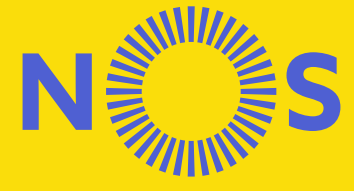


Connected to the world inspiring the future

ANNUAL MANAGEMENT REPORT & ACCOUNTS 2020



Connected to the world inspiring the future

We are NOS.

A brand of many and for many,
connecting people, companies and places,
and in step with the latest global trends.

We are NOS.

Building a more digital,
more sustainable and closer world.

01

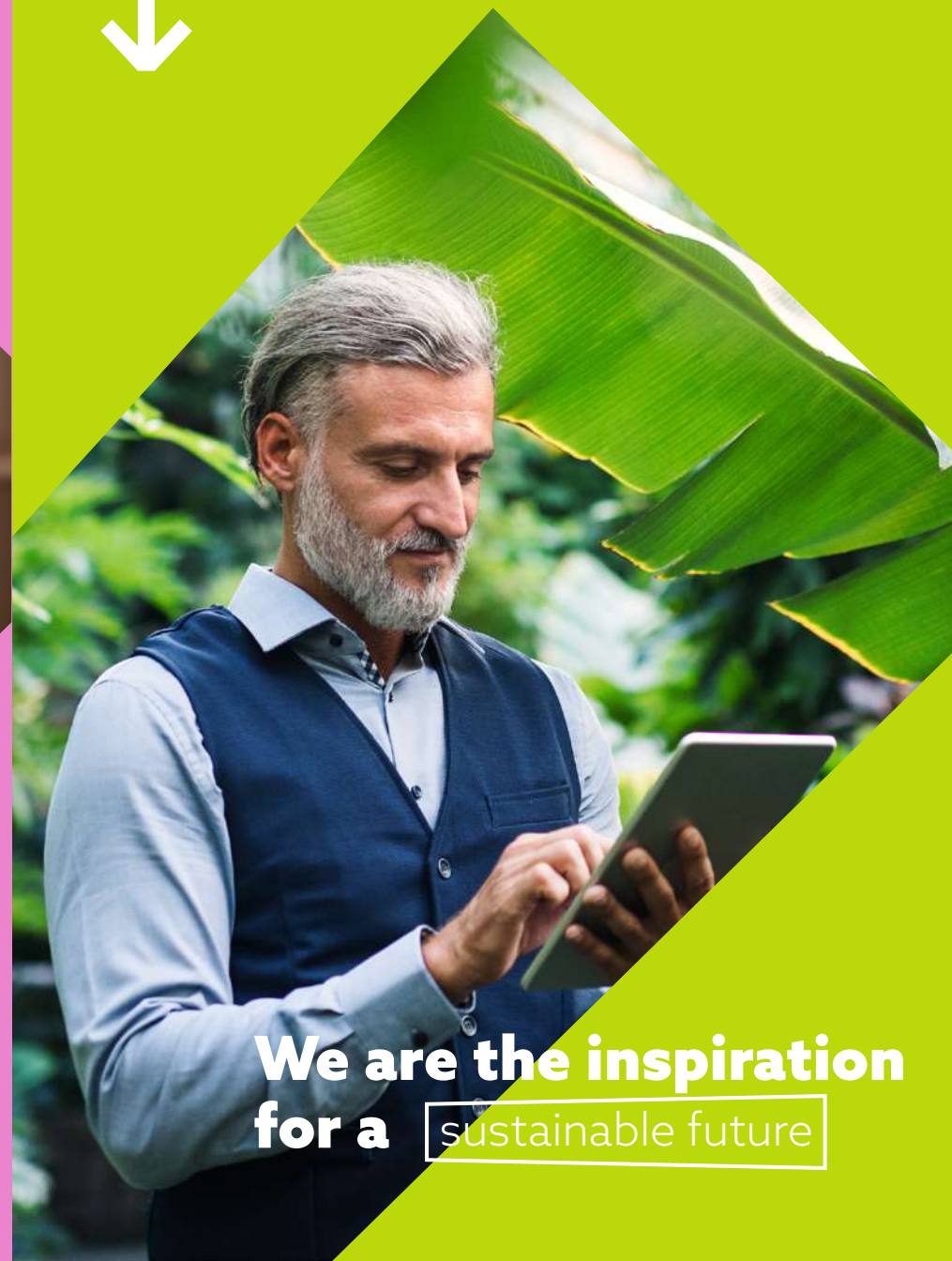
**MANAGEMENT
REPORT**



**We are the inspiration
for a** digital future

02

**NON-FINANCIAL
STATEMENTS**



**We are the inspiration
for a** sustainable future

03

**CONSOLIDATED
FINANCIAL
STATEMENTS**



**We are the inspiration
for a** humane future

04

**INDIVIDUAL
FINANCIAL
STATEMENTS**



**We are the inspiration
for an** optimistic future

05

**CORPORATE
GOVERNANCE
REPORT**



**We are the inspiration
for a** near future



MANAGEMENT
REPORT

01

We are the inspiration
for a digital future

We transform people's lives with our technology. We connect families, businesses and the country with state-of-the-art telecommunications services, and we innovate every day to deliver the best customer experience.



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MANAGEMENT REPORT



1. ABOUT NOS



1.1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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Miguel Almeida
Chief Executive
Officer

Dear stakeholders,

When I wrote to you this time last year, I shared our vision for NOS at the forefront of technological advancement, contributing towards a more productive, socially just and environmentally conscious society. Digital competencies, the best and most widely available next generation networks and seamless integration of emerging digital technologies, are the key enablers to deliver that vision and provide the best possible experience to our customers.

Little could I have imagined the extent to which that vision would be put to the test during the unprecedented social and economic upheaval caused by COVID-19 over the past year and that still persists into 2021. During the initial lockdown in March, businesses, schools, and other public and government services were forced to go to remote work mode at breakneck speed. Companies were forced to respond to major disruptions to their supply chains and operational procedures, whilst trying to keep their businesses up and running. At NOS, the transformation programme that we have been implementing since early 2018, placed us at a unique advantage to not only take our own operations to full remote mode, in less than a week, but to also share our knowledge and experience with our customers and help them to adjust quickly to the new reality. Internally our core priority was to make sure that our staff and families stayed in good physical and mental health, and to ensure continuity of the essential services that keep Portuguese families and

companies connected and with access to critical public services. We extended material support and benefits to health care institutions, public aid workers and more vulnerable communities in general, working side by side with the Portuguese authorities to provide real time data during all phases of the pandemic. We also strived to support our economy wherever feasible by extending more lenient contractual and financial terms during the duration of the lockdown.

Our ability to adapt and maintain business continuity with minimal levels of disruption has brought us closer to our customers further reinforcing a sense of community and belonging. Despite the challenging economic environment, we continued to invest millions in deploying and upgrading our communications networks and platforms, continuously innovating through product and service rollout. We maintained the pace of internal talent transformation and recruitment, strengthening our organization for the challenges of the future. The past year has shown, beyond a doubt, that we cannot control every risk factor, however well prepared, but it has also presented a unique opportunity to reassess how we run our businesses and institutions, how efficient we are in allocating our resources and ultimately how capable we are of assessing and managing risks. Adoption of online and digital technologies by consumers and businesses has exploded and although some of this digital momentum may subside once life starts to return to normal, it is reasonable to assume that much of the change is truly structural in nature.



1. ABOUT NOS

1.1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



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As a key player in the Portuguese corporate and technological ecosystem, we take our environmental and social responsibility very seriously, having stepped up our commitment to achieve the United Nations Sustainable Development Goals and adoption of the principles of the Global Compact. Our commitment to sustainability is built on the firm conviction that only socially responsible companies, that proactively work to combat climate change and develop inclusive, fair and diverse communities, will create long term value and ultimately, generate more attractive returns and prosperity for all stakeholders. We have a pivotal role as an enabler of more sustainable practices, with an ambition to transform lives through digitalization, ensure broadband access for all, and the promotion of digital literacy and competency programmes that will help consumers and companies take full advantage of this transformation potential. It goes without saying that strong governance and responsible management systems are at the very heart of our organization, embedded in a culture of meritocracy, recognition of individual value and continuous development of our talent base.

The operating and financial results we achieved in 2020 bear testament to the resilience of our telecommunications business and to the strength of our operating model. They demonstrate that the very nature of the services we provide, to individuals, families, companies and public institutions alike, are absolutely core to day to day life. Were it not for travel and social distancing restrictions which impacted our regular stream of revenues from roaming, cinema going and premium

sport channels in particular, we would have continued to grow our overall business. Although we implemented a number of efficiency measures, it was unfortunately not possible to compensate the reduction in revenues with cost savings and, as such, we saw a yearly decline in operating profitability. In spite of the negative economic environment, during 2020 we accelerated the pace of our network deployment further expanding our next generation fixed network capabilities and coverage and already preparing the way for 5G deployment. We also pioneered a strategic mobile network sharing deal which, in addition to delivering significant enhancement in coverage, will translate into material efficiencies through avoidance of future network investment and running costs and make a significant contribution to environmental protection with the reduction in number of sites to be deployed and sharing of current infrastructure.

The past year was marred by an inexplicable degree of antagonism from the Portuguese telecom regulator which materialized in the confirmation of an unfair and legally questionable framework for the 5G auction process and, although the auction was ultimately conducted under such unfair terms, we will continue to pursue all legal and regulatory avenues at our disposal to ensure that a level playing field is restored. Despite this unfathomable regulatory hostility, we remain firmly committed to our strategic ambition to unequivocally lead in 5G and to the delivery of the very best digital customer experience, whilst building the foundations for long-term competitiveness and for an organizational model that is fully equipped for this new era.

I would like to extend my heartfelt thanks to all on the NOS team and to my executive colleagues on the board for working so hard to make sure we delivered on our promise to customers under extremely strenuous circumstances. I would like to thank our customers, suppliers and partners for continuing to put their trust in our business and our governing bodies for so wisely steering and unanimously supporting us throughout the year.

Miguel Almeida





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WHO WE ARE

NOS is the biggest communications and entertainment group in Portugal. It offers latest generation fixed and mobile phone, television, Internet, voice and data solutions for all market segments. In the business market, it offers a broad portfolio of products and services with tailor made solutions for each sector and for businesses of different sizes, complementing this with ICT, IoT and Cloud services.

NOS Group
€1,368M
€603M

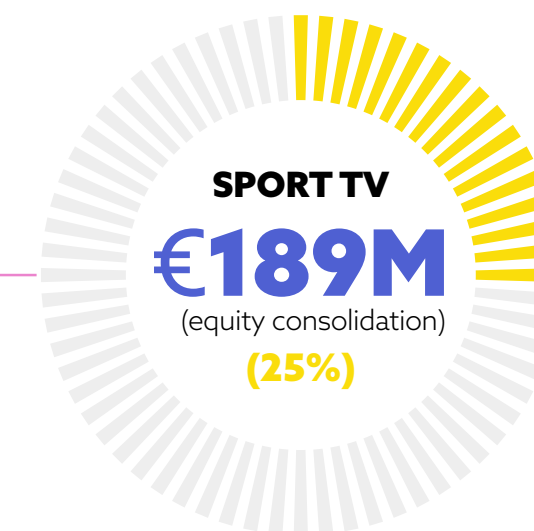
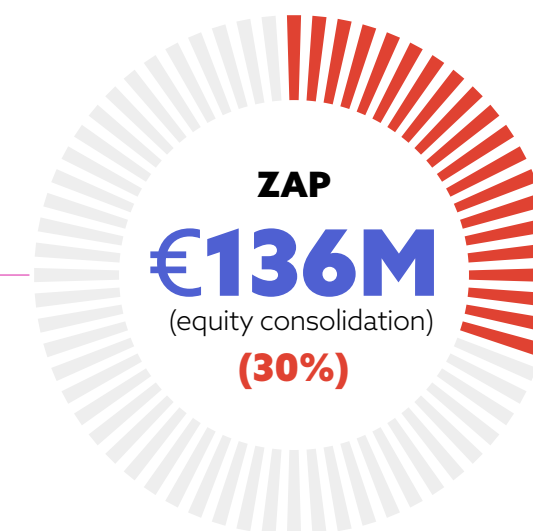
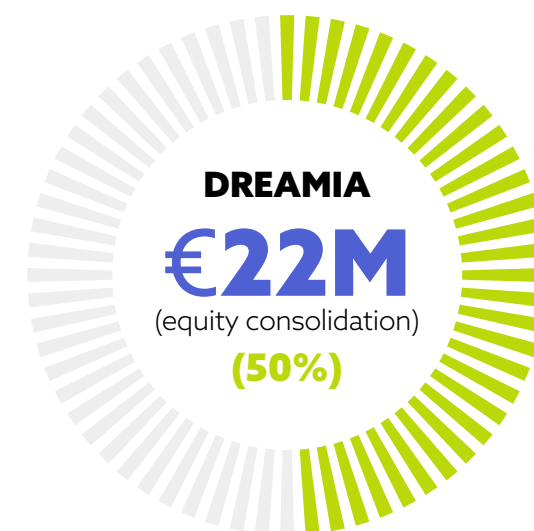
€ M Revenues 2020 € M EBITDA 2020



TELECOM BUSINESS



MEDIA & ENTERTAINMENT BUSINESS



JOINT-VENTURES



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The context resulting from the pandemic crisis demanded a decisive focus on crisis management, on supporting our customers, our employees, society, and the country in general.

In this scenario, NOS assumes itself as an even more preponderant company in the national economic and social outlook, putting all its knowledge, execution capacity and delivery excellence at the service of the Portuguese People.

The operational excellence and financial strength of the present, and the ambition that guides our future, are based on a clear mission, an ambitious vision and a sense of mobilizing purpose that energizes all our people and that serves as a guideline for all our actions and decisions.



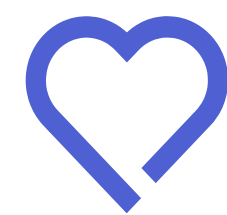
Mission

Our mission is to connect people, companies and institutions, to everything and everyone, enabling the most advanced technologies to deliver the best experience, surprising and building empathetic and transparent relationships with our customers. We always act with ambition, with an attitude of defiance and of transformation of the present, with the future as inspiration and with the creation of value for society as the ultimate goal.



Vision

We want to be the driver of Portugal's transformation into a better society, in which everything and everyone will be connected to everything and everyone in extraordinary ways.



Purpose

We exist to give more life to life, expanding all possible and imaginary connections.

We work every day to build an increasingly competent, efficient and innovative NOS, prepared to lead in the new technological wave that is coming.

NOS will be an increasingly customer-centric company, with a digital mindset, proud of its future proof technology, recognized for its capacity for innovation and execution, differentiating itself by its strong and daring culture.

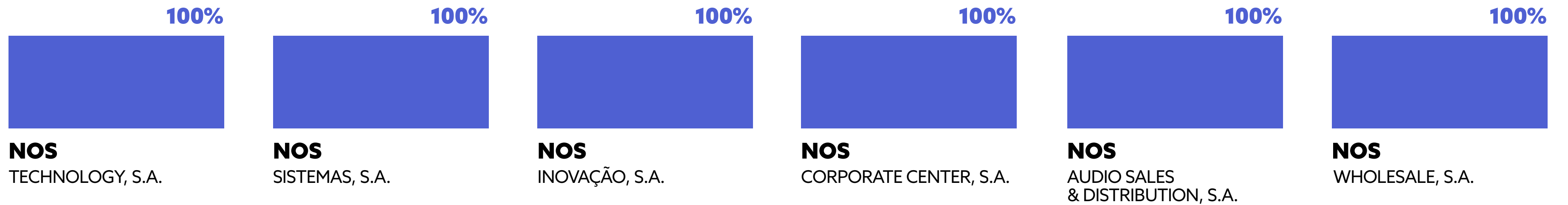
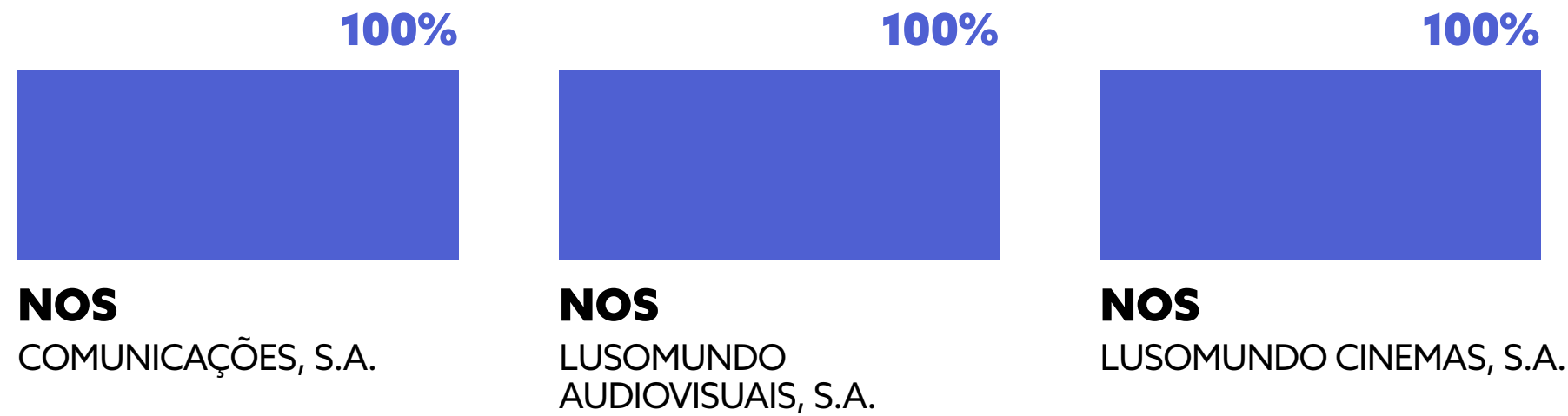




HOW WE ARE ORGANIZED

NOS' UNIVERSE

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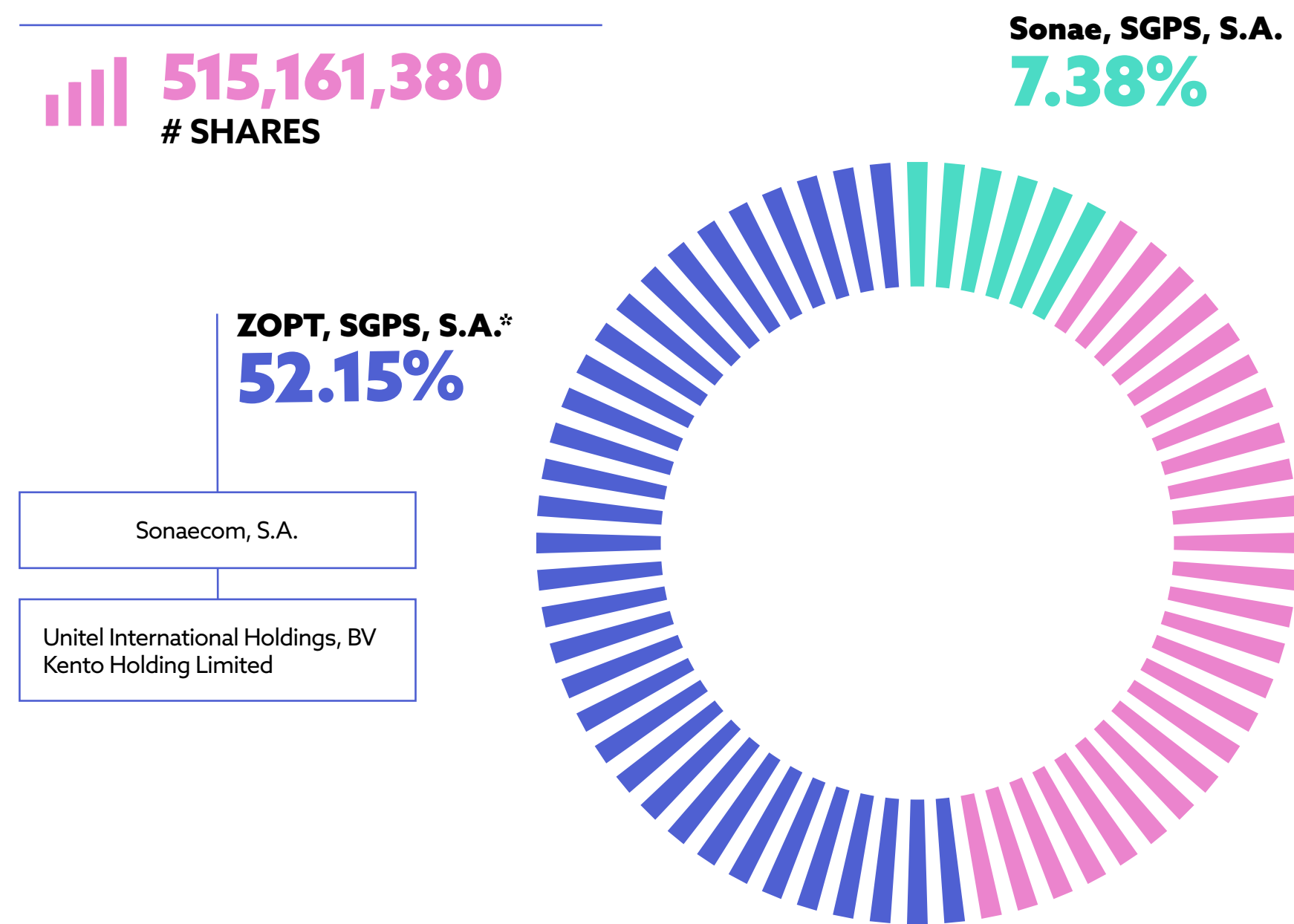


SHAREHOLDER STRUCTURE

Share Capital Distribution on 31st December 2020

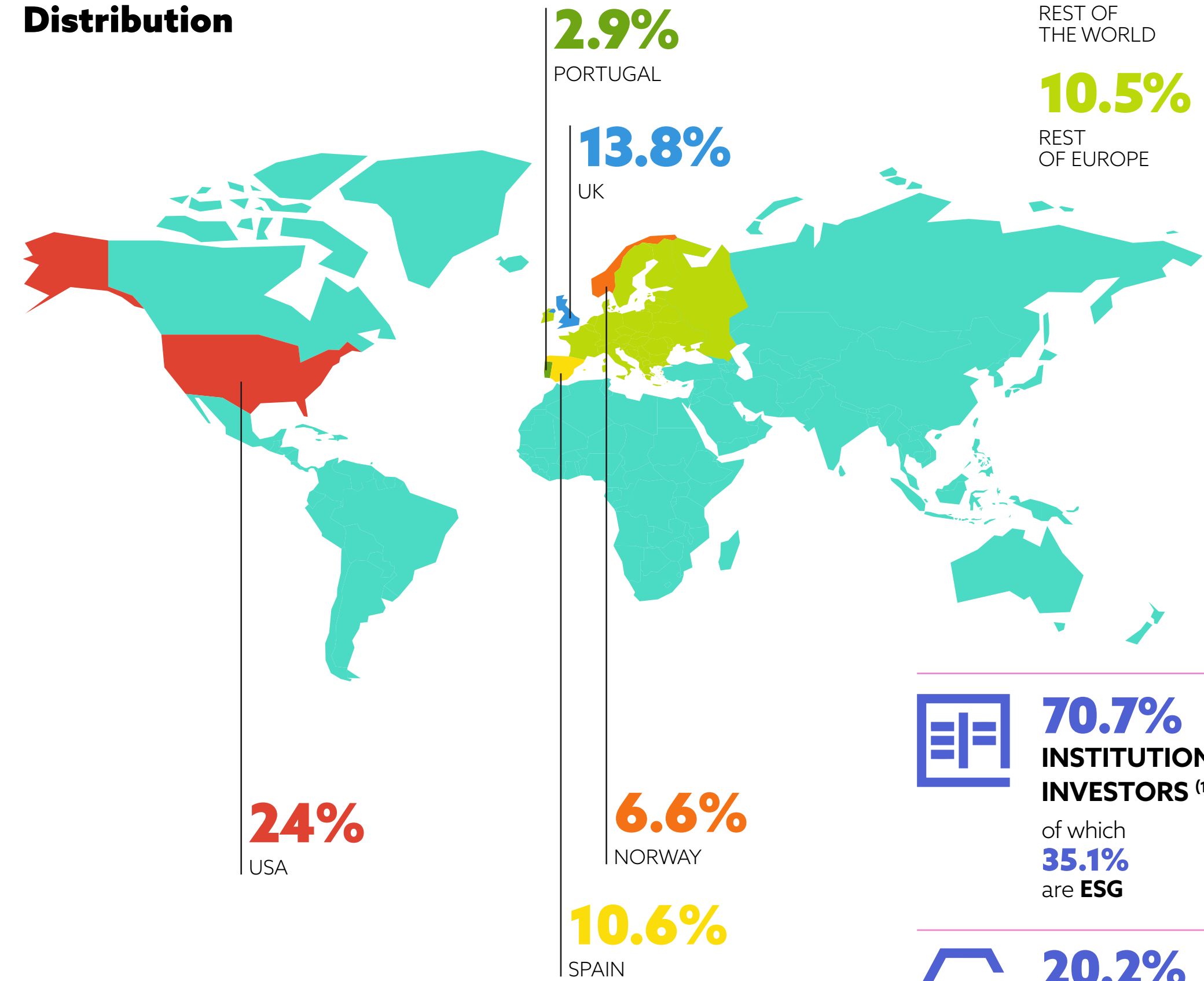
€ 5,151,613.80
SHARE CAPITAL

515,161,380
SHARES



Free Float
40.47%

Free-Float Geographic Distribution



70.7%
INSTITUTIONAL INVESTORS ⁽¹⁾
of which **35.1%** are **ESG**

20.2%
RETAIL INVESTORS ⁽²⁾

* On 19 August 2020, Sonaecom, holder of 50% of the share capital of ZOPT, SGPS, S.A. informed that the shareholders of ZOPT (i.e. Sonaecom itself, Unitel International Holdings, BV and Kento Holding Limited) agreed to take the necessary steps to dissolve ZOPT, so that the respective assets, including the participation in NOS, are distributed proportionately by the shareholders of ZOPT.

⁽¹⁾ Institution or organization that invests on behalf of others.

⁽²⁾ Individual person, non-professional, that invests on its own behalf.



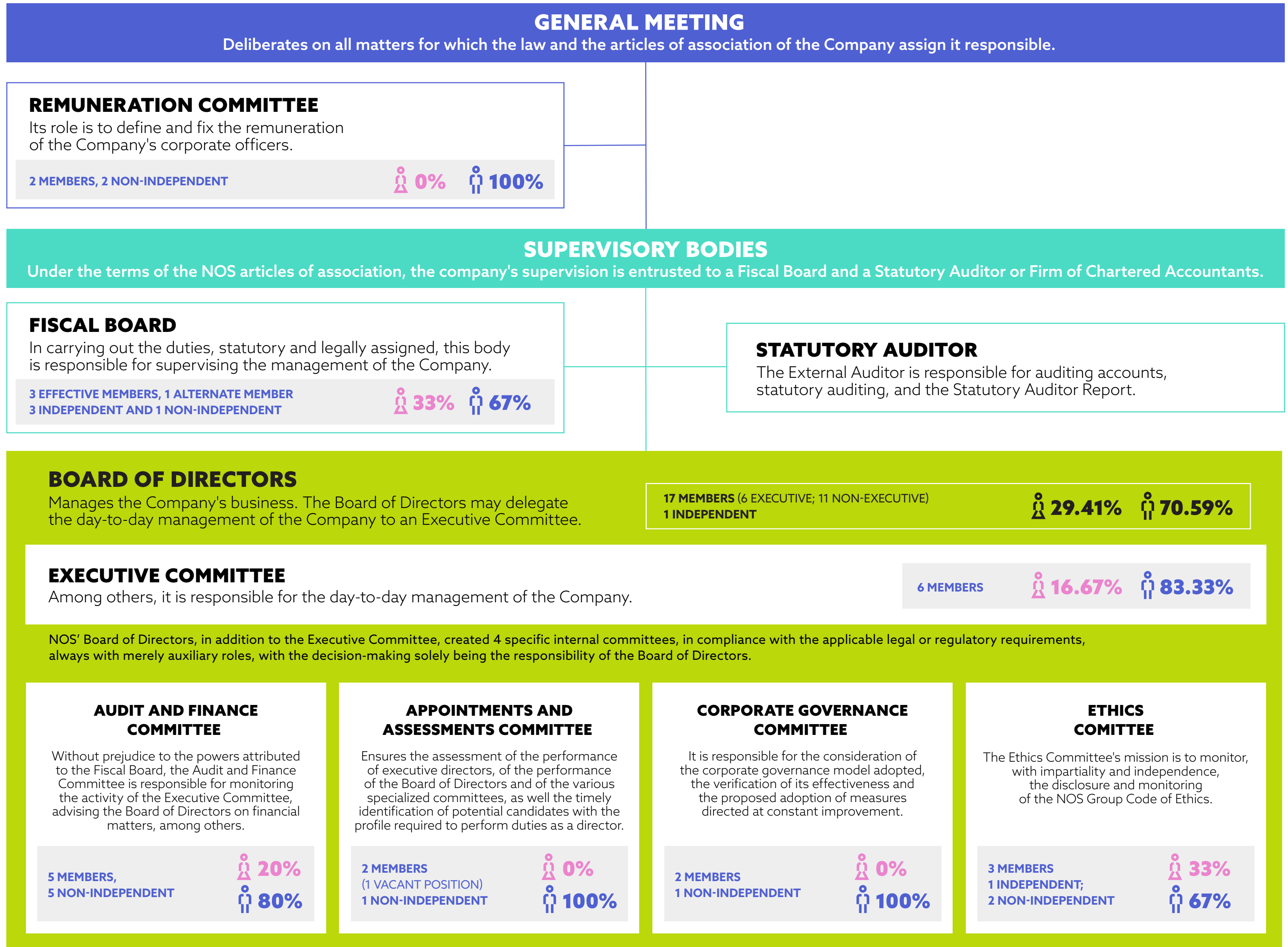
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GOVERNANCE MODEL

The members that make up each of the Governing Bodies are elected for a period of 3 years and, together, seek to bring business skills and specific areas of specialization necessary for the achievement of the Group's strategy and ambitions.

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COMPOSITION OF THE BOARD OF DIRECTORS

On 31st of December of 2020

Ângelo Paupério

CHAIRMAN OF THE BOARD OF DIRECTORS



Member of the following Committees:

Audit and Finance Committee
Chairman of the Appointments and Assessments Committee

Ângelo Paupério has been Chairman of the Board of Directors since January 2020. He was a Board Member of Modelo Continente and Sonae Distribuição and a member of the Board of Directors of several companies in the Sonae universe. He was a member of the High Council of Universidade Católica Portuguesa and Porto Business School. He was Director of the Television Project at Sonae Tecnologias de Informação, S.A. and Director of Planning and Management Control at Sonae Investimentos (currently Sonae SGPS). He started his career at Tecnopor.

Ângelo Paupério has extensive professional experience in top leadership positions. As Sonae's Co-CEO, he subscribed to initiatives such as the Paris Pledge for Action Signature in 2015, the European Pact 4Youth in 2016, the BCSD Portugal's Charter of Principles in 2017. In 2018 he tutored the creation of the Sonae Group Sustainability Advisory Group.

He has a Degree in Civil Engineering by the College of Engineering of the University of Porto and MBA by the Porto Business School.

Ana Rita Rodrigues

NON-EXECUTIVE BOARD MEMBER



Member of the following Committees:

Audit and Finance Committee

Ana Rita Rodrigues has been on the Board of Directors since March 2020. She was a member of the Board of Directors of Santoro Finance and controller and responsible for the Financial Control and Consolidation area at Sonaecom. She was Manager at PricewaterhouseCoopers where she started her career in auditing.

She has a Degree in Management from the Faculty of Economics of the University of Porto, a postgraduate degree in Corporate Tax Law from the Faculty of Law of the University of Coimbra and a training for M&A Executives from the Católica Porto Business School.

António Domingues

NON-EXECUTIVE BOARD MEMBER



Member of the following Committees:

Chairman of the Audit and Finance Committee
Corporate Governance Committee

António Domingues has been a member of the Board of Directors since 2004 (with interregnum between September 2016 and March 2017). He was Chairman of the Board of Directors and of the Executive Committee of Caixa Geral de Depósitos, Vice President of the Executive Committee of the Board of Directors of Banco BPI and member of the Board of Directors of UNICRE, SIBS and Allianz Portugal. He started his career as an economist technician in the Studies and Planning Office of the Ministry of Industry and Energy.

He has a Degree in Economics by the Lisbon Superior Institute of Economics.

António Lobão Teles*

NON-EXECUTIVE BOARD MEMBER



Former member of the following committees:

Audit and Finance Committee

António Lobão Teles was elected a member of the Board of Directors in May 2019. He is currently Director of CaixaBank, with responsibilities in the M&A area. He was Director of Sonangol E.P., in Capital Markets and Corporate Finance and Director of Fidequity. He held management positions in M&A and Corporate Finance at Banco BPI, where he was also an investment banking analyst. He started his career as a Business Development analyst at Portugal Telecom, in the area of Wholesale International.

He has a Degree in Business Administration and Management and a Master in Finance from Católica-Lisbon School of Business and Economics and an Executive Education in Corporate Governance from Nova School of Business and Economics.

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MANAGEMENT REPORT

* On January 8, 2021, NOS, SGPS, S.A. informed that António Lobão Teles submitted a letter of resignation from the position of Member of the Board of Directors.



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MANAGEMENT REPORT

António Lobo Xavier
NON-EXECUTIVE BOARD MEMBER




Member of the following Committees:
Chairman of the Ethics Committee
Corporate Governance Committee

António Lobo Xavier has been a member of the Board of Directors since October 2013. He was Vice-Chairman of the Board of Directors of Banco BPI, member of the Board of Directors of Mota-Engil, SGPS, SA, Partner of Morais Leitão, Galvão Teles, Soares da Silva & Associados, and also a member of the Board of Trustees of Fundação Belmiro de Azevedo. He has been a State Councilor since 2016.

He has a Law Degree and Master's Degree in Economic Law by the Universidade de Coimbra.

Catarina Tavira Van-Dúnem
NON-EXECUTIVE BOARD MEMBER



Catarina Tavira Van-Dúnem has been a member of the Board of Directors since November 2012. She was an executive member of the Marketing and Product team that created and launched the ZAP brand in Angola and Mozambique. She currently manages the company's Television unit, with a special focus on the production of TV content and strategic management of TV channels, available in Angolan, Mozambican and Portuguese territory. She also holds the position of Executive Member of the Board of Finstar/ZAP, a satellite television and communication services company in Angola and Mozambique. She created the area and the team of products and customer services for the mobile telecommunications company Unitel. She started her career in the United States as Assistant Manager at Sentis and Coral, partners of Shell Oil USA.

She has a Degree in Business Management and Organization from the University Institute of Lisbon, ISCTE.

Cláudia Azevedo
NON-EXECUTIVE BOARD MEMBER



Cláudia Azevedo has been a Member of the Board of Directors since October 2013. Since April 2019, she has been CEO of Sonae SGPS, S.A. and member of the Board of Directors of several companies in the Sonae universe, including Sonaecom, Sonae MC and Sonae Sierra. She is also a member of the Board of Directors of - Investimentos SGPS, S.A.

As CEO of Sonae, SGPS, S.A. is a Sponsor of the Sustainability Advisory Group and the Human Resources Advisory Group of Sonae companies. She is a member of the European Commission CEO Action Group for the European Green Deal; of the World Economic Forum (WEF) initiative Champions for Nature and is the co-leader of the WEF Working Group in Food, Ocean and Land Use System. She was a signatory of the Business for Nature, European Green Deal and the CEO Guide for Human Rights of the WBCSD.

During her mandate at Sonae, the company announced its operations carbon neutrality by 2040; the 39% women in leadership roles target by 2023 and the 100% target of reusable, recyclable or compostable food retail own containers by 2025.

She has a Management Degree by the Portuguese Catholic University and MBA by INSEAD.

Cristina Marques
NON-EXECUTIVE BOARD MEMBER



Cristina Marques has been a member of the Board of Directors since March 2020. She was Project Manager at Santoro Finance - Provision of Services; Consultant at Capgemini Consulting and Controller at the Information Systems Department of Energias de Portugal (EDP). She began her career as an Analyst at Espírito Santo Research Sectorial at Novo Banco.

She has a degree in Economics from the Higher Institute of Economics and Management of the Technical University of Lisbon, and a Master of Science (M. Sc.) In BA (with specialization in finance) from the Católica Lisbon School of Business and Economics. She attended a Senior Management Training program at the Instituto de Formação Bancária (IFB) and a Corporate Governance program: "The Board Leadership" by the Nova School of Business & Economics Executive Education.



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João Torres Dolores
NON-EXECUTIVE BOARD MEMBER



Member of the following Committees:
Audit and Finance Committee

João Torres Dolores has been a member of the Board of Directors since April 2016. Since 2019, he has been CFO of Sonae SGPS, S.A. He has been assuming the position of Executive Member of the Board in several companies of the Group, such as Sonaecom and Sone Holdings and of Non-Executive Member of the Board at Sonae MC and Sonae Sierra, among others. His career at Sonae began as Director of Strategic Planning and Management Control. Previously, he had been Deputy Director of Innovation Management and Director of the Cloud Business Unit at Portugal Telecom. He also worked at McKinsey & Company where he was an Associate and started his professional career as a Brand Manager at JW Burmester & Ca, S.A.

As CFO of Sonae, SGPS, S.A. he is Sponsor of Sonae’s Risk Management Advisory Group - with special concern for climate risks; Member of the ERT Working Group on Finance & Tax – group of CFOs of European companies that promotes advances in the European Sustainable Finance agenda and is a member of the WBCSD CFO Network.

During his mandate as CFO of Sonae, SGPS, S.A. the company subscribed to several sustainability commitments: Business for Nature, CEO Guide for Human Rights (WBCSD), announced its operations carbon neutrality by 2040 and the 100% target of reusable, recyclable or compostable food retail own containers by 2025. He has a Degree in Economics from the Faculty of Economics of the University of Porto and an MBA from the London Business School.

Joaquim de Oliveira
NON-EXECUTIVE BOARD MEMBER



Joaquim de Oliveira has been a member of the NOS Board of Directors since January 2008. He was previously a member of the Board of Directors of ZON Multimédia.

Since 1984, the year he founded Olivedesportos (a leading and pioneering company in the areas of television and advertising rights linked to sporting events), he has served as Chairman of the Board of Directors in the various companies that make up the respective business group. In 1994, he acquired the sports newspaper “O Jogo” (now part of the Global Media Group), having formed, in 1996, PPTV (now incorporated in Olivedesportos), through which he founded, jointly with RTP and PT Multimédia (today NOS), the first cable TV sports channel - Sport TV, currently being the Chairman of its Board of Directors. He is also Chairman, since the respective founding in 2001, of the Board of Directors of Sportinveste Multimédia SGPS, S.A. – joint venture set up to explore multimedia content related to sporting events.

José de Freitas
NON-EXECUTIVE BOARD MEMBER



José de Freitas has been a member of the Board of Directors since March 2020. Between 2018 and 2020, he was a member of the Supervisory Board of the European Lawyers Foundation (ELF). In 2019, he was Chairman of the Council of Bars and Law Societies of Europe (CCBE) where he had previously been Chairman of the Professional Indemnity Insurance Working Group and the Brexit Task Force of this entity.

He was Secretary General of Santa Casa da Misericórdia do Porto, member of the General Council of the Bar Association and guest lecturer at the Catholic University of Porto. He was also a member of the Board of Directors of the Association of Law Firms of Portugal (ASAP) and a member of the International Bar Association (IBA), the American Bar Association (ABA) and the Union Internationale des Avocats (UIA).

Has a Law Degree from the Faculty of Law of the University of Coimbra.



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MANAGEMENT REPORT



Miguel Almeida
CEO, CHAIRMAN OF THE EXECUTIVE COMMITTEE

Miguel Almeida was elected CEO of NOS Group at the General Meeting of October 2013. Previously he was a member of the Board of Directors and Executive Board Member of Sonaecom, SGPS, S.A. and Chairman of the Executive Committee of Optimus Comunicações, S.A.. Before joining the Executive Committee of Optimus, he was Marketing Director at Modelo Continente. He has close to 23 years of experience in the telecommunications sector.

CEO of NOS since the merger of ZON and Optimus in 2013, Miguel led the full integration of the two management teams and respective operations, establishing an ambitious growth and technological leadership agenda with the objective of maximizing sustainable value for all stakeholders. The success of the strategy has enabled NOS to reach a market share of revenues of around 32%, by exploring new converging businesses and leveraging the unique combination of state-of-the-art technological assets, organizational talent and a unique pace of transformation, digitalization and operational efficiency.

As the company's Chief Executive Officer, together with 37 other companies, he subscribed the CEO's Guide to Human Rights, an initiative launched by BCSD Portugal and is the lead NOS sponsor for all ESG initiatives such as the United Nations Global Compact or United Nations Target Gender Equality.

Miguel has a Degree in Mechanical Engineering from the Faculty of Engineering of the University of Porto and an MBA from INSEAD.




José Pedro Pereira da Costa
CFO, VICE-PRESIDENT OF THE EXECUTIVE COMMITTEE

José Pedro Pereira da Costa was elected CFO of NOS Group at the General Meeting of October 2013, having been CFO of ZON Multimédia since 2007. Previously, he was director of the Portugal Telecom Group with the financial area of PT Comunicações, PT.COM and PT Prime and member of the Executive Committee of Banco Santander de Negócios Portugal, responsible for the Corporate Finance area. He started his career at McKinsey & Company in Portugal and Spain. He has close to 23 years of experience in the telecommunications sector.

Having assumed the leadership of NOS' financial and risk management areas since the merger, José Pedro has led the definition and supervision of an excellent financial strategy guided by unmatched strength in the capital structure and financing costs sector. Has supervised the implementation of demanding financial management and risk control processes, in line with best practices. The robustness and sustainability of NOS' financial position is a fundamental pillar of the execution of the strategic plan, allowing to safeguard an attractive and sustainable capital remuneration policy. Since September 2020, he has also assumed responsibility in the Executive Committee for the Sustainability area.

José Pedro has a Degree in Business Administration and Management from Universidade Católica Portuguesa and an MBA from INSEAD.




Ana Paula Marques*
VICE-PRESIDENT OF THE EXECUTIVE COMMITTEE

Ana Paula Marques was a member of the NOS Group Executive Committee at the General Meeting of October 2013. She was Executive Board Member of Optimus with the areas of Residential Marketing and Sales, Customer Service, Transversal Operations and Programs. She was President of APRITEL (Association of Electronic Communications Operators). She started her career in Marketing at Procter & Gamble. She has close to 23 years of experience in the telecommunications sector.

Responsible for the transformation and the main areas of operational support to the business, Ana streamlined the launch of NOS' digital and operational transformation program, focusing on the customer experience and the development of a new digital ecosystem, based on agile work models. In the context of the merger, she led the launch of the NOS brand. While responsible for the People and Organization area, she promoted the development and implementation of an integrated model of performance and talent development in the organization, based on principles of meritocracy, equity, transparency, diversity and inclusion. She was a member of the NOS Ethics Committee, always focusing on compliance with the principles that govern the group's relations with the various stakeholders.

Ana has a Degree in Economics from the Faculty of Economics of Porto and an MBA from INSEAD.



Jorge Graça
EXECUTIVE BOARD MEMBER

Jorge Graça has been part of the Executive Committee since April 2016. He was Director of the Consumer segment at NOS and previously Director of the TV Product area at ZON Multimédia, having subsequently been appointed as a Board Member of ZON TV Cabo, with responsibility for the Product Development and content negotiation areas. He led the creation of the technological roadmap and evolution of TV platforms. He started his career as a Project Leader at The Boston Consulting Group. He has close to 16 years of experience in the telecommunications sector.

Jorge has led the implementation of NOS' technological transformation strategy since 2016, a structural pillar to guarantee the best quality of delivery of our services to all Portuguese and with the highest standards of safety, resilience and technological efficiency. The strategic options for the technological infrastructure allow not only the delivery of the best products and services today, but also place NOS in a leadership position among peers in defining an innovation agenda, highlighting the real opportunities that are emerging with future digital technologies, both for the consumer segment and for the demands of the corporate market. The robustness and resilience of NOS' telecommunications networks and data infrastructure have been crucial in tackling the challenges posed by the pandemic over the past year.

Jorge has a Degree in Business Administration and Management from Universidade Católica Portuguesa and an MBA from Kellogg School of Management at Northwestern University.

* On December 18th, 2020, Ana Paula Marques resigned from her position at NOS to take on a new professional challenge as an Executive Board Member of EDP.



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MANAGEMENT REPORT

Luís Nascimento
EXECUTIVE
BOARD MEMBER



Luís Nascimento was co-opted as a member of the NOS Executive Committee in June 2017. He was Director of Strategic Marketing at PT Multimédia, Director of the Residential & CRM Segment at Portugal Telecom and member of the Executive Committee of Portugal Telecom, responsible for Sales and Marketing at B2C. He started his career as an analyst at McKinsey & Company. He has close to 18 years of experience in the telecommunications sector.

Managing the destinations of the Consumer and of the Audiovisual and Cinemas segments since 2017, Luís consolidated NOS' leadership position in offering the best convergent telecommunications and entertainment services to Portuguese families, and the continued growth of the market position in the individual mobile segment. Luís has led the implementation of a strategy of continuous innovation in features and content, the development of a fully digital ecosystem and excellence in service experience throughout the customer journey. With the reorganization of the Executive Committee's responsibilities from January 2021, in addition to the Cinemas and Audiovisuals, Luís started to assume the main areas of operational support for the telecommunications business as well as the new People and Organization Department.

Luís has a Degree in Business Administration and Management from Universidade Católica Portuguesa and an MBA from INSEAD.

Manuel Ramalho Eanes
EXECUTIVE
BOARD MEMBER



Manuel Ramalho Eanes has been part of the NOS Executive Committee since October 2013. He headed the areas of Residential Fixed, Central Marketing and Data Services, Private Sales, SMEs and was Executive Board Member of Optimus Comunicações with the responsibilities of Companies and Operators. He started his career at McKinsey & Company. He has close to 22 years of experience in the telecommunications sector.

Responsible for the entire NOS business segment since the merger, Manuel imposed an agenda of technological leadership, resilience and innovation in commercial solutions, reinforced with the establishment of strategic agreements with the best national and international technological partners. Under his supervision, NOS has consolidated its mission as a partner for the digital transformation of Portuguese companies, leveraging on the provision of the best and most appropriate technological solutions, in an approach of proximity and exploitation of the opportunities generated by new digital technologies. Aware of NOS' central role as a technological enabler of digital transformation in companies, public institutions and society in general, Manuel has also been promoting numerous cross-cutting initiatives and protocols in favor of the community and of the defense of the environment.

Manuel has a Degree in Business Administration and Management from Universidade Católica Portuguesa and an MBA from INSEAD.



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FISCAL BOARD COMPOSITION

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MANAGEMENT REPORT

José Pereira Alves
CHAIRMAN OF THE FISCAL BOARD




José Pereira Alves has been Chairman of the Fiscal Board of NOS since May 2019 and of GALP Energia since April of the same year. He holds positions of Chairman or member of the Fiscal Board in several other companies.

He coordinated auditing and statutory auditing projects for various groups, at PricewaterhouseCoopers (PwC), among which Amorim, RAR, Salvador Caetano, Nors, Ibersol, TAP, CTT, Semapa and Jerónimo Martins. He was a member of the PwC Territory Leadership Team on several occasions, being the company's Territory Senior Partner (President) in Portugal. He was responsible for coordinating the postgraduate course of Auditing at ISAG and was member of the faculty of the MBA in Finance at the Faculty of Economics of Porto. He started his professional activity as an audit technician at Coopers & Lybrand, having been a Statutory Auditor since 1990.

José Pereira Alves has a Degree in Economics from the Faculty of Economics of the University of Porto.

Patrícia Teixeira Lopes
MEMBER OF THE FISCAL BOARD



Patrícia Teixeira Lopes is Vice-Rector of Porto Business School and Assistant Professor of Accounting and Finance at the Faculty of Economics of the University of Porto. She works at Caixa Geral de Depósitos as a Member of the Remuneration Committee.

She was Pro-Rector of the University of Porto with responsibility for strategic planning and business participation. She was a member of the General Council of the Institute of Systems and Computer Engineering, Technology and Science (INESC - TEC) and Member of the Fiscal Board of the Science and Development Foundation. She was a member of the Board of UPTec - Association for the Development of the Science and Technology Park at the University of Porto and was Director of the Euronext Lisbon Capital Markets Institute

Patrícia Teixeira Lopes has a Degree in Management, a Master in Business Sciences, with a specialization in Finance and a PhD in Business Sciences from the Faculty of Economics of the University of Porto.

Paulo Mota Pinto
MEMBER OF THE FISCAL BOARD



Paulo Mota Pinto has been a member of Caixa Geral de Depósitos, as Chairman of the Board of the General Meeting since 2016. He was Chairman of the Supervisory Board of the Portuguese Intelligence System, elected by the National Assembly between 2013 and 2017. As a deputy to the National Assembly, he was President of the Parliamentary Committee on Budget and Finance in the XI Legislature and President of the European Affairs Committee in the XII Legislature. He was a Judge of the Constitutional Court, elected by the National Assembly between 1998 and 2007. He started teaching in 1990, as a Professor at the Faculty of Law of the University of Coimbra.

Paulo Mota Pinto has a Law Degree, Master's, PhD and Aggregation in Civil Law, from the Faculty of Law of the University of Coimbra.

Ana Luísa Fonte
ALTERNATE MEMBER OF THE FISCAL BOARD



Ana Luísa Fonte is a member of the Fiscal Board of Sonae Indústria, SGPS, S.A., SDSR - Sports Division SR, S.A. and the Pension Fund Management Company of Banco de Portugal, S.A.. Since 2016, she has collaborated with the technical department of the Portuguese Institute of Statutory Auditors in the review of regulations applicable to the profession. She is a professor of Auditing in the Degree in Management and in the Master in Auditing and Taxation at Universidade Católica Portuguesa. She was a representative of the Portuguese Institute of Statutory Auditors in the "Young Professionals" working group of Accountancy Europe while taking on the role of assistant to the Director of Northern Regional Services of the Portuguese Institute of Statutory Auditors. In 2007, she joined the Mozambican office of Ernst & Young (EY), where she took on responsibility for the project to implement International Financial Reporting Standards in the business sector. She began her professional career as an auditor in 2001 at PricewaterhouseCoopers (PwC).

Ana Luísa Fonte has a Degree in Management and Business Administration from the Faculty of Economics and Management from the Catholic University of Portugal and attended an advanced training program in Taxation from the Catholic University of Portugal.



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CHANGES TO THE COMPOSITION OF THE BOARD OF DIRECTORS

After the end of the fiscal year

On January 18, 2021, the Board of Directors decided to co-opt Filipa Santos Carvalho and Daniel Lopes Beato as members of the Board of Directors for the performance of duties until the end of the current term (2019-2021). The new Board Members were also appointed as members of the Executive Committee, which now comprises seven members.

Daniel Beato
EXECUTIVE DIRECTOR



Daniel Beato was co-opted as a member of the NOS Executive Committee in January 2021. He was the Central Director of Marketing for the Consumer segment and Director of Strategy and Business Development at NOS Comunicações. He was Project Leader at The Boston Consulting Group and started his career in the Technology Strategy area of Portugal Telecom, having later assumed the coordination of this direction. He has close to 14 years of experience in the telecommunications sector.

During his career at NOS, Daniel led projects to define the main strategic lines of action for the evolution of products and services, of the operating model and of technological evolution. He implemented product innovation and leadership plans and strategies that led to the growth of the mobile customer base.

Daniel has a Degree in Electronic and Telecommunications Engineering from the University of Aveiro and an MBA from IESE Business School - University of Navarra, Barcelona.

Filipa Santos Carvalho
EXECUTIVE DIRECTOR



Filipa Santos Carvalho was co-opted as a Member of the NOS Executive Committee in January 2021. She is a Board Member of Apritel (Association of Electronic Communications Operators) and a Board Member of APDC (Portuguese Association for the Development of Communications). She was Head of the Legal and Regulatory area at Sonaecom S.A. since 2003 and of NOS, since 2013. In her responsibilities at the Sonae Group, among some of the most relevant processes, in which she was involved, in its legal, regulatory, and competitive justice aspects, it is worth highlighting Sonaecom's IPO in 2000, Sonae's takeover bid on Portugal Telecom in 2006 and ZON's merger with Optimus, which would give rise to NOS in 2013. She was also a relevant player in the 3G and 4G tender, still at Optimus, and in the Universal Service tender. She started her career in the Corporate Finance Legal team of Banco BPI, S.A. She has close to 23 years of experience in the telecommunications sector.

Filipa has been leading the legal and regulatory aspects of various strategic agreements and partnerships for NOS, such as the sports rights agreement, the sharing of mobile and fixed network with Vodafone, the sale of NOS Towering to Cellnex or, more recently, the auction for the allocation of rights of use of 5G frequencies. In this context, she always ensures compliance with the fundamental principles of integrity, transparency, and professionalism, strengthening NOS' commitment to its various stakeholders, which is essential for the sustainable growth of the company and the various businesses.

She has a Law Degree, Postgraduate and MBA in Management from Universidade Católica Portuguesa.

RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

From 18th January, 2021

Miguel Almeida, CEO
Responsible for the following areas: Business Strategy and Development; Corporate Communication; Transformation; NOS Madeira; NOS Azores.

José Pedro Pereira da Costa, CFO, VICE-PRESIDENT
Responsible for the following areas: Administrative and Financial; Corporate Finance and DPO; Investor Relations & Sustainability; Management Planning and Control; Procurement.

Daniel Beato, EXECUTIVE BOARD MEMBER
Responsible for the following areas: Brand & Communication, B2C Product, B2C Segment Management and B2C Sales

Filipa Santos Carvalho, EXECUTIVE BOARD MEMBER
Responsible for the following areas: Corporate Secretary; Audit & Risk Management; Market & Customer Intelligence; Legal and Regulation.

Jorge Graça, EXECUTIVE BOARD MEMBER
Responsible for the following areas: Quality & Transversal Projects; Mobile & Fiber Centric; Operations; Information & Innovation Services.

Luís Nascimento, EXECUTIVE BOARD MEMBER
Responsible for the following areas: Customer service; People and Organization; Cinemas; Audiovisuals; Contents; Advertising.

Manuel Ramalho Eanes, EXECUTIVE BOARD MEMBER
Responsible for the following areas: Center for Business Transformation; Business Solutions; B2B Direct Sales; Business Channels; Wholesale.



FOCUS ON OUR STAKEHOLDERS

At NOS, we recognize the importance of an effective and systematic dialogue with our stakeholders, to identify and understand their current and future needs and concerns and to consider their incorporation in our decision-making and performance process, as well as to provide information necessary for their own assessment and decision-making processes towards us.

Only in this way is it possible to identify and anticipate risks and opportunities by establishing bonds of trust and of creation of value that enhance long-lasting relationships and mutual prosperity.

The application of these guidelines influences and is influenced by these commitments and supported by several communication and interaction mechanisms. The most relevant stakeholder groups and those with which we interact systematically and regularly, as well as the main interaction mechanisms used are explored in the chapter **"Our approach to sustainability"** inserted in **"Non-financial Statements"** where their main expectations and sustainability issues that they consider most relevant are also identified.

Managing the relationship with our stakeholders is a cross-cutting responsibility for the entire organization, but it starts and ends with the commitments made by the management team and follows an approach model based on four guidelines:

- WE ARE ATTENTIVE
- WE INTEGRATE
- WE COMMUNICATE, AND
- WE ADVANCE BEING CONNECTED.





Approach to stakeholders

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WE ARE ATTENTIVE

- We have mechanisms for regular and systematic assessment of the needs and expectations of our stakeholders, what impacts them, what they value and what we need to improve.
- We analyse the information generated by these mechanisms, as well as trends and sectorial references - governance, environmental and social - that complement it.

Listen | Identify | Anticipate
Understand the impact and satisfaction

WE INTEGRATE

- We recognize our responsibility and impact towards our stakeholders that we value and respect through our values and principles.
- We define commitments to them, which we revalidate or adjust according to the signals provided by our listening, assessment, and interaction mechanisms.
- We prioritize and weigh the inputs of our stakeholders, and other assessments that we do, in the definition of our strategic priorities, as well as in the definition of improvement plans and in the establishment of cooperation and partnership dynamics.
- We integrate the priorities and improvements that we have identified in the operations management and new developments.

Respect | Prioritize | Include
Plan and implement

WE COMMUNICATE

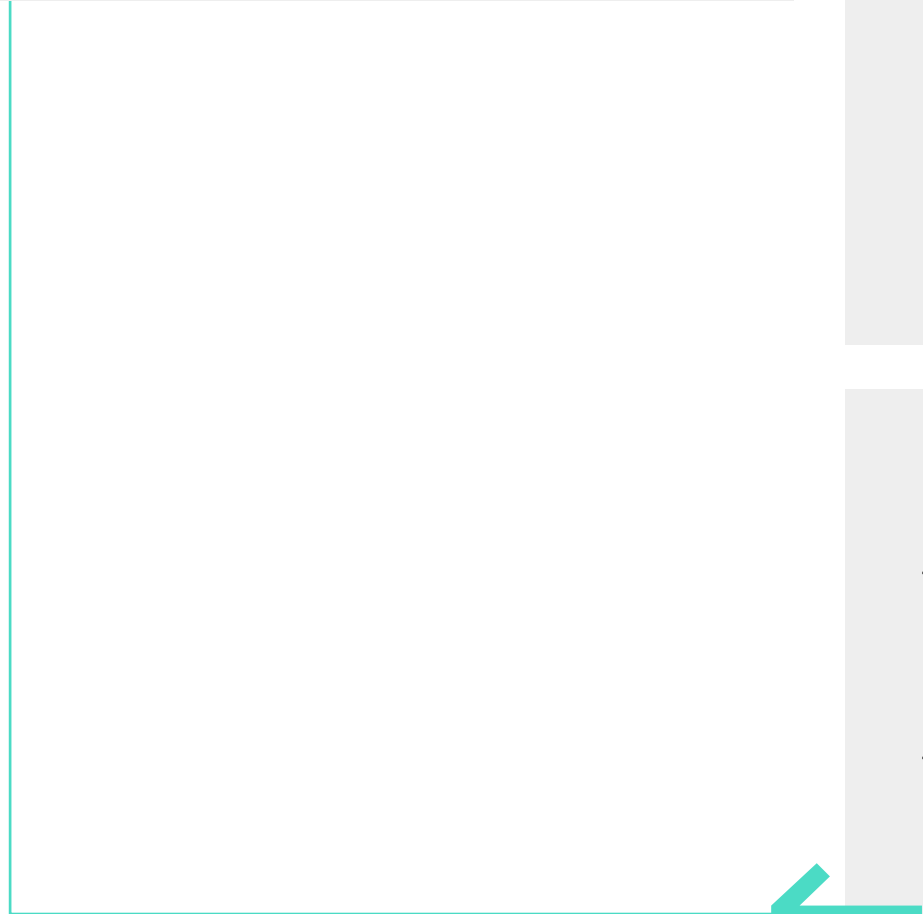
- We monitor and measure our performance against aspects of compliance and against our strategic priorities which weigh the needs and impact on stakeholders.
- We report, with this information, with a sense of opportunity, materiality, and balance, as well as with rigor and clarity.
- We understand the importance of communication and connections that are at the heart of our business, and we promote a culture of closeness, scrutiny, and regular dialogue with our main stakeholders with a view to mutual benefit. Only in this way is it possible to maintain the trust and commitment necessary to maintain lasting and positive relationships.

Report and inform | Dialogue
Proximity and cooperation

WE ADVANCE BEING CONNECTED

- We aim to prosper as a company, to add and share value with and by our customers and other stakeholders, meeting and sometimes anticipating their needs.
- We constantly challenge ourselves to do more and better with the contribution of our active listening and cooperation policy and the power of innovation and the technologies we operate and dominate for the benefit of our customers and a more evolved and sustainable society.
- We foster strategic partnerships and entrepreneurship and influence our suppliers and business partners to improve, contributing to a more inclusive and connected world.

Improve | Connect | Innovate and add value





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Management Team Commitments



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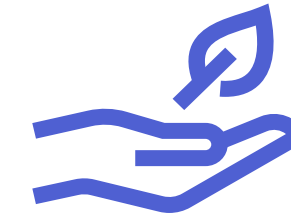
Customers

- We place our customers at the centre of our actions and decisions, continuously seeking to respond efficiently and effectively to their needs.
- We connect families, businesses, and the country with state-of-the-art telecommunications services.
- We constantly surprise our customers with relevant innovation, anticipating their needs.



People and Organization

- We maintain a non-negotiable investment on ethics, rigor, inclusion and meritocracy at all times and in all contexts.
- We promote a sustainable balance between personal and professional life, building the foundations for working models adapted to the new reality and more sustainable.
- We invest in retaining, training, and attracting talent, seeking to ensure the skills for today's and tomorrow's challenges.
- We believe in the value of diversity and are committed to strengthen our commitment to an even more inclusive future.



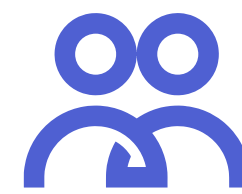
Sustainability

- We have an ambitious ESG agenda, supported by our management team, embraced by the entire organization, and streamlined across the company.
- We play a central and active role in the economic and social development of the regions where we operate, with a particular focus on the dimension of access, inclusion, and digital literacy.
- We are committed to assertively responding to climate challenges, actively promoting the accelerated transition to a clean energy-based reality.
- We assume as the ultimate goal of our performance the creation of sustainable value for society.



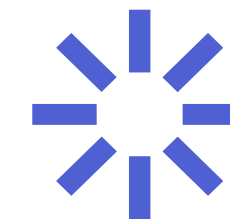
Shareholders

- We maintain a culture of excellence in operation, rigor in delivering results and discipline in the management of our assets and of the investments we make.
- We comply with the commitments we made to our shareholders while maintaining a solid financial performance.
- We are optimistic about the future and ambitious in the goals we assume as a company.



Partners

- We are fair and transparent in our relationship with all our partners, seeking to reach agreements that maximize the value generated for all parties.
- We demand that our partners have a philosophy of action and values compatible with ours.



Transformation

- We do not settle for the *status quo* and continuously challenge the pillars of our operation, seeking to evolve towards an increasingly efficient operating model.
- We are committed to anticipate relevant changes in context and paradigm, with a focus on endogenous and exogenous dynamics to our operation.
- Our strategy is adaptive and dynamic, translating new opportunities and new challenges into concrete and actionable strategic responses by the organization.



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MAIN ACHIEVEMENTS

JAN

NOS Cinemas and NOS Alive are awarded "Consumer Choice 2020" for the 6th and 8th year in a row, respectively

NOS recognized with the "Product of the Year" award in the field of TV experience with UMA TV, in the account management field, with App NOS, in the cinema segment, with the NOS Cinema App and in the field of 5G with NOS' 5G ready mobile network

Hewlett Packard Enterprise elects NOS as "Service Provider of the Year" for its positioning and strategy in the development of Private Cloud solutions and services for Corporate customers

NOS and Deloitte announce integrated offer for smart cities

NOS joins the Lisbon European Green Capital 2020 Commitment

NOS simplifies contractual information for customers

NOS gives more information on loyalty and termination of contract conditions

FEB

NOS and Vodafone sign "Letter of Intent" with a view to entering a nationwide mobile asset sharing agreement

S&P confirms NOS long-term credit rating at BBB-, with a stable Outlook

Customized information about contractual relationship available on the website and NOS App

MAR

COVID-19 - Telecommunications operators offer 10GB of mobile data and the monthly fee for sports channels

NOS strengthens offer of channels with TVI Ficção

NOS strengthens network capacity in Madeira by 25% and in the Azores by 70%

Communications operators launch plan to minimize impacts of COVID-19

NOS is elected "Trusted Brand" in the Telecommunications and Multimedia Operators category

APR

NOS launches the channel "Casa e Cozinha"

COVID-19: Health professionals with free minutes, messages and mobile data

COVID-19: Hospitality and utilities and telecommunications suppliers unite to receive healthcare professionals

NOS launches #EstudoEmCasa service on TV in partnership with RTP

NOS signs agreement with Tofane Global S.A.S. and IBASIS PORTUGAL S.A. for the sale of NOS International Carrier Services S.A.

Agreement signed with Cellnex Telecom, S.A. for the sale of NOS Towering, S.A.

MAY

Fairphone 3 - the most sustainable smartphone is available at NOS

Accesses to the NOS TV App grow 25% during the lockdown period

NOS joins the BSCD Portugal Manifesto to promote a more sustainable development model

JUN

NOS strengthens mobile coverage at Fernando da Fonseca, Pedro Hispano and Senhor do Bonfim Hospitals

NOS launches new equipment discount program "Especial Clientes NOS"

NOS offers Apple TV 4K to new and existing customers



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MAIN ACHIEVEMENTS

JUL

NOS addresses the growing demand for digital-only services, with the launch of the dedicated brand - WOO

NOS telecommunications quality awarded by Deutsche Telekom

AUG

NOS channel exclusively premieres the "Disney Channel Summer Party"

NOS leads investment ranking in R&D and Innovation in Portugal

NOS guarantees coverage throughout the house with new Wi-Fi Plume® system

SEP

NOS TV is the first television app with 4K content in Portugal

Liga NOS plays for Human Rights, in partnership with Amnesty International

Execution of the agreement with Cellnex Telecom, S.A. for the sale of NOS Towering, S.A.

OCT

NOS launches hybrid cloud solution with Amazon Web Services Outpost

NOS and Vodafone sign historic agreement for asset sharing and mobile network development

NOV

NOS is the 5th best Telecommunications company in Europe in terms of Sustainability, by Vigeo Eiris

NOS Cinemas launches cinema rooms rental format

NOS and Knok Healthcare launch simpler and safer video appointment solution

APCC - Portuguese Contact Centre Association chooses NOS Customer Service as the best in Portugal, at the APCC Best Awards

NOS was distinguished at the Amazon Web Services Partner Awards for exceptional performance and commitment to AWS customers

DEC

NOS launches exclusive Apple Watch with mobile connectivity

NOS distinguished by CDP, with an A- rating, for good practices in combating climate change

NOS celebrates partnership with Google Cloud to support companies' digital transformation

NOS Christmas campaign, "Ursinho Presente", will connect more Portuguese families

NOS is the first Portuguese telecommunications operator to issue a 100-million-euro sustainable funding line

NOS joined Glovo's convenience service, enabling fewer trips and a reduction in CO² emissions



KEY PERFORMANCE INDICATORS

FINANCIAL



1,368 M€
Consolidated Revenues

603 M€
Consolidated EBITDA

445 M€
Consolidated Free Cash Flow

92 M€
Net Income

956 M€
Shareholders Equity

1.5x
Net Debt / EBITDA after Leasing

2.3x
Total Liabilities / Equity Ratio

802 M€
Net Financial Debt

0.278 €
Dividend Proposal

BBB Stable
Credit rating Fitch

BBB- Stable
Credit rating S&P

HUMAN CAPITAL



1,899
Employees



1,129
Men
Employees by Gender

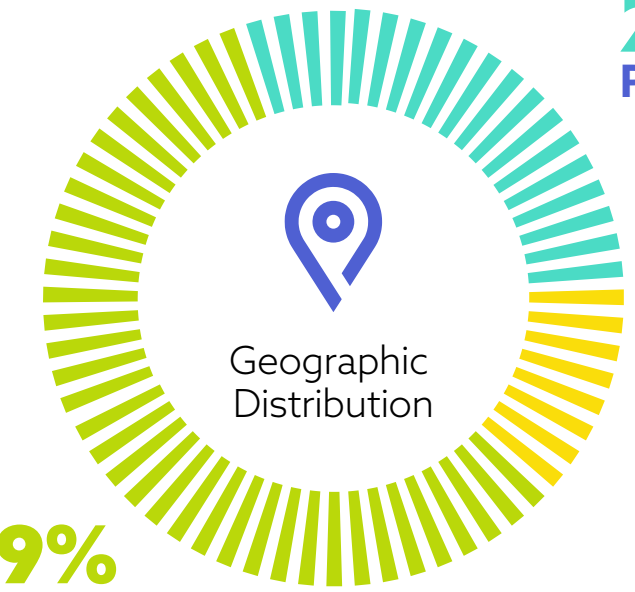


770
Women

42
Employee Average Age

30%
% Women in Management Positions ⁽¹⁾

29%
% Women in Top Management Positions ⁽²⁾



⁽¹⁾ Management Positions: Managers and Directors

⁽²⁾ Top Management Positions: Members of the Board of Directors

OPERATIONAL



1,657
thousand
Pay TV Subscribers



1,774
thousand
Fixed Voice Subscribers



1,458
thousand
Broadband Subscribers



5,038
thousand
Mobile Voice Subscribers



977
thousand
Integrated/Convergent Subscribers



9,964
thousand
Total RGUs



31.8%
Revenue Market Share 9M20



4,807
thousand
Homes Passed with Fixed Next Generation Network



1,900
thousand
Homes Passed with FttH



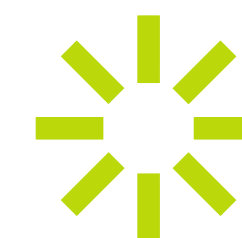
99 %
% Territory with Outdoor 4G Mobile Network Coverage

ENVIRONMENT



626,349GJ
Total Energy Consumed

35,789tCO₂e
GHG Emissions (scope 1 and 2)



0.16GJ/TB
Energy Consumption by Data Traffic

90%
Waste Recovery Rate (%)



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BUSINESS AWARDS



NOS Cinemas and NOS Alive received the "Consumer Choice 2020" distinction for the 6th and 8th consecutive years, respectively.

The Consumer Choice Award 2020, which is already in its eighth edition, rewards brands according to the evaluation of consumers, through the level of satisfaction or recommendation attributed by customers.



NOS continues to stand out, year after year, in the main reputation studies, which assess consumer satisfaction in the areas of telecommunications and entertainment.

In the study carried out by the Reader's Digest Selections, which evaluates in 60 different categories the confidence that the Portuguese people place in the brands that operate in Portugal, NOS again won the preference in the "Telecommunications and Multimedia Operators" category.



Once again, the Portuguese recognize NOS' innovation, attributing the maximum distinction "Product of the Year 2020" to the operator in the categories of TV experience of UMA TV, account management at App NOS, cinema at App Cinema NOS and 5G with the new NOS mobile network, ready for 5G.

The Product of the Year is the largest and only global award that rewards products that stand out for innovation and with a direct vote by consumers.



APCC - Portuguese Contact Centre Association elected NOS Customer Service as the best in Portugal, at the APCC Best Awards.

NOS won the first two places in the Telecommunications category, in an event that every year distinguishes the organizations that stood out the most in the implementation and adoption of good practices in Contact Centres in Portugal.



NOS won the "Zero Outage Supplier Award" for Southern Europe.

The award distinguishes Deutsche Telekom partners, with the best quality practices worldwide, regarding the availability and delivery of services to the end telecommunications customer. The quality management program Zero Outage (Zero Critical Failures) from T-Systems, a subsidiary of Deutsche Telekom, gives the name to the award, now won by NOS, and calls for a system availability of 99.999 percent and the lowest number of incidents possible, essential for a quality experience with the end telecommunications customer.



Amazon Web Services (AWS) distinguished NOS with the "Rising Star" award.

NOS is a pioneer, at the Iberian level, by making the AWS Outpost solution available in the NOS Data Centre, contributing to accelerate the technological modernization of Portuguese companies, and enhancing the adoption of Cloud scenarios tailored to the different needs of customers.



ESG PERFORMANCE AWARDS



NOS is the 5th best rated company at European level in the Vigeo Eiris ESG Rating

International rating of high credibility and recognition in the financial market, developed by Vigeo Eiris, an affiliate of Moody's.

Invited to participate for the first time in 2020, NOS was classified with the Advanced level, obtaining a score of 60 out of 100, in a study where 40 telecommunications companies were evaluated.



NOS was distinguished by CDP - Disclosure, Insight, Action, with an A- rating in its Climate Change program.

This evaluation puts the company in the leadership performance range in combating climate change at the international level. NOS was the only Telco company evaluated in Portugal, obtaining a higher-than-average result, both for European companies and for the Media, Telecommunications and Data Centres sector, both rated C.

The 2020 edition was the first in which NOS participated, obtaining a ranking that places it among the companies best prepared to respond to the risks and opportunities that climate change poses to the business.



NOS is also rated by Morgan Stanley Capital International (MSCI ESG Ratings).

This agency aims to measure companies' resilience to long-term ESG risks. The companies are classified according to a scale relative to the industry/sector in which they are positioned, which varies between AAA-CCC.

The review carried out by MSCI in 2020 gave NOS a rating of A, with a score of 6.8, above the industry average (5.2).





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COMMITMENTS



NOS subscribed to the **Portuguese Charter for Diversity**, an initiative of the European Commission, which consists of a document signed, on a voluntary basis, by employers from various

sectors (public sector, for-profit and non-profit private sector) and which describes concrete measures that can be taken to promote diversity and equal opportunities at work regardless of cultural, ethnic, and social origin, sexual orientation, gender, age, physical characteristics, personal style and religion.



The **United Nations Global Compact** is an initiative in the area of corporate citizenship, which is based on ten fundamental Principles, on the areas of human rights, labour practices, environmental protection and

anti-corruption and aims to promote the public and voluntary commitment of companies to comply with them.

NOS subscribed to this initiative in 2014 and also became a member of the Global Compact Network Portugal (UN GCNP), the network that brings together subscribers to the initiative operating in Portugal.



Target Gender Equality is a United Nations program, which aims to accelerate gender equality in companies that already subscribe to the UN Global Compact initiative.

This program proposes to assist companies to set and achieve ambitious goals for the representation and leadership of women in organizations.

NOS subscribed to this program in order to enable equal opportunities within the organization and ensure that all our employees have an equal and meritocratic treatment.



In order to reduce greenhouse gas emissions and contribute to the sustainability of the planet, we signed the Letter of Commitment "Business Ambition for 1.5°C", making us one

of the first Portuguese companies that is signatory to this global movement. With the adherence to the movement, we commit ourselves to adopt, within a period of 2 years, a quantified goal of emission reduction compatible with the decarbonization trajectories necessary to limit global warming to 1.5°C, which will include increasing energy consumption from renewable sources and reduce the emissions inherent to our activity.



NOS joined the **Global Enabling Sustainability Initiative (GeSI)** in 2020. GeSI is the only global organization dedicated to the ICT sector and that allows identifying opportunities, through digital solutions, to respond to the most

urgent - environmental and social - global challenges. In collaboration with the largest companies in the ICT sector, and leading organizations worldwide, GeSI is a unique source of information, resources, and best practices for achieving social and environmental sustainability, integrated through digital technologies.



NOS signed the **Manifesto "Take advantage of the crisis to launch a new sustainable development paradigm"**, promoted by BCSD Portugal.

The signatory companies declare their ambition to contribute to building a development model based on five fundamental principles: promoting sustainable and inclusive development, promoting growth, seeking efficiency, strengthening resilience, and strengthening corporate citizenship.



In 2020 Lisbon was the **European Green Capital**. NOS joined the Lisbon City Council in subscribing to the **Commitment**, with 14 proposals involving specific actions on several fronts, such as: circular economy, mobility, energy, awareness, and mobilization.



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NOS subscribed to the **BCSD Portugal Charter of Principles**, a document that establishes the principles that constitute the guidelines for good business management. The Charter of Principles aims to create a voluntary benchmark adapted to companies

of various dimensions, in order to encourage the dissemination of sustainable management practices based on six principles: (1) Legal compliance & Ethical conduct, (2) Human rights, (3) Labour rights, (4) Prevention, health and safety, (5) Environment and (6) Management.



NOS is associated with 37 other national companies from various sectors of activity in the defence of Human Rights, signing the **CEO's Guide on Human Rights**, an initiative launched by BCSD Portugal. By subscribing to the principles outlined

in this Guide, NOS is committed to innovating in practices aimed at improving the living conditions of its employees and the communities impacted by the company's activity.



Founded in 1991, **ETIS** is a non-profit association managed by its Members. Together, Europe's largest

telecommunications operators share information and experiences, in an atmosphere of trust. ETIS aims to assist its members in pursuing strategic objectives, with a view to improving business performance, through the sharing of knowledge related to the challenges of the sector.

NOS is part of the Working Group focused on the theme of Sustainability, whose main focus is the sharing of knowledge and challenges faced in the implementation of circular economy strategies in the Telecommunications sector.





2.



NOS

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2.1 STRATEGIC PRIORITIES

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NOS has been the reference operator in the communications sector in Portugal, surpassing the growth of the market and presenting a successive growth in revenues, results and shareholder remuneration.

NOS will enter a new chapter of excellence and strong ambition, based on the ultimate goal of, on the one hand, lead unequivocally on 5G and on the digital-centred customer experience, and on the other, building the foundations to ensure competitiveness and a working model adjusted to the new paradigm.



Lead unequivocally in 5G

Due to its relevance to families, companies and the country, NOS 'leadership on 5G will be a key element in strengthening the connection with our customers, in investing in connectivity due to its unquestionable importance and relevance, and in the prominent position at the forefront of a new technological wave that grants operators an even more central role in society. NOS will strengthen its commitment to leading in the mobile network experience, extending its coverage in a very substantial way, as well as strengthening its capacity, executing in parallel an ambitious 5G network deployment strategy. Additionally, NOS will invest on the launch of a differentiating 5G offer, adjusted to the needs of customers and to the technological evolution plan of 5G.

Lead in customer experience, digital-centred

The pandemic context and its lasting impacts will mark a new era in digital interaction between companies and customers, breaking with traditional channels and decisively accelerating changes in customers' expectations and habits. For NOS, digital provides the opportunity to continue to reinvent the customer experience and increasingly converge to a customer centric model. It is, therefore, a strategic priority to strengthen the commitment to a profound digital transformation, in which digital channels have a central role.

Achieving excellence in user experience of products and services

The pandemic context emphasized the relevance of connectivity and entertainment services, demanding from NOS an even greater commitment to the quality of service and distinctive characteristics of the offer. In the coming years, NOS will maintain its commitment to excellence in delivering connectivity to our customers and to the ongoing plan to expand our FTTH footprint, and to the evolution of the entertainment ecosystem.

Deepen customer relationships, focusing on business expansion

The competitive context of the national market poses a set of base management challenges that demand a deepening of the relationship with customers and an incessant search for the introduction of innovative elements in the offer of products and services and in the customer experience. In this way, NOS will maintain a firm commitment to the introduction of telco and adjacent products and services, as well as strengthening the partner position for the digital transformation of companies.

Adapt the operating model to the new economic paradigm

The current situation and the demanding expected investment cycle - namely due to the introduction of a new mobile technology - require a new, more disruptive, and agile approach to the NOS operating model. In this sense, NOS will accelerate a path of transformation and redesign of business processes with a focus on maximizing efficiency and return on investment and assets.

Empower the organization for the challenges of the future

Maintaining NOS as a benchmark for sustainability and for valuing our employees will require strengthening the commitment to building an organization aligned around a common purpose, with an agile organizational model, skills for the future, and committed to society. Catalysing the necessary change will require an ecosystem of people capable of creating, developing, and injecting the necessary transformations, promoting diversity and inclusion, and dynamically adjusting the organizational model and working models.



2.2 AT THE FOREFRONT OF DIGITAL TRANSFORMATION

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TRANSFORMATION OF THE DIGITAL ECOSYSTEM AND ROBOTIZATION

In 2020, we continued our transformation program, launched 3 years ago, with the main objective of achieving excellence in the customer experience, through the implementation of a more efficient operational model and a strong commitment to digitalization.

In the context of our digital transformation, the year 2020 was marked by the accelerated growth in the use of digital channels, with the launch of a new digital channel, the new NOS Customer Area, accompanied by the continuous enrichment of the features available in digital alternatives.

The increase in digital features allows greater autonomy and flexibility for our customers, having materialized in a significant evolution of the service management use cases made available in the NOS App (ex: technical appointments, store visits schedules, consultation of communications details, among others). At the same time, we strengthened the focus on ongoing technological developments, reflected in the training required to enable the acquisition and registration of new products in the digital context (e.g., IoT products; Apple/Samsung

Watch, etc.). The entire focus on the development and promotion of the digital ecosystem has resulted in a significant growth of the user base.

In 2020, we concluded many other cross-cutting efforts to digitize the experience and thus improve the satisfaction of our customers, which also allowed us to capture relevant efficiencies. As an example, we highlight the project to increase the electronic invoice that made it possible to end the year with about 73% of customers receiving the NOS invoice in digital format, representing an increase of 12% compared to 2019 and 33% when compared to 2018.

The Robotic Process Automation (RPA) program also increased its scope and impact, largely due to the focus and development of internal competencies and a decentralized implementation model. In this way, it was possible to ensure the maximum commitment and autonomy of the areas in the implementation of automation software.

Likewise, in 2020, we invested in the development of analytical models that give us the ability to proactively improve the user experience of our services, identifying sources for service degradation and recommending the best actions to solve them. Additionally, it is important to highlight that the application of the various analytical models has allowed not only to capture value and improve the experience, but also to deepen the understanding of

the different profiles of our customers, supporting the evolution of NOS data strategy.

This was a year of implementation of several transformation initiatives, maturing our digital ecosystem and accelerating the capture of results, which also marks the beginning of the third wave of transformation.

We remain focused on this path, with a strong desire to accelerate the digitalization of our customers' experience. With ambitious goals and leveraging our digital ecosystem, we have a clear purpose to maximize the satisfaction of our customers.

With the Portuguese at home, it was necessary to make a huge leap towards digitalization and robotization. This ability to reinvent ourselves at a time of profound difficulty for all Portuguese was one of the reasons why, once again, Customer Service stood out in the **APCC awards**, having received the **1st Gold Award** (line 16100 - Companies service) and the **2nd Silver Award** (line 16993 - Mobile service).

In 2020, we strengthened our ambition to anticipate customer needs and increase resolution on first attempt, delivering a low effort experience through 3 pillars:

– **Digitization and Automation** of simple and transactional interactions.

- Creation of a **close relationship** at key moments in the customer journey
- Ensure that **all customer issues are resolved**, without having to contact us again.

Responding to the country's emergency situation, we launched a **new method of delivering equipment** - by courier or store - and with **self-installation**, ensuring the **customers' safety** and giving them all the **autonomy**. We currently have this method in UMA TV and Apple TV equipment and in Plume equipment.

At the same time, we also highlighted some actions to respond to the pandemic, such as the **suspension of penalties for past due payment of invoices**, **provision of more flexible rules for the preparation of payment plans and priority treatment for health professionals**.





2.3 5G - A GENERATION WITHOUT LIMITS

RELEVANT INITIATIVES AND MILESTONES OF THE YEAR

Due to its relevance to families, companies and the country, NOS' leadership on 5G will be a key element in strengthening the connection with our customers, in the positioning in a new wave of innovation that brings to the operators a central role in society and in accentuating of our investment on connectivity.

Despite the challenging context arising from the pandemic and the regulatory hostility that materializes in illegal and partial rules for the auction of 5G spectrum bands, NOS continued to take steps towards unequivocally becoming the leader on 5G and the epicentre of innovation in Portugal.

Launched in late 2019, the NOS 5G fund started operating in early 2020. With the creation of the "NOS 5G Fund" the national operator became the first communications company to create an investment fund dedicated exclusively to the fifth generation of mobile networks, consolidating its investment in leading on 5G, and strengthening its commitment both to the development of a technologically more advanced and innovative country, and to the Portuguese entrepreneurs.

With an initial capital of 10 million Euros and an estimated investment period of five years, the "NOS 5G Fund" was launched to invest in start-ups with innovative technologies for the 5G ecosystem, covering areas as diverse as network technology, the Internet of Things (IoT), Data & Analytics, Cloud Computing, Virtual/Augmented Reality, Cybersecurity, among others.

Managed by Armilar Venture Partners, an independent venture capital fund management company, focused on investments in technology-based companies, this fund aims to invest in innovative technological solutions based on or enhanced by 5G, ranging from network infrastructure to products or customer services.

The "NOS 5G Fund" favours investment with the community of entrepreneurs in Portugal and in technological projects in the early stages of development, commonly referred to as early stage.

In March, the 5G communications infrastructure installed by NOS in Matosinhos played a key role in Unilabs Portugal's initiative to install the first COVID-19 tracking centre on a "drive thru" model. The tracking centre, with the capacity to carry out 400 daily screening tests, was installed at the Queimódromo do Porto and is supported by NOS 5G network infrastructure in Matosinhos. The connectivity of the tracking centre was provided by NOS, free of charge.



NOS also launched the first range of NB-IoT tariffs prepared for 5G for the consumer sector. With these tariffs it is possible to connect smart objects, the offer being designed for use in the future 5G network. This was the first range of Narrowband-IoT tariffs for the private customers sector and already prepared for the fifth mobile generation appearing in the Portuguese market. Until now it is applied mainly in business solutions, NB-IoT is an LPWA (Low Power Wide Area) technology, which allows obtaining a high number of connections to devices and sensors, without interference and with greater coverage. This technology also allows an optimization of the battery consumption of the devices, and in some cases can ensure several months without the need

for recharging. In addition to ensuring a better and more efficient experience with connected equipment, the launched line is evolutionary to 5G, which means that NOS Customers will be able to take full advantage of all the capabilities of the mobile network of the future, when it is launched in Portugal.

In terms of equipment, the Samsung TAB S7 + 5G integrated NOS '5G-ready equipment portfolio, becoming the first high-end 5G tablet to integrate our equipment offer.



2.4 A FOREFRONT AND INNOVATIVE TELECOMMUNICATIONS MARKET

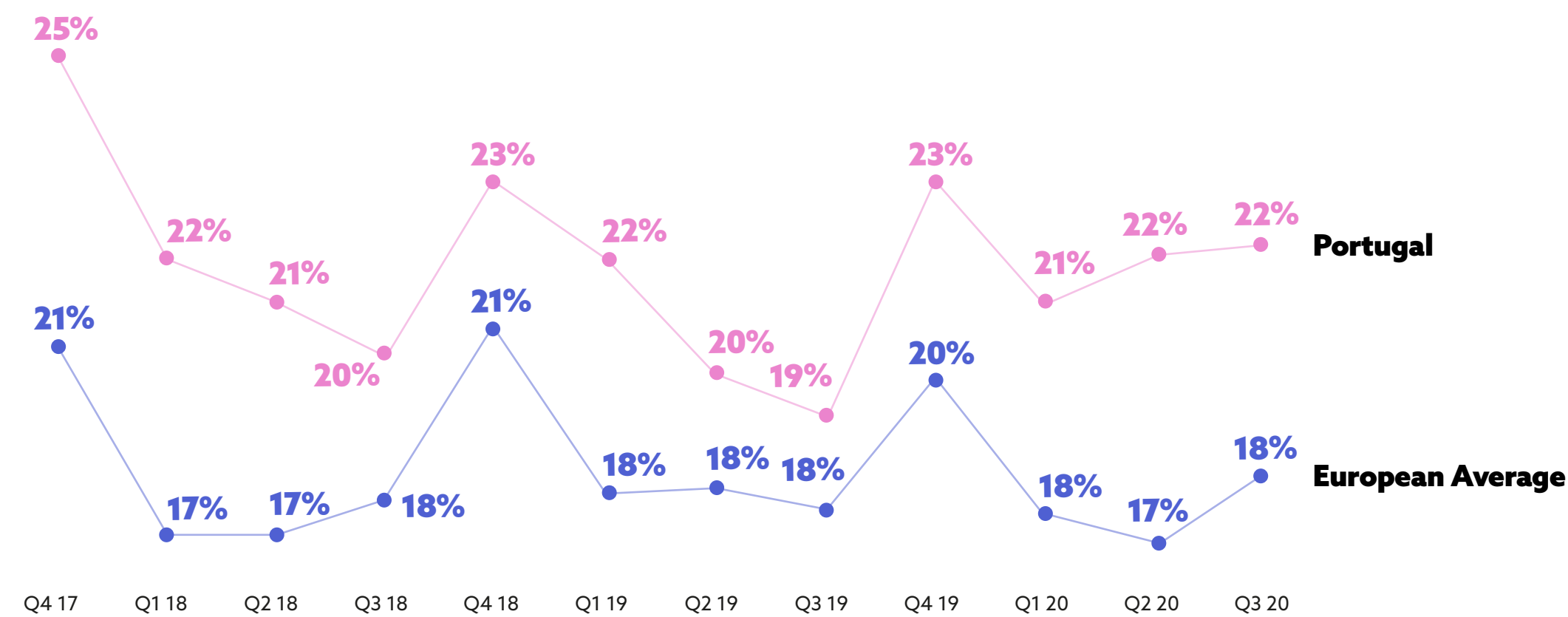
A MARKET WHERE TECHNOLOGY OPERATES FOR PEOPLE, COMPANIES AND COUNTRIES

Strong investment in the sector

The Portuguese telecommunications market is one of the most advanced in Europe, positioning itself at the forefront of the sector. It is a market that continuously invests in cutting edge technology, presenting unparalleled relative levels of investment when compared with the European average.

CAPEX / Telecom Sector revenues Ratio

(%, Source: Broker Research)

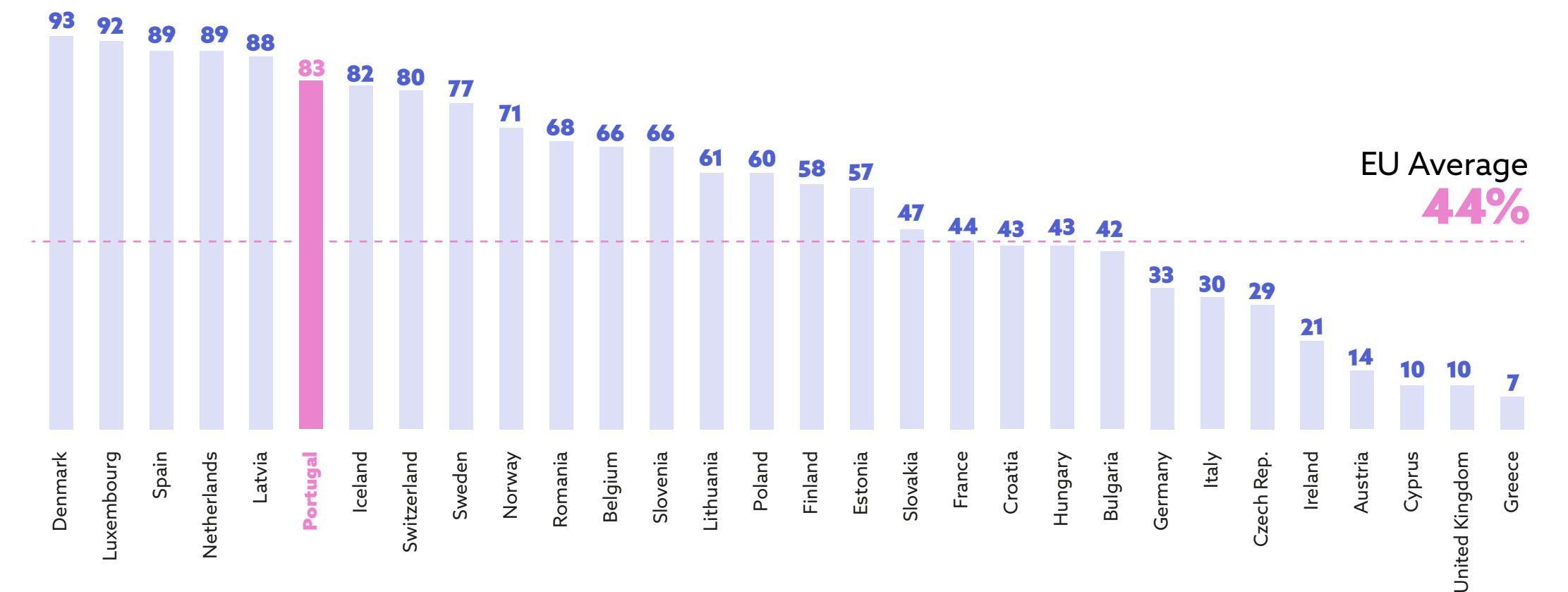


Enviably position in coverage and connectivity

The strong investment, with a great contribution from NOS, allowed Portugal to achieve an enviable position in Europe, in terms of coverage and connectivity in the country and ahead in terms of technological innovation in products and services. Portugal has a unique position in the coverage of the country with new generation networks, being the second European country with the largest coverage of Gigabit network (speeds above 1Gbps).

Fixed high capacity network general coverage (VHCN) (FttH and DOCSIS 3.1 coverage)

(% households, 2019, Source: DESI 2020)





2. NOS NEXT GENERATION



2.4 A FOREFRONT AND INNOVATIVE TELECOMMUNICATIONS MARKET

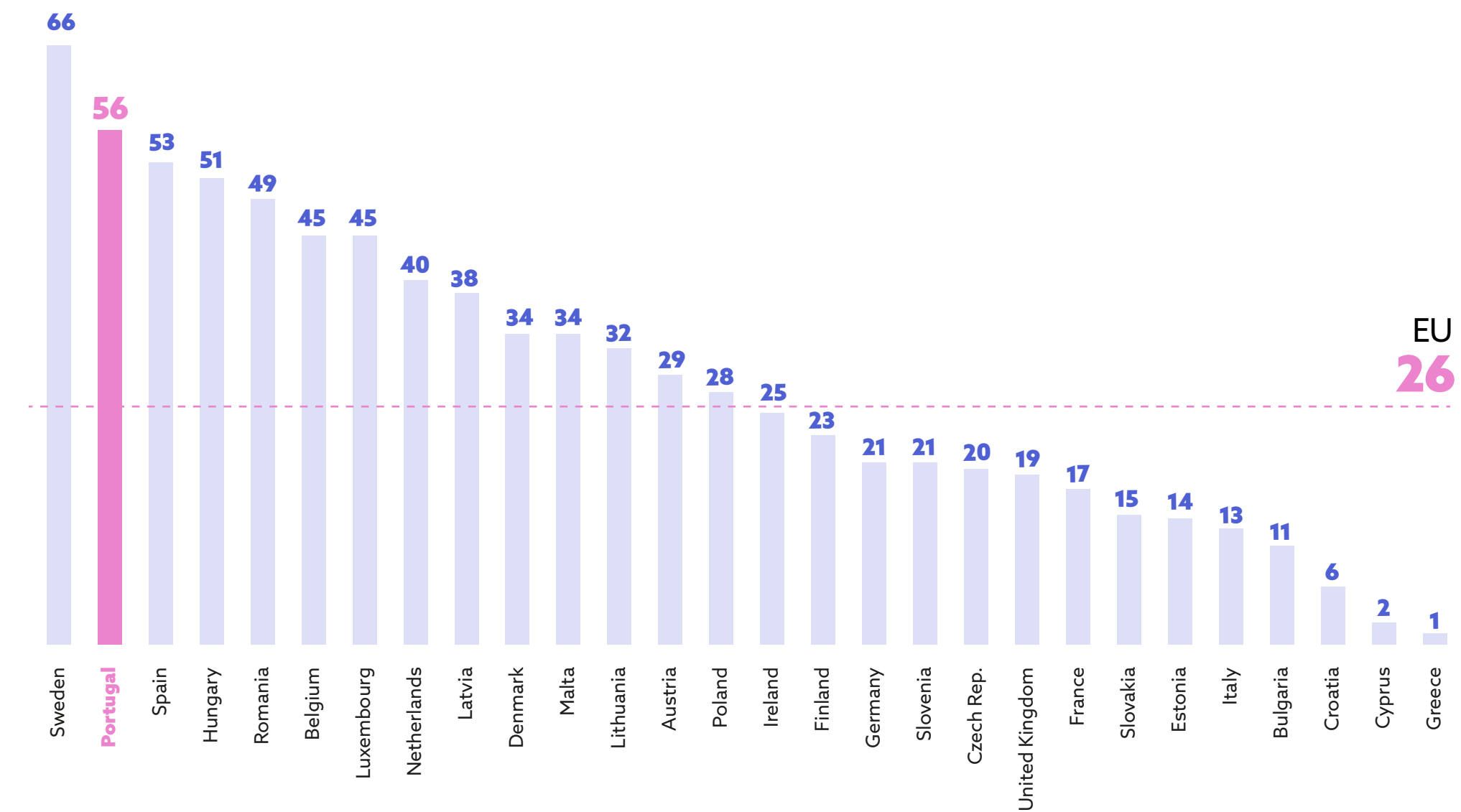
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In addition, the country's coverage with 4G network is above 95%, along with the European average.

In terms of connectivity, Portugal also reaches a top position in the penetration of both fixed and mobile services, among the Portuguese. More than half of households have a high-speed fixed broadband subscription, being the second EU country with the highest penetration.

Percentage of domestic households with fixed broadband subscription ≥ 100 Mbps

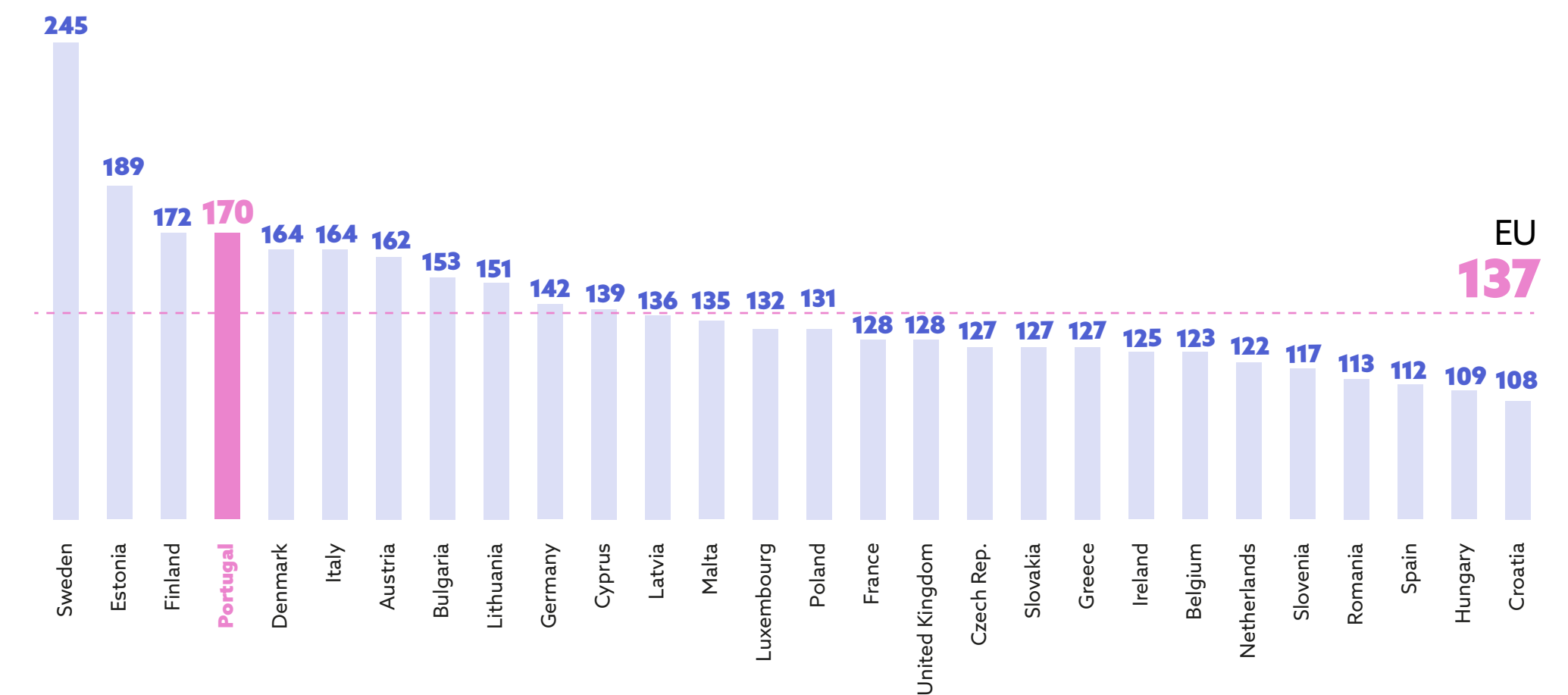
(%, 2019, Source: European Commission, Digital Economy and Society Index 2020)



On the mobile side, the subscription of services corresponds to 170% of the population, placing Portugal in the Top 5. For the development of this level of connectivity, NOS was a fundamental part, with continuous projects for the improvement and development of networks, both mobile and fixed, with the objective of connecting the Portuguese.

Percentage of individuals with mobile service subscription

(%, 2016, Source: European Commission, Digital Agenda)





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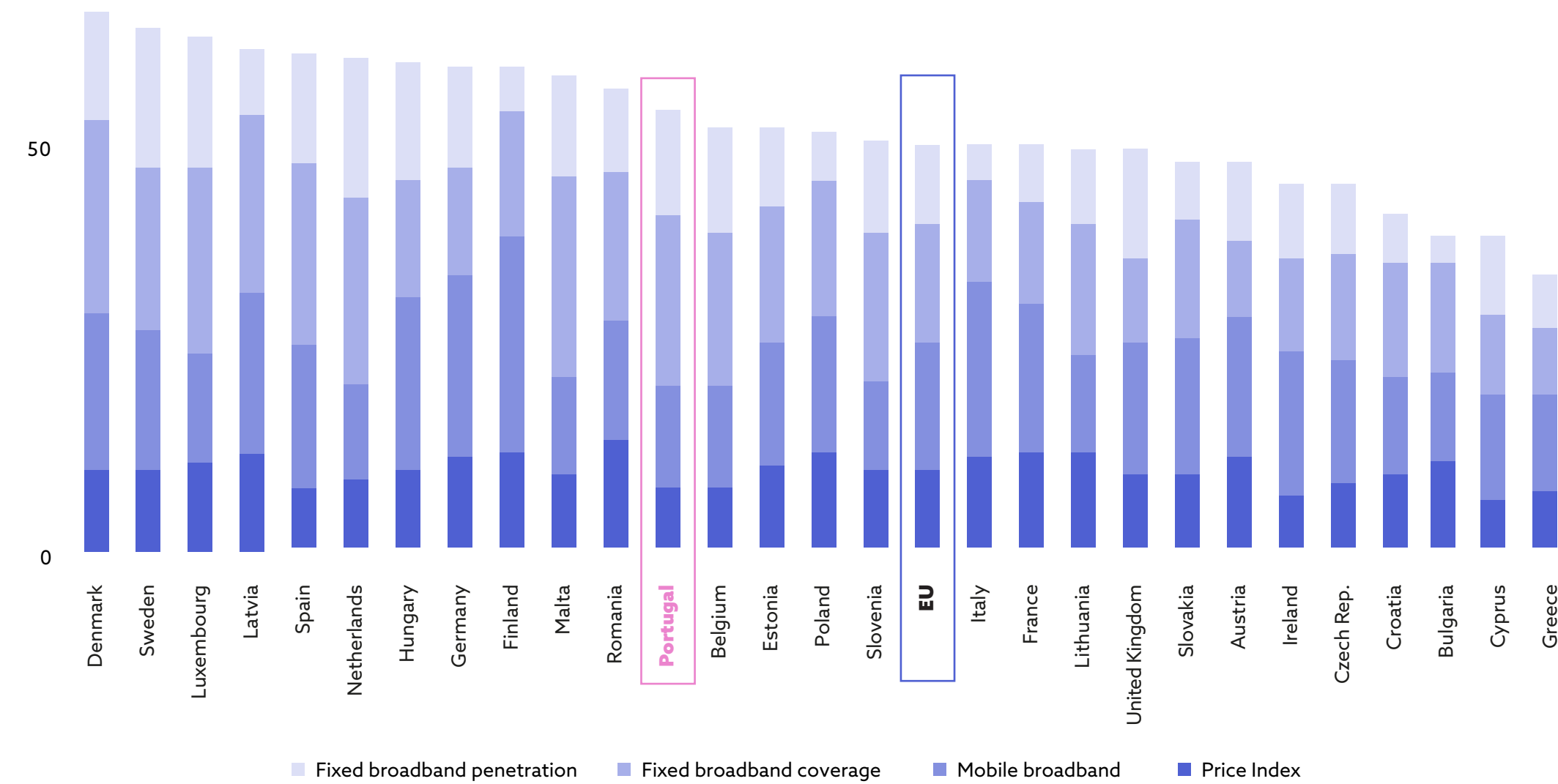
2.4 A FOREFRONT AND INNOVATIVE TELECOMMUNICATIONS MARKET



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Broadband Connectivity

(Index 0-100, 2019, Source: European Commission, Digital Economy and Society Index 2020)



Thus, it is possible to state that the telecommunications sector in Portugal operates continuously to put the best technology at the service of the population.

Competitive offer for the Portuguese

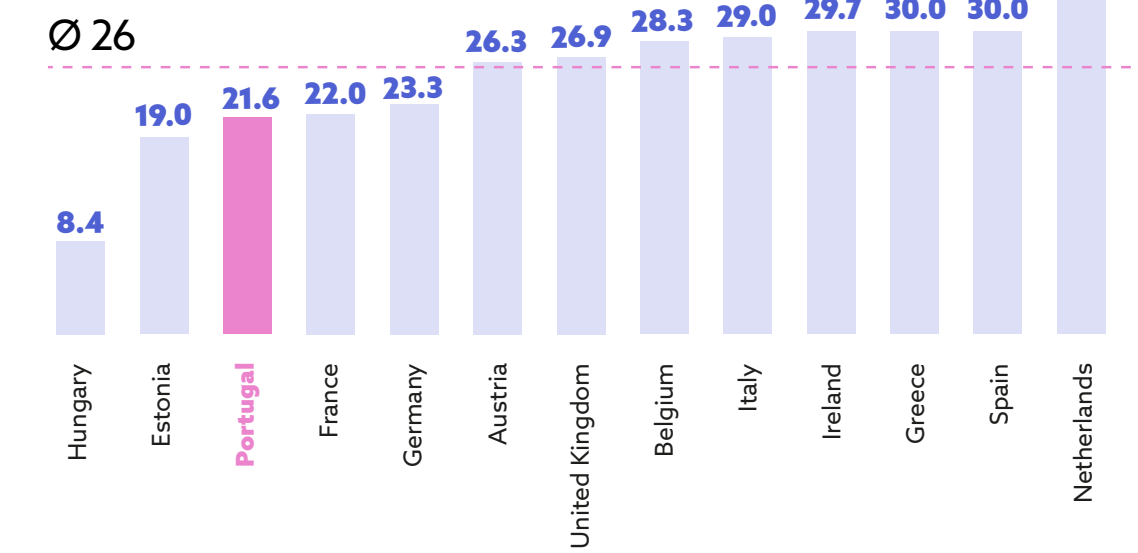
Along with the high levels of connectivity, Portugal presents some of the most competitive offers in the European market. Portuguese operators register the lowest prices in Europe, both for convergent offers and for stand-alone offers (fixed or mobile only). In the 4P packages, Portugal is only behind France at offering lower prices. In the case of stand-alone offers, the Portuguese can access very competitive offers in the European context, whether for fixed or mobile internet.

Ubiquitous technology in a digital and connected society

If the past was marked by the development of technology, to which the Portuguese telecommunications sector responded with extreme quality and made available in Portugal, the future is to enjoy it and have technology increasingly at the centre of people's lives and the economy. In fact, 2020 represented an irreversible behavioural disruption in the way people relate to technology and the digital world, a relationship that will be leveraged by the development of 5G in Portugal.

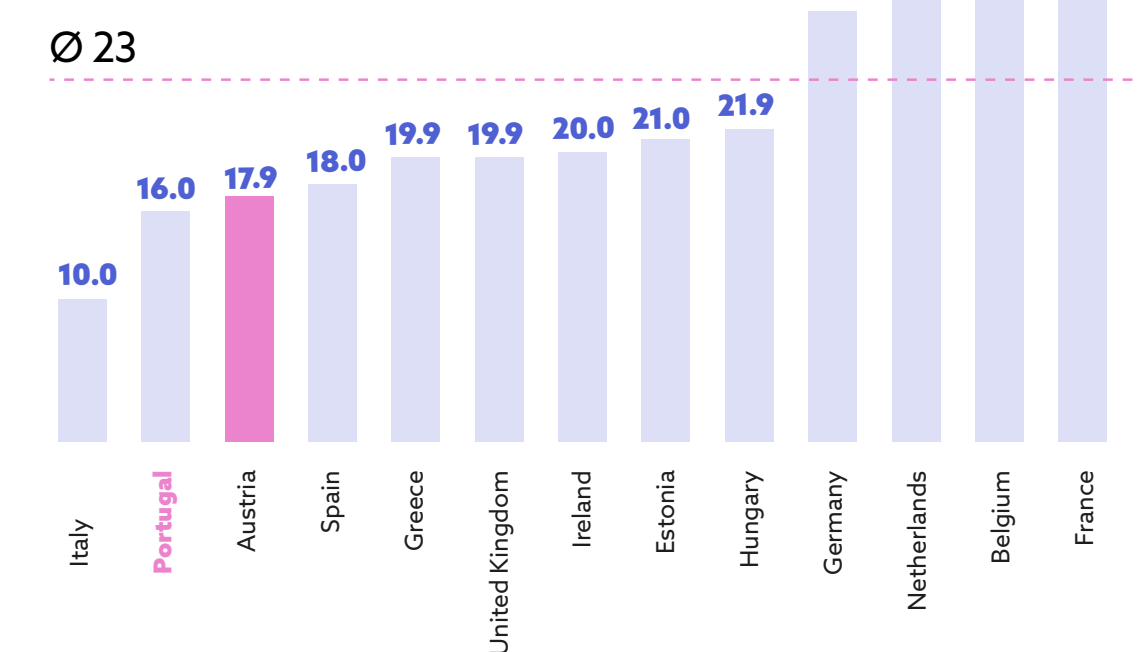
Fixed internet access minimum monthly fee (100mb minimum)

(€, 2020, Source: Internal benchmark)



20 Gb Mobile internet access average monthly fee

(€, 2020, Source: Internal benchmark)





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The Digital Transformation

The world is experiencing the fastest digital disruption. With the pandemic forcing people to stay at home, especially in the lockdown period experienced in the second quarter of 2020, telecommunications saw traffic levels, both mobile and fixed, growing exponentially. At NOS, the increase in traffic was over 50%, putting telecommunications networks and services to the test.

As a result, the country and the world have seen an acceleration in the digital transformation of society and the economy. This digitalization promises to stay, with the habits acquired in this period to be part of our future. Consequently, the demand for home technology is expected to accelerate, both to enable quality remote work and for a smarter and more adapted to the new habits home.

Online shopping, which grew exponentially in the past year, will also continue to increase, presenting itself as an alternative to face-to-face shopping. Even before the end of last year, the growth of online commerce was expected to be between 40% and 60%, in Portugal, according to the "CTT e-Commerce Report" study. Thus, new trading platforms will emerge, social networks will become shopping spaces and brands will have to adjust to this new habit. In parallel, digital, and alternative payment methods will continue to be developed, even for face-to-face purchases.

Additionally, health has also been digitalized with the introduction and expansion of tele-appointments. In conjunction with remote exams and monitoring technology, leveraged in IoT, virtual healthcare will not leave the scene with the end of the pandemic situation, being a more convenient solution for patients.

This more digitalized society will be more demanding, and the communications sector will have to prepare to respond to the demands of the more digitalized society, including improving the resilience of networks and infrastructures to ensure the quality of services. In addition, contact with customers has to adjust to their new behaviours and preferences, including the digitization of sales channels and customer service, as has happened in other sectors.



50% of Portuguese consumers believe that the way they shop will permanently change

(Source: Future Consumer Index survey, EY)



Globally, the number of daily Zoom participants increased by 20x

(Source: McKinsey and Bond Capital)



60% of respondents pointed to connectivity as the main priority in life, to be connected to those close to them

(Source: Oliver Wyman survey)



Over 62% of the Portuguese would like to keep remote work, in the near future, with 51% pointing to a mixed model as preferred.

(Source: Ageas and Eurogroup Consulting Portugal joint survey)



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The 5G society

This will be the year of 5G, which will deliver a set of fundamental capabilities for the development of our society in the next decade and where our sector will have a central role. The huge bandwidth with global coverage will allow ubiquity and mobility of people and machines, maximizing the scarcest of resources, which is time.

Ultra-low latency will allow industrial control in a safe and efficient way and the ability to serve millions of sensors will allow to implement a level of orchestration of people, machines, infrastructures, and cities, enabling well-being, economic growth and sustainability through the best resources and environment management.

We will enter a new phase, with the emergence of new equipment prepared to secure all the benefits of 5G, and with operators to develop the new network and begin to cover the country with new technology.

Expectations are high around the 5G network, with international studies predicting a growth in the number of subscriptions at a much faster pace than that registered for 4G. And to meet these expectations, operators, globally, are investing heavily in this technology, which will make a major contribution to the global, and of each country, economy.



While we know that the transition between networks will be gradual, it is expected that in 2026, 5G will account for 54% of worldwide mobile data traffic.

(Source: Ericsson)



Global subscriptions for 5G services are expected to reach 3.5 billion in 2026, accounting for about 40% of total subscriptions.

(Source: Ericsson)



Overall, the industry is investing heavily, with operators expected to spend around \$ 1trillion between 2020 and 2025 in the implementation of 5G.

(Source: GSMA)

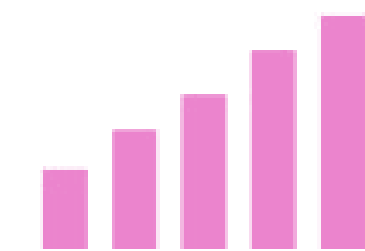


Estimate that 5G will contribute \$ 2.2 trillion for the global economy by 2034.

(Source: GSMA)

If 2020 was the year of disruption of technological behaviours with digital impact, with the advent of 5G, 2021 will be the year of technology at the service of a country, of a society, of a business structure, it will be the year of technology at the service of the People.

CONNECTING EVERYTHING AT THE SAME TIME



up to 1 million/km²





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SECTOR, REGULATORY AND LEGAL CONTEXT

NOS follows the evolution of the **legal and regulatory framework** applicable to the sector in which it operates, taking into account the threats and opportunities it represents for NOS 'competitive position in the respective business areas. Likewise, NOS closely follows the international trends in the sector in a world that is increasingly **globalized** and in an increasingly **competitive** market.

In Portugal, the electronic communications market is subject to a regulatory framework that emanates from European Union law and national laws and regulations. In particular, it is up to **ANACOM**, as the sector regulatory authority, to ensure, among others, the disclosure and monitoring of compliance with the legislation applicable to the sector, operators' access to networks (under conditions of transparency and equality), the promotion of competition and the development of the respective markets.

Additionally, for activities related to television services and the provision of audio-visual content, NOS group companies are subject to the intervention of the **Regulatory Entity for Social Communication (ERC)**.

In addition to the specific rules for the different areas of operation, NOS is also subject to horizontal legislation, which may be the object of intervention, among other entities, by the **Competition Authority (AdC)** and the **National Data Protection Commission (CNPD)**.

Since the year 2020 was indelibly marked by the pandemic of the disease COVID-19 – which radically altered the community experience around the world and, necessarily, in Portugal, it is important to remember, the consequences of this period for the sector, which played an even more essential role than it normally does, ensuring that families, businesses and institutions remained connected in a context where personal contacts were drastically reduced and travel reduced to the strictly essential. The digital means, based on electronic communications, stopped, overnight, and for public health reasons, from having the optional character and the opportunity to evolve, to become mandatory or almost mandatory.

From the first moment that NOS, in various aspects together with other operators, voluntarily assumed the commitment to ensure the **continuity and entirety** of the provision of communications services throughout this period, not only for critical and priority customers, as determined by Decree-Law no.10-D / 2020, of March 23rd, but for all its customers, while guaranteeing the integrity and stability of its networks, with special attention

to critical customers and entities, as well as the protection of operations in crucial infrastructures.

With special attention to the priorities defined by the legislator, NOS developed its own plan, with multiple lines of action, at the head of which is the maintenance of the **quality of the service** of the communication networks and the network capacity necessary for critical functions of the State , but which also included promoting the containment of the virus expansion, the alert for anti-fraud procedures, the contribution to the incentive to remote work in companies and the support, in general, to the community.

Within the scope of this plan, **customers** stand out as the ultimate end, and the first visible face, but also the set of all other relevant stakeholders that, in the case of NOS, account for **human resources**, direct and indirect, partners and employees of partners, thousands of suppliers, without forgetting the support infrastructures of NOS 'fixed and mobile communications network, which include a network of own and third-party stores that total almost two hundred stores across the continent and islands, 7 office spaces and 1 single, significant, national logistical storage facility.

There are countless initiatives carried out by NOS in this period, which made the role it played a success, with results that speak for themselves and that make NOS proud and that Portugal should be proud of.

NOS was one of the Portuguese companies that, before any recommendation or order in this regard, in the interests of the health and safety of its employees and their families, mobilized almost all of its employees for **remote work**. In the same way, it kept the necessary stores open to cover the needs at all times.

Specifically, and to comply with the provisions of Law No. 7/2020, of 10 April, which establishes exceptional and temporary regimes for responding to the epidemic, namely regarding **essential public services**, NOS implemented processes of non-suspension of service provision for vulnerable customers, as defined by the piece of legislation, who do not pay for the services and, also, implemented payment moratorium processes.

Notwithstanding, it is also important to highlight the aspects that go beyond the specificity that the pandemic caused to the sector.

In 2020, the work of the regulatory authority was very centred on the preparation of the 5G Auction and on the preparation of a proposal for a preliminary draft of a piece of legislation to transpose, into national legislation, the **European Electronic Communications Code (CECE)**, which was delivered by ANACOM to the Government and the National Assembly on August and which, strictly, includes a wide range of matters, – which do not arise from the CECE and which are far from being consensual, in Portugal and in the EU.



2. NOS NEXT GENERATION

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Furthermore, on November 19th, Law No. 74/2020 was published, which transposes the **European Audio-visual and Media Services Directive (AVMS Directive)** into national law, which alters the Television Law and the Investment Law in the Cinema and Audio-visuals, areas where NOS operates. The law, which will come into force within 90 days, follows a legislative process that involved public consultations and hearings of interested entities.

At the same time, ANACOM also monitored the application, in national territory, of the **Network Neutrality Regulation**, in a year in which the Body of European Regulators for Electronic Communications revised its **Guidelines** ("LdO") for the implementation of the Regulation.

These new LdO clarified (i) the procedures related to the assessment of zero rating offers; (ii) the application of the Regulation in the context of 5G, M2M and IoT, detailing the greater flexibility that these services enjoy in the context of the figure of specialized services and; (iii) the border between the operator's network and the customer's terminal equipment for the purpose of defining the scope of the traffic management rules.

Finally, within the scope of the normal activity of the regulatory authority, it is worth noting the definition of a further reduction in mobile and fixed termination prices, imposed by ANACOM in early 2020 and with effect, respectively, from July and October 2020, resulting in a 10% **reduction in mobile termination**

prices and 2.1% in fixed termination prices, with direct impacts on operators' wholesale revenues.

As far as the main national regulatory challenges in the electronic communications sector are concerned, the **year 2021** is expected to complete the legislative and administrative processes related to the transposition of the aforementioned European Directives and the 5G Auction.

In this context, we are waiting for the transposition, into national legislation, of the referred **CECE**, which will have a very significant impact in the evolution of the national regulatory framework in matters such as consumer rights, market analysis, spectrum, universal service, and governance – transposition that should have taken place by December 21st, 2020. As of today, we are waiting for new developments, and NOS participated in the elaboration of the comments presented by APRITEL, which was involved in the Working Group created by the Government to listen to the market in this matter.





2. NOS NEXT GENERATION

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In this regard, it is still worth considering the current calendar for the implementation of the **guidelines of the Body of European Regulators for Electronic Communications (BEREC)** provided for in the CECE and which will be carried out in the following years.

Also, and of the greatest relevance, as it will decisively influence the future of Portugal's growth and competitiveness in the coming decades, it will be carried out the process of **allocating frequencies for 5G**, set by ANACOM Regulation of 5 November 2020, which establishes the conditions for access to the

spectrum in the 700 MHz, 900 MHz, 1800 MHz, 2.1 GHz, 2.6 GHz and 3.6 GHz bands within the scope of the Auction, and on which NOS, alongside the rest operators of electronic communications networks operating in Portugal and multiple entities representing different business sectors, has been

very critical, given the unjustified incentives for the entry of new operators such as national roaming, spectrum reservation and the obligations imposed on them, which are much less burdensome than those established for already established operators, such as NOS. The proposed discrimination measures are unjustified, disproportionate, suffer from multiple illegalities, disturbing the desirable level playing field for a sustainable market. Therefore, NOS filed complaints to the European Commission for non-compliance with European law and filed several lawsuits at national level, which are ongoing.

It is estimated that during the year 2021, specific measures at the national level for **5G cybersecurity** are also going to be disclosed, thus ensuring the implementation of the coordinated European strategy to minimize the potential risks associated with the adoption of the new technology.

Finally, it is also anticipated that, at the national level, the year 2021 will be marked by **a review of regulated markets**, namely those referring to: (i) infrastructures to support electronic communications networks (including access to conduits and posts owned by Altice Portugal), with particular emphasis on access prices, which have not been reviewed for over a decade and; (ii) to the high-quality access market at a fixed location.

	2018	2019	2020	2021-2023
CODE	20.12 Entry into force of EECC	15.05 Price caps on intra-EU calls and SMS		21.12 Transposition of EECC into national legislation
COMMISSION		21.12 Simplified contract summary template (Deployment Measure)	30.06 Small Cell Deployment Act	31.12 Maximum Mobile Termination Rates and Fixed Termination Rates 21.12.21 Revision of end-user rights 21.12.22 Legislation on Emergency Services 21.12.23 BEREC performance assessment 21.12.25 Revision of EECC and scope of Universal Service
BEREC	20.12 Revocation of BEREC Regulation	21.12 Guideline on minimum criteria for Reference Offers	21.06 Guidelines on (1) geographic surveys; (2) identification of network termination point; (3) numbering resources; (4) service quality indicators Report on best practices in determining adequate broadband access	21.12 Guidelines on (1) symmetric access; (2) very high capacity network; (3) public warning systems
MEMBER STATES	20.12 Harmonized spectrum use for wireless broadband	21.12 Notification to Commission of stricter consumer protection measures Revision of must-carry obligations		21.12 Identification of universal service operators 31.12 3.4.3.8 GHz to 5G 21.12.21 Revision of universal service obligations 21.12.21 Harmonized consumer protection measures 21.12.22 Public warning systems in case of emergency 21.12.23 Geographic surveys



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3.1 NOS' ACTIVITY IN 2020

B2C - INNOVATION AS A RESPONSE TO THE INCREASED DEMAND FROM OUR CUSTOMERS

The year 2020 was marked, in the B2C segment, by a robust execution of our strategic plan in its various operating vectors.

The evolution of our customers' experience with NOS products and services is the cornerstone of the success of our value proposition in the market. The role that telecommunications services play for the end customer grew very significantly throughout 2020 in the context of an accelerated digitalization of society. To respond to this challenge, NOS raised its innovation dynamics from the first moment in order to meet the challenges of this unique year.

We believe that innovation should be a critical axis of our strategy using technology as an enabler, but also with other important elements. The evolution of our products and services is based on experience, simplicity and privileging the digital as a form of interaction, always oriented to meet the needs of our customers.

INNOVATION IN SERVICE OF EXPERIENCE

The year 2020 was marked by a fast pace of innovation by NOS, in partnership with major global players, combining internal capabilities with recognized international experience.

The relevance of the role of the Internet in the home of the Portuguese has grown exponential throughout 2020 in the context of the COVID-19 Pandemic. To respond to this challenge NOS launched several initiatives of which we highlight:

– We have democratized the use of the new GiGA Routers in the NOS customer base, increasing the capacity to serve our customers with greater resilience and higher speeds (up to 1 Gigabit);

- We launched a new generation of Power-Wi-Fi Products in partnership with the American company Plume giving NOS customers the best state-of-the-art Wi-Fi coverage solution in Portugal with a 100% digital experience;
- We have evolved the monitoring of our customers' Internet experience quality to a proactive model by identifying potential technical problems and solving them proactively;
- We expanded the portfolio of equipment sold, giving NOS Customers the best conditions for purchasing Laptops, Tablets and Consoles, responding to the needs created by the confinement periods that the country faced (with special emphasis on the partnership with Sony last December).

We also believe that despite the unique human and technological capital that we hold, we must, whenever it creates value for our customer, combine efforts with other leading companies in their areas of activity with synergistic partnerships that allow to increase the experience and satisfaction of our customers - unique condition for the success of NOS.





3. 2020 IN REVIEW

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In TV, NOS continued the strategic development of UMA TV 4K, - evolving its user experience, having been elected product of the year for the third consecutive time in Portugal.



Aware of the relevance that the new content viewing platforms acquired, NOS invested on increasing the user experience of its OTT NOS TV platform, increasing its resilience, providing it with a new, more intuitive user experience and being a pioneer in the introduction in Portugal of 4K in operators' OTT solutions preparing it now for the future challenges of 5G. The rating that our customers gave is instructive: we reached a rating of 4.5 in the IOS app store and 4.2 in the Android app store.

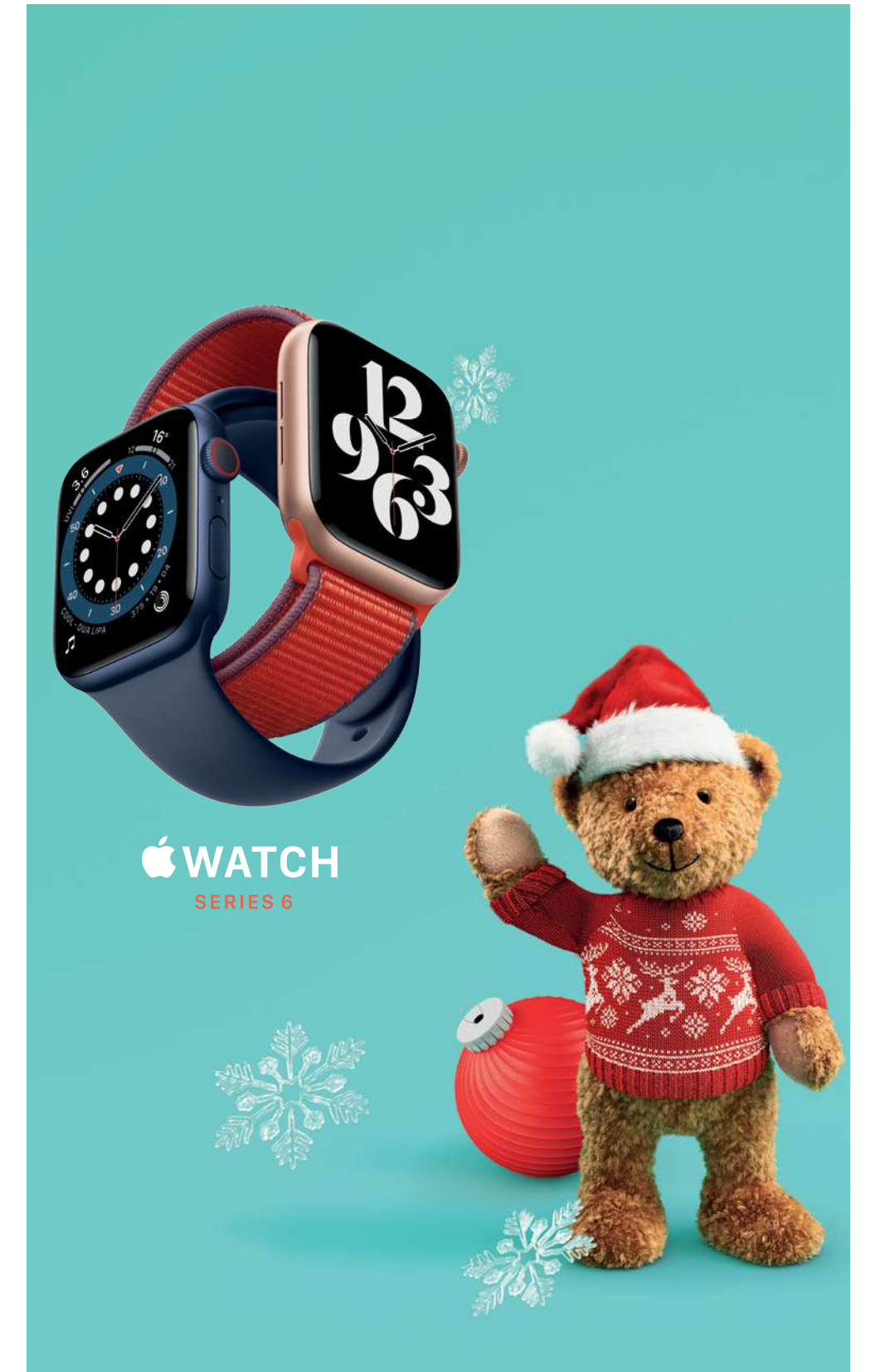
Additionally, in a pioneering partnership with Apple last July, NOS launched a new alternative Box option to UMA 4K TV: Apple TV 4K. This Box combines the best contents and features of NOS, with Apple's recognized state-of-the-art experience creating a unique product through a new business model via Apple TV renting.

Innovation in mobile represents a strong investment for NOS. After being the first operator to introduce eSIM technology in Portugal, the year 2020 was marked by innovative and steady steps in the connectable world ecosystem on the consumption segment. We launched a new range of NOS IoT tariffs pioneering the support of NB-IoT (Narrow Band - IoT) technology in the B2C segment in Portugal. This

launch represents a key step towards providing NOS customers with a 100% connected future through smart devices. The launch was accompanied by a partnership with Alcatel through its location and tracking equipment adapted to various use cases.

In a unique partnership with Apple and Samsung we also launched the **Smart Number**, a 100% digital technological solution that allows autonomous and transparent connectivity of smartwatches, using the same phone number as the smartphone. With the launch of the Smart Number, NOS became the only operator in Portugal to provide this service and to support innovative equipment such as the Apple Watch Series 6 Cellular or the Samsung Galaxy Watch 3 LTE.

These developments lay the groundwork, preparing NOS with the platforms and solutions needed for 5G as a future disruptive moment for the mobile experience.





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SIMPLICITY OF USING NOS SERVICES

The simplification of the experience of being a NOS customer is a fundamental axis of performance in the consumer segment. In this context, throughout 2020, the principle of simplification became core to the development of NOS business in multiple dimensions.

Evolution of the digital channel in the customer's relationship with NOS:

In the digital dimension, the consumer segment today follows a philosophy in which all new products, services and processes are designed primarily for a digital performance and its use via digital is privileged (examples of which are the launch of the Smart Number or the new generation of Power -Wi-Fi designed and implemented for digital use).

In 2020, we made a significant effort to increase the processes, work models and technologies of the digital channel (both the NOS app and the nos.pt website), which allowed the weight of the digital channel to grow significantly, with special emphasis on the sale of mobile cards and equipment.

In the WTF segment, due to its digital nature, the evolution of the WTF App channel, due to its relevance in the management of the customer's life cycle, focused on the densification of the use of the app channel, by

customers, through the dynamisation/commercial exclusivity/benefits of the channel, allowing to overcome the barrier of 60% of adoption of the app by the customer base.



Additionally, NOS was the first operator in Portugal to enter into a distribution partnership with Glovo in order to simplify customers' access to its products and services.

Finally, aimed at the more digital consumer segment, NOS also launched in 2020 a new digital autonomous value proposal: WOO, characterized by a 100% digital experience supported on the app, customer support focused on selfcare and chat and a service subscription logic via credit card with a product portfolio that addresses the connectivity needs of the most demanding customers (product range: mobile with high data plans and fixed internet). Today WOO is the most advanced value proposition from the digital point of view of the Portuguese market.



The protection of our customers and their satisfaction are critical to the future of NOS. In this context, during the year 2020, we took the lead in the Portuguese market with a set of simplifications of contractual management and protection of our customers, seeking an increasingly fair balance in the relationship between NOS and its customers, therefore, among other measures we highlight:

- A new Simplified Information Sheet that is more transparent with the conditions of the contracts signed with our customers;
- We reduced the situations in which we apply contractual penalties for early termination, meeting our customers' fragile situations;
- We were pioneers in Portugal and one of the first operators worldwide to end access to WAP Billing services whose use was often abusive and fraudulent ensuring better protection for NOS customers;
- We worked with the authorities to protect our customers in the most complex moments of the COVID-19 pandemic, suspending terminations, guaranteeing extraordinary debt payment plans and allowing early termination of contracts in situations of aggravated fragility as part of our social responsibility towards our society;
- We have eliminated penalties for past due payments.

The promotion of the autonomy of our customers in customer support processes and installation/

maintenance of NOS services definitely contributes to a more efficient, environmentally responsible operation and increases the satisfaction of our customers, which is particularly relevant in a social distancing period.

In this context, in 2020 we developed several initiatives of which we highlight two:

- We have evolved NOS selfcare supported by the development of the features of the NOS App and the launch of a new selfcare web portal in order to increase the autonomy of our customers, simplify their resolution/consultation experience and increase the efficiency of traditional support channels;
- We launched a process, pioneer in Portugal, of auto installation of customer equipment focused on updating/adding services to already existing customers, with emphasis on UMA, Apple TV, Power-Wi-Fi and GiGA Router.





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B2B

In the corporate segment, NOS' value propositions are based on a vast portfolio of Information Technology and Data Management solutions. We manage offers capable of sustaining NOS' position as the partner for the **digital transformation** of Portuguese companies, from the largest economic groups and public institutions to small and medium-sized national enterprises.

In 2020, we ensured a firm response to new adversities, leveraged on our technological assets, internal competences, and **strategic partnerships** with the world's largest players. We remained committed to **supporting our customers' business continuity**, ensuring their resilience, and strengthening the digital transformation process. **We quickly and robustly addressed** the challenges related to the growing need to dematerialize services and change the workplace to a remote and digital collaboration and increased our investment in fighting the inevitable security concerns.

Aware of the economic impacts at national level, particularly in the SME segment, we adapted the relationship with our customers. **We made payment methods more flexible**, ensured an **agile and efficient implementation and support**, and **maintained proximity**. With a regular and relevant

information flow, we support business and company crisis management. We **provided benchmarks** on how to implement strategies for quick adaptation and with the least possible impact on operations. Strengthening our position as a partner for the transformation of companies, we streamlined a set of interactions, through the launch and use of digital collaboration platforms, to organize **webinars on a wide range of topics**, such as 5G, Cloud, managed services, and cybersecurity, among others. Having as a successful example the service provided to large national companies, we collaborated closely in responding to the challenge of the transition to remote work, having the ability to **implement solutions and support, control and monitoring tools, within 24 hours**.

The search for tools that enable digital transformation, namely IT and communications solutions and tools, follows the trend of previous years, albeit with a record of acceleration, justified by the new propensities of consumption and mobility. In the last quarter, we saw an **annual growth of 45% in the weight of these solutions in the Corporate and Large Companies segment**. This performance led to the exploration of new sources of revenue, and provided a platform for the continuous, and future, expansion of our portfolio, in line with our strategy for the corporate segment, and cemented our position as a key enabler in supporting companies.



Soluções de Marketing

Ter a NOS como
parceiro digital do seu
negócio é uma grande ideia



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STRENGTHENING THE PORTFOLIO

Based on our **analytics** platform, we develop projects to respond to urban mobility challenges. Using a set of insights developed from our operator data, duly anonymized, **we supported public institutions and companies in their projects, throughout the year.** Decision-making related to the dynamization of public transport networks and operational decisions related to the management of restrictions in gatherings were made possible thanks to our internal know-how, but also as a result of collaboration with a number of academic entities.

Across the corporate segment, the revenue stream saw a highlight for **cybersecurity and business continuity** solutions, as a means of mitigating and preventing risks associated with new consumer trends and hybrid work models. The use of services and consumption of content via digital channels has seen massive growth, supported by a movement towards the migration to the cloud, and accompanied by an increase in concerns associated with online and information/work processes security. This phenomenon has given rise to the imperative to mitigate the risk of attacks and ensure safe use for customers and employees. We highlight the growth in the number of remote accesses by employees to companies' **VPNs**, accelerating the inclusion of systems with multi-factor authentication, as well as the investment that companies have made in other systems to protect new attack perimeters (**Anti-**

DDoS - Distributed Denial of Service or **Firewalls**). The "as-a-Service" model distinguished itself in solutions for sharing, secure storage and information retrieval, and easy access to applications for remote operation monitoring and control, hosted in the cloud. **Helpdesk** and business continuity services also registered an increase in demand, having hosted the **disaster recovery** infrastructure of major national players in the latest generation NOS data centres, and ensuring conditions for technological development in the Azores region, with the implementation of a **private cloud**, in a data centre dedicated to the government.

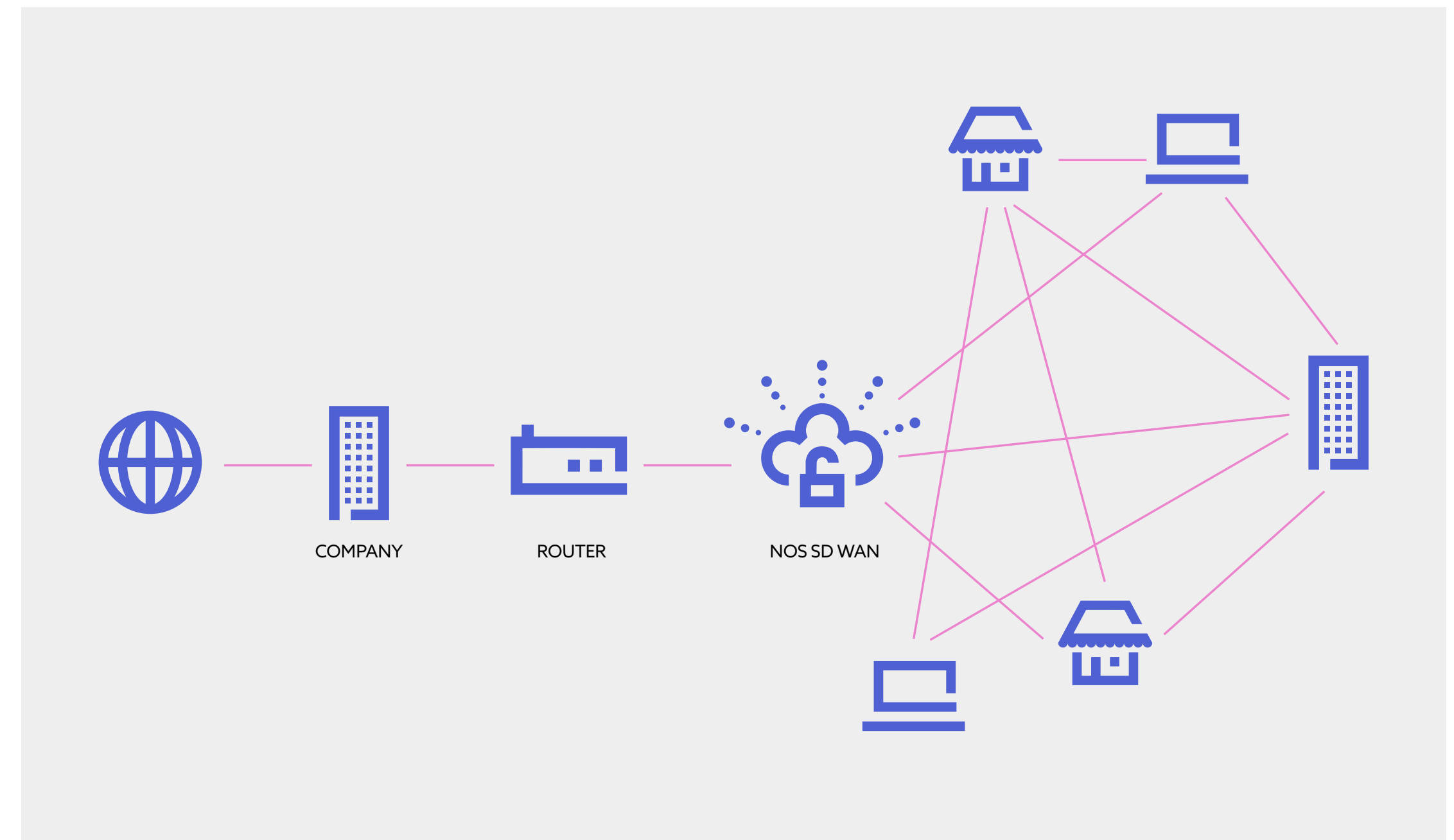
Aware of the extreme importance that digital represents for business continuity, we created the **Digital First** project, a program that is supporting the transformation of the Portuguese business fabric. With an agile methodology, we created offers for the small and medium-sized enterprise segment, expanding the scope of our digitalization services. Our partnership with Cisco proved to be essential to the success of this initiative, with this joint effort strengthening our portfolio of intelligent security solutions. With two new innovative offerings for the entire corporate segment, we have ensured business continuity and allowed companies to continue operating with maximum security. Responding to the protection needs against "cyber threats", **NOS Web Segura Pro** allows to significantly reduce the risk of attacks, seamlessly and in real time, ensuring the same speed of access, through automatic blocking

of malicious websites and links. Operating with an additional layer of security over internet connections, **NOS SD WAN**, blocks potential threats and protects access and sharing of crucial business information in a protected manner, ensuring response to the challenges of remote and dispersed accesses across the country.

We strengthened our **non-telco portfolio** and, considering the increased struggle of sectors

such as Hospitality and Tourism, we launched the **Ementa Digital (Digital Menu)** offer in conjunction with GoTVee, a tool that improves the customer experience and allows to manage orders in a more intelligent way.

The context experienced was extremely difficult in the health sector, and in partnership with Knokcare we promoted a **digital Telemedicine platform**, which ensures continuity and access to this type of care.





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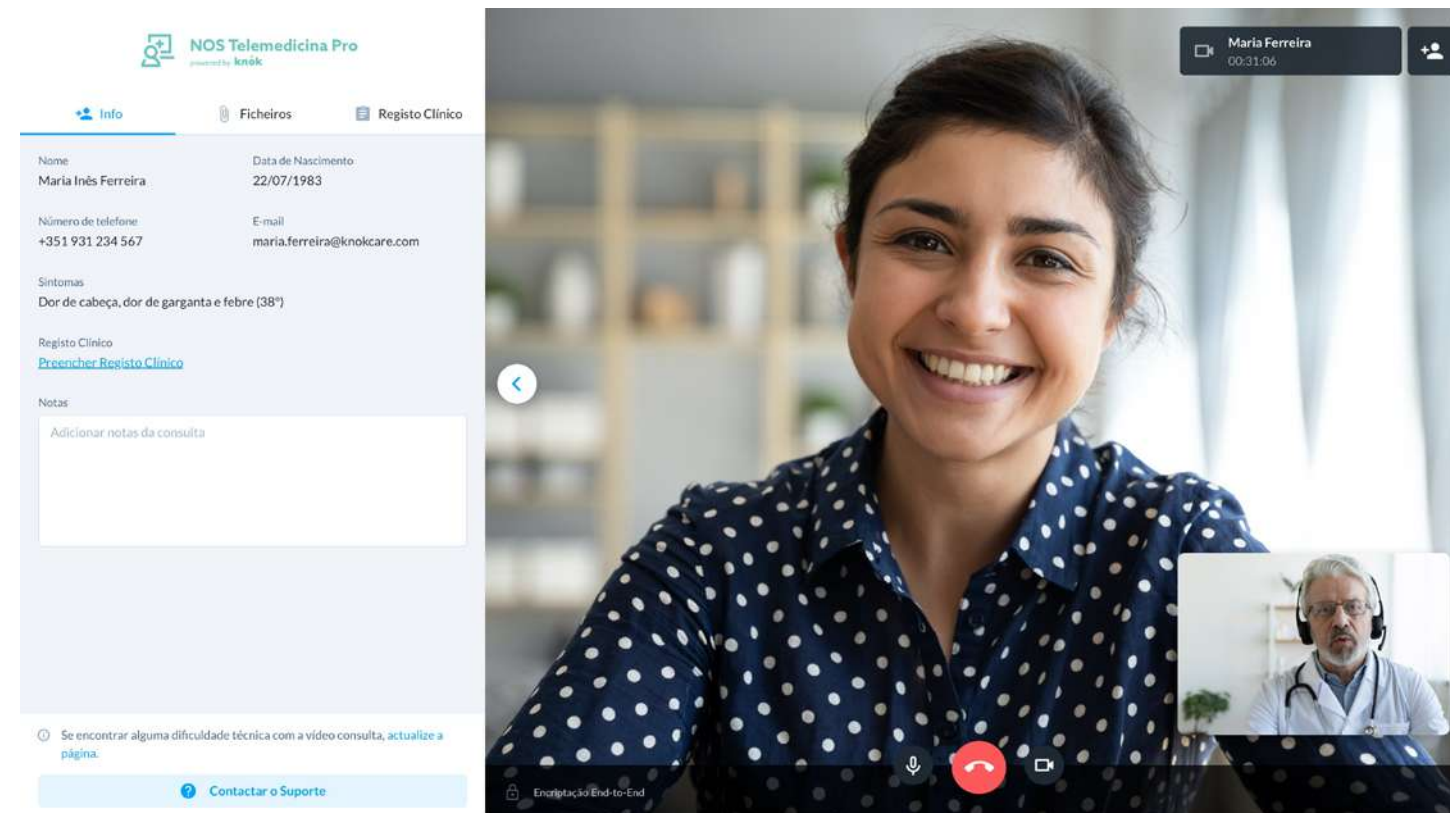


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Given the changing habits in the market, we introduced **Target Pro** and **Site Pro**, which together allow companies to increase their online presence and reach.

To strengthen this offer, we jointly developed with **NOS Audio Sales & Distribution** a service that allows to solidify the capacity of each business to manage its social networks and digital advertising, responding to the needs of each customer, with a tailor-made strategy and monitoring, ensuring that all digital investment management is done centrally and with dedicated specialists. Still in order to mitigate risks, we launched the **Thermal Camera** offer, which allows measuring the temperature in real time, and ensuring the safety of employees, always in a GDPR compliant way.

To ensure the encouraging progress we have made and respond to tailor-made projects offered to Corporate customers, as well as offers made for SMEs and large companies, we have relied on key partnerships for **public cloud services with AWS, Google, and Microsoft**. We achieved the first offer in Iberian territory of edge computing with AWS Outposts, which ensures a faster data computing experience, support for higher workloads and an optimization of data storage. Our performance as a partner materialized in the **AWS Partner Network Rising Star award**. As "hybrid cloud" services are increasingly essential to the challenges of evolving technological infrastructure, we have entered into a partnership with **Google Cloud**, launching the Anthos



solution. Realizing the importance of freeing up employees' time to focus on the business, we launched a new productivity tool business line, with the launch of **Google Workspaces**. We also strengthened our position as a Microsoft partner for **Microsoft 365**, which has been showing high growth in Portugal. Our training plan, demanding and challenging, reached a total of **+30 certifications** compared to 2019, having achieved the **Microsoft Gold Partner and Google Premier certification**.

Mobility, relocation, and remote collaboration were central needs during 2020 and, in this context, the resilience of mobile and fixed connections, the ability to decentralize support or service models, and the transformation of the work model were

essential to business maintenance and survival. We delivered solutions to our customers, such as **access to broadband internet for employees**, so that they can browse at full speed, wherever they are, and on any device or several devices simultaneously, and made it possible to relocate employees with **Unified Communications** solutions. We made videoconferencing services and solutions available, which saw their importance renewed, so we strengthened this offer, for an increased capacity of delivery, implementation, and support. The digitalization of contact between companies and their customers enhanced the need to provide **massive multi-means remote contact solutions**, such as voice, message, and email, allowing the restructuring and re-training of contact processes towards a new reality, allowing companies to



respond quickly to the relocation of resources, we have provided **omnichannel service** solutions that allow remote service anywhere in the country, making use of our strengthened infrastructures.

At the forefront of the **Internet of Things**, we launched the national **NB-IoT** network and a series of digital offers, for an increasingly connected world. Responding to complex challenges in the Utilities, Smart Cities and Industry sectors, we launched and implemented several unique projects in Portugal to monitor industrial consumption, with significant cost reductions for these companies. Like our offer for the consumer market, the partnership with **Apple and Samsung** also made it possible to



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launch the **Smart Number** offer, an innovative and exclusive NOS service for the corporate segment.

The preparation for the launch of **5G** has been a focus throughout the year, with us being completely dedicated to making the most of the transformative potential that this communication technology will provide to our customers. With great proximity to the academy and to the national and international start-up ecosystems, we carried out promising pilots, which confirmed the expectations about the transformative potential of the technology. At the forefront of this technology, we began to respond to customer challenges, having started the first **pilot projects** in the retail and industry sectors.

NOS' strategy in B2B is to evolve its network centric positioning to lead in the service centric, and in this sense, in March we revamped our **Managed Services** area, where the service portfolio was revised, the operating model was optimized, all of this aligned with a team reorganization. This reorganization aims to rise in the excellence of delivery to our customers, of a premium service in several areas, namely, Modern Workplace, Security and Public Cloud, allowing organizations to free themselves from the management of activities that are not part of their core business. This will allow companies that are our customers to increase the competitiveness of their business, combining technological developments that ensure the best experience for their end customers.

In line with our innovative character, we develop **consulting projects** together with customers, contributing to the transformation of their strategic plans. As an example, we responded to customer challenges and created and implemented an application focused on the customer experience, with added value features, using design thinking methodologies. Realizing the important contribution of **start-ups**, we are dedicated to strengthening these relationships, with a close proximity to this ecosystem, namely with several **incubators and accelerators** worldwide.





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INVESTMENT ON OPERATION

In a safe step in line with our partner strategy for digital transformation for customers, we created in our internal structure the **Centre for the Transformation of Companies**, whose mission is to analyse the trends and particular contexts of each customer and sector, to find the best solutions to the challenges of the Portuguese business fabric. The responsibility for our success is based on this solid internal operation, having achieved a high degree of efficiency that allowed us to maintain a continuous flow of solution delivery. Through an investment in our platforms, we were successful in increasing the delivery capacity of our sales representatives through a **new training and engagement strategy**. We promoted **digital training and information**, streamlining the learning process with a unique knowledge tool, and digitalizing their training, starting to hold workshops, classes in virtual format, webinars, and courses in 100% digital format. To train sales teams in more consultative, effective, and productive approaches, we have developed a new strategic planning platform with **gamification dynamics**. In view of the constant focus on improving the experience of our customers, we leveraged the development and use of the **sales tool** for business channels, all digital, which allows to support the salesperson's journey and optimize the customers' onboarding experience, registering a growth of + 35% compared to the same period in the average of closed contracts per month.

In a logic of customer satisfaction and efficiency, we have progressed in the **B2B customer digital ecosystem**, where we have ensured greater autonomy and empowerment in the management of their services, promoting their satisfaction. Our internal analytics model was also revisited in order to make use of a propensity model that allows us to be more assertive in approaching customers and anticipating their needs. Our efforts have earned us an increase in satisfaction with our customers, and in the 1st quarter of 2020, our **NPS** in the market doubled in relation to the previous semester, with our SME and Large Corporate customers contributing more than proportionally.

WHOLESALE BUSINESS

NOS Wholesale's business is also an example of our effort to maintain good relations with our customers. We maintained a good performance in the **data business**, which continues to show growth compared to the same period last year in operational terms and service margin terms. This success is based on commercial performance and on our efforts in transformation projects, particularly by digitizing the customer experience. Revenues associated with the **Wholesale Voz and SMS A2P** businesses, suffered a strong impact due to the sale of NOS International Carrier Services, reducing the scope of the business to the termination on the NOS network.

In the **NOS Comunicações** business, due to the massive reduction in the number of travellers, we saw a drop in the **roaming** business, both on revenue and on the service margin, compared to the previous year, as well as a decline in the **Mass Calling Services** business. Our commitment to deliver a top-quality service was recognized by Deutsche Telekom, with the award of the 2019 **"Zero Outage Supplier" award** for the Southern Europe region. This award is attributed to the multinational operator with the best quality practices in what refers to the availability and delivery of services to the telecommunications end customer.

NOS was awarded as "Zero Outage Supplier" by Deutsche Telekom for the Southern Europe region.

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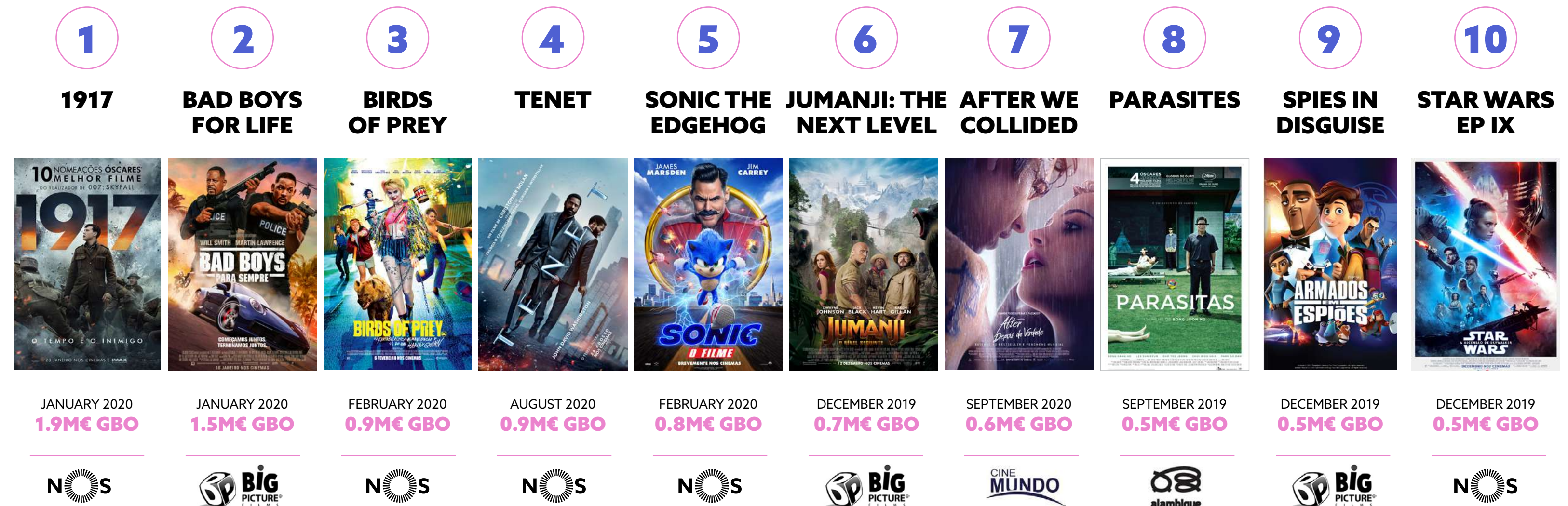
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MEDIA & ENTERTAINMENT

In 2020, the Media & Entertainment businesses were strongly affected by the COVID-19 pandemic, in particular the Cinematographic Distribution and Exhibition businesses, with the close-down of premises for 3 months, followed by severe restrictions to the cinema experience in the second half of the year and the postponement of the major films to 2021/2022. Despite so many constraints, the market generated 20.5 million Euros of gross revenue and brought 3.8 million viewers to the cinema. In this context, NOS was once again able to be an outstanding leader both in Cinema Exhibition, with a 62.7% market share in Gross Revenue, and in Cinema Distribution, with a 50.4% market share in Gross Revenue.

The Top 10 films of the year (Portugal market - year 2020) were largely films released before the pandemic, except for the Tenet by Warner/NOS Audiovisuais launched in August with 148 thousand viewers, occupying the 4th position and Cinemundo's After occupying the 7th position with 107 thousand viewers, launched in September.

NOS LED WITH 5 FILMS IN THE TOP 10:



Source: ICA - national market - revenue generated in 2020

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The pandemic directly impacted the Cinema value chain with numerous postponements and cancellations in the market. Fast & Furious 9, Minions 2, 007: No Time to Die, Jungle Cruise, Black Widow, Top Gun Maverick, Infinite, Dune, are some of the great films initially planned for 2020 and which have been postponed to 2021.

The return to the cinema campaign "Vamos ao Cinema", promoted by the sector and with great involvement of all market stakeholders (GEDIP / FEVIP / ICA / Exhibitors and Distributors) played a key role in bringing consumers back to the cinema during and after the period in which it took place (from 13 August to 11 September), with its main targets being families, youth, and couples.

However, this return was limited by the lack of films and restrictions in cinemas that worsened in the 4Q20. The year 2020 had, as such, a nature of adaptation to a unique and unexpected context, complemented with some positive points that should be highlighted in each of our operations.



PANDEMIC IMPACTS IN THE INDUSTRY

PRODUCERS / DISTRIBUTERS

Stopped or cancelled productions

Cinema premieres postponed or cancelled with consequent lack of movies in subsequent platforms

EXHIBITORS

Theatre shutdown

Cinema experience influenced by restrictions (mask usage and limited theatre capacity)

FINAL CUSTOMER

Greater security concerns (limitation, social distancing)

Reduced purchase power: recession in 2020



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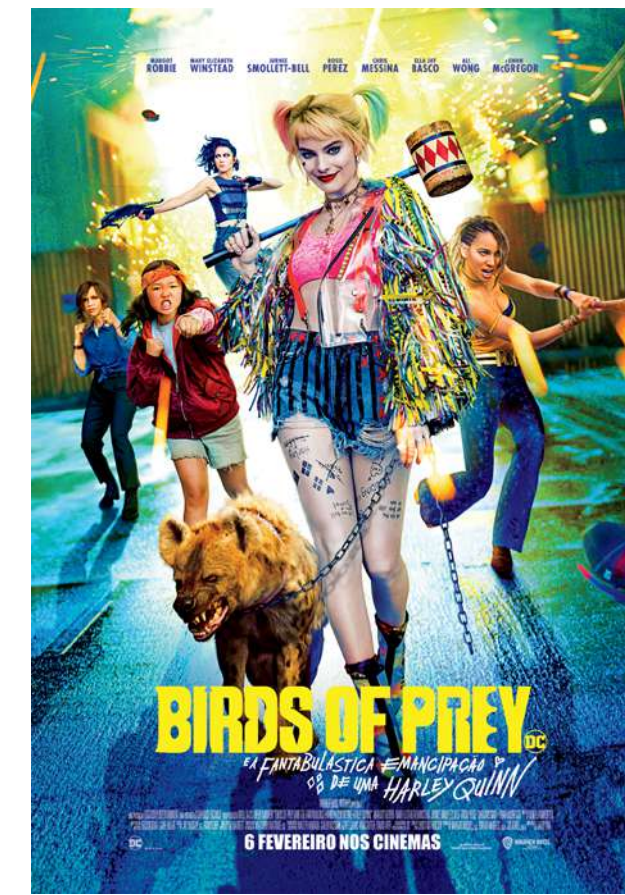
CINEMA DISTRIBUTION

2020 was a year in which NOS' cinematographic distribution once again stood out from the rest, having released 91 films and having maintained a clear leadership with the 50.4% Gross Revenue Market share and with the presence of 5 titles in the TOP 10 of the year.

1917 was the most successful film in the year 2020 with an impressive gross revenue of 1.9 million Euros at the box office and about 331 thousand viewers ⁽¹⁾.

Also noteworthy is the film Birds of Prey, the spin-off of Harley Quinn, from the DC universe, the third most watched film of the year, with almost 1 million Euros of gross revenue ⁽¹⁾, or Christopher Nolan's Tenet, fourth most viewed film of the year, with around 900 thousand Euros ⁽¹⁾, and this one already in the middle of a pandemic, which makes the feat even more worthy of mention – most viewed post-pandemic film (total market values).

With the lack of Blockbusters from major studios, NOS Audiovisuais, as the leader of the Cinema distribution, played a fundamental role with the rigor and selection of the releases of several independent films whose box office success managed to keep the cinemas open. As is the case with the film Welcome to Africa, the best French film released after the pandemic, with 315 thousand Euros of gross revenue ⁽¹⁾.



In turn, national content was also affected by the pandemic, with postponements and interruptions in production, reducing its market share to 3%. Also, in this case, NOS Audiovisuais made a strong contribution to the sector, distributing 11 national films that generated gross box office revenue of around 360 thousand Euros, including the film Listen, by Ana Rocha de Sousa, winner of 6 awards at the Venice festival and the most viewed film of the year, with a revenue of 230,000 Euros and more than 41,000 viewers.

NOS in partnership with ICA – Instituto de Cinema e Audiovisual continued in 2020 to invest in the promotion of Portuguese cinema, which promoted the 5th Edition of the Portuguese Cinema Summit, whose objective this year was to evaluate the impact of COVID-19 on the Industry of Portuguese Cinema, share an exhibition of Portuguese Cinema projects and provide a meeting between all the agents of the sector.

⁽¹⁾ Revenue and viewer amount: total market, including Angola and Mozambique markets



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CINEMA EXHIBITION

NOS Cinemas maintained its leadership, with a market share of 62.7% in gross box office revenues and 61.2% in viewers, despite the drop in revenue due to the impact of the pandemic with the closing of cinemas and heavy restrictions on reopening and consequent postponement of the main 2020 films.

NOS Cinemas maintained its commitment to digitalization, with a growth of the total number of registered customers in the Cinemas App to 180 thousand, revealing itself to be an intuitive, easy, and extremely useful purchasing platform in the current context, allowing a faster purchase while maintaining the social distancing.

The company adopted all necessary security measures in the current context, obtaining an ISQ certification seal as a "Safe Place, Covid Out" and encouraged the return to its cinemas, after the mandatory confinement phase in June was relieved, with a special ticket price and two tickets with the NOS Card, for 5 Euros, with free popcorn.

Some of the new measures implemented by NOS Cinemas, provide total security in its premises: improved cleaning of rooms and common spaces, online and permanent monitoring of ventilation systems and quality of air renewal, mandatory use of masks by employees and customers, provision of hand sanitizer at various points, different circuits for the circulation of entrances and exits and its specific signage. All places are marked to ensure the safety distance

of a seat (alternate and mismatched seats in the row), elimination of breaks and the session times are more spaced in order to allow more time to improve the hygiene of the rooms between each session. In addition, the ticketing system has been adapted and dynamically adjusts the safety distances to the marked seats (both individually and as a family). The online purchase of tickets and now also bar products, through the app, is particularly recommended as the preferred one, either in advance or on the spot. All Kiosks and other self-vending points now have hand sanitizers dispensers and wipes attached and are regularly cleaned. In the ticket office and bars areas, acrylic protection panels were installed for the safety of employees and customers.



This year was also marked by the unprecedented project "A room just for you", in which, for a fee of 120 Euros, the viewer is entitled to an exclusive cinema room for a group of up to 20 friends and family, and which presents itself as a specifically developed response to address the current context, thus being able to coexist the unique and exclusive entertainment experience of a NOS cinema room with the distance and security of the living room.

NOS Cinemas, together with its partners, namely Coca Cola, continued its commitment to Social Responsibility and respect for the environment by replacing all plastic straws in its cinemas with paper ones.



NOS Cinemas received the Consumer Choice Award in 2020 for the 7th consecutive year, reflecting customer satisfaction and recommendation levels throughout the year.



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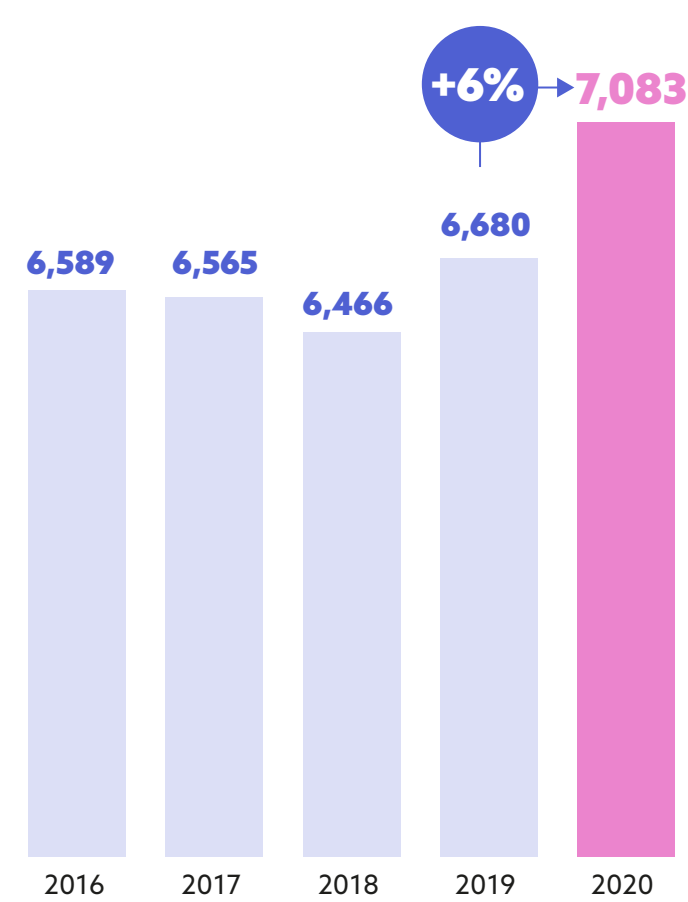
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MOVIES AND TELEVISION CHANNELS RIGHTS

In 2020, in a context in which the Portuguese were asked to stay at home, television consumption reached a historic high in number of viewers and average viewing time. Extended entertainment adapted to the whole family has become essential to help create moments of relaxation.

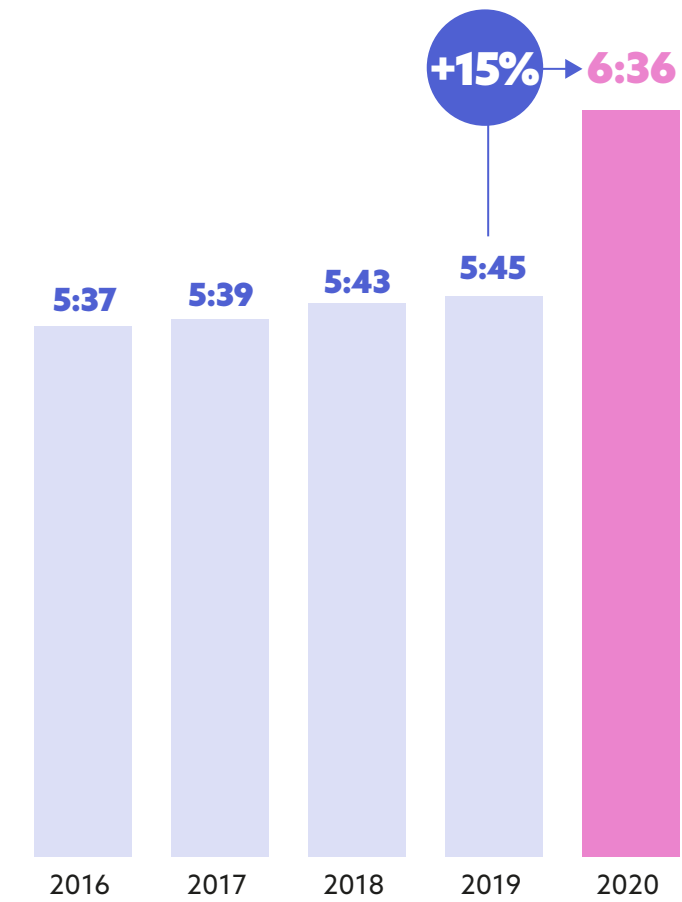
Average number of TV viewers

(Reach#, thousands)



Average daily time spent watching TV

(ATS, hours per viewer)



In this sense, NOS' activity reflected the dynamism of the industry with the strengthening of the entertainment offer, adjusted to the specific needs of lockdown and social distance. **We launched new channels such as "Casa e Cozinha"** dedicated to creative and useful ideas on decoration, cuisine, and well-being, and **"TVI Ficção"** dedicated to TVI programs, soap operas and reference series. We also invested on a theme that is showing great growth, particularly relevant for young people, which is Gaming / E-Sports through the **integration of the RTP Arena platform**, in UMA boxes, dedicated to the transmission of the biggest national and international e-sports competitions.

With the aim of creating unique and exclusive experiences for our customers, we broadcasted three **exclusive events on Canal NOS**: the concert "Mariza Live" broadcasted live from Teatro da Trindade, the summer pop up "Disney Channel Summer Party" dedicated to the youngest with the main youth live action series and the Christmas pop up "Modern Family Christmas Marathon" to see all episodes of the series as a family. We also jointly celebrated the success of the **1st Anniversary of NOS Studios**, the channel of great films, exclusive to NOS, with customers deciding which film to premiere on the night of the 1st Anniversary. In just one year, **NOS Studios reached the Top 5 of cable channels audience** (and No. 2 in the Movies and Series theme) in its subscriber base.





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In Sports, we strengthened the offer with **new products** with the aim of reaching more customers. We launched the **"Season Ticket"** campaign with SPORT TV Premium HD at **19.99 Euros** per month for 12 months, the temporary product **"72 Hours of MotoGP on SPORT TV"** that from 20 to 22 November allowed access to SPORT TV 2 for only 4.99 Euros, and the **"ELEVEN 48 Hours Pass"** that allows access to the 6 ELEVEN channels for 2 days for just 6.99 Euros.

In order to provide the most complete and diversified offer of films and series on the market to all audiences, we **strengthened the NOS Play service content portfolio** to which we added a **set of AXN Now series**, which includes some of the biggest hits on the AXN channel, and **content from the Nickelodeon and Nick Jr kids' channels**.



72h de MotoGP | €4,99



Also, **under the motto "TVCine channels have more life", we launched the new life of TVCine channels** with new identities, new programming, and new features; channels TVCine 1, 2, 3 and 4 gave way to the new channels TVCine Top, TVCine Edition, TVCine Emotion and TVCine Action, with the programming of the best and latest films and series organized by themes.

Last, but not least, in the context of a pandemic, was the role of Television in Education with the start of the initiative "Study at Home" - television broadcast of school classes - on the RTP Memória channel. In association with RTP, we amplified this initiative with the launch of the **free SVOD #EstudoEmCasa** for NOS customers to be able to access and review the contents of the Tele-school in the box, at any time, with a more organized and intuitive structure.





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NOS' POSITIONING

REACH OF THE NOS BRAND IN 2020

In a year of great challenges, connectivity has gained a new centrality in the lives of people, companies, and the country. Living has become even more dependent on this network we deliver, contact with those closest to us, the success of remote work, the continuity of teaching and the different economic activities, were the focus of our dedication. We are committed to keeping everyone connected, so that the country and the lives of the Portuguese did not stop.

NOS's impact on the country was therefore felt in all its areas of activity:

- In the great diversity of segments it impacts all, from families to companies.
- In the centrality of its communications and entertainment offer, from television to the internet.
- In the technologies it provides, from apps to corporate services.
- At the points of relationship with its customers, with a centrality in the digital relationship.
- On the topics of greatest passion for the Portuguese, helping to keep their connection to Football and Music alive.

THE BRAND STRENGTHENED THE CONNECTIONS OF THE PORTUGUESE

The mandatory lockdown of the COVID-19 pandemic had immediate repercussions in Portugal.

Telecommunications took an even more central role in the life of the Portuguese and triggered an immediate institutional response at NOS and articulated with all the main stakeholders (government, institutions, competitors).

The NOS brand mission has been fulfilled: connecting people, companies, institutions, and things, to everything and everyone, leveraging the most advanced technologies to deliver the best experience, surprising and building empathetic and transparent relationships with its customers. Always acting with ambition, an attitude of challenge and transformation of the present, with the future as inspiration and with the creation of value for society as the ultimate goal.

"LET'S STAY CONNECTED"

The communication of NOS in this unusual year was marked by an engaging narrative, empathetic and integrated across all contact points, under the motto "Let's Stay Connected".



#VamosFicarLigados

The Portuguese adopted this song and the communication campaign "Let's Stay Connected", reached maximum brand awareness since its launch in 2014.

In this moment of great demand for the country and the world, NOS, in addition to continuing to connect the Portuguese through its products and services, also wanted to connect them through emotions, and for that nothing is better than music, a recognized brand asset.

The challenge was made to the great Ambassador of Portuguese music in the world, Mariza. The answer came in the form of lyrics by the author, which expresses the experience of the moment and which is full of emotion and full of Portugal. Lyrics that transformed the song "A Nossa Voz" into a song dedicated to Portugal and the Portuguese.

« Há uma saudade guardada
No fundo do peito
No olhar de todos nós
Quero dar-te aquele abraço
Rir de cansaço
Ouvir a tua voz. »



3. 2020 IN REVIEW

3.1 NOS' ACTIVITY IN 2020



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In 2020, the Internet product took on a central role in the lives of our customers, with an exponential increase in the level of use.

NOS invited Salvador Martinha - Portuguese comedian - to test the quality of the product in a domestic and business environment. With this campaign we demonstrated that NOS' Internet product responded effectively to the needs of our customers.

The year ended with a remarkable Christmas campaign. Under the motto "This Christmas nothing can keep us apart" and inspired by the distance to which all Portuguese were obliged, the campaign sent a message of emotion and hope, materialized in a teddy bear, which aimed to reduce the distance and symbolize the proximity and family warmth that characterizes the Christmas season.

Inspired by the emotional response generated around the Christmas campaign, NOS, aware of the importance of its role in supporting society, launched an initiative in partnership with CTT, the details of which can be found in [chapter 7 of the Sustainability Report](#). 





3. 2020 IN REVIEW

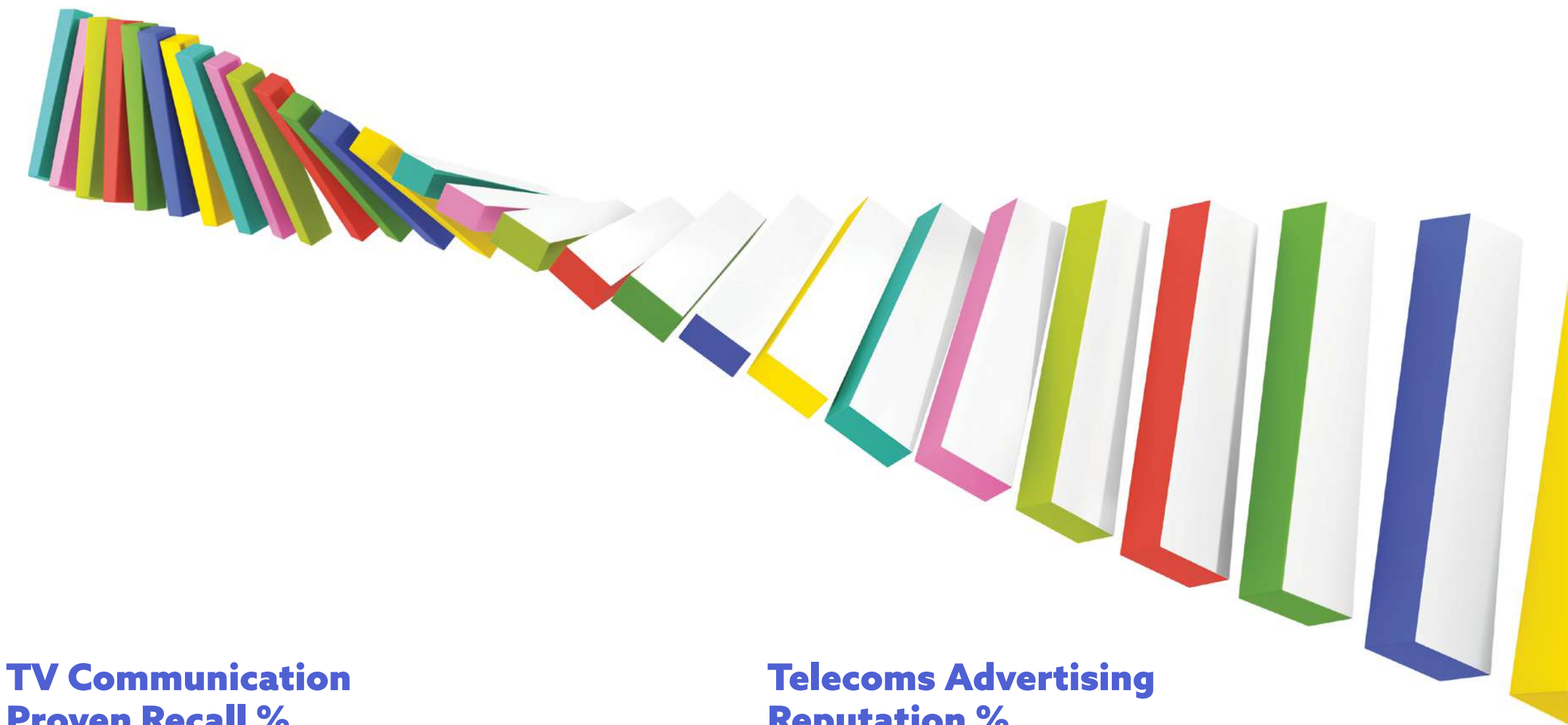
3.1 NOS' ACTIVITY IN 2020

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NOS WAS THE ONLY BRAND TO CLIMB UP IN THE NATIONAL ADVERTISING RECALL TOP 10

What NOS did in 2020 translated into a growth in visibility, presence, and relationship, having been the only brand to climb up in advertising recall in the national top 10.

The uncertainty of the year 2020, which will continue for 2021, will continue to have impacts on a personal, family, social and economic level. But, as an organization and as individuals, and as drivers of a notorious and relevant brand in the daily lives of the Portuguese, we believe in tomorrow and nurture hope for the future.



Generic Advertising Recall

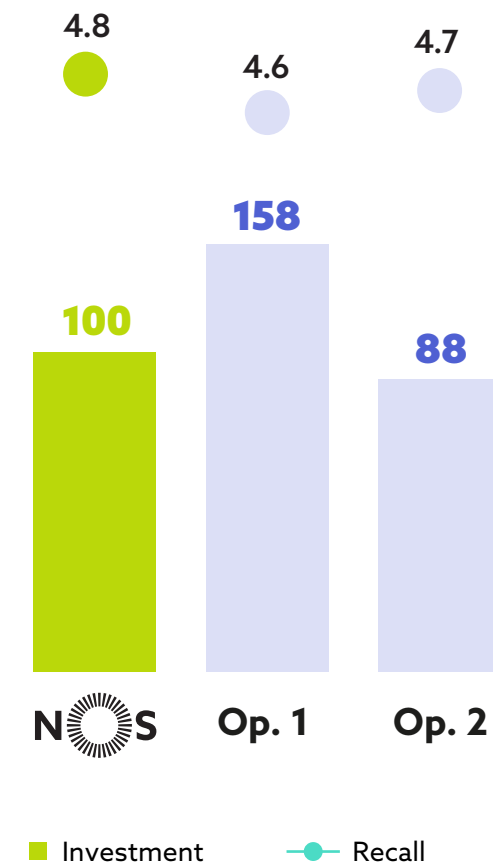
Rank 2020, Var. 2019/20

Rank 2020		Rank Var. 2019-2020
#1	Large retail brand 1	●
#2	Large retail brand 2	●
#3	Large retail brand 3	●
#4	NOS	▲
#5	Telco brand 2	●
#6	Telco brand 3	▼
#7	Large retail brand 4	▼
#8	Sports brand 1	●
#9	Sports brand 2	●
#10	Retail brand 1	▼

Source: Publivaga Markttest.
Accumulated amounts, Jan-Dec 2020
Q. Which adds do you recall having seen recently?

Total Investment Means by recall pp

(Jan/Dec) NOS base 100%



Source 1: Markttest.
Total investment per tabled rates
Excluding Google, Facebook and smaller local media owners
Source 2: Publivaga Markttest.
Q. Which adds do you recall having seen recently?

TV Communication Proven Recall %



Source: EMIP, December 2020 Average Jan-Dec 2020
Would you be able to describe, as detailed as possible, everything you recall from X brand advertisements?

Telecoms Advertising Reputation %



Source: EMIP, December 2020, Average Jan-Dec 2020
Q. Which mobile or fixed (fixed phone, mobile, TV and/or internet) telecom brand advertisements do you recall having seen recently?



3.2 LEAD IN NEXT GENERATION NETWORK

NETWORK INVESTMENT

Irreprehensible response to the pandemic

The year 2020 was marked by the pandemic COVID-19 and the sudden change in the consumption habits of customers, with changes in the content consumed, in the usage patterns and consequent impact on the need for capacity and demand for connections. During this period, mobile networks were subjected to significant growth pressure, both in voice and data, and to abrupt increases in usage levels that remained high even after the lockdown period.

This unprecedented growth has prompted rapid action and a significant increase in the capacity of the mobile network. Also, in the central platforms and in the voice and data interconnections, optimizations were made, and upgrades were carried out in order to support the growth in capacity, and the increase in simultaneity that results from changing patterns and type of consumption. The investment was made quickly and effectively, oriented to new locations, and needs, and allowed to respond quickly and fully to the new needs of customers.

Mobile network

After a modernization cycle in 2017-2019, the NOS network was put to the test by the significant growth in the demand for voice and data, a consequence of the transformation of life and work habits that the pandemic forced in Portuguese society. The modernization and expansion of our 2G/3G/4G mobile infrastructure made it possible to respond quickly by adapting and significantly increasing the coverage and capacity for a use that proved to be very different, either because of the lockdown or because of the digitization of many of the productive processes and education /training.

NOS has expanded its portfolio of dedicated coverage solutions with 3G/4G Femto/Pico cellular technologies (upgrading to 5G) allowing us to respond to the challenge of covering homes and businesses at a moment when much of the time is spent between walls.

Likewise, NOS continued the 5G preparation path, ensuring not only the transformation of the access network, but also strengthening the transport, synchronism and core network that will allow the evolution of services and new architectures.

NOS' mobile network today has voice service coverage of more than 99.9% of the population, but which will evolve significantly in the next biennium with the network sharing agreements established in 2020 with Vodafone, as well as with site expansion planned

with new passive mobile infrastructure exploration agreements with Cellnex.

In short, NOS did not stop the development of the mobile network after the modernization and preparation cycle for 5G; on the contrary, it established and developed new paradigms for network growth and sustainability that will strengthen and allow NOS to lead in mobile coverage and experience as catalysts and levers for an urgent economic transformation that Portugal and the Portuguese will need in the aftermath of the situation, we live in.

Network sharing agreements with Vodafone

In 2020, NOS took a key step to ensure the faster and more efficient development of its mobile network, having established an infrastructure sharing agreement with Vodafone.

Through this agreement, NOS will increase the coverage of its mobile network and the quality and speed of its data services, promoting greater territorial cohesion and responding to the real and differentiated needs of the populations, heightened by the current social and economic situation.

The agreement essentially affects areas in the interior of the country and includes not only the sharing of support infrastructures (towers, masts, etc.), but also the sharing of active radio equipment (antennas, amplifiers, and

other equipment), ensuring the independence between operators, who maintain total segregation of the spectrum.

This sharing will allow to increase the coverage, enhancing the 2G, 3G, 4G technologies in use and also 5G in a more efficient way, supported in a completely renewed network with the best that exists in the industry, safeguarding the total independence in the definition and provision of services to its end customers.

Agreement with Cellnex for the sale of NOS Towering

In April 2020, NOS entered into an agreement to sell NOS Towering to Cellnex - which would be carried out in September of the same year - underlying the sale of the support infrastructure of approximately 2000 sites (towers and rooftops).

This agreement will allow NOS to continue to optimize and expand its next generation mobile network, while strengthening its investment capacity in creating long-term value for the company. By joining forces with Cellnex in Portugal, through this strategic partnership, NOS ensures its present and future needs in terms of its passive mobile infrastructure.

The agreement with Cellnex includes an increase in infrastructures up to 400 additional sites, which will allow NOS to invest efficiently on the expansion, optimization, and improvement of the service quality of its network and strengthen the growth and expansion



3. 2020 IN REVIEW

3.2 LEAD IN NEXT GENERATION NETWORK



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strategy, being decisive for the development of the 5G network.

Access Network

Continuing to pursue the objective defined a few years ago of upgrading, in network sharing with Vodafone, the Fixed access network for FttH, during the year 2020, 430 thousand new AUs (Housing units) were added to the network, totalling 1.9 million AUs using FttH/GPON technology, at the end of the year. Of these, 194 thousand are new construction in areas previously not covered by the NOS fixed network, which directly contributed to the increase in the number of houses served by new generation NOS services.

Adding to this FttH total the UA in HFC/DOCSIS technology, at the end of 2020, the NOS fixed network is available in more than 4.8 million households and companies.

The expansion of the FttH network, in addition to ensuring a greater extension of the network to serve the residential market, also allows it to serve corporate customers more quickly and at lower costs and to ensure the connection of more mobile sites directly using optical fibre, which will contribute to a better mobile Internet service in both 4G and, above all, 5G, once this technology is commercially available.

In addition to this strong commitment to increasing fibre coverage in FttH / GPON, during 2020 NOS continued to focus on strengthening its HFC network, in order to upgrade its offers and ensure maximum customer satisfaction. In this context, we highlight the introduction of DOCSIS 3.1 (with OFDMA modulation) in the upstream dimension. DOCSIS 3.1 on the downstream dimension had already been introduced in 2018. This implementation was innovative, as few operators worldwide are massively using OFDMA (Orthogonal Frequency-Division Multiple Access), thus bringing relevant challenges at the network and customer equipment levels. With this, NOS was able to increase the network's upstream capacity, which greatly helped to ensure the needs of customers in times of pandemic, especially at the time of general

lockdown when the upstream became much more relevant. It also enabled NOS to provide its customers with higher upstream speed offers. At the end of 2020, the technology was available across all the NOS network.

Transport Network

As in previous years, in 2020, NOS continued to invest in its transport network on optical fibre, with the investment directed towards:

- Expansion of the area with presence of NOS network giving priority to investment in own network;
- Improvement of quality and capacity;
- Implementation of measures for greater efficiency and resilience;
- Introduction of technological innovations that allow better service at moderate costs.

This investment on the transport network was materialized in the following indicators:

- Increase of own network's fibre network to more than 300,000 km of linear fibre;
- Reduction of the total fibre sub-leased to third parties;
- Increase of base stations of the mobile access network with backhauling on optical fibre.

In addition to the increased coverage of the optical fibre network, the continued investment on increasing the capacity transmitted over these optical fibres, achieved through the modernization and evolution of the WDM (Wavelength Division Multiplexing) network, continued.

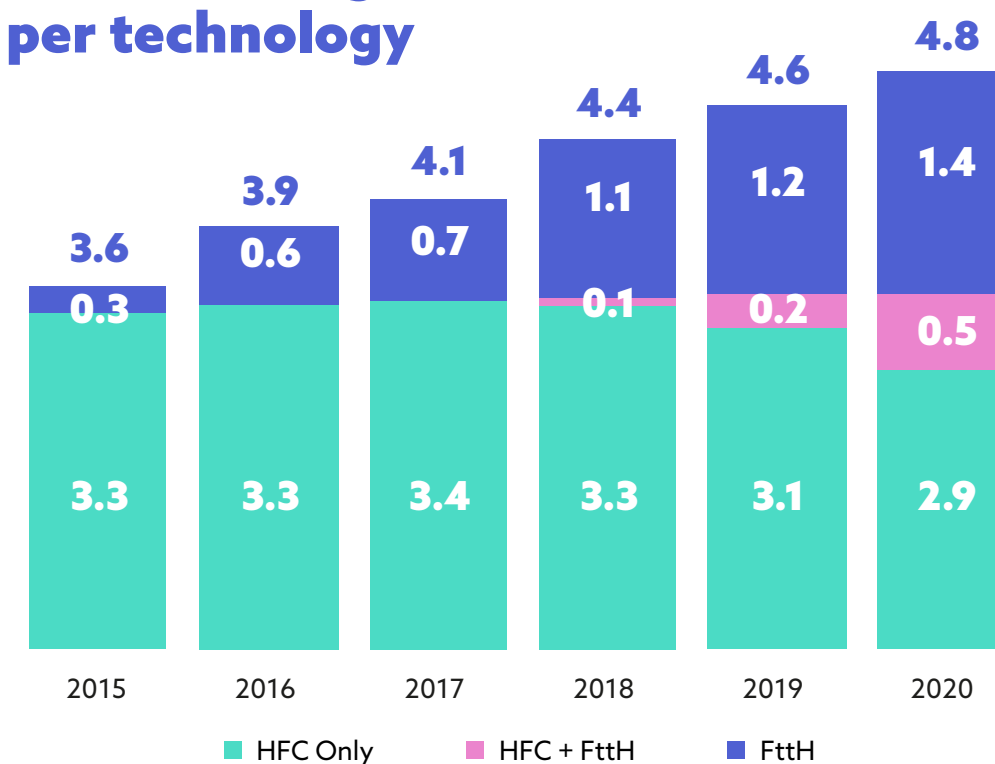
During 2020, active equipment from the WDM network was modernized, with the reuse of installed capacity in other parts of the network with less traffic pressure. As a result of this investment, the number of 100Gbps services (per wavelength) in the transmission network increased substantially. In addition, 200Gbps services were introduced.

In terms of innovation, all the preparatory work to ensure the distribution of synchronism, in frequency and stages, over the transmission network is also worth noting, aiming to respond to the future needs of the 5G access network.

Regarding the IP/MPLS infrastructure, the year 2020 was particularly demanding with regard to the consumption of content and services provided from the Internet. This results in the need to maintain the transformation and update process of the IP/MPLS network, which has resulted, in summary, in the replacement of the equipment that supports the Core of the IP/MPLS network with state-of-the-art units, in strengthening the capacity of the infrastructure used by the main content providers and their CDN platforms (Content Delivery Network) and in doubling the interconnection capacity to the International IP transit operators and to the NOS' International points of presence.

In terms of the backhauling of mobile networks, during 2020 priority was given to providing NOS network with a fundamental architecture and features to the introduction of 5G radio technology.

Fixed coverage evolution per technology



Source: NOS



3. 2020 IN REVIEW

3.2 LEAD IN NEXT GENERATION NETWORK



5G

During 2020, several actions were taken to develop the future 5G network, starting with a pilot network in Lisbon, Porto, and all other district capitals (including autonomous regions), as well as some pilot cities, ready for the future commercial launch.

In addition to the development of the access network, the central platforms were also prepared to allow the delivery of an excellent 5G service and agreements were made with international operators to also provide the service abroad. These investments are part of the preparation for the future 5G network with high speeds, and with advanced features that in the future will be necessary for the network slicing, ultra-low latency, advanced security, and resilience introduced with this new technology.

Also, the network resources exposure capacity and integration with partners was strengthened with new investments, which will allow the development of new services and the profitability of existing resources in the context of API economy (Application Programming Interface).

5G will transform the way we live, communicate, study, work and play



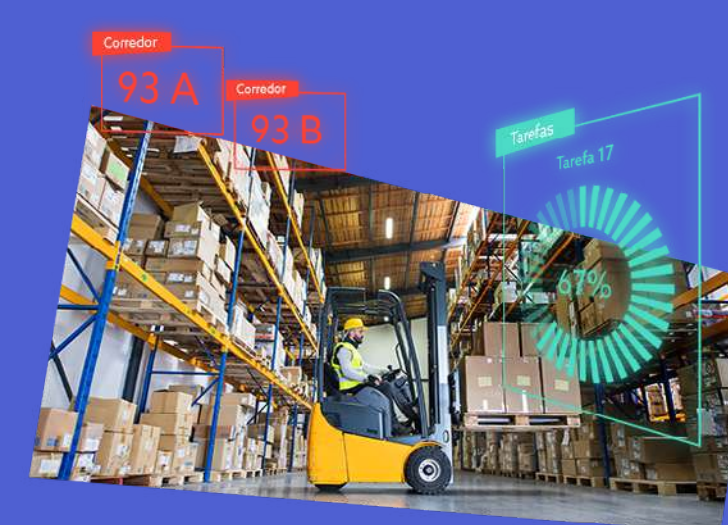
LIVING IN SMART CITIES



WORKING BETTER, NOT WORKING MORE



THE NEW INDUSTRIAL REVOLUTION 4.0



CONNECTED LOGISTICS



NEW HEALTH BOUNDARIES



A NEW SHOPPING EXPERIENCE



NEW WAYS OF TEACHING AND LEARNING



ENTERTAINMENT IN NEW DIMENSIONS

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3.2 LEAD IN NEXT GENERATION NETWORK



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INNOVATION AND TECHNOLOGY

With Higher Quality and Coverage

In 2020, a project was implemented to increase 4G coverage and improve coverage and customer experience, particularly in indoor environments, by strengthening the 800MHz band.

VoLTE (Voice over LTE) technology was introduced in the NOS network in 2020 and was made available in NOS' active offers. With this technology it is possible to improve the experience of the customers' voice and data service. At the same time, NOS was a pioneer in the introduction of Wi-Fi Calling, allowing high quality voice calls to be made in deep indoor conditions and diversifying the network access capacity.

In the corporate market, a new voice VPN platform was launched, based on a virtualized infrastructure and which supports numbers with fixed / mobile integration, new call recording solutions to fulfil the legal obligations of NOS customers and were introduced several developments in current solutions and offers.

The data centre in the Digital Age

The Digital era poses several challenges to the data centre that faces the need to provide a huge diversity

of solutions and technologies for the most varied needs. Additionally, the approximation of Telco functions to typical IT ecosystems, together with the Digital Transformation of Companies, has been reflected in the growth in demand for cloud services and data centre Systems capable of responding in an agile way to the verified demand.

The Corporate market adds differentiated and demanding challenges, in the SME/GE and Corporate segments, defining the Cloud as "Enabler of Digital Transformation". On the other hand, the trend of expanding IoT and Edge Computing solutions implies a development of the service architecture towards a distributed logic, ensuring management and control aligned with the practices used so far in centralized infrastructures.

Aware of this problem, NOS has been developing a strategy to facilitate the Digital Transformation of Companies, namely, in terms of the evolution of infrastructures, technologies and data centre services, also betting on a high level of innovation and development of cloud platforms and services.

The year 2020 was deeply unusual, having posed complex challenges in the models of collaboration and management of the various activities scheduled. This reality implied the need for some important investments in the strengthening of means for remote accessibility of users and in the training of security mechanisms to ensure the adequate control of the abnormally high volumes of accesses that started to occur through this route.

A strong commitment was maintained in the consolidation and development of cloud services, as well as in improving the resilience of the various data center environments that

support these services. Some of the important initiatives were related to the establishment of strategic partnerships with some of the main cloud providers (AWS and GCP), with NOS being a pioneer in the implementation, in environments residing in its data center, of technological solutions such as AWS Outposts and Google Anthos, allowing these services to be brought closer to end customers as part of the offer portfolio.

NOS is a pioneer at Iberian level by providing an AWS Outpost in its data centers.



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3.2 LEAD IN NEXT GENERATION NETWORK



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These solutions, complemented by high-speed interconnections, meanwhile implemented with the cloud providers, translate into a substantial reduction in service latencies, with clear benefits for application operation and user experience.

The challenges in the coming year will grow in terms of demand, with a particular focus on Hybrid Cloud Solutions, complementing data centre Systems and Platforms with the ability to extend services to hyperscaler infrastructures, controlled by effective Orchestration and Automation mechanisms.

NOS operates 4 data centres: 2 in Carnaxide, Lisbon - Imopólis I and Imopólis II, 1 in Porto. Norte Shopping and 1 in Riba d'Ave (Famalicão), the latter being at REN facilities.

DATA CENTER

Total Capacity
(# racks)

330

Riba D'Ave
(REN)

200

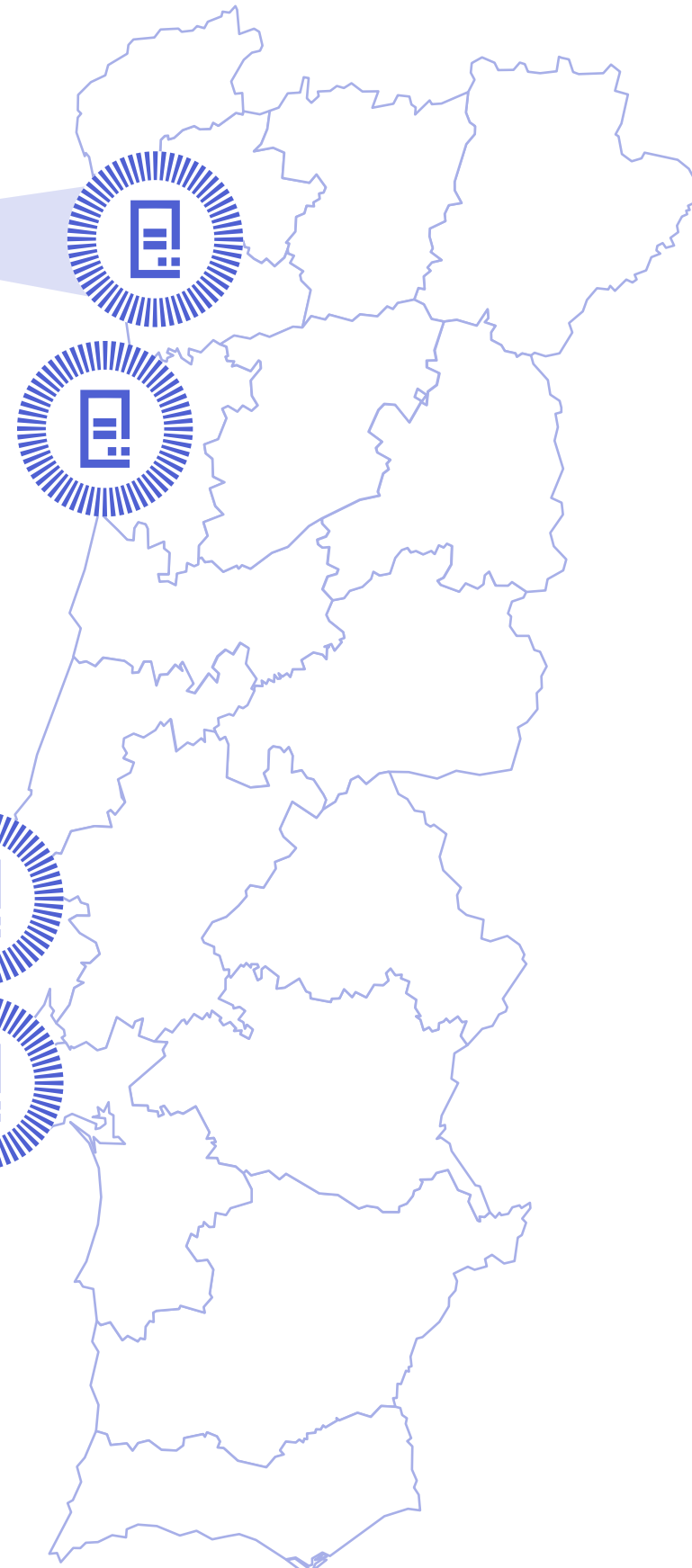
Norte
Shopping P0

180

IMOPÓLIS II

642

IMOPÓLIS I



TOTAL
1,352

NOS is the first operator in Portugal to offer the Anthos hybrid cloud solution in its Data Centers.



3.3 HOW WE MANAGED THE PANDEMIC

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Early in the pandemic, still in February and before the State of Emergency was declared, we activated a Crisis Office with a full-time operational model, to prevent and address the anticipated impacts. This Crisis Office worked with multidisciplinary teams organized in work streams, coordinated by a PMO (Project Manager Officer) and sponsored by the Administration.

At the same time, an executive dashboard with the main activity and safety indicators was created and disclosed daily, in order to ensure awareness and monitoring by the main stakeholders.

This entire operational model aimed to ensure the conditions and means necessary to manage health, social and economic risks, through:

- **Minimizing the impact on the health of employees and everyone they contact;**
- **Ensuring the continuity of services considered critical to keep Portuguese families, companies and the public sector connected and communicating;**
- **Close coordination with the Portuguese health authorities;**
- **Monitoring and assessing the evolution of the various stages of the pandemic;**
- **Constructing contingency and response plans to different stages of the pandemic.**

We ensured the safety and protection of our people

Thus, it was possible, even before the declaration of the State of Emergency, to put more than 90% of employees in remote work, ensuring only functions that are critical for business continuity on site; immediately ensure the recommended individual protection measures and the purchase of the necessary PPE (personal protective equipment); and activate action procedures for all audiences in their activities. We also improved the cleaning and sanitizing measures, as well as the ventilation system to ensure complete safety for those who remained in the office. In addition, national and international travel and missions were immediately restricted.

Still in the pre-declaration of State of Emergency stage, the fundamental conditions for the remotization of work were ensured, ensuring all access via VPN to employees in remote work, computers and necessary equipment, collaborative tools (e.g., MS Teams) and we shared, also, a Remote Work Guide with the best practices in the use of Information Security tools and rules.

The safe return plan was prepared during the State of Emergency period, ensuring a return-to-work model that would convey security, but also predictability and planning in people's lives. We ensured that the model respected a maximum occupancy for each building below 50%, and a seating plan that ensured social distance. We previously shared a guide with





3. 2020 IN REVIEW

3.3 HOW WE MANAGED THE PANDEMIC




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all the rules to follow on a daily basis in our offices and on the field. We welcomed all employees on their first day with a Welcome Kit with PPE and a positive and peaceful message. Not forgetting that their families were also starting a new stage of returning, to schools and work, we sent a Family KIT to the employees' homes with masks and a positive message to the new stage.

Considering that circulation in public transport could be a source of concern for employees, we made access to garages available and launched partnerships for discounts on Car Renting and purchase of vehicles with more favourable conditions.

On November 4, after a new declaration of State of Emergency, we resumed the remote work model, even though NOS provides a public service and as such is excluded in this resolution.

We promoted proximity, union, and well-being

Aware that the pandemic has changed the way we live, work, and learn, and the consequent impact on people's well-being, we soon tried to listen to our people, so as to develop an action plan appropriate to the context. We also conducted a listening survey of the satisfaction and involvement of all employees, with very positive results, presented in more detail in the [chapter "Valuing Human Capital"](#). 



Based on these results, we built an initiative, involvement, and communication plan, seeking to be closer to our people and address their expectations.

United in a common purpose and a in culture of proximity

Since close and clear communication is fundamental for reducing anxiety and fears, we have defined a regular communication plan with initiatives focused on this objective of protecting, reassuring, and connecting people to people, to emotions and to the company. United in the common purpose of keeping the Portuguese connected, so we never fail in the times when society needed us the most.

Our CEO communicated weekly with the entire organization and the leaders were essential for the success of the main measures.

We promoted Open Door Sessions, sessions open to all employees, to talk about the most relevant topics for people, as well as specific sessions with leaders to enable them to manage their teams more effectively, in a particularly challenging context.

We supported remote work

Considering the new ways of working, responding to a greater need for data that remote work implies, we upgraded the mobile and fixed data ceilings of all

employees. We offered, as free time, Fridays in the afternoon, during the State of Emergency period, so that our people can better organize their personal lives and, in the next stage, we established as a policy the granting of a remote working day of their choosing, for teams with an on-site work model.

We promoted well-being

Proximity with employees was a focus on all fronts, not forgetting their dimensions of personal and professional life management. We carried out a set of initiatives with a view to contributing to the emotional and mental balance of our employees, seeking to help them deal with the feeling of insecurity about the future, isolation, and abrupt change of routines. We have developed a Practical Guide for a More Balanced Life, seeking to help people in adopting positive practices and tips oriented not only to individual activities, but also to family activities.

We conducted online classes on nutrition, posture, physical exercise, and mindfulness; we shared videos, podcasts, books, papers, articles, tips, among many other contents about choices and practices in favour of a healthy and sustainable lifestyle, ensuring not only proximity, but also the focus on the need to continue taking care of ourselves of and each other.

Focused on the prevention of psychosocial risks, we improved the communication of the online psychology appointments line, completely



3. 2020 IN REVIEW

3.3 HOW WE MANAGED THE PANDEMIC



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anonymously and maintaining all users' privacy. We redesigned the Health and Well-Being program that will accompany us throughout 2021, based on 3 lines of action: mental/emotional well-being, balance between personal and professional life and social well-being.

We adapted the way we train our people

We shared guides and best practices for our leaders to develop the skills that the context required, namely through the Guide and Manual for Managing Teams in Remote Work. Through our corporate university, NOS Campus, we created a weekly newsletter to share training content online in three different formats - talk, paper and podcast - dedicated to both business-related topics, such as customer loyalty and new shopping experiences, and to personal care and development topics, such



as mental health and new work models, thus giving direct visibility to issues that have gained redoubled relevance in this context.

In addition, the pandemic was also a driver of a restructuring of the training offer that was, until then, essentially based on face-to-face format and which now has an increasingly digital and sustainable model, especially in essential technological training to prepare our employees for the coming of 5G. Training was also ensured through digital media in disciplines and methodologies relevant to the business such as Digital Marketing and Agile Methodology.

We continued to recruit

The whole context that the COVID-19 pandemic imprinted on organizations brought many changes and the recruitment processes were not alien to these changes. Above all, because, unlike most of the business fabric in Portugal and in the world, at NOS, due to the sector where it operates and due to the technological emergence of connections in a remote world, our teams continued to have the need to grow, to renew skills and expand knowledge.

Although many of these changes are already being considered, it was an opportunity to address digitization more quickly. Putting the emphasis on an adaptability lens, we changed

all our interviews to the remote context, which allowed us to shorten distances and go further in the knowledge and attraction of profiles. We were also present at job fairs, organized hackathons, accompanied national and international talent as sponsors of several events and, even in a particularly difficult year, we also invested on young talent through our Trainee Program - NOS ALFA.

Another of the pressing changes was the reception and integration of new employees. Making sure that the employee had a positive experience at the beginning of their career at NOS was, for the recruitment team, a special concern, ensuring that we recruit, but that we also retain. Welcoming sessions were remotely organized, explaining NOS organization, processes and practices in detail and the teams knew, with the support of digital platforms, how to integrate and train new members. The reported degree of satisfaction has been very high, showing that we are on the right path, and increasingly aiming more and better for our employees.





3.4 MACROECONOMIC CONTEXT

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The year 2020 is marked, at all levels, by the impact of the COVID-19 pandemic, with the Portuguese and World economies not going unscathed. The measures to contain the pandemic, as well as a more conservative attitude on the part of economic agents, were at the origin of a fall in economic activity, an environment that was therefore quite challenging, in which NOS developed its activity during most of the year 2020.

In Portugal, the State of Emergency caused by the pandemic was declared for the first time on March 18th, 2020, renewed successively until May 2. Various restrictions on the professional and personal life of the Portuguese were put in place, with very relevant economic consequences, namely the mandatory lockdown and remote work, whenever possible, or the closure of diverse types of retail and restaurant establishments. Only after the end of the state of emergency did we see the gradual lifting some of these restrictions. On November 6, the State of Emergency was again declared in Portugal, a situation that remained until the end of the year.

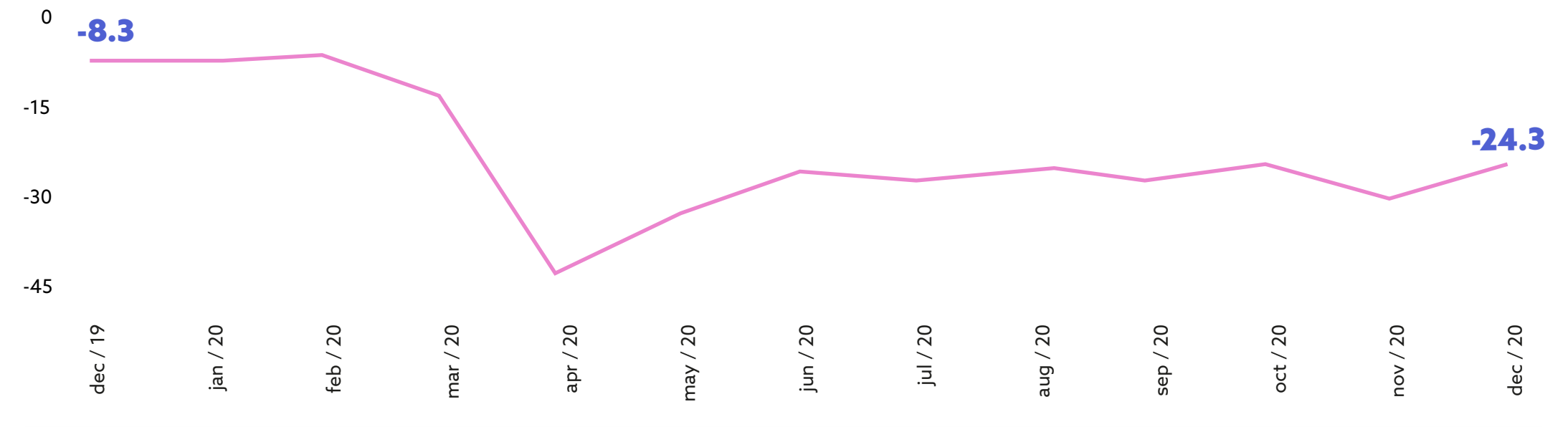
The exceptional context experienced in 2020 caused a 7.6% contraction in the national gross domestic product (GDP), which compares with an estimated drop of 6.8% for the Eurozone.

Even so, according to the National Statistics Institute (INE), the inflation rate in 2020 did not differ much from that seen in 2019, standing at 0.0%, compared with + 0.3% in 2019. The unemployment rate reached 7.8% at the end of the third quarter of 2020 (6.7% at the end of the first quarter and 5.6% at the end of the second), with BdP (Bank of Portugal) having predicted that it would reach 7.2% at the end of the year.

The difficult context that the economy faces is also evident in Eurostat data on the number of companies in bankruptcy in Portugal, which increased by 16.7% and 12.9% in the first two quarters of the year, respectively, compared with the same periods last year. As for the number of companies with layoff workers, according to statistics collected by Social Security, it had increased 5 times in November compared to the end of March 2020, while the number of layoff workers had increased by around 7 times in the same period.

As a result, consumer confidence, as measured by INE, was in December 2020 at a much lower level (-24.3) than at the end of 2019 (-8.3), despite the improvement during the summer months, by comparison with the minimum recorded in April 2020, with a value of -41.6. This fall in consumer confidence throughout 2020, compared to the same period last year, thus led to a very significant decrease in private consumption, which reached -6.8% in 2020.

Consumer Confidence Indicator



Source: INE





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3.4 MACROECONOMIC CONTEXT



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The superior performance of NOS' core Telecommunications business compared with the national economy as a whole is therefore remarkable, with a 2.6% drop in revenues in 2020, revealing its resilience and relevance for Portuguese consumers, especially considering the increased needs for communication and entertainment, exacerbated by lockdown, remote work and online classes from home. A BdP survey shows that, in the month of April alone, more than half of the companies surveyed revealed revenue losses of more than 25%, finding once again that, despite not being immune to the effects of the pandemic, NOS' performance, and in particular of its Telecommunications business, was much more resilient than that of most Portuguese businesses. The sectors of activity most exposed to the effects of the pandemic were, according to the same source, Accommodation and Restaurants and Transports and Storage, sectors most affected by the imposition of social distancing, with the Construction and Real Estate sectors showing the greatest resilience, during most of the period under review.

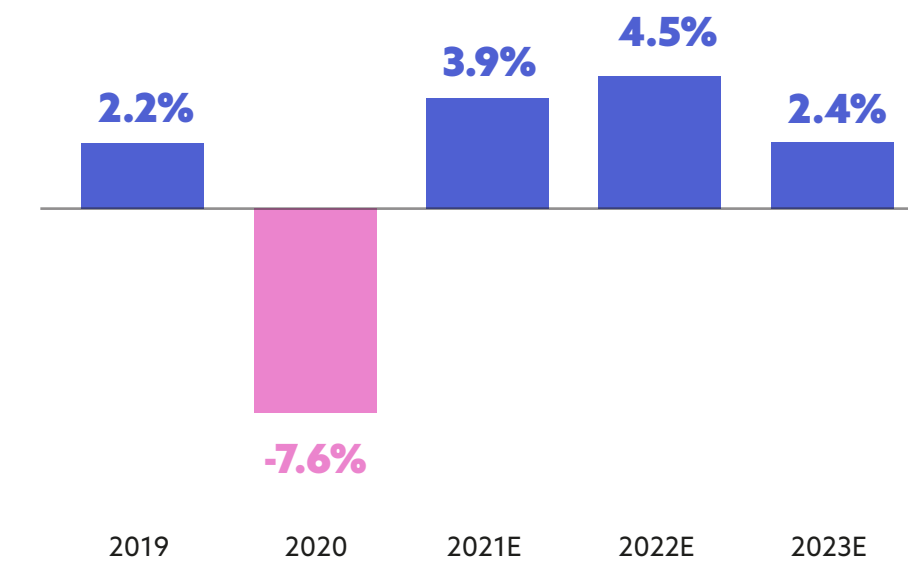
With the arrival of the year 2021 and the start of the phased availability of vaccines for COVID-19, the BdP projections point to the next few years showing a recovery of economic activity in Portugal, in line with or even slightly higher than that estimated for the Eurozone, with an estimated GDP growth of 3.9% for 2021, accelerating to 4.5% in 2022 and starting to normalize from 2023, with 2.4%.

GDP is not expected to return to its pre-pandemic level until the end of 2022.

The labour market is therefore expected to improve from mid-2021, even though the unemployment rate will only decline more significantly after 2022. Private consumption is expected to be one of the main drivers of the recovery, with growth of 3.9% in 2021 and 3.3% in 2022, with domestic demand expected to be initially more relevant for the recovery, due to the slower growth of exports related to the tourism sector, especially in 2021.

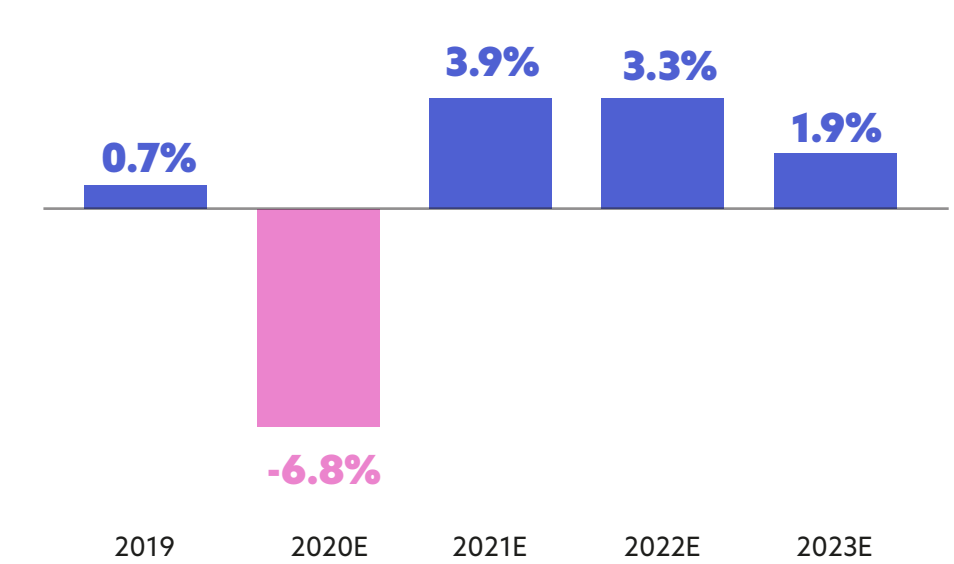
In line with this increase in the level of economic activity and a reduction in unemployment, a gradual rise in the inflation rate is expected, which should already be around 1% in 2022 and 2023.

Gross Domestic Product

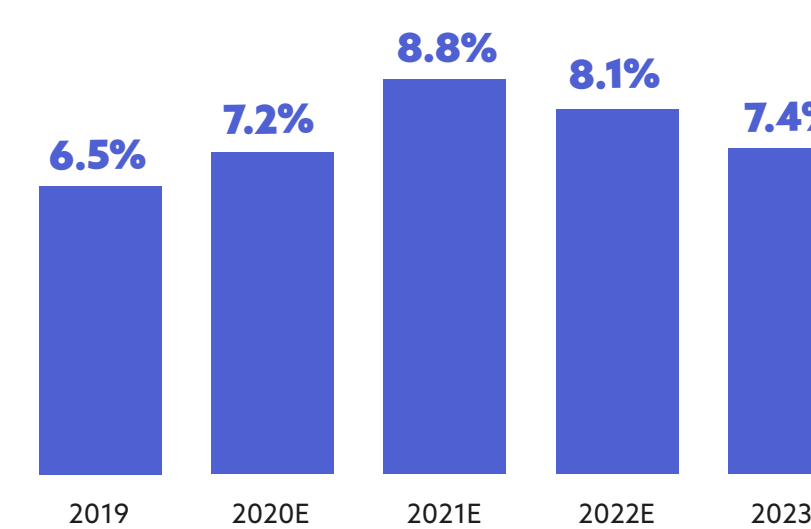


Source: Bank of Portugal

Private Consumption

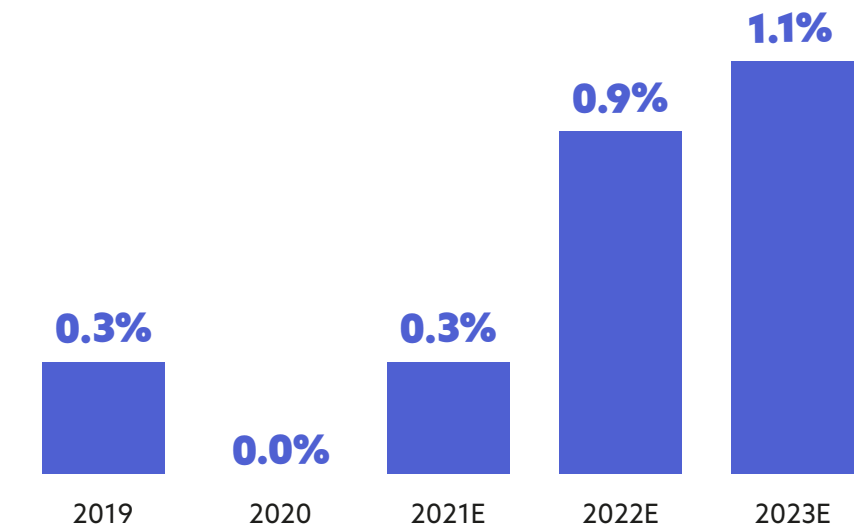


Unemployment Rate



Source: Bank of Portugal, National Institute For Statistics

Inflation Rate





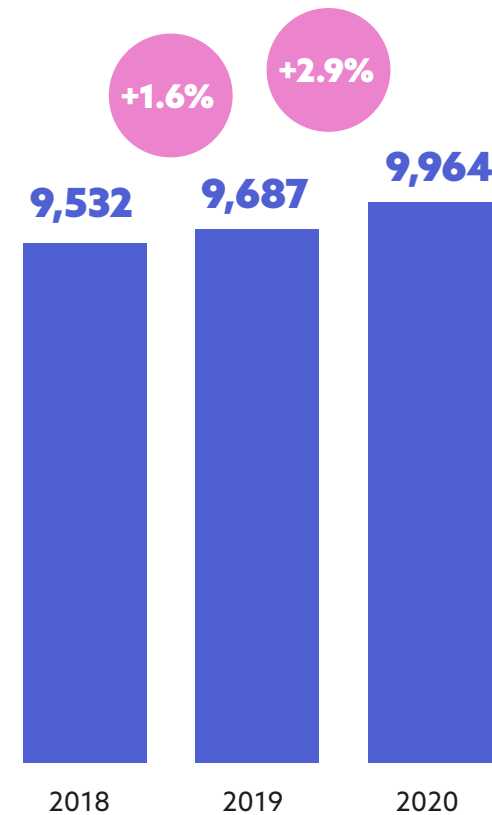
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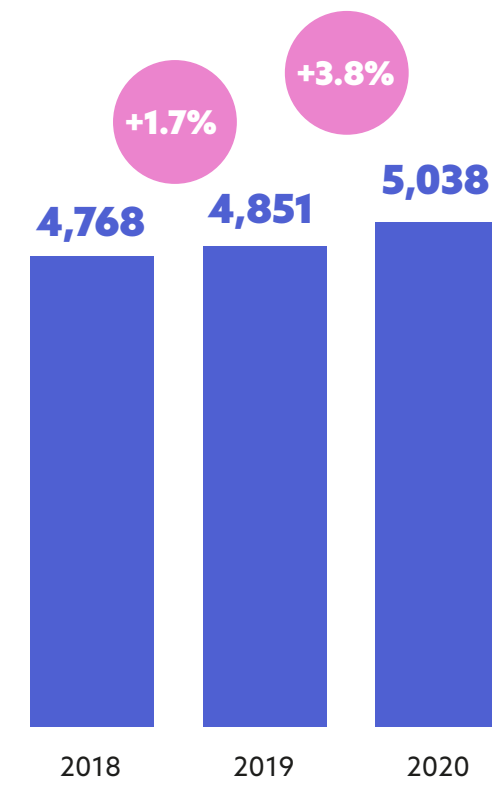
Accelerated growth in the core business, with the highest RGU growth since 2017

In 2020, and despite the particularly challenging circumstances that characterized the context in which NOS developed its activity, the highest growth in number of RGUs since 2017 was achieved, with 276.5 thousand net additions, an increase of 2.9%. The total number of services provided by NOS is thus approaching the 10 million mark, amounting, at the end of 2020, to 9.964 million.

Total RGUs
(Thousands)



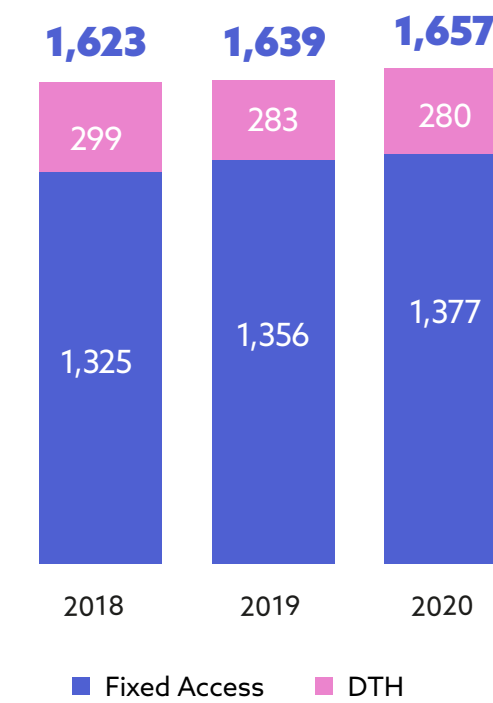
Mobile Subscribers
(Thousands)



The largest contribution to this growth came from mobile subscribers, which recorded net additions of 186.6 thousand services to a total of 5.038 million at the end of 2020, with 203.6 thousand net additions of post-paid services and a net decrease of 16.9 thousand prepaid services. In both cases, it is also the best performance since 2017.

In Pay TV, 18.4 thousand net additions were recorded, thus reaching a total of 1.657 million customers, representing the best performance in terms of net additions since 2016, mainly through an improvement in net losses of satellite customers, a performance that deserves to be highlighted, considering the increasing penetration of next generation technologies of fixed access. Thus, there were net losses of 3.1 thousand satellite customers, which were more than offset by the addition of 21.5 thousand fixed access customers.

Pay TV Subscribers
(Thousands)



NOS is about to reach the 10 million mark of services provided



3. 2020 IN REVIEW

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The good performance in the subscription to mobile and Pay TV services is related to the increased penetration of convergent and integrated services, which reached 61.7%, an increase of 2.0 percentage points compared to the end of 2019. The number of services subscribed by the 977 thousand convergent and integrated customers reached 4.956 million RGUs, an average of 5.1 services per customer.

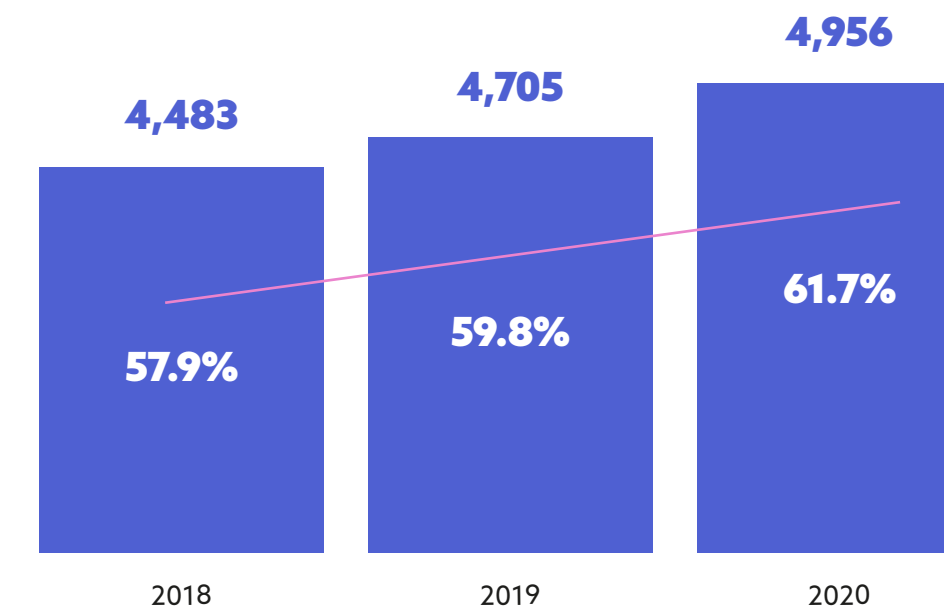
An integral part of the converged and integrated packages, the Broadband and Fixed Voice services also improved their performance in 2020, with 43.3 thousand and 25.7 thousand net additions,

respectively, reaching a total of 1.458 million broadband customers and 1,774 million Fixed Voice subscribers.

The Residential Fixed ARPU decreased by 3.1% to 43.4 Euros, reflecting several factors, among which we highlight the total absence of revenues from premium sports channels, during the period of the shutdown of the Liga NOS and the consequent suspension of invoicing to customers, as well as the expected drop in roaming revenues, related to the drastic reduction in non-essential international trips throughout the year.

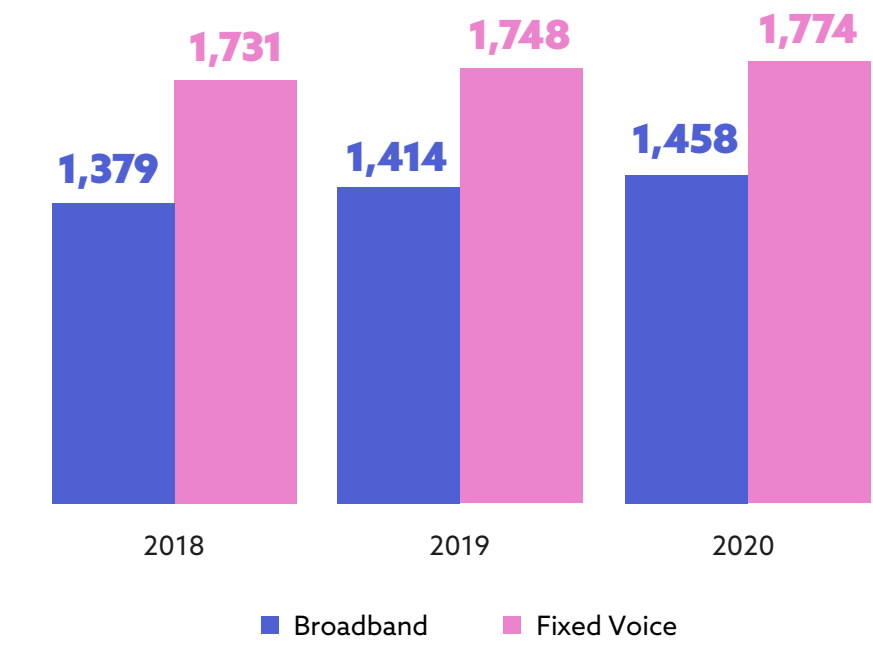
Convergent RGUs, % Fixed Access Customers

(Thousands, %)



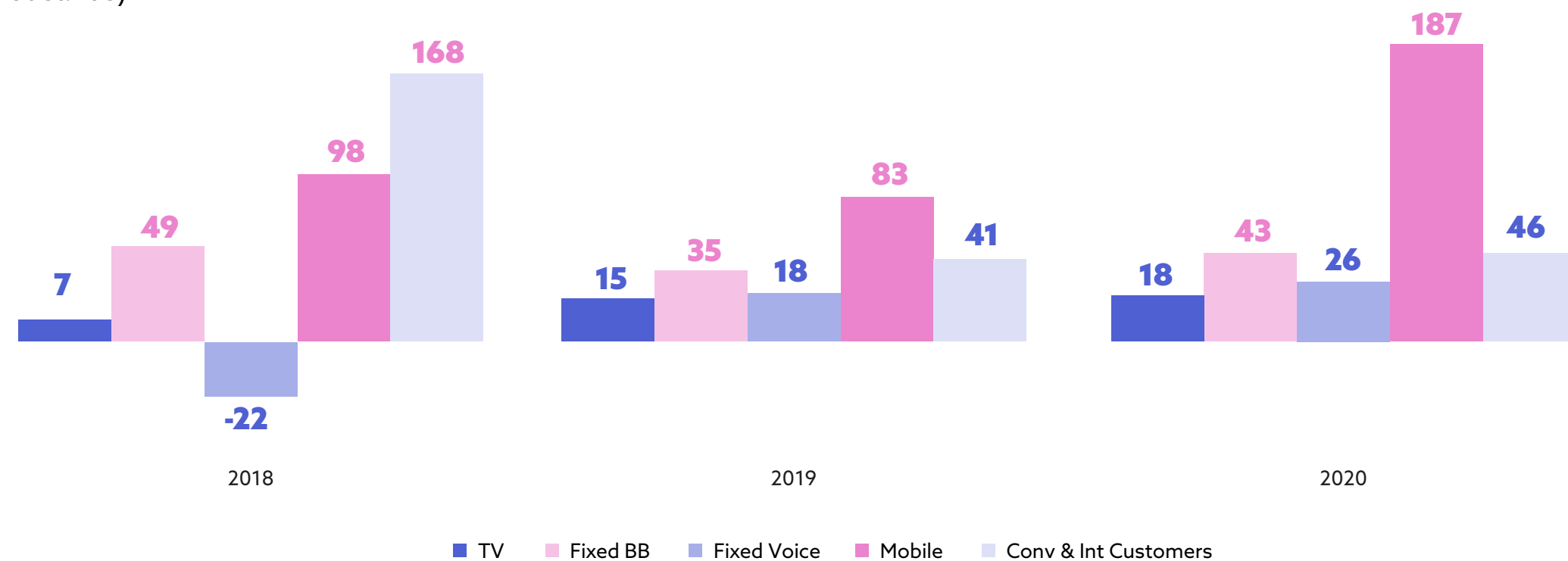
Fixed Broadband and Fixed Voice Subscribers

(Thousands)



Net Adds

(Thousands)



62% of fixed customers have mobile integrated services



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VERY SOLID FINANCIAL PERFORMANCE IN A CHALLENGING CONTEXT

Operating Revenues

In 2020, Operating Revenues decreased by 6.2% compared to 2019, to 1,367.9 million Euros, a performance clearly marked by the COVID-19 pandemic. In the Telecommunications business, the drop in revenues amounted to 2.6%, to 1,345.7 million Euros, and in the Media & Entertainment division, more exposed to the effects of the pandemic, it reached 54.7%, to 53.8 million Euros.

In Telecommunications, revenues from the Consumer segment dropped 0.9% compared to 2019, with revenues from the personal and equipment sales segment almost entirely offsetting the drop in customer revenues, mainly associated with the lack of revenue from premium sports channels, during the shutdown of Liga NOS, as well as the drop in roaming out revenues, both impacts linked to the COVID-19 pandemic.

In the Business segment, revenues grew slightly by 0.3%. Revenues from equipment sales more than

offset the slight drop in customer revenues. The performance of customer revenues reflected a clear improvement in IT services, which was, however, offset by the drop in other more traditional revenues, especially roaming out in the context of the pandemic, as mentioned earlier.

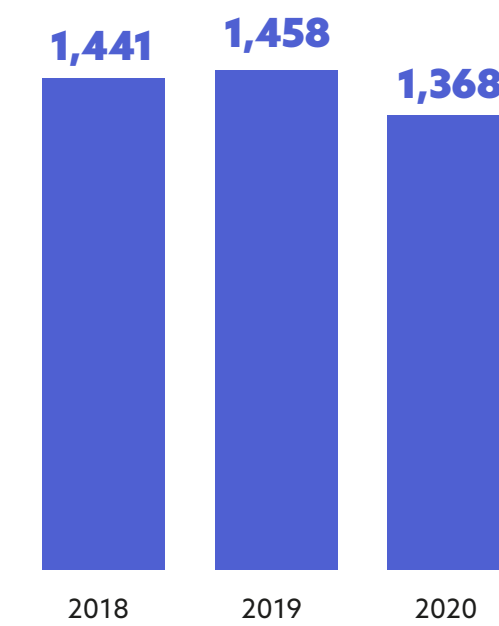
Wholesale and Other revenues decreased 27.4%, mainly due to the drop in "roaming in" revenues, as well as the decrease in revenues related to advertising and other smaller items.

This highlights the resilient performance of Telecommunications revenues, which, excluding roaming and premium revenues, would have decreased by only 0.5% in 2020, compared with the 2.6% that occurred, representing a demonstration of solidity in a very challenging economic context.

NOS' Media & Entertainment division was the most exposed to the impacts caused by the pandemic. In addition to a total closure of cinemas in the period between March 16 and July 2, the remaining months after the reopening also performed significantly worse than the same period last year, resulting from the postponement of major film premieres and the fact that the audience avoided closed spaces as much as possible. As such, the aggregate of Audiovisual and Cinema

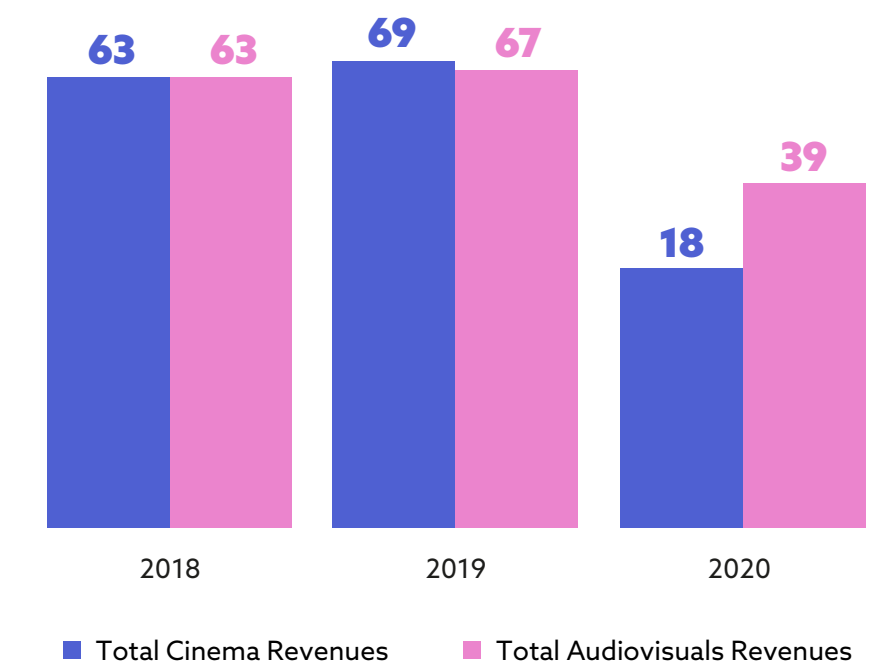
Consolidated Revenues

(Millions of Euros)



AV & Cinema Revenues *

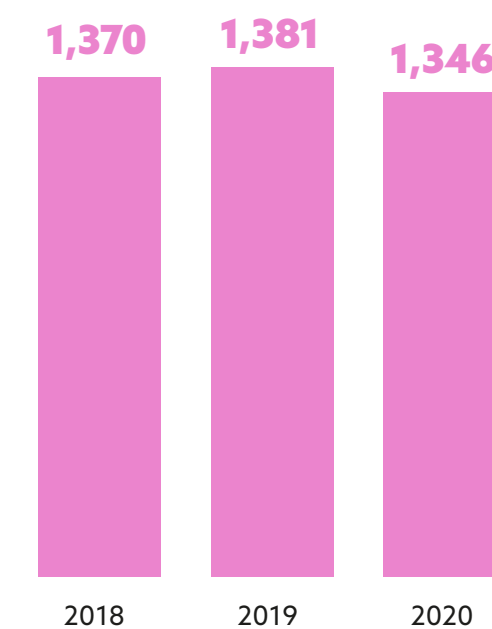
(Millions of Euros)



* Disaggregated Cinemas Audiovisual revenues, without considering intra-group eliminations.

Telco Revenues

(Millions of Euros)



Exhibition revenues fell 54.7% in 2020, with Cinema revenues decreasing 76.6% and those of the Audiovisual business 41.6%. In this case, the drop in cinema distribution revenues was partially offset by a relatively more normalized performance of the remaining revenue components.



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OPEX and EBITDA

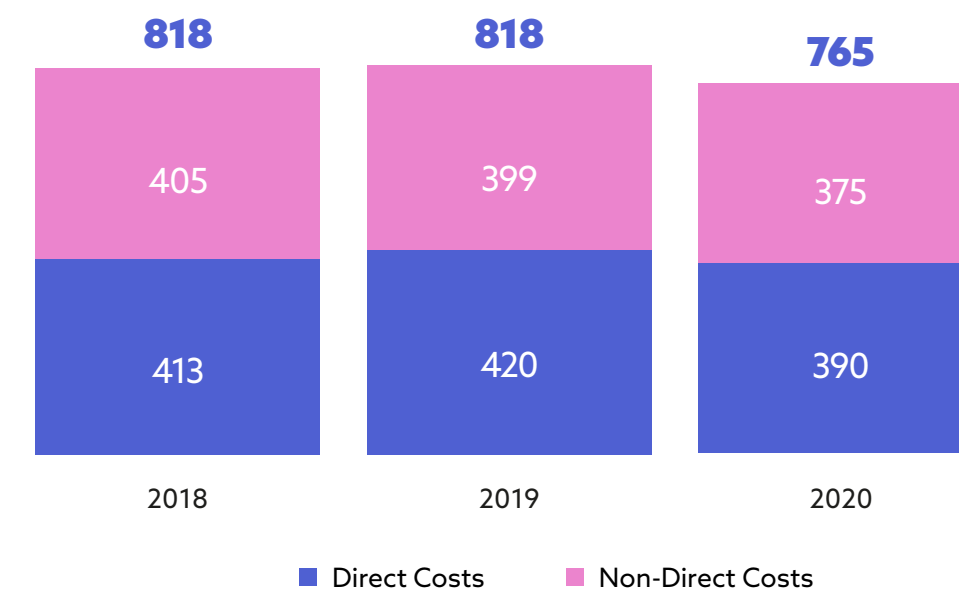
In Total OPEX, we recorded a decrease greater than that of Operating Revenues (6.6% decrease in Costs, which compares with a 6.2% decrease in Revenues). Total Costs thus amounted to 764.7 million Euros in 2020, compared to 818.4 million Euros in 2019. The decrease in costs was more accelerated in Direct Costs (7.0%), with the increase in cost of goods sold, reflecting the higher volume of equipment sales, as well as the costs associated with IT projects in the B2B segment, being more than offset by the drop in programming, royalties, and interconnection costs, among other smaller items. In Non-Direct Costs, which dropped 6.1% compared to 2019, the main contribution to the decrease was provided by commercial costs and by operational and structural costs, namely in external supplies and services.

In 2020, Consolidated EBITDA reached 603.2 million Euros, corresponding to a 5.7% decrease compared to the previous period and an EBITDA margin of 44.1%, representing an increase of 0.2% compared to 2019.

Telecommunications operating costs decreased by 3.2%, a pace higher than the 2.6% decrease in revenues, thus contributing to the EBITDA of the Telecommunications business having dropped

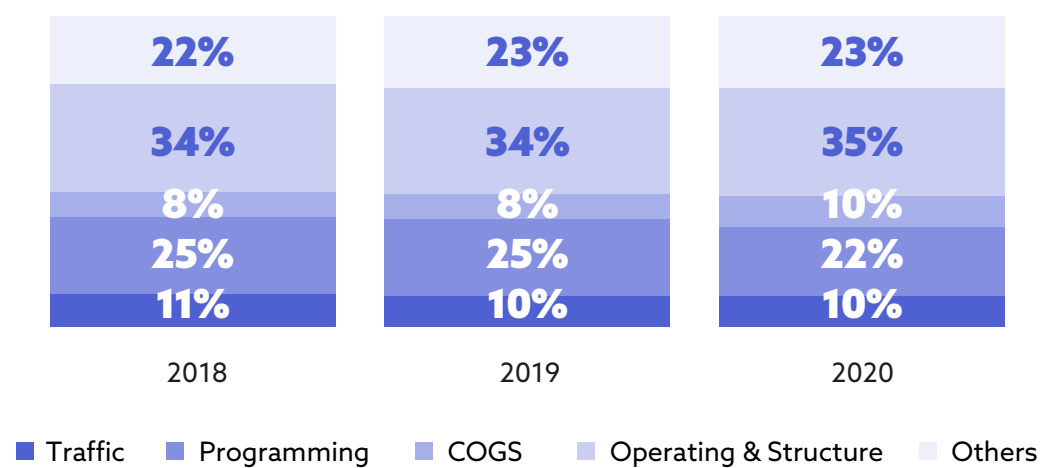
Total OPEX

(Millions of Euros)



Total OPEX Breakdown

(%)

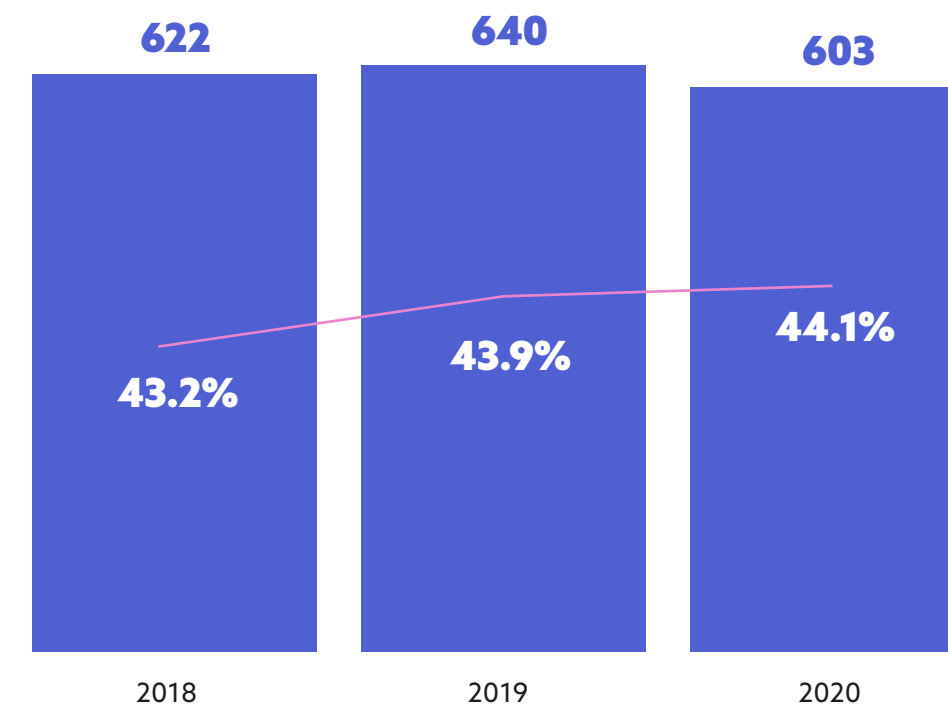


only 1.8% to 573.6 million Euros, corresponding to an EBITDA margin of 42.6%, an improvement of 0.4% compared to 2019.

In the Audiovisuals and Cinema Exhibition division, EBITDA margin improved by 7.9p.p., due to the meaningful change in the mix of revenues and costs, as well as the efforts to contain costs that were undertaken. As such, EBITDA for Audiovisuals and Cinema Exhibition dropped 47.1% compared to last year, to 29.6 million Euros.

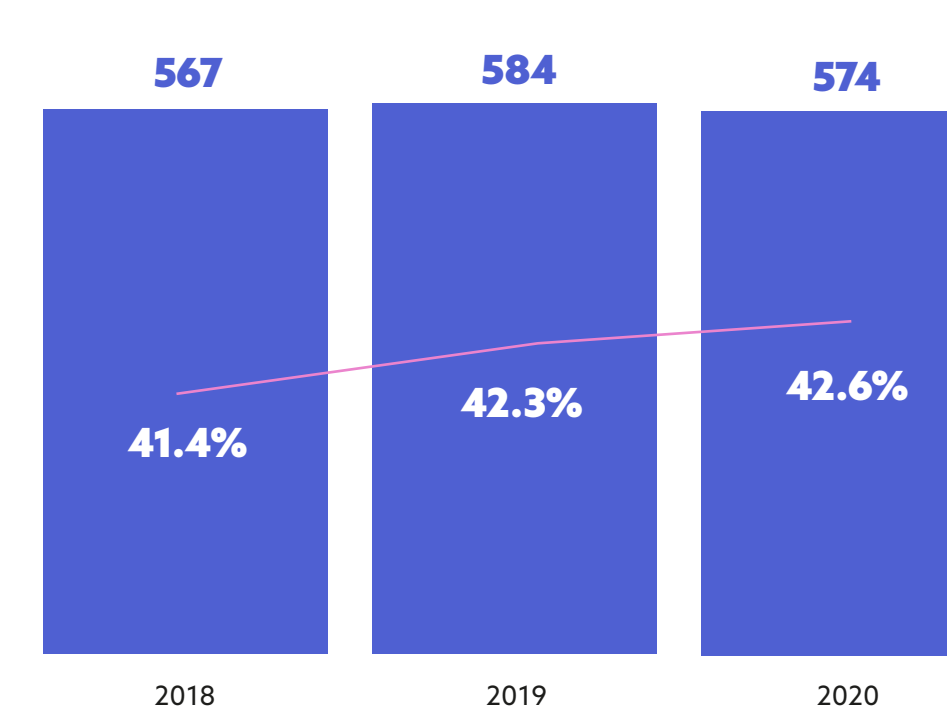
Consolidated EBITDA and Margin

(Millions of Euros, %)



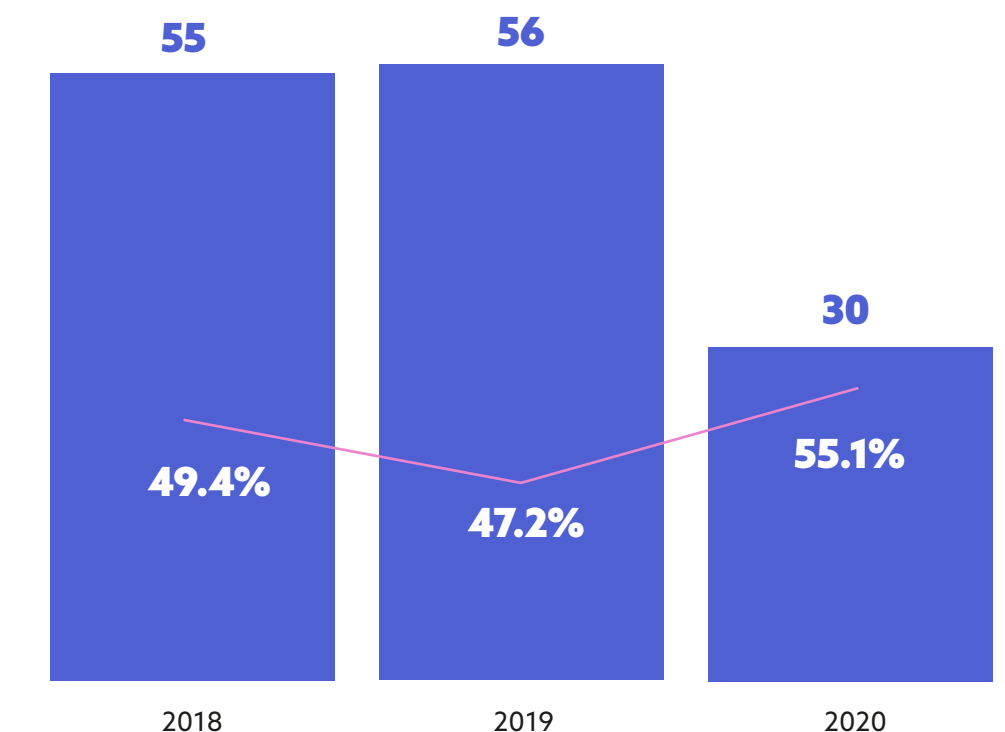
Telco EBITDA and Margin

(Millions of Euros, %)



Cinemas & AV EBITDA and Margin

(Millions of Euros, %)





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Net Income

Consolidated Net Income was reduced by 35.9% to 92.0 million Euros in 2020.

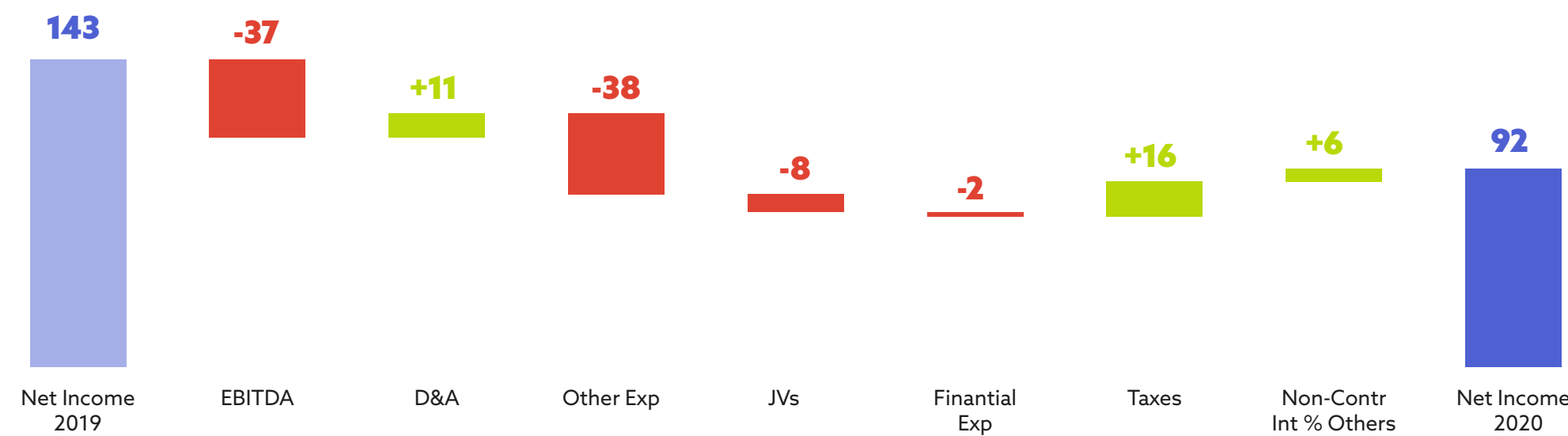
Depreciation and Amortization amounted to 409.8 million Euros, a reduction of 2.7% compared to 2019, essentially due to the reduction in impairments, which last year had been significant, related to the modernization of the network and equipment.

with significant impacts in the first quarter of the year, related to impairments at the level of SportTV and with the registration of provisions in ZAP. Net Financial Costs amounted to 26.6 million Euros, 7.6% higher than in 2019 due to the increase in leasing interest, which occurred in the fourth quarter, linked to the beginning of the contract with Cellnex.

compared to 2019, due to the installation of a higher proportion of higher-end customer equipment, such as our Giga router, new generation UMA boxes and Apple TV boxes, which are delivered in more premium packages.

Net Income Evolution

(2019-2020, Millions of Euros)



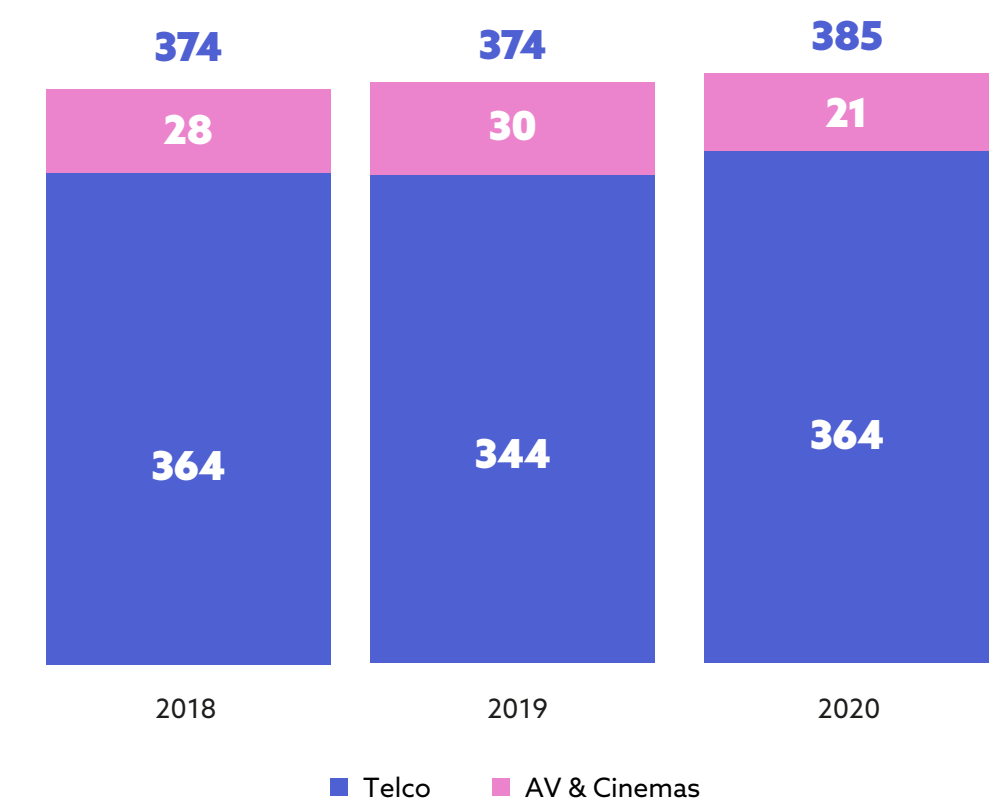
The Income Tax caption decreased from 49.8% compared to 2019, to 16.3 million Euros, due to the 41.9% reduction in the Pre-Tax Result. The effective tax rate was 16.1%.

CAPEX

Total CAPEX Excluding Leasing and Other Contractual Rights increased by 2.8% in 2020, to 384.9 million Euros, as a result of the 5.7% increase in Telco CAPEX, which was partially offset by the 30.2% decrease in the Audiovisuals and Cinema Exhibition CAPEX.

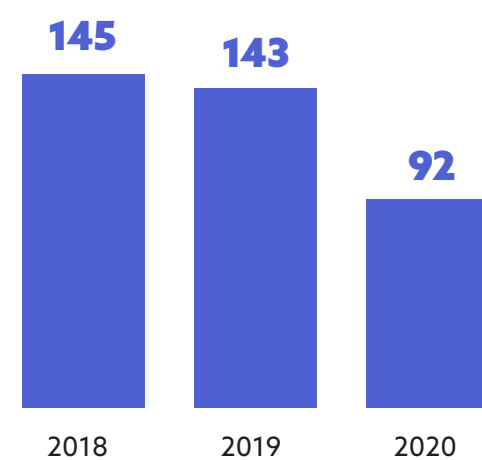
Total CAPEX Excl. Leasings & Other Contr Rights

(Millions of Euros)



Net Income

(Millions of Euros)



Due to the impacts caused by the COVID-19 pandemic, Other Costs increased from 17.9 million Euros in 2019 to 56 million Euros in 2020, with most of the impact being linked to the increase of operational provisions for bad debt, onerous contracts, and personal protection equipment. The contribution of Associated Companies deteriorated compared to the same period last year, with losses of 9.1 million Euros, with negative contributions by ZAP and SportTV,

The Telco Technical CAPEX reached 15.9% in proportion to Telco Revenues, growing 5.5% compared to 2019. This growth in investment of a technical nature is mainly linked to the acceleration of the FTTH network implementation program, under the scope of the sharing agreement with Vodafone, as well as some mobile investment in anticipation of the implementation of 5G technology. Customer CAPEX increased by 6.0%



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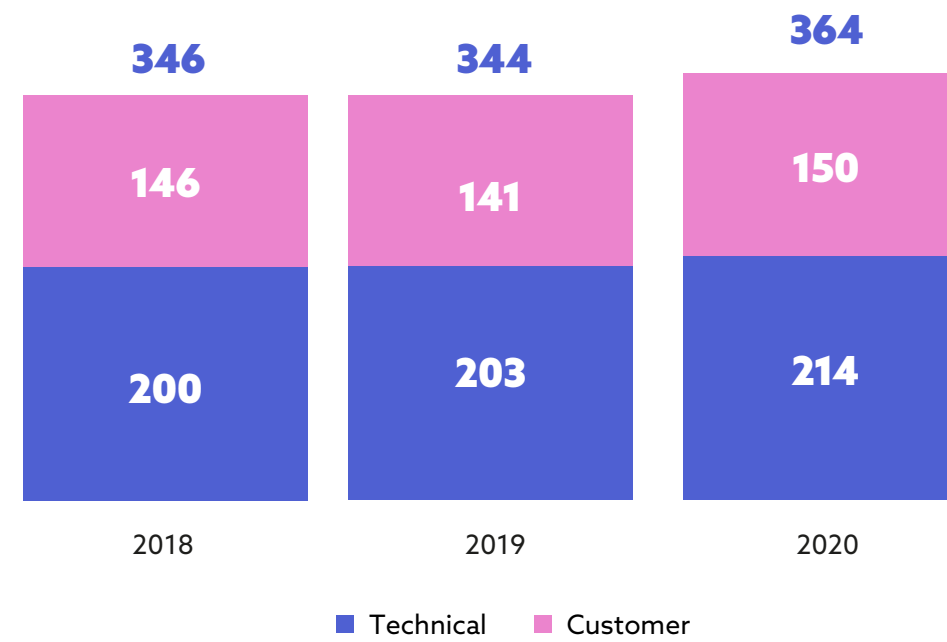
3.5 OPERATIONAL AND FINANCIAL RESULTS



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Telco CAPEX

(Millions of Euros)



Audiovisuals and Cinema Exhibition CAPEX decreased by 30.2% to 20.8 million Euros, as a result of reduced activity in the cinema area.

Free Cash Flow

As a result of the EBITDA and CAPEX performances described above, EBITDA-CAPEX in 2020 decreased by 17.8%, to 218.3 million Euros, representing 16.0% in proportion of Operating Revenues.

Telco EBITDA-CAPEX decreased by 12.5%, a decline significantly more moderate than that seen in Consolidated EBITDA-CAPEX, despite the decrease

in EBITDA of around 1.8% and the continued strong investment by NOS, with Telco CAPEX having increased 5.7%.

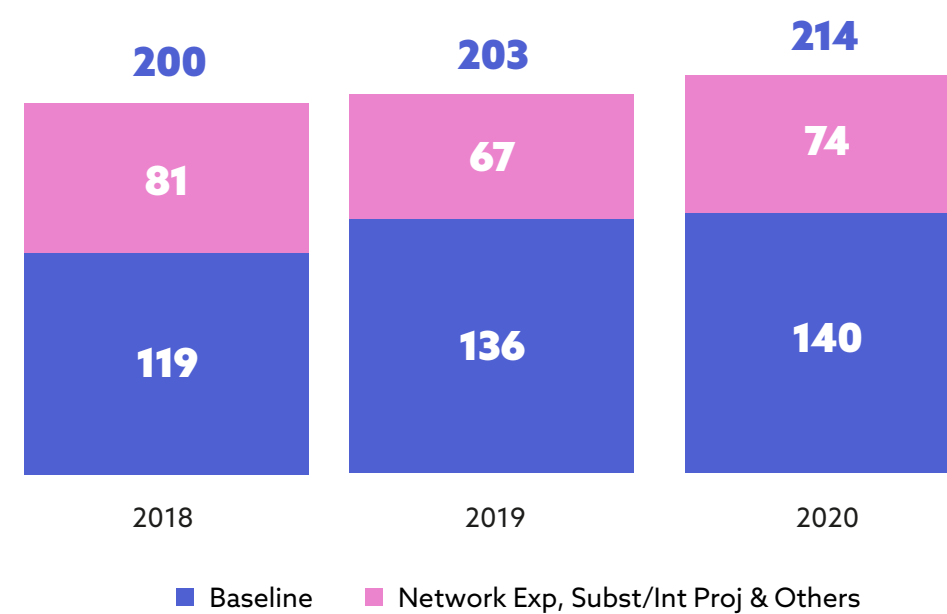
The change in working capital and non-cash items included in EBITDA-CAPEX is marked, in 2020, by the impact of approximately 20.4 million Euros related to the sale of NOS Towering to Cellnex on 30th September (which was partially offset with 15 million Euros in 4Q20), thus reaching -15.1 million Euros in the full year 2020. On the other hand, the value related to lease payments in the fourth quarter has now been considered with the beginning of the leasing contract related to these assets, so the accumulated

amount for the year 2020 was 16.5 % higher than that registered in 2019, amounting to 75.7 million Euros. As such, Operational Cash Flow decreased by 33.8% compared to 2019, to 127.5 million Euros.

In Interest Paid and Other Financial Charges, there is an improvement of 26.2% to 11.8 million Euros, while Income Taxes increased to 33.9 million Euros, mainly due to a higher level of payments on account. The receipt related to the sale of NOS Towering to Cellnex, which took place at the end of the third quarter, had a positive effect of 374 million Euros in the Financial Investment Sale line, whereby the Free Cash Flow Before Dividends increased by 203.4 % compared to 2019, to 445.3 million Euros.

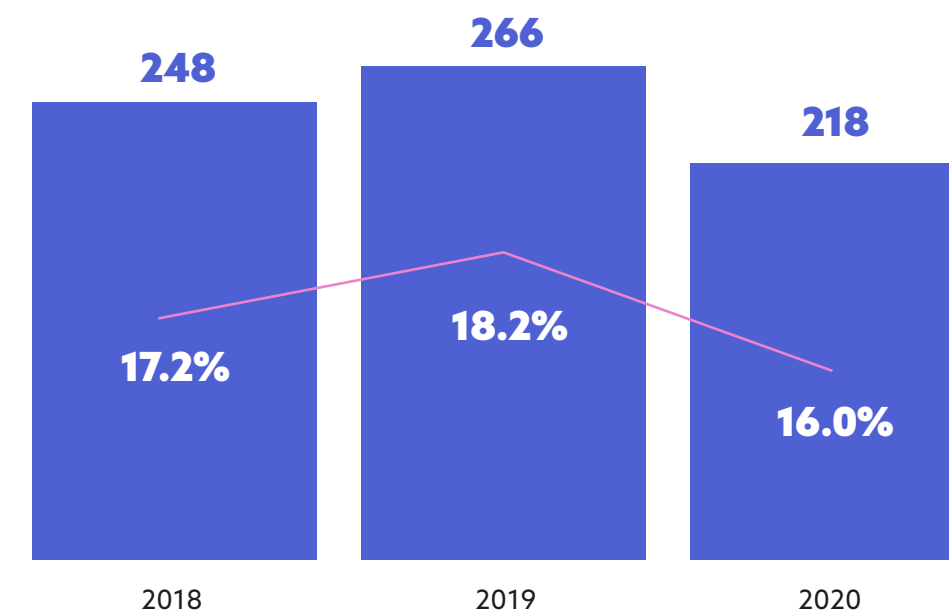
Telco Technical CAPEX

(Millions of Euros)



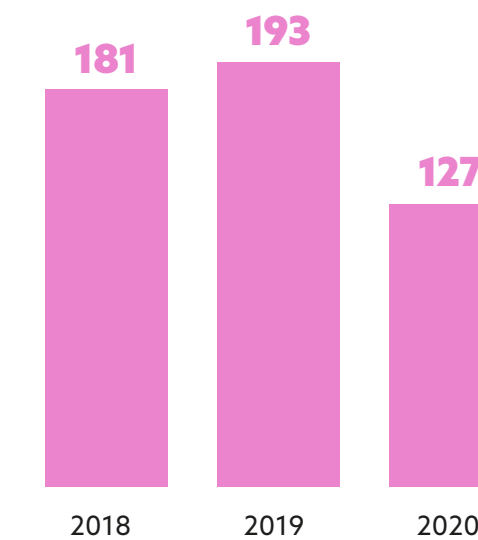
EBITDA-CAPEX, % of Consolidated Revenues

(Millions of Euros, %)



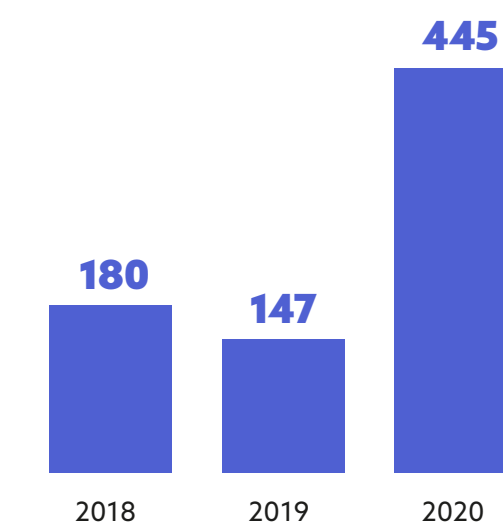
Operating Cash Flow

(Millions of Euros)



FCF Before Dividends

(Millions of Euros)





3. 2020 IN REVIEW

3.5 OPERATIONAL AND FINANCIAL RESULTS



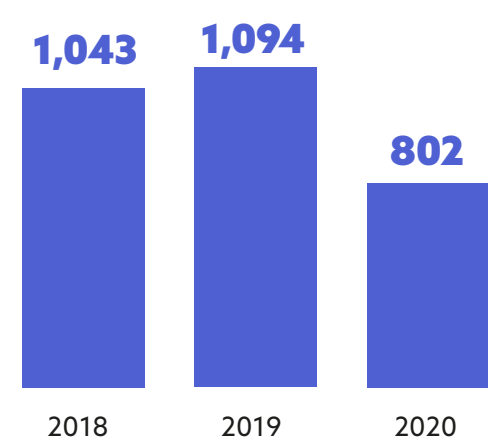
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Capital Structure

At the end of 2020, Total Net Debt, including Leasing and Long-Term Contracts (according to IFRS16) amounted to 1,377.4 million Euros. Total Financial Debt amounted to 955.3 million Euros, being offset by a Cash and Cash Equivalents position in the Consolidated Balance Sheet of 153.3 million Euros. Net Financial Debt thus amounted to 802 million Euros. At the end of 2020, NOS still had 325 million Euros in commercial paper programs not issued.

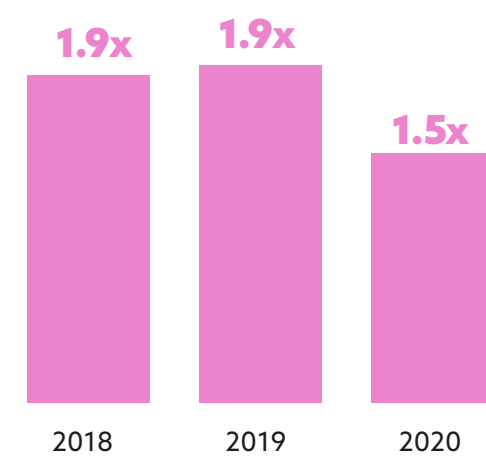
Net Financial Debt

(Millions of Euros)



Net Financial Debt/EBITDA After Leases

(x)



The average all-in cost of debt stood at 1.3% for 2020, compared to 1.5% in 2019. The Net Financial Debt/EBITDA After Leases ratio now stands at 1.5x. NOS targets a leverage ratio in the order of

2x Net Financial Debt/EBITDA After Leases, which represents a solid and conservative capital structure, which NOS is committed to maintain. The 1.5x level at the end of 2020 is justified by the high cash position, resulting from the closing of the sale of telecommunications towers to Cellnex.

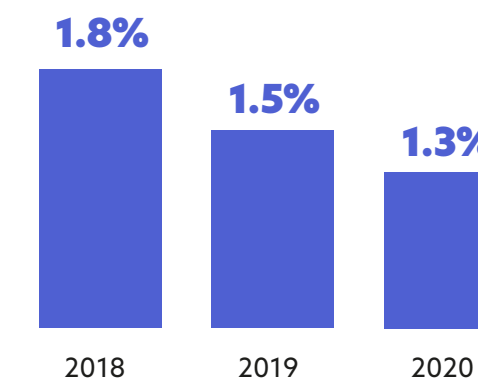
The average debt maturity at the end of 2020 was 2.5 years, which compares with 3.1 in 2019. Considering loans issued at a fixed rate, current interest rate hedging operations and the negative interest rate environment, as of December 31, 2020, all debt issued by NOS is remunerated at a fixed rate.

In order to refinance all lines with maturity in 2020 and ensure comfortable liquidity levels during the pandemic, in 2020 NOS executed three financing operations:

- In March, a commercial paper program of up to 100 million Euros with maturity in 2025, with Banco Santander;
- Also, in March, a commercial paper program of up to 90 million Euros with maturity in 2021, with Banco BPI - cancelled early in December 2020;
- Also, in June, a commercial paper program of up to 90 million Euros with maturity in 2021, with Banco BBVA - cancelled early in September 2020;
- Additionally, in December, NOS established the first sustainable funding line from a Telecommunications Operator in Portugal. The commercial paper line was contracted with

Average Cost of Debt

(%)



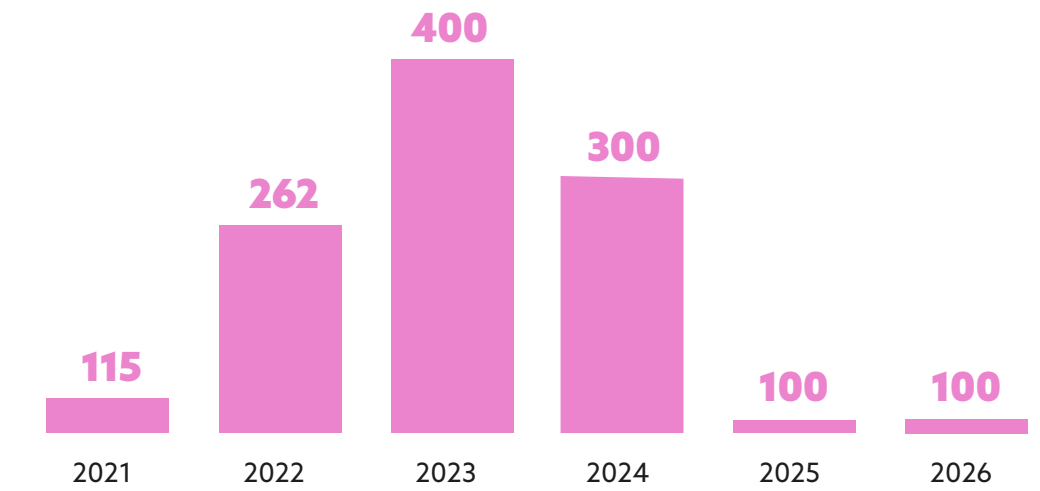
BBVA, for an amount of 100 million Euros and with maturity in 2026.

With this operation, NOS tangibly links part of its financing cost to its performance in terms of Sustainability, strengthening and demonstrating its strategic relevance and the commitment, at all levels of the Organization, to achieve best in class goals in ESG (Environmental, Social and Governance) indicators.

The terms agreed include a component relating to NOS performance and ESG classification, evaluated by VigeoEiris. This score ranks NOS as the 5th best Telecommunications company in Europe, among 41 companies in the Telecommunications sector that were evaluated. With a score of 60 out of 100, NOS achieved an ESG Advanced performance level, according to VigeoEiris' evaluation.

Debt Maturity Breakdown

(Millions of Euros)



These operations thus contributed positively to NOS' financing strategy, namely with regard to the diversification of financing sources, extension and management of average debt maturity and reduction of the average cost of financing.

NOS' long-term credit rating was reaffirmed by S&P at BBB- (stable Outlook) in February, and by Fitch at BBB (stable Outlook) in November. Maintaining its credit rating allows NOS to strengthen conditions to continue to diversify its sources of financing, expand the average maturity of its debt and reduce the already reduced average cost of its debt.



3.6 RISK MANAGEMENT

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RISK MANAGEMENT

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Risk management is an integral part of NOS' management culture and one of the fundamental pillars of Corporate Governance. The risk management system at NOS is based on these main parts:



Risk Management Policy

Definition of methodologies, intervening entities, and their respective responsibilities in risk management in the organization. It provides for periodic risk assessments to be carried out that allow for the review and prioritization of the main corporate risks that may compromise the performance and objectives of the different areas of the organization.

Risk Assessments

Periodic risk assessments that allow for reviewing and prioritizing the main corporate risks, placing them in the Risk Matrix (Impact x Probability).

Internal Control System based on the Internal Control Manual

Systematize, reference and display: functional/financial controls; IT controls; controls associated with the requirements of ISO standards.

Audit Certifications (ISO 9001, 14001, 45001, 27001, 20000) External Audit (ROC)

Compliance audits (internal and external) covering certifications of ISO management systems and Statutory Audits.





3. 2020 IN REVIEW
3.6 RISK MANAGEMENT



RISK MANAGEMENT
GENERAL METHODOLOGY

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At NOS, risk management processes are supported by a “hat” methodology called **Enterprise Risk Management (ERM)**, which is a consistent, systematic methodology based on best international practices and standards, as well as aligned with the internal (business) and external (stakeholders) context of the organization.

The diagram below illustrates the main phases of NOS’ general risk management methodology, based on the ERM methodology, which can be applicable both at the corporate level of NOS Group companies/businesses, or at the level of specific processes/projects.

For more details on the **stakeholders**, responsibilities and **risk management** methodologies adopted at NOS, as well as the **main risks inherent** to NOS’ businesses, see section “**C.III. Internal control and risk management**” of the **Corporate Governance Report**. 





3. 2020 IN REVIEW
3.6 RISK MANAGEMENT



ASSESSMENT AND RESPONSE
TO RELEVANT RISKS OF 2020

In the process of identification, selection and assessment of the relevant risks for the year 2020, the following method was applied:

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The set of risks to be assessed is obtained from the **NOS Business Risk Model** (the dictionary of NOS risks includes **5 categories and 19 sub-categories** of risks, plus **73 risks**)



3 criteria are used to choose the risks to be assessed:

- Risks relevant to NOS certifications
- Financial risks
- Inherent NOS business risks

2

1

BUSINESS ENVIRONMENT		BUSINESS STRATEGY		OPERATIONALS			
Politics and Economy	Business Environment Economic Environment	Strategy and Planning	Business Portfolio Life Cycle Planning and Control Performance Monitoring Strategic Partnership Investment Assessment	Human Resources	Ethics and Culture Leadership Training and Skills Change Resistance Internal Communication and Sharing Performance and Recognition Talent Management and Knowledge Retention Health and Occupational Safety	P&S and Customer Satisfaction	P&S Development P&S Communication P&S Rates P&S Sale and Distribution P&S Performance Customer Care Service Quality Customer Retention Customer Credit and Collections
Market and Sector P&S	Sector Attractiveness M&A Competition Technological Innovation Consumer Needs	Brand and Reputation	Brand Reputation Competition Sponsorship and Patronage	Tec-Op Resources	Network/System Dev.& Op. Facilities Dev. & Op. Procurement and Suppliers Stock and Equipment Management Rights and Licenses Management	Business Assurance	Revenues and Cost Assurance Employee/Partner Fraud Customer/Third Party Fraud
Shareholders and Financial Markets	Investor Relations Funding and Capital Financial Markets Interest Tax Exchange Rate	FINANCIALS		Processes	Strategic Alignment Processes Effectiveness Processes Efficiency Compliance Contractual Commitments	Security and Continuity	Confidentiality Integrity Availability Privacy Cybersecurity Catastrophic Losses/Interruption
Legislation and Regulation	Legal Regulation	Financial Performance	Liquidity FCF EDBITDA - CAPEX FCF Working Capital	Partners	Partners/Outsourc. Management Partner/Third Party Credit and Collections	Sustainability	Environment P&S Accessibility
GOVERNANCE		Financial Investments	Financial Investments				
Corporate Governance	Governance Standards Management Fraud	Accounting and Reporting	Accounting Practices Tax Financial Reporting				
Organization	Corporate Structure Skill Segregation and Deleg.						

BUSINESS ENVIRONMENT		BUSINESS STRATEGY	
Politics and Economy Shareholders and Financial Markets	Sector and Market P&S Legislations and Regulation	Strategy and Planning	Brand and Reputation
GOVERNANCE		FINANCIAL	
Organization		Financial Performance	Accounting and Reporting
OPERATIONAL			
Human Resources Op-Tec Resources	P&S and Customer Satisfaction Business Assurance	Processes Partners	Security and Continuity Sustainability

3

These criteria result in a total of **39 risks** in the categories of Business Environment, Business Strategy, Governance, Operations and Finance



These risks are submitted for the assessment of **48 evaluators** (27 managers and 21 pivots) relevant to the chosen set of risks

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3. 2020 IN REVIEW

3.6 RISK MANAGEMENT



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For the 2020 assessment, **39 risks** were selected, considering 3 criteria:

- **Risks relevant to NOS Certifications** – are risks associated with the requirements of the standards and the respective assets, scope of certifications:
 - ISO 27001 "Information Security Management System",
 - ISO 20000 "Service Management System",
 - ISO 9001 "Quality Management System",
 - ISO 14001 "Environmental management system", and
 - ISO 45001 "Occupational Health and Safety Management System".
- **Financial risks** – correspond to the main ISA701 risks (KAM - Key Audit Matters) identified by the External Financial Auditor.
- **Risks inherent to NOS activities** – consider the most significant corporate risks identified by NOS management (arising from previous risk assessments); and main Economic, Financial and Legal Risks to which NOS' businesses are subject (identified in the **Corporate Governance Report**). 

Regarding the **stakeholders in the process**:

- Risks were assessed by **48 assessors** representing the organization's areas/departments most relevant to the set of selected risks.
- The **results of the risk assessment** were approved by the **Executive Committee**, having been reported to the **Board of Directors**, the **Audit and Finance Committee** and the **Fiscal Board**, within the scope of the responsibilities that each of these bodies has in the supervision of the internal control and risk management system in the organization.





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TOP 10 RISK RESULTS

For the risk assessment, criteria of probability of occurrence and estimated impact were applied, on a scale of 0 to 10. Of the set of risks assessed, only two obtained an inherent risk value above the level of standard risk acceptance defined at NOS (≥ 25).

The assessment process took place during the second quarter of 2020, that is, during a state of emergency/calamity in Portugal caused by COVID-19, so the results of the assessment reveal above all the COVID-19 context.

Thus, in the following tables, we highlight the main strategies and response actions for the most relevant risks of 2020, mostly related to the COVID-19 context.

For additional information on risks and on response strategies and actions that are not only related to the COVID-19 context, please refer to the section “C.III. Internal control and risk management”, in particular paragraph “53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity” of the Corporate Governance Report.

The risk assessment resulted in only 2 risks above the standard Risk Acceptance Level determined by NOS: “Economic Environment” and “Regulation”.

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RELEVANT 2020 RISKS AND RESPONSE ACTIONS IN COVID-19 CONTEXT

Economic Environment

Risks

- The company's activity can be conditioned by the socio-economic environment (e.g. demographic factors, strikes, unemployment, etc.) and by changes in the economic environment (e.g. disposable income, purchasing power, investment capacity, etc.).
- The main **impacts** identified in the **telecommunications** business, originated by **COVID-19**, especially in the 1st semester of 2020 during the general population lockdown period, were:
 - **decreased sales** of **new services** and sales of **mobile phones** in the **residential** segment;
 - **decrease in services or postponement of payments** due to the suspension or reduction of customer activity in the **corporate** segment;
 - **reduction** in revenues from **premium TV channels**;
 - **decrease** in **roaming-out** and **international calls revenues** caused by international **circulation restrictions** and the abrupt drop in **tourism** in the Wholesale segment.
- There were very high impacts on **other NOS businesses** throughout the year 2020, namely the **cinema** and **advertising** sales business.

Responses to the risks

- There were **factors that contributed to mitigate** the effects of the drops seen during the **1st semester** in the **telecommunications** business, such as the reduction in commercial investment costs due to lower sales activity, the lower rate of disconnection from services in the residential segment, the reduction in costs for services/sponsorships that are no longer provided, and the maintenance of a strong pace of technological investment.
- During the **2nd semester** there was a **global recovery** in the **telecommunications** business, with the exception of roaming revenues.

Regulation

Risks

- The company is subject to specific regulations defined by local, national, or international regulators in the sector (licenses, authorizations, tariffs, etc.), whose changes may result in increased competitive pressures and significantly affect the company's ability to conduct business efficiently.
- COVID-19 led to the **postponement of the 5G auction**, which started only at the end of 2020. The completion of the procedures for the allocation of frequency rights was postponed to 2021.
- The **5G auction rules** have **very significant impacts** related to competition and investment capacity in the electronic communications sector in Portugal. The rules defined by ANACOM in the 5G auction regulation negatively discriminate against existing

operators on the market, as is the case with NOS, compared to new entrants, in aspects such as **spectrum access conditions and 5G coverage investment obligations**, thus putting at risk the proper implementation of 5G in the country and the desired digital transition of companies, the public sector and consumers, implying subsequent adverse effects related to the risks of Competition and Technological Innovation.

Responses to the risks

- At the end of 2020, NOS had **several legal proceedings underway against ANACOM** considering the aforementioned auction rules and the allocation of rights of use of frequencies to Dense Air.

Legal

Risks

- The uncertainty of legislative developments can subject the company to constraints, impose unwanted investments or threaten its ability to carry out business activities, the sale of products and services, among others.
- Of the most relevant **temporary legislation** published within the **scope of COVID-19** and with a direct impact on NOS operations, we highlight:
 - Decree-Law no. 10-D/2020 that establishes **exceptional and temporary measures** to respond to the COVID-19 disease epidemic related to the **electronic communications sector**, namely the

definition of critical electronic communications services and giving priority to the continuity of their provision.

- Law No. 7/2020, which **prohibits the suspension of essential services**, which include electronic communications services, to customers who are in certain situations provided for in the legislation (unemployment, drop in earnings above a certain level, infection by COVID-19).

Responses to the risks

- NOS **strengthened the capacity and resilience of its networks**, to continue to ensure the provision of critical communications services.
- The company also **adjusted the business processes** related to the charges for communications services for customers who were in these situations.

Product & Service Performance + Interruption/Catastrophic Losses

Risks

- The company may potentially not be able to maintain business continuity, including critical activities or the provision of priority products and services, as a result of a **catastrophic event caused by a natural disaster**, or by a critical interruption/rupture of technical-operational resources (systems, platforms, infrastructure, facilities), **human resources (pandemics)**, financial resources or other key resources.



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- Consequently, products/services may potentially be subject to non-conformities, failures or performance and reliability problems, resulting in complaints, repairs, returns, among others.

Responses to the risks

- Given the risk of potential human resource failure caused by the COVID-19 pandemic, NOS put a **COVID-19 Crisis Office** into permanent operation, with the objective of defining and implementing a wide range of initiatives and structured contingency plans that ensure employee **protection and business continuity**.
- Within the scope of business continuity, the following actions are highlighted with a view to:
 - ensuring **greater network resilience** and ensuring the **delivery** of communications **services** to **priority customers**, which includes hospital services, government and public administration and other critical services for the country, designated through exceptional and temporary legislation applicable to the electronic communications sector;
 - provision of **remote working solutions to corporate** customers such as VPNs, Cloud Services, among others that allow them to maintain their critical services;
 - Adjustment and **strengthening of the capacity** of mobile and fixed **networks**, to **respond to changes in pattern** and the **increased needs** of residential and corporate customers;
 - **24x7 support** to customers on various channels;

- **strengthening** of the **employees' remote work capacity**, through the provision of **remote working means, collaborative tools**, and respective **infrastructure**.

Cybersecurity

Risks

- Critical resources (systems, platforms, infrastructure, other assets) may be potentially exposed to **security vulnerabilities** that make them subject to attacks, intrusions, alterations, destruction, or other threats, whether internal or external. The company should assess appropriate monitoring and defence policies or practices for its electronic communications networks or the surrounding cyberspace.
- As a consequence of the COVID-19 pandemic, and the **increase of remote work** in society in general, the risk associated with **fraudulent activities** with the objective of **compromising the security of the information** of individuals and companies has **increased**.

Responses to the risks

- NOS has implemented **measures** to **increase** the level of **monitoring** of external or internal cybersecurity threats and possible **misuse of information**, including the strengthening of procedural and technological controls, namely:
 - development and maintenance of the ISM - Information Security Management program,

- which is coordinated by the NOS Central Security & Privacy Team, including the development during 2020 of a set of specific actions for cybersecurity risks and vulnerabilities;
- development and maintenance of several Security & Privacy (S&P) processes, of which we highlight: S&P Planning and Strategy (includes the S&P Steering Committees); S&P Policies and Standards; S&P Awareness and Training; S&P Control and Monitoring (includes risk assessments, control of S&P initiatives, KRIs, etc.); S&P by Design (incorporation of S&P requirements in the development lifecycle of networks and systems and products and services); S&P Incident Management; among others;
- Certification within the scope of ISO27001 - Information Security Management Systems.

Competition

Risks

- This risk is related to the potential price reduction of products and services, reduction of market share, loss of customers, increasing difficulty in retaining and obtaining customers, among others.

Responses to the risks

- In the COVID-19 context, NOS strengthened its social role through **support to the community** (families, companies and institutions), in the areas of **brand and communication** (highlighting the examples of the "#Let's Stay Connected"

- campaigns) and in the areas of **products and services** (highlighting the examples of offers of minutes, SMS and data to health professionals, the offer of 10GB of data on mobile phones, the offer of monthly premium TV channels, and the return to normality campaign "Connected to School").

Talent Management and Knowledge Retention

Risks

- This risk is related to the potential inability to retain the company's key human resources, with high degrees of knowledge, experience or expertise that can cause high "replacement costs", and to the fact that the company potentially does not have adequate talent management or resource retention policies or practices.
- The **COVID-19 context** has raised new challenges in **managing remote work teams** and has also opened up opportunities to **adjust human resource policies and practices** for the period of crisis and for post-COVID-19 that contribute to mitigating risks related to talent management and knowledge retention.

Responses to the risks

- Actions to **strengthen the organizational culture** were implemented, of which we highlight the realization of an internal **COVID-19 survey** to obtain the opinion of all employees (on engagement and satisfaction, the state of mind and the experience



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in remote work), **close monitoring of all employees by the HR team** (including personalized phone calls to employees) and **remote open-door sessions** for employees on different topics (e.g. presentation of survey results; employee return model; flexibility measures time during the return to school period, etc.). From the point of view of communication with employees, we highlight the creation of an **area on the Intranet dedicated to COVID-19**, as well as the sending of **periodic emails from the CEO to all employees** on relevant COVID-19 topics and containing messages of appreciation and recognition for their dedication during the crisis. **Temporary flexible work measures** were implemented, namely the allocation of free Friday afternoons for employees' personal topics, flexibility in the time of entry/exit and flexibility of time for employees with children at school during the return to school period.

- At the level of **leadership & team management**, we highlight the dissemination of **the manual of good practices in leadership in remote context**, the practical guide for remote work and the **manual of collaborative tools** for remote work, as well as **clarification sessions for team leaders** on various topics during the COVID-19 period.
- Regarding training, **NOS Campus** started to issue a **weekly newsletter** with the aim of promoting development and intellectual curiosity digitally (webinars, e-papers, podcasts, etc.)
- Complementarily, **health and well-being** actions were promoted, such as the **balance guide between**

personal and professional life, digital stickers to foster the connection between employees, and the **mind-coach line** (psychological support line in partnership with the health insurance provider).

Reputation

Risks

- This risk is related to **potential damage to the company's reputation** that may expose it to the loss of customers, results, employees, and the ability to compete, and there may be a sustained decrease in the company's perception of value, credibility, or trust in the company. Relations with the media can also potentially expose the company to adverse situations.
- **Sustainability issues** can also have significant impacts on the company's reputation (e.g., ethics, human resources, etc.).
- In a year in which many **Portuguese change their habits and routines due to the COVID-19 pandemic**, including working remotely, keeping customers connected was one of the priorities.

Responses to the risks

- NOS adjusted and strengthened the **capacity of its mobile and fixed networks**, in order to respond to changes in patterns and the increased needs of residential and corporate customers.
- In **supporting the community** (families, companies, and institutions), as mentioned above, NOS strengthened its social role.

- In the **B2B segment**, we highlight the actions aimed to ensure greater network resilience and to ensure the provision of communications services to **priority customers**, which includes hospital services, government and public administration and other critical services for the country, designated through exceptional and temporary legislation applicable to the electronic communications sector. NOS also provides corporate clients with remote work solutions such as VPNs, Cloud Services, among others that allow them to maintain their critical services.
- For **customers in financial difficulties**, the COVID-19 specific temporary legislation prohibits the suspension of essential services and provides for the possibility for customers to request unilateral termination or temporary suspension of communications contracts, without additional penalties or clauses for the customer.





3.7 SHAREHOLDER REMUNERATION PROPOSAL

01

Considering that:

02

For the year ended December 31, 2020, a net profit for the year was determined in the separate accounts in the sum of 98,707,111.34 Euros, and that this amount results from the fact that the company, in accordance with applicable accounting standards, recognised in its accounts for the year, the sum of 1,242,958 Euros by way of directors' profit sharing, in keeping with article 14(3) of the articles for association;

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It is proposed that the following resolution be passed:

1. Given the current financial and asset position of NOS, that the net profit distributable under articles 32 and 33 of the Companies Code, in the sum of 98,707,111.34 Euros, be paid to shareholders, with an additional amount of 44,507,752.30 Euros of Free Reserves, which represents a total pay-out by way of ordinary dividends for the 2020 financial year the amount of 143,214,863.64 Euros (corresponding to 0.278 Euros per share, in respect of the total number of shares issued);
2. That, since it is not possible to accurately determine the number of treasury shares that will be held on the date of the payment mentioned above, the overall sum of 143,214,863.64 Euros mentioned in the preceding paragraph calculated on the basis of an amount per share issued (in this case, 0.278 Euros per share) be distributed by way of dividends as follows:
 - a. The unit amount of 0.278 Euros that presided over the drafting of this proposal be paid to each share issued;
 - b. The unit amount corresponding to those shares that on the first day of the payment period mentioned above belong to the Company shall not be transferred to Free Reserves.
3. Under article 14(3) of the Company's Articles of Association and as profit sharing in the Company, it is proposed to resolve on the allocation of the amount of 1,242,958 Euros to the Directors, under the criterion established by the Board of Directors.





3.8 SUBSEQUENT EVENTS

01

Changes to the Board and Executive Committee

Subsequent to the resignation of two board members, Ana Paula Garrido Marques (executive director) on 18 December 2020 and António Lobão Teles (non-executive director) on 8 January 2021, the Board of Directors on 18 January 2021 resolved to co-opt Filipa Santos Carvalho and Daniel Lopes Beato as Members of the Board of Directors, to complete the current term of office (2019-2021). The new members of the Board of Directors have also been appointed members of the Executive Committee, which now comprises seven members. The aforementioned co-optations will be submitted for ratification at the next General Meeting of Shareholders.

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New state of emergency declared on 7 January

As a consequence of the increased number of new cases and deaths by the virus SARS-CoV-2, a new state of emergency has been declared on 7 January 2021, for a period of 15 days (renewed successively up to 1 april 2021). Since this date, the cinema theatres have been closed to the public. As regards NOS' core Telecoms business, and as occurred in 2020, we estimate it to maintain its resilience, under this pandemic situation.





**We are the inspiration
for a** sustainable future

NON-FINANCIAL
STATEMENTS

02

We believe the power of technology is able to tackle the environmental and social challenges we face. We are part of something bigger than ourselves and our ambition is to leave a positive mark on everything we do.



NON-FINANCIAL STATEMENTS

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OUR SUSTAINABILITY REPORT

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1. OUR SUSTAINABILITY REPORT



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Sustainability assumes an increasingly central and strategic importance for the NOS Group (hereinafter also referred to as “Group” or “NOS”). This Sustainability Report, the Group’s fourth, accounts for that and is in itself a reflection of this importance, both for the management and for the organization’s stakeholders.

The Sustainability Report (hereinafter also referred to as “Report”) discloses how the Group addresses the economic, environmental, and social sustainability factors regarded as material, and the Group’s consolidated performance in these dimensions. The Report focuses on the period from 1st January to 31st December 2020, and whenever appropriate and relevant, includes information relating to previous years to allow a comparative assessment of performance or an adequate contextualization of our options, actions, or results, and to that extent it may also occasionally include information relating to the initial phase of 2021.

As in previous years, this Report is fully inserted in the Annual Report that includes the other scopes of the Group’s annual accounts, and was prepared with reference to the internationally recognized standards of the Global Reporting Initiative (GRI), the GRI Standards, for the “In accordance-core” level, as well as the requirements of Decree-Law no. 89/2017, of 28th July, also serving the purpose of highlighting our performance in terms of the principles of the

United Nations Global Compact and the Sustainable Development Goals (SDG).

As has been the practice of the Group, the sustainability information included in this Report has been subject to independent verification by an external entity, as stated by Ernst & Young Audit & Associados, S.R.O.C., S.A., which is attached. This verification assessed the conformity and reliability of the information provided, in accordance with the GRI Standards, in order to provide an additional guarantee as to whether it reflects, in an adequate, balanced, and transparent way, the Group’s operation and performance in the different dimensions of sustainability, focusing on material topics.

The year 2020 is the end of the Group’s strategic sustainability cycle 2018-2020. Accordingly, the Report presents a structure similar to that of the previous reports, with an introductory part and a chapter that presents the sustainability management model in the Group, and the remaining chapters around the five axes identified as strategic for the cycle in force (2018-2020). These axes are a direct result of the materiality analysis carried out in 2017 and accommodate the 26 material topics, that is, of greater importance for our stakeholders and for the Group, identified in this process. For each of the axes, the Group’s performance and some of the main initiatives developed over the year are presented. During the year 2020 and early 2021, the planning process for NOS Group’s new

strategic sustainability cycle took place, the third cycle, and the first which is fully aligned with the Group’s strategic planning cycle.

This process involved several activities, including listening to stakeholders, reviewing the materiality of sustainability topics, and reviewing the elements that characterize the sustainability strategy, which will be reflected in this Report.

The pandemic situation experienced in 2020 and which continues, strengthened the perception of the importance of the telecommunications sector, as a link between people and companies, and exacerbated the awareness of the importance of balancing a more evolved society, with a more positive ecological footprint and a more inclusive and equitable social dynamic. The telecommunications sector, as a technological actor, can also assume a relevant role here by contributing to the provision of innovative solutions that enhance this balance.

NOS has been consciously and increasingly assuming all the dimensions of this responsibility, but in view of the pressing challenges posed by COVID-19, it has added energy to the definition of a set of measures and practices of an internal and external nature, as well as reaffirming partnership ties, in order to contribute promptly and as positively as possible, to minimize the organizational, social, and economic challenges that COVID-19 has posed.

The related impacts and contributions are, for the most part, an unequivocal expression of our performance in terms of sustainability and corporate responsibility, but are essentially portrayed in a specific forum included in the Management Report, although some aspects are closely linked to the various strategic sustainability axes in force, they will also occasionally be identified over the next chapters.



Contact for any question or feedback on the Report

We are happy to receive your opinion, suggestions for improvement, or to answer any question that arises from reading this Report, or the need for additional information.

For this purpose, please contact:

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OUR APPROACH TOWARDS SUSTAINABILITY

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2. OUR APPROACH TOWARDS SUSTAINABILITY



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WE SEE SUSTAINABILITY AS A STRATEGIC FACTOR

At NOS we adopt a systematic approach to sustainability, facing the ethical, social, and environmental dimensions as strategic and inseparable factors of the development of the organization and the business.

Our commitment is endorsed at the highest level in the organization and is reflected in the various international and national initiatives that we have subscribed over the years and to which we remain bound, and which have underlying principles and commitments of responsible and proactive action in these areas, which are reflected and complemented by our internal policies and codes (to learn about these initiatives you can consult the chapter **"Awards"** of the **Management Report**).

The way we are organized, functionally and operationally, to integrate these principles and meet sustainability challenges is explored in this chapter. In 2020, the strategic character and robustness with which we face these issues was widely recognized, within the scope of the Vigeo Eiris ESG Rating,

with the Group obtaining the 5th best rating in the Telecommunications sector in Europe, and in combating climate change, with the achievement of a rating A- in the Climate Change CDP program - Disclosure, Insight, Action (see details in chapter **"Preserving the Environment"**).

Vigeo Eiris ESG Rating - 5th best rating in the Telecommunications sector in Europe

NOS was rated with the "Advanced" level, obtaining a score of 60 out of 100, in an edition that evaluated 41 companies with regard to the telecommunications sector in Europe. This score represented an increase of 50% compared to the last evaluation in 2018, which demonstrates the clear increase in maturity that we experience in our performance, with special emphasis on the environmental dimension.

The evaluation of Vigeo Eiris, a Moody's affiliate, within the scope of this prestigious rating, evaluates the ability of companies to integrate sustainability factors in their management strategy and practices, with the purpose of promoting economic growth, responsible investment and creation of medium- and long-term value, focusing on six dimensions: Company Behaviour, Human Rights, Environment, Involvement with the Community, Corporate Governance and Human Resources.

60/100
Advanced
Overall rating obtained in the 2020 evaluation.

A-
Leadership
2020 edition of CDP Climate Change Disclosure

Solicited Opinion on the Sustainability Performance and Risk Management

Nos SGPS
ISIN CODE: PTZON0AM0006 Sector : Telecommunications
Rating date: Aug 2020

Company performance | Sector average performance

ESG OVERALL SCORE

60
100
Advanced⁽¹⁾

ESG PERFORMANCE (/100)	Company	Sector Avg
Environment	66	39
Social	60	41
Governance	54	43

RISK MITIGATION INDEX (/100)

Reputation	59	41
Operational Efficiency	61	47
Human Capital	57	40
Legal Security	61	37

Rank in Sector	5/41
Rank in Region	132/1598
Rank in Universe	143/4812

(1) Performance level: weak (0-29/100), limited (30-49/100), robust (50-59/100), advanced (60-100/100)

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Our commitment to sustainable development is inextricably linked to the ambition to continue to be the best communications and entertainment operator in Portugal.

We believe that technological evolution goes hand in hand with the evolution of society and, in this sense, business and company are at the forefront in responding to global challenges, such as adaptation and mitigation of climate change, scarcity of natural resources, increase in economic inequalities and a greater concern with security, privacy and education issues.

The market where we operate is subject to rapid technological developments, which require the permanent integration of state-of-the-art technologies and the development of innovative solutions that respond to the expectations, which are also evolving, of our customers. We believe that technology can play a leading role in responding to global challenges and creating opportunities. We want to use this transformative potential to create social change and increase the productivity of companies, respecting the environment and generating value for all our stakeholders.

HOW WE GOVERN SUSTAINABILITY

Over the years we have been defining, developing, and perfecting a set of principles, policies and tools related to the ethical, environmental, and social issues relevant to the organization.

At the same time, in order to ensure adjustment to a constantly changing market and to focus our performance on what is most relevant at every moment, we follow a management logic based on strategic cycles whose planning is based on a structured and systematic approach based on:

- the identification of ethical, environmental, and social issues relevant to stakeholders and the organization;
- a strategy of proximity and dialogue with stakeholders, which allows us to know and respond effectively to their main concerns and expectations, and to build solid relationships that drive the creation of value;
- the context and trend analysis that we carry out continuously to assess the risks and opportunities relevant to the business.

2020 was a year of transition, representing the last year of the company's second strategic sustainability cycle, referring to the 2018-2020 period. This was also the year of strategy

planning for the third strategic cycle for the period 2021-2025, corresponding to the first strategic sustainability cycle fully aligned with the Group's strategic planning cycle, further strengthening the integration of environmental, social and environmental factors in the global vision of NOS' business and management model.

From an operational point of view, these cycles are broken down into annual plans - annual operating cycles.

Sustainability Framework

The **sustainability mission and policy**, which state our commitment to "promote prosperity and create social, environmental and economic change, achieve process optimization, improve the skills of people and organizations", establish the motto and the fundamental set of principles for achieving this purpose, which are the basis of our work in this field. The current version of the policy can be consulted at the **institutional area** of our **website**.

The Policy works in conjunction with several other documents that establish general principles, rules and operating models or focused on specific issues or operational contexts, such as those mentioned in the next chapter "**Acting Ethically and Responsibly**".

Mission

Using the power of information and communication technologies to develop innovative solutions that contribute to an inclusive society, protect the environment, and enhance social and economic transformation.

They are also strengthened by the external initiatives that we subscribe to, as is the case with the principles of the United Nations Global Compact, or the Charter of Principles of BCSD Portugal.

The way we are organized is based on the maximum responsibility of the Executive Committee, which is fully committed to the sustainability management in the company, being responsible for approving the Corporate Sustainability Strategy, while the Investor Relations and Sustainability Department, delegated by the first, is in charge of coordinating the respective implementation and day-to-day management with the various departments and business areas that in turn ensure the operational execution of the strategy. To support this execution, 55 sustainability pivots are designated in those areas.

Previously integrated in the Corporate Communication and Sustainability Department,



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and since mid-2020 integrated in the Investor Relations and Sustainability Department, the Sustainability Area works in close articulation and coordination with the Ethics Committee regarding all relevant actions for the implementation of the sustainability strategy that intersects with ethics and conduct topics.

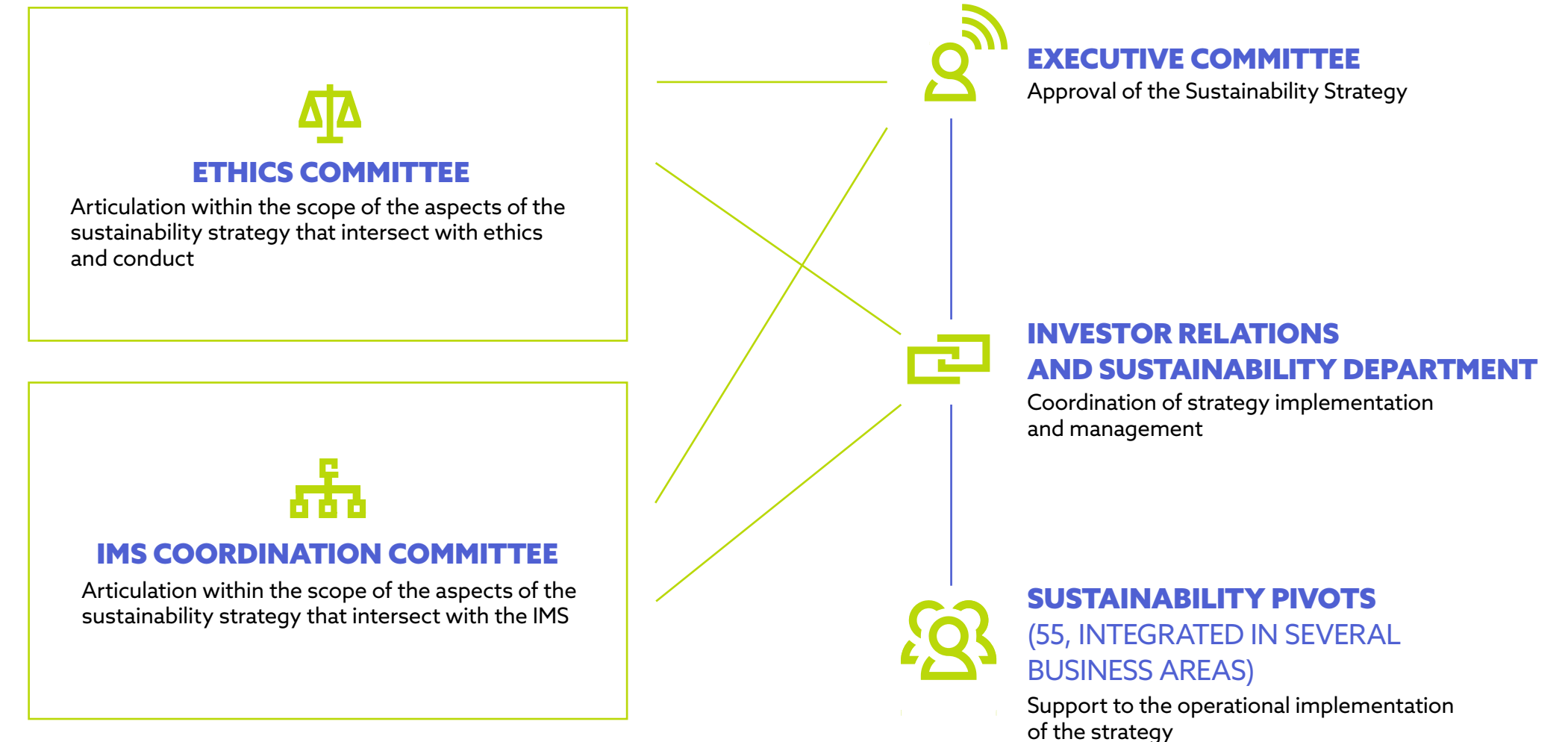
Likewise, it regularly articulates with the Coordination Committee of the Integrated Management System (IMS) participating in the IMS Forum promoted quarterly by this Committee, but also on a daily basis whenever justified, especially in environmental and Occupational Health and Safety terms.

NOS also has a set of partners, fundamental in the development and implementation of the Strategy.

Management Systems certified at NOS

The continuous improvement of our processes and activities is a relevant element of our culture and of the sustainability of our operations. Part of our commitment is to adopt the best market practices. To this end, we make use of a range of management systems certified in accordance with international reference standards in the respective domains:

- Integrated Management System:
 - ISO 9001 “Quality Management System”,
 - ISO 14001” Environmental Management System”,
 - ISO 45001 “Occupational Health and Safety Management System”
- ISO 27001 “Information Security Management System”, and
- ISO 20000 “Service Management System.



IMS Forum

The IMS Forum is promoted by the Audit and Risk Management Department, the coordinator of the Integrated Management System Coordination Committee (IMS), which is sponsored by the Executive Committee and is composed of Pivots from different Departments/Areas of the Company. The meetings of the Forum aim to

provide a comprehensive view of all the activity that is being developed in the scope of quality, environment and health and safety management to the main actors involved in that management, as well as to encourage the sharing and diffusion of knowledge and to promote participatory decision-making processes

At the **institutional area** of our **website**, it is possible to consult more information about these certifications and respective scopes.

CONNECTED TO OUR STAKEHOLDERS

At NOS we seek to know what our stakeholders think and understand their needs in order to identify what we can improve in the management of our activities and to obtain insights that we

consider in the ESG (Environmental, Social and Governance) strategic planning process. We understand the importance of promoting a culture of closeness, scrutiny, and regular dialogue with our main stakeholders to cement the trust necessary to maintain long-lasting relationships and create mutual value.

In this sense, we adopt a relationship approach that is governed by the ultimate goal of “advancing being connected” for joint growth.



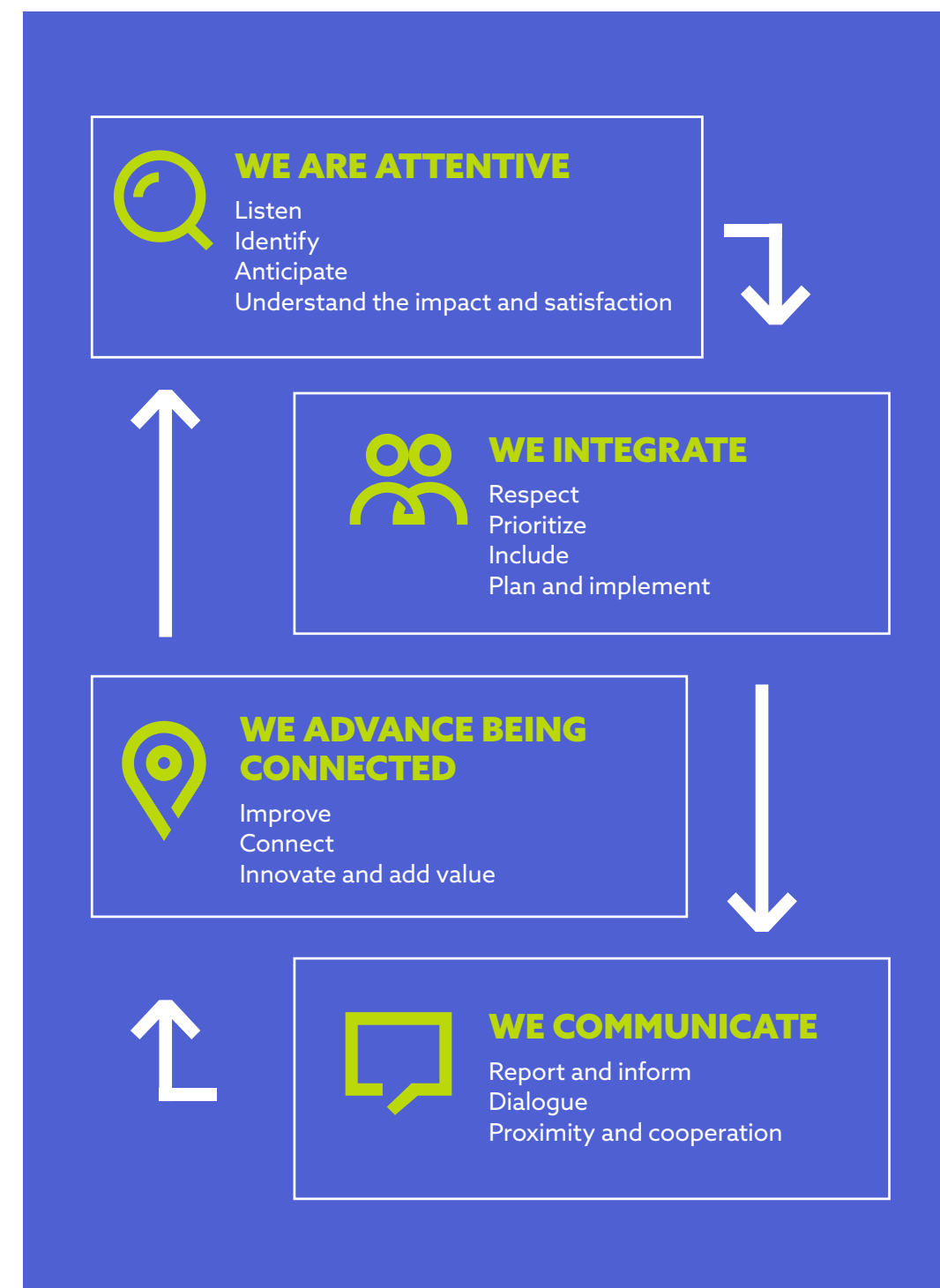
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Approach to stakeholders

This model is based on four guidelines: (i) We are attentive; (ii) We integrate; (ii) We communicate, and (iv) We advance being connected, which we introduce in detail in the chapter “Stakeholders Management” of the [Management Report](#).



Stakeholders Engagement

Regular communication and interaction with stakeholders is triggered by a wide range of mechanisms and records:

- of cross-cutting nature (as is the case with the website), or more specific (such as Roadshows for investors) and;
- of a more informative (such as the annual report or internal and market publications), participatory or interactive nature (such as

welcoming sessions for employees or meetings with regulators) or collecting feedback (such as the climate study for employees or customer or partner/supplier satisfaction surveys).

Also, the frequency varies, from the mechanisms activated permanently or on a daily basis (website, Apps, or stores, for example) to the mechanisms that work in a logic of campaigns of different regularity,

in several cases annual or even supra-annual, the broadest being the listening process developed to identify priority sustainability topics, carried out in the planning phase of each new strategic cycle.

In the case of interaction or feedback gathering mechanisms, these can also work on demand, that is, according to the specific needs at each moment (as is the case of moments of direct contact with the regulator).

Main stakeholder groups and mechanisms for communication, interaction and feedback gathering

STAKEHOLDERS GROUPS							
CUSTOMERS	SHAREHOLDERS AND INVESTORS	EMPLOYEES	PARTNERS AND SUPPLIERS	GOVERNMENT AND REGULATORY AUTHORITIES	COMMUNITY	INDUSTRY	MEDIA
CROSS-CUTTING COMMUNICATION MECHANISMS							
<ul style="list-style-type: none"> – NOS Website Institutional Area – NOS Institutional Email 							
MAIN SPECIFIC MECHANISMS FOR COMMUNICATION, INTERACTION AND FEEDBACK GATHERING							
<ul style="list-style-type: none"> – Social media – Market and satisfaction surveys – Customer Support line – Stores – Digital Channels (ex. NOS App) – Forum NOS 	<ul style="list-style-type: none"> – Specialty Conferences – Roadshows – Disclosure of results – Direct contact 	<ul style="list-style-type: none"> – Welcome session – RH Open Door – Intranet – Social media – Employee Portal – Internal publications – Social climate study 	<ul style="list-style-type: none"> – Satisfaction studies – Supplier Portal – Supplier support email 	<ul style="list-style-type: none"> – Direct contact – Communication extranet (eg. ANACOM Portal) – Participation in national and international associations 	<ul style="list-style-type: none"> – Entrepreneurship and social responsibility initiatives 	<ul style="list-style-type: none"> – Meetings and direct contact – Participation in national and international associations 	<ul style="list-style-type: none"> – Participation in conferences and events – Disclosure of activity information



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The sustainability dimension and ESG reporting are increasingly important in communicating with all stakeholders:

- with employees in a logic of involvement and engagement;
- with investors and regulators in a logic of engagement, compliance, and reporting;
- with suppliers and partners in a logic of alignment and cooperation;
- with the industry in a logic of seeking solutions to cross-cutting challenges and fair competition;
- with customers and society in general, in a logic of strengthening the brand positioning in matters that define more sustainable behaviours and consumer choices and in a logic of contribution to a more evolved and more environmentally and socially positive society.

This importance is clearly reflected in the active listening we carry out with the most representative groups of our main stakeholders, within the scope of the planning process for each strategic cycle, specifically designed to obtain their vision on the sustainability issues that they consider most relevant to NOS to integrate into its management and communication of practices and performance processes. This process, in alignment with the best sustainability management and reporting

practices, has been a practice of NOS, enriching and complementing the insights provided by the various regular mechanisms of communication with our stakeholders.

Listening to stakeholders to define the new strategic sustainability cycle

In 2020 the planning of the 2021-2025 strategic cycle was initiated, so a new listening of this nature was carried out, with listening samples from customers (private segment, companies, and corporate segment); employees; partners and suppliers; and investors.

In addition to identifying the most relevant sustainability issues, open questions were asked to understand:

- what level of knowledge they have about NOS' ESG strategy and by which means did they obtain it;
- what is the importance attributed to the knowledge of the Group's ESG practices and performance and the means of disclosure that they would consider most appropriate for the purpose;
- suggestions for improving practices or initiatives to be considered by NOS in these areas.

In addition to the relevance of the issues, the answers to these questions provide insights that are considered in our more operational decision-making processes.



KNOWLEDGE LEVEL

Knowledge about NOS strategy and sustainability measures is greater among investors and employees and clearly less among customers



DISCLOSURE

Email and NOS Website are the main means used and suggested for the disclosure of the ESG Strategy, being also relevant the following:

- for employees - the intranet
- for investors - Annual report
- for customers - media

For the future, several means were also suggested, such as dedicated sessions/annual conference/suggestion platforms.



IMPORTANCE

All stakeholders consider it important to know NOS 'sustainability strategy and measures



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What matters most to our stakeholders

The feedback we gather or manage to extract from regular interaction mechanisms and through more targeted processes like this, as well as complementary assessments that we carry out, allows us to have and periodically validate an integrated view of the main interests and needs of stakeholders and formulate processes and initiatives that aim to meet them.

The following is an integrated view of this identification dynamics - a response focused on the main aspects (not exhaustive).

The only group of main stakeholders that is not represented in this view is the media area that we consider essentially as an enabler of the relationship with other stakeholders, having the power to influence them and impact our reputation, conditioning, but not being at the centre of our processes for gathering expectations and needs and actively seeking solutions.

CUSTOMERS	SHAREHOLDERS AND INVESTORS	EMPLOYEES	PARTNERS AND SUPPLIERS	GOVERNMENT AND REGULATORY AUTHORITIES	COMMUNITY	INDUSTRY
WHAT MATTERS MOST TO OUR STAKEHOLDERS						
<ul style="list-style-type: none"> – Cybersecurity – Products and services with social and environmental benefits – Recycle used customer equipment – Troubleshooting contracted products and services – Clarity of customer information and contractual conditions – Network coverage and quality – Protection and privacy 	<ul style="list-style-type: none"> – Greenhouse Gas Emissions – Cybersecurity – Energy efficiency and renewable energy – Recycle used customer equipment – Products and services with social and environmental benefits – Protection and privacy – Preventing exposure to electromagnetic fields 	<ul style="list-style-type: none"> – Career development & assessment – Energy efficiency and renewable energy – Network coverage and quality – Troubleshooting contracted products and services – Products and services with social and environmental benefits – Health and well-being – Remuneration 	<ul style="list-style-type: none"> – Energy efficiency and renewable energy – Network coverage and quality – P&S with social and environmental benefits – Health and well-being – Career development & assessment – Local development projects – Projects that promote sustainable consumption and lifestyles 	<ul style="list-style-type: none"> – Protection and privacy – Legal and regulatory compliance – Absence of anti-competitive practices – Preventing and combating corruption – Network resilience and emergency response – Clarity of customer information and contractual conditions – Network coverage and quality – Preventing exposure to electromagnetic fields 	<ul style="list-style-type: none"> – Local development projects – Products and services for customers with special needs or lower-income – Products and services with social and environmental benefits – Promotion of entrepreneurship – Volunteering – Social Responsibility Policy – Preventing exposure to electromagnetic fields 	<ul style="list-style-type: none"> – Innovation – Network coverage and quality – Absence of anti-competitive practices – Preventing exposure to electromagnetic fields – Network resilience and emergency response
Identification based on the specific sustainability listening process carried out to prepare the new strategic cycle				Identification based on regular interactions and other sources that we assess		

Issues considered relevant by all customer segments

The issues referred to as the most important for customers result from the average of private and business customers, that is, they exclude the impact of Corporate customers whose total number of responses was relatively low. This group considered, in addition to the three issues mentioned above, other issues as more relevant, such as: (i) Energy efficiency and renewable energy; and (ii) Combating corruption



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Our response to stakeholders needs

NOT EXHAUSTIVE

NEEDS / EXPECTATIONS		RESPONSES
<ul style="list-style-type: none"> – Cybersecurity – Protection and privacy 	<ul style="list-style-type: none"> – Security & Privacy programs and processes – Maintenance of ISO 27001 Certification – Partnership with Cisco for new security solutions – NOS Safe Net 	
<ul style="list-style-type: none"> – Career development & assessment – Health and well-being – Remuneration 	<ul style="list-style-type: none"> – NOS Campus – Performance and Development Model – Remuneration policy and benefits – Maintenance of ISO 45001 Certification – Health and well-being program – Climate and satisfaction study and associated improvement plans 	
<ul style="list-style-type: none"> – Greenhouse gas emissions – Recycle used customer equipment – Energy efficiency and renewable energy – Preventing exposure to electromagnetic fields – Projects that promote sustainable consumption and lifestyles – Products and services with social and environmental benefits – Products and services for customers with special needs or lower-income – Innovation – Promotion of entrepreneurship – Local development projects – Volunteering – Social Responsibility Policy 	<ul style="list-style-type: none"> – Maintenance of ISO 14001 certification – Environmental goals and targets – Development of products and services that respond to social and environmental challenges – Monitoring plan for electromagnetic radiation – Investment on 5G technology, IoT and Advanced Analytics – Projects and partnerships to promote the development and digital transformation of companies and institutions – Offer for people with special needs and other special situations – Cooperation protocols with municipalities for Smart Cities – Co-financed innovation projects for sustainability – 5G Fund – Eurekathon 	
<ul style="list-style-type: none"> – Troubleshooting contracted products and services – Network resilience and emergency response – Clarity of customer information and contractual conditions – Network coverage and quality 	<ul style="list-style-type: none"> – Plan to increase network resilience and emergency response – Invoice with minimal detail – Contract summary template – Network redundancy assessment and review – Expansion of network coverage and quality – Maintenance of ISO 9001 certification 	
<ul style="list-style-type: none"> – Legal and regulatory compliance – Absence of anti-competitive practices – Preventing and combating corruption 	<ul style="list-style-type: none"> – Code of Ethics and other policies assumed by NOS – Ethics action and training plan – Internal audit program – Risk management 	

How we generate and distribute value

We aim to prosper as a company, and we are aware that we can only achieve it in the medium and long term to the extent that we are able to add and share value with and by our shareholders, customers, and other stakeholders.

GENERATED ECONOMIC VALUE
THOUSANDS €



RETAINED ECONOMIC VALUE
THOUSANDS €



DISTRIBUTED ECONOMIC VALUE
THOUSANDS €

STATE

64,791

SHAREHOLDERS

142,263

COMMUNITY (OF DONATION)

234

DEBT FINANCIERS

28,427

EMPLOYEES

90,396

SUPPLIERS

1,108,783

Note to calculation: since the amount of dividends pertaining to own shares held by NOS, as of the date of dividend payment, is to be transferred to Free Reserves, as per the Shareholder Remuneration Proposal, and since it is impossible to determine in advance how many own shares will be held at the date of the 2020 dividend payment, we have considered for the purposes of this calculation the number of own shares held as of 31 December 2020, which was 3,424,754 shares.



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2018-2020 STRATEGIC CYCLE

Our decisions and actions in 2020, and in the last three years, were shaped by the sustainability strategy defined for the 2018-2020 cycle, naturally also integrating the changes in context that emerged and the needs expressed by our stakeholders on a daily basis and through of the interaction mechanisms that we have at our disposal.

Strategic axes and relevant sustainability issues

The 2018-2020 Sustainability Strategy was concluded after a reflection that considered the results of the active listening process of internal and external stakeholders carried out at the time, but also contextual factors, such as the challenges imposed by the market, the concerns and expectations of our investors, the need for legal compliance and the commitments subscribed by the organization.

This exercise allowed us to identify 5 guiding axes of our performance and 26 material sustainability topics that encompass the vision of the main risks and opportunities for our business related to ethical, environmental, and social issues.

The Strategy is aligned with the Sustainable Development Goals (SDGs), identifying those that are most interconnected with our activity and our strategic commitment and, therefore, on which we can make or influence a more relevant contribution.

Throughout the following chapters and in the GRI table of contents, we report on our approach, operation, and performance in relation to each of these strategic axes.

2018-2020 Strategic Sustainability Axes

1. ACTING ETHICALLY AND RESPONSIBLY...

...with our employees, customers, suppliers and business partners. We ensure that the principles and rules defined by us, and that guide our behavior, are applied and complied with.



2. ENSURING A SERVICE OF EXCELLENCE...

...placing our customers at the centre, seeking to meet their needs, improving their experience and aiming for high levels of satisfaction. We believe that this is the only way to ensure a sustained rate of attraction and retention. Customers are the basis of our management model.



3. VALUING HUMAN CAPITAL...

...by privileging the development, health and well-being of our employees, in a sustainable and safe work environment. We look for people capable of undertaking new goals, overcoming challenges and taking advantage of the growth opportunities we have to offer. NOS 'most important and differentiating asset is people.



4. PRESERVING THE ENVIRONMENT...

...being increasingly efficient in terms of energy, mobility, emissions and waste, from the production and installation of equipment by our suppliers, through our own operation, to the use of our products and services by customers. We want to put on the market innovative solutions that fulfill the potential of new technologies, improving environmental performance in sectors ranging from industry to commerce and services. We minimize our environmental impact and that of others.



5. PROMOTING SUSTAINABLE INNOVATION...

...through the development of new solutions that induce economic, environmental and social benefits. We believe in the power and strength of innovation to promote entrepreneurship, creativity and value creation. Innovating is in our DNA.



MATERIAL TOPICS	GRI STANDARDS
Corporate governance	102-18; 102-21; 102-22; 102-24
Conduct	102-16; 102-17; 206-1; 307-1; 406-1 407-1; 408-1; 409-1; 415-1 419-1
Corruption	205-2; 205-3
Conflict of interests	-
Intellectual property	-
Transparency and reliability of information	417-2; 417-3
Generated and distributed economic value	201-1
Stakeholder engagement	102-40; 102-41; 102-42; 102-43; 102-44
Information security and privacy	418-1
Sustainable supply chain management	102-9; 102-10; 204-1; 414-1; 407-1; 408-1; 409-1
Customer service	-
Responsible Marketing	417-3
Access to content	-
Response to emergency situations	-
Work conditions	401-2; 401-3
Occupational health and safety	403-9; 403-10
Remuneration and Benefits	401-2; 405-2
Evaluation and development	404-1; 404-3
Talent management	-
Diversity	405-1; 405-2
Energy and climate change	302-1; 302-3; 302-4; 305-1; 305-2; 305-3
Waste	306-2
Low carbon solutions	-
Electromagnetic fields	-
Development of products and services with environmental and social benefits	-
Promoting entrepreneurship	-

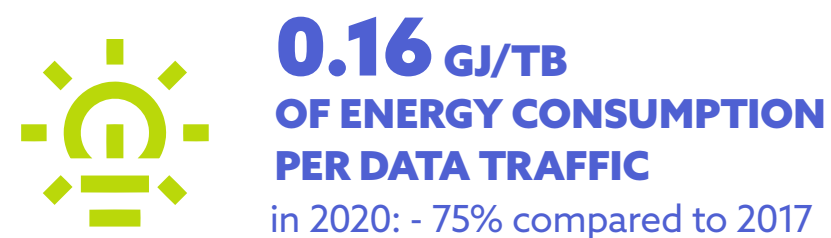
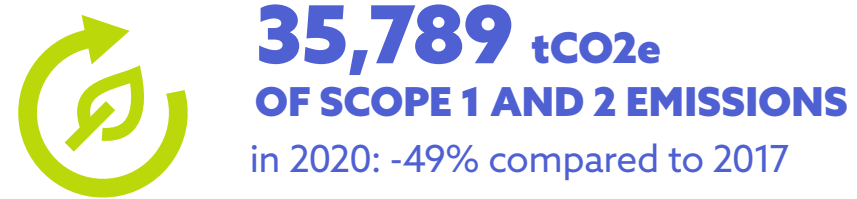
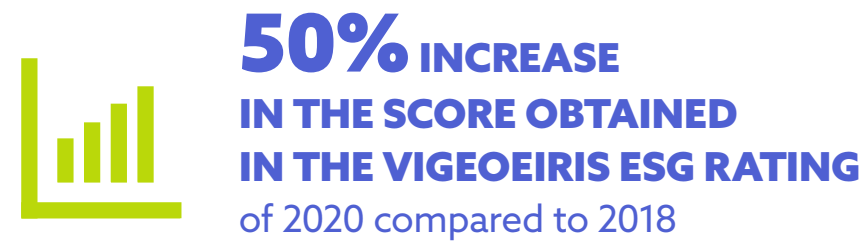


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IMPACT OF THE 2018-2020 STRATEGIC SUSTAINABILITY CYCLE



NEW 2021-2025 STRATEGIC CYCLE

At the beginning of each cycle, and in preparation for it, we promote a broad reflection that aims, in the first stage, to identify which are the sustainability issues most relevant in the context of our activity and considering our positioning and business vision, which are the main drivers of sustainability and what is relevant to our stakeholders. Based on the result of this materiality analysis, in a second stage, we defined a new strategic positioning identifying priority pillars of action and respective commitments and, in parallel, we identified the priority issues that will constitute the main focus of the sustainability report to be produced during the term of the cycle.

During 2020 and early 2021 this process was activated in preparation for the 2021-2025 cycle.

How we define the new materiality

The process followed can be defined in three stages:

1. IDENTIFICATION:

Consisted of a consultation with several relevant external and internal sources that allowed us to identify an exhaustive list of 47 topics organized in 9 areas of intervention, which are directly or indirectly linked to our business and its environmental, social, and economic impact (risks and opportunities) as well linked to the interests of the stakeholders.

2. SCORING:

The relevance of the 9 intervention areas, as well as the 47 topics, was subject to a scoring process by our stakeholders (groups previously identified in "Listening to stakeholders to define the new strategic sustainability cycle"). In parallel, the potential impact of the same 47 topics was assessed, using sources analysed in stage 1 and applying appropriate criteria for the scoring assignment.

3. PRIORITIZATION:

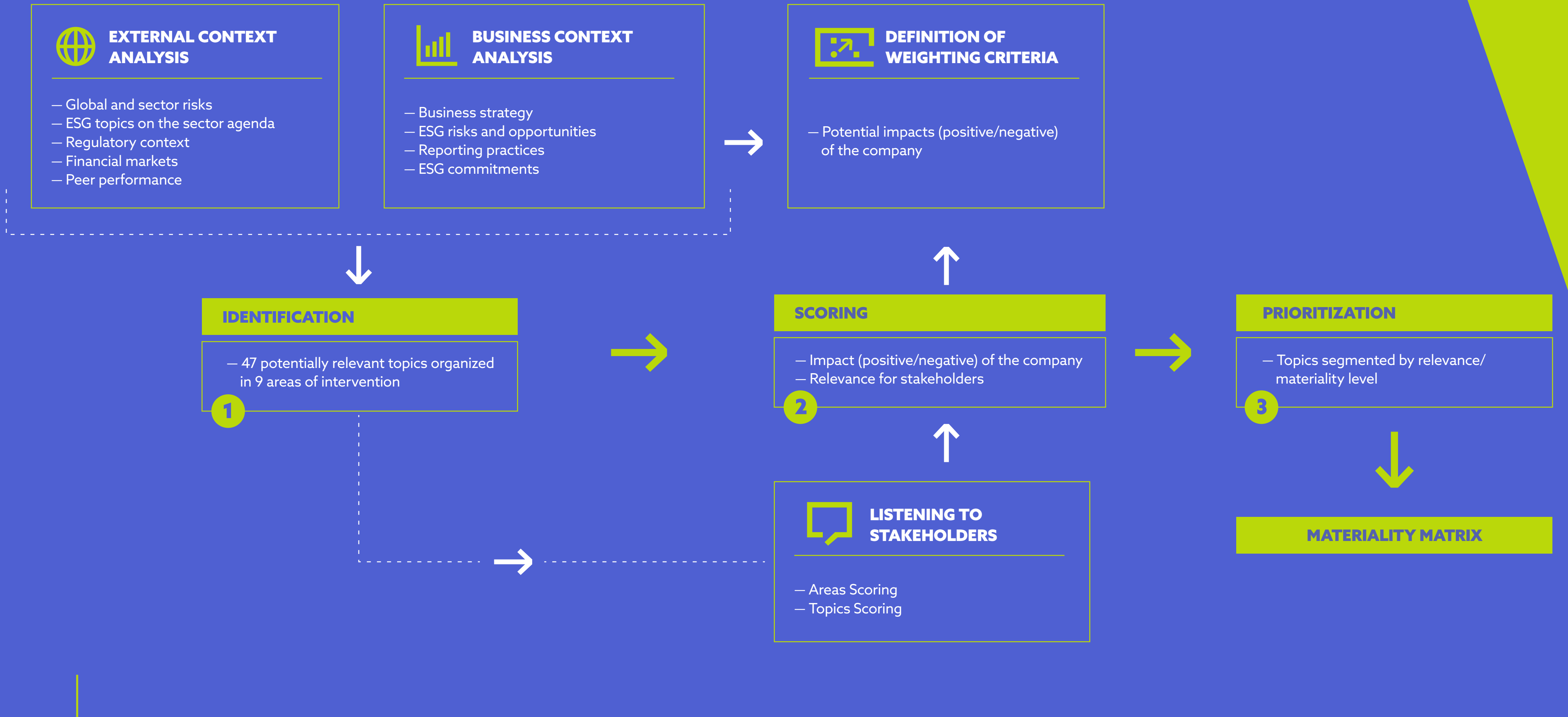
Stakeholder scoring was consolidated (the importance of each topic simultaneously weighed the score given to the topic and that of the intervention area where it was inserted), and then the two scorings (stakeholders and impact) were organized in matrix. The relevance thresholds were established taking into account the positioning in the quadrants of the materiality matrix.



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SUSTAINABILITY STRATEGY 2021-2025

✓ STRATEGIC PILLARS

✓ PRIORITIES

✓ COMMITMENTS

✓ TARGETS

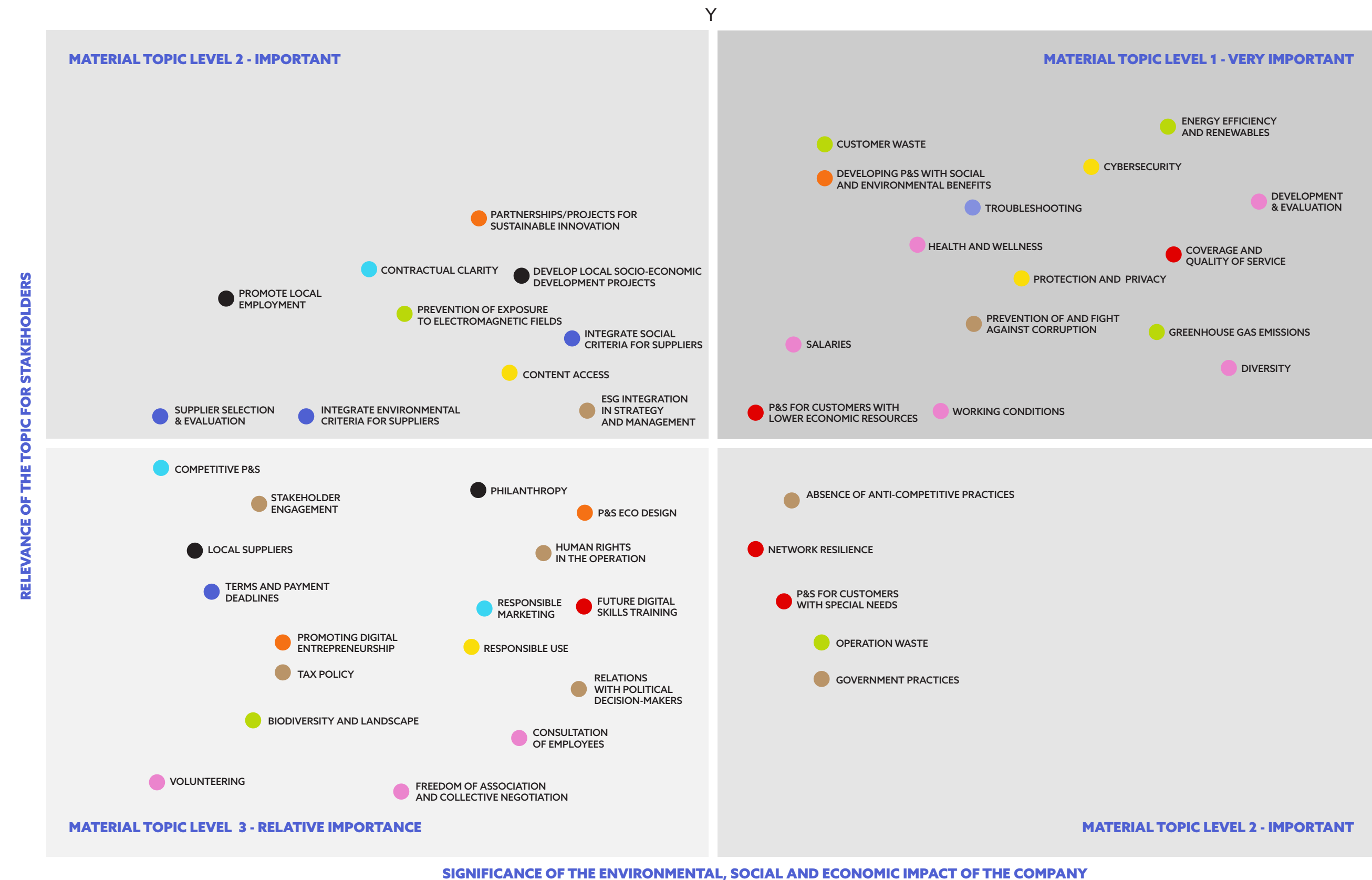


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MATERIALITY MATRIX



- REDUCE THE ENVIRONMENTAL IMPACTS OF THE ACTIVITY
- GENERALISE ACCESS TO DIGITAL TECHNOLOGIES
- ENSURE SECURITY AND PRIVACY IN THE USE OF PRODUCTS AND SERVICES
- PROMOTE INNOVATION
- ADOPT A MODEL AND ETHICAL MANAGEMENT PRACTICES
- ESTABLISH FAIR AND TRANSPARENT COMMERCIAL RELATIONSHIPS
- VALUE THE EMPLOYEES
- SUPPORT THE COMMUNITY
- RESPONSIBLY MANAGE THE SUPPLY CHAIN

How we interpret and incorporate these results

This materiality analysis provides guidance that will impact the content of the sustainability report for the next reporting periods from the year 2021 and more immediately to the definition of our strategic approach.

– Distribution of topics by levels versus strategic ESG approach

- This process resulted in the identification, in line with the criteria suggested by the GRI Standards, of **15 priority topics (Level 1)** that are considered the most material because they are simultaneously important for stakeholders and for the success and legitimacy of the business. These topics are closely linked to NOS' 2021-2025 ESG business and strategy, which aims to lead and be recognized in sustainability, in the sector and in Portugal.
- The topics in **Level 2**, in general, are also important for the creation of value in the medium and long term, therefore, also constituting key parts of our management approach to sustainability. Most were incorporated into strategic priorities, in some cases directly (as in the case of "Sustainable Supply Chain Management") and in others, in an aggregated way (as is the case with the topic "Absence of Anti-Competitive Practices" which, together with the topic "Prevention and Combating Corruption" of level 1, integrate the Ethics and Conduct Topic). The remaining issues, such as the prevention of exposure to electromagnetic fields, are already robustly addressed by our management and reporting policies and practices.
- Topics positioned in the last quadrant (**Level 3**), of moderate or low importance, include topics of a more general nature, so they are not addressed at the level of ESG strategic priorities. NOS has policies, monitoring, and continuous management processes for most of these issues. As an exception, we point out the topic of "Training in digital skills of the future", which is closely linked to the strategic pillar "For a Digital Future" and to issues included in Level 1.



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Taking into account the results of the materiality definition process, this type of considerations and the intended purpose of connecting to a world that connects us all, as well as considering the current state of maturity on the various fronts of sustainability and the point we want to reach, the new strategic positioning was then defined, based on four priority pillars, associated commitments, and strategic targets.

SDG	STRATEGIC PILLAR	COMMITMENT	STRATEGIC TARGET
 	 I. ON BEHALF OF THE PLANET Lead unequivocally in combating climate change and in the circular use of resources, positively influencing the entire value chain.	<p>Increase the energy efficiency of the operation.</p> <p>Use renewable electricity to meet our consumption.</p> <p>Reduce the carbon footprint in line with climate science.</p> <p>Contribute to the reduction of emissions in the economy.</p> <p>Promote the circularity of the NOS business through the reuse, resale or recycling of network and customer equipment.</p>	<ul style="list-style-type: none"> Reduce total energy consumption per data traffic by 75% by 2025 and 85% by 2030, compared to 2015 Consume 65% of renewable electricity by 2025 and 80% by 2030 Reduce the carbon footprint of the own operation (emissions of scope 1 and 2) by 50% by 2025 and 75% by 2030, compared to 2015 Adopt a Scientific Base Target to reduce emissions, approved by the Science Based Target Initiative Reduce, by 2025, customer emissions through our products and services, in an amount higher than the emissions of our own operation. Annually increase the level of circularity between 2022 and 2025.
 	 II. FOR A DIGITAL FUTURE Promote the digital transformation of society, through democratic access to technology and the inclusion of the most vulnerable audiences.	<p>Generalize digital access by expanding network and service coverage.</p> <p>Increase network resilience and emergency situations response in general.</p> <p>Define a program focused on promoting digital literacy and access to technology for vulnerable groups.</p> <p>Define a program aimed at training young people and professionals in the digital skills of the future.</p> <p>Develop P&S offer for market segments with less economic capacity, or customers with disabilities.</p> <p>Inform and raise awareness about security and privacy in the use of products and services.</p> <p>Implement, through new technological solutions, a P&S offering that responds to social and environmental challenges.</p> <p>Promote the sustainable development of companies and institutions through their digital transformation.</p>	<ul style="list-style-type: none"> Increase the % of population covered with 4G/5G by 2025. Train 10K people through programs to promote digital literacy and training of digital skills of the future, by 2025 500k objects linked by IoT solutions with environmental or social benefits, by 2025.

SDG	STRATEGIC PILLAR	COMMITMENT	STRATEGIC TARGET
 	 III. MORE FOR OUR PEOPLE Positioning NOS as the best company to work for, promoting diversity and inclusion, and equal opportunities, as well as people's physical and emotional balance.	<p>Promote equal opportunities for personal and professional development for all employees and ensure a rigorous, transparent, constructive and meritocratic performance assessment.</p> <p>Promote diversity, in its different dimensions, and foster a mindset of inclusion in NOS.</p> <p>Redefine the health and well-being program to increase the impact on promoting healthy living in a sustainable way.</p>	<ul style="list-style-type: none"> Improvement of the employee satisfaction index Increase in the number of women in management roles (= or > Manager), by 2025
 	 IV. ETHICAL AND RESPONSIBLE MANAGEMENT To be an example in the implementation of best management practices, with a focus on ethics, governance, risk management and continuous assessment of the supply chain.	<p>Promote reflection on the current government model in line with the best practices of structure, evaluation, independence, overpresence and diversity, namely of gender and experience.</p> <p>Acting ethically and responsibly with our employees, customers, suppliers and business partners.</p> <p>Promote the reduction of environmental impact and ensure the compliance with social criteria in the supply chain.</p>	<ul style="list-style-type: none"> Positive evaluation of employees on the company's ethical performance between 2022 - 2025. Environmental and social evaluation of 100% of the risk suppliers by 2025.



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ACTING ETHICALLY AND RESPONSIBLY

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2020 AT A GLANCE

EVALUATION OF COMMITMENTS DEFINED IN THE ETHICS AND INTEGRITY FIELD

COMMITMENT	YEAR		STATUS 2020
Ensuring that employees, suppliers and partners are aware of and are aligned with the latest version of the Code of Ethics	2020		All employees, suppliers and partners received a communication to inform about and give access to the latest version of the Code of Ethics.
Raise awareness of employees to NOS rules and ethical principles	2020		A new e-learning training was provided and two "Let's talk about ethics" sessions were held in order to present and strengthen the ethical principles and inherent messages contained in the latest version of the Code of Ethics.
Launch new Security & Privacy training programs	2020		The new NOS Security & Privacy e-learning is scheduled to be launched in early 2021. In addition, in 2021 we will introduce a new awareness component by streamlining "Let's Talk About Security" sessions.
Develop a structured, cross-cutting and differentiated program that fosters the relationship and collaboration with suppliers, maximizing the sharing of information and experiences in order to anticipate and/or challenge the introduction of innovations and new business models	2020		The essence of the program model was designed in 2020, however approval and subsequent implementation will only happen in 2021 taking into account the pandemic.

Implemented
 In progress
 Not implemented

MAIN HIGHLIGHTS

97%

Direct employees trained in the new code of ethics

80,3%

Of turnover with national suppliers

> 5,400

Employees of partners trained in Security & Privacy

90%

Suppliers with satisfactory evaluation





ETHICS AND CONDUCT

At NOS, S.A., trust is understood as a fundamental asset in conducting business, without which it is not possible to establish lasting relationships with our stakeholders, whether they are customers, partners, employees or any other. Building that trust is something that requires commitment on a daily basis, based on ethical and responsible business principles, clearly defined, and communicated, and a conduct aligned with them.

Professionalism, integrity, transparency, and independence are fundamental principles of the Group, foundations that allow us to establish these relationships of trust and that support our ambition and growth objectives and must be applied and complied with in everything we do.

NOS Group fundamental ethical principles

- Professionalism
- Integrity
- Transparency
- Independence

How we manage ethical issues

Aware of the impact of ethical issues on the organization's reputation, we have tools, structures and mechanisms that ensure a careful management of these issues, of which we emphasize, as fundamental:

- the Code of Ethics;
- the Ethics Committee;
- the Annual Ethics Action Plan that integrates the training and communication dimensions of ethics.

In addition to these bases, which encompass the principles and management of ethical issues as a whole, there are in NOS several policies and mechanisms of a more targeted nature that concretize the application of general principles to specific thematic and operational contexts, such as, for example, the procurement/contracting services process or information security. We highlight some of the main policies and mechanisms:

- Delegation of Responsibilities and Procurement Manual;
- Sustainability requirements for suppliers and partners;
- General Information Security Policy;
- Employees' Privacy Policy;
- Travel and Mission Expenses Regulation;
- Gender Equality Plan;
- Code of Conduct for Preventing and Combating Harassment;

- Guide to a Responsible Online Presence;
- Regulation for the Acceptance and Offering of Benefits.

In the institutional area of the [website](#) it is possible to know the main milestones related to the provision of the various regulatory instruments for the Policies assumed by NOS that contribute to the application of ethical principles to all the Group's activity. [↗](#)

The Code of Ethics

The Code of Ethics, published in its first version in 2015 and revised in 2019, was created with the fundamental objective of sharing a set of principles and rules that should govern the internal and external relationships of NOS Group companies with their stakeholders, as well as to promote and encourage their adoption by all members of NOS' governing bodies and employees, as well as, with the necessary adaptations, by all those who represent or provide services to the NOS Group.

The Code does not act alone, but in conjunction with the other regulatory instruments of the Policies assumed by NOS, which develop and deepen some of the established ethical principles, as well as with the legislation and/or regulation, which is, at each moment, applicable.

The Code of Ethics is provided in the institutional area of the [website](#) and on the intranet. [↗](#)

Latest version of the Code of Ethics - an example to follow

The latest version of the Code of Ethics was provided and disclosed in 2020. It incorporates the opportunities for improvement identified by the Ethics Committee and responds more assertively to the Organization's challenges. The Code frames the issues from a very practical perspective based on examples of hypothetical but concrete situations, in order to facilitate the understanding of the message by all employees.

The need to review resulted from:

- **Strengthening of the commitment to ethical issues**, that result from the development of the legal and regulatory framework itself and that has been reflected in the approval of new policies and codes that deepen specific ethical issues as well as from the adherence to a set of external initiatives that strengthen the commitment on ESG issues (such as the United Nations Global Compact and the CEO's Guide to Human Rights);
- **Identified opportunities for improvement**, as a result of the Code's implementation in recent years, as well as of conducted benchmarking.



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The Code of Ethics covers issues such as:

- Meritocracy;
- Team spirit;
- Legal and Regulatory Compliance;
- Correct use of resources and information;
- How to avoid corruption and bribery;
- How to avoid conflicts of interest;
- Fair competition;
- Respect for human and labour rights;
- Diversity and equal opportunities;
- Non-discrimination;
- Fighting moral and sexual harassment;
- Transparency in reporting;
- Employee and customer privacy;
- Privacy of customer data;
- Honesty, cordiality, and other aspects related to civic conduct;
- Environmental and socially sustainable conduct.

Latest version of the Code of Ethics - Short version for Suppliers and Partners

In order to facilitate the understanding and adoption of the principles and rules described in the Code of Ethics by suppliers and partners, who must ensure strict compliance with them, since 2016 the practice of providing a short version of the Code was adopted, which is also available on the [website](#) in the updated version.

This version was also reviewed and disclosed in 2020, to ensure that suppliers and partners know, communicate, and ensure compliance with the ethical commitments by all their employees at the service of NOS Group companies.

The Ethics Committee

The NOS Ethics Committee's mission is to monitor, with impartiality and independence, the disclosure and implementation of the NOS Group Code of Ethics. It has, among others, the responsibility of:

- receive and respond to requests for clarification and expression of concerns related to the Code of Ethics and its compliance;
- prepare opinions on measures to be taken as a result of the investigations;
- ensure the compliance of the ethical performance management system with the requirements established in the Company's internal control system.

Requests for clarification or the expression of concerns related to the Code of Ethics or its compliance, originated by employees, partners, suppliers, customers or third parties, must be addressed through the appropriate e-mail for this purpose, made available at the NOS [website](#) and on the intranet (comitedeetica@nos.pt).

In the [website](#) more detailed information is provided on the committee's responsibilities, as well as on its composition and activity.

The information handled by the Ethics Committee is confidential and restricted. Thus, the Ethics Committee also addresses situations placed anonymously and ensures anonymity in order to ensure trust in the process.

Ethics Committee activity indicators

Ethics Committee activity indicators have been defined and compiled annually. These indicators are also disclosed internally to employees.

In 2020 these indicators revealed that:

During the year 2020, the Ethics Committee registered 12 requests for clarification and were allegedly reported 25 irregularities through the email comitedeetica@nos.pt

12 Clarification requests received

25 Alleged irregularities investigated

Irregularities reported and investigated

In an analysis by source of complaints, we can conclude that the channel was used by four groups of stakeholders:





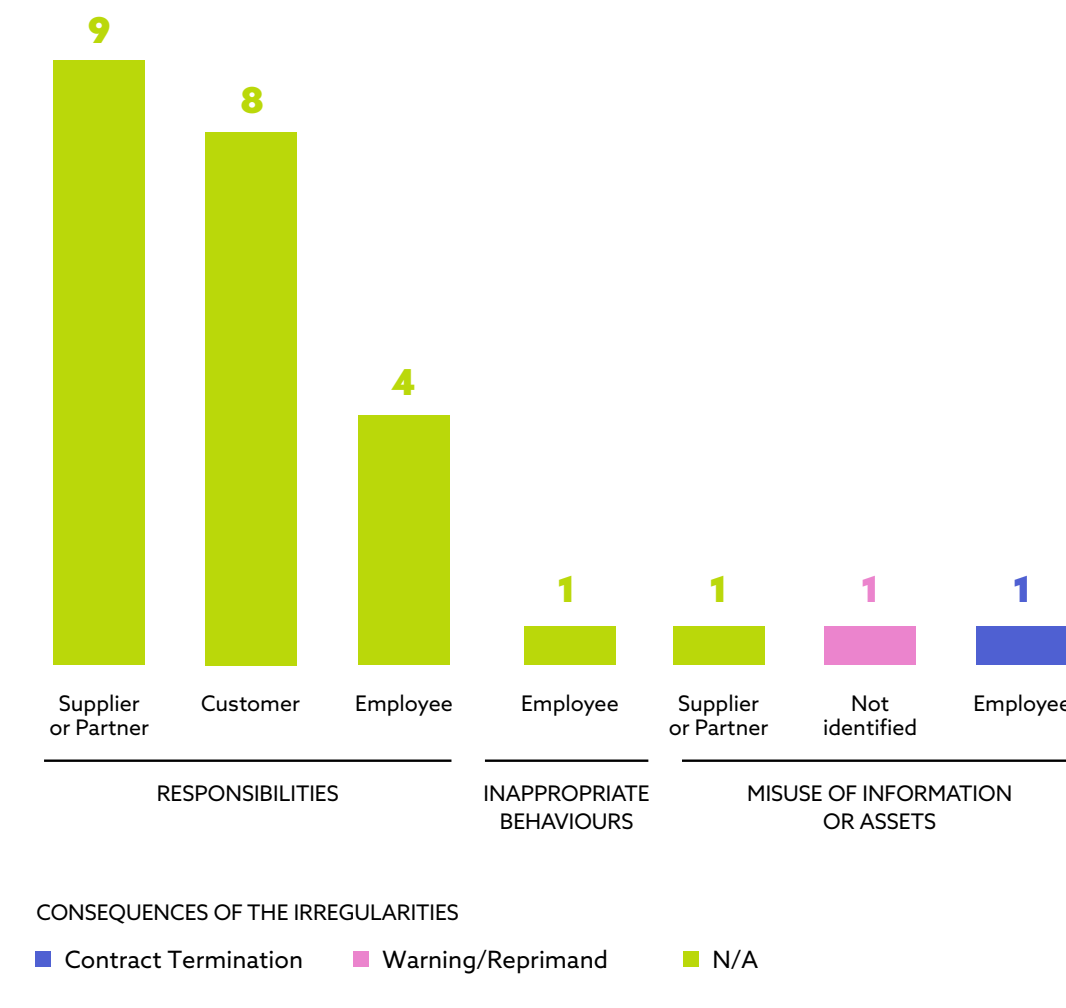
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Typology of the consequences of irregularities identified by the nature of the communications received and by stakeholders

2 were consequential and in violation of the Code.

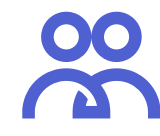


Ethics training and communication

At NOS we believe that only through the consistent and regular application of our ethical principles is it possible to maintain the trust of our stakeholders. In this sense, NOS defines and implements the annual action plan for ethics, which involves training and communication.



EMPLOYEES



PARTNERS AND SUPPLIERS

The **annual ethics training and communication program** comprises a set of initiatives that aim to ensure that all employees, suppliers and partners know and understand the Ethics Policies and Codes available and, to that extent, have greater clarity about behaviors that can be considered less ethical.

Employees

The training plan for employees provides for mandatory e-learning on the Code of Ethics, making it an integral part of the welcoming process for new employees, at which time an individual statement of commitment to comply with the Code is signed.

Main objectives of ethics e-learning

- Know the NOS Code of Ethics and the policies related to certain ethical issues;
- Know the Group's ethical principles and rules;
- Understand the role and responsibilities of each one in the compliance with these principles and rules on a day-to-day basis;

- Understand the impacts that the behaviour of each one assumes for NOS;
- Know which are the mechanisms for reporting an alleged irregularity or clarifying doubts and concerns.

New "Ethics at NOS" e-learning

In 2020 with the release of the latest version of the Code of Ethics, a new mandatory e-learning was developed for employees, to which was given a configuration as practical and dynamic as these issues allow. The training was developed according to a clear challenge - to ensure interest and motivation for ethical and conduct issues; give visibility and promote the retention of content regarding ethics; demonstrate the criticality of the Issue for the Organization, and with a strong focus on:

- **fictional, but concrete examples:** in order to help identify unethical situations and distinguish aligned and misaligned behaviour in view of the Organization's principles and rules.
- **gamification:** The process for measuring the acquisition of concepts and messages was built on a game logic that is based on a board that the trainee travels through, responding to the challenges that are launched in order to complete the questions related to each issue. The dynamics of gamification captivates, involves, and facilitates the consolidation of knowledge.

The new training was considered very good or good by 95% of the trainees who completed the evaluation form, 96% agreed that the training contributed to a better understanding of ethical issues in the practical context of the company's activity and 98% appreciated the format of the course.

With the launch of the new e-learning in July, an action was taken to raise awareness among the Directors to alert them to the importance of conducting the training, so that they strengthened the message with all employees. The rate of completion of this e-learning was 97%, being very close to the final goal, 100%, which will be reached in the first quarter of 2021.



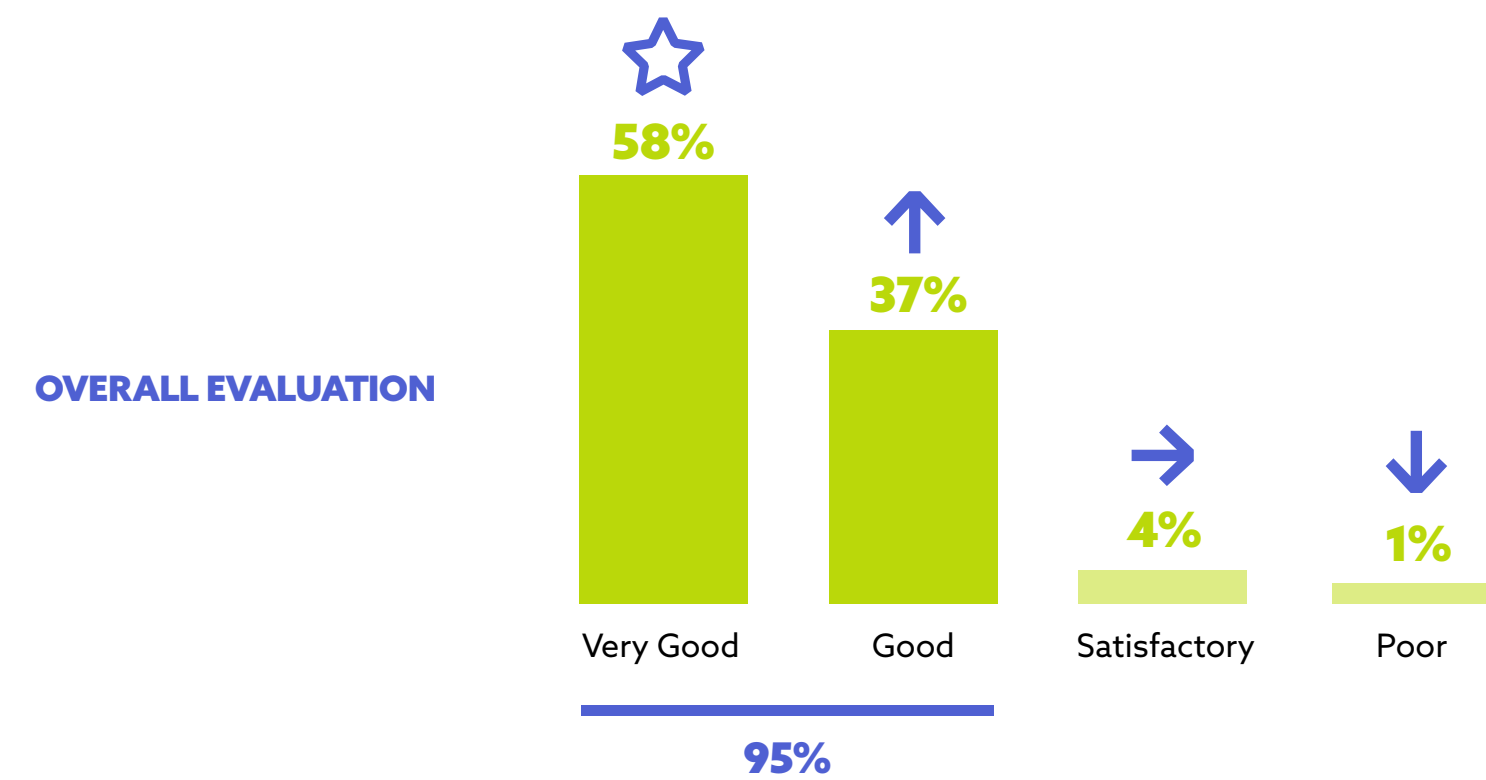
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EVALUATION OF THE "ETHICS AT NOS" E-LEARNING

Based on 676 respondents

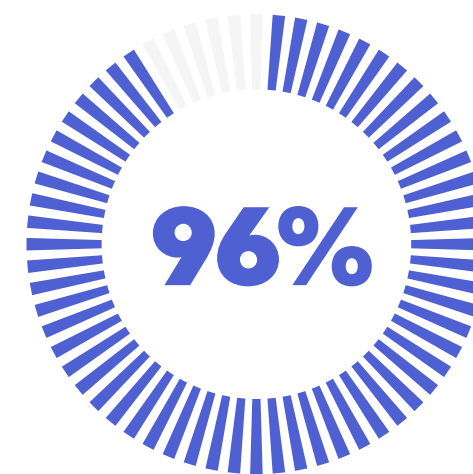


FORMAT APPROVAL



- Did you like/enjoy this learning methodology?
- Is the course interactive and appealing?

IMPROVEMENT IN THE ACQUISITION OR CONSOLIDATION OF KNOWLEDGE



- Have you acquired new knowledge or improved knowledge already acquired?
- Did the knowledge evaluation exercises and modules available throughout the course help you to test/validate your understanding of the content?

Let's talk about Ethics – a success in content and format

For the third consecutive year, we continued with the "Let's talk about Ethics" initiative in 2020, with two sessions, one in June and the other in November. We took advantage of the June session to share with our employees the activity indicators of the Ethics Committee, referring to the period from 2019 to May 2020.

The "Let's talk about Ethics" initiative consists of open sessions for sharing knowledge on the issue of business ethics, addressed to employees, with the participation of the Ethics Committee.

The sessions aim to strengthen the importance of ethical issues for the Group, to clarify the role of the Committee in the company, to generate confidence in the existing processes and to clarify existing doubts on the subject in a model of direct interaction and co-creation with the participants to the extent that, in some sessions, the possibility is given to put in advance and anonymously, the questions that they would like to see addressed and answered in person in the session.

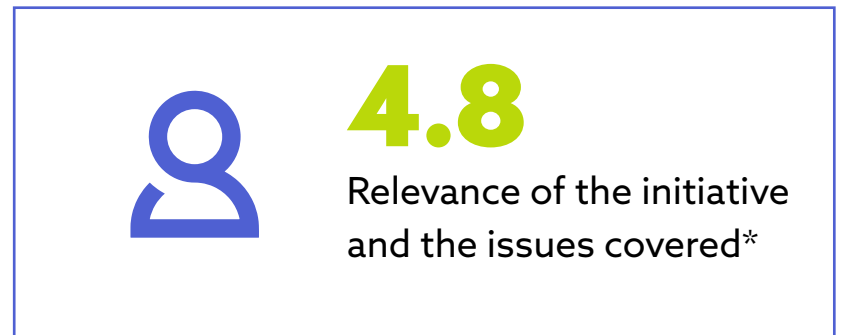
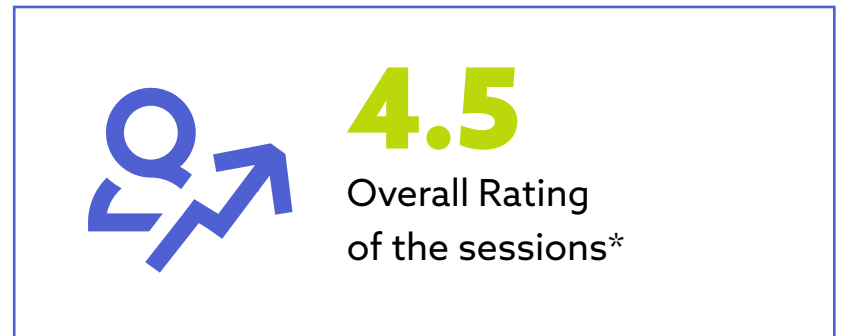
This dynamic demonstrates the Committee's total openness and transparency in resolving the ethical dilemmas presented and has proved to be a success. Whoever participates highlights the contribution to the increase of trust in the Organization provided by the proximity to the Ethics Committee and recognizes the importance of ethics for the Organization's reputation.

In 2020 responding to the context of widespread remote work, these sessions were conducted for the first time in virtual format, which allowed to increase the number of accesses, with each session attended by approximately 200 employees (196 and 210, respectively). The sessions were very well evaluated and most employees, 87%, when asked at the end of the first session of the year, about the preference of the format, chose the virtual format over the face-to-face, so it is considered to keep it as an option even in a non-pandemic context.

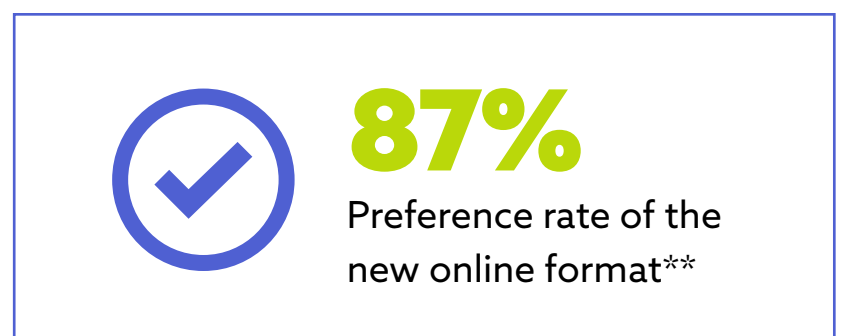
Let's talk about ethics – an open and co-creative session of discussing ethics at NOS

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In the June session, employees were allowed to indicate which issues they would like to see addressed, and this was a general session that addressed issues ranging from clarifying the role and processes related to the Ethics Committee, to the ethical challenges posed by a pandemic, going through conflict-of-interest issues. The second session was based on the issue of how to develop a culture focused on ethics with three different observation lenses: people, products, and processes.



* Average value of the two sessions of 2020, calculated on a scale of 1 (Very bad | Totally irrelevant) to 5 (Very Good | Totally relevant) and in a universe of 116 complete answers (incomplete quizzes were excluded)



** Regarding the first session of 2020



***Regarding the two sessions of 2020

Suppliers and Partners

The employees of each partner or supplier acting on behalf of NOS are obliged to follow the principles and rules of the Code of Ethics with the adaptations described in the short version for suppliers and partners.

Whenever faced with alleged violations of the NOS Code of Ethics, and within the scope of the contractual relationship with NOS, the partner

or supplier must report them to the NOS Ethics Committee.

Supplier and partner employees who provide services in organizational units identified as having activities more exposed to ethics risks also participated, in 2020, in ethics training sessions whose format was defined by the unit itself. By the end of the year, more than 9000 employees from the active base of partners had undergone this training.



Testimonies:

"A very positive and relevant session due to the high knowledge of the speakers who managed to convey the confidence and veracity that prevails in the Issue, albeit in a light and colloquial way."

"The clarity of how issues are addressed is of brutal importance. I am very proud to be part of a company with these values. Many congratulations on the initiative and for the way you make our culture prevail."



SECURITY & PRIVACY

In order to ensure that all people who in any way relate to NOS (customers, employees, suppliers and partners, among others) have the necessary conditions for the safe use of our services, we continue to revalidate the commitment we have with the stakeholders, regarding the issues that we consider to be a priority in terms of security and privacy.

Security and Privacy Management

The Security & Privacy (S&P) programs and processes that we develop and maintain allow us to manage the risks related to availability, integrity, confidentiality, privacy, and cybersecurity, which are associated with information/data, processes/assets, or products/services.

NOS companies, areas and employees are responsible for ensuring the operationalization and monitoring of cybersecurity, privacy and business continuity controls whose implementation is attributed to them.

NOS' Central Security & Privacy Team, authorized by the Executive Committee, is responsible for coordinating S&P programs that aim to develop and implement S&P processes in the organization.

SECURITY AND PRIVACY PROCESSES

Planning and strategy (including S&P Steering Committees)	S&P objects (inventory and risk assessment of assets, activities and products or services)
Policies and Regulations	Records of Processing Activities (RPAs)
Awareness and training	Privacy Impact Assessments (PIAs)
Control and monitoring (including risk assessments, control of S&P initiatives, KRIs)	Subcontractors
Security & Privacy by Design	Business continuity and crisis management (BCM)
Compliance support (including changes in legislation and/or regulation of S&P, support to areas)	S&P Incidents
	S&P certifications

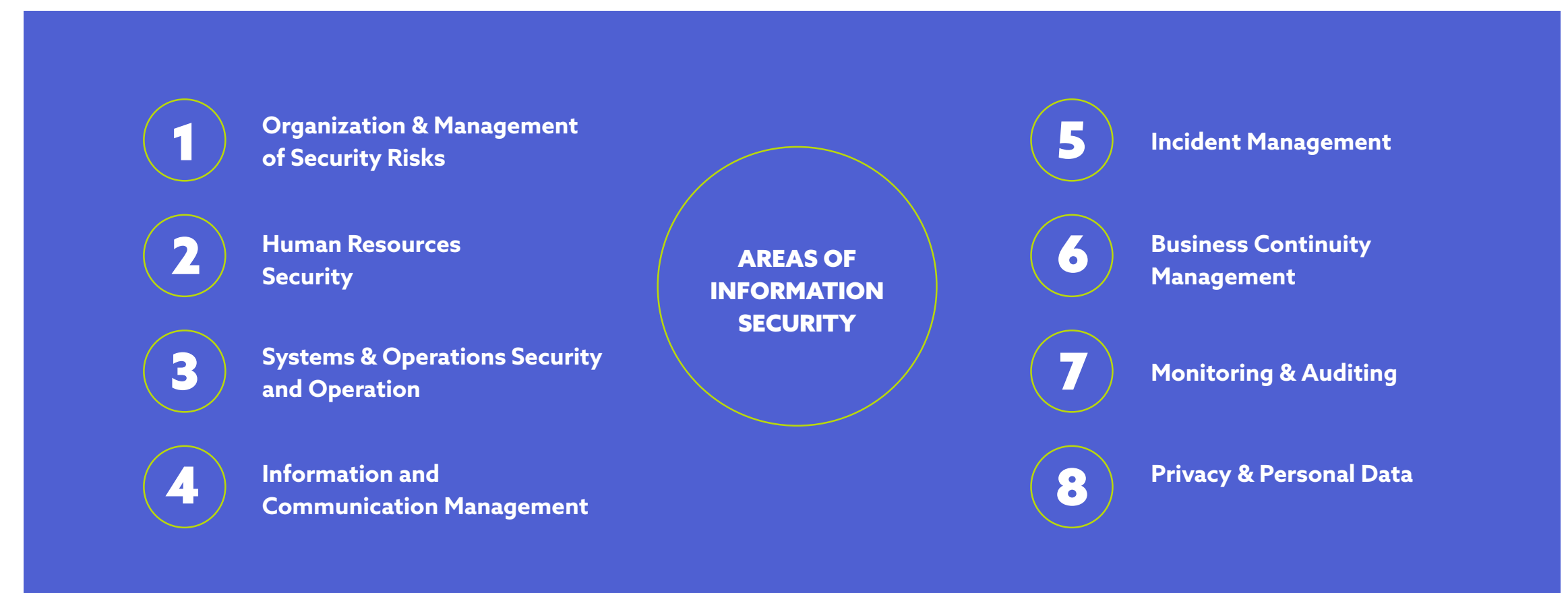
Information Security Management

The **NOS Information Security Management (ISM)** program aims to implement processes to protect information and its supporting assets on the three fundamental pillars (availability, integrity, and confidentiality). Information protection must comply with both internal information policies and external laws and regulations. The service requirements documented in the agreed service levels, contracts or operational agreements with customers must also be considered.

Personal Data Protection Management

For NOS, privacy is a concept of information security associated with confidentiality that includes the protection of information, in particular the personal data of customers, employees and other data subjects, with the objective of ensuring compliance with the applicable rules and the fundamental right of each individual to have access and to decide who should have access, at every moment, to their data.

In this context, and in conjunction with the ISM, we have developed and maintain a program of initiatives that aim to implement processes for the protection of personal data, but also to continuously monitor and improve compliance with the General Data Protection Regulation (GDPR) and other regulations impacting privacy.





Data Protection Officer (DPO)

For specific issues related to the privacy of personal data, NOS has a DPO, whose main responsibilities are:

- monitor compliance of data processing with applicable standards;
- be a point of contact with customers, users, or other holders to clarify issues related to the treatment of their data by NOS;
- cooperate with the national supervisory authority (CNPD - National Data Protection Commission);
- provide information and advice to controllers or subcontractors about their privacy and data protection obligations.

Business Continuity Management

NOS develops and maintains a Business Continuity Management (BCM) program with the objective of implementing processes to reduce the risk of interrupting critical business activities or critical products and services, originating in catastrophe situations, technical-operational failures, or massive human resource failures.

The Business Continuity Management processes cover the facilities, network infrastructures and the most critical activities that support critical services, for which resilience strategies, plans and continuity actions are developed, as well as incident/S&P crises management procedures. Continuity processes are periodically subject to impact and risk analysis, as well as audits, tests, and simulations. NOS also promotes the articulation with external official entities for catastrophe scenarios, protection of critical infrastructures and communication in crises, including in this scope, for example, the collaboration with the National Emergency and Civil Protection Authority.

Security & Privacy Actions

2020 was a very active year in this field, either due to cross-cutting or more specific planned initiatives, or driven by the pandemic context that brought an increased flow of remote work with consequent change in needs and risk, thus prevailing specific actions related to cybersecurity and business continuity.

MAIN SECURITY AND PRIVACY INITIATIVES DEVELOPED DURING 2020

- Update of the General Security Policy and Privacy Policies
- Review of the architecture of Remote Accesses (VPN) of NOS users, strengthening of security requirements in the infrastructures and processes associated with VPNs, improvement of controls and indicators for monitoring the allocation of remote accesses and respective permissions
- Compliance assessment and improvements in Security & Privacy measures for Big Data environments (Data Lake)
- Identification and implementation of new Security & Privacy requirements applicable to operations in a Virtual desktop infrastructure (VDI)
- Implementation of actions to improve resilience in infrastructures and network services (strengthening of redundancies in circuit layouts, strengthening of infrastructure and TV service frontends, strengthening of storage and redundancy for TV or OTT services, among others)
- Review of the resilience and recovery objectives for services in the event of a communications network failure, updating interdependencies between services and network assets, and identifying additional actions necessary to improve resilience
- Continuation of the transition to the new processes and tools that support the Security & Privacy management
- Continued improvement of processes and tools in accordance with the requirements of ANACOM's Network and Services Security Regulation
- Completion of the development of a new e-learning on Security & Privacy, to be provided to employees at the beginning of 2021 (it will replace the current e-learnings on Information Security and Privacy/ GDPR)
- Continued improvement of processes and tools in accordance with the requirements of ANACOM's Network and Services Security Regulation
- Strengthening of controls and monitoring over the processes for the exercise of rights of personal data holders by customers under the GDPR, as well as the continuous strengthening of customer management processes (consents, authentication, etc.)
- Implementation of a COVID-19 Crisis Management Plan, with the objective of defining and implementing a wide range of initiatives and structured contingency plans that ensure the protection of employees and business continuity
- Development of frameworks and specific Security requirements for 5G Networks and Cloud Environments, in a Security by Design logic
- Implementation of business continuity plans in the context of the COVID-19 crisis, among which: improvements in network resilience and in ensuring the delivery of communications services to priority customers, which include hospital services, the government and the public administration and other critical services for the country, designated through exceptional and temporary legislation applicable to the electronic communications sector; provision of remote work solutions to corporate customers such as VPNs, Cloud Services, among others that allow them to maintain their critical services; adjustment and strengthening of the capacity of mobile and fixed networks, in order to respond to changes in pattern and the increased needs of residential and corporate customers; 24x7 support to customers on the various channels; strengthening of the employees' remote working capacity, through the provision of remote working means, collaborative tools and respective infrastructure



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Practical guide | Remote Work | Cybersecurity Risks



We provided to our people a Practical Guide on the different aspects of Remote Work, including guidelines

on the use of remote work tools (VPN, videoconferences, other collaborative tools) and on precautions to be taken to avoid cybersecurity threats. We also regularly released, via the intranet and via email and SMS, protection recommendations related to threats in the context of a pandemic, including security rules for phishing threats.

Security and privacy training and communication

In 2020, we continued to implement the training plan for employees and partners, including conducting e-learnings on "Security & Privacy". This year, due to the COVID-19 restrictions, no face-to-face training actions on "Security & Privacy" were carried out".

Security & Privacy E-learnings



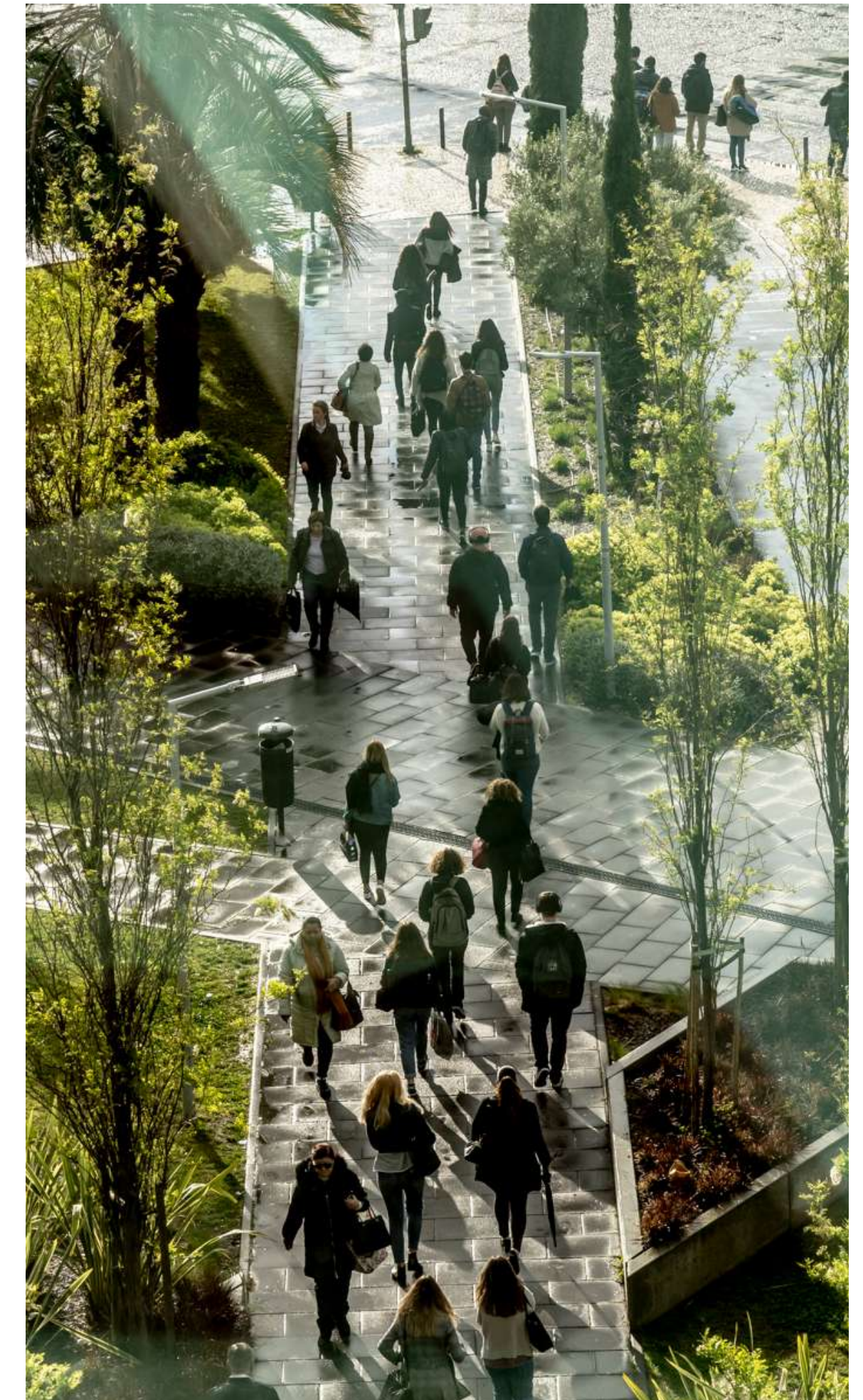
ETHICAL AND RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

We want to ensure our competitiveness through the quality and lasting value of our products and services based on successful and sustainable business activities. We recognize that business

success and responsible conduct are not mutually exclusive factors, but factors that promote each other. We expect this understanding and mentality not only from all our people, but also from our suppliers and business partners who are an integral part of our value chain and, consequently, a key element to ensure the quality of the products and services that we develop and market, and they influence our economic, social, and environmental impact and performance.

In this sense, we have developed a set of principles and policies that serve as a basis for both our actions towards them and for their actions towards NOS, formalized and communicated through two key documents:

- The **NOS Code of Ethics - short version for Suppliers and Partners** - which establishes our commitment to the integration of ethical, environmental, and social factors in the supply chain and through which we encourage and promote the adoption of the best sustainability practices in the activities of our suppliers and business partners;
- The **Sustainability Requirements for Suppliers and Partners**.





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SUSTAINABILITY REPORT

Sustainability requirements for Suppliers and Partners

The Sustainability Requirements for suppliers and partners present guidelines that reflect the essentials of our positioning, commitment and performance in terms of sustainability, and that must be adopted by all NOS suppliers and partners, being aligned with the national and community legal framework, with the norms and principles of international law and international initiatives of reference in the ethical, social and environmental domains, as is the case of the United Nations Global Compact, the Universal Declaration of Human Rights or Fundamental Rights at Work of the International Labour Organization.

The Requirements are communicated to all suppliers and partners (100%) and are provided on the NOS website. They are also an integral part of the General Conditions for the Supply of Goods and Provision of Services to Grupo NOS sent

to suppliers in the market consultation processes. In the scope of supplying products and providing services to NOS, suppliers are obliged to fully comply with the requirements contained in the Requirements, insofar as they are applicable to the supply in question. They are also obliged, in case of recourse to subcontracting, to make their subcontractors known and to ensure that they guarantee the respective compliance.

At the end of 2020, a revision process of this document was initiated in order to include a greater specification of principles related to the safeguarding of human and labour rights, detailing aspects such as the abolition of child and forced labour, work hours or fair pay, among others. This process will be completed, and the latest version provided during 2021.

Additionally, we subscribe to several external initiatives that publicly strengthen and affirm our commitment to foster an integrated and responsible management of our businesses, both internally and in the value chain, as is the case of the BCSD Portugal Charter of Principles or the CEO's Guide on Human Rights.



BCSD Portugal's Charter of Principles

Subscribed by NOS in 2018, the BCSD Portugal's Charter of Principles establishes guiding principles for good business management, adopting internationally recognized standards and practices in the ethical, environmental and social dimensions, to be adopted by the company and promoted in its sphere of influence. The principles set out in this charter cover the following areas: (i) legal compliance and ethical conduct; (ii) human rights; (iii) labour rights; (iv) prevention, health, and safety; (v) environment; and (vi) management.

We periodically invite our most relevant suppliers to join this initiative

Within the spirit set forth in this initiative, in order to encourage the adoption of the best management, ethical, social, environmental, and quality practices in our supply chain, we periodically carry out campaigns with our suppliers with greater relevance to the Procurement Department, inviting them to subscribe to the BCSD Portugal's Charter of Principles.





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Supplier selection and management

The quality of the products and services that NOS acquires is essential to maintain and improve the value proposition of its offer. Given the importance of the participation of suppliers and partners in our activities, we pay special attention to the selection and the relationship we establish with them.

Through the Procurement Manual, we guarantee the implementation in the Group of the best practices in terms of the procurement process, and establish rules and principles for consultation,

subsequent adjudication, and control of the process. In this way, we ensure a careful risk management, maximizing gains, and we contribute to developing and maintaining a healthy and long-lasting relationship with our Suppliers.

The selection of our suppliers is carried out according to objective criteria, considering the technical, economic and compliance with the required obligations and certifications, aspects.

This process is supported on an electronic platform, with recognized credibility in the

market. At the end of each formalization, a survey is carried out on technically valid suppliers, to assess their satisfaction with the conduct of the business process, the quality of the information provided and the ease of use of this platform.

We also apply the supplier risk assessment tool - developed by Dun & Bradstreet - which provides for the screening of social and environmental disputes that may involve suppliers and allows us to conduct a first assessment of the risks associated with their contracting.

As a result, we verified a very low level of non-compliances or non-conformities in the provision of services by suppliers, with elevated levels of satisfaction with the process itself.

Suppliers' evaluation

Supplier evaluation is essential to identify opportunities for improvement in the service provided and to continuously improve supplier management. In this context, we internally conduct an annual evaluation process of suppliers, selected according to criteria of relevance/criticality for the business, turnover volume, among others.





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Since 2019, the evaluation methodology incorporates evaluation criteria related to the ethical, environmental and safety and health performance of suppliers.

For each criterion, metrics were defined to make the exercise more objective and comparable between different evaluations, and the respective weighting to be considered in the final evaluation.

In order to ensure the excellence of the services we provide and that are provided to us, suppliers with lower ratings (<70%) are encouraged to improve their performance through a process of continuous improvement, which includes meetings with key stakeholders of our company and an intermediate evaluation process.

Supplier Evaluation performed in 2020

In the 2020 evaluation, regarding the supply provided in 2019, only 10% (17) of the 163 suppliers evaluated obtained evaluations below 70%. Of these, within the scope of follow-up interactions with some of the suppliers, 5 were able to show improvements in the identified aspects, with consequent reflection in the respective intermediate evaluation.

The evaluation process also makes it possible to make selection and disqualification rationales available for future procurement procedures.

In 2020, as a result of the poor evaluation results for 2019, 6 contract terminations occurred.

At NOS we have not yet carried out audits dedicated to suppliers on environmental and social criteria. However, it should be noted that under the Environmental Management System, certified by ISO 14001, and the Occupational Health and Safety Management System, certified by ISO 45001, a program of internal and external audits is implemented, and that whenever the audited process is developed by a supplier or business partner, that supplier or partner is audited on environmental and social requirements defined by those Standards.

In 2020, within this scope, an Audit was carried out at the NOS Logistics Centre, which is under the responsibility of a third-party entity contracted to that effect, which considered the verification of the compliance with the internal requirements defined by NOS, as well as the normative requirements of ISO9001: 2015, ISO 14001: 2015 and ISO 45001: 2018. Three non-conformities were identified, related to normative non-compliances, which were the target of a cause analysis and treatment plan.

Our supply chain

In 2020, we had more than 9,550 suppliers, representing approximately 2% more than in the previous year. The procurement volume, in that same year, was slightly more than 1,377 million

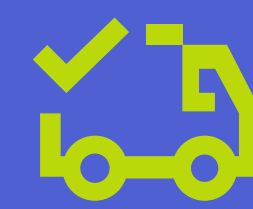
Euros, 80.3% of which related to national suppliers. The telecommunications business is the segment with the greatest weight in the payments to suppliers (90%). Excluding intra-group suppliers, the most relevant supply areas are related to interconnections, equipment, and IT services, which together represent more than 50% of our acquisitions.

With the context of the COVID-19 pandemic, the purchase of personal protective equipment (PPE) assumed significant importance, as well as the assessment of any support needed by business partners to stabilize their operations. Within the scope of the COVID-19 task force that NOS created, around 250 suppliers were consulted, and more than 170 separate purchases were made for about 12 categories of PPE.



163
SUPPLIERS
EVALUATED

- 482 surveys sent
- 35 Departments involved in the Evaluation process
- 315 surveys answered (65%) - All Departments responded, and all suppliers were evaluated to ensure that results are sent to more than one person in each Department involved for a given supplier.
- The number of suppliers evaluated is slightly higher than the number analyzed last year (155)



146
SUPPLIERS WITH
EVALUATION >= 70%

- Corresponds to 90% of the analyzed suppliers
- Regarding the criteria related to social aspects, 4 suppliers obtained a score below the desirable threshold (70%).

The Supplier evaluation incorporates sustainability criteria



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ENSURING A SERVICE OF EXCELLENCE

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4. ENSURING A SERVICE OF EXCELLENCE



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2020 AT A GLANCE

EVALUATION OF COMMITMENTS DEFINED IN THE QUALITY-OF-SERVICE FIELD

COMMITMENT	YEAR	STATUS 2020	
Implement automation processes to improve incident resolution time	2020		Automatic processes were implemented to detect problems in the fixed access network, with automatic opening of incidents and referral to field teams for resolution. This process was introduced for situations of interruption and degradation of the service, resulting in a reduction in the resolution time of malfunctions. Procedures are being developed to extend automatisms to other types of network incidents.
Use Artificial Intelligence with predictive algorithms and Machine Learning to anticipate network and service failures	2020		The network alarms and incident resolution information repository was developed, and data analysis processes were improved to identify correlation of events that have been used in predictive algorithms and Machine Learning. Over the next year, it is expected that this information is incorporated in the operational processes to anticipate network and service failures.
Massively improve the population warning solution in the event of an accident or catastrophe	2020		In response to the consultation carried out by ANEPC during 2020, for the procurement of bulk SMS services, NOS introduced a set of improvements to its population warning solution, which allows a reduction in the times of bulk sending of messages and a response to the requests of this entity at any day and time, configuring a 24x7 availability.
Define contingency plans to minimize impacts resulting from extreme weather conditions	2020		A continuous review of the contingency mode processes resulting from extreme weather and catastrophe situations was ensured, and the improvement of the autonomy and resilience of the energy systems in various technical rooms, the strengthening of the mobile stations battery systems and the implementation of path redundancy in the most relevant connections was ensured.
Ensure network resiliency in areas with increased fire hazard	2020		The recurrent reassessment of high-risk sites in the event of a fire was ensured and preventive actions were implemented, such as cleaning vegetation around the infrastructures and assessing/ strengthening the battery systems to guarantee the intended autonomy. The physical paths analysis tools were also improved to ensure resilience and facilitate the replacement of connections in case of a cut-off.
Improve the customer experience, anticipating needs and ensuring first-time, low-effort resolution in all interactions	2021		In 2020, we continued our path in delivering a better customer experience, with a particular focus on the digital experience in order to guarantee all the comfort and safety of our customers, who already perform more than 1 million Service interactions per month in the Digital Channels.



MAIN HIGHLIGHTS

APCC Awards

Trusted Brand 2020

Awards and recognitions obtained regarding Customer Service (see the "Awards and commitments" section of the Management Report)



RESPONSIBLE MARKETING

At NOS we aim to provide customers with excellent products and services.


To this end, we seek to provide customers with complete, clear, and accurate information, necessary for customers to make a conscious and informed decision, ensuring scrupulous compliance with the agreed conditions and the reservation of information regarding stakeholders who relate to us.

With this way of communicating, in addition to ensuring compliance with the legislation and standards that regulate the sector, we intend that communication is clear, effective, fast, predictable, and consistent, to always ensure customer satisfaction in accordance with the experience principles that we define.

We make permanent efforts to ensure respect and compliance with all applicable legal provisions regarding marketing and advertising, being members of the Portuguese Association of Advertisers (APAN) and the Association for Advertising Self-Regulation (former Civil Institute of Advertising Self-Discipline) and having adhered to the Code of Conduct prepared and approved by the latter.

Such Code of Conduct has as main objectives, namely, to demonstrate good practices and responsibility in the different forms of Commercial Communication, to ensure the audience trust and the respect for the privacy and preferences of consumers.

In this context, procedures were defined to ensure adequate communication with the customer through different means, such as the customer support lines, NOS Customer Ombudsman, NOS Forum, and the stores network.

With regard to the general conditions of the service we provide, in addition to being available on the main page of the NOS website under the title **“Conditions for the Provision of Services”** (www.nos.pt) and in all NOS points of sale, are also described in the documentation delivered when purchasing products or services. 

The year 2020, of course, was marked by the COVID-19 pandemic, which, having made face-to-face contact with customers more difficult and undesirable - whether in physical stores or through door-to-door salespersons - strengthened the need to use remote means of communication and interaction with customers.

NOS sought, in this context, to be more active than reactive, having, from the first moment - among other actions it carried out in the scope of combating

the pandemic -, informed customers of the possibility of being able to manage the various dimensions of their contractual relationship with NOS without leaving their home.

Indeed, NOS produced and disclosed to its customers specific content with concrete examples of actions that can be taken by customers without going to the store, namely regarding “how to manage your television/Wi-Fi/mobile phone without leaving home” or “How to pay your invoices without leaving home” through the various NOS Apps available (e.g. NOS TV App, NOS Command App, NOS Kids App, NOS Play, etc.) from the customer area or the online store on the NOS website or, even, from the telephone support lines.

Additionally, NOS, in compliance with the provisions of article 4 of Law no. 7/2020, of April 10th, 2020 and its successive amendments, which came to establish exceptional and temporary response regimes to the SARS-CoV-2 epidemic, implemented and published on its website several procedures that allowed vulnerable customers (unemployed or with significant income losses) to benefit i) from the non-suspension of the provision of services, ii) from the granting of payment moratoriums and iii) from the unilateral termination of contracts, without compensation to the provider. In this scope, information was also released regarding the means available for submitting contract termination requests and the

documents and formats to prove the situations of vulnerability mentioned above.

In addition to implementing the various COVID-19 measures, NOS has implemented, on its own initiative, a set of measures aimed at satisfying the interests of customers, among which the offers of premium channels, of communications to health professionals, of ten (10) GB of mobile data in March and the free access to the SNS 24 line, are highlighted. All measures were developed at a time when electronic communications played a key role.

Throughout 2020, NOS continued to provide its customers, both current and potential, with the Simplified Information Sheet (SIS), through which all relevant contractual information was shared in a simple and summarized way.



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This SIS was mandatorily delivered to customers at the time of signing the contract, or at an earlier time, if the customer so requested, allowing them to make a more informed and conscious choice of the contracted service, as well as to know the main characteristics of the services, the offers and discounts associated with loyalty, the duration of the contract and the charges resulting from early termination of the contract.

One year after the implementation of the SIS, it is our belief that this initiative - which was an initiative for self-regulation of electronic communications service providers adopted within APRITEL - was extremely beneficial for customers and for the electronic communications sector in general since it contributed in a relevant way to introduce more transparency and simplicity in the contractual relationship with customers.

The implementation of the SIS also allowed NOS to be one step ahead of the challenges posed by the European legislator, namely by the European Electronic Communications Code (EECC), to the exact extent that this provides for the mandatory existence and provision of a contract summary to the customers.

Accordingly, as of December 21st, 2020, NOS stopped providing SIS and adopted the contract summary model, which, in compliance with the EECC, was established in Implementation Regulation No. 2019/2243/EU, of the Commission of 17th December 2019.

The contract summary model currently provided by NOS, in addition to identifying the main elements of the electronic communications contract, is concise, easy to read and understand and allows for a better comparison of the services provided by the various electronic communications operators, making the contractual relationship with our customers increasingly clear and transparent.

Invoice with minimum detail

The invoice with minimum detail is, since 2019, provided to subscribers who request it, without any charges, regardless of the means or support used.

Among the information contained in the invoice with minimum detail, it is worth mentioning the express indication of the date on which the loyalty period ends, if any, and the charges to be borne by the customer in case of early termination of the contract.

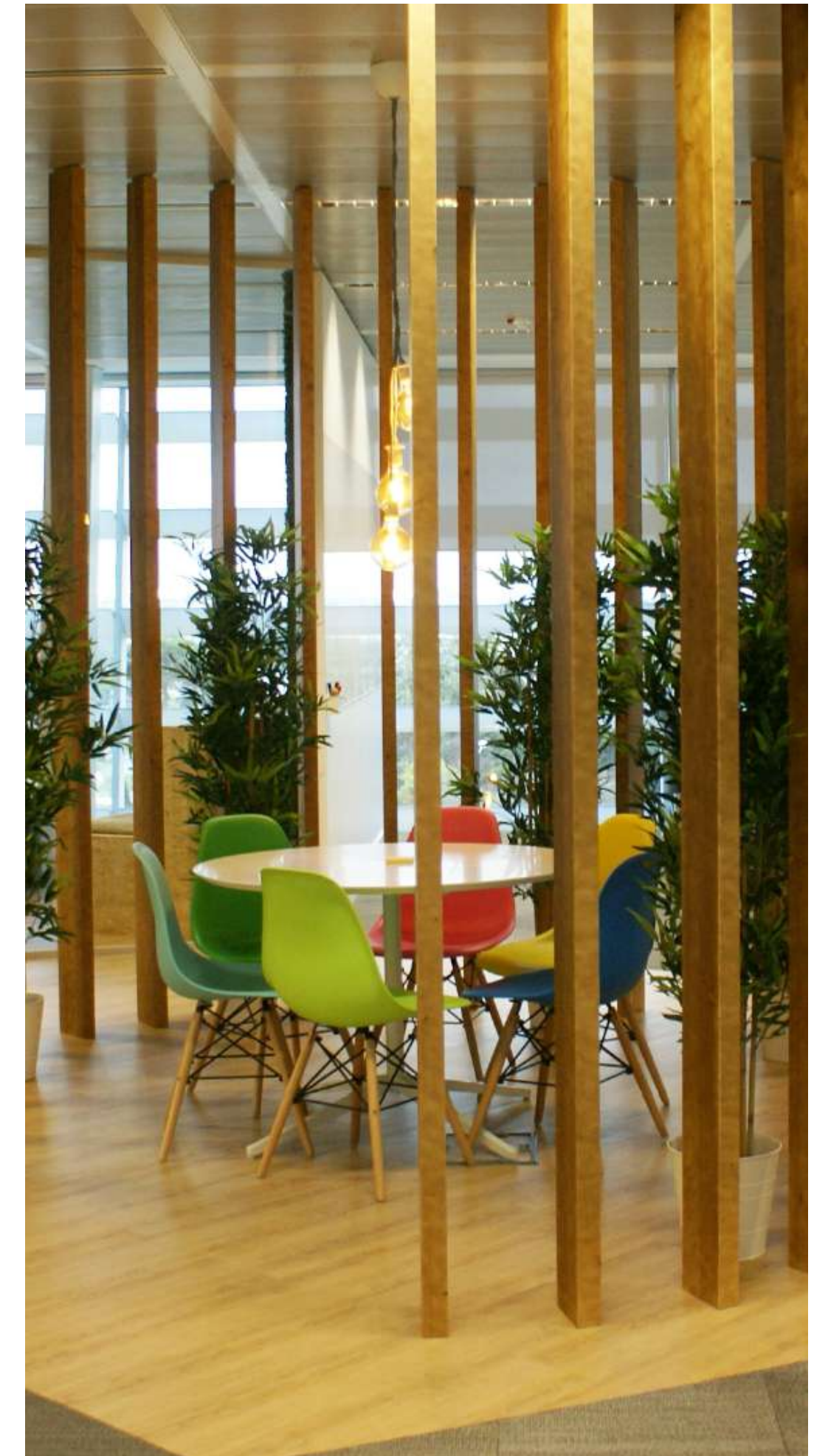
This measure undeniably strengthens the right of consumers to clearer and more transparent information, namely in particularly sensitive matters, such as invoicing and cancellation of their contracts.

FOCUS ON CUSTOMER SERVICE

Our customers are at the centre of everything we do. At NOS we aim to provide our customers with excellent products and services and develop strategies, processes and mechanisms that allow us to understand, anticipate and satisfy their needs, acting at various levels, from the offer to the relationship.

In this sense, 2020 was a highly challenging year. With the Portuguese at home, it was necessary to take a huge leap in the direction of digitization and robotization, while focusing more than ever on the experience of our customers. We were attentive to their needs and difficulties and implemented a set of relevant measures to reduce their financial effort and simplify access to our services.

This ability to reinvent ourselves at a time of profound difficulty for all Portuguese was one of the reasons why, once again, Customer Service stood out in the APCC awards, having received the 1st Gold Award (line 16100 - Corporate service) and the 2nd Silver Award (line 16993 - Mobile service).





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Customer service model

Interaction with our customers is of paramount importance. In order to guide our performance towards our customers and our priority actions, our customer service model is based on guiding principles, headed by "focus on the customer" and including "simplicity", "trust", "first-time resolution" and "omnichannel".

Our partners who manage Contact Centres play an essential role in maintaining good relationships with our customers and ensuring a quality service.

In this sense, since 2019 a new service model for Contact Centre partners has been in place, based on continuous improvement, with the aim of ensuring a better customer experience and promoting operational improvements. This model presupposes an effective reduction in the volume of interactions between our customers and partners, through the first-time resolution of any question or need, and better remunerating the non-repetition of customer contacts and, thus, increasing customer satisfaction with a faster and more appropriate response to each customer

while increasing the responsiveness. With these optimization processes, it was possible to serve about 30% more customers in our Contact Centres during the first stage of the state of emergency. The model also has a special focus on the retention of resources, on their satisfaction, on digitization and on ensuring procedural compliance.

Every year we develop a set of initiatives that aim to promote the collaborative spirit and motivation in our partners.

In 2020, these initiatives were conditioned by the context; in the week when the first state of emergency was declared, 90% of the contact centre employees were already in a remote work regime, but on the other hand, regarding the momentum of the challenges posed by remote work and by the hybrid model (some people's return phase), we adjusted and strengthened our communication and engagement strategy with the operation of the Contact Centres in order to increase the connection of people with the Company, the connection between people, and the connection between people and information and emotion, just as it happened with our employees.

The survey conducted in 2020 for all NOS Contact Center operations, sought to identify opportunities for improvement in the return process from externalized operations, in different analysis vectors, in order to optimize new return waves and the respective transition model.

The return to NOS buildings was rated positively with an overall average score of 8.7 (on a scale of 1 to 10). Noteworthy is the hygiene in the service rooms and the perception of safety when you are on-site, with notes of 8.8. On the other hand, well-being was the indicator that dropped the most from the 1st to the 2nd wave, due to the current pandemic context.



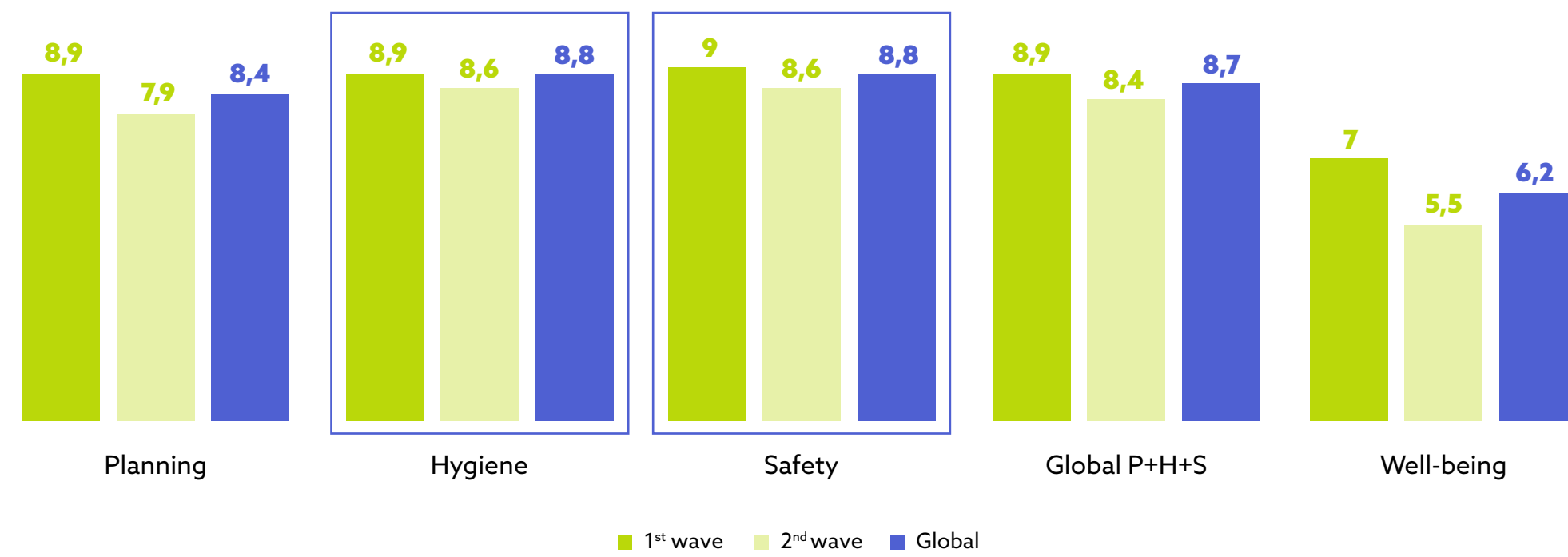


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Average score by analysis vector



Paperless Project

The "Paperless" project, implemented in 2016, currently impacts 166 stores (100% of exclusive NOS stores, own stores and franchising). With the purchase of hybrid computers in stores, we digitized all processes that were conducted on paper:



With this project, we were able to save around 9,700 reams of paper per year compared to the reference situation we had before its implementation, reducing our environmental footprint, and offering, at the same time, a faster, safer, and more technological service.

Our path to digitization and robotization

In recent years we have been tracing the path of digitalization, and the pandemic has accelerated this process to a great extent. The pandemic came to test our responsiveness and NOS proved, once again, its agility and adaptability, by taking a huge leap on the digital.

In 2020 we simplified and digitized processes, delivered new features in the NOS App, launched a new Customer Area on the website and created 30 more new robots.

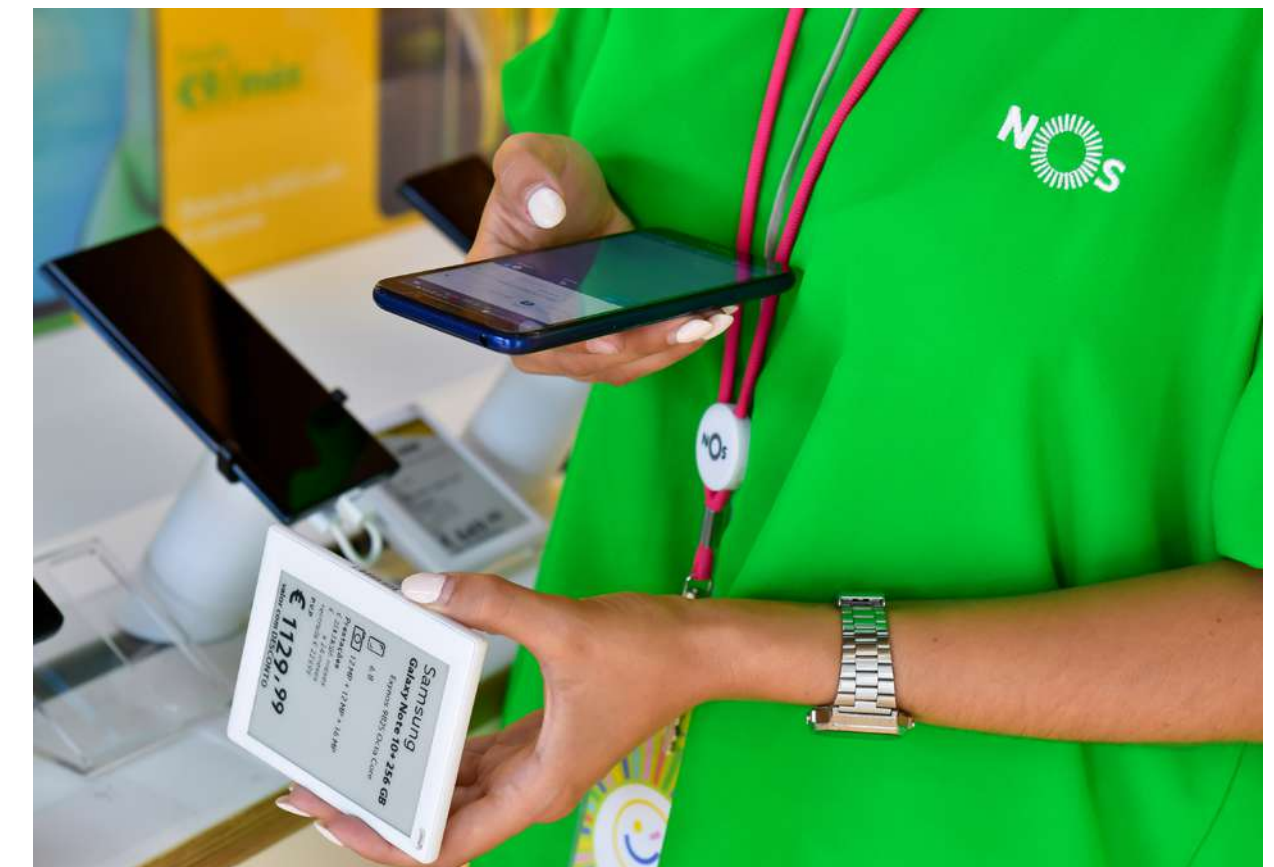
At the chapter "3.2 At the forefront of Digital Transformation" of the Management Report we present more detailed information on our practices and advances in this area.

Digitization of processes in NOS stores

Also, in our stores, we have been working on digitizing processes in order to improve our customer service, and to be more agile and efficient. The projects, already implemented and under implementation, prove our mission.

Digital tags

During 2019 we implemented the "Digital Tags" project. This project consisted of replacing paper price tags for digital e-paper tags on all equipment and accessories on display. In addition to the significant operational improvement of the store, through the automation of recurring tasks, we managed to reduce 1h30 of work per week in each store and saved about 10,000 sheets of paper per year in the current 40 stores, contributing, once again, to the reduction of the NOS footprint.





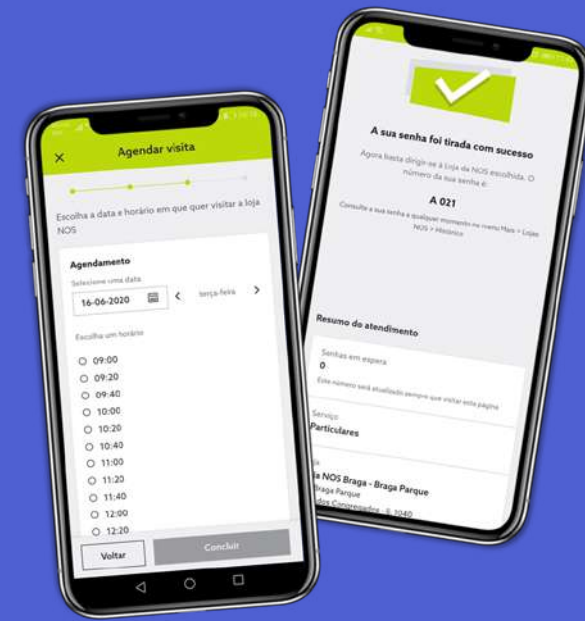
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Queue Management System

In 2020, we invested in a latest version of the "Queue Management System", offering the customer the possibility of scheduling visits to stores and of being assigned tickets online as well as priority tickets for customers with special needs. In this way, we digitized the customer experience in the store, reduced the average waiting time and printed tickets on paper. At the end of 2020, we already had these new features available in 103 stores.



In this year with increased challenges due to the pandemic, we have also implemented "Digital Leaflets" in all stores in order to reduce the paper usage on the store and offer a more convenient and safer experience to the customer. By reading a QRCode, the customer will be able to access the NOS leaflets and offers in force on his mobile phone.

Monitoring the customer experience

Our activities and processes are planned to enable and ensure continuous improvement, the effectiveness of our system and customer satisfaction. The management of the processes associated with the supply of products and services has the ultimate objective of customer satisfaction,

ensured by a management system, certified according to ISO 9001.

As the customer is the basis of the strategy, we continuously monitor the market, the needs, and the trends of preferences, through market studies of customers and consumers. This practice, combined with a strong commitment to innovation, allows us to develop measures and initiatives that anticipate their needs and contribute to their satisfaction.

In turn, the recurrent assessment of the degree of satisfaction of our customers is one of the cornerstones of our positioning, being measured by different means and at different points in the value chain and in two perspectives - relationship and transactional.

MEASURING CUSTOMER SATISFACTION

RELATIONSHIP SPHERE

TRANSACTIONAL SPHERE

OBJECTIVE/SCOPE

In this regard, we measure the level of global customer satisfaction with the service provided. Based on the results obtained, a set of strategic and tactical improvement actions is defined, incorporated into the work plans of the business and operational units.

In this regard, we measure the level of satisfaction associated with specific days of customer interaction - NOS, with the objective of collecting feedback from customers regarding service processes and thus ensuring that actions for continuous improvement of operations incorporate the perspective of customers.

HOW WE MEASURE

Semi-annual satisfaction and recommendation tracking study, carried out based on a survey that evaluates, measuring, metrics widely used in the industry, such as the **Net Promoter Score (NPS)** and **C-SAT**, as well as the level of satisfaction with several relevant factors for each service, the interaction of factors among themselves and their contribution to overall satisfaction.

Through our **Voice of the Customer (VOC)** program, around **3 million customer satisfaction observations are made each year**. We launch **journey surveys** on an ongoing basis to our customers in the private and corporate segment and regularly and systematically monitor satisfaction at the end of the main Customer journeys. We have thus achieved a comprehensive, regular and systematic process of collecting customer feedback, which provides us with a more holistic view of their experience and relationship with NOS.

AT WHAT STAGES OF THE VALUE CHAIN DO WE MEASURE

Cross-cutting

The journey surveys cover the sign up, contract changes and use of our TV, internet and mobile services journeys.

2020 HIGHLIGHTS

We continued with the simplification and effectiveness of the semiannual tracking study of satisfaction and recommendation, continuing to deepen in this way its degree of actionability. We highlight especially the changes introduced in terms of tracking of the more complex business segment - Corporate, which, given its specificity regarding the projects and interlocutors involved, deserved special attention and a relevant change in the survey and in the way of approaching, from a methodological point of view.

We continued to consolidate our Voice of the Customer program, extended the VOC survey to new channels, such as the resale channel, and strengthened the continued evaluation at the end of the main Customer journeys. The more complex corporate segment also came to be covered by this format, with the necessary adaptability to the respective specificities. This year was marked by a very strong investment on our digital channels, an investment naturally aligned with our strategy but also driven by the context of the pandemic and, consequently, by the structuring and deepening of the survey ecosystem across the digital sphere. In this sense, we have totally redesigned the way we are evaluating the experience and satisfaction of customers whenever they use our digital channels, building an ecosystem that covers all these touchpoints in an integrated manner, with methodological harmony and absolutely customer-centric.



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The survey ecosystem across the digital sphere redesigned during the year 2020 will now be implemented in 2021, having already taken the first steps in the NOS App, where more general satisfaction surveys (assessing global satisfaction with the App) were introduced and directly linked to a specific transaction (e.g., after paying an invoice via App).

All of these studies have allowed us to take advantage of significant insights about the main points of dissatisfaction of our customers, about the degree of effort required from customers in these processes and about our ability to resolve the different issues we face. Insights are our starting point for launching different improvement initiatives of our customers, carried out by different areas of the Group.



3 MILLION
VOICE OF THE CUSTOMER PROGRAM
 Approximately 3 million customer satisfaction observations per year

Still in this context, we continued to deepen the initiatives for assessing customer opinions and complaints, in different business segments and in different contact channels, with the aim of deriving experience use cases to be addressed by the appropriate teams for each situation. This methodology has allowed us to have a very clear

and tangible visibility of the points of improvement, making its resolution process much more grounded and structural. In this sense, we highlight the exercises we have been doing from understanding customer feedback regarding the use of the NOS App, which have been highly inspiring and instigating concrete actions for improvement in this digital channel, now so relevant in our activity and for our customers.

At the store level, we implemented several actions to ensure a system for improving customer satisfaction, namely:

- implementation of a “rescue plan” in stores with the worst levels of satisfaction composed of several actions, of which we highlight the training on the topic of customer satisfaction and on good practices, complemented by an online session on techniques to avoid and manage conflicts;
- for most stores, inclusion of a training component similar to the one mentioned above for new employees;
- expansion of the scope of the Ombudsman’s Portal to the franchise chain of stores.

In an incentive perspective, we proceeded with the implementation of the Compliments’ Portal in all stores and the introduction and disclosure in the IOS (Improve Our Store) Store’s framework of the VOC (Voice of Customer) Person, which distinguishes employees with better results.

Service quality and reliability

The quality, availability, and resilience of the infrastructures and all the means inherent to the services we provide are essential foundations for us to be able to ensure the goals of excellence that we have established with our customers in mind. We work continuously to improve our means and response capacity.

During 2020 we have assessed various resilience scenarios to ensure that in the event of a failure, disruption or external event, the network, platform, or system has the ability to continue

to provide services with the desired levels of availability and quality.

The focus placed on the resilience and optimization of services and processes to ensure service stability implies continuously identifying the main weaknesses with risk in critical services, improving autonomy, renewing service platforms, improving the stability of the data centre system, and reviewing the transport and aggregation network architectures.

In this sense, we acted in several dimensions:

PHYSICAL PATHS

- We proceed to the implementation and revision of the geographic redundancy of paths in the connections of the most relevant infrastructures and;
- We introduced improvements in the tools and assessment processes of physical paths, in order to ensure implementation and recovery in case of failure.

SERVICE PLATFORMS

- We proceeded to the implementation of geographic redundancy in messaging and OTT television platforms and;
- We proceed to simplify and automate recovery processes in order to minimize recovery times in contingency scenarios.

ENERGY

- At the same time, we strengthened the investment in energy efficiency of the network support systems, with the installation of backup equipment and high efficiency energy transformation in new technical rooms and access network sites.
- Additionally, we implemented measures that also generate energy savings as a side effect, namely:
 - The complete modernization of the mobile access network, with the installation of more efficient equipment and capacity strengthening, generated energy savings of around 25%, allowing to maintain absolute consumption regardless of the installation of more 4G technology equipment;
 - Introduction of network management features, which optimize the operation of the mobile network in periods of reduced traffic, which also result in consumption savings.



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In order to continue the Customer Centric strategy followed in recent years, which aims to maximize the impact on customer satisfaction, the change of the user profiles has brought new challenges. The greater use of online communication systems (e.g., remote working, gaming) and consumption of video in real time in substitution of traditional TV, implies having the ability to act increasingly faster in order to reduce the interruption time of the access network failures (at the customer's home) regardless of the time of the day.

In response to this challenge, we started to implement strategies to accelerate the entire process of detecting and resolving malfunctions, through the following measures:

- Introduction of the new alarm management system used by the Network and Services Supervision area to improve malfunctions detection capabilities. This system has a set of new features that allow to improve the detection, and to identify more quickly the cause of the problem (root cause analysis), through models of correlation of alarms of the various malfunctioning equipment and with greater granularity;
- Implementation of automations to open the incidents and recall them to the field teams to resolve. When the problem at the customer's home is repaired, the automation checks whether the service is reset, and the process is closed without any human intervention.

Accessibility for special situations

Connectivity is essential to prevent info-exclusion and social exclusion. Thus, we consider it essential to create solutions that provide our customers with special needs with mechanisms that allow accessibility to our products and services. It is in this sense that we work, continuously, in the development of solutions or initiatives, namely for people with hearing and visual disabilities.

SOLUTIONS FOR PEOPLE WITH HEARING DISABILITIES


- Support line for customers with hearing disabilities (12472), accessible through a video interpreter system.
- TV app for teletext subtitles, a free inclusive solution that allows access to subtitles in programs broadcast, in real time, through synchronization with the channels' teletext service.
- DVDs with Portuguese subtitles and sign language.

SOLUTIONS FOR PEOPLE WITH VISUAL DISABILITIES

- Braille invoice.
- Films with audio description in the Videoclub. In addition to the dialogues, the films included in this selection contain a voice-over that describes each scene in terms of scenarios, costumes, facial expressions, body language, character input and output, among other relevant information, allowing visually impaired people to have a richer and more complete experience when watching the film.
- DVDs with audio description service in Portuguese.

In 2020 we created solutions for **other special situations**, such as the early termination of the contract without associated costs, which cover the following duly proven situations:

- Disability of the service holder, equal to or greater than 60%;
- Bankruptcy;
- Social unemployment pension earned by the contract holder.

On our [website](#) it is specified what is necessary to do to request one of these solutions and the type of proof to be presented in each situation. 

RESPONSE TO EMERGENCY SITUATIONS

The year 2020 was characterized by an exceptional environment due to the pandemic situation that occurred in most of the year. The change in consumer behaviour, increased dependence on connectivity and it is essential to ensure services by adapting the network to the new reality.

As a result of the stay-at-home measures, there was a direct impact on the management requirements of the available capacity of the fixed and mobile support networks, due to the exponential increase in the traffic processed and the radical change in the user profile. A huge pressure was created on the resilience of the platforms, networks, and equipment with a greater use of internet services, with emphasis on collaborative tools (remote work, tele-school) making customers more demanding, being critical to ensure the availability and stability of services.

It was also necessary to ensure that the services of institutional customers which are at the forefront of combating the pandemic, such as hospitals, health centres, security, and civil protection forces, among others, are a priority, whether in terms of increasing their capacity to meet their needs at all times, or in the support and maintenance of networks and associated systems.

The achievement of all these objectives, ensuring critical services, led NOS to develop a set of actions and action plans that would allow internal employees and their partners to be protected, in order to respond to the additional challenges associated with the ability to act and respond to customers, in case of possible contamination. In this way, even



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during periods when a state of emergency was declared, promptness in response to the population was always guaranteed to ensure the continuity of services defined as critical by the Government.

During the year 2020, improvements were made to the population warning solution, using the NOS mobile network, in order to reduce the processing and sending times of messages. This tool is used by the National Emergency and Civil Protection Authority (ANEPC) to send written messages in the event of an accident or catastrophe and has also been used to send notices regarding the epidemiological situation caused by COVID-19.

SAFETY & SECURITY AND USE OF OUR PRODUCTS AND SERVICES

The increasing widespread access to digital content carries potential security risks for our customers in general and for the most vulnerable groups in particular, as is the case with children, and which we need to safeguard on a proactive basis. In this sense, we have adopted several measures and adapted our offer to safeguard against these risks.

Access to content

At NOS we seek to ensure that the products and services we deliver ensure the standards of excellence, both in terms of innovation and in terms of functionality for accessing content. In this sense, we provide our customers with features that seek to control the exposure of vulnerable groups, such as children and young people, to abusive content and illegal activities.

As a communications and entertainment company whose main target is families, the focus on child safety in the use of technology is a relevant factor for NOS. In this sense, because we are present in the families' homes and for facilitating the use of technology, we seek to provide tools that help parents to have greater comfort and confidence in managing the challenges posed by technology to the education and safety of children and adolescents.

With this reality in mind, we developed, in 2018, the NOS Kids tariff in order to provide children with an easy and safe entertainment experience, with access to the best content, which includes access to NOS Safe Net.

NOS Safe Net

NOS Safe Net is a service that we provide and that allows to protect the whole family and all devices from the dangers of the internet, through the creation of profiles for the children, application of filters for harmful content, limitation of the hours of use for games or social networks and setting a time to go to bed. All applications and browsing time are protected, allowing them to freely explore the internet at all times, without fear. In addition to helping parents manage the time their children spend in front of screens and the content they access; this solution also allows them to locate the equipment they use in case of loss or theft.

NOS Safe Net is the result of NOS' partnership with F-Secure, a partnership maintained in 2020. F-Secure is a reference in Cybersecurity, having again obtained recognition with international awards from the Independent IT-Security Institute AV-TEST, which attest to being a "player of excellence" in the industry.

Since the provision of this service at the end of 2018 to date, we have been taking steps to consolidate and spread the availability of this solution to our customers. In 2020, as planned, the NOS Safe NET App became available not only on Android, but also on iOS.

Also, during this year, NOS invested heavily in the development of a platform that, from the first quarter of 2021 onwards, will allow us to subscribe to the NOS Safe NET online security service through physical cards accessible to all customers and at any sales channel. This solution will facilitate access to the online protection service for up to 10 devices at a very competitive price in the market, responding to the growing importance that the protection of personal data and digital assets of families assumes, namely by the acceleration of the increase in digital activity in the context of COVID-19 social lockdown.

Through the boxes, there are several relevant features that also address this concern and that are available to NOS customers, namely channel and content blocking pin, rental pin, adult content filtering in the experience and the TV profile feature that allows creating a profile for each family member and assigning a different pin to access the same.



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Given that we also provide the television service through mobile equipment, namely PCs, tablets, and smartphones, via NOS TV and NOS Play, the scope extends beyond the box itself. In this equipment, the form of access control to content is ensured through a valid authentication (login) in the Apps, which will correspond to a user registered in the NOS customer area (who will be the contract holder, or a user authorized by the holder).

With regard to the mobile product, we also offer some features that can help customers to not be exposed to abusive content - value added subscription services via SMS are blocked by default; access to other subscription services and data services is blocked at the customer's request. In addition, the customer can also block the making and/or receiving of any call or just international calls.

New security solutions for the corporate segment

NOS joined Cisco to develop two new intelligent security solutions - NOS Web Segura Pro and NOS SD WAN. These solutions are even more relevant in the current pandemic context, in which many companies are ensuring the continuity of their business at a distance, allowing them to develop their activity with maximum security. Suitable for companies of all sizes, the NOS Web Segura Pro solution,

based on the Cisco Umbrella Easy Protect, which is a cloud-based security platform, provides the first line of defence against internet threats and against ransomware, phishing, and malware; the NOS SD WAN connectivity solution acts as an additional layer of security over connections. The NOS Web Segura Pro service was, meanwhile, already launched in the national market.

European Safer Internet Day

Given the importance attributed to this issue, in the context of the European Safer Internet Day, we teamed up with GNR and Microsoft Portugal to promote various awareness-raising actions across the country on the "best practices" of online navigation with live streaming projection for hundreds of children and young people scattered around the country in NOS Cinema Venues. GNR has been developing this campaign over the last few years, which targets children and young people, parents, senior citizens, and educational agents.

Technology at the service of security

In addition to solutions for safeguarding computer security, we also seek to explore the potential of technology for other aspects of security. In terms of technology capable of contributing to the safety of people and goods, we highlight the launch at the end of September 2020 of a tracker. This equipment allows to track the object in which it is placed and is sold in 4 versions with personalized accessories for the most relevant types of use cases. The equipment can be tracked through a smartphone application, and this App also allows you to establish security zones that generate alerts if the equipment leaves that area.

EQUIPMENT (TRACKER)



USE CASES



Pets

Don't lose sight of your 4-legged friend.



Kids

Closely follow where the little ones are.



Bags

Keep your bags safe while traveling.



Pessoal

More freedom and autonomy for those who need it the most.



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Fighting content fraud

The fraud of television content such as peer-to-peer sharing or marketing and illegitimate streaming access to linear and non-linear content and to real-time events, including sport, has been putting pressure on the profitability of pay TV operators, where NOS is inserted. At NOS we have been

intensifying and leading the combat against this type of fraud, through a strategy based on 3 axes: technological, investigation and legal, strengthened by a dedicated Content Protection team.

Since 2015, NOS, as an Internet Service Provider (ISP) and a member of APRITEL, has performed more than 4,000 blocks per Domain Name Server (DNS) to protect copyright and

related rights. These blocks, supported by court or administrative orders, inhibit access to illegitimate content, such as movies and series, but also allow to avoid sharing malware on the NOS network and on our customers' equipment, since illegal websites (streaming and online gambling) are one of the main tools for sharing viruses or malware.

Protection of customer interests

At the beginning of 2020, in order to strengthen the protection of our customers and promote greater transparency in the services provided, we stopped allowing the use of the balance or invoice, for new activations of services of the type WAP Billing. These services are often promoted in an intrusive way that often lead to unclear memberships.

This strategic option makes NOS the first operator in Portugal, and one of the pioneers worldwide, to take this voluntary step, in favour of the safety and protection of its customers, thus ending up with a relevant reason for dissatisfaction and a high number of complaints.

NOS IoT
Nunca percas o mais importante
 Localizador para tudo e todos

Pets Kids Bags Pessoal

Sabe mais nesta loja ou em nos.pt



5.

VALUING HUMAN CAPITAL

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2020 AT A GLANCE

EVALUATION OF COMMITMENTS DEFINED FOR OUR PEOPLE

COMMITMENT	YEAR	STATUS 2020	STATUS 2020
Prepare future leadership and ensure the evolution of the current one	2020		Among other initiatives, thousands of hours were spent in leadership training and development tools were developed (e.g., manual of good leadership practices in remote context and sharing of guides/templates for good practice accelerators, clarification sessions and leadership training).
Reposition NOS Campus in line with the ongoing transformation	2020		New training and certification plans were defined within the scope of critical skills for the transformation of the organization and was initiated the project to review the positioning of the future corporate academy and the respective training offer (e.g., certifications, specialized technical academies and learning journeys).
Promote diversity and foster an inclusion mindset at NOS	2020		Among other initiatives that pursue a culture of Diversity & Inclusion, we highlight the promotion of ways of reconciling professional and personal/family life, strengthening of the principles of equality/non-discrimination in access to employment, as well as the career management and remuneration policy, and organizational restructuring based on meritocratic criteria.
Redefine the health and well-being program to increase the impact on promoting healthy living in a sustainable manner	2025		In 2020, we redefined the strategy of action for health and well-being initiatives, considering not only the context, but also what will be the greatest challenge and greatest need of the present times: mental well-being. To that extent, well-being initiatives focus on three major axes: emotional/ mental well-being, balance between personal and professional life, and social well-being. In 2021, we will continue and strengthen this investment.



MAIN HIGHLIGHTS

34

E-NPS rated very good (34 out of a scale of -100 to 100)

46%

Proportion of highly talented employees in the total of career promotions in 2020 (23% increase compared to 2019)

4.6/5

High satisfaction with measures adopted by the organization to ensure a safe environment for customers and employees

8.1/10

High satisfaction with the experience of remote work during lockdown (8.1 on a scale of 0 to 10)

103%

Index of women with role promotion vs men

96%

employees with a permanent contract





CHALLENGES IN PEOPLE MANAGEMENT IN 2020

People management has always been at the top of the organization's priorities. The 2020 context strengthened its importance by bringing unprecedented challenges and lasting impacts to the organization and society, strengthening the ambition to develop more flexible organizations, prepared for future adversities.

At NOS, this abrupt paradigm shift required a just in time approach, guided by both pragmatism and agility, in order to maintain a solid connection between employees, customers, partners and suppliers, strengthen trust between all, ensure team motivation and the well-being of employees and their families.

The organization's response focused on creating conditions that would ensure the well-being of each of our employees, as well as the spirit of unity, involvement, and cooperation of the teams, which had in the strengthening of the technological tools of collaboration and mobility an important productivity enabler.

Also accelerated by the context experienced, 2020 was a year of strategic reflection that boosted a process of organizational transformation, leveraged on a set of fundamental principles:

- be a talent platform, with the attitude and skills necessary to address present and future challenges;
- agile to make things happen faster and more incisively;
- digital centric in everything we do and deliver; customer, with a unique experience throughout the entire journey;
- innovation, which allows us to better serve the interests of our customers and employees and gain a competitive advantage in the market.

This transformation process is based on an aspirational purpose that will guide the organization's performance and on a strong organizational culture, felt on a daily basis, that will sustain the change.

Thus, we start the evolution of the employee's journey in the organization, which has in the (new) digital experience a critical success factor. Today, technology incorporates a prominent role in the management practices of our people, with a clear potential to emerge strengthened in the future, either as support for the evolution of work models, which are increasingly flexible and have a better balance between work and personal life; in working methodologies, increasingly agile; in opportunities

for talent development; in the scope and frequency of well-being initiatives; and in the efficiency of the teams' operational performance.

The success of this new paradigm in the work world will then depend on the responsiveness of the organization to address the expectations formed and generate value for the customer and business.

Purpose and Culture

Empowering the organization for the challenges of the future implies that the transformation process is holistic and goes beyond the definition of the strategy, also involving an aspirational purpose, a strong organizational culture, and an ability to execute and innovate with agility.

In this sense, we seek to implement actions that help to involve and inspire our people and guide behavioural changes in the organization, with the ambition to position NOS as one of the most attractive companies in the talent market.

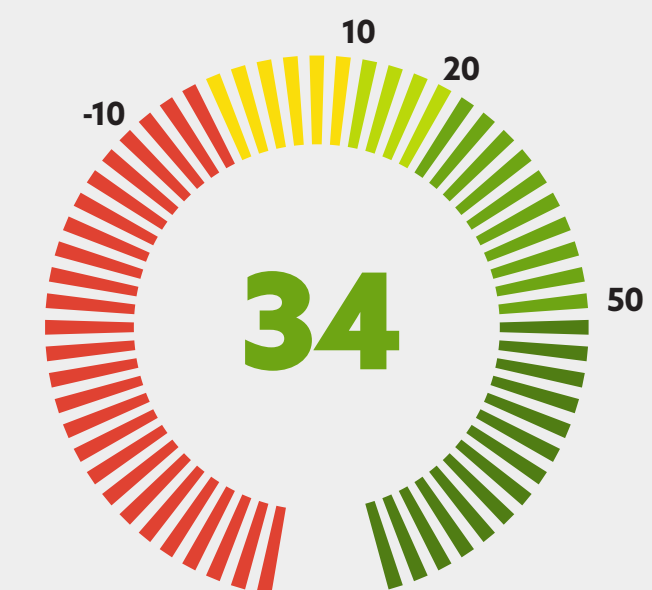
In 2020 we applied some diagnostic tools that allowed us to assess, during lockdown (with a participation rate of 84%), the state of mind and the level of satisfaction and commitment, as well as to measure employee engagement, the alignment of the current culture with corporate strategy and identify the target culture.

Among the results collected, it is important to highlight some such as the very good evaluation (34) of the E-NPS of 34 (scale between -100 and 100), in the organization's recommendation as a great place to work, the high satisfaction with the remote work experience (average rating of 8.1 on a scale of 0 to 10) and with the measures adopted by the organization to ensure a safe environment for customers/employees (average rating of 4.6 on a scale of 1 to 5).

34 e-NPS

EMPLOYEE NET PROMOTER SCORE

Rates employee satisfaction and loyalty with the company by weighing those who recommend and advise against the Company as an employer.



-100; -11 NEEDS IMPROVEMENT -10; 9 OK 10; 19 GOOD 20; 49 VERY GOOD 50; 100 EXTRAORDINARY



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Improvement dynamics

Based on the insights gathered in the diagnoses carried out, we built an initiative plan that allowed us to act in critical dimensions:

- 1 Purpose and Culture:**
Strengthen NOS' sense of purpose with families, companies and institutions
- 2 Health and Safety:**
Ensuring our main concern, the health and safety of all employees
- 3 Leadership and team management:**
Ensure the inspiration, confidence and motivation of people that increase talent and allow us to act with the harmony and distinction that is required of us
- 4 Remote work:**
Build new practices, ways of working and ways of being in remote work, so that this is a transforming element in personal and leadership relationships at NOS
- 5 People:**
Taking care of our employees in their various dimensions of personal development, family support, social interaction, and well-being

Annually, we will seek to maintain or improve the results obtained, strengthening the NOS DNA in business processes, among our people, and in external and independent ESG recognitions.

OUR HUMAN CAPITAL

The diversity, talent and training of our workforce is what leads us to excellent results and to the organizational success that we so aspire to.

The reality of NOS' operation has very technical areas linked to Engineering, where the universe of female employees is typically lower than that of male employees. Even so, the indicators we present are positive, with the percentage of women above reference values, such as the OECD Education at a Glance study in 2017, where of the total graduates in the ICT areas, only 19% were women, and with a preponderance of women in the younger technical range.

Regarding gender diversity in the governing bodies, at the end of 2020, 5 women had a seat on the Board of Directors, representing 29% of the total number of Directors (17) and the Executive Committee had one woman in its composition, representing 17 % of the total composition of this body (6 Executive Directors).

Our commitment to sustainable employability policies is also reflected in the effectiveness

of our employees. Since 2017, 100% of our employees have been working full time and around 96% have a permanent contract.

Regarding diversity and geographic distribution, although the company has its activity totally centred on the national market, and as a result most of our employees are Portuguese nationals, we registered 1% of employees with other nationalities. We have a higher density of employees in Lisbon (69%) and Porto (26%), the remaining 5% are dispersed throughout the autonomous regions and other locations.

With regard to representation by business area, most of our employees (95%) work in the telecommunications business.

In 2020, in line with previous years, the proportion of employees under the age of 30 continued to increase, as a result of the commitment to hiring young talent. At NOS, not only do we recruit several young graduates every year to integrate different business areas, but we also provide professional, summer and curricular internships.

	OUR PEOPLE	2018	2019	2020
TOTAL NUMBER OF EMPLOYEES		1,919	1,909	1,899
TYPE OF CONTRACT				
% of employees with a permanent contract		95.2%	95.2%	95.6%
% of employees with temporary contracts		4.9%	4.8%	4.4%
DIVERSITY AND INCLUSION		1,919	1,909	1,899
GENDER				
No. and % of women		780 (41%)	772 (40%)	770 (41%)
No. and % of men		1,139 (59%)	1,137 (60%)	1,129 (59%)
No. and % of women in management positions		123 (30%)	126 (30%)	127 (31%)
AGE - % of employees by age group				
< 30 years old		10.1%	10.4%	11.5%
30 to 50 years old		81.2%	79.4%	76.3%
> 50 years old		8.7%	10.3%	12.2%
INCLUSION				
Employees with disabilities in the year (%)		1.0	1.1	1.2



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95%
OF EMPLOYEES
work in the
telecommunications business.

Internships

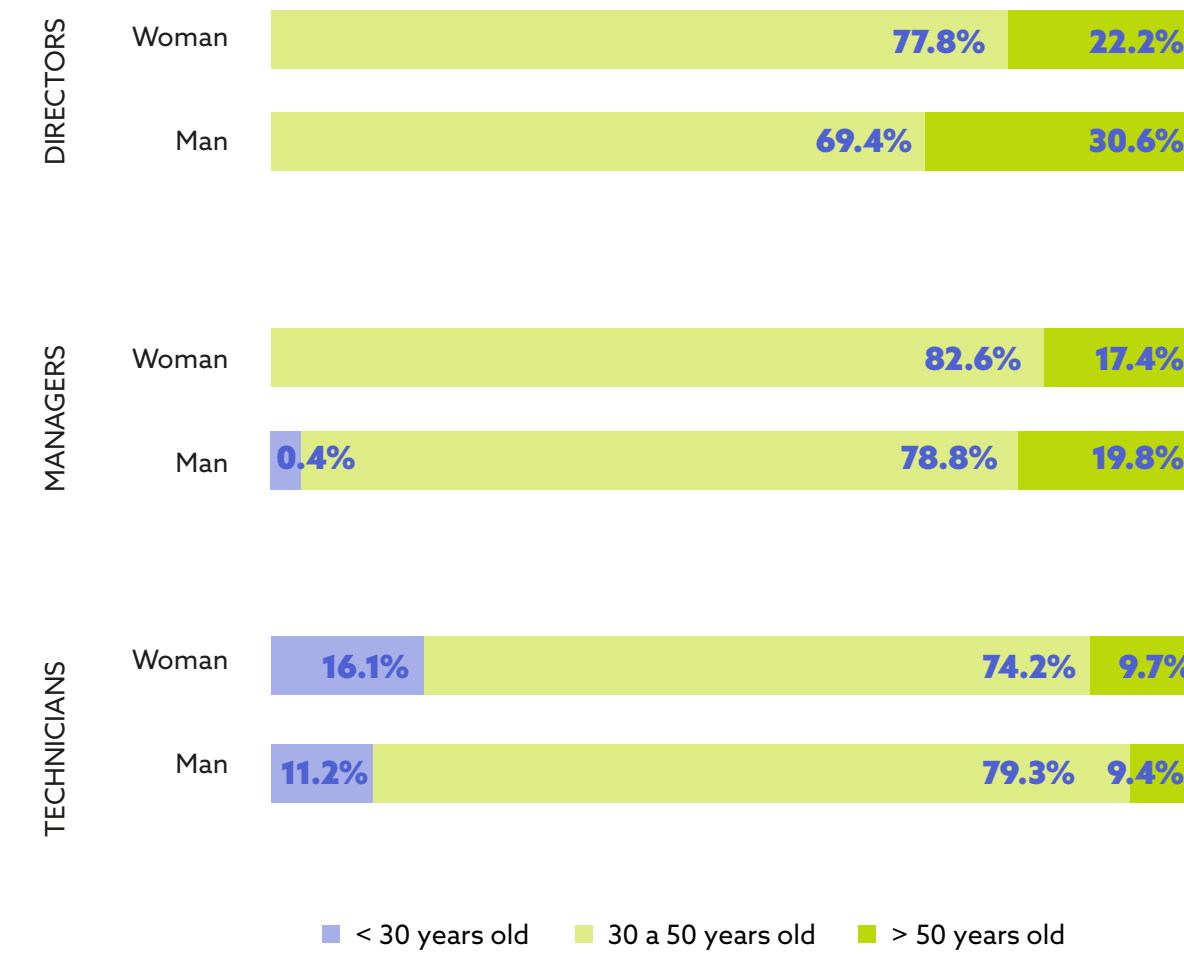
Even in a year of additional challenges, such as the integration and monitoring of new employees, we continue to receive interns in a proportion similar to previous years.

TOTAL NUMBER OF INTERNSHIPS COMPLETED IN THE YEAR



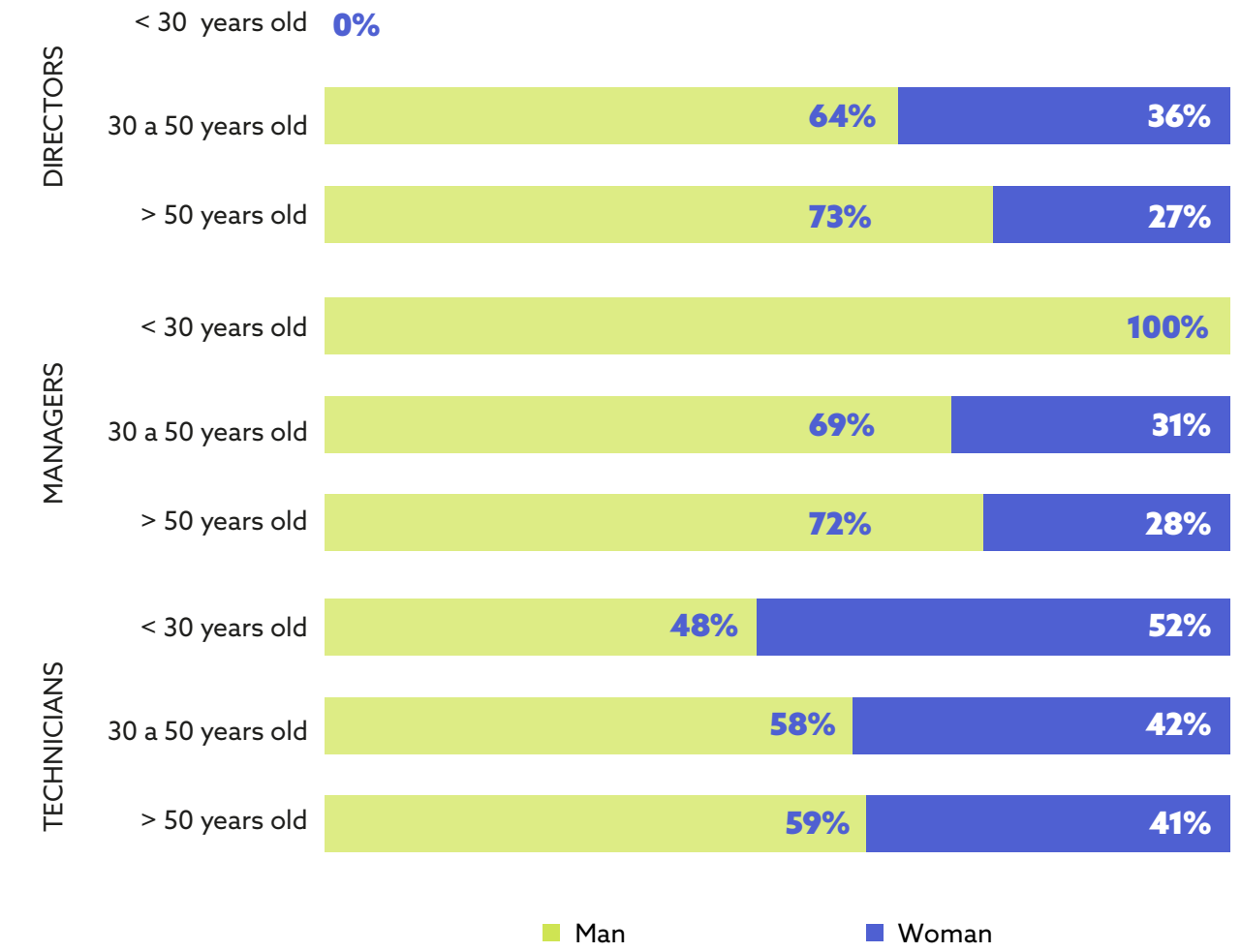
Distribution of employees by gender, functional group, and age group

(Focus on dispersion by age group, %)



Distribution of employees by gender, functional group, and age group

(Focus on dispersion by gender, %)



The structure of NOS employees by functional group, presents the expected proportion, with technicians representing 78%, managers 19% and directors 3%.

Most of our employees (more than ¾) have academic training at a higher level.



PROMOTION OF DIVERSITY AND INCLUSION

At NOS we promote diversity as a fundamental value, with a view to strengthening the ethical commitment to meritocracy, rigor and transparency in all internal processes and procedures.

More than ensuring equal opportunities for personal and professional development, we believe that diversity and inclusion positively impact the organization, both in results and in the well-being and satisfaction of our people, partners, and customers, helping to grow in innovation, creativity, teamwork, and predisposition to change.

For the successful implementation of this vision, we rely on human resource models and policies that allow us to respond effectively to the principles and values that govern our performance - respect for diversity, the rights of each person and non-discrimination - and which value a balanced workforce, not only in terms of gender or age, but also in terms of origins, life experiences and ways of thinking. It is with this combination and sharing that we contribute in strength to the creation of value, and to the composition of a strong NOS brand, based on our people.

The inclusion of employees with some type of disability has been stable over the past few years, slightly above 1%, (according to the characterization table of our people previously presented) and in the future, these numbers are expected to increase.

2021 Gender Equality Plan



During the preparation, in 2020, of the 2021 Gender Equality Plan, we carried out a rigorous and exhaustive diagnosis on the issue, in which several internal resources were involved. We listened to our people and took into account the best practices, namely the recommendations of the CITE (Commission for Equality at Work and Employment) on the first version of our plan, published in 2019, as well as the national strategy for equality and non-discrimination 2018 -2030 prepared by the Government (<https://www.cig.gov.pt/documentacao-de-referencia/legislacao/cidadania-e-igualdade-de-genero/>).

The Plan is yet another embodiment of NOS' commitment to meritocracy, in all its forms, and is integrated in the planning and organization of the work of all teams and in the daily human resources policy, with more visible aspects as diverse as:

- recruitment under the principle of equality and non-discrimination;
- the evaluation of the performance of employees based on the principle of meritocracy and;
- transversal and equitable access to training opportunities, as well as the creation of career opportunities that promote the retention of diverse profiles.

It is possible to find the action plan, with all the initiatives and respective details, in the 2021 Gender Equality Plan which is available on the **institutional area of the NOS website**.



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The implementation of the 2021 Gender Equality Plan will be regularly monitored in order to understand the concrete effects that it will trigger and promote a process of continuous improvement.

Among some of the most important initiatives in 2020 in this area, we highlight the adhesion to the United Nations Target Gender Equality program, the subscription of the Portuguese Charter for Diversity and participation in the "Girls in ICT Day" initiative, in partnership with the Project Engineers for a Day.

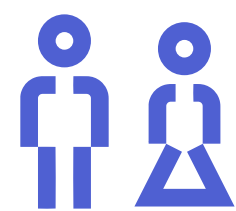
These initiatives demonstrate the level of ambition and excellence that we aim to achieve in terms of the principles of equality, diversity, and inclusion, while contributing to the **Sustainable Development Goal 5.5**, that demands equal representation, participation, and leadership of women in businesses worldwide.

Tangible ambition in the set of opportunities created in our organization, which **highlights gender equality in career opportunities**, with a slight upward trend among women.



Participation in the "Girls in ICT Day" initiative, in partnership with Engineers for a Day project

This international initiative of the International Telecommunication Union, aims to increase the awareness of young women about career opportunities in Information and Communication Technologies (ICT) and Informatics, demystifying the idea that they are male-dominated. Our participation included a digital session to share the history and professional career of a NOS engineer to the 12th grade students of the São Julião da Barra School Group.



103%

CAREER PROMOTIONS OF WOMEN VERSUS MEN

women with career promotion/men with career promotion index in 2020



Portuguese Charter for Diversity

NOS voluntarily subscribed to the Portuguese Charter for Diversity managed by the Portuguese Association for Diversity and Inclusion APPDI and adapted from the European Commission's Charter for Diversity, a document that describes concrete measures that can be taken to promote diversity and equal opportunities at work regardless of cultural, ethnic and social origin, sexual orientation, gender, age, physical characteristics, personal style and religion.



EVALUATION AND DEVELOPMENT

NOS promotes a culture of meritocracy through its Performance and Development Model, which allows cross-cutting management, valuing the results obtained and the behaviours shown.

Our Performance and Development Model allows identifying the potential of each person, diagnosing training needs and constitutes a critical success factor for the development and alignment of human capital, supporting the ambition to operate in the market with greater competitive advantage.

The Model was designed and implemented based on five basic principles as illustrated and integrates two components: development and evaluation.

The global completion, which encompasses the two aspects - individual and collective - of the evaluation component has an exclusive impact on the attribution of variable remuneration. Individual evaluation has a medium and long-term impact, serving as a basis for the development of the personal development plan, and also has direct effects in terms of development, career, training, salary progression and employee mobility.

This Model is supported by a manual and a schedule of the Model's completion cycle, to clearly communicate its guidelines to employees.

PERFORMANCE AND DEVELOPMENT MODEL PRINCIPLES



UNIVERSALITY

Applies to all employees, covering the various organizational groups



COHERENCE AND INTEGRATION

Ensures alignment and convergence of efforts across the NOS universe, aiming to achieve corporate objectives



TRANSPARENCY AND IMPARTIALITY

Cross-cutting across the entire NOS, with clear and objective criteria that make it possible to manage the performance and development of Teams and People



RESPONSIBILITY AND DEVELOPMENT

Monitors the results of each employee and the way they are achieved, establishing a development plan for each employee



CONSEQUENT DIFFERENTIATION

Identifies those who contribute the most and best, recognizing the merit

COMPONENTS



DEVELOPMENT COMPONENT

Consisting of two dimensions:
– **Self-evaluation**, and
– **Personal development plan**- definition of a plan adjusted to the needs of each employee.



EVALUATION COMPONENT

It is grouped in the collective and individual (which measures the individual performance of each employee) dimensions, each with a different purpose and impact.

EVALUATIVE COMPONENT (downward evaluation)

Company objectives

Individual objectives

Behavioural objectives

Global achievement

Individual evaluation

IMPACT

– Variable remuneration

– Career
– Development
– Mobility
– Salary progression



Internal Mobility Program

In 2020, we consolidated the Internal Mobility Program, a development program for our employees, which aims to acquire cross-cutting skills and a broader knowledge of our business, respecting the balance between the professional and personal lives of the employees.

Since its restructuring in 2019, we have already implemented more than 200 mobilities. In 2020, the mobility index grew 116%, to 9.3% for the organization.

Through the Internal Recruitment Portal, our employees can learn about internal career opportunities, enhancing a more active role in their development and in the management of their career.

The recognition of the work carried out by our employees is not limited to the Performance and Development Model, nor to the Internal Mobility Program. Among other initiatives that we promote, we highlight:

- Interim feedback in the evaluation and development process;
- Career recognition (career promotion) and compensation (salary increases);
- Participation in strategic and/or cross-cutting projects in the organization;
- Judicious and stimulating increase in autonomy and responsibilities;
- Integration into challenging training plans.

Remuneration and benefits

NOS' Remuneration Policy is governed by a set of principles aligned with the best national and international practices.

The remuneration package is based on components of base remuneration and variable remuneration, with differentiated attribution by organizational group, according to the policy in force in the company. All organizational groups have a reference salary band that aims to ensure a competitive position in the telecommunications and information technology market.

Knowing the importance that the remuneration and benefits policy represents in attracting and retaining talent, we add to the remuneration package, a set of benefits, programs and initiatives geared to the needs of different work generations.

In 2020, in addition to putting most of the organization in remote work due to the context, we have approved a remote working policy. This policy, which provides for the possibility of

remote work of 1 day per week, served on-site employees in 2020 and will serve as a pilot for the design of the organization's future working conditions.

In addition to flexible entry and exit times, extended in 2020, initiatives are promoted to improve the balance between the professional and personal lives of our employees, such as the possibility of accessing discounts on various activities through health and well-being, culture, sports and leisure, tourism, and catering partnerships or of purchasing used vehicles with special conditions. The holidays and layoff policy in effect provides for the layoff on the birthday, layoff in the morning of the first day of the new school cycle for employees with dependents under the age of 15, the full day of the 24th of December and the afternoon of the 31st of December and, in addition, benefits such as life insurance, health insurance, personal accident insurance and meal card are attributed.

In order to guarantee the mobility and flexibility of the daily work practices of our employees, we ensure that everyone has access to smartphones, portable computers, videoconferencing systems and VPN systems.

In 2020, we also strengthened the mobile data package for employees to respond to the demands of the context.

	2018	2019	2020
INTERNAL MOBILITY, %	5.1	4.3	9.3

Equity

Ensure the principles of internal equity that support integration into a single culture.

Flexibility

Ensure, within the defined rules, the flexibility to deal with different situations, namely in the management of high potential employees.

Balance

Ensure the balance between the fixed and variable components of the remuneration structure.

Performance

Ensure the link between remuneration and individual and company performance in the short and long terms.

Simplicity

Simplified remuneration structure, ensuring clarity in communication and understanding by employees.

Competitiveness

Ensuring levels of competitiveness necessary to ensure the attraction and retention of talent.



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TALENT MANAGEMENT

Talent management is crucial for NOS, so we seek to recruit diversified profiles, adapted to the specific needs of the business and the transformation that we are carrying out in the company. This implies a very careful screening of the candidates we invite to join our company.

Our internal and diverse pool of interviewers is essential to have people with the right skills for the position for which we are recruiting, but it is also important to find talent with the potential to evolve and adapt to change, especially in a highly competitive and susceptible to changes sector, such as telecommunications.

In 2020, even in the face of adverse circumstances, NOS maintained its headcount in line with last year (0.4% net replacement). The year 2020 is a year of investing on new skills and on the strengthening of young talent (employees under 30 years old, represented 69% of the year's admissions).

We identify potential

Through the "NOS Alfa" trainee program, created in 2015, we seek to integrate the best talents in the academic areas of Engineering and Management into

the company. Once again, we promote a culture of diversity in its execution, attracting a group of new employees with complementary skills and experiences.

This program with a total duration of 12 months aims at the development of trainees through rotation by two business areas, includes a very strong mentoring and monitoring program, combined with a specific and tailored training.

Since its inception, a total of 181 candidates have joined the program, with experience in several areas of the company, which has an average retention rate per program of 82% - retention that has been growing since 2019.

The program has evolved in line with the needs of the business and changes in the work environment. In 2019, as part of the commitment to technological transformation, we took advantage of the strength of the "NOS Alfa" corporate trainee program, to launch the technological arm of the program, called "Alfa tech".

In 2020, as a result of the context, we maintained the basic components of onboarding (welcome session, team building, presentation of business units and final challenge) based, however, on a hybrid reception model (composed of 2 days of face-to-face welcoming and the rest in remote context, with live streaming of the final challenge),

ensuring the necessary measures for the protection of trainees and guaranteeing that the hosting objectives would be achieved.

At the end of the welcoming session, the trainees evaluated the "NOS Alfa" program in an extraordinary way with an e-NPS of 93 (on a scale ranging from -100 to 100). The overall feedback on the onboarding week was quite positive (4.6 in one scale from 1 to 5), with maximum rating of the organizational capacity (0.5% more than in the last year).



NOS ALFA NUMBERS

SINCE THE BEGINNING OF THE PROGRAM



2020 EDITION



Pretendemos, assim, continuar a ser uma referência na captação de jovens recém-formados, angariando talentos alinhados com uma cultura e valores de excelência e inovação.

"NOS Alfa tech"

As part of the commitment to technological transformation, we launched the technological arm of the "NOS Alfa" program, called "Alfa tech". This program opened opportunities in the latest technologies, in the areas of Advanced Analytics, Big Data, Cybersecurity, Software Development, System Engineering, Robotics, Multimedia, among others.



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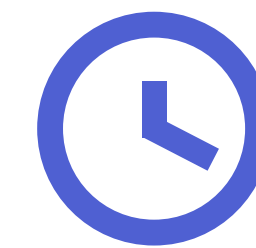
We invest in the training of our employees

In 2020 we continued to invest in our Corporate University, the NOS Campus, with the purpose of making this project a reference in Portugal in the area of Business Training and Education.

NOS Campus is a space for sharing and transferring knowledge between all professionals

and for developing their potential and talent. Innovation centre, attentive to the external environment, dedicated to capturing new ideas, transforming them, and integrating them into our organization, operates in five fundamental areas to strengthen our capacity to undertake new objectives, overcome challenges and take advantage of growth opportunities that the future holds.

In 2020, 216 training actions were carried out, totalling 23,802 hours of training, mostly on face-to-face format (82%), which covered 53% of the organization.



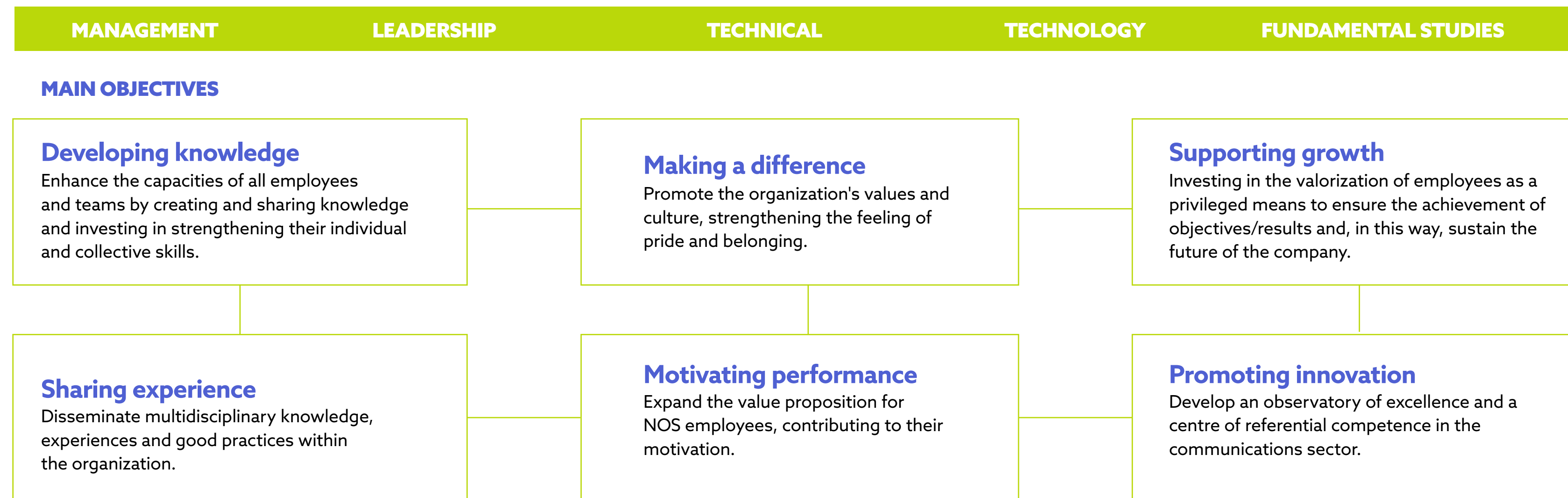
23,802
HOURS
OF TRAINING
mostly on face-to-face format

Among other issues, in 2020 NOS Campus continued to focus on two relevant fronts:

- In **technical training**, specifically in the training of commercial teams. In view of the expansion of the service offer and a new customer profile - younger and digital - it is important to train the employees of NOS commercial teams in behavioural, business, and digital aspects, in order to face the challenges of the digital world. The course aims to stimulate a paradigm shift in the sales approach, strengthen the knowledge of technological trends, and provide the consultant with tools and techniques for use in his daily activity;
- In **agile methodology**, not only in the immersion of the main stakeholders, leaders, and team members, to ensure the transversal alignment of the organization, but also in the training of the various functions (such as Product Owner, Scrum Master and Chapter Lead) and practices inherent to the methodology.

Despite the importance of training for a technology-based company and as ambitious as NOS, overall, in 2020, however, there was a substantial reduction in the total number of hours of training compared to 2019 (49%), strongly related to the conditioning factors of the pandemic context.

NOS CAMPUS 5 MAIN KNOWLEDGE AREAS





SAFETY, HEALTH AND WELL-BEING

To face the context brought about by the pandemic, where situations of greater isolation raise challenges to the organizational culture and team spirit, the health and well-being of employees took on an even more critical, pertinent, and urgent sense in 2020.

In order to protect them and ensure the continuity of our activity, we have activated a set of protection measures that acted on two fronts:

- **Individual protection**, to ensure the safety of all NOS people;
- **Reassurance** on the professional, personal, family and community dimensions.

To learn about these measures, see the chapter **“Pandemic Management”** on the **Management report**.

In order to ensure that our employees, suppliers, and partners develop their activities in a safe work environment that prevents risks and the occurrence of incidents and prevents occupational diseases, we implemented in 2015 at NOS Comunicações, the occupational health and safety certification, according to the ISO 45001 standard.

The health and safety issues imply, in practice, compliance with the legislation, so we consider

that it is applicable to most of our employees and companies, through the practices and processes that we implement in a systematic and comprehensive way, in a logic of minimization of the risks and in a logic of continuous improvement of behaviours and of safety and health conditions inherent to our activity and infrastructures.

We carry out, annually, an extensive exercise of mapping the main hazards and risks of occupational health and safety resulting from our activities, as well as the means of controlling them.

In our activity, the main dangers are related to the high number of work hours sitting at the computer, which can lead to the appearance of ocular and musculoskeletal injuries; inadequate lighting, temperature and/or humidity conditions; high and demanding work load and rhythms causing stress and fatigue; falls or crashes against objects and structures leading to cuts and/or other injuries; contact with live electrical components; possibility of fire occurrence; and, finally, car or other accidents on the home-work-home routes.

This information, as well as the control mechanisms and procedures of the Management System implemented, can be consulted by employees on the intranet, specifically on the Sustainability Portal and the Internal Control Portal. In this regard, the procedure for investigating and reporting incidents is highlighted, where we define the methodology and responsibilities for the detection, internal

communication, investigation, participation, and supervision of incidents in the company, applicable to all incidents involving NOS employees or service providers carrying out activities at NOS facilities or occupied and/or managed by NOS.

The annual action plan that we developed within the scope of the management system includes several initiatives, namely a semi-annual audit program, carried out by accredited external entities, with a view to ensuring working conditions in terms of air quality, noise, lighting, and air conditioning; the provision of ergonomic chairs; signage and electrical installations in accordance with the regulation in force; medical surveillance, among others. Quarterly food audits are also carried out to ensure the quality of the food available in the company’s buildings.

Finally, it should be noted that as of 2020, employees can also perform, in an easier and more convenient way, the Occupational Health exams and appointment in the three main buildings of NOS (Campo Grande, Expo and Norte Shopping). This process is essential for each one to take care of their health, but above all to ensure compliance with legal obligations, whether they are the company’s certification in Occupational Health and Safety (ISO 45001 standard) or compliance with Article 108° of the legal regime for the promotion of Occupational Health and Safety.

In the scope of physical safety, we develop e-learning training for new employees so that they know how to

act in situations of prevention and emergency in our buildings. In 2020, this training reached a completion rate of approximately 87%.

Whenever relevant, we adhere to external initiatives aimed at strengthening knowledge on these matters.

REORGANIZATIONS

Motivated by the broadly dynamic nature of our sector, we have implemented at NOS a set of practices and policies that have allowed us to respond effectively and quickly to the need to reorganize the company (such as the need to attract/turnover talent motivated by the demand of new skills to respond to the challenges arising from technological and market developments).

Our approach is concerned with not only maximizing the ability to respond to challenges from the collective point of view, but also addressing individual needs and interests, placing our people in an environment of positive change and personal and professional growth.

This attitude leads us to constantly promote, in a sustained and responsible manner, internal mobility processes (and the respective follow-up of the change), reskilling and upskilling initiatives, as well as attractive exit conditions, seeking to reduce the impacts of organizational restructuring. In 2020, despite the impact of the context on business results, the company did not resort to measures such as collective dismissals and layoffs.



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PRESERVING

THE ENVIRONMENT

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6. PRESERVING THE ENVIRONMENT



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2020 AT A GLANCE

EVALUATION OF COMMITMENTS DEFINED IN THE ENVIRONMENTAL PRESERVATION FIELD

COMMITMENT	YEAR		STATUS 2020
Reduce, by 2020, 9% of energy consumption in buildings, compared to 2015	2020		In 2020, energy consumption in buildings was 16% lower than in 2015.
Reduce, by 2020, 35% of energy consumption in own stores, compared to 2015	2020		In 2020, energy consumption in our own stores network was 43% lower than in 2015.
Reduce 75% of total energy consumption, per data traffic, by 2025 and 85% by 2030, compared to 2015*	2030		In 2020, total energy consumption per data traffic was 80% lower than in 2015.
Consume 65% of renewable electricity by 2025 and 80% by 2030*	2030		In 2020, different options for purchasing renewable electricity were assessed.
Reduce 50% of the carbon footprint of our own operation (scope 1 and 2 emissions) by 2025 and 75% by 2030, compared to 2015*	2030		In 2020, the carbon footprint of our own operation was 46% lower than in 2015.
Adopt a Science-Based Target to reduce GHG emissions, approved by the Science-Based Targets Initiative *	2021		New
Reuse, by 2025, 51% of customer equipment collected in the fixed telecommunications segment	2025		New
Respond to 100% of information requests received about electromagnetic fields	On-going		New



Implemented



In progress



Not implemented

* Integrated in the set of strategic objectives presented in the section "New strategic cycle".

MAIN HIGHLIGHTS

626,349 GJ

of total energy consumption:
-6% compared to 2019

479 thousand

of customer equipment reused

0.16 GJ/TB

of energy consumption per data traffic:
-44% compared to 2019

74 measurements

of electromagnetic radiation in network installations

35,789 t CO2e

of scope 1 and 2 GHG emissions: -32% compared to 2019





ENERGY AND CLIMATE

In 2020, we strengthened the importance of climate goals in our business strategy. The medium-term goals defined in 2019 for energy efficiency, renewable energy and carbon emissions were integrated into the 2021-2025 strategic vision and complemented with the goal of, by 2025, placing on the market products and services that reduce our customers' emissions in an amount higher than the emissions from our own operation.

By joining the Business Ambition for 1.5°C initiative of the United Nations, we commit ourselves to adopt, by the end of 2021, a target for reducing our value chain GHG emissions in line with scientific evidence Science-Based Target, aligning our efforts to reduce emissions with the decarbonization trajectories needed to meet the goals of the Paris Agreement.

We participated, for the first time, in the CDP - Disclosure, Insight, Action - Climate Change Programme, obtaining an A- rating, which places NOS in the leadership performance range of corporate climate action, at an international level.

Energy management

The main form of energy consumed in our activities is electricity (about 92% in 2020). Fossil fuels used in the company's own fleet, buildings and emergency systems represent around 7%. The remaining 2% corresponds to thermal energy (heating and cooling), purchased from third

NOS with leadership performance in the first CDP Climate Change response

In 2020, we started to answer the CDP Climate Change program survey, which evaluates, in a detailed way, how companies respond to the risks and opportunities that climate change poses to their business.

We carried out an extensive internal exercise of information collection, analysis, and reflection, which involved several areas of the company and allowed us, for example, to deepen the characterization of the portfolio of products and services that reduce customer emissions and explore the potential for their expansion.

We also made a detailed characterization of risks and opportunities, using the taxonomy and guidelines defined by the Task Force on Climate-related Financial Disclosures (TCFD), while preparing the adoption of the respective recommendations in future editions of our reporting documents.

NOS participation was distinguished with the overall score A- (Leadership performance scale), a result above the sector average, at an international level. NOS was the only Telco company evaluated in Portugal.

parties, and used in the air conditioning systems of buildings and cinema theatres.

The technical telecommunications infrastructure - network and Data Centres - is responsible for 80% of the total energy consumption. Its weight has been increasing, because of the expansion of the activity and the rapid growth of data traffic, which induces greater consumption in the equipment that supports it.

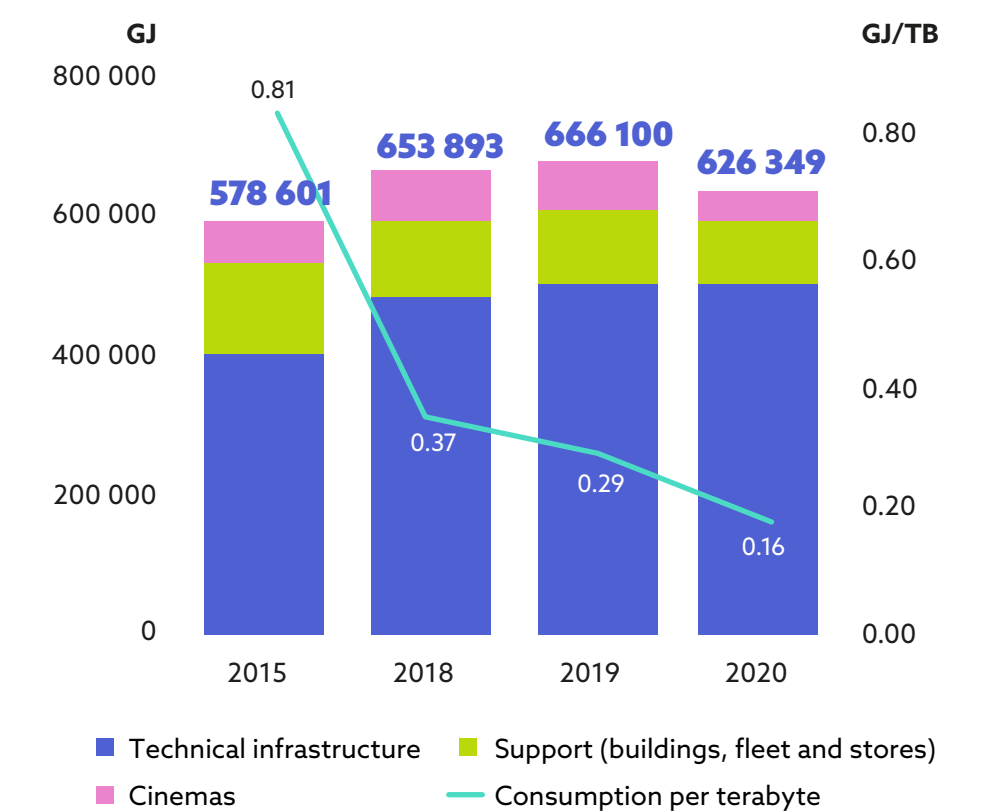
For the first time since 2015, global energy consumption in our operation has decreased compared to the previous year (-6%). The significant reduction (-28%) in stores, cinemas, fleet, and back-office buildings - whose use was strongly conditioned by the COVID-19 pandemic - offset the 2% increase in the technical network.

The data traffic growth trend was also strengthened (+ 67%, compared to the previous year), being particularly visible on the fixed network, as a result of the change in internet and TV streaming consumption patterns, due to restrictions on mobility in force for most of the year.

The energy consumption ratio per unit of traffic decreased by 44%, strengthening the consistent improvement in energy efficiency. Since 2015, we have continuously implemented measures to improve the energy efficiency of our operation, with a particular focus on the technical infrastructure. It is worth mentioning the complete modernization

of the mobile access network - concluded in 2019 and which generated energy savings of around 25%, for the same volume of traffic - as well as the consolidation and virtualization of servers and the adoption of advanced air conditioning and lighting solutions in Data Centres - which increased the energy efficiency of these facilities by approximately 30%. The improvement in performance is visible in the year-on-year evolution of the energy consumption by data traffic indicator, which between 2015 and 2020, registered a reduction of 80%, anticipating the goal set for 2025 (-75%) and setting the company's performance in line with its 85% reduction target for 2030.

Global energy consumption and energy consumption per data traffic



Mobile and fixed data traffic. As of 2018 it includes non-linear TV (streaming) and excludes linear TV (Broadcast). It does not fully reflect the activity of Data Centres. Data traffic value 2019 revised to integrate all traffic associated with non-linear TV (streaming). Total 2019 Energy Consumption amount revised to correct consumption in cinemas and mobile network sites.



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In 2020, investment continued in the energy efficiency of the network's support systems:

- high efficiency backup and energy transformation equipment and forced ventilation solutions in mobile access network sites;
- containerization of air conditioning corridors on major sites;
- optimized management of the air conditioning of technical rooms.

It is estimated that these measures generate electricity savings of 0.5 GWh/year, in addition to the approximately 1.6 GWh of annual reduction already attained with the virtualization and equipment consolidation measures in Data Centres, implemented in 2019 and whose expansion is scheduled for 2021. These initiatives have made it possible to contain the absolute increase in energy consumption, despite the significant increase in the amount of service delivered.

In 2020, we continued to test intelligent network management features, with the aim of optimizing operation in periods of reduced traffic, now with a special focus on 5G technology. We also implemented specific solutions to reduce energy consumption in the experimental 5G network of Matosinhos.

In administrative buildings, modernization and efficient air conditioning management measures

and the installation of LED lighting technology, have generated a consistent reduction in absolute energy consumption in the last five years, strengthened, from the end of the first quarter of the year, by the reduction of the respective use, with the adoption of remote work. In 2020, total energy consumption in our buildings was down 16% from 2015 levels, thus exceeding our 9% reduction target.

In our own stores network, the revamping process started in 2016 involved the widespread adoption of LED lighting, consistently reducing electricity consumption. In 2020, consumption was also influenced by the limitation of face-to-face service, and was down by 43% from 2015 levels, thus exceeding the established 35% reduction target for the same period.

In the company fleet, hybrid and 100% electric vehicles started to be introduced, which, at the end of the year, represented 5% of the total vehicles.

We aim to consume 80% of electricity with renewable certification by 2030, with an intermediate target of 65% by 2025. We are currently exploring different options to ensure that this target is met, including the establishment of bilateral renewable electricity supply contracts (Power Purchase Agreement - PPA), which will significantly reduce the carbon footprint of our

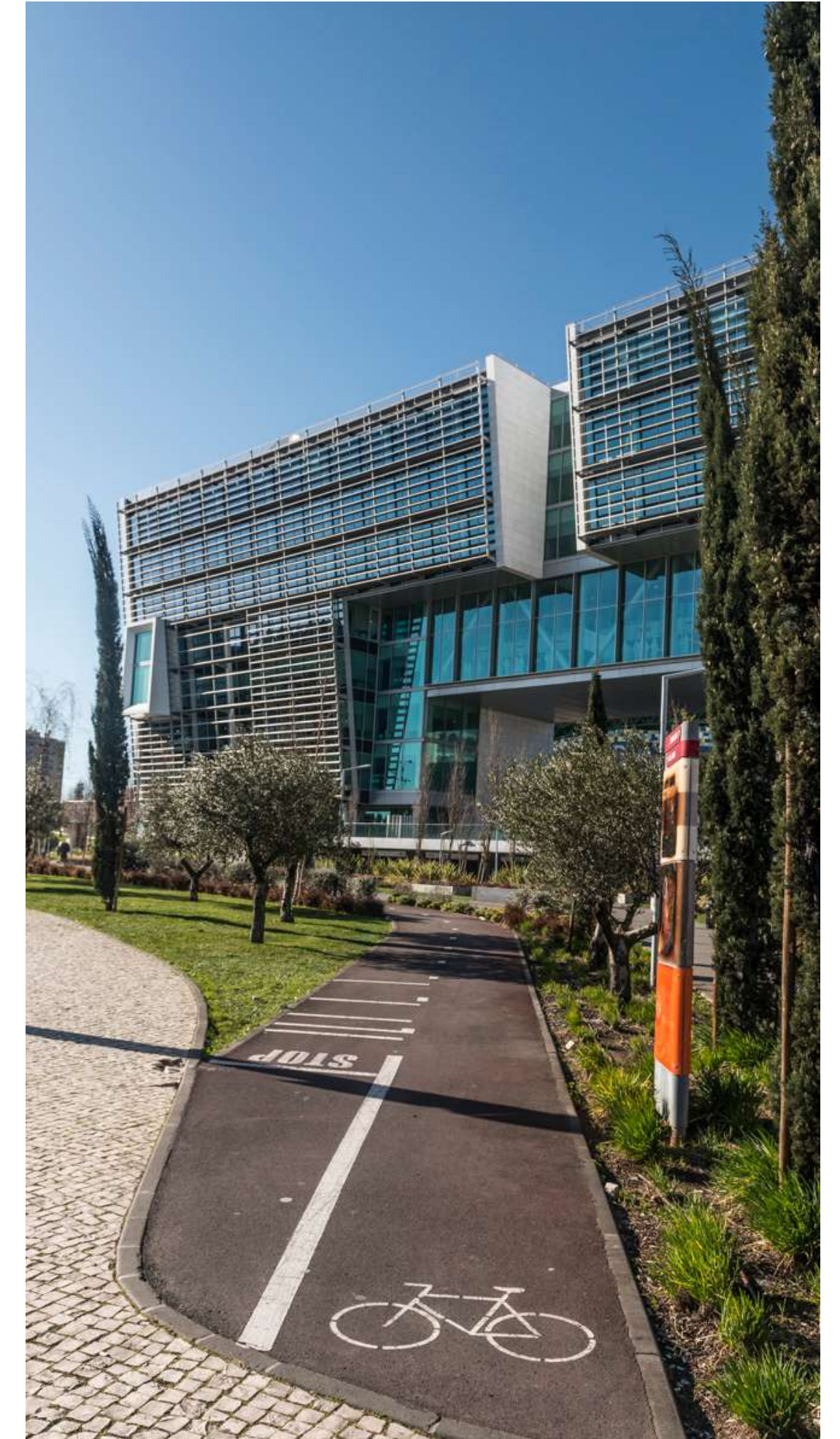
operation. In 2020, the electricity purchased from third parties was, according to information from the respective supplier ^[1], generated by 54% from renewable sources.

Carbon footprint reduction

The carbon footprint of our operation (scope 1 and 2) is dominated by indirect emissions associated with the production of purchased electricity, especially that required for the operation of the technical telecommunications infrastructure, which consumes more than 80% of the total. The global consumption of electricity and thermal energy decreased by 3%, with associated emissions (scope 2) registering a much more significant decrease (-30%), due to the reduction in the carbon content of the electricity purchased.

The use of the company's own car fleet also suffered a sharp reduction (-34% fuel consumption) which, complemented with the start of the electrification process, resulted in a reduction of more than 30% in the respective direct emissions. After the one-off increase seen in 2019, fugitive emissions of fluorinated gases in air conditioning and fire extinguishing systems again registered values similar to those of previous years, contributing to a reduction of more than 50% in scope 1 emissions, compared to 2019.

^[1] EDP Comercial - 2020 Energy Origin.





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All categories of other indirect emissions (scope 3) - except for the energy consumption of NOS equipment housed on third-party sites - registered a reduction in relation to 2019. In a context of strong restrictions on mobility, emissions from business travel decreased by almost 80 % and commuting by employees decreased by 64%, as a result of the adoption of remote work solutions during a significant part of the year. The effects of the pandemic were also visible in the reduction of emissions associated with the life cycle of the energy consumed, in the lower production of waste and the consequent reduction in emissions from the respective disposal, and in the reduction of energy consumption in the of franchised stores network.

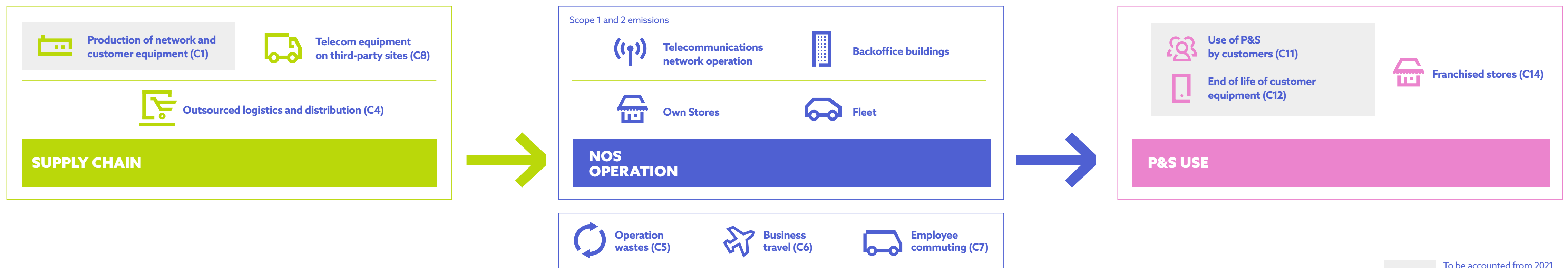
To increase the visibility and influence over carbon emissions throughout the value chain, we have defined a roadmap for expanding the scope of accounting for our footprint, from the supply chain to the use of products and services by our customers (scope 3). In 2020, we started to account for emissions associated with the logistics operation that we subcontract, including electricity consumption at the logistics centre and the transport of customer equipment to our own and franchised store network, as well as direct shipment to our customers (category 4). In 2021, we will complete our scope 3 emissions inventory , with the inclusion of emission sources associated with the production of purchased goods, services, and assets (categories 1 and 2) and the use and end-of-life of the customer equipment we place on the market (categories 11 and 12).

CARBON FOOTPRINT

	2015	2018	2019	2020	t CO2e Δ 19-20 (%)
SCOPE 1 - DIRECT EMISSIONS	4 902	5 227	7 064	3 441	-51%
Fuel consumption	4 650	4 583	4 526	2 991	-34%
Fugitive f-gases emissions	252	644	2 538	450	-82%
SCOPE 2 - INDIRECT ENERGY EMISSIONS	61 935	53 775	45 932	32 348	-30%
Electricity consumption - Market-based method	60 982	52 835	44 986	31 671	-30% *
Electricity consumption - Location-based method	39 299	46 209	59 103	49 355	-16% *
Thermal energy consumption	953	940	946	678	-28% *
SCOPE 3 - OTHER INDIRECT EMISSIONS	1 138	2 216	18 042	14 763	-18%
C3 - Energy, not accounted for in scope 1 and 2	n.d.	n.d.	13 351	11 292	-15% *
C4 - Outsourced logistics and distribution	n.d.	n.d.	n.d.	269	-
C5 - Waste treatment	100	214	163	105	-36%
C6 - Business travel	1 039	815	708	148	-79%
C7 - Employee commuting	n.d.	1 188	1 181	429	-64%
C8 - Telecom equipment on third-party sites	n.d.	n.d.	2 202	2 245	2%
C14 - Franchised stores	n.d.	n.d.	436	274	-37%
TOTAL SCOPE 1 + SCOPE 2 - MARKET-BASED METHOD	66 837	59 002	52 996	35 789	-32%

Notes: * 2019 amounts revised to correct energy consumption and expansion of the scope of accounting for scope 3 - category 3.

SCOPE OF ACCOUNTING FOR THE NOS CARBON FOOTPRINT





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Solutions that reduce emissions

With a 1:10 ratio between the carbon emissions it induces, and the emissions avoided with the adoption of the products and services it offers, the Information and Communication Technologies sector (ICT) is essential to the low carbon transition. Estimates suggest that the use of ICT solutions in different sectors of the economy - namely in industry, agriculture, buildings, mobility, and logistics - can reduce up to 20% of global emissions by 2030².

In 2020, we strengthened the integration of this dimension in our business strategy, by defining the objective of, by 2025, placing on the market products and services that reduce our customers' emissions in an amount higher than the emissions of our own operation.

To materialize the opportunity created by the growing interest in solutions that reduce emissions, we continue to develop specific products and services, aimed in particular at the corporate customer segment. Our portfolio currently integrates Communication and Collaboration, Cloud and Data Centre, IoT (Internet of Things) and Analytics solutions, which avoid the need to travel, reduce energy and water consumption, and provide secure

and energy efficient infrastructures for storing and processing data. These solutions already represent about 5% of the turnover in the corporate segment.

Adaptation and resilience

We are increasing the resilience of our activity, in particular the technical infrastructure, to the effects of climate change, through the integration and strengthening of specific measures in the business continuity processes.

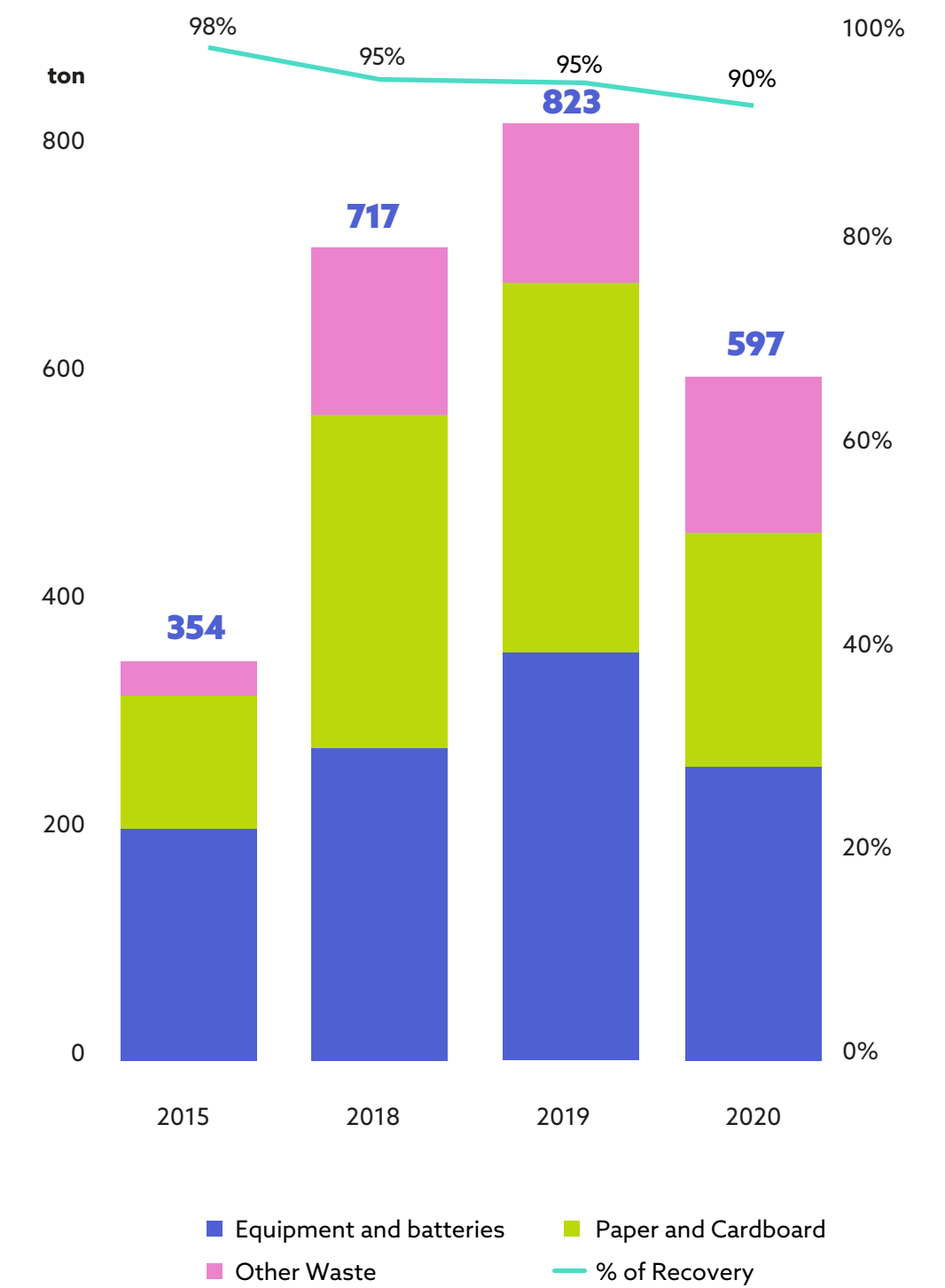
In 2020, the work that we have been developing in responding to emergency situations brought upon by ever more frequent extreme weather events continued. We tested different resilience scenarios to assess the responsiveness of our network and systems in the event of failure, disturbance, or external event, and improved the contingency procedures in exceptional weather situations. In conjunction with the Portuguese Institute for the Ocean and Atmosphere (IPMA), we reviewed the identification of technical installations in places with high fire hazard, strengthened the energy autonomy of critical installations and improved the population warning system, using NOS mobile network, in order to reduce the processing and sending times of messages.

CIRCULAR ECONOMY

Management of waste from own operation

End-of-life electrical and electronic equipment and their packaging, as well as associated batteries, are the main waste categories produced by our operation. In a sector where technological renewal is constant, the introduction of circularity principles that turn electric and electronic waste into resources, through its reuse and recycling, is especially relevant. In the activities we develop directly, we have implemented selective collection systems that ensure the routing for multi-material recycling or energy recovery of a high percentage of the total waste we produce. In 2020, the restrictions imposed by health control measures forced adjustments to the operation that resulted in an overall reduction of 27% in the amount of waste produced, in particular paper and cardboard (-34%) and equipment and batteries (-30%). Other waste types, including unsorted waste saw a smaller reduction (-7%), which caused a slight decrease in the rate of overall recovery.

Production and recovery of waste from own operation



² GeSi, 2015. Smarter 2030.



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FINAL DESTINATION OF WASTE PRODUCED IN OWN OPERATIONS

		HAZARDOUS WASTE (t)						NON HAZARDOUS WASTE (t)					
		2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
RECOVERY	Multi-material recycling	4.1	1.7	1.2	26.0	63.0	35.6	341.8	364.2	540.5	637.8	702.9	494.4
	Energy recovery	0.0	0.0	0.0	0.0	0.0	0.0	0.3	21.5	3.6	16.2	15.6	6.9
DISPOSAL	Landfill	0.0	0.0	0.0	0.0	3.6	0.0	7.7	3.2	0.0	37.2	37.8	59.7
TOTAL		4.1	1.7	1.2	26.0	66.6	35.7	349.8	388.9	544.2	691.2	756.3	561.1

In 2020, we reviewed logistical processes in order to reduce the consumption of materials. These changes will eliminate 270 thousand components/year in packaging and shipping of customer equipment and 160 thousand bags and plastic films in our warehouse's internal operations.

We also maintained protocols with third sector organizations for the donation of used equipment and materials, increasing the lifetime of these resources and supporting the activity of partner institutions.

Reuse of customer equipment

Our equipment recovery operation continued, in 2020, to ensure the collection of more than 80% of the equipment used by fixed service customers (TV boxes, routers and hubs). This equipment is transported to our logistics centre, where it is technically evaluated and subject,

whenever feasible, to a refurbishing process (cleaning, repairing, and updating of components) that allows for a new use. We thus avoid the additional consumption of raw materials and energy and increase the circularity levels of our processes.

In 2020, more than 479,000 pieces of customer equipment were put back on the market, a 19% decrease from the previous year (-16% in total weight) explained by the transition to more technologically advanced boxes and routers, which will involve a significant investment effort and will reduce the possibility of reusing some of the older equipment. However, there was an increase (+ 1%) in the rate of collection of equipment disconnected from customer facilities.

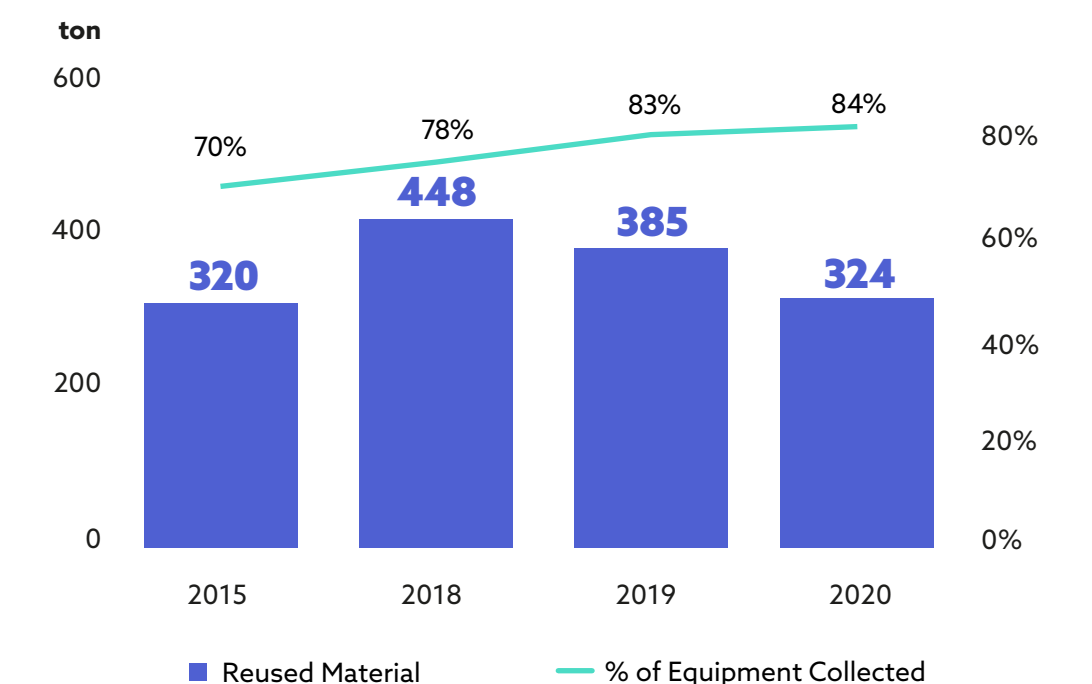
On average, about 50% of all collected equipment is returned to the market (54% in 2020). Considering the equipment's technological evolution and its planned roll-out, we define



annual targets for the re-use rate of collected equipment. For 2021, considering the planned technology update, the reuse target for collected equipment is lower than that of previous years (34%). However, progressively more ambitious targets have been defined by 2025.

For the remaining customer equipment, especially mobile handsets, NOS has partnered with integrated waste management operators, through which it finances the correct routing at the end of the life of all the equipment it places on the market. The waste from all packaging placed on the market is also sent for recycling through the integrated system managed by Sociedade Ponto Verde.

Recovery and reuse of customer equipment in the fixed service





OTHER ENVIRONMENTAL IMPACTS

Prevention and monitoring of electromagnetic fields

Mobile telecommunications equipment uses radio frequencies which, as it happens with the operation of other electrical equipment, generate electromagnetic fields. Currently, most people are permanently exposed to very low intensity electric and magnetic fields, generated by the functioning of equipment necessary for the most varied activities, including research, communications, medicine, transport and distribution of electricity, aeronautics, or maritime navigation. The current scientific consensus is that there is no evidence of a relationship between adverse health effects and the use of mobile telecommunications equipment within the internationally established exposure limits.

NOS Code of Ethics and its Sustainability Policy express our commitment to:

- inform customers about all possible risks associated with the use of the products and services we provide;
- apply, in line with the principles of prevention and precaution, measures that protect the general population, our employees and partners and other relevant entities, against possible adverse effects on human health from exposure to electromagnetic radiation generated by our infrastructures and equipment.

All our network equipment and mobile phones provided to customers comply with Portuguese legislation on exposure limits to electromagnetic fields, which follows European Union regulations and international scientific guidelines. Based on the precautionary principle, we implement preventive measures in addition to those legally required, to ensure that all exposure limits are met.

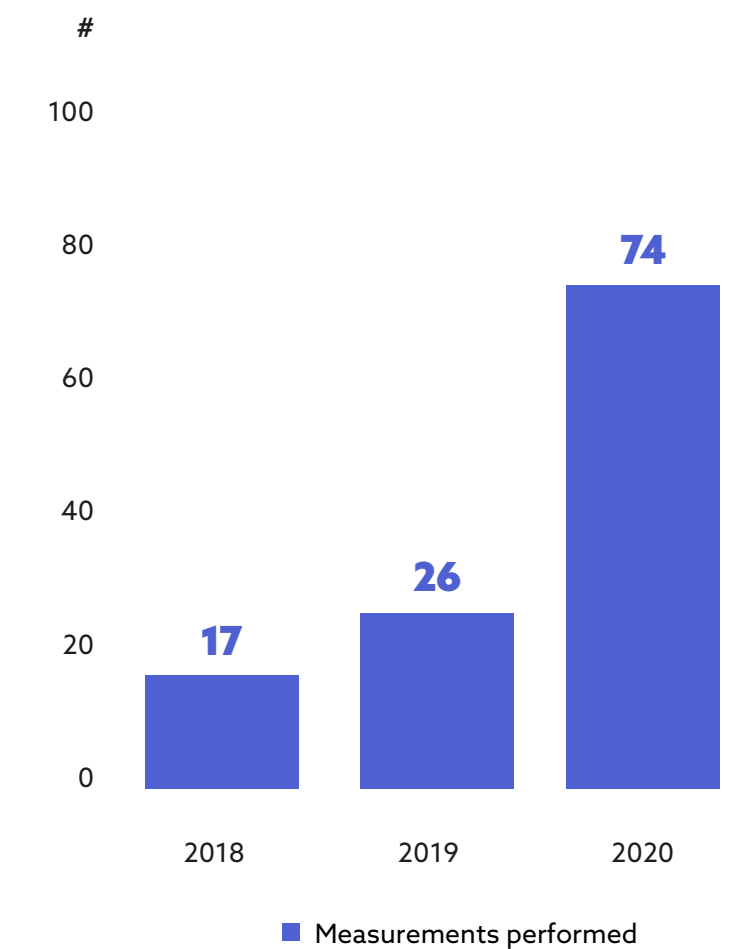
We follow the latest scientific developments on the topic, including the recommendations of the World Health Organization (WHO) and

the International Commission on Non-Ionizing Radiation Protection (ICNIRP), and we aim to respond, transparently, to 100% of contacts and information requests on this matter received from the general public, private and public entities, and other stakeholders.

We carry out an annual measurements plan to monitor exposure to electromagnetic fields in our mobile and fixed ground service network, covering all relevant facilities, identified based on the requirements defined specifically for this purpose by the Portuguese telecommunications regulator (ANACOM): new or reconfigured installations, located inside, on top or on the facade of buildings.

In 2020, we almost tripled the number of performed measurements. All the monitored stations had values of electromagnetic fields power density lower than the reference values³, and 86% even registered a level 50 times below that threshold. The results are communicated to national and local authorities, including ANACOM, which also publishes the results of measurements it undertakes in response to requests from public and private entities.

Measurement of electromagnetic radiation on mobile network sites



³ Maximum permitted values of exposure to electromagnetic fields, in accordance with Ordinance No. 1421/2004 and Regulation No. 86/2007.



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At the national level, we participate in initiatives such as "FAQtos", promoted by INOV (INESC), that monitors and disseminates information on the impacts of electromagnetic radiation to public entities such as municipal councils, schools, hospitals, and health centres. In this context, we annually support the national contest "FAQtos Award", aimed at high school students. The initiative is part of the curricular plan of all study areas and aims to contribute to the formation of a collective conscience on electromagnetic fields and their potential effects on human health, the environment and society.

Throughout 2020, we carried out studies on the impact of the new 5G networks on the electromagnetic field emissions of the ground mobile service. Several tests were carried out in a real environment, with temporary spectrum at 3.6 GHz provided by ANACOM and installation of 5G NOS stations, through which we simulated different exposure environments. The results of the measurements carried out, with and without traffic, showed that the values of electromagnetic radiation from 5G stations in that spectrum never exceeded the limit exposure amounts in the public access zones. In response to the public's interest in this topic, ANACOM and the "FAQtos" project also published specific documents on possible

health effects of the fifth mobile generation. At the international level, with the entry into service of the first commercial 5G networks, we followed the tests of exposure to electromagnetic fields carried out by several independent entities, namely by the French (ANFR) and British (OFCOM) regulators. In both cases, the measurement results showed values below the exposure limits defined by ICNIRP, concluding that the contribution of 5G technology to the total electromagnetic field is reduced.

In 2021, we will continue to carry out studies on this issue and closely monitor the respective national and international developments, responding transparently to requests for information and facilitating technical means for impact assessment, in partnership with the authorities and scientific entities.

Processes dematerialization

We have a very significant number of customers and suppliers. The digitization of our invoicing processes is a valuable tool, both for modernization and operational efficiency, as well as for the rationalization of consumption of printing material and also of energy associated with its transport.

In 2020, the use of electronic invoices by our customers increased by 12 percentage points, reaching 73%, with its subscription also available on our digital channels. At the end of the year, 81% of users of 3P and 5P services (services that include at least television, internet, and telephone), in a total of more than 1 million customers, already used electronic invoice. Among new customers, the rate of signing up to this modality was 89%.

Regarding our suppliers, the use of dedicated digital platforms allowed us to receive, in 2020, 64% of the respective invoices electronically, which corresponds to an increase of 9 percentage points compared to the previous year. In 2020, we also grew significantly in the use of eSIM, having already several thousand users of this technology that allows the dematerialization of the SIM card, which not only saves resources but improves the experience of our customers. This solution was also developed in a 100% digital activation logic, without displacements or production of physical subscription documents.

In our stores, we also dematerialized the service tickets, making this option available on NOS App, in order to reduce paper consumption. In 2021, we will expand the project, with the aim of significantly reducing paper consumption and improving customer experience.

In customer equipment, the new generation of UMA TV boxes was designed to consume the least amount of material, being made of 61% less plastic than the previous version.

Protection of biodiversity

The installation of mobile network stations, typically in urban areas, is regulated by specific legislation and requires licensing procedures with the respective Municipal Councils. For most of the installations, the restrictions are related to the visual impact - height of the towers, aesthetic aspects - and the mandatory minimum distance of 150 m from any building intended for the permanence of people.

Deployment of fixed network in urban, semi-urban or rural areas is also regulated by specific legislation and requires licensing procedures with the respective Municipal Councils and other entities, such as infrastructure holders who can accommodate telecommunications networks. The main restrictions are related to the visual impact, and, in the case of new infrastructures in urban areas, with conditions of the Municipal Master Plans.

When new infrastructures, whether in the mobile or fixed network, are installed inside or in areas adjacent to nature protection areas,



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areas of high conservation value or with special environmental sensitivity, as is the case of the Special Protection Area of the "Alto Douro Vinhateiro", we ensure, within the scope of the respective licensing process, compliance with the specific protection requirements defined by the competent authorities, namely the Institute for the Conservation of Nature and Forests (ICNF).

Water consumption management

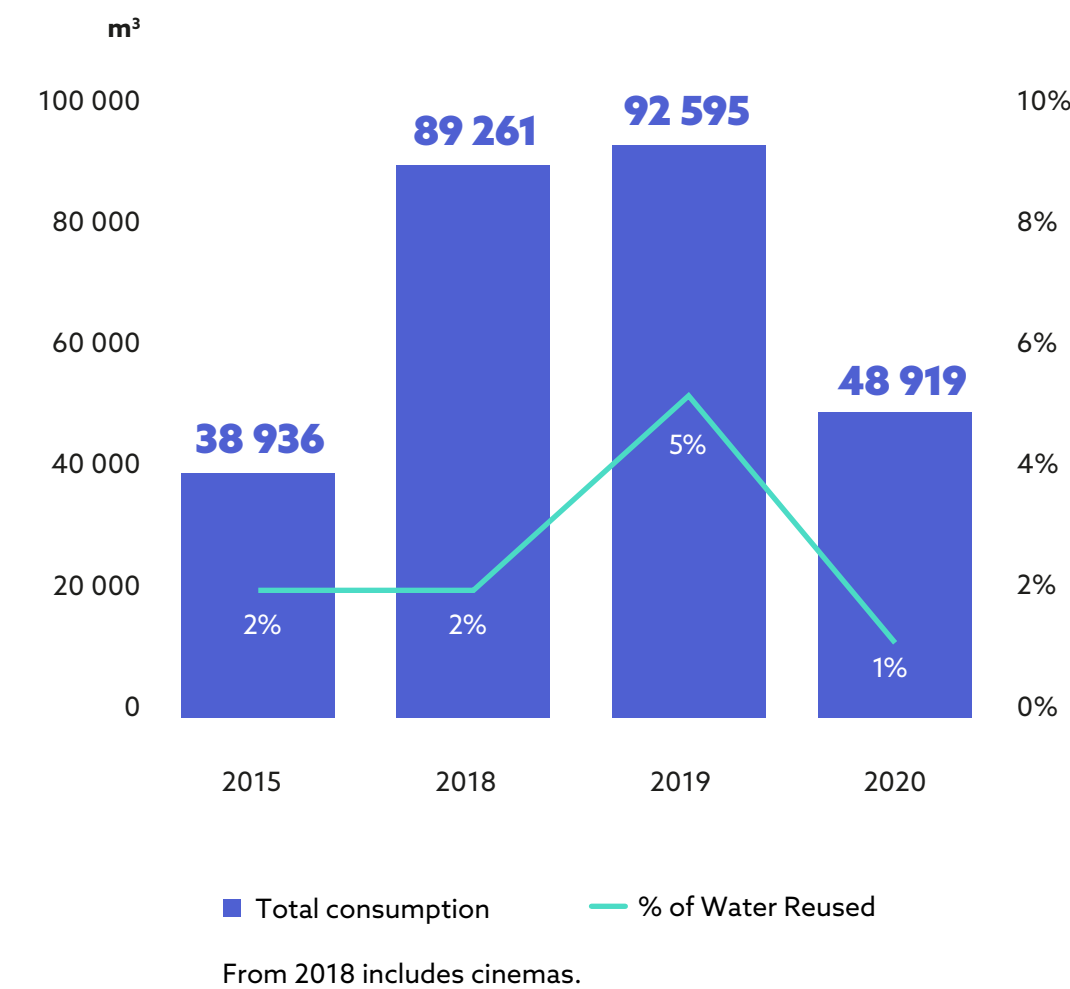
Our activities do not involve the consumption of significant amounts of water, and this is not considered a material topic in our sustainability strategy. However, water is a scarce natural resource, the consumption of which we monitor and rationalize in the support buildings, technical network, own stores, and cinema theatres.

Our facilities at Parque das Nações, in Lisbon, have a system that allows for the collection of rainwater and its re-use in the building's irrigation and firefighting systems. Our other only source of water supply is the municipal network.

In 2020, total water consumption in our operation was reduced by almost 50%, compared to the previous year, reflecting the significant reduction

in the occupation of facilities as a result of the adoption of remote work solutions. Likewise, there was a decrease of about 80% in the volume of rainwater recovered and reused, associated with the decrease in the use of this water in the sanitary facilities.

Total water consumption





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PROMOTING SUSTAINABLE INNOVATION

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2020 AT A GLANCE

EVALUATION OF COMMITMENTS DEFINED IN THE INNOVATION FIELD

COMMITMENT	YEAR	STATUS 2020
Develop pilot project with 5G technology in the corporate sector	2020	 <p>In 2020 we started to bring the technology to the corporate world - partnerships were established and we started the development of projects with customers to implement 5G in real scenarios. In 2021 we will move towards effective implementation on the ground, alongside the expected commercial launch with the allocation of 5G licenses.</p>
Continued investment in Smart Cities projects with implementation in 2 new municipalities	2020	 <p>In 2020 we implemented two more cross-cutting projects of Smart Cities in the municipalities of Albufeira and Seixal.</p>



Implemented



In progress



Not implemented

MAIN HIGHLIGHTS

The most sustainable Smartphone

First operator in the national commercialization of Fairphone 3, recognized as the most sustainable in the market

Leading in innovation

First place in the provisional list of Portuguese companies that invested the most in RDI (Research, Development, and Innovation), released by DGEEC

6 municipalities

that are partners in the development of projects within the scope of **Smart Cities** (increase of 2 in 2020)





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Products and services with environmental and social benefits

At NOS we believe that technology can play a leading role in responding to global challenges and creating opportunities, and we are aware that the sector in which we operate, a technology-based sector and associated with connectivity, offers numerous opportunities to create a better society, environmentally and socially more balanced.

We accept and assume the responsibility of being protagonists in this field, either directly in our activities and through the connectivity services and products that we provide to the market, or in the development and support of sustainable technological innovation, through the impulse and involvement as managers or partners in innovative solutions development projects, the use of which induces economic, environmental, and social benefits.

Innovating is in our DNA. On the one hand, we understand that being able to anticipate the future, understanding and meeting the needs of the company, of our customers and of society in general is fundamental to our competitiveness. On the other hand, we understand the urgency of contributing to the United Nations' Sustainable Development Goals and, therefore, an expressive part of our innovation effort is channelled to projects that contribute directly or indirectly to this purpose.

To this end, we leverage the internal innovation potential and, through partnerships, the innovation potential developed by third parties. We believe that innovation should be viewed openly and not department by department, company by company. That is why innovation is in the minds of our people and is ensured across the board in our organization, involving customers, partners, developers and academia, in a virtuous ecosystem, with whom we collaborate closely.

Leading in innovation

With an investment that exceeded 67 million Euros and an equivalent to 193 professionals allocated full time to the innovation areas, NOS took first place in the provisional list (*) of Portuguese companies that invested the most in Research and Development in 2019, released by the Directorate-General for Education and Science Statistics (DGEEC) in August 2020.

The referred amount was mostly allocated to the evolution of new generation networks, including a leadership strategy in 5G, customer experience, digital solutions in the areas of net, TV and mobile and also advanced analytics and use industrial cases within the scope of smart cities.

(*) This information is the most recent publicly available, since the determination of these amounts by NOS for 2020 and the final list of DGEEC for 2019, as well as the provisional one for 2020 are only officially released later in the year.

Our work in this field is based on three fundamental technological pillars:

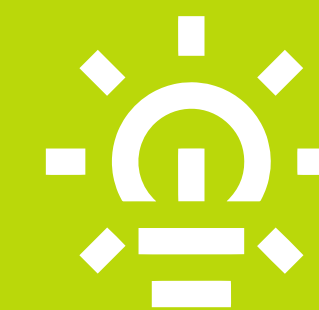
- 5G technology;
- IoT (internet of things), in particular the NB IoT (Narrow Band);
- Advanced Analytics.

Combining these technological enablers with other technologies, we invest on a comprehensive intervention, ranging from the development (as a leader or participant) of funded research, technological development and innovation projects with a focus on sustainability, to the in - house

and in - partnership development, and/ or provision to the market, of solutions (products or services) with evident environmental and social advantages, such as Fairphone 3, known as the most sustainable mobile phone in the world, and the support of entrepreneurship with a focus on solutions that aim to support the society in a more effective response to sustainability challenges.

Our primary areas of focus in this field have been:

- energy efficiency and low carbon solutions;
- smart and sustainable cities and mobility;
- health and active and healthy life.



> €67 Million

INVESTMENT IN INNOVATION

Overall amount invested in innovation by NOS in 2019, including internal actions and support for external projects.

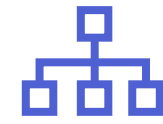


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MAIN TECHNOLOGICAL ENABLERS

- 5G technology
- IoT, in particular the NB IoT (Narrow Band Internet of Things)



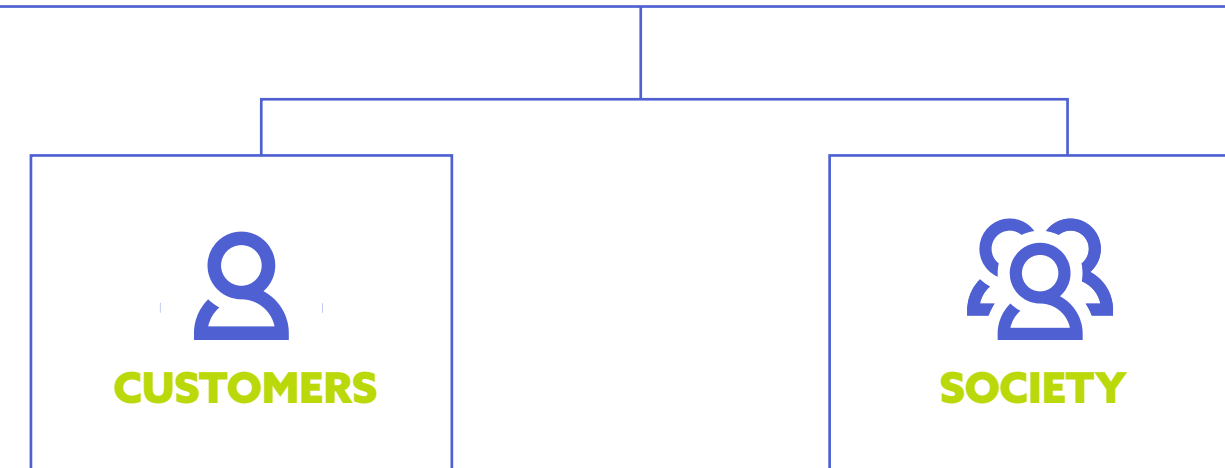
MAIN CATEGORIES

- Development of **funded IDI projects**
- Development and/or provision of **solutions (products and services)** for customers and society
- **Support for Entrepreneurship**



MAIN FOCUS AREAS

- **Energy efficiency** and **low carbon** solutions
- **Smart and sustainable cities** and **mobility**
- **Health** and **active** and **healthy life**



FAIRPHONE 3 - The most sustainable Smartphone on the market

As part of our commitment to innovate and make Portuguese products and services increasingly efficient from an environmental and social point of view, in May 2020 we started marketing Fairphone 3, becoming the first operator to commercialize this model in Portugal. This equipment is considered the most sustainable smartphone on the market because it ensures the use of recycled and fair materials (copper and minerals with origin duly traced and extracted from conflict-free areas), responsible production, less environmental impact, and superior durability

since is a device with a modular logic, consisting of components that can be easily repaired or replaced. Its intrinsic and production characteristics reduce the amount of electronic waste and associated emissions. Fairphone, was recognized by Greenpeace as "the greenest manufacturer of electronic products in the world" and seeks to contribute to a market of electronic products of ethical consumption and motivate the entire industry to act in a more responsible manner, a motive with which NOS is perfectly aligned.

FAIRPHONE

Desde €15/mês



O 1º smartphone sustentável está na NOS
#VamosFicarLigados

NOS Telemedicine Pro - solution for remote medical appointments

In 2020 we launched NOS Telemedicine Pro, a telemedicine solution created in partnership with the Portuguese startup Knok Healthcare, which aims to digitize the experience of a medical appointments, facilitating the interaction between patients and doctors, clinics and hospitals. This platform responds to the need for healthcare providers and patients to communicate remotely and securely, on a platform created from scratch for the purpose, thus contributing to the development of more digital healthcare solutions. NOS' commitment to telemedicine turned out to be extremely relevant in the current pandemic context, in which it is essential to ensure continuity and access to health care.

NOS
Telemedicina
Pro
powered by **knök**

Strong investment on 5G

The fifth generation of mobile communications (5G) has the potential to transform the way we live and organize ourselves (whether on a personal or professional level) and in the way we interact with each other and with the environment. Its characteristics of superior **speed**, inferior **latency**, greater **resilience**, allowing for a higher data flow, and greater **connectivity**, allowing the simultaneous connection of a greater amount of equipment, makes this technology an enhancer for all other emerging technologies such as artificial intelligence, IoT, automation and robotics, digitization and big data, among others, and therefore assume the role of central enabler to accelerating technological transformation and its potential to contribute to a more sustainable world.

This has been recognized by several world organizations such as the UN or the World Economic Forum (WEF) in studies and reflections that promote or support the potential of digital technologies to contribute to the resolution of current environmental and social dilemmas and in particular SDG 13 related to combating climate change. The image on the right represents the cross between this type of technology and the various SDGs and illustrates the central and holistic role of 5G technology.

Effectively, with this technology (as mentioned in the January 2021 World Economic Forum publication

“5G Outlook Series: Enabling Inclusive Long-term Opportunities”) it will be possible to contribute to mitigate the effects of climate change by increasing the monitoring capacity and interconnection with various equipment that are commanded to act in harmony with the sensors, for example, through monitoring and subsequent actions that allow the reduction of electric lights consumption, installing on a large scale on roads, streets and buildings, intelligent lamps and systems that allow switching on and off depending on the presence or absence of people.

It’s only a matter of time before the limiting factor is not what technology can do, but what people can do with it. In this sense, NOS strongly invests in 5G and intends to lead this movement by being a pioneer in the use cases (real cases) that improve the lives of our customers and society.

2020 it was the year that we started taking technology to the corporate world, designing with our customers the projects that will allow them to take full advantage of the technology, making their operations more efficient and creating innovative services for their customers. This step is part of our path of innovation and service excellence (see more details about our positioning and initiatives in the 5G area on the [Management report](#)).



We want to lead and put 5G technology at the service of the environment and society



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IoT as a strategic investment

Most companies are increasingly aware of the consequences of environmental and energy changes and IoT is also, like 5G, an essential enabler in this field. At NOS, this technology is seen as a strategic investment in order to enhance the services and operations of our customers, but also as an ally in fighting climate change and reducing carbon emissions. In a new context where we see a need to reduce contact and travel,

monitoring and remote control are also becoming more socially relevant.

Remote monitoring of patients or smart gas meters are concrete examples where through connectivity it is possible to eliminate travels while enhancing service quality and innovation.

As priority areas of action, we highlight the development of new products (e.g., telemonitoring for the chronically ill; smart meters and bike

sharing); the improvement of the customer experience (e.g., connection of domestic equipment; waste management solutions and smart parking); collaboration through innovation in workspaces (e.g. monitoring space occupation and use of equipment); and, finally, the optimization of operations (e.g., energy efficiency and control of cooling systems). As an example, we highlight two projects developed in 2020.

NOS and Smart Cities

Cities face transformational challenges at various levels - population, environmental, technological, economic/social, and financial, which compel the search for new solutions.

The architecture of a smart city supports the collection and processing of information, making it actionable, which allows making data available in an open and transversal way to the ecosystem for the development of new applications and services that generate benefits.

Analytical cities are a priority investment for NOS. Through a strategy of approximation and cooperation with the Municipalities, and together with our partners, we have been building, over the last few years, a portfolio of technological solutions that address different challenges and priorities. Interactive apps that strengthen the connection between municipalities and citizens, water, energy and waste management systems, administrative modernization and reduction of operational costs are some solutions to which we have been contributing.

In 2020, NOS' work focused on adding new innovative solutions to this portfolio with a focus on supporting municipalities in the management of the pandemic, such as the development of daily dashboards on the impact of public measures on citizens' mobility or video solutions analytics for monitoring social distancing.

Control of industrial consumption with NOS technology

In 2020, NOS has developed a technological solution that, through sensors, monitors in real time the consumption of water, electricity, gas, and compressed air, allowing to understand deviations and to act to increase significant savings. Additionally, through this solution it is possible to detect changes in the performance of industrial equipment, thus also helping to identify preventive maintenance needs, avoiding downtime. At the end of the year, the solution already had implementations in several industries.

Beaches Monitoring with NOS technology

During the summer of 2020, NOS implemented a video analytics project on the beaches of the municipalities of Albufeira and Lagoa, capable of monitoring in real time the number of people present on each beach and the compliance with social distancing. In addition to alerting the authorities, the solution allowed citizens to be informed in real time about the level of capacity of each beach, thus ensuring that they could choose the least occupied beaches for the protection and safety of everyone.





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Projects with two more municipalities

In addition, in addition to the collaboration protocols already signed in previous years with the Municipal Councils of Oeiras, Lagoa, Famalicão or Moita, in 2020 NOS implemented 2 more projects, this time, with the Municipal Councils of Albufeira and Seixal, once again highlighting our investment on smart cities, which promote their sustainability, mobility, accessibility, efficiency and proximity, through technologically innovative solutions.

Finally, 2020 was the year in which NOS was a pioneer in implementing some of the potentialities of the new generation of mobile communications (5G) for the corporate market through the design of projects aimed at implementing solutions centred on augmented / virtual reality technologies, drones or computer vision enhanced by the differentiating characteristics of this new network. In the near future, 5G will be an important facilitator in the development of smart and sustainable cities. And, at NOS, we are committed to building this path. Also, in order to enhance the offer of solutions

for Smart Cities, in 2020 NOS signed a cooperation agreement with Deloitte Portugal with a view to create a joint offer in the area of Smart Cities and Smart Places, combining strategic and operational knowledge of Deloitte in processes of digital transformation of cities with NOS' network of technological and telecommunications partnerships.

Funded Projects with a focus on sustainability

NOS is involved in several co-funded research, technological development, and innovation projects, in partnership with multiple players, from established companies to start-ups, and entities from the national scientific system (e.g., universities, research centres), assuming the leadership of the consortium in some of the projects in question (we invite you to consult the details of these initiatives at our [website](#)).

These projects aim to generate and endogenize new scientific, technical, and technological knowledge and, simultaneously, develop and test new solutions and business models, in different contexts related to energy, Smart Cities and the active and healthy life of senior people. These projects have a multi-annual duration, up to 3 years.

PROJECTS LED BY NOS

PROJECT NAME	FOCUS
C-Tech Technology for climate and low carbon cities	To develop and validate at the pilot scale a digital platform of Smart Cities for urban modelling and planning based on a three-dimensional representation of the city and its combination with various data from different sources (climate, energy and water consumption, mobility and the behaviour of user groups, determined by the use of the mobile phone)-, which will make it possible to simulate different energy efficiency scenarios for buildings and other functionalities, enabling local authorities to identify and effectively address specific environmental issues and promote the reduction of the carbon footprint. The project's outputs will be extensively tested and validated in partnership with the municipality of Lisbon.
(Link4S) Sustainability A new generation connectivity system for creation and integration of objects networks for new sustainability paradigms	Development and testing of a new generation of connectivity devices and their associated platforms (communication and software), aiming at the integration of object networks in the context of mobility and energy. The project also intends to develop and validate innovative business models and network concepts oriented towards sustainable digital solutions that allow to improve the standard of living in cities and reduce the environmental impact. The testing and validation of the solutions resulting from Link4S' R&D efforts will take place in an urban environment, in partnership with the municipalities of Cascais and Matosinhos.

PROJECTS IN WHICH NOS PARTICIPATES

PROJECT NAME	FOCUS
City Catalyst Catalyst for Sustainable Cities	Research, development, and validation, in a real context (demonstrators foreseen in 5 Portuguese cities - Porto, Aveiro, Guimarães, Famalicão and Cascais), of technological solutions and innovative services that enhance an integrated, more efficient, and effective urban management, and catalyst for innovation and sustainable development from the perspective of Smart and Sustainable Cities.
ActiVas Environments built for an active, safe, and healthy life	Research, development and testing of an assisted environment based on a comprehensive pilot that will integrate augmented reality solutions, built-in sensors used by home automation solutions, among several other technologies in a context of promoting an active and healthy life, intervening in various aspects and features, such as support for the proximity care network and the promotion of human functionality through physical and cognitive stimulation.
TURNTABLE Platform to support the vitality and skills of the elderly	Platform to promote and help healthy and active aging of the elderly, and to broaden their expectations of an autonomous and independent life, acting on the level of social needs, health, and home safety, based on connected devices.



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Promotion of entrepreneurship

Our contribution to innovation in general, including innovation at the service of sustainability, also includes fostering entrepreneurship.

"NOS 5G" Fund

NOS intends to lead in 5G technology and to contribute more and more to the dynamism and provision of sustainable associated solutions, placed at the service of its customers and society.

In this sense, at the end of 2019 it launched the "NOS 5G" fund, a pioneering fund that is intended for investment in research and development of this technology. The fund aims to boost investment with the community of entrepreneurs in Portugal, fostering national economic growth and job creation, focusing on technological projects in the early stages of development, usually called early stage.

With an initial amount available for investment of 10 million Euros estimated over five years, the fund aims to invest in companies with technological solutions based on the next generation of mobile network, covering areas as varied as virtual reality, smart cities, autonomous driving, Internet of Things (IoT) and Big Data, aiming to effectively sustain the period of emergence and maturation of 5G technology.

In 2020 a partnership was established with Armilar Venture Partners, one of the largest private Venture Capital operators in the Portuguese market, which was in charge of ensuring the management of the fund, which meanwhile became operational so that start-ups can submit their applications to the program.

Eurekathon: Helping the Food Bank to receive more donations



EUREKATHON
Challenging Data for Zero Hunger

Another initiative to promote entrepreneurship, launched during 2020, was a new edition of the Eurekathon, a marathon of generating ideas that challenges students and professionals in the areas of engineering, science, business analytics and

data science to find innovative solutions that respond to real problems and contribute to the sustainable development of society, developed in partnership with LTPlabs and Porto Business School.

This edition, which took place in early November in digital format, and had as subject "Combating Hunger" and had the Food Bank Against Hunger (BA) as a social partner. The challenge launched to students aimed at optimizing the action of this entity, resorting to the analysis of anonymized data provided by it and by NOS. The winners identified the profile of potential donors and the parishes in the country that present the greatest discrepancy between them and the number of donations made to BA. Based on this profile, they developed a model to identify parishes where there is scope to increase donors and donated food.

Our innovation at the service of the Communities

The nature of the sector in which we operate allows us to enhance the capabilities of those who need it most, and thus contribute to the construction of a more inclusive society, promoting access to new technologies, regardless of age, capacity, language, culture and technological literacy of each one. We face this mission with responsibility and commitment.



For all the Portuguese we will stay On

#Let's stay connected

In a pandemic year, with strong economic and social consequences, in which we were all challenged, individually and collectively, to rethink the way we relate and live our daily lives, as well as to reevaluate the way we face and plan the future, the telecommunications sector has assumed a paramount importance.

In addition to being committed to ensuring the continuity of services to ensure that the Portuguese remain connected, we strengthened our presence and involvement with society, through our participation in numerous social initiatives.

We contribute to the health of the Portuguese and cooperate with the Government

Telephone lines were created to raise funds for various civil society initiatives, such as campaigns to support families and children at risk or fundraising for field hospitals and reinforcement of hospital units.



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We were also involved in the campaign for the development of an Invasive Medical Ventilator, developed by CEiiA. The company provided connectivity to the first tracking centre for COVID-19, through its 5G infrastructure already installed in Matosinhos.

We also offer calls, messages and data to health professionals dedicated to the treatment of COVID-19 patients and we also support the hotel units that have received displaced health professionals, or who could not stay in their homes, so as not to put their families lives at risk.



The company also contributed to the protection of these professionals by printing more than a thousand 3D Face Shields, the result of a partnership with the Instituto Superior Técnico and the Faculty of Medicine of the University of Lisbon.

There is also the contribution to the purchase of more than 6,600 surgical gowns and more than 4,300 protective suits. NOS was also the reference partner of the movement #tech4COVID19, for the diagnosis and treatment of COVID-19.



We were among the most vulnerable and with the least digital literacy populations, through initiatives such as the #darvoz program, in which we donated mobile equipment and cards to bring the infected patients, the elderly and the most vulnerable populations

closer to their families; we made a free phone line available to the "Somos Tod@s Digitais" project, which supports the use of digital communication tools; and we strengthened our collaboration with "MUDA em Casa" - a project that we already supported and which was adapted to help all Portuguese people to get the most out of using the internet from their homes.



Finally, we highlight the support for national culture, with the integration of NOS in the Portugal #EntraEmCena Movement, a digital marketplace where companies can find talent and ideas proposed by national artists.



Communications offering protocols to third sector organizations

In addition, we highlight the maintenance of the program based on the supply and offer, for organizations of the 3rd sector and their audiences, of communications and television services from the NOS Comunicações portfolio and in particular the renewal of the agreement with the "União das Misericórdias Portuguesas" (UMP), started into in 2018, which aims to create a set of benefits in the scope of electronic communications and related services for "Santa Casa da Misericórdia" in Portugal (covering the 387 active Misericórdias in Portugal), enabling access to NOS telecommunications services, with preferential conditions, as well as the implementation of innovative technological

projects and solutions with social impact, mainly aimed at senior home support.

The services covered by this protocol include mobile voice, bulk SMS sending, mobile internet, fixed voice, television, fleet management, video surveillance, e-mail, Wi-Fi on the premises, secure remote access, video conferencing, digital signage, solution for storing and sharing files in the cloud and virtualization of IT and Telco services. This agreement strengthens NOS' commitment to be the driver of the digital transformation of Portuguese society and also allows a cost reduction for the Misericórdias.

These initiatives allowed NOS to strengthen its role in supporting families, companies and institutions. In 2021, we will strengthen the commitment to be close to the Portuguese, connecting them with each other and with the world. We will continue to invest in the expansion of our network and the continuous improvement of our products and services. Through 5G, we will bring the communications of the

future to the present and put them at the service of all citizens, companies, and organizations, thus contributing to the digital transformation of society. We will also remain committed to our sustainability mission, identifying opportunities that will allow us to continue to grow and contribute to the sustainable development of an increasingly balanced society.



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Other solidarity initiatives

In 2020, we continued to support initiatives that allow us to contribute to an increasingly fair and balanced society. Through our support to the Liga NOS (professional football league), we joined, from the first hour, the initiative of Amnesty International Portugal "Eu Jogo Pelos Direitos Humanos",



an awareness project for Human Rights through sport that brings together government entities, the Portuguese Football Federation, the Portuguese Professional Football League, players' associations, coaches, and referees, among other partners.

We also develop initiatives that have the ability to provide emotional comfort and thus trigger positive emotions even in difficult situations, helping to



motivate and energize the target population. In this context, we highlight:

Teddy Bear Gift Initiative

New NOS solidarity initiative inspired by the emotional response generated around our Christmas campaign, in which the Portuguese were given the opportunity to send a Teddy Bear Gift by mail. In an unprecedented

partnership with CTT, NOS launched a ready-to-send kit, those interested just having to fill out the "Correio Verde" sachet and the contact label, deliver it to a CTT store or point or in a post box, and in a few days the Teddy Bear Gift was delivered free of charge to its recipient. The Teddy Bear Gift was on sale in five NOS stores and also in the online store, and NOS customers could still use the NOS App and easily and quickly contribute to this cause, without leaving home, carrying out the entire buying and selling process from their mobile phone. The total sales amount reverted to Yellow Heart Association.

With this initiative, 1,500 teddy bears were sold and approximately 18,000 Euros, 6 smartphones and 6 telecommunications cards were donated to the institution.

"Clowns on the Line" at Braga Hospital

The new project of Operation Red Nose, entitled "Clowns on the Line", has already reached the Paediatrics at Braga Hospital. According to the artistic director of this organization, Fernando Escrich, this is a program of virtual visits that allows Clown Doctors to reach, through the Internet, children admitted to various paediatric services, until it is possible to physically return to all the hospitals they visit. For this project to be able to get off the paper, Operation Red Nose states that the support of the various partners, namely NOS, was essential, which donated part of the hotspots necessary to secure the Internet for video calls.

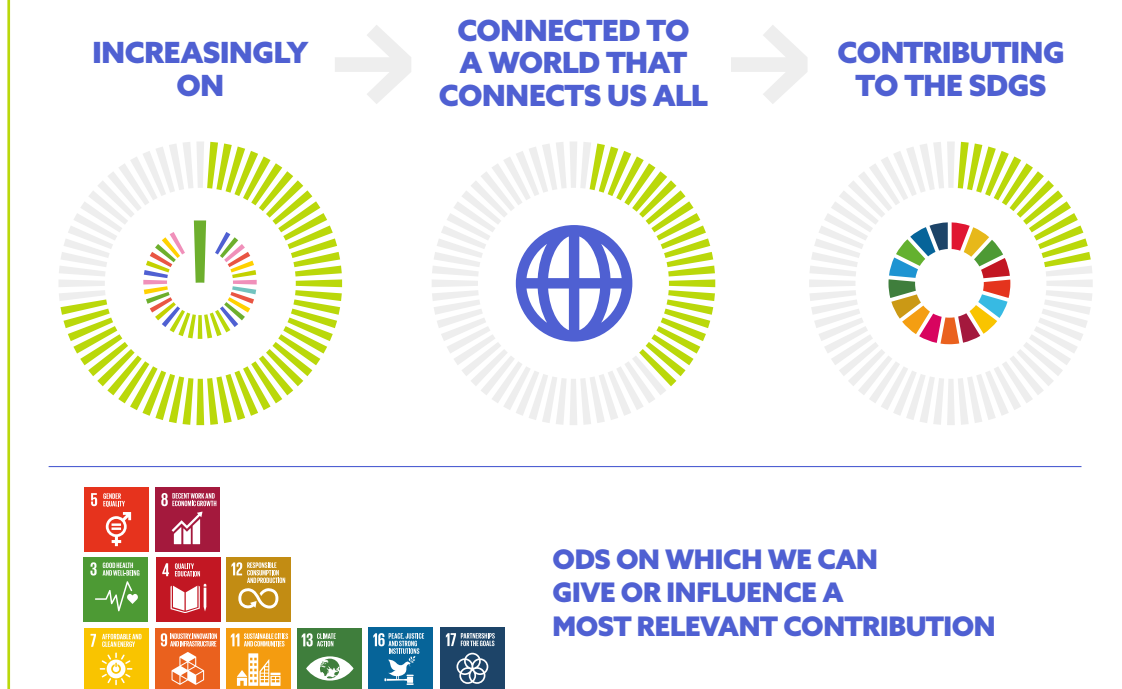


234 thousand

OF COMMUNITY SUPPORT
Global amount invested in the community in 2020.

We want to continue so that everyone remains increasingly connected and evolve together as human beings and as a society.

Our new sustainability strategy and the commitments and goals that are inherent to it will help us to contribute to a better world, more connected to everyone. NOS will continue to work in this direction and believes that it is up to this challenge even in the adverse circumstances that we all face.



We want to continue to contribute so that everyone stays connected and evolve together



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ANNEX I GRI TABLE

GENERAL CONTENT																																																																																											
INDICATOR/RESPONSE					LOCATION		UNGC PRINCIPLES		SDG	LEGAL CORRESPONDENCE																																																																																	
GRI 102: 2016 STANDARD- GENERAL CONTENTS																																																																																											
ORGANIZATIONAL PROFILE																																																																																											
102-1 Organization name NOS, SGPS, S.A.										CSC Article 508-G, Number 2, Paragraph a)																																																																																	
102-2 Activities, brands, products, and services					RG, Pág. 9,11																																																																																						
102-3 Headquarters Location Rua Actor António Silva, nº9, Campo Grande, 1600-404 Lisboa, Portugal																																																																																											
102-4 Operations location					RG, Pág. 12																																																																																						
102-5 Type and legal nature of property					DFC, Pág. 179																																																																																						
102-6 Markets Served					RG, Pág. 11,12																																																																																						
102-7 Organization size					RG, Pág. 11, 12 and 26 DnF, Pág. 134, 135																																																																																						
102-8 Information about employees and other workers Total number of workers by type of contract and by gender					Total number of workers by type of employment and by gender						RG, Pág. 26 DnF, Pág. 134, 135		6	5,8																																																																													
<table border="1"> <thead> <tr> <th colspan="2"></th> <th>2018</th> <th>2019</th> <th>2020</th> <th colspan="2"></th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Permanent employees</td> <td>Men</td> <td>1088</td> <td>1095</td> <td>1096</td> <td rowspan="3">Full-time</td> <td>Men</td> <td>1139</td> <td>1137</td> <td>1129</td> </tr> <tr> <td>Women</td> <td>738</td> <td>723</td> <td>720</td> <td>Women</td> <td>780</td> <td>772</td> <td>770</td> </tr> <tr> <td>Subtotal</td> <td>1826</td> <td>1818</td> <td>1816</td> <td>Subtotal</td> <td>1919</td> <td>1909</td> <td>1899</td> </tr> <tr> <td rowspan="3">Temporary employees</td> <td>Men</td> <td>51</td> <td>42</td> <td>50</td> <td rowspan="3">Part-time</td> <td>Men</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Women</td> <td>42</td> <td>49</td> <td>33</td> <td>Women</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Subtotal</td> <td>93</td> <td>91</td> <td>83</td> <td>Subtotal</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td colspan="2">Total Employees</td> <td>1919</td> <td>1909</td> <td>1899</td> <td colspan="2">Total Employees</td> <td>1919</td> <td>1909</td> <td>1899</td> </tr> </tbody> </table>												2018	2019	2020			2018	2019	2020	Permanent employees	Men	1088	1095	1096	Full-time	Men	1139	1137	1129	Women	738	723	720	Women	780	772	770	Subtotal	1826	1818	1816	Subtotal	1919	1909	1899	Temporary employees	Men	51	42	50	Part-time	Men	0	0	0	Women	42	49	33	Women	0	0	0	Subtotal	93	91	83	Subtotal	0	0	0	Total Employees		1919	1909	1899	Total Employees		1919	1909	1899	Scope: All employees with the exception of cinema workers, internship contracts and corporate bodies.									
		2018	2019	2020			2018	2019	2020																																																																																		
Permanent employees	Men	1088	1095	1096	Full-time	Men	1139	1137	1129																																																																																		
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102-9 Supply Chain					DnF, Pág. 117, 118		8, 12, 16, 17																																																																																				
102-10 Significant changes in the organization or its supply chain In April 2020, NOS entered into an agreement for the sale of NOS Towering to Cellnex - which would come to be concluded in September of the same year - underlying the sale of the support infrastructure of approximately 2000 sites (towers and rooftops). This agreement will allow NOS to continue to optimize and expand its state-of-the-art mobile network, while strengthening its investment capacity in creating long-term value for the company. By joining forces with Cellnex in Portugal, through this strategic partnership, NOS ensures its present and future needs in terms of its passive mobile infrastructure.					RG, Pág. 11, 24																																																																																						
102-11 Approach to the precautionary principle The principles that make up the NOS Sustainability Policy addresses environmental issues associated with our activity and the sector in which we are inserted, and the precautionary principle underlies our <i>modus operandi</i> .																																																																																											
102-12 External Initiatives NOS is a signatory to several external initiatives, namely the United Nations Global Compact, since 2014, the Letter of Commitment "Business Ambition for 1.5°C" of the United Nations, and the CEO's Guide on Human Rights, of the WBCSD, among others. In 2020, we highlight the adhesion to the initiative of GeSI, a worldwide organization dedicated to the telecommunications sector that allows identifying opportunities, through digital solutions, to respond to global challenges.					RG, Pág. 27 to 30																																																																																						



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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
102-13 Participation in associations Main institutions of which NOS is a member and where it integrates the corporate bodies: - APRITEL (Associação dos Operadores de Comunicações Eletrónicas) - AEM (Associação de Emitentes de Valores Mobiliários) - Quinta da Regaleira - Fundação CulturSintra - Fundação Serralves - IPCG (Instituto Português de Corporate Governance)				
STRATEGY				
102-14 Statement of the Board of Directors	RG, Pág. 7, 8			CSC Article 508-G, Number 2, Paragraph a)
102-15 Main impacts, risks, and opportunities	RG, Pág. 78 a 85 RGS, Pág. 267			
ETHICS AND INTEGRITY				
102-16 Values, principles, standards, and norms of conduct	RG, Pág. 10,23 DnF, Pág. 107 to 112	10	16	
102-17 Mechanisms to clarify doubts and report alleged irregularities on ethical issues	DnF, Pág. 107 to 112	10	16	
GOVERNANCE				
102-18 Governance Structure	RG, Pág. 11 to 20 DnF, Pág. 96 RGS, Pág. 267			
102-21 Listening to stakeholders regarding economic, environmental, and social issues	DnF, Págs. 96 to 100			DL 89/2017 Introduction, 5th Paragraph
102-22 Composition of the highest governance body and its committees	RG, Pág. 11 to 20 RGS, Pág. 267			CVM Article 245-A, Number 4, Paragraph r)
102-24 Appointment and choice of the highest governance body	RGS, Pág. 267			CVM Article 245-A, Number 4, Paragraph r)
ENGAGEMENT WITH STAKEHOLDERS				
102-40 List of stakeholder groups	DnF, Pág. 96 to 100		17	
102-41 Collective employment agreements 100% of NOS Cinemas and NOS Audiovisuais employees (92 employees on 31.12.2020) are covered by a collective employment agreement.		3	8	
102-42 Identification and selection of stakeholders.	DnF, Pág. 96 to 100		17	
102-43 Approach to the engagement with stakeholders Most of the dialogue channels identified are used continuously. Participation in meetings, industry associations, press and specialty conferences, roadshows and events occur whenever necessary. The disclosure of results occurs quarterly.	RG, Pág. 21 to 23 DnF, Pág. 96 to 100		17	DL 89/2017 Introduction, 5th Paragraph
102-44 Main issues and concerns identified	DnF, Pág. 96 to 100		17	
REPORTING PRACTICES				
102-45 Entities included in the consolidated financial statements The consolidated financial statements include the companies in the NOS universe of which the Group has more than 50% stake and holds management control.	DFC, Pág. 179			

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102-46 Definition of report content and limits of the topics	DnF, Pág. 101 to 105 DnF 2019, pág. 31			
102-47 List of material topics	DnF, Pág. 101 to 105			
102-48 Reformulation of information In the reporting period, the following 2019 figures reported in last year's Annual Report were reformulated: <ul style="list-style-type: none"> Total energy consumption (GJ): due to the correction of the electricity amounts of the mobile network sites in T3 and T4, and of the amounts of natural gas, electricity, and thermal energy in the cinemas. Energy consumption ratio per data traffic: due to the correction of the total energy consumption amount (GJ, and the amount of data traffic by applying a new formula for calculating non-linear TV traffic). Scope 2 GHG emissions: due to the correction of the electricity amounts of the mobile network sites in T3 and T4, and of the electricity and thermal energy amounts of the cinemas. Scope 3 GHG emissions - category 3: due to the expansion of the scope of accounting to include all sources provided for in the GHG Protocol Scope 3 Standard (inclusion of upstream emissions of losses in transport and distribution, and upstream emissions of thermal energy). 				
102-49 Changes in reporting There were no changes in reporting.				
102-50 Period covered by the report January 1st, 2020 to December 31st, 2020				
102-51 Date of most recent previous report 2019 Annual Report				
102-52 Publishing cycle Annual periodicity				
102-53 Contacts for questions about the report	DnF, Pág. 92			
102-54 Declaration of compliance with the GRI Standards Considering that the topic "Water" is not considered material for NOS and this being the last reporting year of the strategic cycle 2018-2020, it was decided not to adopt the new Standard 303: 2018 whose application implies different consolidation assumptions and requirements additional reporting requirements for the management approach.	DnF, Pág. 152			
102-55 GRI Table of Contents This table.				
102-56 External verification	DnF, Pág. 178			

SPECIFIC CONTENTS				
INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
GRI 200 STANDARDS: 2016 - ECONOMIC PERFORMANCE				
ECONOMIC PERFORMANCE				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			
103-2 The management approach and its components	DnF, Pág. 100,101 DFC, Pág. 179			
103-3 Evaluation of the management approach	DFC, Pág. 179			
201-1 Direct economic value generated and distributed Scope: Companies in which the Group has more than 50% stake and holds management control (in accordance with consolidated financial statements). See Methodological Notes	DnF, Pág. 100	8		



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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE												
201-4 Financial benefits received by the Government The support received from the State through tax incentives was over 8 million Euros.																
PROCUREMENT PRACTICES																
MANAGEMENT APPROACH																
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101															
103-2 The management approach and its components	DnF, Pág. 115 to 118															
103-3 Evaluation of the management approach	DnF, Pág. 115 to 118															
204-1 Proportion of expenses with local suppliers <table border="1"> <thead> <tr> <th></th> <th>National</th> <th>International</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>76.0%</td> <td>24.0%</td> </tr> <tr> <td>2019</td> <td>76.7%</td> <td>23.3%</td> </tr> <tr> <td>2020</td> <td>80.3%</td> <td>19.7%</td> </tr> </tbody> </table>		National	International	2018	76.0%	24.0%	2019	76.7%	23.3%	2020	80.3%	19.7%	DnF, Pág. 107, 115 to 118	8, 12, 16, 17		
	National	International														
2018	76.0%	24.0%														
2019	76.7%	23.3%														
2020	80.3%	19.7%														
See Methodological Notes																
ANTI-CORRUPTION																
MANAGEMENT APPROACH																
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)												
103-2 The management approach and its components	DnF, Pág. 107 to 112															
103-3 Evaluation of the management approach	DnF, Págs. 107 to 112			CSC Article 508-G, Number 2, Paragraph c)												
205-2 Communication and training in anti-corruption policies and procedures	DnF, Pág. 107 to 112	10	16	CSC Article 508-G, Number 2, Paragraph e)												
205-3 Confirmed cases of corruption and measures taken In the reporting period, no confirmed cases of corruption were identified.		10	16													
UNFAIR COMPETITION																
MANAGEMENT APPROACH																
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101															
103-2 The management approach and its components	DnF, Pág. 107 to 112															
103-3 Evaluation of the management approach	DnF, Pág. 107 to 112															
206-1 Legal actions for unfair competition, antitrust and monopoly practices During the reporting period, NOS was notified of the initiation of an administrative offense proceeding by the Competition Authority. In the face of the Competition Authority's Claim, NOS has filed for Defence. We are awaiting for the Competition Authority's Final Decision.			16													



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GRI 300: 2016 STANDARD- Environmental Performance

INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
ENERGY				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 144 to 148			
103-3 Evaluation of the management approach	DnF, Pág. 144 to 148			CSC Article 508-G, Number 2, Paragraph c)
302-1 Energy consumption within the organization Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, Pág. 144 to 148	7, 8	7, 9, 12, 13	CSC Article 508-G, Number 2, Paragraph e)
302-3 Energy intensity Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, Pág. 144 to 148	8	7, 9, 12, 13	CSC Article 508-G, Number 2, Paragraph e)
302-4 Energy consumption reduction Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, Pág. 144 to 148	8, 9	7, 12, 13	CSC Article 508-G, Number 2, Paragraph e)
WATER				
MANAGEMENT APPROACH The topic is non-material for NOS. Our response allows for greater alignment with the DL 89/2017.				
303-1 Total water consumption by source Scope: Excludes NOS Azores and NOS Madeira	DnF, Pág. 152			CSC Article 508-G, Number 2
303-3 Recycled and reused water Scope: Excludes NOS Azores and NOS Madeira	DnF, Pág. 152			
BIODIVERSITY				
MANAGEMENT APPROACH The topic is non-material for NOS. Our response allows for greater alignment with the DL 89/2017.				
304-2 Significant impacts of activities, products, and services on biodiversity Scope: Excludes NOS Azores and NOS Madeira	DnF, Pág. 151, 152			CSC Article 508-G, Number 2
EMISSIONS				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 144 to 148			
103-3 Evaluation of the management approach	DnF, Pág. 144 to 148			CSC Article 508-G, Number 2, Paragraph c)
305-1 Direct Emissions of Greenhouse Gases - GHG (Scope 1) Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, Pág. 144 to 148	7, 8	12, 13	CSC Article 508-G, Number 2, Paragraph e)



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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
305-2 Indirect GHG emissions (Scope 2) Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, Pág. 144 to 148	7, 8	7, 12, 13	CSC Article 508-G, Number 2, Paragraph e)
305-3 Other indirect GHG emissions (Scope 3) Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, Pág. 144 to 148	7, 8	12, 13	CSC Article 508-G, Number 2, Paragraph e)
EFFLUENT AND WASTE				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 148, 149			
103-3 Evaluation of the management approach	DnF, Pág. 148, 149			CSC Article 508-G, Number 2, Paragraph c)
306-2 Waste by type and treatment method Scope: Excludes NOS Azores and NOS Madeira	DnF, Pág. 148, 149	7, 8	12	CSC Article 508-G, Number 2, Paragraph e)
ENVIRONMENTAL COMPLIANCE				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 107 to 112			
103-3 Evaluation of the management approach	DnF, Pág. 107 to 112			CSC Article 508-G, Number 2, Paragraph c)
307-1 Non-conformities resulting from non-compliance with environmental laws and regulations In the reporting period there is no record of such occurrences. Scope: Excludes NOS Azores and NOS Madeira.		8	16	CSC Article 508-G, Number 2, Paragraph e)

GRI 400: 2016 STANDARD- Social Performance				
INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
EMPLOYMENT (GRI 401: 2016)				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 132 to 141			
103-3 Evaluation of the management approach	DnF, Pág. 132 to 141			CSC Article 508-G, Number 2, Paragraph c)



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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE																																																																				
<p>401-1 Hiring new employees and employee turnover Evolution in the number of new employees hired</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td><30 years old</td> <td>89</td> <td>109</td> <td>94</td> </tr> <tr> <td>30-50 years old</td> <td>68</td> <td>78</td> <td>42</td> </tr> <tr> <td>>50 years old</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td>Female</td> <td>60</td> <td>86</td> <td>65</td> </tr> <tr> <td>Male</td> <td>98</td> <td>101</td> <td>71</td> </tr> <tr> <td>Total</td> <td>158</td> <td>187</td> <td>136</td> </tr> <tr> <td>Overall hiring rate</td> <td>8%</td> <td>10%</td> <td>7%</td> </tr> </tbody> </table> <p>Evolution of employee turnover and net replacement rates.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td><30 years old</td> <td>51</td> <td>63</td> <td>43</td> </tr> <tr> <td>30-50 years old</td> <td>126</td> <td>119</td> <td>71</td> </tr> <tr> <td>>50 years old</td> <td>6</td> <td>11</td> <td>15</td> </tr> <tr> <td>Female</td> <td>91</td> <td>92</td> <td>64</td> </tr> <tr> <td>Male</td> <td>92</td> <td>101</td> <td>65</td> </tr> <tr> <td>Total</td> <td>183</td> <td>193</td> <td>129</td> </tr> <tr> <td>Overall exit rate</td> <td>10%</td> <td>10%</td> <td>7%</td> </tr> <tr> <td>Net replacement rate</td> <td>-1.3%</td> <td>-0.3%</td> <td>0.4%</td> </tr> </tbody> </table> <p>Scope: All employees except cinema workers, internship contracts and corporate bodies. See Methodological Notes</p>	Year	2018	2019	2020	<30 years old	89	109	94	30-50 years old	68	78	42	>50 years old	1	0	0	Female	60	86	65	Male	98	101	71	Total	158	187	136	Overall hiring rate	8%	10%	7%	Year	2018	2019	2020	<30 years old	51	63	43	30-50 years old	126	119	71	>50 years old	6	11	15	Female	91	92	64	Male	92	101	65	Total	183	193	129	Overall exit rate	10%	10%	7%	Net replacement rate	-1.3%	-0.3%	0.4%	DnF, Pág. 132 to 140	6	5, 8	CSC Article 508-G, Number 2, Paragraph e)
Year	2018	2019	2020																																																																					
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<p>401-2 Benefits for full-time employees which are not granted to temporary or part-time employees NOS does not distinguish the benefits granted between full-time employees and part-time employees. Scope: All employees except cinema workers, internship contracts and corporate bodies.</p>		8																																																																						
<p>401-3 Parental leave</p> <table border="1"> <thead> <tr> <th>Rates</th> <th>Women</th> <th>Men</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Return</td> <td>95.5%</td> <td>100.0%</td> <td>98.0%</td> </tr> <tr> <td>Retention</td> <td>80.0%</td> <td>90.2%</td> <td>89.7%</td> </tr> </tbody> </table> <p>Scope: All employees except cinema workers, internship contracts and corporate bodies. See Methodological Notes</p>	Rates	Women	Men	Total	Return	95.5%	100.0%	98.0%	Retention	80.0%	90.2%	89.7%		3, 6	5, 8																																																									
Rates	Women	Men	Total																																																																					
Return	95.5%	100.0%	98.0%																																																																					
Retention	80.0%	90.2%	89.7%																																																																					
OCCUPATIONAL HEALTH AND SAFETY (GRI 403: 2018)																																																																								
MANAGEMENT APPROACH																																																																								
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)																																																																				



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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE																															
103-2 The management approach and its components	DnF, Pág. 96, 142			CSC Article 508-G, Number 2, Paragraph b)																															
103-3 Evaluation of the management approach	DnF, Pág. 96, 142			CSC Article 508-G, Number 2, Paragraph c)																															
403-9 Accidents at work <table border="1"> <thead> <tr> <th></th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Number of Accidents at Work</td> <td>18</td> <td>14</td> <td>3</td> </tr> <tr> <td>Frequency Rate</td> <td>4.98</td> <td>3.93</td> <td>0.84</td> </tr> <tr> <td>Absenteeism Rate</td> <td>1.41%</td> <td>1.42%</td> <td>1.38%</td> </tr> <tr> <td>Lost Days Rate</td> <td>50.11</td> <td>58.95</td> <td>22.67</td> </tr> </tbody> </table> <p>Scope: All employees except cinema workers, internship contracts and corporate bodies. There were no work-related fatalities in 2018, 2019 and 2020, nor accidents with recovery periods longer than 6 months. See Methodological Notes</p>		2018	2019	2020	Number of Accidents at Work	18	14	3	Frequency Rate	4.98	3.93	0.84	Absenteeism Rate	1.41%	1.42%	1.38%	Lost Days Rate	50.11	58.95	22.67			8	CSC Article 508-G, Number 2, Paragraph e)											
	2018	2019	2020																																
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Lost Days Rate	50.11	58.95	22.67																																
403-10 Occupational Diseases <table border="1"> <thead> <tr> <th></th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>No. of Occupational Diseases</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>Scope: All employees except cinema workers, internship contracts and corporate bodies. There were no work-related fatalities in 2018, 2019 and 2020.</p>		2018	2019	2020	No. of Occupational Diseases	0	0	0			8	CSC Article 508-G, Number 2, Paragraph e)																							
	2018	2019	2020																																
No. of Occupational Diseases	0	0	0																																
TRAINING AND EDUCATION																																			
MANAGEMENT APPROACH																																			
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)																															
103-2 The management approach and its components	DnF, Pág. 140, 141																																		
103-3 Evaluation of the management approach	DnF, Pág. 140, 141			CSC Article 508-G, Number 2, Paragraph c)																															
404-1 Average annual hours of training per employee <table border="1"> <thead> <tr> <th>Professional category</th> <th>Gender</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Technicians</td> <td>Men</td> <td>26.6</td> <td>25.4</td> <td>13.8</td> </tr> <tr> <td>Women</td> <td>22.5</td> <td>21.1</td> <td>7.8</td> </tr> <tr> <td>Total</td> <td>24.8</td> <td>23.5</td> <td>11.2</td> </tr> <tr> <td rowspan="3">Managers</td> <td>Men</td> <td>40.4</td> <td>26.6</td> <td>21.0</td> </tr> <tr> <td>Women</td> <td>29.8</td> <td>31.8</td> <td>11.5</td> </tr> <tr> <td>Total</td> <td>37.2</td> <td>28.2</td> <td>18.2</td> </tr> </tbody> </table>	Professional category	Gender	2018	2019	2020	Technicians	Men	26.6	25.4	13.8	Women	22.5	21.1	7.8	Total	24.8	23.5	11.2	Managers	Men	40.4	26.6	21.0	Women	29.8	31.8	11.5	Total	37.2	28.2	18.2	DnF, Pág. 140, 141	6	4, 5, 8	CSC Article 508-G, Number 2, Paragraph e)
Professional category	Gender	2018	2019	2020																															
Technicians	Men	26.6	25.4	13.8																															
	Women	22.5	21.1	7.8																															
	Total	24.8	23.5	11.2																															
Managers	Men	40.4	26.6	21.0																															
	Women	29.8	31.8	11.5																															
	Total	37.2	28.2	18.2																															



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INDICATOR/RESPONSE					LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
404-1 Average annual hours of training per employee					DnF, Pág. 140, 141	6	4, 5, 8	
Professional category	Gender	2018	2019	2020				
Directors	Men	21.2	16.9	9.3				
	Women	20.0	14.4	15.1				
	Total	20.8	16.2	11.3				
Overall	Men	29.4	25.4	15.3				
	Women	23.4	22.5	8.5				
	Total	27.0	24.2	12.5				
Scope: All employees except cinema workers, internship contracts and corporate bodies. See Methodological Notes								
404-3 Percentage of employees receiving regular performance evaluations and career development assessments					DnF, Pág. 138, 139	6	5, 8	CSC Article 508-G, Number 2, Paragraph e)
Professional category	Gender	2019	2020					
Technicians	Men	99%	99%					
	Women	94%	97%					
	Total	98%	98%					
Managers	Men	100%	98%					
	Women	100%	95%					
	Total	100%	98%					
Directors	Men	98%	100%					
	Women	94%	100%					
	Total	96%	100%					
Scope: All employees covered by the performance evaluation model. The performance evaluation process is mandatory for all employees, with the following exceptions: a) employees with less than 3 months of seniority; b) employees with a prolonged period of absence during the year.								
DIVERSITY								
MANAGEMENT APPROACH								
103-1 Explanation of the material topic and its boundary					DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components					DnF, Pág. 136, 137			
103-3 Evaluation of the management approach					DnF, Pág. 136, 137			CSC Article 508-G, Number 2, Paragraph c)



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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE																																			
<p>405-1 Diversity incorporate bodies and employees</p> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th colspan="2">Gender</th> <th colspan="3">Age (years old)</th> </tr> <tr> <th>Men</th> <th>Women</th> <th><30</th> <th>30 - 50</th> <th>>50</th> </tr> </thead> <tbody> <tr> <td>Technician</td> <td>841</td> <td>643</td> <td>217</td> <td>1118</td> <td>149</td> </tr> <tr> <td>Manager</td> <td>252</td> <td>109</td> <td>1</td> <td>291</td> <td>69</td> </tr> <tr> <td>Director</td> <td>36</td> <td>18</td> <td>0</td> <td>39</td> <td>15</td> </tr> <tr> <td>Governing bodies</td> <td>16</td> <td>6</td> <td>0</td> <td>12</td> <td>10</td> </tr> </tbody> </table> <p>Scope: All employees except cinema workers and internships contracts.</p>	Category	Gender		Age (years old)			Men	Women	<30	30 - 50	>50	Technician	841	643	217	1118	149	Manager	252	109	1	291	69	Director	36	18	0	39	15	Governing bodies	16	6	0	12	10	DnF, Pág. 136, 137	6	5, 8	CSC Article 508-G, Number 2, Paragraph e)
Category		Gender		Age (years old)																																			
	Men	Women	<30	30 - 50	>50																																		
Technician	841	643	217	1118	149																																		
Manager	252	109	1	291	69																																		
Director	36	18	0	39	15																																		
Governing bodies	16	6	0	12	10																																		
<p>405-2 Ratio of base salary and remuneration between women and men</p> <p>NOS chose not to report this indicator since the salaries are set based on experience and roles performed and not by gender. Thus, for the same role and experience men and women earn the same basic salary level.</p>		6	5, 8																																				
NON-DISCRIMINATION / FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING / CHILD LABOUR / FORCED OR SLAVE LABOUR																																							
MANAGEMENT APPROACH																																							
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)																																			
103-2 The management approach and its components	DnF, Págs. 107 to 112																																						
103-3 Evaluation of the management approach	DnF, Págs. 107 to 112																																						
<p>406-1 Incidents of discrimination and corrective measures taken</p> <p>No incidents of discrimination were recorded.</p>		1, 6	5, 8, 16	CSC Article 508-G, Number 2																																			
<p>407-1 Operations and suppliers where freedom of association and of collective bargaining may be at risk</p> <p>408-1 Operations and suppliers where there is a significant risk of child labour incidents</p> <p>409-1 Operations and suppliers where there is a significant risk of slave or forced labour incidents</p> <p>At NOS there is no knowledge of such situations. The NOS rules its action by ethical principles and respecting the labour legislation. Additionally, it subscribes several external initiatives that promote human rights.</p>	DnF, Pág. 107 to 112	3, 4, 5	8,16	CSC Article 508-G, Number 2																																			
LOCAL COMMUNITIES																																							
MANAGEMENT APPROACH																																							
The topic is non-material for NOS. Our response allows for greater alignment with the DL 89/2017.																																							
413-1 Operations with local community involvement, impact assessments and development programs	DnF, Pág. 160 to 162			CSC Article 508-G, Number 2																																			
SUPPLIERS SOCIAL ASSESSMENT																																							
MANAGEMENT APPROACH																																							
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)																																			
103-2 The management approach and its components	DnF, Pág. 115 to 118																																						
103-3 Evaluation of the management approach	DnF, Pág. 115 to 118																																						
<p>414-1 New suppliers selected based on social criteria</p> <p>The assessment for the year 2020 will take place during the first quarter of 2021. For the third consecutive year it will include criteria for Ethics, Environment and Occupational Health and Safety.</p>		1, 2, 3, 4, 5, 6	8, 12, 16, 17	CSC Article 508-G, Number 2, Paragraph e)																																			



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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
PUBLIC POLICIES				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 107 to 112			
103-3 Evaluation of the management approach	DnF, Pág. 107 to 112			CSC Article 508-G, Number 2, Paragraph c)
415-1 Political contributions NOS assumes itself as a nonpartisan and apolitical organization. It does not support financially or in kind, under any circumstances, political parties, organizations, or individuals associated with them whose mission is essentially political.		10	16	CSC Article 508-G, Number 2
CUSTOMER HEALTH AND SAFETY				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 107 to 112; 120 to 122; 150 to 151			
103-3 Evaluation of the management approach				CSC Article 508-G, Number 2, Paragraph c)
416-2 Incidents of non-compliance related to health and safety impacts caused by products and services In the reporting period there is no record of such occurrences.			16	CSC Article 508-G, Number 2, Paragraph e)
INFORMATION/LABELLING OF PRODUCTS AND SERVICES				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 107 to 112; 120 to 122; 150 to 151			
103-3 Evaluation of the management approach				CSC Article 508-G, Number 2, Paragraph c)
417-2 Incidents of non-compliance related to information/labelling of products and services During the reporting period there is a record of an occurrence of this nature, which resulted in a 45,000 Euros fine.			16	CSC Article 508-G, Number 2, Paragraph e)
417-3 Incidents of non-compliance related to marketing communications In the reporting period there is no record of such occurrences.			16	
CUSTOMER PRIVACY				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, Pág. 113 to 115			
418-1 Founded complaints regarding breaches of customer privacy and losses of customer data In the reporting period there were 57 recorded complaints regarding customer privacy breach and loss of customer data.				CSC Article 508-G, Number 2, Paragraph e)
SOCIOECONOMIC COMPLIANCE				
MANAGEMENT APPROACH				
103-1 Explanation of the material topic and its boundary	DnF, Pág. 101			CSC Article 508-G, Number 2, Paragraph b)

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INDICATOR/RESPONSE	LOCATION	UNGC PRINCIPLES	SDG	LEGAL CORRESPONDENCE
103-2 The management approach and its components	DnF, Pág. 107 to 112			CSC Article 508-G, Number 2, Paragraph b)
103-3 Evaluation of the management approach	DnF, Pág. 107 to 112			CSC Article 508-G, Number 2, Paragraph c)
419-1 Non-compliance with laws and regulations in the social and economic areas In the reporting period, there are two occurrences of this nature. One of the proceedings resulted in a fine of 500 Euros and the other in a warning sanction.			16	CSC Article 508-G, Number 2, Paragraph e)

Subtitle:

DFC - 2020 Consolidated Financial Statements **DnF** - 2020 Non-Financial Statements **UNGC principles** - United Nations Global Compact **SDG** - Sustainable Development Goals **RG** - 2020 Annual Report **RGS** - 2020 Corporate Governance Report **DL89** - Decree-Law no. 89/2017 of July 28th
CSC - Portuguese Companies Code | Amendments introduced by Decree-Law no. 89/2017 of July 28th **CVM** - Portuguese Securities Market Code | Amendments introduced by Decree-Law no. 89/2017 of July 28th

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ANNEX II METHODOLOGICAL NOTES

201-1 Direct economic value generated and distributed

Economic value generated: The economic value generated is equivalent to the turnover and corresponds to the sum of the following parts: net sales; financial investment income; revenue from asset sales.

Distributed economic value: The economic value distributed is equivalent to the costs of purchasing products, materials and services and corresponds to the sum of the following parts: operating costs; salaries and benefits to employees; payments to capital providers and shareholders; payments to governments; investments in the community (in the form of donations).

Accumulated economic value: The accumulated economic value corresponds to the difference between the economic value generated and the economic value distributed.

204-1 Proportion of expenses with local suppliers

For NOS, a national supplier is a Supplier with headquarters in the country of the NOS company. For example, for "NOS Sistemas Espanha", a Spanish supplier is a national supplier. Intragroup expenses are not considered.

401-1 New hires and employee net replacement

In calculating the admissions and net replacement rates the following formulas were used:

Admission rate: Number of admissions/total number of employees

Net Replacement Rate: $(((\text{Entries-Exits}) + \text{Total number of employees}) / \text{Total number of employees}) - 1$

401-3 Return to work and employee retention rates

In calculating the rates of return to work and retention the following formulas were used:

Return rate: Total number of employees returning after the period of compulsory parental leave / Total number of employees that should return to work after compulsory parental leave) * 100.

Retention rate: Total number of employees who returned to work after the period of compulsory parental leave and remain employed after 12 months / Total number of employees who returned to work after the period of compulsory parental leave in the previous period) * 100.

403-2 Rates of injuries, occupational diseases, days lost, absenteeism and number of work-related deaths

Occupational accidents: For the purposes of accounting for occupational accidents occurring in the reporting period, all accidents reported to the Human Resources Department are considered, even if they do not generate lost workdays.

Days lost: Only working days are counted in the counting of days lost. The counting of lost days starts the day after the date of the accident.

Occupational diseases: For NOS, occupational diseases are related to the type of work developed by the employee and predictably they would be related to psychiatric leave, nervous exhaustion, tendinitis, and musculoskeletal injuries. For the purposes of reporting this indicator, are considered as occupational diseases those communicated and proven in the reporting year.

Absenteeism: number of days lost due to injuries, occupational diseases, sick leave, family assistance, medical appointments, quarantine, and suspensions for disciplinary proceedings. Days of vacation, study, maternity/paternity leave and absences due to the death of family members are excluded.

Accident rates: in calculating the accident rates the following calculation formulas were used:

Frequency rate = (number of work accidents occurred in the reporting period / No. of workable hours) * 1000000

Lost Days Rate = (number of lost working days related to work accident or occupational disease in the reporting period / No. of workable hours) * 1000000

Absenteeism rate = number of working days lost due to absence / number of workable days

404-1 Average hours of training per year and per employee

In calculating the average number of training hours, per gender and organizational group, the following calculation formulas were used:

Average number of hours of training per employee: Total number of training hours/Total number of employees

Average hours of training per gender (M/F): Total number of training hours per gender (M/F) / Total number of employees per gender (M/F)

Average number of training hours per organizational group (M/F): Total number of training hours per organizational group / Total number of employees in each organizational group

302 Energy consumption and energy efficiency

Global energy consumption: Total energy consumption associated with NOS activity. Includes consumption of fossil

fuels (fleet, buildings, cinemas, and emergency generators), consumption of electricity, heat and cold purchased from third parties (technical infrastructure, buildings, own stores, and cinemas) and consumption of electricity from renewable self-generation (micro-generation of electricity on mobile network sites and solar thermal energy in buildings).

The indicator is expressed in Gigajoule (GJ) using the most recent versions of conversion factors published by the Portuguese national authorities: Lower calorific value and fuel density (General Direction of Energy and Geology).

Data traffic: Total volume of data traffic in the NOS telecommunications network. Includes mobile (UMTS and GPRS) and fixed data. It includes traffic associated with the non-linear TV services (streaming) and excludes linear TV (broadband).

Energy consumption per data traffic volume: Ratio between the overall energy consumption of NOS, expressed in GJ, and the volume of data traffic on the company's telecommunications network, expressed in terabytes (TB). It does not reflect the voice traffic on the network or data centre activity that does not involve traffic in the external network to these facilities.

305 Carbon footprint

Methodology: The NOS carbon footprint is accounted for in accordance with The GHG Protocol Corporate Accounting and Reporting Standard - Revised Edition (2004) methodology, complemented by the guidelines contained in The GHG Protocol Scope 2 Guidance (2015), in the accounting of scope 2 emissions, and The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011), in the accounting of scope 3 emissions. The consolidation approach used is operational control.

Greenhouse gas (GHG): The GHGs included are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and fluorinated gases (hydrofluorocarbons - HFCs; Perfluorocarbons - PFCs, Sulphur hexafluoride - SF₆; nitrogen trifluoride - NF₃). The results are converted to



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equivalent carbon dioxide (CO₂e) using the Global Warming Potential (GWP) values published in the Intergovernmental Panel on Climate Change Forth Assessment Report.

Scope 1 emissions: Total direct emissions occurring in sources owned or controlled by NOS. Includes emissions associated with fixed and mobile combustion of fossil fuels and fugitive emissions of refrigeration gases used in equipment.

Fossil fuels: Emissions calculated based on the fuel supplied and on conversion factors contained in the most recent issue of the National Emissions Inventory (Portuguese Environment Agency). For road diesel and gasoline, the most recent information on the incorporation rate of biofuels (biodiesel and bioethanol, respectively) commercialized in Portugal is used.

Fluorinated gases: Emissions calculated by applying GWP values, specific for each type of gas, to the quantities emitted. It is considered that the amount emitted is equal to the amount consumed to replenish leaks.

Scope 2 emissions: Total emissions associated with the production of energy purchased from third parties and consumed in NOS facilities and equipment. It includes emissions associated with purchased electricity, heat and cold.

Electricity: Emissions calculated based on electric energy invoiced. The calculation according to the Location Based Method uses the representative conversion factor of the average carbon content of electricity from the electric grid in Portugal, according to the most recent data published by the International Energy Agency (data on electricity production in year no.2). The calculation according to the Market Based Method uses the conversion factor specific to the carbon content of electricity supplied by the supplier during the reporting year, calculated based on the most recent information available to date.

Thermal energy: Emissions calculated based on thermal energy (heat and cold) invoiced. The calculation uses the specific conversion factor of one of the two thermal energy

suppliers. This factor is considered representative of the total supply considering the similarity of fuel (natural gas) and technology (cogeneration) used.

Scope 3 emissions: Total emissions associated with activities of third parties in the NOS value chain, upstream and downstream of own activities. Among the sources of emissions classified in the 15 categories defined by "The GHG Protocol", the following are currently accounted: emissions of energy consumed that are not accounted for in scope 1 or 2 (category 3); subcontracted logistics and distribution (category 4); treatment of waste generated in operations (category 5); missions by employees, in third-party vehicles (category 6); travel from home to work by employees - commuting (category 7); energy consumption in NOS equipment installed on shared sites owned by other operators (category 8); and energy consumption in the NOS store network operated by third parties, under franchising (category 14).

Emissions of energy consumed, not accounted for in scope 1 and 2: Upstream emissions in the life cycle of fossil fuels (extraction, refining and transportation), electricity (extraction, refining and transportation of fuel used in thermoelectric production) and thermal energy (extraction, refining and transportation of fuel used in heat/cold generation). Life cycle emissions (extraction, refining and transportation of fuel and combustion emissions) from electricity losses in the transport and distribution network). The thermal energy purchased is generated locally, so emissions associated with the respective distribution losses are not accounted for. Calculated based on the consumption accounted for in scope 1 and 2 and the application of representative conversion factors (location-based emission factor for combustion emissions associated with losses in the transport and distribution of electricity and the life cycle emission factors of the latest edition of the emission factors published by the UK Department for Environment Food and Rural Affairs, for the remaining cases).

Subcontracted logistics and distribution emissions: Indirect emissions from electricity consumption from the logistics center and direct emissions from transporting equipment from the logistics center to the network of stores (owned

and under franchising) and customer facilities (directly or via installation partners). Does not include reverse logistics. Transport emissions calculated based on transported quantities, estimated distance traveled and conversion factors representative of the different types of vehicles used, published by the UK Department for Environment Food and Rural Affairs.

Waste: Emissions calculated based on information on production and final destination of waste produced, as communicated to the Portuguese Environment Agency. The calculation uses the representative conversion factor of landfill waste, according to the most recent edition of the National Emissions Inventory (Portuguese Environment Agency), considering the entire period of its degradation (30 years). The emissions associated with recycling and energy recovery are considered null because they are, in terms of Portuguese national inventory, allocated to the respective sectors of activity and not to waste treatment.

Wastewater: Emissions calculated based on estimates of discharged wastewater, made from quantities supplied. The calculation uses the representative conversion factor of domestic wastewater treatment, according to the most recent edition of the National Emissions Inventory (Portuguese Environment Agency).

Airplane travelling: Emissions calculated based on distances travelled and number of passengers. The calculation uses average conversion factors per passenger.km for each route typology, based on the most recent edition of the emission factors published by the UK Department for Environment Food and Rural Affairs. The conversion factors are affected by the Radiative Strength Index, by reference to the CO₂ emitted, and a distance adjustment factor for correction of non-linear routes.

Train travelling: Emissions calculated based on distances travelled and number of passengers. The calculation uses a conversion factor per passenger.km representative of the rail transport in Portugal, based on the latest information from the operator.

Taxi travelling: Emissions calculated based on estimated distance travelled, made from reimbursed expenses and

average travel representative of the taxi trips of NOS employees in Portugal. The calculation of the emissions uses the representative conversion factor of diesel road vehicles, contained in the most recent edition of the National Emissions Inventory (Portuguese Environment Agency).

Commuting: Emissions calculated based on the pattern of distances and modes of transport determined through a survey of the commuting of employees 2017, adjusted to the average reduction in working time on-site in 2020, in the period in which restrictions on mobility associated with the COVID-19 pandemic were in force, based on occupancy rates at the company's main facilities. The calculation uses conversion factors representative of the different modes of transport, similar to those used in the calculation of emissions from work missions.

Energy consumption on third party shared sites: Emissions calculated based on average consumption by type of installed equipment, determined through information on equivalent equipment on the NOS network.

Energy consumption in stores managed by third parties under franchising: Emissions calculated based on average unit consumption (kWh/m²) by store type, determined through information from equivalent stores of the NOS own network.

Electromagnetic fields

Radiation exposure threshold values: Maximum value of power density allowed for exposure to the electromagnetic field, depending on the frequency under analysis, according to Ordinance No. 1421/2004 of November 23rd, which follows the Council Recommendation 1999/519/EC of 12th July.

Compliance Indicators: Non-conformities for the purpose of reporting this indicator all legal proceeding, which resulted in the application to NOS of any sanctions for non-compliance with laws or resolutions issued by the regulatory authority, were considered.



ANNEX III DECLARATION OF EXTERNAL VERIFICATION

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SUSTAINABILITY REPORT



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

Independent Limited Assurance Report of the Consolidated Non-Financial Information Statements

To the Board of Directors of
NOS S.G.P.S., S.A.

Introduction

1. We have been engaged by the Board of Directors of NOS S.G.P.S., SA to proceed with the independent review of the Non-Financial Information Statements on Sustainability Strategy and Performance (hereinafter the "Non-Financial Information Statements") included in the "Report and Accounts 2020", relating to the sustainability activities carried out from 1 January 2020 to 31 December 2020.

Responsibilities

2. The Board of Directors is responsible for preparing the "Non-Financial Information Statements", and to maintain an appropriate internal control system that allows the information presented to be free of material misstatements due to fraud or error.
3. It is our responsibility to issue a limited assurance report, professional and independent, based on the procedures performed and described in the "Scope" section below.

Scope

4. Our review procedures have been planned and executed in accordance with the International Standard on Assurance Engagements (ISAE 3000, Revised) - "Assurance engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standard Board, for a limited level of assurance.
5. A limited assurance engagement consists mainly in the formulation of questions to those in charge of the organization and in analytical procedures, including review tests on a sample basis. Therefore, the assurance provided by these procedures is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our independent review procedures comprised the following:
 - ▶ Conducting interviews with Management, in order to understand how the information system is structured and assess their level of knowledge of the topics addressed in the report;
 - ▶ Review of the processes, criteria and systems adopted to collect, consolidate, report and validate the data for the year 2020;
 - ▶ Analytical review, on a sample basis, of the data calculated by Management, and verification of quantitative and qualitative information disclosed in the report;
 - ▶ Confirmation on how collection, consolidation, validation and report procedures are being implemented in selected operating units;
 - ▶ Verification of the conformity of the information included in the non-financial information statements with the results of our work.



NOS S.G.P.S., S.A.
Independent Assurance Report of the Consolidated Statement
of Non - Financial Information
*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*
1 of January 2020 to 31 of December 2020

6. Regarding sustainability reporting standards of the Global Reporting Initiative - GRI Standards, we performed a review of the self-evaluation made by Management of the adopted option to apply the GRI Standards and conformity with Article 508-G of the Portuguese Companies Act (*Código das Sociedades Comerciais*) and 245-A, paragraph r) of the Securities Market Code (*Código do Mercado dos Valores Mobiliários*) with respect to non-financial and diversity disclosures.

Quality and independence

7. Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and regulatory provisions applicable and we comply with the independence and ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the Code of Ethics of the Order of Chartered Accountants (OROC).

Conclusion

8. Based on our work, nothing has come to our attention that causes us to believe that the systems and procedures for the collection, consolidation, validation and reporting of the information included in the "Non-Financial Information Statements" are not operating appropriately and the information disclosed is not free from relevant material misstatements. Additionally, we concluded that the "Non-Financial Information Statements" include the required data and information for a Core option as defined by the GRI Standards and by the Article 508º G of the Portuguese Companies Act and paragraph r) of the article 245ºA of the Securities Market Code.

Porto, 10th March 2021

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Sandra e Sousa Amorim - ROC nº 1213
Registered with the Portuguese Securities Market Commission under license nº 20160824



**We are the inspiration
for a humane future**

**CONSOLIDATED FINANCIAL
STATEMENTS**

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People are at the centre of all that we do. We believe in the value of diversity and focus on an inclusive future in which everyone has access to the same opportunities and is able to develop their skills and take advantage of the best that technology has to offer.



CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

AT 31 DECEMBER 2019 AND 2020

(Amounts stated in thousands of Euros)

	NOTES	31-12-2019	31-12-2020
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	8	1,034,813	991,613
Investment property		653	637
Intangible assets	9	1,014,066	1,041,087
Contract costs	10	163,101	162,123
Rights of use	11	218,383	260,097
Investments in jointly controlled companies and associated companies	12	18,244	10,897
Accounts receivable - other	13	4,064	7,504
Tax receivable	14	149	149
Other financial assets non-current		439	579
Deferred income tax assets	15	80,428	82,782
TOTAL NON - CURRENT ASSETS		2,534,342	2,557,468
CURRENT ASSETS			
Inventories	16	34,081	43,628
Accounts receivable - trade	17	361,712	290,652
Contract assets	18	68,059	61,602
Accounts receivable - other	13	28,128	28,610
Tax receivable	14	4,631	2,894
Prepaid expenses	19	43,954	34,054
Non-current assets		450	450
Cash and cash equivalents	21	12,819	153,285
TOTAL CURRENT ASSETS		553,834	615,175
TOTAL ASSETS		3,088,176	3,172,643
SHAREHOLDER'S EQUITY			
Share capital	22.1	5,152	5,152
Capital issued premium	22.2	854,219	854,219
Own shares	22.3	(14,655)	(14,859)
Legal reserve	22.4	1,030	1,030
Other reserves and accumulated earnings	22.4	16,041	12,007
Net Income		143,494	92,000
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,005,281	949,549
Non-controlling interests	23	7,042	6,685
TOTAL EQUITY		1,012,322	956,234
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	24	1,216,847	1,363,514
Provisions	25	94,959	73,345
Accounts payable - other	29	3,855	40,050
Accrued expenses	26	667	505
Deferred income	27	5,123	4,729
Derivative financial instruments	20	265	655
Deferred income tax liabilities	15	11,626	5,025
TOTAL NON-CURRENT LIABILITIES		1,333,343	1,487,823
CURRENT LIABILITIES			
Borrowings	24	143,281	167,126
Accounts payable - trade	28	259,499	252,607
Accounts payable - other	29	33,835	47,438
Tax payable	14	68,202	51,981
Accrued expenses	26	203,726	175,860
Deferred income	27	33,834	33,228
Derivative financial instruments	20	135	346
TOTAL CURRENT LIABILITIES		742,511	728,586
TOTAL LIABILITIES		2,075,854	2,216,409
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,088,176	3,172,643

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 31 December 2020.

The Chief Accountant

The Board of Directors

CONSOLIDATED STATEMENT OF INCOME BY NATURE

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in thousands of Euros)

	NOTES	4° QUARTER 19 REPORTED	12M 19 REPORTED	4° QUARTER 19 RESTATEd*	12M 19 RESTATEd*	4° QUARTER 20	12M 20
REVENUES							
Services rendered		380,227	1,485,935	332,566	1,345,108	318,611	1,262,980
Sales		28,063	89,141	28,063	89,141	29,210	86,309
Other operating revenues		5,758	24,155	5,758	24,155	6,488	18,597
	30	414,048	1,599,230	366,387	1,458,404	354,309	1,367,886
COSTS, LOSSES AND GAINS							
Wages and salaries	31	22,793	85,176	22,715	84,830	21,876	85,331
Direct costs	32	145,402	524,058	99,475	384,889	100,080	348,776
Costs of products sold	33	21,983	64,228	21,982	64,228	24,832	74,312
Marketing and advertising		15,655	37,216	15,655	37,216	10,045	24,504
Support services	34	22,519	82,335	22,441	82,257	25,055	86,281
Supplies and external services	34	29,843	112,863	27,952	112,670	27,213	100,542
Operating losses/(gains)		123	516	123	516	331	719
Indirect taxes		8,354	32,844	8,406	32,844	8,255	32,747
Provisions and adjustments	35	11,654	18,934	11,739	18,983	4,635	11,493
Depreciations, amortisations and impairment losses	8,9,10,11 e 37	123,344	421,318	123,341	421,313	104,597	409,842
Restructuring costs	38	713	7,732	713	7,732	1,033	5,523
Losses / (gains) on sale of assets, net		98	(547)	97	(547)	-	(290)
Other losses / (gains) non recurrent net	39	3,093	10,726	3,092	10,726	1,136	50,796
		405,572	1,397,399	357,731	1,257,657	329,088	1,230,576
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES							
		8,476	201,831	8,656	200,747	25,220	137,310
Net losses / (gains) of affiliated companies	12 e 36	3,318	1,022	3,318	1,022	(29)	9,099
Financial costs	40	4,212	20,661	4,211	20,661	8,908	22,218
Net foreign exchange losses / (gains)		175	139	172	119	90	548
Net losses / (gains) on financial assets		151	142	149	142	2	53
Net other financial expenses / (income)	40	1,059	3,826	1,060	3,825	1,081	3,814
		8,914	25,790	8,910	25,769	10,052	35,732
INCOME BEFORE TAXES							
		(438)	176,041	(254)	174,978	15,167	101,578
Income taxes	15	(5,820)	32,798	(5,780)	32,557	2,073	16,342
NET CONSOLIDATED INCOME FROM CONTINUING OPERATIONS							
		5,381	143,243	5,526	142,421	13,094	85,236
Net consolidated income from discontinued operations	47	-	-	(145)	822	-	6,407
NET CONSOLIDATED INCOME		5,381	143,243	5,381	143,243	13,094	91,643
ATTRIBUTABLE TO							
NOS Group Shareholders		5,401	143,494	5,401	143,494	12,879	92,000
Non-controlling interests	23	(20)	(251)	(20)	(251)	216	(357)
EARNINGS PER SHARES							
Basic - Euros	41	0.01	0.28	0.01	0.28	0.03	0.18
Diluted - Euros	41	0.01	0.28	0.01	0.28	0.03	0.18
EARNINGS PER SHARES FROM CONTINUING OPERATIONS							
Basic - Euros	41	0.01	0.28	0.01	0.28	0.03	0.17
Diluted - Euros	41	0.01	0.28	0.01	0.28	0.03	0.17

*Restatement resulting from the classification of NOS International Carrier Services as a discontinued operating unit (note 47).

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

The Notes to the Financial Statements form an integral part of the consolidated statement of income by nature for the financial year ended on 31 December 2020.

The Chief Accountant

The Board of Directors

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEARS

ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in thousands of Euros)

NOTES	4° QUARTER 19 REPORTED	12M 19 REPORTED	4° QUARTER 19 RESTATE	12M 19 RESTATE	4° QUARTER 20	12M 20
NET CONSOLIDATED INCOMES	5,381	143,243	5,381	143,243	13,094	91,643
OTHER INCOME						
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT						
Accounting for equity method	12	(2,055)	(2,055)	(2,127)	(760)	(3,536)
Fair value of interest rate swap	20	92	1,173	92	1,173	(13)
Deferred income tax - interest rate swap	20	(21)	(264)	(21)	(264)	3
Fair value of equity swaps	20	(77)	(558)	(77)	(558)	(181)
Deferred income tax - equity swap	20	18	126	18	126	41
Currency translation differences and others		(276)	(419)	(276)	(48)	(368)
INCOME RECOGNISED DIRECTLY IN EQUITY	(2,319)	(2,069)	(2,319)	(2,069)	(829)	(4,054)
TOTAL COMPREHENSIVE INCOME	3,062	141,174	3,062	141,174	12,266	87,589
ATTRIBUTABLE TO						
NOS Group Shareholders	3,082	141,425	3,082	141,425	12,050	87,946
Non-controlling interests	(20)	(251)	(20)	(251)	216	(357)
	3,062	141,174	3,062	141,174	12,266	87,589

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

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the financial year ended on 31 December 2020.

The Chief Accountant

The Board of Directors

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in thousands of Euros)

NOTES	ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS							TOTAL
	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME	NON - CONTROLLING INTERESTS	
BALANCE AS AT 1 JANUARY 2019	5,152	854,219	(12,132)	1,030	60,276	137,770	7,296	1,053,611
Result appropriation								
Transfers to reserves	-	-	-	-	137,770	(137,770)	-	-
Dividends paid	-	-	-	-	(179,607)	-	-	(179,607)
Aquisition of own shares	22.3	-	(6,710)	-	-	-	-	(6,710)
Distribution of own shares - share incentive scheme	22.3	-	3,849	-	(3,849)	-	-	-
Distribution of own shares - other remunerations	22.3	-	338	-	(69)	-	-	268
Share Plan - costs incurred in the period and others		-	-	-	3,589	-	(3)	3,586
Comprehensive Income	-	-	-	-	(2,069)	143,494	(251)	141,174
BALANCE AS AT 31 DECEMBER 2019	5,152	854,219	(14,655)	1,030	16,041	143,494	7,042	1,012,322
BALANCE AS AT 1 JANUARY 2020	5,152	854,219	(14,655)	1,030	16,041	143,494	7,042	1,012,322
Result appropriation								
Transfers to reserves	-	-	-	-	143,494	(143,494)	-	-
Dividends paid	-	-	-	-	(142,516)	-	-	(142,516)
Aquisition of own shares	22.3	-	(5,722)	-	-	-	-	(5,722)
Distribution of own shares - share incentive scheme	22.3	-	5,008	-	(5,008)	-	-	-
Distribution of own shares - other remunerations	22.3	-	510	-	(235)	-	-	275
Share Plan - costs incurred in the period and others	46	-	-	-	4,285	-	-	4,285
Comprehensive Income	-	-	-	-	(4,054)	92,000	(357)	87,589
BALANCE AS AT 31 DECEMBER 2020	5,152	854,219	(14,859)	1,030	12,007	92,000	6,685	956,234

The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the financial year ended on 31 December 2020.

The Chief Accountant

The Board of Directors





CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in thousands of Euros)

	NOTES	12M 19	12M 20
OPERATING ACTIVITIES			
Collections from clients		1,860,390	1,608,633
Payments to suppliers		(1,015,155)	(785,091)
Payments to employees		(109,959)	(108,366)
Receipts / (Payments) relating to income taxes		(18,902)	(33,853)
Other cash receipts / (payments) related with operating activities		(49,766)	(1,079)
CASH FLOW FROM OPERATING ACTIVITIES (1)		666,608	680,244
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments	43.1	91	-
Disposal of discontinued operating unit	47	-	2,103
Tangible assets	48	1,758	374,409
Intangible assets		13	-
Interest and related income		3,447	3,150
		5,309	379,662
PAYMENTS RESULTING FROM			
Financial investments	43.2	(200)	(143)
Tangible assets		(243,367)	(215,469)
Intangible assets and contract costs		(194,693)	(260,369)
		(438,260)	(475,981)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(432,951)	(96,319)
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		423,000	268,507
		423,000	268,507
PAYMENTS RESULTING FROM			
Borrowings		(352,833)	(414,827)
Lease rentals (principal)		(69,458)	(69,808)
Interest and related expenses		(27,009)	(26,649)
Dividends	22.4	(179,607)	(142,516)
Aquisition of own shares	22.3	(6,710)	(5,722)
		(635,617)	(659,522)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(212,617)	(391,015)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		21,040	192,910
Effect of exchange differences		15	(123)
Cash and cash equivalents at the beginning of the year		(17,754)	(41,772)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3,301	151,015
Cash and cash equivalents	21	12,819	153,285
Bank overdrafts	24	(9,518)	(2,270)
		3,301	151,015

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the financial year ended on 31 December 2020.

The Chief Accountant

The Board of Directors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

1. INTRODUCTORY NOTE

NOS, SGPS, S.A. ("NOS", "NOS SGPS" or "Company"), formerly named ZON OPTIMUS, SGPS, S.A. ("ZON OPTIMUS") and until 27 August 2013, named ZON Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("ZON"), with Company headquarters registered at Rua Actor António Silva, nº9, Campo Grande, was established by Portugal Telecom, SGPS, S.A. ("Portugal Telecom") on 15 July 1999 for the purpose of implementing its multimedia business strategy.

During the 2007 financial year, Portugal Telecom proceeded with the spin-off of ZON through the attribution of its participation in the company to their shareholders, which became 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 31 December 2020 is shown in Note 22.

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.

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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 financial year ended on 31 December 2020 were approved by the Board of Directors and their issue authorised on 10 March 2021.

These are still subject to the approval of the General Meeting of Shareholders, according to the current legislation in Portugal. 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 of NOS were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), adopted by the European Union, in force as at 1 January 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 group presents a statement of financial position at the beginning of the previous comparative period when there is a retrospective application of an accounting policy, a retrospective restatement or a material reclassification of items in the financial statements. Similarly, the income statements by nature are restated. During the financial year ended on 31 December 2020, the income statements by nature related to the financial year ended on 31 December 2019, were restated due to the disposal of NOS International Carrier Services and respective classification as discontinued unit (Note 47).

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

between 1 January 2020 and the date of approval of these financial statements are as follows:

- IFRS 3 (amendment), "Business Combinations" (effective for periods beginning on or after 1 January 2020). The intent of the amendment to the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets. This accounting policy establishes the minimum requirements for a business, removes the assessment whether or not the market participants are capable of replacing absent elements, adds guidelines to help the entities to assess whether an acquired process is relevant, restricts the definitions of a business and introduces an optional fair value test of the concentration.
- IAS 1 e IAS 8 (amendment), "Definition of material" (effective for periods beginning on or after 1 January 2020). The intent of amending the standard is to clarify the definition of material and to align the definition used in international financial reporting standards. The new definition indicates that the information is relevant if its omission or distortion influences the decisions made by the main users of the financial statements.
- Update of the interest rate reference (issued on 26 September 2019, to be applied for annual periods beginning on or after 1 January 2020). The purpose of this update is to change the standards of financial instruments provided in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes the first phase of its task to respond to the effects of the Interbank Offer Rates (IBOR) reform on financial information.
- Review of the conceptual structure for financial reporting (issued on 29 March 2018, and effective for periods beginning on or after 1 January 2020). These changes might influence IFRS application to situations in which no standard is applicable in a certain transaction/event.
- IFRS 16 (amendment), "Leases" (to be applied for periods beginning on or after 1 January 2020). The intent of the amendment is to allow the lessees, as a practical expedient,

to not treat alterations/concessions related to COVID-19 as a modification to the lease agreement. The amendment does not affect the lessor.

No material impacts are estimated on the Company's financial statements from the application of these standards and amendments, with exception to the application of IFRS 16, that originated less costs on the "Supplies and External Services" item, of approximately 7.7 million Euros (Note 34).

At the date of approval of these financial statements, the standards and interpretations endorsed by the European Union, yet whose mandatory application occurs in future financial years, are the following:

- 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 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.

- 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 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. Basis of Consolidation

Controlled companies

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

The interest of third parties in the equity and net profit of such companies' income is presented separately in the consolidated statement of financial position and in the consolidated statement, respectively, under the item "Non-controlling Interests" (Note 23).

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 it 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 6).

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 cash or 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 financial year ended on 31 December 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 the Group applies to the cinema operation business, telecommunication towers and offices (Note 8).

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:

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

2.3.4. 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 integrant 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 9) 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 12) 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 9), 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:

	2019 (YEARS)	2020 (YEARS)
Telecom licences	30 - 33	30 - 33
Software licences	1 - 8	1 - 8
Direitos de utilização de conteúdos	Period of the contract	Period of the contract
Other	1 - 8	1 - 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 hedge 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".

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 item.

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 42), 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 identifies 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 that exceed 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 and in 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:

- Is not a concentration of business activities;
- At the moment of the transaction, it does not affect neither the accounting profit nor the taxable profit (fiscal loss);
- 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:

- 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;
- 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 item "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 their use ends, 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 party 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 compliance 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 to 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 result of the Group's ordinary activities. 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 45). 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

The 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 economy 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:



- 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
set/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 31 December 2020, assets and liabilities expressed in foreign currencies were converted into Euros using the following exchange rates of such currencies against the euro, as published by the Bank of Portugal:

	31-12-2019	31-12-2020
US Dollar	1.1234	1.2271
Angolan Kwanza	536.2617	797.1291
British Pound	0.8508	0.8990
Mozambican Metical	68.7000	91.0500
Canadian Dollar	1.4598	1.5633
Swiss Franc	1.0854	1.0802
Real	4.5157	6.3735

In the financial year ended on 31 December 2019 and 2020, the income statements of subsidiaries expressed in foreign currencies were converted to Euros at the average exchange rates of the currencies of their countries of origin against the euro, whose exchange rate used is the end-of-period exchange rate. The average exchange rates used are as follows:

	12M 19	12M 20
Angolan Kwanza	414.9982	665.8563
Mozambican Metical	69.4925	79.7817

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 assets 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 participants use in defining the 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, the Labour Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labour (FGCT) entered into force on 1 October. 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 of 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 item "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 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 financial year.

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

3. JUDGEMENTS AND ESTIMATES

3.1. Relevant accounting estimates

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

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

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

Entities included in the consolidation perimeter

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is

exposed, or has rights, to variability in return from its involvement with that entity and can take possession of them through the power it holds over this entity.

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

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

Impairment of non-current assets, excluding goodwill

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

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

Impairment of goodwill

Goodwill is annually subjected to impairment tests or whenever there are indications of a possible loss of value in accordance with the criteria described in Note 9. 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 incur 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 financial year ended on 31 December 2019 and 2020, errors, estimates and changes in material accounting policies relating to prior years were not recognised.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1. Financial risk management

The activities of the Group are exposed to a variety of financial risk factors: credit risk, liquidity risk and market risk.

The Group's Board of Directors is responsible for defining the principles of risk management and policies covering specific areas such as: exchange rate risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments and the investment of excess liquidity.

A) CREDIT RISK

Credit risk is mainly related to the risk of a counterparty defaulting on its contractual obligations, resulting in a financial loss to the Group. The Group is exposed to credit risk in its operating and treasury activities.

The credit risk associated with operations is mainly related to amounts due from customers for services provided to them (Notes 13 and 17). This risk is monitored on a regular business basis and the aim of management is to: i) limit the credit granted to customers, using the average payment time by each customer; ii) monitor the trend in the level of credit granted; and iii) analyse the impairment of receivables on a regular basis.

The classification of a customer as being in default takes into account the particularity of each customer, business / segment and values involved. In the majority of segments, a customer is considered to be in default if the debt is more than 180 days overdue. In the residential segment, the main segment, NOS has as a restriction measure for non-

compliance the blocking of services provided after 50 days of maturity without receipt.

The Group does not face any serious credit risk with any particular client, insofar as the accounts receivable derive from a large number of clients from a wide range of businesses.

The impairment adjustments to accounts receivable are calculated on the basis of: i) the customer's risk profile, depending on whether the customer is a residential or business customer; ii) the average collection period, which differs from business to business; iii) the customer's financial status; and iv) future perspective of the evolution of the collection. Because of the dispersed nature of customers, it is not necessary to consider an additional adjustment for credit risk other than the expected credit losses that are already recorded in accounts receivable – customers and accounts receivable – others.

With a regular frequency, doubtful debts, in arrears for more than 24 months and with total impairment loss recorded, are derecognised, after the extinction or frustration of all the collection procedures considered adequate for credit recovery.

The table below shows the Group's maximum exposure to credit risk at 31 December 2019 and 2020, without taking into account any collateral held or other credit enhancements. For assets in the statement of financial position, the defined exposure is based on their book value as stated in the statement of financial position.

	31-12-2019	31-12-2020
Accounts receivable trade - current i)	296,958	241,890
Accounts receivable other - non-current (Note 13)	4,064	7,504
Accounts receivable other - current (Note 13)	3,576	4,896
Cash and cash equivalents ii)	11,962	152,719
TOTAL FINANCIAL ASSETS	316,560	407,009

i) Accounts receivable – customers

The Group exposure to credit risk is related to operational account receivables. The amounts presented on financial position are net of impairment losses for estimated doubtful accounts receivable. These impairment losses were



estimated by the Group in accordance with its experience and based on their assessment of the current macroeconomic environment. The Board believes that the carrying amounts of account receivables are similar to their fair value.

At 31 December 2019 and 2020, the balances receivable from customers by age were as follows:

	31-12-2019	31-12-2020
Not overdue	115,170	95,037
0 to 90 days	59,731	45,262
90 to 180 days	17,779	18,414
180 to 360 days	26,350	33,196
Over 360 days	232,056	245,146
ACCOUNTS RECEIVABLE	451,086	437,055
Not overdue	(2,950)	(4,207)
0 to 90 days	(7,563)	(6,250)
90 to 180 days	(6,904)	(5,736)
180 to 360 days	(11,678)	(10,731)
Over 360 days	(125,031)	(168,241)
Expected credit losses	(154,128)	(195,165)
TOTAL ACCOUNTS RECEIVABLE	296,958	241,890

Credit risk is monitored on an ongoing basis and can be summarized as follows:

- regular customers are analysed on an aggregated basis (homogeneous group) and the expected credit losses calculated through the use of a collection matrix, which is based on the historical past collections adjusted by the future expectation of collections evolution, to determine the uncollectibility rate;
- the balances of operators, agents and others are analysed individually and expected credit losses are calculated based on the age of each balance, the existence of claims, the current financial situation of each third party and the future expectation of receiving the respective amounts in debt.

ii) Cash and cash equivalents

Guarantees and pledges obtained from some operators and agents are not material.

At 31 December 2019 and 2020, the Group's credit risk rating for these types of assets (cash and cash equivalents as described in Note 21, with the exception of the value of cash), whose counter parties are Financial Statement Institutions, are as follows:

	31-12-2019	31-12-2020
A	574	356
A-	1	25,061
BBB+	1	15,429
BBB	30	52,587
BBB-	462	-
BB+	-	25,784
BB	114	23,373
B+	1	1
B	-	10,121
CCC+	10,771	-
without rating	8	7
TOTAL	11,962	152,719

The information on ratings was taken from Reuters, based on the ratings awarded by the three major rating agencies (Standard & Poor's, Moody's and Fitch).

B) LIQUIDITY RISK

Prudent management of liquidity risk requires the maintenance of an adequate level of cash and cash equivalents to meet the liabilities associated with the negotiation of credit facilities with financial institutions. Under the model adopted, the Group has:

- b.1) Commercial paper programmes of which around 340 million Euros is being used. The commercial paper programmes have a total amount of 665 million Euros, corresponding to twelve programmes, with six banks,

including 490 million Euros which bear interest at market rates and 175 million Euros issued in fixed rate;

- b.2) Private and direct cash bonds to the value of 575 million Euros;
- b.3) A Finance Contract with the European Investment Bank to support the development of mobile broadband network in Portugal in the amount of 37 million Euros.

Management regularly monitors the forecasts of the Group's liquidity reserves, including the amounts of unused credit lines and the amounts of cash and cash equivalents, based on estimated cash flows and compliance with any covenants usually associated with borrowings. Of the loans obtained (excluding finance leases), in addition to being subject to the Group complying with its operating, legal and fiscal obligations, 100% are subject to cross-default clauses, Pari Passu clauses and negative pledge clauses and 88% to ownership clauses.

	31-12-2019				31-12-2020			
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Borrowings								
Bond	2,334	573,221	-	575,555	2,343	574,007	-	576,350
Commercial	55,648	362,949	50,000	468,597	78,532	212,463	50,000	340,995
Foreign Loans	17,121	35,649	-	52,770	17,638	18,078	-	35,716
Bank overdrafts	9,518	-	-	9,518	2,270	-	-	2,270
Financial	58,660	136,823	58,205	253,688	66,343	190,163	318,803	575,309
Accounts payable - trade	259,499	-	-	259,499	252,607	-	-	252,607
Accounts payable - other	37,690	-	-	37,690	47,438	5,323	34,727	87,488
Derivatives of financial instruments	135	265	-	400	346	655	-	1,001
TOTAL	440,605	1,108,907	108,205	1,657,717	467,517	1,000,689	403,530	1,870,376

C) MARKET RISK

Exchange rate risk

Exchange rate risk is mainly related to exposure, resulting from payments made to suppliers of terminal equipment and producers of audiovisual content for the Pay TV and audiovisual businesses, respectively. Business transactions between the Group and these suppliers are mainly denominated in US dollars.

Depending on the balance of accounts payable resulting from transactions in a currency different from the Group's

In addition, approximately 23% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA after consolidated lease payment, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA after consolidated lease payment, approximately 2% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA after consolidated lease payment and approximately 12% of the total loans obtained require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA after consolidated lease payment.

The table below shows the Group's liabilities by contractual residual maturity interval. The amounts shown in the table are the contractual undiscounted cash flows payable in the future, including the interest remunerating these liabilities.

operating currency, the Group contracts or may contract financial instruments, namely short-term foreign currency forwards, in order to hedge the risk associated with these balances (Note 20).

The Group has investments in foreign companies whose assets and liabilities are exposed to exchange rate variations (the Group has two subsidiaries in Mozambique, Lusomundo Moçambique and Mstar, whose functional currency is the Metical and two in Angola, Finstar and ZAP Media, whose functional currency is the Kwanza). The Group has not adopted



any policy of hedging the risk of exchange rate variations for these companies on cash flows in foreign currencies.

A sensitivity analysis was performed using a strengthening or weakening by 10% of the functional currencies of the various financial investments at 31 December 2020. The amount of the investments would decrease by 341 thousand Euros or increase by 279 thousand Euros, respectively, and the counterpart of these changes the equity. In this

	31-12-2020			
	US DOLLAR	BRITISH POUND	KWANZA	MOZAMBIQUE METICAL
ASSETS				
Account receivable - trade	7,294	-	-	2,303
Account receivable - other	-	1	465,300	996
Cash and cash equivalents	-	-	-	76,690
TOTAL ASSETS	7,294	1	465,300	79,989
LIABILITIES				
Account payable - trade	7,412	170	-	59,195
Accounts payable - other	10	55	-	90
Tax payable	-	-	-	7,412
TOTAL LIABILITIES	7,422	225	-	66,697
NET	(128)	(225)	465,300	13,292

	31-12-2020			
	US DOLLAR	BRITISH POUND	KWANZA	MOZAMBIQUE METICAL
ASSETS				
Account receivable - trade	6,884	-	-	2,085
Tax receivable	-	-	-	6,088
Cash and cash equivalents	-	-	-	72,129
TOTAL ASSETS	6,884	-	-	80,302
LIABILITIES				
Account payable - trade	9,217	14	-	32,853
Accounts payable - other	97	4	-	496
TOTAL LIABILITIES	9,314	18	-	33,349
NET	(2,430)	(18)	-	46,953

NOS uses a sensitivity analysis technique which measures estimated changes in results and equity of an immediate strengthening or weakening of the Euro against other currencies in the rates applying at 31 December 2020 for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, since in practice exchange rates rarely change in isolation.

sensitivity analysis, gains or losses that financial investments would recognise resulting from currency fluctuations are not considered.

The table below shows the Group's exposure to exchange rate risk at 31 December 2019 and 2020, based on the amounts of the Group's financial assets and liabilities in the statement of financial position (amounts stated in local currency):

	31-12-2020			
	US DOLLAR	BRITISH POUND	KWANZA	MOZAMBIQUE METICAL
ASSETS				
Account receivable - trade	7,294	-	-	2,303
Account receivable - other	-	1	465,300	996
Cash and cash equivalents	-	-	-	76,690
TOTAL ASSETS	7,294	1	465,300	79,989
LIABILITIES				
Account payable - trade	7,412	170	-	59,195
Accounts payable - other	10	55	-	90
Tax payable	-	-	-	7,412
TOTAL LIABILITIES	7,422	225	-	66,697
NET	(128)	(225)	465,300	13,292

	31-12-2020			
	US DOLLAR	BRITISH POUND	KWANZA	MOZAMBIQUE METICAL
ASSETS				
Account receivable - trade	6,884	-	-	2,085
Tax receivable	-	-	-	6,088
Cash and cash equivalents	-	-	-	72,129
TOTAL ASSETS	6,884	-	-	80,302
LIABILITIES				
Account payable - trade	9,217	14	-	32,853
Accounts payable - other	97	4	-	496
TOTAL LIABILITIES	9,314	18	-	33,349
NET	(2,430)	(18)	-	46,953

The sensitivity analysis was performed using a strengthening or weakening of the Euro by 10% in all exchange rates. In such case, profits before tax would have increased by 135 thousand Euros (2019: decreased 72 thousand Euros) or decreased by 165 thousand Euros (2019: increased by 88 thousand Euros), respectively.

D) INTEREST RATE RISK

The risk of fluctuations in interest rates can result in a cash flow risk or a fair value risk, depending on whether variable or fixed interest rates have been negotiated.

The borrowings by the Group (with the exception of EIB financing of 37 million Euros, the bond loan of 300 million Euros, two commercial paper issues of 75 and 100 million Euros and leases) have variable interest rates, which exposes the Group to interest rate cash flow risk. The Group has adopted a policy of hedging risk with interest rate swaps to hedge future interest payments on Bond loans and other borrowings (see Note 20).

The NOS Group uses a sensitivity analysis technique, which measures the expected impacts on results and equity of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates, for the rates applying at the date of the statement of financial position for each class of financial instrument, with all other variables remaining constant. This analysis is for illustrative purposes only, since in practice market rates rarely change in isolation.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest receivable or payable on financial instruments with variable rates;
- Changes in market interest rates only affect interest receivable or payable on financial instruments with fixed interest rates when they are recognised at fair value;
- Changes in market interest rates affect the fair value of derivatives and other financial assets and liabilities;
- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by discounting future cash flows from current net values using market rates at the end of the year.

Under these assumptions, an increase or decrease of 0.25% in market interest rates for loans that are not covered or loans with variable interest at 31 December 2020 would have

resulted in an increase or decrease in annual profit before tax of approximately 1 million Euros (2019: 1.1 million Euros).

In the case of the interest rate swaps contracted, the sensitivity analysis which measures the estimated impact of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates results in changes in the fair value of the swaps of nearly 0 Euros at 31 December 2019 and 2020. The impacts of the sensitivity analysis are practically null because the market rates are negative and the loan and interest rate swap have a floor of 0%.

4.2. Capital Risks Management

The objective of capital risk management is to safeguard the continuity of the Group's operations, with an adequate return to shareholders and generating benefits for all stakeholders.

The NOS Group's policy is to contract loans with financial institutions, mainly at the level of the parent company, NOS, which in turn makes loans to its subsidiaries and associated companies. In the case of joint ventures, which contract loans in their own name, NOS participates in the contract process and is the guarantor for repayment of the loan. This policy is designed to optimise the capital structure with a view to greater tax efficiency and a reduction in the average cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends distributed to shareholders, issue new shares, and sell assets to reduce liabilities, or launch share buyback plans.

As is the practice of other companies operating in the market in which the Group operates, the Group manages capital based on the net financial debt/EBITDA ratio. Net financial debt is calculated as the total of current and non-current borrowings, excluding the finance lease related to contracts for the acquisition of capacity and content utilisation rights, less the amounts of cash and cash equivalents. The internal ratio set as a target is a level of debt lower than 3 times EBITDA.



	31-12-2019	31-12-2020
Financial debt (Note 24)	1,106,440	955,331
Cash and cash equivalents (Note 21)	(12,819)	(153,285)
TOTAL FINANCIAL DEBT	1,093,621	802,046
Leases (Note 24)	253,688	575,309
TOTAL NET DEBT	1,347,309	1,377,355
EBITDA ⁽¹⁾	639,971	603,181
EBITDA after leasing payments ⁽²⁾	575,016	527,482
Net financial debt / EBITDA after leasing payments	1.90	1.52
Net debt / EBITDA	2.11	2.28

⁽¹⁾ EBITDA = Operating Result + Depreciation, Amortization and Impairment Losses + Restructuring Costs + Losses / (Gains) on disposal of assets + Other Costs / (Gains) Non-Recurring

⁽²⁾ EBITDA after leasing payments = EBITDA - Leasing payments (Capital and Interest)

Estimated fair value

The table below shows the financial assets and liabilities of the Group valued at fair value at 31 December 2019 and 2020, as the levels of the fair value hierarchy:

	31-12-2019			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS				
Other financial assets non-current	-	-	439	439
	-	-	439	439
LIABILITIES				
Derivative financial instruments - equity swap (Note 20)	-	346	-	346
Derivative financial instruments - interest rate swap (Note 20)	-	38	-	38
Derivative financial instruments - exchange rate forward (Note 20)	-	16	-	16
	-	400	-	400

	31-12-2020			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS				
Other financial assets non-current	-	-	579	579
	-	-	579	579
LIABILITIES				
Derivative financial instruments - equity swap (Note 20)	-	950	-	950
Derivative financial instruments - interest rate swap (Note 20)	-	51	-	51
	-	1,001	-	1,001

In accordance with IFRS 13 - Fair value measurement, the levels of the fair value hierarchy are described as follows:

- Level 1 - Financial instruments valued based on quotations in active markets to which the company has access are included in this category, securities valued based on executable (immediate liquidity) published by external sources.

- Level 2 - Financial instruments whose value is based on directly or indirectly observable data in active markets are included in this category, securities valued based on bids provided by external entities and internal valuation techniques using only observable market data.

- Level 3 - All financial instruments valued at fair value that do not fall in level 1 and 2.

Assets available for sale were valued using the discounted cash flow method (level 3).

The calculation of the fair value of interest rate swap derivatives was based on an estimate of discounted future cash flows, using the estimated market interest rate curve calculated by the entities with which the swaps were contracted (level 2).

The fair value of forward rate agreement derivatives is calculated based on the spot exchange rate (level 2).

5. CHANGE IN THE PERIMETER

The changes in the consolidation perimeter, during the financial year ended on 31 December 2020, were:

- 1) Disposal of 100% of share capital of NOS International Carrier Services, S.A. (Note 47);
- 2) Disposal of 100% of share capital of NOS Towering-Gestão de Torres de Telecomunicações, S.A. (Note 48);

3) Merger by incorporation of NOSPUB in NOS Lusomundo TV, whose name was changed to NOS Audio- Sales and Distribution, S.A.. The merger had no impact on the consolidated financial statements;

4) Constitution of the joint venture Dualgrid - Gestão de Redes Partilhadas, S.A. between NOS Comunicações, S.A. and Vodafone Portugal - Comunicações Pessoais, S.A. in which each party owns 50% company's share capital;

5) Acquisition of 50% of the share capital of Dreamia Servicios de Televisión, S.L..

6. 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, NOS SGPS, 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 2019 and 31 December 2020 are shown below:

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

	31-12-2020			GROUP
	TELCO	AUDIOVISUALS	ELIMINATIONS	
ASSETS				
NON-CURRENT ASSETS				
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
TOTAL NON-CURRENT ASSETS	2,548,080	196,585	(187,197)	2,557,468
CURRENT ASSET				
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
TOTAL CURRENT ASSETS	604,262	52,306	(41,393)	615,175
TOTAL ASSETS	3,152,342	248,891	(228,590)	3,172,643
SHAREHOLDER'S EQUITY				
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
EQUITY BEFORE NON - CONTROLLING INTERESTS	996,833	104,456	(151,740)	949,549
Non-controlling interests	6,685	-	-	6,685
TOTAL EQUITY	1,003,518	104,456	(151,740)	956,234
LIABILITIES				
NON-CURRENT LIABILITIES				
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
TOTAL NON-CURRENT LIABILITIES	1,449,167	73,656	(35,000)	1,487,823
CURRENT LIABILITIES				
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
TOTAL CURRENT LIABILITIES	699,657	70,779	(41,850)	728,586
TOTAL LIABILITIES	2,148,824	144,435	(76,850)	2,216,409
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,152,342	248,891	228,590	3,172,643



The results by segment and investments in tangible and intangible assets, contract costs and rights of use for the financial years ended on 31 December 2019 and 2020 are shown below:

	12 M 19 RESTATED						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 19 RESTATED	12M 19 RESTATED
REVENUES								
Services	316,767	1,285,702	26,030	102,718	(10,231)	(43,312)	332,566	1,345,108
Sales	23,444	71,607	4,680	17,739	(61)	(205)	28,063	89,141
Other operating revenues	5,156	24,141	564	1,504	38	(1,490)	5,758	24,155
	345,367	1,381,450	31,274	121,961	(10,254)	(45,007)	366,387	1,458,404
COSTS, LOSSES AND GAINS								
Wages and salaries	19,705	73,913	3,010	10,917	-	-	22,715	84,830
Direct costs	99,885	386,256	8,044	33,059	(8,454)	(34,426)	99,475	384,889
Costs of products sold	21,787	63,824	204	433	(9)	(29)	21,982	64,228
Marketing and advertising	16,061	38,282	1,963	7,336	(2,369)	(8,402)	15,655	37,216
Support services	20,057	80,082	1,428	2,722	956	(547)	22,441	82,257
Supplies and external services	25,585	103,688	2,745	10,585	(378)	(1,603)	27,952	112,670
Other operating losses / (gains)	103	462	20	54	-	-	123	516
Taxes	8,357	32,706	49	138	-	-	8,406	32,844
Provisions and adjustments	11,763	19,098	(24)	(115)	-	-	11,739	18,983
	223,303	798,311	17,439	65,129	(10,254)	(45,007)	230,488	818,433
EBITDA	122,064	583,139	13,835	56,832	-	-	135,899	639,971
Depreciation, amortisation and impairment losses	112,979	385,371	10,360	35,942	2	-	123,341	421,313
Other losses / (gains), net	3,631	17,569	271	342	-	-	3,902	17,911
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	5,454	180,199	3,204	20,548	(2)	-	8,656	200,747
Net losses / (gains) of affiliated companies	2,852	786	466	236	-	-	3,318	1,022
Financial costs	3,179	18,253	1,032	2,408	-	-	4,211	20,661
Net foreign exchange losses / (gains)	68	151	106	(30)	(2)	(2)	172	119
Net losses / (gains) on financial assets	152	(6,557)	(3,900)	(5,624)	3,897	12,323	149	142
Net other financial expenses / (income)	1,051	3,780	9	45	-	-	1,060	3,825
	7,302	16,413	(2,287)	(2,965)	3,895	12,321	8,910	25,769
INCOME BEFORE TAXES	(1,847)	163,786	5,490	23,513	(3,897)	(12,321)	(254)	174,978
Income taxes	(6,117)	28,969	337	3,588	-	-	(5,780)	32,557
NET INCOME EARNINGS PER SHARES FROM CONTINUING OPERATIONS	4,270	134,817	5,153	19,925	(3,898)	(12,321)	5,525	142,421
Net consolidated income from discontinued operations	(145)	822	-	-	-	-	(145)	822
NET INCOME	4,126	135,639	5,153	19,925	(3,898)	(12,321)	5,381	143,243
CAPEX	103,934	390,350	29,323	53,859	-	-	133,257	444,209
EBITDA - CAPEX	18,130	192,789	(15,488)	2,973	-	-	2,642	195,762

	12 M 20						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	4° QUARTER 20	12M 20	4° QUARTER 20	12M 20	4° QUARTER 20	12M 20	4° QUARTER 20	12M 20
REVENUES								
Services	315,544	1,246,612	10,756	47,261	(7,689)	(30,893)	318,611	1,262,980
Sales	28,482	81,339	741	5,068	(13)	(98)	29,210	86,309
Other operating revenues	6,214	17,774	428	1,444	(154)	(621)	6,488	18,597
	350,240	1,345,725	11,925	53,773	(7,856)	(31,612)	354,309	1,367,886
COSTS, LOSSES AND GAINS								
Wages and salaries	19,899	76,542	1,977	8,789	-	-	21,876	85,331
Direct costs	104,174	367,468	2,668	3,063	(6,762)	(21,755)	100,080	348,776
Costs of products sold	24,753	74,055	82	290	(3)	(33)	24,832	74,312
Marketing and advertising	13,318	32,846	(2,392)	(509)	(881)	(7,833)	10,045	24,504
Support services	25,267	85,518	197	2,057	(409)	(1,294)	25,055	86,281
Supplies and external services	29,068	99,693	(2,053)	1,546	198	(697)	27,213	100,542
Other operating losses / (gains)	314	655	17	64	-	-	331	719
Taxes	8,235	32,666	20	81	-	-	8,255	32,747
Provisions and adjustments	4,340	11,213	295	280	-	-	4,635	11,493
	229,368	780,656	811	15,661	(7,857)	(31,612)	222,322	764,705
EBITDA	120,872	565,069	11,114	38,112	-	-	131,987	603,181
Depreciation, amortisation and impairment losses	96,029	375,559	8,568	34,283	-	-	104,597	409,842
Other losses / (gains), net	1,726	53,552	444	2,477	-	-	2,169	56,029
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	23,117	135,958	2,102	1,352	-	-	25,220	137,310
Net losses / (gains) of affiliated companies	(346)	9,053	318	46	-	-	(29)	9,099
Financial costs	8,480	20,045	428	2,173	-	-	8,908	22,218
Net foreign exchange losses / (gains)	(10)	(43)	100	591	-	-	90	548
Net losses / (gains) on financial assets	1	(24,393)	2	(2,045)	(1)	26,491	2	53
Net other financial expenses / (income)	1,075	3,800	6	14	-	-	1,081	3,814
	9,200	8,462	853	779	(1)	26,491	10,052	35,732
INCOME BEFORE TAXES	13,917	127,496	1,249	573	1	(26,491)	15,167	101,578
Income taxes	1,661	16,762	412	(420)	-	-	2,073	16,342
NET INCOME EARNINGS PER SHARES FROM CONTINUING OPERATIONS	12,256	110,734	838	993	1	(26,491)	13,094	85,236
Net consolidated income from discontinued operations	-	6,407	-	-	-	-	-	6,407
NET INCOME	12,256	117,141	838	993	1	(26,491)	13,094	91,643
CAPEX	168,961	452,874	5,493	26,571	-	-	174,454	479,445
EBITDA - CAPEX	(48,089)	112,195	5,621	11,541	-	-	(42,467)	123,736

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



7. FINANCIAL ASSETS AND LIABILITIES CLASSIFIED IN ACCORDANCE WITH THE IFRS 9 - FINANCIAL INSTRUMENTS

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

	31-12-2019					
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Other financial assets non-current	439	-	-	439	-	439
Accounts receivable - trade (Note 17)	361,711	-	-	361,711	-	361,711
Accounts receivable - other (Note 13)	7,640	-	-	7,640	24,552	32,192
Cash and cash equivalents (Note 21)	12,819	-	-	12,819	-	12,819
TOTAL FINANCIAL ASSETS	382,609	-	-	382,609	24,552	407,161
LIABILITIES						
Borrowings (Note 24)	-	-	1,360,127	1,360,127	-	1,360,127
Derivative financial instruments (Note 20)	-	400	-	400	-	400
Accounts payable - trade (Note 28)	-	-	259,501	259,501	-	259,501
Accounts payable - other (Note 29)	-	-	37,577	37,577	112	37,689
Accrued expenses (Note 26)	-	-	204,393	204,393	-	204,393
TOTAL FINANCIAL LIABILITIES	-	400	1,861,598	1,861,998	112	1,862,110

	31-12-2020					
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Other financial assets non-current	579	-	-	579	-	579
Accounts receivable - trade (Note 17)	290,652	-	-	290,652	-	290,652
Accounts receivable - other (Note 13)	12,400	-	-	12,400	23,714	36,114
Cash and cash equivalents (Note 21)	153,285	-	-	153,285	-	153,285
TOTAL FINANCIAL ASSETS	456,916	-	-	456,916	23,714	480,630
LIABILITIES						
Borrowings (Note 24)	-	-	1,530,640	1,530,640	-	1,530,640
Derivative financial instruments (Note 20)	-	1,001	-	1,001	-	1,001
Accounts payable - trade (Note 28)	-	-	252,607	252,607	-	252,607
Accounts payable - other (Note 29)	-	-	87,279	87,279	209	87,488
Accrued expenses (Note 26)	-	-	176,365	176,365	-	176,365
TOTAL FINANCIAL LIABILITIES	-	1,001	2,046,891	2,047,892	209	2,048,101

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 item 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.

8. ATIVOS FIXOS TANGÍVEIS

During the financial years ended on December 31, 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	DISPOSAL OF NOS TOWERING (NOTE 48)	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST						
Lands	838	-	-	-	-	838
Buildings and other constructions	388,170	5,014	(393)	-	11,643	404,434
Basic equipment	2,278,623	43,987	(91,161)	-	224,667	2,456,116
Transportation equipment	567	-	60	-	(119)	508
Tools and dies	1,406	-	4	-	77	1,487
Administrative equipment	189,070	2,347	(3,007)	-	1,582	189,992
Other tangible assets	42,553	240	(29)	-	361	43,125
Tangible assets in-progress	55,220	133,945	-	-	(149,591)	39,574
	2,956,447	185,533	(94,526)	-	88,620	3,136,074
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Buildings and other constructions	213,822	10,540	(821)	-	(715)	222,826
Basic equipment	1,493,105	163,173	(90,362)	-	88,808	1,654,724
Transportation equipment	516	2	(60)	-	46	504
Tools and dies	1,316	56	(4)	-	1	1,369
Administrative equipment	179,428	2,511	(2,940)	-	236	179,235
Other tangible assets	41,905	728	(29)	-	(1)	42,603
	1,930,092	177,010	(94,216)	-	88,375	2,101,261
	1,026,355	8,523	(310)	-	245	1,034,813

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	DISPOSAL OF NOS TOWERING (NOTE 48)	TRANSFERS AND OTHERS	31-12-2020
ACQUISITION COST						
Lands	838	-	-	-	-	838
Buildings and other constructions	404,434	320	(63)	(147,411)	6,672	263,952
Basic equipment	2,456,116	49,114	(51,099)	(2,143)	147,507	2,599,495
Transportation equipment	508	-	-	-	4	512
Tools and dies	1,487	-	3	(2)	66	1,554
Administrative equipment	189,992	2,398	(1,617)	(82)	2,418	193,109
Other tangible assets	43,125	74	(69)	-	341	43,471
Tangible assets in-progress	39,574	158,684	-	(1,477)	(157,432)	39,349
	3,136,074	210,590	(52,845)	(151,115)	(424)	3,142,280
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Buildings and other constructions	222,826	5,851	(12)	(61,901)	(1,637)	165,127
Basic equipment	1,654,724	156,000	(51,099)	(2,067)	484	1,758,042
Transportation equipment	504	3	-	-	3	510
Tools and dies	1,369	53	(3)	(2)	3	1,420
Administrative equipment	179,235	4,526	(1,605)	(76)	482	182,562
Other tangible assets	42,603	470	(145)	-	78	43,006
	2,101,261	166,903	(52,864)	(64,046)	(587)	2,150,667
	1,034,813	43,687	19	(87,069)	163	991,613



The net amount of "Transfers and Others" predominantly corresponds to the transfer of assets to "Intangible assets" (Note 9).

At 31 December 2020, 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 736.0 million Euros (31 December 2019: 698.5 million Euros);
- ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 105.5 million Euros (31 December 2019: 102.9 million Euros).

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

At 31 December 2020, total net value of these costs amounted to 13.0 million Euros (31 December 2019: 13.7 million Euros). The amount of interest capitalised in the financial year ended on 31 December 2020 amounted to 0.9 million Euros (31 December 2019: 1 million Euros).

At 31 December 2019 and 2020, the value of commitments to third parties relating to investments to make was as follows:

	31-12-2019	31-12-2020
Network investments	63,005	31,204
Information systems investments	6,526	9,855
	69,531	41,059

During the financial year ended on 31 December 2020, the Company carried out the impairment analysis (see assumptions in Note 9) of fixed assets related to cinema exhibition. Given the range of influence of each complex, the cinemas were grouped as cash-generating units on a regional basis for impairment testing purposes. Regional

cash-generating units are Lisbon, Porto, Coimbra, Aveiro, Viseu and cinemas scattered throughout the other regions of the country are considered individual cash generating units.

In these impairment tests, a discount rate (before tax) of 8.3% and a perpetual growth rate of 1.5% were considered. This analysis resulted in an impairment recognition of 0.2 million Euros.

9. INTANGIBLE ASSETS

In the financial year ended on 31 December 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Industrial property and other rights	1,521,380	14,913	(44)	97,797	1,634,046
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	50,211	71,435	-	(98,445)	23,201
	2,212,991	86,348	(44)	(648)	2,298,647
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,191,312	89,719	(134)	938	1,281,835
Other intangible assets	2,423	-	-	323	2,746
	1,193,735	89,719	(134)	1,261	1,284,581
	1,019,256	(3,371)	90	(1,909)	1,014,066

The amount of "Transfers and Others" corresponds, mainly, to the transfer of assets from "Tangible assets" (Note 8).

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2020
ACQUISITION COST					
Industrial property and other rights	1,634,046	19,379	(118)	86,127	1,739,434
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	23,201	96,236	-	(86,127)	33,310
	2,298,647	115,615	(118)	-	2,414,144
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,281,835	87,544	(209)	1,816	1,370,986
Other intangible assets	2,746	-	-	(675)	2,071
	1,284,581	87,544	(209)	1,141	1,373,057
	1,014,066	28,071	91	(1,141)	1,041,087

Sensitivity analyses of the variations of the discount rates and growth rates of revenue were carried out and from approximately 10% of them there was no results of any impairments.

Sensitivity analyses for a perpetual growth rate of 0% were also carried out and neither there were results of impairments.

The amount of "Transfers and Others" corresponds, mainly, to the transfer of assets from "Tangible assets" (Note 8).

At 31 December 2020, the item "Industrial property and other rights" includes mainly:

- (1) A net amount of 102.2 million Euros (31 December 2019: 110.5 million Euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i) 32.4 million Euros (31 December 2019: 35 million Euros) related to the license, (ii) 10.8 million Euros (31 December 2019: 11.7 million Euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 3.3 million Euros (31 December 2019: 3.6 million Euros) related to the Share Capital of "Fundação para as Comunicações Móveis", established in 2007, under an agreement entered with "Ministério das Obras Públicas, Transportes e Comunicações" and the three mobile telecommunication operators in Portugal; (iv) 47.4 million Euros (31 December 2019: 51.2 million Euros) related with the programme "Initiatives E"; and (v) the net amount of 5.6 million Euros (31 December 2019: 6.1 million Euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;
- (2) A net amount of 79.0 million Euros (31 December 2019: 82.7 million Euros) corresponding to the current value of future payments related with the acquisition of rights of use for frequencies (spectrum) bands of 800 MHz, 1800 MHz, 2600 MHz, which will be used to develop 4th generation services (LTE - Long Term Evolution) and a net amount of 2.7 million Euros (31 December 2019: 2.9 million Euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;
- (3) A net amount of 11.9 million Euros (31 December 2019: 15.7 million Euros) corresponding to the future rights to use movies and series.

Increases in the financial year on 31 December 2020 correspond mainly to movies and television series rights



of use, for an amount of 19.7 million Euros, acquisition and development of software and other assets, for an amount of 43.4 million Euros and to the contractual right due to the celebration of agreements 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 communicated on 22 October 2020, in the amount of 39.6 million of Euros.

In the financial years ended on 31 December 2019 and 2020, the intangible assets in-progress item was as follows:

	31-12-2019	31-12-2020
NATURE		
Development of information systems (i)	11,945	20,934
Rights of use of films and series (ii)	4,106	4,515
Others	4,404	5,790
	20,455	31,239

- i) Developments of information systems: costs with external companies and own work capitalised, related to projects for the development of information systems, both for the telecommunications network and for internal business and administrative systems, not yet concluded nor in operation;
- ii) Rights to use films and series: rights to use films and series related to films and series that have not yet started their exploitation.

Impairment tests on goodwill

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

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

Given the uncertainty regarding the evolution of the pandemic situation, the economic recession and expected changes in the Portuguese consumption patterns (Note 49.1), 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:

	AUDIOVISUALS SEGMENT		
	TELCO 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	2.5%	-1.4%	49.7%
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 5 years)

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 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.

10. CONTRACT COSTS

In the financial years ended on 31 December 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2019
ACQUISITION COST				
Cost of attracting customers	362,641	64,878	-	427,519
Costs of fulfilling customer contracts	152,054	37,540	-	189,594
	514,694	102,419	-	617,113
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES				
Cost of attracting customers	260,712	66,939	-	327,650
Costs of fulfilling customer contracts	91,035	35,327	-	126,362
	351,746	102,266	-	454,012
	162,948	153	-	163,101

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, from which no impairment resulted as well.



	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2020
ACQUISITION COST				
Cost of attracting customers	427,519	63,971	-	491,490
Costs of fulfilling customer contracts	189,594	34,367	-	223,961
	617,113	98,338	-	715,451
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES				
Cost of attracting customers	327,650	65,503	-	393,153
Costs of fulfilling customer contracts	126,362	33,813	-	160,175
	454,012	99,316	-	553,328
	163,101	(978)	-	162,123

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).

11. RIGHTS OF USE

In the financial years ended on 31 December 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSAL OF NOS TOWERING (NOTE 48)	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Telecommunications towers and rooftops	122,014	15,628	-	1,368	139,010
Movie theatres	84,816	23,865	-	-	108,681
Transponders	92,395	(488)	-	-	91,907
Equipments	99,145	18,928	-	491	118,564
Buildings	65,282	6,666	-	(3,345)	68,603
Fiber optic rental	34,157	-	-	(1,092)	33,065
Stores	14,768	2,923	-	147	17,838
Others	22,290	2,386	-	6,648	31,324
	534,867	69,909	-	4,217	608,993
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Telecommunications towers and rooftops	81,614	10,257	-	1,366	93,237
Movie theatres	67,326	6,467	-	(1,700)	72,093
Transponders	50,859	5,812	-	-	56,671

CONTINUATION

	31-12-2018	INCREASES	DISPOSAL OF NOS TOWERING (NOTE 48)	TRANSFERS AND OTHERS	31-12-2019
Equipments	53,365	15,918	-	(192)	69,091
Buildings	33,833	6,293	-	4,947	45,043
Fiber optic rental	24,696	3,070	-	(1,092)	26,674
Stores	9,659	2,169	-	147	11,975
Others	13,061	2,332	-	432	15,825
	334,384	52,318	-	3,908	390,610
	200,483	17,591	-	309	218,383

	31-12-2019	INCREASES	DISPOSAL OF NOS TOWERING (NOTE 48)	TRANSFERS AND OTHERS	31-12-2020
ACQUISITION COST					
Telecommunications towers and rooftops	139,010	18,664	(88,012)	68,928	138,590
Movie theatres	108,681	5,651	-	-	114,332
Transponders	91,907	-	-	(198)	91,709
Equipments	118,564	14,173	-	-	132,737
Buildings	68,603	4,392	-	(16)	72,979
Fiber optic rental	33,065	7,272	-	-	40,337
Stores	17,838	1,758	-	-	19,596
Others	31,324	2,992	(238)	(26)	34,052
	608,992	54,902	(88,250)	68,688	644,332
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Telecommunications towers and rooftops	93,237	11,363	(59,025)	-	45,575
Movie theatres	72,093	7,502	-	-	79,595
Transponders	56,671	5,869	-	-	62,540
Equipments	69,091	15,690	-	(4)	84,777
Buildings	45,043	7,093	-	(17)	52,119
Fiber optic rental	26,674	1,775	-	-	28,449
Stores	11,975	2,209	-	-	14,184
Others	15,825	4,562	(172)	(3,219)	16,996
	390,609	56,063	(59,197)	(3,240)	384,235
	218,383	(1,161)	(29,053)	71,928	260,097

The amount of "Transfers and Others" corresponds, mainly, to the right of use of asset leases with Cellnex, essentially by transference of the tangible assets from NOS Towering considering the accounting operation configuration (Note 48).

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



12. INVESTMENTS IN JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES

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

	31-12-2019	31-12-2020
INVESTMENTS - EQUITY METHOD		
Finstar*	8,635	5,707
Dreamia	3,369	3,367
Mstar	1,151	1,315
Upstar	391	371
Big Picture 2 Films	154	110
Dualgrid	-	25
Dreamia S.L.	-	2
Sport TV	4,544	-
ASSETS	18,244	10,897

* Consolidated from Finstar and ZAP Media

Movements in "Investments in jointly controlled companies and associated companies" in the financial years ended on 31 December 2019 and 2020 were as follows:

	12M 19 RESTATED	12M 20
AS AT JANUARY 1	19,585	18,244
Creation of new companies	-	27
Gains / (losses) of exercise (Note 36)	786	(715)
Impairment (Note 36)	-	(3,123)
Changes in equity i)	(2,127)	(3,536)
AS AT DECEMBER 31	18,244	10,897

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

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

31-12-2019									
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	98,003	86,330	4,324	161,834	18,175	199,021	(3,570)	25.00%	(893)
Dreamia	13,147	1,237	5,851	1,795	6,738	2,309	(529)	50.00%	(265)
Finstar**	65,825	117,233	-	154,273	28,785	161,522	4,388	30.00%	1,316
Mstar	636	12,366	-	9,165	3,837	24,767	1,893	30.00%	568
Upstar	2,109	76,948	9,434	68,319	1,303	32,908	101	30.00%	30
Big Picture 2 Films	423	2,230	9	1,873	770	6,397	144	20.00%	29
	180,143	296,344	19,618	397,260	59,608	426,923	2,426		786

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

** Consolidated of Finstar and ZAP Media.

31-12-2020									
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	96,566	81,179	6,294	158,961	12,490	189,673	(5,685)	25.00%	(1,421)
Dreamia	13,378	1,255	6,002	1,896	6,735	2,387	(4)	50.00%	(2)
Finstar**	45,713	84,323	-	111,010	19,026	188,581	876	30.00%	263
Mstar	170	9,176	549	4,414	4,383	21,212	1,697	30.00%	509
Upstar	1,591	46,227	21,600	24,982	1,236	20,553	(67)	30.00%	(20)
Big Picture 2 Films	609	1,083	300	844	548	2,626	(222)	20.00%	(44)
Dualgrid	-	50	-	-	50	-	-	50.00%	-
Dreamia S.L.	-	3	-	-	3	-	-	50.00%	-
	158,027	223,296	34,745	302,107	44,471	425,032	(3,404)		(715)

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

** Consolidated of Finstar and ZAP Media

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

In the financial year ended on 31 December 2020, the assets, liabilities and results of jointly controlled companies Finstar and ZAP Media (Finstar Group) are:

31-12-2020							
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME
Finstar	17,603	74,644	-	82,841	9,406	165,074	(2,306)
ZAP Media	16,138	8,804	-	24,321	621	23,507	181

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

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

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

13. ACCOUNTS RECEIVABLE - OTHER

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

	31-12-2019		31-12-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Accounts receivables i)	5,608	5,032	5,786	8,115
Advances to suppliers ii)	24,552	-	23,714	-
	30,160	5,032	29,500	8,115
Impairment of other receivable	(2,032)	(968)	(890)	(611)
	28,128	4,064	28,610	7,504



- i) At 31 December 2020, this item corresponds to short-term loans, medium and long-term loans from Group and interests' receivable, to associated companies and the amount receivable of 5.0 million Euros from the sale of NOS International Carrier Services (Note 47).
- ii) At 31 December 2020, the advances to suppliers correspond, essentially, to payed values related with futebol rights' contracts and other operational costs.

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

	12M 19 RESTATED	12M 20
AS AT JANUARY 1	967	3,000
Increases (Note 35)	550	509
Utilizations / Others	1,483	(2,008)
AS AT DECEMBER 31	3,000	1,501

14. TAXES PAYABLE AND RECEIVABLE

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

	31-12-2019		31-12-2020	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON-CURRENT				
Debt, regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added, tax	4,211	19,102	2,473	6,006
Income, taxes	-	43,428	-	42,224
Personnel, income, tax, withholdings	-	3,597	-	1,823
Social, Security, contributions	-	1,913	-	1,819
Others	420	162	421	109
	4,631	68,202	2,894	51,981
	4,780	68,202	3,043	51,981

In the financial year ended on 31 December 2020, the item "Tax processes" includes liabilities, related to ongoing tax processes, of which the following stand out:

	31-12-2019	31-12-2020
Estimated current tax on income	(25,969)	(31,612)
Tax processes	(43,402)	(44,286)
Payments on account	20,593	32,051
Withholding income taxes	4,096	476
Others	1,254	1,147
	(43,428)	(42,224)

In the financial year ended on 31 December 2020, the item "Tax processes" includes liabilities, related to ongoing tax processes, of which the following stand out:

- i) Future credits transferred: for the financial year ended at 31 December 2010, NOS S.A. 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 S.A. 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 S.A. challenged the decisions regarding the 2009 to 2013 fiscal year and will appeal for the judicial review in due time the decision regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavourably, in March 2014. The company has appealed;

- ii) Supplementary Capital: the fiscal authorities believe that NOS S.A. 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 S.A. 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.

15. INCOME TAX EXPENSE

NOS and its subsidiaries are subject to IRC - Corporate Income Tax - at the rate of 21% on taxable amount (taxable profit less eventual tax losses subject to deduction), plus IRC surcharge at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 22.5%. Additionally, following the introduction of austerity measures approved by Law 66-B/2012 of 31 December, and respective addendum published by Law 2/2014 of 16 January, this rate was raised by 3% and will be applied to the company's taxable profit between 1.5 million Euros and 7.5 million Euros, by 5% to the company's taxable profit which exceeds 7.5 million Euros, and by 9% to the company's taxable profit above 35 million Euros.

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

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

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

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária
- Lusomundo SII
- NOS Açores
- NOS Audiovisuais
- NOS Audiovisuais SGPS
- NOS Cinemas
- NOS Comunicações SA
- NOS Inovação
- NOS Internacional SGPS
- NOS 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 31 December 2020.



A) DEFERRED TAX

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

The movements in deferred tax assets and liabilities for the financial years ended on 31 December 2019 and 2020 were as follows:

	31-12-2018	INCOME (NOTE B)	EQUITY	DISPOSAL OF NOS TOWERING (NOTE 46)	31-12-2019
DEFERRED INCOME TAX ASSETS					
Impairment of other receivable	4,796	(3,325)	-	-	1,471
Inventories	1,610	261	-	-	1,871
Other provision and adjustments	51,956	(131)	-	-	51,825
Intragroup gains	22,098	(2,007)	-	-	20,091
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,943	137	-	-	5,080
Assets recognised under application of IFRS 16 (Note 2.1)	8,763	(8,763)	-	-	-
Derivatives	238	(10)	(138)	-	90
	94,404	(13,838)	(138)	-	80,428
DEFERRED INCOME TAX LIABILITIES					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,846	(47)	-	-	2,799
Derivatives	7	(7)	-	-	-
Liabilities recognised under application of IFRS 16	-	6,324	-	-	6,324
Others	2,270	233	-	-	2,503
	5,123	6,503	-	-	11,626
NET DEFERRED TAX	89,281	(20,341)	(138)	-	68,802

	31-12-2019	INCOME (NOTE B)	EQUITY	DISPOSAL OF NOS TOWERING (NOTE 48)	31-12-2020
DEFERRED INCOME TAX ASSETS					
Impairment of other receivable	1,471	6,750	-	-	8,221
Inventories	1,871	122	-	-	1,993
Other provision and adjustments	51,825	(3,946)	-	(3,181)	44,698
Intragroup gains	20,091	1,669	-	(2,088)	19,672
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	5,080	(101)	-	-	4,979
Assets recognised under application of IFRS 16	-	4,612	-	(1,618)	2,994
Derivatives	90	91	44	-	225
	80,428	9,197	44	(6,887)	82,782
DEFERRED INCOME TAX LIABILITIES					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,799	(207)	-	-	2,592
Liabilities recognised under application of IFRS 16	6,324	(6,288)	-	-	36
Others	2,503	(106)	-	-	2,397
NET DEFERRED TAX	11,626	(6,601)	-	-	5,025
	68,802	15,798	44	(6,887)	77,757

At 31 December 2020, the deferred tax assets related to the other provisions and adjustments are mainly due:

- i) Impairments and acceleration of amortisations beyond the acceptable fiscally and other adjustments in fixed tangible assets and intangible assets, amounted to 34.8 million Euros (31 December 2019: 40.3 million Euros; and
- ii) Other provisions amounted to 9.6 million Euros (31 December 2019: 11.5 million Euros).

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

At 31 December 2020, deferred tax assets were not recognised for an amount of 1.3 million Euros, corresponding mainly to tax incentives.

Deferred tax assets were recognised when it is probable that taxable profits will occur in the 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 31 December 2020, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2019: 21%). In the case of temporary differences, the rate used was 22.5% (2019: 22.5%) increased to a maximum of 6.4% (2019: 6.99%) of state surcharge when the taxation of temporary differences in the estimated period of application of the state surcharge was perceived as likely. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grant such tax benefits.





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

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

B) EFFECTIVE TAX RATE RECONCILIATION

In the financial years ended on 31 December 2019 and 2020, the reconciliation between the nominal and effective rates of tax was as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
Income before taxes	(254)	174,978	15,167	101,578
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
ESTIMATED TAX	(57)	39,370	3,413	22,855
Permanent differences i)	973	880	(109)	2,359
Differences in tax rate of group companies	(68)	(1,181)	104	144
Tax benefits ii)	-	(8,263)	30	(10,759)
State surcharge iii)	(7,549)	872	472	3,446
Autonomous taxation	260	808	160	672
Others	661	71	(1,997)	(2,375)
INCOME TAXES	(5,780)	32,557	2,073	16,342
Effective Income tax rate	2275.6%	18.6%	13.7%	16.1%
Income tax	843	12,216	1,061	32,140
Deferred tax	(6,623)	20,341	1,012	(15,798)
	(5,780)	32,557	2,073	16,342

i) At 31 December 2019 and 2020, the permanent differences were composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
Equity method (Note 36)	3,318	1,022	(29)	9,099
Others	1,006	2,890	(454)	1,386
	4,324	3,912	(483)	10,485
	22.5%	22.5%	22.5%	22.5%
	973	880	(109)	2,359

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.

iii) During the financial year ended on 31 December 2020, the change of the rate used to register deferred taxes originated a loss of 0.6 million Euros (2019: gain of 3.4 million Euros) in the financial statement of income by nature.

16. INVENTORIES

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

	31-12-2019	31-12-2020
INVENTORIES		
Telco	39,476	50,135
Audiovisuals	1,278	637
	40,754	50,772
IMPAIRMENT, OF, INVENTORIES		
Telco	(6,083)	(6,913)
Audiovisuals	(590)	(231)
	(6,673)	(7,144)
	34,081	43,628

The movements occurred in impairment adjustments were as follows:

	12M 19 RESTATED	12M 20
AS AT JANUARY 1	6,167	6,673
Increase and decrease - Cost of products sold (Note 32)	2,337	1,646
Utilizations / Others	(1,831)	(1,175)
AS AT DECEMBER 31	6,673	7,144

17. ACCOUNTS RECEIVABLE - TRADE

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

	31-12-2019	31-12-2020
Trade receivables	451,086	437,055
Unbilled revenues i)	64,754	48,762
	515,840	485,817
Impairment of trade receivable	(154,128)	(195,165)
	361,712	290,652

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

The variation in the item "Accounts receivable - customers" results, predominantly, from the disposal of NOS International Carrier Services and the respective cancellation of its contribution (Note 47), as well as from the reinforcement of impairments.

The movements occurred in impairment adjustments were as follows:

	12M 19 RESTATED	12M 20
AS AT JANUARY 1	139,822	154,128
Increases and decreases (Note 35)	19,003	14,672
Penalties - i)	18,664	20,898
Other losses / (gains) non-recurrent (Note 39)	-	28,239
Losses/ (Gains) in participated companies (Note 36)	-	5,052
Utilizations / Others	(23,361)	(27,824)
AS AT DECEMBER 31	154,128	195,165

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 45.6





18. CONTRACT ASSETS

At 31 December 2020, the contract assets, in the amount of 61.6 million Euros (31 December 2019: 68.1 million Euros), correspond to discounts, attributed to customers at the time of the sale of equipment (included in the telecommunications packages) and which are allocated to monthly fees / services rendered, within the scope of the allocation of credits to different types of performance obligations, according to IFRS 15. These assets are deferred, at the time of sale of the equipment, and recognised over the contract period (service rendered)

19. PREPAID EXPENSES

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

	31-12-2019	31-12-2020
Programming costs i)	22,232	15,462
Costs of litigation procedure activity ii)	6,686	2,499
Insurance	824	696
Advertising	183	348
Others iii)	14,029	15,049
	43,954	34,054

- 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.

20. DERIVATED FINANCIAL INSTRUMENTS

Interest rate derivatives

At 31 December 2020, NOS had contracted two interest rate swaps that ascend to a total of 150 million Euros (31 December 2019: 150 million Euros) whose swaps maturities expire in 2022. The fair value of interest rate swaps, in the negative amount of 51 thousand Euros (31 December 2019: negative amount of 38 thousand Euros), was recorded in liabilities, against the shareholders' equity.

Own shares derivatives

At 31 December 2020, NOS had contracted three own shares derivatives, in the amount of 2,728 thousand Euros (31 December 2019: 2,640 thousand Euros), maturing in March 2021, 2022 and 2023, in order to cover the delivery of share plans liquidated in cash.

Exchange rate derivatives

At the date of the statement of the financial position there were no foreign currency forwards open (2019: 5,085 thousand Euros), whose fair value amounted to a negative net amount of 16 thousand Euros.

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

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

Movements during the financial years ended on 31 December 2019 and 2020 were as follows:

	31-12-2018	RESULT	EQUITY	31-12-2019
Fair value interest rate swaps	(1,211)	-	1,173	(38)
Fair value exchange rate forward	32	(48)	-	(16)
Fair value equity swaps	153	59	(558)	(346)
DERIVATIVES	(1,026)	11	615	(400)
Deferred income tax liabilities	(7)	7	-	-
Deferred income tax assets	238	(10)	(138)	90
DEFERRED INCOME TAXES	231	(3)	(138)	90
	(795)	8	477	(310)

	31-12-2019	RESULT	EQUITY	31-12-2020
Fair value interest rate swaps	(38)	-	(13)	(51)
Fair value exchange rate forward	(16)	16	-	-
Fair value equity swaps	(346)	(423)	(181)	(950)
DERIVATIVES	(400)	(407)	(194)	(1,001)
Deferred income tax assets	90	91	44	225
DEFERRED INCOME TAXES	90	91	44	225
	(310)	(316)	(150)	(776)



21. CASH AND CASH EQUIVALENTS

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

	31-12-2019	31-12-2020
Cash	857	566
Terms deposits	-	15,000
Others deposits i)	11,962	137,719
	12,819	153,285

i) At 31 December 2019 and 31 December 2020, there are 10 million Euros and 9.8 million Euros, respectively, recorded in the item "Current deposits" whose use is restricted, because they are held by the Capital Fund NOS SG, subscribed by NOS.

Additionally, the increase on current deposits balance results from the received value from the disposal of NOS Towering, on 30 September 2020, in the amount of 398.6 million Euros (Note 48), partially non used.

22. SHAREHOLDER'S EQUITY

22.1. Share capital

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

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

	31-12-2109		31-12-2020	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Sonae, SGPS, S.A. (2)	-	-	38,000,000	7.38%
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	11,488,019	2.23%
TOTAL	290,585,082	56.41%	329,182,033	63.90%

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

(2) According to the announcement disclosed to CMVM, on 19 August 2020.

22.2. 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.

22.3. 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 31 December 2020 there were 3,424,754 own shares, representing 0.6648% of share capital (31 December 2019: 2,595,541 own shares, representing 0.5038% of the share capital).

Movements in the financial years ended on 31 December 2019 and 2020 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY	2,069,356	12,132
Acquisition of own shares	1,240,500	6,710
Distribution of own shares - share incentive scheme	(656,624)	(3,849)
Distribution of own shares - other remunerations	(57,691)	(338)
BALANCE AS AT 31 DECEMBER 2019	2,595,541	14,655
BALANCE AS AT 1 JANUARY 2020	2,595,541	14,655
Acquisition of own shares	1,812,134	5,722
Distribution of own shares - share incentive scheme	(892,627)	(5,008)
Distribution of own shares - other remunerations	(90,294)	(510)
BALANCE AS AT 31 DECEMBER 2020	3,424,754	14,859

22.4. 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 31 December 2020, NOS had reserves, which by their nature are considered distributable for an amount of approximately 298.2 million Euros, not including the net income.



Dividends

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

	2019 DIVIDENDS
Dividends	180,306
Dividends of own shares	(699)
DIVIDENDS PAID	179,607

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

	2020 DIVIDENDS
Dividends	143,215
Dividends of own shares	(699)
DIVIDENDS PAID	142,516

23. NON-CONTROLLING INTERESTS

The movements of the non-controlling interests occurred during the financial years ended on 31 December 2019 and 2020 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2018	ATTRIBUTABLE PROFITS	OTHERS	31-12-2019
NOS Madeira	5,660	(156)	(2)	5,502
NOS Açores	1,636	(95)	(1)	1,540
	7,296	(251)	(3)	7,042

	31-12-2019	ATTRIBUTABLE PROFITS	OTHERS	31-12-2020
NOS Madeira	5,502	(182)	-	5,320
NOS Açores	1,540	(175)	-	1,365
	7,042	(357)	-	6,685

24. BORROWINGS

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

	31-12-2019		31-12-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	82,851	1,024,667	98,103	855,833
Debenture loan	-	575,000	-	575,000
Commercial paper	55,000	413,000	77,500	262,500
Foreign loans	18,333	36,667	18,333	18,333
Bank overdrafts	9,518	-	2,270	-
LOANS - ACCRUALS AND DEFERRALS	1,770	(2,848)	2,680	(1,285)
LOANS - AMORTISED COST	84,621	1,021,819	100,783	854,548
LEASES	58,660	195,028	66,343	508,966
	143,281	1,216,847	167,126	1,363,514

During the financial year ended on 31 December 2020, the average cost of debt of the used lines was approximately 1.3% (2019: 1.5%).

At 31 December 2020 there is no default in terms of capital, interest, conditions for redemption on loans payable or other commitments.

24.1. Debenture loans

At 31 December 2020, NOS has a total amount of 575 million Euros of bonds issued, respectively, with maturity after one year:

- 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;
- 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;
- 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;

- A bond loan in the amount of 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;
- 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 31 December 2020, an amount of 1,350 thousand Euros, corresponding to interest and commissions, was added from this amount and recorded in the item "Loans - accruals and deferrals".

24.2. Commercial paper

At 31 December 2020, the Company has borrowings of 340 million Euros in the form of commercial paper. The total amount contracted, under underwriting securities, is of 665 million Euros, corresponding to twelve programmes, with six banks, 490 million Euros of which bear interest at market rates and 175 million Euros are issued in fixed rate. Commercial paper programmes with maturities over one-year totalling 500 million Euros (of which 262.5 million Euros have been used as of 31 December 2020) 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, was classified as non-current for presentation purposes in the financial position statement.

At 31 December 2020 an amount of 995 thousand Euros, corresponding to interest and commissions, was added to this amount, and recorded in the item "Loans - accruals and deferrals".

24.3. 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 31 December 2020, the amount in borrowings corresponds to 37 million Euros.

At 31 December 2020, an amount of 950 thousand Euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan with BEI is at a subsidised rate.

All bank borrowings contracted (apart from BEI loan of 37 million Euros, from public issuance of bonds of 300 million Euros and from two commercial paper programs 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.

24.4. Leases

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

Leases - payments

	31-12-2019	31-12-2020
Until 1 year	65,160	91,347
Between 1 and 5 years	149,804	274,163
Over 5 years	62,146	413,997
	277,110	779,507
Future financial costs (lease)	(23,422)	(204,198)
PRESENT VALUE OF LEASE LIABILITIES	253,688	575,309

Loações - present value

	31-12-2019	31-12-2020
Until 1 year	58,660	66,343
Between 1 and 5 years	136,823	190,163
Over 5 years	58,205	318,803
	253,688	575,309

The leases increase during the financial year ended on 31 December 2020 results from the lease agreement with Cellnex (Note 48).

The maturities of the loans obtained are as follows:

	31-12-2019			31-12-2020		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	2,334	573,221	-	2,343	574,007	-
Commercial paper	55,648	362,949	50,000	78,532	212,463	50,000
Foreign loans	17,121	35,649	-	17,638	18,078	-
Bank overdrafts	9,518	-	-	2,270	-	-
Leases	58,660	136,823	58,205	66,343	190,163	318,803
	143,281	1,108,642	108,205	167,126	994,711	368,803

25. PROVISIONS

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

	31-12-2019	31-12-2020
Litigation and other - i)	30,263	24,756
Dismantling and removal of assets - ii)	39,032	21,604
Contingent liabilities - iii)	23,827	23,720
Contingencies - other - iv)	1,837	3,265
	94,959	73,345

- i) At 31 December 2020, the amount under the item "Litigation and other" corresponds to provisions to cover the legal and others claims in-progress;
- ii) The amount under the item "Dismantling and removal of assets" refers to the estimated future costs discounted to the present value, related with the termination of the use of the space where there are telecommunication towers and cinemas;
- iii) The amount in the item "Contingent liabilities" refers to several provisions recorded for present but not likely obligations, related to the merger by incorporation of Optimus SGPS, namely:

- a. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service

of electronic communications (CLSU): The extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a formal contest procedure led by the government for that effect, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million Euros for illegally designating MEO. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory, public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has been requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation

fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

Therefore:

- In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million Euros, a decision that was contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million Euros related to NOS S.A., NOS Madeira and NOS Açores which were contested by NOS and for which a bail was presented by NOS SGPS (Note 42) to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM;
- In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million Euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million Euros, related to NOS S.A., 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 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 S.A., 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 S.A., 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 S.A., NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million Euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

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

- iv) The amount under the item "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 financial year ended on 31 December 2019, movements in provisions were as follows:

	31-12-2018	INCREASES	DECREASES	OTHERS	31-12-2019
Litigation and other	58,369	14,763	(6,999)	(35,870)	30,263
Dismantling and removal of assets	34,626	40	(783)	5,149	39,032
Contingent liabilities	32,055	-	(695)	(7,533)	23,827
Contingencies - other	3,765	5,233	(1,921)	(5,240)	1,837
	128,815	20,036	(10,398)	(43,494)	94,959

During the financial year ended on 31 December 2019, increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer, mainly, to the reassessment of several legal contingencies.

At 31 December 2019, the change observed in Others corresponds to the reclassification of provisions related with taxes payable to the item Taxes Payable (Note 14), in the amount of 43,4 million Euros.

During the financial year ended on 31 December 2020, movements in provisions were as follows:

	31-12-2019	INCREASES	DECREASES	OTHERS	31-12-2020
Litigation and other	30,263	2,609	(7,993)	(123)	24,756
Dismantling and removal of assets	39,032	766	(73)	(18,121)	21,604
Contingent liabilities	23,827	-	-	(107)	23,720
Contingencies - other	1,837	4,443	(484)	(2,531)	3,265
	94,959	7,818	(8,550)	(20,882)	73,345

During the financial years ended on 31 December 2020, the increases refer mainly to provisions for legal and other claims plus interests and charges and the reductions refer, predominantly, to the reassessment of several contingencies and compensations to be paid to employees.

The movements recorded in "Others", under the item "Dismantling and removal of assets" correspond, predominantly, to the value of the provision of dismantling disposed assets with the disposal of NOS Towering (Note 48).

The net movements for the financial year ended on 31 December 2019 and 2020 reflected in the income statement under Provisions were as follows:

	12M 19	12M 20
Provisions and adjustments (Note 35)	(599)	(3,687)
Other losses / (gains) non-recurrent (Note 38 and 39)	7,195	3,955
Interests - dismantling	(743)	694
Other interests	3,785	(1,694)
INCREASES AND DECREASES IN PROVISIONS	9,638	(732)

26. ACCRUED EXPENSES

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

	31-12-2019	31-12-2020
NON-CURRENT		
Others	667	505
	667	505
CURRENT		
Invoices to be issued by operators i)	73,113	59,452
Vacation pay and bonuses	25,545	24,531
Professional services	10,703	12,960
Investments in tangible and intangible assets	20,046	13,071
Content and film rights	13,313	10,265
Programming services	11,058	8,535
Advertising	14,916	11,856
Costs of litigation procedure activity	8,614	7,354
Comissions	6,198	6,294
Energy and water	4,660	3,771
Maintenance and repair	1,788	1,694
Other accrued expenses	13,772	16,077
	203,726	175,860

- i) Amounts related to invoices to be billed by operators, mainly international operators, regarding interconnection costs related with international traffic and roaming services. The variation in this item results mainly from the sale of NOS International Carrier Services and the respective cancellation of its contribution (Note 47).



27. DEFERRED INCOME

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

	31-12-2019		31-12-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	33,436	-	32,831	-
Investment subsidy ii)	398	5,123	397	4,729
	33,834	5,123	33,228	4,729

- 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 24).

28. ACCOUNTS PAYABLE - TRADE

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

	31-12-2019	31-12-2020
Suppliers current account	257,824	250,711
Invoices in reception and conference	1,675	1,896
	259,499	252,607

29. ACCOUNTS PAYABLE - OTHERS

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

	31-12-2019	31-12-2020
NON-CURRENT		
Assignment of receivables without recourse i)	3,855	784
Contractual rights ii)	-	39,266
	3,855	40,050
CURRENT		
Fixed assets suppliers	27,689	42,581
Assignment of receivables without recourse i)	4,865	2,319
Contractual rights ii)	-	350
Advances from customers	112	209
Others	1,169	1,979
	33,835	47,438
	37,690	87,488

- 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 financial year ended on 31 December 2020, the balance amounts to 3.1 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 (Notes 9 and 42.2).

30. OPERATING REVENUES

Consolidated operating revenues, for the financial years ended on 31 December 2019 and 2020, were as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
SERVICES RENDERED				
Communications service revenues (i)	302,156	1,233,344	303,308	1,202,436
Revenue distribution and cinematographic exhibition (ii)	13,917	54,216	1,653	12,626
Advertising revenue (iii)	8,595	24,792	5,998	16,653
Production and distribution of content and channels (iv)	7,284	29,767	6,946	28,541
Others	614	2,989	706	2,724
	332,566	1,345,108	318,611	1,262,980
SALES				
Telco v)	23,437	71,579	28,476	81,303
Audiovisuals and cinema exhibition vi)	4,626	17,562	734	5,006
	28,063	89,141	29,210	86,309
OTHER OPERATING REVENUES				
Telco	5,375	23,365	6,213	17,774
Audiovisuals and cinema exhibition	383	790	275	823
	5,758	24,155	6,488	18,597
	366,387	1,458,404	354,309	1,367,886

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.



31. WAGES AND SALARIES

In the financial years ended on 31 December 2019 and 2020, this item was composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
Remuneration	16,331	63,206	15,751	64,373
Social taxes	4,382	16,944	4,189	16,757
Social benefits	452	1,898	544	2,050
Other	1,550	2,782	1,392	2,151
	22,715	84,830	21,876	85,331

In the financial years ended on 31 December 2019 and 2020, the average number of employees of the companies included in the consolidation was 2,474 and 2,351, respectively. At 31 December 2020, the number of employees of the companies included in the consolidation was 2,242 employees.

The costs of compensations paid to employees, since they are non-recurring costs, are recorded in the item "Restructuring costs" (Note 38).

32. DIRECT COSTS

In the financial years ended on 31 December 2019 and 2020, this item was composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
Exhibition costs	56,570	215,788	51,141	175,393
Traffic costs	18,330	82,280	20,789	79,156
Capacity costs	12,074	47,907	14,039	50,722
Costs related to corporate customers services	9,803	26,111	10,166	32,151
Shared advertising revenues	2,698	12,803	3,945	11,354
	99,475	384,889	100,080	348,776

In the financial year ended on 31 December 2020, content costs related to onerous contracts were recognized under the item "Other non-recurring costs / (gains)", in the amount of 10.8 million Euros (Note 39)

33. COST OF PRODUCTS SOLD

In the financial year ended on 31 December 2019 and 2020, this item was composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
Costs of products sold	21,533	61,891	25,131	72,666
Increases / (decreases) in inventories impairments (Note 16)	449	2,337	(299)	1,646
	21,982	64,228	24,832	74,312

34. SUPPORT SERVICES AND SUPPLIES AND EXTERNAL SERVICES

In the financial years ended on 31 December 2019 and 2020, this item was composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
SUPPORT SERVICES				
Call centers and customer support	8,485	31,547	10,265	37,101
Administrative support and others	10,498	37,310	10,226	35,058
Information systems	3,458	13,400	4,564	14,122
	22,441	82,257	25,055	86,281
SUPPLIES AND EXTERNAL SERVICES				
Maintenance and repair	9,992	40,281	12,186	43,706
Electricity	5,627	22,421	6,055	21,451
Professional services	3,256	11,892	3,131	11,294
Communications	1,161	5,578	1,022	4,053
Installation and removal of terminal equipment	,(1,015)	3,574	1,358	3,638
Travel and accommodation	1,325	4,594	270	1,552
Other supplies and external services	7,606	24,330	3,191	14,848
	27,952	112,670	27,213	100,542

Given the application of IFRS 16, (Note 2.1) discounts from rents were recognised, on the item "Other Supplies and external services", in the amount of approximately 7.7 million Euros.



35. PROVISIONS AND ADJUSTMENTS

In the financial years ended on 31 December 2019 and 2020, these items were composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
Provisions (Note 25)	3,900	(599)	493	(3,687)
Impairment of account receivables - trade (Note 17)	7,570	19,003	3,968	14,672
Impairment of account receivables - others (Note 13)	251	550	166	509
Others	18	29	8	(1)
	11,739	18,983	4,635	11,493

36. LOSSES / (GAINS) OF AFFILIATED COMPANIES, NET

In the financial years ended on 31 December 2019 and 2020, this item was composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
EQUITY METHOD (NOTE 12)				
Sport TV	49	893	2,274	1,421
Dreamia	481	265	286	2
Finstar	716	(1,316)	(1,338)	(263)
Mstar	257	(568)	74	(509)
Upstar	(2)	(30)	59	20
Others	(15)	(29)	31	44
	1,486	(786)	1,386	715
OTHERS i)	1,832	1,808	(1,415)	8,384
	3,318	1,022	(29)	9,099

i) During the financial year ended on 31 December 2020, as a result of the estimated negative impacts with the spread of the new coronavirus COVID-19 (Note 49.1), namely, a significant drop in revenue related to premium sports channels, an impairment for the financial investment of Sport TV in the amount of 3.1 million Euros (Note 12) was recognised.

Additionally, also taking into account the estimated negative impacts with the spread of the new coronavirus COVID-19 (Note 49.1), 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 5.5 million Euros (Notes 13 and 17).

37. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

In the financial years ended on 31 December 2019 and 2020, this item was composed as follows:

	4° QUARTER 19 RESTATED	12M 19 RESTATED	4° QUARTER 20	12M 20
TANGIBLE ASSETS				
Buildings and other constructions	3,406	10,540	31	5,851
Basic equipment	51,301	163,173	44,342	156,000
Transportation equipment	-	2	1	3
Tools and dies	14	56	19	53
Administrative equipment	(726)	2,511	1,114	4,526
Other tangible assets	178	728	38	470
	54,173	177,010	45,545	166,903
INTANGIBLE ASSETS				
Industrial property and other rights	30,463	89,717	21,189	87,544
	30,463	89,717	21,189	87,544
CONTRACT COSTS				
Contract costs	26,619	102,266	24,633	99,316
	26,619	102,266	24,633	99,316
RIGHTS OF USE				
Rights of use	12,083	52,315	13,226	56,063
	12,083	52,315	13,226	56,063
INVESTMENT PROPERTY				
Investment property	3	5	4	16
	3	5	4	16
	123,341	421,313	104,597	409,842

During the financial year of 2020, impairment losses were recognised for an approximate amount of 8 million Euros related to mobile network equipment, terminal equipment placed with customers and investment in cinemas.

In the financial year of 2019, impairment losses of approximately 34 million Euros were recognised, related to terminal equipment placed with customers, network equipment and discontinued software.



38. RESTRUCTURING COSTS

In the financial years ended on 31 December 2019 and 2020, this item was composed as follows:

	4° QUARTER 19 RESTATE	12M 19 RESTATE	4° QUARTER 20	12M 20
Personnel compensation	340	3,399	963	5,066
Supplies and external services related to restructuring process	271	2,902	-	-
Personnel costs related to non-recurrent projects	102	1,431	70	457
	713	7,732	1,033	5,523

39. OTHER LOSSES / (GAINS) NON-RECURRENT, NET

In the financial years ended on 31 December 2019 and 2020, the other non-recurring costs / (gains) was composed as follows:

	4° QUARTER 19 RESTATE	12M 19 RESTATE	4° QUARTER 20	12M 20
COSTS				
Losses resulting from COVID-19 impacts (Note 49) i)	-	-	267	42,932
Provisions and costs with lawsuits	-	4,164	-	-
Others	3,092	6,562	869	7,864
TOTAL	3,092	10,726	1,136	50,796

i) In the financial year ended on 31 December 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:

a) reinforcement of expected credit losses from accounts receivable, in the amount of approximately 21.2 million Euros, resulting from the incorporation, in the projection model of future collections, of the new projections released by the Bank of Portugal for the growth of the GDP and unemployment rate for the next 3 years, and identification of customers particularly affected by the current crisis, namely, in the cinema business;

b. 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;

c. loss recognition for onerous contracts related to premium sports content, in the amount of 10.8 million Euros;

d. 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 3.9 million Euros.

In Note 49.1. additional disclosures about the impacts arising from COVID-19 are presented.

40. FINANCING COSTS AND OTHER FINANCIAL EXPENSES / (INCOME), NET

In the financial years ended on 31 December 2019 and 2020, financing costs and other financial expenses / (income) were composed as follows:

	4° QUARTER 19 RESTATE	12M 19 RESTATE	4° QUARTER 20	12M 20
FINANCING COSTS				
INTEREST EXPENSE				
Borrowings	2,867	12,918	2,718	11,000
Finance leases	1,626	8,469	6,697	11,483
Derivatives	90	1,241	16	71
Others	(443)	1,459	510	2,753
	4,140	24,087	9,941	25,307
INTEREST EARNED	71	(3,426)	(1,033)	(3,089)
	4,211	20,661	8,908	22,218
NET OTHER FINANCIAL EXPENSES / (INCOME)				
Commissions and guarantees	751	2,954	774	3,156
Others	309	871	307	658
	1,060	3,825	1,081	3,814

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 48).



41. NET EARNINGS PER SHARE

Earnings per share for the financial years ended on 31 December 2019 and 2020 were calculated as follow:

	4° QUARTER 19 RESTATE	12M 19 RESTATE	4° QUARTER 20	12M 20
Consolidated net income attributable to shareholders	5,401	143,494	12,879	92,000
Number of ordinary shares outstanding during the period (weighted average)	512,975,073	513,163,142	511,736,626	512,503,200
Basic earnings per share - Euros	0.01	0.28	0.03	0.18
Diluted earnings per share - Euros	0.01	0.28	0.03	0.18

	4° QUARTER 19 RESTATE	12M 19 RESTATE	4° QUARTER 20	12M 20
Consolidated net income attributable to shareholders	5,546	142,672	12,879	85,593
Number of ordinary shares outstanding during the period (weighted average)	512,975,073	513,163,142	511,736,626	512,503,200
Basic earnings per share - Euros	0.01	0.28	0.03	0.17
Diluted earnings per share - Euros	0.01	0.28	0.03	0.17

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.

42. GUARANTEES AND FINANCIAL UNDERTAKINGS

42.1. Guarantees

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

	31-12-2019	31-12-2020
Tax authorities i)	26,852	35,242
ANACOM ii)	-	15,000
Others iii)	10,515	10,814
	37,367	61,056

i) At 31 December 2019 and 31 December 2020, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 45).

ii) At 31 December 2020, this amount relates to contracted guarantees for the 5G auction.

iii) At 31 December 2019 and 31 December 2020, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings and guarantees provided to cinema owners, and bank guarantees given to providers of satellite capacity renting services.

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

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

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

42.2. 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 23% 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 of 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, as well as 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 S.A. 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 as follows:

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

* Includes 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 homes in which each of the entities shares with the other 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:

- a) 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.
- b) 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 operator 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.

43. NOTES TO THE STATEMENT CASH FLOW

The statement of cash flows has been prepared in accordance with the provision of IAS 7, with the following points to note.

43.1. Cash receipts resulting from financial investments

This item was composed as follows:

	12M 19	12M 20
Liquidation of Caixanet	91	-
	91	-



43.2. Cash payments resulting from financial investments

This item was composed as follows:

	12M 19	12M 20
Fundo Tech Transfer	200	118
Dualgrid - Gestão de Redes Partilhas	-	25
	200	143

43.3. Earnings per share

This item was composed as follows:

	12M 19	12M 20
NOS SGPS	179,607	142,516
	179,607	142,516

43.4. Borrowings

This item presents, by net value, the reimbursements, and respective monthly issue renewals of commercial paper programs.

44. RELATED PARTIES

44.1. Balances and transactions between related parties

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

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

Balances at 31 December 2019

	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	GRANTED BORROWINGS
ASSOCIATED COMPANIES	23,780	8,044	-
Big Picture 2 Films	41	625	-
Sport TV	23,739	7,419	-
JOINTLY CONTROLLED COMPANIES	18,029	3,834	2,923
Dreamia Holding BV	-	-	2,923
Dreamia S.A.	2,623	2,465	-
Finstar	7,654	10	-
Mstar	14	-	-
Upstar	7,066	1,217	-
ZAP Media	672	142	-
OTHER RELATED PARTIES	10,014	8,734	-
Banco BIC Português, S.A.	372	-	-
Centro Vasco da Gama - Centro Comercial, S.A.	140	7	-
Digitmarket - Sistemas de Informação, S.A.	273	222	-
EFACEC Engenharia e Sistemas	21	1,388	-
EFACEC Serviços Corporativos	480	-	-
ITRUST - Cyber Security and Intellin. S.A.	317	510	-
Maiashopping- Centro Comercial, S.A.	293	1	-
MDS Corretor de Seguros, S.A.	107	-	-
Modelo Continente Hipermercados, S.A.	704	81	-
Norteshopping - Centro Comercial, S.A.	121	6	-
Olivedesportos - Publicidade, Televisão e Média	-	3,792	-
RACE - Refrig. & Air Condit. Engeneering, S.A.	99	321	-
SC - Sociedade de Consultoria, S.A.	171	-	-
Sierra Portugal, S.A.	510	(5)	-
Sonae MC - Serviços Partilhados, S.A.	682	-	-
UNITEL S.a.r.l.	2,468	1,564	-
Unitel T+Telecomunicações, S.A.	179	290	-
Worten - Equipamento para o Lar, S.A.	1,679	540	-
Other related parties	1,398	18	-
	51,823	20,612	2,923


Transactions in the financial year ended on 31 December 2019

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
ASSOCIATED COMPANIES	2,051	44,133	-	-
Big Picture 2 Films	115	3,963	-	-
Sport TV	1,936	40,170	-	-
JOINTLY CONTROLLED COMPANIES	16,609	(305)	141	-
Dreamia Holding BV	59	-	141	-
Dreamia SA	3,744	(305)	-	-
Finstar	9,955	-	-	-
MSTAR	35	-	-	-
Upstar	2,551	-	-	-
ZAP Media	265	-	-	-
OTHER RELATED PARTIES	25,214	28,498	1	60
Adira - Metal Forming Solutions, S.A.	125	-	-	-
Arrábidashopping - Centro Comercial, S.A.	14	101	-	-
Banco BIC Português, S.A.	1,804	-	1	-
Cascaishopping- Centro Comercial, S.A.	15	843	-	-
Centro Colombo- Centro Comercial, S.A.	17	2,039	-	-
Centro Vasco da Gama-Centro Comercial,SA	15	1,090	-	-
Continente Hipermercados, S.A.	312	52	-	-
Digitmarket-Sistemas de Informação,SA	190	5,656	-	-
EFACEC Energia	185	91	-	-
EFACEC Engenharia e Sistemas	110	2,999	-	-
EFACEC Serviços Corporativos	1,353	-	-	-
Gaiashopping I- Centro Comercial, S.A.	22	408	-	-
Insco Insular de Hipermercados, S.A.	213	41	-	-
Maiashopping- Centro Comercial, S.A.	14	243	-	-
MDS Corretor de Seguros, SA	588	71	-	-
Modalfa-Comércio e Serviços,SA	157	-	-	-
Modelo - Dist.de Mat. de Construção,S.A.	136	-	-	-
Modelo Continente Hipermercados,SA	3,541	167	-	-
Norteshopping-Centro Comercial, S.A.	17	1,405	-	-
Olivedesportos - Publicidade, Televisão e Media	26	3,088	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	192	-	-	-
Público-Comunicação Social,SA	129	44	-	-
RACE-Refrig. & Air Condit.Engineering,SA	214	416	-	-
Rio Sul - Centro Comercial, SA	10	129	-	-
S21SEC Portug-Cyber Security Services, S.A.	45	1,952	-	-
SC - Consultadoria,SA	1,066	-	-	-
SDSR - Sports Division SR, S.A.	220	-	-	-
SFS, Gestão e Consultoria, S.A.	5	422	-	-
Sierra Portugal, SA	2,656	140	-	-
Solinca - Health & Fitness, SA	412	-	-	-
Sonae Arauco Portugal, S.A.	430	-	-	-
Sonae MC - Serviços Partilhados, SA	3,144	1	-	-
Sonaecom - Serviços Partilhados, SA	124	-	-	-
Spinveste - Promoção Imobiliária, SA	-	211	-	-
Tableros Tradema, S.L.	172	-	-	-
Troiaresort - Investimentos Turísticos, S.A.	110	-	-	-
UNITEL S.a.r.l.	2,032	455	-	-
UNITEL T+Telecomunicações, S.A.	495	871	-	-
We Do Consulting-Sist. de Informação (*)	306	3,491	-	-
Worten-Equipamento para o Lar,SA	2,811	1,409	-	-
Other related parties	1,787	663	-	60
	43,874	72,326	142	60

Balances at 31 December 2020

	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	GRANTED BORROWINGS
ASSOCIATED COMPANIES	24,334	14,707	-
Big Picture 2 Films	16	28	-
Sport TV	24,318	14,679	-
JOINTLY CONTROLLED COMPANIES	13,235	2,561	2,917
Dreamia Holding BV	86	-	2,907
Dreamia SA	1,819	899	10
Finstar	9,510	71	-
Mstar	10	-	-
Upstar	873	1,449	-
ZAP Media	937	142	-
OTHER RELATED PARTIES	10,255	3,562	-
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	-
	47,824	20,830	2,917





Transactions in the financial year ended on 31 December 2020

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
ASSOCIATED COMPANIES	2,137	3,554	-	-
Big Picture 2 Films	78	1,391	-	-
Sport TV	2,059	2,163	-	-
JOINTLY CONTROLLED COMPANIES	14,408	361	80	-
Dreamia Holding BV	-	-	70	-
Dreamia S.A.	3,871	(14)	10	-
Finstar	9,546	250	-	-
MSTAR	9	-	-	-
Upstar	717	125	-	-
ZAP Media	265	-	-	-
OTHER RELATED PARTIES	23,993	13,557	-	54
Aqualuz Tróia - Expl.Hoteleira e Imob., S.A.	116	-	-	-
Banco BIC Português, S.A.	1,779	-	-	-
BPI	700	-	-	-
Capwatt Services, S.A.	109	-	-	-
Cascaishopping - Centro Comercial, S.A.	20	421	-	-
Centro Colombo - Centro Comercial, S.A.	25	1,035	-	-
Centro Vasco da Gama - Centro Comercial,S.A.	21	538	-	-
Continente Hipermercados, S.A.	386	32	-	-
Digitmarket - Sistemas de Informação, S.A.	30	6,061	-	-
EFACEC Engenharia e Sistemas	41	1,507	-	-
EFACEC Serviços Corporativos	1,314	-	-	-
Gaiashopping I - Centro Comercial, S.A.	17	216	-	-
Insco Insular de Hipermercados, S.A.	185	38	-	-
MDS Corretor de Seguros, S.A.	886	-	-	-
Modalfa - Comércio e Serviços, S.A.	259	-	-	-
Modelo - Dist.de Mat. de Construção, S.A.	138	-	-	-
Modelo Continente Hipermercados, S.A.	4,374	76	-	-
Norteshopping - Centro Comercial, S.A.	27	(1,782)	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	312	-	-	-
Público - Comunicação Social, S.A.	129	5	-	-
S21SEC Portug - Cyber Security Services, S.A.	50	2,395	-	-
SC - Consultadoria, S.A.	944	-	-	-
SDSR - Sports Division SR, S.A.	273	-	-	-
SFS - Financial Services, IME, S.A.	141	-	-	-
SFS, Gestão e Consultoria, S.A.	7	399	-	-
Sierra Portugal, S.A.	2,407	91	-	-
Solinca - Health & Fitness, S.A.	331	-	-	-
Sonae Arauco Portugal, S.A.	358	-	-	-
Sonae MC - Serviços Partilhados, S.A.	3,393	-	-	-
Sonaecom - Serviços Partilhados, S.A	102	-	-	-
Unitel S.a.r.l.	185	153	-	-
Unitel T+	(164)	311	-	-
Worten - Equipamento para o Lar, S.A.	3,250	1,238	-	-
Zippy - Comércio e Distribuição, S.A.	108	-	-	-
Other related parties	1,740	823	-	54
	40,538	17,472	80	54

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 item "Other related parties" the balances and transactions with entities whose amounts are less than 100 thousand Euros.

44.2. Remuneration of key management members

Remuneration paid to managers, other key members of NOS Management (Managers) for the financial years ended on 31 December 2019 and 2020 were as follows:

	12M 19 RESTATED*	12M 20
Compensation	3,120	3,222
Profits sharing / Bonus	1,285	1,243
Share plans and Saving Plan Shares	1,285	1,045
	5,690	5,511

The amounts shown in the table were calculated on an accruals basis for Compensation and Profit sharing / Bonus (short-term remuneration). The value for the Action Plans and Savings Plan Shares corresponds to the amount to be allocated in 2021 on the performance of 2020 (awarded in 2020, on the performance in 2019). The average number of key members of management in 2020 is 16,5 (17 in 2019).

The Corporate Governance Report includes detailed information on the NOS remuneration policy.

The Company considers as Leaders the members of the Board of Directors.

44.3. Fees and auditors' services

Information concerning fees and services rendered by auditors is described on note 47 of the Corporate Governance Report.

45. LEGAL ACTIONS AND CONTINGENT ASSETS AND LIABILITIES

45.1. Legal actions with regulators and Competition Authority (AdC)

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

The settlement amounts are, respectively, as follows:

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



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

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

The remaining proceedings are awaiting trial and/or decision.

During the first quarter of 2017, NOS was notified by ANACOM of the initiation of an infraction process related to communications of prices update at the end of 2016, 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 severe offence. In this case, NOS is given the possibility to settle the fine by the minimum, the amount of 13 thousand Euros. The presentation of NOS' written defense will follow.

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, AdC will 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.

45.2. Tax authorities

During the course of the 2003 to 2020 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2018 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 35.8 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 42.

45.3. Actions by MEO against NOS S.A., NOS Madeira and NOS Açores and by NOS S.A. against MEO

In 2011, MEO brought against NOS S.A., in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million Euros, as compensation for alleged unauthorized portability of NOS S.A. in the period between March 2009 and July 2011. NOS S.A. 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), 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 S.A. brought an action in Lisbon Judicial Court against MEO, claiming payment of 22.4 million Euros, for damages suffered by NOS S.A., arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the performance of expert evidence of technical nature and an economic-financial survey, which were completed in June 2018. MEO argued for the nullity of the expert economic-financial report, which was deferred. At the beginning of March 2020, the parties were notified of the scheduled judicial due diligence for 17 April 2020, with a view to scheduling the acts to be carried out at the final hearing, establishing the number of sessions and their likely duration, as well as the designation of the respective dates and, also, attempted conciliation. The diligence was, meanwhile, rescheduled. It is the understanding of the Board of Directors, corroborated by the attorneys accompanying the process, that it is, in formal and substantive terms, likely that NOS S.A. will be able to win the lawsuit, due to MEO already having been convicted for the same offences by ANACOM.

45.4. 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.



45.5. Interconnection tariffs

At 31 December 2020, accounts receivable and accounts payable include 37,139,253 Euros and 43,475,093 Euros, respectively, resulting from a dispute between the subsidiary NOS S.A. 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 that dispute with MEO, the result was totally favourable to NOS S.A., having already become final.

45.6 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 39).

At 31 December 2020, the amounts billed and to be received from these indemnities amount to 110.4 million Euros.

46. 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 after being awarded, assuming that the employee is still with the company during that period.

At 31 December 2020, the unvested plans are:

NOS PLAN	NUMBER OF SHARES
Plan 2018	912,727
Plan 2019	784,163
Plan 2020	1,454,680

During the financial years ended on 31 December 2020, the movements that occurred in the plans are detailed as follows:

	NOS PLAN 2017	NOS PLAN 2018	NOS PLAN 2019	NOS PLAN 2020	TOTAL
BALANCE AS AT 31 DECEMBER 2019	856,299	866,098	739,162	-	2,461,559
MOVEMENTS IN THE PERIOD					
Awarded	-	-	-	1,364,152	1,364,152
Vested	(855,334)	(12,739)	(11,491)	(13,063)	(892,627)
Cancelled / elapsed / corrected (1)	(965)	59,368	56,492	103,591	218,486
BALANCE AS AT 31 DECEMBER 2020	-	912,727	784,163	1,454,680	3,151,570

(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 31 December 2020, the outstanding responsibility related to these plans is 6,186 thousand Euros and is recorded in

Reserves, for an amount of 5.141 thousand Euros, for plans liquidated in shares and in Accrued expenses, for an amount of 1.045 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 2019	1,443	4,891	6,334
Costs of plans vested in the period	-	(4,035)	(4,035)
Costs incurred in the period and others	(398)	4,285	3,887
TOTAL COST OF THE PLANS	1,045	5,141	6,186

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

47. DISCONTINUED OPERATIONS UNIT

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

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

Completion of this agreement occurred on 29 June 2020. The sale price amounts to 9.6 million Euros and the receipt of 5.5 million Euros will take place over 5 years. Currently 5 millions Euros are yet to be received (Note 13).

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

In the financial years ended on 31 December 2019 and 2020, the contributions to the results of this discontinued operating unit are as follows:



	12M 19	5M 20
REVENUES	140,826	51,788
COSTS, LOSSES AND GAINS		
Wages and salaries	346	122
Direct costs	139,169	50,864
Support services	78	168
Supplies and external services	193	45
Taxes	1	242
Provisions and adjustments	(49)	-
Depreciation, amortisation and impairment losses	5	3
	139,743	51,444
INCOME BEFORE FINANCIAL RESULTS AND TAXES	1,083	344
Net foreign exchange losses / (gains)	19	(9)
Net other financial expenses / (income)	1	1
	20	(8)
INCOME BEFORE TAXES	1,063	352
Capital gain on disposal of the discontinued unit	-	6,151
Income taxes	241	96
NET CONSOLIDATED INCOME FROM DISCONTINUED OPERATIONS	822	6,407
EARNINGS PER SHARES		
Basic - Euros	0.00	0.00
Diluted - Euros	0.00	0.00

In the financial year ended on 31 December 2020, cash flows from operating activities amounted to 2.3 million Euros.

In the financial year ended on 31 December 2020, the net cash flows generated from the sale of the company are:

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

48. 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 transfer 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. 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.

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

	30-09-2020
ASSETS	
NON-CURRENT ASSETS	
Tangible Assets	87,069
Rights of use	29,053
Deferred tax assets	6,887
TOTAL NON-CURRENT ASSETS	123,009
CURRENT ASSETS	
Other assets	3,573
Cash and cash equivalents	45,030
TOTAL CURRENT ASSETS	48,603
TOTAL ASSETS	171,612
LIABILITIES	
NON-CURRENT LIABILITIES	
Borrowings	(29,482)
Provisions	(15,188)
TOTAL NON-CURRENT LIABILITIES	(44,670)
CURRENT LIABILITIES	
Borrowings	(6,761)
Accounts payable	(23,844)
TOTAL CURRENT LIABILITIES	(30,605)
TOTAL LIABILITIES	(75,275)
TOTAL ASSETS AND LIABILITIES	96,336



49. OTHER MATTERS

49.1. 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 Portuguesees 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 31 December 2020, 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.

In the financial year ended on 31 December 2020, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, the company recognized extraordinary expected credit losses of 28.2 million Euros (Note 39) , incorporating, in the projection model of future collections, the new projections released by Banco de Portugal for GDP growth and Unemployment rate for the next 3 years.

Impacts

This is a situation of uncertainty and very dynamic, which makes it extremely difficult to estimate impacts, which always have to consider several scenarios and countless variables. Evidence of this difficulty is the historical drops and sharp volatility of exchanges, all over the world; the great variations that occurred in the last quarters of the future projections of macroeconomic indicators, as well as the disparity of these projections between the various agencies.

The impacts on NOS were already felt in the results of the 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 financial year ended on 31 December 2020, of impairments of accounts receivable (28.2 million Euros) and other costs recognised, related to onerous contracts (10.8 million Euros) (Note 39), as well as the recording of impairments in the item "Losses / (Gains) in subsidiaries", in the amount of 8.6 million Euros (Note 36). 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 9). The most affected segment by COVID-19 was the cinemas one, with a recovery estimation to pre-pandemic values in 2023. It were also carried out impairment tests to tangible assets, namely, the assets associated with cinematographic exhibition (Note 8), of which no impairments equally resulted.

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



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

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

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

The other half of ZOPT's participation in NOS share capital, corresponding to an identical percentage of 26.075% - and which, at least in line with the criterion used by the Court, embodies the 50% held in ZOPT by SONAECOM - 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.

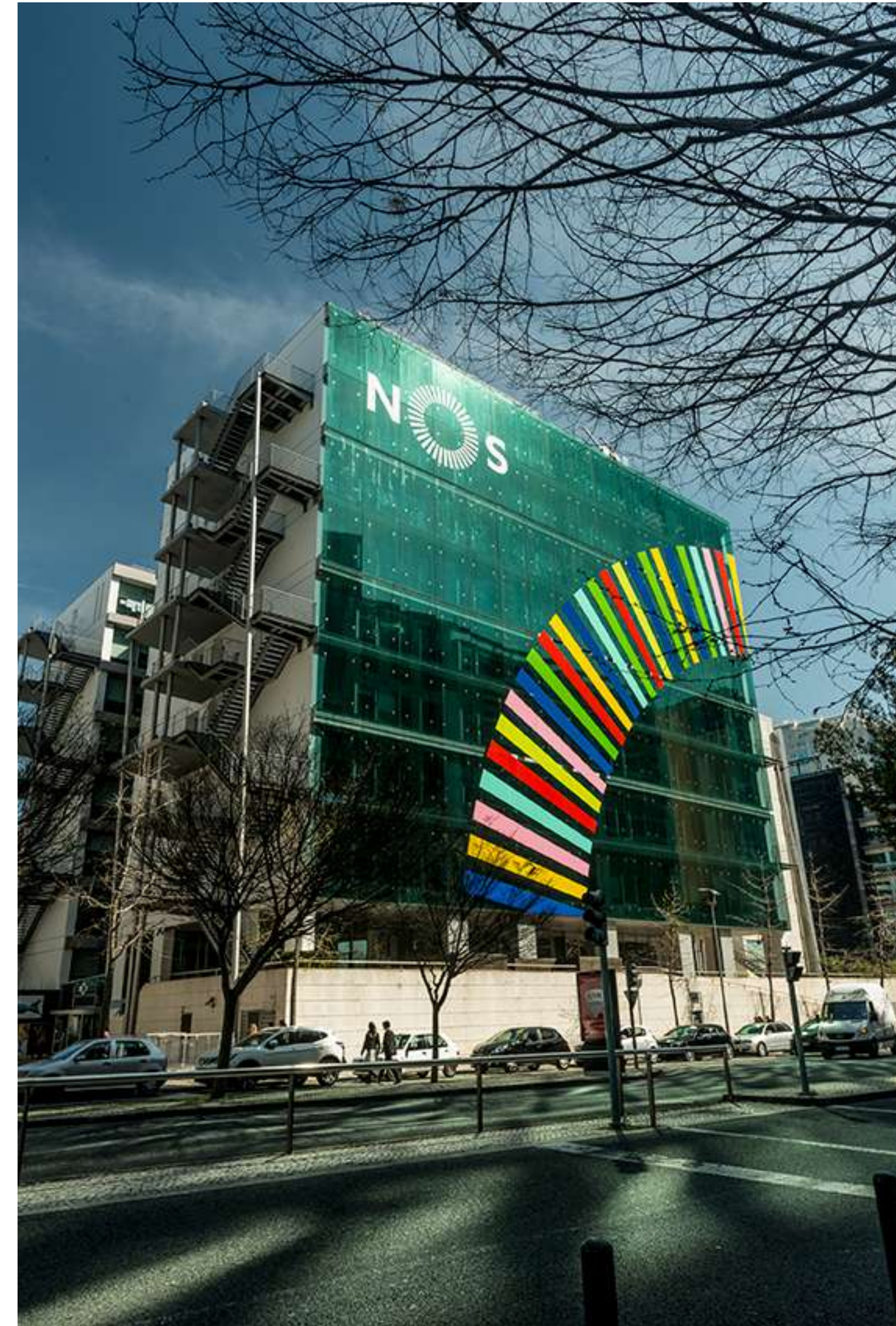
50. SUBSEQUENT EVENTS

On 18 January 2021, following the resignation of two of the Board of Directors' members, Ana Paula Garrido Marques (Executive Director) on 18 December 2020, and António Lobão Teles (Non-Executive Director) on 8 January 2021, the Board of Directors has decided to appoint Filipa Santos Carvalho e Daniel Lopes Beato as members of that governance body to complete the current mandate (2019-2021). The new members of the Board of Directors were also appointed as members of the Executive Committee, which is now comprised by seven members. The abovementioned nominations will be submitted to approval in the next General Shareholders' Meeting, which will take place on 21 April 2021.

As a consequence of the increase in the number of infections and deaths by COVID-19, a new emergency state was implemented on 7 January 2021, for a period of 15 days (and renewed until 16 March 2021). From that day onward all cinemas have been closed. In the case of NOS' core telecommunications business, as was the case in 2020, we estimate that it will continue to show resilience, in the context of the pandemic.

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.





51. ANNEXES

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

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2019	DIRECT 31-12-2020	EFFECTIVE 31-12-2020
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments.	-	-	-	-
Fundo de Capital de Risco NSG (a)	Lisbon	Movies exhibition.	NOS	-	100%	100%
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Invest and support the development of companies that aim to commercialize technologies and products that result from scientific and technological research.	Lusomundo SII	100%	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate.	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate.	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda. (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.	Lisbon	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 to those 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%


CONTINUAÇÃO

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2019	DIRECT 31-12-2020	EFFECTIVE 31-12-2020
NOSPUB, Publicidade e Conteúdos, S.A. (d)	Lisbon	Comercialization 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 S.A.	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 S.A.	100%	100%	100%
Per-Mar - Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments.	NOS S.A.	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. (f)	Lisbon	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: 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, NOSPUB 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

(f) Change of headquarters from Amsterdam to Lisbon in 2020

B) Associated companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2019	DIRECT 31-12-2020	EFFECTIVE 31-12-2020
Big Picture 2 Films, S.A.	Oeiras	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	20.00%	20.00%	20.00%
Big Picture Films, S.L.	Madrid	Distribution and commercialization of movies	Big Picture 2 Films, S.A.	20.00%	100.00%	20.00%
Sport TV Portugal, S.A.	Lisbon	Conception, production, realization and commercialization of sports programs for telebroadcasting, purchase and resale of the rights to broadcast sports programs for television and provision of publicity services	NOS	25.00%	25.00%	25.00%



C) Jointly controlled companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2019	DIRECT 31-12-2020	EFFECTIVE 31-12-2020
Dreamia Holding B.V.	Amesterdão	Management of investments.	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia Servicios de Televisión, S.L. (a)	Amesterdão	Management of investments.	NOS Audiovisuais	-	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services.	Dreamia Holding BV	50.00%	100.00%	50.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services.	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA (b)	Maputo	Distribution of television by satellite, operation of telecommunications services.	NOS + NOS Comunicações	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. (c)	Lisbon	Provision of technical, administrative and financial consultancy services to telecommunications companies, administration and management of telecommunications networks and any other activities that are complementary, subsidiary or accessory to the previous numbers.	NOS Comunicações	-	50.00%	50.00%

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

(b) NOS SGPS: 29,40%; NOS Comunicações: 0,60%.

(c) A joint venture was formed between NOS Comunicações, S.A. and Vodafone Portugal - Comunicações Personais, 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 31-12-2019	DIRECT 31-12-2020	EFFECTIVE 31-12-2020
Associação Laboratório Colaborativo em Transformação Digital - DTX	Guimarães	Research applied to different areas associated with digital transformation to encourage cooperation between R&D units, educational institutions and the productive sector.	NOS Inovação	4.92%	4.92%	4.92%
Fundo TechTransfer	Lisbon	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%	30.00%	30.00%
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition.	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisbon	Insurance services.	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisbon	Insurance services.	NOS	0.02%	0.02%	0.02%



**We are the inspiration
for an optimistic future**

**INDIVIDUAL FINANCIAL
STATEMENTS**

04

We imagine new stories with extraordinary achievements and embrace the future to boldly explore new opportunities and challenges. We have a vision in which technology will charter a course of infinite possibilities.



STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019 AND 2020

(Amounts stated in Euros)

	NOTES	31-12-2019	31-12-2020
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	6	154,794	150,383
Intangible assets	7	453,891,170	453,890,025
Rights of use	8	299,059	249,726
Financial investments in group companies	9	885,385,448	926,383,949
Accounts receivable	5 and 10	1,167,038,102	725,994,584
Available-for-sale financial assets	5 and 12	12,951	12,951
Deferred income tax assets	13	1,766,221	1,504,828
TOTAL NON - CURRENT ASSETS		2,508,547,745	2,108,186,446
CURRENT ASSETS			
Accounts receivable	5 and 10	115,909,628	236,247,473
Tax receivable	11	-	66,809
Prepaid expenses	14	74,461	117,937
Cash and cash equivalents	5 and 15	1,263,109	126,561,238
TOTAL CURRENT ASSETS		117,247,198	362,993,457
TOTAL ASSETS		2,625,794,943	2,471,179,903
SHAREHOLDERS' EQUITY			
Share capital	16.1	5,151,614	5,151,614
Capital issued premium	16.2	854,218,633	854,218,633
Own shares	16.3	(14,654,691)	(14,859,452)
Legal reserve	16.4	1,030,323	1,030,323
Other reserves and accumulated earnings	16.5	310,956,004	464,841,485
Net income		297,101,344	98,707,111
TOTAL EQUITY		1,453,803,227	1,409,089,714
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	5 and 17	1,022,013,963	854,685,869
Provisions	18	342,418	362,934
Accrued expenses	5 and 19	1,121,890	959,903
Deferred income	20	5,123,375	4,730,040
Derivative financial instruments	5 and 21	264,980	654,547
TOTAL NON - CURRENT LIABILITIES		1,028,866,626	861,393,293
CURRENT LIABILITIES			
Borrowings	5 and 17	76,739,330	98,625,035
Accounts payable	5 and 22	57,238,351	97,498,931
Tax payable	11	5,615,683	1,137,464
Accrued expenses	5 and 19	3,013,864	2,690,031
Deferred income	20	399,309	399,309
Derivative financial instruments	5 and 21	118,553	346,126
TOTAL CURRENT LIABILITIES		143,125,090	200,696,896
TOTAL LIABILITIES		1,171,991,716	1,062,090,189
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,625,794,943	2,471,179,903

The Notes to the Financial Statements form an integral part of the statement of financial position as at 31 December 2020.

The Chief Accountant

The Board of Directors

STATEMENT OF INCOME BY NATURE

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in Euros)

	NOTAS	2019	2020
REVENUES:			
Services rendered	23	14,808,879	14,984,973
Other operating revenues		43,270	5
		14,852,149	14,984,978
COSTS, LOSSES AND GAINS:			
Wages and salaries	24	6,460,010	6,827,781
Marketing and advertising		18,015	14,109
Support services	25	930,174	1,292,106
Supplies and external services	25	759,922	638,854
Other operating losses / (gains)	26	38,267	148,090
Taxes		51,202	53,957
Provisions and adjustments	18	(293,156)	30,703
Depreciation, amortisation and impairment losses	6, 7 and 8	137,657	131,001
Restructuring costs		115,714	-
Other losses / (gains) non recurrent	27	15,301	88,557
		8,233,106	9,225,158
INCOME BEFORE FINANCIAL RESULTS AND TAXES		6,619,043	5,759,820
Financial costs / (revenues)	28	(12,708,379)	(13,242,892)
Foreign exchange losses / (gains)		(86)	-
Losses / (gains) of affiliated companies	29	(284,395,629)	(84,736,722)
Other financial expenses / (income)	28	2,874,489	3,008,483
		(294,229,605)	(94,971,131)
INCOME BEFORE TAXES		300,848,648	100,730,951
Income taxes	13	3,747,304	2,023,840
NET CONSOLIDATED INCOME		297,101,344	98,707,111
EARNINGS PER SHARES			
Basic - Euros	16.6	0,58	0,19
Diluted - Euros	16.6	0,58	0,19

The Notes to the Financial Statements form an integral part of the statement of income by nature for the year ended on 31 December 2020.

The Chief Accountant

The Board of Directors



STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in Euros)

	NOTES	2019	2020
NET INCOME		297,101,344	98,707,111
OTHER INCOME			
ITENS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Fair value of derivative financial investments	21	476,398	(149,984)
OTHER COMPREHENSIVE INCOME		476,398	(149,984)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		297,577,742	98,557,127

The Notes to the Financial Statements form an integral part of the statement of comprehensive income for the year ended on 31 December 2020.

The Chief Accountant

The Board of Directors

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in Euros)

	NOTES	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME	TOTAL
BALANCE AS AT JANUARY 2019		5,151,614	854,218,633	(12,132,263)	1,030,323	202,217,324	288,202,923	1,338,688,554
Result appropriation								
Transferred to reserves		-	-	-	-	288,202,923	(288,202,923)	-
Dividends paid	16.4	-	-	-	-	(179,607,193)	-	(179,607,193)
Acquisition of own shares	16.3	-	-	(6,709,800)	-	-	-	(6,709,800)
Distribution of own shares - share plan	16.3	-	-	3,849,140	-	(3,849,140)	-	-
Distribution of own shares - other remunerations	16.3	-	-	338,232	-	(69,527)	-	268,705
Share Plan - Costs incurred in the year and others		-	-	-	-	3,585,219	-	3,585,219
Comprehensive income for the year		-	-	-	-	476,398	297,101,344	297,577,742
BALANCE AS AT DECEMBER 2019		5,151,614	854,218,633	(14,654,691)	1,030,323	310,956,004	297,101,344	1,453,803,227
BALANCE AS AT JANUARY 2020		5,151,614	854,218,633	(14,654,691)	1,030,323	310,956,004	297,101,344	1,453,803,227
Result appropriation								
Transferred to reserves		-	-	-	-	297,101,344	(297,101,344)	-
Dividends paid	16.4	-	-	-	-	(142,515,970)	-	(142,515,970)
Acquisition of own shares	16.3	-	-	(5,721,710)	-	-	-	(5,721,710)
Distribution of own shares - share plan	16.3	-	-	5,007,140	-	(4,599,469)	-	407,671
Distribution of own shares - other remunerations	16.3	-	-	509,809	-	(235,135)	-	274,674
Share Plan - Costs incurred in the year and others	33	-	-	-	-	4,284,695	-	4,284,695
Comprehensive income for the year		-	-	-	-	(149,984)	98,707,111	98,557,127
BALANCE AS AT DECEMBER 2020		5,151,614	854,218,633	(14,859,452)	1,030,323	464,841,485	98,707,111	1,409,089,714

The Notes to the Financial Statements form an integral part of the statement of changes in shareholders' equity for the year ended on 31 December 2020.

The Chief Accountant

The Board of Directors





STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2019 AND 2020

(Amounts stated in Euros)

	NOTAS	2019	2020
OPERATING ACTIVITIES			
Collections from clients		6,262,616	22,246,905
Payments to suppliers		(1,975,889)	(1,738,286)
Payments to employees		(5,867,821)	(5,476,562)
Receipts / (payments) relating to income taxes		(2,490,470)	(9,685,388)
Other cash receipts / (payments) related with operating activities		1,533,770	2,435,673
CASH FLOW FROM OPERATING ACTIVITIES (1)		(2,537,794)	7,782,342
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments	9	191,164	4,084,239
Loans granted		-	545,000,000
Interest and related income		26,370,167	26,892,088
Dividends		313,137,636	91,207,483
		339,698,967	667,183,810
PAYMENTS RESULTING FROM			
Financial investments	9	(45,847,500)	(57,053,500)
Tangible assets		(9,301)	(4,191)
Loans granted		(109,178,596)	(221,429,221)
		(155,035,397)	(278,486,912)
CASH FLOW FROM INVESTING ACTIVITIES (2)		184,663,570	388,696,898
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		423,000,000	306,469,210
		423,000,000	306,469,210
PAYMENTS RESULTING FROM			
Borrowings		(387,711,059)	(414,827,135)
Lease rentals (principal)		(135,924)	(122,563)
Interest and related expenses		(16,728,662)	(12,932,218)
Dividends	16.4	(179,607,193)	(142,515,970)
Aquisition of own shares	16.3	(6,709,800)	(5,721,710)
		(590,892,638)	(576,119,596)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(167,892,638)	(269,650,386)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		14,233,138	126,828,854
Cash and cash equivalents at the beginning of the year		(14,500,827)	(267,689)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(267,689)	126,561,165
Cash and cash equivalents (Note 15)	15	1,263,109	126,561,238
Bank overdrafts (Note 17)	17	(1,530,798)	(73)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(267,689)	126,561,165

The Notes to the Financial Statements form an integral part of the statement of cash flows for the year ended on 31 December 2020.

The Chief Accountant

The Board of Directors

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

(Amounts stated in Euros, unless otherwise stated)

1. INTRODUCTORY NOTE

NOS, SGPS, S.A. ("NOS" 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, 9, Campo Grande, was established by Portugal Telecom, SGPS, S.A. ("Portugal Telecom") on 15 July 1999 with 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 shareholders, which became 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, which together 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, and the production of channels for Pay TV and the provision of consultancy services related to information systems.

NOS' shares are listed on the Euronext Lisbon market. The shareholder structure of the Company at 31 December 2020 is shown in Note 16.

Cable and satellite television in Portugal is mainly provided by NOS Comunicações, S.A. ("NOS S.A.") and its subsidiaries, NOS Açores and NOS Madeira. These companies carry out: a) cable and satellite television distribution; b) the operation of the latest generation mobile communication network, GSM/UMTS/LTE; c) the operation of electronic communications services, including data and multimedia communication services in general; d) IP voice services ("VOIP" - Voice Over Internet Protocol); 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 NOS S.A., NOS Açores and NOS Madeira 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 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 S.A. 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.

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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 initial investment through the commercialization of patents and concessions regarding commercial operation, as a result of a 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 financial statements.

The financial statements relate to the Company on an individual and non-consolidated basis and were prepared for publication under the commercial legislation in force.

As provided in IFRS, financial investments are stated at acquisition cost. Consequently, the financial statements do not include the effect of the consolidation of assets, liabilities, income and expenses, which will be made in the consolidated statements. The effect of this consolidation consists in an asset increase of 705,384 thousand Euros and in a net income and shareholders' equity reduction of 11,788 thousand Euros and 457,854 thousands Euros, respectively.

The financial statements for the financial year ended on 31 December 2020 were approved by the Board of Directors and their issue authorised on 10 March 2021.

However, they are still subject to approval by the General Meeting of Shareholders in accordance with company law in Portugal. The Board of Directors believes that the financial statements give a true and fair view of the Company's operations, financial performance, and 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. Basis of presentation

The financial statements were prepared in accordance with the International Financial Reporting Standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), adopted by the European Union, in force as at 1 January 2020.

The financial statements are presented in Euros as this the main currency of the Company's operations.

The financial statements were prepared on a going concern basis from the ledgers and accounting records of the Company, using the historical cost convention, adjusted when necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value.

In preparing the financial statements in accordance with IFRS, the Board used estimates, assumptions, and critical judgments with impact on the value of assets, 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 financial statements, current and future results may differ from these estimates. The areas involving a higher element of judgment and estimates or areas when assumptions and estimates are significant to the financial statements are described in Note 4.1.

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

Changes in accounting policies and disclosures

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

- IFRS 3 (amendment), "Business Combinations" (effective for periods beginning on or after 1 January 2020). The intent of the amendment to the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets. This accounting policy establishes the minimum requirements for a business, removes the evaluation if the market participants are capable of replacing absent elements, adds guidelines to help the entities to assess whether an acquired process is relevant, restricts the definitions of a business and introduces an optional test of fair value of the concentration.
- IAS 1 e IAS 8 (amendment), "Definition of material" (effective for periods beginning on or after 1 January 2020). The intent of amending the standard is to clarify the definition of material and to align the definition used in international financial reporting standards.
- Update of the interest rate reference (issued on 26 September 2019, to be applied for annual periods beginning on or after 1 January 2020). The purpose of this update is to change the standards of financial instruments provided in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes the first phase of its task to respond to the effects of the Interbank Offer Rates (IBOR) reform on financial information.
- Review of the conceptual structure for financial reporting (issued on 29 March 2018, and effective for periods beginning on or after 1 January 2020). These changes might influence the IFRS application in situations in which no standard is applicable to a certain transaction/event. IFRS 16 (amendment), "Leases" (to be applied for periods beginning on or after 1 January 2020). The intent of the amendment is to allow the lessees, as a practical expedient, to not treat alterations/concessions related to COVID-19 as a modification to the lease agreement. The amendment does not affect the lessor.

These standards and amendments had no material impacts over the Company's financial statements.

The following standards, interpretations, amendments, and revisions, with mandatory application in future financial years have been endorsed by the European Union, at the date of approval of these financial statements:

- IFRS 4 (amendment), "Insurance Contracts" (issued on 25 June 2020, to be applied in annual periods beginning on or after 1 January 2021). This amendment seeks to address concerns arising from the application of IFRS 9 before the new IFRS 17.
- Update of the interest rate reference (issued on August 28, 2020, to be applied to periods beginning on or after 1 January 2021). This update complements the one issued on September 26, 2019, and aims to change the financial instruments patterns, provided on IFRS 19 Financial Instruments, IAS 39 Financial Instruments: Recognition, Measurement and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Costs and IFRS 16 Leases. No material impacts are estimated on the Company's financial statements from the application of these standards and amendments.

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

The following standards, interpretations, amendments, and revisions, with mandatory application in future financial years have been endorsed by the European Union, at the date of approval of these financial statements:

- IFRS 17 (new), "Insurance Contracts" (effective for periods beginning on or after 1 January 2021). The general objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts between entities that issue them globally.
- IAS 1 (amendment), "Presentation of Financial Statements" (issued on January 2020, effective for annual periods beginning on or after 1 January 2023). The objective of this amendment is to clarify the classification of liabilities as current or non-current.



- Improvements to international financial reporting standards 2018-2020 (issued on 14 May 2020, to be applied to annual periods beginning on or after 1 January 2022). These improvements involve the revision of several standards.

The Company 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. Transactions and balances in foreign currencies

Transactions in foreign currency are recorded at exchange rates on transactions dates. At each reporting date, the carrying amounts of monetary items denominated in foreign currency are updated by applying the exchange rate prevailing on that date. Non-monetary items carried at fair value denominated in foreign currency are restated at the exchange rates of the respective dates on which the fair values were determined. Exchange rate differences on monetary items that constitute an extension of the investment denominated in the functional currency of the Company or the subsidiary in question are recognised as the exchange rate on investment in shareholders' equity. Exchange rate differences on non-monetary items are classified under "Other reserves".

Exchange differences arising on the date of receipt or payment of foreign currency transactions and the resulting updates of the above are recognised in the income statement, under "Foreign exchange losses / (gains)" for all other balances or transactions.

At 31 December 2019 and 31 December 2020, assets and liabilities expressed in foreign currencies were converted into Euros using the following exchange rates of such currencies against the euro, as published by the Bank of Portugal:

	31-12-2019	31-12-2020
CURRENCY		
US Dollar	1,12	1,23

2.3. Tangible assets

Tangible assets are stated at acquisition cost less accumulated depreciation and eventual impairment losses. The acquisition cost includes the purchase price of the asset, expenses directly attributable to the purchase and costs incurred in preparing the asset to be ready for utilisation. Costs incurred on borrowings for the construction of tangible fixed assets are recognised as part of the cost of the asset, whenever the period of construction / preparation is more than one year.

Subsequent costs with renovations and major repairs that extend the useful life or productive capacity of assets are recognised as a cost of the asset.

The costs of current maintenance and repairs are recognised as a cost when they are incurred.

The estimated costs of dismantling and removal of the assets will be considered as part of the initial cost.

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 corresponds to the following useful lives:

	2019 (YEARS)	2020 (YEARS)
CLASS OF GOODS		
Buildings and other constructions	10	10
Basic equipment	3 a 4	3 a 4
Transportation equipment	4	4
Administrative equipment	2 a 10	2 a 10
Other tangible assets	8	8

The useful lives and depreciation method of the tangible assets are reviewed annually. The effect of any changes to

these estimates is recognised prospectively in the income statement.

The residual values of assets and their respective useful lives are reviewed and adjusted if appropriate, at the reporting date. If the carrying amount exceeds the recoverable amount of the asset, it is readjusted to the estimated recoverable amount by recognizing impairment losses (Note 2.6).

Gains and/or losses resulting from the sale of a tangible fixed asset, determined as the difference between realizable value of the transaction and the accounting net value, are recognised in the account "Losses/(gains) on sale of assets".

2.4. Intangible assets

Intangible assets are stated at acquisition cost less accumulated amortisation and impairment losses, when applicable.

Intangible assets are recognised only when they are identifiable, generate future economic benefits for the Company and can be measured reliably.

The Company conducts a periodic impairment assessment of the intangible assets available for use. This impairment assessment is also carried out whenever an event or change in circumstances that indicates that the amount for which the asset is recorded may not be recovered is identified. If this happens, the Company determines the recoverable value of the asset, in order to determine if an impairment loss exists and its extent.

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

Intangible assets with finite useful lives are amortized 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 amortization period and the amortization 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 amortization and, if verified, are treated as changes in accounting estimates. The amortization costs of intangible assets with finite lives are recognized in the income statement.

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

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

	2019 (YEARS)	2020 (YEARS)
CLASS OF GOODS		
Computer Programs	3	3
Industrial property and other rights	3	3

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

Accordingly, the useful life of an intangible asset that is not being amortized 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.

2.5. Goodwill

Goodwill represents the excess of acquisition cost over the net fair value of the assets, liabilities, and contingent liabilities of a business, a subsidiary, jointly controlled company or associated, at the acquisition date, if this is not a business combination of entities under common control in accordance with IFRS 3. In the case of a business combination of entities under common control, Goodwill



represents the excess of acquisition cost over the fair value of the asset and liabilities of the acquired business.

Goodwill is presented as a component of the acquisition cost of the financial investments, in the separate accounts of NOS, when business is embodied in an entity.

Given the policy followed by the Company in the recognition and measurement of financial investments, Goodwill is recorded as an asset and included in "Intangible assets" if the excess of the costs comes from an acquisition by merger, and in "Financial investments in group companies" in an acquisition of a subsidiary 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, which may correspond to the business segments in which the Company operates, or a lower level.

On disposal of a subsidiary, associate or jointly controlled entity, the corresponding goodwill is included in determining the corresponding gain or loss realised.

2.6. Impairment of tangible and intangible assets, excluding goodwill

At each reporting date is carried out a review of the carrying amounts of tangible fixed assets and intangible assets of the Company to determine whether there is any indication that the recorded amount may not be recoverable. If there is any indicator, we estimate the recoverable amount of the respective assets in order to determine the extent of the impairment loss (if any). When it is not possible to determine the recoverable amount of an individual asset,

the recoverable amount is estimated for the cash-generating unit to which the asset belongs.

The recoverable amount of the asset or cash-generating unit is the greater of (i) the fair value less costs to sell and (ii) the current use value. In determining the current use value, the estimated future cash flows are discounted using a discount rate that reflects market expectations for the time value of money and the risks specific to the asset or cash-generating unit for which the estimates of future cash flows have not been adjusted.

When the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, it is recognised as an impairment loss. The impairment loss is recognised immediately in the income statement under "Depreciation, amortisation, and impairment losses" unless such loss offsets a revaluation surplus recorded in shareholders' equity.

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 captions referred to the previous paragraph. The reversal of the impairment loss is made up to the amount that would be recognised (net of amortisation) if no impairment loss had been recorded in previous years.

2.7. Investments in Group companies

Financial investments in Group companies (companies in which the Company holds direct or indirect control, considering that control over an entity exists when the Group is exposed, and or has rights, as a result of their involvement, on the variable returns of the entity's activities, and has the ability to affect this return through the power over the entity) are recorded under the caption "Financial investments in Group companies", at their acquisition cost, in accordance with IAS 27, as the Company presents, separately, consolidated financial statements in accordance with IAS/IFRS. Under this caption are also recorded at nominal value, supplementary capital granted to subsidiaries.

An evaluation of investments in Group companies is performed when there are indications that the recorded amount may not be recoverable, or impairment losses recorded in previous years no longer exist.

Impairment losses detected on the realizable value of the financial investments in Group companies are recognised in the year in which they are estimated, under the caption "Losses / (gains) of affiliated companies" in the income statement.

Impairment losses on investments in Group companies are calculated using two different methods, and the one with the highest value is chosen: i) comparison of the carrying value of the investment with its recoverable value, the latter being the highest among the use value and the fair value less the cost of selling; and ii) comparison of the carrying value of the investment with its fair value less the cost of selling.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets less costs to sell, particularly in the Angolan subsidiaries (fair value less costs to sell including a discount / risk premium resulting from uncertainties related to these companies), imply a high level of judgment from the Board of Directors regarding the identification and assessment of the different impairment indicators and expected cash flows.

The expenses incurred with the acquisition of financial investments in Group companies are recorded as cost when they are incurred.

2.8. Financial assets

Financial assets are recognised in the statement of financial position of the Company on the trade or contract date, which is the date on which the Company 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.

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

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

The Company classifies its financial assets into the following categories: financial investments 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 Company 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 which the Company has not classified as financial assets at fair value through other comprehensive income. Dividends from investments in listed companies are recognized 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 amortized cost are subsequently measured using the effective tax rate method and subject to impairment. Income and costs are recognized in the income statement when the asset is derecognised, updated or an impairment is recognized over it. Financial assets measured at the Company's amortized 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 realizable 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).

2.9. 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 Company's assets after deducting the liabilities. The equity instruments issued by the Company are recorded at the amount received, net of the costs incurred in their issue. Financial liabilities and equity instruments are regained 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:

- Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
- Financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when the continued involvement approach is applied;
- Financial guarantee contracts;
- The commitments to grant a loan at a lower interest rate than the market;
- 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 Company include: borrowings, accounts payable and derivative financial instruments.

2.10. Impairment of financial assets

At the date of each statement of financial position, the Company 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 Company 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 Company adopts the simplified approach when calculating expected credit losses. As a result, NOS does not monitor changes in credit risk, recognising instead impairment losses based on the expected credit loss on each reporting date. The Company 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.

2.11. Derivate financial instruments

Initial and subsequent recognition

The Company uses derivative financial instruments, such as exchange rate forward contracts, interest rate swaps, to cover its exchange and interest risks, 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 Company's 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 Company's commitment;
- Coverage of a net investment in a foreign operational unit.

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

At the beginning of the hedge relationship, the Company formally designates and documents the hedging relationship to which it intends to apply hedge accounting 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 Company 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 of the following effectiveness requirements:

- There is an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge 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 Company 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".

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 Company'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.

2.12. Subsidies

Subsidies are recognised at their fair value when there is a reasonable assurance that they will be received and the Company will meet the requirements for their award. Operating subsidies, mainly for employee training, are recognised in the income statement by deduction from the corresponding costs incurred.

Investment subsidies are recognised in the statement of financial position as deferred income and it is recognised as income on a systematic and rational basis over the useful life of the asset.

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.

2.13. Provisions, contingent liabilities and contingent assets

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 Company 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 Company are made in accordance with the risk assessments carried out by the Company and by their legal advisers, based on success rates.

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

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 that exceed the future economic benefits.

Provisions for potential future operating losses are not covered.

Contingent liabilities are not recognised in the financial statements, unless otherwise provided for in 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.

2.14. Rights of use and Leases

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

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

All contracts that constitute a lease are accounted for on the basis of 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 liabilities are remeasured at the occurrence of certain events (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). This remeasurement of the lease liability is recognised as an adjustment in the ROU.

2.14.1. Rights of use of assets

The Company 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. When IFRS 16 was implemented, during the computation of the values of rights of use, the potential impact of the costs of dismantling and removal of the assets wasn't considered, since they were already registered as fixed assets.

Unless it is reasonably certain that the Company 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.

2.14.2. Liabilities with leases

At the start date of the lease, the Company 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 Company will exercise the option, and penalties for termination of the lease if it is reasonably certain that the Company 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 Company 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.

2.15. Income tax

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

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

Income tax is stated in accordance with the IAS 12 criteria. In calculating the cost relating to income tax for the period, in addition to current tax, allowance is also made for the effect of deferred tax calculated in accordance with the liability method, taking into account the temporary differences resulting from the difference between the tax basis of assets and liabilities and their values as stated in the Company's 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 recognized 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:

- Is not a concentration of business activities;
- At the moment of the transaction, it does not affect neither the accounting profit nor the taxable profit (fiscal loss);
- With respect to deductible temporary differences arising from investments in subsidiaries, branches and associates and interests in joint arrangements, deferred income tax assets are recognized 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 that is either to be included in current tax or in deferred tax, resulting from transactions or events recognised in equity accounts, is directly recorded 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:

- The deferred tax benefits acquired in the measurement period of one year after the 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 value is null, any remaining deferred tax benefits are recognised in the income statement.
- All the other acquired deferred tax benefits performed are recognised in the income statement (when applicable, directly in shareholders' equity).

2.16. Share-based payments

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

In accordance with IFRS 2, since it is not possible to reliably estimate the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments (own shares) 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 elapsed 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.

Additionally, the Board of Directors of NOS SGPS, responsible for the plans' attribution, can decide an additional debit related to costs associated to their management, which is debited to its subsidiaries and recognised in equity.

2.17. Capital

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.

The Company recognises in equity the responsibility of all the action plans of various companies in the NOS Group, since it is responsible for its delivery to its employees, against results for the year and accounts receivable of subsidiaries when dealing with own employees or employees of subsidiary companies, respectively.

Hedging reserves

Hedging reserves reflect 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 their use ends, in the case of tangible fixed 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”.

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.

Retained results

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

2.18. Revenue

The Company’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 Company 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 Company only provides services so the recognition of revenue occurs at the time of performance of each performance obligation.

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

Revenue from dividends is recognised when the Company’s right to receive the correspondent amount is established.

2.19. Accruals

Company’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 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”, “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 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.

2.20. Financial charges and borrowings

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

2.21. Fair value measurement

The Company 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 Company.

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 Company 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, that is, 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.

2.22. 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 accepts voluntarily to leave in exchange of these benefits. The company recognises these benefits when it can be shown being 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 company 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, the Labour Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labour (FGCT) entered into force on 1 October. 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 FCT and 0.075% to FGCT), in order to ensure, in the future, the partial payment of 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 of the entity, measured at fair value with changes recognised in the respective results.

2.23. Statement of cash flows

The statement of cash flows is prepared in accordance with the direct method. The Company 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, investment, and financing activities.

Operating activities include cash received from customers and payments to suppliers, staff and others related to operating activities.

The cash flows included in investment 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.

2.24. 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 taken into account in the preparation of financial statements for the period.

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

The preparation of financial statements requires the Company'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 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:

3.1. Relevant accounting estimates

3.1.1 Provisions

The Company 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.

3.1.2. Tangible and intangible assets

The determination of the useful lives of assets as well as the amortisation / depreciation method to be applied is crucial in determining the amount of amortisation / depreciation to be recognised in the statement of comprehensive income for each year. These two parameters are defined using management's best estimates for the assets and businesses concerned, and taking account of the practices adopted by sector companies at international level.

3.1.3. Impairment assets, excluding goodwill

The determination of a possible impairment loss can be triggered by the occurrence of various events, many of which outside the Company's sphere of influence, such as future availability of financing, cost of capital, as well as any other changes, either internal or external, to the Company.

The identification of impairment indicators, the estimation of future cash flows and determining the fair value of assets involve a high degree of judgment by the Board of Directors with regard to the identification and evaluation of different impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values.



3.1.4. Impairment of goodwill

Goodwill is subjected to impairment tests annually 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.

3.1.5. 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 Company's financial assets and liabilities, valuation techniques generally accepted in the market, based on market assumptions, are used.

The Company uses evaluation techniques for unlisted financial instruments such as derivatives. The valuation models that are used most frequently are discounted cash flow models and options models, incorporating, for example, interest rate curves and market volatility.

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 Company uses internal estimates and assumptions.

3.2. Misstatement, estimates and changes to accounting policies

During the financial years ended on 31 December 2019 and 2020, no material misstatements relating to previous years were recognised.

4. RISK MANAGEMENT

4.1. Financial risk factors

NOS as a holding company (SGPS) develops direct and indirect management activities over its subsidiaries. Thus, the

fulfilment of assumed obligations depends on the cash flows generated by these. Therefore, the company depends on the eventual distribution of dividends by its subsidiaries, the payment of interest, repayment of loans and other cash flows generated by those companies.

The ability of NOS' subsidiaries to have available funds will depend, in part, on its ability to generate positive cash flows and, on the other hand, is dependent on the respective results, available reserves, and financial structure.

NOS has a program of risk management that focuses its analysis on the financial markets in order to minimise potential adverse effects on its financial performance. Risk management is handled by the Financial Management in accordance with the policy approved by the Board. There is also at NOS an Internal Control Committee with specific functions in the control area of risks of the activity of the Company.

4.2. Exchange rate risk

Exchange rate risk is mainly related to exposure resulting from payments made to foreign suppliers mainly denominated in US dollars. Depending on the balance of accounts payable resulting from transactions in a currency different from the Company's operating currency, the Company's subsidiaries contract or may contract financial instruments, namely short-term foreign currency forwards, in order to hedge the risk associated with these balances. NOS has investments in foreign companies whose assets and liabilities are exposed to exchange rate variations (the Group has two subsidiaries in Mozambique, Lusomundo Moçambique and Mstar, whose functional currency is the Metical, four in Angola, Finstar, ZAP Media, ZAP Cinemas and ZAP Publishing whose functional currency is the Kwana). NOS has not adopted any policy of hedging the risk of exchange rate variations for these companies on cash flows in foreign currencies.

Additional disclosures are made in the consolidated financial statements of NOS.

At 31 December 2019 and 2020, balances payable to suppliers in currencies other than the Euro are not material.

4.3. Interest rate risk

The risk of fluctuations in interest rates can result in a cash flow risk or a fair value risk, depending on whether variable or fixed interest rates have been negotiated.

NOS has adopted a policy of hedging risk through the use of interest rate swaps to hedge future interest payments on bond loans and other borrowings.

NOS uses a sensitivity analysis technique which measures the expected impacts on results and equity of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates, for the rates applying at the date of the statement of financial position for each class of financial instrument, with all other variables remaining constant. This analysis is for illustrative purposes only, since in practice market rates rarely change in isolation.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest receivable or payable on financial instruments with variable rates;
- Changes in market interest rates only affect interest receivable or payable on financial instruments with fixed interest rates when they are recognised at fair value;
- Changes in market interest rates affect the fair value of derivatives and other financial assets and liabilities;
- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by discounting future cash flows from current net values using market rates at the end of the year.

Under these assumptions, an increase or decrease of 0.25% in market interest rates for loans that are not covered or loans with variable interest at 31 December 2020 would have resulted in an increase or decrease in annual profit before tax of approximately 1 million Euros (2019: 1 million Euros).

In the case of the interest rate swaps contracted, the sensitivity analysis which measures the estimated impact of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates results in changes in the fair value of the swaps of approximately 0 Euros at 31 December 2019 and 2020. The impacts of the sensibility analysis are near zero because market interest rates are negative and there is a floor of 0% on the loan and on the swap contracts.

Additional disclosures are made in the consolidated financial statements of NOS.

4.4. Credit risk

Credit risk is mainly related to the risk of a counterparty defaulting on its contractual obligations, resulting in a financial loss to the Company's subsidiaries. The Company's subsidiaries are exposed to credit risk in its operating and treasury activities.

This risk is monitored on a regular business basis, and the aim of management is to: i) limit the credit granted to customers, using the average payment time by each customer; ii) monitor the trend in the level of credit granted; and iii) analyse the impairment of receivables on a regular basis.

The Company's subsidiaries do not face any serious credit risk with any particular client, insofar as the accounts receivable derive from a large number of clients from a wide range of businesses and the subsidiaries obtain credit guarantees, whenever the financial situation of the customer requires.

Additional disclosures are made in the consolidated financial statements of NOS.

4.5. Liquidity risk

Prudent management of liquidity risk requires the maintenance of an adequate level of cash and cash equivalents to meet the liabilities associated with the negotiation of credit facilities with financial institutions. Under the model adopted, the Group has:



- i. Commercial paper programmes of which around 340 million Euros is being used. The commercial paper programmes have a total amount of 665 million Euros, corresponding to twelve programmes, with six banks, including 490 million Euros which bear interest at market rates and 175 million Euros issued in fixed rate;
- ii. Private and direct cash bonds to the value of 575 million Euros;
- iii. A Finance Contract with the European Investment Bank to support the development of mobile broadband network in Portugal in the amount of 37 million Euros.

Based on estimated cash flows and taking into consideration the compliance with any covenants typically existing in loans payable, management regularly monitors the forecasts of liquidity reserves by the Company, including the amounts of unused credit lines, amounts of cash and cash equivalents.

4.6. Capital risk management

At 31 December 2020, NOS holds financial assets and liabilities valued at fair value, namely Equity Swap derivatives and interest rate swap derivatives (Note 21) and the Teliz financial investment, that holds investments in Angolan companies (Note 9).

5. FINANCIAL ASSETS AND LIABILITIES CLASSIFIED IN ACCORDANCE WITH THE IFRS 9 CATEGORIES - FINANCIAL INSTRUMENTS

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

	31-12-2019					
	LOANS AND RECEIVABLES	DERIVATIVES	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS / LIABILITIES	NON FINANCIAL ASSETS / LIABILITIES	TOTAL
ASSETS						
Accounts receivable - non current (Note 10)	1,167,038,102	-	-	1,167,038,102	-	1,167,038,102
Available-for-sale financial assets (Note 12)	12,951	-	-	12,951	-	12,951
Accounts receivable - current (Note 10)	115,899,471	-	-	115,899,471	10,157	115,909,628
Cash and cash equivalents (Note 15)	1,263,109	-	-	1,263,109	-	1,263,109
TOTAL FINANCIAL ASSETS	1,284,213,633	-	-	1,284,213,633	10,157	1,284,223,790

In accordance with IFRS 13 - Fair value measurement, the levels of the fair value hierarchy are described as follows:

- Level 1 - Financial instruments valued based on quotations in active markets to which the company has access are included in this category, securities valued based on executable (immediate liquidity) published by external sources.
- Level 2 - Financial instruments whose value is based on directly or indirectly observable data in active markets are included in this category, securities valued based on bids provided by external entities and internal valuation techniques using only observable market data.
- Level 3 - All financial instruments valued at fair value that do not fall in level 1 and 2.

The calculation of the fair value of interest rate swaps derivatives was based on the estimate of discounted future cash flows (Level 2).

The calculation of the fair value of the financial investment in Teliz (using the market approach) was based on the calculation of the implicit multiple of Finstar and ZAP Media's Ebitda Enterprise Value / EBITDA (Level 2).

CONTINUATION

	31-12-2019					
	LOANS AND RECEIVABLES	DERIVATIVES	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS / LIABILITIES	NON FINANCIAL ASSETS / LIABILITIES	TOTAL
LIABILITIES						
Borrowings - non current (Note 17)	-	-	1,022,013,963	1,022,013,963	-	1,022,013,963
Accrued expenses - non current (Note 19)	-	-	1,121,890	1,121,890	-	1,121,890
Borrowings - current (Note 17)	-	-	76,739,330	76,739,330	-	76,739,330
Accounts payable - current (Note 22)	-	-	57,238,351	57,238,351	-	57,238,351
Accrued expenses - current (Note 19)	-	-	3,013,864	3,013,864	-	3,013,864
Derivative financial instruments (Note 21)	-	383,533	-	383,533	-	383,533
TOTAL FINANCIAL LIABILITIES	-	383,533	1,160,127,398	1,160,510,931	-	1,160,510,931

	31-12-2020					
	LOANS AND RECEIVABLES	DERIVATIVES	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS / LIABILITIES	NON FINANCIAL ASSETS / LIABILITIES	TOTAL
ASSETS						
Accounts receivable - non current (Note 10)	725,994,584	-	-	725,994,584	-	725,994,584
Available-for-sale financial assets (Note 12)	12,951	-	-	12,951	-	12,951
Accounts receivable - current (Note 10)	236,235,054	-	-	236,235,054	12,419	236,247,473
Cash and cash equivalents (Note 15)	126,561,238	-	-	126,561,238	-	126,561,238
TOTAL FINANCIAL ASSETS	1,088,803,827	-	-	1,088,803,827	12,419	1,088,816,246
LIABILITIES						
Borrowings - non current (Note 17)	-	-	854,685,869	854,685,869	-	854,685,869
Accrued expenses - non current (Note 19)	-	-	959,903	959,903	-	959,903
Borrowings - current (Note 17)	-	-	98,625,035	98,625,035	-	98,625,035
Accounts payable - current (Note 22)	-	-	97,498,931	97,498,931	-	97,498,931
Accrued expenses - current (Note 19)	-	-	2,690,031	2,690,031	-	2,690,031
Derivative financial instruments (Note 21)	-	1,000,673	-	1,000,673	-	1,000,673
TOTAL FINANCIAL LIABILITIES	-	1,000,673	1,054,459,769	1,055,460,442	-	1,055,460,442

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 Company'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 Note 4.



6. TANGIBLE ASSETS

During the years ended at 31 December 2019 and 2020, the movements in acquisition costs and accumulated depreciation in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Buildings and other constructions	253,332	-	-	-	253,332
Basic equipment	226,972	-	-	476	227,448
Tools and dies	7,965	-	-	-	7,965
Administrative equipment	2,405,716	3,739	-	12,414	2,421,869
Other tangible assets	293,592	-	-	-	293,592
Tangible assets in-progress	7,669	5,221	-	(12,890)	-
	3,195,247	8,959	-	-	3,204,206
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	253,332	-	-	-	253,332
Basic equipment	226,972	55	-	-	227,027
Tools and dies	7,965	-	-	-	7,965
Administrative equipment	2,404,129	4,911	-	-	2,409,040
Other tangible assets	152,048	-	-	-	152,048
	3,044,446	4,966	-	-	3,049,412
	150,801	3,993	-	-	154,794

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2020
ACQUISITION COST					
Buildings and other constructions	253,332	-	-	-	253,332
Basic equipment	227,448	-	-	-	227,448
Tools and dies	7,965	-	-	-	7,965
Administrative equipment	2,421,869	3,618	-	-	2,425,487
Other tangible assets	293,592	-	-	-	293,592
	3,204,206	3,618	-	-	3,207,824
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	253,332	-	-	-	253,332
Basic equipment	227,027	95	-	-	227,122
Tools and dies	7,965	-	-	-	7,965
Administrative equipment	2,409,040	7,934	-	-	2,416,974
Other tangible assets	152,048	-	-	-	152,048
	3,049,412	8,029	-	-	3,057,441
	154,794	(4,411)	-	-	150,383

7. INTANGIBLE ASSETS

During the years ended at 31 December 2019 and 2020, the movements in acquisition costs and accumulated amortisation and impairment losses in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Industrial property and other rights	5,538,531	-	-	-	5,538,531
Goodwill	453,888,879	-	-	-	453,888,879
Software	461,345	-	-	-	461,345
	459,888,755	-	-	-	459,888,755
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	5,535,095	1,145	-	-	5,536,240
Software	461,345	-	-	-	461,345
	5,996,441	1,145	-	-	5,997,585
	453,892,314	(1,145)	-	-	453,891,170

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2020
ACQUISITION COST					
Industrial property and other rights	5,538,531	-	-	-	5,538,531
Goodwill	453,888,879	-	-	-	453,888,879
Software	461,345	-	-	-	461,345
	459,888,755	-	-	-	459,888,755
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	5,536,240	1,144	-	-	5,537,384
Software	461,345	-	-	-	461,345
	5,997,585	1,144	-	-	5,998,729
	453,891,170	(1,144)	-	-	453,890,025

Goodwill

At 31 December 2019 and 2020, the value of goodwill results from the merger occurred on 27 August 2013, through the incorporation of Optimus SGPS into ZON, by overall transfer of the assets of Optimus SGPS into ZON.

Impairment tests on goodwill

In this context of uncertainty regarding the level of evolution and contagion of the virus, strong economic slowdown and estimated changes to the consumption pattern of the Portuguese (Note 35.1), 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	0	-1,4%	49,7%
Perpetuity Growth Rate	1,5%	1,5%	1,5%

* EBITDA= Operational result + Depreciations, amortizations and impairment losses + Restructuring Costs + Losses/(gains) with disposal of assets + Other costs/(gains) non-recurrent (CAGR - 5-year 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.

A significant EBITDA increase was considered in the cinemas segment, the segment most affected by COVID-19. This increase was justified by the poor year observed in 2020 due to the pandemic situation, and so a full recovery of the activity is estimated by 2023.

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

Sensitivity analyses were performed on 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 on 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 analyzes 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, from which no impairments resulted as well.

8. RIGHTS OF USE

During the years ended at 31 December 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Buildings	62,736	49,740	-	(46,691)	65,785
Vehicles	531,895	223,495	-	-	755,391
	594,631	273,235	-	(46,691)	821,176
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Buildings	49,365	17,515	-	(46,691)	20,189
Vehicles	387,897	114,031	-	-	501,928
	437,262	131,546	-	(46,691)	522,117
	157,369	141,689	-	-	299,059

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2020
ACQUISITION COST					
Buildings	65,785	-	-	-	65,785
Vehicles	755,391	72,495	-	-	827,886
	821,176	72,495	-	-	893,671
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Buildings	20,189	16,580	-	-	36,769
Vehicles	501,928	105,248	-	-	607,176
	522,117	121,828	-	-	643,945
	299,059	(49,333)	-	-	249,726

Use" refers to assets associated with lease contracts, resulting from the application of IFRS 16, on assets are amortised according to the duration of the respective agreement.





9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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

	INVESTMENTS	SUPPLEMENTARY CAPITAL	2019	INVESTMENTS	SUPPLEMENTARY CAPITAL	2020
NOS Comunicações	496,761,600	-	496,761,600	496,761,600	-	496,761,600
NOS Audio - Sales and Distribution*	220,750,000	-	220,750,000	220,750,000	-	220,750,000
NOS Audiovisuais SGPS	13,007,500	20,000,000	33,007,500	17,061,000	65,000,000	82,061,000
Teliz	51,900,000	-	51,900,000	41,200,000	-	41,200,000
NOS Inovação	31,417,153	-	31,417,153	31,417,153	-	31,417,153
NOS Cinemas	25,876,270	-	25,876,270	25,876,270	-	25,876,270
NOS Property	7,000,000	-	7,000,000	9,000,000	-	9,000,000
Mstar	5,518,502	-	5,518,502	5,518,502	-	5,518,502
NOS Wholesale	2,335,000	-	2,335,000	4,335,000	-	4,335,000
NOS Corporate Center	2,050,000	-	2,050,000	4,050,000	-	4,050,000
Fundo NOS 5G	2,750,000	-	2,750,000	2,750,000	-	2,750,000
NOS Internacional SGPS	50,000	-	50,000	2,050,000	-	2,050,000
NOS Lusomundo SII	437,895	150,000	587,895	437,895	150,000	587,895
Upstar	26,528	-	26,528	26,528	-	26,528
Sport Tv	-	2,250,000	2,250,000	-	-	-
NOS International Carrier Services	3,105,000	-	3,105,000	-	-	-
	862,985,449	22,400,000	885,385,448	861,233,949	65,150,000	926,383,949

* During the year ended at 31 December 2020, a merger took place which resulted in the incorporation of NOSPUB into NOS Lusomundo TV, the latter having changed its designation to NOS Audio - Sales and Distribution

During the years ended at 31 December 2019 and 2020, the movement in "Financial Investments" of NOS was as follows:

	INVESTMENTS	SUPPLEMENTARY CAPITAL	TOTAL
BALANCE AS AT 1 JANUARY 2019	863,052,949	5,326,560	868,379,508
Increases	25,847,500	20,000,000	45,847,500
Decreases	-	(100,000)	(100,000)
Impairments (Note 29)	(25,915,000)	(2,826,560)	(28,741,560)
BALANCE AS AT 31 DECEMBER 2019	862,985,449	22,400,000	885,385,448
BALANCE AS AT 1 JANUARY 2020	862,985,449	22,400,000	885,385,448
Increases	12,053,500	45,000,000	57,053,500
Decreases	(3,105,000)	-	(3,105,000)
Impairments (Note 29)	(10,700,000)	(2,250,000)	(12,950,000)
BALANCE AS AT 31 DECEMBER 2020	861,233,949	65,150,000	926,383,949

During the year ended on 31 December 2020, the movements in the item were as follows:

- ii) NOS Audiovisuais SGPS: increase of share capital by 4.0535 million Euros and reinforcement of supplementary capital by 45 million Euros;
- ii) NOS Property: increase of share capital by 2 million Euros;
- iii) NOS International SGPS: increase in share capital by 2 million Euros;
- iv) NOS Wholesale: increase in share capital by 2 million Euros;
- v) NOS Corporate Center: increase in share capital by 2 million Euros;
- vi) Sale of the entire share capital of NOS International Carrier Services to Tofane Global and iBasis for the amount of 9.6 million Euros, which originated a 6.5 million Euros gain (Note 29);
- vii) Impairments over supplementary capital of Sport TV in the amount of 2.25 million Euros which resulted from the negative impacts estimated with the COVID-19 pandemic, namely, significant decrease in the revenue associated with sports premium channels;
- viii) Impairment over the financial investment of Teliz in the amount of 10.7 million Euros which resulted from the negative impacts estimated with the COVID-19 pandemic, and the destabilization of the Angolan economy with the decrease in both demand and prices of oil.



Assets, liabilities and shareholders' equity, income and statutory results of subsidiaries and associated companies at 31 December 2020 are as follows:

COMPANY	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	TOTAL INCOME	TOTAL EXPENSES	NET INCOME / (LOSS)	% HELD
NOS Comunicações	3,154,431,948	2,320,013,926	834,418,022	1,294,242,293	(1,085,361,657)	208,880,637	100%
NOS Audio - Sales and Distribution	50,661,765	19,348,534	31,313,232	66,120,036	(50,866,311)	15,253,725	71,45%
NOS Audiovisuais SGPS	140,390,432	48,601,437	91,788,996	-	8,440,321	8,440,321	100%
Teliz Holding B.V	24,010	50,598	(26,589)	-	(674,927)	(674,927)	100%
NOS Inovação	45,330,454	9,211,774	36,118,680	22,586,068	(18,271,410)	4,314,658	100%
NOS Lusomundo Cinemas	64,852,031	55,091,504	9,760,527	27,576,913	(28,120,232)	(543,319)	100%
NOS Property	24,455,265	5,394,518	19,060,748	25,597,896	(15,975,878)	9,622,019	100%
Mstar	9,346,000	4,963,000	4,383,000	21,212,000	(19,514,810)	1,697,190	30%
NOS Wholesale	15,163,737	6,054,563	9,109,175	23,202,126	(21,443,831)	1,758,295	100%
NOS Corporate Center	50,146,014	43,337,721	6,808,294	27,589,619	(25,456,924)	2,132,695	100%
Fundo NOS 5G	9,724,871	9,945	9,714,926	-	(276,340)	(276,340)	27,5%
NOS Internacional SGPS	3,710,747	12,742	3,698,006	-	1,651,615	1,651,615	100%
NOS Lusomundo SII	2,249,589	13,260	2,236,329	-	(7,743)	(7,743)	100%
Upstar	47,817,958	46,581,726	1,236,232	20,552,564	(20,619,623)	(67,059)	30%
Sport TV	187,857,493	165,734,364	22,123,129	132,536,435	(128,587,836)	3,948,599	25%

In the year ended on 31 December 2020, the assets, liabilities and results of these companies jointly controlled by NOS (through investment in Teliz), are:

COMPANY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUES	NET INCOME
Finstar	17,603,250	74,643,750	-	82,841,061	9,405,939	165,073,703	(2,305,794)
ZAP Media	16,137,669	8,004,208	-	24,321,348	620,529	23,507,269	181,493

Annually or whenever there are indicators of impairment, the carrying amount of financial investments is compared to its recoverable value. The existence of these indicators is determined when: i) the affiliate's share capital is lower than the carrying amount; or ii) there are recent transactions with implicit valuations lower than the carrying amount; or iii) the stake is located in hyperinflated countries.

Additional disclosures regarding Telco and Audiovisuals segments are made in the consolidated financial statements of NOS SGPS.

As a consequence of the recent seizure of Mrs. Isabel dos Santos' assets, in particular of the shares held at Finstar and ZAP Media (where she holds 70% of the capital), NOS, in the determination of the recoverable amount, performed an impairment test based in two scenarios: i) impairment test starting from a valuation which considers the use value and,; ii) an impairment test, in a scenario of disposal of the financial participation (Level 2 of the fair value hierarchy of IFRS 13). The result from this impairment test was similar in both scenarios in terms of the valuation of the recoverable amount, resulting in the record of an impairment loss of 10.7 million Euros in the Teliz investment.

On this test, based on the scenario of disposal of the financial participation, the NOS Group obtained the implicit multiple of Finstar and ZAP Media's Enterprise Value / EBITDA through the average of:

- (i) the multiples of the transactions of the Telco sector in Africa, from 2015 to 2020;
- (ii) the market multiples of African listed companies of the Telco sector;
- (iii) the multiple of a transaction performed in the Telco sector, in Angola, at February 2020.

Additionally, the average of the multiples presented above were adjusted by -25%, in order to reflect the valuation loss in the scenario of a disposal, as described above.

The extra impairment tests performed to Teliz's financial investment (which holds several financial investments

in Angola) and Mstar (Mozambique), which are valued in Kwanzas and Meticais (local currencies) respectively, considered the most conservative business plans (internal valuation by discounted cash flows method, compared with valuation estimates made by research analysts), as a result of the conditions described above, approved by NOS' Executive Committee, for a period of five years, which considers an average revenue growth rate (in local currencies) for the period of 9.7% (Angola) and 4.7% (Mozambique). The revenue growth rates reflect: (i) the best estimate for growth of the customer base, reflecting prudent expectations about new customers growth and churn rates; and (ii) an annual price growth that represents, for the period of 2021 to 2025, between 50% and 75% of the inflation rate, as observed on the previous years.

The business plans also consider a perpetual growth rate of 6% (Angola and Mozambique) and a perpetual discount rate ("WACC") of 17.1% (Angola) and 20.3% (Mozambique). The discount rate for the period of 2021 to 2025 varies between 34.4% and 17.1% (at 2025) for Angola, and 21.5% and 20.3% (at 2025) for Mozambique, in line with the most prudent inflation rate forecasts (source: International Monetary Fund (IMF)).

Additionally, it must be considered that the present uncertain economic conditions of these markets, namely in the exchange market, the limits to the transfer of currency, and the legal constraints regarding the investments, especially in Angola, increase the level of variability of the assumptions of the model, which can have a significant impact on the estimates considered, namely related with the inflation rate and its impact on the ability to reflect it on the evolution of prices.

The Company prepared sensitivity analyses to the fluctuations of the discount rate (+-1 percentage point) and perpetual growth rate (+-1 percentage point). Additionally, the Company prepared sensitivity analyses to the fluctuations of the inflation rate and to its capacity to reflect the referred fluctuations on prices (simulation of several scenarios, with price repercussions between 50% and 100% of the inflation rate).



Additionally, the Company forecast growth for the customer base of 1.5% and 0.4%, in Finstar and Zap Media respectively. Fluctuations of 1 percentage point for each variable were considered.

It is the Board of Directors' belief that no additional impairment should be registered. Additionally, given the mentioned seizure of assets, no relevant consequences are expected for the operational management of the companies or for NOS, besides the restrictions on dividend distribution.

10. ACCOUNTS RECEIVABLE

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

	2019		2020	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
ACCOUNTS RECEIVABLE				
Related parties i)	112,454,636	1,166,510,000	233,149,997	721,510,000
Advances to suppliers	3,258,521	-	1,983,428	-
Accrued income - interests i)	10,157	-	12,419	-
Others ii)	186,314	528,102	1,101,629	4,484,584
	115,909,628	1,167,038,102	236,247,473	725,994,584

i) At 31 December 2019 and 2020, the amounts receivable from related parties correspond predominantly to short-term loans, shareholder medium and long-term loans and interest receivable from subsidiaries and associated companies (Note 31). At the end of the year 2020, these short-term loans and supplies bore interest at the rate of 1.26% and 2.03%, respectively.

The Company has several controls in place regarding the financial reporting process of affiliated, jointly controlled and associated companies. The balances and transactions included in the reported financial statements are subjected to financial audits, when legally required. For the remaining companies, where financial audit is not legally required, specific review procedures are performed by the Company.

ii) At 31 December 2020, this item corresponds, in most part, to the 5 million Euros to be received for the disposal of NOS International Carrier Services (Note 9).

11. TAXES PAYABLE AND RECEIVABLE

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

	2019		2020	
	DEBIT BALANCES	CREDIT BALANCES	DEBIT BALANCES	CREDIT BALANCES
Income taxes	-	5,147,208	-	954,857
Personnel income tax withholdings	-	93,893	-	97,725
Value-added tax	-	293,676	66,809	-
Social Security contributions	-	80,906	-	84,882
	-	5,615,683	66,809	1,137,464

At 31 December 2019 and 2020, the amounts receivable and payable in respect of income tax were as follows:

	2019	2020
Current income taxes estimative	(23,688,784)	(30,454,480)
Tax contingencies	(1,507,782)	(1,555,442)
Payments on account	18,786,357	30,101,165
Withholding income taxes	661,567	474,598
Income tax receivable	601,434	479,302
INCOME TAX (PAYABLE) / RECEIVABLE	(5,147,208)	(954,857)

The current income taxes estimative includes the Company and its subsidiaries' taxes estimates, included in the Consolidated Tax Group, where NOS SGPS is the parent company.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 December 2019 and 2020, the item "Available-for-sale financial assets", in the amount of 12.951 Euros, corresponds to equity investments of low value.



13. TAXES

NOS and its associated companies 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 is between 7.5 million Euros and 35 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.

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

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

- NOS SGPS (parent company)
- Empracine
- NOS Corporate Center
- NOS Wholesale
- NOS Property
- 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
- 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 financial statements as at 31 December 2020.

A) DEFERRED TAXES

NOS has recorded deferred tax relating to temporary differences between the taxable basis and the book amounts of assets and liabilities and tax losses carried (when applicable) forward at the date of the statement of financial position.

The movements in deferred tax assets and liabilities for the financial years ended on 31 December 2019 and 2020 were as follows:

	31-12-2018	NET INCOME / (LOSS) FOR THE YEAR	SHAREHOLDERS' EQUITY	31-12-2019
DEFERRED INCOME TAX ASSETS:				
Derivatives (Note 21)	238,052	(13,447)	(138,309)	86,296
Share plans	410,986	56,117	-	467,103
Assets recognised under application of IFRS 16	1,208	(1,208)	-	-
Other provisions and adjustments	701,412	511,410	-	1,212,822
	1,351,658	552,872	(138,309)	1,766,221

	31-12-2019	NET INCOME / (LOSS) FOR THE YEAR	SHAREHOLDERS' EQUITY	31-12-2020
DEFERRED INCOME TAX ASSETS:				
Derivatives (Note 21)	86,296	95,313	43,544	225,153
Share plans	467,103	(77,064)	-	390,039
Other provisions and adjustments	1,212,822	(323,186)	-	889,636
	1,766,221	(304,937)	43,544	1,504,828

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

At 31 December 2019 and 2020, the tax rate used to calculate the deferred tax assets relating to temporary differences was 22.5%.



B) EFFECTIVE TAX RATE RECONCILIATION

In the years ended at 31 December 2019 and 2020, the reconciliation between the nominal and effective rates of tax was as follows:

	2019	2020
Income before taxes	300,848,648	100,730,951
Statutory tax rate	22.50%	22.50%
Estimated tax	67,690,946	22,664,464
Permanent differences (i)	(63,982,933)	(19,057,078)
Tax benefits	-	(2,268,750)
Tax loss used under RETGS	626,521	561,543
Taxes from previous year	(580,701)	332,021
Autonomous taxation	14,668	13,996
Other adjustments	(21,197)	(222,356)
INCOME TAXES	3,747,304	2,023,840
Effective income tax rate	1.2%	2.0%
Income tax	4,300,176	1,718,903
Deferred tax	(552,872)	304,937
	3,747,304	2,023,840

(i) At 31 December 2019 and 2020, the permanent differences were composed as follows:

	2019	2020
Dividends received (Note 29)	(313,137,636)	(91,207,483)
Disposals of investments in subsidiaries (Note 9 and 29)	-	(6,479,239)
Impairment on Financial Investments (Note 9 and 29)	28,741,560	12,950,000
Others	27,486	38,596
	(284,368,590)	(84,698,126)
	22.50%	22.50%
	(63,982,933)	(19,057,078)

14. PREPAID EXPENSES

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

	2019	2020
Insurances	43,986	41,077
Employees	3,173	3,173
Rentals	-	1,450
Other prepaid expenses	27,302	72,237
	74,461	117,937

15. CASH AND CASH EQUIVALENTS

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

	2019	2020
Cash	3,956	16,326
Deposits	1,259,153	126,544,912
	1,263,109	126,561,238

16. SHAREHOLDERS' EQUITY

16.1. Share capital

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

The main shareholders at 31 December 2019 and 2020 are:

	2019		2020	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Sonae, SGPS, S.A. (2)	-	-	38,000,000	7%
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	11,488,099	2.23%
TOTAL	290,585,082	56.41%	329,182,113	63.90%



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

(2) As it has been disclosed to CMVM on 19 August 2020.

16.2. Capital issued premium

On 27 August 2013, and 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), based on the closing market price of 27 August 2013. The capital increase is detailed as follows:

- share capital for an amount of 2,060,646 Euros;
- premium for issue of shares for an 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:

- to cover part of the losses on the balance of the year that cannot be covered by other reserves;
- 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;
- to increase the share capital.

16.3. 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 31 December 2020, there were 3,424,754 own shares, representing 0.6648% of the share capital (31 December 2019: 2,595,541 own shares, representing 0.50380% of the share capital).

Movements in the years ended at 31 December 2019 and 2020 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2019	2,069,356	12,132,263
Acquisition of own shares	1,240,500	6,709,800
Distribution of own shares - share incentive scheme (note 33)	(656,624)	(3,849,140)
Distribution of own shares - other remunerations	(57,691)	(338,232)
BALANCE AS AT 31 DECEMBER 2019	2,595,541	14,654,691
BALANCE AS AT 1 JANUARY 2020	2,595,541	14,654,691
Acquisition of own shares	1,812,134	5,721,710
Distribution of own shares - share incentive scheme (Note 33)	(892,627)	(5,007,140)
Distribution of own shares - other remunerations	(90,294)	(509,809)
BALANCE AS AT 31 DECEMBER 2020	3,424,754	14,859,452

16.4. Reserves

Legal reserve

Portuguese commercial legislation requires 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

At 31 December 2020, NOS had reserves, which by their nature are considered distributable for an amount of approximately 298.2 million Euros, not including net income.

16.5. Dividends

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

	2019
Dividends	180,306,483
Dividends of own shares	(699,290)
Payed Dividends	179,607,193

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 that is attributable to own shares totalled 699 thousand Euros.

	2020
Dividends	143,214,864
Dividends of own shares	(698,894)
Payed Dividends	142,515,970

16.6. Net earnings per share

Earnings per share for the years ended on 31 December 2019 and 2020 were calculated as follows:

	2019	2020
Earnings per share		
Net income / (Loss) for the year	297,101,344	98,707,111
Number of ordinary shares outstanding during the year (weighted average)	513,163,142	512,503,200
Basic earnings per share	0.58	0.19
Diluted earnings per share	0.58	0.19

During the year ended on 31 December 2019 and 2020, there were no diluting effects on net earnings per share, so the diluted earnings per share are equal to the basic earnings per share.



17. BORROWINGS

At 31 December 2019 and 2020, the detail of borrowings is as follows:

	31-12-2019		31-12-2020	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
LOANS - NOMINAL VALUE	74,864,131	1,024,666,667	95,833,406	855,833,333
Debtenture loan	-	575,000,000	-	575,000,000
Commercial paper	55,000,000	413,000,000	77,500,000	262,500,000
Foreign loans	18,333,333	36,666,667	18,333,333	18,333,333
Bank Overdrafts	1,530,798	-	73	-
LOANS - ACCRUALS AND DEFERRALS	1,769,886	(2,847,439)	2,678,776	(1,284,593)
LOANS - AMORTISED COST	76,634,017	1,021,819,228	98,512,182	854,548,740
LEASES	105,313	194,735	112,853	137,129
	76,739,330	1,022,013,963	98,625,035	854,685,869

During the year ended at 31 December 2020, the average cost of debt of the used credit lines was approximately 1.30% (1.50% in 2019).

17.1. Debtenture loans

At 31 December 2020, the Company has 575 million Euros bonds issued with maturity after one year:

- i) A private placement in the amount of 150 million Euros organised by BPI Bank and Caixa - Banco de Investimento in March 2015 and 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 organized 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 organized 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 of 25 million Euros organized by MedioBanca in July 2019 and maturing in July 2024. The issue bears interest at a variable rate, indexed to Euribor and paid semi-annually.

At 31 December 2020, the value of these loans was deducted from the net amount of 1,350 thousand Euros, corresponding to the respective interest and fees, recorded in the item "Loans - accruals and deferrals".

17.2. Commercial paper

At 31 December 2020, the Company has borrowings of 340 million Euros in the form of commercial paper. The total amount contracted, under underwriting securities, is of 665 million Euros, corresponding to twelve programmes, with six banks, of which 490 million Euros bear interest at market rates and 175 million Euros are issued with fix rate. Commercial paper programmes with maturities over 1 year totalling 500 million (of which 262.5 million Euros have been used as of 31 December 2020) Euros are classified as non-current, since the Company has the ability to 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, was classified as non-current for presentation purposes in the financial position statement.

At 31 December 2020 an amount of 995 thousand Euros, corresponding to interest and commissions, was added to this amount, and recorded in the item "Loans - accruals and deferrals".

The maturities of the loans obtained are as follows:

	2019			2020		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debtenture loan	2,333,370	573,221,025	-	2,343,210	574,007,242	-
Commercial paper	55,648,859	362,949,286	50,000,000	78,531,534	212,462,603	50,000,000
Foreign loans	17,120,990	35,648,917	-	17,637,365	18,078,895	-
Bank overdrafts	1,530,798	-	-	73	-	-
Leases	105,313	194,735	-	112,853	137,129	-
	76,739,330	972,013,963	50,000,000	98,625,035	804,685,869	50,000,000

17.3. 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 a year since June 2017. At 31 December 2020, the amount in borrowings totalizes 37 million Euros.

At 31 December 2020, an amount of 950 thousand Euros was deducted from these loans, corresponding essentially to the benefit associated with the fact that the loan with EIB is at a subsidised rate.

All bank borrowings contracted (with the exception of the EIB loan of 37 million Euros, the bond loan of 300 million Euros, and two commercial paper programs of 75 and 100 million Euros, issued with fix rate and finance leases) are negotiated at variable short-term interest rates and their book value is therefore broadly similar to their fair value.



18. PROVISIONS

During the years ended at 31 December 2019 and 2020, the movements recorded in provisions are as follows:

	31-12-2018	INCREASES	REDUCTION	UTILIZATION	31-12-2019
Litigation and others	3,200	-	-	-	3,200
Contingencies - Other	2,151,490	97,093	(401,582)	(1,507,782)	339,218
	2,154,690	97,093	(401,582)	(1,507,782)	342,418

	31-12-2019	INCREASES	REDUCTION	UTILIZATION	31-12-2020
Litigation and others	3,200	74	-	-	3,274
Contingencies - Other	339,218	48,630	(28,188)	-	359,660
	342,418	48,704	(28,188)	-	362,934

Net movements for the years ended at 31 December 2019 and 2020, reflected in the income statement, under Provisions were as follows:

	2019	2020
Provisions and adjustments	(293,156)	13,869
Interests and others	(11,333)	6,647
INCREASES AND DECREASES	(304 489)	20,516

At 31 December 2019, the change observed in Others corresponds to the reclassification of provisions related with taxes payable to the item Tax Payable.

19. ACCRUED EXPENSES

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

	2019		2020	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Wages and salaries	1,869,388	-	1,810,253	-
Supplies and external services	368,086	-	340,248	-
Share Plan	776,390	667,003	539,530	505,017
Others	-	454,886	-	454,886
	3,013,864	1,121,890	2,690,031	959,903

20. DEFERRED INCOME

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

	2019		2020	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Investment grant i)	397,191	5,123,375	397,191	4,730,040
Others	2,118	-	2,118	-
	399,309	5,123,375	399,309	4,730,040

i) Deferred income related to the implicit subsidy calculated when the EIB loans were obtained at interest rates below market value (Note 17.3).



21. DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps

At 31 December 2020, NOS had contracted two interest rate swaps totalling 150 million Euros (31 December 2019: 150 million Euros), whose maturities expire in 2022. The fair value of interest rate swaps, in the negative amount of

51 thousands Euros (31 December 2019: negative amount of 38 thousand Euros) was recorded in liabilities, against shareholders' equity.

Equity Swaps

At 31 December 2020, NOS had contracted four equity swaps totalling 2,728 thousands Euros (31 December 2019: 2,641 thousand Euros), maturing in March 2021, 2022 and 2023 to cover the delivery of share plans in cash.

2019

	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
DERIVATIVES					
Interest rate swaps	150,000,000	-	-	-	38,000
Equity Swaps	2,640,250	-	-	118,553	226,980
	152,640,250	-	-	118,553	264,980

2020

	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
DERIVATIVES					
Interest rate swaps	150,000,000	-	-	-	50,643
Equity Swaps	2,728,336	-	-	346,126	603,904
	152,728,336	-	-	346,126	654,547

Movements during the year ended on 31 December 2019 and 2020 were as follows:

	31-12-2018	INCOME	EQUITY	31-12-2019
Fair value interest rate swaps	(1,211,177)	-	1,173,177	(38,000)
Equity swaps	153,172	59,765	(558,470)	(345,533)
DERIVATIVES	(1 058 005)	59,765	614,707	(383,533)
Deferred income tax assets (Note 13)	238,052	(13,447)	(138,309)	86,296
DEFERRED INCOME TAX	238,052	(13,447)	(138,309)	86,296
	(819,953)	46,318	476,398	(297,237)

	31-12-2019	INCOME	EQUITY	31-12-2020
Fair value interest rate swaps	(38,000)	-	(12,643)	(50,643)
Equity swaps	(345,533)	(423,612)	(180,885)	(950,030)
DERIVATIVES	(383,533)	(423,612)	(193,528)	(1,000,673)
Deferred income tax assets (Note 13)	86,296	95,313	43,544	225,153
DEFERRED INCOME TAX	86,296	95,313	43,544	225,153
	(297,237)	(328,299)	(149,984)	(775,520)

22. ACCOUNTS PAYABLE

At 31 December 2019 and 2020, the amounts that are payable correspond predominantly to loans and interests obtained from group companies (Note 31). At the end of 2020, these loans matured at the interest rate of 0.01%.

23. SERVICES RENDERED

At 31 December 2019 and 2020, this caption corresponds to management services provided to NOS group companies (Note 31).



24. PERSONNEL COSTS

In the years ended on 31 December 2019 and 2020, this item was composed as follows:

	2019	2020
Remunerations	5,570,779	5,926,959
Social taxes	785,797	793,224
Social benefits	101,568	107,280
Others	1,866	318
	6,460,010	6,827,781

In the years ended on 31 December 2019 and 2020, the average number of employees of the Company was 6. At 31 December 2020 the number of employees of the Company amounted to 6.

25. SUPPLIES AND EXTERNAL SERVICES

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

	2019	2020
Support services	930,174	1,292,106
Specialised works	491,912	435,966
Insurances	77,854	80,497
Travelling costs	96,541	43,604
Fuels	26,024	22,705
Communications	13,641	10,625
Litigation and notaries	4,709	5,552
Cleaning, hygiene and comfort	1,639	3,732
Maintenance and repairs	14,419	216
Other supplies and external services	33,183	35,957
	1,690,096	1,930,960

26. OTHER OPERATIONAL LOSSES / (GAINS)

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

	2019	2020
Contributions	38,310	75,704
Others	(43)	72,386
	38,267	148,090

27. OTHER LOSSES / (GAINS) NON-RECURRING

This caption in the years ended at 31 December 2019 and 2020 is as follows:

	2019	2020
Donations	15,000	15,000
Fines and penalties	301	308
Others	-	73,249
	15,301	88,557

28. FINANCIAL COSTS / (REVENUES) AND OTHER FINANCIAL EXPENSES / (INCOME)

During the years ended at 31 December 2019 and 2020, financial costs / (revenues) and other financial expenses / (income), were as follows:

	2019	2020
FINANCIAL COSTS / (REVENUES)		
INTEREST EXPENSES		
Debenture loans	9,104,158	6,892,750
Commercial paper	2,746,663	3,532,670
Related parties (Note 31)	10,697	6,729
Derivatives	1,240,759	71,159
Bank loans	2,060,090	1,478,392
Finance leases	2,795	5,610
Others	49,447	54,604
	15,214,609	12,041,914
INTEREST EARNED		
Related parties (Note 31)	(27,922,988)	(25,281,119)
Bank deposits	-	(3,687)
	(27,922,988)	(25,284,806)
	(12,708,379)	(13,242,892)
NET OTHER FINANCIAL EXPENSES / (INCOME)		
Commissions on bank loans	(39,822)	23,016
Commissions on debenture loans	1,277,755	863,358
Commissions on commercial paper	1,730,575	2,250,691
Bank services	29,421	47,207
Others	(123,440)	(175,789)
	2,874,489	3,008,483

The decrease of interest expenses and interest earned results predominantly from the reduction in the average rates of financing (Note 17).

29. LOSSES / (GAINS) OF AFFILIATED COMPANIES

During the years ended at 31 December 2019 and 2020, this caption was as follows:

	2019	2020
DIVIDENDS RECEIVED		
NOS Comunicações	(293,932,420)	(47,427,122)
NOS Audiovisuais SGPS	(18,323)	(24,445,094)
NOS Property	(6,473,225)	(8,188,046)
NOS Audio - Sales and Distribution*	(3,841,772)	(6,395,628)
NOS Inovação	(2,189,491)	(2,700,450)
NOS Wholesale	-	(964,933)
NOS International Carrier Services	-	(956,086)
NOS Corporate Center	-	(129,924)
NOS Cinemas	(6,682,075)	-
Others	(330)	(200)
	(313,137,636)	(91,207,483)
DISPOSALS OF INVESTMENTS IN SUBSIDIARIES (NOTE 9)		
NOS International Carrier Services	-	(6,479,239)
	-	(6,479,239)
OTHERS		
Losses/(loss reversals) for impairment on financial investments (Note 9)	28,741,560	12,950,000
Others	447	-
	28,742,007	12,950,000
	(284,395,629)	(84,736,722)

* During the year ended at 31 December 2020, a merger took place which resulted in the incorporation of NOSPUB in NOS Lusomundo TV, having the last one changed its designation to NOS Audio - Sales and Distribution.

In the year ended on 31 December 2020, impairment losses refer to the investment in Teliz and Sport TV, in the amount of 10.7 million Euros and 2.25 million Euros, respectively (Note 9).

30. GUARANTEES AND FINANCIAL UNDERTAKINGS

30.1. Guarantees

At 31 December 2019 and 2020, the Company had furnished guarantees in favour of third parties corresponding to the following situations:

	2019	2020
GUARANTEES IN FAVOUR OF:		
Tax authorities i)	19,685,469	28,075,030
Others	2,955	143,943
	19,688,424	28,218,973

i) At 31 December 2019 and 2020, this amount relates to the guarantees required by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries.

Other guarantees

Under the financing obtained by Upstar with Banco Comercial Português totalling 10 million Euros, NOS signed a promissory note in the amount proportional to the shareholding of 30% of the funding.

During the first half of 2015, 2016, 2017 and 2018, and following the settlement notes of 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, 16.7, 17.5 and 3 million Euros, respectively, in order to prevent the establishment of tax enforcement proceedings in order to enforce recovery of the paid amount.

In addition to the guarantees required by the Tax Authorities, sureties were set up in connection with ongoing tax proceedings in which NOS became a guarantor of NOS S.A. for an amount of 14.1 million Euros.

30.2. Other undertakings

Covenants

Of the loans obtained (excluding financial leases), in addition to being subject to the Company complying with its operating, legal and fiscal obligations, 100% are subject to cross-default clauses, Pari Passu and Negative Pledge and 88% to ownership clauses.

In addition, approximately 23% of the total loans obtained require that the net financial debt does not exceed 3 times EBITDA, after the payment of consolidated leaseings, about 4% of the total loans obtained require that the net financial debt does not exceed 3.5 times EBITDA after the payment of consolidated leaseings, about 2% require that the net financial debt does not exceed to 4 times EBITDA after the payment of consolidated leaseings, and about 12% require that the net financial debt does not exceed to 5 times EBITDA after the payment of consolidated leaseings.

Net Financial Debt = Loans – Leaseings – Cash and Cash Equivalents.

EBITDA= Operational result + Depreciations, amortizations and impairment losses + Restructuring Costs + Losses/(gains) with disposal of assets + Other costs/(gains) non-recurrent.

EBITDA after the payment of leaseings = EBITDA – Leaseings Payment (Capital and Interest).

Assignment agreements of football broadcasting rights

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

Additional disclosures are made in consolidated financial statements of NOS SGPS.



31. RELATED PARTIES

The balances at 31 December 2019 and 2020, and the transactions at 31 December 2019 and 2020 with companies of NOS Group were as follows:

Balances with related parties - 2019

	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	LOANS	BORROWINGS
SUBSIDIARIES	74,840,099	990,320	1,166,510,000	53,090,667
Lusomundo SII	(6,434)	-	-	240,572
NOS Audiovisuais SGPS	(47,570)	-	80,000,000	743,193
NOS Cinemas	664,345	-	-	12,921,290
NOS Comunicações	63,753,220	53,771	1,086,510,000	-
NOS Corporate Center	675,177	481,490	-	2,758,395
NOS Inovação	3,898,005	-	-	-
NOS Internacional SGPS	1,952,270	-	-	0
NOS International Carrier Services	42,017	66	-	3,091,933
NOS Audio	3,635,507	454,886	-	19,480,156
NOS Property	198,244	107	-	10,162,303
NOS Wholesale	73,710	-	-	3,692,824
Other subsidiaries	1,609	-	-	-
JOINTLY CONTROLLED COMPANIES	101	2,118	-	-
OTHER RELATED PARTIES	41,327,702	15,665	-	4,498,032
NOS Açores	5,157,609	-	-	-
NOS Madeira	(237,458)	-	-	3,801,085
Per-Mar	(465)	-	-	256,226
Sontaria	8,469	-	-	440,721
NOS Audiovisuais	9,222,007	-	-	-
NOS Sistemas	4,075,237	-	-	-
NOS Technology	21,528,689	13,997	-	-
NOS Towering	1,538,453	1,166	-	-
Other related parties	35,161	502	-	-
	116,167,902	1,008,103	1,166,510,000	57,588,699

Transactions with related parties - 2019

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
SUBSIDIARIES	9,860,073	1,030,526	27,382,968	(8,353)
NOS Audiovisuais SGPS	(153)	-	1,844,937	(1)
NOS Cinemas	504,730	932	-	(2,256)
NOS Comunicações	8,225,912	452,522	25,476,941	-
NOS Corporate Center	35,039	579,811	-	(264)

CONTINUATION

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
NOS Inovação	434,156	(54)	55,370	-
NOS Audio	410,691	(105)	6,049	(5,025)
NOS Property	222,455	(2,581)	(1,123)	(740)
Other subsidiaries	27,243	-	794	(68)
OTHER RELATED PARTIES	4,565,022	(14,830)	805,066	(2,998)
NOS Technology	2,892,976	(19,019)	350,378	(535)
NOS Towering	733,510	-	69,160	(140)
NOS Audiovisuais	640,865	(53)	275,996	-
NOS Sistemas	103,538	(18)	31,351	-
Other related parties	194,132	4,259	78,181	(2,324)
	14,425,095	1,015,696	28,188,034	(11,352)

Balances with related parties - 2020

	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	LOANS	BORROWINGS
SUBSIDIARIES	207,322,457	616,353	721,510,000	78,906,636
NOS Audiovisuais SGPS	13,401,070	-	35,000,000	-
NOS Cinemas	(379,548)	-	-	4,710,563
NOS Comunicações	182,926,026	31,481	686,510,000	-
NOS Corporate Center	654,151	584,872	-	5,193,079
NOS Inovação	1,096,549	-	-	15,633,431
NOS Internacional SGPS	(36,577)	-	-	1,672,596
NOS Audio	5,624,980	-	-	28,695,520
NOS Property	3,445,769	-	-	16,319,319
NOS Wholesale	583,384	-	-	6,682,128
Other subsidiaries	6,653	-	-	-
JOINTLY CONTROLLED COMPANIES	101	2,118	-	-
OTHER RELATED PARTIES	27,807,920	21,508	-	18,678,044
NOS Açores	1,320,312	-	-	-
NOS Audiovisuais	8,565,614	-	-	-
NOS Sistemas	1,002,147	-	-	873,688
Per-Mar	16,996	-	-	2,352,369
Sontária	37,810	-	-	1,601,762
NOS Technology	16,900,243	21,139	-	-
NOS Madeira	(53,018)	-	-	13,667,825
Other related parties	17,816	369	-	182,400
	235,130,478	639,979	721,510,000	97,584,680

**Transactions with related parties - 2020**

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
SUBSIDIARIES	9,959,242	1,370,763	24,677,008	5,815
NOS Audiovisuais SGPS	153	-	1,392,106	-
NOS Cinemas	275,358	(35)	34	481
NOS Comunicações	8,189,772	(144,417)	23,265,239	-
NOS Corporate Center	240,634	1,515,433	342	282
NOS Inovação	461,518	(35)	2,470	978
NOS Property	285,019	(17)	76	884
NOS Audio	447,905	(166)	-	2,597
Other subsidiaries	58,884	-	16,741	593
OTHER RELATED PARTIES	4,608,762	2,964	870,285	1,209
NOS Towering	533,554	-	13,284	149
NOS Technology	3,296,141	3,335	585,996	-
NOS Audiovisuais	522,474	(35)	155,463	-
NOS Açores	30,766	-	69,811	-
NOS Sistemas	87,536	-	39,799	19
Other related parties	138,290	(335)	5,933	1,042
	14,568,004	1,373,727	25,547,293	7,025

* The company NOS Towering has left the sphere of NOS Group on 30 September 2020, when its shares were transferred, in their entirety, for the Cellnex Group. Given this, the period used to determine the volume of the transactions was 9 months.

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, the balances and transactions were grouped in the item "Other related parties" along with entities whose amounts are less than 100 thousand Euros.

32. REMUNERATION EARNED BY MANAGEMENT

The remuneration earned by the management of NOS, for the years ended at December 2019 and 2020 were as follows:

	2019	2020
Compensation	3,119,809	3,222,345
Profits sharing / Bonus	1,285,032	1,242,958
Share plans and share savings plan	1,285,032	1,045,217
	5,689,873	5,510,610

The amounts presented in the table were calculated on an accrual basis for the fixed remuneration and profit sharing / bonus (short-term remunerations). The amount of Share-based compensation plans corresponds to the amount assigned in 2021 related to 2020 performance (and assigned in 2020 related to the 2019 performance). The average number of key members of management in 2020 is 16,5 (17 in 2019). The Corporate Governance Report includes detailed information about NOS' remuneration policy.

The Company considered as Leaders the members of the Board of Directors.

33. SHARE INCENTIVE SCHEMES

On 23 April 2014, in the General Shareholders Meeting the Regulation on Short and Medium-Term Variable Remuneration was approved, which establishes the terms

of the Share Incentive Schemes ("NOS Plan"). This plan is aimed at more senior employees, with the vesting taking place three years after being awarded, assuming that the employees are still with the company during that period.

As at 31 December 2020, the unvested plans are:

NOS PLAN	NUMBER OF SHARES
Plan - 2018	912,727
Plan - 2019	784,163
Plan - 2020	1,454,680

During the year ended on 31 December 2020, the movements that occurred in the plans are detailed as follows:

Movement in number of unvested shares

	PLAN 2017	PLAN 2018	PLAN 2019	PLAN 2020	TOTAL
BALANCE AS AT 31 DECEMBER 2019	856,299	866,098	739,162	-	2,461,559
MOVEMENTS IN THE PERIOD					
Awarded	-	-	-	1,364,152	1,364,152
Vested	(855,334)	(12,739)	(11,491)	(13,063)	(892,627)
Cancelled / elapsed / corrected (1)	(965)	59,368	56,492	103,591	218,486
BALANCE AS AT 31 DECEMBER 2020	-	912,727	784,163	1,454,680	3,151,570

(1) refers mainly to corrections 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, which may be made through the purchase of shares at a discount.



The share plans costs are recognised over the year between the award and vesting date of those shares. The responsibility is calculated taking into consideration the share price at attribution date of each plan or at closing date, for the plans liquidated in cash. As at 31 December 2020, the outstanding responsibility related to these plans is of 6,185 thousand Euros, and is recorded in reserves, for an amount of 5,140 thousand Euros, for the plans liquidated in shares, and in accrued expenses, for an amount of 1,045 thousand Euros, for the plans liquidated in cash.

Additionally, the Company holds a balance receivable from its subsidiaries, in the amount of 4,452 thousand Euros, related to share plans with their employees (Note 31). The average weighted cost of the shares vested in the period may be calculated based on the information disclosed in Note 16.3, namely the number and value of the shares.

The costs recognised in previous years and in 2020, and the respective responsibilities are as follows:

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at December 31, 2019	1,443,393	4,890,772	6,334,165
Plans of costs vested in the period	-	(4,034,830)	(4,034,830)
Costs recognised in the period*	(398,846)	4,284,695	3,885,849
TOTAL PLANS COSTS	1,044,547	5,140,637	6,185,184

*Include the costs recognised by the Company and subsidiaries

34. LEGALLY REQUIRED DISCLOSURES

The fees charged for the years ended on 31 December 2019 and 2020 by Statutory Auditor are detailed as follows:

	2019	2020
Statutory audit	25,520	80,962
AUDIT SERVICES	25,520	80,962
NON-AUDIT SERVICES	1,920	2,400
NON-AUDIT SERVICES REQUIRED BY LAW	21,000	21,000
TOTAL	48,440	104,362

35. OTHER MATTERS

35.1. COVID-19

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

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

In the uncertainty posed by this threat, it is essential that companies design and implement, in a timely manner,

structured and efficient contingency plans that guarantee employee protection and business continuity or that, at least, mitigate the resulting effects.

Health and safety risk and business interruption

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

- i) Minimize the health impact to employees and to all those with whom they;
- ii) Guarantee business continuity, ensuring the provision of services considered critical, for which it is necessary to certify the availability of key resources - employees, suppliers, agents, partners, etc. - and the need to adapt to the specific requirements of clients..

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

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

We are committed to support our customers during the current COVID-19 public health crisis. At a time when many Portuguese are changing their habits and routines and working remotely, keeping our customers connected is the main objective of NOS. To this end, we facilitate access to services, through data offers, 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 31 December 2020, 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.

Additional information regarding the impact of the extraordinary measures adopted by the Group in this context is disclosed in the consolidated financial statements (COVID-19 impact note).



In terms of the projection of future impacts, these will depend on the extent of the spread of the virus and the containment measures, which makes it difficult to predict the scale of the impact. NOS' capital structure is close to the threshold of 2x Net Financial Debt / EBITDA After Leasing Payments (EBITDA - Leasing Payments (Capital and Interest)), so the Board of Directors believes that the company will overcome the negative impacts caused by this crisis, without compromising the continuity of the business, a conviction demonstrated with the maintenance of the shareholders' remuneration policy with the payment of dividends on July 3, 2020.

35.2. Preventive seizure of 26,075% of the share capital of NOS, SGPS, S.A.

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

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

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

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

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.

Further developments are awaited, namely the judicial pronouncement on the embargoes/seizure.

35.3. Tax Breaks

In 2019, the company incurred in expenses with Research and Development (R&D) that could be eligible for the use of the Tax Incentive System in Business Research and Development ("SIFIDE"), provided for in Law No. 55/2010, of December 31, amended by Law No. 64-B/2011, of December 30, by Decree-Law No. 82/2013, of June 17, by Law No. 83-C/2013, of December 31, by Decree-Law No. 162/2014, of October 31, by Law No. 42/2016 of December 28, Law No. 114/2017 of December 29, Law No. 71/2018 of December 31 and Law No. 2/2020 of March 31 and which establishes the possibility for companies to benefit from a tax incentive, in the form of a deduction from the collection of corporate income tax.

As of 31 December 2020, the SIFIDE value of 2019 calculated and already duly certified, in the amount of 2,268,750 Euros, was fully used as a deduction for collection.

36. SUBSEQUENT EVENTS

On 18 January 2021, following the resignation of two of the Board of Directors' members, Ana Paula Garrido Marques (Executive Director) on 18 December 2020, and António Lobão Teles (Non-Executive Director) on the 8 January 2021, the Board of Directors has decided to appoint Filipa Santos Carvalho e Daniel Lopes Beato as members of that governance body to complete the current mandate (2019-2021). The new members of the Board of Directors were also appointed as members of the Executive Committee, which is now comprised by seven members. The above mentioned nominations will be submitted to approval in the next General Shareholders' Meeting, which will take place on 21 April 2021.

As a consequence from the increase in the number of infections and deaths by COVID-19, a new emergency state was implemented on 7 January 2021, for a period of 15 days (and renewed until 15 March 2021). From that day onward all cinemas have been closed. In the case of NOS' core telecommunications business, as was the case in 2020, we estimate that it will continue to show resilience, in the context of the pandemic.

Up until this document's 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.





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

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and individual financial statements of NOS, S.G.P.S., S.A. (the Group), which comprise the Consolidated and Individual Statements of Financial Position as at 31 December 2020 (showing a total of 3,172,643 thousand euros and 2,471,180 thousand euros, respectively, a consolidated and individual total equity of 956,234 thousand euros and 1,409,090 thousand euros, respectively, including a consolidated net profit for the year attributable to the equity holders of the parent of 92,000 thousand euros and an individual net profit for the year of 98,707 thousand euros), the Consolidated and Individual Statements of Income by Nature and the Consolidated and Individual Statements of Comprehensive Income, the Consolidated and Individual Statements of Changes in Equity and the Consolidated and Individual Statements of Cash Flows for the year then ended, and accompanying notes to the consolidated and individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and individual financial statements give a true and fair view, in all material respects, of the consolidated and individual financial position of NOS, S.G.P.S., S.A. as at 31 December 2020 its consolidated and individual financial performance and its consolidated and individual cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated and individual financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 49.2 included in the Notes to the consolidated financial statements and Note 35.2 included in the Notes to the individual financial statements regarding the preventive seizure of 26.075% of the Entity's share capital. Our conclusion is not modified in respect to these matters.

Key audit matters – Consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters relevant to the current period, regarding consolidated financial statements:

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 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número - Sede: Av. da República, 90 - 6.º - 1600-206 Lisboa
A member firm of Ernst & Young Global Limited



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1. Recognition and measurement of revenue given the complexity of systems and the existence of several contracts with multiple performance obligations

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The Group's revenues consist essentially of:</p> <ul style="list-style-type: none"> Revenue from telecommunications services, namely: i) Cable television services, fixed broadband and fixed voice; ii) satellite television; iii) mobile broadband and voice services; Advertising revenue; and Revenue from production and distribution of content and channels. <p>The complexity of information systems that support a significant volume of transactions, combined with the existence of multiple performance obligations, represent a significant audit risk.</p> <p>The process of revenue recognition and measurement involves significant judgement on the part of Management as disclosed in Note 2.3.19 to the financial statements, with particular regard to the appropriate allocation of revenue to each of the performance obligations and estimates of discounts and offers to be granted to customers.</p>	<p>Our approach to the risk of material misstatement included (i) a global response to the way the audit was conducted overall and (ii) a specific response involving a combined approach of assessing controls and performing substantive procedures, including:</p> <ul style="list-style-type: none"> Involvement of internal experts in the evaluation of the Group's information technology general controls and in the test of the application controls of the most relevant revenue processes; Execution of specific audit procedures to assess the operational effectiveness of the controls identified as relevant during all period, including during the lock-down period resulting from the Covid-19 Pandemic, namely: i) reconciliations between systems; ii) testing the controls of the Bill Cycle Review; and iii) validation of the key controls operating throughout the end-to-end process; Analysis of the various types of contracts in order to identify the specific performance obligations of the contracts, such as services, goods, prices, discounts and offers. Our procedures included verifying the correct allocation of revenue to the various services/goods identified. In addition, it was verified the impacts of contract modifications, as a result of Covid-19 Pandemic; Analytical review tests of the disaggregated revenue, comparing it with the same period of the previous year and with the expectation formed based on projected and actual indicators of the Group's performance, including: i) revenue market share; ii) RGU's (Revenue Generating Units); and iii) ARPU (Average Revenue Per User); and We assessed the adequacy of the applicable disclosures, included in the Notes 2.3.19, 30 and 49.1 of the financial statements, particularly the disclosure of management judgments regarding the performance obligations included in the contracts with clients.

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2. Goodwill impairment

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As at 31 December 2020, the carrying amount of Goodwill is 641 million euros (2019: 641 million euros), representing 20% (2019: 21%) of the Group's total assets. Goodwill is allocated to Telco and Audiovisual segments.</p> <p>The possible existence of impairment of Goodwill was considered a key audit matter due to the significance of the amounts to the Group's financial position and due to the complexity involved in the impairment assessment process, which includes assumptions such as future market and economic conditions, market share, revenue and margin evolution.</p> <p>The Covid-19 Pandemic had a significant impact on the economy, affecting the projected cash-flows of several segments of the Group, with emphasis to the Audiovisual Segment. In a context of uncertainty that is reflected in the way that Covid-19 Pandemic will affect the cash flow generation in the coming years, the use of prospective information in the business plans requires significant judgement by the management.</p>	<p>We assessed the assumptions used in the valuation models prepared by management, namely cash flow projections, discount rates, inflation rates, perpetuity growth rate and sensitivity analysis. We were supported, in the performance of these procedures, by internal specialists in business valuations.</p> <p>We evaluated the reliability of the assumptions used in the development of the business plan when compared to prior periods and as compared to historical data and external information. We also analyzed the expectations and impacts of the assumptions estimated by management, as a result of the Covid-19 Pandemic, considering the business segment and the outlook on the future development of business, which were obtained through internal and external sources. We evaluated the clerical and arithmetic accuracy of the models used.</p> <p>We focused on the sensitivity analysis of the two cash generating units, in order to validate the appropriateness of the disclosures included in Note 9 to the financial statements, reflecting the results of the impairment tests carried out, which also included sensitivity analyzes to more adverse scenarios than those commonly used.</p> <p>We verified compliance with the applicable disclosure requirements (IAS 36), as well as the specific disclosures regarding Covid-19 Pandemic impacts included in Notes 9 and 49.1 to the financial statements.</p>

3. Cost capitalization and assessment of the useful lives attributable to tangible, intangible assets and contract with costumers' costs

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>Capitalization of expenditure and determination of useful lives attributable to assets are accounting estimates where management uses significant judgement, as disclosed in Notes 2.3.3, 2.3.5, 2.3.6 and 3.1 to the financial statements. The risks identified are related to the possibility that the capitalized costs do not comply with the capitalization requirements prescribed in the applicable accounting standards or that the tangible and intangible assets and contract with costumers' costs' useful lives are not appropriate or consistent with the period during which economic benefits from the use of those assets will flow to the Group.</p> <p>The subsequent measurement of the amounts recognized as assets requires a continued assessment of the existence of impairment indicators.</p>	<p>We performed specific audit procedures to assess the operational effectiveness of internal controls considered relevant in order to assess whether:</p> <ul style="list-style-type: none"> The capitalization criteria are compliant with the Group's policy; and The assets' useful lives are approved by management and are reviewed on a yearly basis. <p>In addition, we analyzed capitalized costs by nature and assessed whether the capitalization requirements were met.</p> <p>In what concerns useful lives, we tested their consistency and appropriateness considering the specificities of the Group's revenue recognition and the practices of the sector in which the Group operates.</p>



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4. Recognition, measurement and disclosure of tax, regulatory and legal contingencies

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The Provisions account and Note 45 – Legal processes in course, contingent assets and contingent liabilities of the Notes to the financial statements, refer to obligations for tax, regulatory and legal contingencies. Management periodically evaluates potential liabilities arising from past events the probability for which implies the recognition of a provision and/or a disclosure in the financial statements. This evaluation results from a process involving significant judgment on the part of the Group's management. The risks identified are both in the assessment of the likelihood of outflows of resources from the Group as well as in the quantification of the liability or of the contingent liability.</p>	<p>Our approach to the risk of material misstatement included the following procedures:</p> <ul style="list-style-type: none"> Analysis of the controls established in the Group to identify situations likely to give rise to the recognition of provisions or the disclosure of tax, regulatory and legal contingent situations; Obtaining external confirmations from all the lawyers with whom the Group has relations; obtaining explanatory memoranda prepared by external and internal lawyers for the main proceedings in progress; reading the minutes of the Group's various Committees and Commissions; and analysis of the arguments used by management for the graduation of each contingency; Involvement in the audit of internal experts in tax matters; Evaluation of the probabilities of the outcome of contingencies taking into account not only the historical decisions as well as the conclusion of similar processes in other entities in the sector; and Validation of the disclosures included in the Notes to the financial statements related to Provisions and Legal processes, contingent assets and contingent liabilities. <p>In relation to regulatory and legal provisions, the following procedures were also performed:</p> <ul style="list-style-type: none"> Quarterly meetings with the Group's Regulatory and Financial Departments to take note of new contingencies and obtain an update on any situations known in previous periods; Analysis of the newsletters issued by the sector regulator (ANACOM) and its decisions on specific issues of regulation of the sector and assessment of their possible impact on the Group's financial statements; and Analysis of National and International Regulation Reports prepared by the Group's Regulatory Department.

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5. Impairment of trade accounts receivable

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>Impairment of trade receivables amounts to 195.1 million Euros as at 31 December 2020 (2019 – 154.1 million Euros), representing approximately 40%(2019: 30% of the total balance of trade accounts receivable.</p> <p>The impairment testing of accounts receivable is one of the key areas of judgment for management. The identification of the accounts receivable impaired and the determination of the recoverable amount is a process that involves the analysis of several assumptions and factors, including the ageing of the debt, the financial condition of the debtor, the expectation of default and of collection and the forward-looking expected credit loss. In specific cases, the use of complex models and assumptions may produce significantly different estimates of impairment of trade receivables, involving a significant volume of information.</p> <p>Audit risk arises from the significant judgment used in this type of calculation and is increased by the large volume of information managed in different information systems, which requires complex calculations and various assumptions based on historical data and forward-looking expectations.</p> <p>In addition, the Covid-19 Pandemic negatively affected customers' disposable income, increasing the risk of non-collection. There is uncertainty in how the Covid-19 Pandemic will affect the expected credit loss, requiring, in its calculation, a significant judgement by management.</p>	<p>Our approach to the risk of material misstatement included: i) a global response in the way the audit was conducted overall; and ii) a specific response involving a combined approach of assessing controls and performing substantive procedures on collections, recovery of overdue debts, analysis of the variables included in the forward-looking expected credit loss and the calculation of trade receivables impairment as well as the assumptions used by management to define the quantification of the impairment losses to be recognized.</p> <p>We have analyzed the assumptions underlying the quantification of the trade receivables impairment loss based on a forward-looking expect credit approach, which takes into account the ageing of the debt, the financial capacity of the debtors, the historical trends of collections and the forward-looking expect credit loss variables, as well as the impacts on those assumptions resulting from the Covid-19 Pandemic. In addition, we performed sensitivity analysis regarding the assumptions used by the Group.</p> <p>We assessed the adequacy of the applicable disclosures, included in the Notes 2.3.10, 4.1, 17 and 39 of the financial statements, particularly the judgments defined by Management in a scenario affected by Covid-19 Pandemic, regarding the calculation of expected credit losses resulting from trade receivables balances using a provision matrix.</p>

Key audit matters – Individual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters relevant to the current period, regarding individual financial statements:

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1. Goodwill and Financial investments impairment

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As at 31 December 2020, the carrying amounts of Goodwill and Financial investments are 454 million Euros (2019: 454 million Euros) and 926 million Euros (2019: 885 million Euros), respectively, representing 56% of the total assets in the individual financial statements (2019: 51%). This amount includes an impairment loss of 35,7 million Euros (2019: 25 million Euros) in the financial investment in Angola.</p> <p>The possible existence of impairment of Goodwill and Financial investments was considered a key audit matter due to the significance of the amounts on the Entity's financial position and to the complexity involved in the impairment assessment process, which includes assumptions such as future market and economic conditions, market share, revenue and margin evolution.</p> <p>In addition, in the case of the financial investments indirectly held in two entities based in Angola, subjectivity is increased due to the existence of an uncertain economic context and, mainly, in view of the lawsuit filed by the Luanda Provincial Court against the main shareholder of these entities, resulting in the seizure of part of her assets in Angola, including her shares in these entities.</p> <p>The Covid-19 Pandemic had a significant impact on the economy, affecting the projected cash-flows of several segments of the Group, with emphasis to the Audiovisuals Segment. In a context of uncertainty that is reflected in the way that Covid-19 Pandemic will affect the cash flow generation in the coming years, the use of prospective information in the business plans requires significant judgement by the management.</p>	<p>We assessed the assumptions used in the valuation models prepared by management, namely cash flow projections, discount rates, inflation rates, perpetuity growth rate and sensitivity analysis. We were supported, in the performance of these procedures, by internal specialists in business valuations.</p> <p>We evaluated the reliability of the assumptions used in the development of the business plan when compared to prior periods and as compared to historical data and external information. We also analyzed the expectations and assumptions estimated by management as a result of the Covid-19 Pandemic, considering the business segment and the perspectives of the future evolution of the business, obtained through internal and external sources. We evaluated the clerical and arithmetic accuracy of the models used.</p> <p>Regarding Goodwill, we focused specifically on the sensitivity analysis of the two cash-generating units test.</p> <p>Regarding the analysis of the recoverability of investment in Angola, we considered:</p> <ol style="list-style-type: none"> The economic conditions in Angola; the regulatory framework for the telecommunications sector in Angola; the review of the report of the external auditor, not belonging to the EY network, of the two entities including: i) the review of the working papers of that auditor; ii) journal entries testing for balances and transactions with related parties; and iii) other tests carried out with the assistance of internal experts in forensic audits; an opinion, prepared by a Law firm specially hired for this purpose, on the impacts relating to the entities of the legal proceedings involving its main shareholder; and the analysis of the impairment test carried out by NOS, which consisted in determining the recoverable value by calculating the fair value less the costs of disposal ("Fair Value Less Costs of Disposal") of the investments, in which a discount was considered relating to the uncertainty of the current context, instead of determining the recoverable amount, as in previous years, by calculating its value in use (Value In Use). The analysis was carried out with the support of company valuations specialists. <p>We verified that the disclosures included in Notes 7 and 9 of the financial statements reflect the results of the impairment tests carried out and the respective sensitivity analysis, taking into account variables such as the number of customers, price changes and discount rates; or, in the particular case of the financial investments in Angolan entities, the risk adjustment relating to the uncertainty of the current context. Additionally, we verified that the impairment tests carried out also included sensitivity analysis to more adverse scenarios than those commonly used, and we assessed on specific disclosures regarding the</p>

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
	impact of Pandemic Covid-19 which were included in Note 35.1 of the financial statements
	We confirmed that the remaining applicable disclosure requirements were met (IAS 36, IFRS 12 and IFRS 13).

Responsibilities of management and the supervisory board for the consolidated and individual financial statements

Management is responsible for:

- ▶ the preparation of the consolidated and individual financial statements that presents a true and fair of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- ▶ the preparation of the Management Report, including the Corporate Governance Report, in accordance with the law and regulation;
- ▶ the design and maintenance of an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or to error;
- ▶ the adoption of the appropriate accounting policies considering the circumstances; and
- ▶ the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters that may raise significant doubts about going concern.

The supervisory board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and individual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and individual financial statements as a whole are free from material misstatement, whether due to fraud or to error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and individual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated and individual financial statements, whether due to fraud or to error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

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- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated and individual financial statements, including the disclosures, and whether the consolidated and individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- ▶ communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the consolidated and individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the information included in the Management Report with the consolidated and individual financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code ("Código das Sociedades Comerciais"), as well as the verification that the non-financial statement has been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated and individual financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, it is our opinion that the Corporate Governance Report includes the information required to the Entity to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the nr. 1 of the said article.

On the non-financial statement

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Group has prepared a separate report from the Management Report, which includes non-financial information, as required by article 508-G of Commercial Companies Code, and it has been published together with the Management Report.

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On additional items set out in article 10 of Regulation (EU) nr. 537/2014

Pursuant to article 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of the Group for the first time in the shareholders' general meeting held on 23 April 2014 for the period between 2014 and 2015, to complete the mandate of the three-year period from 2013 and 2015. We were reappointed for a second mandate in the shareholders' general meeting held on 26 April 2016 for the period between 2016 and 2018. On the 8th of May 2019, we were reappointed for a third mandate in the shareholders' general meeting, for the period between 2019 and 2021.
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the consolidated and individual financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated and individual financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated and individual financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report to the supervisory board that we have prepared and delivered today to the supervisory board of the Group; and
- ▶ We declare that we have not provided any prohibited services pursuant to article 77, nr. 8 of the Statute of the Institute of Statutory Auditors and we have remained independent of the Group in conducting the audit.

Porto, 10th March 2021

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Sandra e Sousa Amorim (ROCnr. 1213)
Registered with the Portuguese Securities Market Commission under license nr. 20160824

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STATEMENT UNDER THE TERMS OF ARTICLE 245, PARAGRAPH 1, SUBPARAGRAPH C) OF THE PORTUGUESE SECURITIES CODE

In accordance with Article 245, paragraph 1, c) of the Securities Code, the Board of Directors of NOS, SGPS, S.A., whose names and roles are listed below, declare that, to their knowledge:

- a) The management report, the annual individual and consolidated accounts, the legal certification of accounts, required by law or regulation, relative to the year ended 31 December 2020, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, the company's financial situation and results, as well as those of the companies included in its consolidation perimeter;
- b) The management report faithfully portrays the evolution of the company's business, performance and position, as well as those of the companies included in its consolidation perimeter and, when applicable, contains a description of the main risks and uncertainties they face.

Lisbon, 10 March 2021

The Board of Directors

Angelo Paupério

Chairman of the Board of Directors

Miguel Almeida

Chief Executive

José Pedro Pereira da Costa

Vice President – CFO

Daniel Beato

Executive Member of the Board of Directors

Filipa Santos Carvalho

Executive Member of the Board of Directors

Jorge Graça

Executive Member of the Board of Directors

Luis Nascimento

Executive Member of the Board of Directors

Manuel Ramalho Eanes

Executive Member of the Board of Directors

Ana Rita Rodrigues

Member of the Board of Directors

António Domingues

Member of the Board of Directors

António Lobo Xavier

Member of the Board of Directors

Catarina Távira Van-Dúnem

Member of the Board of Directors

Cláudia Azevedo

Member of the Board of Directors

Cristina Marques

Member of the Board of Directors

João Torres Dolores

Member of the Board of Directors

Joaquim de Oliveira

Member of the Board of Directors

José de Freitas

Member of the Board of Directors

REPORT AND OPINION OF THE FISCAL BOARD

Shareholders,

According to the articles of association, the supervision of the Company is committed to a Fiscal Board, comprised of three full members and one alternate member, elected by the General Meeting, as well as to a Statutory Auditor or Firm of Chartered Accountants.

In these circumstances, as set forth in paragraph 1, sub-paragraph g), of Article 420° of the Portuguese Companies Code, we hereby submit our Report on our Supervision Activity and our Opinion on the Individual and Consolidated Annual Report and Accounts of NOS, SGPS, S.A. ("Company") for the financial year ended on 31 December 2020.

The Fiscal Board has regularly accompanied the evolution of the activities of the Company and of its main subsidiaries, monitoring the compliance with the law and with the articles of association, supervising the Company's management, the effectiveness of its risk management systems, internal control and internal auditing and the preparation and disclosure of individual and consolidated financial information. Moreover, the Fiscal Board verified the regularity of the accounting records, the accuracy of the individual and consolidated financial statements and the accounting policies and valuation criteria adopted by the Company in order to ensure that they lead to a correct appraisal of its assets and individual and consolidated profits, as well as its cash flow statements.

As part of its duties, the Fiscal Board met with the Statutory Auditor and External Auditors in order to monitor their audits and learn their conclusions, supervising the works performed by the Statutory Auditor and External Auditors and their independence and competence. The Fiscal Board also met on a regularly basis with the heads of the Internal Audit Department and Legal Department, and the Board Member responsible for the financial area whenever was deemed fit and appropriate. The Fiscal Board received full cooperation from all at all times.

The Fiscal Board monitored the whistleblowing system. This system is available to all shareholders, employees and to the general public.

As for the Corporate Governance report, it is the duty of the Fiscal Board to merely verify that it includes the elements referred to in Article 245-A of the Portuguese Securities Code, which the Fiscal Board did.

The Fiscal Board also received from the Statutory Auditor a letter confirming its independence in relation to the Company.

As such, the Fiscal Board issues the following

OPINION:

The Fiscal Board was informed about the conclusions of the work of the examination of the Company's accounts and external auditing on the Individual and Consolidated Financial Statements for the financial year of 2018, which include the individual and consolidated financial position in 31 December 2020, the individual and consolidated Statements by nature, the individual and consolidated Statements of comprehensive income, the individual and consolidated Statement of changes in equity, the individual and consolidated cash flow Statement and its respective Annexes. The Fiscal Board scrutinized the Audit Report from the Statutory Auditor and External Auditors on these documents which expressed no reservations.

Within its powers, and according to paragraph 1, subparagraph c) of the article 245.° of the Portuguese Securities Code, the Fiscal Board declares that, to its knowledge, the Management Report, and the

Individual and Consolidated Financial Statements for the financial year ended on 31 December 2020 were drawn up in accordance with the applicable accounting standards, reflecting a true and fair view of the assets and liabilities, financial position and results of NOS, SGPS, S.A. and the companies included in the consolidation as a whole. Additionally, the Management Report faithfully states the businesses' evolution, and the performance and position



of the company and of the Group. It also complies with the applicable legal requirements and accounting standards as well as with the articles of association and, whenever deemed necessary, contains a description of the principal risks and uncertainties faced. It is also mentioned that the Non-Financial Statements contain enough information to allow an understanding of the performance, position and impact of the group's activities, related to the matters of environmental, social and worker issues, gender equality, non-discrimination, respect for human rights, fight against corruption and attempts at bribery. The Fiscal Board also ensures that the Company's Corporate Governance Report, which will be announced at the same time as the Management Report, includes the elements referred to in Article 245-A of the Portuguese Securities Code.

In view of the above, taking into account the opinion and the information received from the Board of Directors, the Company's departments, the Statutory Auditor and the External Auditor, the Fiscal Board opinion is as follows:

- i. The Management Report for 2020 may be approved;
- ii. The Individual and Consolidated Financial Statements for 2020 may be approved;
- iii. The Proposal for the Application and Distribution of Profits presented by the Board of Directors, namely taking into account Article 32 of the Portuguese Companies Code, as per the Law Decree nr. 185/2009 of 12th of August, may be approved.

Lisbon, 10 March 2021

The Fiscal Board

José Pereira Alves
Paulo Mota Pinto
Patrícia Teixeira Lopes





CORPORATE
GOVERNANCE REPORT

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We are the inspiration
for a near future

We are of everyone, for everyone. We aspire to be the engine that transforms society, bringing people together and improving their quality of life. We connect everything through our technology, and we connect everyone in extraordinary ways.



CORPORATE GOVERNANCE REPORT

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PART 1

MANDATORY INFORMATION CONCERNING SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

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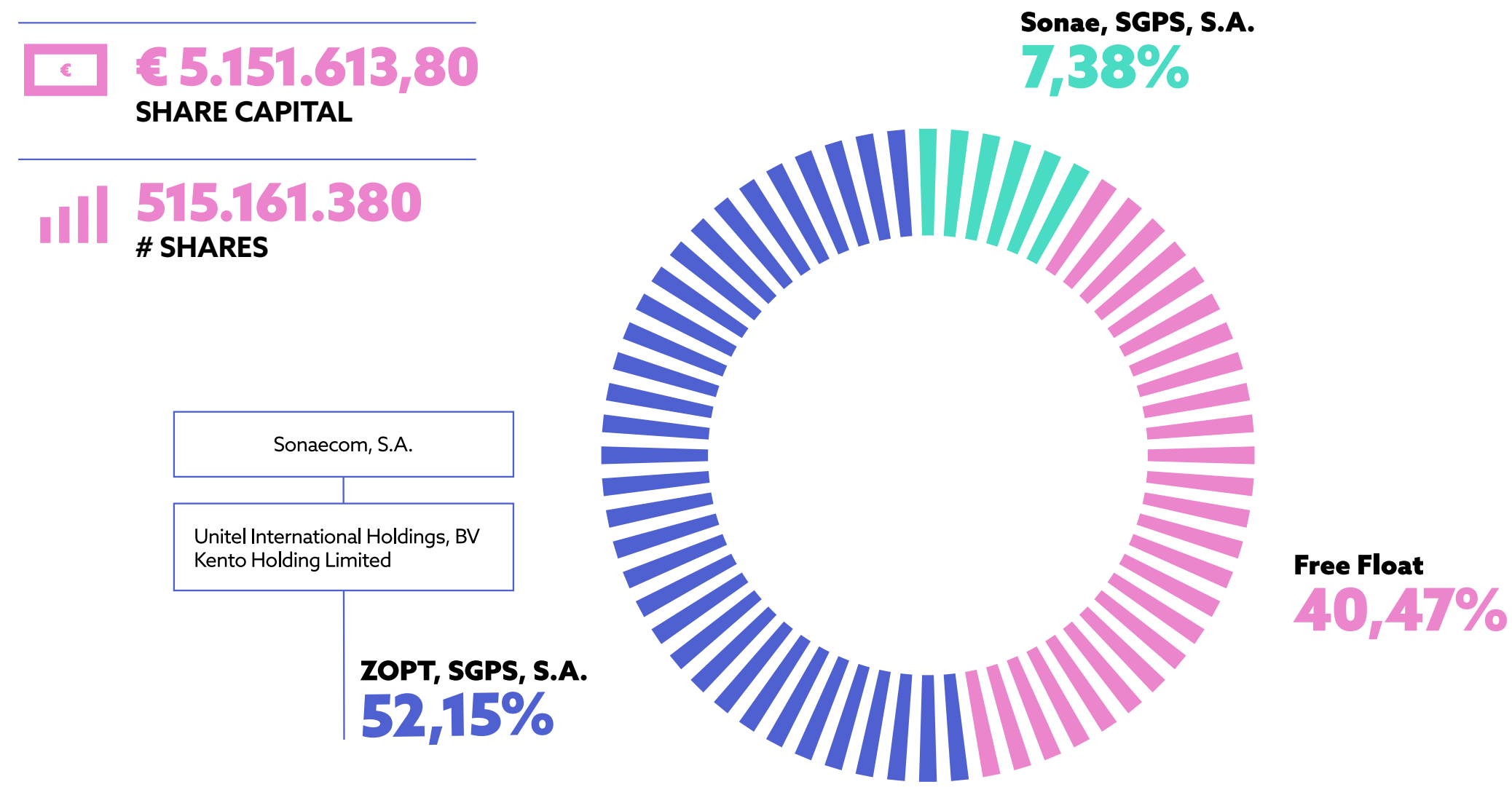
A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

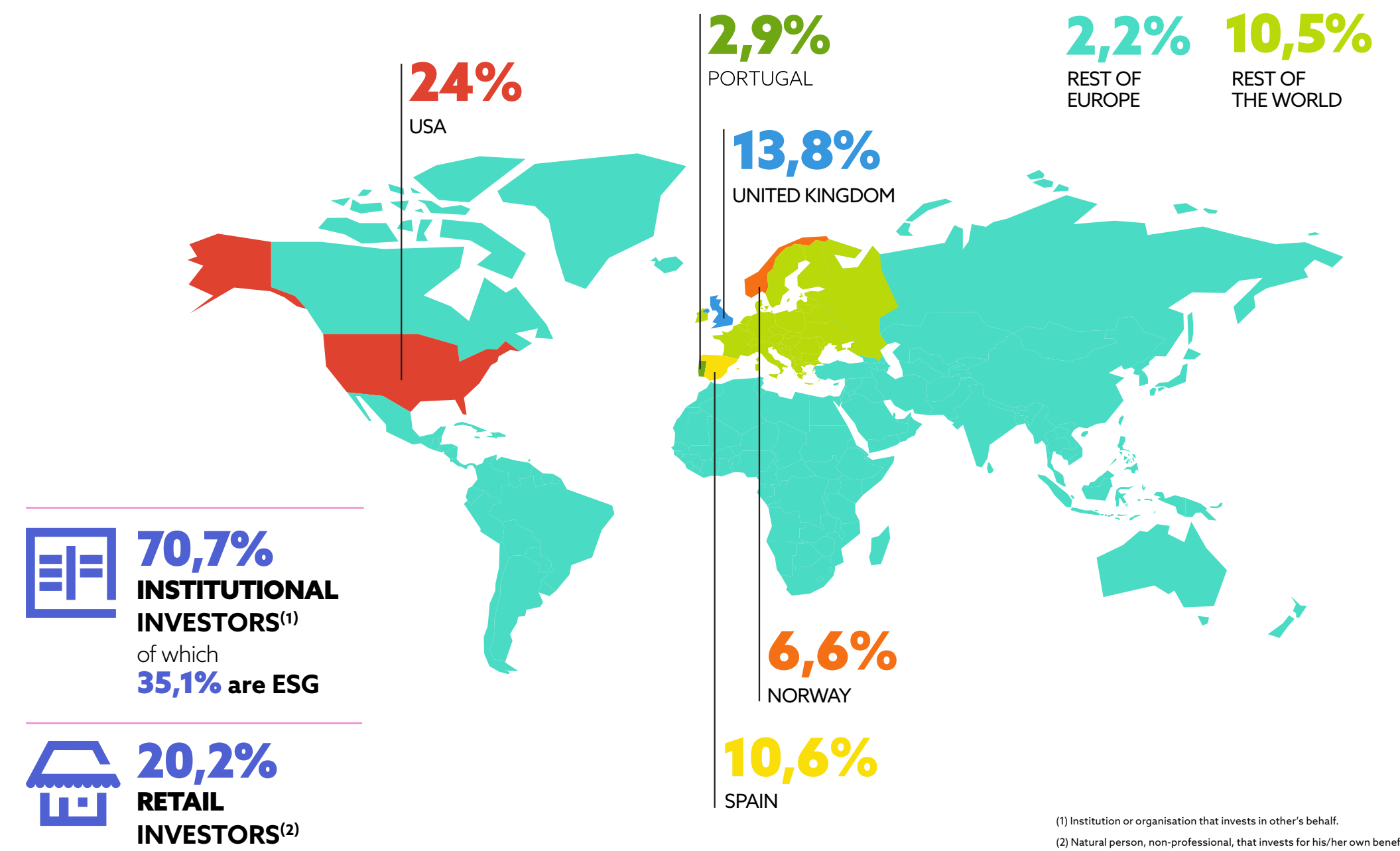
1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties inherent to them and the capital percentage that each class represents (article 245-A(1)(a)).

NOS share capital is 5,151,613.80 Euros and is fully subscribed and paid up, represented by 515,161,380 ordinary shares (there are no share classes), registered book-entry shares with a nominal value of 0,01 Euros (one cent) per share and are admitted to trading on the Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. regulated market. ("Euronext Lisbon").

The Company's capital distribution on 31 December 2020



Free-Float Geographic Distribution



(1) Institution or organisation that invests in other's behalf.
(2) Natural person, non-professional, that invests for his/her own benefit.



2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (article 245-A(1)(b)).

The Articles of Association do not set out limitations or restrictions on the transfer of shares that represent the share capital of NOS.

Notwithstanding, pursuant to article 9(1) of the Articles of Association, shareholders who directly or indirectly compete with the activity performed by the companies owned by NOS, cannot hold common shares that represent more than ten per cent of the Company's share capital, without prior authorisation from the General Meeting.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (article 245-A(1)(a)).

On 19 June 2020, the General Meeting resolved to authorise the purchase and disposal of own shares by the Board of Directors for the duration of 18 months from the approval of the proposal.

At the end of 2020, NOS directly owned 3,424,754 own shares, which corresponded to 0.6648% of the share capital with all attached rights suspended pursuant to the provisions of article 324(1)(a) of the Portuguese Companies Code ("CSC").

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (article 245-A(1)(j)).

NOS is not a party to any important agreements that come into force, are amended, or terminate if there is a change of Company control or change in the members of the Board of Directors, except for normal market practice regarding debt issues.

NOS and its subsidiaries are parties to some financing contracts and debt issues, which include provisions allowing for the change of control (including, tacitly, changes in the change of control as a consequence of a public takeover bid), and which are deemed necessary for the mentioned transactions.

The Company does not consider that the aforementioned situations imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the Board of Directors, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

The Company, independently or jointly with other Group companies has signed financing agreements with financing entities which set out the possibility of termination if there are significant alterations in the Company's shareholding structure and/or in the respective voting rights, accordingly with the market practice in these types of transactions.

There are no other important agreements signed by NOS or by its subsidiaries that include change of control clauses (including following a public takeover bid), i.e., that come into force, are amended or terminate if there is a change of control, as well as the respective effects.

NOS has not adopted any measures in order to impede the success of takeover bids contrary to the interests of the Company and its shareholders.

NOS considers that there are no defensive clauses that could automatically cause erosion to the Company's assets in the event of a transfer of control or of a change to the composition of the board of directors or that would potentially impair the economic interest in the shares' transfer and the free assessment by the shareholders of the performance of the directors.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (article 245-A(1)(g)).

NOS is aware of a shareholder's agreement entered into between shareholders of ZOPT, SGPS, S.A. ("ZOPT") under the terms of the announcement to the market issued on 27 August 2013, which mentioned that Sonaecom, SGPS, S.A. ("Sonaecom"), Kento Holding Limited and Unitel International Holdings, B.V. (where Kento and Unitel International hereinafter jointly referred to as "Group KJ") entered into an agreement on 14 December 2012, where:

- a) SONAECOM owns 50% of the share capital and voting rights of ZOPT;
- b) Group KJ owns 50% of the share capital and voting rights of ZOPT, where 17.35% is owned by Kento Holding Limited and 32.65% is owned by Unitel International Holdings, B.V.

In turn, ZOPT now holds, as result of the merger that took place in 2013, more than 50% of the share capital and voting rights of NOS. Furthermore, on 14 June 2016, ZOPT acquired from Sonaecom SGPS, S.A. 11,012,532 shares representing 2.14% of the share capital and voting rights of NOS. Consequently, ZOPT became the direct holder of 268,644,537 shares representing 52.15% of the share capital of NOS, as disclosed to the market on 16 June 2016.



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MANDATORY INFORMATION CONCERNING SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

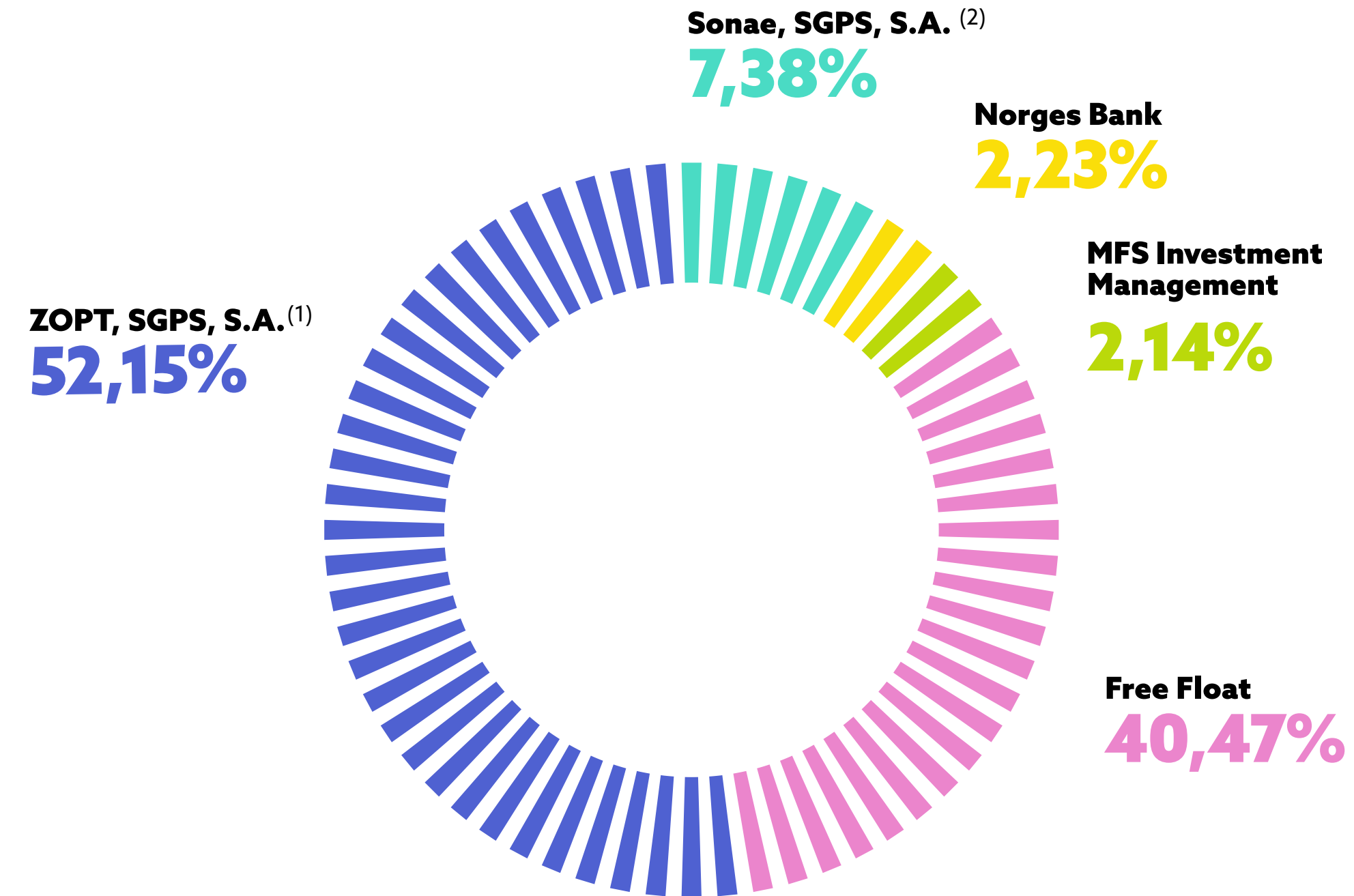


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II. SHAREHOLDINGS AND BONDS HELD

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualified shareholdings (article 245-A(1)(c) and (d) and article 16) with details of the percentage of capital and votes attributed and the source and causes of the attribution.

The structure of qualified shareholdings in NOS that the Company was notified of (including to information rendered under article 447(5) of the CSC) was, on 31 December 2020, as follows:



(1) According to paragraphs b) and c) of number 1 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 the Company as calculated in the terms of article 20 of the Portuguese Securities Code, is attributable to ZOPT SGPS, S.A., to Sonaecom and to the following entities:

a. To the companies Kento Holding Limited and Unitel International Holdings, BV, as well as to Mrs. Isabel dos Santos, being (i) Kento Holding Limited and Unitel International Holdings, BV companies directly and indirectly controlled by Mrs. Isabel dos Santos and (ii) ZOPT a company jointly controlled by its shareholders Kento Holding Limited, Unitel International Holdings, BV, and Sonaecom as a result of the shareholders agreement entered into between these entities;

b. To all entities in a control relationship with Sonaecom SGPS, S.A., namely SONTEL, BV and SONAE, SGPS, S.A., directly or indirectly controlled by EFANOR INVESTIMENTOS, SGPS, S.A, also as a result of the control relationship and shareholders agreement mentioned in a.

As of 29 November 2017, Efanor Investimentos, SGPS, S.A ceased to be a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code.

Note: The calculation of the voting rights percentage corresponding to each shareholder does not consider own shares held by the Company. There is a detailed record of the communications regarding qualified shareholdings on NOS website, on www.nos.pt/ir.

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8. A list of the number of shares and bonds held by members of the managing and supervisory boards.

NAME	POSITION/JOB	SHARES					BALANCE 31-12-2020
		BALANCE 31-12-2019	ACQUISITIONS*	DISPOSALS	UNIT PRICE*	DATE	
BOARD OF DIRECTORS							
Ângelo Gabriel Ribeirinho dos Santos Paupério ⁽¹⁾	Chairman of the Board of Directors	0	-	-	-	-	0
ZOPT, SGPS, SA		268,644,537	-	-	-	-	268,644,537
Sonae - SGPS, SA		0	38,000,000	-	-	8/19/2020	38,000,000
Miguel Nuno Santos Almeida	Chief Executive Officer	72,060	85,301	-	3,042 €	31/03/2020	157,361
José Pedro Faria Pereira da Costa	Executive Member	130,272	63,086	-	3,042 €	31/03/2020	193,358
Manuel Ramalho Eanes	Executive Member	0	48,277	-	3,042 €	31/03/2020	48,277
Ana Paula Garrido de Pina Marques ⁽²⁾	Executive Member	37,463	48,277	-	3,042 €	31/03/2020	85,740
Spouse		19,155	10,743	-	3,042 €	3/31/2020	29,898
Luís Moutinho do Nascimento	Executive Member	80	-	-	-	-	80
Jorge Filipe Pinto Sequeira dos Santos Graça	Executive Member	0	33,467	-	3,042 €	31/03/2020	33,467
Ana Rita Ferreira Rodrigues	Non Executive Member	0	-	-	-	-	0
António Domingues	Non Executive Member	0	-	-	-	-	0
António Bernardo Aranha da Gama Lobo Xavier	Non Executive Member	0	-	-	-	-	0
António Frederico Lobão Ferreira Correia Teles ⁽³⁾	Non Executive Member	0	-	-	-	-	0
Catarina Eufémia Amorim da Luz Tavira Van-Dúnem	Non Executive Member	0	-	-	-	-	0
Cristina Maria de Jesus Marques	Non Executive Member	0	-	-	-	-	0
João Pedro Magalhães da Silva Torres Dolores ⁽⁴⁾	Non Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268,644,537	-	-	-	-	268,644,537
Sonae - SGPS, SA		0	38,000,000	-	-	8/19/2020	38,000,000
Joaquim Francisco Alves Ferreira de Oliveira	Non Executive Member	0	-	-	-	-	0
Maria Cláudia Teixeira de Azevedo ⁽⁵⁾	Non Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268,644,537	-	-	-	-	268,644,537
Sonae - SGPS, SA		0	38,000,000	-	-	8/19/2020	38,000,000
José Carvalho de Freitas	Non Executive Member	0	-	-	-	-	0
FISCAL BOARD							
José Pereira Alves	Chairman of the Fiscal Board	0	-	-	-	-	0
Paulo Cardoso Correia da Mota Pinto	Member of the Fiscal Board	0	-	-	-	-	0
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	Member of the Fiscal Board	0	-	-	-	-	0
Ana Luísa Nabais Aniceto da Fonte	Alternate Member of the Fiscal Board	0	-	-	-	-	0
EXTERNAL AUDITOR							
Ernst & Young Audit & Associados, SROC, S.A.	External Auditor	0	-	-	-	-	0
Sandra e Sousa Amorim	External Auditor	0	-	-	-	-	0
Pedro Jorge Pinto Monteiro da Silva e Paiva	Alternate External Auditor	0	-	-	-	-	0

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (art. 245-A(1)(i)) with an indication as to the allocation date, the time period within which said powers may be carried out, and the upper ceiling for the capital increase.

The Company's Board of Directors exercise the powers conferred by the law and the Articles of Association.

The Shareholders' Annual General Meeting in 2020 granted authorisations to the Board of Directors for the purchase and sale of own shares and bonds by the Company and subsidiaries, within a set of established and approved parameters by the general meeting, in accordance with the applicable legislation.

The Company's Articles of Association do not provide any special powers to the Board of Directors regarding resolutions on capital increase.

10. Information on any significant business relationships between the holders of qualified shareholdings and the company.

The relevant commercial relations held between NOS and their holders of qualified shareholdings during the year 2020 correspond to transactions with related parties referred to in point 92 of this report.



B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the board of the General Meeting

11. Details and position of the members of the board of the general meeting and respective term of office (beginning and end).

Pursuant to article 12(1) of NOS Articles of Association, the Board of the General Meeting is composed by a Chairman and a Secretary, elected by the General Meeting.

The current members of the Board of the General Meeting were elected for the mandate of 2019-2021, beginning on 8 May 2019 and ending on 31 December 2021, and they are:

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

b) Exercise of the Voting Right

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (article 245-A(1)(f)).

Pursuant to the Company's Articles of Association, there are no restrictions on voting rights, with shareholders with voting rights being able to attend the General Meetings (article 11).

To every 100 shares corresponds one vote, which is not deemed as a limit to the exercise of the voting right by the shareholders, as it does not follow the principle of one share one vote, bearing in mind that (i) the nominal value of the shares is one cent and (ii) shareholders holding less than the number of shares necessary to exercise the voting right may join together to reach the required number or more and be represented at the General Meeting by one of these shareholders.

Shareholders with voting rights who, on the record date, which is at 0 hours (GMT) on the fifth trading day before the General Meeting, own shares that

grant at least one vote pursuant to the law and the Company's Articles of Association and who comply with the legal formalities as described in the corresponding notice, have the right to participate, discuss and vote at the General Meeting.

The shareholdings, as a whole, are not subject to limits on the respective voting power, as there are no cap limits on voting. Additionally, considering the relationship of proportionality there is no time lag between the right to receive dividends or to subscribe new securities and the voting right.

The voting right may, on all matters included in the notice of meeting, may be exercised by correspondence or by electronic means, under the terms set forth in the Company's Articles of Association and in the notice of meeting, since the Company also has a system that allows, without limitations, the possibility of shareholders using their voting rights in both formats, being this information duly and promptly sent to shareholders and made available to the public through the publication of the corresponding notice and other documents (including voting ballot and forms) on the Company's website.

The participation of the Shareholders is ensured by electronic means, through videoconferencing and with the possibility of exercising voting rights.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in article 20(1).

Pursuant to the Company's Articles of Association, there is no limit on the number of votes that can be held or exercised by each shareholder.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority.

Pursuant to the Articles of Association, the General Meeting can run at a first meeting so long as shareholders representing more than fifty per cent of the share capital are present or represented, which represents the constitutive quorum.

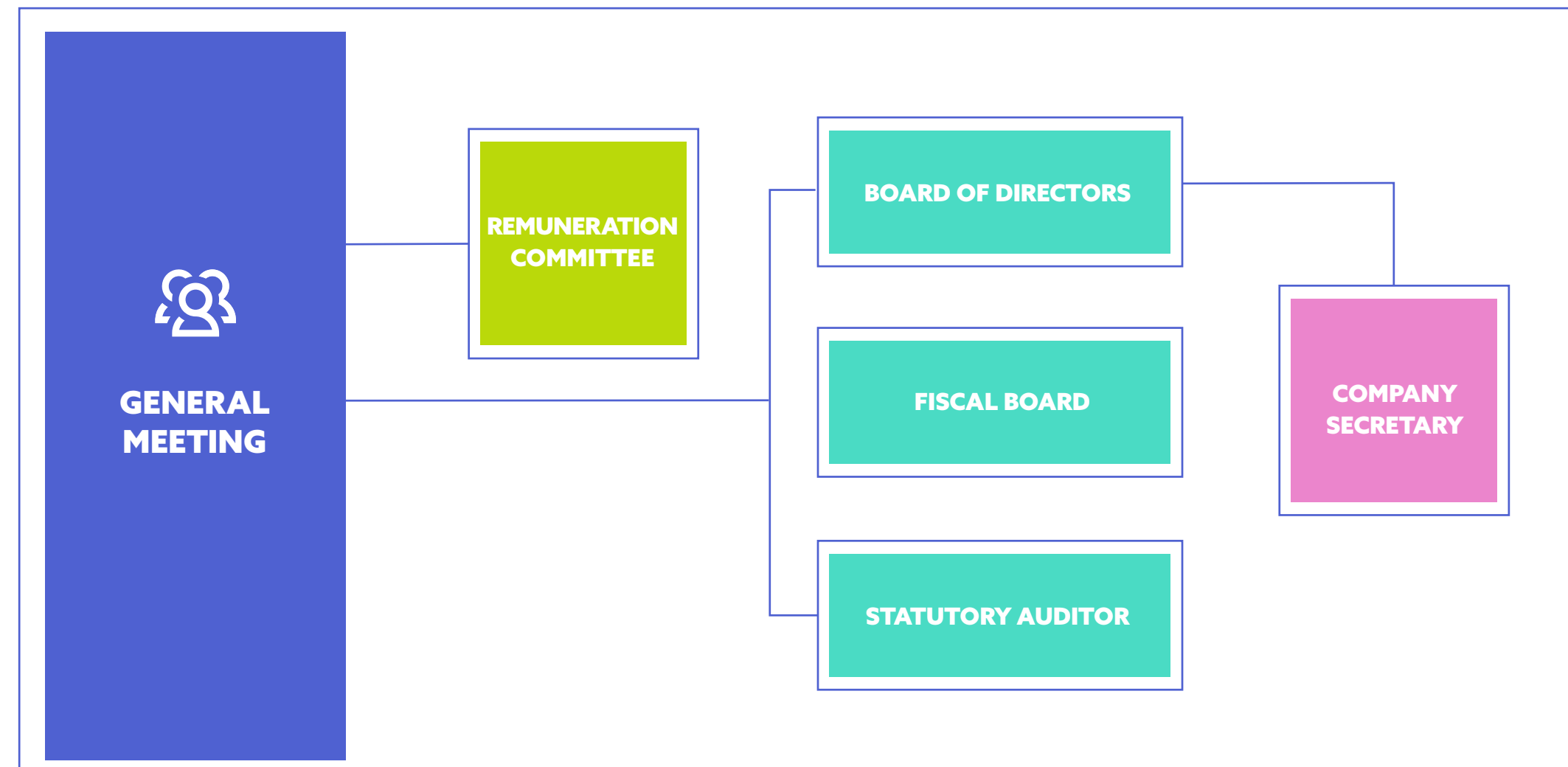
The Articles of Association do not set any qualified quorum greater than that provided by law.



II. ADMINISTRATION AND SUPERVISION

a) Composition

15. Identification of the Governance Model.



NOS adopts the reinforced one-tier governance model, pursuant to article 278(1)(a) and (3) and article 413(1) (a), both from the CSC, a model which is fully and effectively implemented and there are no constraints on its operations.

The adopted model allows the Company to work properly, enabling a flow of information and a proper transparent dialogue between the different corporate bodies and between the Company, its shareholders and other stakeholders.

16. Rules of the articles of association about applicable procedural requirements and materials to the appointment and replacement of members, as applicable, of the Board of Directors, the Executive Board of Directors and the Supervisory Body and the (article 245-A(1)(h)).

Pursuant to article 15 of the Company's Articles of Association, the members of the Board of Directors are elected by the General Meeting, which appoints a Chairman and if it so wishes, one or more Vice-Chairman.

If the General Meeting does not appoint a Chairman of the Board of Directors, the Board will make the appointment.

One of the Company's directors can be elected by the General Meeting pursuant to article 392(1) of the CSC.

The replacement of a director, if they cease their office before the end of the term of office, shall comply with applicable legal requirements, namely under article 393 of the CSC.

Without prejudice to the above, article 16(2) and (3) of the Company's Articles of Association state that where the Director who is definitively absent is the Chairman or Vice-Chairman, he/she shall be replaced through election at the General Meeting. For this purpose, a Director is considered to be definitively absent if, during their term of office, they miss two

meetings in a row or five in total, without a justification that is accepted by the Board of Directors.

17. Composition of the board of directors, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member.

Pursuant to article 15 of the Company's Articles of Association, the Board of Directors is composed of up to twenty-three members elected by the General Meeting, and no express provision is set out on the minimum number. Therefore, the statutory minimum corresponds to the minimum legal requirement for a collegial body (i.e., two members).

Article 10(3) of the Company's Articles of Association states that, however, if the law or the Articles of Association do not set a specific number of members on a corporate body, this number shall be established, on a case-by-case basis, by the resolution to elect, corresponding to the number of members elected. This does not affect, pursuant to article 10(4), the possibility to change the number of the corporate body members during the term of office, up to the legal limit or up to the limit set out by the Articles of Association.

The Board of Directors keep their terms of office for renewable periods of three calendar years, and the calendar year of their appointment counts as a complete year.



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The Board of Directors was elected at the General Meeting of 8 May 2019, for the three-year period of 2019/2021, and its term of office ends on 31 December 2021.

On 31 December 2020, the Board of Directors comprises the following Directors:

NAME	OFFICE	FIRST APPOINTMENT
Ângelo Paupério	Chairman of the Board of Directors	1 Oct 2013
Miguel Almeida	Chief Executive Officer	1 Oct 2013
Ana Paula Marques	Vice-President of the Executive Committee	1 Oct 2013
José Pedro Pereira da Costa	Vice-President of the Executive Committee	21 Sep 2007
Jorge Graça	Executive Member	26 Apr 2016
Luís Nascimento	Executive Member	29 Jun 2016
Manuel Ramalho Eanes	Executive Member	1 Oct 2013
Ana Rita Rodrigues	Member	27 Mar 2020
António Domingues	Member	1 Sep 2004
António Lobo Xavier	Member	1 Oct 2013
António Lobão Teles	Member	8 May 2019
Catarina Távira Van-Dúnem	Member	27 Nov 2012
Cláudia Azevedo	Member	1 Oct 2013
Cristina Marques	Member	27 Mar 2020
João Dolores	Member	1 Oct 2013
Joaquim Oliveira	Member	31 Jan 2008
José de Freitas	Member	27 Mar 2020

On 18 December 2020 and 4 January 2021, Ana Paula Marques and António Lobão Teles respectively resigned their management position and, on 15 January 2021, Filipa Santos Carvalho and Daniel Beato were appointed, by co-opting, to replace them.

Therefore, on today's date, the Board of Directors has the following composition:

NAME	OFFICE	FIRST APPOINTMENT
Ângelo Paupério	Chairman of the Board of Directors	1 Oct 2013
Miguel Almeida	Chief Executive Officer	1 Oct 2013
José Pedro Pereira da Costa	Vice-President of the Executive Committee	21 Sep 2007
Daniel Beato	Executive Member	15 Jan 2021
Filipa Santos Carvalho	Executive Member	15 Jan 2021
Jorge Graça	Executive Member	26 Apr 2016
Luís Nascimento	Executive Member	29 Jun 2016
Manuel Ramalho Eanes	Executive Member	1 Oct 2013
Ana Rita Rodrigues	Member	27 Mar 2020
António Domingues	Member	1 Sep 2004
António Lobo Xavier	Member	1 Oct 2013
Catarina Távira Van-Dúnem	Member	27 Nov 2012
Cláudia Azevedo	Member	1 Oct 2013
Cristina Marques	Member	27 Mar 2020
João Dolores	Member	1 Oct 2013
Joaquim Oliveira	Member	31 Jan 2008
José de Freitas	Member	27 Mar 2020

- Ângelo Paupério was appointed Chairman of the Board of Directors on 27 January 2020, following the resignation, on 23 January 2020, of Jorge Brito Pereira, former Chairman of the Board of Directors.
- Ana Rita Rodrigues, Cristina Marques and José de Freitas were co-opted, on 23 March 2020, following the resignation on 23 January 2020, of Paula Oliveira and Mário Leite da Silva, members of the Board of Directors.



18. Distinction to be drawn between executive and non-executive directors and, as regards non-executive members, details of members that may be considered independent.

The Regulations of the Board of Directors, approved on 9 May 2019, establish that the members of the Board of Directors who do not perform executive duties should always outnumber the members of the Executive Committee, in order to ensure the effective capacity for adequate supervision, monitoring and evaluation of the performance of the members of the Executive Committee.

Therefore, in order to maximise the pursuit of the Company's interest, and in line with the Regulations of the Board of Directors and article 17(1) of the Articles of Association, the managing body is composed of 11 non-executive members and 6 executive members.

The significantly higher number of non-executive members is suitable bearing in mind, especially, its size, shareholder structure, and the size and complexity of the risks associated with its activity, as described in more detail in the paragraphs below.

Considering the above mentioned, and based on the Company's size and its shareholder structure, in line with the definition of independence under on the one hand CMVM Regulation 4/2013 and on the other hand Recommendation III.3 of the IPCG's

Corporate Governance Code of 2018 (revised in 2020), the Company has one independent director among its non-executive Directors – José de Freitas.

It shall be noted that the Non-Executive Directors of the Company have regularly and effectively developed their legal functions, which generally consist in the supervision, oversight and evaluation of the executive member's activity. The Regulations of the Board of Directors provides that those Directors must help the Board of Directors to define strategy (including the strategic plan), main policies (including risk policy), corporate structure and decisions that should be considered strategic for the Company due to their amount or risk, as well as in evaluating compliance, and as such they cannot be delegated to the Executive Committee.

Since the Chairman of the Board of Directors of NOS is a non-executive director in the Company, the functions of the non-executive directors are made much easier, as the Chairman is empowered to coordinate the activities of the lead non-executive Directors and to act as a link, shortening and simplifying the dialogue with the Executive Committee.

One should also note their regular presence and participation in the meetings of that body, which largely contributes to the good performance of their jobs.

NOS non-executive Directors have also made important contributions to the Company by

performing their duties on the specialised Board of Directors committees (see item 27).

In order to guarantee the due and effective monitoring, oversight and assessment of the Executive Committee's activity, as determined by the Board of Directors, the Executive Committee presents, on a quarterly basis, to the Board of Directors, a summary of the most important points of its activity in the relevant period, without prejudice to the provision of proper and timely information when requested by the former to the latter at each moment.

In practice, the agenda of the Executive Committee activity is forwarded to the members of the Fiscal Board every month.

19. Professional qualifications and other relevant curricular information of each member of the Board of Directors.

Pursuant to the CSC, the General Meeting has the duty to elect the members of the managing and supervisory boards and, in that sense, it will be their major role in choosing qualified professionals ensuring also the promotion of diversity within these boards. Professional qualifications and offices held by each member of the Board of Directors are in the Annex to this Report.

The Regulations of the Appointments and Assessment Committee of NOS provides that, during the exercise

of its duties to support the Board of Directors, and in the event of any vacancy occurring within this board, the Appointments and Assessment Committee shall prepare an opinion on the adequacy of a certain candidate to the board, bearing in mind criteria such as qualifications, knowledge, expertise, professional experience, independence, availability and diversity, with a particular emphasis on gender diversity. The goal is, therefore, to help enhance the Committee's performance and balance its composition.

In turn, it is the duty of the Corporate Governance Committee to determine the criteria and requirements of the profile for new corporate board members suited to the position to be held which, in addition to individual attributes (such as expertise, independence, integrity, availability and experience), should also consider diversity requirements, with a particular emphasis on gender diversity which may help, in principle, to enhance the board's performance and balance its compositions.

Furthermore, NOS sets out in its Code of Ethics a general principle applicable to all its employees and, therefore, includes members of the managing and supervisory boards, under which the human resources management policy is based, mainly, on respect for diversity, individual rights and non-discrimination depending on age, gender, sexual orientation, race, disability, religion or creed, promoting diversity as a core value present in all internal processes and procedures.



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Currently, apart from the diversity of skills, variety of academic qualifications and professional experience, members of the Board of Directors and the Fiscal Board possess the adequate diversity in terms of age and gender. In fact, apart from the fact that the percentage of female members is about 40% and 33%, respectively, in both bodies (in compliance with article 5(1) of Law no. 62/2017 of 2 August), the members of these bodies are between 32 and 74 years of age.

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors with shareholders that are assigned qualified holdings that are greater than 2% of the voting rights.

Ângelo Gabriel Ribeirinho dos Santos Paupério

CHAIRMAN OF THE BOARD OF DIRECTORS

Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2020, corresponds to 52.15% of the share capital and voting rights of NOS (disregarding own shares). He is the Chairman of the Board of Directors of Sonaecom SGPS, S.A. and a Member of the Board of Directors of Sonae SGPS, S.A., a company which shareholding, on 31 December 2020, corresponds to 7.38% of the share capital and voting rights of NOS.

Maria Cláudia Teixeira de Azevedo

MEMBER OF THE BOARD OF DIRECTORS

Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2020, corresponds to 52.15% of the share capital and voting rights

of NOS (disregarding own shares). She is a Member of the Board of Directors of Sonaecom SGPS, S.A. and a Member of the Board of Directors of Sonae SGPS, S.A., a company which shareholding, on 31 December 2020, corresponds to 7.38% of the share capital and voting rights of NOS.

João Pedro Magalhães da Silva Torres Dolores

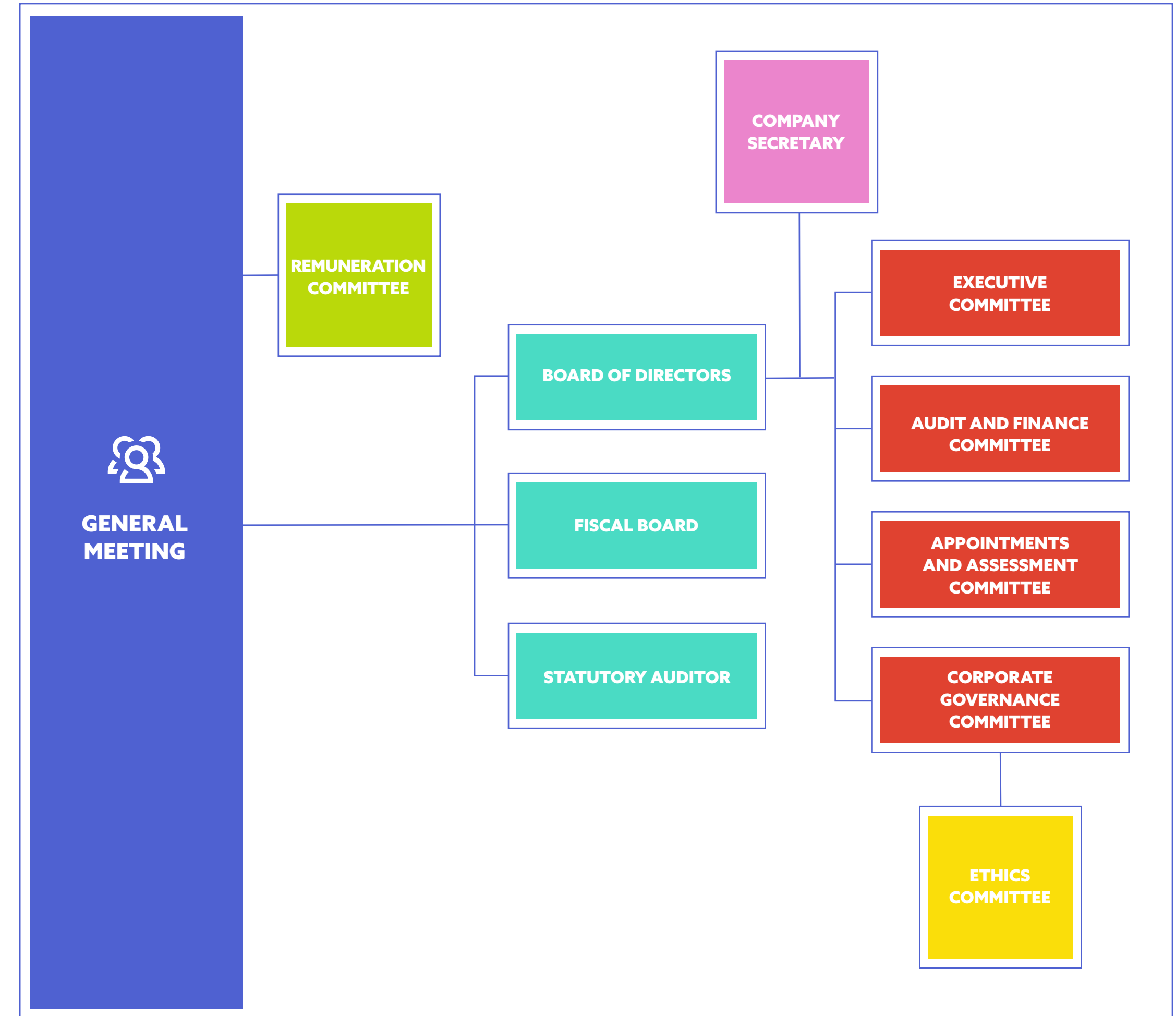
MEMBER OF THE BOARD OF DIRECTORS

Member of the Board of Directors and Member of the Executive Committee of Sonae, SGPS, S.A., a company which shareholding, on 31 December 2020, corresponds to 7.38% of the share capital and voting rights of NOS. He is a Member of the Board of Directors of Sonaecom SGPS, S.A.

21. Organograms or functional maps regarding competence sharing between the various corporate bodies, commissions and/or company departments, including information on competence delegation, in particular regarding daily management of the company

Under the Articles of Association, the General Meeting, the Remuneration Committee, the Board of Directors, the Fiscal Board and the Statutory Auditor are corporate bodies of the Company.

NOS' Board of Directors is responsible for management the Company's activity and their responsibilities are defined in the law, the Company's Articles of Association and the corresponding Regulations.





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The Board of Directors, pursuant to article 17(1) and (3) of the Company's Articles of Association, created and delegated the day-to-day management of the Company to an Executive Committee for the three-year period of 2019/2021, setting out the corresponding composition, functioning and delegation of management powers.

Therefore, the Board of Directors delegated to the Executive Committee the necessary powers to develop and execute the day-to-day management of the Company. For these purposes, the following were not deemed as current management and, as such, were not delegated by the Board of Directors, namely: (i) the definition of the company's strategy and main policies; (ii) the organisation and coordination of the business structure; (iii) the matters which are to be deemed as strategic in view of their amount, risk or special characteristics.

Alongside the day-to-day management of the Company, the Executive Committee is responsible, in particular, for:

- a) Proposing, to the Board of Directors, the strategic guidelines of the Group and fundamental policies of the Company and its subsidiaries;
- b) Working with the Board of Directors and its Committees, as needed for the fulfilment of their respective purposes;
- c) Determining the internal organisational and operating norms of the Company and its subsidiaries, namely

- with regard to employee hiring, professional categories, remuneration and other bonuses;
- d) Issuing binding instructions to companies in a group relationship comprised of complete control, and controlling these companies' implementation of the guidelines and policies laid out pursuant to the above sub-paragraphs;
- e) Exercising disciplinary power, and deciding on applicable penalties for the Company's employees;
- f) Deciding on the acquisition of own shares by the Company, and/or by any of its dependent companies, within the scope of NOS variable remuneration policy, per the terms and conditions approved by the General Meeting of Shareholders.

The Board of Directors, when defining the functioning of the Executive Committee, specifically delegated to the Chairman of the Executive Committee the following duties:

- a) Coordinating the activity of the Executive Committee;
- b) Convening and conducting the meetings of the Executive Committee;
- c) Providing for the proper implementation of the resolutions of the Board of Directors;
- d) Providing for the proper implementation of the resolutions of the Executive Committee;
- e) Ensuring the compliance with the limitations on the delegation of duties, on the strategy of the Company and the duties of cooperation with the Chairman of the Board of Directors and other members of the Board of Directors as well as other company bodies;

- f) Ensuring that the Board of Directors is informed of the actions and relevant decisions of the Executive Committee, as well as guaranteeing that all the clarifications requested by the Board of Directors are provided in a timely and appropriate manner;
- g) Ensuring that the Board of Directors is informed, on a quarterly basis, of the transactions that, within the duties delegated to the Executive Committee, have been entered into between the Company and shareholders of qualified holdings equal or above 2% of the voting rights (Qualified Shareholders) and/or any entities in a relationship of article 20 of the Portuguese Securities Code with them

(Related Entities), when such transactions exceed the individual amount of 10,000 Euros.

In the definition of the Company's strategy and policies, the Board of Directors strives to ensure the long-term success of the company and contribute for the sake of the community in general, as results from the commitments made by the Board of Directors described in page 23 of the [Management Report](#).

Currently, the Executive Committee comprises 7 members, and is functionally organised in the following manner:

Miguel Almeida	José Pedro Pereira da Costa	Daniel Beato	Filipa Santos Carvalho	Jorge Graça	Luís Nascimento	Manuel Ramalho Eanes
Strategy and Business Development	Finance & Administration	Offer and Segmentation	Corporate Secretary	Quality and Transversal Projects	People and Organization	Corporate Transformation Center
Corporate Communication	Corporate Finance	Experience and Value	Audir and Risk Management	Mobile Centric	Customer Care, Back-office and Processes	
Transformation	DPO	Product	Market & Customer Intelligence	Fiber Center	I&M, Technical Support, Logistics, Terminal Management	Corporate Solutions
Azores and Madeira	Investor Relations & Sustainability	CRM	Legal	Information Services	Content	B2B Direct Sales
	Planning and Management Control	WOO	Regulation	Innovation Services	Cinemas	Corporate Channels
	Procurement	Consumer Sales			Audiovisuals	Wholesale
		Brand and Communication			Advertising	



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b) Functioning

22. Availability and place where rules on the functioning of the Board of Directors may be viewed.

The Board of Directors, at its meeting on 9 May 2019 approved its internal Regulations on organisation and functioning, which is available at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CA_2019.pdf.

In line with the recommendations and good practices adopted by the Company, the Regulations on the organisation and functioning of the Board of Directors governs, namely, the exercise of the powers, the presidency, the frequency of meetings, the performance and the obligations' framework of the members of this governing body.

23. The number of meetings held and the attendance report for each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable.

Under article 4 of the Regulations of the Board of Directors, the Board of Directors of NOS meets at least six times a year and whenever is convened on the initiative of the Chairman, or by two Directors.

During 2020, the current Board of Directors held eleven meetings, in which one of them was in person and the other ten were by electronic means, and all of them had the minutes drawn up.

The attendance degree of the members of the Board of Directors in the eleven meetings held was as follows:

NAME	PRESENT	REPRESENTED	ABSENT	ATTENDANCE %
Ângelo Paupério	11	0	0	100%
Miguel Almeida	11	0	0	100%
Ana Paula Marques	11	0	0	100%
José Pedro Pereira da Costa	11	0	0	100%
Jorge Graça	11	0	0	100%
Luís Nascimento	11	0	0	100%
Manuel Ramalho Eanes	11	0	0	100%
Ana Rita Rodrigues*	8	0	0	100%
António Domingues	11	0	0	100%
António Lobo Xavier	11	0	0	100%
António Lobão Teles	11	0	0	100%
Catarina Távira Van-Dúnem	5	0	6	45%
Cláudia Azevedo	11	0	0	100%
Cristina Marques*	8	0	0	100%
João Dolores	11	0	0	100%
Joaquim Oliveira	11	0	0	100%
José de Freitas*	8	0	0	100%

Note: Jorge Brito Pereira, Paula Oliveira and Mário Leite da Silva still attended the first meetings of the year, held on 27 January.
* Member of the Board of Directors, in office as of 23 March 2020 (8 meetings were held since that date).

The absences were always duly justified and accepted by the Board of Directors.

24. Details of competent corporate boards undertaking the performance appraisal of executive directors.

The Remuneration Committee is empowered to annually assess the Executive Committee, supported by an opinion issued by the Appointments and Assessment Committee.

25. Predefined criteria for assessing executive directors' performance.

The assessment criteria for the members of the Executive Committee are measurable and predefined, globally considering the Company's growth and wealth creation in a mid-long-term perspective.

In this scope and for further detail please refer to items 70 and 71 of this report.

26. The availability of each member of the Board of Directors with details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year.



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The offices held by the Directors in other companies, within and outside NOS Group are submitted in the Annex to this report.

All the members of the Board of Directors are able to perform their duties with utmost diligence, guaranteeing careful management in accordance with best practices, scrupulously fulfilling their general and fundamental duties.

In accordance with the Board of Directors' regulations, the Directors inform the Chairman of the Board of Directors, who informs the other members, whenever there is a situation of a potential or an effective conflict of interests of a Director, on his own behalf, on other's behalf or as determined on the Company's Code of Ethics. Such communication of conflict of interests should not be limited to the deliberation context, but should always occur whenever there are facts that might constitute it or originate a conflict between the interests at issue and the Company's interests.

In situations regarding social deliberations, as set out in the Regulations, if the Board of Directors or the Director consider that there is a conflict of interest, the latter shall not participate in the discussion nor exercise their respective right to vote in the deliberations in question and, in such situations, the Director in question will not receive documentation pertaining to the topics where there is a conflict of interest.

In addition, at the time of their election and by 31 January of each year, all members of the Board of Directors individually complete a questionnaire on independence and applicable incompatibilities in accordance with the applicable regulations, without prejudice to the obligation to immediately report any changes to the answers to such questionnaire.

c) Committees within the Board of Directors

27. Details of the committees created within the Board of Directors, and the place where the rules on the functioning thereof is available.

Considering the limits set out by law and the best corporate governance practices, the Board of Directors of NOS created and delegated to an Executive Committee the day-to-day management of the Company.

In compliance with the applicable legal or regulatory requirements – always with merely ancillary duties and the resolutions to be taken only by the managing body – NOS Board of Directors created, in addition to the Executive Committee:

- a) The Corporate Governance Committee;
- b) The Audit and Finance Committee;
- c) The Appointments and Assessment Committee;
- d) The Ethics Committee.

All Committees have internal regulations, which regulate the exercise of their functions, the presidency, the frequency of meetings, the operation and the duties of their members, all available for consultation on the Company's website at <http://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Paginas/default.aspx>.

Taking into account the compliance with the recommendations and best practices of corporate governance, the Company considers that the above-mentioned internal committees are adequate to its dimension and complexity, taking into account the adopted government model.

28. Composition of the Executive Committee.

On 31 December 2020, NOS Executive Committee comprised the following Directors:

Chairman	Miguel Almeida
Vice-Chairman	Ana Paula Marques
Vice-Chairman	José Pedro Pereira da Costa
Member	Jorge Graça
Member	Luís Nascimento
Member	Manuel Ramalho Eanes

Currently, the Executive Committee has the following composition:

Chairman	Miguel Almeida
Vice-Chairman	José Pedro Pereira da Costa
Member	Daniel Beato
Member	Filipa Santos Carvalho
Member	Jorge Graça
Member	Luís Nascimento
Member	Manuel Ramalho Eanes

The members of the Executive Committee are chosen by the Board of Directors and the Committee is made up of a minimum of three and a maximum of seven Directors, as provided for in article 17(1) of the Company's Articles of Association.

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers.

The Board of Directors delegated to the Executive Committee the necessary powers to develop and execute the day-to-day management of the Company, as detailed in item 21 of this Report.

The powers delegated to the Executive Committee may be sub-delegated, partially or in whole, to one or more of its members or to employees of the Company.

- a) Therefore, the Executive Committee is responsible for the day-to-day management of the Company,



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and comprises Directors whose professional profiles ensure that they have the due reputation, competence, diversity of knowledge and experience to perform their duties.

The Board of Directors set out the rules on the composition, operation, and delegation of management powers to the Executive Committee, whose document is available for consultation at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/documents/CE_deleg_2019_PT.pdf

The members of the Executive Committee shall not perform executive management functions in companies in which the Company has no interest, without the prior consent of the Board of Directors.

In accordance with the provisions in its Regulations, during 2020, the Executive Committee had thirty-six meetings, in which were discussed, among others, issues related to the activity to be performed by the Group's business units and companies, transactions approvals with related parties, approval of increase and reduction of capital in companies of the Group, execution and reimbursements of supplementary capital and shareholders loans and sale of property. Minutes from all the meetings were drafted and the attendance of the meetings was 99%.

For more detailed information related with the professional experience and expertise to their

positions by the Members of the Executive Committee, refer to the Annex to this Report.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has the duty to reflect on the governance system, structure and practices adopted, verify its effectiveness and propose measures to the appropriate bodies with a view to improving them.

On 31 December 2020, the Corporate Governance Committee had the following composition:

Chairman	António Lobo Xavier
Member	António Domingues

Its Regulations can be consulted at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CGS_2019.pdf

The duties and powers of the Corporate Governance Committee are, namely, the following:

- a) to study, propose and recommend the adoption by the Board of Directors of the policies, rules and procedures necessary for compliance with the applicable legal and regulatory provisions as well as those of the Articles of Association, including recommendations, opinions and best practices, both national and international, in the matter

- of corporate governance, rules of conduct and social responsibility;
- b) to strive for full compliance with legal and regulatory requirements, recommendations and best practices relating to the Company's governance model and for the adoption by the Company of corporate principles and practices in matters such as: **i)** the structure, powers and operation of corporate boards and internal committees, and their respective internal coordination; **ii)** requirements with regard to qualifications, experience, incompatibilities and independence applicable to members of the managing and supervisory boards; **iii)** efficient means for non-executive members of the managing body to perform their duties; **iv)** the exercising of voting rights, representation and equal treatment of shareholders; **v)** preventing conflicts of interest; **vi)** the scheme applicable to executives, and their performance of executive duties at entities outside of the group; **vii)** transparency of corporate governance, of information to be disclosed to the market and of the relationships with the investors and other Company stakeholders;
- c) to promote and supervise, in the different hierarchical levels, the effective compliance with the Company's Code of Ethics, and also to perfect and update the said Code, submitting to the Board of Directors such proposals as it may deem appropriate for the purpose, and proposing to the Board of Directors those measures it considers

- appropriate for the development of a corporate and professional ethics culture within the Company;
- d) to support the Board of Directors in the performance of its function of supervising corporate governance, rules of conduct and social responsibility, as well as in the way it ensures the adequate and timely flow of information necessary for the exercise of the legal and statutory powers of all the Company's bodies and committees, in particular its minutes and notices of meeting.
- e) in conjunction with the Appointments and Assessment Committee, to determine the criteria and requirements of the profile for new corporate board members suited to the position to be held, which, in addition to individual attributes (such as expertise, independence, integrity, availability and experience), should also consider diversity requirements with a particular emphasis on gender diversity, which may help to enhance the board's performance and balance its composition.

In 2020, under its competences, the Corporate Governance Committee had two meetings, in which were discussed, among others, issues related with the corporate governance report of 2019, the assessment of the Ethics Committee Regulations and issues of incompatibility and independence of managing and supervisory bodies. Minutes from the meetings were drafted and the attendance of the meetings was 100%.



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AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee has the duty to assist in the assessment of financial matters, policy and accounting practices, supervise risk control policy, and advise the Board of Directors and Fiscal Board in the previously mentioned matters.

On 31 December 2020, the Audit and Finance Committee had the following composition:

Chairman	António Domingues
Member	Ângelo Paupério
Member	Ana Rita Rodrigues
Member	João Dolores
Member	António Lobão Teles

Note: on 15 January 2021, António Lobão Teles ceased to be a member of the Commission.

Currently, the Audit and Finance Committee has the following composition:

Chairman	António Domingues
Member	Ângelo Paupério
Member	Ana Rita Rodrigues
Member	João Dolores
Member	Cristina Marques

Its Regulations can be consulted at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CGS_2019.pdf

The powers and duties of the Audit and Finance Committee are, namely, the following:

- a) to follow the activity of the Executive Committee;
- b) to review the annual, half-yearly, quarterly, and similar financial statements to be published, and to report its findings to the Board of Directors;
- c) to advise the Board of Directors on its reports for the market to be included in the publication of the annual, half-yearly and quarterly results;
- d) to advise the Fiscal Board, on behalf of the Board of Directors, on the appointment, duties and remuneration of the External Auditor;
- e) to advise the Board of Directors on the quality and independence of the Internal Audit function, and on the appointment and dismissal of the Internal Audit Manager;
- f) to review the scope of the Internal Audit and Risk Management functions, as well as their relationship with the work of the External Auditor;
- g) to review and discuss with the External Auditor, the Internal Auditor, and the person in charge of risk management the reports produced within the scope of their duties and, consequently, to advise the Board of Directors on matters deemed relevant;
- h) to oversee the Company's risk management policy, in conjunction with the Fiscal Board,

by monitoring risk control policies, identifying key risk indicators (KRI) and integrated risk assessment methodologies;

- i) to review, discuss and advise the Board of Directors on the accounting policies, criteria and practices adopted by the Company;
- j) to review transactions between the Company and Shareholders of qualified holdings of 2% or more of voting rights ("Qualified Shareholders") and/or entities with which they have any relationship pursuant to article 20 of the Securities Code (CVM), and persons or entities qualified as related parties ("Related Parties"), pursuant to Company regulations approved by the Board of Directors by proposal of the Fiscal Board.

In 2020, under its competences, the Audit and Finance Committee had five meetings and discussed, among others, matters related to the financing strategy, approved transactions with related parties, reviewed financing, planning and control, investors relationship and internal audit reports, and discussed the quarterly and annual financial statements and Press Releases of earnings announcements. Minutes from the meetings were drafted and the attendance of the meetings was 100%.

APPOINTMENTS AND ASSESSMENT COMMITTEE

The Appointments and Assessment Committee has the duty to ensure a competent and independent evaluation of the performance of the executive

Directors, the overall performance evaluation report for the Board of Directors and its various specialised committees, and also to ensure the timely identification of potential candidates with the necessary profile for the performance of the duties of Director.

On 31 December 2020, the Appointments and Assessment Committee had the following composition:

Chairman	Ângelo Paupério
Member	open office

Note: Mário Leite da Silva ceased being a member of this Commission on 23 January 2021

Currently the Appointments and Assessment Committee has the following composition:

Chairman	Ângelo Paupério
Member	Ana Rita Rodrigues
Member	João Dolores

Its Regulations can be consulted at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CGS_2019.pdf

It is the responsibility of the Appointments and Assessment Committee to:

- a) assist the Board of Directors when appointing Directors to be appointed by co-optation to join the Company's Board of Directors, under article 393(3)(b) of the CSC;



- b) in its duties to support the Board of Directors, in the event of any vacancy in the Company's Board of Directors or Executive Committee, prepare a justified opinion, identifying persons with the profile most suited to fill this vacancy, bearing in mind the combination of qualifications, knowledge, expertise, professional experience, independence, integrity and availability required for the performance of the respective duties, together with diversity requirements, with a particular emphasis on gender diversity, which may help to enhance the Committee's performance and balance its composition;
- c) approve and make its terms of reference available, and foster, to the extent of its powers, transparent selection processes that include effective mechanisms to identify potential candidates, and ensure that those chosen as candidates possess the highest degree of merit, are best suited to the demands of the functions to be carried out, and shall encourage suitable diversity, including gender diversity, within the organisation;
- d) conduct the annual evaluation process of the members of the Executive Committee, ensuring further harmonisation with the Board of Directors and the Remuneration Committee;
- e) within the annual process of evaluation of the members of the Executive Committee, propose to the Remuneration Committee the criteria which will be regarded when establishing the floating remuneration, namely the individual performing goals;

- f) prepare an overall performance evaluation report of the Board of Directors and its various specialised committees, bearing in mind compliance with the Company's strategic plan, budget, risk management and internal operation, and the contribution of each member of these boards for this purpose, together with the relationship between the Company's boards and committees;
- g) whenever requested by the Board of Directors or by the Remuneration Committee, issue an opinion on the Executive Committee's general remuneration policy, as well as on the floating remuneration programs based on the allocation of NOS shares or stock options.

Within the scope of its activities, the Appointments and Assessment Committee shall observe the long-term interests of shareholders, investors and the general public, and, to the extent of its powers, shall contribute towards achieving social responsibility and sustainability goals.

The Appointments and Assessment Committee meets at least once per year, whenever it is convened by initiative of its Chairman or by any of its members. Decisions made and explanations of vote in meetings of the Appointments and Assessment Committee shall be recorded in meeting minutes.

ETHICS COMMITTEE

The Ethics Committee has the duty to disclose and monitor, with impartiality and independence, the Code of Ethics of NOS Group.

It is composed by three members (Non-executive Director, Chairman of the Fiscal Board and the Director in charge of the Human Resources) appointed by the Board of Directors.

On 31 December 2020, the Ethics Committee had the following composition:

Chairman	António Lobo Xavier
Member	Ana Paula Marques
Member	José Pereira Alves

Note: Ana Paula Marques ceased being a member of this Committee on 15 January 2021 and was replaced by Luís Nascimento

Its Regulations can be consulted at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CGS_2019.pdf

The Ethics Committee is responsible, inter alia, for:

- a) receiving and responding to clarification requests and expressions of concern involving the Code of Ethics, via an email created for this purpose;
- b) analysing, discussing and assessing clarification requests and expressions of concern vis-à-vis the

- Code of Ethics or its fulfilment which have been submitted to supervisors, to the Human Resources Department or to the email created for this purpose;
- c) requesting the internal audit to investigate whatever is required at any given time, within the scope of its powers;
- d) drawing up opinions on measures to be taken in the wake of these investigations;
- e) promoting and monitoring the Code of Ethics' implementation, namely with regard to communication, awareness and training initiatives for employees, suppliers and partners with a view to strengthening an ethical culture;
- f) issuing, when requested to do so by any corporate body of the Company, opinions about ethics or conduct codes, or about professional practices which need to meet legal and/or regulatory requirements;
- g) under sustainability areas' proposal and whenever deemed suitable, making a review of the Code of Ethics and respective procedures concerning the needs of the Company and submit it for the approval of the Corporate Governance Committee;
- h) suggesting to the Corporate Governance Committee policies, goals, instruments and indicators regarding the management system of corporate ethical performance;
- i) ensuring the management system of corporate ethical performance is compatible with the requirements of NOS internal control system;
- j) send to the Corporate Governance Committee, whenever relevant for the purposes of corporate governance, a report of the executed actions;



- k) drawing up and submitting annual activity reports to the Board of Directors;
- l) answering questions with regard to matters addressed in the Code of Ethics, including but not limited to clarifications on matters within the jurisdiction of the Fiscal Board under the Regulations for the Reporting of Irregularities (Whistleblowing), or other legal powers of this board, as opposed to those under the jurisdiction of the Ethics Committee under the Code of Ethics;
- m) drawing up an annual activity report to address the Company's commitments in the area of sustainability.

In 2020, the Ethics Committee had three meetings and discussed the situations and documents submitted to this committee, including approval of the Regulations for Acceptance and Offer of Benefits, made recommendations, monitored the communication and training plan for employees and partners, made the balance and approved activity indicators. The Ethics Committee carried out a class session named "Let's talk about Ethics", opened to all employees, where there was the opportunity to discuss and clarify the ethics-related issues and that included the internal disclosure of Ethics indicators.

Minutes from the meetings were drafted and the attendance of the meetings was 100%.

III. SUPERVISION

a) Composition

30. Details of the supervisory body.

The Fiscal Board is the Company's supervisory body. Pursuant to article 413(1)(b) of the CSC, the supervision of NOS, regarding the legal certification for the accounts, also includes a Statutory Auditor, with the duties provided in article 446 of the CSC, who cannot be a member of the Fiscal Board.

31. Composition of the supervisory board, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date of first appointment, and date of end of the term of office for each member.

Pursuant to article 22(1) of the Company's Articles of Association, the Fiscal Board is made up of three members and an alternate member, elected by the General Meeting, which shall also elect its Chairman, for terms of office of three years.

It is made clear that, while there is no provision in the Articles of Association requiring a minimum or maximum number of members of the Fiscal Board, this Board should necessarily be made of three effective members and one alternate member per the terms of law.

The Fiscal Board was elected at the General Meeting of 8 May 2019, for the three-year period of 2019/2021, and its term of office ends on 31 December 2021.

On 31 December, the Fiscal Board had the following composition:

NAME	OFFICE	FIRST APPOINTMENT
José Pereira Alves	Chairman of the Fiscal Board	8 May 2019
Patrícia Teixeira Lopes	Member	26 April 2016
Paulo Mota Pinto	Member	21 April 2008
Ana Fonte	Alternate Member	8 May 2019

The Company considers that, being the Fiscal Board composed by one Chairman, two members and an alternate member, as is market practice in comparable companies, the efficient execution of its functions is assured and that this number is adequate to the dimension of the Company and to the complexity of the risks inherent to its activity. This is reinforced by the existence of the AFC that, under its competences, assists, advises and supports the Fiscal Board in several of its functions, as described in item 29 above.

32. Details of the members of the fiscal board, which are considered to be independent pursuant to article 414(5) of the CSC.

The Fiscal Board is currently comprised of two independent members: José Pereira Alves and Patrícia Teixeira Lopes.

33. Professional qualifications of the members of the fiscal board and other important curricular information.

The members of the Fiscal Board are manifestly suitable and have academic and professional experience appropriate to the exercise of supervisory functions, and item 19 above on diversity matters is applicable to them.

In order to ensure a more assertive understanding of the effective qualifications, experience and availability of the Fiscal Board members, the functions performed by them, as well as their academic and professional qualifications and professional activities, are in the Annex to this report.

b) Functioning

34. Availability and place where the rules on the functioning of the Fiscal Board may be viewed.

The functioning and powers of the Fiscal Board are established in its Regulations, approved



on 4 September 2019, which is available at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CF%20NOS_2019.pdf

35. The number of meetings held and the attendance report, where applicable, for each member of the Fiscal Board.

In 2020, under its competences, the Fiscal Board had twelve meetings in which, among other activities, was discussed the annual and quarterly financial statements and an opinion was made regarding them, the group policy was assessed regarding the provision of non-audit services, the Internal Audit activity and the conclusion on the respective work of the NOS Group companies was monitored, the suitability of the activity and independence of the Internal Audit was evaluated, the monitoring of the Risk Management model applied to NOS Group was made, the suitability of the accounting policies adopted by the Group was analysed, and the budget review suppositions and Forecast were presented. Minutes of the meetings were drawn-up.

The attendance degree of the members of the Board of Directors in the twelve meetings was 100%.

36. The availability of each member of the Fiscal Board, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant

activities undertaken by members of these boards throughout the financial year.

Members of the Fiscal Board have a high degree of availability for the performance of their respective duties.

The offices held by the members of the Fiscal Board in other Companies are in the Annex to this Report.

c) Powers and Duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

In order to ensure the independence of the External Auditor, the Fiscal Board, according to its Regulations, has the following powers and duties with regard to the external audit:

- selecting the statutory auditors or statutory auditing firm to be proposed to the General Meeting, with a justified recommendation on its preference for one of them;
- it is the main counterpart of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company;

- it evaluates the External Auditor on an annual basis and proposes to the relevant corporate body its dismissal or termination of the contract of services whenever there is a valid basis for the said dismissal.

In addition, the Fiscal Board, on 4 September 2019 approved a new version of the Regulations for the provision of services by the External Auditors (“Regulations for the Provision of Services”), which defines the rules applicable to services other than audit services (“Non-Audit Services”) or related to audit (“Audit-Related Services”) provided by the External Auditor to NOS and its subsidiaries, included in the appropriate scope of consolidation, specifying the different audit services that cannot be carried out by the Statutory Auditor and the procedures to assure its independence. These Regulations for the Provision of Services shall apply to services provided by the External Auditor and related companies.

Under the mentioned Regulations for the Provision of Services, hiring non-audit or audit-related services should be deemed as exceptions or complements, respectively, and in accordance with the rules laid down in those Regulations.

The annual fees for non-audit services cannot exceed the amount corresponding to 70% of the total average of the statutory audit fees of the last 3 years, provided to the Company and its subsidiaries, included in the consolidation perimeter using the full consolidation method.

The provision of non-audit services by the Statutory Auditor/Statutory Auditing Firm requires the prior approval and authorisation of the Fiscal Board, which adequately assesses the threats to independence arising from the provision of these services and the safeguarding measures applied in accordance with article 73 of Law no. 140/2015 of 7 September.

For this purpose, the Fiscal Board should receive a proposal regarding the provision of services to be submitted for approval and authorisation, as well as any additional information that may be deemed relevant, which shall comply with the following requirements:

- a) be clear about the services to be rendered and the fees that will be charged for them;
- b) include a declaration of conformity with the independence principles defined in article 2 of the Regulations for the Provision of Services;
- c) include reasoning for the provision of the services;
- d) include the initial date for the provision of services and its respective fees.

As per the Regulations for the Provision of Services, if a member of the network of the Statutory Auditor/Statutory Auditing Firm who performs the statutory audit of the accounts of NOS or its subsidiaries, provides any non-services prohibited pursuant article 77(8) of Law no. 140/2015 of 7 September, to an entity with offices in a third country that is controlled by NOS or its subsidiaries, the Statutory Auditor/Statutory Auditing Firm shall



assess whether its independence is compromised by such service provision by the member of the network, in accordance with article 5(5) of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014.

38. Other duties of the supervisory body.

Under the terms of the Company's Articles of Association and the relevant Regulations, and in addition to the above mentioned in item 34, it is to be noted that the Fiscal Board:

- evaluates the functioning of the risk management system, the internal control system and the internal audit system and supervises their efficiency, proposing any adjustments that may be deemed necessary, as well as receiving the corresponding reports;
- receives reporting of irregularities (whistleblowing) submitted by shareholders, Company employees or others, informing the entity of the Company responsible for handling the irregularity reported;
- issues a prior opinion on relevant business activities with shareholders of qualified holdings, or entities with whom they are in any relationship, according to article 20 of the Portuguese Securities Code;
- oversees and gives its opinion on the Company's annual report and accounts, including its scope,

- preparation and disclosure, and the faithfulness and completeness of the accounting documents, together with other financial information requiring the Fiscal Board's involvement pursuant to the law;
- informs the board of directors of the statutory audit results and explains the way it helped to assess the integrity of the preparation and disclosure of the financial information process, as well as the role which the Fiscal Board played in such process;
- whenever it deems appropriate, makes a decision, in advance and in good time, and gives a prior opinion on any reports, documents or information of a financial nature that may be evaluated by the Board of Directors and is to be disclosed to the market, notably the preliminary announcements of the quarterly accounts, or submitted by the Company to any competent supervisory authority.

The Fiscal Board also decides on risk policy, work plans and the resources allocated to the internal control services and evaluates annually the compliance with the company's strategic plan and the budget and the risks management. The Fiscal Board has mechanisms implemented that allow, periodically, monitoring and control (i) of the Risks Management model, (ii) of the liquidity and interest rate risk, (iii) of the current management of treasury operations and the accounting policies adopted by the Group, (iv) of the current main judicial and fiscal disputes and their possible accounting impact on

the accounts, and (v) of the procedures of Fraud and Corruption Management.

The Fiscal Board also promotes periodic meetings with the Statutory Auditor for the purposes of monitoring the latter's work.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner that represents said auditor.

Pursuant to the Company's Articles of Association, the Statutory Auditor or Statutory Auditing Firm, full and alternate, is elected by the General Meeting acting on a proposal from the Fiscal Board, performing their respective duties for periods of three years.

On 31 December 2020, this corporate body had the following composition:

Permanent	Ernst & Young Audit & Associados, SROC, S.A. (OROC nr. 178 / CMVM nr. 20161480), represented by Sandra e Sousa Amorim (ROC nr. 1213 / CMVM nr. 20160824)
Substitute	Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC nr. 1258 / CMVM nr. 20160869)

40. The number of years that the statutory auditor consecutively carries out duties with the company.

The Full Statutory Auditor was elected for the first time on the 23 April 2014 General Meeting, and the Alternate at the General Meeting of 8 May 2019.

Thus, the current full Statutory Auditor began its functions in the Company in 2014, having consecutively served the Company for approximately 7 years.

41. Description of other services that the statutory auditor provides to the company.

The description of other services provided by the Statutory Auditor to the Company is in points 46 and 47 of this Report.

V. EXTERNAL AUDITOR

42. Details of the external auditor appointed in accordance with article 8 and the partner that represents said auditor in carrying out these duties, and the respective registration number at the CMVM.

On 31 December 2020, they were performing the audit functions provided in article 8 of the Portuguese Securities Code:



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Permanent	Ernst & Young Audit & Associados, SROC, S.A. (OROC nr. 178 / CMVM nr. 20161480), represented by Sandra e Sousa Amorim (ROC nr. 1213 / CMVM nr. 20160824)
Substitute	Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC nr. 1258 / CMVM nr. 20160869)

43. The number of years that the external auditor and respective partner that represents said auditor in carrying out these duties consecutively carries out duties with the Company and/or Group.

Ernst & Young Audit & Associados, SROC, S.A. began their functions in the Company in March 2014, having consecutively served for approximately 7 years.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties.

Neither the Articles of Association nor the internal regulations set out the periodic rotation of the External Auditor. However, in practice, the rules provided for in the Statutory Audit Bar Statute (EOROC), approved by Law no. 140/2015, 7 September, are applicable to the Statutory Auditor (including the respective partner), i.e., the maximum period of performance of duties by the partner of the statutory auditing firm that

acts as the external auditor is 7 years and the maximum period of performance of duties by the statutory auditing company is, as a rule, 10 years.

45. Details of the board responsible for assessing the external auditor and the regular intervals when said assessment is carried out.

The Fiscal Board has the duty to, in accordance with article 3(1)(o) of its Regulations, annually evaluate the External Auditor, and propose to the competent body its dismissal or the termination of the service agreement whenever there is a valid reason.

To that effect, the Fiscal Board annually fills out an assessment questionnaire regarding the External Auditor, which addresses issues such as independence, internal control, meeting periodicity, and financial reporting. In addition, and to assist in the assessment, the CFOs in coordination with the Financial Board and the External Auditor itself also fill out questionnaires

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment.

The non-audit services, which are defined negatively, consist of all services in which the auditor does not

issue an opinion on accounts in accordance with SAIs (excluding prohibited services), such as:

- review of financial statements with a limited level of assurance, which includes limited reviews of quarterly, half-yearly or other period accounts;
- advise on interpretation and counselling on implementation of new accounting and financial reporting rules;
- counselling related with the required financial reporting for the compliance with the accounting policies adopted;
- tax services related to the audit or mid-term review of the financial statements, including review of the compliance with Transfer Pricing rules;
- requirements of internal control reporting, whether audits or reviews of internal controls;
- review of financial information to be disclosed to the market;
- reviews and audits to Information Systems, when related to the auditing of the financial statements;
- comfort letters and other reports of agreed procedures, within the scope of prospects and other procedures related to securities;
- audit to the Social Responsibility and Sustainability Reports;
- certification of the internal control report;
- other certifications not required by law or by the Company's Articles of Association;
- audit for the acquisition of new businesses (auditing of the opening balances), including advice on accounting restatement;

- training in technical matters, etc.;
- other services, namely the ones that may be provided by the External Auditors, due to their professional experience and/or knowledge of the company, and that are not described in the previous paragraphs, such as Due Diligences in potential acquisitions and/or sales.

However, services required by law from the External Auditor are included in the non-audit services, which should not be considered for the purposes of the limit on non-audit services provided by the External Auditor.

In 2020, the non-audit services described on the above paragraphs a), h), i), k), and n) above were hired by NOS or its Group companies. The provision of such services does not constitute a threat to the independence of the External Auditor nor does it fall within the prohibited services provided for in article 77(8) of the EOROC and, given the nature of the services concerned, there are efficiency gains which justify its provision by the External Auditor.

As described in item 37 above, the provision of non-audit services, with the exception of services required by law, demands prior approval and authorisation of the Fiscal Board.

47. Details of the annual remuneration paid by the company and/or legal persons in a control or group relationship to the auditor and other natural or legal persons pertaining to the



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same network and the percentage breakdown relating to the following services.

In 2020, NOS Group (the Company and companies controlled by or in a group relationship with the Company) paid, as fees to NOS' Statutory Auditor and External Auditor (Ernst & Young, S.A. (E&Y), and to its network of companies), the following amounts:

BY THE COMPANY*	104,362	%
Account auditing service fee (€)	80,962	78%
External assurance service fee (€)	23,400	22%
BY SUBSIDIARIES*	160,198	%
Account auditing service fee (€)	143,148	89%
External assurance service fee (€)	17,050	11%
TOTAL	264,560	%
Account auditing service fee (€)	224,110	85%
External assurance service fee (€)	40,450	15%

*Including individual and consolidated statements

In accordance with the regulations approved by the Fiscal Board, the annual fees for non-audit services provided by the Statutory Auditor cannot exceed the amount corresponding to 70% of the total average of the statutory audit fees of the last 3 years, provided to the Company and its subsidiaries, included in the consolidation perimeter using the full consolidation method. During 2020, the non-audit services represented 8% of the average of the statutory audit fees of the last 3 years. The Fiscal Board receives and reviews the information on the fees and services provided by the External Auditor on a quarterly basis.

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. The rules governing amendment to the articles of association.

By law and under the Company's Articles of Association, article 12(4)(d), amendments to the Articles of Association, including those concerning share capital increases, always depend on the shareholders' resolutions, in which must be present or represented, in case of first call, at least fifty per cent of the shareholders.

Such resolutions are taken by the majority provided for by law, which consists of two thirds of the votes cast, except on a second call if the shareholders holding at least half of the share capital are present or represented, in which case these resolutions can be taken by a majority of the votes cast (article 386(3) and (4) of the CSC).

II. REPORTING OF IRREGULARITIES

49. Means and policy for reporting irregularities.

In line with the principles established in its Code of Ethics, applicable to all employees, NOS has mechanisms for detecting and preventing irregularities, which include the implementation of the Internal Control Manual and Fraud and Corruption Management procedures and, in general, its risk control system, better described in Items 50 and following. NOS also has a policy for reporting irregularities occurring within the Company and has a Regulations for the Reporting of Irregularities (whistleblowing) available at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento_Whistleblowing%20NOS%20SGPS_2019.pdf

Any communication of Irregularities covered by the Regulations shall be treated as confidential, unless the author expressly and unequivocally requests otherwise. Anonymous complaints will only be accepted and treated on an exceptional basis and, in any case, no reprisal or retaliation will be tolerated against those that make the mentioned communications.

Any evidence of irregularities should be reported in writing, marked as "confidential", and sent to the Fiscal Board, via letter to the postal address exclusively for this purpose (Apartado 14026 EC, 5 de Outubro,

1064-001 Lisbon), or via email to comunicar.irregularidades@nos.pt, the chosen reporting method shall be at the whistleblower's discretion.

The Fiscal Board is responsible for receiving, recording and processing the communications of Irregularities that occur in NOS or in the companies within the respective group and for undertaking other acts which are necessarily related with those powers. The Internal Audit must assist the Fiscal Board to perform those competences. In addition, the Fiscal Board may hire external auditors or other experts to assist in the investigation, when the specific nature of the matters in question so justify it.

The Fiscal Board, within the limits of its powers, shall monitor the correct application of the procedure established by the aforementioned Regulations.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems.

The internal control and risk management system at NOS consists of various key parties with the following responsibilities and goals:



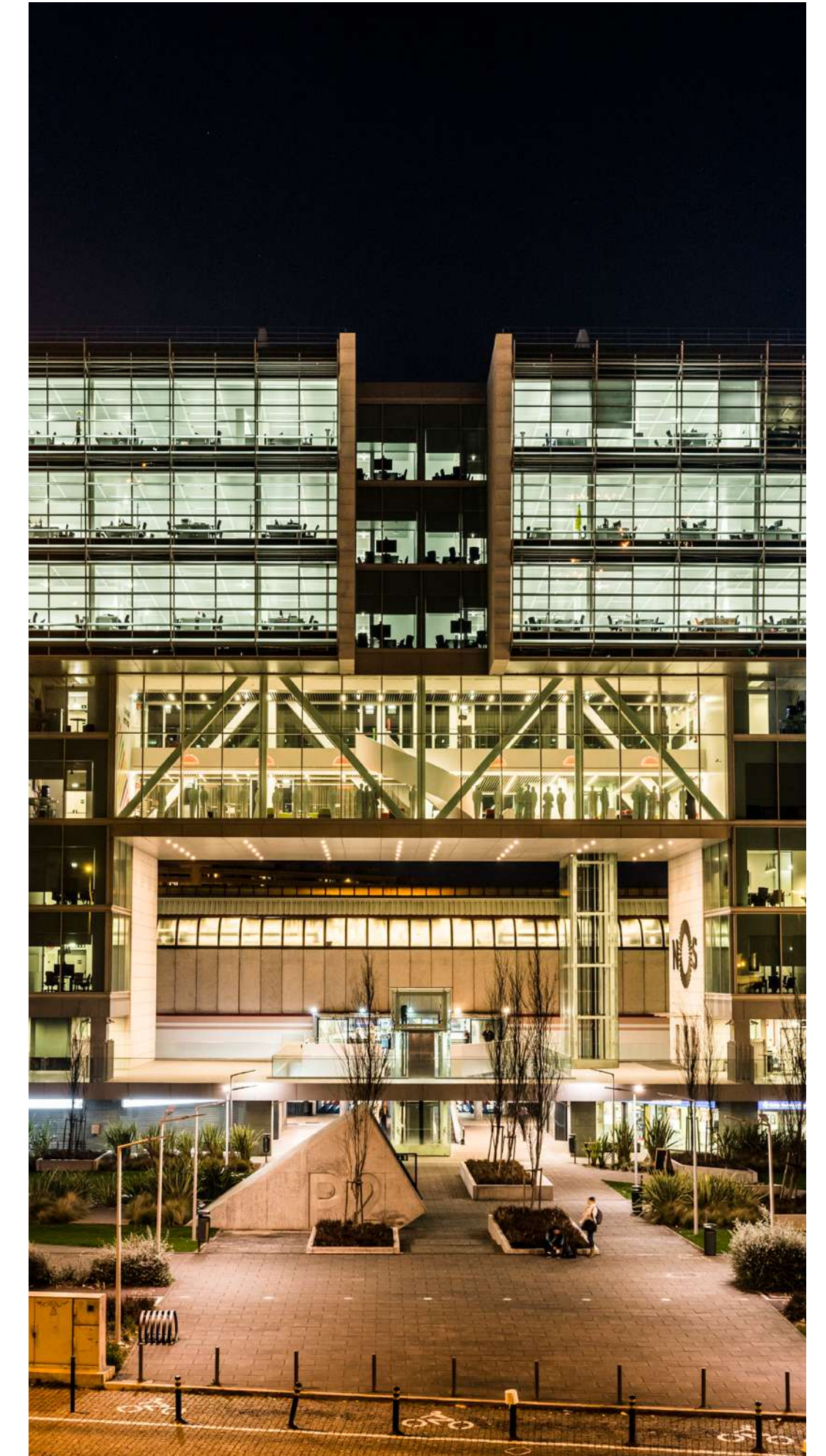
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BODY / COMMITTEE / AREA	RESPONSIBILITIES
Board of Directors	<ul style="list-style-type: none"> • Define the strategy and main policies of NOS. • Decide on the matters which are to be deemed as strategic in view of their amount, risk or special characteristics. • Supervise the internal control and risk management system within NOS, and delegate its creation and operation to the Executive Committee.
Executive Committee	<p>Within the powers conferred by the Board of Directors:</p> <ul style="list-style-type: none"> • Create and ensure the functioning of the NOS internal control and risk management system, using the powers delegated by the Board of Directors. • Discuss and approve the risk assumption objectives, including risk acceptance levels, approve the NOS strategic plans and risk management policies in order to ensure that the risks effectively incurred are consistent with those objectives, and respect the strategies and policies established by the Board of Directors. • Make proposals to the Board of Directors on matters pertaining to NOS internal control and risk management which are considered strategic.
Areas	<ul style="list-style-type: none"> • Implement the internal controls and risk management specific to each department of the NOS business units, as part of their responsibility for NOS corporate or functional processes. • Form specific risk management teams, such as risk committees or working teams, necessary for the development of certain risk management programmes. These may include an Executive Committee officer, a Steering Committee of Directors and various Pivots/Champions representing the business units.
Risk Management	<ul style="list-style-type: none"> • Promote awareness, measurement and management of business risks that interfere with the achievement of objectives and the creation of value for NOS. • Contribute with tools, methodologies, support and know-how for the different areas. • Promote and monitor the implementation of programmes, projects and actions designed to bring risk levels closer to the acceptable limits established by the Company's management.
Internal Audit	<ul style="list-style-type: none"> • Assess risk exposure and check the effectiveness of risk management, of the internal controls on business processes, and information and telecommunications systems. • Propose measures to improve internal controls, to achieve a more effective management of business and technological risks. • Monitor changes in risk exposure associated with the main findings and nonconformities identified in the audits. • Report to the Fiscal Board regarding these matters.
External Audit (Statutory Auditor)	<ul style="list-style-type: none"> • Check the effectiveness and functioning of internal control mechanisms and report the weaknesses identified to the Fiscal Board. • Audit the Company's accounts, issue the corresponding legal certification for the accounts and an audit report, as part of its public interest functions.
Fiscal Board	<ul style="list-style-type: none"> • Evaluate the functioning of the internal control and risk management systems and the internal audit system, as the supervisory body with legal and statutory responsibility for these matters. • Give an opinion on the work plan and the resources allocated to the Internal Audit services. • Serve as the main spokesperson for the External Audit, be the first recipient of their reports, and be responsible for proposing remuneration and ensuring that suitable conditions exist within NOS for the performance of these External Audit services. • Annually assess the External Audit and propose its dismissal or the termination of its service provision agreement to the competent body, whenever justified grounds exist for this purpose. • Assess the degree of internal compliance and the performance of the risk management system, in particular as the recipient of: (i) the reports on the External Audit's assessment of the internal control system (ii); the annual report on the Internal Control Manual prepared by NOS.
Audit and Finance Committee	<ul style="list-style-type: none"> • As a specialised committee, advise the Board of Directors on certain matters, including those relating to the functions of the External Audit, Internal Audit and Risk Management, thereby reinforcing, in a complementary manner, the monitoring of these matters which is carried out by the Fiscal Board.





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51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company.

The hierarchical and functional relationships are as follows:

- The Internal Audit and the Risk Management report hierarchically to the **NOS Executive Committee**, specifically to the CFO (Chief Financial Officer).
The Internal Audit and Risk Management (in the Internal Control area) functionally report to the **NOS Fiscal Board** which, as a supervisory body with legal and statutory responsibility for assessing the functioning of the internal control and risk management systems and the internal audit system, shall receive the corresponding reports and must give an opinion on the work plan and resources allocated to the Internal Audit services. The supervisory body shall evaluate the degree of internal compliance and the performance of the risk management system, in particular by receiving the reports on the External Audit assessment of the internal control system. In addition, the supervisory body should also receive the annual report on the Internal Control Manual (including indicators on effectiveness, coverage, etc.), as well as other reports that may

be deemed relevant, made by the Internal Audit or Risk Management, in matters such as accounting, identification or settlement of conflicts of interest and detection of possible irregularities.

- The Internal Audit and the Risk Management (the latter in the Internal Control part) also report functionally to the **NOS Audit and Finance Committee**, as the specialised committee that advises the Board of Directors on certain matters, including those concerning the Auditing and Risk Management functions, thus reinforcing, complementarily, the supervision of these matters already carried out by the Fiscal Board.
- The Internal Audit monitors the **NOS Ethics Committee**, in its capacity as the committee responsible for overseeing and maintaining the NOS Code of Ethics, for monitoring its implementation and for ensuring that all members of corporate bodies and all employees of the Company comply with it.
- The Risk Management should coordinate the **NOS Security & Privacy Team**, as the core team responsible for coordinating security, privacy and continuity programmes.

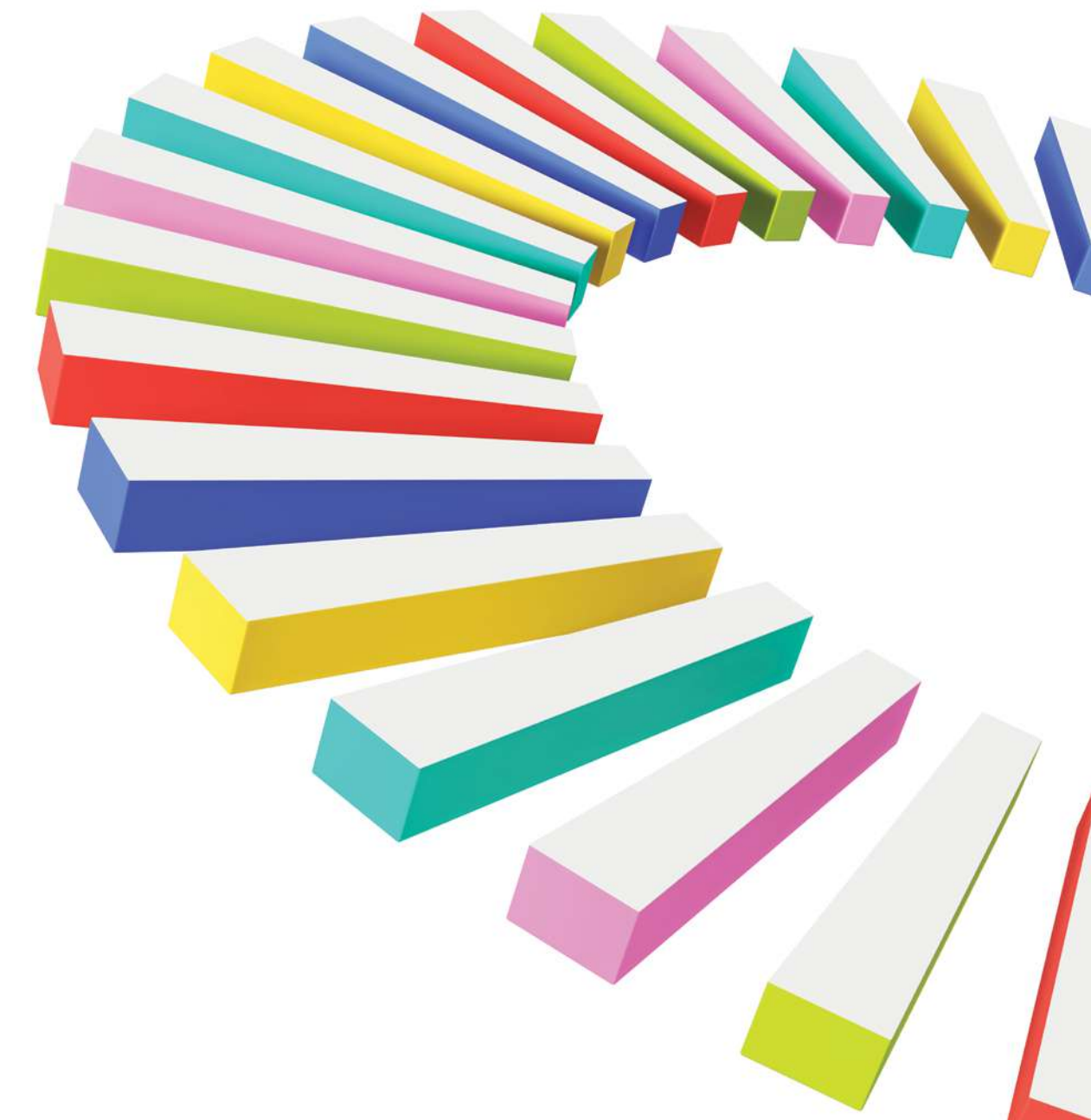
With regard to the internal control system and risk management monitoring at NOS, it is also important

to highlight the way in which the Board of Directors intervenes in the establishment of risk assumption objectives and their fulfilment as a managing body:

- The Board of Directors defines and approves the “Risk Management Policy” proposed by the Executive Committee.
- The Board of Directors approves the Company’s strategic plans proposed by the Executive Committee and these plans do not exceed the risk assumption objectives, taking into account that the Executive Committee respects the strategies and policies defined by the Board of Directors.
- The executive Committee ensures the functioning of the organisation’s internal control and risk management system, using the powers delegated by the Board of Directors.
- In any case, the responsibility to decide on matters which should be regarded as strategic by virtue of their value, risk or particular characteristics is still of the Board of Directors (not delegated to the Executive Committee).
- The Board of Directors receives the relevant reports arising from the Risk Assessments from the Executive Committee, this being a periodic control mechanism to ensure that the risks

effectively incurred are consistent with those objectives established by the Board of Directors as a managing body.

The remaining responsibilities in the creation, functioning and periodic assessment of the internal control and risk management system are set out in the Regulations of the respective Company bodies or committees.





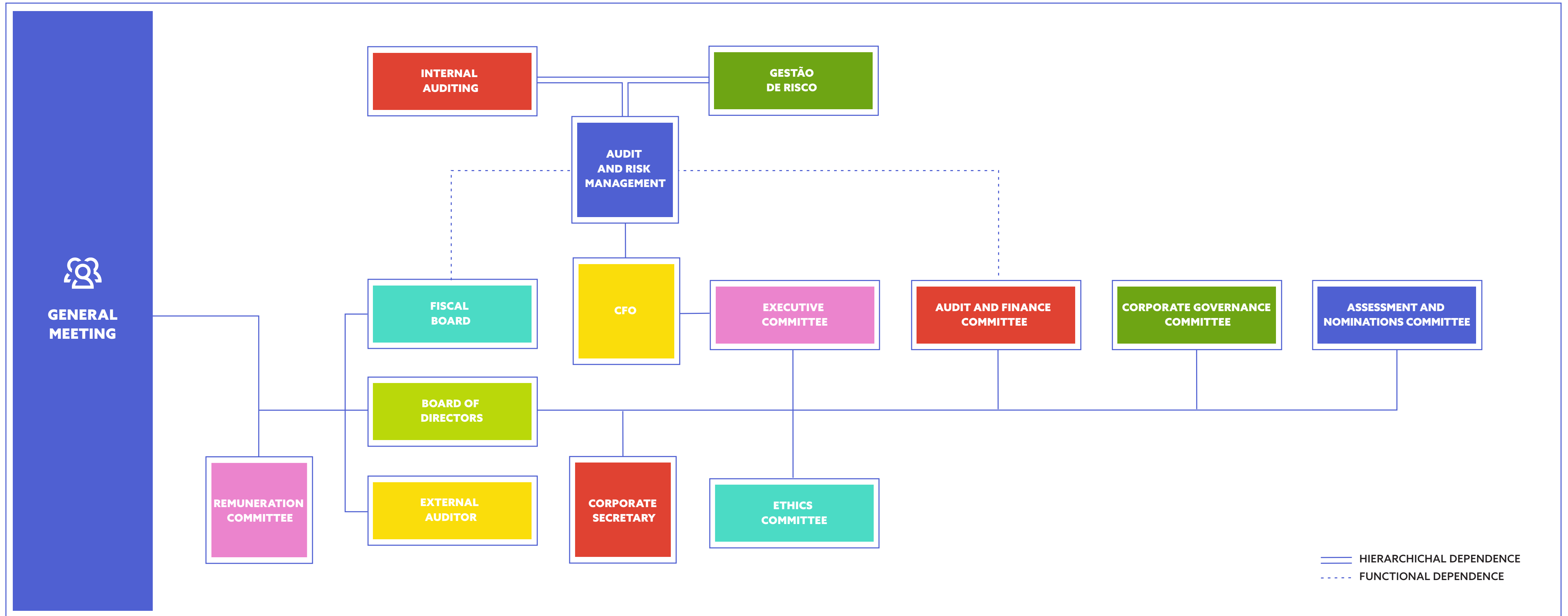
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Details, even if by including an organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the Company.





52. Other functional areas responsible for risk control.

In addition to the areas referred to in the preceding sections, the Company has other functional areas with competence in internal control and risk management that make a decisive contribution to maintaining and improving the control environment. Particularly notable in this context are the following business areas and processes:

- The areas of **Planning and Control**, in coordination with the corresponding pivots in the areas of business, are responsible for monitoring the implementation of annual Action and Resource Plans (as part of NOS strategic plans) and the correspondent budgets and forecasts, in the financial and operational components;
- The **Administrative and Financial** areas have a central responsibility in managing the risks relating to Financial Information, as described elsewhere in this Report;
- The **Legal and Regulatory** areas must keep abreast of changes in the applicable legal and regulatory framework and the corresponding risks, given the threats and opportunities they represent for the NOS competitive position;
- The **Enterprise Business Assurance** teams (usage control, subscription fraud, consumption, content,

etc.) and **Network and Service Supervision** teams (network and service availability, interruption incident management, etc.) monitor specific risks of the business;

- The **technological areas**, including **Networks and Information Systems**, shall have indicators and alerts for service disruption and security incidents at the operational level;
- The **various areas of business and individual employees** are required to comply with the procedures set out in the **Internal Control Manual**, ensuring that all acts or transactions engaged in are appropriate and properly evidenced;
- The **various business areas** must have **internal controls** that ensure not only the commitment of the areas to the risk management and internal control environment, but also permanent monitoring of the effectiveness and adequacy of these controls, as well as processes and **indicators to monitor operations and Key Performance Indicators**.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity.

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

The approach adopted by NOS for Enterprise Risk Management (ERM), is to incorporate risk management into NOS strategic planning activities. During the preparation of annual Action and Resources Plans, as part of the Strategic Plans, 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. The plans are discussed and approved by the Executive Committee.

In this section, the main risks inherent (to NOS business), the **relevant risks for NOS certifications** (ISO certifications), and **financial risks** (related to Key Audit Matters of the Financial External Auditor), and also the respective **strategies and actions** that have been adopted for their management are identified and described. A description of the risk assessment process made in 2020, which mainly identifies risks **related to the COVID-19 context**, can be found in section **“3.6 Risk Management” of the Management Report**.

ECONOMIC RISKS

Economic Environment – With regard to the economic environment, see section “3.6 Risk Management” of the Management Report, which particularly describes risks related to the COVID-19 context. Additionally, NOS has also used other

response strategies to the economic environment, in coordination with response actions to competition and technological innovation risks, which are described in the following items.

Competition – This risk is related to the competition intensity of the market, potential reduction in the prices of products and services, reduction in market share, loss of customers, and the increasing difficulty of obtaining and retaining customers.

The management of competition risk over the last years has involved a strategy of investing in constant improvement in quality, differentiation and innovation of products and services provided, protection and diversification of the offer compared to the competition, crossing of offers between NOS businesses and the strengthening of the portfolio of audiovisual rights, as well as the constant monitoring of customer preferences and/or needs. The operational integration processes that have taken place over the past years in NOS have contributed to the development of a competitive position vis-à-vis its competitors. The evolution for a transformation logic, whose key objectives are customer satisfaction, organisational fitness and operational efficiency, is also essential.

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 possible entry of new



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competitors in the electronic communications sector, made easy and already visible in the auction for the acquisition of 5G frequency.

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 players which act outside of the traditional communications market, like the OTT (over-the-top players) operators. Risk is also related to changes in mobile and fixed network infrastructures and technologies, covering key aspects such as coverage, capacity, speed, security and resilience, highlighting the challenges of technological developments associated with 5G networks. NOS has in place various initiatives on technological transformation which lay the foundation for 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 (modernisation of the infrastructure with the upgrade to a single RAN - Radio Access Network – prepared for 5G architecture), 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 on and leverage 5G technology).

Business Interruption and Catastrophic Losses (Business Continuity Management) – Given that the businesses of NOS are based above all on the use of technology, potential failures in technical-operational resources (network infrastructures, information systems applications, servers, etc.) and human resources may cause a significant risk of business interruption, if they are not well managed. This may imply other risks for the Company, such as adverse impacts on reputation, on the brand, on revenue integrity, on customer satisfaction and on service quality, which may lead to the loss of customers. In the electronic communications sector, business interruption and other associated risks may be aggravated because the services are in real time (voice, data/internet and TV), and Customers typically have low tolerance for interruptions. In order to address these risks NOS develops and maintains the BCM (Business Continuity Management) programme, which is aimed at Business Continuity management processes that covers 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. In this matter, during 2020, the objectives for recuperating the services in case of failure of the communications network were reviewed and several improvement resilience actions of the infrastructures and services in the network were implemented. During the pandemic, NOS has created a permanent COVID-19 Crisis Office, and implemented several strategies and risk response measures identified in section “3.6. Risk Management” of the Management Report (see “Interruption/Catastrophic Losses” risk). NOS also implemented several strategies and measures aimed at protecting not only the critical roles that guarantee business continuity, but also most of its employees and partners, described in the section of Health and Safety in the Workplace risk.

Confidentiality, Integrity and Availability (Information Security Management) – Bearing in mind that NOS is the biggest corporate group in the area of communications and entertainment in the country, its businesses make intensive use of information and of information and communication technologies that are typically subject to security risks, such as availability, integrity, and confidentiality.

Just like other operators, NOS is increasingly exposed to cybersecurity risks, related to external threats to the electronic communications networks and to the surrounding cyberspace. As a consequence of

the COVID-19 environment, cybersecurity risks are even more important, with NOS implementing a set of measures described in section “3.6 Management Risk” of the Management Report (see “Cybersecurity” risk). NOS has also been coordinating with some external entities for promoting benchmarking and best practices sharing in Security and Privacy (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 increases. Hence, NOS implemented measures with the aim of incrementing the level of monitoring of external or internal cybersecurity threats and possible undue utilisation of the information, including strengthening of control over processes and technologies, besides the regular disclosure to its employees and customers of protection recommendations related to online threats in the context of the pandemic, and good security practices while working from home.

Privacy (Personal Data Protection) – Privacy risks are becoming more important, and are mainly associated with changes in the legal requirements and regulations on personal data protection common to all sectors of activity, but particularly applicable to the protection of personal data, which is subject to specific regulations on security and privacy.

To address these risks, NOS is developing and maintaining an ongoing programme of initiatives



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in order to implement Personal Data Protection processes and monitor and continually improve company compliance with the new General Data Protection Regulation (GDPR) and with other regulations that have an impact on privacy. We highlight, as examples, the update of Privacy Policies, strengthening of controls and monitorisation of processes for the exercise of data subject rights by customers within the scope of GDPR, 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 processing 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 data subjects; **iv)** to inform and advise controllers, or processors, 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 through data treatment deals and terms of responsibility, as well as through communication and awareness initiatives and internal training courses on security and privacy.

Service Fraud (Management of Communications Fraud) – Customer or third-party fraud is a common risk in the communications sector. In view of this situation, NOS has a team dedicated to Fraud control, including subscription fraud, consumption fraud and

contents 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 service 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 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 run 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 the viewpoint of revenue flows and platform integrity. Billing processes perform revenue controls, with regard to invoicing quality. NOS also has Business Assurance teams that apply processes to control revenue integrity (under-invoicing or over-invoicing) and processes for cost control and use of services to present a consistent chain of revenue and costs, from the moment the customer enters the provisioning systems, through the provision of the communications service and up to the moment of invoicing and charging.

Health and Safety in the Workplace – With the COVID-19 pandemic, this risk became very relevant.

During the pandemic, NOS has created a permanent COVID-19 Crisis Office, with the purpose of defining and implementing a broad range of structured initiatives and contingency plans to ensure the protection of employees. The main strategies for the protection of employees used since the initial phase of the crisis have been remote work for most employees and the utilisation of personal protective equipment (PPE) in the case of roles in the office or in the field.

NOS has implemented several personal protection measures in the workplace (respiratory hygiene, handwashing, masks worn in common and circulation spaces, etc.), reinforced hygiene and protection measures in its buildings (alcohol gel dispensers, reinforced cleaning, ventilation, isolation rooms, etc), restrictions to the entrance of visitors to the buildings, restrictions on employee travels, as well as to the participation in non-essential meetings and events. A plan for the progressive return of employees to the workplace is under way, contemplating, when necessary, in view of new waves of the pandemic in future periods, criteria to revert the return to the office and increase work from home. It should also be noted that health and safety measures in the workplace are articulated in strict coordination with the relevant health authorities, namely the Directorate-General for Health.

Environment – Risks related with environmental sustainability are increasingly relevant for the long-term strategies of companies. 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 minimise the impacts of the environmental footprint on NOS and other stakeholders. Within environmental risks, climate change is especially relevant and as such NOS participates in global initiatives with a view to reducing carbon emissions and promoting sustainable development, from which we highlight subscribing to UN's "Business Ambition for 1.5°C" compromise, to limit global warming, and joining Lisbon, European Green Capital 2020 to which NOS has committed itself in the long-term with specific actions on various fronts such as circular economy, mobility, energy, sensitivity, and mobility.

NOS also participates in the CDP Climate Change 2020, which includes an exercise of identification and characterisation 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



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of how these risks and opportunities are integrated within the business. As a result of this participation, NOS was awarded with an A rating by the CDP, putting NOS among the most well-prepared companies to answer risks and opportunities that climate change places on 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 the management of this risk, monitoring all tax regulations and seeking to guarantee maximum tax efficiency. This department may also be supported by external consultants whenever the questions being analysed are more critical and, for this reason, require interpretation by an independent entity.

As a consequence of the COVID-19 pandemic, we note that NOS has made use of the deadline extensions granted by the Tax Authority for the submission of declarative obligations.

Credit and Collections - These risks are associated with a reduction in receipts from customers due to possible ineffective or deficient operation of collection procedures and/or changes in the legislation that regulates the provision of essential services and have an impact on the recovery of customer debts. They are mitigated through the

definition of a monthly plan of collection actions, their follow-up and validation and the review of results. Where necessary, the procedure and the timings of these actions are adjusted to ensure the receipt of customer debts. The aim is to ensure that the amounts owed are effectively collected within the periods negotiated without affecting the financial health of the Company. In addition, NOS has specific teams for Credit Control, Collections and Litigation Management and, regarding some business segments, also subscribes credit insurances. The COVID-19 pandemic has caused a significant reduction in the Litigation Management activity, especially in the first half of 2020, partly due to the inability to place judicial litigation processes in court. Moreover, specific temporary legislation related to the COVID-19 pandemic prohibited the suspension of essential services, including electronic communications services, to customers who are in certain situations listed in the legislation (unemployment, loss of income above a certain threshold, COVID-19 infection). The legislation foresees the possibility of customers requesting the unilateral termination or the temporary suspension of communications contracts, with no penalties or additional clauses for the customer or compensations for the provider. In case there are values due relative to the provision of the service, a payment plan should be agreed, beginning in the last quarter of 2020. As such, this legislation has a real impact on the ability to execute collections from customers,

with an effect that can last into future periods.

Liquidity and Interest Rate - These risks are generally associated to declines of expected cash flows or changes to their timing, which can expose companies to the inability to fulfil their financial or operational obligations in a timely manner, or the need to contract new loans, as well as interest rate variations which can generate lower income from applications than expected, higher financial costs from loans than budgeted for, or a cost of debt exposed to high volatility. As a consequence of the COVID-19 pandemic, there is great uncertainty in financial markets, with higher costs likely in accessing financing in future periods. It should be noted that NOS, in face of current challenges, has a robust capital structure, as well as a liquidity position which has been strengthened during the first quarter of 2020, after the successful completion of two refinancing operations under stable market conditions. Within the 2020 financing operations, it is also highlighted that NOS was the first telecommunications operator in Portugal to issue a sustainable financing line, materialised in the issue of 100 million Euros in commercial paper, linking a part of the financing cost to the performance of NOS at a Sustainability level.

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 a sector regulator, is responsible to ensure, among other things, the disclosure of and monitoring compliance to the applicable legislation to the sector, operators' access to the networks (in conditions of transparency and equality), as well as to promote competition and market development.

In the context of operators access to the networks, we highlight the auction for the attribution of radioelectric spectrum frequencies for 5G, whose rules have very deep impacts related to competition and investment capacity in the electronic communications sector in Portugal. In fact, rules set by ANACOM in the 5G auction regulations discriminate against the already existing operators in the market, like NOS, in view of new entering operators, in issues such as access to the spectrum conditions and investment obligations in 5G coverage, endangering the suitable implementation of 5G in the country and the wanted digital transition of companies, public sector and consumers, entailing subsequent adverse effects related to Competition and Technological Innovation risks. It should be noted also that, at the end of 2020, NOS had ongoing legal cases against ANACOM, regarding the mentioned auction rules and the award of frequency usage rights to Dense Air.

ANACOM is responsible for ensuring the disclosure and enforcement of community directives and regulations that are directly applicable to the sector.



By the end of 2020, the process of transposition into national legislation of the European Electronic Communications Code (EECC) was in progress, which brings together the four main European directives applicable to the sector into a single document (Framework Directive, Authorisation Directive, Access Directive, and Universal Service Directive). The transposition proposal of the EECC into national legislation, submitted by ANACOM, included a wide range of items related to consumer protection that do not arise from the EECC, and that are far from being consensual in Portugal or in the European Union.

In addition, the sector regulator is responsible for ensuring that operators comply with the EU regulations directly applicable to Portugal, such as the TSM Regulation which includes rules for roam-like-at-home and protection of network neutrality, and the Regulation (EU) 2018/1971, which sets maximum prices for communications within the European Union.

ANACOM has been monitoring the application, in national territory, of the Net Neutrality Regulation, in a year where the Body of European Regulators for Electronic Communications revised their guidelines for implementing the Regulation, clarifying: (i) the procedures regarding the assessment of zero rating offers, (ii) the enforcement of the Regulation in the context of 5G, M2M, and IoT, specifying the greater flexibility these services have within specialised services, and (iii) the border between the operator's

network and the terminal equipment of the customer for the purpose of defining the rules of traffic management.

Within the European regulatory framework, we also highlight the publication of EU Toolbox for 5G Security, which identifies a set of measures to mitigate the main cybersecurity risks of 5G networks, empowering national regulators to impose upon communications operators an increase of security requirements for mobile networks and the obligation to perform an evaluation of risk profiles to select or exclude suppliers.

Complementing the specific rules related with the communications sector, NOS is also subject to horizontal legislation, in which case it is subject to the intervention of, among other entities, the National Data Protection Committee (CNPD) and the Competition Authority (AdC). In June 2020, the AdC sent a lawfulness note to the electronic communications operators (MEO, NOS, NOWO, and Vodafone) regarding the suspicion of anti-competitive practices perpetrated by these operators in the online publicity market, with the AdC expecting to make a final judgment on the mentioned lawfulness note in the 1st quarter of 2021.

In addition, for the activities related with television services and the supply of audio-visual contents, the NOS Group companies are subjected to the

intervention of the Portuguese Regulatory Authority for the Media (ERC). Within NOS Group audio-visual services, Law no. 74/2020 is highlighted, which transposes into national legislation the European Audiovisual and Media Services Directive (AVMSD) on the provision of audiovisual media services which includes additional obligations to those service providers, such as minimum shares on the provision of European contents and contents in the Portuguese language, among others.

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

54. Description of the procedure for identification, assessment, monitoring, control and risk management.

NOS has a Risk Management Policy that defines the methodologies, the entities involved and their responsibilities, available at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/NOS%20-%20Politica%20de%20Gest%C3%A3o%20de%20Risco_dez_2019.pdf, particularly sections "3.1.1. Risk management methodologies" and the following.

The methodologies adopted for risk management and internal control take into account the references provided by the bodies responsible for promoting control mechanisms in the markets, including the aforementioned principles and recommendations of the IPCG's **Corporate Governance Code**, in alignment with the Companies Code. The methodologies also consider the applicable **legal and regulatory requirements**. In addition, for internal control aspects relating to ICT (Information and Communication Technologies) frameworks such as **COBIT** (Control Objectives for Information and Related Technology) are considered.

The risk management and internal control processes at NOS shall be supported by a consistent and systematic methodology, based on international reference standards such as the **Enterprise Risk Management - Integrated Framework**, issued by COSO (Committee of Sponsoring Organisations of the Treadway Commission).

Taking into consideration these reference methodologies, the management and control of risks are achieved using the main approaches and methods presented below:



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	CORPORATE RISK MANAGEMENT ENTERPRISE RISK MANAGEMENT (ERM)	CONTINUOUS MONITORING OF RISKS AND CONTROLS CONTINUOUS MONITORING (CM)
Approach	This aims to align the risk management cycle with the NOS strategic planning cycle. It allows NOS businesses to prioritise and identify critical risks that may compromise their performance and objectives and take action to manage those risks. The approach provides for periodic risk monitoring and implementation of certain corrective actions.	This allows the continuous review of business processes, ensuring in a preventive, proactive and dynamic way the maintenance of an acceptable level of risk and control. The Internal Control Manual systematises and references the controls, facilitating their dissemination and promoting their compliance by the various stakeholders of NOS.
Method	<ol style="list-style-type: none"> 1. Identify and evaluate risks that impact the business 2. Explore risks and their causes 3. Measure risks using indicators 4. Manage risk through actions 5. Monitor risks 	<ol style="list-style-type: none"> 1. Define processes, business cycles and data structure 2. Establish control design 3. Implement, disseminate and ensure the effectiveness of controls 4. Analyse and report status metrics of control implementation 5. Monitor action plans and update controls.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information.

NOS is potentially exposed to **risks related to accounting and financial reporting processes**. The Company ensures the quality and improvement of the most relevant processes for preparing and disclosing financial statements, in accordance with the accounting principles adopted and bearing in mind the objectives of transparency, consistency, simplicity, and materiality. In this context, the Company's attitude to financial risk management has been conservative and prudent.

The main elements of the risk management and internal control systems related to financial information are described in section "3.1.4. Risk Management and Financial Information Controls" of the **NOS Risk Management Policy**, available at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/NOS%20-%20Politica%20de%20Gest%C3%A3o%20de%20Risco_dez_2019.pdf.

The **functional responsibilities** for financial statements at the corporate level of NOS and in the Group are distributed as follows:

- The **Entity Level Controls** are defined in corporate terms, are applicable to all the group companies, and aim to establish internal control guidelines for NOS subsidiaries;
- **Process Level Controls** and **IT/IS Controls** are defined in corporate terms and applied to NOS subsidiaries, adapted to their specific characteristics, organisation and responsibility for processes.

Given this breakdown, controls relating to the collection of the information that serves as a basis for the preparation of the financial statements are generally located in the **departments of each of the subsidiaries**; controls related to the processing, registration and accounting archive of this information are located, at corporate level, in the **Administrative and Financial Department**.

The internal control and risk management system associated with financial statements includes several **key controls**, in which it is included the following:

- The process of disclosure of financial information is institutionalised, the criteria for preparation and disclosure have been duly approved, are fully established and periodically reviewed;
- The use of accounting principles, explained in the Annexes to the Financial Statements notably on the section regarding "Accountancy Policies", is one of the key pillars of the control system;

- The controls are aggregated by the business cycles that give rise to the financial statements, and by the corresponding classes and subclasses of transactions.

The Administrative and Financial Management must, for the most significant situations, prepare a set of documents on the policies and procedures implemented and how they relate to the **IFRS (International Financial Reporting Standards)**, as well as addressing potential sources of risk that may materially affect accounting and financial reporting.

Among these **potential sources of risk**, we would like to highlight the following:

- **Accounting estimates** – The most significant accounting estimates are described in the Annexes to the Financial Statements. The estimates were based on the best information available during the preparation of the financial statements, and on the best understanding and best experience of past and/or present events;
- **Balances and transactions with related parties** – The most significant balances and transactions with related parties are disclosed in the Annexes to the financial statements. For certain transactions with related parties there are value thresholds (disclosed in the Corporate Governance Report) above which the prior opinion of the Fiscal Board must be requested.



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NOS adopts various **measures to help manage risks** and to maintain a robust internal control environment, including initiatives of the following type:

- **Conformity tests** – These include periodical control self-assessment of the internal control system and the consequent revision of the Internal Control Manual, ensuring that it is always up to date. Corrective action is also included on control procedures considered to be non-compliant as a result of the compliance assessment work carried out by the Internal Audit and External Audit;
- **Review and improvement of design of controls** – These include the review of the procedures of control and the strengthening of business cycles and financial flows with levels of relevant materiality, to improve the control environment and the control and perception of current risks (operational and financial). This reinforcement includes the creation of an aggregating vision of the life cycles of the assets or the associated financial flows, as well as the respective processes and systems that support them.

In addition to the financial risks referred to in the section on the main types of risks with an impact on the business, the Company is potentially exposed to other financial risks that may have an impact on the financial statements, such as credit risk (related to balances receivable), liquidity risk (related to sufficient assets to cover liabilities), market risk (related to

exchange rate and interest rate variations) and capital risk (related to financial loans and the remuneration of shareholders).

In the Annexes to the Financial Statements, namely in the “Risk Management Policies” section, more specific information can be found on financial risk management policies, as well as on how risks associated with the financial statements are managed and controlled.

IV. INVESTOR RELATIONS

56. Department responsible for investor assistance, composition, functions, the information made available by said departments and contact details.

The Investor Relations Department, comprised of 3 members, aims at ensuring the proper relationships with shareholders, investors and analysts, under the principle of equal treatment, as well as with the financial markets in general and, in particular, with Euronext Lisbon and with CMVM.

This Department:

- a) each year, publishes the management report and accounts, also publishing annual, half-yearly, and quarterly privileged

- information and shareholders and remaining stakeholders can access this information on the Company’s website (www.nos.pt/ir);
- b) provides regular press releases, presentations, and announcements on the quarterly, half-yearly and annual results, as well as on any relevant facts that occur;
- c) it also provides full explanations to the financial community in general – shareholders, investors (institutional and private) and

- analysts, also assisting and supporting shareholders in the exercise of their rights;
- d) organises regular meetings between the executive management team and the financial community through attendance at specialised conferences and by holding roadshows both in Portugal and in the main international financial markets and frequently meets investors who are visiting Portugal.

In 2020, the main Investor Relations events were:

DATE	FORMAT	LOCATION
18 March	Citigroup Telecoms Conference	Virtual
14 May	UBS Small & Mid-Cap Conference	Virtual
15 May	Roadshow	Virtual
5 June	Made in Iberia Days	Virtual
2 September	Barclays TMT Conference	Virtual
3 September	Deutsche Bank European Conference	Virtual
10 September	Roadshow	Virtual
16 September	BPI Iberian Conference	Virtual
17 September	Goldman Sachs Communacopia	Virtual
19 November	Morgan Stanley TMT Conference	Virtual
10 December	ESN Conference	Virtual



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Anyone interested may request information from the Investor Relations Department, through the following contacts:

Rua Actor António Silva, n.º 9
1600 - 404 Lisboa (Portugal)
Tel: +(351) 21 782 47 25
Fax: +(351) 21 782 47 35
E-mail: ir@nos.pt

57. Market relations representative.

NOS representative for market relations is Maria João Carrapato, Investor Relations Director.

58. Data on the extent and deadline for replying to requests for information received throughout the year or pending from preceding years.

NOS has a record of all enquiries and their processing, all of which have been immediately dealt with within the maximum period of 24 business hours.

It is to be noted that, as at 31 December 2020, there were no enquiries unanswered.

V. WEBSITE

59. Address.

NOS offers all legal, financial, and governance information on its website www.nos.pt.

60. Information on the firm, public company status, headquarters and other details referred to in article 171 of the Portuguese Companies Code.

Information related to article 171 of the CSC can be found in the "Legal Identification" tab of NOS website <https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Paginas/default.aspx>

61. Articles of association and regulations on the functioning of the boards and/or committees.

Articles of Association of the Company <https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Paginas/default.aspx>

Regulations of the Board of Directors https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CA_2019.pdf

Fiscal Board Regulations https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CF%20NOS_2019.pdf

Composition, Operation, and Delegation of Powers of the Executive Committee https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/documents/CE_deleg_2019_PT.pdf

Regulations of the Corporate Governance Committee https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CGS_2019.pdf

Regulations of the Audit and Finance Committee https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CAF_2019_.pdf

Regulations of the Appointments and Assessment Committee https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CAF_2019_.pdf

The Ethics Committee Regulations can be found at https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Documents/Regulamento%20CdE_2019.pdf

62. Information on the identity of the Corporate Board's members, the market relations representative, the investor assistance office or comparable structure, respective functions and contact details.

The identity of the members of the NOS corporate bodies is in the "Board of Directors", "Executive Committee", "Remuneration Committee", "Board of the General Meeting", "Fiscal Board", and "Statutory Auditor" tabs at the website <https://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Paginas/default.aspx>

The market relations representative, as well as the investor assistance office contacts or comparable structure contacts are available at <https://www.nos.pt/institucional/PT/investidores/contactos/Paginas/contactos.aspx>

63. Documents relating to financial statements reporting, which should be accessible for at least five years, and the half-yearly calendar on corporate events that is published at the beginning of every six months, including, among others, general meetings, disclosure of annual, half-yearly and, where applicable, quarterly financial statements.

The financial statements, as well as the calendar of corporate events, can be found at NOS website:

<https://www.nos.pt/institucional/PT/investidores/nos-em-numeros/Paginas/resultados.aspx>

<https://www.nos.pt/institucional/PT/investidores/calendario-financeiro/Paginas/calendario.aspx>



64. Notice convening the general meeting and all the preparatory and subsequent information related thereto..

The notice convening the General Meeting and all the preparatory and subsequent information related thereto is disclosed at the website <https://www.nos.pt/institucional/PT/assembleia-geral/Paginas/Assembleia-Geral-2020-Ata.aspx>

65. Historical archive on the resolutions passed at the Company's general meetings, share capital and voting results relating o the preceding 3 years.

The historical archive on the resolutions passed at the Company's general meetings, share capital and voting results are available at NOS website <https://www.nos.pt/institucional/PT/assembleia-geral/convocatorias/Paginas/arquivo.aspx>

D. REMUNERATION

I. THE POWER TO ESTABLISH

66. Details of the powers for establishing the remuneration of statutory boards, members of the executive committee or chief executive and directors of the Company.

Under article 399 of the CSC and article 14 of the Company's Articles of Association, the General Meeting of shareholders or a committee appointed by it is responsible for setting the remuneration of the members of the statutory boards and other corporate bodies, taking into account the duties performed and the financial situation of the Company.

When there is a Remuneration Committee, it shall be made up of two or more members, shareholders or not, and elected by the General Meeting (article 14(2) of the Company's Articles of Association).

A Remuneration Committee is appointed by NOS, which has the power to, namely, set the remuneration of the members of the Board of the General Meeting, of the Board of Directors (including the Executive Committee), and of the Fiscal Board. In turn, the remuneration of the directors of the Company is set by the Executive Committee, in coordination with the People and Organisation Department.

II. REMUNERATION COMMITTEE

67. Composition of the remuneration committee, including details of natural or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor.

On 31 December 2020, the Remuneration Committee had the following composition:

Member	Mário Leite da Silva
Member	José Côrte-Real

The Remuneration Committee met 4 times in 2020, having decided on matters of assessment, remuneration and definition of the goals of the Executive Committee. Minutes are always kept of meetings.

During 2020, the Remuneration Committee did not hire any advisory services to help comply with its mission, without prejudice to doing so, freely, whenever it deems necessary.

68. Knowledge and experience in remuneration policy issues by members of the remuneration committee.

The members of the Remuneration Committee hold a vast and recognised management experience,

namely in listed companies, having the necessary knowledge to handle and decide on all matters of their expertise, including remuneration policy.

In order to ensure a more assertive understanding of the effective qualifications, experience and availability, the functions performed by them, as well as their academic and professional qualifications and professional activities, are in the Annex to this report.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the board of directors and supervisory boards as set out in article 2 of Law no. 28/2009 of 19 June.

A Remuneration Committee declaration on the remuneration policy for NOS managing and supervisory board members was submitted to the Company's shareholders at a NOS General meeting on 19 June 2020, in compliance with article 2 of Law no. 28/2009, of 19 June.

This policy (i) respects public companies remuneration system best practices, which advising remuneration models composed by different components, namely a fixed component as basic remuneration and a variable component (applicable only to Executive Board Members), which may be composed of the attribution of an annual bonus,



of profit sharing and/or the implementation of share plans and (ii) is aligned with peer practices.

Under the terms of the policy, variable remuneration, associated with the achievement of management goals is applied through the following components: Profit Sharing and Share Allocation Plan.

The Profit sharing can be proposed to shareholders by the Board of Directors. After assessment of the total amount to be distributed, the amount to be received by each member will also depend on alignment with the results.

A Share Allocation Plan (NOS Plan), which was approved at the General Meeting on 23 April 2014, for employees that belong to some organizational groups including Members of the Executive Committee aims to ensure the alignment of individual interest with company goals and NOS' shareholder interests, awarding goal achievement, which foresees sustainable value creation, as well as (ii) the strengthening of loyalty mechanisms.

Thus, NOS considers its Executive Board Member remuneration model has an adequate structure since it i) defines a potential total maximum remuneration; ii) awards performance, through a remuneration aligned with stakeholder interest defence mechanisms; iii) discourages excessive risk adoption, as fifty percent of variable remuneration components – Profit Sharing and Share Attribution

Plans – are deferred in time, in a three year period; iv) actively ensures sustainable policy adoption over time, namely through the identification of previously defined business targets and due to the deferral in time of the effective payment of variable components being conditioned to the achievement of objective requirements, linked to the Company's economic soundness; and v) is aligned with peer benchmarking.

The non-executive members of the Board of Directors, as they are not responsible for carrying out the defined strategies in a daily basis, only receive a fixed amount.

The members of the Fiscal Board only receive a fixed component.

The Statutory Auditor is remunerated under the terms established in the contract, in accordance with the law.

In line with recommendation V.2.4. of IPCG's Corporate Governance Code, the Remuneration Committee attended the aforementioned NOS' General Meeting, in order to give information and clarify shareholders.

70. Structure of the remuneration policy of the managing and supervisory boards as set out in article 2 of Law no. 28/2009 of 19 June.

As mentioned on the previous note, non-executive members of the Board of Directors' and members

of the Fiscal Board remuneration is composed only of a fixed component. Oppositely, executive members of the Board of Directors remuneration is also composed of a variable component, composed of: profit sharing and share attribution.

NOS' remuneration system also aims at ensuring the alignment of the Members of the Board of Directors interests (namely, Executive Board Members, who may benefit of a variable remuneration component), with long term company targets. This strategy's success is dependent on its alignment with clear and coherent targets, strict performance evaluation metrics, as well as proper performance incentives that simultaneously leverage ethical standards, discouraging excessive risk adoption.

Therefore, the creation of value needs not just excellent professionals, but also a framework of incentives that reflect both size and complexity of challenges.

Each year the Remuneration Committee, in coordination with the Appointments and Assessment Committee, defines the large variables to be assessed and their corresponding objective amounts.

The variable component of the Executive Directors was calculated using the performance of NOS as measured by the previously defined business indicators. In 2020, the following aggregates were taken into consideration: Revenues, EBITDA ("Earnings Before Interest, Taxes, Depreciation,

and Amortisation"), Free Cash Flow after Interest and Taxes and before Dividends, Financial Investments, Acquisition of Own Shares, and Net Promoter Score.

In 2020, there was no deviation from the application of the current remuneration policy procedure.

71. Reference, where applicable, to a variable remuneration component and information on any impact of the performance appraisal on this component.

The variable remuneration, using the components referred to above, seeks to consolidate a correct policy for setting objectives with systems that properly reward the ability to execute and to obtain results and to achieve ambitious performances, discouraging short-term policies and instead fostering the development of sustainable medium and long-term policies. The Share Allocation Plan defines the terms of the deferred shares vesting (deferral of 3 years), in compliance with the legal requirements in force regarding variable remuneration deferral.

It should also be noted that despite the current Share Plan being in fact deferred in time, the Remuneration Committee, with regard to the executive members, limited the transformation of rights awarded under the current Plans to the confirmation of the Company's positive results, which requires compliance with the following additional condition:



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The consolidated net situation in the year n+3, excluding any extraordinary movements occurred after the end of year n, and discounting an amount for each financial year correspondent to a pay-out of 40% on the net profit in the consolidated accounts of each year of the deferral period (irrespective of the effective pay out), must be higher than the one calculated at the end of financial year n. Extraordinary movements, in the period between year n and n+3, include capital increases, purchase or sale of own shares, extraordinary dividends, annual pay-out other than 40% of the consolidated profit of the respective business year or other movements that affect the net situation but do not arise from the Company's operating profits. The net position of the year n+3 should be determined based on the accounting rules used in year n, to ensure comparability.

The allocation of shares, under the approved plans, being totally dependent on Group and individual performance, primarily aims to ensure the maximum creation of value from a medium and long-term perspective, thus encouraging sustainable policies in the long term.

These plans are described in a more detailed way in item 86 of Chapter VI below.

The objectives that are assessed generally correspond to profitability and growth variables that ensure the development and the sustainability of the Company and, as an indirect result, of national economy and its stakeholders as a whole.

MAXIMUM LIMITS ON VARIABLE REMUNERATION

The value of the variable components (including the Share Plans), when the allocation is decided by the Remuneration Committee, is limited to a maximum amount of 120% with regard to the fixed remuneration, in compliance with the best corporate governance practices in force on this subject.

GUARANTEE OF MINIMUM VARIABLE REMUNERATION

There are no contracts with guaranteed minimums for the variable remuneration, regardless of the Company's performance, nor are there any contracts to mitigate the inherent risk of the variable remuneration.

72. Deferral of the payment of the remuneration's variable component, specifying the relevant deferral period.

Half of the variable compensation allocated was deferred for three years and its payment is dependent on a positive future performance. The definition of this condition for future access to the variable remuneration was already explained in item 71 above.

The current remuneration policy does not provide the possibility of requesting the reimbursement of the variable remuneration.

73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value.

The General Meeting approved on 23 April 2014 the Share Allocation Plan (NOS Plan). In this context, it shall be noted that there are no hedging or risk transfer contracts concerning a predefined amount of the total annual remuneration of the Executive Directors. Consequently, the risk underlying the corresponding variability of the remuneration is not mitigated.

The share vesting period of this Plan is three years from the date they are allocated; in other words, shares are actually delivered and made available to the executive members only 3 years after they are allocated, if the conditions the delivery is subject to are satisfied, notably the positive performance under the terms referred to in item 71 above.

74. The criteria whereon the allocation of variable remuneration in options is based and details of the deferral period and the exercise price.

No remunerations in options are implemented for Directors, that is to say that the Share Allocation Plan only allows the allocation of shares.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits.

In 2020, no significant other non-cash benefits were given.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and date when said schemes were approved at the general meeting, on an individual basis.

There are neither supplementary pensions nor early retirement schemes for Directors.



IV. REMUNERATION DISCLOSURE

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the Company's Board of Directors, including fixed and variable remuneration and, as regards the latter, reference to the different components that gave rise to same.

During the course of 2020, the Director's remuneration was as follows:

NAME	FIXED REMUNERATION	PROFIT SHARING	TOTAL
EXECUTIVE BOARD MEMBERS			
Miguel Nuno Santos Almeida	625,000	319,488	944,488
Ana Paula Garrido Pina Marques	387,500	197,741	585,241
José Pedro Faria Pereira da Costa	437,500	207,400	644,900
Jorge Filipe Pinto Sequeira dos Santos Graça	312,500	160,019	472,519
Luís Moutinho do Nascimento	337,500	172,776	510,276
Manuel António Portugal Ramalho Eanes	362,500	185,534	548,034
NON EXECUTIVE BOARD MEMBERS			
Ângelo Gabriel Ribeirinho Santos Paupério	125,357	-	125,357
António Domingues	71,071	-	71,071
António Frederico Lobão Ferreira Correia Teles	67,860	-	67,860
António Bernardo Aranha Gama Lobo Xavier	66,428	-	66,428
Catarina Eufémia Amorim da Luz Tavira Van-Dúnem	56,430	-	56,430
João Pedro Magalhães da Silva Torres Dolores	67,846	-	67,846
Joaquim Francisco Alves Ferreira de Oliveira	56,430	-	56,430
Maria Cláudia Teixeira de Azevedo	56,430	-	56,430
Ana Rita Ferreira Rodrigues	63,242	-	63,242
Cristina Maria de Jesus Marques	37,157	-	37,157
José Carvalho de Freitas	52,964	-	52,964
Jorge Manuel Brito Pereira	13,283	-	13,283
Mário Filipe Moreira Leite da Silva	20,693	-	20,693
Paula Cristina Fidalgo Carvalho das Neves Oliveira	4,744	-	4,744
	3,222,435	1,242,958	4,465,393

Additionally, and regarding the performance of the executive members during the financial year of 2020, rights will be allocated under NOS 2021-2024 share plan, with a vesting period for the shares of three years, subject to the Company's future positive performance under the terms referred to in item 73.

The estimated (1) number of shares to be given to each director is detailed below:

NAME	NR. OF SHARES
EXECUTIVE BOARD MEMBERS	
Miguel Nuno Santos Almeida	129,048
Ana Paula Garrido Pina Marques ⁽²⁾	-
José Pedro Faria Pereira da Costa	83,773
Jorge Filipe Pinto Sequeira dos Santos Graça	64,635
Luís Moutinho do Nascimento	69,788
Manuel António Portugal Ramalho Eanes	74,941
	422,185

(1) The final number of rights to shares to be granted shall be determined on the basis of the average closing price, weighted by the respective volume of the shares in the 15 sessions preceding 31 March 2021.

(2) Executive Board Member Ana Paula Garrido Pina Marques resigned as Executive Member of the Board of Directors on 18 December 2020, therefore no shares will be awarded.

From the description above arises the fact that total remuneration complies with the Company's Remuneration Policy. Where applicable, the variable remuneration takes into consideration the Company's long-term performance (key factor for the vesting of shares under the Shares

Plan) and considers the individual contribute of each executive director to that effect.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or that are subject to a common control.

Executive Directors of NOS that also hold positions in other NOS Group companies do not receive any additional remuneration or other amounts in any ground whatsoever.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

The variable components to be paid based on the 2020 performance, including the Company's profit sharing or the payment of other components of the variable remuneration, are described in item 71.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.

There were no compensations paid or owed to former non-executive directors concerning contract termination during the 2020 financial year.



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81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law no. 28/2009 of 19 June.

The remuneration of the members of the Fiscal Board, during 2020, was as follows:

FISCAL BOARD	FIXED REMUNERATION	TOTAL
José Pereira Alves	45,000	45,000
Paulo Cardoso Correia da Mota Pinto	30,000	30,000
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	30,000	30,000
	105,000	105,000

The members of the Fiscal Board do not receive any variable component, nor benefit from NOS share plans.

82. Details of the remuneration in said year of the Chairman of the Board of the General Meeting.

The remuneration of the members of the Board of the General Meeting, during 2020, was as follows:

GENERAL MEETING	FIXED REMUNERATION	TOTAL
Pedro Canastra de Azevedo Maia	18,000	18,000
Tiago Antunes da Cunha Ferreira de Lemos	5,000	5,000
	23,000	23,000

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component.

The Directors of NOS, in the case of unfair dismissal, are entitled to compensation for damages suffered in accordance with the applicable law and/or contract.

The Remuneration Policy in force does not provide any indemnity or compensation to members of the Board of Directors regarding their resignation or any other form of termination of the term of office of director (other than the unfair dismissal) before its time, with the exception of the sums established by law.

84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the Board of Directors and managers, pursuant to article 248-B(3) of the Portuguese Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a change of control. (article 245-A(1)(I)).

In the case of early termination of the Directors' term of office, in general, there are no additional compensatory conditions to those legally established, except in the case of a management contract that stipulates specific conditions in this matter.

VI. SHARE ALLOCATION OR STOCK OPTIONS PLANS

85. Share allocation or stock options plans.

The objectives of the Share Allocation Plan in force in NOS Group, mentioning all the details needed to be assessed (including the respective regulations) are:

- To ensure the loyalty of collaborators in the different companies of the Group;
- To stimulate their creative and productive capacity thus fostering business profits;
- To create favourable recruitment conditions for senior officers and high strategic value workers;
- To align the interests of the collaborators with the business objectives and the interests of NOS shareholders, rewarding their performance in relation to value creation for NOS shareholders, reflected in the value of its shares on the stock exchange.



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This Plan, which applies to collaborators that belong to some organisational groups (including Executive Directors), is one of the pillars that makes NOS a benchmark company in personal and professional development matters and stimulates the development and mobilisation of employees around a common project.

NOS Share Allocation Plan Regulations, which include all necessary elements for the correct evaluation of the Plan, can be found at the Company's website.

Through the Share Allocation Plan a number of shares will be allocated, which is exclusively dependent on the compliance with the objectives established for NOS and on individual performance assessments.

This compensation philosophy, through share programmes that help to align employees, in particular Executive Directors, with the creation of shareholder value, is an important loyalty mechanism, apart from bolstering the performance culture of NOS Group, since their allocation depends on compliance with the corresponding objectives.

To make NOS a benchmark in terms of international remuneration practices, adopting the best models of market-leader companies, is the main goal of these Plans, which have three main objectives: alignment with sustainable and winning strategies, motivating collaborators and sharing created value.

86. Characterisation of the plan (allocation conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, the existence of incentives to purchase and/or exercise options).

NOS PLAN

A Share Allocation Plan which was approved at the General Meeting on 23 April 2014, for employees that belong to some organisational groups and are selected by the Executive Committee or by the Remuneration Committee if the beneficiary is a member of NOS Executive Committee.

The period for the vesting of shares under this Plan is three years from the date of grant, i.e., their effective delivery, and consequent availability will only occur after 3 years have elapsed since the respective grant. For the executive members of the Board, the conditions of positive performance, as described in item 71 above, must additionally be met for their appointment.

87. Stock option plans for the company employees and staff.

CONDITIONS AND RESOLUTIONS ON THE NUMBER OF SHARES TO ALLOCATE TO BENEFICIARIES

Under the NOS Plan, the Executive Committee shall select the beneficiaries of each plan and decide on a case-by-case basis on the allocation of shares to the eligible collaborators. The Remuneration Committee has this responsibility for Executive Committee members.

The allocation of shares to the respective beneficiaries depends entirely on performance criteria, of both the Group and the individual.

The number of shares to be allocated is established using the amounts that are set with reference to the percentages of the remuneration earned by the beneficiaries, considering the assessment of NOS annual objectives as well as the assessment of individual performance. The specific number of shares to be allocated will be, therefore, the result of the division of the value provided by the average closing price, weighted by the respective volume, of Shares in the fifteen trading sessions prior to the reference date,

except if the Executive Committee or Remuneration Committee, in the case of Executive Committee's members, considers at its sole discretion other criteria that are deemed to be more appropriate. Shares can be delivered for no consideration or through a right to buy with a discount up to 90%.

These shares, or the equivalent value in cash, are delivered after a deferral period of 3 years. However, should dividends be distributed or if the nominal value of the shares or share capital is changed during the deferral period, the initial number of shares under the Plan will be altered to reflect the effects of these changes, so that the plan is aligned with the total return achieved.

On 31 December 2020, the plans that allow the delivery of shares are the following:

	NR. OF SHARES
NOS PLAN	
2018 Plan	912,727
2019 Plan	784,163
2020 Plan	1,454,680



During the financial year, ended on 31 December 2020, the movements under the Plans are detailed as follows:

	2017 NOS PLAN	2018 NOS PLAN	2019 NOS PLAN	2020 NOS PLAN	TOTAL
BALANCE AS AT 31 DECEMBER 2019	856,299	866,098	739,162	-	2,461,559
MOVEMENTS IN THE PERIOD					
Awarded	-	-	-	1,364,152	1,364,152
Vested	(855,334)	(12,739)	(11,491)	(13,063)	(892,627)
Cancelled / elapsed / corrected ⁽¹⁾	(965)	59,368	56,492	103,591	218,486
BALANCE AS AT 31 DECEMBER 2020	-	912,727	784,163	1,454,680	3,151,570

1) It mainly includes corrections introduced by virtue of the dividend paid, shares related to plans exceptionally settled in cash and shares related with termination of relationships with employees, not benefiting from the vesting of the shares.

Share plan costs are recognised in the accounts over the period between the allocation and the vesting date of those shares.

Total responsibility for the plans is calculated taking into consideration the share price at the allocation date for the plans settled in shares, or at the close date for the plans cash settled. As at 31 December 2020, liabilities for these plans (i.e., the value the Company will bear) are 6,186 thousand Euros and are recorded under Reserves, in the amount of 5,141 thousand Euros, for the plans settled in shares, and in Accruals of Costs, in the amount of 1,045 thousand Euros, for the plans settled in cash.

88. Control mechanisms for a possible employee-shareholder system inasmuch as the voting rights are not directly exercised by said employees (article 245-A(1)(e)).

LIMITS TO THE TRANSFER OF SHARES

The rights to the shares allocated can only be disposed of after the respective vesting period, the length of which is of 3 years, according to the conditions described above. In the case of executive members who are beneficiaries of Share Plans, the transfer of the shares also depends on an extra condition related to the existence of future positive Company profits, also described in item 71.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the company for the purpose of controlling transactions with related parties (for said purpose, reference is made to the concept resulting from IAS 24).

NOS has established control mechanisms and procedures for the Company's transactions with shareholders of qualified holdings, or with entities with whom they are in any relationship, according to article 20 of the Portuguese Securities Code.

Pursuant to article 3.(3.1)(o) of the Delegation of Management powers by the Board of Directors to the Executive Committee, the delegation did not cover the entering into of any transactions, between the Company and shareholders of qualified holdings representing 2% or more of the voting rights and/or entities related to them in any way pursuant to article 20 of the Portuguese Securities Code, in excess of the individual amount of 75,000 Euros or the aggregate annual amount per supplier of 150,000 Euros (without prejudice to the transactions having been approved in general terms or in terms of framework by the Board of Directors).

In turn, article 2(2.9)(g) of the Delegation of Powers determines that the Chairman of the Executive Committee is responsible in particular for ensuring that the Board of Directors is informed, quarterly, of the transactions that, in connection with the delegation of powers, have been entered into by the Company and Related Parties when in excess of the individual amount of 10,000 Euros.

The Audit and Finance Committee also scrutinises these matters, article 3(j) of its regulations determines that its powers include, in particular, the power to analyse and issue its prior opinion on the transactions between the Company and Related Parties.

In addition, the Fiscal Board, under its regulations, is responsible for issuing a prior opinion on relevant business activities with Related Parties.

On 4 November 2020, the Board of Directors approved, with a favourable opinion by the Fiscal Board, a new Regulation for Transactions with Related Parties, which laid down, in particular, procedures and criteria that are required to define the relevant level of significance of business with shareholders of qualified holdings – or with related parties – and thus business of significant importance is dependent upon the prior opinion of that supervisory body, in strict compliance with the legal requirements in force.



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90. Details of transactions that were subject to control in the referred year.

During 2020, NOS did not do any significant business or operation in economic terms for any of the parties involved with members of the managing and supervisory boards or companies in a control or group relationship, that have not been conducted in normal market conditions for similar operations and that are not a part of the current activity of the Company and, as such, there were no transactions with related parties subject to the Fiscal Board control.

91. A description of the procedures and criteria applicable to the supervisory body when it provides preliminary assessment of the business deals to be carried out between the company and the holders of qualified shareholdings or entity-relationships with the former, as envisaged in article 20 of the Securities Code.

The Regulations on Transactions with Related Parties lays down internal procedures for control of transactions with holders of qualified shareholdings, considered suited to the transparency of the decision-making process, defining the terms of intervention of the Fiscal Board in this process.

Thus, without prejudice to additional obligations, pursuant to these Regulations, by the end of the month following the end of each quarter, the Executive Committee shall inform the Fiscal Board of all the

transactions made in the previous quarter with each holder of qualified shareholdings and/or related party. The list of transactions carried out during 2020 can be found in Note 44 of the Consolidated Annual Report.

Transactions with holders of qualified shareholdings and/or related parties require a prior opinion from the Fiscal Board in the following cases: **(i)** transactions whose value per transaction exceeds a particular level set forth in the Regulations and is described in the

TYPE	AMOUNT
Transactions Sales, services, purchases and services obtained, except in case of renovation of pending contracts	More than 1,000,000 Euros
Loans and other funding received and granted, except day-to-day management/operations up to 180 days	More than 10,000,000 Euros
Financial investments	More than 10,000,000 Euros

The prior opinion of the Fiscal Board required for the transactions referred to in items **(i)** and **(ii)** above will not be necessary in the case of: **(i)** interest and/or exchange rate hedging transactions through trading rooms or auctions and **(ii)** applications or financial investments through trading rooms or auctions.

For the Fiscal Board to appraise the transaction in question and issue an opinion, the Executive Committee must provide that body with all necessary information and a reasoned justification.

table below; **(ii)** transactions with a significant impact on the activities of NOS and/or its subsidiaries due to their nature or strategic importance, regardless of their value; **(iii)** transactions made, exceptionally, outside normal market conditions, regardless of their value, and **(iv)** transactions made, exceptionally, outside current activity, regardless of their value.

Types and values of the transactions to be considered for the purposes of item **(i)** above:

The assessment to authorise and issue a prior opinion applicable to transactions with holders of qualified shareholdings and/or related parties should take into account, among other relevant aspects, the principle of equal treatment of shareholders and other stakeholders, the interest of the Company and the impact, materiality, nature and justification for each transaction.

II. DATA ON BUSINESS DEALS

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24.

Relevant businesses with related parties, carried out until 31 December 2020, can be found in note 44 of the **Financial Statements** (pages 219 to 221) which are included in the accounting documents, available at the Company's headquarters and on its website (<http://www.nos.pt/institucional/PT/investidores/informacao-financeira/Paginas/default.aspx>).





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1. Details of the corporate governance code implemented.

Pursuant to article 2 of CMVM Regulation No. 4/2013, NOS adopts the Recommendations set out in the Corporate Governance Code of the IPCG - Instituto Português de Corporate Governance, published in 2018 and revised in 2020 ("Corporate Governance Code of the IPCG"), available on the website of this entity www.cgov.pt.

2. Analysis of compliance with the corporate governance code implemented.

The following table presents: i) the Recommendations on Corporate Governance Code; ii) the corresponding level of observance by NOS, as at 31 December 2020 and justification of recommendations not applicable or not adopted; and, also iii) reference to the Chapters of this Corporate Governance Report that describe the measures taken by the Company to comply with the aforementioned Recommendations in the Corporate Governance Code.

COMPLIANCE ANALYSIS OF THE 2020 CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE	ASSESSMENT	CGR REFERENCE / COMMENTS
I. GENERAL PROVISIONS		
General principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of companies.		
I.1. The Company's relationship with investors and disclosure Principle: Companies, in particular their directors, should treat shareholders and other investors equitably, by ensuring that mechanisms and procedures are in place for the suitable management and disclosure of information.		
I.1.1. The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	Items 15, 22, 28, 29, 34, 56 to 65
I.2. Diversity in the composition and functioning of the company's governing bodies Principle I.2.A: Companies ensure diversity in the composition of their governing bodies, and the adoption of requirements based on individual merit in the appointment procedures that are exclusively within the powers of the shareholders. Principle I.2.B: Companies should be provided with clear and transparent decision-making structures and ensure a maximum effectiveness of the functioning of their governing bodies and committees. Principle I.2.C: Companies ensure the functioning of their governing bodies and committees is properly registered, in minutes, that enables knowing not only the meaning of the adopted decisions, but also the grounds and opinions provided by its members.		
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Not Adopted	
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations – specifically regulating the performance of their duties, their Chairmanship, frequency of meetings, their functioning and the duties of their members – and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted	Items 22, 27, 29, 34 and 61



PART 2 CORPORATE GOVERNANCE ASSESSMENT



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CORPORATE GOVERNANCE CODE	ASSESSMENT	CGR REFERENCE / COMMENTS	
I.2.3.	The composition and the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Items 60 to 65
I.2.4.	A whistleblowing policy must be implemented that ensures the suitable means for the communication and processing of irregularities, safeguarding the confidentiality of the reported information and the identity of the reporter, whenever it is requested.	Adopted	Item 49
I.3.	Relationship between the company bodies Principle: Members of the company's boards, especially directors should, considering the duties of each of the boards, create the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.		
I.3.1.	The articles of association, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure that the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing access to any other documents or people that may be requested for information.	Adopted	Items 21, 22, 29 and 34
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the articles of association, of each of the remaining boards and committees.	Adopted	Items 22, 29 and 34
I.4.	Conflicts of interest Principle: The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.		
I.4.1.	Under internal regulations or equivalent, members of the managing and supervisory boards and internal committees are bound to inform the respective board or committee whenever there are facts that could constitute or give rise to a conflict between their interests and the Company's interest.	Adopted	Item 26
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	Item 26
I.5.	Related party transactions Principle: Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the Company and carried out under market conditions, subject to principles of transparency and adequate supervision.		
I.5.1.	The managing body should disclose in the governance report or through another publicly available means the internal procedure for verifying related party transactions.	Adopted	Items 34 and 89 to 91
I.5.2.	The managing body should report the results of the internal procedure for verifying related party transactions, including the transactions under analysis, to the supervisory body, at least every six months.	Adopted	Items 90 and 91
c	SHAREHOLDERS AND GENERAL MEETINGS		
II.A	Principle: As an instrument for the efficient functioning of the Company and the fulfilment of the corporate purpose of the Company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the Company's governance.		
II.B	Principle: The Company should stimulate the personal participation of shareholders in general meetings, as a space for communication by the shareholders with the Company's boards and committees and also for reflection about the Company itself.		



PART 2 CORPORATE GOVERNANCE ASSESSMENT



CONTINUATION

CORPORATE GOVERNANCE CODE	ASSESSMENT	CGR REFERENCE / COMMENTS
II.C Principle: The Company should implement adequate means for participation and remote voting for the shareholders in the meeting.		
II.1. The Company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	Item 12
II.2. The Company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted	Item 14
II.3. The Company should implement adequate means for shareholders remote participation in the General Meeting, proportionate to its size.	Adopted	Item 12
II.4. The Company should implement adequate means for exercising the remote voting right, including by postal voting and by electronic means.	Adopted	Item 12 The Company further notes that the raison d'être of this Recommendation (i.e., to fully enable shareholders to exercise their voting rights) is ensured by other mechanisms, such as postal voting (commonly used), and by electronic means, with information on such possibilities promptly made available to the general public through the publication of a notice of meeting and other documents (including the ballot paper and forms) on the Company's website.
II.5. The Company's Articles of Association, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every five years, the amendment or maintenance of this rule will be subject to a shareholder resolution – without increased quorum in comparison to the legally established – and in that resolution, all votes cast will be counted without observation of the imposed limits.	N/A The Company's Articles of Association do not set any limit on the number of votes that can be held or exercised by each shareholder.	Item 13
II.6. The Company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the economic interest in the free transferability of shares and a shareholder assessment of the performance of the directors.	Adopted	Items 2, 4 and 5
III. NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION		
III.A Principle: The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and encourage executive management to fully accomplish the corporate purpose, and this should be complemented by committees for areas that are central to corporate governance.		
III.B Principle: The composition of the supervisory body and the non-executive directors should provide the Company with a balanced and suitable diversity of skills, knowledge, and professional experience.		
III.C Principle: The supervisory body should carry out permanent oversight of the Company's managing body, including from a preventive perspective, and monitor the Company's activity, particularly the decisions of fundamental importance.		
III.1. Without prejudice to the legal powers of the Chairman of the Board of Directors, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director) from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the Chair of the Board of Directors and other directors, (ii) ensure that there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Not Adopted	Item 18



PART 2 CORPORATE GOVERNANCE ASSESSMENT



CONTINUATION

CORPORATE GOVERNANCE CODE	ASSESSMENT	CGR REFERENCE / COMMENTS
<p>III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the Company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed, and the formulation of this adequacy finding should be in the governance report.</p>	Adopted	Items 17, 18, 29 and 31
<p>III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.</p>	Adopted	Items 17 and 18
<p>III.4. Each company should include a number that corresponds to no less than one third, but always plural, of non-executive directors who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the Company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:</p> <ul style="list-style-type: none"> i) Having carried out functions in any of the Company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii) Having been a prior staff member of the Company or of a Company which is considered to be in a controlling or group relationship with the Company in the last three years; iii) Having, in the last three years, provided services or established a significant business relationship with the Company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv) Having been a beneficiary of remuneration paid by the Company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v) Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualified shareholdings; vi) Having been a holder of qualified shareholdings or representative of a holder of qualified shareholdings. 	Not Adopted	Item 18
<p>III.5. The provisions of (i) recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the appointment, a period of three years has elapsed (cooling-off period).</p>	N/A	There are no directors under these conditions.
<p>III.6. The supervisory body, in observance of the powers conferred to it by law, should, prior to its final approval by the managing body, evaluate and pronounce itself on the strategic lines and the risk policy.</p>	Adopted	Items 34 and 38
<p>III.7. Companies should have specialised committees covering matters of corporate governance, appointments and performance assessments, separately or cumulatively. If the remuneration committee provided by article 399 of the Portuguese Companies Code has been created, and due to not being prohibited by law, this recommendation may be complied with the attribution of powers to this committee on the aforementioned matters.</p>	Adopted	Items 27, 29 and 67
IV. EXECUTIVE MANAGEMENT		
<p>IV.A Principle: As a way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information to the board, the daily management of the Company should be carried out by executive directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the Company, pursuing the Company's objective and aiming to contribute towards the Company's sustainable development.</p>		
<p>IV.B Principle: Besides the costs and the desirable agility in the functioning of the executive board, the size of the Company, the complexity of its activity, and its geographical spread should be taken into account in determining the number of executive directors.</p>		
<p>IV.1. The managing body should approve, by internal regulations or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the Group.</p>	Adopted	Item 29
<p>IV.2. The managing body should ensure that the Company acts consistently with its objectives and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the Company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.</p>	Adopted	Item 21



PART 2 CORPORATE GOVERNANCE ASSESSMENT



CONTINUATION

CORPORATE GOVERNANCE CODE	ASSESSMENT	CGR REFERENCE / COMMENTS
IV.3. In the annual report, the managing body specifies in which terms the established strategies and main policies strive to ensure the long-term success of the Company and which are the main contributions arising for the community in general.	Adopted	Item 21
V. ASSESSMENT OF PERFORMANCE, REMUNERATION AND APPOINTMENTS		
Annual assessment of performance		
V.1. Principle: The Company should assess the performance of the executive board and its members individually, and also the assessment of the overall performance of the managing body and its specialised committees.		
V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the Company's other bodies and committees.	Adopted	Items 24, 25, 29, 70, 71 and following
Remuneration		
V.2. A. Principle: The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the Company's shareholders – taking into account the wealth effectively created by the Company, its financial situation and the market's – and constitute a factor of development for a culture of professionalisation, sustainability, promotion of merit and transparency within the Company.		
V.2. B. Directors should receive a remuneration that: i) adequately reciprocates the taken responsibilities, availability, and expertise placed at the Company's service; ii) guarantees an action aligned with the long-term interests of the shareholders and promotes the sustainable action of the Company; and iii) rewards performance.		
V.2.1. The Company should create a remuneration committee, the composition of which should ensure its independence from the managing board, and this remuneration committee can be the one mentioned in article 399 of the Portuguese Companies Code.	Adopted	Items 66 to 70
V.2.2. The remuneration should be set by a remuneration committee or by the general meeting, under proposal of the former.	Adopted	Item 66
V.2.3. For each term of office, the remuneration committee or general meeting, under proposal of the former, should also approve the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office, with this situation and amounts being disclosed in the governance report or in the remuneration report.	Not Adopted	Item 83
V.2.4. In order to provide information or clarifications to shareholders, the chair or, in the event of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the Company's boards and committees or if such presence has been requested by the shareholders.	Adopted	Item 69
V.2.5. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties.	Adopted	Item 67
V.2.6. The remuneration committee should ensure that those services are provided independently and that the respective providers do not provide other services to the company, or to others in a controlling or group relationship, without the express authorisation of the committee.	Adopted	Item 67



PART 2 CORPORATE GOVERNANCE ASSESSMENT



CONTINUATION

CORPORATE GOVERNANCE CODE	ASSESSMENT	CGR REFERENCE / COMMENTS
V.2.7. Considering the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Adopted	Item 70
V.2.8. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby necessarily connecting it to the confirmation of the sustainability of the performance, in the terms defined by the company's internal regulations.	Adopted	Item 71
V.2.9. When the variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	N/A	N/A
V.2.10. The remuneration of non-executive directors should not include components dependent on the performance of the Company or on its value.	Adopted	Items 69 and 78
V.3. Appointments		
Principle: Regardless of the manner of appointment, the profile, the knowledge and the curriculum of the members of the Company's governing bodies and the executive staff should be suited to the functions carried out.		
V.3.1. The Company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the Company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Adopted	Item 29
V.3.2. The overview and support to the appointment of members of senior management should be attributed to an appointment committee, unless this is not justified by the Company's size.	Not Adopted	NOS considers that its human resources department, in coordination with the Executive Committee, has the necessary powers to perform these functions with regard to managers who are not members of corporate bodies.
V.3.3. This appointment committee includes a majority of non-executive, independent members.	N/A	NOS has not adopted a committee for the purposes of Recommendation V.3.2 and therefore Recommendation V.3.3 is not applicable to it in this way.
V.3.4. The appointment committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms for identifying potential candidates, and ensure that those chosen for proposal are those who present the highest degree of merit, are best suited to the demands of the duties to be carried out, and will best promote, within the organisation, suitable diversity, including gender diversity.	N/A	NOS has not adopted a committee for the purposes of Recommendation V.3.2 and therefore Recommendation V.3.3 is not applicable to it in this way.
VI. INTERNAL CONTROL		
Principle: Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allows for the anticipation and minimisation of risks inherent to the Company's activity.		
VI.1. The managing body should debate and approve the Company's strategic plan and risk policy, which should include the definition of limits in risk assumption matters.	Adopted	Items 50 and following
VI.2. The supervisory body should organise itself internally, implementing periodic controls procedures and mechanisms aiming to ensure the risks effectively incurred by the Company are consistent with the objectives established by the managing body.	Adopted	Item 50
VI.3. The internal control system, having the risk management, compliance, and internal audit duties, should be structured in terms suitable for the size of the Company and the complexity of the risks intrinsic to its activity, with the supervisory body assessing it and, within the scope of supervising the efficiency of this system, proposing the adjustments that may be deemed necessary.	Adopted	Item 51
VI.4. The supervisory body should give an opinion on the work plans and resources allocated to the internal control system services, including the risk management, compliance, and internal audit duties, and can propose the adjustments that may be deemed necessary.	Adopted	Item 51



PART 2 CORPORATE GOVERNANCE ASSESSMENT



CONTINUATION

CORPORATE GOVERNANCE CODE	ASSESSMENT	CGR REFERENCE / COMMENTS
VI.5. The supervisory body should receive the reports made by the internal control services, including the risk management, compliance, and internal audit duties, at least when matters related to accounting, identification or conflicts of interest resolution, and detection of potential irregularities are at issue.	Adopted	Item 51
VI.6. Based on its risk policy, the Company shall establish a risk management duty, identifying (i) the main risks to which it is subject in the conduct of its business, (ii) the probability of their occurrence and their impact, (iii) the instruments and measures to be adopted to mitigate them, and (iv) the monitoring procedures for follow-up.	Adopted	Items 53 and 54
VI.7. The company should establish monitoring procedures, periodical assessment and adjustment of the internal control system, including an annual evaluation of the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Adopted	Item 54
VII. FINANCIAL STATEMENTS AND ACCOUNTING		
Financial statements Principle VII.A: The supervisory body shall, independently and diligently, ensure that the managing body meets its responsibilities in choosing appropriate accounting policies and criteria and in establishing appropriate systems for financial reporting, risk management, internal control and internal audit. Principle VII.B: The supervisory body shall promote adequate coordination between the work of internal audit and statutory audit.		
VII.1.1. The internal regulations of the supervisory body shall require that it oversees the adequacy of the process of preparing and disclosing financial information by the managing body, including the adequacy of accounting policies, estimates, judgements, relevant disclosures and their consistent application between financial years, in a duly documented and reported manner.	Adopted	Item 34
Statutory audit and supervision Principle: The supervisory body should establish and monitor clear and transparent formal procedures on the relationship of the company with the statutory auditor, as well as on the supervision of compliance by the auditor, with rules regarding independence imposed by law and professional regulations.		
VII.2.1. Through the use of internal regulations, the supervisory body should define, under the applicable legal regime, the supervision procedures aimed at ensuring the independence of the statutory auditor.	Adopted	Item 34
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	Items 34 and 37
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	Items 34 and 37



ANNEX

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- 05**



BOARD OF DIRECTORS

Ângelo Gabriel Ribeirinho dos Santos Paupério

CHAIRMAN OF THE BOARD OF DIRECTORS

Qualifications

- Degree in Civil Engineering from Faculty of Engineering of the University of Porto
- Master in Companies Management MBA (Porto Business School)

Offices held in other companies as of 31.12.2020

- Chairman of the Board of Directors of Sonaecom, SGPS, S.A.
- Chairman of the Board of Directors of Sonae Investment Management – Software and Technology, SGPS, S.A.
- Chairman of the Board of Directors of Público – Comunicação Social, S.A.
- Chairman of the Board of Directors of Sonae Holdings, S.A.
- Chairman of the Board of Directors of Enxomil – Consultoria e Gestão S.A.
- Chairman of the Board of Directors of Público – Sociedade Imobiliária S.A.
- Member of the Board of Directors of Sonae MC – SGPS, S.A.
- Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
- Member of the Board of Directors of Sonae, SGPS, S.A.
- Member of the Board of Directors of Sonae Capital, SGPS, S.A.
- Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
- Member of the Board of Directors of Sonae FS, S.A.
- Member of the Board of Directors of ZOPT, SGPS, S.A.
- Member of the Board of Directors of Fundação Manuel Cargaleiro
- Member of the Board of Directors of Love Letters – Galeria de Arte, S.A.
- Member of the Board of Directors of Associação Portuguesa de Gestão e Engenharia Industrial

Professional Experience

- Tecnopor – Structural Design Project Engineer (1982-1984)
- EDP – Eletricidade de Portugal – Manager (1984-1989)
- Sonae Tecnologias de Informação, SA – Leader of the Television Project Team (1989-1991)
- Modelo Continente Hipermercados, SA – Director (1989-2007)
- Sonae Investimentos, SA (currently Sonae – SGPS, SA) Head of Planning and Management Control (1991-1994)
- Sonae Distribuição, SGPS, SA (currently Sonae MC, SGPS, SA) Director of several subsidiaries – Retail (1994-1996)
- Sonae Distribuição, SGPS, SA (currently Sonae MC, SGPS, SA) (1996-2007)
- CFO Sonae Capital, SGPS, SA – Executive Member of the Board of Directors (1996-2007)
- Sonae – SGPS, SA – Member of the Board of Directors, CFO, and Chairman of the Finance Committee (2000-2007)
- MDS – Corretor de Seguros, SA – Member of the Board of Directors (2004-2009)
- Sonae Investments BV – Executive Member of the Board of Directors (2005-2016)
- Sontel BV – Executive Member of the Board of Directors (2006-2016)
- Sonae – SGPS, SA – Executive Vice-Chairman of the Board of Directors (2007/April 2015)
- MDS, SGPS, SA – Member of the Board of Directors (Chairman of the Board of Directors since October 2014) (2007/March 2018)
- Sonaerp – Retail Properties, SA – Chairman of the Board of Directors (2010-2016)
- Sonae – Specialized Retail, SGPS, SA (Merger Sonae MC – Modelo Continente, SGPS, SA) Vice-Chairman of the Board of Directors (2010-2016)
- MDS Auto – Mediação de Seguros, SA – Chairman of the Board of Directors (2010-2016)
- Universidade Católica Portuguesa – Member of the Supreme Counsel (2010-2016)
- Sonae Center Serviços II, SA (currently Sonae MC – Serviços Partilhados, SA) – Member of the Board of Directors (2010-2018)

- Porto Business School Member of the Superior Council (2011-2015)
- Sonaecom - Serviços Partilhados, SA - Chairman of the Board of Directors (2012-2016)
- Sonae RE, SA - Chairman of the Board of Directors (2013-2016)
- Sonaegest – Sociedade Gestora de Fundos de Investimento, SA – Chairman of the Board of Directors (2013-2016)
- Sonae SGPS, SA - Co-CEO (2015 – 2019)

Miguel Nuno Santos Almeida

CHAIRMAN OF THE EXECUTIVE COMMITTEE

Qualifications

- Degree in Mechanical Engineering from Faculty of Engineering of the University of Porto
- MBA from INSEAD

Offices held in other companies as of 31.12.2020

- Chairman of the Board of Directors of NOS Comunicações, S.A.
- Chairman of the Board of Directors of NOS Technology – Conceção, Construção e Gestão de Redes de Comunicações S.A.
- Chairman of the Board of Directors of NOS Sistemas – Serviços em Tecnologia de Informação S.A.
- Chairman of the Board of Directors of NOS Inovação, S.A.
- Chairman of the Board of Directors of NOS Açores Comunicações S.A.
- Chairman of the Board of Directors of NOS Lusomundo Audiovisuais, S.A.
- Chairman of the Board of Directors of NOS Lusomundo Cinemas, S.A.
- Chairman of the Board of Directors of NOS Madeira Comunicações, S.A.
- Chairman of the Board of Directors of NOS Audiovisuais SGPS, S.A.
- Chairman of the Board of Directors of NOS Internacional SGPS, S.A.

- Chairman of the Board of Directors of NOS Corporate Center, S.A.
- Chairman of the Board of Directors of NOS Wholesale, S.A.
- Chairman of the Board of Directors of NOS Property, S.A.
- Chairman of the Board of Directors of NOS Audio – Sales and Distribution, S.A.

Professional Experience

- Member of the Executive Committee of Optimus Comunicações, S.A. (2010-2013)
- Member of the Board of Directors and Executive Director of Sonaecom, SGPS, S.A. (2005-2013)

Ana Paula Garrido de Pina Marques

VICE-CHAIRMAN OF THE EXECUTIVE COMMITTEE

Qualifications

- Degree in Economy from Faculty of Economics of the University of Porto
- MBA from INSEAD

Offices held in other companies as of 31.12.2020

- Member of the Board of Directors of NOS Comunicações, S.A.
- Member of the Board of Directors of NOS Technology – Conceção, Construção e Gestão de Redes de Comunicações S.A.
- Member of the Board of Directors of NOS Sistemas – Serviços em Tecnologia de Informação S.A.
- Member of the Board of Directors of NOS Inovação, S.A.
- Member of the Board of Directors of NOS Corporate Center, S.A.
- Member of the Board of Directors of NOS Wholesale, S.A.
- Member of the Board of Directors of NOS Property, S.A.
- Member of the Board of Directors of NOS Lusomundo Cinemas, S.A.
- Member of the Board of Directors of NOS Lusomundo Audiovisuais, S.A.
- Member of the Board of Directors of NOS Audio – Sales and Distribution, S.A.

- Member of the Board of Directors of NOS Açores Comunicações S.A.
- Member of the Board of Directors of NOS Madeira Comunicações, S.A.
- Member of the Board of Directors of NOS Audiovisuais SGPS, S.A.
- Member of the Board of Directors of NOS Internacional SGPS, S.A.
- Member of the Board of Directors of Per-Mar, Sociedade de Construções, S.A.
- Member of the Board of Directors of Sontária – Empreendimentos Imobiliários, S.A.
- Member of the Board of Directors of Lusomundo Imobiliária 2, S.A.
- Member of the Board of Directors of Lusomundo Sociedade de Investimentos Imobiliários SGPS, S.A.
- Member of the Board of Directors of Sport TV Portugal, S.A.
- Manager of Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.

Professional Experience

- Executive Director of OPTIMUS – Comunicações, responsible for Business Unit, Home Service, Costumer Service, Operations and Terminals Management (2010-2013)
- Chairwoman of APRITEL (Associação dos Operadores de Comunicações Eletrónicas) (2011-2014)
- Manager of Marketing and Sales Private Mobile Service Business Unit of Optimus (2009-2009)
- Manager of Branding and Communication, as well as Director of the Data Business Unit of Optimus (2003-2008)
- Started her career in the Marketing Department of Procter & Gamble (1996-1998)

José Pedro Faria Pereira da Costa

VICE-CHAIRMAN OF THE EXECUTIVE COMMITTEE

Qualifications

- Degree in Business Management and Administration from Universidade Católica Portuguesa
- MBA from INSEAD

Offices held in other companies as of 31.12.2020

- Chairman of the Board of Directors of Per-Mar, Sociedade de Construções, S.A.
- Chairman of the Board of Directors of Sontária – Empreendimentos Imobiliários, S.A.
- Chairman of the Board of Directors of Lusomundo Imobiliária 2, S.A.
- Chairman of the Board of Directors of Lusomundo Sociedade de Investimentos Imobiliários SGPS, S.A.
- Vice-Chairman of the Board of Directors of Mstar, S.A.
- Member of the Board of Directors of Finstar – Sociedade de Investimentos e Participações, S.A.
- Member of the Board of Directors of NOS Lusomundo Audiovisuais, S.A.
- Member of the Board of Directors of NOS Lusomundo Cinemas, S.A.
- Member of the Board of Directors of NOS Audio – Sales and Distribution, S.A.
- Member of the Board of Directors of NOS Comunicações, S.A.
- Member of the Board of Directors of NOS Audiovisuais SGPS, S.A.
- Member of the Board of Directors of NOS Internacional SGPS, S.A.
- Member of the Board of Directors of NOS Technology – Conceção, Construção e Gestão de Redes de Comunicações S.A.
- Member of the Board of Directors of Dreamia, S.L.
- Member of the Board of Directors of Dreamia Serviços de Televisão, S.A.
- Member of the Board of Directors of NOS Sistemas – Serviços em Tecnologia de Informação S.A.
- Member of the Board of Directors of NOS Sistemas España, S.L.
- Member of the Board of Directors of NOS Inovação, S.A.
- Member of the Board of Directors of NOS Açores Comunicações S.A.
- Member of the Board of Directors of NOS Madeira Comunicações, S.A.
- Member of the Board of Directors of Teliz Holding, B.V.

- Member of the Board of Directors of Upstar Comunicações, S.A.
- Member of the Board of Directors of Big Picture 2 Films, S.A.
- Member of the Board of Directors of Sport TV Portugal, S.A.
- Member of the Board of Directors of NOS Corporate Center, S.A.
- Member of the Board of Directors of NOS Wholesale, S.A.
- Member of the Board of Directors of NOS Property, S.A.
- Manager of Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.

Professional Experience

- Member of the Board of Directors of Group Portugal Telecom, acting as CFO and responsible for PT Comunicações, PT.COM and PT Prime companies (2002-2007)
- Executive Vice-Chairman of Telesp Celular Participações (2001-2002)
- Member of the Executive Committee of Banco Santander de Negócios Portugal, responsible for Corporate Finance (1997-2000)
- Started his career in 1990 in McKinsey & Company in Portugal and Spain

Jorge Filipe Pinto Sequeira dos Santos Graça

EXECUTIVE DIRECTOR

Qualifications

- Degree in Business Management and Administration from Universidade Católica Portuguesa
- MBA from Kellogg School of Management at Northwestern University

Offices held in other companies as of 31.12.2020

- Chairman of the Board of Directors of DUALGRID – Gestão de Redes Partilhadas, S.A.
- Member of the Board of Directors of NOS Comunicações, S.A.
- Member of the Board of Directors of NOS Technology – Conceção, Construção e Gestão de Redes de Comunicações S.A.
- Member of the Board of Directors of NOS Sistemas – Serviços em Tecnologia de Informação, S.A.

- Member of the Board of Directors of NOS Inovação, S.A.
- Member of the Board of Directors of NOS Açores Comunicações S.A.
- Member of the Board of Directors of NOS Madeira Comunicações, S.A.
- Member of the Board of Directors of NOS Lusomundo Cinemas, S.A.
- Member of the Board of Directors of NOS Lusomundo Audiovisuais, S.A.
- Member of the Board of Directors of NOS Audio – Sales and Distribution, S.A.
- Member of the Board of Directors of NOS Audiovisuais SGPS, S.A.
- Member of the Board of Directors of NOS Internacional SGPS, S.A.
- Member of the Board of Directors of NOS Corporate Center, S.A.
- Member of the Board of Directors of NOS Wholesale, S.A.
- Member of the Board of Directors of NOS Property, S.A.

Professional Experience

- Director of ZON TV Cabo responsible for Product and Marketing (2010-2013)
- Director of Product TV of ZON TV Cabo (2007-2010).
- Project Leader at The Boston Consulting Group (2003-2004)

Luís Moutinho do Nascimento

EXECUTIVE DIRECTOR

Qualifications

- Degree in Management from Universidade Católica Portuguesa
- MBA from INSEAD

Offices held in other companies as of 31.12.2020

- Member of the Board of Directors of NOS Comunicações, S.A.
- Member of the Board of Directors of NOS Technology – Conceção, Construção e Gestão de Redes de Comunicações S.A.

- Member of the Board of Directors of NOS Sistemas – Serviços em Tecnologia de Informação S.A.
- Member of the Board of Directors of NOS Inovação, S.A.
- Member of the Board of Directors of NOS Lusomundo Cinemas, S.A.
- Member of the Board of Directors of NOS Lusomundo Audiovisuais, S.A.
- Member of the Board of Directors of NOS Audio – Sales and Distribution, S.A.
- Member of the Board of Directors of NOS Audiovisuais SGPS, S.A.
- Member of the Board of Directors of NOS Internacional SGPS, S.A.
- Member of the Board of Directors of Dreamia, BV
- Member of the Board of Directors of Dreamia, S.A.
- Member of the Board of Directors of NOS Corporate Center, S.A.
- Member of the Board of Directors of NOS Wholesale, S.A.
- Member of the Board of Directors of NOS Property, S.A.
- Manager of Lusomundo Moçambique, Lda.

Professional Experience

- Member of the Executive Committee of Portugal Telecom, responsible for B2C Sales and Marketing (2015-2017)
- Manager of the Home Segment & CRM of Portugal Telecom (2007-2015)
- Non-executive member of the Board of Directors of PT Contact (2011-2014)
- Former Manager of Strategic Marketing of PT Multimedia
- Former Associate and Manager at Diamond Cluster
- Started his career as analyst on McKinsey & Company

Manuel António Neto Portugal Ramalho Eanes

EXECUTIVE DIRECTOR

Qualifications

- Degree in Management from Universidade Católica Portuguesa
- MBA from INSEAD

Offices held in other companies as of 31.12.2020

- Member of the Board of Directors of NOS Comunicações, S.A.
- Member of the Board of Directors of NOS Technology – Conceção, Construção e Gestão de Redes de Comunicações S.A.
- Member of the Board of Directors of NOS Sistemas – Serviços em Tecnologia de Informação, S.A.
- Member of the Board of Directors of NOS Inovação, S.A.
- Member of the Board of Directors of NOS Açores Comunicações S.A.
- Member of the Board of Directors of NOS Madeira Comunicações, S.A.
- Member of the Board of Directors of NOS Lusomundo Cinemas, S.A.
- Member of the Board of Directors of NOS Lusomundo Audiovisuais, S.A.
- Member of the Board of Directors of NOS Audio – Sales and Distribution, S.A.
- Member of the Board of Directors of NOS Audiovisuais SGPS, S.A.
- Member of the Board of Directors of NOS Internacional SGPS, S.A.
- Member of the Board of Directors of Finstar – Sociedade de Investimentos e Participações, S.A.
- Member of the Board of Directors of Upstar Comunicações, S.A.
- Member of the Board of Directors of NOS Sistemas España S.L.
- Member of the Board of Directors of NOS Corporate Center, S.A.
- Member of the Board of Directors of NOS Wholesale, S.A.
- Member of the Board of Directors of NOS Property, S.A.

Professional Experience

- Executive Director of Optimus Comunicações, SA, responsible for Companies and Operators (2010-2013)
- Former Director at Optimus of Home Wireline, Central Marketing, Data Service, Particular Sales, SMEs and Business Development (1999-2009)
- Started his career in McKinsey & Co. (1995-1999)

Ana Rita Ferreira Rodrigues

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Management from the Faculty of Economics, University of Porto
- Post-Graduation in Tax Law at the Faculty of Law of the University of Coimbra
- MBA candidate - Porto Business School

Offices held in other companies as of 31.12.2020

- Project Director, Terra Peregrin, S.A.

Professional Experience

- Member of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A. (2018-2020)
- Project Director, Santoro Finance – Prestação de Serviços, S.A. (2017-2020)
- Manager - Transaction Services, PricewaterhouseCoopers – AG Assessoria de Gestão, Lda.(2015-2017)
- Head of Control and Consolidation Department of Sonaecom, SGPS (2011-2015)
- Associate, Audit, PricewaterhouseCoopers & Associados, SROC, Lda. (2009-2011)

António Bernardo Aranha da Gama Lobo Xavier

NON-EXECUTIVE DIRECTOR

Qualifications

- Law Degree
- Master's Degree in Economic Law by the University of Coimbra

Offices held in other companies as of 31.12.2020

- Partner at Morais Leitão, Galvão Teles, Soares da Silva & Associados
- Chairman of the Board of the General Meeting of Textil Manuel Gonçalves S.A.

- Chairman of the Board of the General Meeting of Mysticinvest – Holding, S.A.
- Vice-Chairman of the Board of Directors of Banco BPI, SGPS, S.A.
- Director of BA Glass – Serviços de Gestão e Investimento, S.A.
- Member of the Board of Directors of Riopole, S.A.
- Member of the Board of Directors of Mota-Engil, SGPS, S.A.
- Member of the Curators Board of Fundação Belmiro de Azevedo
- Council of State (since 07.04.2016)

Professional Experience

- Assistant at Faculty of Law of the University of Coimbra, where he taught Political Economy and Public Finance (1983-1988)
- Assistant at Faculty of Law of the University of Coimbra, responsible for the theoretical courses of Administrative and Tax Law (1988-1994)
- Professor of the European Studies Course, of the Faculty of Law of the University of Coimbra, where he co-chaired the Political Finances and Tax Harmonisation (1988-1994)
- Guest professor of the Law Department in the Portuguese University (1988-1994)
- Executive director of SIVA, SGPS, responsible for taxes and investors relationship (1996-1999)
- Member of the Board of Directors of FC Porto – SAD (2000-2002)
- Since 1985, he acted as an independent legal consultant
- Since 2006, Partner at Morais Leitão, Galvão Teles, Soares da Silva & Associados – Sociedade de Advogados
- Non-executive member of Sonaecom, SGPS, S.A. (2017-2018)
- Executive Director of Sonaecom, SGPS, S.A. (2004-2010)
- Vice-Chairman of the Board of Directors of Fundação de Serralves (2000-2010)
- Non-executive member of the Board of Directors of Público, S.A. (2010-2016)
- Non-executive member of the Board of Directors of PCJ – Público, Comunicação, Jornalismo, S.A. (2010-2016)
- Non-executive member of the Board of Directors of Sonae IM, SGPS, S.A. (2010-2016)
- Chairman of the Retirement Committee of IRC (2013)



ANNEX



António Domingues

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Economics from Instituto Superior de Economia de Lisboa

Offices held in other companies as of 31.12.2020,

- Non-executive member of the Board of Directors of Haitong Bank

Professional Experience

- Chairman of the Board of Directors and of the Executive Committee of the Board of Directors of Caixa Geral de Depósitos (2016-2016)
- Member and Vice-Chairman of the Executive Committee of the Board of Directors of Banco BPI (1999-2016)
- Member of the Management of BPI SGPS S.A. (1995-2000)
- Member of the Board of Directors of Banco de Fomento e Exterior (1996-1999)
- Member of the Board of Directors of Banco Borges & Irmão (1996-1999)
- Member and Vice-Chairman of the Board of Directors of Banco Português de Investimento (1995-2016)
- Member of the Board of Directors of Banco de Fomento e Exterior (2003-2020)
- Vice-Chairman of the Board of Directors of BCI - Moçambique (2003-2012)
- Member of the Board of Directors of UNICRE, SIBS, and Allianz Portugal (1999-2016)
- Member of the Board of Directors of BPI Madeira, SGPS, S.A. (1997-2016)
- Central Manager of the Financial and International Management of BPI-Banco Português de Investimento S.A. (1989-1995)
- Deputy Director-General of the French Branch of Banco Português do Atlântico (1988-1989)

- Technical Advisor of the Foreign Department of Banco de Portugal (1985-1988)
- Director of the Foreign Department of the Issuing Institute of Macau (1982-1985)
- Technical Economist of the Planning and Studies Office of the Ministry of Industry and Energy (1980-1982)

António Frederico Lobão Ferreira Correia Teles

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Business Administration and Management
- Master in Finance at CATÓLICA-LISBON School of Business and Economics
- Executive training in Corporate Governance at Nova School of Business and Economics

Offices held in other companies as of 31.12.2020

- Executive Director of Fidequity - Serviços de Gestão, S.A.
- Director of Sonangol E.P., Capital Markets and Corporate Finance

Professional Experience

- Executive Director of Fidequity - Serviços de Gestão, S.A. (2018-2020)
- Director of Sonangol E.P., Capital Markets and Corporate Finance (2017)
- Subdirector of Banco BPI, M&A and Corporate Finance (2011-2017)
- Analyst at Banco BPI, Investment Banking (2010-2011)
- Business Development Analyst at Portugal Telecom, Wholesale International (2009-2010)

Catarina Eufémia Amorim da Luz Tavira Van-Dúnem

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Management and Company Organisation from

Instituto Universitário de Lisboa, ISCTE Instituto Superior de Ciências do Trabalho e da Empresa

Offices held in other companies as of 31.12.2020

- Executive Director of Finstar / ZAP
- General Coordination of the TV content production studios at ZAP
- Executive Member of the Marketing and Product team which she created, launched and currently manages in ZAP, the company engaged with the distribution of TV channels via satellite in Angola and Mozambique

Professional Experience

- Led the Products and Services team of Unitel, the leading telecommunications operator in Angola (2005-2009)
- Created the new customer services' area of Unitel, the leading telecommunications operator in Angola (2005-2009)
- Started her career in the USA as assistant manager in Sentis and Coral, partners of Shell Oil USA (2003-2005)

Cristina Maria de Jesus Marques

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Economics from Higher Institute of Economics and Management
- Master of Science in Business Administration, major in finance at Católica-Lisbon School of Business and Economics

Offices held in other companies as of 31.12.2020

- Project Manager at Santoro Finance - Prestação de Serviços Professional Experience
- Member of the Board of Directors of NOS, SGPS, S.A. (since 23.03.2020)
- Project Manager of Terra Peregrin, S.A. (since 2020)
- Project Manager of Santoro Finance - Prestação de Serviços, S.A. (2016-2020)

- Business Consultant of Capgemini Consulting (2013-2016)
- Controller of the Information Systems Department of Energias de Portugal (EDP) (2011-2012)
- Analyst of Espírito, Santo Research Sectorial of Novo Banco (former Banco Espírito Santo) (2008-2010)

João Pedro Magalhães da Silva Torres Dolores

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Economics from University of Porto, Faculty of Economics
- MBA from London Business School

Offices held in other companies as of 31.12.2020,

- Chief Financial Officer at Sonae, SGPS, S.A.
- Chairman of the Board of Directors of MKTPlace - Comércio Eletrónico, S.A.
- Executive Director of Sontel, BV
- Executive Director of Sonae Investments, BV
- Executive Director of Sonae Holdings, S.A.
- Executive Director of Sonae Corporate, S.A.
- Executive Director of Sonaecom, SGPS, S.A.
- Member of the Board of Directors of Sonae MC, SGPS, S.A.
- Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
- Member of the Board of Directors of Sonae FS, S.A.
- Member of the Board of Directors of Iberian Sports Retail, S.L.

Professional Experience

- Manager of Strategic Planning and Management Control of Sonae, SGPS, S.A. (2014-2018)
- Manager of Cloud Business Unit of Portugal Telecom, SGPS, S.A. (2013-2014)
- Sub-Manager of Innovation Management of Portugal Telecom, SGPS, S.A. (2011-2013)
- Senior Associate at McKinsey & Company (2005-2011)
- Brand Manager at JW Burmester & Ca, S. (2003-2004)

Joaquim Francisco Alves Ferreira de Oliveira

NON-EXECUTIVE DIRECTOR

Offices held in other companies as of 31.12.2020

- Chairman of the Board of Directors of Olivedesportos, SGPS, S.A.
- Chairman of the Board of Directors of Olivedesportos – Publicidade, Televisão e Media, S.A.
- Chairman of the Board of Directors of Sport TV Portugal, S.A.
- Chairman of the Board of Directors of Sportinveste Multimédia, SGPS, S.A.

Professional Experience

- Founder of Olivedesportos (since 1998)
- Chairman of the Board of Directors in several companies that make up the Olivedesportos business Group (Since 1998)
- Founder of Sport TV (1998)
- Chairman of the Board of Directors of Sport TV (Since 1998)
- Chairman of the Board of Directors of Sportinveste Multimédia SGPS (Since 1998)

José Carvalho de Freitas

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Law at the Faculty of Law of the University of Coimbra

Offices held in other companies as of 31.12.2020

- Member of the International Bar Association (IBA), the American Bar Association (ABA), and the Union Internationale des Avocats (UIA)
- Partner and Director of José de Freitas, Sociedade de Advogados, SP, RL
- Partner and Manager of Incrize – Consultoria de Negócios, Lda.
- Partner and Manager of Casa das Antas – Sociedade Agrícola, Lda.

- Partner and Manager of Solaco – Sociedade de Lavandarias de Coimbra, Lda.
- Partner and Manager of Superzito, Lda.
- Partner and Manager of Lemos de Freitas Negócios, Unipessoal, Lda.
- Chairman of the General Meeting of Rancho Folclórico de Barqueiros
- Chairman of the General Meeting of Liga dos Amigos do Parente
- Member of the Comissão Nacional de Estágio e Formação (CNEF) and the Comissão Nacional de Avaliação (CNA) of the Portuguese Bar Association

Professional Experience

- Chairman of the CCBE (2019)
- Member of the Supervisory Board of European Lawyers Foundation - ELF (2018-2020)
- Chairman of the Brexit Task Force of the CCBE (2018)
- Vice-Chairman of the CCBE (2016-2018)
- Member of the Board of Directors of ASAP (Association of Law Firms of Portugal) (2008-2010)
- Partner and Manager of Vilnaz – Hotelaria e Turismo, Lda. Chairman of the Professional Indemnity Insurance Working Group of the CCBE (2007-2013)
- Head of the Portuguese Delegation to the CCBE - European Council of Bar Associations (2005-2015)
- Member of the General Council of the Bar Association (2005-2007 mandate)
- Guest lecturer of the Catholic University of Porto (2002-2019)
- Partner at Cuatrecasas, Gonçalves Pereira & Associados, Sociedade de Advogados, SP, RL, where he was responsible for the Litigation and Corporate areas (1990-2019)
- Founder of the Porto's office of Cuatrecasas, Gonçalves Pereira & Associados, Sociedade de Advogados, SP, RL (1989-2012)
- Chairman of the Municipal Assembly of the City Council of Resende (1998-2001)
- General Secretary of Santa Casa da Misericórdia do Porto (1987-1988)

Maria Cláudia Teixeira de Azevedo

NON-EXECUTIVE DIRECTOR

Qualifications

- Degree in Management from Universidade Católica Portuguesa
- MBA from INSEAD

Offices held in other companies as of 31.12.2020

- CEO of Sonae, SGPS, S.A.
- Member of the Board of Directors of Sonae MC, SGPS, S.A.
- Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
- Member of the Board of Directors of Sonae FS, S.A.
- Member of the Board of Directors of Sonae Holdings, S.A.
- Member of the Board of Directors of SONAECOM – SGPS, S.A.
- Member of the Board of Directors of ZOPT, SGPS, S.A.
- Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT – SOFTWARE AND TECHNOLOGY, SGPS, S.A.
- Member of the Board of Directors of Público – Comunicação Social, S.A.
- Member of the Board of Directors of SONAE CAPITAL, SGPS, S.A.
- Member of the Board of Directors of EFANOR – Serviços de Apoio à Gestão, S.A.
- Member of the Board of Directors of EFANOR – Investimentos SGPS, S.A.
- Member of the Board of Directors of SEKIWI, SGPS, S.A.
- Member of the Board of Directors of Setimanale SGPS S.A.
- Member of the Board of Directors of Casa Agrícola de Ambrães, S.A.
- Member of the Board of Directors of Realejo – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of IMPARFIN – Investimentos e Participações Financeiras, S.A.
- Chairwoman of the Board of Directors of LINHACOM, SGPS, S.A.
- Chairwoman of the Board of Directors of Praça Foz – Sociedade Imobiliária, S.A.
- Manager of Tangerine Wish, Lda.

Daniel Lopes Beato

EXECUTIVE DIRECTOR

Qualifications

- Degree in Electronic and Telecommunications Engineering from the University of Aveiro
- MBA Exchange Program, IAE Business School – Austral University Buenos Aires
- MBA Full Time, IESE Business School – Navarra University Barcelona

Offices held in other companies as of 31.12.2020

- Marketing Director of B2C at NOS Comunicações S.A. Professional Experience
- Project Leader at the Boston Consulting Group (Aug.2012 – Jan.2015)
- Technological Strategy Coordinator (Engineering) at Portugal Telecom (Sep.2006 - Aug.2010)

Filipa de Sousa Taveira da Gama Santos Carvalho

EXECUTIVE DIRECTOR

Qualifications

- Law Degree from Universidade Católica Portuguesa (Porto)
- Postgraduate in Management for Law graduates, Universidade Católica Portuguesa (Porto)
- MBA in Management, Universidade Católica Portuguesa (Porto)

Offices held in other companies as of 31.12.2020

- Director of the Legal and Regulatory area of NOS Corporate Center, S.A.
- Member of the Board of Aritel – Associação dos Operadores de Comunicações Eletrónicas
- Member of the Board of APDC – Associação Portuguesa das Comunicações

Professional Experience

- Member of the Legal and Regulatory area of Sonaecom, SGPS, S.A. (2003-2013)
- Member of the legal team of Sonaecom, SGPS, S.A. (1998-2003)
- Member of the legal team of the Corporate Finance of Banco Português de Investimento, S.A. (feb.1998 – sep.1998)

FISCAL BOARD
José Pereira Alves

CHAIRMAN

Qualifications

- Degree in Economics from Faculty of Economics of the University of Porto.

Offices held in other companies as of 31.12.2020

- Member of the Fiscal Board of GMG – Grupo Manuel Gonçalves, SGPS, S.A.
- Chairman of the Fiscal Board of The Fladgate Partnership, S.A.
- Chairman of the Fiscal Board of Galp Energia, SGPS, S.A.
- Chairman of the Fiscal Board of SFS - Gestão de Fundos, SGOIC, S.A.

Professional Experience

- Member of the Fiscal Board of Gestmin SGPS, S.A. (mar.2017 – dec.2018)
- Ceased to be a partner of PwC Portugal (30.Jun.2016)
- Assumed the leadership of PwC in Portugal, as Territory Senior Partner – President (1.Jul.2011 – 30.Jun.2015)
- Joined once more the managing body of PwC in Portugal, as Territory Human Capital Partner, as well as being responsible for the area of Knowledge Management (since 1.Jul.2007)
- He was a faculty member on the MBA in Finance at the Faculty of Economics of the University of Porto (2004-2008)
- Joined the Territory Leadership Team, managing body of PwC

in Portugal, taking responsibility for the areas of Learning & Development and Audit Methodology (2001-2003)

- He was responsible for the coordination of the Post-Graduation Qualification in Auditing at ISAG (2000-2002)
- On 1 January 1994, he became a partner in Pricewaterhouse Coopers (PwC), and for over 22 years was responsible for the coordination of audit work and auditing of accounts for several groups, including Amorim, RAR, Salvador Caetano, Nors, Ibersol, TAP, CTT, Semapa and Jerónimo Martins, among others.
- In 1993, he became a partner of Bernardes, Sismeiro & Associados, SROC.
- In 1990, after a professional qualification examination, he became a Statutory Auditor, registered on the official list of the, then, Chamber of Chartered Accountants and became an employee of the Statutory Auditing Firm Boto, Amorim & Associados, SROC.
- He started his professional activity in 1984 as an audit officer at the international audit firm Coopers & Lybrand and was of several financial audits, analysis of internal control systems and accounting procedures.

Patrícia Andrea Bastos Teixeira Lopes Couto Viana

MEMBER

Qualifications

- Ph.D. in Business Science from the University of Porto, Faculty of Economics (FEP)
- Master's in Business Science, with an expertise in Financing (FEP)
- Degree in Management (FEP)

Offices held in other companies as of 31.12.2020

- Vice-Dean of Porto Business School
- Member of the Remuneration Committee of Caixa Geral de Depósitos
- Assistant Professor at the University of Porto, Faculty of Economics

Professional Experience

- Pro-Dean of University of Porto, in charge of strategic planning and management (2008-2015)
- Chairman of the Fiscal Board of the Fundação Instituto Marques da Silva (2012-2016)
- Member of the General Council of INESC Porto – TEC (2012-2015)
- Member of the Fiscal Board of the Fundação Ciência e Desenvolvimento (2008-2012)
- Member of the Board of UPTEC – Associação para o Desenvolvimento do Parque de Ciência e Tecnologia da University of Porto (2008-2009)
- Director of the Instituto Mercado de Capitais da Euronext Lisboa (1999-2002)
- Author of several papers on national and international professional and academic magazines, regular speaker in conferences in her areas of expertise

Paulo Cardoso Correia da Mota Pinto

MEMBER

Qualifications

- Degree, Master's, and Doctorate in Civil Law Sciences at Faculty of Law, University of Coimbra

Offices held in other companies as of 31.12.2020

- Professor at the Faculty of Law of the University of Coimbra. He has also taught and given lectures in the field of private law at other universities in Portugal and abroad (Brazil, Angola, Mozambique, Macau, Spain, Germany, etc.)
- Member of various Master's and Doctoral panels, particularly in the field of private law, sometimes as examiner. He has published studies (articles and books) mainly in the field of civil law and fundamental rights and has written preliminary drafts of laws (such as the legal rules governing the sale of consumer goods and direct-mail advertising)
- Legal adviser and arbitrator. In this latter capacity, he has chaired or been a member of adhoc arbitral tribunals,

set up by the Centres for Commercial Arbitration of the Associação Comercial do Porto and the Associação Comercial de Lisboa or for the International Court of Arbitration of the International Chamber of Commerce

- Chairman of the Board of the General Meeting of Caixa Geral de Depósitos, S.A.

Professional Experience

- Chairman of the Intelligence Oversight Committee of the Portuguese Republic, elected by the Assembly of the Republic (mar.2013 - dec.2017)
- Former Member of Parliament, Chairman of the Parliamentary Budget and Finance Committee of the 11th Legislature (nov.2009 - apr.2011), and Chairman of the European Affairs Committee, of the 12th Legislature (jun.2011- oct2015)
- Former Vice-Chairman of the National Political Committee of the PSD (2008-2010)
- Constitutional Court Judge, elected by the Assembly of the Republic (11.mar.1998 – 4.apr.2007)
- Former Legal Advisor of BPI – Banco Português de Investimento (1991-1998)

Ana Luísa Nabais Aniceto da Fonte

ALTERNATE MEMBER

Qualifications

- Degree in Business Management and Administration from the Faculty of Economics and Management of the Universidade Católica Portuguesa
- Advanced Training in Taxation by the Universidade Católica Portuguesa
- Member of the Portuguese Institute of Statutory Auditors and the Portuguese Chartered Accountants Association

Offices held in other companies as of 31.12.2020

- Partner at the Statutory Auditing Firm Ana Fonte & Associados
- Member of the Fiscal Board of Sonae Indústria, SGPS, S.A. and of SDSR - Sports Division SR, S.A.

- Member of the Fiscal Board of the Sociedade Gestora dos Fundos de Pensões do Banco de Portugal, S.A.
- Representative of the Portuguese Institute of Statutory Auditors in the “Young Professionals” working group of Accountancy Europe
- Assistant to the Director of the Northern Regional Services of the Portuguese Institute of Statutory Auditors
- Since 2016, she has collaborated with the technical department of the Portuguese Institute of Statutory Auditors in the revision of regulations applicable to the profession
- Since 2011, she has been teaching the audit modules of the Preparation Course for Statutory Auditor and she is also a trainer for several audit training sessions organised by the Portuguese Institute of Statutory Auditors as part of the continuous training of Statutory Auditors
- In collaboration with the Portuguese Institute of Statutory Auditors, she is an audit trainer on the preparation course for Admission to the College of Certified Auditors of the Mozambican Order of Accountants and Auditors
- She is a lecturer in auditing on the Degree in Management, as well as on the Master & Degree in Auditing and Taxation at the Universidade Católica Portuguesa

Professional Experience

- Worked at Grant Thornton’s Porto office (2010-2016)
- Project Manager at Ernst & Young (Mozambique) (2007)
- Auditor at PricewaterhouseCoopers – PwC (2001)

REMUNERATION COMMITTEE
Mário Filipe Moreira Leite da Silva

MEMBER

Qualifications

- Degree in Economy from Porto’s Faculty of Economics
- Theoretical part of the Master’s Degree in Business Science, with an expertise in Financing

Offices held in other companies as of 31.12.2020

- Member of the Board of Directors of ZOPT, SGPS, S.A.
- Member of the Board of Directors of Kento Holding Limited

Professional Experience

- Chairman of the Board of Directors of BFA - Banco Fomento Angola,(2017-2020)
- Chairman of the Board of Directors of Efacec Power Solutions, SGPS, S.A.,(2015-2020)
- Member of the Board of Directors of Banco BPI, S.A. (2013-2017)
- Professor in the MBA Executive at Porto Business School (2013-2020)
- Member of the Auditing and Internal Control Committee of Banco BPI, S.A.,(2011-2017)
- Member of the Board of Directors of NOS, SGPS, S.A. (2009-2020)
- Chairman of the Board of Directors of Fidequity – Serviços de Gestão, S.A.,(2006-2020)

- Chairman of the Board of Directors of Santoro Financial Holding, SGPS, S.A.,(2006-2020)
- Administrative Director and CFO of Grupo Amorim (2002-2006)
- CFO of Grundig Auto Rádios Portugal (1999-2001)
- Professor of Cost Accounting and Management Control in the Company Development course from Universidade Católica Portuguesa – Braga Regional Centre (1997-2001)
- Team Manager in the Audit Department of PricewaterhouseCoopers (1996-1999)
- Analyst in the Analysis and Credit Risks Control Department of BNC – Banco Nacional de Crédito (1995-1996)

José Côrte-Real

MEMBER

Qualifications

- Degree in Psychology and Education Science
- 1996 PADE - High Corporate Management Program

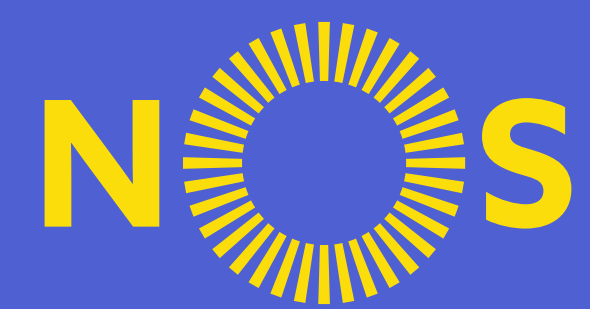
Offices held in other companies as of 31.12.2020

- HR Consultant

Professional Experience

- Chief Human Resources Officer (CHRO) of Sonae (2015–2019)
- Chairman of the Consultive Group of Human Resources Sonae (2013–2019)
- Executive Director of Sonae MC / Sonae SR (2001–2015)
- Chief Human Resources Officer of Sonae Distribuição (1993–2001)
- Chief Human Resources Officer of Modelo Continente Hipermercados (1990–1993)
- Chief Human Resources Officer of Modis, Distribuição Centralizada (1988–1990)
- Personnel Director ED. Ferreirinha & Irmão, Motores e Máquinas EFI Feruni – Sociedade de Fundação (1981–1988)





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Campo Grande, 1600-404 Lisboa

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