



# Consolidated Management Report 1H21

**Connected to the world**  
**inspiring the future**



01



**1H21  
HIGHLIGHTS**

02



**MANAGEMENT  
REPORT**

03



**CONSOLIDATED  
FINANCIAL STATEMENTS**



# 01

1H21  
HIGHLIGHTS

# 1.1.

## 1H21

## HIGHLIGHTS

	1H20	1H21	1H21 / 1H20
<b>OPERATING HIGHLIGHTS</b>			
Homes Passed	4,689.9	4,986.1	6.3%
% FttH	35.0%	46.0%	11.1pp
Total RGUs	9,747.4	10,000.2	2.6%
Pay TV RGUs	1,634.6	1,639.5	0.3%
Convergent + Integrated Customers	957.5	993.8	3.8%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	61.6%	63.3%	1.7pp
Mobile RGUs	4,869.9	5,084.9	4.4%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	42.4	43.9	3.5%
<b>FINANCIAL HIGHLIGHTS</b>			
Consolidated Revenues	666.6	678.5	1.8%
Consolidated EBITDA	310.6	306.6	(1.3%)
Consolidated EBITDA Margin	46.6%	45.2%	(1.4pp)
Telco Revenues	652.8	672.4	3.0%
Telco EBITDA	294.4	288.4	(2.0%)
Telco EBITDA Margin	45.1%	42.9%	(2.2pp)
Telco EBITDA - Telco CAPEX Excluding Leasings & Other Contractual Rights	133.2	94.0	(29.4%)

- The first half recorded continued solid operating performance in Telco and the reopening of Cinemas as of 19 April 2021, after having closed on 15 January due to COVID-related restrictions.
- Total RGUs grew by 81.1 thousand in 1H21, with NOS reaching 10.0 million services for the first time. 1Q21 performance was marked by lockdown from January to March, with 2Q21 benefitting from a gradual reopening of the economy.
- Post-paid mobile subscriptions showed very strong growth of 111.2 thousand in 1H21, compared with 69.4 thousand in 1H20, while Pre-paid posted net adds of -34.5 thousand, which compares with -50.5 thousand in 1H20. Total mobile net adds of 77.1 thousand in 1H21 thus reflected a strong commercial dynamic across all segments.
- An additional 17.1 thousand Convergent+Integrated customers by the end of 1H21, taking the penetration of the fixed customer base to 63.3%. Convergent+Integrated RGUs grew by 104.5 thousand in the quarter to 5.061 million services.
- Fixed Pay TV net adds improved to 8.0 thousand, in comparison with +6.5 thousand in 1H20.
- Continued strong pace of product and service innovation in B2C, improving service quality and customer experience, with a clear focus on connectivity.



- Strategic partnerships and the launch of innovative IT, data and cloud solutions continue to drive growth in B2B, as NOS positions itself as the partner of choice for Portuguese companies and public entities in their path toward digital transformation.
- Our best-in-class network reinforcement and response during the confinement periods kept our customers connected and able to pursue their professional, educational and entertainment needs, and we continue to provide very high levels of service quality and availability. In April 2021, NOS was distinguished by Ookla as having the best mobile network coverage in Portugal during 2H20.
- Consolidated Revenues increased by 1.8% yoy in 1H21. Telco Revenues grew by 3.0% yoy.
- Cinema theatres reopened on 19 April with encouraging performance, although still far from pre-pandemic levels of attendance.
- Total investment of 200.1 million euros reflects continued FttH deployment with 179 thousand new greenfield addressable homes during 1H21, and preparation of the mobile network for 5G launch as and when frequencies are attributed.
- Long term power purchase agreement (PPA) signed with EDP sets us on course to source approximately 40% of our energy requirements with certified "green" electricity by 2023, moving us closer to our 2030 target of 85%.
- 5G spectrum auction still ongoing after more than 132 days, and over 900 rounds, with limited visibility on timing due to the flawed nature of the framework.

A close-up photograph of a woman with dark, curly hair, smiling and gesturing with her hand towards a laptop screen. The image is framed by a large yellow triangle that points towards the top right corner of the page.

# 02

**MANAGEMENT  
REPORT**

## 2.1.

# GOVERNING BODIES

As at the date of this report, 21 July 2021, NOS' Governing Bodies had the following composition:

### Board of Directors

<b>Chairman of the Board of Directors</b>	Ângelo Paupério
<b>Chairman of the Executive Committee</b>	Miguel Almeida
<b>Members of the Executive Committee</b>	José Pedro Pereira da Costa, Vice-Presidente, CFO Daniel Beato Filipa Santos Carvalho Jorge Graça Luis Nascimento Manuel Ramalho Eanes
<b>Members</b>	Ana Rita Rodrigues António Domingues António Lobo Xavier Catarina Távira Cristina Marques João Torres Dolores Joaquim de Oliveira José Carvalho de Freitas Maria Cláudia de Azevedo

### Fiscal Board

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

### Officials of the General Meeting of Shareholders

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

### Statutory Auditor

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



## 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 2021:

NAME	POSITION	SHARES				
		BALANCE 31-12-2020	1H21 TRANSACTIONS			BALANCE 30-06-2021
			ACQUISITIONS *	DISPOSALS	UNIT PRICE *	DATE
Ángelo Gabriel Ribeiro dos Santos Paupério <sup>(1)</sup>	Chairman of the Board of Directors	0	-	-	-	-
ZOPT, SGPS, SA		268,644,537	-	-	-	-
Sonae - SGPS, SA		38,000,000	-	-	-	-
Miguel Nuno Santos Almeida	Chairman of the Executive Committee	157,361	86,947	-	3.144 €	31/03/2021
José Pedro Faria Pereira da Costa	Executive Member	193,358	64,304	-	3.144 €	31/03/2021
Manuel Ramalho Eanes	Executive Member	48,277	49,209	-	3.144 €	31/03/2021
Daniel Lopes Beato	Executive Member	0	6,421	-	3.144 €	31/03/2021
Filipa de Sousa Taveira da Gama Santos Carvalho	Executive Member	14,629	8,639	-	3.144 €	31/03/2021
Luís Moutinho do Nascimento	Executive Member	80	20,906	-	3.144 €	31/03/2021
Jorge Filipe Pinto Sequeira dos Santos Graça	Executive Member	33,467	41,662	-	3.144 €	31/03/2021
Ana Rita Ferreira Rodrigues	Non-Executive Member	0	-	-	-	-
António Domingues	Non-Executive Member	0	-	-	-	-
António Bernardo Aranha da Gama Lobo Xavier	Non-Executive Member	0	-	-	-	-
António Lobão Teles <sup>(2)</sup>	Non-Executive Member	0	-	-	-	-
Catarina Eufémia Amorim da Luz Távira Van-Dúnem	Non-Executive Member	0	-	-	-	-
Cristina Maria de Jesus Marques	Non-Executive Member	0	-	-	-	-
João Pedro Magalhães da Silva Torres Dolores <sup>(3)</sup>	Non-Executive Member	0	-	-	-	-
ZOPT, SGPS, SA		268,644,537	-	-	-	-
Sonae - SGPS, SA		38,000,000	-	-	-	-
Joaquim Francisco Alves Ferreira de Oliveira	Non-Executive Member	0	-	-	-	-
Maria Cláudia Teixeira de Azevedo <sup>(4)</sup>	Non-Executive Member	0	-	-	-	-
ZOPT, SGPS, SA		268,644,537	-	-	-	-
Sonae - SGPS, SA		38,000,000	-	-	-	-
José Carvalho de Freitas	Non-Executive Member	0	-	-	-	-
José Pereira Alves	Chairman of the Fiscal Board	0	-	-	-	-
Paulo Cardoso Correia da Mota Pinto	Member of the Fiscal Board	0	-	-	-	-
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	Member of the Fiscal Board	0	-	-	-	-
Ana Luísa Nabais Aniceto da Fonte	Substitute Member of the Fiscal Board	0	-	-	-	-
Ernst & Young Audit & Associados, SROC, S.A.	Statutory Auditor	0	-	-	-	-
Sandra e Sousa Amorim	Statutory Auditor	0	-	-	-	-
Pedro Jorge Pinto Monteiro da Silva e Paiva	Substitute Statutory Auditor	0	-	-	-	-

<sup>(1)</sup> Ángel Gabriel Ribeiro dos Santos Paupério is a member of the Board of Directors of ZOPT, SGPS, S.A., which owned, on 30 June 2021 a share correspondent to 52.15% of the share capital and voting rights of NOS and a member of the Board of Directors of Sonaeacom, SGPS, S.A..

<sup>(2)</sup> António Lobão Teles presented his resignation as Non-Executive Board Member of the Company on 4 January 2021.

<sup>(3)</sup> João Pedro Magalhães da Silva Torres Dolores is a Member of the Board of Directors of Sonaeacom, SGPS, S.A..

<sup>(4)</sup> Maria Cláudia Teixeira de Azevedo is a member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 30 June 2021, correspondent to 52.15% of the share capital and voting rights of NOS, and member of Board of Directors of Sonaeacom, SGPS, S.A..

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

## 2.2.

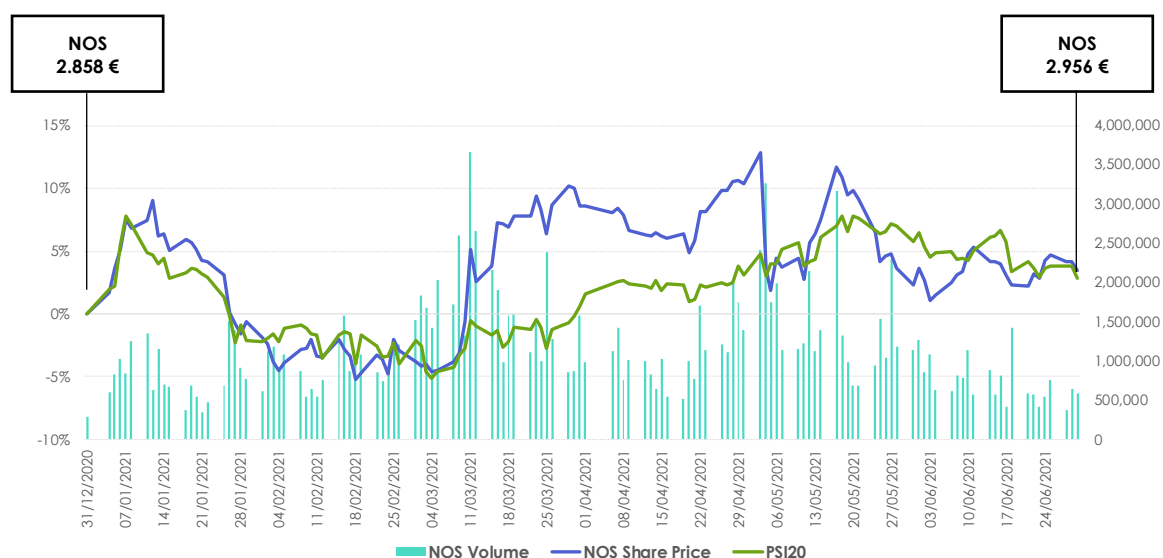
# CAPITAL MARKETS

### NOS' Share Performance

On 30 June 2021, the close price of NOS' shares was 2.956 euros, which represents a 3.4% increase since the beginning of the year, and which compares with a 2.8% climb of the main Portuguese share index, PSI20.

Taking the amount of the dividend, 0.278 euros, paid on 6 May 2021, into consideration, NOS' Total Shareholder Return in 1H21 was 13.2%.

In 1H21 more than 145.7 million NOS shares were traded, which translates to an average daily volume of 1.156 million shares per market session.



As such, the daily average volume of NOS in 1H21 represents 0.22% of its total number of shares outstanding.

The highest price at which NOS shares were traded this semester was 3.230 euros (on 3 May 2021), while their lowest trade price was 2.686 euros (on 19 February 2021).

As previously mentioned, the main Portuguese share index, PSI20, posted in 1H21 an increase of 2.8%. Additionally, the Spanish index, IBEX35, climbed by 9.3%. FTSE100 (United Kingdom) improved by 8.9%, as well as DAX (Germany) and CAC40 index (France), which increased by 13.2% and 17.2% respectively, in 1H21.

## 1H21 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.

1H21	
06/01/2021	NOS informs on Qualified Shareholding of Norges Bank
08/01/2021	NOS informs on resignation of Non Executive Board Member
11/01/2021	NOS informs on NOS 2019-2024 Bonds Interest Payment
15/01/2021	NOS informs on Qualified Shareholding of Norges Bank
18/01/2021	NOS informs on NOS 2019-2024 Bonds Interest Payment
18/01/2021	NOS informs on co-optation of Members of the Board of Directors
19/01/2021	NOS informs on Qualified Shareholding of Norges Bank
22/01/2021	NOS informs on Qualified Shareholding of Norges Bank
22/01/2021	NOS informs on Qualified Shareholding of Massachusetts Financial Services Company
29/01/2021	NOS informs on Qualified Shareholding of Norges Bank
05/02/2021	NOS informs on Qualified Shareholding of Norges Bank
05/02/2021	NOS is the first operator in Portugal to provide auto install for TV and Internet
17/02/2021	Microsoft and NOS accelerate society's digital transformation
18/02/2021	NOS launches range of reconditioned devices with a two year guarantee
19/02/2021	NOS informs on Qualified Shareholding of Norges Bank
05/03/2021	NOS joins Portuguese Women in Tech
08/03/2021	NOS and AWS challenge startups to innovate using 5G
10/03/2021	NOS informs on 4Q20 Earnings Announcement
19/03/2021	NOS informs on NOS 2015-2022 Bonds Interest Payment
19/03/2021	NOS signs European Declaration for a Green Digital Transformation
26/03/2021	NOS informs on General Shareholders Meeting
26/03/2021	NOS informs on 2020 Annual Management Report
31/03/2021	NOS informs on shares delivered to Board Members and employees of the NOS Group
09/04/2021	NOS informs on Manager Transactions
09/04/2021	NOS informs on Manager Transactions
09/04/2021	NOS informs on Manager Transactions
09/04/2021	NOS informs on Manager Transactions
09/04/2021	NOS informs on Manager Transactions
09/04/2021	NOS informs on Manager Transactions
12/04/2021	NOS and Benfica present the first 5G Stadium in Portugal
21/04/2021	NOS informs on Shareholders' Meeting Deliberations
21/04/2021	NOS informs on calendar for dividend payment
23/04/2021	NOS informs on "NOS, SGPS, S.A. €300mn 1.125% Notes due 02 May 2023" Bond Interest payment
23/04/2021	NOS informs on review of "BBB-" long term issuer credit rating and stable Outlook by S&P
23/04/2021	NOS informs on Manager Transactions - Amendment
04/05/2021	NOS invests in renewable energy - Agreement with EDP reduces CO2 emissions by 17,200 tonnes per year
11/05/2021	NOS informs on 1Q21 Earnings Announcement
16/06/2021	NOS and Luz Saúde present the first 5G Hospital in Portugal
21/06/2021	NOS informs on NOS 2019-2024 Bonds Interest Payment

## 1H21 Main Investor Relations Events

Below we present the major Investor Relation events, which took place in 1H21. 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.

Events	
<b>02 February</b>	Santander Iberian Conference
<b>14 April</b>	JB Capital Markets Iberian TMT Forum
<b>23 June</b>	Bank of America Made in Iberia Days

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, n° 9  
1600-404 Lisboa  
Ph. / Fax: +(351) 21 782 47 25 / +(351) 21 782 47 35  
E-mail: [ir@nos.pt](mailto:ir@nos.pt)

## 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 2021, as follows:

SHAREHOLDERS	NUMBER OF SHARES	% SHARE CAPITAL & VOTING RIGHTS
ZOPT, SGPS, SA <sup>(1)</sup>	268,644,537	52.15%
Sonae, SGPS, S.A. <sup>(2)</sup>	38,000,000	7.38%
<b>TOTAL</b>	<b>306,644,537</b>	<b>59.53%</b>

(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.

(2) As per the announcement, disclosed on 19 August 2020, to the Portuguese Market Securities Commission (CMVM).

Note: Own shares held by the Company are not considered for the purpose of calculating shareholders' % of voting rights.

A detailed record of the qualified shareholdings' announcements can be found at NOS' corporate website, at [www.nos.pt/ir](http://www.nos.pt/ir).

## Transactions of Own Shares

By the end of 1H21, NOS held, within the scope of its Employee Share Plan and the Regulation on Short and Medium Term Variable Remuneration, aimed at NOS employees, 3,004,671 own shares.

The table below summarizes NOS' own shares transactions, which took place until 30 June 2021:

Description	NUMBER OF SHARES
Initial Balance	3,424,754
Acquisition	687,000
Share Incentive Scheme and Other Remuneration - Distribution	(1,107,083)
<b>Final Balance</b>	<b>3,004,671</b>

## 2.3.

# BUSINESS

# REVIEW

- We continued to improve customer experience and keep our customers connected whilst working and studying from home, providing the most attractive entertainment propositions, upgrading to best in class terminal equipment and maintaining a relentless pace of product and service innovation.
- Despite pandemic restrictions which marked 1Q21, 2Q21 was marked by a progressive deconfinement and reopening of the economy and benefitted from the return of our cinema theatres on 19 April (closed since 15 January), with encouraging attendance although still short of pre-pandemic levels.
- Total RGUs grew by 81.1 thousand in 1H21 to 10.0 million services. Mobile subscriptions increased by 77.1 thousand in comparison to the end of 2020, reaching 5.085 million mobile subscriptions in total. Pre-Paid net adds improved in comparison with 1H20, with -34.1 thousand net adds, whereas Post-Paid customers accelerated growth with 111.2 thousand net adds in the semester. This healthy performance was driven by a strong commercial dynamic across all segments, also helped by the reopening of major retail outlets with progressive deconfinement throughout the second quarter.
- Fixed Pay TV subscribers posted net adds of 8.0 thousand. Fixed Broadband subscribers grew by 8.9 thousand.
- The penetration of Convergent+Integrated subscribers within the fixed base continues to grow, reaching 63.3% at the end of 1H21. These 993.8 thousand customers subscribe to 5.061 million services, an additional 104.5 thousand RGUs during 1H21.
- Our FttH network rollout continues at a strong pace. This semester, 395 thousand new addressable FttH homes were added, of which 179 thousand were greenfield. NGN fixed coverage has therefore reached 4.986 million homes, of which 2.296 million (46.0%) are covered with FttH.
- Following the pioneering launch of Smart Number, in partnership with Apple and Samsung, a multi-SIM service exclusive at NOS in Portugal with a 100% digital solution, which allows for autonomous and transparent smartwatch connectivity using the same telephone number as the smartphone, and following the launch of a number of B2C IoT tariff plans supported by NB-IoT preparing NOS Customers for a world with everything connected, we continued to drive differentiation of our mobile offer delivering several 5G pioneering initiatives in Portugal.
- As part of our strategy to lead in 5G, and to demonstrate the full potential of this radical new



technology for the consumer market, we have entered exclusive partnerships with a number of internationally renowned companies leading 5G technological solutions to bring the very best entertainment experience to our customers. We are actively promoting immersive B2C entertainment 5G experiences with live demos across our nationwide base of stores, focused on the main benefits of this game changing mobile technology. Already available in NOS stores to trial are cloud gaming experiences with "Blacknut" (<http://blacknut.com>); Virtual Reality concerts with "MelodyVR" (<https://melodyvr.com/>); Augmented Reality image clipping tool with "ClipDrop" (<https://clipdrop.co/>) and Augmented Realty Video Creator with "LeoAR" (<https://leoapp.com/>).

- At the end of March we launched in Portugal the first 5G ready hotspot – Zyxel NR2101 – which combines the ultra-high speeds and ultra-low latency of 5G technology, over the latest WiFi6 protocol, enabling speeds of more than 1Gbps.
- Providing the most innovative equipment to NOS' customers is core to our market positioning by ensuring they can experience our telecom services to their fullest. A sequence of sale and promotion of devices was accelerated in 1Q21 with thematic days such as Easter, Father's Day, Valentine's Day and our Special "N" Day focusing on offering 5G enabled smartphones to our customers under the most competitive conditions and aligned with our strategy to lead 5G in Portugal. Additionally, and due to the specific circumstances of the pandemic we partnered with Microsoft and Sony to extend our connected devices portfolio to Microsoft Surface Laptops and PlayStation gaming consoles which played a critical role during extensive lock-down period in Portugal.
- Conscious of our environmental responsibilities, in 1Q21 we launched a new range of reconditioned iPhones – "Garantidos NOS". The handsets are sold with a two-year guarantee period at very attractive prices and customers can opt for paying in instalments, thus making top of the range devices more easily available to all pockets. NOS Guaranteed phones are a more sustainable option, promoting the circular economy by reducing electronic pollution and incentivizing re-use of equipment. The devices go through a very demanding technical assurance process and look and feel like new, with minimal signs of previous usage.
- Following a strategy of continuous improvement in customer experience, by providing Plug & Play solutions, we increased a number of services that enable experience upgrade and became the only operator to enable self-installation of Pay TV and internet services. Having already launched a self-upgrade of set-top-boxes to UMA or to Apple TV and self-installation of in-home Wi-Fi enhancing solution, in 1Q21, we extended this self-installation feature to upgrade customer routers. With the launch of our self-install Giga Router, customers are able to activate their internet services without the visit of a technician, which is particularly appreciated given social distancing rules.
- With a focus on connectivity, in May NOS launched the first Wi-Fi 6 Router in Portugal, enabling ultrafast speeds and up to 100 simultaneous connections, meeting even the most demanding usage profiles. This is also a more sustainable and environmentally responsible equipment, being the first to be manufactured 100% out of recycled plastics, enabling a 50% reduction in CO2 emissions and with clear energy consumption benefits, through significant extension of Wi-Fi connected devices' battery life. NOS also renewed its "Power Wi-Fi" offer, in partnership with Plume. The new Super Extenders increase coverage two-fold and enable speeds of up to 500 Mbps. By using Adaptive Wi-Fi, with AI algorithms to optimize network

performance, the quality of connection is adapted to each device and each user's consumption patterns. "Power Wi-Fi" is now available from 6 euros per month.

- Mobile innovation is a core part of our strategy in the build-up of our goal to lead in 5G. Immediate, immersive and more interactive than ever, 5G is set to radically change customer experience, with 100 times faster speeds, less than 5 milliseconds latency and 1000 times greater capacity, capable of connecting everyone and everything. Continuous innovation and pioneering launches establish the technological stage and solutions for NOS to lead the wave of mobile disruption set to accelerate with the commercial launch of 5G networks.
- NOS was distinguished by Ookla, a global leader in testing, data and analysis for fixed and mobile broadband, as Best Mobile Coverage in 2H20. With thousands of users having taken the Ookla Speedtest, results of NOS' customer scans pointed to 99.9% availability and 93.1% of 4G availability. NOS reached a coverage score of 699 points, well ahead of domestic competitors. VoLTE and VoWi-Fi technologies have been extended to almost all consumer segment mobile customers with compatible devices, benefitting from calls with HD quality, no delays in call set-up and improved smartphone battery management.
- Responding to the needs of increasingly digital consumers, particularly relevant during the pandemic, we launched a 2-hour home delivery of smartphone and other device purchases made on our digital platforms, providing convenience, speed and safety for the customer. Following our launch of the first 100% digital telco brand in Portugal, "WOO" was recognized by customers as "Product of the Year" in January 2021. To boost digital conversion, a new website was launched and new payment methods are now accepted, evolving from the previous "credit card only" policy. Mindful of the interest that the younger generation takes in wellbeing and healthy nutrition, our mobile youth brand, WTF, signed a very relevant partnership with Prozis, the biggest sports nutrition store in Europe. All WTF subscribers can now enjoy a 10% discount in purchases at Prozis once a month, along with other benefits.
- Further enhancing customer loyalty and contributing to a sense of global purpose, NOS and EDP Comercial signed a commercial partnership offering benefits designed to promote more sustainable customer behavior, a strategic priority for both companies. Through this offer, NOS' convergent customers can double their mobile data allowance, while benefitting from 100% green energy and additional discounts of up to 2% on their energy bill.
- In our B2B division we continue to pursue initiatives that reinforce our position as the partner of choice for digital transformation of Portuguese companies, be they large corporations and public institutions or small and mid-sized businesses. Demand remains strong for tools and platforms to facilitate digital transformation processes, that also bring new challenges to organizations on the cybersecurity and business continuity contexts, accelerated by digitalization and migration to the cloud projects. VPN'S, multifactor authentication solutions and new perimeter security systems are amongst the most sought-after offers, alongside sharing, secure warehousing, data recovery solutions with cloud based, remote control and monitorization.
- Our positioning as the partner of choice for digital transformation of Portuguese companies and public institutions continues to drive uptake of our innovative data and IT services, with particular focus on cloud and "as a service" solutions, as well as project consultancy.

Developed in partnership with NOS, Albufeira launched its Smart City project in June. Residents can report incidents over a dedicated platform, and, in conjunction with analysis of data collated from sensors and monitoring devices across the city, municipal services can trigger an action for immediate problem resolution or to prevent them occurring. Albufeira is thus able to manage the city's main functionalities and infrastructures in an integrated fashion, as is already happening in other Portuguese municipalities, such as Lagoa, Moita or Vila Nova de Famalicão, where residents are already enjoying the benefits of sophisticated and efficient smart city solutions implemented by NOS, positioning us as the most able partner for municipal digital transformation. We also launched an innovative analytics tool, "Analytics Pro", aimed at companies or municipalities. This solution analyses the mobility dynamics of a group of people, providing insights about several variables, such as population count, movements by time block, concentration of people by location, age groups, or density of visitors, among others. All information is aggregated and treated by NOS, enabling new approaches for territorial or corporate management, through an intuitive and interactive dashboard, while safeguarding citizen privacy.

- In 1H21, NOS continued its strategy to strengthen its significant network of partnerships in the B2B space.
- We entered into a number of strategic protocols and agreements with key players operating in the telco-IT ecosystem, such as the partnership with the Kaizen Institute to provide 5G digital consultancy and innovation services, driving gains in efficiency and competitiveness for Portuguese companies. This new partnership ecosystems are an integral part of our 5G strategy on the B2B segment, already supporting pilot projects within several pioneering companies.
- In February we joined forces with Microsoft to develop three dimensions to drive improvement in ways of working and living supported by Microsoft technology: Co-creation and shared innovation, particularly in 5G, development of a cloud first strategy and development of integrated solutions for the B2B market. We are committed to actively contributing to digitalization in Portugal and this partnership represents another important milestone in our strategy of the lives of our customers through our technological expertise and asset base.
- On our path to reinventing Telco, we also signed an important partnership with Lleida.Net to commercialize electronic delivery registration services, "Registered SMS" and "Registered SMS Contract", which provide legally valid proof of delivery, thus increasing speed of delivery, dematerialization of administrative requirements and increased operational efficiency and lower costs. With this partnership, we become the first Portuguese operator to be included in the National Security Office's (GNS) National Trust List as a Delegated Registration Authority, recognition of our standing as a reference and trusted operator for electronic transactions.
- Alongside Sonae Financial Services, we launched "TPA Pro", an automatic payment terminal solution for receiving payments with all credit and debit cards. TPA Pro also provides solutions for scheduling customer visits or managing customer loyalty and payment plans – a true ally in the digital transformation of Portuguese businesses. Furthermore, in this quarter NOS also completed its certification in Cisco's Advanced Data Center Architecture Specialization, providing advanced expertise in converged infrastructure, multicloud hybrid computing, application or infrastructure as a service, and analytics.



- The provision of cloud services continues to be increasingly relevant for NOS and its customers, as a key enabler of digital transformation. As such, in partnership with Portuguese data storage start-up Vawlt, we launched “NOS Multicloud Storage”, a solution aimed at simplifying data storage for companies of all sizes, based on the three main suppliers of public cloud: Microsoft Azure, Google Cloud and Amazon Web Services. Using an innovative, dedicated software developed by Vawlt, customers can simply and safely access a file storage service through a single interface and login, without the need for specific expertise in cloud technology on the customer’s part.
- In May, NOS and Grupo Luz Saúde presented Portugal’s first 5G hospital, Hospital da Luz Lisboa, an all-important first step towards the hospital of the future. This pioneering partnership will boost technological advancements in healthcare and medical research. Virtual and augmented reality, sensing, monitorization and robotics are some of 5G’s applications in the context of the healthcare industry. In April, we launched Portugal’s first 5G football stadium in partnership with Benfica, enabling increased network capacity, greater speeds, and a much more immersive experience, through technologies such as virtual or augmented reality. The Benfica – FC Porto match held in May was also the first game in Portugal to be broadcast using 5G technology.
- Following the launch in partnership with Amazon Web Services of the NOS | AWS 5G Accelerator programme, aimed at start-ups to encourage the entrepreneurial and innovation ecosystem surrounding 5G, with the first place being awarded to KIT-AR, for the development of a solution using new technologies, such as augmented reality and artificial intelligence to reduce the likelihood of errors and drive continuous improvement in industrial processes. Through this project, we continue to reinforce our standing at the forefront of technological innovation, through leadership and reputational standing as a partner for digital transformation.
- Our best in class fixed and mobile network reinforcement and response has coped with the enormous increase in traffic in comparison to pre-pandemic levels. Together with customer premise equipment offering enhancement and replacement, this has meant very high levels of service quality and availability, positively impacting customer satisfaction.
- Aligned with our strategic ambition to achieve unequivocal leadership in 5G and, notwithstanding the ongoing spectrum auction, we have already begun 5G deployment to speed up coverage targets and to be ready for commercial launch once frequencies are attributed. Our mobile network infrastructure sharing agreement signed in 2020 is a strategic axis for sustainable technological evolution to 5G and the first RAN sharing sites are already up and running.

	1H20	1H21	1H21 / 1H20
<b>OPERATING INDICATORS ('000)</b>			
<b>Telco <sup>(1)</sup></b>			
Homes Passed	4,689.9	4,986.1	6.3%
Total RGUs	9,747.4	10,000.2	2.6%
o.w. Consumer RGUs	8,243.8	8,459.8	2.6%
o.w. Business RGUs	1,503.7	1,540.4	2.4%
Mobile	4,869.9	5,084.9	4.4%
Pre-Paid	1,957.7	1,957.5	(0.0%)
Post-Paid	2,912.2	3,127.3	7.4%
Pay TV Fixed Access <sup>(2)</sup>	1,351.2	1,370.8	1.4%
Pay TV DTH	283.4	268.7	(5.2%)
Fixed Voice	1,766.7	1,770.4	0.2%
Broadband	1,439.8	1,466.5	1.9%
Others and Data	36.4	39.0	7.3%
3,4&5P Subscribers (Fixed Access)	1,213.5	1,247.7	2.8%
% 3,4&5P (Fixed Access)	89.8%	91.0%	1.4%
Convergent + Integrated RGUs	4,823.9	5,060.5	4.9%
Convergent + Integrated Customers	957.5	993.8	3.8%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	61.6%	63.3%	2.7%
% Convergent + Integrated Customers	58.6%	60.6%	3.5%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	42.4	43.9	3.5%
<b>Net Adds</b>			
Homes Passed	77.4	179.3	131.8%
Total RGUs	71.3	81.1	13.7%
o.w. Consumer RGUs	50.4	69.0	37.0%
o.w. Business RGUs	21.0	12.1	(42.4%)
Mobile	18.9	77.1	308.7%
Pre-Paid	(50.5)	(34.1)	(32.4%)
Post-Paid	69.4	111.2	60.3%
Pay TV Fixed Access	6.5	8.0	23.0%
Pay TV DTH	0.8	(10.9)	n.a.
Fixed Voice	18.1	(3.8)	n.a.
Broadband	25.5	8.9	(65.0%)
Others and Data	1.6	1.8	14.9%
3,4&5P Subscribers (Fixed Access)	13.0	17.3	33.1%
Convergent + Integrated RGUs	119.4	104.5	(12.5%)
Convergent + Integrated Customers	26.8	17.1	(36.3%)

(1) Portuguese Operations.

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

Note: In 1Q21, 4Q20 Post-Paid mobile subscribers have been restated to adjust for the subsidized mobile broadband plans, E-Escolas, which are now not included in numbers reported.

## Cinemas and Audiovisuals

	1H20	1H21	1H21 / 1H20
<b>OPERATING INDICATORS ('000)</b>			
<b>CINEMA <sup>(1)</sup></b>			
Revenue per Ticket (Euros)	5.2	5.4	2.7%
Tickets Sold - NOS	1,526.6	567.7	(62.8%)
Tickets Sold - Total Portuguese Market <sup>(2)</sup>	2,568.5	881.3	(65.7%)
Screens (units)	208	208	0.0%

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

- After closing on 15 January due to restrictions related with the pandemic, cinemas were finally reopened on 19 April, albeit with a 50% limit on capacity. While still far from pre-pandemic levels of attendance, with 552 thousand tickets sold in 2Q21, performance has so far surpassed the 3Q20 reopening numbers. For 1H21, NOS sold 568 thousand cinema tickets.
- Revenue per ticket of 5.4 euros represented a 2.7% improvement over 1H20, yet remains impacted by the restriction on food and beverage sale and consumption within theatres. Total Cinema Exhibition Revenues in 1H21 reached 3.9 million euros. Due to significant efforts to contain costs, we were able to reduce the negative impact of the pandemic on profitability.
- The most successful movies exhibited in 1H21 were "F9: The Fast Saga", "The Conjuring: The Devil Made Me Do It", "Cruella", "A Quiet Place 2" and "Raya and The Last Dragon".
- Total revenues from the Audiovisuals division declined by 4.4% yoy to 20.1 million euros, with improved performance in rights management partially offsetting the decline in cinema distribution revenues.

## We continue to make progress delivering our sustainability goals

- We continue to make progress in key areas of our ESG strategy and have further reinforced our commitment to deliver publicly stated goals to the achievement of United Nations SDGs and Global Compact Principles. In March NOS became a founding member of "Digital With Purpose", an international movement led by GeSI integrating more than 40 leading technology companies worldwide. DWP is dedicated to accelerating positive impact through use of technology through 5 "digital impact themes": Climate Action, Circular Economy, Supply Chain, Digital Inclusion and Digital Trust. All signatories will be evaluated and certified annually, attesting their performance in comparison to the DWP scorecard currently in the final stages of development. NOS also reinforced its pledge to contribute towards a green and digital transformation of the EU, becoming a signatory of the European Green Digital Coalition (EGDC), whereby technological companies from various European Union Member States are committing to actions that reduce their greenhouse gas emissions at a pace that is compatible with limiting global warming to 1.5°C, with the goal of reaching net zero carbon emissions, or carbon neutrality by 2040. NOS is the only Portuguese company that is part of this coalition, which was officially recognized on Digital Day 2021, an initiative

promoted by the European Commission and by the Portuguese European Council Presidency.

- We renewed an important nationwide protocol for digital and social inclusion with one of the main voluntary service organizations in Portugal, the União das Misericórdias Portuguesas (UMP), to provide a broad range of mobile and fixed electronic connectivity and related digital services to the almost 390 homes and facilities across the country and to deploy innovative technological projects namely as regards domestic support and monitoring systems for the elderly and more vulnerable populations.
- Conscious of the under-representation of women in STEM related careers, we have recently joined the "Portuguese Women in Tech Association" (PWIT) with a view to encourage projects that promote gender diversity in all professions.
- Contributing to our environmental and biodiversity protection ambitions, we entered a voluntary reforestation project to offset currently non-avoidable own fleet emissions, with an estimated 100ha to be planted a year. This reforestation offset project will run in parallel with companywide electrification and energy efficiency projects targeting structural, long term reduction in total emissions. In addition to the environmental benefits, the NOS forest will also provide a platform for implementing voluntary and social responsibility initiatives in the coming years, raising key stakeholder awareness to the importance of effective environmental action.
- Major progress was made towards our renewable energy goals with the signature in April '21 of a long-term power purchase agreement (PPA) with EDP which will guarantee 62 GWh per year of renewable energy. A new wind farm will be deployed over the next couple of years and by 2023 we will be able to source approximately 40% of our energy requirements with certified "green" electricity, a major step towards reaching our 2030 target of 85% and we will be able to run our entire 5G network on certified renewable energy.
- On 1 July, we announced the issuance of three sustainability linked loan facilities in total of 150 million euros, thus strengthening the tie between our ESG performance and cost of funding and reflecting the importance we attribute to delivering on our sustainability strategy. Of the three facilities issued, one is linked to the evolution of our CDP rating (currently A- "Leadership") and the other two to achieving a 50% reduction in our own operation's carbon footprint (scope 1 and 2 emissions), by 2025 in comparison to 2015, and to achieving 65% consumption of renewable electricity by 2025. Further details of these lines are provided in the capital structure section further ahead in this report.



## 2.4.

# CONSOLIDATED FINANCIAL REVIEW

### Consolidated Income Statement

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

	1H20	1H21	1H21 / 1H20
<b>PROFIT AND LOSS STATEMENT (Millions of Euros)</b>			
Operating Revenues	666.6	678.5	1.8%
Telco	652.8	672.4	3.0%
Consumer Revenues	480.2	489.9	2.0%
Business Revenues	138.9	146.2	5.2%
Wholesale and Others	33.6	36.3	8.0%
Audiovisuals & Cinema <sup>(1)</sup>	30.7	23.1	(24.9%)
Others and Eliminations	(16.9)	(17.0)	0.9%
Operating Costs Excluding D&A	(356.0)	(371.9)	4.4%
Direct Costs	(175.9)	(201.2)	14.4%
Non-Direct Costs <sup>(2)</sup>	(180.1)	(170.7)	(5.3%)
EBITDA <sup>(3)</sup>	310.6	306.6	(1.3%)
EBITDA Margin	46.6%	45.2%	(1.4pp)
Telco	294.4	288.4	(2.0%)
EBITDA Margin	45.1%	42.9%	(2.2pp)
Cinema Exhibition and Audiovisuals	16.2	18.2	12.3%
EBITDA Margin	52.6%	78.8%	26.1pp
Depreciation and Amortization	(201.7)	(204.8)	1.6%
(Other Expenses) / Income	(49.5)	(6.0)	(87.9%)
Operating Profit (EBIT) <sup>(4)</sup>	59.4	95.8	61.2%
Share of profits (losses) of associates and joint ventures	(9.8)	2.3	n.a.
(Financial Expenses) / Income	(11.3)	(17.9)	58.3%
Leases Financial Expenses	(3.2)	(13.0)	307.8%
Funding & Other Financial Expenses	(8.1)	(4.9)	(39.5%)
Income Before Income Taxes	38.4	80.2	109.2%
Income Taxes	(10.3)	(6.5)	(36.7%)
Net Income Before Associates & Non-Controlling Interests	37.8	71.4	88.8%
Income From Continued Operations	28.0	73.7	162.8%
o.w . Attributable to Non-Controlling Interests	0.5	(0.2)	n.a.
Discontinued Operations	6.4	0.0	(100.0%)
Net Income	35.0	73.9	111.2%

(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.

## Operating Revenues

Telco Revenues amounted to 672.4 million euros in 1H21, representing growth of 3.0% in comparison with 1H20. The yearly comparison is helped by the fact that premium sports channel billing was suspended during the months of March, April and May last year, due to the absence of live sports events in that period. Excluding premium sports and roaming, Telecom revenues grew by 1.7% yoy.

B2C revenues growth amounted to 2.0% yoy, with good performance from all revenue streams, including Fixed Residential, Personal and Equipment Sales, and more than compensating for the structural decline in legacy DTH revenues. B2B revenues grew by 5.2% yoy in 1H21 to 146.2 million, reflecting mostly the positive trends in IT and data solutions, as previously discussed, with strong revenue growth in all subsegments, particularly in larger-sized companies. Wholesale & Other revenues posted growth of 8.0%.

After closing on 15 January due to lockdown measures, our cinema theatres were finally reopened on 19 April. Overall in 1H21, Cinema revenues declined by 66.4%, given that in 1Q20 Cinemas were still open in a pre-COVID, restriction-free, environment. In Audiovisuals, revenues declined by 4.4% in comparison with 1H20, with the fall in cinema distribution revenues being partially offset by the good performance in other revenue streams, namely rights management.

Consolidated Revenues therefore increased by 1.8% yoy to 678.5 million euros.

## EBITDA and Net Results

Total OPEX in 1H21 increased by 4.4% yoy to 371.9 million euros, reflecting higher Direct Costs of 201.2 million euros (+14.4% yoy) and Non-Direct Costs amounting to 170.7 million euros (-5.3%). The significant yoy increase in Direct Costs was due to an abnormally low level of direct costs in 1H20 due to the substantial decrease in costs of premium sports reflecting the suspension of billing of these channels during 3 out of the 6 months (March, April and May 2020). Non-Direct Costs declined by 5.3% yoy with flat commercial and customer related costs and a 7.4% decline in other operating costs, driven by the continuous efficiency improvement measures, namely in supplies and external services and in the cinema business.

Mainly as a result of the non-recurrent drop in programming costs booked last year, Telco EBITDA decreased by 2.0% to 288.4 million euros. Adjusting for the impact of premium sports and roaming, Telco EBITDA should have grown by 2.9%. However, Group EBITDA declined less, 1.3%, to 306.6 million euros in 1H21, reflecting the 12.3% recovery in the level of Cinema Exhibition and Audiovisuals EBITDA to 18.2 million euros.

EBIT improved by 61.2% yoy to 95.8 million euros, primarily reflecting the higher level of non-recurrent items in 1H20 the majority of which related to the reinforcement of operating provisions for customer bad debt, onerous contracts and personal protective equipment. Contribution from Associated Companies improved from a negative result of 9.8 million euros in 1H20 to +2.3 million euros in 1H21, with improved performance at ZAP and also due to the negative contribution both from impairments recorded at SportTV and provisions booked at ZAP, during 1H20.

Financial Expenses ex financial leases decreased by 39.5% to 4.9 million euros, which compares with 8.1 million euros in 1H20. Total Financial expenses of 17.9 million euros are not directly comparable

to the 11.3 million euros recorded in 1H20, given the increase in interest from financial leases as from the end of 3Q20 due to the sale of NOS Towering. The capital component of leases is reflected in D&A. Provisions for income tax improved from 10.3 million euros in 1H20 to 6.5 million euros in 1H21, explained mainly by tax incentives, and despite the increase in EBT in comparison to 1H20.

Net Income posted an improvement of 38.9 million euros, from 35.0 million euros in 1H20 to 73.9 million euros in 1H21.

## CAPEX

	1H20	1H21	1H21 / 1H20
<b>CAPEX (Millions of Euros) <sup>(1)</sup></b>			
Total CAPEX Excluding Leasing Contracts & Other Contractual Rights	171.8	200.1	16.5%
Telco	161.3	194.4	20.5%
% of Telco Revenues	24.7%	28.9%	4.2pp
o.w. Technical CAPEX	96.5	114.4	18.6%
% of Telco Revenues	14.8%	17.0%	2.2pp
Baseline Telco	69.6	72.6	4.3%
Network Expansion / Substitution and Integration Projects and Others	26.9	41.8	55.6%
o.w. Customer Related CAPEX	64.8	80.0	23.4%
% of Telco Revenues	9.9%	11.9%	2.0pp
Audiovisuals and Cinema Exhibition	10.5	5.7	(45.7%)
Leasing Contracts & Other Contractual Rights	24.1	12.7	(47.3%)
Total Group CAPEX	195.9	212.8	8.6%

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

Telco CAPEX increased by 20.5% to 194.4 million euros, with both Technical and Customer Related CAPEX growing in comparison to 1H20. Technical Telco CAPEX was the main contributor to the increase in Telco CAPEX, with the significant yoy growth of Network Expansion CAPEX due to the fixed and mobile network rollout and upgrade programmes underway, along with the 4.3% yoy increase in Baseline CAPEX. Customer Related CAPEX amounted to 80.0 million euros, a 23.4% yoy climb.

Audiovisuals and Cinema CAPEX continued to decline significantly yoy, with a decrease of 45.7% to 5.7 million euros reflecting an optimization of content mix in the Audiovisuals division and the fact that all Cinema upgrade and modernization investments have been put on hold for the time being.

## Cash Flow

	1H20	1H21	1H21 / 1H20
<b>CASH FLOW</b> (Millions of Euros)			
EBITDA	310.6	306.6	(1.3%)
Total CAPEX Excluding Leasings & Other Contractual Rights	(171.8)	(200.1)	16.5%
EBITDA - Total CAPEX Excluding Leasings & Other Contractual Rights	138.8	106.5	(23.3%)
% of Revenues	20.8%	15.7%	(5.1pp)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	0.4	6.1	n.a.
Leasings (Capital & Interest) <sup>(1)</sup>	(32.5)	(45.4)	39.9%
Operating Cash Flow	106.8	67.2	(37.1%)
Interest Paid	(7.9)	(7.9)	(0.3%)
Income Taxes Paid	(3.9)	(1.4)	(64.3%)
Disposals	0.1	1.2	n.a.
Other Cash Movements <sup>(2)</sup>	(6.9)	(7.9)	14.0%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	88.1	51.1	(42.0%)
Financial Investments	1.8	0.4	(77.5%)
Acquisition of Own Shares	(2.9)	(2.1)	(28.0%)
Dividends	0.0	(142.4)	n.a.
Free Cash Flow	87.1	(92.9)	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(2.8)	(0.1)	(97.5%)
Change in Net Financial Debt	(84.2)	93.0	n.a.

(1) Includes Long Term Contracts.

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

EBITDA-CAPEX declined by 23.3% in 1H21 to 106.5 million euros, as a result of the previously discussed slight reduction in EBITDA and 16.5% growth in CAPEX. Non-Cash Items and Changes in Working Capital improved by 5.7 million euros yoy, and, as anticipated, Leasings related charges increased yoy due to the sale of NOS Towering at the end of 3Q20, reaching 45.4 million euros. Combining these effects, Operating Cash Flow posted a 37.1% decline to 67.2 million euros in 1H21.

Free Cash Flow Before Dividends reached 51.1 million euros in 1H21, a 42.0% decline in comparison to 1H20.

## Consolidated Balance Sheet

	1H20	2020	1H21	1H21 / 1H20
<b>BALANCE SHEET</b> (Millions of Euros)				
Non-current Assets	2,405.9	2,557.5	2,565.0	6.6%
Current Assets	444.0	615.2	486.1	9.5%
Total Assets	2,971.4	3,172.6	3,051.1	2.7%
Total Shareholders' Equity	901.9	956.2	889.2	(1.4)%
Non-current Liabilities	1,109.0	1,487.8	1,347.5	21.5%
Current Liabilities	902.8	728.6	814.5	(9.8)%
Total Liabilities	2,069.5	2,216.4	2,162.0	4.5%
Total Liabilities and Shareholders' Equity	2,971.4	3,172.6	3,051.1	2.7%

## Capital Structure

At the end of 1H21, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,446.5 million euros. Net Financial Debt stood at 895.0 million euros with a cash and short-term investment position on the balance sheet of 29.4 million euros.

At the end of 1H21, NOS also had 295.5 million euros in unissued commercial paper programmes.

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.

For 1H21, NOS' all-in average cost of debt stood at 1.5%, which compares with 1.2% for 1H20, the increase being due to the excess cash position held after closing the tower sale transaction with Cellnex.

The average maturity of debt at the end of 1H21 was 2.6 years. Taking into account loans issued at a fixed rate and interest rate hedging operations in place, as at 30 June 2021, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 100%.

In 2Q21, NOS has secured 150 million euros sustainability linked loans, with a bullet maturity in 2026, with Millennium bcp, BBVA and Banco BPI. With these transactions, NOS tangibly links a portion of its cost of debt to its performance in Sustainability, strengthening and reflecting its strategic relevance and the commitment, at all levels of the Organization, to reach best-in-class targets in ESG indicators (Environmental, Social and Corporate Governance).

	1H20	2020	1H21	1H21 / 1H20
<b>NET FINANCIAL DEBT</b> (Millions of Euros)				
Short Term	134.8	100.8	187.3	39.0%
Medium and Long Term	891.6	854.5	737.1	(17.3%)
Total Debt	1,026.4	955.3	924.4	(9.9%)
Cash and Short Term Investments	17.1	153.3	29.4	72.5%
Net Financial Debt <sup>(1)</sup>	1,009.4	802.0	895.0	(11.3%)
Net Financial Debt / EBITDA after lease payments (last 4 quarters) <sup>(2)</sup>	1.8x	1.5x	1.8x	n.a.
Leasings and Long Term Contracts	210.8	575.3	551.5	161.7%
Net Debt	1,220.2	1,377.4	1,446.5	18.6%
Net Debt / EBITDA	2.0x	2.3x	2.4x	n.a.
Net Financial Gearing <sup>(3)</sup>	57.7%	59.2%	62.1%	4.4pp

(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).



## 2.5.

# 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** – This risk relates to the Company's activity being conditioned by the socioeconomic environment (ex.: demographic factors, strikes, unemployment, etc.) and by changes in the economic scenario (ex.: available income, purchasing power, investment capability, etc.). NOS, as most companies, has been 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 since early 2020, the effects of which will be felt in future periods, especially exposed in the general decline in consumption impacting all sectors of activity. Despite the electronic communications sector hasn't been 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. Regarding NOS' telco business, the main impacts were mainly felt until the end of the second half of 2020 and since then we have been experiencing a global recovery in this segment, except for roaming revenues. Telco business impacts relate to the temporary 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 during the professional soccer league break and lower roaming out revenues and international calls due to the international circulation restrictions and the abrupt fall of tourism in the Wholesale segment. COVID-19 pandemic has impacted 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, marked by cinema theatre closure during the first quarter of 2021, also impacting the advertising business due to smaller advertising investment in a more challenging economic context. Additionally, economic context impact mitigation has also been closely articulated with the actions of risk response to the

competition and technological innovation risks discussed below.

- **Competition** – This risk relates to market competition intensity, 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, as well as the protection and diversification of supply, combination of offers related with different businesses of NOS and the strengthening of the portfolio of broadcasting rights and the constant monitoring of customer preferences and/or needs. The operational integration processes that have taken place over the past years in NOS have also contributed to strengthen NOS' competitive position. Evolution to a logic of transformation, focusing on customer satisfaction, organizational fitness and operational efficiency, is also key. NOS also continues to be aware of the potential consolidation and acquisition moves of its competitors in the communications, content and entertainment industries, as well as the potential entrance of new competitors in the electronic communications sector, eased and already visible at the 5G frequency acquisition auction.
- **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); 5G Accelerator programme promotion (collaborative innovation programme for startups, sponsored by NOS and Amazon Web Services, in partnership with Startup Lisboa).
- **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 Business Continuity Management (BCM) 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. Within this scope, we highlighted the revision of service recovery goals in case of communication network failure and the introduction of several improvement measures regarding infrastructures and services resilience, as well as continued process and tools improvement in accordance with ANACOM's Network and Services Safety Regulation. As regards the pandemic impact, NOS maintains the permanent COVID-19 Crisis Office, with the purpose of coordinating a broad range of structured initiatives and contingency plans that guarantee the protection of employees and business continuity. Still as a result of the COVID-19 pandemic, NOS has been reinforcing the remote work capacity of its employees and partners, 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 has also been implementing 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 and Cybersecurity 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), under which 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. NOS has a Central Security & Privacy Team, empowered by the Executive Committee, to coordinate the development of the abovementioned S&P programmes and processes, across the organization. NOS reorganized its Cybersecurity Team, strengthening cyber intelligence, cyber strategy and cyber defence skills (included in the later is the coordination of the already existing SOC – Security Operations Center). As regards security certifications, 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 and ETIS. 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 increased. NOS has thus implemented measures with the aim of incrementing the level of monitoring of external or internal cybersecurity threats and undue usage of information, including strengthening of control over processes and technologies, as well as the regular disclosure to its employees and customers, of protection recommendations related to online threats and good security practices while working from home. Still within the scope of employee awareness and training, NOS conducted e-talk sessions on Security, it launched a new e-learning on Security & Privacy and phishing awareness actions.

- **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 regulation on security and privacy. To address these risks, and in close conjunction with the ISM, 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). 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; 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, reinforced through agreements and terms of responsibility, as well as through attendance at awareness initiatives and previously mentioned Security & Privacy training courses.

- **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** - With COVID-19 pandemic, this risk has become very relevant since 2020, still assuming itself as a critic risk in 2021 and with high probability of remain so in future periods. As previously mentioned, when discussing the Business Continuity risk, since the beginning of the pandemic, NOS maintains a permanent COVID-19 Crisis Office, with purpose of coordinating 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 equipment (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 restrictions on the participation in non-essential meetings and events. An internal plan is under way which foresees the management of the increase in remote work or the phased return of employees, which is put in place according to the crisis level, being determined by pandemic waves, by the country status and respective restrictions in place nation or local wise. 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, under which environmental impacts and climate change are included, 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, including the need for energy efficiency and renewable energies. Within environmental risks, climate change is especially relevant and as such NOS is a signatory of several global initiatives with a view to reducing carbon emissions and promoting sustainable development, such as UN's "Business Ambition for 1.5°C" and "Lisbon, Green European Capital 2020 – Climate Action Lisboa 2030". During the first half of 2021, NOS strengthened its compromise towards the adoption of more ambitious environmental protection practices, being the first Portuguese company to sign the "European Green Digital Coalition Declaration" (whose goal is to contribute to EU's green and digital transformation) and the first to celebrate a pioneer agreement with EDP for the purchase of long term renewable energy (it is a Power Purchase Agreement, for an 11 year period which foresees the construction of a new wind park and the supply of green electricity for NOS' operations). It's also noteworthy NOS' membership of the "Digital with Purpose" movement (by which large technological companies compromise to speed up the execution of the Paris Agreement and of UN's Sustainability targets until 2030). NOS maintains its participation in CDP's Climate Change which includes an annual 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 the possibility to make use of 2020 and 2021's legal framework which foresees, for example, deadline extensions granted by the Tax Authority for the submission of declarative obligations or



the suspension of specific time limit calculations, under the Company Income Tax scope.

- 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. Specific temporary legislation related to the COVID-19 pandemic, which 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) was extended beyond the first half of 2021. 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. As such, this legislation continues to have an 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 with refinancing operations under stable market conditions. Under the scope of these financing operations it's worth highlighting the fact that NOS, since 2020, was the first telecoms operator in Portugal to issue sustainable financing lines, and some of which are currently indexed to NOS' Sustainability performance.

## 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, among other things, for ensuring the disclosure and supervision of applicable sector legislation compliance, operator network access (under equal and transparent conditions) and the promotion of market development and competition. Within the context of operator network access, we highlight the auction for the attribution of 5G radioelectric spectrum, which has extended beyond the first half of 2021, and whose rules imply significant impact related with competition and electronic communication investment capability in Portugal. In fact, the 5G auction regulation rules stated by ANACOM negatively discriminate operators already in the market, like NOS, regarding new entrants, in aspects such as spectrum access conditions and 5G coverage investment obligations, thus risking adequate 5G implementation nationwide and

desired company, public sector and consumer digital transition, thus implying subsequent adverse effects related with Technological Innovation and Competition Risks, It's also noteworthy, that NOS, as other operators, has instituted legal proceedings, for court ruling, against ANACOM regarding the aforementioned auction rules.

ANACOM also has the incumbency of ensuring disclosure and oversight of the fulfilment of European directives and regulations that apply to the sector. It is still in place the European Code for Electronic Communications transposition into national legislation, which encompasses into a single document the four main European directives applicable to the sector (Framework, Authorization, Access and Universal Service). The transposition proposal for national law, presented by ANACOM, encompasses a large set of matters, which tend to be related with consumer protection, non-related with the European Code and which are far from being consensual, in Portugal and in the European Union. In addition, it is up to the sector regulator to ensure the fulfilment 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. ANACOM has also monitored the application in Portugal of the Net Neutrality Regulation.

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.

There are other national and European diplomas which impact NOS' activity, namely regarding security, such as: the transposition of the European community regarding network and information security (NIS); the proposal regarding the Cyberspace Security Regime which regulates Law nr. 46/2018, regarding criteria definition and notification and security measures to be implemented.

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. We expect the Competition Authority to make a final decision during 2021, on the lawfulness note that was addressed to electronic communications operators (MEO, NOS, NOWO and Vodafone) regarding the suspicion of anti-competitive practices incurred by said operators in the online advertising market.

Additionally, as regards TV service-related activities and the supply of audiovisual content, NOS Group companies are subject to the intervention of the Social Communication Regulator (ERC). Within NOS Group audiovisual services, we highlight the impact of Law nr. 74/2020 which transposes for national law the European Audiovisual and Media Services Directive (AVMS Directive) regarding the supply of audiovisual and social communication services which foresees the enforcement of additional obligations to said services providers, such as minimum shares for European and Portuguese language content, among others.

Finally, the management of existing legal and regulatory risks is ensured by the Legal and Regulatory Departments, which monitor 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, 21 July 2021

The Board of Directors

## 03

CONSOLIDATED FINANCIAL  
STATEMENTS

# CONDENSED CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AT 30 JUNE 2020, 31 DECEMBER 2020 AND 30 JUNE 2021

(Amounts stated in thousands of euros)

	NOTES	30-06-2020	31-12-2020	30-06-2021
<b>ASSETS</b>				
<b>NON - CURRENT ASSETS:</b>				
Tangible assets	7	961,191	991,613	1,013,146
Investment property		645	637	629
Intangible assets	8	1,004,877	1,041,087	1,043,621
Contract costs	9	159,494	162,123	163,509
Rights of use	10	185,231	260,097	242,440
Investments in jointly controlled companies and associated companies	11	11,002	10,897	14,737
Accounts receivable - other	12	7,769	7,504	6,774
Tax receivable	13	149	149	149
Other financial assets non-current		434	579	683
Deferred income tax assets	14	75,124	82,782	79,196
Derivative financial instruments	19	-	-	113
<b>TOTAL NON - CURRENT ASSETS</b>		<b>2,405,916</b>	<b>2,557,468</b>	<b>2,564,997</b>
<b>CURRENT ASSETS:</b>				
Inventories	15	42,761	43,628	48,776
Accounts receivable - trade	16	256,447	290,652	276,661
Contract assets	17	65,002	61,602	62,681
Accounts receivable - other	12	20,653	28,610	20,421
Tax receivable	13	6,957	2,894	5,930
Prepaid expenses	18	34,709	34,054	42,233
Non-current assets held-for-sale		450	450	-
Derivative financial instruments	19	-	-	25
Cash and cash equivalents	20	17,056	153,285	29,419
<b>CURRENT ASSETS FROM CONTINUING OPERATIONS</b>		<b>444,035</b>	<b>615,175</b>	<b>486,146</b>
Assets held for sale	45	121,447	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>565,482</b>	<b>615,175</b>	<b>486,146</b>
<b>TOTAL ASSETS</b>		<b>2,971,398</b>	<b>3,172,643</b>	<b>3,051,143</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	21.1	5,152	5,152	5,152
Capital issued premium	21.2	854,219	854,219	854,219
Own shares	21.3	(12,131)	(14,859)	(12,362)
Legal reserve	21.4	1,030	1,030	1,030
Other reserves and accumulated earnings	21.4	12,177	12,007	(39,261)
Net Income		34,986	92,000	73,874
<b>EQUITY BEFORE NON - CONTROLLING INTERESTS</b>		<b>895,433</b>	<b>949,549</b>	<b>882,652</b>
Non-controlling interests	22	6,504	6,685	6,517
<b>TOTAL EQUITY</b>		<b>901,937</b>	<b>956,234</b>	<b>889,169</b>
<b>LIABILITIES</b>				
<b>NON - CURRENT LIABILITIES:</b>				
Borrowings	23	1,013,229	1,363,514	1,220,857
Provisions	24	75,939	73,345	77,414
Accounts payable - other	28	2,323	40,050	39,282
Accrued expenses	25	345	505	343
Deferred income	26	4,927	4,729	4,468
Derivative financial instruments	19	433	655	39
Deferred income tax liabilities	14	11,822	5,025	5,089
<b>TOTAL NON - CURRENT LIABILITIES</b>		<b>1,109,018</b>	<b>1,487,823</b>	<b>1,347,492</b>
<b>CURRENT LIABILITIES:</b>				
Borrowings	23	223,977	167,126	255,104
Accounts payable - trade	27	217,764	252,607	255,649
Accounts payable - other	28	174,067	47,438	23,326
Tax payable	13	77,571	51,981	61,330
Accrued expenses	25	183,887	175,860	193,311
Deferred income	26	25,212	33,228	25,319
Derivative financial instruments	19	334	346	443
<b>CURRENT LIABILITIES FROM CONTINUING OPERATIONS</b>		<b>902,812</b>	<b>728,586</b>	<b>814,482</b>
Liabilities directly associated with the assets held for sale	45	57,631	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>960,443</b>	<b>728,586</b>	<b>814,482</b>
<b>TOTAL LIABILITIES</b>		<b>2,069,461</b>	<b>2,216,409</b>	<b>2,161,974</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,971,398</b>	<b>3,172,643</b>	<b>3,051,143</b>

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 2021.

The Chief Accountant

The Board of Directors



# CONDENSED CONSOLIDATED STATEMENT OF INCOME BY NATURE FOR THE QUARTERS AND SEMESTERS ENDED ON 30 JUNE 2020 AND 2021

(Amounts stated in thousands of euros)

	NOTES	2 <sup>o</sup> QUARTER 20	6M 20	2 <sup>o</sup> QUARTER 21	6M 21
<b>REVENUES:</b>					
Services rendered		301,738	623,962	314,416	626,900
Sales		17,092	35,311	19,403	38,999
Other operating revenues		2,421	7,362	7,202	12,553
	29	<b>321,251</b>	<b>666,635</b>	<b>341,021</b>	<b>678,452</b>
<b>COSTS, LOSSES AND GAINS:</b>					
Wages and salaries	30	20,999	42,147	19,782	40,287
Direct costs	31	70,529	161,204	92,876	183,301
Costs of products sold	32	15,772	30,528	17,341	34,686
Marketing and advertising		4,959	10,324	5,281	8,242
Support services	33	20,287	41,762	20,817	41,692
Supplies and external services	33	23,187	50,797	25,679	46,298
Other operating losses / (gains)		136	286	112	224
Taxes		8,138	16,378	8,058	16,280
Provisions and adjustments	34	(634)	2,603	(3,351)	847
Depreciation, amortisation and impairment losses	7, 8, 9, 10 and 36	101,192	201,666	103,405	204,826
Restructuring costs	37	420	998	1,717	5,782
Losses / (gains) on sale of assets, net		(96)	(121)	(110)	(213)
Other losses / (gains) non recurrent net	38	3,483	48,666	72	431
		<b>268,372</b>	<b>607,238</b>	<b>291,679</b>	<b>582,683</b>
<b>INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES</b>		<b>52,879</b>	<b>59,397</b>	<b>49,342</b>	<b>95,769</b>
Net losses / (gains) of affiliated companies	11 and 35	938	9,762	511	(2,326)
Financial costs	39	4,587	9,251	8,057	16,762
Net foreign exchange losses / (gains)		56	206	(158)	(554)
Net losses / (gains) on financial assets		(3)	55	(24)	30
Net other financial expenses / (income)	39	929	1,770	791	1,621
		<b>6,507</b>	<b>21,044</b>	<b>9,177</b>	<b>15,533</b>
<b>INCOME BEFORE TAXES</b>		<b>46,372</b>	<b>38,353</b>	<b>40,165</b>	<b>80,236</b>
Income taxes	14	7,456	10,308	(3,015)	6,527
<b>NET CONSOLIDATED INCOME FROM CONTINUING OPERATIONS</b>		<b>38,916</b>	<b>28,045</b>	<b>43,180</b>	<b>73,709</b>
Net consolidated income from discontinued operations	45	-	-	-	-
<b>NET CONSOLIDATED INCOME</b>		<b>45,185</b>	<b>34,452</b>	<b>43,180</b>	<b>73,709</b>
<b>ATTRIBUTABLE TO:</b>					
NOS Group Shareholders		45,341	34,986	43,326	73,874
Non-controlling interests	22	(156)	(534)	(146)	(165)
<b>EARNINGS PER SHARES</b>					
Basic - euros	40	0.09	0.07	0.08	0.14
Diluted - euros	40	0.09	0.07	0.08	0.14
<b>EARNINGS PER SHARES FROM CONTINUING OPERATIONS</b>					
Basic - euros	40	0.08	0.06	0.08	0.14
Diluted - euros	40	0.08	0.06	0.08	0.14

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 2021.

The Chief Accountant

The Board of Directors

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTERS AND SEMESTERS ENDED ON 30 JUNE 2020 AND 2021

(Amounts stated in thousands of euros)

	NOTES	2° QUARTER 20	6M 20	2° QUARTER 21	6M 21
<b>NET CONSOLIDATED INCOME</b>		<b>45,185</b>	<b>34,452</b>	<b>43,180</b>	<b>73,709</b>
<b>OTHER INCOME</b>					
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:</b>					
Accounting for equity method	11	(903)	(1,967)	(287)	439
Fair value of interest rate swap	19	(34)	(13)	10	19
Deferred income tax - interest rate swap	19	8	3	(2)	(4)
Fair value of equity swaps	19	40	(124)	(133)	298
Deferred income tax - equity swap	19	(9)	28	30	(67)
Fair value of exchange rate forward	19	-	-	105	127
Deferred income tax - exchange rate forward	19	-	-	(32)	(37)
Currency translation differences and others		(212)	(247)	(38)	(114)
<b>INCOME RECOGNISED DIRECTLY IN EQUITY</b>		<b>(1,110)</b>	<b>(2,320)</b>	<b>(347)</b>	<b>661</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>44,075</b>	<b>32,132</b>	<b>42,833</b>	<b>74,370</b>
<b>ATTRIBUTABLE TO:</b>					
NOS Group Shareholders		44,231	32,666	42,979	74,535
Non-controlling interests		(156)	(534)	(146)	(165)
		<b>44,075</b>	<b>32,132</b>	<b>42,833</b>	<b>74,370</b>

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 2021.

The Chief Accountant

The Board of Directors

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE SEMESTERS ENDED ON 30 JUNE 2020 AND 2021

(Amounts stated in thousands of euros)

NOTES	ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS						NON - CONTROLLING INTERESTS	TOTAL
	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME		
<b>BALANCE AS AT 1 JANUARY 2020</b>	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	-	-	-	-	2,598	-	(5)	2,593
Comprehensive Income	-	-	-	-	(2,320)	34,986	(534)	32,132
<b>BALANCE AS AT 30 JUNE 2020</b>	5,152	854,219	(12,131)	1,030	12,177	34,986	6,504	901,937
<b>BALANCE AS AT 1 JANUARY 2021</b>	5,152	854,219	(14,859)	1,030	12,007	92,000	6,685	956,234
Result appropriation	-	-	-	-	-	-	-	-
Transfers to reserves	-	-	-	-	92,000	(92,000)	-	-
Dividends paid	-	-	-	-	(142,376)	-	-	(142,376)
Acquisition of own shares	21.3	-	(2,069)	-	-	-	-	(2,069)
Distribution of own shares - share incentive scheme	21.3	-	3,967	-	(3,967)	-	-	-
Distribution of own shares - other remunerations	21.3	-	599	-	(139)	-	-	460
Share Plan - costs incurred in the period and others	44	-	-	-	2,553	-	(3)	2,550
Comprehensive Income	-	-	-	-	661	73,874	(165)	74,370
<b>BALANCE AS AT 30 JUNE 2021</b>	5,152	854,219	(12,362)	1,030	(39,261)	73,874	6,517	889,169

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 semester ended on 30 June 2021.

The Chief Accountant

The Board of Directors

# CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE SEMESTERS ENDED ON 30 JUNE 2020 AND 2021

(Amounts stated in thousands of euros)

	NOTES	6M 20	6M 21
<b>OPERATING ACTIVITIES</b>			
Collections from clients		825,907	802,072
Payments to suppliers		(385,067)	(379,870)
Payments to employees		(54,624)	(60,167)
Receipts / (Payments) relating to income taxes		(3,925)	(1,402)
Other cash receipts / (payments) related with operating activities		(53,159)	(17,057)
<b>CASH FLOW FROM OPERATING ACTIVITIES (1)</b>		<b>329,132</b>	<b>343,576</b>
<b>INVESTING ACTIVITIES</b>			
<b>CASH RECEIPTS RESULTING FROM</b>			
Disposal of discontinued operating unit	45	1,828	550
Tangible assets		196	1,293
Interest and related income		1,232	1,823
		<b>3,256</b>	<b>3,666</b>
<b>PAYMENTS RESULTING FROM</b>			
Financial investments		-	(139)
Tangible assets		(103,528)	(133,002)
Intangible assets and contract costs		(96,893)	(106,952)
		<b>(200,421)</b>	<b>(240,093)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (2)</b>		<b>(197,165)</b>	<b>(236,427)</b>
<b>FINANCING ACTIVITIES</b>			
<b>CASH RECEIPTS RESULTING FROM</b>			
Borrowings		62,003	61,500
		<b>62,003</b>	<b>61,500</b>
<b>PAYMENTS RESULTING FROM</b>			
Borrowings		(133,328)	(92,333)
Lease rentals (principal)		(32,714)	(35,401)
Interest and related expenses		(12,641)	(22,195)
Dividends	21.4	-	(142,376)
Aquisition of own shares	21.3	(2,871)	(2,069)
		<b>(181,554)</b>	<b>(294,374)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES (3)</b>		<b>(119,551)</b>	<b>(232,874)</b>
Change in cash and cash equivalents (4)=(1)+(2)+(3)		12,416	(125,725)
Effect of exchange differences		(65)	72
Cash and cash equivalents at the beginning of the year		3,301	151,014
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>15,652</b>	<b>25,361</b>
Cash and cash equivalents	20	17,056	29,419
Bank overdrafts	23	(1,404)	(4,058)
		<b>15,652</b>	<b>25,361</b>

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 2021.

The Chief Accountant

The Board of Directors

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

(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 2021 is shown in Note 21.

The business of NOS Comunicações, S.A. ("NOS SA") and its subsidiaries, NOS Açores, NOS Madeira and NOS wholesale comprehends: 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.

The main activity of NOS Audio – Sales and Distribution, S.A., previously designated NOS Lusomundo TV, S.A. and the result of the merger of NOSPUB with NOS Lusomundo TV on December 2020, is the negotiation, acquisition and distribution of content rights and

other multimedia products to television and other platforms of distribution, currently producing films and series channels through the compilation of the acquired contents, which are distributed, among other operators, by NOS SA and its subsidiaries. This company 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 2021 were approved by the Board of Directors and their issue authorised on 21 July 2021.

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 quarter ended on 31 December 2020.

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 2.3.21.

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 2.3.24).

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 Board of Directors is convinced that there are no material uncertainties that might question this assumption. An analysis was made that the Group has the necessary resources to continue its operations into the future, for a period of no less than 12 months from the reporting date.

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

### **Changes in accounting policies and disclosures**

The standards and interpretations that became effective in between 1 January 2021 and the date approval of these financial statements are as follows:

- IFRS 4 (amendment), "Insurance Contracts" (issued on 25 June 2020). This amendment aims to solve concerns raised by the application of IFRS 9, before the new IFRS 17.
- Update of the interest rate reference (issued on 28 August 2020). This reform complements the one issued on 26 September 2019, and aims 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, IFRS 4 Insurance Contracts and IFRS 16 Leases.

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

The standards and interpretations with mandatory application in future financial years and already endorsed by the European Union are as follows:

- 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, such as IFRS 3 Business Combinations, IAS 16 Tangible Assets and IAS 37 Provisions.

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 2023). 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" (issued in January 2020, to be applied in periods beginning on or after 1 January 2023). The change of this standard is intended to clarify the classification of liabilities as current or non-current.

- IAS 1 (amendment), "Presentation of the financial statements" (issued in February 2021, to be applied in annual periods beginning on or after January 1, 2023). This amendment provides information and examples for entities to make appropriate use of materiality in judgments about accounting policy disclosures. When determining the materiality of the information included in the accounting policy, both quantitative and qualitative aspects should be considered.
- IAS 8 (amendment), "Accounting Policies, Changes in Accounting Estimates and Errors" (issued in February 2021, to be applied to years beginning on or after January 1, 2023). This change is intended to help entities distinguish between accounting policies and accounting estimates and clarifies that a change in an accounting estimate that results from new information or new developments is not the correction of an error.
- IFRS 16 (amendment) "Leases" (issued in March 2021, to be applied in years beginning on or after April 1, 2021). This amendment seeks to extend the May 2020 amendment for one year which allowed tenants, as a practical expedient, to treat the changes / concessions related to COVID-19 as not being a modification to the lease agreement.
- IAS 12 (amendment), "Income Taxes" (issued in May 2021, to be applied in financial periods beginning on or after 1 April 2023). This amendment establishes that the exemption to the initial recognition of deferred taxes (IAS 12.15 (b) and IAS 12.24) does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition of a single transaction.

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 de Consolidação

### 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 non-controlling interests 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 entity.

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 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 income statement.

#### **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 (Note 5).

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**

The Group presents assets and liabilities in the financial statements based in the current and non-current classification. An asset is classified as current when:

- The asset is expected to be realised, sold or consumed in its normal operational cycle;
- If the asset is held, essentially, for negotiation purposes;
- The asset is expected to be realised 12 months after reported;
- The asset is a cash or a cash equivalent, unless its trade or use is limited to settle a liability during, at least, 12 months after reporting.

A liability is classified as current when:

- The liability is expected to be settled in its normal operational cycle;
- The liability is held, essentially, for negotiation purposes;
- The liability is expected to be settled in a 12 month period after reported;
- There is no unconditional right to differ the liability settlement during, at least, 12 months after reported;

The remaining assets and liabilities of the Group are classified as non-current.

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 on 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) losses with contracts that became onerous due to the pandemic, c) charges with PPE and the purchase and more complete and / or more frequent use of



cleaning and disinfection products in the facilities, d) temporary premium payments to compensate employees for the performance of their normal tasks at high exposure to coronavirus, among others.

### 2.3.3. Tangible Assets

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

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

The gains and losses from the disposal of tangible assets, determined by the difference between the sale value and the net book value, are recognised in the item "Losses/ (gains) on disposal 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:

	2020 (YEARS)	2021 (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. Non-current assets held for sale and discontinued operations

The non-current assets (or discontinued operations) are classified as held for sale if the respective value is realizable through a sale transaction instead of its continued use.

This situation is considered to happen only when: i) the sale is very likely to happen and the asset is immediately available to be sold in its current conditions, ii) the Company made the commitment to sell, and iii) the sale is expected to take place in a period of 12 months. In this case, the non-current assets are measured by the lower amount between accounting value or the respective fair value deducted from the costs of the sale.

The non-current assets held for sale and discontinued operations are measured at the lower of two: i) the accounting value and, ii) the fair value deducted from the costs of the

sale. The costs of the sale are the incremental costs directly assigned to the disposal of the asset (or group to be disposed), excluding financial costs and income tax expenses.

From the moment that tangible assets are considered to be “held for sale” the inherent depreciation of those assets ceases, and the assets are determined as non-current asset held for sale.

A discontinued operation unit is a component of an entity that was disposed or is classified as held for sale and:

- a) Represents an important line of business or geographical area separated from the operational units;
- b) It is an integral part of a single coordinated plan to dispose an important line of business or geographical area separated from the operational units or;
- c) It is a subsidiary acquired exclusively for resale.

Discontinued operations are excluded from the continued operations results and are presented in separate as an amount of net income after taxes from discontinued operations on the financial statement of income by nature.

### **2.3.5. 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.

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.

#### **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.

When the recognised intangible assets involve payments in periods above 1 year, the intangible asset corresponds to the present value of those payments.

### **Amortisation**

The useful lives of the intangible assets are classified as finite or indefinite.

Intangible assets with finite useful lives are amortised over their useful lives, with an impairment analysis carried out whenever there are indications that the amount at which the intangible asset is mentioned in the financial statements may not be recovered. The amortisation period and the amortisation method of an intangible asset with a finite useful life are reviewed periodically. Any changes in the expected useful life or in the expected pattern of future consumption of the economic benefits incorporated in the asset, are considered in the modification over the period or method of amortisation and,

if verified, are treated as changes in accounting estimates. The amortisation costs of intangible assets with finite lives are recognised in the income statement.

The assets with finite useful life 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:

	2020 (YEARS)	2021 (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 to 20	1 to 20

The intangible assets with indefinite useful lives are not amortised, and impairment assessments are performed annually.

Accordingly, the useful life of an intangible asset that is not being amortised is periodically reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If not, the change in the assessment of the useful life from indefinite to finite is accounted for as a change in an accounting estimate.

An intangible asset is unrecognised in its disposal moment, or when no future economic benefits from its use or disposal are expected. The gain or loss related with an unrecognised intangible asset (determined as the difference between the net income of its disposal, if there is any, and the carrying amount of that same asset) is recognized in the financial statement of income by nature.

### 2.3.6. Contract Costs

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

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

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

The costs of attracting customers are essentially:

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

The costs associated with fulfilling the contracts are essentially:

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

### **2.3.7. 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.

### **2.3.8. 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.

Financial assets at fair value through results are presented in the financial statements at fair value, the net changes being known in the income statement. This category of assets includes derivative instruments and investments in listed companies for which the Company has not classified them as financial assets at fair value through other comprehensive income. Dividends from investments in listed companies are recognised as income in the income statement when the respective right of receipt is formalized.

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.

Financial assets measured at amortised cost are subsequently measured using the effective tax rate method and subject to impairment. Income and costs are recognised in the income statement when the asset is derecognised, updated or an impairment is recognised over it. Financial assets measured at the Company's amortised cost include accounts receivable and loans granted to related parties.

#### **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).

### **2.3.9. 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.

### **2.3.10. 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 established a provisions' matrix where it presents an impairment loss criterion based on the history of credit losses, adjusted by specific prospective factors for the clients and the economic environment.

### **2.3.11. Derivate 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.

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".

On the semester ended on 30 June 2021, the Group did not change 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.

### **2.3.12. 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. No balances of content rights are registered in the Inventories caption.

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.

### **2.3.13. 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.

### **2.3.14. 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 a contract, which entail costs exceed the economic future economic benefits.

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.

### **2.3.15. Rights of use and Leases**

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

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

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

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

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

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

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

#### **2.3.15.1. 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.

The rights of use of assets are depreciated using the straight-line method by the shortest period between length of the contract and its expected useful life.

If at the end of the leasing contract the asset is transferred to the company, or if the cost reflects the possibility of exercising the call option, the depreciation is calculated according to the estimated useful life of the asset.

#### **2.3.15.2. 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.

#### **2.3.16. 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.

Deferred income tax assets are recognised for all the deductible temporary differences until it is likely that a taxable profit is obtained to which the deductible temporary difference may be used, unless the deferred income tax asset results from the initial recognition of an asset or liability in a transaction which:

- a) Is not a concentration of business activities;
- b) At the moment of the transaction, it does not affect neither the accounting profit nor the taxable profit (fiscal loss);
- c) With respect to deductible temporary differences arising from investments in subsidiaries, branches and associates and interests in joint arrangements, deferred income tax assets are recognised only to the extent that the temporary difference will revert in the foreseeable future and taxable profit against which the temporary difference can be used will be available.

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).

### **2.3.17. Payment based in shares**

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.

### **2.3.18. 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.

### **Dividends**

The company recognizes the liability, as well as its impact over the equity, associated with the responsibility to distribute dividends when it is approved by the shareholders

### **2.3.19. 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 distributing channel content: Revenue from 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. The television channels distribution by subscription to third parties consists in the transmission and retransmission of information, including, namely, the distribution of television emissions and radio broadcasting, owned and third parties owned, codified or not, as well as the addressed nature rendered services and data transmission. NOS is leading these activities since it: controls the channel exhibition, in its package of products disposes the power of pricing, the retribution corresponds to the service price and not to a mere commission and it is exposed to the credit risk of its customers.**

- 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 is 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.

### **2.3.20. Accruals**

Group's revenues and costs are recognised in accordance with the accrual's 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 2.3.14).

### **2.3.21. 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;
- 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;
- 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 deemed cost and recognised in the same proportion as the assets that gave rise to it.

At 30 June 2021, 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:

	31-12-2020	30-06-2021
US Dollar	1.2271	1.1884
Angolan Kwanza	797.1291	774.3187
British Pound	0.8990	.8581
Mozambican Metical	91.0500	74.6909
Canadian Dollar	1.5633	1.4722
Swiss Franc	1.0802	1.0980
Real	6.3735	5.9050

In the semesters ended on 30 June 2020 and 2021, 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 20	6M 21
Angolan Kwanza	587.9817	770.2784
Mozambican Metical	73.7433	79.3518

### 2.3.22. Financial charges and borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accrual's 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. Costs from capitalized borrowings are determined having in consideration the amount of borrowing costs obtained that can be capitalized, according to the application of a capitalization rate over the expenses associated with that asset. The capitalization rate (aligned with NOS' average financing rate) as well as with the costs to be capitalized are determined monthly, taking into consideration the monthly balance of eligible borrowings and the monthly amount of the asset in progress that qualifies.

### 2.3.23. 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.

### 2.3.24. 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, 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.

### **2.3.25. 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.

### **2.3.26. 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.

### **2.3.27. 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.

### **2.3.28. 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 of 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. 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.

The residual value, the useful life and the depreciation methods are periodically revised by the various companies of the Group and prospectively adjusted, if appropriated.

#### **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 valorisation 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 2020 and 2021, errors, estimates and changes in material accounting policies relating to prior years were not recognised.

### **4. Change in the perimeter**

During the semesters ended on 30 June 2020 and 2021 there were no changed in the perimeter.

### **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, Per-mar, Sontária, NOSSGPS, NOS Açores, NOS Property, NOS Madeira, NOS SA, NOS Audio-Sales and Distribution, Teliz Holding, NOS Sistemas, NOS Sistemas España, NOS Inovação, NOS Internacional SGPS, NOS Corporate Center, NOS Wholesale, Fundo NOS 5G and Dualgrid.
- 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"), NOS Audio SGPS and Dreamia S.L.



Assets and liabilities by segment at 31 December 2020 and 30 June 2021 are shown below:

	31-12-2020			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
<b>ASSETS</b>				
<b>NON - CURRENT ASSETS:</b>				
Tangible assets	980,752	10,861	-	991,613
Intangible assets	952,107	88,980	-	1,041,087
Contract costs	162,123	-	-	162,123
Rights of use	226,530	33,567	-	260,097
Investments in jointly controlled companies and associated companies	115,484	47,610	(152,197)	10,897
Accounts receivable - other	39,586	2,917	(34,999)	7,504
Deferred income tax assets	70,794	11,988	-	82,782
Other non-current assets	703	662	-	1,365
<b>TOTAL NON - CURRENT ASSETS</b>	<b>2,548,080</b>	<b>196,585</b>	<b>(187,197)</b>	<b>2,557,468</b>
<b>CURRENT ASSETS:</b>				
Inventories	43,223	405	-	43,628
Account receivables	373,073	48,400	(40,609)	380,864
Prepaid expenses	33,342	1,496	(784)	34,054
Other current assets	1,937	1,407	-	3,344
Cash and cash equivalents	152,687	598	-	153,285
<b>TOTAL CURRENT ASSETS</b>	<b>604,262</b>	<b>52,306</b>	<b>(41,393)</b>	<b>615,175</b>
<b>TOTAL ASSETS</b>	<b>3,152,342</b>	<b>248,891</b>	<b>(228,590)</b>	<b>3,172,643</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	5,152	40,810	(40,810)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(14,859)	-	-	(14,859)
Legal reserve	1,030	1,374	(1,374)	1,030
Other reserves and accumulated earnings	33,793	61,279	(83,065)	12,007
Net income	117,498	993	(26,491)	92,000
<b>EQUITY BEFORE NON - CONTROLLING INTERESTS</b>	<b>996,833</b>	<b>104,456</b>	<b>(151,740)</b>	<b>949,549</b>
Non-controlling interests	6,685	-	-	6,685
<b>TOTAL EQUITY</b>	<b>1,003,518</b>	<b>104,456</b>	<b>(151,740)</b>	<b>956,234</b>
<b>LIABILITIES</b>				
<b>NON - CURRENT LIABILITIES:</b>				
Borrowings	1,332,524	65,990	(35,000)	1,363,514
Provisions	65,995	7,350	-	73,345
Accrued expenses	505	-	-	505
Other non-current liabilities	45,434	-	-	45,434
Deferred income tax liabilities	4,709	316	-	5,025
<b>TOTAL NON - CURRENT LIABILITIES</b>	<b>1,449,167</b>	<b>73,656</b>	<b>(35,000)</b>	<b>1,487,823</b>
<b>CURRENT LIABILITIES:</b>				
Borrowings	162,270	32,612	(27,756)	167,126
Accounts payable	298,000	10,866	(8,821)	300,045
Tax payable	50,363	1,618	-	51,981
Accrued expenses	163,869	16,897	(4,906)	175,860
Other current liabilities	25,155	8,786	(367)	33,574
<b>TOTAL CURRENT LIABILITIES</b>	<b>699,657</b>	<b>70,779</b>	<b>(41,850)</b>	<b>728,586</b>
<b>TOTAL LIABILITIES</b>	<b>2,148,824</b>	<b>144,435</b>	<b>(76,850)</b>	<b>2,216,409</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>3,152,342</b>	<b>248,891</b>	<b>(228,590)</b>	<b>3,172,643</b>



	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	2° QUARTER 20	6M 20	2° QUARTER 20	6M 20	2° QUARTER 20	6M 20	2° QUARTER 20	6M 20
<b>REVENUES:</b>								
Services rendered	310,630	622,110	12,772	21,590	(8,986)	(7,814)	314,416	626,900
Sales	19,131	38,472	297	552	(25)	-	19,403	38,999
Other operating revenues	7,070	11,920	282	934	(150)	(151)	7,202	12,533
	<b>336,831</b>	<b>672,502</b>	<b>13,351</b>	<b>23,076</b>	<b>(9,161)</b>	<b>(7,965)</b>	<b>341,021</b>	<b>678,452</b>
<b>COSTS, LOSSES AND GAINS:</b>								
Wages and salaries	17,840	36,524	1,942	3,763	-	-	19,782	40,287
Direct costs	99,549	196,838	1,444	1,950	(8,117)	(7,370)	92,876	183,301
Costs of products sold	17,385	34,759	(24)	(53)	(20)	-	17,341	34,686
Marketing and advertising	7,776	13,742	426	457	(2,921)	(3,036)	5,281	8,242
Support services	20,862	41,798	665	1,171	(730)	(547)	20,817	41,692
Supplies and external services	25,845	47,681	(2,793)	(6,998)	2,627	2,988	25,679	46,298
Other operating losses / (gains)	99	197	13	27	-	-	112	224
Taxes	8,049	16,251	9	29	-	-	8,058	16,280
Provisions and adjustments	(3,419)	1,179	68	(332)	-	-	(3,351)	847
	<b>194,006</b>	<b>388,969</b>	<b>1,750</b>	<b>14</b>	<b>(9,161)</b>	<b>(7,965)</b>	<b>186,595</b>	<b>371,857</b>
<b>EBITDA</b>		<b>283,533</b>	<b>11,601</b>	<b>23,062</b>	-	-	<b>154,426</b>	<b>306,595</b>
Depreciation, amortisation and impairment losses	97,491	192,541	5,914	12,285	-	-	103,405	204,826
Other losses / (gains), net	1,444	5,609	235	391	-	-	1,679	6,000
<b>INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES</b>	<b>43,890</b>	<b>85,383</b>	<b>5,452</b>	<b>10,386</b>	-	-	<b>49,342</b>	<b>95,769</b>
Net losses / (gains) of affiliated companies	364	(2,259)	147	(67)	-	-	511	(2,326)
Financial costs	7,658	16,019	399	743	-	-	8,057	16,762
Net foreign exchange losses / (gains)	(126)	(235)	(32)	(319)	-	-	(158)	(554)
Net losses / (gains) on financial assets	(24)	(7,990)	-	(2,229)	-	10,249	(24)	30
Net other financial expenses / (income)	787	1,611	4	10	-	-	791	1,621
	<b>8,659</b>	<b>7,146</b>	<b>518</b>	<b>(1,862)</b>	-	<b>10,249</b>	<b>9,177</b>	<b>15,533</b>
<b>INCOME BEFORE TAXES</b>	<b>35,231</b>	<b>78,237</b>	<b>4,934</b>	<b>12,248</b>	-	<b>(10,249)</b>	<b>40,165</b>	<b>80,236</b>
Income taxes	(2,514)	5,845	(501)	682	-	-	(3,015)	6,527
<b>EARNINGS PER SHARES FROM CONTINUING OPERATIONS</b>	<b>37,745</b>	<b>72,392</b>	<b>5,435</b>	<b>11,566</b>	-	<b>(10,249)</b>	<b>43,180</b>	<b>73,709</b>
Net consolidated income from discontinued operations	-	-	-	-	-	-	-	-
<b>NET INCOME</b>	<b>37,745</b>	<b>72,392</b>	<b>5,435</b>	<b>11,566</b>	-	<b>(10,249)</b>	<b>43,180</b>	<b>73,709</b>
<b>CAPEX</b>	<b>110,352</b>	<b>206,055</b>	<b>3,619</b>	<b>6,758</b>	-	-	<b>113,971</b>	<b>212,813</b>
<b>EBITDA - CAPEX</b>	<b>32,473</b>	<b>77,478</b>	<b>7,982</b>	<b>16,304</b>	-	-	<b>40,455</b>	<b>93,782</b>

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 2021, fully consolidated foreign companies represent less than 1% of assets (at 31 December 2020: less than 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:

31-12-2020						
	FINANCIAL ASSETS	INVESTMENTS HELD-TO-MATURITY	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	579	-	-	579	-	579
Accounts receivable - trade (Note 16)	290,652	-	-	290,652	-	290,652
Accounts receivable - other (Note 12)	12,400	-	-	12,400	23,714	36,114
Cash and cash equivalents (Note 20)	153,285	-	-	153,285	-	153,285
TOTAL FINANCIAL ASSETS	456,916	-	-	456,916	23,714	480,630
LIABILITIES						
Borrowings (Note 23)	-	-	1,530,640	1,530,640	-	1,530,640
Derivative financial instruments (Note 19)	-	-	-	1,001	-	1,001
Accounts payable - trade (Note 27)	-	-	252,607	252,607	-	252,607
Accounts payable - other (Note 28)	-	-	87,279	87,279	209	87,488
Accrued expenses (Note 25)	-	-	176,365	176,365	-	176,365
TOTAL FINANCIAL LIABILITIES	-	-	2,046,891	2,047,892	209	2,048,101

	30-06-2021					
	FINANCIAL ASSETS	INVESTMENTS HELD-TO- MATURITY	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>ASSETS</b>						
Available-for-sale financial assets	683	-	-	683	-	683
Derivative financial instruments (Note 19)	-	-	-	138	-	138
Accounts receivable - trade (Note 16)	276,661	-	-	276,661	-	276,661
Accounts receivable - other (Note 12)	10,528	-	-	10,528	16,667	27,195
Cash and cash equivalents (Note 20)	29,419	-	-	29,419	-	29,419
<b>TOTAL FINANCIAL ASSETS</b>	<b>317,291</b>	<b>-</b>	<b>-</b>	<b>317,429</b>	<b>16,667</b>	<b>334,096</b>
<b>LIABILITIES</b>						
Borrowings (Note 23)	-	-	1,475,961	1,475,961	-	1,475,961
Derivative financial instruments (Note 19)	-	-	-	482	-	482
Accounts payable - trade (Note 27)	-	-	255,649	255,649	-	255,649
Accounts payable - other (Note 28)	-	-	62,425	62,425	183	62,608
Accrued expenses (Note 25)	-	-	193,654	193,654	-	193,654
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1,987,689</b>	<b>1,988,171</b>	<b>183</b>	<b>1,988,354</b>

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

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

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

## 7. Tangible Assets

In the semesters ended on 30 June 2020 and 2021, the movements in this item were as follows:

	31-12-2019	INCREASES	DISPOSALS AND WRITE- OFFS	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2020
<b>ACQUISITION COST</b>						
Lands	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
	<b>3,136,074</b>	<b>91,741</b>	<b>(13,780)</b>	<b>(147,312)</b>	<b>(3,128)</b>	<b>3,063,595</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>						
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
	<b>2,101,261</b>	<b>77,473</b>	<b>(13,744)</b>	<b>(62,527)</b>	<b>(59)</b>	<b>2,102,404</b>
	<b>1,034,813</b>	<b>14,268</b>	<b>(36)</b>	<b>(84,785)</b>	<b>(3,069)</b>	<b>961,191</b>

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

	31-12-2020	INCREASES	DISPOSALS AND WRITE- OFFS	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2021
<b>ACQUISITION COST</b>						
Land	838	-	(34)	-	(1)	803
Buildings and other constructions	263,952	-	(226)	-	1,600	265,326
Basic equipment	2,599,495	30,235	(11,501)	-	50,512	2,668,741
Transportation equipment	512	-	-	-	1	513
Tools and dies	1,554	-	-	-	8	1,562
Administrative equipment	193,109	967	(445)	-	669	194,300
Other tangible assets	43,471	52	(2)	-	73	43,594
Tangible assets in-progress	39,349	66,041	-	-	(44,219)	61,171
	<b>3,142,280</b>	<b>97,295</b>	<b>(12,208)</b>	<b>-</b>	<b>8,643</b>	<b>3,236,010</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>						
Buildings and other constructions	165,127	280	(158)	-	17	165,266
Basic equipment	1,758,042	81,155	(11,178)	-	81	1,828,100
Transportation equipment	510	1	-	-	1	512
Tools and dies	1,420	28	-	-	-	1,448
Administrative equipment	182,562	2,174	(437)	-	20	184,319
Other tangible assets	43,006	216	(2)	-	(1)	43,219
	<b>2,150,667</b>	<b>83,854</b>	<b>(11,775)</b>	<b>-</b>	<b>118</b>	<b>2,222,864</b>
	<b>991,613</b>	<b>13,441</b>	<b>(433)</b>	<b>-</b>	<b>8,525</b>	<b>1,013,146</b>

The net amount of "Transfers and Others" predominantly corresponds to the transfer of

assets to "Intangible assets" (Note 8).

At 30 June 2021, the tangible assets net value is composed mainly by basic equipment, namely:

- i) Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 729.5 million euros (31 December 2020: 736.0 million euros);
- ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 111.1 million euros (31 December 2020: 105.5 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 2021, total net value of these costs amounted to 12.8 million euros (31 December 2020: 13.0 million euros). The amount of interest capitalised in the financial year ended on 30 June 2021 amounted to 0.5 million euros (31 December 2020: 0.9 million euros).

## 8. Intangible assets

In the semesters ended on 30 June 2020 and 2021, the movements in this item were as follows:

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-06-2020
<b>ACQUISITION COST</b>					
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
	<b>2,298,647</b>	<b>33,522</b>	<b>-</b>	<b>2,916</b>	<b>2,335,085</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>					
Industrial property and other rights	1,281,835	45,652	-	510	1,327,997
Other intangible assets	2,746	-	-	(535)	2,211
	<b>1,284,581</b>	<b>45,652</b>	<b>-</b>	<b>(25)</b>	<b>1,330,208</b>
	<b>1,014,066</b>	<b>(12,130)</b>	<b>-</b>	<b>2,941</b>	<b>1,004,877</b>

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

	31-12-2020	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-06-2021
<b>ACQUISITION COST</b>					
Industrial property and other rights	1,739,434	2,519	-	42,319	1,784,272
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	33,310	49,627	-	(50,716)	32,221
	<b>2,414,144</b>	<b>52,146</b>	<b>-</b>	<b>(8,397)</b>	<b>2,457,893</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>					
Industrial property and other rights	1,370,986	41,217	-	(90)	1,412,113
Intangible assets in-progress	2,071	-	-	88	2,159
	<b>1,373,057</b>	<b>41,217</b>	<b>-</b>	<b>(2)</b>	<b>1,414,272</b>
	<b>1,041,087</b>	<b>10,929</b>	<b>-</b>	<b>(8,395)</b>	<b>1,043,621</b>

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

At 30 June 2021, the item "Industrial property and other rights" includes mainly:

- (1) A net amount of 98.1 million euros (31 December 2020: 102.2 million euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i) 31.1 million euros (31 December 2020: 32.4 million euros) related to the license, (ii) 10.4 million euros (31 December 2020: 10.8 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 3.2 million euros (31 December 2020: 3.3 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) 45.5 million euros (31 December 2020: 47.4 million euros) related with the programme "Initiatives E"; and (v) the net amount of 5.4 million euros (31 December 2020: 5.6 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

- (2) A net amount of 77.1 million euros (31 December 2020: 79.0 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 2.7 million euros (31 December 2020: 2.7 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;
- (3) A net amount of 14.8 million euros (31 December 2020: 11.9 million euros) corresponding to the future rights to use movies and series.

Increases in the semester ended on 30 June 2021 corresponds mainly to movies and television series rights of use, for an amount of 5.5 million euros, acquisition and development of software and other assets, for an amount of 36.9 million euros.

#### Impairment tests on goodwill

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

	31-12-2020	30-06-2021
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	<b>641,400</b>	<b>641,400</b>

Given the uncertainty regarding the evolution of the pandemic situation, the economic recession and expected changes in the Portuguese consumption patterns (Note 47.1), in 2020, impairment tests were performed based on assessments in accordance with the discounted cash flow method, which corroborate the recoverability of the book value of the Goodwill. The amounts in these assessments are based on the historical performances and forecast growth of the businesses and their markets, incorporated in medium/long term approved plans.

These estimates are based on the following assumptions:

	TELCO SEGMENT	AUDIOVISUALS SEGMENT	
		NOS AUDIOVISUALS	NOS CINEMAS
Discount rate (before taxes)	5.7%	7.7%	8.3%
Assessment period	5 years	5 years	5 years
EBITDA Growth (2020-25)*	2.5%	-1.4%	49.7%
EBITDA Growth (2019-25)*	1.7%	-0.7%	0.6%
Perpetuity growth rate	1.5%	1.5%	1.5%

\* EBITDA = Operating Income + Depreciation, Amortization and Impairment Losses + Restructuring Costs + Losses / (Gains) on disposal of assets + Other Costs / (Gains) Non-Recurring (CAGR - average)

In the Telco segment, the assumptions used are based on past performance, evolution of the number of customers, expected development of regulated tariffs, current market conditions, and expectations of future development.

In the cinemas segment, the segment most affected segment by COVID-19, was

considered a significant EBITDA increase, justified by the poor year observed in 2020 due to the pandemic situation, and so it is estimated a full recovery of the activity by 2023.

The number of years specified in the impairment tests depends on the degree of maturity of the several businesses and markets, and were determined based on the most appropriate criterion for the valuation of each cash-generating unit.

Sensitivity analyses were performed to variations in the discount rate and growth rate in the perpetuity of the various reported segments, of 1 percentage point and 0.4 percentage points, respectively.

In the telecommunications segment, sensitivity analysis were also performed to variations in the operational indicators RGU (Revenue Generating Unit), ARPU (Average Revenue per User), EBITDA and CAPEX, in perpetuity, of approximately 5%.

In the cinema segment, sensitivity analysis were conducted on variations in the projected number of tickets sold, average revenue per ticket, EBITDA and CAPEX, in perpetuity, of approximately 5%.

These simulations did not result in the need to reinforce impairment.

Sensitivity analyses were also performed for a scenario of permanent reduction of 50% in the business/margin of the cinemas, as well as reduction of 50% in the number of spectators, from which no impairment resulted as well.

On 30 June 2021 it was considered that the assumptions made in the impairment tests carried out in 2020 did not have material variations, including in the cinema segment, still heavily impacted by the pandemic, as it was only assumed that the activity would return to the prepandemic levels in 2023, so there is no evidence of any impairment.

## 9. Contract costs

In the semesters ended on 30 June 2020 and 2021, the movements in this item were as follows:

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	30-06-2020
<b>ACQUISITION COST</b>				
Cost of attracting customers	427,519	29,895	-	457,414
Costs of fulfilling customer contracts	189,594	16,613	-	206,207
	<b>617,113</b>	<b>46,508</b>	-	<b>663,621</b>
<b>ACCUMULATED AMORTIZATIONS AND IMPAIRMENT</b>				
Cost of attracting customers	327,650	33,183	-	360,833
Costs of fulfilling customer contracts	126,362	16,932	-	143,294
	<b>454,012</b>	<b>50,115</b>	-	<b>504,127</b>
	<b>163,101</b>	<b>(3,607)</b>	-	<b>159,494</b>
	31-12-2020	INCREASES	DISPOSALS AND WRITE-OFFS	30-06-2021
<b>ACQUISITION COST</b>				
Cost of attracting customers	491,490	33,364	-	524,854
Costs of fulfilling customer contracts	223,961	17,292	-	241,253
	<b>715,451</b>	<b>50,656</b>	-	<b>766,107</b>
<b>ACCUMULATED AMORTIZATIONS AND IMPAIRMENT</b>				
Cost of attracting customers	393,153	32,305	-	425,458
Costs of fulfilling customer contracts	160,175	16,965	-	177,140
	<b>553,328</b>	<b>49,270</b>	-	<b>602,598</b>
	<b>162,123</b>	<b>1,386</b>	-	<b>163,509</b>

Contract costs refers to commissions paid to third parties and other costs related to raising customers' loyalty contracts, including portability costs. 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 2020 and 2021, the movements in this item were as follows:

	31-12-2019	INCREASES	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2020
<b>ACQUISITION COST</b>					
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
	<b>608,993</b>	<b>24,136</b>	<b>(86,264)</b>	<b>(54)</b>	<b>546,811</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>					
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
	<b>390,610</b>	<b>28,418</b>	<b>(57,394)</b>	<b>(54)</b>	<b>361,580</b>
	<b>218,383</b>	<b>(4,282)</b>	<b>(28,870)</b>	<b>-</b>	<b>185,231</b>

	31-12-2020	INCREASES	DISCONTINUED UNIT (NOTE 46)	TRANSFERS AND OTHERS	30-06-2021
<b>ACQUISITION COST</b>					
Telecommunications towers and rooftops	138,590	(1,244)	-	105	137,451
Movie theatres	114,332	943	-	-	115,275
Transponders	91,709	-	-	-	91,709
Equipments	132,737	9,467	-	-	142,204
Buildings	72,979	668	-	-	73,647
Fiber optic rental	40,337	(191)	-	-	40,146
Stores	19,596	440	-	-	20,036
Others	34,052	2,633	-	-	36,685
	<b>644,332</b>	<b>12,716</b>	<b>-</b>	<b>105</b>	<b>657,153</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>					
Telecommunications towers and rooftops	45,575	5,207	-	-	50,782
Movie theatres	79,595	3,953	-	-	83,548
Transponders	62,540	2,917	-	-	65,457
Equipments	84,777	8,920	-	-	93,697
Buildings	52,119	3,769	-	1	55,889
Fiber optic rental	28,449	1,969	-	-	30,418
Stores	14,184	1,191	-	-	15,375
Others	16,996	2,551	-	-	19,547
	<b>384,235</b>	<b>30,477</b>	<b>-</b>	<b>1</b>	<b>414,713</b>
	<b>260,097</b>	<b>(17,761)</b>	<b>-</b>	<b>104</b>	<b>242,440</b>

The caption "Rights of Use" refers to assets associated with lease contracts. 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 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020	30-06-2021
<b>INVESTMENTS - EQUITY METHOD</b>		
Finstar*	5,707	8,966
Dreamia	3,367	3,435
Mstar	1,315	1,808
Upstar	371	392
Big Picture 2 Films	110	109
Dualgrid	25	25
Dreamia S.L.	2	2
Sport TV	-	(1,075)
<b>ASSETS</b>	<b>10,897</b>	<b>13,662</b>
<b>ASSETS</b>	<b>10,897</b>	<b>14,737</b>
<b>LIABILITIES (NOTE 24)</b>	<b>-</b>	<b>(1,075)</b>

\* Consolidated from Finstar and ZAP Media

Movements in "Investments in jointly controlled companies and associated companies" in the semesters ended on 30 June 2020 and 2021 were as follows:

	6M 20	6M 21
<b>AS AT JANUARY 1</b>	<b>18,244</b>	<b>10,897</b>
Gains / (losses) of exercise (Note 35)	(3,113)	2,326
Impairment (Note 35)	(2,163)	-
Changes in equity i)	(1,967)	439
<b>AS AT JUNE 30</b>	<b>11,002</b>	<b>13,662</b>

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

The assets, liabilities and results of the jointly controlled companies and associated companies in the periods ended on 31 December 2020 and 30 June 2021, are as follows:

31-12-2020								
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD
Sport TV	96,566	79,853	6,294	158,961	11,164	189,673	(6,809)	25.00%
Dreamia	13,378	1,255	6,002	1,896	6,735	2,182	(4)	50.00%
Finstar	17,603	74,644	-	82,841	9,406	165,074	(2,306)	30.00%
Mstar	170	9,176	549	4,414	4,383	21,212	1,697	30.00%
Upstar	1,591	46,227	21,600	24,982	1,236	20,553	(67)	30.00%
Big Picture 2 Films	609	1,063	300	844	548	2,626	(222)	20.00%
Dualgrid	-	50	-	-	50	-	-	50.00%
Dreamia S.L.	-	3	-	-	3	-	-	50.00%
	<b>129,917</b>	<b>212,291</b>	<b>34,745</b>	<b>273,938</b>	<b>33,525</b>	<b>401,319</b>	<b>(7,710)</b>	

30-06-2021								
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD
Sport TV	11,526	56,004	6,022	53,108	8,400	123,709	(2,764)	25.00%
Dreamia	14,312	1,293	6,090	1,967	7,547	1,818	813	50.00%
Finstar	17,725	91,588	-	88,621	20,691	47,628	11,075	30.00%
Mstar	187	12,412	402	6,169	6,028	11,164	645	30.00%
Upstar	1,386	41,718	19,625	22,172	1,307	9,654	71	30.00%
Big Picture 2 Films	637	1,215	338	969	545	384	(3)	20.00%
Dualgrid	-	50	-	-	50	-	-	50.00%
Dreamia S.L.	-	3	-	-	3	-	-	50.00%
	<b>45,773</b>	<b>204,282</b>	<b>32,478</b>	<b>173,006</b>	<b>44,572</b>	<b>194,358</b>	<b>9,837</b>	

Indicators presented in the tables above do not include consolidated adjustments which were considered when determining the Group's interest in the results, assets and liabilities of jointly controlled and associated companies.

In the semester ended on 30 June 2021, the assets, liabilities and results of jointly controlled company ZAP Media (100% held by Finstar) are:

30-06-2021							
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME
ZAP Media	18,634	8,726	-	26,104	1,256	12,730	621

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

The Group has several controls regarding the reporting process of its jointly controlled and associated companies. The amounts included in the reported financial statements are subject to audit in cases where it is legally required. In the remaining cases and in those where the audit has not been completed, specific review procedures are carried out by the Group.

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

## 12. Accounts receivable - other

At 31 December 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020		30-06-2021	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	5,786	8,115	5,220	7,403
Advances to suppliers ii)	23,714	-	16,667	-
	<b>29,500</b>	<b>8,115</b>	<b>21,887</b>	<b>7,403</b>
Impairment of other receivable	(890)	(611)	(1,466)	(629)
	<b>28,610</b>	<b>7,504</b>	<b>20,421</b>	<b>6,774</b>

- i) At 30 June 2021, this item corresponds to short-term loans, medium and long-term loans from Group and interests' receivable, to associated companies and the amount receivable of 4.4 million euros from the sale of NOS International Carrier Services (Note 45).

At 30 June 2021, the advances to suppliers correspond, essentially, to payed values related with football rights' contracts and other operational costs.

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

	6M 20	6M 21
<b>AS AT JANUARY 1</b>	<b>3,000</b>	<b>1,501</b>
Increases (Note 34)	116	151
Utilizations / Others	(447)	443
<b>AS AT JUNE 30</b>	<b>2,669</b>	<b>2,095</b>

### 13. Taxes payable and receivable

At 31 December 2020 and 30 June 2021, these items were composed as follows:

	31-12-2020		30-06-2021	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
<b>NON CURRENT</b>				
Debt regularization	149	-	149	-
	<b>149</b>	<b>-</b>	<b>149</b>	<b>-</b>
<b>CURRENT</b>				
Value-added tax	2,473	6,006	5,508	17,544
Income taxes	-	42,224	-	37,843
Personnel income tax withholdings	-	1,823	-	2,570
Social Security contributions	-	1,819	-	3,286
Others	421	109	422	87
	<b>2,894</b>	<b>51,981</b>	<b>5,930</b>	<b>61,330</b>
	<b>3,043</b>	<b>51,981</b>	<b>6,079</b>	<b>61,330</b>

At 31 December 2020 and 30 June 2021, the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2020	30-06-2021
Estimated current tax on income	(31,612)	(29,785)
Tax processes	(44,286)	(41,996)
Payments on account	32,051	32,025
Withholding income taxes	476	657
Others	1,147	1,256
	<b>(42,224)</b>	<b>(37,843)</b>

In the semester ended on 30 June 2021, 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.

In March 2021, NOS SA was notified of the dismissal issued by the Court of Appeal. Not accepting the decision, NOS filed a Review Appeal with the Supreme Administrative Court, pending, in this regard, the issuance of the respective admissibility order;

- 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 2021 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 Audio – Sales and Distribution
- NOS Madeira
- NOS Sistemas
- NOS Technology
- NOS Wholesale

- NOS Corporate Center
- NOS Property
- Per-mar
- Sontária

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

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 30 June 2021.

#### 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 2020 and 2021 were as follows:

	31-12-2019	INCOME (NOTE B)	EQUITY	DISPOSAL OF NOS TOWERING (NOTE 48)	30-06-2020
<b>DEFERRED INCOME TAX ASSETS</b>					
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
	<b>80,428</b>	<b>1,009</b>	<b>31</b>	<b>(6,344)</b>	<b>75,124</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,799	(90)	-	-	2,709
Intra-group leases	6,324	311	-	-	6,635
Others	2,503	(25)	-	-	2,478
	<b>11,626</b>	<b>196</b>	<b>-</b>	<b>-</b>	<b>11,822</b>
<b>NET DEFERRED TAX</b>	<b>68,802</b>	<b>813</b>	<b>31</b>	<b>(6,344)</b>	<b>63,302</b>

	31-12-2020	INCOME (NOTE B)	EQUITY	DISPOSAL OF NOS TOWERING (NOTE 48)	30-06-2021
<b>DEFERRED INCOME TAX ASSETS</b>					
Impairment of other receivable	8,221	(1,749)	-	-	6,472
Inventories	1,993	38	-	-	2,031
Other provision and adjustments	44,698	(1,078)	-	-	43,620
Intragroup gains	19,672	(1,576)	-	-	18,096
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,979	(35)	-	-	4,944
Assets recognised under application of IFRS 16 (Note 2.1)	2,994	931	-	-	3,925
Derivatives	225	(46)	(71)	-	108
	<b>82,782</b>	<b>(3,515)</b>	<b>(71)</b>	<b>-</b>	<b>79,196</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,592	(87)	-	-	2,505
Derivatives	-	3	37	-	40
Intra-group leases	36	1	-	-	37
Others	2,397	110	-	-	2,507
	<b>5,025</b>	<b>27</b>	<b>37</b>	<b>-</b>	<b>5,089</b>
<b>NET DEFERRED TAX</b>	<b>77,757</b>	<b>(3,542)</b>	<b>(108)</b>	<b>-</b>	<b>74,107</b>

At 30 June 2021, 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

35.1 million euros (31 December 2020: 34.8 million euros; and ii) Other provisions amounted to 8.5 million euros (31 December 2020: 9.5 million euros).

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

At 30 June 2021, deferred tax assets were not recognised for an amount of 0.6 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 2021, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2020: 21%). In the case of temporary differences, the rate used was 22.5% (2020: 22.5%) increased to a maximum of 6.4% (2020: 6.4%) 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.

In view of the Supplementary Budget for 2020, tax losses generated in the taxable periods of 2020 and 2021 are reportable over a period of twelve years with a limit of 80% of taxable profit, the period for counting of tax losses in force, calculated before 2020, being suspended during these two periods.

## B) Effective tax rate reconciliation

In the semesters ended on 30 June 2020 and 2021, the reconciliation between the nominal and effective rates of tax was as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Income before taxes	46,372	38,353	40,165	80,236
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
<b>ESTIMATED TAX</b>	<b>10,434</b>	<b>8,629</b>	<b>9,037</b>	<b>18,053</b>
Permanent differences i)	341	2,528	(200)	(851)
Differences in tax rate of group companies	77	45	(1)	(1)
Tax benefits ii)	(5,954)	(3,775)	(10,246)	(10,246)
State surcharge	2,149	1,797	1,089	2,895
Autonomous taxation	172	378	130	281
Others	236	705	(2,824)	(3,604)
<b>INCOME TAXES</b>	<b>7,455</b>	<b>10,308</b>	<b>(3,015)</b>	<b>6,527</b>
Effective Income tax rate	16.1%	26.9%	-7.5%	8.1%
Income tax	2,289	11,121	(4,038)	2,985
Deferred tax	5,167	(813)	1,023	3,542
	<b>7,456</b>	<b>10,308</b>	<b>(3,015)</b>	<b>6,527</b>



- i) At 30 June 2020 and 2021, the permanent differences were composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Equity method (Note 35)	938	9,762	511	(2,326)
Others	576	1,473	(1,397)	(1,455)
	<b>1,514</b>	<b>11,235</b>	<b>(886)</b>	<b>(3,781)</b>
	22.5%	22.5%	22.5%	22.5%
	<b>341</b>	<b>2,528</b>	<b>(199)</b>	<b>(851)</b>

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

## 15. Inventories

At 31 December 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020	30-06-2021
<b>INVENTORIES</b>		
Telco	50,135	55,503
Audiovisuals	637	537
	<b>50,772</b>	<b>56,040</b>
<b>IMPAIRMENT OF INVENTORIES</b>		
Telco	(6,913)	(7,110)
Audiovisuals	(231)	(154)
	<b>(7,144)</b>	<b>(7,264)</b>
	<b>43,628</b>	<b>48,776</b>

The movements occurred in impairment adjustments were as follows:

	6M 20	6M 21
<b>AS AT JANUARY 1</b>	<b>6,673</b>	<b>7,292</b>
Increase and decrease - Cost of products sold (Note 32)	1,308	844
Utilizations / Others	(689)	(872)
<b>AS AT JUNE 30</b>	<b>7,292</b>	<b>7,264</b>

## 16. Accounts receivable - trade

At 31 December 2020 and 30 June 2021, this item was as follows:

	31-12-2020	30-06-2021
Trade receivables	437,055	422,948
Unbilled revenues i)	48,762	46,356
	<b>485,817</b>	<b>469,304</b>
Impairment of trade receivable	(195,165)	(192,643)
	<b>290,652</b>	<b>276,661</b>

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

The movements occurred in impairment adjustments were as follows:

	6M 20	6M 21
<b>AS AT JANUARY 1</b>	<b>154,128</b>	<b>188,104</b>
Increases and decreases (Note 34)	7,022	2,562
Penalties - i)	7,377	6,819
Other losses / (gains) non-recurrent (Note 38)	28,239	-
Losses/ (Gains) in participated companies (Note 35)	4,135	-
Utilizations / Others	(12,797)	(4,842)
<b>AS AT JUNE 30</b>	<b>188,104</b>	<b>192,643</b>

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

## 17. Contract assets

At 30 June 2021, the contract assets, in the amount of 62.7 million euros (31 December 2020: 61,6 million euros), correspond to discounts, attributed to customers at the time of the sale of equipment (included in the telecommunications packages) and which are allocated to monthly fees / services rendered, within the scope of the allocation of credits to different types of performance obligations, according to IFRS 15. These assets are deferred, at the time of sale of the equipment, and recognised over the contract period (service rendered).

## 18. Prepaid expenses

At 31 December 2020 and 30 June 2021, this item was composed as follow:

	31-12-2020	30-06-2021
Programming costs i)	15,462	13,242
Costs of litigation procedure activity ii)	2,499	3,650
Insurance	696	1,338
Advertising	348	756
Others iii)	15,049	23,247
	<b>34,054</b>	<b>42,233</b>

- i) Programming costs correspond to costs inherent to the availability of channels, namely fixed fees, billed in advance. This cost is recognised in the period in which the channel is made available and transmitted, and recognised as a programming cost, in the Consolidated Income Statement.
- ii) Deferred costs related to collection actions correspond to services paid in advance to external entities as part of the processes for recovering customer debts / collection actions. These costs are recognised as the service is provided.
- iii) "Others" includes deferred costs, mainly related to expenses to be recognised from various supplies and external services, such as specialised works, maintenance and repair work and others, billed in advance by suppliers (quarterly or annual billing), the respective expense being recognised in the income statement as the service is provided.

## 19. Derivated financial instruments

### Interest rate derivatives

At 30 June 2021, NOS had contracted two interest rate swaps that ascend to a total of 150 million euros (31 December 2020: 150 million euros) whose swaps maturities expires in 2022. The fair value of interest rate swaps, in the negative amount of 32 thousand euros (31 December 2020: negative amount of 51 thousand euros), was recorded in liabilities, against shareholder's equity.

### Own shares derivatives

At 30 June 2021, NOS had contracted three own shares derivatives, in the amount of 2.890 thousand euros (31 December 2020: 2.728 thousand euros), maturing in March 2022, 2023 and 2024, 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 are foreign currency forwards open worth 4.905 thousand euros (2020: there were no foreign currency forwards open), whose fair value amounts to a negative net amount of 134 thousand euros.

31-12-2020					
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	150,000	-	-	-	51
Equity Swaps	2,728	-	-	346	604
	<b>152,728</b>	<b>-</b>	<b>-</b>	<b>346</b>	<b>655</b>

30-06-2021					
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	150,000	-	-	32	-
Equity swaps	2,890	-	3	410	39
Exchange rate forward	4,905	25	110	1	-
	<b>157,794</b>	<b>25</b>	<b>113</b>	<b>443</b>	<b>39</b>

Movements during the semesters ended on 30 June 2020 and 2021 were as follows:

	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)
<b>DERIVATIVES</b>	<b>(400)</b>	<b>(230)</b>	<b>(137)</b>	<b>(767)</b>
Deferred income tax assets	90	52	31	173
<b>DEFERRED INCOME TAX</b>	<b>90</b>	<b>52</b>	<b>31</b>	<b>173</b>
	<b>(310)</b>	<b>(178)</b>	<b>(106)</b>	<b>(594)</b>

	31-12-2020	RESULT	EQUITY	30-06-2021
Fair value interest rate swaps	(51)	-	19	(32)
Fair value exchange rate forward	-	7	127	134
Fair value equity swaps	(950)	206	298	(446)
<b>DERIVATIVES</b>	<b>(1,001)</b>	<b>213</b>	<b>444</b>	<b>(344)</b>
Deferred income tax liabilities	-	(3)	(37)	(40)
Deferred income tax assets	225	(46)	(71)	108
<b>DEFERRED INCOME TAX</b>	<b>225</b>	<b>(49)</b>	<b>(108)</b>	<b>68</b>
	<b>(776)</b>	<b>164</b>	<b>336</b>	<b>(276)</b>

## 20. Cash and cash equivalents

At 31 December 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020	30-06-2021
Cash	566	533
Other deposits	15,000	15,000
Terms deposits i)	137,719	13,886
	<b>153,285</b>	<b>29,419</b>

- i) At 31 December 2020 and 30 June 2021, there are 9.8 million euros and 9.6 million euros, respectively, recorded in the item "Current deposits" whose use is restricted, because they are held by the Capital Fund NOS 5G, subscribed by NOS.

## 21. Shareholder's equity

### 21.1. Share capital

At 31 December 2020 and 30 June 2021, 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 2020 and 30 June 2021 are:

	31-12-2020		30-06-2021	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Sonae, SGPS, S.A. (2)	38,000,000	7.38%	38,000,000	
MFS Investment Management	11,049,477	2.14%	-	0.00%
Norges Bank	11,488,019	2.23%	-	0.00%
<b>TOTAL</b>	<b>329,182,033</b>	<b>63.90%</b>	<b>306,644,537</b>	<b>59.52%</b>

- (1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Portuguese Securities Code, a qualified shareholding of 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:
- a. 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;
  - b. 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.;
- (2) According to the announcement disclosed to CMVM, on 19 August 2020.

### 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 2021 there were 3.004.671 own shares, representing 0.5832% of share capital (31 December 2020: 3.424.754 own shares, representing 0.6648% of the share capital).

Movements in the semesters ended on 30 June 2020 and 2021 were as follows:

	QUANTITY	VALUE
<b>BALANCE AS AT 1 JANUARY 2020</b>	<b>2,595,541</b>	<b>14,655</b>
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)
<b>BALANCE AS AT 30 JUNE 2020</b>	<b>2,514,004</b>	<b>12,131</b>
<b>BALANCE AS AT 1 JANUARY 2021</b>	<b>3,424,754</b>	<b>14,859</b>
Acquisition of own shares	687,000	2,069
Distribution of own shares - share incentive scheme	(960,782)	(3,967)
Distribution of own shares - other remunerations	(146,301)	(599)
<b>BALANCE AS AT 30 JUNE 2021</b>	<b>3,004,671</b>	<b>12,362</b>

### 21.4. Reserves

#### Legal reserve

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

#### Other reserves

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IAS / IFRS. Thus, on 30 June 2021, NOS had reserves, which by their nature are considered distributable for an amount of approximately 267.5 million euros, not including the net income.

#### Dividends

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.

	<b>2020</b>
	<b>DIVIDENDOS</b>
Dividendos atribuídos	143,215
Dividendos atribuídos a ações próprias	(699)
<b>DIVIDENDOS PAGOS</b>	<b>142,516</b>

The General Meeting of Shareholders held on 21 April 2021 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 839

thousand euros. The dividends were paid on 6 May 2021.

	2021 DIVIDENDOS
Dividendos atribuídos	143,215
Dividendos atribuídos a ações próprias	(839)
<b>DIVIDENDOS PAGOS</b>	<b>142,376</b>

## 22. Non-controlling interests

The movements of the non-controlling interests occurred during the semesters ended on 30 June 2020 and 2021 and the results attributable to non-controlling interests for the year are as follows:

	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
	<b>7,042</b>	<b>(534)</b>	<b>(5)</b>	<b>6,504</b>

	31-12-2020	ATTRIBUTABLE PROFITS	OTHERS	30-06-2021
NOS Madeira	5,320	(1)	(3)	5,316
NOS Açores	1,365	(164)	-	1,201
	<b>6,685</b>	<b>(165)</b>	<b>(3)</b>	<b>6,517</b>

## 23. Borrowings

At 31 December 2020 and 30 June 2021, the composition of borrowings was as follows:

	31-12-2020		30-06-2021	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
<b>LOANS - NOMINAL VALUE</b>	<b>98,103</b>	<b>855,833</b>	<b>187,391</b>	<b>737,500</b>
Debtenture loan	-	575,000	150,000	425,000
Commercial paper	77,500	262,500	15,000	312,500
Foreign loans	18,333	18,333	18,333	-
Bank overdrafts	2,270	-	4,058	-
<b>LOANS - ACCRUALS AND DEFERRALS</b>	<b>2,680</b>	<b>(1,285)</b>	<b>(72)</b>	<b>(379)</b>
<b>LOANS - AMORTISED COST</b>	<b>100,783</b>	<b>854,548</b>	<b>187,319</b>	<b>737,121</b>
<b>LEASES</b>	<b>66,343</b>	<b>508,966</b>	<b>67,785</b>	<b>483,736</b>
	<b>167,126</b>	<b>1,363,514</b>	<b>255,104</b>	<b>1,220,857</b>

During the semester ended on 30 June 2021, the average cost of debt of the used lines was approximately 1.45% (2020: 1.3%).

During the semester ended on 30 June 2021, the all-in average cost of debt was approximately 1.5%.

At 30 June 2021 there is no default in terms of capital, interest, conditions for redemption on loans payable or other commitments.

On 30 June 2021, NOS contracted with Millennium BCP, BBVA and Banco BPI around 150 million euros of bonds and commercial paper linked to sustainability indicators. These contracts are effective from June 30, 2021, with the exception of the lines contracted with Banco BPI which are only effective from July 8, 2021. On June 30, 2021, none of these lines was in use.

### 23.1. Debenture loans

At 30 June 2021, NOS has a total amount of 575 million euros of bonds issued:

- 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. The emission has been totally hedged by an interest rate swap.
- 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 2021, an amount of 35 thousand euros, corresponding to interest and commissions, was added to this amount and recorded in the item "Loans - accruals and deferrals".

### 23.2. Commercial paper

At 30 June 2021, the Company has borrowings of 327.5 million euros in the form of commercial paper, of which 3 million euros issued under non-underwritten programmes. The total amount contracted, under underwriting securities, is of 620 million euros, corresponding to eleven programmes, with six banks, 445 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 595 million euros (of which 312.5 million euros have been used as of 30 June 2021) 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 2021 an amount of 52 thousand euros, corresponding to interest and commissions, was deducted 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 2021, the amount in borrowings corresponds to 18.3 million euros.

At 30 June 2021, an amount of 434 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 18.3 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 2020 and 30 June 2021, 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

	31-12-2020	30-06-2021
Until 1 year	91,347	92,437
Between 1 and 5 years	274,163	263,507
Over 5 years	413,997	386,533
	<b>779,507</b>	<b>742,477</b>
Future financial costs (lease)	(204,198)	(190,956)
<b>PRESENT VALUE OF LEASE LIABILITIES</b>	<b>575,309</b>	<b>551,521</b>

### Leases – present value

	31-12-2019	30-06-2021
Until 1 year	66,343	67,785
Between 1 and 5 years	190,163	183,079
Over 5 years	318,803	300,657
	<b>575,309</b>	<b>551,521</b>

The maturities of the loans obtained are as follows:

	31-12-2020			30-06-2021		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debtenture loan	2,343	574,007	-	150,638	424,397	-
Commercial paper	78,532	212,463	50,000	14,978	312,470	-
Foreign loans	17,638	18,078	-	17,645	254	-
Bank overdrafts	2,270	-	-	4,058	-	-
Leases	66,343	190,163	318,803	67,785	183,079	300,657
	<b>167,126</b>	<b>994,711</b>	<b>368,803</b>	<b>255,104</b>	<b>920,200</b>	<b>300,657</b>

## 24. Provisions

At 31 December 2020 and 30 June 2021, the provisions were as follows:

	31-12-2020	30-06-2021
Litigation and other - i)	24,756	28,785
Financial investments - ii)	-	1,075
Dismantling and removal of assets - iii)	21,604	21,811
Contingent liabilities - iv)	23,720	23,707
Contingencies - other - v)	3,265	2,036
	<b>73,345</b>	<b>77,414</b>

- At 30 June 2021, the amount under the item "Litigation and other" corresponds to provisions to cover the legal and others claims in-progress.
- The amount presented in the "Financial Investments" caption corresponds to the responsibilities assumed by the Group towards the associated companies and jointly controlled entities, other than the investment made (Note 11);



- iii) 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;
- iv) 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 being 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 43) 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;

- v) 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 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
Financial investments	-	-	-	-	-	-
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
	<b>94,959</b>	<b>2,459</b>	<b>(4,747)</b>	<b>(14,902)</b>	<b>(1,830)</b>	<b>75,939</b>

During the semester ended on 30 June 2020, increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer, mainly, to the reassessment of several legal contingencies.

During the semester ended on 30 June 2021, movements in provisions, were as follows:

	31-12-2020	INCREASES	DECREASES	DESCONTINUED UNIT (NOTE 46)	OTHERS	30-06-2021
Litigation and other	24,756	1,950	(3,417)	-	5,496	28,785
Financial investments	-	1,075	-	-	-	1,075
Dismantling and removal of assets	21,604	207	-	-	-	21,811
Contingent liabilities	23,720	-	(13)	-	-	23,707
Contingencies - other	3,265	5,651	(39)	-	(6,841)	2,036
	<b>73,345</b>	<b>8,883</b>	<b>(3,469)</b>	<b>-</b>	<b>(1,345)</b>	<b>77,414</b>

During the semester ended on 30 June 2021, the increases refer mainly to compensation to employees, provisions for legal and other claims plus interests and charges.

During the semester ended on 30 June 2021, the decreases refer mainly to the reassessment of several legal contingencies arising from favourable decisions in ongoing lawsuits.

The movements recorded in "Others", under the heading "Contingencies - other" correspond, predominantly, to compensations to employees.

The net movements for the semesters ended on 30 June 2020 and 2021 reflected in the income statement under Provisions were as follows:

	6M 20	6M 21
Provisions and adjustments (Note 34)	(4,522)	(1,855)
Losses / (gains) of affiliated companies, net (Note 35)	-	1,075
Other losses / (gains) non-recurrent (Note 37)	682	5,625
Interests - dismantling	423	207
Other	1,129	362
<b>INCREASES AND DECREASES IN PROVISIONS</b>	<b>(2,288)</b>	<b>5,414</b>

## 25. Accrued expenses

At 31 December 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020	30-06-2021
<b>NON-CURRENT</b>		
Others	505	343
	<b>505</b>	<b>343</b>
<b>CURRENT</b>		
Invoices to be issued by operators i)	59,452	57,718
Investments in tangible and intangible assets	13,071	30,125
Vacation pay and bonuses	24,531	18,357
Taxes (ANACOM and Cinema Law) ii)	-	14,993
Programming services	8,535	12,566
Content and film rights	10,265	11,506
Professional services	12,960	8,839
Advertising	11,856	8,673
Commissions	6,294	5,575
Costs of litigation procedure activity	7,354	5,120
Energy and water	3,771	3,178
Maintenance and repair	1,694	2,425
Other accrued expenses	16,077	14,236
	<b>175,860</b>	<b>193,311</b>

- i) Amounts related to invoices to be billed by operators, mainly international operators, regarding interconnection costs related with international traffic and roaming services.
- ii) Amounts related to Anacom licenses and other ICA fees, the billing of which is issued annually in subsequent periods.

## 26. Deferred income

At 31 December 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020		30-06-2021	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	32,831	-	24,922	-
Investment subsidy ii)	397	4,729	397	4,468
	<b>33,228</b>	<b>4,729</b>	<b>25,319</b>	<b>4,468</b>

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

## 27. Accounts payable - trade

At 31 December 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020	30-06-2021
Suppliers current account	250,711	253,243
Invoices in reception and conference	1,896	2,406
	<b>252,607</b>	<b>255,649</b>

## 28. Accounts payable - other

At 31 December 2020 and 30 June 2021, this item was composed as follows:

	31-12-2020	30-06-2021
<b>NON-CURRENT</b>		
Assignment of receivables without recourse i)	784	16
Contractual rights ii)	39,266	39,266
	<b>40,050</b>	<b>39,282</b>
<b>CURRENT</b>		
Fixed assets suppliers	42,581	18,499
Assignment of receivables without recourse i)	2,319	1,536
Contractual rights ii)	350	350
Advances from customers	209	183
Others	1,979	2,758
	<b>47,438</b>	<b>23,326</b>
	<b>87,488</b>	<b>62,608</b>

- i) NOS Comunicações, SA materialised a credit assignment transaction, that was coordinated by Banco Comercial Português and Caixa Geral de Depósitos, which it ceded future credits, amounting 63.9 million euros, to be generated by a portfolio of Corporate customers. In the semester ended on 30 June 2021, the balance amounts to 1.6 million euros. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.
- ii) Liability to settle over the next 20 years, related with the contractual right acquired with the agreement celebration between NOS Comunicações, S.A., NOS Technology S.A., and Vodafone Portugal, Comunicações Pessoais, S.A with the aim of sharing mobile support network infrastructures (passive infrastructure such as towers and masts) and active mobile network (active radio equipment such as antennas, amplifiers and other equipment), as disclosed to the market on 22 October 2020.

## 29. Operating revenues

Consolidated operating revenues, for the semesters ended on 30 June 2020 and 2021, were as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
<b>SERVICES RENDERED:</b>				
Communications service revenues (i)	290,402	592,016	298,857	600,396
Revenue distribution and cinematographic exhibition (ii)	161	8,368	3,104	3,249
Advertising revenue (iii)	2,441	6,853	5,492	9,016
Production and distribution of content and channels (iv)	7,939	15,340	6,303	12,960
Others	795	1,385	660	1,279
	<b>301,738</b>	<b>623,962</b>	<b>314,416</b>	<b>626,900</b>
<b>SALES:</b>				
Telco v)	16,931	32,083	19,109	38,445
Audiovisuals and cinema exhibition vi)	160	3,228	294	554
	<b>17,092</b>	<b>35,311</b>	<b>19,403</b>	<b>38,999</b>
<b>OTHER OPERATING REVENUES:</b>				
Telco	2,365	7,060	7,070	11,920
Audiovisuals and cinema exhibition	56	302	132	633
	<b>2,421</b>	<b>7,362</b>	<b>7,202</b>	<b>12,553</b>
	<b>321,251</b>	<b>666,635</b>	<b>341,021</b>	<b>678,452</b>

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

- i) This item mainly includes revenue relating to: (a) basic channel subscription packages

that can be sold in a bundle with fixed broadband/fixed voice services; (b) premium channel subscription packages and S-VOD; (c) terminal equipment rental; (d) consumption of content (VOD); (e) traffic and mobile and fixed voice termination; (f) service activation; (g) mobile broadband access; and (h) other additional services (ex: firewall, antivirus) and services rendered related to datacentre management and consulting services in IT.

- ii) This item mainly includes (a) box office revenue at the NOS Cinemas, and (b) revenue relating to film distribution to other cinema exhibitors in Portugal.
- iii) This item includes advertising revenues on television channels and NOS cinemas.
- iv) This item includes revenues related to production of audiovisual content, thought the compilation of acquired contents, 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.

This item includes earned income related with non-compliances and contractual penalties, as well as other supplementary income of diverse natures.

### 30. Wages and salaries

In the semesters ended on 30 June 2020 and 2021, this item was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Remuneration	16,110	32,149	14,827	30,508
Social taxes	4,177	8,383	4,168	8,301
Social benefits	514	987	512	1,037
Other	198	628	275	441
	<b>20,999</b>	<b>42,147</b>	<b>19,782</b>	<b>40,287</b>

In the semesters ended on 30 June 2020 and 2021, the average number of employees of the companies included in the consolidation was 2,434 and 2,180, respectively. At 30 June 2021, the number of employees of the companies included in the consolidation was 2,193 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 2020 and 2021, this item was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Exhibition costs	28,480	77,693	50,223	98,443
Traffic costs	20,251	39,021	17,090	34,147
Capacity costs	12,658	24,949	11,630	24,264
Costs related to corporate customers services	7,455	15,015	10,103	20,107
Shared advertising revenues	1,686	4,527	3,830	6,340
	<b>70,529</b>	<b>161,204</b>	<b>92,876</b>	<b>183,301</b>

### 32. Cost of products sold

In the semesters ended on 30 June 2020 and 2021, this item was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Costs of products sold	15,116	29,220	16,802	33,842
Increases / (decreases) in inventories impairments (Note 15)	656	1,308	539	844
	<b>15,772</b>	<b>30,528</b>	<b>17,341</b>	<b>34,686</b>

### 33. Support services and supplies and external services

In the semesters ended on 30 June 2020 and 2021, this item was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
<b>SUPPORT SERVICES:</b>				
Call centers and customer support	9,338	18,147	9,703	19,226
Administrative support and others	7,744	17,056	7,843	15,655
Information systems	3,205	6,558	3,271	6,811
	<b>20,287</b>	<b>41,762</b>	<b>20,817</b>	<b>41,692</b>
<b>SUPPLIES AND EXTERNAL SERVICES:</b>				
Maintenance and repair	10,634	21,099	10,935	21,075
Electricity	5,255	10,869	5,006	8,916
Professional services	2,505	5,263	2,716	5,543
Communications	953	2,049	1,243	2,316
Installation and removal of terminal equipment	820	1,506	1,426	2,388
Fees	413	1,189	657	489
Travel and accommodation	173	998	297	468
Other supplies and external services	2,434	7,824	3,399	5,103
	<b>23,187</b>	<b>50,797</b>	<b>25,679</b>	<b>46,298</b>

During the semester ended on 30 June 2021, given the application of IFRS 16, (practical expedient to consider the changes / concessions related to COVID-19 as not being a modification to the lease) discounts from rents were recognised, on the item "Other Supplies and external services", in the amount of approximately 4.5 million euros.

### 34. Provisions and adjustments

In the semesters ended on 30 June 2020 and 2021, these items were composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Provisions (Note 24)	(4,075)	(4,522)	(2,159)	(1,855)
Impairment of account receivables - trade (Note 16)	3,440	7,022	(1,229)	2,562
Impairment of account receivables - others (Note 12)	14	116	39	151
Others	(13)	(13)	(2)	(11)
	<b>(634)</b>	<b>2,603</b>	<b>(3,351)</b>	<b>847</b>

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

In the semesters ended on 30 June 2020 and 2021, this item was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
<b>EQUITY METHOD (NOTE 11)</b>				
Sport TV	1,732	2,380	(1,986)	1,075
Dreamia	(142)	(245)	145	(68)
Finstar	1,283	1,364	(554)	(3,137)
Mstar	(123)	(372)	(169)	(194)
Upstar	-	(13)	(6)	(21)
Others	22	(1)	20	19
	<b>2,772</b>	<b>3,113</b>	<b>(2,550)</b>	<b>(2,326)</b>
<b>OTHERS i)</b>	<b>(1,834)</b>	<b>6,649</b>	<b>3,061</b>	<b>-</b>
	<b>938</b>	<b>9,762</b>	<b>511</b>	<b>(2,326)</b>

- 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 47.1), 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 47.1), 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 2020 and 2021, this item was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
<b>TANGIBLE ASSETS</b>				
Buildings and other constructions	2,623	5,285	139	280
Basic equipment	36,537	69,500	41,240	81,155
Transportation equipment	1	2	1	1
Tools and dies	11	24	14	28
Administrative equipment	1,173	2,364	1,076	2,174
Other tangible assets	147	298	102	216
	<b>40,492</b>	<b>77,473</b>	<b>42,572</b>	<b>83,854</b>
<b>INTANGIBLE ASSETS</b>				
Industrial property and other rights	21,304	45,652	20,558	41,217
	<b>21,304</b>	<b>45,652</b>	<b>20,558</b>	<b>41,217</b>
<b>CONTRACT COSTS</b>				
Contract costs	25,063	50,115	24,664	49,270
	<b>25,063</b>	<b>50,115</b>	<b>24,664</b>	<b>49,270</b>
<b>RIGHTS OF USE</b>				
Rights of use	14,329	28,418	15,607	30,477
	<b>14,329</b>	<b>28,418</b>	<b>15,607</b>	<b>30,477</b>
<b>INVESTMENT PROPERTY</b>				
Investment property	4	8	4	8
	<b>4</b>	<b>8</b>	<b>4</b>	<b>8</b>
	<b>101,192</b>	<b>201,666</b>	<b>103,405</b>	<b>204,826</b>

### 37. Restructuring Costs

In the semesters ended on 30 June 2020 and 2021, this item was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Personnel compensation	244	682	1,633	5,625
Personnel costs related to non-recurrent projects	176	316	84	157
	<b>420</b>	<b>998</b>	<b>1,717</b>	<b>5,782</b>



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

In the semesters ended on 30 June 2020 and 2021, the other non-recurring costs / (gains) was composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
<b>COSTS:</b>				
Losses resulting from COVID-19 impacts (Note 47) i)	780	41,386	-	-
Others	2,703	7,280	72	431
<b>TOTAL</b>	<b>3,483</b>	<b>48,666</b>	<b>72</b>	<b>431</b>

- 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:
- 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 macroeconomic indicators for the next 3 years, and identification of customers particularly affected by the current crisis, namely, in the cinema business;
  - recognition of expected credit losses from all penalties billed to customers and not provisioned, in the amount of approximately 7.0 million euros, as a consequence of the foreseeable sharp reduction in their collection;
  - loss recognition for onerous contracts related to premium sports content, in the amount of 10.8 million euros;
  - and losses related to the acquisition of various security materials to combat the spread of the new coronavirus COVID-19, in the amount of approximately 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 2020 and 2021, financing costs and other financial expenses / (income) were composed as follows:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
<b>FINANCING COSTS:</b>				
<b>INTEREST EXPENSE:</b>				
Borrowings	2,895	5,524	2,600	5,267
Finance leases	1,602	3,177	6,432	12,956
Derivatives	18	37	16	32
Others	563	1,757	(82)	269
	<b>5,078</b>	<b>10,495</b>	<b>8,966</b>	<b>18,524</b>
<b>INTEREST EARNED</b>	(491)	(1,244)	(909)	(1,762)
	<b>4,587</b>	<b>9,251</b>	<b>8,057</b>	<b>16,762</b>
<b>NET OTHER FINANCIAL EXPENSES /(INCOME):</b>				
Commissions and guarantees	729	1,439	665	1,365
Others	200	331	126	256
	<b>929</b>	<b>1,770</b>	<b>791</b>	<b>1,621</b>

Interest earned mainly corresponds to default interests charged to customers.

The interest increase related with leases results, essentially, from the agreement

celebrated with Cellnex (Note 46).

#### 40. Net earnings per share

Earnings per share for the semesters ended on 30 June 2020 and 2021 were calculated as follow:

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Consolidated net income attributable to shareholders	45,341	34,986	43,326	73,874
Number of ordinary shares outstanding during the period (weighted average)	513,256,224	512,909,400	512,152,122	512,033,379
Basic earnings per share - euros	0.09	0.07	0.08	0.14
Diluted earnings per share - euros	0.09	0.07	0.08	0.14

	2º QUARTER 20	6M 20	2º QUARTER 21	6M 21
Consolidated net income attributable to shareholders	39,072	28,579	43,326	73,874
Number of ordinary shares outstanding during the period (weighted average)	513,256,224	512,909,400	512,152,122	512,033,379
Basic earnings per share - euros	0.08	0.06	0.08	0.14
Diluted earnings per share - euros	0.08	0.06	0.08	0.14

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 2020 and 30 June 2021, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2020	30-06-2021
Tax authorities i)	35,242	35,257
ANACOM ii)	15,000	15,000
Others iii)	10,814	10,098
	<b>61,056</b>	<b>60,355</b>

- i) At 31 December 2020 and 30 June 2021, 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 2020 and 30 June 2021, this amount relates to contracted guarantees for the 5G auction.
- iii) At 31 December 2020 and 30 June 2021, 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 88% to ownership clauses.

In addition, approximately 21% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA after leasing payment, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA after leasing payment, approximately 2% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA after leasing payment and approximately 12% require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA.

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

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

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

### **Assignment agreements football broadcast rights**

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

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

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

The contract will last 10 seasons, concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights stated in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January

2016, with the overall financial consideration amounting to 446 million euros, divided into progressive annual amounts.

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

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

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

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

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

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

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

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

Following the agreement signed with the remaining operators, which is being made directly in some cases and through channel yield to third parties in others, 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	2021/22	Following
Estimated cash-flows with the contract signed by NOS with the sports entities*	123.8 M€	629.3 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	52.1 M€	336.2 M€

\* Includes direct broadcasts of games and channels, advertising and others.

Considering that, following the celebrated agreements with the remaining operators, the risks and benefits associated to contracts with teams are shared amongst the operators, the agreement was considered a collaborative agreement. For this reason, the revenue (with operators) is compensated with the expenses with teams.

### 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.

### Celebrated agreements regarding the sharing of mobile network support infrastructure

On 22 October 2020, NOS Comunicações S.A. and NOS Technology, on the one hand, and Vodafone Portugal, Comunicações Pessoais, S.A., on the other hand, celebrated a set of agreements regarding the sharing of mobile network support infrastructure (passive infrastructures such as towers and poles) and activemobile network elements (active radio equipment such as antennas, amplifiers and remaining equipment). These agreements have the following characteristics:

- the agreements have a nationwide scope with diverse geographical application according to the higher or lower level of population density. In higher density geographies, typically larger urban areas, the parties will pursue synergies by sharing support infrastructure. In lower density areas, typically rural and interior locations, in addition to shared use of support infrastructure, the parties will also share active mobile network.
- the agreements focus on assets currently held, or that may be held by each party in

the future, and on existing 2G, 3G and 4G technology. Incorporation of 5G technology in these agreements will depend on each to deploy this technology.

c) the agreements do not encompass spectrum sharing between the operators and each party will maintain exclusive strategic control of its networks, thus ensuring full competitive, strategic and commercial independence and the ability to differentiate in terms of customer service and provision.

Each party retains the ability to develop its mobile communications network independently.

These agreements will enable NOS to invest more efficiently by capturing value through synergies. NOS will also be able to deploy its mobile network faster and in a more environmentally responsible way, thus benefitting customers and remaining stakeholders.

Sharing of mobile infrastructure represents an important contribution towards greater geographical cohesion and digital inclusion, both of which are essential to the sustainable development of the country.

## 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 2020 and 30 June 2021 and transactions in the semesters ended on 30 June 2020 and 2021 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

#### Balances at 31 December 2020

	Balances at 31 December 2020		
	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
<b>ASSOCIATED COMPANIES</b>	<b>24,334</b>	<b>14,707</b>	<b>-</b>
Big Picture 2 Films	16	28	-
Sport TV	24,318	14,679	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>13,235</b>	<b>2,561</b>	<b>2,917</b>
Dreamia Holding BV	86	-	2,907
Dreamia SA	1,819	899	10
Finstar	9,510	71	-
Mstar	10	1,449	-
Upstar	873	142	-
ZAP Media	937	142	-
<b>OTHER RELATED PARTIES</b>	<b>10,255</b>	<b>3,562</b>	<b>-</b>
Digitmarket-Sistemas de Informação, SA	819	563	-
Banco BIC Português, S.A.	199	-	-
MDS Corretor de Seguros, SA	110	-	-
Modelo Continente Hipermercados, SA	1,550	48	-
S21SEC Portug-Cyber Security Services, SA	264	539	-
SC-Consultadoria, SA	168	-	-
SFS, Gestão e Consultoria, S.A.	1	223	-
Sierra Portugal, SA	489	(5)	-
Sonae MC – Serviços Partilhados, SA	1,373	-	-
UNITEL S.a.r.l.	2,364	1,853	-
Worten-Equipamento para o Lar, SA	1,165	135	-
Other related parties	1,753	206	-
	<b>47,824</b>	<b>20,830</b>	<b>2,917</b>

## Transactions in the semester ended on 30 June 2020

	30/06/2020			
	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
<b>SHAREHOLDER COMPANY</b>	<b>690</b>	<b>-</b>	<b>-</b>	<b>-</b>
BPI	690	-	-	-
<b>ASSOCIATED COMPANIES</b>	<b>641</b>	<b>33,262</b>	<b>-</b>	<b>-</b>
Big Picture 2 Films	59	1,333	-	-
Sport TV	582	31,928	-	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>7,436</b>	<b>163</b>	<b>69</b>	<b>-</b>
Dreamia Holding BV	-	-	57	-
Dreamia SA	1,976	73	12	-
Finstar	4,966	-	-	-
MSTAR	8	-	-	-
Upstar	354	90	-	-
ZAP Media	132	-	-	-
<b>OTHER RELATED PARTIES</b>	<b>13,990</b>	<b>6,344</b>	<b>-</b>	<b>-</b>
Banco BIC Português, S.A.	856	-	-	-
Cascaishoping- 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	-	-
	<b>22,756</b>	<b>39,768</b>	<b>69</b>	<b>(1)</b>

## Balances at 30 June 2021

	Balances at 30 June 2021		
	ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
<b>ASSOCIATED COMPANIES</b>	<b>4,655</b>	<b>9,115</b>	<b>-</b>
Big Picture 2 Films	1	138	-
Sport TV	4,654	8,977	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>14,817</b>	<b>2,585</b>	<b>3,003</b>
Dreamia Holding BV	44	-	2,993
Dreamia SA	1,248	1,588	10
Finstar	12,131	425	-
Mstar	10	-	-
Upstar	447	430	-
ZAP Media	937	142	-
<b>OTHER RELATED PARTIES</b>	<b>7,242</b>	<b>3,233</b>	<b>-</b>
Banco BIC Português, S.A.	190	-	-
Cascaishoping- Centro Comercial, S.A.	16	205	-
Centro Colombo Centro Comercial, SA	85	486	-
Centro Vasco da Gama-Centro Comercial,SA	74	327	-
Digitmarket-Sistemas de Informação,SA	730	612	-
Maiashopping- Centro Comercial, S.A.	26	117	-
MDS Corretor de Seguros, SA	235	-	-
Modelo Continente Hipermercados,SA	1,064	84	-
Norteshopping-Centro Comercial, S.A.	92	306	-
S21SEC Portug-Cyber Security Services,SA	121	332	-
SC-Consultadoria,SA	173	-	-
Sierra Portugal, SA	479	(1)	-
Sonae MC – Serviços Partilhados, SA	496	-	-
UNITEL S.a.r.l.	917	193	-
Worten-Equipamento para o Lar,SA	1,062	377	-
Other related parties	1,482	195	-
	<b>26,714</b>	<b>14,933</b>	<b>3,003</b>

## Transactions in the semester ended on 30 June 2021

	30/06/2021			
	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
<b>ASSOCIATED COMPANIES</b>	<b>1,137</b>	<b>7,945</b>	<b>-</b>	<b>-</b>
Big Picture 2 Films	-	125	-	-
Sport TV	1,137	7,820	-	-
<b>JOINTLY CONTROLLED COMPANIES</b>	<b>5,821</b>	<b>(5)</b>	<b>45</b>	<b>-</b>
Dreamia Holding BV	-	(129)	44	-
Dreamia SA	1,960	-	1	-
Finstar	3,718	-	-	-
Mstar	(2)	-	-	-
Upstar	145	33	-	-
DUALGRID	-	91	-	-
<b>OTHER RELATED PARTIES</b>	<b>10,533</b>	<b>6,111</b>	<b>-</b>	<b>(4)</b>
Banco Bic Português, S.A.	758	-	-	-
Cascaishopping- Centro Comercial, S.A.	7	260	-	-
Centro Colombo- Centro Comercial, S.A.	9	622	-	-
Centro Vasco da Gama-Centro Comercial,SA	7	362	-	-
Continente Hipermercados, S.A.	243	19	-	-
Digitmarket-Sistemas de Informação,SA	(118)	1,011	-	-
Maiashopping- Centro Comercial, S.A.	5	161	-	-
MDS Corretor de Seguros, SA	578	-	-	-
Modalfa-Comércio e Serviços,SA	183	-	-	-
Modelo Continente Hipermercados,SA	2,767	75	-	-
Norteshopping-Centro Comercial, S.A.	25	459	-	-
Olivedesportos- Publicidade Televisão e Media	7	2,171	-	-
PHARMACONTINENTE - Saúde e Higiene, S.º	178	-	-	-
S21SEC Portug-Cyber Security Services,SA	26	1,275	-	-
SC-Consultadoria,SA	456	-	-	-
SDSR - Sports Division SR, S.A.	103	-	-	-
SFS - Financial Services, IME, S.A.	119	-	-	-
SFS, Gestão e Consultoria, S.A.	5	241	-	-
Sierra Portugal, SA	1,104	39	-	-
Solinca Classic, S.A.	156	-	-	-
Sonae Arauco Portugal, S.A.	158	-	-	-
Sonae MC – Serviços Partilhados, SA	1,877	-	-	-
UNITEL S.a.r.l.	(1,365)	(1,435)	-	-
Worten-Equipamento para o Lar,SA	1,864	373	-	-
Other related parties	1,381	478	-	(4)
	<b>17,491</b>	<b>14,051</b>	<b>45</b>	<b>(4)</b>

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

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

## 43. Legal actions and contingent assets and liabilities

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

- NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020) 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. Also NOS Wholesale brought action for judicial review of ANACOM's decision in respect of payment of the Annual Fee of Activity for 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, 2019: 10,169 thousand euros and 2020: 10,184 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, 2019: 107 thousand euros and 2020: 120 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, 2019: 195 thousand euros and 2020: 202 thousand euros;
- NOS Wholesale: 2020: 36 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. Five sentences were handed down on the matter, of which ANACOM appealed to the Central Administrative Court. To date, no judgment has been issued by the TCA in any of these cases.

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, beginning of 2017. In the end of the last trimester of 2020, ANACOM notified NOS of the accusation, with the practice of 4 very severe offences and 1 severe offence related, respectively, with i) the non-communication to customers of the right to rescind the contract with no charges, with (ii and iii) the supposed non-communication of pricing update and with (iv) the adequate advance and, yet, (v) the lack of information to be communicated to ANACOM. However, ANACOM did not present any value for a fine, except in relation to the with severe offence. In this case, NOS is given the possibility to settle the fine by the minimum, the amount of 13 thousand euros. NOS presented its written defense on 29 January 2021. The Group is awaiting for ANACOM to deliver a final decision.
- 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 presented its written defence and 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 2021 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2019 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 36 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 guarantees demanded by the Tax Authorities, related to these processes, according reference in Note 41.

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

In 2011, MEO brought against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million of Euros, as compensation for alleged unauthorized portability of NOS SA in the period between March 2009 and July 2011. NOS SA contested, and the Court ordered an expert opinion, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor. In that regard, it sentenced NOS to the payment of approximately 5.3 million euros to MEO, a decision of which NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied with the decision and did not appeal against the part of the sentence that acquitted NOS. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which it gave reason to the claims of NOS, in the sense that interests should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice (SCJ), that appeal which found that the facts established by the Lower Courts were insufficient to resolve on the substance of the case. Consequently, the SCJ ordered that the court under appeal should amplify the facts. The case was transferred to the Court of First Instance for the extension of the facts. In November 2019, the Court of First Instance granted the parties the possibility of

requesting the production of supplementary evidence on the subject of the extension, with NOS requesting an expert examination and the repetition of testimonial evidence. In February 2020, the Court considered that the expansion of the matter of fact leads to the need to obtain new evidence, which requires the analysis of the information relating to all portabilities that serve as the basis for the process, determining the carrying out of expert evidence for that purpose.

In 2011, NOS SA brought an action in Lisbon Judicial Court against MEO, claiming payment of 22.4 million euros, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the performance of expert evidence of technical nature and an economic-financial survey, which were completed in June 2018. MEO argued for the nullity of the expert economic-financial report, which was deferred. In October 2020, an attempt was made to reconcile. Since the parties did not reach conciliation, the trial was initially scheduled for the months of March and April 2021. The court ruled on 16 March 2021 and disregarded the remaining pre-scheduled dates for the final hearing. On the present date, we await the scheduling of new dates for the hearing. 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.

#### **43.4. Action brought by DECO**

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

#### **43.5. Interconnection tariffs**

At 30 June 2021, 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. In March 2021, MEO filed a new lawsuit against NOS, in which it claimed the price of interconnection services between TMN and Optimus for 2001 at 55\$00 (€ 0.2743) per minute. The deadline for submitting the challenge by NOS is pending.

#### 43.6. Contractual penalties

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

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

At 30 June 2021, the amounts billed and to be received from these indemnities amount to 108.1 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 2021, the unvested plans are:

	NUMBER OF SHARES
<b>NOS PLAN</b>	
Plan 2018	-
Plan 2019	763,533
Plan 2020	1,418,040
Plan 2021	1,284,157

During the semester ended on 30 June 2021, the movements that occurred in the plans are detailed as follows:

	NOS PLAN 2018	NOS PLAN 2019	NOS PLAN 2020	NOS PLAN 2021	TOTAL
<b>BALANCE AS AT 31 DECEMBER 2020:</b>	<b>912,727</b>	<b>784,163</b>	<b>1,454,680</b>	<b>-</b>	<b>3,151,570</b>
<b>MOVEMENTS IN THE PERIOD:</b>					
Awarded	-	-	-	1,184,127	1,184,127
Vested	(863,266)	(36,424)	(61,092)	-	(960,782)
Cancelled / elapsed / corrected <sup>(1)</sup>	(49,461)	15,794	24,452	100,030	90,815
<b>BALANCE AS AT 30 JUNE 2021</b>	<b>-</b>	<b>763,533</b>	<b>1,418,040</b>	<b>1,284,157</b>	<b>3,465,730</b>

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

The share plans costs are recognised over the year between the awarding and vesting date of those shares. The responsibility is calculated taking into consideration the share price at award date of each plan, for plans settled in shares, or at the closing date, for plans settled in cash. As at 30 June 2021, the outstanding responsibility related to these plans is 4.162 thousand euros and is recorded in Reserves, for an amount of 3.426 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 736 thousand euros, for plans liquidated in cash.

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

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at 31 December 2020	1,045	5,141	6,186
Costs of plans vested in the period	-	(4,265)	(4,265)
Costs incurred in the period and others	(309)	2,550	2,241
<b>TOTAL COST OF THE PLANS</b>	<b>736</b>	<b>3,426</b>	<b>4,162</b>

Exceptionally, in the first semester of 2021, 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 amounted to 9.6 million euros and the receipt of 5.5 million euros will take place over 5 years (Note 12). Currently 4.4 millions euros are yet to be received.

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

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

In the semester ended on 30 June 2020, cash flows from operating activities amounted to 12 thousand 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. Disposal of NOS Towering

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

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

The potential value of the agreements to be reached over a 6-year period is 600 million euros, dependent on selling additional sites and changing site settings. 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.

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

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

The operation of the sale of NOS Towering configures, from an accounting point of view and for the purposes of consolidated accounts, a sale and lease back, on which, the asset under right of use, resulting from the lease, is equal to the carrying amount of the sold asset, so the operation, in the initial moment, did not generate impacts on the results.

## 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, during a determined period of time, we facilitate access to services, through data offers, temporary suspension of monthly payment of premium sports channels, reinforcement of the ability to implement business services and guaranteeing a safe and secure service in our stores, in order to safeguard our customers, employees and partners. The NOS Telecommunications Network supports a set of basic services of our society, which include our National Health System. In this context of global health emergency, the maintenance of Portuguese communications is a fundamental task.

### **Liquidity and interest rate risk**

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

At 30 June 2021, the average maturity of the group's financing is 2.6 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.

### 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 felt in the results of the financial year ended on 31 December 2020, with a drop in revenues, consolidated EBITDA and operational cash-flows of -6.2% (-90.5 million euros); -5.7% (-36.8 million euros) and -33.8% (-65.2 million euros), respectively, which shows a reduction in activity in:

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

On the other hand, the projections made for the Portuguese economy, led to a reassessment of projections and estimates, which resulted in the reinforcement, in the first quarter, 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). In line with the current recommendations, the Group proceeded to sensitivity analysis to the assumptions used in the impairment tests to Goodwill conducted in the end of 2020, with no evidence of impairment being concluded (Note 8). The most affected segment by COVID-19 was the cinemas one, with a recovery estimation to pre-pandemic values in 2023.

In the semester ended 30 June 2021, the impacts on NOS were felt particularly in the Cinemas and Audiovisuals activity with the closure of movie theaters between mid-January 2021 and April 2021 and in the Telco segment with impacts in terms of roaming revenues.

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. In spite of this uncertainty, and taking into account the most recent projections on the evolution of the pandemic and the Portuguese economy, an improvement in the activity of the various NOS business segments is projected in the coming quarters. Additionally, 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.

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

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

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

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

On 12 June 2020, ZOPT was authorized by the Lisbon Central Criminal Investigation Court to exercise the voting right corresponding to the 26.075% of NOS share capital preventively seized under the aforementioned Court order.

Still in June 2020, the Investigating Judge rejected the third-party embargoes deducted by ZOPT based on the Portuguese courts' inability to assess and decide upon them. This decision, having been appealed by ZOPT, was revoked by the Court of Appeal already in 2021.

Developments are awaited, namely the judicial pronouncement on the seizures.

#### **48. Subsequent events**

Up until this document' date of approval, no other relevant events that are worth being mentioned in this report took place.

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 30-06-2020	DIRECT 30-06-2021	EFFECTIVE 30-06-2021
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Fundo de Capital de Risco N5G (a)	Lisbon	Movies exhibition	NOS	100%	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. (b)	Maputo	Movies exhibition and commercialization of other public events	NOS + NOS Cinemas	100%	100%	100%
NOS Sistemas, S.A.	Lisbon	Rendering of consulting services in the area of information systems	NOS Comunicações	100%	100%	100%
NOS Sistemas España, S.L.	Madrid	Rendering of consulting services in the area of information systems	NOS Comunicações	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 Comunicações	84%	84%	84%
NOS Audiovisuais, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Property, S.A.	Luxembourg	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic communications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Corporate Center, S.A.	Lisbon	Service rendered of business support and management and administration consultancy services, including accounting, logistics, administrative, financial, tax, human resources services and any other services that are subsequent or related to previous activities. The company may also perform any other services, activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraph, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS	100%	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS International Carrier Services, S.A. (c)	Lisbon	Service rendered and exploitation of electronic communications, namely, service rendered of national and international voice and SMS traffic transport services, as well as associated support signaling. The company may also perform any other activities that are complementary, subsidiary or ancillary, referred to in the preceding paragraph, directly or through participation in any other forms of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS	100%	-	-
NOS Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas, S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Audio - Sales and Distribution, S.A. (d)	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS	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 Comunicações	78%	78%	78%
NOS PUB, Publicidade e Conteúdos, S.A. (d)	Lisbon	Commercialization of cable tv contents	NOS	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 Comunicações	100%	100%	100%
NOS TOWERING - Gestão de Torres de Telecomunicações, S.A. ('Be Towering') (e)	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	-	-
NOS Wholesale, S.A.	Lisbon	Trade, service rendered and exploitation of wholesale offerings of national and international electronic communications services and related services, namely information and communication technology services Rendering of consulting services and support to contract management in roaming business. The organization of the material and human resources necessary for the commercialization, promotion and operation of electronic communications networks and circuits. The company may also perform any other activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraphs, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	0%	100%	100%
Per-Mar - Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS Comunicações	100%	100%	100%
Teliz Holding B.V.	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

(a) NOS SGPS: 27,50%; NOS Sistemas: 20,00%; NOS Internacional SGPS: 20,00%; NOS Audiovisuais SGPS: 22,50%; NOS Cinemas: 10,00%

(b) NOS SGPS: 90%; NOS Lusomundo Cinemas: 10%

(c) Company disposed of on 29 June 2020

(d) At 31 December 2020, NOS PUB was merged into NOS Lusomundo TV, whose name was changed to NOS Audio - Sales and Distribution, S.A.;

NOS SGPS: 71,45%; NOS Audiovisuais: 28,55%.

(e) Company disposed of on 30 September 2020

## B) Associated companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 30-06-2020	DIRECT 30-06-2021	EFFECTIVE 30-06-2021
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 30-06-2020	DIRECT 30-06-2021	EFFECTIVE 30-06-2021
Dreamia Holding B.V. (a)	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	0.00%	0.00%
Dreamia Servicios de Televisión, S.L. (b)	Amsterdam					
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 (c)	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%
Dualgrid - Gestão de Redes Partilhas, S.A. (d)	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	-	50.00%	50.00%

(a) Merged company in Dreamia Servicios de Televisión, S.L.

(b) At 3 October 2020, NOS Lusomundo Audiovisuais acquired 1,500 shares of Dreamia Servicios de Televisión, S.L.

(c) NOS SGPS: 29.40%; NOS Comunicações: 0.60%.

(d) A joint venture was formed between NOS Comunicações, S.A. and Vodafone Portugal - Comunicações Pessoais, S.A. on November 24, 2020, in which each party holds 50% of the entity.

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 30-06-2020	DIRECT 30-06-2021	EFFECTIVE 30-06-2021
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	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	4.20%	3.90%	3.90%
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	-	-
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	-	-
Companhia de Pesca e Comércio de Angola (Cosai), SARL (a)	Luanda	n.a.	NOS	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) Derecognized companies in the first quarter of 2021, no impact on the results.

# LIMITED REVIEW REPORT PREPARED BY REGISTERED AUDITOR AT THE PORTUGUESE SECURITIES MARKET COMMISSION



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

## **Limited review report on the consolidated condensed financial statements**

### **Introduction**

We have performed a limited review on the consolidated condensed financial statements of NOS, S.G.P.S., S.A. (the Entity), which comprise the Consolidated Condensed Statement of Financial Position as at 30 June 2021 (which shows a total of 3,051,143 thousand Euros and a shareholders' equity total of 889,169 thousand Euros, including a consolidated net profit attributable to equity holders of the parent of 73,874 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 2021, 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).

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários  
Contribuinte N.º 505 988 282 - C. R. Comercial de Lisboa sob o mesmo número - Sede: Av. da República, 90 - 6.º - 1600-206 Lisboa  
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NOS S.G.P.S., S.A.  
Limited review report on the consolidated condensed financial statements  
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In case of doubt, the Portuguese version prevails)  
30<sup>th</sup> of June 2021

#### Emphasis of Matter

We draw attention to Note 47.2 included in the Notes to the condensed consolidated financial statements regarding the preventive seizure of 26,075% of the Entity's share capital. Our conclusion is not modified in respect to this matter.

Porto, 21<sup>st</sup> July 2021

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

(Signed)

Sandra e Sousa Amorim - ROC nr. 1213  
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# 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 2021 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 2021 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following six months.

Lisbon, 21 July 2021

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)**

Daniel Beato  
**(Member of the Executive Committee)**

Filipa Santos Carvalho  
**(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 Rodrigues  
**(Member of the Board of Directors)**

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

António Domingues  
**(Member of the Board of Directors)**

Catarina Eufémia Amorim da Luz Tavira 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 2021 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 2021 and its impact on the accounts and contains a description of the main risks and uncertainties for the following six months.

Lisbon, 20 July 2021

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)**



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