8

million euros, reflecting the impact of the pandemic as a consequence of the lower level of commercial activity driving lower contract related sales commissions and installation costs, with some pickup in commercial activity felt as from mid-May.

With the implementation of IFRS16 as from 2019, and as in previous periods, the level of operational leasing contracts is isolated in the table above to provide a better proxy of cash CAPEX for the period and to reduce quarterly volatility resulting from operating lease capitalization under the new accounting rules.

Cash Flow

Cash Flow (Millions of Euros)	1H19	1H20	1H20 / 1H19
EBITDA	331.4	310.6	(6.3%)
Total CAPEX Excluding Leasings	(182.4)	(171.8)	(5.8%)
EBITDA - Total CAPEX Excluding Leasings	149.0	138.8	(6.8%)
% of Revenues	20.6%	20.8%	0.2pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(3.1)	0.4	n.a.
Leasings (Capital & Interest) ⁽¹⁾	(31.6)	(32.5)	2.8%
Operating Cash Flow	114.3	106.8	(6.6%)
Interest Paid	(8.8)	(7.9)	(10.3%)
Income Taxes Paid	(1.1)	(3.9)	247.1%
Disposals	0.9	0.1	(85.8%)
Other Cash Movements ⁽²⁾	(5.2)	(6.9)	33.7%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	100.0	88.1	(11.9%)
Financial Investments	0.0	1.8	n.a.
Acquisition of Own Shares	(3.5)	(2.9)	(19.0%)
Dividends	(179.6)	0.0	(100.0%)
Free Cash Flow	(83.2)	87.1	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(4.3)	(2.8)	(33.4%)
Change in Net Financial Debt	87.4	(84.2)	n.a.

⁽¹⁾ Includes Long Term Contracts.

⁽²⁾ Includes Cash Restructuring Payments and Other Cash Movements.

Free Cash Flow Before Dividends was 11.9%, (11.9 million euros), lower in 1H20 at 88.1 million euros with the aforementioned decline in EBITDA of 20.8 million euros being partially compensated by the 10.6 million euro reduction in CAPEX Excluding Leases, thus reflecting some ability to dilute the impacts on cash generation of the pandemic related decline in operating activity. Additional factors contributing to the yoy decline in FCF were higher net lease payments (+ 0.9 million euros), marginally lower interest payments (-0.9 million euros), and an increase in other cash movements (+1.7 million euros), the latter relating with restructuring related items.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	1H19	2019	1H20	1H20 / 1H19
Non-current Assets	2,519.2	2,534.3	2,405.9	(4.5)%
Current Assets	543.5	553.8	444.0	(18.3)%
Total Assets	3,062.7	3,088.2	2,971.4	(3.0)%
Total Shareholders' Equity	963.0	1,012.3	901.9	(6.3)%
Non-current Liabilities	1,225.4	1,333.3	1,109.0	(9.5)%
Current Liabilities	874.3	742.5	902.8	3.3%
Total Liabilities	2,099.7	2,075.9	2,069.5	(1.4)%
Total Liabilities and Shareholders' Equity	3,062.7	3,088.2	2,971.4	(3.0)%

Capital Structure

At the end of 1H20, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,220.2 million euros. Total Debt stood at 1,026.4 million euros and was offset with a cash and short-term investment position on the balance sheet of 17.1 million euros. At the end of 1H20, NOS also had 471 million euros in unissued commercial paper programmes.

The all-in average cost of debt stood at 1.3% for 2Q20 which compares with 1.5% in 2Q19. For 1H20, the all-in average cost of debt was 1.2%, which compares with 1.6% for 1H19. Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.8x. 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 average maturity of debt at the end of 1H20 was 2.7 years. Taking into account loans issued at a fixed rate, interest rate hedging operations in place and the negative interest rate environment, as at **30 June 2020, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 96%.**

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.

Net Financial Debt (Millions of Euros)	1H19	2019	1H20	1H20 / 1H19
Short Term	248.0	84.6	134.8	(45.7%)
Medium and Long Term	893.6	1,021.8	891.6	(0.2%)
Total Debt	1,141.6	1,106.4	1,026.4	(10.1%)
Cash and Short Term Investments	11.3	12.8	17.1	50.8%
Net Financial Debt ⁽¹⁾	1,130.3	1,093.6	1,009.4	(10.7%)
Net Financial Debt / EBITDA after lease payments (last 4 quarters) ⁽²⁾	2.0x	1.9x	1.8x	n.a.
Leasings and Long Term Contracts	245.8	253.7	210.8	(14.2%)
Net Debt	1,376.1	1,347.3	1,220.2	(11.3%)
Net Debt / EBITDA	2.2x	2.1x	2.0x	n.a.
Net Financial Gearing ⁽³⁾	59.0%	57.3%	57.7%	(1.3pp)

(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).

Risks and Uncertainties for Future Periods

The Company is exposed to economic, financial and legal risks incidental to its business activities.

The approach adopted by NOS, based on the Enterprise Risk Management (ERM) methodology, is to incorporate risk management into NOS strategic planning activities. During the preparation of Action Plans and Annual Resources, the business areas consider risks that may compromise their performance and objectives and define actions to manage those risks, within the levels of acceptance intended and established by the Executive Committee. These Plans are discussed and approved by the Executive Committee.

The main types of risks and the corresponding strategies that have been adopted for their management are described below.

Economic Risks

- Economic Environment – The Company is exposed to the negative effects of the economic and social context caused by the COVID-19 pandemic that has occurred in Portugal and the World in the last few months, the effects of which will be felt in future periods, especially in the general decline in consumption impacting all sectors of activity. Despite the electronic communications sector not being as impacted as others, the risk is still present that market shares, in terms of number of customers and / or revenues, can be affected in the next periods, as a consequence of the pandemic and the difficulties relating to the return of **economic activity in general. In NOS' case, the impacts are mainly reflected on the decrease of sales activity of new services and the sale of mobile phones in the Residential segment, the decline of the number of services or payment postponement due to customers' suspended or reduced activity in the Enterprise segment, the reduction of revenues from premium sports TV channels, lower roaming out revenues and international calls due to the international circulation restrictions and the abrupt fall of tourism in the Wholesale segment. Additionally, COVID-19 impacts NOS' other businesses in a very relevant manner, namely the cinema business and sale of advertising, with a decline in cinema ticket sales directly impacting the cinema exhibition and distribution revenues, also impacting the advertising business due to smaller advertising investment in a more challenging economic context. NOS has been closely monitoring this risk and there are factors which contribute to mitigate, in the short term, the**

impact of the abovementioned decreases, such as the reduction of commercial investment costs due to the lower sales activity, the smaller rate of churn in the residential segment, the reduction of costs for services / sponsorships which are no longer rendered and the continued **strong pace of technological investment, taking advantage of the sector's strategic nature in a** pandemic scenario, with the purpose of improving network capacity and the provision of services to the existing customer base. NOS has also been using other strategies to respond to the economic context, closely articulated with the actions of risk response to the competition and technological innovation risks discussed below.

- **Competition** – This risk is related to the potential reduction in the prices of products and services, reduction in market share, loss of customers, increasing difficulty in obtaining and retaining customers. The management of competition risk over the last years has involved a strategy of investing in constant improvement in quality, distinctiveness and innovation for the products and services provided, diversification of supply, combination of offers related with different businesses of NOS and the strengthening of the portfolio of broadcasting rights and the respective provision of contents as well as the constant monitoring of customer preferences and/or needs. The operational integration processes that have taken place over the past years in NOS have contributed to the development of a competitive position vis-à-vis its competitors. NOS has strengthened its competitive position, evolving from a logic of integration to a logic of transformation, thus it has in place an operational transformation programme focusing on customer satisfaction, organizational fitness and operational efficiency. NOS also continues to be aware of the potential consolidation and acquisition moves of its competitors in the communications, content and entertainment industries. It should be noted that the auction for the acquisition of frequency usage rights for 5G, scheduled for 2020, could make it easier for new competitors to enter the electronic communications sector. In the more recent context of the COVID-19 pandemic NOS has reinforced its very relevant social role of supporting the community (families, businesses and institutions), positioning itself in the lead in comparison to its competition on the brand and communications aspects (we highlight the **examples of the “#LetsStayConnected” campaigns**) and in the products and services aspects (we highlight the examples of the minutes, SMS and data provided at no cost for health professionals, the 10 GB of data offered on the mobile phone, the offer of the premium TV channels monthly fees and the return to normality campaign “Connected to School”).
- **Technological Innovation** – This risk is associated with the need for investment in increasingly competitive services (high bandwidth data services, multimedia services, messaging services, multiplatform TV services, cloud services, infrastructure and information technology services,

etc.), which are subject not only to accelerated changes in technology but also to the actions of the players which act outside of the traditional communications market, like the OTT (over-the-top players) Operators. This risk is also related with the evolution of mobile and fixed networks infrastructures and technologies, encompassing aspects such as coverage, capacity, speed, security and resilience, namely the challenges of technological evolution associated to 5G networks. NOS has in place a number of technological transformation initiatives which constitute the pillars of a long-term competitive differentiation. The company has also been managing such risks through the introduction of technologies, services and content which increase sustainability, mobility, accessibility and proximity, such as: single RAN mobile network compatible with 5G (modernization of the infrastructure with the upgrade to a single RAN – Radio Access Network – prepared for 5G), NGN fixed network (continuation of the expansion of NGN – Next Generation Networks – infrastructure, including the increase of FttH coverage), multidevice TV services (incorporating innovative features); Smart Cities solutions (processing and collecting analytical data on citizens and municipalities), creation of the 5G Fund (first fund exclusively dedicated to actively investing in companies that have technologies and business models that can be driven and leverage on 5G technology).

- **Business Interruption and Catastrophic Losses (Business Continuity Management)** – Given that the businesses of NOS are based above all on the use of technology, potential failures in technical-operational resources (network infrastructures, information systems applications, servers, etc.) and human resources may cause a significant risk of business interruption, if they are not well managed. This may imply other risks for the Company, such as adverse impacts on reputation, on the brand, on revenue integrity, on customer satisfaction and on service quality, which may lead to the loss of customers. In the electronic communications sector, business interruption and other associated risks may be aggravated because the services are in real time (voice, data/internet and TV), and customers typically have low tolerance for interruptions. In order to address these risks NOS develops and maintains the BCM - Business Continuity Management programme, which is aimed at Business Continuity management processes that cover buildings, network infrastructures and the most critical activities and roles that support communications services, for which it develops resilience strategies, continuity plans and actions, as well as incident/crisis management scenarios and procedures. During the pandemic, NOS has created a permanent COVID-19 Crisis Office, with the purpose of implementing a broad range of structured initiatives and contingency plans that guarantee the protection of employees and business continuity. In a year when many Portuguese have changed their habits and routines, including working remotely, keeping customers connected has been one of NOS' priorities. In this context, we highlight the actions

which aim to ensure greater network resilience and the delivery of communication services to priority customers, such as hospitals, government, public service and other services critical for the country, designated through temporary and exceptional legislation applicable to the electronic communications sector. NOS offers its enterprise customers remote work solutions such as VPNs, Cloud Services among others, which enable them to keep their critical services working. NOS adjusts and reinforces the capacity of its fixed and mobile networks so as to respond to changes in pattern and the increasing needs of its residential and enterprise customers. The capacity to ensure 24x7 support to customers on the different channels has also been one of the main priorities for business continuity in the context of the pandemic, such as customer support contact centres, stores, maintenance technicians on the field and in customer premises and also apps or other alternative customer support channels. NOS also has internal measures aimed at reinforcing the remote work capacity of its employees, related with remote work tools, collaborative tools and respective infrastructure, such as measures to ensure that key human and material resources are available for partners and suppliers. NOS also implements several strategies and measures in order to protect not only the critical roles that guarantee business continuity, but also for most of its employees and partners, described in the section of Health and Safety in the Workplace risk.

- Confidentiality, Integrity and Availability (Information Security Management) - Bearing in mind that NOS is the biggest corporate group in the area of communications and entertainment in the country, its businesses make intensive use of information and of information and communication technologies that are typically subject to security risks, such as availability, integrity, and confidentiality. NOS, as well as other operators, is ever more exposed to cybersecurity risks, related with threats external to electronic communication networks and the surrounding cyberspace. In order to address security and cybersecurity risks, NOS develops and maintains the Information Security Management programme (ISM), **which is coordinated by NOS' Central Security and Privacy Team**. Within the scope of this programme several Security & Privacy (S&P) processes are developed and maintained, from which we highlight: S&P Planning and Strategy (includes the S&P Steering Committees); S&P Policies and Guidelines; S&P Awareness and Training; S&P Control and Monitoring (includes risk evaluations, S&P initiative control, KPIs, etc); S&P By Design (incorporating S&P requirements in the life cycle of the development of networks, systems, products and services); S&P Incident Management, among others. It should be noted that each company, business unit and employee within the Company is responsible for ensuring the operationalization and monitoring of security and privacy controls, under their responsibility. In addition, NOS has certain segments and business processes certified under the ISO27001

Standard - Information Security Management Systems, namely those related to customer management of the communications business (manage customer, bill and charge) and services of NOS Sistemas *data centers* (housing service). NOS has also been coordinating with some external entities such as ENISA at the ECRG - Electronic Communications Reference Group, ETIS at the DPTF - Data Privacy Task Force and the ISWG - Info Security Working Group, promoting benchmarking and best practices sharing in Security and Privacy. As a consequence of the COVID-19 pandemic and the increase of remote work in society at large, the risk of fraudulent activities with the purpose of compromising the security of information of individuals and enterprises increases. NOS implements measures with the aim of incrementing the level of monitoring of external or internal cybersecurity threats and undue utilization of the information, including strengthening of control over processes and technologies. NOS regularly discloses, to its employees and customers, protection recommendations related to online threats in the context of the pandemic, and good security practices while working from home.

- Privacy (Personal Data Protection) – Privacy risks are increasingly relevant, mainly associated to legal and regulatory requirements on personal data protection. This is true for all sectors of activity and is also applicable in particular to the electronic communications sector, which is subject to specific regulamentation on security and privacy. To address these risks, NOS develops and maintains a programme of initiatives aiming to implement processes for the Protection of Personal Data, as well as to monitor and continuously improve conformity with the General Data Protection Regulation (RGPD) and with other regulations impacting privacy. We highlight, as examples, the revision / creation of Privacy Policies and Rules, strengthening of controls and monitorization of processes for the exercise of rights by owners of personal data, by customers within the scope of RGPD, as well as the continual strengthening of customer management processes (consent, authentications, etc). For specific issues related with personal data privacy, the Company also has a Data Protection Officer (DPO) with the responsibility of: i) monitoring the conformity of data treatment with applicable rules; ii) act in the name of the Company in interacting with the national regulator for data protection (CNPD – National Commission for Data Protection); iii) being a touchpoint with the owners of personal data to address any questions regarding treatment of their data by NOS; iv) to inform and advise employees responsible for treating data, or subcontractors, about their obligations within the scope of privacy and data protection. NOS employees and partners take on obligations of confidentiality, secrecy and personal data protection, not transmitting to any third parties data which they access in the course and as a result of carrying out their roles. These obligations are reinforced through data treatment deals signed with partners, terms of

responsibility signed by NOS employees and the employees of partners, as well as through communication and awareness initiatives and internal training courses on security and privacy.

- Service Fraud (Management of Telecommunications Fraud) - Customer or third party fraud is a common risk in the communications sector. Perpetrators of fraud may take advantage of the **potential vulnerabilities of the network's business process, the network or of the communications services**. In view of this situation, NOS has Fraud control teams, including subscription fraud, consumption fraud and content fraud. In order to encourage secure use of communications services, it has developed various initiatives and implemented controls, including the provision of an internal platform with information on security risks and service fraud, as well as the continuous improvement of processes to monitor and mitigate these risks. Fraud controls are implemented to prevent anomalous situations of fraudulent use or situations of misuse with a direct impact on customer satisfaction, on the potential service **disruption and on the Company's revenue**, such as fraud relating to the illegal provision of premium TV channel content or phishing via SMS directed at NOS customers. NOS has also joined initiatives developed by the GSM Association (GSMA), namely the Fraud and Security Group (FASG).
- Revenue and Cost Assurance (Enterprise Business Assurance) - Electronic communications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenue and costs, from a viewpoint of revenue flows and platform integrity. Billing processes perform revenue controls, with regard to invoicing quality. NOS also has a Revenue Assurance area that applies processes to control revenue integrity (under invoicing or over invoicing) and cost control with the aim of presenting a consistent chain of revenue and costs, from the moment the customer enters our provisioning systems, involving the provision of the communications service, up to the time of invoicing and charging.
- Health and Safety in the Workplace – As a consequence of the COVID-19 pandemic, this risk is very relevant throughout 2020 and future periods. As previously mentioned, when discussing the Business Continuity risk, during the pandemic, NOS created a permanent COVID-19 Crisis Office, with purpose of defining and implementing a broad range of structured initiatives and contingency plans to ensure the protection of employees. The main strategies for the protection of employees used since the initial phase of the crisis have been remote work for most employees and the utilization of individual protection equipments (IPE) in the case of roles exposed, on the field. NOS maintains in force several personal protection measures in the workplace (respiratory hygiene, handwashing, masks worn in common and circulation spaces, etc), reinforced hygiene and protection measures in its buildings (alcohol gel dispensers, reinforced cleaning, ventilation, isolation rooms, etc), restrictions to the entrance of visitors to

the buildings, restrictions on employee travels, as well as to the participation in non-essential meetings and events. A plan for the progressive return of employees to the workplace is under way, contemplating, if necessary, in view of new waves of pandemic in future periods, criteria to revert the return to the office and increase work from home. It should also be noted that health and safety measures in the workplace are articulated in strict coordination with the relevant health authorities, namely the General Health Directorate.

- Environment – risks related with environmental sustainability are increasingly relevant for **companies' long term strategies. As such, the sustainability mission for NOS** advocates using the power of information technologies and communications to develop innovative solutions, contributing to an inclusive society, protecting the environment and driving social and economic transformation. This way, the company incorporates into its activities and into the development of products and services the responsibility to minimize the impacts of the environmental footprint on NOS and other stakeholders. Within environmental risks, climate change is especially relevant and as such NOS participates in global initiatives with a view to reducing carbon emissions and promoting sustainable development, from which we **highlight subscribing to UN's "Business Ambition for 1.5°C" compromise**, to limit global warming, and joining "Lisbon, Green European Capital 2020" to which NOS has committed itself in the long term with specific actions on various fronts such as circular economy, **mobility, energy, sensitivity and mobility. NOS also participates in CDP's Climate Change 2020** which includes an exercise of identification and characterization of risks and opportunities related to climate change, with a view to disclosing to the market complete, rigorous and transparent information on the measurement and management of how these risks and opportunities are integrated within the business.

Financial Risks

- Tax – The Company is exposed to changes in tax legislation and varied interpretations of the application of tax and tax related regulations in several ways. The Finance Department contributes to management of this risk, monitoring all tax regulations and seeking to guarantee maximum tax efficiency. This department may also be supported by external consultants whenever the questions being analysed are more critical and, for this reason, require interpretation by an independent entity. As a consequence of the COVID-19 pandemic, we note that NOS has made use of the deadline extensions granted by the Tax Authority for the submission of declarative obligations.

- **Credit and Collections** – These risks are associated with a reduction in receipts from customers due to possible ineffective or deficient operation of collection procedures and/or changes in the legislation that regulates the provision of essential services and have an impact on the recovery of customer debts. They are mitigated through the definition of a monthly plan of collection actions, their follow-up and validation and the review of results. Where necessary, the procedure and the timings of these actions are adjusted to ensure the receipt of customer debts. The aim is to ensure that the amounts owed are effectively collected within the periods negotiated without affecting the financial health of the Company. NOS has specific areas for Credit Control, Collections and Litigation Management and, regarding some business segments, also subscribes credit insurances. The COVID-19 pandemic has caused a significant reduction in the Litigation Management activity, partly due to the inability to place judicial litigation processes in court. Moreover, specific temporary legislation related to the COVID-19 pandemic prohibited the suspension of essential services, including electronic communications services, to customers who are in certain situations listed on the legislation (unemployment, loss of income above a certain threshold, COVID-19 infection). The legislation foresees the possibility of customers requesting the unilateral termination or the temporary suspension of communications contracts, with no penalties or additional clauses for the customer or compensations for the provider. In case there are values due relative to the provision of the service, a payment plan should be agreed, beginning in the last quarter of 2020. As such, this legislation has a real impact on the ability to execute collections from customers, with an effect that can last into future periods.
- **Liquidity and Interest Rate** – These risks are generally associated to declines of expected cash flows or changes to their timing, which can expose companies to the inability to fulfil their financial or operational obligations in a timely manner, or the need to contract new loans, as well as interest rate variations which can generate lower income from applications than expected, higher financial costs from loans than budgeted for, or a cost of debt exposed to high volatility. As a consequence of the COVID-19 pandemic, there is great uncertainty in financial markets, with higher costs likely in accessing financing in future periods. It should be noted that NOS, in face of current challenges, has a robust capital structure, as well as a liquidity position which has been strengthened during 1H20, after the successful completion of two refinancing operations under stable market conditions.

Legal Risks

- Legal and Regulatory – The electronic communications market in Portugal is subject to a regulatory framework emerging from European and national law. In Portugal, ANACOM, as the sector regulator, is responsible for ensuring transparent and equal network access to all operators, as well as promoting competition and Market development. For that purpose, it ensures the fulfillment and supervision of a significant set of rules to which the market is subject, including the analysis of relevant markets, the identification of companies with significant market power (SMP) and the imposition of appropriate measures for the resolution of market failures. Within this context we highlight the regulation for attribution of radioelectric spectrum for 5G, the auction for which is set to be held until the end of 2020. We also note the process of transposition for national legislation, until September 220, of the EU Directive 2018/1808, relative to the provision of audiovisual media, which contemplates the imposition of additional obligations on audiovisual services providers, which has an impact on NOS Group companies.

ANACOM has the incumbence of ensuring disclosure and oversight of the fulfillment of European directives and regulations that apply to the sector. Until the end of 2020, the European Code for Electronic Communications should be transposed into national legislation, encompassing into a single document the four main European directives applicable to the sector (Framework, Authorization, Access and Universal Service). In addition, it is up to the sector regulator to ensure the fulfillment by operators of EU regulations directly applicable to **Portugal, such as the TSM Regulation which encompasses the rules for “roam like at home”** and the protection of net neutrality, and the EU Regulation 2018/1971 which defines maximum prices for communications within the European Union. Within the European regulatory **framework we also highlight the publication of “EU Toolbox for 5G Security”, which identifies a** set of measures to mitigate the main cybersecurity risks of 5G networks, empowering national regulators to impose upon communications operators an increase of security requirements for mobile networks and the obligation to perform an evaluation of risk profiles to select or exclude suppliers.

Complementing the specific rules related with the communications sector, NOS is also subject to horizontal legislation, in the case of which it is subject to the intervention of, among other entities, the Competition Authority and the National Committee for Data Protection.

Finally, the management of existing legal and regulatory risks is ensured by the Legal and Regulatory Department, which monitors the evolution of the applicable legal and regulatory framework, considering the threats and opportunities that represent to the competitive position of the NOS in the business areas in which it operates.

Lisbon, 22 July 2020

The Board of Directors

Consolidated Financial Statements



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

(Amounts stated in thousands of euros)

	NOTES	30-06-2019	31-12-2019	30-06-2020
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	7	1.034.592	1.034.813	961.191
Investment property		658	653	645
Intangible assets	8	1.019.333	1.014.066	1.004.877
Contract costs	9	162.282	163.101	159.494
Rights of use	10	199.199	218.383	185.231
Investments in jointly controlled companies and associated companies	11	20.701	18.244	11.002
Accounts receivable - other	12	4.457	4.064	7.769
Tax receivable	13	149	149	149
Other financial assets non-current		228	439	434
Deferred income tax assets	14	77.441	80.428	75.124
Derivative financial instruments	19	129	-	-
TOTAL NON - CURRENT ASSETS		2.519.169	2.534.342	2.405.916
CURRENT ASSETS:				
Inventories	15	44.109	34.081	42.761
Accounts receivable - trade	16	352.506	361.712	256.447
Contract assets	17	65.643	68.059	65.002
Accounts receivable - other	12	20.232	28.128	20.653
Tax receivable	13	3.755	4.631	6.957
Prepaid expenses	18	45.288	43.954	34.709
Non-current assets held-for-sale		600	450	450
Derivative financial instruments	19	59	-	-
Cash and cash equivalents	20	11.310	12.819	17.056
CURRENT ASSETS FROM CONTINUING OPERATIONS		543.502	553.834	444.035
Assets held for sale	45	-	-	121.447
TOTAL CURRENT ASSETS		543.502	553.834	565.482
TOTAL ASSETS		3.062.672	3.088.176	2.971.398
SHAREHOLDER'S EQUITY				
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	(11.681)	(14.655)	(12.131)
Legal reserve	21.4	1.030	1.030	1.030
Other reserves and accumulated earnings	21.4	17.024	16.041	12.177
Net income		90.196	143.494	34.986
EQUITY BEFORE NON - CONTROLLING INTERESTS		955.939	1.005.281	895.433
Non-controlling interests	22	7.038	7.042	6.504
TOTAL EQUITY		962.978	1.012.322	901.937
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	23	1.076.257	1.216.847	1.013.229
Provisions	24	125.094	94.959	75.939
Accounts payable - other	28	7.253	3.855	2.323
Accrued expenses	25	447	667	345
Deferred income	26	5.316	5.123	4.927
Derivative financial instruments	19	41	265	433
Deferred income tax liabilities	14	10.949	11.626	11.822
TOTAL NON - CURRENT LIABILITIES		1.225.357	1.333.343	1.109.018
CURRENT LIABILITIES:				
Borrowings	23	311.111	143.281	223.977
Accounts payable - trade	27	254.891	259.499	217.764
Accounts payable - other	28	47.459	33.835	174.067
Tax payable	13	35.206	68.202	77.571
Accrued expenses	25	196.282	203.726	183.887
Deferred income	26	28.960	33.834	25.212
Derivative financial instruments	19	428	135	334
CURRENT LIABILITIES FROM CONTINUING OPERATIONS		874.337	742.511	902.812
Liabilities directly associated with the assets held for sale	45	-	-	57.631
TOTAL CURRENT LIABILITIES		874.337	742.511	960.443
TOTAL LIABILITIES		2.099.694	2.075.854	2.069.461
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3.062.672	3.088.176	2.971.398

As a standard practice, only the annual accounts are audited, therefore the semester 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 June 2020.

The Chief Accountant

The Board of Directors

Condensed consolidated statement of income by nature for the quarters and semesters ended on 30 June 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	2° QUARTER 19 REPORTED	6M 19 REPORTED	2° QUARTER 19 RESTATED*	6M 19 RESTATED*	2° QUARTER 20	6M 20
REVENUES:							
Services rendered		369,521	730,401	338,717	670,186	301,738	623,962
Sales		19,391	38,815	19,391	38,815	17,092	35,311
Other operating revenues		7,509	12,521	7,509	12,521	2,421	7,362
	29	396,421	781,737	365,617	721,522	321,251	666,635
COSTS, LOSSES AND GAINS:							
Wages and salaries	30	20,232	40,394	20,162	40,241	20,999	42,147
Direct costs	31	128,402	250,626	97,744	191,271	70,549	161,204
Costs of products sold	32	14,037	27,953	14,037	27,953	15,772	30,538
Marketing and advertising		6,307	12,596	6,307	12,596	4,959	10,324
Support services	33	19,494	40,473	19,494	40,473	20,287	41,762
Supplies and external services	33	27,175	56,027	27,090	55,857	23,187	50,797
Other operating losses / (gains)		133	254	133	254	136	286
Taxes		8,577	17,341	8,577	17,341	8,138	16,378
Provisions and adjustments	34	843	4,137	843	4,137	(634)	2,603
Depreciation, amortisation and impairment losses	7, 8, 9 e 36	103,141	200,461	103,141	200,461	101,192	201,666
Restructuring costs	37	2,351	4,264	2,351	4,264	420	998
Losses / (gains) on sale of assets, net		(256)	(438)	(256)	(438)	(96)	(121)
Other losses / (gains) non recurrent net	38	1,697	3,289	1,697	3,289	3,483	48,666
		332,133	657,377	301,320	597,699	268,372	607,238
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES							
		64,289	124,361	64,298	123,824	52,879	59,397
Net losses / (gains) of affiliated companies	11 e 35	(1,091)	(1,289)	(1,091)	(1,289)	938	9,762
Financial costs	39	5,010	10,638	5,010	10,638	4,587	9,251
Net foreign exchange losses / (gains)		(99)	(48)	(99)	(48)	56	206
Net losses / (gains) on financial assets		(1)	(5)	(2)	(5)	(6)	55
Net other financial expenses / (income)	39	1,038	1,769	1,038	1,769	929	1,770
		4,856	11,065	4,857	11,065	6,507	21,044
INCOME BEFORE TAXES							
		59,433	113,297	59,441	112,759	46,372	38,353
Income taxes	14	11,858	23,351	11,860	23,230	7,456	10,308
NET CONSOLIDATED INCOME FROM CONTINUING OPERATIONS							
		47,575	89,946	47,581	89,529	38,916	28,045
Net consolidated income from discontinued operations	45	-	-	(7)	416	6,269	6,407
NET CONSOLIDATED INCOME							
		47,575	89,946	47,575	89,946	45,185	34,452
ATTRIBUTABLE TO:							
NOS Group Shareholders		47,735	90,196	47,735	90,196	45,341	34,986
Non-controlling interests	22	(160)	(250)	(160)	(250)	(156)	(534)
EARNINGS PER SHARES							
Basic - euros	40	0.09	0.18	0.09	0.18	0.09	0.07
Diluted - euros	40	0.09	0.18	0.09	0.18	0.09	0.07
EARNINGS PER SHARES FROM CONTINUING OPERATIONS							
Basic - euros	40	0.09	0.18	0.09	0.17	0.08	0.06
Diluted - euros	40	0.09	0.18	0.09	0.17	0.08	0.06

*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 and semester 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 semester ended on 30 June 2020.

The Chief Accountant

The Board of Directors

Condensed consolidated statement of comprehensive income for the quarters and semesters ended on 30 June 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	2 ^o QUARTER 19 REPORTED	6M 19 REPORTED	2 ^o QUARTER 19 RESTATED	6M 19 RESTATED	2 ^o QUARTER 20	6M 20
NET CONSOLIDATED INCOME		47,575	89,946	47,575	89,946	45,185	34,452
OTHER INCOME							
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:							
Accounting for equity method	11	(392)	(158)	(392)	(158)	(903)	(1,967)
Fair value of interest rate swap	19	422	811	422	811	(34)	(13)
Deferred income tax - interest rate swap	19	(94)	(182)	(94)	(182)	8	3
Fair value of equity swaps	19	(217)	(182)	(217)	(182)	40	(124)
Deferred income tax - equity swap	19	49	41	49	41	(9)	28
Currency translation differences and others		(123)	(143)	(123)	(143)	(212)	(247)
INCOME RECOGNISED DIRECTLY IN EQUITY		(355)	187	(355)	187	(1,110)	(2,320)
TOTAL COMPREHENSIVE INCOME		47,220	90,133	47,220	90,133	44,075	32,132
ATTRIBUTABLE TO:							
NOS Group Shareholders		47,380	90,383	47,380	90,383	44,231	32,666
Non-controlling interests		(160)	(250)	(160)	(250)	(156)	(534)
		47,220	90,133	47,220	90,133	44,075	32,132

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

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

The Chief Accountant

The Board of Directors

Condensed consolidated statement of changes in shareholders' equity for the semesters ended on 30 June 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		
BALANCE AS AT 1 JANUARY 2019		5.152	854.219	(12.132)	1.030	60.276	137.770	7.296	1.053.611
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	-	-	3.659	-	(3.659)	-	-	-
Distribution of own shares - other remunerations	21.3	-	-	339	-	(13)	-	-	326
Share Plan - costs incurred in the period and others		-	-	-	-	2.071	-	(8)	2.063
Comprehensive Income		-	-	-	-	187	90.196	(250)	90.132
BALANCE AS AT 30 JUNE 2019		5.152	854.219	(11.681)	1.030	17.024	90.196	7.038	962.978
BALANCE AS AT 1 JANUARY 2020		5.152	854.219	(14.655)	1.030	16.041	143.494	7.042	1.012.322
Result appropriation									
Transfers to reserves		-	-	-	-	143.494	(143.494)	-	-
Dividends paid		-	-	-	-	(142.516)	-	-	(142.516)
Acquisition of own shares	21.3	-	-	(2.871)	-	-	-	-	(2.871)
Distribution of own shares - share incentive scheme	21.3	-	-	4.885	-	(4.885)	-	-	-
Distribution of own shares - other remunerations	21.3	-	-	510	-	(235)	-	-	275
Share Plan - costs incurred in the period and others	44	-	-	-	-	2.598	-	(5)	2.593
Comprehensive Income		-	-	-	-	(2.320)	34.986	(534)	32.132
BALANCE AS AT 30 JUNE 2020		5.152	854.219	(12.131)	1.030	12.177	34.986	6.504	901.937

As a standard practice, only the annual accounts are audited, therefore the semester 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 semester ended on 30 June 2020.

The Chief Accountant

The Board of Directors

Condensed consolidated statement of cash flows for the semesters ended on 30 June 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	6M 19	6M 20
OPERATING ACTIVITIES			
Collections from clients		906.757	825.907
Payments to suppliers		(474.519)	(385.067)
Payments to employees		(56.039)	(54.624)
Receipts / (Payments) relating to income taxes		(1.124)	(3.925)
Other cash receipts / (payments) related with operating activities		(13.201)	(53.159)
CASH FLOW FROM OPERATING ACTIVITIES (1)		361.874	329.132
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments		91	-
Disposal of discontinued operating unit	45	-	1.828
Tangible assets		951	196
Interest and related income		2.668	1.232
		3.710	3.256
PAYMENTS RESULTING FROM			
Tangible assets		(130.380)	(103.528)
Intangible assets and contract costs		(92.045)	(96.893)
		(222.425)	(200.421)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(218.715)	(197.165)
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		224.000	62.003
		224.000	62.003
PAYMENTS RESULTING FROM			
Borrowings		(109.333)	(133.328)
Lease rentals (principal)		(31.581)	(32.714)
Interest and related expenses		(16.426)	(12.641)
Dividends	21.4	(179.607)	-
Aquisition of own shares	21.3	(3.547)	(2.871)
		(340.494)	(181.554)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(116.494)	(119.551)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		26.665	12.416
Effect of exchange differences		1	(65)
Cash and cash equivalents at the beginning of the year		(17.754)	3.301
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		8.912	15.652
Cash and cash equivalents	20	11.310	17.056
Bank overdrafts	23	(2.398)	(1.404)
		8.912	15.652

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

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

The Chief Accountant

The Board of Directors

Notes to the condensed consolidated financial statements as at 30 June 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, nº9, 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 June 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 (discontinuing operations) 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 semester ended on 30 June 2020 were approved by the Board of Directors and their issue authorised on 22 July 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 semester ended on 30 June 2020, the income statements by nature related to the semester ended on 30 June 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 as of 1 January 2020 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.

No material impacts are estimated on the Company's financial statements from the application of these standards and amendments.

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 16 (amendment), "Leases"** (issued on May 28, 2020, to be applied to annual periods beginning on or after 1 June 2020). The general purpose of this change is to allow tenants, as a practical expedient, to treat Covid-19 related changes / concessions as not being a modification to the lease. The change does not affect landlords.
- **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.

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 period ended 30 June 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) charges with PPE and the purchase and more complete and / or more frequent use of cleaning and disinfection products in the facilities, c) 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:

- 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 semester ended on 30 June 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.

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.

	Basis 100	CPI	Converted CPI (Basis 100 Year 2010)
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 June 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	30-06-2020
US Dollar	1.1234	1.1198
Angolan Kwanza	536.2617	641.9365
British Pound	0.8508	0.9124
Mozambican Metical	68.7000	77.9900
Canadian Dollar	1.4598	1.5324
Swiss Franc	1.0854	1.0651
Real	4.5157	6.1118

In the semesters ended on 30 June 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:

	6M 19	6M 20
US Dollar	1.1298	1.1007
Angolan Kwanza	363.0863	587.9817
Mozambican Metical	74.0983	73.7433

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 semesters ended on 30 June 2019 and 2020, errors, estimates and changes in material accounting policies relating to prior years were not recognised.

4. Change in the perimeter

During the semester ended on 30 June 2019, did not occur changes in the consolidation 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 semester ended on 30 June 2020, were:

- 1) Disposal of 100% of share capital of NOS International Carrier Services, S.A. (Note 45).

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, NOSPUB, 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 June 2020 are shown below:

	31-12-2019			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
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
TOTAL NON - CURRENT ASSETS	2,508,637	203,849	(178,144)	2,534,342
CURRENT ASSETS:				
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
TOTAL CURRENT ASSETS	522,966	70,016	(39,148)	553,834
TOTAL ASSETS	3,031,603	273,865	(217,292)	3,088,176
SHAREHOLDER'S EQUITY				
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
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,029,054	78,914	(102,687)	1,005,281
Non-controlling interests	7,042	-	-	7,042
TOTAL EQUITY	1,036,095	78,914	(102,687)	1,012,322
LIABILITIES				
NON - CURRENT LIABILITIES:				
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
TOTAL NON - CURRENT LIABILITIES	1,274,615	117,946	(59,218)	1,333,343
CURRENT LIABILITIES:				
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
TOTAL CURRENT LIABILITIES	720,893	77,005	(55,387)	742,511
TOTAL LIABILITIES	1,995,508	194,951	(114,605)	2,075,854
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,031,603	273,865	(217,292)	3,088,176

	30-06-2020			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	948,303	12,888	-	961,191
Intangible assets	916,214	88,662	-	1,004,877
Contract costs	159,494	-	-	159,494
Rights of use	148,617	36,614	-	185,231
Investments in jointly controlled companies and associated companies	70,297	47,901	(107,196)	11,002
Accounts receivable - other	84,850	2,919	(80,000)	7,769
Deferred income tax assets	64,099	11,026	-	75,124
Other non-current assets	558	670	-	1,228
TOTAL NON - CURRENT ASSETS	2,392,432	200,680	(187,196)	2,405,916
CURRENT ASSETS:				
Inventories	42,066	695	-	42,761
Account receivables	333,060	44,224	(35,182)	342,102
Prepaid expenses	33,457	1,251	-	34,709
Other current assets	(48,795)	4,154	52,048	7,407
Cash and cash equivalents	16,056	999	-	17,056
CURRENT ASSETS OF CONTINUING OPERATING UNITS	375,844	51,323	16,866	444,035
Assets for sale	121,447	-	-	121,447
TOTAL CURRENT ASSETS	497,291	51,323	16,866	565,482
TOTAL ASSETS	2,889,723	252,003	(170,330)	2,971,398
SHAREHOLDER'S EQUITY				
Share capital	5,152	40,810	(40,810)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(12,131)	-	-	(12,131)
Legal reserve	1,030	1,374	(1,374)	1,030
Other reserves and accumulated earnings	34,090	16,153	(38,066)	12,177
Net income	62,564	(1,086)	(26,492)	34,986
EQUITY BEFORE NON - CONTROLLING INTERESTS	944,924	57,251	(106,742)	895,433
Non-controlling interests	6,504	-	-	6,504
TOTAL EQUITY	951,428	57,251	(106,742)	901,937
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	977,929	115,300	(80,000)	1,013,229
Provisions	69,266	6,673	-	75,939
Accrued expenses	345	-	-	345
Other non-current liabilities	7,683	-	-	7,683
Deferred income tax liabilities	11,447	375	-	11,822
TOTAL NON - CURRENT LIABILITIES	1,066,670	122,348	(80,000)	1,109,018
CURRENT LIABILITIES:				
Borrowings	215,833	35,868	(27,724)	223,977
Accounts payable	380,000	17,063	(5,232)	391,831
Tax payable	25,112	410	52,049	77,571
Accrued expenses	168,200	18,366	(2,680)	183,887
Other current liabilities	24,849	697	-	25,546
TOTAL CURRENT LIABILITIES OF CONTINUING OPERATING UNITS	813,994	72,404	16,412	902,812
Liabilities directly associated with assets held for sale	57,631	-	-	57,631
TOTAL CURRENT LIABILITIES	871,625	72,404	16,412	960,443
TOTAL LIABILITIES	1,938,295	194,752	(63,588)	2,069,461
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	2,889,723	252,003	(170,330)	2,971,398

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

	6M 19 RESTATED						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 19 RESTATED	6M 19 RESTATED
REVENUES:								
Services rendered	324,716	644,305	25,003	47,823	(11,002)	(21,942)	338,717	670,186
Sales	15,023	30,905	4,415	7,996	(47)	(86)	19,391	38,815
Other operating revenues	7,667	12,922	356	621	(514)	(1,022)	7,509	12,521
	347,406	688,132	29,774	56,440	(11,563)	(23,050)	365,616	721,522
COSTS, LOSSES AND GAINS:								
Wages and salaries	17,536	35,121	2,626	5,120	-	-	20,162	40,241
Direct costs	97,420	194,051	9,100	14,752	(8,776)	(17,532)	97,744	191,271
Costs of products sold	13,992	27,782	53	184	(8)	(13)	14,037	27,953
Marketing and advertising	6,621	13,053	1,571	3,311	(1,885)	(3,768)	6,307	12,596
Support services	19,559	40,623	436	852	(501)	(1,002)	19,494	40,473
Supplies and external services	24,862	51,538	2,621	5,054	(393)	(735)	27,090	55,857
Other operating losses / (gains)	125	232	8	22	-	-	133	254
Taxes	8,542	17,271	35	70	-	-	8,577	17,341
Provisions and adjustments	827	4,202	16	(65)	-	-	843	4,137
	189,484	383,873	16,466	29,300	(11,562)	(23,050)	194,387	390,123
EBITDA								
Depreciation, amortisation and impairment losses	157,921	304,259	13,308	27,140	-	-	171,229	331,399
Other losses / (gains), net	95,082	183,816	8,059	16,645	-	-	103,141	200,461
	3821	7,051	(29)	64	-	-	3,792	7,115
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	59,018	113,392	5,278	10,431	-	-	64,297	123,823
Net losses / (gains) of affiliated companies	(943)	(1,100)	(148)	(189)	-	-	(1,091)	(1,289)
Financial costs	4,464	9,873	546	765	-	-	5,010	10,638
Net foreign exchange losses / (gains)	(25)	(57)	(74)	9	-	-	(99)	(48)
Net losses / (gains) on financial assets	(3)	(6,706)	1	(1,723)	2	8,424	(2)	(5)
Net other financial expenses / (income)	1,028	1,746	11	23	-	-	1,038	1,769
	4,521	3,756	336	(1,115)	2	8,424	4,856	11,065
INCOME BEFORE TAXES	54,497	109,637	4,943	11,547	(2)	(8,424)	59,442	112,760
Income taxes	11,174	21,243	686	1,987	-	-	11,860	23,230
EARNINGS PER SHARES FROM CONTINUING OPERATIONS	43,324	88,393	4,257	9,560	(2)	(8,424)	47,581	89,529
Net consolidated income from discontinued operations		416		-				416
NET INCOME		88,809		9,560		(8,424)		89,945
CAPEX	110,892	192,632	9,352	14,878	-	-	120,244	207,510
EBITDA - CAPEX	47,030	111,627	3,956	12,262	-	-	50,986	123,889

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

	6M 20						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	2º QUARTER 20	6M 20	2º QUARTER 20	6M 20	2º QUARTER 20	6M 20	2º QUARTER 20	6M 20
REVENUES:								
Services rendered	300.559	613.599	8.572	26.859	(7.393)	(16.496)	301.738	623.962
Sales	16.935	32.097	169	3.273	(12)	(59)	17.092	35.311
Other operating revenues	2.367	7.061	205	613	(151)	(312)	2.421	7.362
	319.861	652.757	8.946	30.745	(7.556)	(16.867)	321.251	666.635
COSTS, LOSSES AND GAINS:								
Wages and salaries	18.823	37.375	2.176	4.772	-	-	20.999	42.147
Direct costs	75.787	169.898	1.010	5.544	(6.268)	(14.238)	70.529	161.204
Costs of products sold	15.761	30.445	20	100	(9)	(17)	15.772	30.528
Marketing and advertising	4.980	11.407	(20)	1.188	(1)	(2.271)	4.959	10.324
Support services	20.833	41.942	(588)	(228)	42	48	20.287	41.762
Supplies and external services	23.334	48.849	1.168	2.335	(1.315)	(387)	23.187	50.797
Other operating losses / (gains)	121	252	20	36	(5)	(2)	136	286
Taxes	8.133	16.329	5	49	-	-	8.138	16.378
Provisions and adjustments	(719)	2.679	85	(76)	-	-	(634)	2.603
	167.053	359.176	3.876	13.720	(7.556)	(16.867)	163.373	356.029
EBITDA	152.808	293.581	5.070	17.025	-	-	157.878	310.606
Depreciation, amortisation and impairment losses	93.306	183.328	7.887	18.339	-	-	101.192	201.666
Other losses / (gains), net	3.780	48.173	25	1.369	1	-	3.807	49.543
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	55.722	62.080	(2.842)	(2.683)	(1)	-	52.879	59.397
Net losses / (gains) of affiliated companies	1.057	10.008	(121)	(247)	1	-	938	9.762
Financial costs	3.888	7.990	701	1.261	(1)	-	4.588	9.251
Net foreign exchange losses / (gains)	(16)	38	71	168	1	-	56	206
Net losses / (gains) on financial assets	(3)	(24.390)	(1)	(2.047)	1	26.492	(3)	55
Net other financial expenses / (income)	925	1.764	5	7	(1)	-	928	1.770
	5.851	(4.590)	655	(858)	1	26.492	6.507	21.044
INCOME BEFORE TAXES	49.873	66.670	(3.497)	(1.825)	(2)	(26.492)	46.373	38.353
Income taxes	8.328	11.047	(872)	(739)	-	-	7.456	10.308
EARNINGS PER SHARES FROM CONTINUING OPERATIONS	41.544	55.623	(2.625)	(1.086)	(2)	(26.492)	38.916	28.045
Net consolidated income from discontinued operations		6.407						6.407
NET INCOME		62.030		(1.086)		(26.492)		34.452
CAPEX	87.870	180.623	8.519	15.284	-	-	96.389	195.907
EBITDA - CAPEX	64.940	112.958	(3.449)	1.741	-	-	61.491	114.699

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 June 2020, fully consolidated foreign companies represent 0,2% 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
ASSETS						
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
TOTAL FINANCIAL ASSETS	382,609	-	-	382,609	24,552	407,161
LIABILITIES						
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
TOTAL FINANCIAL LIABILITIES	-	400	1,861,598	1,861,998	112	1,862,110
30-06-2020						
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	434	-	-	434	-	434
Accounts receivable - trade (Note 16)	256,447	-	-	256,447	-	256,447
Accounts receivable - other (Note 12)	10,866	-	-	10,866	17,556	28,422
Cash and cash equivalents (Note 20)	17,056	-	-	17,056	-	17,056
TOTAL FINANCIAL ASSETS	284,803	-	-	284,803	17,556	302,359
LIABILITIES						
Borrowings (Note 23)	-	-	1,237,206	1,237,206	-	1,237,206
Derivative financial instruments (Note 19)	-	767	-	767	-	767
Accounts payable - trade (Note 27)	-	-	217,764	217,764	-	217,764
Accounts payable - other (Note 28)	-	-	176,209	176,209	181	176,390
Accrued expenses (Note 25)	-	-	184,232	184,232	-	184,232
TOTAL FINANCIAL LIABILITIES	-	767	1,815,411	1,816,178	181	1,816,359

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 semesters ended on 30 June 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2019
ACQUISITION COST						
Lands	838	-	-	-	-	838
Buildings and other constructions	388,170	1,057	(147)	-	5,553	394,633
Basic equipment	2,278,623	20,043	(14,176)	-	75,363	2,359,853
Transportation equipment	567	-	-	-	-	567
Tools and dies	1,406	-	-	-	84	1,490
Administrative equipment	189,070	992	(607)	-	816	190,271
Other tangible assets	42,553	123	-	-	234	42,910
Tangible assets in-progress	55,220	76,661	-	-	(87,810)	44,071
	2,956,447	98,876	(14,930)	-	(5,760)	3,034,633
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Buildings and other constructions	213,822	4,577	(647)	-	(653)	217,099
Basic equipment	1,493,105	76,830	(13,816)	-	1,552	1,557,671
Transportation equipment	516	1	-	-	45	562
Tools and dies	1,316	26	-	-	-	1,342
Administrative equipment	179,428	2,030	(584)	-	206	181,080
Other tangible assets	41,905	384	(1)	-	(1)	42,287
	1,930,092	83,848	(15,048)	-	1,149	2,000,041
	1,026,355	15,028	118	-	(6,909)	1,034,592

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2020
ACQUISITION COST						
Land	838	-	-	-	-	838
Buildings and other constructions	404,434	(932)	-	(144,109)	3,837	263,230
Basic equipment	2,456,116	20,552	(13,672)	(2,116)	72,739	2,533,619
Transportation equipment	508	-	-	-	5	513
Tools and dies	1,487	-	-	-	3	1,490
Administrative equipment	189,992	1,228	(108)	(71)	1,308	192,349
Other tangible assets	43,125	62	-	-	204	43,391
Tangible assets in-progress	39,574	70,831	-	(1,016)	(81,224)	28,165
	3,136,074	91,741	(13,780)	(147,312)	(3,128)	3,063,595
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Buildings and other constructions	222,826	5,285	(5)	(60,851)	(1,749)	165,506
Basic equipment	1,654,724	69,500	(13,640)	(1,610)	1,556	1,710,530
Transportation equipment	504	2	-	-	4	510
Tools and dies	1,369	24	-	-	2	1,395
Administrative equipment	179,235	2,364	(94)	(66)	123	181,562
Other tangible assets	42,603	298	(5)	-	5	42,901
	2,101,261	77,473	(13,744)	(62,527)	(59)	2,102,404
	1,034,813	14,268	(36)	(84,785)	(3,069)	961,191

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

At 30 June 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 723.8 million euros (31 December 2019: 698.5 million euros);
- Terminal equipment installed on client premises, included under Basic equipment, amounts to 99.3 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 June 2020, total net value of these costs amounted to 13.5 million euros (31 December 2019: 13.7 million euros). The amount of interest capitalised in the periods ended on 30 June 2020 amounted to 0.4 million euros (31 December 2019: 1 million euros).

8. Intangible assets

In the semesters ended on 30 June 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-06-2019
ACQUISITION COST					
Industrial property and other rights	1,521,380	4,233	-	51,661	1,577,274
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	50,211	29,879	-	(45,895)	34,195
	2,212,991	34,112	-	5,766	2,252,869
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,191,312	39,740	93	(32)	1,231,113
Other intangible assets	2,423	-	-	-	2,423
	1,193,735	39,740	93	(32)	1,233,536
	1,019,256	(5,628)	(93)	5,798	1,019,333

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	30-06-2020
ACQUISITION COST					
Industrial property and other rights	1,634,046	1,259	-	23,517	1,658,822
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	23,201	32,263	-	(20,601)	34,863
	2,298,647	33,522	-	2,916	2,335,085
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,281,835	45,652	-	510	1,327,997
Intangible assets in-progress	2,746	-	-	(535)	2,211
	1,284,581	45,652	-	(25)	1,330,208
	1,014,066	(12,130)	-	2,941	1,004,877

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

- (1) A net amount of 106.3 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) 33.7 million euros (31 December 2019: 35 million euros) related to the license, (ii) 11.2 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) 3.5 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) 49.3 million euros (31 December 2019: 51.2 million euros) related with the programme "Initiatives E"; and (v) the net amount of 5.8 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 80.8 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 11.9 million euros (31 December 2019: 15.7 million euros) corresponding to the future rights to use movies and series.

Increases in the semester ended on 30 June 2020 correspond mainly to movies and television series rights of use, for an amount of 9.2 million euros, and acquisition and development of software, for an amount of 22.3 million euros.

Impairment tests on goodwill

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

	31-12-2019	30-06-2020
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	641,400	641,400

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 first semester of 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 semesters ended on 30 June 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	30-06-2019
ACQUISITION COST			
Cost of attracting customers	362,641	32,161	394,802
Costs of fulfilling customer contracts	152,054	17,261	169,315
	514,694	49,423	564,117
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES			
Cost of attracting customers	260,712	33,755	294,467
Costs of fulfilling customer contracts	91,035	16,334	107,369
	351,746	50,089	401,835
	162,948	(666)	162,282

	31-12-2019	INCREASES	30-06-2020
ACQUISITION COST			
Cost of attracting customers	427,519	29,895	457,414
Costs of fulfilling customer contracts	189,594	16,613	206,207
	617,113	46,508	663,621
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES			
Cost of attracting customers	327,650	33,183	360,833
Costs of fulfilling customer contracts	126,362	16,932	143,294
	454,012	50,115	504,127
	163,101	(3,607)	159,494

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 semesters ended on 30 June 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2019
ACQUISITION COST					
Telecommunications towers and rooftops	122,014	8,267	-	1,368	131,649
Movie theatres	84,816	3,707	-	-	88,523
Transponders	92,395	(488)	-	-	91,907
Equipments	99,145	8,488	-	(1,576)	106,057
Buildings	65,282	2,021	-	(3,274)	64,029
Fiber optic rental	34,157	-	-	-	34,157
Stores	14,768	1,487	-	150	16,405
Others	22,290	1,616	-	11,107	35,013
	534,867	25,098	-	7,775	567,740
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Telecommunications towers and rooftops	81,614	4,433	-	1,366	87,413
Movie theatres	67,326	2,985	-	-	70,311
Transponders	50,859	2,875	-	-	53,734
Equipments	53,365	8,790	-	(192)	61,963
Buildings	33,803	3,112	-	3,303	40,218
Fiber optic rental	24,696	1,525	-	-	26,221
Stores	9,659	1,013	-	147	10,819
Others	13,061	2,050	-	2,750	17,862
	334,383	26,783	-	7,374	368,541
	200,484	(1,685)	-	401	199,199

	31-12-2019	INCREASES	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2020
ACQUISITION COST					
Telecommunications towers and rooftops	139,010	9,281	(86,264)	-	62,027
Movie theatres	108,681	4,756	-	-	113,437
Transponders	91,907	-	-	-	91,907
Equipments	118,564	5,664	-	-	124,228
Buildings	68,603	660	-	(17)	69,246
Fiber optic rental	33,065	-	-	-	33,065
Stores	17,838	539	-	-	18,377
Others	31,324	3,236	-	(37)	34,524
	608,993	24,136	(86,264)	(54)	546,811
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Telecommunications towers and rooftops	93,237	5,405	(57,394)	-	41,248
Movie theatres	72,093	3,640	-	-	75,733
Transponders	56,671	2,936	-	-	59,607
Equipments	69,091	8,138	-	-	77,229
Buildings	45,043	3,406	-	(17)	48,432
Fiber optic rental	26,674	1,525	-	-	28,199
Stores	11,975	1,048	-	-	13,024
Others	15,825	2,320	-	(37)	18,108
	390,610	28,418	(57,394)	(54)	361,580
	218,383	(4,282)	(28,870)	-	185,231

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 June 2020, this item was composed as follows:

	31-12-2019	30-06-2020
INVESTMENTS - EQUITY METHOD		
Sport TV	4,544	-
Dreamia	3,369	3,615
Finstar*	8,635	5,462
Mstar	1,151	1,366
Upstar	391	404
Big Picture 2 Films	154	155
ASSETS	18,244	11,002

* Consolidated from Finstar and ZAP Media

Movements in "Investments in jointly controlled companies and associated companies" in the semesters ended on 30 June 2019 and 2020 were as follows:

	6M 19 RESTATED	6M 20
AS AT JANUARY 1	19,585	18,244
Gains / (losses) of exercise (Note 35)	1,273	(3,113)
Impairment (Note 35)	-	(2,163)
Changes in equity i)	(157)	(1,967)
AS AT JUNE 30	20,701	11,002

- 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 June 2020, is as follows:

31-12-2019							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	184,333	166,158	18,175	199,021	(3,570)	25.00%	(893)
Dreamia	14,384	7,646	6,738	2,309	(529)	50.00%	(265)
Finstar**	183,058	154,273	28,785	161,522	4,388	30.00%	1,316
Mstar	13,002	9,165	3,837	24,767	1,893	30.00%	568
Upstar	79,057	77,754	1,303	32,908	101	30.00%	30
Big Picture 2 Films	2,653	1,883	770	6,397	144	20.00%	29
	476,487	416,879	59,608	426,923	2,426		787

* 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

30-06-2020							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	106,556	97,902	8,654	80,947	(9,520)	25.00%	(2,380)
Dreamia	15,036	7,807	7,229	1,659	491	50.00%	246
Finstar**	162,253	144,046	18,207	15,038	(4,548)	30.00%	(1,364)
Mstar	11,710	7,157	4,553	14,842	1,240	30.00%	372
Upstar	60,714	59,367	1,347	2,569	44	30.00%	13
Big Picture 2 Films	2,051	1,275	775	2,569	5	20.00%	1
	358,319	317,553	40,765	117,623	(12,287)		(3,113)

* 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 30 June 2020, the assets, liabilities and results of jointly controlled companies Finstar and ZAP Media (Finstar Group) are:

30-06-2020							
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME
Finstar	22,385	96,094	-	108,736	9,744	47,265	(4,722)
ZAP Media	17,499	9,933	1,057	27,557	(1,182)	11,929	(1,926)

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 recent 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 June 2020, this item was composed as follows:

	31-12-2019		30-06-2020	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	5,608	5,032	4,318	9,217
Advances to suppliers	24,552	-	17,556	-
	30,160	5,032	21,874	9,217
Impairment of other receivable	(2,032)	(968)	(1,221)	(1,448)
	28,128	4,064	20,653	7,769

- i) At 30 June 2020, the amount of accounts receivable corresponds mainly to dividends (Note 11), short-term loans, medium and long-term loans from Group and interests' receivable, to associated companies and the amount of 5.5 million euros to be received 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:

	6M 19 RESTATED	6M 20
AS AT JANUARY 1	967	3,000
Increases (Note 34)	265	116
Utilizations / Others	(9)	(447)
AS AT JUNE 30	1,223	2,669

13. Taxes payable and receivable

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

	31-12-2019		30-06-2020	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added tax	4,211	19,102	6,536	19,105
Income taxes	-	43,428	-	52,048
Personnel income tax withholdings	-	3,597	-	3,075
Social Security contributions	-	1,913	-	3,272
Others	420	162	421	71
	4,631	68,202	6,957	77,571
	4,780	68,202	7,106	77,571

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

	31-12-2019	30-06-2020
Estimated current tax on income	(25,969)	(34,343)
Tax processes	(43,402)	(43,895)
Payments on account	20,593	20,602
Withholding income taxes	4,096	4,331
Others	1,254	1,257
	(43,428)	(52,048)

In the semester ended on 30 June 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 Towering
- 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 June 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 semesters ended on 30 June 2019 and 2020 were as follows:

	31-12-2018	INCOME (NOTE B)	EQUITY	DESCONTINUED UNIT (NOTE 46)	30-06-2019
DEFERRED INCOME TAX ASSETS					
Impairment of other receivable	4,796	(3,589)	-	-	1,207
Inventories	1,610	384	-	-	1,994
Other provision and adjustments	51,956	(3,057)	-	-	48,899
Intragroup gains	22,098	(1,807)	-	-	20,291
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,943	-	-	-	4,943
Assets recognised under application of IFRS 16 (Note 2.1)	8,763	(8,763)	-	-	-
Derivatives	238	51	(182)	-	107
	94,404	(16,781)	(182)	-	77,441
DEFERRED INCOME TAX LIABILITIES					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,846	(130)	-	-	2,716
Derivatives	7	76	(41)	-	42
Intra-group leases	-	5,876	-	-	5,876
Others	2,270	45	-	-	2,315
	5,123	5,867	(41)	-	10,949
NET DEFERRED TAX	89,281	(22,648)	(141)	-	66,492

	31-12-2019	INCOME (NOTE B)	EQUITY	DESCONTINUED UNIT (NOTE 46)	30-06-2020
DEFERRED INCOME TAX ASSETS					
Impairment of other receivable	1,471	4,451	-	(1)	5,921
Inventories	1,871	178	-	-	2,049
Other provision and adjustments	51,825	(2,929)	-	(3,247)	45,649
Intragroup gains	20,091	(743)	-	(3,096)	16,252
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	5,080	-	-	-	5,080
Derivatives	90	52	31	-	173
	80,428	1,009	31	(6,344)	75,124
DEFERRED INCOME TAX LIABILITIES					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,799	(90)	-	-	2,709
Intra-group leases	6,324	311	-	-	6,635
Others	2,503	(25)	-	-	2,478
	11,626	196	-	-	11,822
NET DEFERRED TAX	68,802	813	31	(6,344)	63,302

At 30 June 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 36.4 million euros (31 December 2019: 40.3 million euros; and ii) Other provisions amounted to 8.6 million euros (31 December 2019: 11.5 million euros).

At 30 June 2020, the deferred tax liability is related to the revaluation of assets relates mainly to lease agreements between Group companies and the appreciation of telecommunications licenses, and other assets at the merger of Group companies.

At 30 June 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 June 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 semesters ended on 30 June 2019 and 2020, the reconciliation between the nominal and effective rates of tax was as follows:

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
Income before taxes	59,441	112,759	46,372	38,353
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
ESTIMATED TAX	13,374	25,371	10,434	8,629
Permanent differences i)	(197)	(200)	341	2,528
Differences in tax rate of group companies	(533)	(1,068)	77	45
Tax benefits ii)	(3,366)	(6,166)	(5,954)	(3,775)
State surcharge	3,552	5,442	2,149	1,797
Autonomous taxation	178	365	172	378
Others	(1,148)	(514)	236	705
INCOME TAXES	11,860	23,230	7,456	10,308
Effective Income tax rate	20.0%	20.6%	16.1%	26.9%
Income tax	1,218	582	2,289	11,121
Deferred tax	10,642	22,648	5,167	(813)
	11,860	23,230	7,456	10,308

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

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
Equity method (Note 35)	(1,091)	(1,289)	938	9,762
Others	215	399	576	1,473
	(876)	(890)	1,514	11,235
	22.5%	22.5%	22.5%	22.5%
	(197)	(200)	341	2,528

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 June 2020, this item was composed as follows:

	31-12-2019	30-06-2020
INVENTORIES		
Telco	39,476	48,745
Audiovisuals	1,278	1,308
	40,754	50,053
IMPAIRMENT OF INVENTORIES		
Telco	(6,083)	(6,679)
Audiovisuals	(590)	(613)
	(6,673)	(7,292)
	34,081	42,761

The movements occurred in impairment adjustments were as follows:

	6M 19 RESTATED	6M 20
AS AT JANUARY 1	6,167	6,673
Increase and decrease - Cost of products sold (Note 32)	1,455	1,308
Utilizations / Others	(29)	(689)
AS AT JUNE 30	7,593	7,292

16. Accounts receivable – trade

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

	31-12-2019	30-06-2020
Trade receivables	451,086	401,705
Unbilled revenues i)	64,754	42,846
	515,840	444,551
Impairment of trade receivable	(154,128)	(188,104)
	361,712	256,447

- 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 reclassification to "assets held for sale" of 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:

	6M 19 RESTATED	6M 20
AS AT JANUARY 1	139,822	154,128
Increases and decreases (Note 34)	8,452	7,022
Penalties - i)	6,563	7,377
Other losses / (gains) non-recurrent (Note 38)	-	28,239
Losses/ (Gains) in participated companies (Note 35)	-	4,135
Utilizations / Others	(12,809)	(12,797)
AS AT JUNE 30	142,028	188,104

- 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 31 December 2019 and 30 June 2020, this item was as follows:

	31-12-2019	30-06-2020
Contract assets	68,059	65,002
	68,059	65,002

The contract assets 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 June 2020, this item was composed as follows:

	31-12-2019	30-06-2020
Programming costs i)	22,232	11,551
Advertising	183	1,999
Insurance	824	1,439
Costs of litigation procedure activity ii)	6,686	1,035
Others iii)	14,029	18,685
	43,954	34,709

- 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 June 2020, NOS had contracted interest rate swaps totalling 150 million euros (31 December 2019: 150 million euros) whose swap maturities expire in 2022. The fair value of interest rate swaps, in the negative amount of 51 thousand euros (31 December 2019: negative amount of 38 thousand euros), was recorded in liabilities, against shareholder's equity.

Own shares derivatives

At 30 June 2020, NOS had contracted three own shares derivatives, in the amount of 2,883 thousand euros (31 December 2019: 2,640 thousand euros), maturing in March 2021, 2022 and 2023, 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 12,447 thousand euros (31 December 2019: 5,085 thousand euros), whose fair value amounts to a negative net amount of 117 thousand euros (2019: negative in 16 thousand euros).

31-12-2019					
	NOTIONAL	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	-
	157,725	-	-	135	265

30-06-2020					
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	150,000	-	-	-	51
Equity swaps	2,883	-	-	217	382
Exchange rate forward	12,447	-	-	117	-
	165,330	-	-	334	433

Movements during the semesters ended on 30 June 2019 and 2020 were as follows:

	31-12-2018	RESULT	EQUITY	30-06-2019
Fair value interest rate swaps	(1,211)	-	811	(400)
Fair value exchange rate forward	32	(60)	-	(28)
Fair value equity swaps	153	176	(182)	147
DERIVATIVES	(1,026)	116	629	(281)
Deferred income tax liabilities	(7)	(76)	41	(42)
Deferred income tax assets	238	51	(182)	107
DEFERRED INCOME TAX	231	(25)	(141)	65
	(795)	91	488	(216)

	31-12-2019	RESULT	EQUITY	30-06-2020
Fair value interest rate swaps	(38)	-	(13)	(51)
Fair value exchange rate forward	(16)	(101)	-	(117)
Fair value equity swaps	(346)	(129)	(124)	(599)
DERIVATIVES	(400)	(230)	(137)	(767)
Deferred income tax assets	90	52	31	173
DEFERRED INCOME TAX	90	52	31	173
	(310)	(178)	(106)	(594)

20. Cash and cash equivalents

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

	31-12-2019	30-06-2020
Cash	857	385
Terms deposits i)	11,962	16,671
	12,819	17,056

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

21. Shareholder's equity

21.1. Share capital

At 31 December 2019 and 30 June 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 June 2020 are:

	31-12-2019		30-06-2020	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268.644.537	52,15%	268.644.537	52,15%
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%
Banco BPI, SA	-	-	10.407.031	2,02%
TOTAL	290.585.082	56,41%	300.992.113	58,43%

- (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 52.15% of the share capital and voting rights of company, calculated in accordance with Article 20 of the Securities Code, is attributable to ZOPT SGPS S.A., Sonaecom SGPS S.A. and the following entities:
- Kento Holding Limited and Unitel International Holdings B.V., as well as Isabel dos Santos, being (i) Kento Holding Limited and Unitel International Holdings, B.V., companies directly and indirectly controlled by Isabel dos Santos, and (ii) ZOPT SGPS S.A., a jointly controlled company by its shareholders Kento Holding Limited, Unitel International Holdings B.V. and Sonaecom SGPS S.A., under the shareholder agreement signed between them; and,
 - Entities in a control relationship with Sonaecom SGPS S.A., namely, SONTEL, BV and SONAE, SGPS, S.A, companies directly and indirectly controlled by Efanor Investimentos, SGPS, S.A., also due of such control and of the shareholder agreement mentioned in 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 June 2020 there were 2,514,004 own shares, representing 0.4880% of share capital (31 December 2019: 2,595,541 own shares, representing 0.5038% of the share capital).

Movements in the semesters ended on 30 June 2019 and 2020 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2019	2,069,356	12,132
Acquisition of own shares	610,500	3,547
Distribution of own shares - share incentive scheme	(624,194)	(3,659)
Distribution of own shares - other remunerations	(57,691)	(339)
BALANCE AS AT 30 JUNE 2019	1,997,971	11,681
BALANCE AS AT 1 JANUARY 2020	2,595,541	14,655
Acquisition of own shares	875,000	2,871
Distribution of own shares - share incentive scheme	(866,243)	(4,885)
Distribution of own shares - other remunerations	(90,294)	(510)
BALANCE AS AT 30 JUNE 2020	2,514,004	12,131

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 June 2020, NOS had reserves, which by their nature are considered distributable for an amount of approximately 275.9 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)
DIVIDENDS PAID	179,607

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. The dividends were paid on 3 July 2020.

	DIVIDENDS
Dividends	143,215
Dividends of own shares	(699)
DIVIDENDS PAID	142,516

22. Non-controlling interests

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

	31-12-2018	ATTRIBUTABLE PROFITS	OTHERS	30-06-2019
NOS Madeira	5,660	(78)	(7)	5,575
NOS Açores	1,636	(172)	(1)	1,463
	7,296	(250)	(8)	7,038

	31-12-2019	ATTRIBUTABLE PROFITS	OTHERS	30-06-2020
NOS Madeira	5,502	(355)	(3)	5,144
NOS Açores	1,540	(178)	(2)	1,360
	7,042	(534)	(5)	6,504

23. Borrowings

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

	31-12-2019		30-06-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	82,851	1,024,667	172,237	855,832
Debenture loan	-	575,000	-	575,000
Commercial paper	55,000	413,000	152,500	262,500
Foreign loans	18,333	36,667	18,333	18,332
Bank overdrafts	9,518	-	1,404	-
LOANS - ACCRUALS AND DEFERRALS	1,770	(2,848)	48	(1,685)
LOANS - AMORTISED COST	84,621	1,021,819	172,285	854,147
LEASES	58,660	195,028	51,692	159,082
	143,281	1,216,847	223,977	1,013,229

During the semester ended on 30 June 2020, the average cost of debt of the used lines was approximately 1.3% (2019: 1.5%).

At 30 June 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 June 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 June 2020, an amount of 751 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 June 2020, the Company has borrowings of 415 million euros in the form of commercial paper, including 41 million euros were issued under non-underwriting programs. The total amount contracted, under underwriting securities, is of 845 million euros, corresponding to fourteen programmes, with six banks, 670 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 June 2020 an amount of 572 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 June 2020, the amount in borrowings corresponds to 37 million euros.

At 30 June 2020, an amount of 1,458 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 June 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	30-06-2020
Until 1 year	65,160	56,422
Between 1 and 5 years	149,804	129,215
Over 5 years	62,146	41,047
	277,110	226,684
Future financial costs (lease)	(23,422)	(15,910)
PRESENT VALUE OF LEASE LIABILITIES	253,688	210,774

Leases – present value

	31-12-2019	30-06-2020
Until 1 year	58,660	51,692
Between 1 and 5 years	136,823	120,254
Over 5 years	58,205	38,828
	253,688	210,774

The maturities of the loans obtained are as follows:

	31-12-2019			30-06-2020		
	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	-	637	573,612	-
Commercial paper	55,648	362,949	50,000	153,115	212,457	50,000
Foreign loans	17,121	35,649	-	17,129	18,078	-
Bank overdrafts	9,518	-	-	1,404	-	-
Leases	58,660	136,823	58,205	51,692	120,254	38,828
	143,281	1,108,642	108,205	223,977	924,401	88,828

24. Provisions

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

	31-12-2019	30-06-2020
Litigation and other - i)	30,263	26,583
Dismantling and removal of assets - ii)	39,032	24,253
Contingent liabilities - iii)	23,827	23,827
Contingencies - other - iv)	1,837	1,276
	94,959	75,939

- i) At 30 June 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 semester ended on 30 June 2019, movements in provisions were as follows:

	31-12-2018	INCREASES	DECREASES	DESCONTINUED UNIT (NOTE 46)	OTHERS	30-06-2019
Litigation and other	58.369	2.393	(6.371)	-	-	54.391
Dismantling and removal of assets	34.626	202	(22)	-	1.145	35.951
Contingent liabilities	32.055	-	-	-	-	32.055
Contingencies - other	3.765	2.986	(633)	-	(3.421)	2.697
	128.815	5.581	(7.026)	-	(2.276)	125.094

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

The movements recorded in "Others", under the heading "Contingencies - other", in the amount of 2.3 million euros, refer to the use of provisions created for compensation to employees.

During the semester ended on 30 June 2020, movements in provisions, were as follows:

	31-12-2019	INCREASES	DECREASES	DESCONTINUED UNIT (NOTE 46)	OTHERS	30-06-2020
Litigation and other	30.263	1.349	(4.721)	(308)	-	26.583
Dismantling and removal of assets	39.032	431	(7)	(14.536)	(667)	24.253
Contingent liabilities	23.827	-	-	-	-	23.827
Contingencies - other	1.837	679	(19)	(58)	(1.163)	1.276
	94.959	2.459	(4.747)	(14.902)	(1.830)	75.939

During the semester ended on 30 June 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.

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

	6M 19 RESTATED	6M 19 RESTATED	6M 20
Provisions and adjustments (Note 34)		(4.580)	(4.522)
Other losses / (gains) non-recurrent (Note 37 and 38)		2.207	682
Interests - dismantling		180	423
Other interests		748	1.129
INCREASES AND DECREASES IN PROVISIONS		(1.445)	(2.288)

25. Accrued expenses

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

	31-12-2019	30-06-2020
NON-CURRENT		
Others	667	345
	667	345
CURRENT		
Invoices to be issued by operators i)	73,113	56,177
Vacation pay and bonuses	25,545	19,097
Professional services	10,703	16,128
Taxes (ANACOM and Cinema Law)	-	15,303
Investments in tangible and intangible assets	20,046	13,674
Content and film rights	13,313	12,151
Programming services	11,058	10,893
Advertising	14,916	9,973
Costs of litigation procedure activity	8,614	8,169
Comissions	6,198	5,466
Energy and water	4,660	3,657
Maintenance and repair	1,788	1,705
Other accrued expenses	13,772	11,494
	203,726	183,887

- 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 June 2020, this item was composed as follows:

	31-12-2019		30-06-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	33,436	-	24,815	-
Investment subsidy ii)	398	5,123	397	4,927
	33,834	5,123	25,212	4,927

- 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 June 2020, this item was composed as follows:

	31-12-2019	30-06-2020
Suppliers current account	257,824	215,358
Invoices in reception and conference	1,675	2,406
	259,499	217,764

The variation in **the item "Accounts payable - trade"** results, mainly, from the sale of NOS International Carrier Services and the respective cancellation of its contribution, in the amount of 20.2 million euros (Note 45).

28. Accounts payable - other

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

	31-12-2019	30-06-2020
NON-CURRENT		
Assignment of receivables without recourse i)	3,855	2,323
	3,855	2,323
CURRENT		
Fixed assets suppliers	27,689	27,931
Distributed dividends and unpaid ii)	-	142,516
Assignment of receivables without recourse i)	4,865	3,065
Advances from customers	112	181
Others	1,169	374
	33,835	174,067
	37,690	176,390

- 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 semester ended on 30 June 2020, the balance amounts to 5.4 million euros. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.
- ii) The dividends approved at the General Meeting of Shareholders on 19 June 2020, were paid on 3 July 2020 (Note 21.4).

29. Operating revenues

Consolidated operating revenues, for the semesters ended on 30 June 2019 and 2020, were as follows:

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
SERVICES RENDERED:				
Communications service revenues (i)	311,821	619,046	290,402	592,016
Revenue distribution and cinematographic exhibition (ii)	12,882	23,438	161	8,368
Advertising revenue (iii)	5,784	10,968	2,441	6,853
Production and distribution of content and channels (iv)	7,398	14,912	7,939	15,340
Others	831	1,821	795	1,385
	338,717	670,186	301,738	623,962
SALES:				
Telco v)	15,014	30,891	16,931	32,083
Audiovisuals and cinema exhibition vi)	4,377	7,924	160	3,228
	19,391	38,815	17,092	35,311
OTHER OPERATING REVENUES:				
Telco	7,335	12,256	2,365	7,060
Audiovisuals and cinema exhibition	174	265	56	302
	7,509	12,521	2,421	7,362
	365,617	721,522	321,251	666,635

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 semesters ended on 30 June 2019 and 2020, this item was composed as follows:

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
Remuneration	14,970	30,008	16,110	32,149
Social taxes	4,186	8,256	4,177	8,383
Social benefits	481	962	514	987
Other	525	1,016	198	628
	20,162	40,241	20,999	42,147

In the semesters ended on 30 June 2019 and 2020, the average number of employees of the companies included in the consolidation was 2,457 and 2,434, respectively. At 30 June 2020, the number of employees of the companies included in the consolidation was 2,341 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 semesters ended on 30 June 2019 and 2020, this item was composed as follows:

	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 20	6M 20
Exhibition costs	54,231	104,283	28,480	77,693
Traffic costs	22,355	45,214	20,251	39,021
Capacity costs	11,810	23,749	12,658	24,949
Costs related to corporate customers services	5,615	11,159	7,455	15,015
Shared advertising revenues	3,733	6,866	1,686	4,527
	97,744	191,271	70,529	161,204

In the period ended on 30 June 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 semesters ended on 30 June 2019 and 2020, this item was composed as follows:

	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 20	6M 20
Costs of products sold	12,979	26,498	15,116	29,220
Increases / (decreases) in inventories impairments (Note 15)	1,058	1,455	656	1,308
	14,037	27,953	15,772	30,528

33. Support services and supplies and external services

In the semesters ended on 30 June 2019 and 2020, this item was composed as follows:

	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 20	6M 20
SUPPORT SERVICES:				
Call centers and customer support	7,490	15,351	9,338	18,147
Administrative support and others	8,947	18,188	7,744	17,056
Information systems	3,057	6,934	3,205	6,558
	19,494	40,473	20,287	41,762
SUPPLIES AND EXTERNAL SERVICES:				
Maintenance and repair	9,507	19,801	10,634	21,099
Electricity	5,828	11,626	5,255	10,869
Professional services	2,908	5,623	2,505	5,263
Communications	1,436	2,983	953	2,049
Installation and removal of terminal equipment	1,743	3,414	820	1,506
Fees	(112)	585	413	1,189
Travel and accommodation	1,122	2,284	173	998
Other supplies and external services	4,658	9,541	2,434	7,824
	27,090	55,857	23,187	50,797

34. Provisions and adjustments

In the semesters ended on 30 June 2019 and 2020, these items were composed as follows:

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
Provisions (Note 24)	(1,687)	(4,580)	(4,075)	(4,522)
Impairment of account receivables - trade (Note 16)	2,447	8,452	3,440	7,022
Impairment of account receivables - others (Note 12)	82	265	14	116
Others	1	-	(13)	(13)
	843	4,137	(634)	2,603

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

In the semesters ended on 30 June 2019 and 2020, this item was composed as follows:

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
EQUITY METHOD (NOTE 11)				
Sport TV	(34)	423	1,732	2,380
Dreamia	(158)	(197)	(142)	(245)
Finstar	(637)	(878)	1,283	1,364
Mstar	(254)	(607)	(123)	(372)
Upstar	(5)	(22)	(0)	(13)
Others	11	9	22	(1)
	(1,077)	(1,273)	2,772	3,113
OTHERS I)	(14)	(16)	(1,834)	6,649
	(1,091)	(1,289)	938	9,762

- i) During the semester ended on 30 June 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 2.2 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 semesters ended on 30 June 2019 and 2020, this item was composed as follows:

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
TANGIBLE ASSETS				
Buildings and other constructions	2,570	4,577	2,623	5,285
Basic equipment	42,468	76,830	36,537	69,500
Transportation equipment	-	1	1	2
Tools and dies	15	26	11	24
Administrative equipment	747	2,030	1,173	2,364
Other tangible assets	186	384	147	298
	45,986	83,848	40,492	77,473
INTANGIBLE ASSETS				
Industrial property and other rights	20,366	39,740	21,304	45,652
	20,366	39,740	21,304	45,652
CONTRACT COSTS				
Contract costs	24,652	50,089	25,063	50,115
	24,652	50,089	25,063	50,115
RIGHTS OF USE				
Rights of use	12,137	26,783	14,329	28,418
	12,137	26,783	14,329	28,418
INVESTMENT PROPERTY				
Investment property	-	1	4	8
	-	1	4	8
	103,141	200,461	101,192	201,666

37. Restructuring Costs

In the semesters ended on 30 June 2019 and 2020, this item was composed as follows:

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
Personnel compensation	922	2,407	244	682
Supplies and external services related to restructuring process	800	901	-	-
Personnel costs related to non-recurrent projects	629	956	176	316
	2,351	4,264	420	998

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

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

	2º QUARTER 19 RESTATED	6M 19 RESTATED	2º QUARTER 20	6M 20
COSTS:				
Losses resulting from COVID-19 impacts (Note 47) i)	-	-	780	41,386
Others	1,697	3,289	2,703	7,280
TOTAL	1,697	3,289	3,483	48,666

- i) In the semester ended on 30 June 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:
- 1) reinforcement of expected credit losses from accounts receivable, in the amount of approximately 21.2 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;

- 2) 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;
- 3) loss recognition for onerous contracts related to premium sports content, in the amount of 10.8 million euros;
- 4) 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 2.4 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 semesters ended on 30 June 2019 and 2020, financing costs and other financial expenses / (income) were composed as follows:

	6M 19 RESTATED	6M 20
FINANCING COSTS:		
INTEREST EXPENSE:		
Borrowings	6,924	5,524
Finance leases	4,785	3,177
Derivatives	780	37
Others	748	1,757
	13,237	10,495
INTEREST EARNED	(2,599)	(1,244)
	10,638	9,251
NET OTHER FINANCIAL EXPENSES / (INCOME):		
Commissions and guarantees	1,392	1,439
Others	377	331
	1,769	1,770

Interest earned mainly corresponds to default interests charged to customers.

40. Net earnings per share

Earnings per share for the semesters ended on 30 June 2019 and 2020 were calculated as follow:

	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 20	6M 20
Consolidated net income attributable to shareholders	47,735	90,196	45,341	34,986
Number of ordinary shares outstanding during the period (weighted average)	513,188,134	513,257,132	513,256,224	512,909,400
Basic earnings per share - euros	0.09	0.18	0.09	0.07
Diluted earnings per share - euros	0.09	0.18	0.09	0.07

	2° QUARTER 19 RESTATED	6M 19 RESTATED	2° QUARTER 20	6M 20
Consolidated net income attributable to shareholders	47,742	89,780	39,072	28,579
Number of ordinary shares outstanding during the period (weighted average)	513,188,134	513,257,132	513,256,224	512,909,400
Basic earnings per share - euros	0.09	0.17	0.08	0.06
Diluted earnings per share - euros	0.09	0.17	0.08	0.06

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 June 2020, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2019	30-06-2020
Tax authorities i)	26,852	26,852
Others ii)	10,515	10,497
	37,367	37,349

- i) At 31 December 2019 and 30 June 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 June 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 90% to ownership clauses.

In addition, approximately 27% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA after leasing payment, approximately 3% 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 10% 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 will begin 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 will begin 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:

Seasons	2019/20	following
Estimated cash-flows with the contract signed by NOS with the sports entities*	115.6 M€	870.8 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	68.1 M€	488.2 M€

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

In the period ended on 30 June 2020, with the cancellation of the 2nd football league as a result of the pandemic Covid-19, the payment to these clubs, in the amount of 0.7 million euros, is suspended.

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 June 2020 and transactions in the semesters ended on 30 June 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
ASSOCIATED COMPANIES	23,780	45,026	-
Big Picture 2 Films	41	625	-
Sport TV	23,739	44,401	-
JOINTLY CONTROLLED COMPANIES	18,029	3,834	2,923
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	-
OTHER RELATED PARTIES	10,014	8,734	-
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	-
	51,823	57,594	2,923

Transactions in the semester ended on 30 June 2019

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
SHAREHOLDERS				
Banco BPI				
ASSOCIATED COMPANIES	959	39,628	-	-
Big Picture 2 Films	69	1,271	-	-
Sport TV	890	38,357	-	-
JOINTLY CONTROLLED COMPANIES	8,129	(178)	70	-
Dreamia Holding BV	-	-	70	-
Dreamia SA	1,870	(201)	-	-
Finstar	4,665	-	-	-
MSTAR	17	-	-	-
Upstar	1,446	24	-	-
ZAP Media	132	-	-	-
OTHER RELATED PARTIES	13,398	10,141	-	45
Banco BIC Português, S.A.	770	-	-	-
Cascaishopping- Centro Comercial, S.A.	7	385	-	-
Centro Colombo- Centro Comercial, S.A.	8	1,039	-	-
Centro Vasco da Gama-Centro Comercial,SA	7	525	-	-
Continente Hipermercados, S.A.	164	19	-	-
Digitmarket-Sistemas de Informação,SA	159	864	-	-
EFACEC Energia	86	27	-	-
EFACEC Serviços Corporativos	557	-	-	-
EFACEC Engenharia e Sistemas	68	-	-	-
Galashopping I- Centro Comercial, S.A.	15	143	-	-
ITRUST - Cyber Security and Intellig.,SA	22	1,129	-	-
Malashopping- Centro Comercial, S.A.	9	156	-	-
Modelo Continente Hipermercados,SA	1,766	6	-	-
MDS Corretor de Seguros, SA	271	61	-	-
Norteshopping-Centro Comercial, S.A.	8	717	-	-
SC-Consultadoria,SA	619	-	-	-
SDSR - Sports Division SR, S.A.	137	-	-	-
SFS, Gestão e Consultoria, S.A.	3	236	-	-
Sonae Arauco Portugal, S.A.	219	-	-	-
Sonae Financial Services, S.A.	145	-	-	-
Sierra Portugal, SA	1,396	131	-	-
Solinca - Health & Fitness, SA	210	-	-	-
Sonae MC – Serviços Partilhados, SA	1,908	-	-	-
UNITEL S.a.r.l.	1,779	324	-	-
We Do Consulting-SI,SA	264	3,118	-	-
Worten-Equipamento para o Lar,SA	1,234	732	-	-
Other related parties	1,569	530	-	45
	22,487	49,592	70	45

Balances at 30 June 2020

	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
SHAREHOLDERS	578	(56)	-
BPI	578	(56)	-
ASSOCIATED COMPANIES	6,625	60,589	-
Big Picture 2 Films	10	19	-
Sport TV	6,615	60,569	-
JOINTLY CONTROLLED COMPANIES	14,742	2,750	2,919
Dreamia Holding BV	73	-	2,907
Dreamia SA	2,042	1,173	12
Finstar	7,244	67	-
Mstar	10	-	-
Upstar	4,569	1,368	-
ZAP Media	804	142	-
OTHER RELATED PARTIES	12,175	3,135	-
Banco BIC Português, S.A.	180	(1)	-
Digitmarket-Sistemas de Informação,SA	123	262	-
EFACEC Engenharia e Sistemas	13	434	-
EFACEC Serviços Corporativos	525	-	-
S21SEC Portug-Cyber Security Services,SA	242	329	-
Maishopping- Centro Comercial, S.A.	269	1	-
Modelo Continente Hipermercados,SA	617	11	-
MDS Corretor de Seguros, SA	101	(0)	-
Norteshopping-Centro Comercial, S.A.	2,952	7	-
SC-Consultadoria,SA	372	-	-
Sierra Portugal, SA	605	(8)	-
Sonae MC – Serviços Partilhados, SA	640	-	-
SDSR - Sports Division SR, S.A.	103	(0)	-
UNITEL S.a.r.l.	2,716	1,793	-
Worten-Equipamento para o Lar,SA	1,437	332	-
Other related parties	1,281	(25)	-
	34,121	66,419	2,919

Transactions in the semester ended on 30 June 2020

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS
SHAREHOLDERS	690	-	-
BPI	690	-	-
ASSOCIATED COMPANIES	641	33 262	-
Big Picture 2 Films	59	1 333	-
Sport TV	582	31 928	-
JOINTLY CONTROLLED COMPANIES	7 436	163	69
Dreamia Holding BV		-	57
Dreamia SA	1 976	73	12
Finstar	4 966	-	-
MSTAR	8	-	-
Upstar	354	90	-
ZAP Media	132	-	-
OTHER RELATED PARTIES	13 990	6 344	-
Banco BIC Português, S.A.	856	-	-
Cascaishopping- Centro Comercial, S.A.	7	305	-
Centro Colombo- Centro Comercial, S.A.	8	682	-
Continente Hipermercados, S.A.	166	20	-
Digitmarket-Sistemas de Informação,SA	(7)	783	-
EFACEC Serviços Corporativos	754	-	-
EFACEC Engenharia e Sistemas	28	750	-
Gaiashopping I- Centro Comercial, S.A.	7	155	-
S21SEC Portug-Cyber Security Services,SA	23	1 393	-
Modelo Continente Hipermercados,SA	1 865	48	-
MDS Corretor de Seguros, SA	387	-	-
Norteshopping-Centro Comercial, S.A.	2 592	522	-
PHARMACONTINENTE - Saúde e Higiene, S.A	139	-	-
SC-Consultadoria,SA	512	-	-
SFS, Gestão e Consultoria, S.A.	3	121	-
Sonae Arauco Portugal, S.A.	193	-	-
Sierra Portugal, SA	1 226	45	-
Solinca - Health & Fitness, SA	185	-	-
Sonae MC – Serviços Partilhados, SA	1 690	-	-
SDSR - Sports Division SR, S.A.	164	-	-
UNITEL S.a.r.l.	131	101	-
Centro Vasco da Gama-Centro Comercial,SA	8	340	-
Worten-Equipamento para o Lar,SA	1 645	622	-
Other related parties	1 409	457	-
	22 756	39 768	69

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 remain decisions judge 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 28.9 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 presented its defence and reply, and the Court ordered an expert opinion, which was, 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, but of mere delay in sending the documentation by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it sentenced NOS to the payment of approximately 5.3 million euros to MEO, a decision of which only 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 the NOS of the requests for compensation that it

formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. 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 Appeal and from the latter to the Court of First Instance for the extension of the facts in the terms intended by the STJ. 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.

- MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and September 2013 and May 2016) and three to NOS Madeira (March and September 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by **MEO and alleged illegal refusal of electronic portability requests. MEO doesn't indicate in all** notifications the amounts in which it wants to be financially compensated, realizing only part of these, in the case of NOS SA, in the amount of 26 million euros (from August 2011 to May 2014), in the case of NOS Açores, in the amount of 195 thousand euros and NOS Madeira, amounting to 817 thousand euros.
- 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 compulsory performance of expert evidence of technical nature. At the same time, NOS requested, and it was accepted by the Court, to carry out an economic-financial survey, and the expert report was completed in June 2018. MEO argued for the nullity of the expert report, and NOS submitted a response. The Court rejected the nullity of the expert report for lack of legal basis and questioned the parties that had requested the appearance of the experts at the final hearing, to clarify which points, in their view, had not been made clear in the expert report. MEO reiterated the request for the experts to appear at the final hearing to provide clarifications, while NOS, in turn, waived their presence. 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. However, in view of the contingency period in which we find ourselves, this judicial process was cancelled. 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. By order of October 2018, the Local Civil Court** declared itself incompetent to hear the case, whereas the Central Civil Court of the same Court had jurisdiction to hear the case. Referring the case to the Central Court, 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 previous hearing was scheduled for April 2020. However, in view of the contingency period in which we find ourselves, the above mentioned judicial procedure was cancelled and rescheduled for September 2020. 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 31 December 2019, 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 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 June 2020, the amounts billed and to be received from these indemnities amount to 110.7 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 June 2020, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2018	920,721
Plan 2019	786,731
Plan 2020	1,459,075

During the semester ended on 30 June 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
BALANCE AS AT 31 DECEMBER 2019:	856,299	866,098	739,162	-	2,461,559
MOVEMENTS IN THE PERIOD:					
Awarded	-	-	-	1,364,152	1,364,152
Vested	(855,334)	(4,985)	(3,025)	(2,899)	(866,243)
Cancelled / elapsed / corrected ⁽¹⁾	(965)	59,608	50,594	97,822	207,058
BALANCE AS AT 30 JUNE 2020	-	920,721	786,731	1,459,075	3,166,526

(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 June 2020, the outstanding responsibility related to these plans is 4,460 thousand euros and is recorded in Reserves, for an amount of 3,564 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 896 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	-	(3,920)	(3,920)
Costs incurred in the period and others	(547)	2,593	2,046
TOTAL COST OF THE PLANS	896	3,564	4,460

Exceptionally, in the first semester 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).

During the period ended on 30 June 2020, resulting from the sale of NOS ICS and the respective classification of the company as a discontinued operating unit, the comparative periods, in the consolidated income statement, were restated.

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

	6M 19	6M 20
REVENUES:	60 215	51 788
COSTS, LOSSES AND GAINS:		
Wages and salaries	153	122
Direct costs	59 355	50 864
Supplies and external services	170	213
Taxes	-	242
Depreciation, amortisation and impairment losses	-	3
	59 678	51 444
INCOME BEFORE FINANCIAL RESULTS AND TAXES	537	344
Net foreign exchange losses / (gains)	-	(9)
Net other financial expenses / (income)	-	1
	-	(8)
INCOME BEFORE TAXES	537	352
Capital gain on disposal of the discontinued unit	-	6 151
Income taxes	121	96
NET CONSOLIDATED INCOME FROM DISCONTINUED OPERATIONS	416	6 407
EARNINGS PER SHARES		
Basic - euros	0,00	0,00
Diluted - euros	0,00	0,00

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

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

- Cash received for the sale of the company: 4,084 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: 1,828 thousand euros.

46. Assets held for sale

46.1 Disposal of NOS Towering, S.A.

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 execution of these agreements is subject to the verification of the usual conditions in this type of transaction, notably, if applicable, the non-opposition by the Competition Authority (Note 48).

The potential value of the agreements to be reached over a 6-year period is 550 million euros, with an upfront payment of approximately 375 million euros. 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. The approval of this transaction, which constitutes a sale and lease back, occurred after the date of the statement of financial position.

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

At 31 December 2019 and 30 June 2020, contributions to the statement of the financial position of the assets and liabilities of discontinued operating units held for sale have the following composition:

	31-12-2019	30-06-2020
ASSETS		
NON - CURRENT ASSETS		
Tangible assets	-	84,785
Rights of use	-	28,870
Deferred income tax assets	-	6,344
TOTAL NON - CURRENT ASSETS	-	119,999
CURRENT ASSETS:		
Accounts receivable	-	788
Prepaid expenses	-	647
Cash and cash equivalents	-	13
TOTAL CURRENT ASSETS	-	1,448
TOTAL ASSETS	-	121,447
LIABILITIES		
NON - CURRENT LIABILITIES		
Borrowings	-	29,594
Provisions	-	14,902
TOTAL NON - CURRENT LIABILITIES	-	44,496
CURRENT LIABILITIES:		
Borrowings	-	6,602
Accounts payable	-	6,533
TOTAL CURRENT LIABILITIES	-	13,135
TOTAL LIABILITIES	-	57,631

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:

- i. 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 Portuguese 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, 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.

For this reason, during the first quarter of 2020, NOS contracted 280 million euros in new credit lines, of which 100 million euros were used to settle credit lines that were due in 2020, subsequently refinanced, and 180 million euros reinforced the availability of liquidity (Note 23).

At 30 June 2020, the average maturity of the group's financing is 2.7 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 semester ended on 30 June 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 28.2 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 first semester of 2020, with a drop in revenues, consolidated EBITDA and operational cash-flows of 7.6% (-54.9 million euros); -6.3% (-20.0 million euros) and -6.6% (-7.5 million euros), respectively, which shows a reduction in activity in:

- i. Cinemas and Audiovisuals: **complete closure of NOS' theatres on 16 March 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 first quarter of 2020, of impairments of accounts receivable (28.2 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 8.5 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.^a 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 SONAECON - 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 1 July 2020, Banco BPI, S.A. announced that it now holds a percentage of voting rights inherent to 5.01% shares.

At 3 July 2020, NOS payment of the dividends distributed was made (Note 21.4).

At 7 July 2020, the Competition Authority announced its non-opposition to the NOS Towering alignment operation (Note 46).

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 30-06-2019	DIRECT 30-06-2020	EFFECTIVE 30-06-2020
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Fundo de Capital de Risco N5G (a)	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 Communications S.a r.l (b)	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. (c)	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 SA	-	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. (d)	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 SA	-	-	-
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	Commercialization 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')	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	100%	100%
NOS Wholesale, S.A. (c)	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%
Teiz Holding B.V. (b)	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

(a) Fund subscription in December 2019

(b) On 1st October 2019, the company NOS Communications S.a r.l. changed its headquarters to Lisbon and changed its name to Nos Property, S.A..

(c) Constitution on 1st August 2019, by split of NOS Comunicações, S.A

(d) Company disposed on 29 June 2020

B) Associated companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 30-06-2019	DIRECT 30-06-2020	EFFECTIVE 30-06-2020
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 30-06-2019	DIRECT 30-06-2020	EFFECTIVE 30-06-2020
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 30-06-2019	DIRECT 30-06-2020	EFFECTIVE 30-06-2020
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.	-	4.20%	4.20%
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundafrica, 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 the CMVM



Ernst & Young
Audit & Associados - SROC, S.A.
Av. da Boavista, 36 - 3º,
4050-112 Porto
Portugal

Tel: +351 217 912 000
Fax: +351 217 957 586
www.ey.com

*(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 June 2020 (which shows a total of 2,971,398 thousand Euros and a shareholders' equity total of 901,937 thousand Euros, including a consolidated net attributable to equity holders of the parent of 34,986 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 six 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 June 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 iii) 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, 22nd July 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
Registered with the Portuguese Securities Market Commission under licence nr. 20160824

Statement by the Board of Directors under the terms of Article 246, Paragraph 1, c), of the Securities Code

In accordance with Article 246, paragraph 1, c) of the Securities Code, the Board of Directors of NOS, SGPS, SA, whose name and roles are listed below, declare that, to their knowledge:

- a) The first half 2020 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, situation and results, as well as those of the companies included in its consolidation perimeter;
- b) The management report faithfully portrays the important events occurred in first half 2020 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following six months.

Lisbon, 22 July 2020

Ângelo Gabriel Ribeirinho dos Santos Paupério
(Chairman of the Board of Directors)

Miguel Nuno Santos Almeida
(Chairman of the Executive Committee)

José Pedro Faria Pereira da Costa
(Vice President, Member of the Executive Committee)

Ana Paula Garrido de Pina Marques
(Vice President, Member of the Executive Committee)

Jorge Filipe Santos Graça
(Member of the Executive Committee)

Luis Moutinho do Nascimento
(Member of the Executive Committee)

Manuel Ramalho Eanes
(Member of the Executive Committee)

Ana Rita Cernadas
(Member of the Board of Directors)

António Bernardo Aranha da Gama Lobo Xavier
(Member of the Board of Directors)

António Correia Teles
(Member of the Board of Directors)

António Domingues
(Member of the Board of Directors)

Catarina Eufémia Amorim da Luz Távira Van-Dúnem
(Member of the Board of Directors)

Cristina Marques
(Member of the Board of Directors)

João Torres Dolores
(Member of the Board of Directors)

Joaquim Francisco Alves Ferreira de Oliveira
(Member of the Board of Directors)

José Carvalho de Freitas
(Member of the Board of Directors)

Maria Cláudia Teixeira de Azevedo
(Member of the Board of Directors)

Statement by the Fiscal Board under the terms of Article 246, Paragraph 1, c), of the Securities Code

(English version of the Portuguese original. In the event of discrepancy, the Portuguese original shall prevail)

Within the scope of its competences, under the terms of Article 246, Paragraph 1, c) of the Portuguese Securities Code, the Fiscal Board declares that, to its knowledge:

- a) The first half 2020 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, situation and results of NOS, SGPS, S.A., as well as those of the companies included in its consolidation perimeter;
- b) The management report faithfully portrays the important events occurred in First Half 2020 and its impact on the accounts and contains a description of the main risks and uncertainties for the following six months.

Lisbon, 21 July 2020

José Pereira Alves
(Chairman of the Fiscal Board)

Patrícia Couto Viana
(Member of the Fiscal Board)

Paulo Cardoso Correia da Mota Pinto
(Member of the Fiscal Board)



Rua Actor António Silva
nº9, Campo Grande
1600-404 Lisboa
[**www.nos.pt/ir**](http://www.nos.pt/ir)