Consolidated **Management** Report

1T16

Table of Contents

1Q16 Highlights

1Q16 Highlights	1Q15	**1Q16**	1Q16 / 1Q15
Financial Highlights			
Operating Revenues	344.1	370.3	7.6%
Telco Revenues	327.7	352.5	7.6%
EBITDA	127.9	137.9	7.8%
EBITDA Margin	37.2%	37.2%	0.1pp
Net Income Before Associates & Non-Controlling Interests	15.9	30.8	94.1%
Net Income	23.2	24.4	5.0%
Operational Highlights			
Total RGUs	7,790.4	8,595.0	10.3%
Mobile	3,730.4	4,173.0	11.9%
Pay TV	1,488.6	1,561.5	4.9%
IRIS Subscribers	742.6	899.6	21.1%
Convergent RGUs	2,194.5	2,988.6	36.2%
Convergent Customers	456.8	614.8	34.6%
Convergent Customers as % of Fixed Access Customers	34.0%	42.8%	8.8pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	41.4	43.7	5.4%

Continued quarterly acceleration in yoy financial trends led by strong operational momentum in the core telco business

- Operating revenues increased by 7.6% yoy to 370.3 million euros, up from 6.4% in 4Q15 and 5.8% in 3Q15;
- Core telco revenues grew by 7.6% yoy to 352.5 million euros, up from 6.8% in 4Q15 and 4.6% in 3Q15;
- Cinema exhibition revenues remained very strong up by 13.8% yoy to 15.7 million euros however revenues from the audiovisuals division posted a yoy decline of 3.2% due mainly to a lower yoy share of blockbuster movie distribution in the quarter;
- EBITDA grew by 7.8% yoy to 137.9 million euros with core telco EBITDA increasing by 7.6% yoy to 125.8 million euros;
- Net income before associates and non-controlling interests grew by 94.1% yoy in 1Q16 to 30.8 million euros;
- Total Group CAPEX amounted to 95.1 million euros, just 0.8% higher yoy.

Convergence, success in B2B market and network expansion remain key drivers of growth

- Convergent customers grew by 34.6% yoy to 615 thousand, already representing 42.8% of the fixed customer base and supporting an increase in residential ARPU of 5.4% yoy to 43.7 euros;
- Pay TV subscribers grew by 4.9% yoy to 1.561 million subscribers with net adds of 17.7 thousand in 1Q16;
- The primary driver of net adds continues to be the expansion of the network which covered a further 32.7 thousand households in 1Q16 to reach a total coverage of 3.633 million households; Average customer penetration in new geographies now stands at around 18%;
- Continued positive contribution from B2B led by growth in corporate customer market share and growth in Mass Business RGUs.

Corporate Bodies

As at the date of this report, 26 April 2016, NOS' Governing Bodies had the following composition:

Board of Directors

Chairman of the Board of Directors	Jorge de Brito Pereira
Chairman of the Executive Committee	Miguel Almeida
Members of the Executive Committee	José Pedro Pereira da Costa, Vice-Presidente, CFO Ana Paula Marques André Almeida Manuel Ramalho Eanes
Members	Ângelo Paupério António Lobo Xavier António Domingues Catarina Tavira Cláudia Azevedo Fernando Martorell Isabel dos Santos Joaquim de Oliveira Lorena Fernandes Mário Leite da Silva
Chairman of the Fiscal Board	Paulo Cardoso Correia da Mota Pinto
Members	Eugénio Ferreira Nuno Sousa Pereira
Alternate	Luís Filipe da Silva Ferreira

Officials of the General Meeting of Shareholders

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

Statutory Auditor

In Office	ERNST & YOUNG AUDIT & ASSOCIADOS, SROC, S.A., (ROC number 178 and registered at CMVM with the number 9011, represented by Ricardo Filipe de Frias Pinheiro (ROC number 739);
Alternate	Paulo Jorge Luís da Silva (ROC number 1334)

Business Review

Increasing leadership in Pay TV

NOS is the largest Pay TV provider in Portugal with 1.561 million subscribers and a market share of over 44% at the end of 2015. NOS continues to deliver strong growth in subscribers every quarter with net adds 17.7 thousand in 1Q16, of which 14.3 thousand over fixed access and the remainder over DTH. In addition to the success of convergent take-up and network expansion, net adds have also benefitted from very good progression in churn levels which are around 20% lower yoy due to a clear focus on proactive retention and maximizing customer satisfaction levels. In addition to the numerous product innovation and customer service awards received over the past year, such as the "Leading operator providing Pay TV, BB, voice and mobile" in November 2015, in 1Q16 NOS was recognized as the "most trusted brand" in the Portuguese telecom sector by consumers.

Continued strength of convergent growth driving RGU take-up in the consumer segment, albeit at a slower pace due to already high levels of penetration

Total RGUs grew by 10.3% yoy to 8.595 million services in 1Q16, reflecting the continued success of NOS' convergent strategy. Compared with 1Q15, the number of customers subscribing to convergent services has increased by 34.6% to 615 thousand, representing 39.4% of the total Pay TV base. Of the fixed access Pay TV subs, 42.8% already are convergent customers, up from 34% at the end of 1Q15.

Going digital is a key element of product strategy and NOS has been consistently at the forefront of the market when it comes to delivering a richer and more relevant value proposition to customers. In 1Q16 NOS introduced a material increase in the mobile data offer within its flagship convergent package with the launch of "Quatro 3GB" providing 163 TV channels over the IRIS platform, 200 Mbps fixed broadband, unlimited fixed voice, free mobile calls and SMSs and 3GB of mobile data per SIM card, for up to 4 SIM cards and that can be distributed at will between each user. Although still at an early stage of launch, take-up is very encouraging and helping to drive continued growth in smartphone penetration and usage which stand respectively at 63% and 905MB per month. On the content front, guaranteeing access to the best available content for customers is a priority and NOS continuously reviews its channel line-up to ensure a top quality viewing experience. Of the new channels included in the programming grid over the past months, it is worth highlighting the resonating success of CMTV, included in January, which has since then jumped from the #9 to the #6 position in terms of pay TV ranking with a share of 2.5%.

Led by strong growth of the Pay TV base, increasing convergent penetration and the increase in the number of B2B accounts and services sold, fixed broadband and voice services also posted strong performance in 1Q16 with net adds of 37.7 thousand and 24.5 thousand respectively.

In mobile, net adds in 1Q16 were 50.0 thousand, composed of 70.3 thousand net adds in post-paid mobile services and a net decline in pre-paid users of 20.4 thousand. The pace of growth in convergent mobile services is naturally starting to slow down due to the already high levels of convergent penetration at 42.8% of fixed Pay TV customers. Pre-paid mobile subscribers fell primarily due to seasonal pre-paid disconnections that tend to occur following the strong build up to Christmas.

Positive contribution of large corporate accounts and solid RGU growth in Mass Business

New accounts won in the large corporate segment over past quarters continue to translate into material yoy revenue growth. Key business accounts were won across all sectors, ranging from financial, to health, public sector, retail and transport, amongst others, and further reinforcing NOS' position as a leading and reliable provider of integrated telecom and IT services for the large corporate world driving customer revenue growth from this segment of 11.4% in 1Q16. On the mass business front, NOS is keeping up a strong pace of RGU growth and yoy revenue trends have starting to approach a more encouraging trend and getting close to positive territory in 1Q16 at negative 1.0% compared with negative 9.8% in 1Q15, due to the fact that volume growth in services and accounts is getting close to compensating for the like-for-like decline in revenues per account, consequence of the still challenging pricing environment in this segment.

Residential Fixed ARPU growth of 5.4% yoy led by continued RGU growth per household

Average revenues per household continue to grow as a result of the continued growth in convergent bundles and cross-selling of services to the residential customer base. Residential Fixed ARPU increased by 5.4% yoy to 43.7 euros in 1Q16. In the business segment, ARPU per RGU was still negative yoy although the pace of decline has improved significantly due to the progressively lower level of backbook repricing that has been affecting the Mass Business segment in particular.

Operating Indicators ('000)	1Q15	4Q15	**1Q16**	1Q16 / 1Q15	1Q16 / 4Q15
Telco (1)					
Aggregate Indicators					
Homes Passed	3,393.0	3,600.1	3,632.8	7.1%	0.9%
Total RGUs	7,790.4	8,464.8	8,595.0	10.3%	1.5%
Mobile	3,730.4	4,123.1	4,173.0	11.9%	1.2%
Pre-Paid	2,025.0	2,075.5	2,055.2	1.5%	(1.0%)
Post-Paid	1,705.4	2,047.5	2,117.9	24.2%	3.4%
ARPU / Mobile Subscriber (Euros)	8.8	8.6	8.5	(4.0%)	(0.9%)
Pay TV	1,488.6	1,543.8	1,561.5	4.9%	1.1%
Fixed Access (2)	1,174.0	1,215.3	1,229.7	4.7%	1.2%
DTH	314.6	328.5	331.8	5.5%	1.0%
Fixed Voice	1,522.0	1,623.3	1,647.9	8.3%	1.5%
Broadband	1,027.3	1,144.7	1,182.4	15.1%	3.3%
Others and Data	22.0	29.9	30.2	37.2%	0.9%
3,4&5P Subscribers (Fixed Access)	878.1	968.4	995.4	13.4%	2.8%
% 3,4&5P (Fixed Access)	74.8%	79.7%	80.9%	6.2pp	1.3pp
Convergent RGUs	2,194.5	2,853.7	2,988.6	36.2%	4.7%
Convergent Customers	456.8	590.8	614.8	34.6%	4.0%
Fixed Convergent Customers as % of Fixed Access Customers	34.0%	41.9%	42.8%	8.8pp	0.9pp
% Convergent Customers	30.7%	38.3%	39.4%	8.7pp	1.1pp
IRIS Subscribers	742.6	865.0	899.6	21.1%	4.0%
IRIS as % of 3,4&5P Subscribers (Fixed Access)	84.6%	89.3%	90.4%	5.8pp	1.0pp
Net Adds					
Homes Passed	67.3	56.6	32.7	(51.4%)	(42.2%)
Total RGUs	164.8	188.2	130.2	(21.0%)	(30.8%)
Mobile	87.2	98.0	50.0	(42.7%)	(49.0%)
Pre-Paid	(36.2)	9.9	(20.4)	(43.7%)	n.a.
Post-Paid	123.4	88.1	70.3	(43.0%)	(20.1%)
Pay TV	11.9	21.8	17.7	49.2%	(19.0%)
Fixed Access (2)	7.4	17.2	14.3	93.5%	(16.8%)
DTH	4.5	4.6	3.4	(24.5%)	(27.1%)
Fixed Voice	29.3	28.6	24.5	(16.3%)	(14.2%)
Broadband	34.4	39.0	37.7	9.6%	(3.4%)
Others and Data	2.0	0.8	0.3	(86.2%)	(62.7%)
3,4&5P Subscribers (Fixed Access)	26.4	31.7	27.0	2.0%	(14.9%)
Convergent RGUs	341.3	188.8	134.8	(60.5%)	(28.6%)
Convergent Customers	72.2	35.2	23.9	(66.9%)	(32.0%)
IRIS Subscribers	49.0	39.9	34.5	(29.6%)	(13.4%)

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

Operating Indicators ('000)	1Q15	4Q15	**1Q16**	1Q16 / 1Q15	1Q16 / 4Q15
Telco (1)					
Indicators per Segment					
Consumer					
Total RGUs	6,671.8	7,180.5	7,285.7	9.2%	1.5%
Pay TV	1,396.0	1,435.6	1,448.8	3.8%	0.9%
Fixed Access	1,105.2	1,134.3	1,144.9	3.6%	0.9%
DTH	290.9	301.2	303.9	4.5%	0.9%
IRIS Subscribers	715.0	828.4	859.0	20.1%	3.7%
Broadband	935.5	1,039.2	1,072.4	14.6%	3.2%
Fixed Voice	1,290.4	1,336.9	1,354.5	5.0%	1.3%
Mobile	3,050.0	3,368.9	3,409.9	11.8%	1.2%
% 1P (Fixed Access)	10.2%	7.6%	7.0%	(3.2pp)	(0.6pp)
% 2P (Fixed Access)	15.8%	13.4%	12.8%	(3.0pp)	(0.7pp)
% 3,4&5P (Fixed Access)	74.1%	79.0%	80.3%	6.2pp	1.3pp
ARPU / Unique Subscriber With Fixed Access (Euros)	41.4	42.6	43.7	5.4%	2.5%
Net Adds					
Total RGUs	125.9	147.6	105.2	(16.4%)	(28.8%)
Pay TV	4.7	17.0	13.3	182.5%	(22.1%)
Fixed Access	2.6	13.0	10.6	n.a.	(18.7%)
DTH	2.1	4.0	2.7	27.0%	(33.0%)
IRIS Subscribers	46.6	36.6	30.6	(34.5%)	(16.5%)
Broadband	31.7	34.4	33.3	4.9%	(3.2%)
Fixed Voice	13.8	18.4	17.7	28.4%	(3.9%)
Mobile	75.7	77.9	41.0	(45.9%)	(47.4%)
Business					
Total RGUs	1,118.5	1,284.3	1,309.3	17.1%	1.9%
Pay TV	92.6	108.2	112.7	21.7%	4.1%
IRIS Subscribers	27.7	36.6	40.6	46.7%	10.9%
Broadband	113.9	135.5	140.2	23.1%	3.5%
Fixed Voice	231.6	286.4	293.3	26.6%	2.4%
Mobile	680.4	754.1	763.1	12.2%	1.2%
ARPU per RGU (Euros)	18.7	16.8	16.7	(11.1%)	(0.6%)
Net Adds					
Total RGUs	38.9	40.5	25.0	(35.6%)	(38.3%)
Pay TV	7.2	4.8	4.4	(38.2%)	(8.0%)
IRIS Subscribers	2.4	3.3	4.0	63.9%	20.7%
Broadband	4.7	5.4	4.7	0.1%	(12.7%)
Fixed Voice	15.5	10.2	6.9	(55.6%)	(32.9%)
Mobile	11.5	20.1	9.0	(21.7%)	(55.2%)

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

Cinemas and Audiovisuals

Operating Indicators ('000)	1Q15	4Q15	**1Q16**	1Q16 / 1Q15	1Q16 / 4Q15
Cinema (1)					
Revenue per Ticket (Euros)	4.6	4.8	4.8	2.8%	(0.9%)
Tickets Sold	1,981.4	2,190.6	2,400.3	21.1%	9.6%
Screens (units)	214	215	215	0.5%	0.0%

(1) Portuguese Operations

NOS' Cinema ticket sales posted a yoy increase of 21.1% to 2.4 million tickets, which compares with an increase in total market ticket sales of 19.0%[1]. We should note that the Easter holiday period took place almost fully in 1Q16, whereas in 2015 it fell both in 1Q15 and 2Q15.

The most successful films shown in 1Q16 were "Deadpool", "Zootopia", "The Revenant", "Kung Fu Panda 3" and "Star Wars: The Force Awakens".

NOS opened the first IMAX® DMR - Digital 3D screen in Lisbon in June 2013, with a second screen opening in Oporto in April 2015. Having now completed 3 years of operation, this premium cinema experience continues to prove very successful.

Maintaining its track record as a pioneering cinema operator, NOS opened two 4DX screens in greater Oporto (GaiaShopping) and Lisbon (Almada Forum) in March and April 2016, respectively. This state-of-the-art technology provides a completely immersive and multidimensional premium cinema experience, through 20 different effects, such as movement and environmental effects including wind, rain, scent or smoke, synchronised with the images on the screen.

Average revenue per ticket sold posted a yoy improvement of 2.8% to 4.8 euros in 1Q16.

NOS' gross box-office revenues increased by 19.6% in 1Q16, which compares with 18.9% for the market as a whole, as NOS continues to maintain its leading market position, with a market share of 60.5% in terms of gross revenues in 1Q16. Total Cinema Exhibition revenues improved by 13.8% yoy in 1Q16 to 15.7 million euros.

Revenues in the Audiovisuals division declined by 3.2% yoy to 16.1 million euros in 1Q16. This decline in revenues was driven primarily by the performance in Cinema Distribution and Homevideo, partially offset by an improvement in the rights and television management area. Of the top 10 cinema box-office hits in 1Q16, NOS distributed 6, "Zootopia", "Star Wars: The Force Awakens", "London Has Fallen", "Batman V Superman: Dawn of Justice", "The Big Short" and "Dirty Grandpa", therefore maintaining its leading position, albeit with a smaller market share yoy.

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

ZAP

ZAP is a reference operator in Angola and Mozambique, with continued success of its commercial operations. Currently its commercial footprint is present in all the Angolan and Mozambican provinces through own stores and authorized agents, enabling the population of 50 million people in these countries to have access to ZAP's services.

Following the launch of "ZAP Fibra", a TV and internet bundle based on an FTTH solution, in the first quarter of 2015, ZAP is now engaged in growing its FTTH subscribers and increasing the footprint of its network. During this quarter, the focus was to expand the network in the city centre of Luanda.

During this quarter ZAP inaugurated a new cinema complex in Luanda, with 7 screens and 1,360 seats. This is a fully digital complex equipped with state-of-the-art technology including the first IMAX theatre in Angola.

The operational performance of ZAP remains very solid however the challenging macroeconomic backdrop driven by the worldwide decline in oil prices has been the cause of a material currency devaluation, with the kwanza down by 32.8% against the USD and 35.1% against the Euro (1Q16 vs 1Q15). The financial implications for ZAP have been a strong decline in operating margin due to the fact that a number of relevant supplier contracts are priced in USD and Euros, and there have been difficulties felt in payments to suppliers as a consequence of limitations placed on foreign currency payments by the Central Angolan Bank. As such, the financial contribution of ZAP to NOS results has declined significantly as explained in the financial review ahead.

Consolidated Financial Review

Consolidated Income Statement

Profit and Loss Statement (Millions of Euros)	1Q15	4Q15	**1Q16**	1Q16 / 1Q15	1Q16 / 4Q15
Operating Revenues	344.1	376.4	370.3	7.6%	(1.6%)
Telco	327.7	358.7	352.5	7.6%	(1.7%)
Consumer Revenues	210.2	217.1	223.5	6.3%	2.9%
Business and Wholesale Revenues	92.3	104.0	99.6	8.0%	(4.2%)
Equipment Sales	8.3	16.7	12.7	52.1%	(24.2%)
Others and Eliminations	16.9	20.9	16.7	(0.8%)	(19.9%)
Audiovisuals	16.7	18.4	16.1	(3.2%)	(12.6%)
Cinema (1)	13.8	14.9	15.7	13.8%	5.3%
Others and Eliminations	(14.0)	(15.6)	(14.0)	0.0%	(10.1%)
Operating Costs Excluding D&A	(216.2)	(253.2)	(232.4)	7.5%	(8.2%)
W&S	(21.6)	(23.8)	(23.8)	10.3%	0.2%
Direct Costs	(101.2)	(117.0)	(108.8)	7.5%	(7.0%)
Commercial Costs (2)	(21.2)	(29.5)	(25.6)	20.8%	(13.2%)
Other Operating Costs	(72.1)	(82.9)	(74.1)	2.8%	(10.5%)
EBITDA	127.9	123.3	137.9	7.8%	11.9%
EBITDA Margin	37.2%	32.7%	37.2%	0.1pp	4.5pp
Telco	116.9	109.9	125.8	7.6%	14.5%
EBITDA Margin	35.7%	30.6%	35.7%	0.0pp	5.1pp
Cinema Exhibition and Audiovisuals	11.0	13.4	12.1	9.2%	(9.9%)
EBITDA Margin	40.4%	44.4%	41.5%	1.0pp	(2.9pp)
Depreciation and Amortization	(87.7)	(98.8)	(95.3)	8.7%	(3.5%)
(Other Expenses) / Income	(6.1)	(3.6)	(2.4)	(60.1%)	(32.3%)
Operating Profit (EBIT) (3)	34.1	20.9	40.2	17.6%	92.0%
Share of results of associates and joint ventures	7.3	(1.4)	(6.4)	n.a.	n.a.
(Financial Expenses) / Income	(11.8)	(6.0)	(5.4)	(54.5%)	(11.1%)
Income Before Income Taxes	29.7	13.5	28.4	(4.2%)	110.5%
Income Taxes	(6.5)	(4.4)	(4.0)	(38.5%)	(9.9%)
Net Income Before Associates & Non-Controlling Interests	15.9	10.5	30.8	94.1%	194.3%
Income From Continued Operations	23.2	9.1	24.5	5.3%	168.7%
o.w. Attributable to Non-Controlling Interests	0.0	0.1	(0.0)	n.a.	n.a.
Net Income	23.2	9.2	24.4	5.0%	165.7%

(1) Includes operations in Mozambique.
(2) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(3) EBIT = Income Before Financials and Income Taxes.

Operating Revenues

Consolidated Operating Revenues grew by 7.6% in 1Q16 to 370.3 million euros, accelerating yoy growth from 5.8% in 3Q15 and 6.4% in 4Q15, propelled by the very strong operational momentum in the core telco operation, which increased revenues by the same amount at 7.6% yoy to 352.5 million euros, and strong yoy growth in cinema exhibition revenues which increased by 13.8% yoy to 15.7 million euros. The audiovisuals division posted a yoy decline of 3.2% mainly due to the fact that in 1Q16 NOS posted a lower than usual share of movie distribution in the quarter.

The pace of growth recorded in **core telco revenues** is a key enabler for NOS' strategic revenue market share target. In 4Q15, according to data published by the operators, NOS had already achieved a 29.5% share of revenues of the Portuguese telecom market, up 3.5 pp from 4Q13, the first full quarter after completion of the merger. Importantly, NOS is the only operator in the market to be growing telco revenues and subsequently market share.

Within the telco segment, trends remained on the same track as in previous quarters. **Consumer telco revenues** posted a 6.3% increase yoy to 223.5 million euros driven by the very strong operational momentum in this segment. **Residential customer revenues** increased by 9% yoy and now represent over 85% of total consumer segment revenues. Stand alone **personal revenues** posted a decline of 6.9% yoy reflecting primarily some continued migration of services to residential convergent packages and the continued change in stand-alone customer mix reflecting a higher proportion of lower monthly bill pre-paid subscribers.

Business and wholesale telco revenues increased by 8% yoy to 99.6 million euros as a result of higher revenues from corporate customers, up by 11.4% yoy, reflecting NOS' increased market share in this segment and also of the improving yoy trends in Mass Business, which declined by just 1% yoy compared with a decline of 9.8% in 1Q15, thus managing to offset still falling average revenues per RGU with good growth in volume. Wholesale revenues recorded a 14.3% increase yoy in 1Q16.

Cinema revenues posted still a very strong quarter yoy, up by 13.8% yoy to 15.7 million euros, with a very good yoy performance in terms of attendance growth of 21.1%. A more positive consumer sentiment in Portugal and popular movie slate have translated into consistently higher levels of movie going. **Audiovisuals** revenues posted a yoy decline of 3.2% to 16.1 million euros mainly due to the fact that in 1Q16, some of the more successful movies exhibited were not distributed by NOS and therefore led to a reduction in share of overall distribution during the quarter.

Revenues from ZAP, the African Pay TV joint venture increased by 24.1% in local currency but declined by 5.7% yoy to 16.5 million euros for NOS' 30% stake. As explained in the operational review, ZAP continues to record good subscriber growth yoy however the challenging macroeconomic situation reflected in the severe devaluation in local currency resulting from the fall in oil prices is leading to a general deterioration in business activity.

EBITDA

Consolidated EBITDA grew by 7.8% yoy to 137.9 million euros representing an EBITDA margin for the quarter of 37.2%, reflecting the positive revenue momentum described above. The **telco business** recorded a 7.6% yoy growth in 1Q16 and **Audiovisuals and Cinemas** were also strong contributors to consolidated EBITDA growth with EBITDA up by 9.2% yoy in 1Q16 to 12.1 milion euros.

The EBITDA of NOS' 30% stake in ZAP declined by 70% yoy to 2.2 million euros representing an EBITDA margin of 13.2% compared with 41.5% in 1Q15. Operating Costs at ZAP continue under pressure due the fact that a significant proportion of supplier contracts are USD and Euro based, thus putting pressure on margins.

Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs grew by 7.5% yoy to 232.4 million euros impacted by intense commercial activity related costs and focus on growth. A number of structural intregration and transformational projects namely within the IT arena are underway and within the planned timeframe, however given their long time to develop, test and deploy, will only start to have a more material impact towards the end of this year and into 2017.

Wages and Salaries posted a 10.3% increase yoy to 23.8 million euros however in line with the levels of 4Q15, reflecting the increased average headcount of 30 FTEs to 2.507 thousand impacted primarily by increased recruitment in telco operations to support the growth momentum of the business.

Direct Costs grew by 7.5% yoy to 108.8 million euros influenced primarily by the higher activity related interconnection and telecom costs, up 7.8% yoy. As in previous quarter, Interconnection costs were also much higher year on year as a result of the significant increase in mobile customers who are subscribing to all-net mobile tariffs included in convergent tariff plans, thus driving higher termination costs from increased volumes of calls made to other operator networks. Programming costs grew by 12.7% yoy however the increase was offset by a similar absolute decline in cinema distribution royalties due to the previously mentioned decline in audiovisuals market share in 1Q16.

Commercial Costs increased by 20.8% yoy to 25.6 million euros due primarily to a 44.5% increase in COGS led by much higher volumes of terminal equipment sold in comparison with the previous year as a result of the focus on increasing smartphone penetration across the base. Recurrent marketing and publicity costs also increased yoy by 26.9% driven by investment in raising awareness to the NOS brand and new product and service launches.

Other Operating Costs increased 2.8% to 74.1 million euros with the main components posting relatively stable performance in comparison with 1Q15 and with 4Q15 with the exception of a decline in provisions qoq.

Net Income

Net Income before Associates and Non-Controlling interests increased by 94.1% yoy to 30.8 million euros in 1Q16, compared with 15.9 million euros in 1Q15 and with 10.5 million euros in 4Q15.

NOS' Share of Associates and Joint Ventures declined significantly to negative 6.4 million euros in 1Q16 as a result of the reduction in the contribution of the 30% stake in ZAP and of Sport TV. Net Income contribution from ZAP reduced from 6.5 million euros to negative 4.2 million euros, as a result of the aforementioned currency devaluation in Angola driving lower operating margins, with EBITDA down by 70% yoy, and due to the negative below EBITDA charge of the foreign exchange impact on USD trade accounts, in the amount of 4.9 million euros. Sport TV's contribution to Net income also declined to negative 2.6 million euros due to non-recurrent charges in 1Q16.

Depreciation and Amortization increased by 8.7% yoy to 95.3 million euros due, as in previous periods, to the higher level of investment in both network assets and customer related costs.

Other Expenses* of 2.4 million euros in 1Q16 relate to non-recurrent costs, with merger related integration costs representing just 1.4 million euros of this amount, compared with 2.6 million euros in 1Q15.

Net Financial Expenses fell by 54.5% in 1Q16 to 5.4 million euros as a result of the lower average cost of new debt arising from lower funding costs on refinancing activity during 2015. Further details on funding developments are presented in the capital structure section below.

Income Tax provision amounted to 4 million euros in 1Q16 representing 14% as a percentage of Income before Income Taxes, down from 21.8% in 1Q15 explained primarily by the recognition of deferred tax assets in the quarter.

* In accordance with IAS 1, the caption "Other expenses" reflects material and unusual expenses that should be disclosed separately from usual line items, to avoid distortion of the financial information from regular operations, namely restructuring costs resulting from the merger (including curtailment costs) as well as one-off non-cash items that result from alignment of estimates between the two companies.

CAPEX

CAPEX (Millions of Euros)	1Q15	4Q15	**1Q16**	1Q16 / 1Q15	1Q16 / 4Q15
Telco	84.8	102.8	84.9	0.1%	(17.4%)
Baseline Telco	22.8	34.2	27.5	21.0%	(19.6%)
Customer Related	47.3	49.9	43.0	(9.1%)	(13.9%)
Network Expansion / Substitution and Integration Projects and Others	14.8	18.7	14.4	(2.8%)	(23.1%)
Audiovisuals and Cinema Exhibition	9.5	10.9	10.2	7.3%	(6.1%)
Total Group	94.3	113.7	95.1	0.8%	(16.3%)

To better explain the underlying trends and potential for reduction in total CAPEX at NOS, this quarter's reporting has been adapted to make a clearer distinction between what is effectively baseline investment required to run the operation, without any consideration of customer related CAPEX and total CAPEX.

Network Expansion / Substitution and Integration Projects telco CAPEX includes primarily investment in network expansion and replacement and some remnants of integration related investments required to materialize operational synergies and efficiencies in the long-run. Customer related CAPEX's main three components are customer premise terminal equipment, sales commissions and installation fees.

NOS is currently undergoing a period of high total CAPEX due firstly to the investment being made in new network rollout that, since effective launch of civil works in the second half of 2014, has already covered an additional 380 thousand households. On the commercial front, NOS is growing its customer base well ahead of what can be deemed a recurrent pace of customer acquisition and as such is incurring a higher than run-rate level of investment in customer acquisition costs. Both of these investment drivers are set to reduce significantly as the network expansion project reaches conclusion by the end of 2016 and as the pace of customer growth eventually starts to taper away to more normalized levels in the longer term.

In 1Q16, Telco CAPEX was 84.9 million euros representing an increase of 0.1% in comparision with 1Q15. Baseline Telco CAPEX increased by 21.0% to 27.5 million euros. As a percentage of telecom revenues, baseline telco CAPEX was 7.8% in 1Q16, whereas Telco CAPEX represented 24.1% of Telco Revenues, a decrease in comparison with 25.9% as of 1Q15.

Investment in Customer Related CAPEX recorded a yoy decline of 9.1% in 1Q16 due to the lower comparative volume of RGU growth recorded in comparision with 1Q15 as shown in the operating tables earlier in this report. As a percentage of telco revenues, Customer Related CAPEX represented 12.2% in 1Q16 and as a percentage of Total Group CAPEX, 45.2%.

Audiovisuals and Cinema Exhibition CAPEX of 10.2 million euros relates essentially to the Audiovisuals division and reflects capitalization of certain movie rights. Accompanying the yoy growth in cinema and audiovisual activity this item also recorded growth to the effect of 7.3%.

Total Group CAPEX increased by just 0.8% yoy to 95.1 million euros, representing 25.7% of Consolidated Revenues, down yoy from 27.4%.

Cash Flow

Cash Flow (Millions of Euros)	1Q15	4Q15	**1Q16**	1Q16 / 1Q15	1Q16 / 4Q15
EBITDA	127.9	123.3	137.9	7.8%	11.9%
Total CAPEX	(94.3)	(113.7)	(95.1)	0.8%	(16.3%)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(24.9)	16.1	(19.8)	(20.3%)	n.a.
Operating Cash Flow	8.7	25.7	22.9	163.7%	(10.6%)
Long Term Contracts	(4.1)	(4.0)	(3.8)	(6.7%)	(4.3%)
Cash Restructuring Payments	(6.1)	(6.1)	(3.4)	(43.9%)	(43.6%)
Interest Paid	(5.3)	(2.7)	(5.5)	2.4%	105.1%
Income Taxes Paid	(1.9)	(1.4)	(0.9)	(53.5%)	(39.5%)
Disposals	0.2	1.7	0.4	103.6%	(76.2%)
FCM Receivables	0.0	0.0	0.0	n.a.	n.a.
Other Movements	0.0	0.2	0.0	30.8%	(85.3%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	(8.6)	13.3	9.7	n.a.	(26.9%)
Acquisition of Own Shares	0.0	(3.6)	(7.3)	n.a.	105.8%
Foreign Currency Debt Exchange Effect	(0.0)	0.0	0.0	n.a.	n.a.
Dividends	0.0	0.0	0.0	n.a.	n.a.
Free Cash Flow	(8.6)	9.8	2.4	n.a.	(75.5%)
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(7.2)	(7.5)	(1.7)	(76.0%)	(77.1%)
Change in Net Financial Debt	(15.7)	2.3	0.7	n.a.	(70.3%)

Cash Flow reporting has also been adjusted this quarter to reflect the clarification in CAPEX reporting.

Total Operating Cash Flow posted a yoy increase to 22.9 million euros in 1Q16 led by the strong growth in EBITDA and relatively stable level of CAPEX yoy. The level of working capital and non-cash items in total CAPEX was also supportive of the improvement in OCF with a yoy decline of 20.3% to 19.8 million euros.

Total FCF before dividend payments, financial investments and own share acquisitions posted a material improvement from negative 8.6 million euros in 1Q15 to 9.7 million euros in 1Q16, due to higher OCF and due to the decrease in cash restructuring payments associated with the merger (lower by 2.7 million euros yoy), and decrease in cash income tax payments (lower by 1 million euros yoy).

Free Cash Flow improved from negative 8.6 million euros in 1Q15 to positive 2.4 million euros in 1Q16 as a result of the aforementioned effects and impacted by an increase in own share acquisition of 7.3 million euros in 1Q16 led by ongoing share repurchases in the market to cover share plan obligations and that were accelerated over the past few months taking advantage of recent share price weakness.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	2015	**1Q16**
Non-current Assets	2,510.1	2,459.7
Current Assets	466.4	521.0
Total Assets	2,976.5	2,980.7
Total Shareholders' Equity	1,063.5	1,080.8
Non-current Liabilities	1,150.7	1,164.6
Current Liabilities	762.2	735.3
Total Liabilities	1,913.0	1,899.9
Total Liabilities and Shareholders' Equity	2,976.5	2,980.7

Capital Structure

At the end of 1Q16, Net Financial Debt stood at 1,047.7 million euros.

Total financial debt was 1,049.5 million euros, which was offset with a cash and short-term investment position on the balance sheet of 1.8 million euros. At the end of 1Q16, NOS also had 260 million euros of non-issued commercial paper programmes. The all-in average cost of NOS' Net Financial Debt stood at 2.38% for 1Q16, down from 3.70% in 1Q15 and from 2.48% in 4Q15.

Net Financial Gearing was 49.2% at the end of 1Q16 and Net Financial Debt / EBITDA (last 4 quarters) now stands at 1.9x. The average maturity of NOS' Net Financial Debt at the end of 1Q16 was 3.3 years.

Taking into account the loans issued at a fixed rate and the interest rate hedging operations in place the proportion of NOS' issued debt that is protected against variations in interest rates is approximately 55%.

Net Financial Debt (Millions of Euros)	2015	**1Q16**	1Q16 / 2015
Short Term	160.0	144.4	(9.8%)
Bank and Other Loans	141.7	123.9	(12.6%)
Financial Leases	18.3	20.5	12.0%
Medium and Long Term	898.3	905.1	0.8%
Bank and Other Loans	862.6	873.1	1.2%
Financial Leases	35.8	32.1	(10.4%)
Total Debt	1,058.3	1,049.5	(0.8%)
Cash and Short Term Investments	9.9	1.8	(81.9%)
Net Financial Debt	1,048.4	1,047.7	(0.1%)
Net Financial Gearing (1)	49.6%	49.2%	(0.4pp)
Net Financial Debt / EBITDA	2.0x	1.9x	n.a.

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

Consolidated Financial Statements

Consolidated statement of financial position at 31 December 2015 and 31 March 2016

(Amounts stated in thousands of euros)

	NOTES	31-12-2015	31-03-2016
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	7	1,167,538	1,142,009
Investment property		698	691
Intangible assets	8	1,178,559	1,179,035
Investments in jointly controlled companies and associated companies	9	29,922	6,718
Accounts receivable - other	10	7,182	6,869
Tax receivable	11	3,617	3,617
Available-for-sale financial assets		77	77
Deferred income tax assets	12	122,539	120,652
TOTAL NON - CURRENT ASSETS		**2,510,132**	**2,459,668**
CURRENT ASSETS:			
Inventories	13	30,540	32,938
Accounts receivable - trade	14	347,837	349,564
Accounts receivable - other	10	11,135	27,803
Tax receivable	11	2,242	1,122
Prepaid expenses	15	64,660	83,567
Non-current assets held-for-sale	16	-	24,237
Cash and cash equivalents	18	9,948	1,796
TOTAL CURRENT ASSETS		**466,362**	**521,027**
TOTAL ASSETS		**2,976,494**	**2,980,695**
SHAREHOLDER'S EQUITY			
Share capital	19.1	5,152	5,152
Capital issued premium	19.2	854,219	854,219
Own shares	19.3	(10,559)	(6,095)
Legal reserve	19.4	3,556	3,556
Other reserves and accumulated earnings	19.4	119,004	190,122
Net income		82,720	24,416
EQUITY BEFORE NON - CONTROLLING INTERESTS		**1,054,092**	**1,071,370**
Non-controlling interests	20	9,430	9,459
TOTAL EQUITY		**1,063,522**	**1,080,829**
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	21	979,422	982,919
Provisions	22	139,484	140,585
Accounts payable - other	26	-	8,343
Accrued expenses	23	9,470	9,297
Deferred income	24	5,259	5,124
Derivative financial instruments	17	3,369	5,381
Deferred income tax liabilities	12	13,739	12,905
TOTAL NON - CURRENT LIABILITIES		**1,150,743**	**1,164,554**
CURRENT LIABILITIES:			
Borrowings	21	178,022	159,297
Accounts payable - trade	25	327,485	304,613
Accounts payable - other	26	28,706	45,632
Tax payable	11	23,296	22,880
Accrued expenses	23	175,871	173,776
Deferred income	24	28,802	28,887
Derivative financial instruments	17	47	227
TOTAL CURRENT LIABILITIES		**762,229**	**735,312**
TOTAL LIABILITIES		**1,912,972**	**1,899,866**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		**2,976,494**	**2,980,695**

As standard practice, only the annual accounts are audited, the quarterly results are not audited separately.
The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 31 March 2016.

Accountant

Board of Directors

Consolidated statement of income by nature for the quarters ended on 31 March 2015 and 2016

(Amounts stated in thousands of euros)

	NOTES	3M 15	3M 16
REVENUES:			
Services rendered		329,224	349,085
Sales		12,130	17,090
Other operating revenues		2,721	4,128
	27	**344,075**	**370,303**
COSTS, LOSSES AND GAINS:			
Wages and salaries	28	21,601	23,825
Direct costs	29	101,241	108,824
Costs of products sold	30	9,808	14,171
Marketing and advertising		6,558	8,324
Support services	31	24,912	23,697
Supplies and external services	31	45,797	44,674
Other operating losses / (gains)		122	118
Taxes		6,860	7,038
Provisions and adjustments	32	(740)	1,760
Depreciation, amortisation and impairment losses	7, 8 and 33	87,694	95,293
Reestructuring costs		2,627	2,364
Losses / (gains) on sale of assets, net		(15)	(37)
Other losses / (gains) non recurrent net		3,478	101
		309,943	**330,152**
INCOME BEFORE FINANCIAL RESULTS AND TAXES		**34,132**	**40,151**
Net foreign exchange losses / (gains)	9 and 34	(7,343)	6,365
Net losses / (gains) on financial assets	35	7,482	3,455
Net losses / (gains) of affiliated companies		732	(95)
Net other financial expenses / (income)	35	3,586	2,004
		4,457	**11,729**
INCOME BEFORE TAXES		**29,675**	**28,422**
Income taxes	12	6,455	3,968
NET CONSOLIDATED INCOME		**23,220**	**24,454**
ATTRIBUTABLE TO:			
NOS Group Shareholders			
Non-controlling interests	20	(23)	38
EARNINGS PER SHARES			
Basic - euros	36	0.05	0.05
Diluted - euros	36	0.05	0.05

As standard practice, only the annual accounts are audited, the quarterly results are not audited separately.

The Notes to the Financial Statements form an integral part of the consolidated statement of income by nature for the quarter ended on 31 March 2016.

Accountant

Board of Directors

Consolidated statement of comprehensive income for the quarters ended on 31 March 2015 and 2016

(Amounts stated in thousands of euros)

	NOTES	3M 15	3M 16
NET CONSOLIDATED INCOME		**23,220**	**24,454**
OTHER INCOME			
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:			
Accounting for equity method	9	(40)	(731)
Fair value of interest rate swap	17	(479)	(2,012)
Deferred income tax - interest rate swap	17	108	453
Fair value of exchange rate forward	17	11	(180)
Deferred income tax - exchange rate forward	17	30	52
Currency translation differences and others		(41)	(594)
INCOME RECOGNISED DIRECTLY IN EQUITY		**(411)**	**(3,012)**
TOTAL COMPREHENSIVE INCOME		**22,809**	**21,442**
ATTRIBUTABLE TO:			
NOS Group Shareholders		22,832	21,404
Non-controlling interests		(23)	38
		22,809	**21,442**

As standard practice, only the annual accounts are audited, the quarterly results are not audited separately.
The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the quarter ended on 31 March 2016.

Accountant

Board of Directors

Consolidated statement of changes in shareholders' equity for the quarters ended on 31 March 2015 and 2016

(Amounts stated in thousands of euros)

	NOTES	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES, DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME	NON - CONTROLLING INTERESTS	TOTAL
BALANCE AS AT 1 JANUARY 2015		**5,152**	**854,219**	**(11,791)**	**3,556**	**124,464**	**74,711**	**9,818**	**1,060,129**
Result appropriation				-					
Transfers to reserves		-	-	-	-	74,711	(74,711)	-	-
Distribution of own shares - share incentive scheme	19.3	-	-	8,880	-	(9,862)	-	-	(982)
Distribuition of own shares - other remunerations	19.3	-	-	6	-	(6)	-	-	-
Share Plan - costs incurred in the period and others	40	-	-	-	-	1,264	-	2	1,266
Comprehensive Income		-	-	-	-	(411)	23,243	(23)	22,809
Other		-	-	-	-	(100)	-	(14)	(114)
BALANCE AS AT 31 MARCH 2015		**5,152**	**854,219**	**(2,905)**	**3,556**	**190,060**	**23,243**	**9,783**	**1,083,108**
BALANCE AS AT 1 JANUARY 2016		**5,152**	**854,219**	**(10,559)**	**3,556**	**119,004**	**82,720**	**9,430**	**1,063,522**
Result appropriation				-					
Transfers to reserves		-	-	-	-	82,720	(82,720)	-	-
Acquisition of own shares	19.3	-	-	(7,729)	-	-	-	-	(7,729)
Distribution of own shares - share incentive scheme	19.3	-	-	9,475	-	(9,475)	-	-	-
Distribuition of own shares - other remunerations	19.3	-	-	2,717	-	(182)	-	-	2,535
Share Plan - costs incurred in the period and others	40	-	-	-	-	1,068	-	(9)	1,059
Comprehensive Income		-	-	-	-	(3,012)	24,416	38	21,442
BALANCE AS AT 31 MARCH 2016		**5,152**	**854,219**	**(6,095)**	**3,556**	**190,122**	**24,416**	**9,459**	**1,080,829**

As standard practice, only the annual accounts are audited, the quarterly results are not audited separately.
The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the quarter ended on 31 March 2016.

Accountant

Board of Directors

Consolidated statement of cash flows for the quarters ended on 31 March 2015 and 2016

(Amounts stated in thousands of euros)

	NOTES	3M 15	3M 16
OPERATING ACTIVITIES			
Collections from clients		384,051	443,313
Payments to suppliers		(282,345)	(306,279)
Payments to employees		(21,224)	(28,693)
Receipts / (Payments) relating to income taxes		(1,822)	(1,491)
Other cash receipts / (payments) related with operating activities		30,218	13,612
CASH FLOW FROM OPERATING ACTIVITIES (1)		**108,878**	**120,462**
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments	5 and 9	-	25,347
Tangible assets		186	484
Intangible assets		6	5
Interest and related income		2,550	2,957
		2,742	**28,793**
PAYMENTS RESULTING FROM			
Financial investments	5 and 9	-	(25,347)
Tangible assets		(62,776)	(58,662)
Intangible assets		(47,635)	(45,724)
		(110,411)	**(129,733)**
CASH FLOW FROM INVESTING ACTIVITIES (2)		**(107,669)**	**(100,940)**
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		770,173	110,000
		770,173	**110,000**
PAYMENTS RESULTING FROM			
Borrowings		(770,225)	(101,021)
Lease rentals (principal)		(5,756)	(4,771)
Interest and related expenses		(8,025)	(8,628)
Aquisition of own shares		-	(7,349)
		(784,006)	**(121,769)**
CASH FLOW FROM FINANCING ACTIVITIES (3)		**(13,833)**	**(11,769)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(12,624)	7,753
Effect of exchange differences		5	(97)
Cash and cash equivalents at the beginning of the period		19,591	(29,348)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**6,972**	**(21,692)**
Cash and cash equivalents	18	10,802	1,796
Bank overdrafts	21	(3,830)	(23,488)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**6,972**	**(21,692)**

As standard practice, only the annual accounts are audited, the quarterly results are not audited separately.

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the quarter ended on 31 March 2016.

Accountant   Board of Directors

Notes to the consolidated financial statements as at 31 March 2016

(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 July 15, 1999 for the purpose of implementing its multimedia business strategy.

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

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

On 20 June 2014, as a result 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 data centers and consulting services in IT.

NOS shares are listed on the Euronext Lisbon market. The Group's shareholder's structure as at 31 March 2016 is shown in Note 19.

Cable and satellite television in Portugal is mainly provided by NOS Comunicações, S.A. ("NOS SA") 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 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 NOS SA, 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.

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

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

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

A listing of the other Group companies and their respective business is included in the annexes to this report.

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

The consolidated financial statements for the quarter ended on 31 March 2016 were approved by the Board of Directors and their disclosure authorized on 26 April 2016.

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 indicated.

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 the previous Standing Interpretations Committee ("SIC"), adopted by the European Union, in force as at 1 January 2016.

These consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Accordingly, these financial statements do not include all the information required by IFRS and should be read in conjunction with the consolidated financial statements for the year ended on 31 December 2015.

The consolidated financial statements are presented in euros as this is the main currency of the Group's operations. The financial statements of subsidiaries located abroad were converted into euros in accordance with the accounting policies described in Note 2.3.19.

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 where necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value.

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.

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

Changes in accounting policies and disclosures

The standards and interpretations that became effective as of 1 January 2016 are as follows:

- IFRS 11 (amendment), "Accounting for acquisitions of interest in Joint Operations" (effective for annual periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

- IAS 1 (amendment), "Disclosure initiative" (effective for annual periods beginning on or after 1 January 2016). This amendment has as main objective to encourage companies to apply professional judgment to determine what information to disclose in its financial statements. For example, the amendments make it clear that the materiality is applicable to the whole of the financial statements and that the inclusion of irrelevant information could impair the interpretation of financial disclosures.

- IAS 16 and 38 (amendment), "Clarification of acceptable methods of depreciation and amortization" (effective for annual periods beginning on or after 1 January 2016). This amendment has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This standard will have no impact on the Group's consolidated financial statements.

- IAS 16 and 41 (amendment), "Agriculture: Bearer Plants" (effective for annual periods beginning on or after 1 January 2016). IAS 41 required all biological assets related to agricultural activity to be measured at fair value less costs to sell. This amendment decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16, because their operation is similar to that of manufacturing. This standard is not applicable to the Group.

- IAS 27 (amendment), "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2016). This amendment allows the choice to presentat, in the separate financial statements, investments in subsidiaries, jointly controlled companies or associates in accordance with Equity Method.

- Improvements to International Financial Reporting Standards (2012-2014 cycle effective for annual periods beginning on or after 1 January 2016). These improvements involve the review of various standards.

These changes had no material impact on the consolidated financial statements.

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

- IFRS 9 (new), "Financial instruments – classification and measurement" (effective for annual periods beginning on or after 1 January 2018). The initial phase of IFRS 9 forecasts two types of measurement: amortized cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortized cost only if the company has it to collect contractual cash flows and the cash flows represents principal and interest. Otherwise, financial instruments are measured at fair value through profit and loss.

- IFRS 10 and IAS 28 (amendments), “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (effective date to be designated). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

- IFRS 10, IFRS 12 and IAS 28 (amendments), “Investment Entities: Applying the consolidation exception “(Effective from annual periods beginning on or after 1 January 2016). These amendments deal with issues that arose in the application of exception of consolidation of investment entities. This standard is not applicable to the company.

- IFRS 14 (new), “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016). This standard’s main purpose is to improve comparability of financial reports for companies in regulated markets, allowing the companies that currently record assets and liabilities in result of the regulation form the markets where they operate, in accordance with the adopted accounting principles, do not have the need to eliminate those assets and liabilities in the first time adoption of the IFRS. This standard will have no impact on the Group’s consolidated financial statements.

- IFRS 15 (new), “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018). This standard establishes a single, comprehensive framework for revenue recognition. The framework will be applied consistently across transactions, industries and capital markets, and will improve comparability in the ‘top line’ of the financial statements of companies globally. IFRS 15 replaces the following standards and interpretations: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

- IFRS 16 (new), “Leasings” (effective for annual periods beginning on or after 1 January 2019). This standard sets out recognition, presentation and disclosure of leasing contracts, defining a single accounting model. Aside from lower contracts than 12 months, leases should be accounted as an asset and a liability.

- IAS 7 (new), "Cash Flow Statements" (effective for annual periods beginning on or after 1 January 2017). This standard requires that the entity discloses information about changes in liabilities related to financing activities, including: (i) changes in financing cash flows; (ii) changes resulting from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in exchange rates; (iv) fair value changes; and (v) other changes.

- IAS 12 (amendment), “Recognition of deferred tax assets of unrealized losses” (effective for annual periods beginning on or after 1 January 2017). The amendments clarify when it should recognize an asset for deferred tax arising from unrealized losses.

The Group is calculating the impact of these changes and will apply these standards as soon as they become effective.

2.2. Bases of consolidation

Controlled companies

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

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

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. Where the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

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

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

Where 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 acquisition 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.

Where 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 "Net Losses / (gains) of affiliated companies" in the income statement. 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. Where 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 where the Group has entered into undertakings with that company.

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

In the quarter ended on 31 March 2016, the Group changed the presentation of the income resulting from the application of the equity method earnings before interest and income taxes to income before taxes.

Associated companies

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

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

Financial investments in the majority of associated companies (Annex B)) are stated by the equity method. Under this method, financial investments are adjusted periodically by an amount corresponding to the share in the net profits of associated companies, as a contra entry in "Net 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 where 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.

In the quarter ended on 31 March 2016, the Group changed the presentation of the income resulting from the application of the equity method earnings before interest and income taxes to income before taxes.

Balances and transactions between Group companies

Balances and transactions and 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 where they show evidence of impairment of the transferred asset.

2.3 Accounting policies

2.3.1 Segment reporting

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

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

2.3.2 Classification of the statement of financial position and income statement

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

In accordance with IAS 1, "Restructuring costs", "Losses / (gains) on disposal of assets " and "Other losses / (gains)" reflect unusual expenses that should be disclosed separately from the usual lines items, to avoid distortion of the financial information from regular operations.

2.3.3 Tangible assets

Tangible assets are stated at acquisition cost, less accumulated depreciation and impairment losses, where applicable. Acquisition cost includes, in addition to the purchase price of the asset: (i) costs directly attributable to the purchase; and (ii) the estimated costs of decommissioning and removal of the assets and restoration of the site, which in Group applies to the cinema operation business, telecommunication towers and offices (Notes 2.3.12).

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

Non-current assets held for sale

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

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

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

Depreciation

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

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

	2015 (YEARS)	2016 (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 telecommunication equipment	3 - 10	3 - 10
Other technical equipment	1 - 16	1 - 16
Transportation equipment	3 - 4	3 - 4
Administrative equipment	2 - 10	2 - 10
Other tangible assets	4 - 8	4 - 8

2.3.4 Intangible assets

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

Intangible assets consist mainly of goodwill, satellite and distribution network capacity utilisation rights, customer portfolios, costs incurred in raising customers' loyalty contracts, telecom and software licenses, content utilisation rights and other contractual rights.

Goodwill

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

Goodwill is recorded as an asset and included in "Intangible Assets" (Note 8) in the case of a controlled company, and in "Investments in jointly controlled companies and associated companies" in the case of 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 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 where the technical capability to complete the intangible asset is demonstrated and where 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:

- Satellite capacity utilisation rights;
- Distribution network utilisation rights;
- Telecom licenses;
- Software licenses;
- Customer portfolios;
- Costs incurred in raising customers loyalty contracts;
- Content utilisation rights;
- Other contractual rights.

Intangible assets in-progress

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

Amortisation

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

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

	2015 (YEARS)	2016 (YEARS)
Rights of using capacities	Period of the contract	Period of the contract
Telecom licences	30 to 33	30 to 33
Software licences	1 to 8	1 to 8
Customer portfolios	5 and 6	5 and 6
Costs incurred in raising costumers loyalty contracts	Loyalty contract period	Loyalty contract period
Content utilization rights	Period of the contract	Period of the contract
Other	1 to 8	1 to 8

2.3.5 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. Where such indications exist, the Group calculates the recoverable value of the asset in order 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. Where 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.

2.3.6 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, financial assets are recognised at their fair value plus directly attributable transaction costs, except for assets at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. These 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.

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 investments at fair value through profit or loss, financial assets available for sale, investments held to maturity and borrowings and receivables. The classification depends on management's intention at the time of their acquisition.

Financial assets at fair value through profit and loss

This category includes non-derivative financial assets acquired with the intention of selling them in the short term. This category also includes derivatives that do not qualify for hedge accounting purposes. 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 available for sale

Financial assets available for sale are non-derivative financial assets which: (i) are designated as available for sale at the time of their initial recognition; or (ii) do not fit into the other categories of financial assets above. They are recognised as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position.

Shareholdings other than shares in Group companies, jointly controlled companies or associated companies are classified as financial investments available for sale and are recognised in the statement of financial position as non-current assets.

Investments are initially recognised at their acquisition cost. After initial recognition, investments available for sale are revalued at their fair value by reference to their market value at the date of the statement of financial position, without any deduction for transaction costs that may occur until their sale. In situations where investments are equity instruments not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

The potential resulting capital gains and losses are recognised directly in reserves until the financial investment is sold, received or otherwise disposed of, at which time the accumulated gain or loss previously recognised in equity is included in the income statement.

Dividends on equity instruments classified as available for sale are recognised in results for the year under "Losses /(gains) on financial assets", where the right to receive the payment is established.

Investments held to maturity

Investments held to maturity are classified as non-current investments except where they mature in less than 12 months from the date of the statement of financial position. This item includes investments with defined maturities which the Group has the intention and ability to keep until that date. Investments held to maturity are valued at amortised cost, less any impairment losses.

Borrowing and receivables

The assets classified in this category are non-derivative financial assets with fixed or determinable payments not listed on an active market.

Accounts receivable are initially recognised at fair value and subsequently valued at amortised cost, less adjustments for impairment, where applicable. Impairment losses on customers and accounts receivable are recorded where there is objective evidence that they are not recoverable under the initial terms of the transaction. The identified impairment losses are recorded in the income statement under "Provisions and adjustments", and subsequently reversed by results, when the impairment indicators reduce or cease to exist.

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" (where applicable).

2.3.7 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 and equity instruments are recognised only when extinguished, i.e. when the obligation is settled, cancelled or extinguished.

Borrowings

Loans are stated as liabilities at their nominal value, net of the issuance costs of the loans. Financial charges, calculated in accordance with the effective rate of interest, including premiums payable, are recognised in accordance with the accruals principle.

Accounts Payable

Accounts payable are recognised initially at their fair value and subsequently at amortised cost in accordance with the effective interest rate method. Accounts payable are recognised as current liabilities unless they are expected to be settled within 12 months from the date of the statement of financial position.

Derivative financial instruments

See accounting policy 2.3.9.

2.3.8 Impairment of financial assets

At the date of each statement of financial position, the Group examines whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial assets available for sale

In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the instrument below its cost is considered as an indicator that the instrument is impaired. If any similar evidence exists for financial assets classified as available for sale, the accumulated loss – measured as the difference between the acquisition cost and the current fair value, less any impairment of the financial asset that has already been recognised in results – is removed from equity and recognised in the income statement.

Impairment losses on equity instruments recognised in results are not reversed through the income statement.

Customers, other debtors and other financial assets

Adjustments are made for impairment losses when there are objective indications that the Group will not receive all the amounts to which it is entitled under the original terms of the contracts. Various indicators are used to identify impairment situations, such as default analysis, financial difficulties of the debtor, including probability of insolvency of the debtor.

The adjustment for impairment losses is calculated as the difference between the recoverable value of the financial asset and its value in the statement of financial position and is stated in profit and loss for the year. The value of these assets in the statement of financial position is reduced to the recoverable amount by means of an adjustments account. When an amount receivable from customers and other debtors is considered non recoverable, it is written off using the adjustments account for impairment losses. The subsequent recovery of amounts that have been written off is recognised in profit and loss.

When there are receivables from customers or other debtors that are overdue, and these are subject to renegotiation of their terms, these are no longer regarded as overdue and become treated as new receivables.

2.3.9 Derivative Financial Instruments

The Group has a policy of contracting derivative financial instruments with the objective of hedging the financial risks to which it is exposed, resulting from variations in exchange rates and interest rates. The Group does not contract derivative financial instruments for speculative purposes, and the use of this type of financial instruments complies with the internal policies determined by the Board.

In relation to financial derivative instruments which, although contracted in order to provide hedging in line with the Group's risk management policies, do not meet all the requirements of IAS 39 – Financial Instruments: recognition and measurement in terms of their classification as hedge accounting or which have not been specifically assigned to a hedge relationship, the related changes in fair value are stated in the income statement for the period in which they occur.

Derivative financial instruments are recognised on the respective trade date at their fair value. Subsequently, the fair value of the derivative financial instruments is revalued on a regular basis, and the gains or losses resulting from this revaluation are recorded directly in profit and loss for the period, except in the case of hedge derivatives. Recognition of the changes in fair value of hedge derivatives depends on the nature of the risk hedged and the type of hedge used.

Hedge accounting

The possibility of designating a derivative financial instrument as a hedging instrument meets the requirements of IAS 39 - Financial instruments: recognition and measurement.

Derivative financial instruments used for hedging purposes can be classified as hedges for accounting purposes where they cumulatively meet the following conditions:

a) At the start date of the transaction, the hedge relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument and the evaluation of effectiveness of the hedge;
b) There is the expectation that the hedge relationship is highly effective at the start date of the transaction and throughout the life of the operation;
c) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation;

d) For cash flow hedge operations, it must be highly probable that they will occur.

Exchange rate and interest rate risk

Where expectations of changes in exchange rates and interest rates so warrant, the Group aims to anticipate any adverse impact through the use of derivatives. Operations that qualify as cash flow hedging instruments are stated in the statement of financial position at their fair value and, where they are considered to be effective hedges, the changes in the fair value of the instruments are initially stated as a contra entry in equity and subsequently reclassified as financial costs.

Where hedge transactions are ineffective, they are stated directly in profit and loss. Accordingly, in net terms the cash flows associated with the hedged operations are accrued at the rate applying to the contracted hedge operation.

When a hedge instrument expires or is sold, or when the hedge ceases to fulfil the criteria required for hedge accounting, the accumulated variations in the fair value of the derivative in reserves are shown in profit and loss when the operation hedged also affects profit and loss.

2.3.10 Inventories

Inventories, which mainly include mobile phones, customer terminal equipment and DVDs, 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, where 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.

2.3.11 Subsidies

Subsidies are recognised at their fair value where 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.

2.3.12 Provisions and contingent liabilities

Provisions are recognised where: (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. Where 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 where the Group has a detailed, formal plan identifying the main features of the restructuring programme and after these facts have been reported to the entities involved.

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

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

Provisions for potential future operating losses are not covered.

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

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

2.3.13 Leases

Leasing contracts are classified as: (i) finance leases, if substantially all the risks and benefits incident to ownership of the corresponding assets concerned have been transferred; or (ii) operating leases, if substantially all risks and rewards incident to ownership of those assets have not been transferred.

The classification of leases as finance or operating leases is made on the basis of substance rather than contractual form.

The assets acquired under finance leases and the corresponding liabilities are recorded using the financial method, and the assets, related accumulated depreciation and pending debts are recorded in accordance with the contractual finance plan. In addition, the interest included in the rentals and the depreciation of the tangible and intangible fixed assets are recognised in the statement of comprehensive income for the period to which they relate.

In the case of operating leases, the rentals due are recognised as costs in the income statement over the period of the leasing contract.

2.3.14 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 on the basis of 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 on the basis of the tax legislation currently in force or of legislation already published for future application.

As stipulated in the above standard, deferred income tax assets are recognised only where there is reasonable assurance that these may be used to reduce future taxable profit, or where 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 follow:

a) The deferred tax benefits acquired recognised in the measurement period of one year after the date of merger and that result from new information about facts and circumstances that existed at the date of acquisition are recorded against the goodwill carrying amount related to the acquisition. If the goodwill carrying amount is null, any remaining deferred tax benefits are recognised in the income statement.

b) All the other acquired deferred tax benefits performed are recognised in the income statement (when applicable, directly in shareholders' equity).

2.3.15 Share-based payments

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

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

The cost is recognised, linearly over the period in which the service is provided by employees, under the caption "Wages and salaries" in the income statement, with the corresponding increase in 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 tire 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 on the basis of 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.

2.3.16 Equity

Legal reserve

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

Share premium reserves

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

Reserves for plans of medium term incentive

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

Hedging reserves

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

Own shares reserves

The "own shares reserves" reflect the value of the shares acquired and follows the same legal regime as the legal reserve. Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IFRS. In addition, the increases resulting from the application of fair value through equity components, including its application through the net profit can only be distributed when the elements that originated them are sold, exercised liquidated or when the end their use, in the case of tangible 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".

Retained results

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

2.3.17 Revenue

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

i) Revenues of Telecommunications 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 (for example: 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.

Revenue from telecommunications services is counted from the time at which those services are provided. 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 imaterial, are recorded in the next financial year.

Discounts granted to clients within fidelization programs are allocated to the entire contract for which the client is fidelized. Therefore, the discount is recognised as the goods and services are made available to the client.

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

Until 31 December 2014, revenue from penalties, due to the inherent uncertainties, was recorded only at the moment when it was received, and the amount was disclosed as a contingent asset (Note 39). From 1 January 2015, Revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history.

ii) Advertising Revenue: Advertising revenues mainly derive from the attraction of advertising for Pay TV channels to which the Group has publicity rights and in cinemas. These revenues are recognised from when they are received, taken off any discounts given.

iii) Film Showings and Distribution: Distribution revenue pertains to the distribution of films to film exhibitors not distributed by the Group, that are included in the film showings, whilst income from film showings mostly derive from cinema ticket sales and the product sales in the bars; the film showings revenue includes the revenue from ticket sales and bar sales respectively.

iv) Revenue from Producing and Distributing Channel Content: Revenue from production and distribution essentially includes the sale of DVDs, the sale of content and the distribution of television channels subscriptions to third parties and count from the time at which they are sold, shown and made available for distribution to telecommunications operators, respectively.

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

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

2.3.18 Accruals

Group's revenues and costs are recognised in accordance with the accruals principle, under which they are recognised as they are generated or incurred, irrespective 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 future periods are registered under "Accrued expenses" when it's possible to estimate with certainty the related amount, as well as the timing of the expense's materialization. If uncertainty exists related to any of these aspects, the value is classified as Provisions (Note 2.3.12).

2.3.19 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. 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;
- 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);
- 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”.

At 31 December 2015 and 31 March 2016, 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:

	31-12-2015	31-03-2016
US Dollar	1,0887	1,1385
Angolan Kwanza	147,8315	178,6550
Pound Sterling	0,7340	0,7916
Mozambique Metical	49,2900	57,2200
Canadian Dollar	1,5116	1,4738
Swiss Franc	1,0835	1,0931
Brazilian Real	4,3117	4,1174

In the quarters ended at 31 March 2015 and 2016, the income statements of subsidiaries expressed in foreign currencies were converted to euros at the average exchange rates of the currencies of their countries of origin against the euro, which are as follows:

	3M 15	3M 16
Angolan Kwanza	117.8977	174.4037
Mozambique Metical	37.3467	54.1033

2.3.20 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 of time (over one year) to be ready for use, which are capitalised in the acquisition cost of that asset.

2.3.21 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.

2.3.22 Fair value measurement

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

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

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

Because 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 price of the asset or liability, assuming that market participants would use the asset to maximize 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.

2.3.23 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.

2.3.24 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 leaving voluntarily in exchange for these benefits. The Group recognizes 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. Where 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 labor 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) Labor Compensation Fund (FCT) and the Labour Compensation Guarantee Fund (FGCT). Based on the publication of Law No 70/2013 and subsequent regulation by Order No. 294-A / 2013, entered into force on 1 October the Labor Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labor (FGCT). In this context, companies that hire a new employee are required to deduct a percentage of the respective salary for these two new funds (0.925% to 0.075% and the FCT for FGCT), in order to ensure, in the future, the partial payment the compensation for dismissal. Considering the characteristics of each Fund, the following is considered:

-The monthly deliveries to FGCT, made by the employer are recognised as expense in the period to which they relate.
-The monthly deliveries to FCT, made by the employer are recognised as a financial asset of the entity, measured at fair value with changes recognised in the respective results.

2.3.25 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, 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.

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

Intangible and tangible fixed 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 year.

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.

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 where there is strong assurance that there will be future taxable income available to use the temporary differences or where 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.

Impairment of account receivables

The credit risk on the balances of accounts receivable is assessed at each reporting date, taking account of the customer's history and their risk profile. Accounts receivable are adjusted for the assessment made by management and the estimated collection risks at the date of the statement of financial position, which may differ from the effective risk incurred.

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. Where 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 uses evaluation techniques for unlisted financial instruments such as derivatives, financial instruments at fair value through profit and loss, and assets available for sale. The valuation models that are used most frequently are discounted cash flow models and options models, incorporating, 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

In the quarters ended at 31 March 2015 and 2016, no material errors relating to previous years were recognised.

4. Changes in the consolidation perimeter

During the quarter ended on 31 March 2015, the changes in the consolidated perimeter were as follow:

1) On 30 March 2015, the spin-off project of NOS Comunicações, SA materialized, giving rise to the creation of a new entity, NOS Inovação, SA, to which was transferred the Product Development Department assets, which include, among others, the IRIS platform. The spin-off had no impact on the Group's consolidated financial statements.

During the quarter ended on 31 March 2016, the changes in the consolidated perimeter were as follow:

1) On 18 January 2016, the company ZON Finance BV was dissolved, which had no impact on the Group's consolidated financial statements.

5. Segment reporting

The business segments are as follows:

- Telco – TV, Internet (fixed and mobile) and voice (fixed and mobile) services rendered and includes the following companies: NOS Technology, NOS Towering, Per-mar, Sontária, NOS, NOS Açores, NOS Communications, NOS Madeira, NOSPUB, NOS SA, NOS Lusomundo TV, ZON Finance, Teliz Holding, NOS Sistemas, NOS Sistemas España and NOS Inovação.

- Audiovisual – the supply of video production services and sales, cinema exhibition and distribution and the acquisition/negociation of Pay TV and VOD (video-on-demand) rights and includes the following companies: NOS Audiovisuais, NOS Cinemas, Lusomundo Moçambique, Lda ("Lusomundo Moçambique"), Lusomundo España, Lusomundo Imobiliária 2, S.A. ("Lusomundo Imobiliária 2"), Lusomundo Sociedade de Investimentos Imobiliários, SGPS, S.A. ("Lusomundo SII") and Empracine – Empresa Promotora de Atividades Cinematográficas, Lda ("Empracine").

Assets and liabilities by segment at 31 December 2015 and 31 March 2016 are shown below:

	31-12-2015			
	TELCO	**AUDIOVISUALS**	**ELIMINATIONS**	**GROUP**
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,153,518	14,020	-	1,167,538
Intangible assets	1,080,120	98,439	-	1,178,559
Investments in jointly controlled companies and associated companies	114,084	3,720	(87,882)	29,922
Accounts receivable - other	56,325	19,856	(68,999)	7,182
Deferred income tax assets	110,742	11,797	-	122,539
Other non-current assets	3,694	698	-	4,392
TOTAL NON - CURRENT ASSETS	**2,518,483**	**148,530**	**(156,881)**	**2,510,132**
CURRENT ASSETS:				
Inventories	29,562	978	-	30,540
Account receivables	343,052	58,204	(42,284)	358,972
Accounts receivable - trade	331,846	29,434	(13,443)	347,837
Accounts receivable - other	11,206	28,770	(28,841)	11,135
Prepaid expenses	62,561	2,099	-	64,660
Other current assets	1,774	534	(66)	2,242
Cash and cash equivalents	9,050	898	-	9,948
TOTAL CURRENT ASSETS	**445,999**	**62,713**	**(42,350)**	**466,362**
TOTAL ASSETS	**2,964,482**	**211,243**	**(199,231)**	**2,976,494**
SHAREHOLDER'S EQUITY				
Share capital	5,152	28,699	(28,699)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(10,559)	-	-	(10,559)
Legal reserve	3,556	1,087	(1,087)	3,556
Other reserves and accumulated earnings	101,399	68,819	(51,214)	119,004
Net income	76,289	6,433	(2)	82,720
EQUITY BEFORE NON - CONTROLLING INTERESTS	**1,030,056**	**105,038**	**(81,002)**	**1,054,092**
Non-controlling interests	9,372	21	37	9,430
TOTAL EQUITY	**1,039,428**	**105,059**	**(80,965)**	**1,063,522**
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,002,215	52,932	(75,725)	979,422
Provisions	133,215	6,269	-	139,484
Accrued expenses	9,475	65	(70)	9,470
Other non-current liabilities	8,628	-	-	8,628
Deferred income tax liabilities	13,008	731	-	13,739
TOTAL NON - CURRENT LIABILITIES	**1,166,541**	**59,997**	**(75,795)**	**1,150,743**
CURRENT LIABILITIES:				
Borrowings	203,516	965	(26,459)	178,022
Accounts payable	348,280	19,043	(11,132)	356,191
Tax payable	20,851	2,511	(66)	23,296
Accrued expenses	157,134	23,551	(4,814)	175,871
Other current liabilities	28,732	117	-	28,849
TOTAL CURRENT LIABILITIES	**758,513**	**46,187**	**(42,471)**	**762,229**
TOTAL LIABILITIES	**1,925,054**	**106,184**	**(118,266)**	**1,912,972**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**2,964,482**	**211,243**	**(199,231)**	**2,976,494**

	31-03-2016			
	TELCO	**AUDIOVISUALS**	**ELIMINATIONS**	**GROUP**
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,128,389	13,620	-	1,142,009
Intangible assets	1,080,650	98,385	-	1,179,035
Investments in jointly controlled companies and associated companies	90,517	4,083	(87,882)	6,718
Accounts receivable - other	55,763	20,102	(68,996)	6,869
Deferred income tax assets	108,702	11,950	-	120,652
Other non-current assets	3,693	692	-	4,385
TOTAL NON - CURRENT ASSETS	**2,467,714**	**148,832**	**(156,878)**	**2,459,668**
CURRENT ASSETS:				
Inventories	32,061	877	-	32,938
Account receivables	365,324	57,793	(45,750)	377,367
Prepaid expenses	81,655	2,043	(131)	83,567
Other current assets	24,889	628	(158)	25,359
Cash and cash equivalents	895	901	-	1,796
TOTAL CURRENT ASSETS	**504,824**	**62,242**	**(46,039)**	**521,027**
TOTAL ASSETS	**2,972,538**	**211,074**	**(202,917)**	**2,980,695**
SHAREHOLDER'S EQUITY				
Share capital	5,152	28,699	(28,699)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(6,095)	-	-	(6,095)
Legal reserve	3,556	1,087	(1,087)	3,556
Other reserves and accumulated earnings	166,177	75,161	(51,216)	190,122
Net income	22,979	1,437	-	24,416
EQUITY BEFORE NON - CONTROLLING INTERESTS	**1,045,988**	**106,384**	**(81,002)**	**1,071,370**
Non-controlling interests	9,400	22	37	9,459
TOTAL EQUITY	**1,055,388**	**106,406**	**(80,965)**	**1,080,829**
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,005,753	52,554	(75,388)	982,919
Provisions	134,101	6,484	-	140,585
Accrued expenses	9,302	65	(70)	9,297
Other non-current liabilities	18,848	-	-	18,848
Deferred income tax liabilities	12,280	625	-	12,905
TOTAL NON - CURRENT LIABILITIES	**1,180,284**	**59,728**	**(75,458)**	**1,164,554**
CURRENT LIABILITIES:				
Borrowings	188,694	1,048	(30,445)	159,297
Accounts payable	341,632	19,098	(10,485)	350,245
Tax payable	20,538	2,500	(158)	22,880
Accrued expenses	157,471	21,579	(5,274)	173,776
Deferred income	28,304	715	(132)	28,887
Derivative financial instruments	227	-	-	227
TOTAL CURRENT LIABILITIES	**736,866**	**44,940**	**(46,494)**	**735,312**
TOTAL LIABILITIES	**1,917,150**	**104,668**	**(121,952)**	**1,899,866**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**2,972,538**	**211,074**	**(202,917)**	**2,980,695**

The results by segment and investments in tangible and intangible fixed assets for the quarters ended on 31 March 2015 and 2016 are shown below:

	3M 15			
	TELCO	**AUDIOVISUALS**	**ELIMINATIONS**	**GROUP**
REVENUES:				
Services rendered	317,179	22,615	(10,570)	329,224
Sales	7,970	4,160	-	12,130
Other operating revenues	2,770	521	(570)	2,721
	327,919	**27,296**	**(11,140)**	**344,075**
COSTS, LOSSES AND GAINS:				
Wages and salaries	19,313	2,299	(11)	21,601
Direct costs	103,410	7,195	(9,364)	101,241
Costs of products sold	9,813	(5)	-	9,808
Marketing and advertising	6,216	1,660	(1,318)	6,558
Support services	24,851	347	(286)	24,912
Supplies and external services	41,123	4,835	(161)	45,797
Other operating losses / (gains)	116	6	-	122
Taxes	6,827	33	-	6,860
Provisions and adjustments	(863)	123	-	(740)
	210,806	**16,493**	**(11,140)**	**216,159**
EBITDA	**117,113**	**10,803**	**-**	**127,916**
Depreciation, amortisation and impairment losses	78,590	9,104	-	87,694
Other losses / (gains), net	5,959	131	-	6,090
INCOME BEFORE FINANCIAL RESULTS AND TAXES	**32,564**	**1,568**	**-**	**34,132**
Financial costs	7,059	423	-	7,482
Net foreign exchange losses / (gains)	312	420	-	732
Net losses / (gains) of affiliated companies	(6,886)	(458)	-	(7,343)
Net other financial expenses / (income)	3,568	18	-	3,586
	4,053	**403**	**-**	**4,457**
INCOME BEFORE TAXES	**28,511**	**1,165**	**-**	**29,675**
Income taxes	6,231	224	-	6,455
NET INCOME	**22,280**	**941**	**-**	**23,220**
CAPEX	**84,802**	**9,507**	**-**	**94,309**
EBITDA - CAPEX	**32,311**	**1,296**	**-**	**33,607**

	3M 16			
	TELCO	**AUDIOVISUALS**	**ELIMINATIONS**	**GROUP**
REVENUES:				
Services rendered	336,059	24,968	(11,942)	349,085
Sales	12,677	4,419	(6)	17,090
Other operating revenues	4,216	213	(301)	4,128
	352,952	**29,600**	**(12,249)**	**370,303**
COSTS, LOSSES AND GAINS:				
Wages and salaries	21,382	2,443	-	23,825
Direct costs	111,996	6,751	(9,923)	108,824
Costs of products sold	14,115	62	(6)	14,171
Marketing and advertising	8,319	1,657	(1,652)	8,324
Support services	23,636	429	(368)	23,697
Supplies and external services	39,686	5,288	(300)	44,674
Other operating losses / (gains)	106	12	-	118
Taxes	7,004	34	-	7,038
Provisions and adjustments	1,016	744	-	1,760
	227,260	**17,420**	**(12,249)**	**232,431**
EBITDA	**125,692**	**12,180**	**-**	**137,872**
Depreciation, amortisation and impairment losses	84,944	10,349	-	95,293
Other losses / (gains), net	2,375	53	-	2,428
INCOME BEFORE FINANCIAL RESULTS AND TAXES	**38,373**	**1,778**	**-**	**40,151**
Financial costs	3,330	125	-	3,455
Net foreign exchange losses / (gains)	(189)	94	-	(95)
Net losses / (gains) of affiliated companies	6,729	(364)	-	6,365
Net other financial expenses / (income)	1,985	19	-	2,004
	11,855	**(126)**	**-**	**11,729**
INCOME BEFORE TAXES	**26,518**	**1,904**	**-**	**28,422**
Income taxes	3,501	467	-	3,968
NET INCOME	**23,017**	**1,437**	**-**	**24,454**
CAPEX	**84,896**	**10,200**	**-**	**95,097**
EBITDA - CAPEX	**40,796**	**1,980**	**-**	**42,775**

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

6. Financial assets and liabilities classified in accordance with the IAS 39 categories – financial instruments: recognition and measurement

The accounting policies set out in IAS 39 for financial instruments were applied to the following items:

	31-12-2015			
	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS				
Available-for-sale financial assets	-	77	-	77
Accounts receivable - trade (Note 14)	-	347,837	-	347,837
Accounts receivable - other (Note 10)	-	13,669	4,648	18,317
Cash and cash equivalents (Note 18)	-	9,948	-	9,948
TOTAL FINANCIAL ASSETS	**-**	**371,531**	**4,648**	**376,179**
LIABILITIES				
Borrowings (Note 21)	1,157,444	1,157,444	-	1,157,444
Derivative financial instruments (Note 17)	-	3,416	-	3,416
Accounts payable - trade (Note 25)	327,485	327,485	-	327,485
Accounts payable - other (Note 26)	28,625	28,625	81	28,706
Accrued expenses (Note 23)	175,871	175,871	-	175,871
TOTAL FINANCIAL LIABILITIES	**1,689,425**	**1,692,841**	**81**	**1,692,922**

	31-12-2015			
	LOANS AND ACCOUNTS RECEIVABLE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	INVESTMENTS HELD-TO-MATURITY	DERIVATIVES
ASSETS				
Available-for-sale financial assets	-	77	-	-
Accounts receivable - trade (Note 14)	347,837	-	-	-
Accounts receivable - other (Note 10)	13,669	-	-	-
Cash and cash equivalents (Note 18)	9,948	-	-	-
TOTAL FINANCIAL ASSETS	**371,454**	**77**	**-**	**-**
LIABILITIES				
Borrowings (Note 21)	-	-	-	-
Derivative financial instruments (Note 17)	-	-	-	3,416
Accounts payable - trade (Note 25)	-	-	-	-
Accounts payable - other (Note 26)	-	-	-	-
Accrued expenses (Note 23)	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**-**	**3,416**

	31-03-2016			
	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS				
Available-for-sale financial assets	-	77	-	77
Accounts receivable - trade (Note 14)	-	349,564	-	349,564
Accounts receivable - other (Note 10)	-	28,390	6,282	34,672
Cash and cash equivalents (Note 18)	-	1,796	-	1,796
TOTAL FINANCIAL ASSETS	**-**	**379,827**	**6,282**	**386,109**
LIABILITIES				
Borrowings (Note 21)	1,142,217	1,142,217	-	1,142,217
Derivative financial instruments (Note 17)	-	5,608	-	5,608
Accounts payable - trade (Note 25)	304,613	304,613	-	304,613
Accounts payable - other (Note 26)	53,906	53,906	68	53,974
Accrued expenses (Note 23)	173,776	173,776	-	173,776
TOTAL FINANCIAL LIABILITIES	**1,674,512**	**1,680,120**	**68**	**1,680,188**

	31-03-2016			
	LOANS AND ACCOUNTS RECEIVABLE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	INVESTMENTS HELD-TO-MATURITY	DERIVATIVES
ASSETS				
Available-for-sale financial assets	-	77	-	-
Accounts receivable - trade (Note 14)	349,564	-	-	-
Accounts receivable - other (Note 10)	28,390	-	-	-
Cash and cash equivalents (Note 18)	1,796	-	-	-
TOTAL FINANCIAL ASSETS	**379,750**	**77**	**-**	**379,751**
LIABILITIES				
Borrowings (Note 21)	-	-	-	-
Derivative financial instruments (Note 17)	-	-	-	5,608
Accounts payable - trade (Note 25)	-	-	-	-
Accounts payable - other (Note 26)	-	-	-	-
Accrued expenses (Note 23)	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**-**	**5,608**

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

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

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

7. Tangible fixed assets

At 31 March 2016, the movements in this item were as follows:

	31-12-2015	INCREASES	TRANSFER AND OTHERS	31-03-2016
ACQUISITION COST				
Land	919	-	-	919
Buildings and other constructions	325,185	3,521	32,082	360,788
Basic equipment	2,466,229	33,969	(75,424)	2,424,774
Transportation equipment	14,655	1	(23)	14,633
Tools and dies	1,266	-	67	1,333
Administrative equipment	329,029	4,286	(60,756)	272,559
Other tangible assets	42,251	45	(907)	41,389
Tangible assets in-progress	43,271	15,017	(15,983)	42,305
	3,222,805	**56,839**	**(120,944)**	**3,158,700**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Land	37	-	-	37
Buildings and other constructions	168,657	3,063	18,299	190,019
Basic equipment	1,534,237	41,172	(44,701)	1,530,708
Transportation equipment	6,174	458	(24)	6,608
Tools and dies	1,225	5	-	1,230
Administrative equipment	304,204	4,509	(60,703)	248,010
Other tangible assets	40,733	156	(810)	40,079
	2,055,267	**49,363**	**(87,939)**	**2,016,691**
	1,167,538	**7,476**	**(33,005)**	**1,142,009**

At 31 March 2016, the tangible fixed assets net value is composed mainly by basic equipment, namely:

i) network and telecommunications infrastructure (fiber optic network and cabling, network equipment, and other equipment) in the amount of 751.1 million euros (31 December 2015: 786.3 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 142.9 million euros (31 December 2015: 145.7 million euros).

The amount of "transfer and others" corresponds mainly to the reclassification to "Non-current assets held for sale" in the amount of 24.2 million euros (Note 16) and the transfer of assets for "intangible assets", in the amount of 8.1 million euros.

The acquisition cost of the “Tangible Assets” and “Intangible Assets” held by the Group under finance lease contracts at 31 December 2015 and 31 March 2016, amounted to 225.1 million euros and 226.9 million euros, and their net book value as of those dates amounted to 127.9 million euros and 122.8 million euros, respectively.

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 March 2016, total net value of these costs amounted to 15.4 million euros (31 December 2015: 15.4 million euros). The amount capitalised in the period ended on 31 March 2016 amounted to 0.3 million euros (31 December 2015: 2.2 million euros).

8. Intangible assets

At 31 March 2016, the movements in this item were as follows:

	31-12-2015	INCREASES	TRANSFER AND OTHERS	31-03-2016
ACQUISITION COST				
Industrial property and other rights	1,489,997	18,561	60,944	1,569,502
Goodwill	641,599	-	-	641,599
Intangible assets in-progress	30,589	19,696	(8,363)	41,922
	2,162,185	**38,257**	**52,581**	**2,253,023**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Industrial property and other rights	979,470	45,924	43,969	1,069,363
Intangible assets in-progress	4,156	-	469	4,625
	983,626	**45,924**	**44,438**	**1,073,988**
	1,178,559	**(7,667)**	**8,143**	**1,179,035**

At 31 March 2016, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 141.3 million euros (31 December 2015: 143.4 million euros) mainly related to the investment, net of depreciation, made in the development of the UMTS network by NOS SA, including: (i) 44.7 million euros (31 December 2015: 45.4 million euros) related to the license, (ii) 15 million euros (31 December 2015: 15.2 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 4.6 million euros (31 December 2015: 4.7 million euros) related to the "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) 65.5 million euros (31 December 2015: 66.4 million euros) related with the programme "Initiatives E"; and (v) the net amount of 7.7 million euros (31 December 2015: 7.9 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger.

(2) A net amount of 96.8 million euros (31 December 2015: 97.8 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 3.4 million euros (31 December 2015: 3.4 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(3) A net amount of 56.6 million euros (31 December 2015: 58.5 million euros) relating to the contract for the exclusive acquisition of satellite capacity celebrated between NOS SA and Hispasat, which is recorded as a finance lease;

(4) Net amounts of approximately 58.2 million euros (31 December 2015: 59.5 million euros) and 21.6 million euros (31 December 2015: 21.8 million euros) corresponding to the capitalised costs related to customers' loyalty contracts and future rights to use movies and series, respectively;

(5) A net amount of approximately 23.8 million euros (31 December 2015: 26.3 million euros) corresponding to the valuation of Optimus customer portfolio under the fair value allocation process resulting from the merger.

The amount of "transfer and others" corresponds mainly to the transfer of assets, in the amount of 8.1 million euros from "Tangible fixed assets".

Impairment tests on Goodwill

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

	31-12-2015	31-03-2016
Telco	564,998	564,998
Audiovisuals	76,601	76,601
	641,599	**641,599**

In 2015 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 to long term plans approved by the Board.

These estimates are based on the following assumptions:

	TELCO SEGMENT	AUDIOVISUALS SEGMENT	
		NOS AUDIOVISUAIS	NOS CINEMAS
Discount rate (before taxes)	7.2%	7.2%	7.2%
Assessment period	5 years	5 years	5 years
EBITDA* Growth	4.7%	1.0%	2.0%
Perpetuity growth rate	1.5%	1.5%	1.5%

* EBITDA = Operational result + Depreciation and amortization (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.

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

Sensitivity analyses were performed on variations in discount rates of approximately 10%, from which no impairments resulted.

Sensitivity analyses were also performed for a perpetuity growth rate of 0%, from which no impairments also resulted.

At 31 March 2016 it is understood that the assumptions made in impairment tests performed in 2015 did not have significant variations, so there is no risk of any impairment.

9. Investments in jointly controlled companies and associated companies

At 31 December 2015 and 31 March 2016, this item was composed as follows:

	31-12-2015	31-03-2016
SHARES - EQUITY		
Sport TV	21,617	2,862
Dreamia	2,938	3,265
Finstar	4,949	357
Mstar	230	(92)
Upstar	96	106
Canal 20 TV, S.A.	17	17
East Star	36	36
Big Picture 2 Films	39	75
	29,922	**6,626**
ASSETS	**29,922**	**6,718**
LIABILITIES (NOTE 22)	**-**	**(92)**

Movements in "Investments in jointly controlled companies and associated companies" in the quarters ended on 31 March 2015 and 2016 were as follows:

	3M 15	3M 16
AS AT 1 JANUARY	**31,480**	**29,922**
Gains / (losses) for the year (Note 34)	7,343	(6,365)
Capital increase	-	25,347
Return of supplementary i)	-	(41,547)
Changes in equity ii)	(40)	(731)
AS AT 31 MARCH	**38,784**	**6,626**

i) During the first quarter of 2016, Sport TV returned supplementary payments in the amount of 41.5 million euros through the delivery of cash in the amount of 25.3 million euros and the assignment of credits in the amount of 16.2 million euros.

ii) 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 other currencies than euro.

The Group's interest in the results and assets and liabilities of the jointly controlled companies and associated companies in the year ended on 31 December 2015 and quarter ended on 31 March 2016 is as follows:

10. Accounts Receivable – Other

At 31 December 2015 and 31 March 2015, this item was composed as follows:

2015							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV	151,272	108,038	43,234	119,753	(10,310)	50.00%	(5,155)
Dreamia	12,821	6,946	5,875	3,522	943	50.00%	472
Finstar	173,112	155,814	17,298	240,445	26,869	30.00%	8,061
Mstar	6,246	5,478	768	21,319	835	30.00%	251
Upstar	131,772	131,453	319	80,667	100	30.00%	30
Distodo*	-	-	-	-	-	50.00%	(94)
Canal 20 TV, S.A.	36	1	35	56	37	50.00%	18
East Star	137	17	120	-	-	30.00%	-
Big Picture 2 Films	1,977	1,782	195	5,345	4	20.00%	1
	477,373	**409,529**	**67,844**	**471,107**	**18,478**		**3,584**

*Company dissolved on 31 December 2015

2016							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV	94,519	88,795	5,724	33,573	(5,109)	50.00%	(2,555)
Dreamia	13,568	7,038	6,530	1,537	655	50.00%	328
Finstar	174,659	173,470	1,189	63,605	(13,165)	30.00%	(3,950)
Mstar	10,222	10,529	(307)	5,834	(683)	30.00%	(205)
Upstar	140,541	140,187	354	31,468	-	30.00%	-
Canal 20 TV, S.A.	36	1	35	-	-	50.00%	-
East Star	137	17	120	-	-	30.00%	-
Big Picture 2 Films	3,898	3,522	376	3,546	181	20.00%	36
	437,580	**423,559**	**14,021**	**139,563**	**(18,121)**		**(6,345)**

	31-12-2015		31-03-2016	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Account receivables	7,774	7,182	22,508	6,869
Advances of suppliers	4,648	-	6,282	-
	12,422	**7,182**	**28,790**	**6,869**
Impairment of other receivable	(1,287)	-	(987)	-
	11,135	**7,182**	**27,803**	**6,869**

i) The increase in the quarter ended on 31 March 2016 results of a credit assignment by Sport Tv (Note 9).

The summary of the movements in impairment of other receivables is as follows:

	3M 15	3M 16
AS AT 1 JANUARY	**1,246**	**1,287**
Increases (Note 32)	27	5
Others	(284)	(305)
AS AT 31 MARCH	**989**	**987**

11. Taxes payable and receivable

At 31 December 2015 and 31 March 2016, these items were composed as follows:

	31-12-2015		31-03-2016	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt settlement (Note 39)	7,025	-	7,025	-
Provision	(3,408)	-	(3,408)	-
	3,617	**-**	**3,617**	**-**
CURRENT				
Value-added tax	1,812	17,631	692	12,679
Income taxes	-	1,355	-	2,736
Personnel income tax witholdings	-	2,168	-	5,268
Social Security contributions	-	2,003	-	1,973
Other	430	139	430	224
	2,242	**23,296**	**1,122**	**22,880**
	5,859	**23,296**	**4,739**	**22,880**

At 31 December 2015 and 31 March 2016 the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2015	31-03-2016
Estimated current tax on income	(8,550)	(10,891)
Payments on account	2,744	2,870
Withholding income taxes	3,760	4,598
Other	691	687
	(1,355)	**(2,736)**

12. Income tax expense

During the quarter ended on 31 March 2016, NOS and its associated companies are subject to IRC - Corporate Income Tax at the rate of 21% (16.8% in the case of NOS Açores), plus IRC surcharge at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 22.5%. Following the introduction of the austerity measures approved by Law 66-B/2012 of 31 December, this rate was raised in 3% on the amount of a company's taxable profit between 1.5 million euros and 7.5 million euros, and in 5% on the amount of a company's taxable profit exceeding 7.5 million euros. Additionally, in the measures approving the IRC reform, published by Law 2/2014 of 16 January, a new level was added to the IRC surcharge where the rate is raised in 7% over the company's taxable profit above 35 million euros.

In the calculation of taxable income, to which the above tax rates apply, amounts which are not fiscally allowable are added to and 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 taxation regime for groups of companies (RETGS), which covers the companies in which it directly or indirectly holds at least 75% of their share capital and which fulfill the requirements of Article 69 of the IRC Code.

The companies covered by the RETGS in 2016 are:

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária 2
- Lusomundo SII
- NOS Sistemas
- NOS Audiovisuais

- NOS Cinemas
- NOS Inovação
- NOS Lusomundo TV
- NOS Madeira
- NOS Açores
- NOSPUB
- NOS SA
- NOS Technology
- NOS Towering
- Per-mar
- Sontária

Under current legislation, tax declarations are subject to review and correction by the tax authorities for a period of four years (five years in the case of Social Security), except where tax losses have occurred (where the period is five or six years) or tax benefits have been obtained or inspections, appeals or disputes are in progress, in which case, depending on the circumstances, the periods are 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 March 2016.

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 quarters ended on 31 March 2015 and 2016 were as follows:

	31-12-2014	DEFERRED TAXES OF THE PERIOD		31-03-2015
		INCOME (NOTE B)	EQUITY (NOTE 19)	
DEFERRED INCOME TAX ASSETS				
Doubtful accounts receivable	7,442	869	-	8,311
Inventories	3,784	(90)	-	3,694
Other provision and adjustments	79,817	(1,054)	-	78,763
Intragroup gains	19,973	186	-	20,159
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	9,744	(928)	-	8,816
Derivatives	427	-	108	535
Tax incentives	19,297	(2,915)	-	16,382
Tax losses carried forward	631	(631)	-	-
	141,115	**(4,563)**	**108**	**136,660**
DEFERRED INCOME TAX ASSETS				
Reavaluation of fixed assets	3	-	-	3
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	14,617	(1,131)	-	13,486
Derivatives	137	-	(30)	107
Other	2,480	194	-	2,674
	17,237	**(937)**	**(30)**	**16,270**
NET DEFERRED TAX	**123,878**	**(3,626)**	**138**	**120,390**

	31-12-2015	DEFERRED TAXES OF THE PERIOD		31-03-2016
		INCOME (NOTE B)	EQUITY (NOTE 19)	
DEFERRED INCOME TAX ASSETS				
Doubtful accounts receivable	7,704	369	-	8,073
Inventories	2,573	(22)	-	2,551
Other provision and adjustments	71,616	(2,000)	-	69,616
Intragroup gains	23,918	2,035	-	25,953
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	8,638	(49)	-	8,589
Derivatives	772	-	504	1,276
Tax incentives	7,318	(2,724)	-	4,594
	122,539	**(2,391)**	**504**	**120,652**
DEFERRED INCOME TAX LIABILITIES				
Reavaluation of fixed assets	2	-	-	2
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	11,156	(762)	-	10,394
Other	2,581	(72)	-	2,509
	13,739	**(834)**	**-**	**12,905**
NET DEFERRED TAX	**108,800**	**(1,557)**	**504**	**107,747**

At 31 March 2016, 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 tangible and intangible assets, amounted to 56.6 million euros (2015: 62.0 million euros); ii) other provisions amounted to 13 million euros (2015: 16.8 million euros).

At 31 March 2016, the deferred tax liability related to the revaluation of assets relates mainly to the appreciation of customers' portfolio, telecommunications licenses and other assets of Optimus Group companies.

At 31 March 2016 deferred tax assets were not recognised in the amount of 1.7 million euros, corresponding mainly to tax incentives.

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

At 31 March 2016, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2015: 21%). In the case of temporary differences, the rate used was 22.5% (2015: 22.5%) increased to a maximum of 6.2% (2015: 6.2%) of state surcharge when the taxation of temporary differences in the estimated period of application of the state surcharge was perceived as likely. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grants such tax benefits.

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

Under the terms of current legislation in Portugal, tax losses generated up to 2009, or in 2010 and 2011, and from 2012 to 2013 and from 2014 to 2015 onwards may be carried forward for a period of six years, four years, 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 2013 and 70% of taxable profit in the following years.

B) Effective tax rate reconciliation

In the quarters ended on 31 March 2015 and 2016, the reconciliation between the nominal and effective rates of tax was as follows:

	3M 15	3M 16
Income before taxes	29,675	28,422
Statutory tax rate	22.5%	22.5%
ESTIMATED TAX	**6,677**	**6,395**
Permanent differences i)	(1,429)	1,423
Differences in tax rate of group companies	(256)	(712)
Income tax related to previous years	197	(3,631)
Tax benefits ii)	27	(1,500)
State surcharge	805	1,659
Autonomous taxation	183	216
Provisions (Note 22)	5	89
Other	246	29
INCOME TAXES	**6,455**	**3,968**
Effective Income tax rate	21.8%	14.0%
Income tax	2,829	2,411
Deferred tax	3,626	1,557
	6,455	**3,968**

i) At 31 March 2015 and 2016 the permanent differences were composed as follows:

	3M 15	3M 16
Equity method (Note 35)	(7,343)	6,365
Other	993	(42)
	(6,350)	**6,323**
	22.5%	22.5%
	(1,429)	**1,423**

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, of the RFAI (Investment Tax Incentive Regime) introduced by Law 10/2009 of 10 March and of the CFEI (Tax Credit for Extraordinary Investment) introduced by Law 49/2013 of 16 July. Under the terms of the IRC (Corporate Income Tax) Code, the tax paid may not be less than 90% of the amount which would result if the Company did not benefit from tax benefits. Therefore, this amount corresponds to that difference, given that the amount is recorded in the controlling company under the Special Taxation Regime for Groups of Companies, and the tax benefits are recorded in the controlled companies.

13. Inventories

At 31 December 2015 and 31 March 2016, this item was composed as follows:

	31-12-2015	31-03-2016
INVENTORIES		
Telco	37,985	40,380
Audiovisuals	2,195	2,119
	40,180	**42,499**
IMPAIRMENT OF ADJUSTMENTS		
Telco	(8,423)	(8,319)
Audiovisuals	(1,217)	(1,242)
	(9,640)	**(9,561)**
	30,540	**32,938**

The movements occurred in impairment adjustments were as follows:

	3M 15	3M 16
AS AT 1 JANUARY	**13,924**	**9,640**
Increase and decrease - Cost of products sold (Note 30)	(339)	(101)
Others	3	22
AS AT 31 MARCH	**13,588**	**9,561**

14. Accounts receivable – trade

At 31 December 2015 and 31 March 2016, this item was as follows:

	31-12-2015	31-03-2016
Trade receivables	285,170	279,676
Doubtful accounts for trade receivables	194,497	200,860
Unbilled revenues	62,667	69,888
	542,334	**550,424**
Impairment of trade receivable	(194,497)	(200,860)
	347,837	**349,564**

Unbilled revenues mainly correspond to revenues related to services rendered that will only be invoiced in the month following the provision of the service.

The movements occurred in impairment adjustments were as follows:

	3M 15	3M 16
AS AT 1 JANUARY	**175,789**	**194,497**
Increases and decreases (Note 32)	210	3,538
Penalties - i)	5,126	3,545
Receivables written off and others	(694)	(720)
AS AT 31 MARCH	**180,431**	**200,860**

i) Penalties correspond to the estimated amount of uncollectible invoiced penalties recognised in the period, deducted from revenue, as described in note 39.6.

15. Prepaid expenses

At 31 December 2015 and 31 March 2016, this item was composed as follows:

	31-12-2015	31-03-2016
Costs of litigation procedure activity i)	31,013	29,809
Discounts ii)	19,228	20,185
Programming costs	2,187	14,904
Rentals	3,275	3,985
Insurance	2,655	2,254
Others	6,302	12,429
	64,660	**83,567**

i) The value of litigation costs corresponds to the amount paid by the entry of court proceedings related to clients in litigation and the total estimated liability related to the court proceedings, which amount is recognised linearly in the income statement while the proceedings run.

ii) Discounts correspond mainly to discounts to new customers under loyalty programs. These discounts are allocated to the whole loyatly period of the contract. The discounts are recognised as the goods and services are provide to the customer.

16. Non-current assets held-for-sale

During the year ended on 31 December 2015 this item corresponds to two vacant premises which were sold, a building and a movie theatre.

On 31 March 2016, this item corresponds to NOS Comunicações S.A. FTTH network assets, located in the metropolitan areas of Lisbon and Porto, on which Vodafone has exercised its purchase option, on February 25, 2016, as per the statement of non-opposition decision by the Competition Authority to the operation of merger between ZON and Optimus of 26 August 2013. The amount corresponds to the book value, net of amortization, reclassified from tangible fixed assets (Note 7).

17. Derivative financial instruments

17.1 Exchange rate derivatives

Exchange rate risk is mainly related to exposure resulting from payments made to certain producers of audiovisual content and equipment for the Pay TV, broadband and voice business. Business transactions between the Group and these suppliers are mainly denominated in US dollars.

Depending on the balance of accounts payable resulting from transactions denominated in a currency different from the Group's operating currency, the NOS Group may contract financial instruments, namely short-term foreign currency forwards, in order to hedge the risk associated with these balances. At the date of the statement of financial position there were foreign currency forwards open for 7,108 thousand Dollars (2015: 4,375 thousand Dollars), the fair value amounts to a loss of about 227 thousand euros (2015: loss of about 47 thousand euros) which is stated in liabilities as a counterpart of shareholder's equity.

17. 2 Interest rate derivatives

At 31 March 2016, NOS had contracted four interest rate swaps totaling of 375 million euros (2015: 375 million euros), whose maturities expire in 2017 (two swaps in the amount of 125 million euros) and 2019 (two swaps in the amount of 250 million euros). The fair value of interest rate swaps, in the negative amount of 5.4 million euros (2015: negative amount of 3.4 million euros) was recorded in liabilities, against shareholder's equity.

	31-12-2015		
	NOTIONAL	LIABILITIES	
		CURRENT	NON CURRENT
Interest rate swaps	375,000	-	3,369
Exchange rate forward	4,375	47	-
	379,375	**47**	**3,369**

	31-03-2016		
	NOTIONAL	LIABILITIES	
		CURRENT	NON CURRENT
Interest rate swaps	375,000	-	5,381
Exchange rate forward	7,108	227	-
	382,108	**227**	**5,381**

Movements during the quarters ended on 31 March 2015 and 2016 were as follows:

	31-12-2014	RESULT	EQUITY	31-03-2015
Fair value interest rate swaps	(1,899)	-	(479)	(2,378)
Fair value exchange rate forward	368	-	11	379
CASH FLOW HEDGE DERIVATIVES	**(1,531)**	**-**	**(468)**	**(1,999)**
Deferred income tax liabilities	(137)		30	(107)
Deferred income tax assets	427		108	535
DEFERRED INCOME TAX	**290**	**-**	**138**	**428**
	(1,241)	**-**	**(330)**	**(1,571)**

	31-12-2015	RESULT	EQUITY	31-03-2016
Fair value interest rate swaps	(3,369)	-	(2,012)	(5,381)
Fair value exchange rate forward	(47)		(180)	(227)
CASH FLOW HEDGE DERIVATIVES	**(3,416)**	**-**	**(2,192)**	**(5,608)**
Deferred income tax liabilities	-			-
Deferred income tax assets	772		504	1,276
DEFERRED INCOME TAX	**772**	**-**	**504**	**1,276**
	(2,644)	**-**	**(1,688)**	**(4,332)**

18. Cash and cash equivalents

At 31 December 2015 and 31 March 2015, this item was composed as follows:

	31-12-2015	31-03-2016
Cash	223	618
Deposits	9,190	719
Other deposits i)	535	459
	9,948	**1,796**

i) At 31 December 2015 and 31 March 2016, term deposits have short-term maturities and bear interest at normal market rates.

19. Shareholder's equity

19.1 Share capital

At 31 December 2015 and 31 March 2016 the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1euro cent per share.

The main shareholders as of 31 December 2015 and 31 March 2016 are:

	31-12-2015		31-03-2016	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	257,632,005	50.01%	257,632,005	50.01%
Banco BPI, SA (2)	17,516,365	3.40%	17,516,365	3.40%
Sonaecom, SGPS, SA (3)	11,012,532	2.14%	11,012,532	2.14%
Norges Bank	10,891,068	2.11%	10,891,068	2.11%
Blackrock, Inc	10,349,515	2.01%	10,349,515	2.01%
TOTAL	**307,401,485**	**59.67%**	**307,401,485**	**59.67%**

(1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Security Code, a qualified shareholding of 52.15% of the share capital and voting rights of company, calculated in accordance with Article 20.º of the Securities Code, is attributable to ZOPT, Sonaecom and the following entities:

a. Kento Holding Limited and Unitel International Holdings B.V., as well as Isabel dos Santos, being (i) Kento Holding Limited and Unitel International Holdings, B.V., companies directly and indirectly controlled by Isabel Santos, and (ii) ZOPT, a jointly controlled company by its shareholders Kento Holding Limited, Unitel International Holdings B.V. and Sonaecom under the shareholder agreement signed between them;

b. Entities in a control relationship with Sonaecom, namely, Sontel B.V., Sonae Investments B.V., Sonae, SGPS, S.A., Efanor Investimentos, SGPS, S.A. and Belmiro Mendes de Azevedo, also due of such control and of the shareholder agreement mentioned in a.

(2) Under the terms of paragraph 1 of Article 20 of the Portuguese Securities Code, the voting rights corresponding to 3.40% of NOS Share Capital, held by Banco BPI Pension Fund and BPI Vida - Companhia de Seguros de Vida, S.A are attributable to Banco BPI.

(3) Qualified Shareholding according to the results of the Public Offer disclosed by Sonaecom, SGPS, SA on 20 Feburary 2014.

19.2 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 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 in the 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.

19.3 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 March 2016 there were 962,655 own shares, representing 0.1869% of the share capital (31 December 2015: 1,666,482 own shares, representing 0.3235% of the share capital).

Movements in the quarters ended on 31 March 2015 and 2016 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2015	**2,496,767**	**11,791**
Distribution of own shares - share incentive scheme	(1,880,282)	(8,880)
Distribution of own shares - other remunerations	(1,246)	(6)
BALANCE AS AT 31 MARCH 2015	**615,239**	**2,905**
BALANCE AS AT 1 JANUARY 2016	**1,666,482**	**10,559**
Acquisition of own shares	1,214,367	7,729
Distribution of own shares - share incentive scheme	(1,489,287)	(9,475)
Distribution of own shares - other remunerations	(428,907)	(2,718)
BALANCE AS AT 31 MARCH 2015	**962,655**	**6,095**

19.4 Reserves

Legal reserve

Company law and NOS's 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 March 2016, NOS had reserves which by their nature are considered distributable in the amount of approximately 111 million euros.

20. Non-controlling interests

The movements of the non-controlling interests occurred during the quartes ended on 31 March 2015 and 2016 and the results attributable to non-controlling interests for the period are as follows:

	31-12-2014	ATTRIBUTABLE PROFITS	OTHER	31-03-2015
NOS Madeira Comunicações	6,978	8	(9)	6,977
NOS Açores Comunicações	2,796	(31)	(3)	2,762
Lusomundo SII	6	-	-	6
Empracine	1	-	-	1
Lusomundo Imobiliária 2, SA	37	-	-	37
	9,818	**(23)**	**(12)**	**9,783**

	31-12-2015	ATTRIBUTABLE PROFITS	OTHER	31-03-2016
NOS Madeira Comunicações	6,739	48	(8)	6,779
NOS Açores Comunicações	2,632	(10)	(1)	2,621
Lusomundo SII	23	-	-	23
Empracine	-	-	-	-
Lusomundo Imobiliária 2, SA	36	-	-	36
	9,430	**38**	**(9)**	**9,459**

21. Borrowings

At 31 December 2015 and 31 March 2016, the composition of borrowings was as follows:

	31-12-2015		31-03-2016	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
LOANS - NOMINAL VALUE	**141,004**	**865,966**	**124,175**	**876,218**
Debenture loan	-	525,000	-	525,000
Commercial paper	100,000	235,000	100,000	245,000
Foreign loans	1,708	105,966	687	106,218
Bank overdrafts	39,296	-	23,488	-
LOANS - ACCRUALS AND DEFERRALS	**709**	**(3,402)**	**(282)**	**(3,155)**
FINANCIAL LEASES	**36,309**	**116,858**	**35,404**	**109,856**
Long Term Contracts	18,275	80,847	15,798	78,113
Other	18,034	36,011	19,606	31,743
	178,022	**979,422**	**159,297**	**982,919**

During the year ended on 31 March 2016, the average cost of debt of the used lines was approximately 2.27% (2015: 2.85%).

21.1 Debenture loans

At 31 December 2015 and 31 March 2016, the Company has the following bonds issued, totaling 525 million euros, with maturity after 31 December 2016:

i) A bond loan in the amount 100 million euros organised by BPI Bank in May 2014 and maturing in November 2019. The loan bears interest at variable rates, indexed to Euribor and paid semiannually.

ii) A bond loan organised by four financial institutions in September 2014, amounting to 175 million euros and maturing in September 2020. The loan bears interest at variable rates, indexed to Euribor and paid semiannually.

iii) 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 semiannually.

iv) Two bond issues organized by Caixabank amounting to 50 million euros each, and both maturing in June 2019. The first issue, held in June 2015, pays interest quarterly at a fixed rate. The issue made in July 2015, bears interest at a variable rate indexed to Euribor and paid semiannually.

At 31 March 2016, an amount of 2,313 thousand euros, corresponding to interest and commissions, was deducted from this amount and recorded in the item "Loans - accruals and deferrals".

21.2 Commercial paper

The Company has borrowings of 345 million euros, from a total contracted amount of 605 million euros, in the form of commercial paper contracted with eight banks, corresponding to ten programs, earning interest at market rates. Commercial paper programmes with maturities over 1 year totaling 245 million euros are classified as non-current, since the Company has the ability to unilaterally renew the current issues on or before the programmes' maturity dates and because they are underwritten by the organizer. This amount, although it has current maturity, was classified as non-current for purposes of presentation in the statement of financial position.

At 31 March 2016, an amount of 1.124 thousand euros, corresponding to interest and commissions, was deducted to this amount and recorded in the item "Loans - accruals and deferrals".

21.3 Foreign Loans

In November 2013, NOS signed a Finance Contract with the European Investment Bank in the 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. At 31 March 2016, an amount of 3,782 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan is at a subsidized rate.

21.4 Financial leases

On 31 December 2015 and 31 March 2016, the long-term contracts are mainly related to contracts signed by NOS SA for the acquisition of exclusive satellite use, to the contracts signed by NOS SA and NOS Technology related to the purchase of rights to use the distribution network and the contract signed by NOS Cinemas regarding the acquisition of digital equipment.

These medium and long term agreements under which the group has the right to use a specific asset are recorded as finance leases in accordance with IAS 17 - Leases and IFRIC 4 - "Determining whether an arrangement contains a lease".

Financial leases – payments

	31-12-2015	31-03-2016
Until 1 year	43,225	41,775
Between 1 and 5 years	97,275	91,670
Over 5 years	40,119	37,761
	180,619	**171,206**
Future financial costs	(27,452)	(25,946)
PRESENT VALUE OF FINANCE LEASE LIABILITIES	**153,167**	**145,260**

Financial leases – present value

	31-12-2015	31-03-2016
Until 1 year	36,309	35,404
Between 1 and 5 years	80,802	75,718
Over 5 years	36,056	34,138
	153,167	**145,260**

All bank borrowings contracted (with the exception of EIB loan of 110 million euros, bond loan in the amount 50 million euros and finance leases) are negotiated at variable short term interest rates and their book value is therefore broadly similar to their fair value.

The maturities of the loans obtained are as follows:

	31-12-2015			31-03-2016		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	1,602	371,917	149,799	765	372,083	149,839
Commercial paper	99,107	234,882	-	98,953	244,923	-
Foreign loans	1,708	69,635	36,331	687	69,803	36,415
Bank overdrafts	39,296	-	-	23,488	-	-
Financial Leases	36,309	80,802	36,056	35,404	75,718	34,138
	178,022	**757,236**	**222,186**	**159,297**	**762,527**	**220,392**

22. Provisions and adjustments

At 31 December 2015 and 31 March 2016, the provisions were as follows:

	31-12-2015	31-03-2016
Litigation and other - i)	61,042	59,456
Financial investments - ii)	-	92
Dismantling and removal of assets - iii)	24,204	27,631
Contingent liabilities - iv)	34,673	34,673
Contingencies - other - v)	19,565	18,733
	139,484	**140,585**

i) The amount under the item "Litigation and other" corresponds to provisions to cover the legal and tax claims of which stand out:

a. Future credits transferred: for the year ended at 31 December 2010, the subsidiary NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of 20 million euros in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that year, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year during 5 years). NOS SA challenged the decisions regarding the 2008, 2009, 2010, 2011 and 2012 fiscal year and will appeal for the judicial review in due time the decision regarding the 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavorably, in March 2014. The company has appealed;

b. Infringement proceedings due to an alleged failure, by NOS SA, to apply the resolutions taken by ANACOM on 26 October 2005, concerning termination rates for fixed calls. Following a deliberation of Board of Directors of the regulator, in April 2012, a fine of approximately 6.5 million euros was applied to NOS SA; NOS SA has appealed for the judicial review of the decision and the court has declared the process's nullity (based on violation of NOS, SA's right of defense). In April 2014 ANACOM has notified NOS SA of a new judicial process, based on the same accusations. This process is a repetition of the initial one. In September 2014, ANACOM, based on the same facts, fine on NOS SA in the amount of 6.5 million euros. This decision was contested by NOS SA. In May 2015, it was acquitted, which revoked the decision by ANACOM and the fine which had been applied. ANACOM appealed the decision and the process is currently and since June 2015 on appeal in Lisbon Court of Appeal;

c. Supplementary Capital: the fiscal authorities are of the opinion that NOS SA has broken the principle of full competition under the terms of (1) of article 58 of the Corporate Tax Code (CIRC), by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007, of corrections to the determination of its taxable income in the total amount of 20.5 million euros. NOS SA contested the decision with regard to all the above mentioned years. As for the year 2007, the Fiscal and Administrative Court of Oporto has already decided unfavorably. The company has contested this decision;

d. Action brought by MEO against NOS Madeira, claiming the payment of 1.6 million euros, plus interest, for the alleged i) use of ducts, ii) supply of the MID service, iii) supply of video and audio channels, iv) operating, maintenance and management costs of the

Madeira/Porto Santo undersea cable and v) the use of two fiber optic circuits. NOS contested the action, in particular the prices concerned, the services and the legitimacy of MEO with regard to the ducts. A decision was handed down in late July 2013, favorable to NOS Madeira. As a consequence of this decision, MEO appealed to the Lisbon Court of Appeal. In June 2015, the decision was handed down which fully acquitted NOS Madeira relative to MID and confirmed the lower court decision.This decision has been appealed by MEO to the Federal Court of Justice, which decided not to meet part of the appeal of the object brought by MEO and, as the remainder of the action (restricted to the MID service), judged partially founded, condemning NOS Madeira to pay MEO the amount of 160 thousand euros, plus default interest.

ii) The amount under the item "Financial investments" corresponds to the liabilities assumed, in addition to the investment made by the Group in jointly controlled companies and associated companies (Note 9);

iii) The amount under the item "Dismantling and removal of assets "refers to the estimated future costs discounted to the present value, related with the termination of the use of the space where there are telecommunication towers and cinemas;

iv) The amount in the item "Contingent liabilities" refers to several provisions recorded for present but not likely obligations, related to the merger by incorporation of Optimus SGPS, namely:

a) Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU): The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law nr 35/2012, of 23 August. From 1995 until June 2014, PT Comunicações, SA (PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e without a tender procedure, which constitutes an illegality, as acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3M € for illegally designating Portugal Telecom. In accordance with Article 18 of the abovementioned Law 35/2012, 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 PTC has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. 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.

   In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by PTC, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision which was contested by NOS. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros, which were contested by NOS and for which a bail was presented by NOS SGPS (Note 38) to avoid Tax Execution Proceedings.

In 2014, ANACOM deliberated to approve the final results of the CLSU audit by PTC, relative to the period from 2010 to 2011, in a total amount of 47 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, which were contested.

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by PTC for the year 2012, in the amount of 20 million euros, decision which was contested by NOS.

In the same year of 2015, ANACOM deliberated on the approval of the results of the audit to CLSU presented by PTC for the year 2013, in the amount of 20 million euros. This decision will timely be contested by NOS.

Is expected that the PTC will submit to ANACOM calculations of CLSU incurred in the period between January and June 2014.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to SU (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 will continue judicially challenge the liquidation of each extraordinary contributions, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken;

b) Other tax proceedings: which the Board of Directors is convinced that there are strong arguments to obtain a favorable decision for NOS SA, but considers that they correspond to a contingent liability under the fair value allocation of assumed liabilities related to the merger operation;

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

During the quarter ended on 31 March 2015, movements in provisions were as follows:

	31-12-2014	INCREASES	DECREASES	OTHER	31-03-2015
Litigation and other	50,129	3,979	(1,744)	2,226	54,591
Financial investments	64	234	-	-	298
Dismantling and removal of assets	18,131	-	(105)	2,690	20,716
Contingent liabilities	34,673	-	-	-	34,673
Contingencies - other	24,224	11	(27)	(2,640)	21,567
	127,221	**4,224**	**(1,876)**	**2,276**	**131,845**

During the period ended on 31 March 2015, increases of provisions mainly refer to the update of the value of contingencies and respective interest claims. The decreases in provisions include the reduction of the fine, in the amount of 500 thousand euros, of the proceeding brought by CNPD, abovementioned.

The amount recorded in the item "Litigation and other" under the heading "Other" in the amount of 2.2 million euros corresponds mainly to a reclassification from deferred tax assets, since they were reducing the deferred tax assets of tax losses.

The movement recorded in "Other" in the amount of 2.7 million under the heading "Dismantling and removal of assets", was recorded by counterpart of "Tangible Assets" and results mainly from the increase in provisions for dismantling of assets result of the change of the rate used in the update for the present value of the liability.

During the quarter ended on 31 March 2016, movements in provisions were as follows:

	31-12-2015	INCREASES	DECREASES	OTHER	31-03-2016
Litigation and other	61,042	465	(2,051)	-	59,456
Financial investments	-	92	-	-	92
Dismantling and removal of assets	24,204	96	(38)	3,369	27,631
Contingent liabilities	34,673	-	-	-	34,673
Contingencies - other	19,565	312	-	(1,144)	18,733
	139,484	**965**	**(2,089)**	**2,225**	**140,585**

During the quarter ended on 31 March 2016, increases of provisions mainly refer to the update of the value of contingencies and respective interest claims, processes for which there was already provision.

The movement recorded in "Other" in the amount of 3.4 million under "Dismantling and removal of assets", was recorded by counterpart of "Tangible Assets" and results mainly from the increase in provisions for dismantling of assets result of the change of the rate used in the update for the present value of the liability.

The net movements for the quarters ended on 31 March 2015 and 2016 reflected in the income statement under "Provisions and adjustments" were as follows:

	3M 15	3M 16
Provisions and adjustments (Note 32)	(976)	(1,790)
Financial investments (Note 9)	234	92
Other losses / (gains) non-recurrent	2,626	308
Interests - dismantling	(105)	58
Other interests	551	119
Income tax (Note 12)	5	89
Other	13	-
INCREASES AND DECREASES IN PROVISIONS	**2,348**	**(1,124)**

23. Accrued expenses

At 31 December 2015 and 31 March 2016, these items were composed as follows:

	31-12-2015	31-03-2016
NON CURRENT		
Contractual obligations i)	9,470	9,297
	9,470	**9,297**
CURRENT		
Invoices to be issued by operators ii)	43,309	48,359
Vacation pay and bonuses	26,236	21,196
Investments in tangible and intangible assets	16,808	15,061
Specialized works	16,272	14,888
Rights of movies and contents	16,106	14,882
Advertising	8,107	9,332
Costs of litigation procedure activity	10,452	8,789
Comissions	6,376	6,371
Rentals	4,608	6,325
Programming services	10,377	5,113
Energy and water	3,528	3,283
Maintenance and repair	1,715	2,299
Other accrued expenses	11,977	17,877
	175,871	**173,776**

i) under the fair value allocation process of to the assets and liabilities of the Optimus group, contractual obligations were identified relating to long-term contracts whose prices are different from market prices. This amount relates to the medium and long-term portion of the fair value adjustment of these contracts.

ii) invoices to be billed by operators, mainly international operators, regarding interconnection costs related with international traffic and roaming services.

24. Deferred income

At 31 December 2015 and 31 March 2016, this item was composed as follows:

	31-12-2015		31-03-2016	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Advance billing i)	28,467	-	28,552	-
Investment subsidy ii)	335	5,259	335	5,124
	28,802	**5,259**	**28,887**	**5,124**

i) This item relates mainly to the billing of Pay TV services of April 2016 and amounts received from NOS Comunicações' customers, related with the recharges of mobile phones and purchase of telecommunications minutes as of yet unused.

ii) Deferred income related to the implicit subsidy when the EIB loans were obtained at interest rates below market value (Note 21).

25. Accounts payable - trade

At 31 December 2015 and 31 March 2016, this item was composed as follows:

	31-12-2015	31-03-2016
Suppliers current account	322,319	298,148
Invoices in reception and conference	5,166	6,465
	327,485	**304,613**

These balances include amounts advanced to suppliers by banks.

26. Accounts payable - other

At 31 December 2015 and 31 March 2016, this item was composed as follows:

	31-12-2015	31-03-2016
NON CURRENT		
Assignment of receivables without recourse i)	-	8,343
	-	**8,343**
CURRENT		
Fixed assets suppliers	27,617	34,093
Assignment of receivables without recourse i)	-	9,757
Advances from customers	81	68
Other	1,008	1,714
	28,706	**45,632**
	28,706	**53,975**

i) In the quarter ended 31 March 2016, NOS Comunicações, SA materialized a credit assignment transaction in the amount of 18.1 million euros, which it ceded future credits to be generated by a portfolio of Corporate customers. This operation was coordinated by Banco Comercial Português. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.

27. Operating revenues

Consolidated operating revenues for the quarters ended on 31 March 2015 and 2016 are distributed as follows:

	3M 15	3M 16
SERVICES RENDERED:		
Telco i)	311,748	330,797
Audiovisuals and cinema exhibition ii)	17,476	18,288
	329,224	**349,085**
SALES:		
Telco iii)	7,970	12,671
Audiovisuals and cinema exhibition iv)	4,160	4,419
	12,130	**17,090**
OTHER OPERATING REVENUES:		
Telco	2,540	3,934
Audiovisuals and cinema exhibition	181	194
	2,721	**4,128**
	344,075	**370,303**

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 (for example: firewall and antivirus) and services rendered related to datacenter management and consulting services in IT.

ii) This item mainly includes:
a. Box office revenue and publicity at the cinemas of NOS Cinemas and revenue relating to film distribution to other cinema exhibitors in Portugal and the production and sale of audiovisual content.

iii) Revenue relating to the sale of terminal equipment, telephones and mobile phones.

iv) This item mainly includes sales of bar products by NOS Cinemas and DVD sales.

28. Wage and salaries

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
Remuneration	16,800	18,746
Social taxes	4,182	4,255
Social benefits	314	320
Other	305	504
	21,601	**23,825**

In the quarters ended on 31 December 2015 and 2016, the average number of employees of the companies included in the consolidation was 2,474 and 2,507, respectively. At 31 March 2016, the number of employees of the companies included in the consolidation was 2,527 employees.

The costs of compensations paid to employees, since they are non-recurring costs, are recorded in the item "restructuring costs".

Additionally, during the quarter ended on 31 March 2015 2.3 million euros related to costs of bonuses paid to employees (Executive Commission not included) were recorded in the item "restructuring costs", since they are non-recurring costs. These bonuses recognise the excellent performance of all employees in the merger of NOS.

29. Direct costs

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
Exhibition costs	40,163	42,559
Traffic costs	45,234	48,663
Capacity costs	11,650	12,670
Shared advertising revenues	3,149	3,242
Other	1,045	1,690
	101,241	**108,824**

30. Cost of products sold

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
Costs of products sold	10,147	14,272
Inventories impairment	(339)	(101)
	9,808	**14,171**

31. Support services and supplies and external services

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
SUPPORT SERVICES:		
Call centers and customer support	8,743	8,683
Information systems	4,463	4,928
Administrative support and other	11,706	10,086
	24,912	**23,697**
SUPPLIES AND EXTERNAL SERVICES:		
Maintenance and repair	10,605	10,501
Rentals	10,423	11,029
Electricity	5,360	5,228
Commissions	4,852	3,147
Professional services	3,176	2,921
Communications	1,990	1,994
Installation and removal of terminal equipment	2,079	1,927
Other supplies and external services	7,312	7,927
	45,797	**44,674**

32. Provisions and adjustments

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
Provisions (Note 22)	(976)	(1,790)
Impairment of account receivables - trade (Note 14)	210	3,538
Impairment of account receivables - other (Note 10)	27	5
Debts recovery	(1)	7
	(740)	**1,760**

33. Depreciation, amortisation and impairment losses

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
TANGIBLE ASSETS		
Buildings and other constructions	2,601	3,063
Basic equipment	41,967	41,172
Transportation equipment	303	458
Tools and dies	2	5
Administrative equipment	7,282	4,509
Other tangible assets	314	156
	52,469	**49,363**
INTANGIBLE ASSETS		
Industrial property and other rights	35,213	45,924
	35,213	**45,924**
INVESTIMENT PROPERTY		
Investment property	12	6
	12	**6**
	87,694	**95,293**

34. Losses / (gains) of affiliated companies

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
EQUITY METHOD (NOTE 9)		
Sport TV	(353)	2,555
Dreamia	(451)	(328)
Finstar	(6,586)	3,852
Mstar	(308)	332
Upstar	363	(10)
Others	(8)	(36)
	(7,343)	**6,365**

35. Financing costs and net other financial expenses / (income)

In the quarters ended on 31 March 2015 and 2016, this item was composed as follows:

	3M 15	3M 16
FINANCING COSTS:		
INTEREST EXPENSE:		
Borrowings	6,683	4,195
Finance leases	1,657	1,386
Derivatives	257	431
Other	695	299
	9,292	**6,311**
INTEREST EARNED	(1,810)	(2,856)
	7,482	**3,455**
NET OTHER FINANCIAL EXPENSES / (INCOME):		
Comissions and guarantees	2,564	1,383
Other	1,022	621
	3,586	**2,004**

Interest earned mainly corresponds to default interests charged to customers.

36. Net earnings per share

Earnings per share for the years ended on 31 March 2015 and 2016, were calculated as follow:

	3M 15	3M 16
Consolidated net income attributable to shareholders	23,243	24,416
Number of ordinary shares outstanding during the period (weighted average)	514,333,172	507,748,075
Basic earnings per share - euros	0.05	0.05
Diluted earnings per share - euros	0.05	0.05

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.

37. Guarantees and financial undertakings

37.1. Guarantees

At 31 December 2014 and 2015, the Group had furnished sureties, guarantees and comfort letters in favor of third parties corresponding to the following situations:

	31-12-2015	31-03-2016
Financial instituitions i)	110,264	110,264
Tax authorities ii)	12,161	13,116
Other iii)	13,446	13,743
	135,871	**137,123**

i) At 31 December 2015 and 31 March 2016, this amount relates to guarantees issued by NOS in connection with the loans from EIB. The reduction result from the settlement of the loans during the year (Note 21).

ii) At 31 December 2015 and 31 March 2016, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 39).

iii) At 31 December 2015 and 31 March 2016, 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 (Note 39).

In connection with the finance obtained by Upstar from NOVO BANCO, totaling 20 million euros, NOS signed a promissory note, proportional to the participation held, of 30% of the loan, effective on 31 December 2015.

Additionally, during 2014, in connection with a contract between Upstar and a supplier of TV contents, NOS signed a personal guarantee, in the form of a partial endorsement, proportional to NOS's shareholder position of 30%, as a counter guarantee of a guarantee by Novo Banco in the amount of 30 million dollars, to pledge the fulfillment of the contract's obligations.

During 2015, NOS issued a comfort letter to Caixa Geral de Depósitos as part of an issue of a bank guarantee to Sport TV amounting to 23.1 million euros.

During the first quarter of 2015 and 2016 and following the settlement note to CLSU 2007-2009 and 2010-2011, NOS constituted guarantees in favor of the Universal Service Compensation Fund in the amount of 23.6 million euros and 16.7 million euros, respectively, in order to prevent the introduction of tax enforcement proceedings in order to enforce recovery of the amounts paid (Note 23).

During the first quarter of 2016, NOS constituted guarantees on behalf of Sport TV, to the The Football Association League Limited in the amount of 29.1 million euros.

In addition to the guarantees required by the Tax Authorities, sureties were set up for the current fiscal processes. NOS was a surety for NOS SA for the amount of 15.3 million euros.

37.2. Operating leases

The rentals due on operating leases have the following maturities:

	31-12-2015				31-03-2016			
	AUTOMATIC RENEWAL	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	AUTOMATIC RENEWAL	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Stores, movie theatre and other buildings	723	19,325	43,869	25,007	328	18,506	43,034	26,781
Telecommunication towers and rooftops	6,748	18,874	43,933	4,264	7,269	17,621	43,573	19,402
Equipment	-	1,948	4,835	-	-	1,181	2,159	-
Vehicles	-	2,842	4,197	-	-	2,625	3,782	-
	7,471	**42,989**	**96,833**	**29,271**	**7,597**	**39,933**	**92,548**	**46,182**

37.3. Other undertakings

Covenants

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 80% to ownership clauses.

In addition, approximately 41% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, and approximately 14% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA.

The EIB loan amounting to 110 million euros, maturing in 2022, is intended exclusively to finance the investment project to support the development of mobile broadband network in Portugal. This amount shall not, under any circumstances, exceed 50% of the project cost.

Commitments under the merger between ZON and Optimus SGPS

Following the final decision of the Competition Authority not to oppose the merger between ZON and Optimus SGPS the following commitment were made:

1) To ensure that NOS SA negotiated with Vodafone, until 31 October 2015, a contract that gives the option of buying its fiber network, it was concluded within the prescribed period.

Assignment agreements football broadcast rights

In December 2015, NOS signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, SA of television rights of home matches of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract will begin 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.

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 years concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 years 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 wil begin in the 2019/2020 sports season and last up to 7 seasons, with the exception of the contract with Sporting Clube de Braga - Futebol, SAD which lasts 10 seasons.

38. Related parties

38.1. Summary list of related parties

Detailed summary of related parties as at 31 March 2016:

RELATED PARTIES	
3shoppings – Holding,SGPS, S.A.	Capwatt Colombo - Heat Power, S.A.
8ª Avenida Centro Comercial, SA	Capwatt Engenho Novo - Heat Power, S.A.
Accive Insurance Cons. e Franchising,Lda	Capwatt Hectare - Heat Power, ACE
Accive Insurance-Corretor de Seguros, SA	Capwatt II - Heat Power, S.A.
ADD Avaliações Engenharia de Avaliações e Perícias Ltda	Capwatt III - Heat Power, S.A.
Adlands B.V.	Capwatt Maia - Heat Power, S.A.
Aduanas Caspe, S.L.U.	Capwatt Martim Longo - Solar Power, S.A.
Aegean Park, S.A.	Capwatt Vale do Caima - Heat Power, S.A.
Agepan Eiweiler Management GmbH	Capwatt Vale do Tejo - Heat Power, S.A.
Agloma Investimentos, Sgps, S.A.	CAPWATT, SGPS, S.A.
Águas Furtadas Sociedade Agrícola, SA	Carvemagere-Manut.e Energias Renov., Lda
ALBCC Albufeirashopping C.Comercial SA	Casa Agrícola de Ambrães, S.A.
ALEXA Administration GmbH	Casa da Ribeira-Sociedade Imobiliária,SA
ALEXA Asset GmbH & Co KG	Cascaishopping – Centro Comercial, S.A.
ALEXA Holding GmbH	Cascaishopping Holding I, SGPS, S.A.
ALEXA Shopping Centre GmbH	CCCB Caldas da Rainha - Centro Comercial,SA
Algarveshopping – Centro Comercial, S.A.	Centro Colombo – Centro Comercial, S.A.
Alpêssego – Soc. Agrícola, S.A	Centro Residencial da Maia,Urban., S.A.
Andar – Sociedade Imobiliária, S.A.	Centro Vasco da Gama – Centro Comercial, S.A.
Apor - Agência para a Modernização do Porto	Chão Verde – Soc.Gestora Imobiliária, S.A.
Aqualuz – Turismo e Lazer, Lda	Ciminvest – Sociedade de Investimentos e Participações, S.A.
Arat inmebles, S.A.	Cinclus Imobiliária, S.A.
ARP Alverca Retail Park,SA	Cinveste, SGPS, SA
Arrábidashopping – Centro Comercial, S.A.	Citic Capital Sierra Limited
Aserraderos de Cuellar, S.A.	Citic Capital Sierra Prop. Man. Limited
Atelgen-Produção Energia, ACE	Citorres – Sociedade Imobiliária, S.A.
Atlantic Ferries – Tráf.Loc,Flu.e Marít, S.A.	Coimbrashopping – Centro Comercial, S.A.
Avenida M – 40 B.V.	Colombo Towers Holding, BV
Azulino Imobiliária, S.A.	Comercial Losan Polonia SP. Z.O.O.
BA Business Angels, SGPS, SA	Comercial Losan, S.L.U.
BA Capital, SGPS, SA	Companhia de Pesca e Comércio de Angola (Cosal), SARL
Banco BPI, SA	Companhia Térmica do Serrado, ACE
BB Food Service, S.A.	Companhia Térmica Tagol, Lda.
Beeskow Holzwerkstoffe	Condis – Sociedade de distribuição, S.A.
Beralands BV	Condis Limitada
Bertimóvel – Sociedade Imobiliária, S.A.	Contacto Concessões, SGPS, S.A.
Big Picture 2 Films, SA	Contibomba – Comérc.Distr.Combustiveis, S.A.
Blackrock, Inc.	Contimobe – Imobil.Castelo Paiva, S.A.
Bloco Q – Sociedade Imobiliária, S.A.	Continente Hipermercados, S.A.
Boavista Shopping Centre BV	Contry Club da Maia-Imobiliaria, S.A.
BOM MOMENTO – Comércio Retalhista, SA	Cooper Gay Swett & Crawford Lt
Caixanet – Telecomunicações e Telemática, SA	Craiova Mall BV
Canal 20 TV	CTE-Central Termoeléct. do Estuário, Lda
Canasta – Empreendimentos Imobiliários, S.A.	Cumulativa – Sociedade Imobiliária, S.A.
Cape Technologies Limited	Digitmarket – Sistemas de Informação, S.A.
CAPWATT - Brainpower, S.A.	Discovery Sports, SA
Capwatt ACE, S.A.	DOC Malaga Holdings, S.L.

RELATED PARTIES	
DOC Malaga SITECO, S.L.U.	Gots – Gestão, Organização, Desenvolvimento e Serviços, S.A.
Dortmund Tower GmbH	Grupo Visabeira, SGPS, SA
Dos Mares – Shopping Centre B.V.	Guimarãeshopping – Centro Comercial, S.A.
Dos Mares – Shopping Centre, S.A.	Harvey Dos Iberica, S.L.
Dreamia - Serviços de Televisão, S.A.	Herco Consultoria de Risco, S.A.
Dreamia Holding B.V.	Herco Consultoria de Riscos e Corretora de Seguros Ltda
East Star Ltd	HighDome PCC Limited
Ecociclo – Energia e Ambiente, S.A.	HighDome PCC Limited (Cell Europe)
EFACEC Electric Mobility, S.A.	Hipergest, S.A.
EFACEC ENERGIA - Máquinas e Equipamentos Eléctricos S.A.	Iberian Assets, S.A.
EFACEC Engenharia e Sistemas, S.A.	Igimo – Sociedade Imobiliária, S.A.
EFACEC Marketing Internacional, S.A.	Iginha – Sociedade Imobiliária, S.A.
EFACEC Power Solutions, SGPS, S.A.	Imoareia – Invest. Turísticos, SGPS, S.A.
EFACEC Serviços Corporativos, S.A.	Imobeauty, SA
Efanor Investimentos, SGPS, S.A.	Imoclub – Serviços Imobilários, S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imoconti – Soc.Imobiliária, S.A.
Elergone Energias, Lda	Imocontinente, S.A.
Emfísico Boavista	Imodivor – Sociedade Imobiliária, S.A.
Empreend.Imob.Quinta da Azenha, S.A.	Imoestrutura – Soc.Imobiliária, S.A.
Enerlousado-Recursos Energéticos, Lda.	Imogamek, S.A.
Estação Viana – Centro Comercial, S.A.	Imohotel – Emp.Turist.Imobiliários, S.A.
Euroresinas – Indústrias Quimicas, S.A.	Imoluanda, S.A.
Farmácia Selecção, S.A.	Imomuro – Sociedade Imobiliária, S.A.
Fashion Division Canárias, SL	Imopenínsula – Sociedade Imobiliária, S.A.
Fashion Division, S.A.	Imoplamac Gestão de Imóveis, S.A.
Feneralt-Produção de Enercia, ACE	Imoponte – Soc.Imobiliaria, S.A.
Fidequity – Serviços de Gestão, S.A.	Imoresort – Sociedade Imobiliária, S.A.
Filmes Mundáfrica, SARL	Imoresultado – Soc.Imobiliaria, S.A.
Finisantoro Holding Limited	Imosedas – Imobiliária e Seviços, S.A.
FINSTAR - Sociedade de Investimentos e Participações, SA	Imosistema – Sociedade Imobiliária, S.A.
Fozimo – Sociedade Imobiliária, S.A.	Impaper Europe GmbH & Co. KG
Frases e Frações Imobiliária e Serv., SA	Implantação – Imobiliária, S.A.
Freccia Rossa – Shopping Centre S.r.l.	Infofield – Informática, S.A.
Fundação José Berardo	Infratroia, EM
Fundo de Invest. Imobiliário Imosede	Inparvi SGPS, S.A.
Fundo Esp.Inv.Imo.Fec. WTC	Interlog – SGPS, S.A.
Fundo I.I. Parque Dom Pedro Shop.Center	Ioannina Development of Shopping Centres, SA
Fundo Invest. Imobiliário Imosonae Dois	IPI – Investimentos e Participações Industriais, S.A.
Fundo Invest.Imob.Shopp. Parque D.Pedro	Isoroy SAS
Fundo Investimento para Cinema e Audiovisual	ITRUST - Cyber Security and Intellig.,SA
Gaiashopping I – Centro Comercial, S.A.	Kento Holding Limited
Gaiashopping II – Centro Comercial, S.A.	Laminate Park GmbH Co. KG
Gesgráfica - Projectos Gráficos, Lda	Land Retail B.V.
GHP Gmbh	Landscape – Promoções e Projectos Imobiliários, Lda
Gli Orsi Shopping Centre 1 Srl	Larim Corretora de Resseguros Ltda
Global Usebti, S.L.	Larissa Develop. Of Shopping Centers, S.A.
Glunz AG	Lazam – MDS Corretora e Administradora de Seguros, S.A.
Glunz Service GmbH	LCC LeiriaShopping Centro Comercial SA
Glunz UK Holdings Ltd	Le Terrazze - Shopping Centre 1 Srl
Glunz Uka Gmbh	Libra Serviços, Lda.
GMET, ACE	Lidergraf – Artes Gráficas, Lda.
Golf Time – Golfe e Invest. Turísticos, S.A.	Loop5 Shopping Centre GmbH

RELATED PARTIES	
Losan Colombia, S.A.S.	PantheonPlaza BV
Losan Overseas Textile, S.L.	Paracentro – Gest.de Galerias Com., S.A.
Losan Tekstil Urun.V E Dis Ticaret, L.S.	Pareuro, BV
Loureshopping – Centro Comercial, S.A.	Park Avenue Develop. of Shop. Centers S.A.
Lusitânia - Companhia de Seguros, SA	Parklake Shopping, SA
Lusitânia Vida - Companhia de Seguros, SA	Parque Atlântico Shopping – C.C., S.A.
Luz del Tajo – Centro Comercial S.A.	Parque D. Pedro 1 B.V.
Luz del Tajo B.V.	Parque de Famalicão – Empr. Imob., S.A.
Madeirashopping – Centro Comercial, S.A.	Pátio Boavista Shopping Ltda.
Maiashopping – Centro Comercial, S.A.	Pátio Campinas Shopping Ltda
Maiequipa – Gestão Florestal, S.A.	Pátio Goiânia Shopping Ltda
Marcas MC, ZRT	Pátio Londrina Empreend. e Particip. Ltda
Marina de Tróia S.A.	Pátio São Bernardo Shopping Ltda
Marmagno – Expl.Hoteleira Imob., S.A.	Pátio Sertório Shopping Ltda
Marvero – Expl.Hoteleira Imob., S.A.	Pátio Uberlândia Shopping Ltda
MDS Affinity - Sociedade de Mediação, Lda	PCJ - Público, Comunicação e Jornalismo, S.A.
MDS Africa SGPS, SA	Pharmaconcept – Actividades em Saúde, S.A.
MDS AUTO - Mediação de Seguros, SA	PHARMACONTINENTE – Saúde e Higiene, S.A.
MDS Corretor de Seguros, S.A.	Plaza Éboli – Centro Comercial S.A.
Mds Knowledge Centre, Unipessoal, Lda	Plaza Mayor Parque de Ócio BV
MDS Malta Holding Limited	Plaza Mayor Parque de Ocio, SA
MDS RE - Mediador de resseguros	Plaza Mayor Shopping BV
MDS, SGPS, SA	Plaza Mayor Shopping, SA
Megantic BV	Poliface North America
Metalgest - Sociedade de Gestão, SGPS, SA	Ponto de Chegada - Soc. Imobiliária, SA
Microcom Doi Srl	PORTCC - Portimãoshopping Centro Comercial, SA
MJB-Design, Lda	Porturbe – Edificios e Urbanizações, S.A.
MJLF – Empreendimentos Imobiliários, S.A.	Praedium – Serviços, S.A.
Modalfa – Comércio e Serviços, S.A.	Praedium II – Imobiliária, S.A.
MODALLOOP – Vestuário e Calçado, S.A.	Praedium SGPS, S.A.
Modelo – Dist.de Mat. de Construção, S.A.	Praesidium Services Limited
Modelo Continente Hipermercados, S.A.	Predicomercial – Promoção Imobiliária, S.A.
Modelo Continente Intenational Trade, SA	Predilugar - Sociedade Imobiliária, SA
Modelo Hiper Imobiliária, S.A.	Prédios Privados Imobiliária, S.A.
Modelo.com – Vendas p/Correspond., S.A.	Predisedas – Predial das Sedas, S.A.
Movelpartes – Comp.para Ind.Mobiliária, S.A.	Proj. Sierra Germany 4 (four) – Sh.C.GmbH
Mstar, SA	Proj.Sierra Germany 2 (two) – Sh.C.GmbH
Munster Arkaden, BV	Project SC 1 BV
Niara Holding, SGPS, Lda	Project Sierra 10 BV
Niara Power, Lda	Project Sierra 11 BV
Norges Bank	Project Sierra 12 BV
Norscut – Concessionária de Scut Interior Norte, S.A.	Project Sierra 2 BV
Norteshopping – Centro Comercial, S.A.	Project Sierra 8 BV
Norteshopping Retail and Leisure Centre, BV	Project Sierra Four Srl
Nova Cimangola, S.A.	Project Sierra Four, SA
Novodecor (PTY), LTD	Project Sierra Spain 1 B.V.
Ongoing Strategy Investments, SGPS, SA	Project Sierra Spain 2 – Centro Comer. S.A.
Operscut – Operação e Manutenção de Auto-estradas, S.A.	Project Sierra Spain 3 B.V.
OSB Deustchland Gmbh	Project Sierra Two Srl
Overseas Investments SA	Promessa Sociedade Imobiliária, S.A.
Panorama Equity Investments BV	Prosa – Produtos e serviços agrícolas, S.A.

RELATED PARTIES	
Público – Comunicação Social, S.A.	Sierra GP Limited
QCE-Desenv. e Fabrico de Equipamentos,SA	Sierra Greece, SA
Racionaliz. y Manufact.Florestales, S.A.	Sierra Investimentos Brasil Ltda
Rio Sul – Centro Comercial, S.A.	Sierra Investments (Holland) 1 B.V.
River Plaza Mall, Srl	Sierra Investments (Holland) 2 B.V.
River Plaza, BV	Sierra Investments Holding B.V.
Ronfegen-Recursos Energéticos, Lda.	Sierra Investments SGPS, S.A.
RSI Corretora de Seguros Ltda	Sierra Italy, Srl
S.C. Microcom Doi Srl	Sierra Management, SGPS, S.A.
S21 Sec Brasil, Ltda	Sierra Portugal, S.A.
S21 Sec Ciber Seguridad, S.A. de CV	Sierra Project Nürnberg BV
S21 SEC Gestion, S.A.	Sierra Real Estate Greece BV
S21 Sec Information Security Labs, S.L.	Sierra Romania Sh. Centers Services Srl
S21 Sec México, S.A. de CV	Sierra Services Holland 2 BV
S21 Sec, S.A. de CV	Sierra Solingen Holding GmbH
Santoro Finance – Prestação de Serviços, S.A.	Sierra Spain ShoppinG Centers Services S.A.U.
Santoro Financial Holding, SGPS, S.A.	Sierra Turkey Gayrim.Yön.P.Dan.An.Sirket
Saphety – Transacciones Electronicas SAS	Sierra VdG Holding BV
Saphety Brasil Transações Eletrônicas Ltda.	Sierra Zenata Project BV
Saphety Level – Trusted Services, S.A.	SII – Soberana Invest. Imobiliários, S.A.
Saúde Atlântica – Gestão Hospitalar, S.A.	SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.
SC – Consultadoria, S.A.	SISTAVAC, S.A.
SC – Eng. e promoção imobiliária,SGPS, S.A.	SISTAVAC, SGPS, S.A.
SC Aegean B.V.	SISTAVAC-Sistemas HVAC-R do Brasil, Ltda
SC Finance BV	Soc.Inic.Aproveit.Florest.-Energias,SA
SC For-Serv.Form.e Desenv.R.H.,Unip.,Lda	Sociedade de Construções do Chile, S.A.
SC Hospitality, SGPS , S.A.	Société de Tranchage Isoroy S.A.S.
SC, SGPS, SA	Socijofra – Sociedade Imobiliária, S.A.
SDSR - Sports Division SR, S.A.	Sociloures – Soc.Imobiliária, S.A.
Selifa – Empreendimentos Imobiliários, S.A.	Socip – Sociedade de Investimentos e Participações, S.A.
Sempre à Mão – Sociedade Imobiliária, S.A.	Sodiba Limitada
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Soflorin, BV
Serra Shopping – Centro Comercial, S.A.	Soira – Soc.Imobiliária de Ramalde, S.A.
Sesagest – Proj.Gestão Imobiliária, S.A.	Solinca - Health and Fitness, SA
Sete e Meio – Invest. Consultadoria, S.A.	Solinca – Investimentos Turísticos, S.A.
Sete e Meio Herdades – Inv. Agr. e Tur., S.A.	Solinfitness – Club Malaga, S.L.
SGC, SGPS, SA	Solingen Shopping Center GmbH
Shopping Centre Colombo Holding BV	Soltroia – Imob.de Urb.Turismo de Tróia, S.A.
Shopping Centre Parque Principado B.V.	Somit Imobiliária, SA
SIAL Participações Ltda	Sonae Capital Brasil, Lda
Sierra - OST Property Management	Sonae Capital,SGPS, S.A.
Sierra Asia Limited	Sonae Center Serviços II, SA
Sierra Berlin Holding BV	Sonae com – Sistemas Informação, SGPS, S.A.
Sierra Brazil 1 BV	Sonae Financial Services, S.A.
Sierra Central S.A.S	Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.
Sierra Cevital Shopping Center, Spa	Sonae Indústria – SGPS, S.A.
Sierra Core Assets Holdings, B.V.	Sonae Industria (UK),Ltd
Sierra Corporate Services Holland, BV	Sonae Industria de Revestimentos, S.A.
Sierra Developments Holding B.V.	Sonae Investimentos, SGPS, SA
Sierra Developments, SGPS, S.A.	Sonae Investments BV
Sierra European R.R.E. Assets Hold. B.V.	Sonae MC - Modelo Continente, SGPS, SA
Sierra Germany GmbH	Sonae Novobord (PTY) Ltd

RELATED PARTIES	
Sonae RE, S.A.	The Artist Porto Hot.&Bistrô-Act.Hot.,SA
Sonae Retalho Espana – Servicios Gen., S.A.	TLANTIC B.V.
Sonae SGPS, S.A.	Tlantic Portugal – Sist. de Informação, S.A.
Sonae Sierra Brasil S.A.	Tlantic Sistemas de Informação Ltdª
Sonae Sierra Brazil, BV / SARL	TM Administration Services B.V.
Sonae Sierra, SGPS, S.A.	Tool Gmbh
Sonae Specialized Retail, SGPS, SA	Troia Market, S.A.
Sonae SR Malta Holding Limited	Tróia Natura, S.A.
Sonae Tafibra Benelux, BV	Troiaresort – Investimentos Turísticos, S.A.
Sonae Turismo, SGPS, S.A.	Troiaverde – Expl.Hoteleira Imob., S.A.
Sonaecenter Serviços, S.A.	Tulipamar – Expl.Hoteleira Imob., S.A.
Sonaecom - Serviços Partilhados, S.A.	Turismo da Samba (Tusal), SARL
Sonaecom – Sistemas de Información España, S.L.	Unipress – Centro Gráfico, Lda
Sonaecom BV	Unishopping Consultoria Imob. Ltda.
Sonaecom, SGPS, S.A.	Unitel International Holdings, B.V.
Sonaecom-Cyber Security and Int.,SGPS,SA	Unitel STP
Sonaegest – Soc.Gest.Fundos Investimentos	Unitel T+
Sonaerp - Retail Properties, SA	Upstar Comunicações SA
SONAESR - Serviços e logistica, SA	Urbinveste – Promoções e Projectos Imobiliários, S.A.
Sonaetelecom BV	Urbisedas – Imobiliária das Sedas, S.A.
Sondis Imobiliária, S.A.	Usebti Textile México S.A. de C.V.
Sontel BV	Valor N, S.A.
Sonvecap BV	Vastgoed One – Sociedade Imobiliária, S.A.
Sopair, S.A.	Vastgoed Sun – Sociedade Imobiliária, S.A.
Sotáqua – Soc. de Empreendimentos Turist	Via Catarina – Centro Comercial, S.A.
Soternix-Produção de Energia, ACE	Vidatel, Ltd
Spanboard Products, Ltd	Vistas do Freixo, SA
SPF – Sierra Portugal Real Estate, Sarl	Vuelta Omega, S.L.
SPF – Sociedade de Participações Financeiras, Lda	WeDo Consulting – Sistemas de Informação, S.A.
Spinarq - Engenharia, Energia e Ambiente, SA	WeDo do Brasil – Soluções Informáticas, Ltda
Spinarq Moçambique, Lda	WeDo Poland Sp. Z.o.o.
Spinveste – Gestão Imobiliária SGII, S.A.	WeDo Technologies (UK) Limited
Spinveste – Promoção Imobiliária, S.A.	WeDo Technologies Americas, Inc.
Sport TV Portugal, S.A.	WeDo Technologies Australia PTY Limited
Sport Zone Canárias, SL	WeDo Technologies BV
Sport Zone España-Com.Art.de Deporte,SA	WeDo Technologies BV – Sucursal Malaysia
Sport Zone spor malz.per.satis ith.ve ti	WeDo Technologies Egypt LLC
Spred, SGPS, SA	WeDo Technologies Mexico, S de R.L.
SSI Angola, S.A.	Weiterstadt Shopping BV
Stinnes Holz GmbH	Winterfell 2 Limited
STP Cabo SARL	Winterfell Industries Limited
Tableros Tradema, S.L.	Wise Intelligence Solutions Holding Limited
Tafiber,Tableros de Fibras Ibéricas, SL	Wise Intelligence Solutions Limited
Tafibra South Africa (PTY) Ltd.	Worten – Equipamento para o Lar, S.A.
Tafibra Suisse, SA	Worten Canárias, SL
Tafisa – Tableros de Fibras, S.A.	Worten España Distribución, SL
Tafisa Canadá Societé en Commandite	Yako – Retalho Alimentar, S.A.
Tafisa France, S.A.	ZAP Cinemas, S.A.
Tafisa UK, Ltd	ZAP Media, S.A.
Taiber,Tableros Aglomerados Ibéricos, SL	ZAP Publishing, S.A.
Tecmasa Reciclados de Andalucia, SL	Zenata Commercial Project S.A.
Tecnológica Telecomunicações LTDA.	ZIPPY - Comércio e Distribuição, SA
Teconologias del Medio Ambiente,SA	ZIPPY - Comercio y Distribución, S.A.
Telefónica, SA	Zippy cocuk malz.dag.ith.ve tic.ltd.sti
Terra Peregin - Participações SGPS, S.A.	ZOPT, SGPS, S.A.
Têxtil do Marco, S.A.	ZYEVOLUTION-Invest.Desenv.,SA.

38.2. 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 2015 and 31 March 2016 and transactions in the quarters ended on 31 December 2015 and 31 March 2016 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Balances at 31 December 2015

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
SHAREHOLDERS					
Banco BPI	1,994	(19)	-	-	-
Sonaecom	118	-	-	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES					
Big Picture 2 Films	13	1,335	361	-	-
Dreamia Holding BV	2,579	-	-	-	-
Dreamia SA	1,717	861	188	-	-
Finstar	9,982	-	-	-	-
Mstar	1	-	-	-	-
Sport TV	885	12,521	4,164	-	-
Upstar	13,617	-	-	-	-
ZAP Cinemas	465	-	-		
ZAP Media	3,015	-	-	-	-
OTHER RELATED PARTIES					
Cascaishopping Centro Comercial	3	59	-	-	57
Digitmarket-Sistemas de Informação	42	962	-	3	245
ITRUST - Cyber Security and Intellig.	5	144	8	-	-
Modelo Continente Hipermercados	1,188	126	(120)	-	3
MDS - Corretor de Seguros	40	-	-	-	107
SC-Consultadoria	171	-	-	20	-
Sonae Ind., Prod. e Com.Deriv.Madeira	115	-	-	2	-
Sierra Portugal	637	(25)	58	5	383
Sonae Center Serviços II	701	8	49	149	-
Sonaecom - Serviços Partilhados	41	86	5	-	-
SDSR - Sports Division SR	124	-	-	-	-
Unitel	1,709	968	969	-	-
We Do Consulting-Sist. de Informação	139	1,245	-	-	44
Worten - Equipamento para o Lar	2,474	(6)	389	-	-
Other related parties	625	123	40	7	48
	42,399	**18,386**	**6,113**	**184**	**887**

Transactions at 31 March 2015

	REVENUES	WAGES AND SALARIES	DIRECT COSTS	MARKETING AND ADVERTISING	SUPPORT SERVICES	SUPPLIES AND EXTERNAL SERVICES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	FIXED ASSETS
SHAREHOLDERS									
BPI	744	-	-	-	-	-	-	(193)	-
Sonaecom	4	-	-	-	-	-	-	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES									
Big Picture 2 Films	43	-	869	-	-	674	-	-	-
Dreamia Holding BV	84	-	-	-	-	-	-	63	-
Dreamia SA	715	-	(398)	-	-	(5)	-	-	-
Finstar	22	-	-	-	-	-	-	-	-
Mstar	113	-	-	-	-	-	-	-	-
Sport TV	49	-	11,761	-	-	-	-	-	-
Upstar	2,808	-	(144)	-	-	(3)	382	-	-
ZAP Media	116	-	-	-	-	-	-	-	-
OTHER RELATED PARTIES									
Cascaishopping	4	-	-	2	-	156	-	-	-
Digitmarket	41	-	-	-	26	50	-	-	71
MDS - Corretor de Seguros	125	-	-	-		2	-	-	-
Modelo Continente Hipermercados	948	-	14	101		(27)	-	-	-
Raso - Viagens e Turismo	97	26	-	71	8	537	-	-	-
Saphety Level	29	-	-	-	166	1	-	-	7
SC Consultadoria	235	-	-	-		-	-	-	-
Sierra Portugal	953	-	-	66		1,309	-	-	-
Sonae Indústria PCDM	254	-	-	-		-	-	-	-
Sonaecenter II	441	-	-	-	21	-	-	-	-
Sonaecom - Serviços Partilhados	106	100	-	-	12	2	-	-	-
We Do Consulting	131	-	-	-	1,228	3	-	-	711
Worten	52	-	-	310		245	-	-	0
Other related parties	744	(0)	8	29	61	188	-	-	67
	8,856	**126**	**12,109**	**580**	**1,522**	**3,132**	**382**	**(130)**	**856**

Balances at 31 March 2016

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
SHAREHOLDERS					
Sonaecom	1,918	(40)	104	-	-
BPI	179	-	-	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES					
Big Picture 2 Films	6	1,174	362	-	-
Dreamia Holding BV	2,721	-	-	-	-
Dreamia SA	3,196	1,088	305	-	-
Finstar	9,578	-	-	-	-
Mstar	1	-	-	-	-
Sport TV	1,061	33,174	(1,819)	-	12,195
Upstar	11,990	-	-	-	-
ZAP Cinemas	482				
ZAP Media	3,127	-	-	-	-
OTHER RELATED PARTIES					
Digitmarket	68	37	-	4	178
SC-Consultadoria	236	-	-	30	-
MDS - Corretor de Seguros	61	-	(0)	-	61
Modelo Continente Hipermercados	1,047	59	2	-	3
Saphety Level - Trusted Services	53	122	-	-	31
Sierra Portugal	519	80	2	2	367
Sonae Center II	443	6	(10)	144	-
Sonae Ind., Prod. e Com.Deriv.Madeira	216	-	-	-	-
Spinveste - Promoção Imobiliária	43	43	-	-	24
UNITEL	1,546	423	1,172	-	-
We Do Consulting-Sist. de Informação	169	1,890	-	-	177
Worten - Equipamento para o Lar	1,825	143	270	-	-
Other related parties	946	217	(124)	4	90
	41,432	**38,415**	**263**	**184**	**13,126**

Transactions at 31 March 2016

	REVENUES	WAGES AND SALARIES	DIRECT COSTS	MARKETING AND ADVERTISING	SUPPORT SERVICES	SUPPLIES AND EXTERNAL SERVICES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	FIXED ASSETS
SHAREHOLDERS									
Banco BPI	1,273	-	104	-	-	1	-	(87)	-
Sonaecom	14	(53)	-	-	-	-	-	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES									
Big Picture 2 Films	5	-	2,050	-	-	23	-	-	-
Dreamia Holding BV	69	-	-	-	-	-	-	72	-
Dreamia SA	655	(1)	(261)	-	-	(3)	-	-	-
Finstar	211	-	-	-	-	-	-	-	-
Mstar	11	-	-	-	-	-	-	-	-
Sport TV	38	-	12,722	-	-	-	-	-	-
Upstar	3,454	-	(203)	-	-	-	-	-	-
ZAP Cinemas	18	-	-	-	-	-	-	-	-
ZAP Media	116	-	-	-	-	-	-	-	-
OTHER RELATED PARTIES									
Cascaishopping	4	-	-	2	-	172	-	-	-
Digitmarket	89	-	-	-	84	108	-	-	88
MDS - Corretor de Seguros	112	-	-	-	-	46	-	-	-
Modelo Continente Hipermercados	1,126	-	1	94	-	(28)	-	-	-
Saphety	37	-	-	-	168	1	-	-	16
SC Consultadoria	264	-	-	-	-	-	-	-	-
SDSR - Sports Division SR	127	-	-	-	-	-	-	-	-
Sierra Portugal	871	-	-	82	-	1,230	-	-	-
Sonae Center II	335	3	-	-	1	(7)	-	-	-
Sonae Indústria PCDM	222	-	-	-	-	-	-	-	-
UNITEL	527	-	173	-	-	-	-	-	-
Wedo	136	-	-	-	685	49	-	-	810
Worten	1,163	-	-	112	-	181	-	-	1
Other related parties	913	-	-	16	44	187	-	-	44
	11,792	**(51)**	**14,586**	**305**	**981**	**1,961**	**-**	**(15)**	**958**

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.

The Company also regularly performs transactions and enters into financial contracts with various credit institutions which hold qualifying shareholdings in the Company. However, these are performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

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

39. Legal actions and contingent assets and liabilities

39.1. Legal actions with regulators

- NOS SA (i), NOS Açores (ii) and NOS Madeira (iii) brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee (for 2009, 2010, 2011, 2012, 2013, 2014 and 2015) for carrying on the business of Electronic Communications Services Networks Supplier in the amounts, respectively, of (i) 1,861 thousand euros, 3,808 thousand euros, 6,049 thousand euros, 6,283 thousand euros, 7,270 thousand euros, 7,426 thousand euros and 7,253 thousand euros; (ii) 29 thousand euros, 60 thousand euros, 95 thousand euros, 95 thousand euros, 104 thousand euros, 107 thousand euros and 98 thousand euros; (iii) 40 thousand euros, 83 thousand euros, 130 thousand euros, 132 thousand euros, 149 thousand euros, 165 thousand euros and 161 thousand euros, and seeking reimbursement of the amounts meanwhile paid in connection with the enforcement proceedings. This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. The scheme is being introduced gradually: ⅓ in the first year, ⅔ in the second year and 100% in the third year. NOS SA, NOS Açores and NOS Madeira claim, in addition to defects of unconstitutionality and illegality, 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.

On 18 December 2012 a ruling was passed on the proceedings instigated by NOS SA for the annual rate of 2009, for which the appeal was upheld, with no prior hearing, condemning ICP-ANACOM to pay the costs. ANACOM appealed and by decision of July 2013, this appeal was not upheld.

The remaining proceedings are awaiting trial and decision.

39.2 Tax authorities

During the course of the 2003 to 2015 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2013 financial years. Following these inspections, NOS, 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 22.7 million euros, plus interest and charges. Note that the Group considered that the corrections were unfounded, and contested the amounts mentioned. The Group provided the bank guarantees demanded by the Tax Authorities in connection with these proceedings, as stated in Note 37.

At end of year 2013 and taking advantage of the extraordinary settlement scheme of tax debts, the Group settled 7.7 million euros. This amount was recorded as "taxes receivable" non-current net of the provision recorded in the amount of 3.5 million euros (Note 11).

As belief of the Board of Directors of the group, supported by our lawyers and tax advisors, the risk of loss of these proceedings is not likely and the outcome thereof will not affect materially the consolidated position.

39.3. Actions by MEO against NOS Madeira and NOS Açores and by NOS SA against MEO

- In 2011, MEO brought an action in Lisbon Judicial Court against NOS SA, claiming payment of 10.3 million euros, as compensation for alleged undue portability of NOS SA in the period between March 2009 and July 2011. NOS SA lodged a contest and reply, having started the expert evidence, that the Court however declared void. The hearing where the evidence of witnesses is to be provided is scheduled for April and May. In the event of action being judged totally unfounded, the court costs, which are the responsibility of NOS, could amount to over 500 thousand euros.

- PT made three court notices to NOS SA (April 2013, July 2015 and march 2016), two to NOS Açores (March and June 2013) and two to NOS Madeira (March and June 2013), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

  MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, specifying only part of these, in the case of NOS SA, in the amount of 26 million euros (from August 2011 and May 2014), in the case of NOS Açores, in the amount of 195 thousand euros and NOS Madeira, amounting to 817 thousand euros.

- In 2011, NOS SA brought an action in the Lisbon Judicial Court against PT, claiming payment of 22.4 million euros, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by PT in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, which is currently underway, the expert report having been notified to the parties and the parties have submitted their requests for clarification to the experts. At the same time, experts who will be tasked with the economic and financial expertise have been appointed.

It is the understanding of the Board of Directors, supported by lawyers who monitor the process, that there is, in substance, a good possibility of NOS SA winning the action, due to the fact that MEO has already been convicted for the same offense, by ICP – ANACOM. However, it is impossible to determine the outcome of the action. In the event of action be judged totally unfounded, the court costs, which are the responsibility of NOS could amount to over 1 million euros.

39.4. Action against NOS SGPS

In 2014, a NOS SGPS provider's of marketing services has brought a civil lawsuit seeking a payment of about 1,243 thousand euros, by the alleged early termination of contract and for compensation.
The Court of First Instance acquitted the NOS SGPS instance, based on passive illegitimacy than the author appealed. The Court of Appeal upheld the appeal of Lisbon, but the author complained of it by maintaining that its appeal should be assessed not by the Court of Appeal but the Supreme Court. The Supreme Court, called to rule on the issue in March 2016, upheld the exception of passive illegitimacy of NOS SGPS and absolved the instance. It is belief of the Board of Directors that the arguments used are not correct, so the outcome of the proceeding will not result in significant impact on the financial statements of the group.

39.5. Action against Sport TV

- SPORT TV Portugal, S.A. was fined by the Competition Authority to the value of 3,730 thousand euros for the alleged abuse of its dominant position in the domestic market of subscription channels with premium sport content.

  SPORT TV is not in agreement with the decision and has therefore challenged it in court, and in this context, the Court of Competition, Regulation and Supervision altered the value to 2,700 thousand euros. Meanwhile, Sport TV has appealed to the "Tribunal da Relação" (Court of Appeal) which has rejected said appeal as unfounded. Sport TV contested that decision to the Constitutional Court and, in a specific matter to the Supreme Court of Justice, appeals which are pending.

- Action brought by Cogeco Cable Inc., former shareholder of Cabovisão, against Sport TV, NOS SGPS and a third, requesting, among others: (i) joint condemnation of the three institutions to pay compensation for damages caused by anti-competitive conduct, guilty and illegal, between 3 August 2006 and 30 March 2011, specifically for the excess price paid for Sport TV channels by Cabovisão, in the amount of 9.1 million euros; (ii) condemnation for damages corresponding to the remuneration of capital unavailable, in the amount 2.4 million euros; and (iii) condemnation for damages corresponding to the loss of business from anti-competitive practices of Sport TV, in connection with the enforcement proceedings. NOS contested the action, awaiting for trial.

  It is the understanding of the Board of Directors, supported by lawyers who monitor the process, that, in particularly in formal motives, it is unlikely that NOS SA is responsible in this action.

- Cabovisão brought an action against the SPORT TV, in which it requests compensation from the latter for alleged losses resulting from abuse of a dominant position, amounting to 18 million euros, added capital and interests, that were paid in 31 December 2015, and lost profits. The Board of Directors of Sport TV and lawyers, who monitor the process, predict a favorable outcome, not estimating impacts in the accounts, in addition to those already registered.

39.6. 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 immediately pay damages.

Until 31 December 2014, revenue from penalties, due to inherent uncertainties was recorded only at the moment when it was received, so at 31 March 2016, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of 108,246 thousand euros. During the quarter ended on 31 March 2016 1.253 thousand euros related to 2015 receivables were received and recorded in the income statement.

From 1 January 2015, revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history. The penalties invoiced are recorded as accounts receivable and amounts determined as uncollectible are recorded as impairment by deducting revenue recognized upon invoicing (Note 27).

39.7. Interconnection tariffs

At 31 March 2016, accounts receivable and accounts payable include 37,139,253 euros and 29,913,608 euros, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the indefinition of interconnection tariffs, recorded in the year ended at 31 December 2001. In the lower court, the decision was favorable to NOS SA. The "Tribunal da Relação" (Court of Appeal), on appeal, rejected the intentions of MEO. However, MEO again appealed to the "Supremo Tribunal de Justiça" (Supreme Court), for final and permanent decision, who upheld the decision of the "Tribunal da Relação" (Court of Appeal), thus concluding that the interconnection prices for 2001 were not defined. The settlement of outstanding amounts will depend on the price that will be established.

40. 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 Schemes ("NOS Plan"). This plan aimed at more senior employees with the vesting taking place three years being awarded, assuming that the employee are still with the company during that period.

In addition to the NOS Plan abovementioned, at 31 December 2015, are still unvested:

i) The Share Incentive Schemes approved by the General Meetings of Shareholders on 27 April 2008 and 19 April 2010 ("Standard Plan" and "Senior Plan"). The Standard Plan is aimed at eligible members selected by the responsible bodies, regardless of the roles they perform. In this plan the vesting period for the assigned shares is five years, starting twelve months after the period to which the respective assignment relates, at a rate of 20% a year. The Senior Executive Plan, has a vesting period of 3 years following the attribution of the shares, assuming that the employees are still employed in the Group, during that period.

ii) The Optimus Group had implemented a share incentive scheme for more senior employees based on Sonaecom shares ("Optimus Plan"), subsequently converted into NOS shares in the date of the merger (27 August 2013). Optimus Plan was aimed to employees above a certain function level. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Group, during that period.

iii) NOS Sistemas, formerly named Mainroad, had implemented a share incentive scheme for more senior employees based on Sonaecom shares ("Mainroad Plan"), subsequently converted into NOS shares in the acquisition date (20 September 2014). Mainroad Plan was aimed to employees above a certain function level. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Group, during that period.

As at 31 March 2016, the unvested plans are:

	NUMBER OF SHARES
STANDARD PLAN	
Plan 2011	2,857
Plan 2012	62,229
Plan 2013	124,840
Plan 2013	-
MAINROAD PLAN	
Plan 2014	44,433
NOS PLAN	
Plan 2014	859,555
Plan 2015	648,906

During the quarter ended on 31 March 2016, the movements that occurred in the plans, are detailed as follows:

	SENIOR PLAN	STANDARD PLAN	OPTIMUS PLAN	MAINROAD PLAN	NOS PLAN
BALANCE AS AT 31 DECEMBER 2015:	**163,909**	**376,269**	**1,171,594**	**132,606**	**1,537,786**
MOVEMENTS IN THE PERIOD:					
Vested	(116,823)	(179,677)	(1,079,340)	(88,173)	(25,274)
Cancelled / elapsed / corrected (1)	(47,086)	(6,666)	(92,254)	-	(4,051)
BALANCE AS AT 31 MARCH 2016:	**-**	**189,926**	**-**	**44,433**	**1,508,461**

(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, however for the Optimus plan and Mainroad plan, the award date is the date of the merger and acquisition (the time of conversion of Sonaecom shares plans into NOS shares plans), respectively. As at 31 March 2016, the outstanding responsibility related to these plans is 5,243 thousand euros and is recorded in reserves.

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

	TOTAL
Costs recognised in previous years related to plans as at 31 December 2016	10,111
Costs of plans vested in the period	(5,927)
Costs recognised in the period and others	1,059
TOTAL COST OF THE PLANS (REGISTERED IN RESERVES)	**5,243**

41. Subsequent events

Until the date of this document, there were no other significant subsequent events that merit disclosure in this report.

42. Annexes

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

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2015	DIRECT 31-03-2016	EFFECTIVE 31-03-2016
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Movies exhibition	Lusomundo SII	100%	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda.	Maputo	Movies exhibition and commercialization of other public events	NOS Cinemas	100%	100%	100%
NOS Sistemas, S.A. ('NOS Sistemas')	Lisbon	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Sistemas España, S.L.	Madrid	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Açores Comunicações, S.A.	Ponta Delgada	Distribution of television by cable and satellite and operation of telecommunications services in the Azores area	NOS SA	84%	84%	84%
NOS Communications S.à r.l	Luxemburgo	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic comunications and related resources; offer and commercialisation of products and equipments of electronic communications	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 Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS	100%	100%	100%
NOS Lusomundo Cinemas , S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS SA	100%	100%	100%
NOS TECHNOLOGY – Concepção, 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	100%	100%	100%
NOS TOWERING – Gestão de Torres de Telecomunicações, S.A. ('Be Towering')	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS	100%	100%	100%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS	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	100%	100%	100%
Teliz Holding B.V.	Amesterdan	Management of group financing activities	NOS	100%	100%	100%
ZON FINANCE B.V. (a)	Amesterdan	Management of group financing activities	NOS SA / NOS	100%	-	-

a) Company liquidated on 18 January 2016.

B) Associated companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2015	DIRECT 31-03-2016	EFFECTIVE 31-03-2016
Big Picture 2 Films, S.A.	Oeiras	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	20.00%	20.00%	20.00%
Canal 20 TV, S.A.	Madrid	Production, distribution and sale of contents rights for television films	NOS	50.00%	50.00%	50.00%

C) Jointly controlled companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2015	DIRECT 31-03-2016	EFFECTIVE 31-03-2016
Dreamia Holding B.V.	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV	50.00%	100.00%	50.00%
East Star Ltd	Port Louis	Management of investments involved in the development, operation and marketing, through any technological means, of telecommunications, television and audiovisual products and services	Teliz Holding B.V.	30.00%	30.00%	30.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA	Maputo	Distribution of television by satellite, operation of telecommunications services	NOS	30.00%	30.00%	30.00%
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	50.00%	50.00%	50.00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communications services provider, production, commercialization, broadcasting and distribution of audiovisual contents	NOS	30.00%	30.00%	30.00%
ZAP Media S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Cinemas, S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Publishing, 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	ZAP Media	30.00%	100.00%	30.00%

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

D) Companies recorded at cost

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2015	DIRECT 31-03-2016	EFFECTIVE 31-03-2016
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%
Caixanet – Telecomunicações e Telemática, S.A.	Lisbon	Telecommunication services	NOS	5.00%	5.00%	5.00%
Apor - Agência para a Modernização do Porto	Porto	Development of modernizing projects in Oporto	NOS	3.98%	3.98%	3.98%
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	0.04%	0.04%	0.04%

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

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.

NOS