Consolidated **Management** Report

1H16

Table of Contents

1Q16 Highlights

1H16 Highlights	1H15	1H16	1H16 / 1H15
Financial Highlights			
Operating Revenues	699.9	743.1	6.2%
Telco Revenues	666.0	710.4	6.7%
EBITDA	266.4	286.5	7.6%
EBITDA Margin	38.1%	38.6%	0.5pp
Net Income Before Associates & Non-Controlling Interests	39.3	60.6	54.2%
Net Income	47.3	50.9	7.6%
Operational Highlights			
Total RGUs	8,029.3	8,746.4	8.9%
Mobile	3,861.2	4,270.3	10.6%
Pay TV	1,502.5	1,574.4	4.8%
IRIS Subscribers	784.2	927.3	18.3%
Convergent RGUs	2,443.2	3,156.8	29.2%
Convergent Customers	509.8	644.0	26.3%
Convergent Customers as % of Fixed Access Customers	37.5%	44.4%	6.9pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	41.7	43.4	3.9%

Strong yoy growth in core telco operating revenues and EBITDA. Slowdown in yoy Cinema and Audiovisuals growth, as expected after extraordinarily high growth in 2015.

- Consolidated Revenues increased in 1H16 by 6.2% to 743.1 million euros, with core telco revenue growth being dampened by negative yoy growth in audiovisuals and a slowdown in the cinema business, as expected in comparison with the extraordinarily strong performance recorded throughout 2015;
- Core telco revenues grew by 6.7% yoy to 710.4 million euros;
- EBITDA posted yoy growth of 7.6% to 286.5 million euros, recording an increase in EBITDA margin to 38.6%, compared with 38.1% in 1H15. Core telco margin grew by 0.2pp yoy to 37.1%;
- Net income before associates and non-controlling interests grew by 54.2% yoy in 1H16 to 60.6 million euros;
- Total Group CAPEX amounted to 196.1 million euros in 1H16, in line with 1H15. Telco CAPEX remained flat yoy at 177.6 million euros.

Continued strong growth in RGUs across all core telco operations

- Launch of new UMA TV interface in June reinforces NOS' position at the forefront of telecom innovation;
- Pay TV subscribers grew by 4.8% yoy to 1.574 million customers, with 30.6 thousand net adds in 1H16;
- Convergent customers as a percentage of the fixed customer base grew to 44.4%, up from 37.5% in 1H15;
- In 1H16, NOS extended its fixed footprint to an additional 100.9 thousand homes bringing total coverage to 3.7 million households; Average fixed network penetration stands at 33.5%, with penetration in new network build already at 19%;
- Residential ARPU grew by 3.9% yoy to 43.4 euros;
- B2B customers continued to post relevant growth with the number of RGUs increasing by 13.1% to 1.346 million.

Corporate Bodies

As at the date of this report, 27 July 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 Jorge Graça
Members	Ângelo Paupério António Lobo Xavier António Domingues Catarina Tavira Van-Dúnem Cláudia Azevedo Isabel dos Santos João Torres Dolores Joaquim de Oliveira Lorena Fernandes Mário Leite da Silva
Chairman of the Fiscal Board	Paulo Cardoso Correia da Mota Pinto
Members	Eugénio Ferreira Patrícia Teixeira Lopes
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)

Capital Markets

NOS' Share Performance

On 30 June 2016, the close price of NOS' shares was 5.450 euros, which represents a 24.8% decline since the beginning of the year, and which compares with a 16.2% drop of the main Portuguese share index, PSI20.

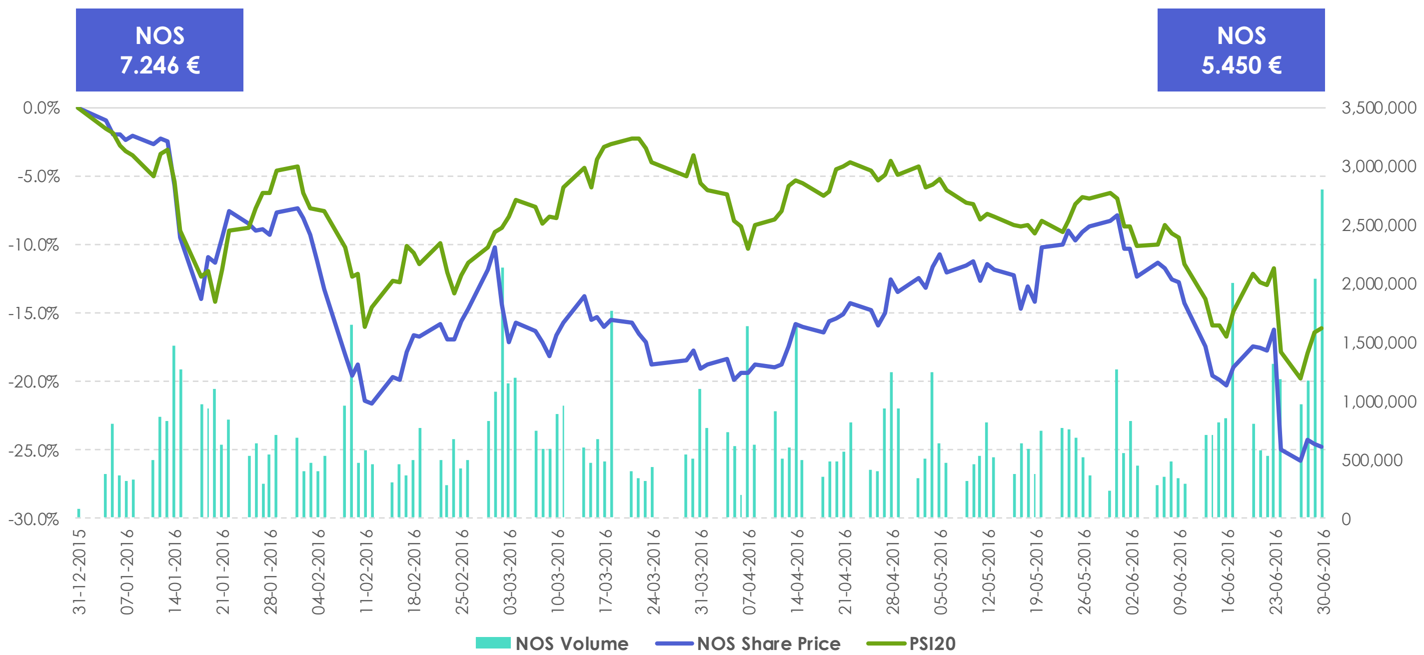
Taking into account the payment of a dividend of 0.16 euros per share, which took place on 19 May 2016, NOS' Total Shareholder Return in 1H16 amounted to -22.6%.

In 1H16 more than 91.8 million NOS shares were traded, which translates to an average daily volume of 717.2 thousand shares per market session.

As such, the daily average volume of NOS in 1H16 represents 0.14% of its total number of shares outstanding.

The highest price at which NOS shares were traded this semester was 7.274 euros (on 5 January 2016), while their lowest trade price was 5.312 euros (on 27 June 2016).

As previously mentioned, the main Portuguese share index, PSI20, posted in 1H16 a decrease of 16.2%. Additionally, the Spanish index, IBEX35, droped 14.5%. FTSE100 (United Kingdom) posted an increase of 4.2%, while other main European indexes had a slightly less negative performance than PSI20, with CAC40 (France) and DAX (Germany) drops of 8.6% and 9.9%, respectively, during 1H16.



1H16 Market Announcements

Below we present the major Investor Relation Events which took place in 1H16. The activity developed by the Investor Relations Office also provides permanent and updated information to the financial community about the activities of NOS, through regular press releases, presentations and communications on the quarterly, half-yearly and annual results, as well as any other relevant events that may occur.

01-03-2016	NOS informs on FY15 Earnings Announcement
30-03-2016	NOS informs on Annual Report - Interactive Version
30-03-2016	NOS informs on General Shareholders Meeting
31-03-2016	NOS informs on share attribution to Board Members and employees of the NOS Group
26-04-2016	NOS informs on Shareholders' Meeting Deliberations
26-04-2016	NOS informs on calendar for dividend payment
26-04-2016	NOS informs on Share Purchase Programme
26-04-2016	NOS informs on the deliberations of the Board of Directors
26-04-2016	NOS informs on 1Q16 Consolidated Results
04-05-2016	NOS informs on Qualified Shareholding of the Henderson Group plc
18-05-2016	NOS informs on Memorandum of Understanding with Vodafone Portugal, Comunicações Pessoais, S.A.
27-05-2016	NOS informs on 1Q16 Consolidated Management Report
06-06-2016	NOS informs on resignation of Board Member
16-06-2016	NOS informs on Qualified Shareholding of ZOPT, SGPS, SA and Manager Transaction
16-06-2016	NOS informs on Qualified Shareholding of Sonaecom and Manager Transaction
30-06-2016	NOS informs on Qualified Shareholding of the Henderson Group plc

1H16 Main Investor Relations Events

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

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

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

Rua Actor António Silva, nº 9
1600-404 Lisboa
Ph. / Fax: +(351) 21 782 47 25 / +(351) 21 782 47 35
E-mail: ir@nos.pt

13 January	Roadshow in Lisbon
14 January	Haitong Iberian Conference in London
21/22 January	Roadshow in NY
28/29 January	Roadshow in London
03 March	Roadshow in Geneva
07 April	CM-CIC Conference in Paris
03 May	Roadshow in Madrid
05 May	Roadshow in Lisbon
11 May	Roadshow in Paris
12/13 May	Roadshow in London
18 May	UBS Pan European SMC Conference in London
24 May	Berenberg European Conference in Tarrytown, NY
25 May	Roadshow in Chicago
07/08 June	Euronext & Haitong Pan European Days in NY

Governing Bodies Shareholdings

Under the terms and for the purposes of Article 9, Paragraph a) and numbers 6 and 7 of Article 14 of CMVM Regulation 5/2008, and according to the information provided to the Company by the Governing Bodies,

NOS hereby informs on the shareholdings of the members of its Governing Bodies, including the Audit and Finance Committee and the Alternate and In Office Statutory Auditors, at 30 June 2016:

Name	Position/Job	Shares					
		Balance 31-12-2015	2016 Transactions				Balance 30-06-2016
			Acquisitions *	Disposals	Unit Price *	Date	
Jorge Manuel de Brito Pereira	Chairman of the Board of Directors	0	-	-	-	-	0
Miguel Nuno Santos Almeida	Chairman of the Executive Committee	0	21,025	-	5.961 €	31-03-2016	21,025
José Pedro Faria Pereira da Costa	Executive Member	100,000	17,392	-	5.961 €	31-03-2016	117,392
Manuel Ramalho Eanes	Executive Member	0	9,269 -	- 9,269	5.961 € 5.890 €	31-03-2016 04-04-2016	0
André Nuno Malheiro dos Santos Almeida	Executive Member	8,000	7,603	-	5.961 €	31-03-2016	15,603
Ana Paula Garrido de Pina Marques	Executive Member	0	7,709	-	5.961 €	31-03-2016	7,709
Spouse		0	11,206	-	5.961 €	31-03-2016	11,206
Jorge Filipe Pinto Sequeira dos Santos Graça	Executive Member	0	13,716	-	5.890 €	04-04-2016	13,716
Ângelo Gabriel Ribeirinho dos Santos Paupério (1)	Non-executive Member	0	-	-	-	-	0
Sonaecom, SGPS, SA		11,012,532	-	11,012,532	7.522 €	14-06-2016	0
ZOPT, SGPS, SA		257,632,005	11,012,532	-	7.522 €	14-06-2016	268,644,537
António Bernardo Aranha da Gama Lobo Xavier (2)	Non-executive Member	0	-	-	-	-	0
Sonaecom, SGPS, SA		11,012,532	-	11,012,532	7.522 €	14-06-2016	0
António Domingues (3)	Non-executive Member	0	-	-	-	-	0
Grupo BPI		17,516,365	25,834	3,266,690	-	-	14,275,509
Catarina Eufémia Amorim da Luz Tavira Van-Dúnem	Non-executive Member	0	-	-	-	-	0
Isabel dos Santos (4)	Non-executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		257,632,005	11,012,532	-	7.522 €	14-06-2016	268,644,537
João Pedro Magalhães da Silva Torres Dolores	Non-executive Member	0	-	-	-	-	0
Joaquim Francisco Alves Ferreira de Oliveira	Non-executive Member	0	-	-	-	-	0
Lorena Solange Fernandes da Silva Fernandes	Non-executive Member	0	-	-	-	-	0
Maria Cláudia Teixeira de Azevedo (5)	Non-executive Member	0	-	-	-	-	0
Sonaecom, SGPS, SA		11,012,532	-	11,012,532	7.522 €	14-06-2016	0
ZOPT, SGPS, SA		257,632,005	11,012,532	-	7.522 €	14-06-2016	268,644,537
Mário Filipe Moreira Leite da Silva (6)	Non-executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		257,632,005	11,012,532	-	7.522 €	14-06-2016	268,644,537
Paulo Cardoso Correia da Mota Pinto	Chairman of the Fiscal Board	0	-	-	-	-	0
Eugénio Luís Lopes Franco Ferreira	Member of the Fiscal Board	0	-	-	-	-	0
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	Member of the Fiscal Board	0	-	-	-	-	0
Luís Filipe da Silva Ferreira	Substitute Member of Fiscal Board	0	-	-	-	-	0
Ernst & Young Audit & Associados, SROC, S.A.	Statutory Auditor	0	-	-	-	-	0
Ricardo Filipe de Frias Pinheiro	Statutory Auditor	0	-	-	-	-	0
Paulo Jorge Luís da Silva	Substitute Statutory Auditor	0	-	-	-	-	0

(1) Ângelo Gabriel Ribeirinho dos Santos Paupério is member of the Board of Directors of ZOPT, SGPS, S.A., which owned, on 30 June 2016 a share correspondent to 52.15% of the share capital and voting rights of NOS.

(2) António Bernardo Aranha da Gama Lobo Xavier is member of the Board of Directors and Executive Committee of Sonaecom, SGPS, S.A..

(3) António Domingues is member of Board of Directors of companies belonging to BPI, which owned, on 30 June 2016, 14,275,509 shares of NOS.

(4) Isabel dos Santos is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share correspondent to 52.15% of the share capital and voting rights of NOS.

(5) Maria Cláudia Teixeira de Azevedo is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 30 June 2016, correspondent to 52.15% of the share capital and voting rights of NOS, and member of Board of Dircetors and Executive Committee of Sonaecom, SGPS, S.A..

(6) Mário Filipe Moreira Leite da Silva is member of the Board of Directors of ZOPT, SGPS, S.A., company holding, on 30 June 2016 a share correspondent to 52.15% of the share capital and voting rights of NOS.

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

Qualified Shareholdings

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

The structure of NOS' Social Qualified Shareholdings disclosed to the company, was, in 30 June 2016, as follows:

Shareholders	Number of Shares	% Share Capital and Voting Rights
ZOPT, SGPS, SA (1)	268.644.537	52,15%
Banco BPI, SA (2)	14.275.509	2,77%
Norges Bank	10.891.068	2,11%
Blackrock, Inc	10.349.515	2,01%
Total Identified	**304.160.629**	**59,04%**

(1) According to paragraphs b) and c) of number 1 of article 20º and article 21º of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of NOS, SGPS, S.A. as calculated in the terms of article 20º of the Portuguese Securities Code, is attributable to ZOPT, Sonaecom and the following companies: a. This qualified holding is attributable to the companies Kento Holding Limited ("Kento") and Unitel International Holdings, BV ("Unitel International"), as well as to Mrs. Isabel dos Santos, under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, being (i) Kento and Unitel International directly and indirectly controlled by Mrs. Isabel dos Santos and (ii) ZOPT controlled together by its shareholders Kento, Unitel International and Sonaecom as a result of the shareholders agreement entered into between these entities; b. The aforementioned qualified holding is also attributable to Sonaecom and all entities in a control relationship with Sonaecom, namely SONTEL, BV, Sonae Investments, BV, SONAE, SGPS, S.A., EFANOR INVESTIMENTOS, SGPS, S.A. and to Mr. Belmiro Mendes de Azevedo, also under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, as a result of the control relationship and shareholders agreement mentioned in a.

(2) Under the terms of paragraph 1 of article 20º of the Portuguese Securities Code, the voting rights corresponding to 2.77% of NOS' share capital, held by Banco BPI's Pension Fund, are attributable to Banco BPI.

Note: On 5 May 2014, a Long Position announcement was disclosed by Lancaster Investment Management LLP, concerning 2.02% of the voting rights of NOS, SGPS, S.A.

Note 2: The calculation of the voting rights corresponding to each shareholder does not consider own shares held by the Company.

The following table presents the qualified holding of Banco BPI, SA, calculated under the terms of paragraph 1 of article 20 of the Portuguese Securities Code.

Shareholders	Number of Shares	% Share Capital and Voting Rights
Fundo de Pensões do Banco BPI	14.275.509	2,77%
Total	**14.275.509**	**2,77%**

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

Transactions of Own Shares

By the end of 1H16, NOS held, within the scope of its Employee Share Plan, Share Savings Plan and the Regulation on Short and Medium Term Variable Remuneration, aimed at NOS employees, 3,052,189 own shares.

The table below summarizes NOS' own shares transactions, which took place until 30 June 2016:

Description	Number of Shares
Balance as at 1 January 2016	1.666.482
Share Incentive Scheme - Acquisition	3.312.503
Share Incentive Scheme - Distribution	1.926.796
Balance as at 30 June 2016	**3.052.189**

Business Review

Growing market share across all services supported by strong RGU growth in a mature market

The solid quarterly growth in NOS' subscriber base is driving consistent market share gains across all core telecom services, according to the latest data provided by the regulator and operators for 1Q16, the most significant of which in mobile which grew by an additional 2.2 pp since 1Q15 to 25.3%. In Pay TV, NOS has also reversed the negative trend of previous years posting a 0.2 pp increase yoy in market share to 44% by the end of 1Q16.

Total RGUs grew by 8.9% yoy to 8.746 million in 1H16, with net adds of 717 thousand over the past 4 quarters. In 1H16, RGU net adds were 281.5 thousand, with 2Q16 net adds of 151.4 thousand, an improvement of 16.3% from 1Q16.

NOS' position as the largest pay TV operator in Portugal continues to grow with net additions over the past year of 72 thousand, an increase of 4.8% yoy. Growth in Pay TV is an important driver of fixed broadband and voice services and of convergent bundles as these are sold together with Pay TV services.

In addition, lower churn in residential fixed Pay TV services has been supportive of net growth over the past year, having reduced by a further 14% in 1H16, due to pro-active retention programmes and customer service quality. NOS ranks best in class in terms of service quality and customer choice having received a number of independent awards to that effect namely "Leading operator providing Pay TV, BB, voice and mobile" in November 2015, and "most trusted brand" in the Portuguese telecom sector by consumers in 1Q16. In June 2016, at the 2016 Contact Centre World Awards for Europe, Africa and the Middle East, NOS received 3 gold medals for "Best Customer Service", "Best Service to Sales", and "Best Social Network Support" becoming the first company to receive the "Best Customer Service" award four times.

In June NOS launched "UMA", a new generation of TV with a whole new customer interface and cutting edge features such as Ultra HD 4K viewing, content personalization with each user's preferences mapped in individual profile settings, voice remote control, multi device/screen viewing and launch of a new NOS TV online app, allowing a seamless viewing experience over any device. Tariffs that include the new UMA interface are positioned as higher value bundles with triple play priced at 49.99 euros (UMA TV, 200 Mbps and unlimited fixed voice) and convergent UMA bundles including one mobile SIM with 3GB of data priced at 59.99 euros. Additional SIM cards can be added to the bundle for 10.9 euros and mobile data traffic can be shared between all SIM cards in the bundle.

The number of convergent customers grew by 26.3% to 644 thousand in 1H16, representing 40.9% of the total pay TV base and 44.4% of fixed access households, up from 33.9% and 37.5% respectively at the end of 1H15. Although convergence continues to be an important growth driver for NOS, the pace of additional take-up is inevitably slowing down yoy given the already high levels of penetration. NOS's market share of bundle accounts, both in terms of subscribers and revenues, has also posted material growth yoy. According to data published by the regulator for 1Q16, NOS' market share of subscribers with bundled services grew by 1.6 pp yoy to 39.5% and of revenues by 2.3pp to 40%.

Total mobile subscribers increased by 10.6% yoy to 4.27 million, with net adds in 2Q16 of 97.3 thousand, a marked recovery from seasonally lower net adds in 1Q16. Total net adds for 1H16 were 147.2 thousand. The number of SIM cards in convergent bundles by the end of 1H16 reached 1.26 million, up from 0.94 million in 1H15, representing an average of 2 cards per account and driving an increase in the proportion of contract mobile users to 52%, compared 47.7% in 1H15. Mobile data take-up was also stronger, stimulated by more generous data allowances within convergent and stand alone tariffs and due to seasonally lower mobile data disconnections. The launch of more attractive mobile data tariffs has been a catalyst for smartphone penetration and data usage. As a percentage of the total handset base, smartphones now represent 65% and of these, 38% are 4G enabled and in terms of data usage, the monthly average on smartphones has grown by 181% to 1,021 MB and by 145% to 1,295 MB for 4G enabled devices.

Fixed Broadband and Voice services track the performance of the pay TV base and growth in the B2B segment. Since 1H15, NOS gained 92.8 thousand net adds in fixed voice and 139.5 thousand net adds in fixed broadband, of which 41.7 thousand and 61.7 thousand respectively in 1H16.

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 jumped from the #9 to the #5 position in terms of pay TV ranking with a share of 2.4%.

In B2B, NOS continues to capture major accounts in the large corporate sector, in all areas of the private and public sector, ranging from financial, to health, public sector, retail and transport, thus driving yoy revenue growth of 9.5%. In small and mid sized businesses, NOS has been gaining significant market share and revenues from this sub-segment of the B2B market are already recording positive yoy growth, of 0.6%, in 1H16 compared with negative 9.8% in 1H15. Total B2B RGUs increased by 13.1% yoy to 1.346 million.

Average revenues per fixed access residential household continue to grow as a result of the growing penetration of convergent bundles and upselling of additional services, with ARPU in 1H16 reaching 43.4 euros, up by 3.9% over 1H15. In the B2B market, Average Revenue per RGU declined by 10.0% to 16.6 euros, due to continued backbook deflation and lower marginal revenues per new RGU.

Operating Indicators ('000)	1H15	**1H16**	1H16 / 1H15
Telco (1)			
Aggregate Indicators			
Homes Passed	3,468.0	3,701.0	6.7%
Total RGUs	8,029.3	8,746.4	8.9%
Mobile	3,861.2	4,270.3	10.6%
Pre-Paid	2,030.1	2,048.3	0.9%
Post-Paid	1,831.1	2,222.0	21.3%
ARPU / Mobile Subscriber (Euros)	9.0	0.0	(100.0%)
Pay TV	1,502.5	1,574.4	4.8%
Fixed Access (2)	1,183.6	1,240.0	4.8%
DTH	318.9	334.4	4.8%
Fixed Voice	1,572.1	1,665.0	5.9%
Broadband	1,066.9	1,206.4	13.1%
Others and Data	26.6	30.3	13.9%
3,4&5P Subscribers (Fixed Access)	904.9	1,018.2	12.5%
% 3,4&5P (Fixed Access)	76.5%	82.1%	5.7pp
Convergent RGUs	2,443.2	3,156.8	29.2%
Convergent Customers	509.8	644.0	26.3%
Fixed Convergent Customers as % of Fixed Access Customers	37.5%	44.4%	6.9pp
% Convergent Customers	33.9%	40.9%	7.0pp
IRIS Subscribers	784.2	927.3	18.3%
IRIS as % of 3,4&5P Subscribers (Fixed Access)	86.7%	91.1%	0.1pp
Net Adds			
Homes Passed	142.3	100.9	(29.1%)
Total RGUs	403.8	281.5	(30.3%)
Mobile	218.0	147.2	(32.5%)
Pre-Paid	(31.1)	(27.2)	(12.6%)
Post-Paid	249.1	174.4	(30.0%)
Pay TV	25.7	30.6	18.9%
Fixed Access (2)	17.0	24.7	45.4%
DTH	8.7	5.9	(32.4%)
Fixed Voice	79.4	41.7	(47.6%)
Broadband	73.9	61.7	(16.6%)
Others and Data	6.7	0.4	(93.8%)
3,4&5P Subscribers (Fixed Access)	53.2	49.8	(6.4%)
Convergent RGUs	589.9	303.1	(48.6%)
Convergent Customers	125.2	53.1	(57.6%)
IRIS Subscribers	90.6	62.3	(31.3%)

(1) Portuguese Operations

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

Operating Indicators ('000)	1H15	**1H16**	1H16 / 1H15
Telco (1)			
Indicators per Segment			
Consumer			
Total RGUs	6,839.7	7,400.6	8.2%
Pay TV	1,404.5	1,458.1	3.8%
Fixed Access	1,110.6	1,152.1	3.7%
DTH	293.9	306.0	4.1%
IRIS Subscribers	753.7	883.3	17.2%
Broadband	969.9	1,093.2	12.7%
Fixed Voice	1,306.7	1,365.6	4.5%
Mobile	3,158.6	3,483.7	10.3%
% 1P (Fixed Access)	9.2%	6.4%	(2.7pp)
% 2P (Fixed Access)	15.1%	12.0%	(3.1pp)
% 3,4&5P (Fixed Access)	75.7%	81.5%	5.8pp
ARPU / Unique Subscriber With Fixed Access (Euros)	41.7	43.4	3.9%
Net Adds			
Total RGUs	293.7	220.1	(25.1%)
Pay TV	13.2	22.5	70.9%
Fixed Access	8.0	17.7	120.5%
DTH	5.1	4.8	(6.9%)
IRIS Subscribers	85.3	54.8	(35.8%)
Broadband	66.1	54.1	(18.2%)
Fixed Voice	30.1	28.7	(4.6%)
Mobile	184.3	114.7	(37.7%)
Business			
Total RGUs	1,189.5	1,345.8	13.1%
Pay TV	98.0	116.3	18.7%
IRIS Subscribers	30.5	44.1	44.6%
Broadband	123.6	143.5	16.1%
Fixed Voice	265.3	299.4	12.8%
Mobile	702.6	786.6	12.0%
ARPU per RGU (Euros)	18.5	16.6	(10.0%)
Net Adds			
Total RGUs	109.8	61.5	(44.0%)
Pay TV	12.5	8.1	(35.7%)
IRIS Subscribers	5.3	7.5	42.2%
Broadband	14.4	8.0	(44.7%)
Fixed Voice	49.2	12.9	(73.7%)
Mobile	33.7	32.5	(3.6%)

(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)	1H15	**1H16**	1H16 / 1H15
Cinema [(1)]			
Revenue per Ticket (Euros)	4.6	4.7	1.9%
Tickets Sold	3,984.9	4,115.8	3.3%
Screens (units)	215	215	0.0%

(1) Portuguese Operations

In 1H16, NOS' cinema ticket sales rose by 3.3% to 4.1 million tickets, whereas the market as a whole improved by 2.5%[1].

The most successful films shown in 1H16 were "Zootopia", "Deadpool", "The Revenant", "Batman v Superman: Dawn of Justice", and "Captain America: Civil War".

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.

Average revenue per ticket sold posted a yoy improvement of 1.9% to 4.7 euros in 1H16.

NOS' gross box-office revenues increased by 2.3% in 1H16, which compares with 2.1% for the market as a whole, as NOS continues to maintain its leading market position, with a market share of 61.5% in terms of gross revenues in 1H16. Total Cinema Exhibition revenues increased by 2.4% to 27.3 million euros in 1H16.

Revenues in the Audiovisuals division declined by 4.8% yoy to 33.0 million euros in 1H16. 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 1H16, NOS distributed 5, "Zootopia", "Batman v Superman", "Captain America: Civil War", "London Has Fallen", and "Star Wars: The Force Awakens", therefore maintaining its leading position, albeit with a smaller market share yoy.

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

ZAP

The continued success of its commercial operations has enabled ZAP to become a reference operator in Angola and Mozambique. 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 1H16, the focus remained on the expansion of its network in the city centre of Luanda, although very gradually and opportunistically.

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 26.8% against the USD and the Euro (1H16 vs 1H15) although it was down only 3.1% and 0.8% in the last quarter, which compares with double digit quarterly declines in previous quarters. The financial implications for ZAP have been a strong yoy 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. The financial contribution of ZAP to NOS results declined significantly yoy as explained in the financial review ahead however some improvement was felt in 2Q16 due to the slightly more stable currency situation.

Consolidated Financial Review

Consolidated Income Statement

Profit and Loss Statement (Millions of Euros)	1H15	**1H16**	1H16 / 1H15
Operating Revenues	699.9	743.1	6.2%
Telco	666.0	710.4	6.7%
Consumer Revenues	423.4	444.2	4.9%
Business and Wholesale Revenues	194.7	206.0	5.8%
Equipment Sales	18.1	23.1	27.6%
Others and Eliminations	29.8	37.1	24.6%
Audiovisuals	34.7	33.0	(4.8%)
Cinema (1)	26.7	27.3	2.4%
Others and Eliminations	(27.5)	(27.7)	0.8%
Operating Costs Excluding D&A	(433.5)	(456.6)	5.3%
W&S	(41.9)	(45.7)	9.1%
Direct Costs	(211.9)	(219.2)	3.4%
Commercial Costs (2)	(40.4)	(44.4)	9.9%
Other Operating Costs	(139.3)	(147.3)	5.7%
EBITDA	266.4	286.5	7.6%
EBITDA Margin	38.1%	38.6%	0.5pp
Telco	245.8	263.4	7.2%
EBITDA Margin	36.9%	37.1%	0.2pp
Cinema Exhibition and Audiovisuals	20.6	23.1	12.4%
EBITDA Margin	37.9%	42.1%	4.2pp
Depreciation and Amortization	(178.4)	(193.8)	8.7%
(Other Expenses) / Income	(11.5)	(6.0)	(47.6%)
Operating Profit (EBIT) (3)	76.6	86.7	13.2%
Share of results of associates and joint ventures	7.9	(9.7)	n.a.
(Financial Expenses) / Income	(22.6)	(12.2)	(45.9%)
Income Before Income Taxes	61.8	64.8	4.8%
Income Taxes	(14.7)	(13.9)	(5.2%)
Net Income Before Associates & Non-Controlling Interests	39.3	60.6	54.2%
Income From Continued Operations	47.2	50.9	7.9%
o.w. Attributable to Non-Controlling Interests	0.1	(0.0)	n.a.
Net Income	47.3	50.9	7.6%

(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 6.2% in 1H16 to 743.1 million euros, reflecting a combination of 6.7% yoy growth in core telco revenues, 2.4% in cinema exhibition and negative yoy growth in audiovisuals of 4.8%. Growth in core telco revenues remains strong yoy albeit it is showing some deceleration given the lower level of net RGU growth and the higher basis for comparison in 2015. Excluding the impact of lower termination rates yoy, telco revenues would have grown by 7.8%. The negative yoy performance in audiovisuals and cinemas results from the extraordinarily strong sales across the movie industry worldwide in 2015 and that have now reverted to more normalized levels, although still better than in 2014.

Within core telco revenues, the Consumer segment posted yoy growth of 4.9% to 444.2 million euros representing 63% of total telco revenues. Within the consumer segment, the residential segment posted growth in revenues of 7.6%, with growth in 2Q16 of 6.2% slightly slower than in the previous quarter due to the higher base of comparison after the very strong growth recorded throughout the previous year. Personal revenues declined by 8.4% yoy, a significant improvement over 1H15 although still impacted by 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. It is worth highlighting that voice MTRs declined in mid-August 2015 from 1.27 cents to 0.83 cents per minute, with a further MTR decline in July 2016 to 0.81 cents. Another slight decline is expected for 2017. Also, in April 2016 SMS MTRs declined, from 1.27 cents to 0.83 cents per SMS. Without the impact of lower termination rates in 1H16, Consumer revenues would have grown by 6.4% yoy.

Business and Wholesale revenues grew by 5.8% yoy in 1H16, with growth in 2Q16 again slightly slower than in previous quarters given the high basis for comparison in 2015. Revenues from large corporate accounts grew by 9.5% as a result of continued activation and start of billing of new accounts captured over previous months. Mass Business revenues continued the improving trajectory of past quarters, delivering positive yoy growth of 0.6% with volume growth more than compensating for remaining backbook repricing in this segment. Wholesale revenues posted growth of 7.8% in 1H16. Excluding the impact of lower termination rates yoy on Business and Wholesale revenues, they would have grown by 6.5% yoy.

According to data reported by operators for 1Q16, importantly, the overall telecom market in Portugal has started to show a less negative trend and actually posted marginal yoy growth of 0.2% in 1Q16, compared to negative 3.7% in 1Q15 and negative 3.8% in FY15. Against this backdrop, NOS has recorded very material yoy growth in revenues, and has almost achieved its long term market share of revenues target ahead of schedule. In 1Q16, NOS' market share of telecom revenues already stood at 29.6%, compared to its 2018 target of 30%, having grown by 3.5 pp when compared with 4Q13, the first full quarter after the merger was completed.

Cinema and Audiovisuals revenues posted an increase of 2.4% yoy to 27.3 million euros and a decline of 4.8% to 33.0 million euros respectively, due primarily to the comparison with an extraordinarily strong year for the movie industry in 2015. When compared with 2014, both audiovisual and cinema revenues are higher by 16.3%, and 23.4% respectively in 1H16 over 1H14.

Consumer sentiment in Portugal is demonstrating some underlying recovery, thus supportive of more movie going, however the movie slate this year is not as rich in blockbuster hits as it was in 2015 leading to the yoy decline.

Revenues from NOS' 30% stake in ZAP fell yoy by 5.9% to 33.4 million euros however due to a stabilization in the exchange rate environment during 2Q16, posted an increase of 2.2% in 2Q16 when compared with 1Q16 to 16.9 million euros.

EBITDA

Consolidated EBITDA grew 7.6% yoy to 286.5 million euros in 1H16, representing an EBITDA margin of 38.6%, up by 0.5pp from 1H15, benefitting essentially from the good revenue momentum described above. The telco business recorded a 7.2% yoy growth in EBITDA in 1H16 to 263.4 million euros and Audiovisuals and Cinemas were also strong contributors to consolidated EBITDA growth with EBITDA up by 12.4% yoy in 1H16 to 23.1 milion euros. The cinema and audiovisuals division posted an improvement in absolute EBITDA and margin due to the reduced weight of lower margin movie distribution in the sales mix and an increase in sales of the TVCine packages over past quarters.

The EBITDA of NOS' 30% stake in ZAP declined yoy by 64.9% yoy to 4.8 million euros representing an EBITDA margin of 14.5% compared with 38.7% in 1H15.

Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs increased by 5.3% yoy to 456.6 million euros. The higher yoy costs reflect the greater scale of the operation and still intense comercial activity.

Wages and Salaries grew by 9.1% yoy to 45.7 million euros, reflecting increased average headcount over 1H15 to support the growth momentum of the telecom operation, a yearly increase in salaries and costs related with employee share plans.

Direct Costs overall grew by 3.4% in comparison with levels recorded in 1H15, resulting from the combination of a 1.7% increase in traffic and capacity related costs, with a 11.8% yoy increase in programming costs due to additional channels included in the line up at the end of 2015, and a yoy decline in cinema distribution royalties.

Commercial Costs increased by 9.9% yoy to 44.4 million euros explained by a 17.7% yoy increase in COGS to 24.9 million euros due to more intense handset centric promotional campaigns, especially in 1Q16. Recurrent marketing and publicity costs grew by 16.5% yoy, driven by investment in raising awareness to the NOS brand and new product and service launches, namely in 1Q16.

Other Operating Costs increased 5.7% yoy to 147.3 million euros as a result mainly of higher costs with supplies and external services to support the strong operating activity and increased levels of provisions.

Net Income

Net Income before Associates and Non-Controlling interests increased by 54.2% to 60.6 million euros in 1H16 and total Net Income increased by 7.6% yoy to 50.9 million euros.

NOS' Share of Associates and Joint Ventures posted a decline to negative 9.7 million euros in 1H16 compared with a positive contribution of 7.9 million euros in 1H15. Although comparing negatively against 2Q15, the contribution of the 30% stake in ZAP improved qoq to negative 258 thousand euros in 2Q16 compared with negative 4.2 million euros in 1Q16, an improvement driven by a more stable exchange rate environment in Angola during the quarter. As regards Sport TV, increased content costs drove further deterioration in contribution to net results posting a decline to negative 3.2 million euros in 2Q16 compared with negative 290 thousand euros in 2Q15 and negative 2.6 million euros in 1Q16. For 1H16 its contribution amounted to negative 5.8 million euros, which compares with a marginally positive contribution in 1H15.

Depreciation and Amortization increased by 8.7% yoy to 193.8 million euros due, as in previous periods, to the higher level of investment in both network assets and customer related costs.

Other Expenses* of 6.0 million euros in 1H16 relate to non-recurrent costs, with merger related integration costs amounting to 3.7 million euros.

Net Financial Expenses were 45.9% lower yoy at 12.2 million euros in 1H16, reflecting the significantly improved average cost of debt after a number of lines were refinanced during 2015 and 1H16. Further details on financing are presented in the capital structure section below.

Income Tax provision amounted to 13.9 million euros in 1H16 representing 21.4% as a percentage of Income before Income Taxes, compared with 23.7% in 1H15. P&L effective tax rate tends to vary from quarter to quarter depending on a number of factors of which the most relevant being accounting of deferred taxes and the contribution of the Share of Associates and Joint Ventures line.

* 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)	1H15	**1H16**	1H16 / 1H15
Telco	177.4	177.6	0.1%
Baseline Telco	54.9	62.5	13.8%
Customer Related	97.9	89.7	(8.3%)
Network Expansion / Substitution and Integration Projects and Others	24.6	25.4	3.1%
Audiovisuals and Cinema Exhibition	19.3	18.4	(4.3%)
Total Group	196.7	196.1	(0.3%)

In 1H16, Telco CAPEX was 177.6 million euros, practically in line with the level recorded in 1H15. Baseline Telco CAPEX increased by 13.8% to 62.5 million euros and as a percentage of telecom revenues, represented 8.8% in 1H16. Total Telco CAPEX represented 25.0% of Telco Revenues, which compares with 26.6% in 1H15.

Investment in Customer Related CAPEX recorded a yoy decline of 8.3% in 1H16 due to the lower comparative volume of RGU growth versus 1H15 as can be seen in the operating tables earlier in this report. As a percentage of telco revenues, Customer Related CAPEX represented 12.6% in 1H16, down from 14.7% in 1H15 and as a percentage of Total Group CAPEX, 45.8% in 1H16.

Audiovisuals and Cinema Exhibition CAPEX of 18.4 million euros, down by 4.3% yoy, relates essentially to the Audiovisuals division and reflects capitalization of certain movie rights. The yoy decline in Audiovisuals related CAPEX is the direct effect of lower sales yoy in this segment.

Total Group CAPEX declined marginally by 0.3% yoy to 196.1 million euros in 1H16, representing 26.4% of Consolidated Revenues, down yoy from 28.1% in 1H15.

Cash Flow

Cash Flow (Millions of Euros)	1H15	**1H16**	1H16 / 1H15
EBITDA	266.4	286.5	7.6%
Total CAPEX	(196.7)	(196.1)	(0.3%)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(57.2)	(38.8)	(32.2%)
Operating Cash Flow	12.6	51.7	n.a.
Long Term Contracts	(8.4)	(8.3)	(1.2%)
Cash Restructuring Payments	(10.1)	(5.7)	(43.4%)
Interest Paid	(15.7)	(9.7)	(38.5%)
Income Taxes Paid	(3.7)	(5.4)	45.1%
Disposals	0.6	0.8	48.1%
FCM Receivables	0.0	0.0	n.a.
Other Cash Movements	(0.1)	0.4	n.a.
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	(24.9)	23.9	n.a.
Acquisition of Own Shares	(0.4)	(20.7)	n.a.
Foreign Currency Debt Exchange Effect	(0.0)	0.0	(100.0%)
Dividends	(72.2)	(82.1)	13.7%
Free Cash Flow	(97.5)	(78.9)	(19.1%)
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(17.7)	(8.9)	(49.8%)
Change in Net Financial Debt	(115.2)	(87.8)	(23.8%)

Operating Cash Flow increased yoy from 12.6 million euros in 1H15 to 51.7 million euros in 1H16, led by the strong EBITDA growth yoy and a reduction in Working Capital and Non-cash items included in EBITDA-CAPEX, which fell to 38.8 million euros in 1H16 from 57.2 million euros in 1H15.

Tota FCF before dividends, financial investments and own shares acquisitions was 23.9 million euros, a big increase from negative 24.9 million euros in 1H15, reflecting stronger Operating Cash Flow and the significant reduction of 38.5% in interest paid to 9.7 million euros in 1H16. Lower interest payments are due to the much cheaper average cost of debt in 1H16 resulting from refinancing deals closed throughout 2015 and 1H16.These will be discussed in more detail in the next section on capital structure. Almost all other cash items declined yoy with the exception of cash tax payments which grew to 5.4 million euros.

Free Cash flow was negative by 78.9 million euros, an improvement over 1H15 of 19.1%. In 2Q16, NOS paid FY15 dividends of 82.1 million euros, an additional 10 million euros over the previous year's payout. In addition, NOS purchased 20.7 million euros of own shares during 1H16 to cover share plan obligations and accelerated buying on the market in 2Q16, taking advantage of recent share price weakness.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	2015	**1H16**
Non-current Assets	2,510.1	2,457.4
Current Assets	466.4	525.8
Total Assets	2,976.5	2,983.2
Total Shareholders' Equity	1,063.5	1,011.3
Non-current Liabilities	1,150.7	1,346.0
Current Liabilities	762.2	625.9
Total Liabilities	1,913.0	1,971.9
Total Liabilities and Shareholders' Equity	2,976.5	2,983.2

Capital Structure

At the end of 1H16, Net Financial Debt stood at 1,136.2 million euros.

Total financial debt was 1,137.5 million euros, which was offset with a cash and short-term investment position on the balance sheet of 1.3 million euros. At the end of 1H16, NOS also had 200 million euros of non-issued commercial paper programmes. The all-in average cost of NOS' Net Financial Debt stood at 2.30% for 2Q16, down from 3.41% in 2Q15 and from 2.38% in 1Q16. For 1H16, the all-in average cost of NOS' Net Financial Debt amounted to 2.34%.

Net Financial Gearing was 52.9% at the end of 1H16 and Net Financial Debt / EBITDA (last 4 quarters) now stands at 2.1x. The average maturity of NOS' Net Financial Debt at the end of 1H16 was 3.59 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 51%.

In line with NOS' global financing strategy to extend average debt maturity, diversify financing sources and reduce average cost of debt, in June NOS entered into three new financing lines:

- New "NOS SGPS S.A. €60,000,000 Floating Rate Notes due 30 June 2023", organized and placed by ING with a bullet maturity in June 2023 (7 year maturity), paying interest at a floating rate with a spread of 180 bps plus Euribor 6 Months and with the first coupon due in December 2016;

- Two new commercial paper lines in the amount of 20 million euros each, contracted with Caixa Geral de Depósitos/Caixa Banco de Investimento and Banco Santander Totta, which mature in June 2021 (5 year maturity).

With these transactions, NOS is fully financed until the second half of 2017.

Net Financial Debt (Millions of Euros)	2015	**1H16**	1H16 / 2015
Short Term	160.0	71.9	(55.1%)
Bank and Other Loans	141.7	52.8	(62.8%)
Financial Leases	18.3	19.1	4.6%
Medium and Long Term	898.3	1,065.6	18.6%
Bank and Other Loans	862.6	1,033.2	19.8%
Financial Leases	35.8	32.4	(9.5%)
Total Debt	1,058.3	1,137.5	7.5%
Cash and Short Term Investments	9.9	1.3	(87.3%)
Net Financial Debt	1,048.4	1,136.2	8.4%
Net Financial Gearing (1)	49.6%	52.9%	3.3pp
Net Financial Debt / EBITDA	2.0x	2.1x	n.a.

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

Subsequent Events

The sports content agreement reached initially in May with Vodafone Portugal was extended to Cabovisão in early July, with the parties agreeing to share, on a reciprocal basis, all sports events broadcasting rights and distribution and broadcasting rights of sports and club channels, currently owned or that come to be owned by the parties, with proportionate sharing of costs associated with this content.

Finally, on 26 July, an agreement was announced in which this sports content reciprocal sharing agreement was extended to include Altice Picture, PT – Portugal and MEO – Serviços de Comunicações e Multimédia, under the same terms for all signatory parties.

With the successful negotiation of this agreement, conditions are now in place for all operators to provide their customers full and equal access to the best sports related content available.

Risks and Uncertainties for Future Periods

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

Economic Risks

Economic Environment - The Company is still exposed to the adverse economic climate experienced in Portugal during the last years and consequently to a general reduction in consumption. In this context, there is a risk of the market share, in clients and/or revenue, may be affected by the high unemployment rate and the reduction in private and public consumption. NOS has carefully monitored this risk and adopted strategies that have been helping the increase of clients and counter the drop in revenue that is still visible in the Portuguese market. NOS has also been paying attention to the identification of other opportunities, in conjunction with the competition and technological innovation risk response strategies that are described below.

Competition – This risk is related to the potential reduction in the prices of products and services, reduction in market share, loss of customers, increasing difficulty in obtaining and retaining customers. The management of competition risk has involved a strategy of investing in constant improvement in quality and innovation for the products and services provided, as well as diversification of supply, combination of offers related with different businesses of NOS and the strengthening of the portfolio of broadcasting rights and the respective provision of contents as well as the constant monitoring of customer preferences and/or needs.

In addition, the synergies and complementarities resulting from the process of operational integration of the companies that led to the current composition of NOS Group has been a structuring factor to mitigate the risk of competition in the communication business and they have been allowing the growth acceleration in several segments of clients, particularly the attainment of major clients in the business segment. These factors also allow the reinforcement of the competitive position of NOS Group before the eventual movements of consolidation or acquisiton in the industry of electronic communication by the competitors.

Technological Innovation – This risk is associated with the need for investment in increasingly competitive services (multimedia services, messaging services, multiplatform TV services, cloud services, infrastructure and information technology services, etc.), which are subject not only to accelerated changes in technology but also to the actions of the players which act outside of the tradiditional communications market, like the OTT (over-the-top players) Operators. NOS believes that having an optimised technical infrastructure is a critical success factor that helps to reduce potential failures in the leverage of technological developments. The Company has managed this risk with the aim of ensuring that the technologies and businesses in which it is investing are accompanied by a similar development in demand and consequently an increasing in the use of the new services by customers.

Business Interruption and Catastrophic Losses (Business Continuity Management) - Since the businesses of NOS are based above all on the use of technology, potential failures in technical-operational resources (network infrastructures, information systems applications, servers, etc.) may cause a significant risk of business interruption, if they are not well managed. This may imply other risks for the Company, such as adverse impacts on reputation, on the brand, on revenue integrity, on customer satisfaction and on service quality, which may lead to the loss of customers. In the electronic communications sector, business interruption and other associated risks may be aggravated because the services are in real time (voice, data/internet and TV), and customers typically have low tolerance for interruptions. Under the BCM - Business Continuity Management programme, NOS has implemented Business Continuity management processes that cover buildings, network infrastructures and the most critical activities that support communications services, for which it develops resilience strategies, continuity plans and actions, and incident/crisis management procedures. The continuity processes may be periodically subject to impact and risk analysis, as well as audits, tests and simulations. NOS has also been developing the coordination with external official entities for catastrophic scenarios, critical infrastructure protection and communication in crisis, including the cooperation with the National Authority for Civil Protection.

Confidentiality, Integrity and Availability (Information Security Management) - Bearing in mind that NOS is the biggest corporate group in the area of communications and entertainment in the country, its businesses make intensive use of information and of information and communication technologies that are typically subject to security risks, such as availability, integrity, confidentiality and privacy. Just like other operators, NOS is increasingly exposed to cybersecurity risks, related to external threats to the electronic communications networks and to the surrounding cyberspace.

Under the ISM - Information Security Management programme, NOS has an Information Security Committee (GRC – Governance Risk and Compliance Committee) that is authorised by the Executive Committee to, among other responsibilities, monitor the risks associated with security, propose rules and organise awareness campaigns. The different business units, under the supervision of the Committee, develop a plan of internal actions with the aim of consolidating information security management processes and controls. For specific issues related to the confidentiality and privacy of personal data, the Company has a Chief Personal Data Protection Officer (CPDPO) who is responsible for compliance with laws and regulations applicable to data processing, acts in the name of the Company in interaction with the national regulatory authority for data protection (CNPD - National Commission for Data Protection) and promotes the adoption of data protection principles, in line with international standards and best practices. Employees and partners assume obligations of confidentiality, secrecy and protection of personal data and must not transmit to any third parties the data to which they have access in the course of and as a result of their duties. The obligations are reinforced through the signature of terms of liability by its staff and partners, as well as through communication and sensibilization actions and holding of specialized training internal courses on security and privacy. In addition, the Company has some business segments and processes, namely related to customer management (support, billing and collection), and to services of data centres of NOS Sistemas (housing service), certified to ISO 27001 - Information Security Management Systems.

Service Fraud (Management of Telecommunications Fraud) - Customer or third party fraud is a common risk in the communications sector. Perpetrators of fraud may take advantage of the potential vulnerabilities of the network process or of the communications service. In view of this situation, NOS has a team dedicated to Service Fraud and Security Management. In order to encourage secure use of communications services, it has developed various initiatives and implemented controls, including the provision of an internal platform with information on security risks and service fraud, as well as the continuous improvement of processes to monitor and mitigate these risks. Fraud controls are implemented to prevent anomalous situations of fraudulent use or situations of misuse (piracy) with a direct impact on revenue. NOS has also joined initiatives developed by the GSM Association (GSMA), including the GSMA Fraud Forum and the GSMA Security Group.

Revenue and Cost Assurance (Enterprise Business Assurance) - Electronic comunications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenue and costs, from a viewpoint of revenue flows and platform integrity. Billing processes perform revenue controls, with regard to invoicing quality. NOS also has a Revenue Assurance area that applies processes to control revenue loss (underinvoicing) and cost control with the aim of presenting a consistent chain of revenue and costs, from the moment the customer enters our provisioning systems, involving the provision of the communications service, up to the time of invoicing and charging.

Financial Risks

Tax – The Company is exposed to changes in tax legislation and varied interpretations of the application of tax and tax related regulations in several ways. The Finance Department contributes to management of this risk, monitoring all tax regulations and seeking to guarantee maximum tax efficiency. This department may also be supported by tax consultants whenever the questions being analysed are more critical and, for this reason, require interpretation by an independent entity.

Credit and Collections – These risks are associated with a reduction in receipts from customers due to possible ineffective or deficient operation of collection procedures and/or changes in the legislation that regulates the provision of essential services and have an impact on the recovery of customer debts. The current adverse economic climate also significantly contributes to the worsening of these risks. They are mitigated through the definition of a monthly plan of collection actions, their follow-up and validation and the review of results. Where necessary, the procedure and the timings of these actions are adjusted to ensure the receipt of customer debts. The aim is to ensure that the amounts owed are effectively collected within the periods negotiated without affecting the financial health of the Company. In addition, NOS has credit insurance and specific areas for Credit Control, Collections and Litigation Management and, regarding some business segments, also subscribes credit insurances.

Legal Risks

Legal and Regulatory – Regulatory aspects are important in the electronic comunications business, subject to specific rules, mainly defined by the sector regulator ANACOM (National Communications Authority). On a European level there are also new regulations that have a relevant effect on the market, notably those measures established under the Telecom Single Market package (examples: elimination of roaming charges, net neutrality protection, etc.) and of the Digital Single Market package (examples: review of the directives on audiovidual services, on e-commerce, on personal data privacy, on cybersecurity of networks and information, etc.). Similarly, NOS has to comply with regulatory frameworks defined on a European level that have a direct effect in Portugal. In addition to specific rules related to the comunications sector, NOS is also subject to horizontal legislation, including competition law. The Legal and Regulatory Department assists in the management of these risks, monitoring changes in applicable laws and regulations, given the threats and opportunities they represent for the competitive position of NOS in the business sectors in which it operates.

Lisbon, 27 july 2016

The Board of Directors

Consolidated Financial Statements

Consolidated statement of financial position at 31 December 2015 and 30 June 2016

(Amounts stated in thousands of euros)

	NOTES	31/12/2015	30/06/2016
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	7	1,167,538	1,149,255
Investment property		698	685
Intangible assets	8	1,178,559	1,173,085
Investments in jointly controlled companies and associated companies	9	29,922	3,693
Accounts receivable - other	10	7,182	6,791
Tax receivable	11	3,617	3,617
Available-for-sale financial assets		77	77
Deferred income tax assets	12	122,539	120,187
TOTAL NON - CURRENT ASSETS		**2,510,132**	**2,457,390**
CURRENT ASSETS:			
Inventories	13	30,540	37,934
Accounts receivable - trade	14	347,837	337,760
Accounts receivable - other	10	11,135	33,401
Tax receivable	11	2,242	1,756
Prepaid expenses	15	64,660	89,440
Non-current assets held-for-sale	16	-	24,237
Derivative financial instruments	17	-	19
Cash and cash equivalents	18	9,948	1,261
TOTAL CURRENT ASSETS		**466,362**	**525,808**
TOTAL ASSETS		**2,976,494**	**2,983,198**
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)	(18,971)
Legal reserve	19.4	3,556	1,030
Other reserves and accumulated earnings	19.4	119,004	109,512
Net income		82,720	50,896
EQUITY BEFORE NON - CONTROLLING INTERESTS		**1,054,092**	**1,001,838**
Non-controlling interests	20	9,430	9,436
TOTAL EQUITY		**1,063,522**	**1,011,274**
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	21	979,422	1,141,274
Provisions	22	139,484	145,403
Accounts payable - other	26	-	27,319
Accrued expenses	23	9,470	9,123
Deferred income	24	5,259	4,989
Derivative financial instruments	17	3,369	5,876
Deferred income tax liabilities	12	13,739	12,043
TOTAL NON - CURRENT LIABILITIES		**1,150,743**	**1,346,027**
CURRENT LIABILITIES:			
Borrowings	21	178,022	85,313
Accounts payable - trade	25	327,485	264,432
Accounts payable - other	26	28,706	53,311
Tax payable	11	23,296	29,634
Accrued expenses	23	175,871	163,555
Deferred income	24	28,802	29,652
Derivative financial instruments	17	47	-
TOTAL CURRENT LIABILITIES		**762,229**	**625,897**
TOTAL LIABILITIES		**1,912,972**	**1,971,924**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		**2,976,494**	**2,983,198**

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

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 30 June 2016.

Accountant

Board of Directors

Consolidated statement of income by nature for the quarters and semesters ended on 30 June 2015 and 2016

(Amounts stated in thousands of euros)

	NOTES	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
REVENUES:					
Services rendered		337,464	666,688	353,785	702,870
Sales		14,917	27,047	13,996	31,086
Other operating revenues		3,491	6,212	5,030	9,158
	27	**355,872**	**699,947**	**372,811**	**743,114**
COSTS, LOSSES AND GAINS:					
Wages and salaries	28	20,301	41,902	21,896	45,721
Direct costs	29	110,703	211,944	110,380	219,204
Costs of products sold	30	11,412	21,220	10,745	24,916
Marketing and advertising		5,052	11,610	5,202	13,526
Support services	31	22,710	47,622	21,965	45,662
Supplies and external services	31	43,237	89,034	46,218	90,892
Other operating losses / (gains)		185	307	152	270
Taxes		6,437	13,297	7,304	14,342
Provisions and adjustments	32	(2,647)	(3,387)	290	2,050
Depreciation, amortisation and impairment losses	7, 8 and 33	90,690	178,384	98,536	193,829
Reestructuring costs		5,145	7,772	2,980	5,344
Losses / (gains) on sale of assets, net		167	152	(48)	(85)
Other losses / (gains) non recurrent net		53	3,531	647	748
		313,445	**623,388**	**326,267**	**656,419**
INCOME BEFORE FINANCIAL RESULTS AND TAXES		**42,427**	**76,559**	**46,544**	**86,695**
Net foreign exchange losses / (gains)	9 and 34	(540)	(7,883)	3,288	9,653
Financial costs	35	7,518	15,000	4,682	8,137
Net losses / (gains) of affiliated companies		169	901	508	413
Net losses / (gains) on financial assets		249	249	-	-
Net other financial expenses / (income)	35	2,880	6,466	1,680	3,684
		10,276	**14,733**	**10,158**	**21,887**
INCOME BEFORE TAXES		**32,151**	**61,826**	**36,386**	**64,808**
Income taxes	12	8,205	14,660	9,931	13,899
NET CONSOLIDATED INCOME		**23,946**	**47,166**	**26,455**	**50,909**
ATTRIBUTABLE TO:					
NOS Group Shareholders		24,066	47,309	26,480	50,896
Non-controlling interests	20	(120)	(143)	(25)	13
EARNINGS PER SHARES					
Basic - euros	36	0.05	0.09	0.05	0.10
Diluted - euros	36	0.05	0.09	0.05	0.10

As standard practice, only the annual accounts are audited, the quarterly and semestral 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 semester ended on 30 June 2016.

Accountant

Board of Directors

Consolidated statement of comprehensive income for the quarters and semesters ended on 30 June 2015 and 2016

(Amounts stated in thousands of euros)

	NOTES	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
NET CONSOLIDATED INCOME		**23,946**	**47,166**	**26,455**	**50,909**
OTHER INCOME					
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:					
Accounting for equity method	9	(586)	(626)	(247)	(978)
Fair value of interest rate swap	17	1,019	540	(495)	(2,507)
Deferred income tax - interest rate swap	17	(230)	(122)	111	564
Fair value of exchange rate forward	17	(532)	(521)	246	66
Deferred income tax - exchange rate forward	17	152	182	(71)	(19)
Currency translation differences and others		(742)	(783)	(88)	(682)
INCOME RECOGNISED DIRECTLY IN EQUITY		**(919)**	**(1,330)**	**(544)**	**(3,556)**
TOTAL COMPREHENSIVE INCOME		**23,027**	**45,836**	**25,911**	**47,353**
ATTRIBUTABLE TO:					
NOS Group Shareholders		23,147	45,979	25,962	47,366
Non-controlling interests		(120)	(143)	(51)	(13)
		23,027	**45,836**	**25,911**	**47,353**

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

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the semester ended on 30 June 2016.

Accountant Board of Directors

Consolidated statement of changes in shareholders’ equity for the semesters ended on 30 June 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)	-	-
Dividends paid		-	-	-	-	(72,043)	-	(173)	(72,216)
Aquisition of own shares	19.3	-	-	(401)	-	-	-	-	(401)
Distribution of own shares - share incentive scheme	19.3	-	-	8,974	-	(9,956)	-	-	(982)
Distribuition of own shares - other remunerations	19.3	-	-	269	-	148	-	-	417
Share Plan - costs incurred in the period and others	40	-	-	-	-	2,730	-	6	2,736
Comprehensive Income		-	-	-	-	(1,330)	47,309	(143)	45,836
Other		-	-	-	-	(101)	-	(13)	(114)
BALANCE AS AT 30 JUNE 2015		**5,152**	**854,219**	**(2,949)**	**3,556**	**118,623**	**47,309**	**9,495**	**1,035,405**
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		-	-	-	(2,526)	85,246	(82,720)	-	-
Dividends paid		-	-	-	-	(82,121)	-	-	(82,121)
Aquisition of own shares	19.3	-	-	(20,676)	-	-	-	-	(20,676)
Distribution of own shares - share incentive scheme	19.3	-	-	9,518	-	(10,279)	-	-	(761)
Distribuition of own shares - other remunerations	19.3	-	-	2,745	-	(211)	-	-	2,534
Share Plan - costs incurred in the period and others	40	-	-	-	-	1,429	-	(7)	1,422
Comprehensive Income		-	-	-	-	(3,556)	50,896	13	47,353
BALANCE AS AT 30 JUNE 2016		**5,152**	**854,219**	**(18,971)**	**1,030**	**109,512**	**50,896**	**9,436**	**1,011,274**

As standard practice, only the annual accounts are audited, the semestral 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 semester ended on 30 June 2016.

Accountant

Board of Directors

Consolidated statement of cash flows for the semesters ended on 30 June 2015 and 2016

(Amounts stated in thousands of euros)

	NOTES	6M 15	6M 16
OPERATING ACTIVITIES			
Collections from clients		810,084	898,806
Payments to suppliers		(519,890)	(628,172)
Payments to employees		(56,829)	(58,707)
Receipts / (Payments) relating to income taxes		(2,437)	(5,983)
Other cash receipts / (payments) related with operating activities		(2,000)	46,067
CASH FLOW FROM OPERATING ACTIVITIES (1)		**228,928**	**252,011**
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments	5 and 9	-	25,347
Tangible assets		424	982
Intangible assets		6	10
Interest and related income		4,063	4,921
Other		1	-
		4,494	**31,260**
PAYMENTS RESULTING FROM			
Financial investments	5 and 9	-	(25,347)
Tangible assets		(137,373)	(128,217)
Intangible assets		(98,908)	(90,399)
		(236,281)	**(243,963)**
CASH FLOW FROM INVESTING ACTIVITIES (2)		**(231,787)**	**(212,703)**
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		527,742	303,507
		527,742	**303,507**
PAYMENTS RESULTING FROM			
Borrowings		(429,000)	(215,000)
Lease rentals (principal)		(11,335)	(9,924)
Interest and related expenses		(24,390)	(16,152)
Dividends	19.4	(72,216)	(82,121)
Aquisition of own shares	19.3	(401)	(20,676)
		(537,342)	**(343,873)**
CASH FLOW FROM FINANCING ACTIVITIES (3)		**(9,600)**	**(40,366)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(12,459)	(1,058)
Effect of exchange differences		(154)	(200)
Cash and cash equivalents at the beginning of the period		19,591	(29,348)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**6,978**	**(30,606)**
Cash and cash equivalents	18	8,903	1,261
Bank overdrafts	21	(1,925)	(31,867)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**6,978**	**(30,606)**

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

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the semester ended on 30 June 2016.

Accountant   Board of Directors

Notes to the consolidated financial statements as at 30 June 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, no. 9, 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 30 June 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 Internet Protocol); e) Mobile Virtual Network Operator ("MVNO"), and f) the provision of consultancy and similar services directly or indirectly related to the above mentioned activities and services. The business of NOS 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 semester ended on 30 June 2016 were approved by the Board of Directors and their disclosure authorized on 27 July 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.

- 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.

- 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 date to be designate). 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.

- 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 (amendment), "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.

- IFRS 15 (clarification), "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018). The clarifications presented are about the transition and not about changes in the underlying principles of the standard.

- IFRS 2 (amendment), "Classification and Measurement of share-based payment transactions" (effective for annual periods beginning on or after 1 January 2018). These changes incorporate the standard payment transactions based on shares and settled in cash.

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 semester ended on 30 June 2016, the Group changed the presentation of the income resulting from the application of the equity method earnings from income 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 semester ended on 30 June 2016, the Group changed the presentation of the income resulting from the application of the equity method earnings from income 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 research costs, are expensed when they are incurred. 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 to 6	5 to 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 unrecognised 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 others reserves in equity.

The accumulated cost recognised at the date of each statement of financial position up to the vesting reflects the best estimate of the number of own shares that will be vested, weighted by the 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 30 June 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	30/06/2016
US Dollar	1.0887	1.1102
Angolan Kwanza	147.8315	185.3605
British Pound	0.7340	0.8265
Mozambique Metical	49.2900	70.1500
Canadian Dollar	1.5116	1.4384
Swiss Franc	1.0835	1.0867
Real	4.3117	3.5898

In the semesters ended at 30 June 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:

	6M 15	6M 16
Angolan Kwanza	121.5672	179.7303
Mozambique Metical	39.3050	59.6117

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 and use.

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. Under "other receipts / (payments) relating to operating activity" includes the amount received through credit assignments without recourse, coordinated by the Portuguese Commercial Bank and Caixa Geral de Depósitos, and these operations do not involve any change in the accounting treatment of the underlying receivables or in the relationship with their clients.

The cash flows included in 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 period.

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

The capitalised costs with the audiovisual content distribution rights acquired for commercialisation in the various windows of exhibition are amortised over the period of exploration of the respective contracts.

Additionally, these assets are subject to impairment tests whenever there are indications of changes in the pattern generation of future revenue underlying each contract.

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 valuation 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 semesters ended at 30 June 2015 and 2016, no material errors relating to previous periods were recognised.

4. Changes in the consolidation perimeter

During the semester ended on 30 June 2016, the changes in the consolidated perimeter were as follows:

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 semester ended on 30 June 2016, the changes in the consolidated perimeter were as follows:

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 30 June 2016 are shown below:

	31/12/15			
	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
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**

	30/06/16			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,136,333	12,922	-	1,149,255
Intangible assets	1,075,702	97,383	-	1,173,085
Investments in jointly controlled companies and associated companies	87,299	4,276	(87,882)	3,693
Accounts receivable - other	55,610	20,177	(68,996)	6,791
Deferred income tax assets	108,076	12,111	-	120,187
Other non-current assets	3,694	685	-	4,379
TOTAL NON - CURRENT ASSETS	**2,466,714**	**147,554**	**(156,878)**	**2,457,390**
CURRENT ASSETS:				
Inventories	37,068	866	-	37,934
Account receivables	347,584	54,836	(31,259)	371,161
Prepaid expenses	86,418	1,910	1,112	89,440
Other current assets	25,243	1,075	(306)	26,012
Cash and cash equivalents	592	669	-	1,261
TOTAL CURRENT ASSETS	**496,905**	**59,356**	**(30,453)**	**525,808**
TOTAL ASSETS	**2,963,619**	**206,910**	**(187,331)**	**2,983,198**
SHAREHOLDER'S EQUITY				
Share capital	5,152	28,699	(28,699)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(18,971)	-	-	(18,971)
Legal reserve	1,030	1,087	(1,087)	1,030
Other reserves and accumulated earnings	80,959	69,567	(41,014)	109,512
Net income	53,704	7,395	(10,203)	50,896
EQUITY BEFORE NON - CONTROLLING INTERESTS	**976,093**	**106,748**	**(81,003)**	**1,001,838**
Non-controlling interests	9,377	22	37	9,436
TOTAL EQUITY	**985,470**	**106,770**	**(80,966)**	**1,011,274**
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,164,252	52,410	(75,388)	1,141,274
Provisions	138,937	6,466	-	145,403
Accrued expenses	9,128	65	(70)	9,123
Other non-current liabilities	38,184	-	-	38,184
Deferred income tax liabilities	11,537	506	-	12,043
TOTAL NON - CURRENT LIABILITIES	**1,362,038**	**59,447**	**(75,458)**	**1,346,027**
CURRENT LIABILITIES:				
Borrowings	98,469	1,607	(14,763)	85,313
Accounts payable	312,311	15,983	(10,551)	317,743
Tax payable	27,947	1,993	(306)	29,634
Accrued expenses	148,169	20,586	(5,200)	163,555
Deferred income	29,215	524	(87)	29,652
Derivative financial instruments	-	-	-	-
TOTAL CURRENT LIABILITIES	**616,111**	**40,693**	**(30,907)**	**625,897**
TOTAL LIABILITIES	**1,978,149**	**100,140**	**(106,365)**	**1,971,924**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**2,963,619**	**206,910**	**(187,331)**	**2,983,198**

The results by segment and investments in tangible and intangible fixed assets for the semesters ended on 30 June 2015 and 2016 are shown below:

6M 15	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	2nd QUARTER 15	6M 15	2nd QUARTER 15	6M 15	2nd QUARTER 15	6M 15	2nd QUARTER 15	6M 15
REVENUES:								
Services rendered	324,441	641,620	23,923	46,538	(10,900)	(21,470)	337,464	666,688
Sales	10,740	18,710	4,187	8,347	(10)	(10)	14,917	27,047
Other operating revenues	3,446	6,216	322	843	(277)	(847)	3,491	6,212
	338,627	**666,546**	**28,432**	**55,728**	**(11,187)**	**(22,327)**	**355,872**	**699,947**
COSTS, LOSSES AND GAINS:								
Wages and salaries	17,842	37,155	2,459	4,758	-	(11)	20,301	41,902
Direct costs	111,811	215,221	8,170	15,365	(9,278)	(18,642)	110,703	211,944
Costs of products sold	11,382	21,195	30	25	-	-	11,412	21,220
Marketing and advertising	4,818	11,034	1,623	3,283	(1,389)	(2,707)	5,052	11,610
Support services	22,601	47,452	394	741	(285)	(571)	22,710	47,622
Supplies and external services	38,464	79,587	5,008	9,843	(235)	(396)	43,237	89,034
Other operating losses / (gains)	153	269	32	38	-	-	185	307
Taxes	6,391	13,218	46	79	-	-	6,437	13,297
Provisions and adjustments	(2,667)	(3,530)	20	143	-	-	(2,647)	(3,387)
	210,795	**421,601**	**17,782**	**34,275**	**(11,187)**	**(22,327)**	**217,390**	**433,549**
EBITDA	**127,832**	**244,945**	**10,650**	**21,453**	**-**	**-**	**138,482**	**266,398**
Depreciation, amortisation and impairment losses	80,904	159,494	9,786	18,890	-	-	90,690	178,384
Other losses / (gains), net	5,255	11,214	110	241	-	-	5,365	11,455
INCOME BEFORE FINANCIAL RESULTS AND TAXES	**41,673**	**74,237**	**754**	**2,322**	**-**	**-**	**42,427**	**76,559**
Net losses / (gains) of affiliated companies	(478)	(7,364)	(61)	(519)	-	-	(540)	(7,883)
Financial costs	7,423	14,482	95	518	-	-	7,518	15,000
Net foreign exchange losses / (gains)	(150)	162	319	739	-	-	169	901
Net losses / (gains) on financial assets	249	249	-	-	-	-	249	249
Net other financial expenses / (income)	2,863	6,431	17	35	-	-	2,880	6,466
	9,907	**13,960**	**370**	**773**	**-**	**-**	**10,276**	**14,733**
INCOME BEFORE TAXES	**31,766**	**60,277**	**384**	**1,549**	**-**	**-**	**32,151**	**61,826**
Income taxes	8,085	14,316	120	344	-	-	8,205	14,660
NET INCOME	**23,681**	**45,961**	**264**	**1,205**	**-**	**-**	**23,946**	**47,166**
CAPEX	**92,593**	**177,395**	**9,758**	**19,265**	**-**	**-**	**102,351**	**196,660**
EBITDA - CAPEX	**35,239**	**67,550**	**892**	**2,188**	**-**	**-**	**36,131**	**69,738**

6M 16	TELCO		AUDIOVISUALS		ELIMINATIONS			
	2nd QUARTER 16	6M 16	2nd QUARTER 16	6M 16	2nd QUARTER 16	6M 16	2nd QUARTER 16	6M 16
REVENUES:								
Services rendered	342,721	678,780	23,126	48,094	(12,062)	(24,004)	353,785	702,870
Sales	10,456	23,133	3,555	7,974	(15)	(21)	13,996	31,086
Other operating revenues	5,040	9,256	285	498	(295)	(596)	5,030	9,158
	358,217	**711,169**	**26,966**	**56,566**	**(12,372)**	**(24,621)**	**372,811**	**743,114**
COSTS, LOSSES AND GAINS:								
Wages and salaries	19,349	40,731	2,547	4,990	-	-	21,896	45,721
Direct costs	114,839	226,835	5,611	12,362	(10,070)	(19,993)	110,380	219,204
Costs of products sold	10,697	24,812	51	113	(3)	(9)	10,745	24,916
Marketing and advertising	5,742	14,061	1,159	2,816	(1,699)	(3,351)	5,202	13,526
Support services	21,878	45,514	466	895	(379)	(747)	21,965	45,662
Supplies and external services	41,315	81,001	5,123	10,411	(220)	(520)	46,218	90,892
Other operating losses / (gains)	123	229	29	41	-	-	152	270
Taxes	7,275	14,279	30	64	(1)	(1)	7,304	14,342
Provisions and adjustments	202	1,218	88	832	-	-	290	2,050
	221,420	**448,680**	**15,104**	**32,524**	**(12,372)**	**(24,621)**	**224,152**	**456,583**
EBITDA	**136,797**	**262,489**	**11,862**	**24,042**	**-**	**-**	**148,659**	**286,531**
Depreciation, amortisation and impairment losses	88,876	173,820	9,660	20,009	-	-	98,536	193,829
Other losses / (gains), net	3,530	5,905	49	102	-	-	3,579	6,007
INCOME BEFORE FINANCIAL RESULTS AND TAXES	**44,391**	**82,764**	**2,153**	**3,931**	**-**	**-**	**46,544**	**86,695**
Net losses / (gains) of affiliated companies	3,480	10,209	(192)	(556)	-	-	3,288	9,653
Financial costs	4,548	7,878	134	259	-	-	4,682	8,137
Net foreign exchange losses / (gains)	185	(4)	323	417	-	-	508	413
Net losses / (gains) on financial assets	(5,611)	(5,611)	(4,592)	(4,592)	10,203	10,203	-	-
Net other financial expenses / (income)	1,663	3,648	17	36	-	-	1,680	3,684
	4,265	**16,120**	**(4,310)**	**(4,436)**	**10,203**	**10,203**	**10,158**	**21,887**
INCOME BEFORE TAXES	**40,126**	**66,644**	**6,463**	**8,367**	**(10,203)**	**(10,203)**	**36,386**	**64,808**
Income taxes	9,426	12,927	505	972	-	-	9,931	13,899
NET INCOME	**30,699**	**53,716**	**5,958**	**7,395**	**(10,203)**	**(10,203)**	**26,455**	**50,909**
CAPEX	**7,838**	**92,734**	**(1,973)**	**8,227**	**-**	**-**	**5,865**	**100,961**
EBITDA - CAPEX	**128,959**	**169,755**	**13,835**	**15,815**	**-**	**-**	**142,794**	**185,570**

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			
	LOANS AND ACCOUNTS RECEIVABLE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	INVESTMENTS HELD-TO-MATURITY	DERIVATIVES
ASSETS				
Available-for-sale financial assets	-	77	-	-
Derivative financial instruments (Note 17)	-	-	-	-
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**

	31/12/2015			
	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS				
Available-for-sale financial assets	-	77	-	77
Derivative financial instruments (Note 17)	-	-	-	-
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**

	30/06/2016			
	LOANS AND ACCOUNTS RECEIVABLE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	INVESTMENTS HELD-TO-MATURITY	DERIVATIVES
ASSETS				
Available-for-sale financial assets	-	77	-	-
Derivative financial instruments (Note 17)	-	-	-	19
Accounts receivable - trade (Note 14)	337,760	-	-	-
Accounts receivable - other (Note 10)	26,268	-	-	-
Cash and cash equivalents (Note 18)	1,261	-	-	-
TOTAL FINANCIAL ASSETS	**365,289**	**77**	**-**	**19**
LIABILITIES				
Borrowings (Note 21)	-	-	-	-
Derivative financial instruments (Note 17)	-	-	-	5,876
Accounts payable - trade (Note 25)	-	-	-	-
Accounts payable - other (Note 26)	-	-	-	-
Accrued expenses (Note 23)	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**-**	**5,876**

	30/06/2016			
	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS				
Available-for-sale financial assets	-	77	-	77
Derivative financial instruments (Note 17)	-	19	-	19
Accounts receivable - trade (Note 14)	-	337,760	-	337,760
Accounts receivable - other (Note 10)	-	26,268	13,924	40,192
Cash and cash equivalents (Note 18)	-	1,261	-	1,261
TOTAL FINANCIAL ASSETS	**-**	**365,385**	**13,924**	**379,309**
LIABILITIES				
Borrowings (Note 21)	1,226,587	1,226,587	-	1,226,587
Derivative financial instruments (Note 17)	-	5,876	-	5,876
Accounts payable - trade (Note 25)	264,432	264,432	-	264,432
Accounts payable - other (Note 26)	80,581	80,581	49	80,630
Accrued expenses (Note 23)	163,555	163,555	-	163,555
TOTAL FINANCIAL LIABILITIES	**1,735,155**	**1,741,031**	**49**	**1,741,080**

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 30 June, the movements in this item were as follows:

	31/12/15	INCREASES	TRANSFER AND OTHERS	30/06/16
ACQUISITION COST				
Land	919	-	-	919
Buildings and other constructions	325,185	3,993	33,408	362,586
Basic equipment	2,466,229	68,263	(60,595)	2,473,897
Transportation equipment	14,655	1	(24)	14,632
Tools and dies	1,266	-	70	1,336
Administrative equipment	329,029	8,522	(60,881)	276,670
Other tangible assets	42,251	78	(764)	41,565
Tangible assets in-progress	43,271	39,474	(47,429)	35,316
	3,222,805	**120,331**	**(136,214)**	**3,206,922**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Land	37	-	-	37
Buildings and other constructions	168,657	6,221	17,969	192,847
Basic equipment	1,534,237	86,906	(56,500)	1,564,643
Transportation equipment	6,174	903	(738)	6,339
Tools and dies	1,225	12	-	1,237
Administrative equipment	304,204	9,396	(61,337)	252,263
Other tangible assets	40,733	(133)	(299)	40,302
	2,055,267	**103,305**	**(100,905)**	**2,057,667**
	1,167,538	**17,026**	**(35,309)**	**1,149,255**

At 30 June 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 769.1 million euros (31 December 2015: 786.3 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 140.2 million euros (31 December 2015: 145.7 million euros).

The net 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 9.3 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 30 June 2016, amounted to 225.1 million euros and 231.7 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 30 June, 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 30 June 2016 amounted to 0.6 million euros (31 December 2015: 2.2 million euros).

8. Intangible assets

At 30 June, the movements in this item were as follows:

	31/12/2015	INCREASES	TRANSFER AND OTHERS	30/06/16
ACQUISITION COST				
Industrial property and other rights	1,489,997	37,235	86,003	1,613,235
Goodwill	641,599	-	-	641,599
Intangible assets in-progress	30,589	38,490	(32,250)	36,829
	2,162,185	**75,725**	**53,753**	**2,291,663**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Industrial property and other rights	979,470	90,511	43,872	1,113,853
Intangible assets in-progress	4,156	-	569	4,725
	983,626	**90,511**	**44,441**	**1,118,578**
	1,178,559	**(14,786)**	**9,312**	**1,173,085**

At 30 June 2016, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 139.3 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) 44.1 million euros (31 December 2015: 45.4 million euros) related to the license, (ii) 14.7 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) 4.5 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) 64.5 million euros (31 December 2015: 66.4 million euros) related with the programme "Initiatives E"; and (v) the net amount of 7.6 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 95.9 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 3.3 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 54.8 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 20.6 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 21.4 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 net amount of "transfer and others" corresponds mainly to the transfer of assets, in the amount of 9.3 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	30/06/16
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 30 June 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 30 June 2016, this item was composed as follows:

	31/12/2015	30/06/2016
INVESTMENTS - EQUITY METHOD		
Sport TV	21,617	(360)
Dreamia	2,938	3,445
Finstar	4,949	(90)
Mstar	230	(151)
Upstar	96	107
Canal 20 TV, S.A.	17	18
East Star	36	36
Big Picture 2 Films	39	87
	29,922	**3,091**
ASSETS	**29,922**	**3,693**
LIABILITIES (NOTE 22)	**-**	**(602)**

Movements in "Investments in jointly controlled companies and associated companies" in the semesters ended on 30 June 2015 and 2016 were as follows:

	6M 15	6M 16
AS AT JANUARY 1	**31,480**	**29,922**
Gains / (losses) for the year (Note 34)	7,883	(9,653)
Dividends	(4,100)	-
Capital increase	-	25,347
Return of supplementary i)	-	(41,547)
Changes in equity ii)	(626)	(978)
AS AT JUNE 30	**34,637**	**3,091**

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 (Note 10).

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 semester ended on 30 June 2016 is as follows:

2015							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV	99,656	45,987	53,668	60,167	125	50.00%	62
Dreamia	17,554	11,564	5,990	2,618	1,059	50.00%	529
Finstar	94,650	79,820	14,830	110,478	23,859	30.00%	7,158
Mstar	6,745	6,339	406	9,667	440	30.00%	132
Upstar	113,005	112,742	262	33,100	41	30.00%	12
Distodo*	50	6	45	-	-	50.00%	-
Canal 20 TV, S.A.	55	57	(2)	-	-	50.00%	-
East Star	137	17	120	-	-	30.00%	-
Big Picture 2 Films	1,310	1,148	163	2,438	(50)	20.00%	(10)
	333,162	**257,679**	**75,483**	**218,468**	**25,473**		**7,883**

* Company dissolved on 31 December 2015

2016							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV	112,681	113,401	(720)	63,601	(11,554)	50.00%	(5,777)
Dreamia	14,150	7,260	6,890	2,696	1,016	50.00%	508
Finstar	172,148	172,448	(300)	117,082	(13,467)	30.00%	(4,040)
Mstar	10,250	10,753	(503)	10,456	(1,343)	30.00%	(403)
Upstar	147,049	146,692	357	45,338	37	30.00%	11
Canal 20 TV, S.A.	36	1	35	-	-	50.00%	-
East Star	137	17	120	-	-	30.00%	-
Big Picture 2 Films	2,838	2,404	434	5,798	239	20.00%	48
	459,289	**452,976**	**6,313**	**244,971**	**(25,072)**		**(9,653)**

10. Accounts Receivable – Other

At 31 December 2015 and 30 June 2016, this item was composed as follows:

	31/12/2015		30/06/2016	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Account receivables i)	7,774	7,182	20,424	6,791
Advances of suppliers ii)	4,648	-	13,924	-
	12,422	**7,182**	**34,348**	**6,791**
Impairment of other receivable	(1,287)	-	(947)	-
	11,135	**7,182**	**33,401**	**6,791**

i) The increase in the semester ended on 30 June 2016 results of a credit assignment by Sport Tv in the amount f 16.2 million euros (Note 9).

ii) The increase in the semester ended on 30 June 2016 corresponds predominantly to advances made under the TV rights contracts.

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

	6M 15	6M 16
AS AT JANUARY 1	**1,246**	**1,287**
Increases (Note 32)	459	7
Others	(732)	(347)
AS AT JUNE 30	**973**	**947**

11. Taxes payable and receivable

At 31 December 2015 and 30 June 2016, these items were composed as follows:

	31/12/15		30/06/16	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Value-added tax (Note 39)	3,617	-	3,617	-
	3,617	**-**	**3,617**	**-**
CURRENT				
Value-added tax	1,812	17,631	1,311	15,297
Income taxes	-	1,355	-	8,427
Personnel income tax witholdings	-	2,168	-	2,677
Social Security contributions	-	2,003	14	3,130
Other	430	139	431	103
	2,242	**23,296**	**1,756**	**29,634**
	5,859	**23,296**	**5,373**	**29,634**

At 31 December 2015 and 30 June 2016 the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31/12/15	30/06/16
Estimated current tax on income	(8,550)	(19,867)
Payments on account	2,744	2,657
Withholding income taxes	3,760	5,456
Other	691	3,327
	(1,355)	**(8,427)**

12. Income tax expense

During the quarter ended on 30 June 16, 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 Comunicações 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, except where tax losses have occurred 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 30 June 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 semesters ended on 30 June 2015 and 2016 were as follows:

	31/12/2014	DEFERRED TAXES OF THE PERIOD		30/06/2015
		INCOME (NOTE B)	EQUITY (NOTE 19)	
DEFERRED INCOME TAX ASSETS				
Doubtful accounts receivable	7,442	(4,542)	-	2,900
Inventories	3,784	(585)	-	3,199
Other provision and adjustments	79,817	(913)	-	78,904
Intragroup gains	19,973	(480)	-	19,493
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	9,744	(996)	-	8,748
Derivatives	427	-	(71)	356
Tax incentives	19,297	(4,192)	-	15,105
Tax losses carried forward	631	(631)	-	-
	141,115	**(12,339)**	**(71)**	**128,705**
DEFERRED INCOME TAX ASSETS				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	14,617	(1,915)	-	12,702
Other	2,620	(33)	(131)	2,587
	17,237	**(1,948)**	**(131)**	**15,289**
NET DEFERRED TAX	**123,878**	**(10,391)**	**60**	**113,416**

	31/12/2015	DEFERRED TAXES OF THE PERIOD		30/06/2016
		INCOME (NOTE B)	EQUITY (NOTE 19)	
DEFERRED INCOME TAX ASSETS				
Doubtful accounts receivable	7,704	675	-	8,379
Inventories	2,573	2	-	2,575
Other provision and adjustments	71,616	936	-	72,552
Intragroup gains	23,918	1,232	-	25,150
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	8,638	(99)	-	8,539
Derivatives	772	-	550	1,322
Tax incentives	7,318	(5,648)	-	1,670
Tax losses carried forward	-	-	-	-
	122,539	**(2,902)**	**550**	**120,187**
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	11,156	(1,524)	-	9,632
Other	2,583	(172)	5	2,411
	13,739	**(1,696)**	**5**	**12,043**
NET DEFERRED TAX	**108,800**	**(1,206)**	**545**	**108,144**

At 30 June 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 57.1 million euros (2015: 62.0 million euros); ii) other provisions amounted to 15.4 million euros (2015: 16.8 million euros).

At 30 June 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 30 June 2016 deferred tax assets were not recognised in the amount of 1.8 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 30 June 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 2016 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 semesters ended on 30 June 2015 and 2016, the reconciliation between the nominal and effective rates of tax was as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
Income before taxes	32,151	61,826	36,386	64,808
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
ESTIMATED TAX	**7,234**	**13,911**	**8,187**	**14,582**
Permanent differences i)	54	(1,375)	895	2,318
Differences in tax rate of group companies	(175)	(431)	(715)	(1,427)
Deferred tax assets	(703)	(506)	(380)	(4,011)
Tax benefits ii)	(401)	(374)	(226)	(1,726)
State surcharge	1,952	2,757	1,974	3,633
Autonomous taxation	192	375	170	386
Provisions (Note 22)	(95)	(90)	18	107
Other	147	393	8	37
INCOME TAXES	**8,205**	**14,660**	**9,931**	**13,899**
Effective Income tax rate	25.5%	23.7%	27.3%	21.4%
Income tax	1,440	4,269	10,282	12,693
Deferred tax	6,765	10,391	(351)	1,206
	8,205	**14,660**	**9,931**	**13,899**

i) At 30 June 2015 and 2016 the permanent differences were composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
Equity method (Note 34)	(540)	(7,883)	3,288	9,653
Other	780	1,773	693	651
	240	**(6,110)**	**3,981**	**10,304**
	22.5%	22.5%	22.5%	22.5%
	54	**(1,375)**	**895**	**2,318**

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 30 June 2016, this item was composed as follows:

	31/12/2015	30/06/2016
INVENTORIES		
Telco	37,985	45,488
Audiovisuals	2,195	2,107
	40,180	**47,595**
IMPAIRMENT OF ADJUSTMENTS		
Telco	(8,423)	(8,420)
Audiovisuals	(1,217)	(1,241)
	(9,640)	**(9,661)**
	30,540	**37,934**

The movements occurred in impairment adjustments were as follows:

	6M 15	6M 16
AS AT JANUARY 1	**13,924**	**9,640**
Increase and decrease - Cost of products sold (Note 30)	285	95
Others	(2,341)	(74)
AS AT JUNE 30	**11,868**	**9,661**

14. Accounts receivable – trade

At 31 December 2015 and 30 June 2016, this item was as follows:

	31/12/2015	30/06/2016
Trade receivables	285,170	277,585
Doubtful accounts for trade receivables	194,497	205,430
Unbilled revenues i)	62,667	60,175
	542,334	**543,190**
Impairment of trade receivable	(194,497)	(205,430)
	347,837	**337,760**

i) 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:

	6M 15	6M 16
AS AT JANUARY 1	**175,789**	**194,497**
Increases and decreases (Note 32)	(3,462)	4,334
Penalties - i)	6,053	8,092
Receivables written off and others	(1,243)	(1,493)
AS AT JUNE 30	**177,137**	**205,430**

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 30 June 2016, this item was composed as follows:

	31/12/2015	30/06/2016
Deferred costs related to collection actions	31,013	28,102
Discounts i)	19,228	22,608
Programming costs	2,187	17,624
Rentals	3,275	3,991
Insurance	2,655	2,911
Others	6,302	14,203
	64,660	**89,440**

i) 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

On 30 June 2015, this item corresponds to two vacant premises, a building and a movie theatre which were sold during the period ended at 30 June 2015.

On 30 June 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 1,289 thousand Dollars (2015: 4,375 thousand Dollars), the fair value amounts to 19 thousand euros (2015: loss of about 47 thousand euros) which is stated in assets as a counterpart of shareholder's equity.

17. 2 Interest rate derivatives

At 30 June 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.

Movements during the semesters ended on 30 June 2015 and 2016 were as follows:

	31/12/2015		
	NOTIONAL	LIABILITIES	
		CURRENT	NON CURRENT
Interest rate swaps	375,000	-	3,369
Exchange rate forward	4,018	47	-
	379,018	**47**	**3,369**

	30/06/2016		
	NOTIONAL	LIABILITIES	
		CURRENT	NON CURRENT
Interest rate swaps	375,000	-	5,876
Exchange rate forward	1,289	-	-
	376,289	**-**	**5,876**

	31/12/2014	RESULT	EQUITY	30/06/2015
Fair value interest rate swaps	(1,899)	-	540	(1,359)
Fair value exchange rate forward	368	-	(521)	(153)
CASH FLOW HEDGE DERIVATIVES	**(1,531)**	**-**	**19**	**(1,512)**
Deferred income tax liabilities	(137)		131	(6)
Deferred income tax assets	427		(71)	356
DEFERRED INCOME TAX	**290**	**-**	**60**	**350**
	(1,241)	**-**	**79**	**(1,162)**

	31/12/2015	RESULT	EQUITY	30/06/2016
Fair value interest rate swaps	(3,369)	-	(2,507)	(5,876)
Fair value exchange rate forward	(47)		66	19
CASH FLOW HEDGE DERIVATIVES	**(3,416)**	**-**	**(2,441)**	**(5,857)**
Deferred income tax liabilities	-	-	(5)	(5)
Deferred income tax assets	772	-	550	1,322
DEFERRED INCOME TAX	**772**	**-**	**545**	**1,317**
	(2,644)	**-**	**(1,896)**	**(4,540)**

18. Cash and cash equivalents

At 31 December 2015 and 30 June 2015, this item was composed as follows:

	31/12/2015	30/06/2016
Cash	223	551
Deposits	9,190	339
Other deposits i)	535	371
	9,948	**1,261**

i) At 31 December 2015 and 30 June 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 30 June 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 30 June 2016 are:

	31/12/2015		30/06/2016	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	257,632,005	50.01%	268,644,537	52.15%
Banco BPI, SA (2)	17,516,365	3.40%	17,516,365	3.40%
Sonaecom, SGPS, SA (3)	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 are attributable to Banco BPI.

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 30 June 2016 there were 3,052,189 own shares, representing 0.5925% 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 30 June 2015 and 2016 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2015	**2,496,767**	**11,791**
Acquisition of own shares	61,764	401
Distribution of own shares - share incentive scheme	(1,900,079)	(8,974)
Distribution of own shares - other remunerations	(56,619)	(269)
BALANCE AS AT 30 JUNE 2015	**601,833**	**2,949**
BALANCE AS AT 1 JANUARY 2016	**1,666,482**	**10,559**
Acquisition of own shares	3,312,503	20,676
Distribution of own shares - share incentive scheme	(1,497,256)	(9,518)
Distribution of own shares - other remunerations	(429,540)	(2,745)
BALANCE AS AT 30 JUNE 2016	**3,052,189**	**18,971**

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.

The General Meeting, of Shareholders held on 26 April 2016 approved the proposal of the Board of Directors to allocate the amount of 2,526 thousand to reserves.

Other reserves

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IAS / IFRS. Thus, on 30 June 2016, NOS had reserves which by their nature are considered distributable in the amount of approximately 68 million euros, not including the net profit of the period.

Dividends

The General Meeting of Shareholders held on 6 May 2015 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.14 euros, totaling 72,123 thousand euros. The dividend attributable to own shares, totaling 80 thousand euros.

	DIVIDENDS
Dividends	72,123
Dividends of own shares	(80)
	72,043

In the first semester of 2015, dividends totaling 173 thousand euros were paid to the minority shareholders of NOS Madeira.

The General Meeting of Shareholders held on 26 April 2016 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.16 euros, totaling 82,426 thousand euros. The dividend attributable to own shares, totaling 305 thousand euros.

	DIVIDENDS
Dividends	82,426
Dividends of own shares	(305)
	82,121

20. Non-controlling interests

The movements of the non-controlling interests occurred during the quartes ended on 30 June 2015 and 2016 and the results attributable to non-controlling interests for the period are as follows:

	31/12/2014	ATTRIBUTABLE PROFITS	OTHER	30/06/2015
NOS Madeira Comunicações	6,978	(54)	(176)	6,748
NOS Açores Comunicações	2,796	(89)	(2)	2,705
Lusomundo SII	6	-	-	6
Empracine	1	-	-	1
Lusomundo Imobiliária 2, SA	37	-	(2)	35
	9,818	**(143)**	**(180)**	**9,495**

	31/12/2015	ATTRIBUTABLE PROFITS	OTHER	30/06/2016
NOS Madeira Comunicações	6,739	50	(6)	6,783
NOS Açores Comunicações	2,632	(37)	-	2,595
Lusomundo SII	23	-	-	23
Empracine	-	-	-	-
Lusomundo Imobiliária 2, SA	36	-	(1)	35
	9,430	**13**	**(7)**	**9,436**

21. Borrowings

At 31 December 2015 and 30 June 2016, the composition of borrowings was as follows:

	31/12/2015		30/06/2016	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
LOANS - NOMINAL VALUE	**141,004**	**865,966**	**52,082**	**1,036,470**
Debenture loan	-	525,000	-	585,000
Commercial paper	100,000	235,000	-	345,000
Foreign loans	1,708	105,966	20,215	106,470
Bank overdrafts	39,296	-	31,867	-
LOANS - ACCRUALS AND DEFERRALS	**709**	**(3,402)**	**701**	**(3,271)**
FINANCIAL LEASES	**36,309**	**116,858**	**32,530**	**108,075**
Long Term Contracts	18,275	80,847	13,408	75,721
Other	18,034	36,011	19,122	32,354
	178,022	**979,422**	**85,313**	**1,141,274**

During the semester ended on 30 June 2016, the average cost of debt of the used lines was approximately 2.24% (2015: 2.85%).

21.1 Debenture loans

At 31 December 2015 and 30 June 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 30 June 2016, the Company has the above obligations have additionally contracted:

i) A bond issue in the amount of 60 million euros, signed in June 2016 and organized by ING, whose maturity occurs in June 2023. The issue bears interest at a variable rate indexed to Euribor and paid semiannually.

At 30 June 2016, an amount of 1,631 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 545 million euros, in the form of commercial paper contracted with six banks, corresponding to ten programs, earning interest at market rates. Commercial paper programmes with maturities over 1 year totaling 345 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 30 June 2016, an amount of 939 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 30 June 2016, an amount of 3,530 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan is at a subsidized rate.

Aditionally, on 30 June 2016, NOS has used an escrow account in the amount of 16,5 million euros.

21.4 Financial leases

On 31 December 2015 and 30 June 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	30/06/2016
Until 1 year	43,225	37,922
Between 1 and 5 years	97,275	91,226
Over 5 years	40,119	35,365
	180,619	**164,513**
Future financial costs	(27,452)	(23,908)
PRESENT VALUE OF FINANCE LEASE LIABILITIES	**153,167**	**140,605**

Financial leases – present value

	31/12/2015	30/06/2016
Until 1 year	36,309	32,530
Between 1 and 5 years	80,802	75,924
Over 5 years	36,056	32,151
	153,167	**140,605**

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			30/06/2016		
	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	1,605	372,003	209,761
Commercial paper	99,107	234,882	-	(904)	344,965	-
Foreign loans	1,708	69,635	36,331	20,215	88,305	18,165
Bank overdrafts	39,296	-	-	31,867	-	-
Financial Leases	36,309	80,802	36,056	32,530	75,924	32,151
	178,022	**757,236**	**222,186**	**85,313**	**881,197**	**260,077**

22. Provisions and adjustments

At 31 December 2015 and 30 June 2016, the provisions were as follows:

	31/12/2015	30/06/2016
Litigation and other - i)	61,042	59,222
Financial investments - ii)	-	602
Dismantling and removal of assets - iii)	24,204	27,988
Contingent liabilities - iv)	34,673	34,673
Contingencies - other - v)	19,565	22,918
	139,484	**145,403**

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 regarding the 2013 fiscal year it is still being challenged in administrative proceedings. 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, a fine was applied to 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. Regarding the year 2004, the Court has decided favorably. As for the year 2007, the Fiscal and Administrative Court of Oporto has already decided unfavorably. The company has contested this decision and the final decision of the processes is pending;

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. The judgment of the Supreme Court became final, pending only the presentation by the expense account of the Court.

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, MEO, SA (ex- 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, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3M € for illegally designating MEO. 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 MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision 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 MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, which were contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes, guarantees that have been accepted by ANACOM.

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

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

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 semester ended on 30 June 2015, movements in provisions were as follows:

	31/12/2014	INCREASES	DECREASES	OTHER	30/06/2015
Litigation and other	50,129	4,739	(2,021)	3,295	56,142
Financial investments	64	-	(63)	-	1
Dismantling and removal of assets	18,131	55	-	2,693	20,879
Contingent liabilities	34,673	-	-	-	34,673
Contingencies - other	24,224	491	(27)	(2,562)	22,126
	127,221	**5,285**	**(2,111)**	**3,426**	**133,821**

During the semester ended on 30 June 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 3.2 million euros corresponds mainly to a reclassification from deferred tax assets, since they were reducing the deferred tax assets of tax losses (Note 12), in the amount of 4.1 million euros.

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 semester ended on 30 June 2016, movements in provisions were as follows:

	31/12/2015	INCREASES	DECREASES	OTHER	30/06/2016
Litigation and other	61,042	918	(2,738)	-	59,222
Financial investments	-	602	-	-	602
Dismantling and removal of assets	24,204	190	(84)	3,678	27,988
Contingent liabilities	34,673	-	-	-	34,673
Contingencies - other	19,565	1,115	(6)	2,244	22,918
	139,484	**2,825**	**(2,828)**	**5,922**	**145,403**

During the semester ended on 30 June 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 3.7 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.

In addition, the movements recorded in "Other" in the amount of 2.2 million euros refers mainly to the use of provisions set aside for compensation to employees and the reclassification of cost estimates in relation to which can not be estimated with high reliability the time of implementation of the expenditure in the amount of 2.8 million euros.

The net movements for the semesters ended on 30 June 2015 and 2016 reflected in the income statement under "Provisions and adjustments" were as follows:

	6M 15	6M 16
Provisions and adjustments (Note 24)	(383)	(2,314)
Financial investments (Note 9)	(63)	602
Other losses / (gains) non-recurrent	2,736	1,071
Interests - dismantling	55	106
Other interests	906	425
Income tax (Note 11)	(90)	107
Other	13	-
INCREASES AND DECREASES IN PROVISIONS	**3,174**	**(3)**

23. Accrued expenses

At 31 December 2015 and 30 June 2016, these items were composed as follows:

	31/12/2015	30/06/2016
NON CURRENT		
Contractual obligations i)	9,470	9,123
	9,470	**9,123**
CURRENT		
Invoices to be issued by operators ii)	43,309	38,376
Vacation pay and bonuses	26,236	20,600
Investments in tangible and intangible assets	16,808	14,188
Rights of movies and contents	16,106	13,905
Professional services	16,272	12,946
ANACOM rates iii)	117	12,665
Costs of collection activities	10,452	9,718
Advertising	8,107	8,976
Programming services	10,377	7,147
Comissions	6,376	5,359
Rentals	4,608	4,293
Energy and water	3,528	3,249
Maintenance and repair	1,715	2,318
Other accrued expenses	11,860	9,815
	175,871	**163,555**

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.

iii) Invoices relating to the license ANACOM, whose billing is issued in the second half of each year.

24. Deferred income

At 31 December 2015 and 30 June 2016, this item was composed as follows:

	31/12/2015		30/06/2016	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Advance billing i)	28,467	-	29,317	-
Investment subsidy ii)	335	5,259	335	4,989
	28,802	**5,259**	**29,652**	**4,989**

i) This item relates mainly to the billing of Pay TV services related to the next month 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 30 June 2016, this item was composed as follows:

	31/12/2015	30/06/2016
Suppliers current account	322,319	259,616
Invoices in reception and conference	5,166	4,816
	327,485	**264,432**

26. Accounts payable - other

At 31 December 2015 and 30 June 2016, this item was composed as follows:

	31/12/2015	30/06/2016
NON CURRENT		
Assignment of receivables without recourse i)	-	27,319
	-	**27,319**
CURRENT		
Fixed assets suppliers	27,617	35,731
Assignment of receivables without recourse i)	-	16,445
Advances from customers	81	49
Other	1,008	1,086
	28,706	**53,311**
	28,706	**80,630**

i) In the semester ended on 30 June 2016, NOS Comunicações, SA materialized a credit assignment transaction, that was coordinated by Banco Comercial Português and by Caixa Geral de Depósitos, in the amount of 45.5 million euros, which it ceded future credits to be generated by a portfolio of Corporate customers. 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 and semesters ended on 30 June 2015 and 2016 are distributed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
SERVICES RENDERED:				
Telco i)	319,038	630,786	337,457	668,254
Audiovisuals and cinema exhibition ii)	18,426	35,902	16,328	34,616
	337,464	**666,688**	**353,785**	**702,870**
SALES:				
Telco iii)	10,730	18,700	10,450	23,121
Audiovisuals and cinema exhibition iv)	4,187	8,347	3,546	7,965
	14,917	**27,047**	**13,996**	**31,086**
OTHER OPERATING REVENUES:				
Telco	3,216	5,756	4,757	8,691
Audiovisuals and cinema exhibition	275	456	273	467
	3,491	**6,212**	**5,030**	**9,158**
	355,872	**699,947**	**372,811**	**743,114**

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 (b) 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 and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
Remuneration	14,927	31,727	16,448	35,194
Social taxes	4,161	8,343	4,317	8,572
Social benefits	304	618	329	649
Other	909	1,214	802	1,306
	20,301	**41,902**	**21,896**	**45,721**

In the semesters ended on 30 June 2015 and 2016, the average number of employees of the companies included in the consolidation was 2,491 and 2,512, respectively. At 30 June 2016, the number of employees of the companies included in the consolidation was 2,536 employees. The costs of compensations paid to employees, since they are non-recurring costs, are recorded in the item "integration costs".

Additionally, during the semester 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 "integration 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 and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
Exhibition costs	41,113	81,276	41,906	84,465
Traffic costs	52,542	97,776	51,043	99,706
Capacity costs	12,826	24,476	11,960	24,630
Shared advertising revenues	3,219	6,368	3,840	7,082
Other	1,003	2,048	1,631	3,321
	110,703	**211,944**	**110,380**	**219,204**

30. Cost of products sold

In the quarters and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
Costs of products sold	10,788	20,935	10,549	24,821
Inventories impairment	624	285	196	95
	11,412	**21,220**	**10,745**	**24,916**

31. Support services and supplies and external services

In the quarters and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
SUPPORT SERVICES:				
Call centers and customer support	8,253	16,996	8,146	16,829
Information systems	4,243	8,706	4,923	9,851
Administrative support and other	10,214	21,920	8,896	18,982
	22,710	**47,622**	**21,965**	**45,662**
SUPPLIES AND EXTERNAL SERVICES:				
Maintenance and repair	10,916	21,521	11,313	21,814
Rentals	10,302	20,725	11,013	22,042
Electricity	5,050	10,410	5,257	10,485
Commissions	2,702	7,554	2,774	5,921
Professional services	3,768	6,944	2,966	5,887
Communications	2,083	4,073	1,997	3,991
Installation and removal of terminal equipment	1,072	3,151	1,993	3,920
Other supplies and external services	7,344	14,656	8,905	16,832
	43,237	**89,034**	**46,218**	**90,892**

32. Provisions and adjustments

In the quarters and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
Provisions (Note 22)	593	(383)	(524)	(2,314)
Impairment of account receivables - trade (Note 14)	(3,672)	(3,462)	796	4,334
Impairment of account receivables - other (Note 10)	432	459	2	7
Other	-	(1)	16	23
	(2,647)	**(3,387)**	**290**	**2,050**

33. Depreciation, amortisation and impairment losses

In the quarters and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
TANGIBLE ASSETS				
Buildings and other constructions	2,978	5,579	3,158	6,221
Basic equipment	46,555	88,522	45,734	86,906
Transportation equipment	287	590	445	903
Tools and dies	3	5	7	12
Administrative equipment	5,201	12,483	4,887	9,396
Other tangible assets	128	442	(289)	(133)
	55,152	**107,621**	**53,942**	**103,305**
INTANGIBLE ASSETS				
Industrial property and other rights	35,529	70,742	44,587	90,511
	35,529	**70,742**	**44,587**	**90,511**
INVESTIMENT PROPERTY				
Investment property	9	21	7	13
	9	**21**	**7**	**13**
	90,690	**178,384**	**98,536**	**193,829**

34. Losses / (gains) of affiliated companies

In the quarters and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
EQUITY METHOD (NOTE 9)				
Sport TV	291	(62)	3,222	5,777
Dreamia	(78)	(529)	(180)	(508)
Finstar	(572)	(7,158)	188	4,040
Mstar	176	(132)	71	403
Upstar	(375)	(12)	(1)	(11)
Others	18	10	(12)	(48)
	(540)	**(7,883)**	**3,288**	**9,653**

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

In the quarters and semesters ended on 30 June 2015 and 2016, this item was composed as follows:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
FINANCING COSTS:				
INTEREST EXPENSE:				
Borrowings	6,539	13,222	4,087	8,282
Finance leases	1,308	2,965	1,588	2,974
Derivatives	180	437	544	975
Other	1,054	1,749	437	736
	9,081	**18,373**	**6,656**	**12,967**
INTEREST EARNED	(1,563)	(3,373)	(1,974)	(4,830)
	7,518	**15,000**	**4,682**	**8,137**
NET OTHER FINANCIAL EXPENSES (INCOME):				
Comissions and guarantees	2,120	4,684	1,197	2,580
Other	760	1,782	483	1,104
	2,880	**6,466**	**1,680**	**3,684**

Interest earned mainly corresponds to default interests charged to customers.

36. Net earnings per share

Earnings per share for the quarters and semesters ended on 30 June 2015 and 2016, were calculated as follow:

	2nd QUARTER 15	6M 15	2nd QUARTER 16	6M 16
Consolidated net income attributable to shareholders	24,066	47,309	26,480	50,896
Number of ordinary shares outstanding during the period (weighted average)	514,576,250	513,947,963	512,980,433	513,183,946
Basic earnings per share - euros	0.05	0.09	0.05	0.10
Diluted earnings per share - euros	0.05	0.09	0.05	0.10

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 2015 and 30 June 2016, the Group had furnished sureties, guarantees and comfort letters in favor of third parties corresponding to the following situations:

	31/12/2015	30/06/2016
Financial institutions i)	110,264	110,264
Tax authorities ii)	12,161	13,122
Other iii)	13,446	13,254
	135,871	**136,640**

i) At 31 December 2015 and 30 June 2016, this amount relates to guarantees issued by NOS in connection with the loans from EIB.

ii) At 31 December 2015 and 30 June 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 30 June 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 until 31 December 2016.

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 semester 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 semester 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 of non-cancelable contracts or with renewal options have the following maturities:

	31/12/2015				30/06/2016			
	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	1,067	18,067	39,407	20,977
Telecommunication towers and rooftops	6,748	18,874	43,933	4,264	7,790	15,792	41,095	20,730
Equipment	-	1,948	4,835	-	-	1,145	2,000	-
Vehicles	-	2,842	4,197	-	-	2,346	4,658	-
	7,471	**42,989**	**96,833**	**29,271**	**8,857**	**37,351**	**87,160**	**41,707**

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 46% 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 12% 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 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, S.A. 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. that includes 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 30 June 2016:

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

RELATED PARTIES	
Dreamia - Serviços de Televisão, S.A.	Iberia Shop.C. Venture Coöperatief U.A.
Dreamia Holding B.V.	Iberian Assets, S.A.
East Star Ltd	Iberosegur-Soc. Ibérica Med. Seguros,Lda
Ecociclo – Energia e Ambiente, S.A.	Igimo – Sociedade Imobiliária, S.A.
EFACEC Electric Mobility, S.A.	Iginha – Sociedade Imobiliária, S.A.
EFACEC ENERGIA - Máquinas e Equipamentos Eléctricos S.A.	Imobeauty, SA
EFACEC Engenharia e Sistemas, S.A.	Imoclub – Serviços Imobilários, S.A.
EFACEC Marketing Internacional, S.A.	Imoconti – Soc.Imobiliária, S.A.
EFACEC Power Solutions, SGPS, S.A.	Imodivor – Sociedade Imobiliária, S.A.
EFACEC Serviços Corporativos, S.A.	Imoestrutura – Soc.Imobiliária, S.A.
Efanor Investimentos, SGPS, S.A.	Imogamek, S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imohotel – Emp.Turist.Imobiliários, S.A.
Elergone Energias, Lda	Imoluanda, S.A.
Empreend.Imob.Quinta da Azenha, S.A.	Imomuro – Sociedade Imobiliária, S.A.
Enerlousado-Recursos Energéticos, Lda.	Imopenínsula – Sociedade Imobiliária, S.A.
Estação Viana – Centro Comercial, S.A.	Imoplamac Gestão de Imóveis, S.A.
Euroresinas – Indústrias Quimicas, S.A.	Imoponte – Soc.Imobiliaria, S.A.
Farmácia Selecção, S.A.	Imoresort – Sociedade Imobiliária, S.A.
Fashion Division Canárias, SL	Imoresultado – Soc.Imobiliaria, S.A.
Fashion Division, S.A.	Imosedas – Imobiliária e Seviços, S.A.
Fidequity – Serviços de Gestão, S.A.	Imosistema – Sociedade Imobiliária, S.A.
Filmes Mundáfrica, SARL	Impaper Europe GmbH
Finisantoro Holding Limited	Implantação – Imobiliária, S.A.
FINSTAR - Sociedade de Investimentos e Participações, SA	Infofield – Informática, S.A.
Fozimo – Sociedade Imobiliária, S.A.	Inparvi SGPS, S.A.
Frases e Frações Imobiliária e Serv., SA	Interlog – SGPS, S.A.
Freccia Rossa – Shopping Centre S.r.l.	Ioannina Development of Shopping Centres, SA
Fundo de Invest. Imobiliário Imosede	Isoroy SAS
Fundo Esp.Inv.Imo.Fec. WTC	ITRUST - Cyber Security and Intellig.,SA
Fundo I.I. Parque Dom Pedro Shop.Center	Kento Holding Limited
Fundo Invest. Imobiliário Imosonae Dois	Land Retail B.V.
Fundo Invest.Imob.Shopp. Parque D.Pedro	Landscape – Promoções e Projectos Imobiliários, Lda
Funtobar Spain SL	Larim Corretora de Resseguros Ltda
Gaiashopping I – Centro Comercial, S.A.	Larissa Develop. Of Shopping Centers, S.A.
Gaiashopping II – Centro Comercial, S.A.	Lazam – MDS Corretora e Administradora de Seguros, S.A.
GHP Gmbh	LCC LeiriaShopping Centro Comercial SA
Gli Orsi Shopping Centre 1 Srl	Le Terrazze - Shopping Centre 1 Srl
Global Usebti, S.L.	Libra Serviços, Lda.
Glunz AG	Loop5 Shopping Centre GmbH
Glunz Service GmbH	Losan Colombia, S.A.S.
Glunz UK Holdings Ltd	Losan Overseas Textile, S.L.
Glunz Uka Gmbh	Losan Tekstil Urun.V E Dis Ticaret, L.S.
Golf Time – Golfe e Invest. Turísticos, S.A.	Loureshopping – Centro Comercial, S.A.
Gots – Gestão, Organização, Desenvolvimento e Serviços, S.A.	Lusitânia - Companhia de Seguros, SA
Guimarãeshopping – Centro Comercial, S.A.	Lusitânia Vida - Companhia de Seguros, SA
Harvey Dos Iberica, S.L.	Luz del Tajo – Centro Comercial S.A.
Henderseon Group plc	Luz del Tajo B.V.
Herco Consultoria de Risco, S.A.	Madeirashopping – Centro Comercial, S.A.
Herco Consultoria de Riscos e Corretora de Seguros Ltda	Maiashopping – Centro Comercial, S.A.
HighDome PCC Limited	Maiequipa – Gestão Florestal, S.A.
HighDome PCC Limited (Cell Europe)	Marcas MC, ZRT
Hipergest, S.A.	Marina de Tróia S.A.

RELATED PARTIES	
Marmagno – Expl.Hoteleira Imob., S.A.	Pharmaconcept – Actividades em Saúde, S.A.
Marvero – Expl.Hoteleira Imob., S.A.	PHARMACONTINENTE – Saúde e Higiene, S.A.
MDS Affinity - Sociedade de Mediação, Lda	Plaza Éboli – Centro Comercial S.A.
MDS Africa SGPS, SA	Plaza Mayor Parque de Ócio BV
MDS AUTO - Mediação de Seguros, SA	Plaza Mayor Parque de Ocio, SA
MDS Corretor de Seguros, S.A.	Plaza Mayor Shopping BV
Mds Knowledge Centre, Unipessoal, Lda	Plaza Mayor Shopping, SA
MDS Malta Holding Limited	Poliface North America
MDS RE - Mediador de resseguros	Ponto de Chegada - Soc. Imobiliária, SA
MDS, SGPS, SA	PORTCC - Portimãoshopping Centro Comercial, SA
Megantic BV	Porturbe – Edificios e Urbanizações, S.A.
Microcom Doi Srl	Praedium – Serviços, S.A.
MJB-Design, Lda	Praedium II – Imobiliária, S.A.
MJLF – Empreendimentos Imobiliários, S.A.	Praesidium Services Limited
Modalfa – Comércio e Serviços, S.A.	Predicomercial – Promoção Imobiliária, S.A.
MODALLOOP – Vestuário e Calçado, S.A.	Predilugar - Sociedade Imobiliária, SA
Modelo – Dist.de Mat. de Construção, S.A.	Prédios Privados Imobiliária, S.A.
Modelo Continente Hipermercados, S.A.	Predisedas – Predial das Sedas, S.A.
Modelo Continente Intenational Trade, SA	Proj. Sierra Germany 4 (four) – Sh.C.GmbH
Modelo Hiper Imobiliária, S.A.	Proj.Sierra Germany 2 (two) – Sh.C.GmbH
Modelo.com – Vendas p/Correspond., S.A.	Project Guia, S.A.
Movelpartes – Comp.para Ind.Mobiliária, S.A.	Project SC 1 BV
Mstar, SA	Project Sierra 10 BV
Munster Arkaden, BV	Project Sierra 11 BV
Niara Holding, SGPS, Lda	Project Sierra 12 BV
Niara Power, Lda	Project Sierra 2 BV
Norges Bank	Project Sierra 8 BV
Norteshopping – Centro Comercial, S.A.	Project Sierra Cúcuta 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.
OSB Deustchland Gmbh	Project Sierra Spain 2 – Centro Comer. S.A.
Overseas Investments SA	Project Sierra Two Srl
Panorama Equity Investments BV	Promessa Sociedade Imobiliária, S.A.
Pantheon Plaza BV	Proyecto Cúcuta S.A.S.
Paracentro – Gest.de Galerias Com., S.A.	Público – Comunicação Social, S.A.
Parcelas e Narrativas - Imobiliária SA	QCE-Desenv. e Fabrico de Equipamentos,SA
Pareuro, BV	Racionaliz. y Manufact.Florestales, S.A.
Park Avenue Develop. of Shop. Centers S.A.	Rio Sul – Centro Comercial, S.A.
Parklake Shopping, SA	River Plaza Mall, Srl
Parque Atlântico Shopping – C.C., S.A.	River Plaza, BV
Parque D. Pedro 1 B.V.	Ronfegen-Recursos Energéticos, Lda.
Parque de Famalicão – Empr. Imob., S.A.	RSI Corretora de Seguros Ltda
Pátio Boavista Shopping Ltda.	S.C. Microcom Doi Srl
Pátio Campinas Shopping Ltda	S21 Sec Brasil, Ltda
Pátio Goiânia Shopping Ltda	S21 Sec Ciber Seguridad, S.A. de CV
Pátio Londrina Empreend. e Particip. Ltda	S21 SEC Gestion, S.A.
Pátio São Bernardo Shopping Ltda	S21 Sec Information Security Labs, S.L.
Pátio Sertório Shopping Ltda	S21 Sec México, S.A. de CV
Pátio Uberlândia Shopping Ltda	S21 Sec, S.A. de CV
PCJ - Público, Comunicação e Jornalismo, S.A.	Santoro Finance – Prestação de Serviços, S.A.

RELATED PARTIES	
Santoro Financial Holding, SGPS, S.A.	Sierra VdG Holding BV
Saphety – Transacciones Electronicas SAS	Sierra Zenata Project BV
Saphety Brasil Transações Eletrônicas Ltda.	SII – Soberana Invest. Imobiliários, S.A.
Saphety Level – Trusted Services, 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 Assets, SGPS, SA	Soc.Inic.Aproveit.Florest.-Energias,SA
SC Finance BV	Société de Tranchage Isoroy S.A.S.
SC For-Serv.Form.e Desenv.R.H.,Unip.,Lda	Socijofra – Sociedade Imobiliária, S.A.
SC Hospitality, SGPS , S.A.	Sociloures – Soc.Imobiliária, S.A.
SC, SGPS, SA	Socip – Sociedade de Investimentos e Participações, S.A.
SDSR - Sports Division SR, S.A.	Sodiba Limitada
Selifa – Empreendimentos Imobiliários, S.A.	Soflorin, BV
Sempre à Mão – Sociedade Imobiliária, S.A.	Soira – Soc.Imobiliária de Ramalde, S.A.
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Solinca - Health and Fitness, SA
Serra Shopping – Centro Comercial, S.A.	Solinca – Investimentos Turísticos, S.A.
Sesagest – Proj.Gestão Imobiliária, S.A.	Solinfitness – Club Malaga, S.L.
Sete e Meio – Invest. Consultadoria, S.A.	Solingen Shopping Center GmbH
Sete e Meio Herdades – Inv. Agr. e Tur., S.A.	Soltroia – Imob.de Urb.Turismo de Tróia, S.A.
SFS - Serviços de Gestão e Marketing, SA	Somit Imobiliária, SA
Shopping Centre Colombo Holding BV	Sonae Arauco France SAS
Shopping Centre Parque Principado B.V.	Sonae Capital Brasil, Lda
SIAL Participações Ltda	Sonae Capital,SGPS, S.A.
Sierra Asia Limited	Sonae Center Serviços II, SA
Sierra Berlin Holding BV	Sonae Financial Services, S.A.
Sierra Brazil 1 BV	Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.
Sierra Central S.A.S	Sonae Indústria – SGPS, S.A.
Sierra Cevital Shopping Center, Spa	Sonae Indústria (UK),Ltd
Sierra Core Assets Holdings, B.V.	Sonae Indústria de Revestimentos, S.A.
Sierra Corporate Services Holland, BV	Sonae Investimentos, SGPS, SA
Sierra Developments Holding B.V.	Sonae Investment Management-S.T.,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
Sierra GP Limited	Sonae RE, S.A.
Sierra Greece, SA	Sonae Retalho Espana – Servicios Gen., S.A.
Sierra Investimentos Brasil Ltda	Sonae SGPS, S.A.
Sierra Investments (Holland) 1 B.V.	Sonae Sierra Brasil S.A.
Sierra Investments (Holland) 2 B.V.	Sonae Sierra Brazil, BV / SARL
Sierra Investments Holding B.V.	Sonae Sierra, SGPS, S.A.
Sierra Investments SGPS, S.A.	Sonae Specialized Retail, SGPS, SA
Sierra Italy, Srl	Sonae SR Malta Holding Limited
Sierra Management, SGPS, S.A.	Sonae Tafibra Benelux, BV
Sierra Portugal, S.A.	Sonaecenter Serviços, S.A.
Sierra Project Nürnberg BV	Sonaecom - Serviços Partilhados, S.A.
Sierra Real Estate Greece BV	Sonaecom – Sistemas de Información España, S.L.
Sierra Romania Sh. Centers Services Srl	Sonaecom BV
Sierra Services Holland 2 BV	Sonaecom, SGPS, S.A.
Sierra Solingen Holding GmbH	Sonaecom-Cyber Security and Int.,SGPS,SA
Sierra Spain ShoppinG Centers Services S.A.U.	Sonaegest – Soc.Gest.Fundos Investimentos
Sierra Turkey Gayrim.Yön.P.Dan.An.Sirket	Sonaerp - Retail Properties, SA

RELATED PARTIES	
SONAESR - Serviços e logistica, SA	Troiaresort – Investimentos Turísticos, S.A.
Sonaetelecom BV	Troiaresort, SGPS, S.A.
Sondis Imobiliária, S.A.	Tulipamar – Expl.Hoteleira Imob., S.A.
Sontel BV	Turismo da Samba (Tusal), SARL
Sonvecap BV	Unipress – Centro Gráfico, Lda
Sopair, S.A.	Unishopping Consultoria Imob. Ltda.
Sotáqua – Soc. de Empreendimentos Turist	Unitel International Holdings, B.V.
Soternix-Produção de Energia, ACE	Unitel STP
Spanboard Products, Ltd	Unitel T+
SPF - Sierra Portugal	UP INVEST, SGPS, S.A.
SPF – Sociedade de Participações Financeiras, Lda	Upstar Comunicações SA
Spinarq - Engenharia, Energia e Ambiente, SA	Urbinveste – Promoções e Projectos Imobiliários, S.A.
Spinarq Moçambique, Lda	Urbisedas – Imobiliária das Sedas, S.A.
Spinveste – Gestão Imobiliária SGII, S.A.	Usebti Textile México S.A. de C.V.
Spinveste – Promoção Imobiliária, S.A.	Valor N, S.A.
Sport TV Portugal, S.A.	Via Catarina – Centro Comercial, S.A.
Sport Zone Canárias, SL	Vidatel, Ltd
Sport Zone España-Com.Art.de Deporte,SA	Vistas do Freixo-Emp.Tur.Imobiliários,SA
Sport Zone spor malz.per.satis ith.ve ti	Vuelta Omega, S.L.
Spred, SGPS, SA	WeDo Consulting – Sistemas de Informação, S.A.
SSI Angola, S.A.	WeDo do Brasil – Soluções Informáticas, Ltda
STP Cabo SARL	WeDo Technologies (UK) Limited
Sysvalue Cons,Int e Seg SI,SA	WeDo Technologies Americas, Inc.
Tableros Tradema, S.L.	WeDo Technologies Australia PTY Limited
Tafiber,Tableros de Fibras Ibéricas, SL	WeDo Technologies BV
Tafibra South Africa (PTY) Ltd.	WeDo Technologies Egypt LLC
Tafibra Suisse, SA	WeDo Technologies Mexico, S de R.L.
Tafisa – Tableros de Fibras, S.A.	Weiterstadt Shopping BV
Tafisa Canadá Societé en Commandite	Winterfell 2 Limited
Tafisa France, S.A.	Winterfell Industries Limited
Tafisa UK, Ltd	Wise Intelligence Solutions Holding Limited
Taiber,Tableros Aglomerados Ibéricos, SL	Wise Intelligence Solutions Limited
Tecnológica Telecomunicações LTDA.	Worten – Equipamento para o Lar, S.A.
Teconologias del Medio Ambiente,SA	Worten Canárias, SL
Terra Peregin - Participações SGPS, S.A.	Worten España Distribución, SL
Têxtil do Marco, S.A.	Yako – Retalho Alimentar, S.A.
The Artist Porto Hot.&Bistrô-Act.Hot.,SA	ZAP Cinemas, S.A.
The House Ribeira Hotel - Expl. Hot., SA	ZAP Media, S.A.
TLANTIC B.V.	ZAP Publishing, S.A.
Tlantic Portugal – Sist. de Informação, S.A.	ZIPPY - Comércio e Distribuição, SA
Tlantic Sistemas de Informação Ltdª	ZIPPY - Comercio y Distribución, S.A.
Tool Gmbh	Zippy cocuk malz.dag.ith.ve tic.ltd.sti
Troia Market-Supermercados, S.A.	ZOPT, SGPS, S.A.
Tróia Natura, 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 30 June 2016 and transactions in the semesters ended on 31 December 2015 and 30 June 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**

Transations during the semester ended at 30 June 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	880	-	-	-	-	-	-	(606)	-
Sonaecom	9	3	-	-	(6)	-	-	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES									-
Big Picture 2 Films	49	-	1,347	-	-	28	-	-	-
Distodo	-	-	-	-	-	1	-	-	-
Dreamia Holding BV	168	-	-	-	-	-	-	129	-
Dreamia SA	1,329	-	(496)	2	-	(6)	-	-	-
Finstar	669	-	-	-	-	-	-	-	-
Mstar	6	-	-	-	-	-	-	-	-
Sport TV	100	-	23,040	-	-	3	-	-	-
Upstar	5,630	-	(389)	-	-	(12)	382	(68)	-
ZAP Media	233	-	-	-	-	-	-	-	-
OTHER RELATED PARTIES									-
Cascaishopping	8	-	-	4	-	324	-	-	-
Continente Hipermercados	145	-	-	-	-	31	-	-	-
Digitmarket	71	-	20	-	123	127	-	-	1,849
Maxmat	102	-	-	-	-	-	-	-	-
MDS - Corretor de Seguros	252	-	-	-	-	1	-	-	-
Modalfa	116	-	-	-	-	-	-	-	-
Modelo Continente Hipermercados	2,383	-	17	164	-	(43)	-	-	-
Público	94	-	7	17	-	-	-	-	-
Raso - Viagens e Turismo	192	48	-	175	17	1,173	-	-	-
Saphety Level	54	-	-	-	397	1	-	-	14
SC Consultadoria	512	-	-	-	-	-	-	-	-
Sierra Portugal	1,929	-	-	177	3	2,444	-	-	-
Sistavac	93	-	-	-	-	52	-	-	-
Sonae Indústria PCDM	476	-	-	-	-	-	-	-	-
Sonaecenter II	872	102	-	-	21	-	-	-	-
Sonaecom - Serviços Partilhados	167	-	-	-	12	4	-	-	-
Spinveste - Promoção Imobiliária	-	-	-	-	-	144	-	-	-
Sport Zone	207	-	-	-	-	-	-	-	-
Unitel	996	-	694	-	-	-	-	-	-
We Do Consulting	261	-	-	-	1,994	(4)	-	-	1,864
Worten	1,370	-	-	237	-	419	-	-	-
Other Related Parties	879	-	-	13	105	172	-	-	133
	20,252	**152**	**24,239**	**789**	**2,666**	**4,857**	**382**	**(544)**	**3,860**

Balances at 30 June 2016

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
SHAREHOLDERS					
BPI	1,910	(10)	-	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES					
Big Picture 2 Films	35	-	316	-	-
Dreamia Holding BV	2,862	-	-	-	-
Dreamia SA	2,813	1,105	280	-	-
Finstar	9,000	-	-	(14)	-
Mstar	1	-	-	-	-
Sport TV	577	29,822	(109)	-	16,260
Upstar	16,249	3	-	-	-
ZAP Cinemas	416	-	-	-	-
ZAP Media	3,191	-	-	-	-
OTHER RELATED PARTIES					
Digitmarket	18	1,764	-	-	139
Itrust - Cyber Security and Intellig. , S.A.	2	176	-	-	-
MDS - Corretor de Seguros	85	-	-	-	15
Modelo Continente Hipermercados	1,114	57	243	-	2
Saphety Level - Trusted Services	28	75	-	-	20
SC-Consultadoria	147	-	-	15	-
Sierra Portugal	506	52	1	4	370
Sonaecom	100	-	-	-	-
Sonae Center II	489	7	-	48	-
Sonae Ind., Prod. e Com.Deriv.Madeira	132	4	-	-	-
UNITEL	2,026	756	1,291	-	-
We Do Consulting-Sist. de Informação	96	2,496	-	3	95
Worten - Equipamento para o Lar	1,935	1	630	-	-
Other related parties	1,023	79	(6)	6	118
	44,755	**36,387**	**2,646**	**62**	**17,019**

Transactions during the semester ended at 30 June 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	3,034	-	104	-	-	3	-	(244)	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES									-
Big Picture 2 Films	39	-	3,060	-	-	41	-	-	-
Dreamia Holding BV	138	-	-	-	-	-	-	145	-
Dreamia SA	1,395	(2)	(292)	27	-	(3)	8	-	-
Finstar	461	-	-	-	-	-	-	-	-
Mstar	20	-	-	-	-	-	-	-	-
Sport TV	96	-	25,338	-	-	-	-	-	-
Upstar	6,916	-	(277)	3	-	-	-	-	-
ZAP Cinemas	(20)	-	-	-	-	-	-	-	-
ZAP Media	249	-	-	-	-	-	-	-	-
OTHER RELATED PARTIES									-
Cascaishopping	8	-	-	4	-	345	-	-	-
Continente Hipermercados	153	-	-	-	-	26	-	-	-
Digitmarket	179	-	-	-	149	210	-	-	1,917
Modelo - Distribuição Materias Construção	104	-	-	-	-	-	-	-	-
MDS - Corretor de Seguros	220	-	-	-	-	92	-	-	-
Modelo Continente Hipermercados	2,406	-	(4)	278	-	(55)	-	-	-
Modalfa	122	-	-	-	-	-	-	-	-
Público	100	-	-	19	-	-	-	-	-
Itrust - Cyber Security and Intellig	4	-	-	-	35	23	-	-	110
Saphety Level - Trusted Services	-	-	-	-	-	-	-	-	36
SC-Consultadoria	531	-	-	-	-	-	-	-	-
SDSR - Sports Division SR	217	-	-	-	-	-	-	-	-
Sierra Portugal	1,801	-	-	155	-	2,450	-	-	-
Sonae Center II	1,131	-	-	-	1	(7)	-	-	-
Sonae Indústria PCDM	453	-	-	-	-	-	-	-	3
Sonaecom	5	(53)	-	-	-	-	-	-	-
Sonaecom - Serviços Partilhados	152	-	-	-	-	2	-	-	-
Spinveste - Promoção Imobiliária	-	-	-	-	-	142	-	-	-
UNITEL	1,046	-	677	-	-	-	-	-	-
We Do Consulting-Sist. de Informação	256	-	-	-	1,441	50	-	-	1,892
Worten - Equipamento para o Lar	2,556	-	-	256	-	494	-	-	1
Other related parties	1,274	-	-	18	309	235	-	-	2
	25,046	**(55)**	**28,606**	**760**	**1,935**	**4,048**	**8**	**(99)**	**3,961**

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 2016 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2014 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 24 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 (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 was held in late April and early May, which are pending at the moment the judgment is delivered. 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.

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

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

- In 2011, NOS SA brought an action in the Lisbon Judicial Court against MEO, claiming payment of 22.4 million euros, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, 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 providers 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 were rejected.

- 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 appointment. 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 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 30 June 2016, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of 106,567 thousand euros. During the semester ended on 30 June 2016 2,282 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 30 June 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 employees are still with the company during that period.

In addition to the NOS Plan abovementioned, at 30 June 2016, 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) 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 (30 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 30 June 2016, the unvested plans are:

	NUMBER OF SHARES
STANDARD PLAN	
Plan 2011	2,929
Plan 2012	63,775
Plan 2013	127,949
MAINROAD PLAN	
Plan 2014	45,552
NOS PLAN	
Plan 2014	900,724
Plan 2015	663,403
Plan 2016	776,697

During the semester ended on 30 June 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:					
Awarded	-	-	-	-	757,636
Vested	(116,823)	(182,266)	(1,079,349)	(88,173)	(30,645)
Cancelled / elapsed / corrected (1)	(47,086)	650	(92,245)	1,119	76,047
BALANCE AS AT 30 JUNE 2016:	**-**	**194,653**	**-**	**45,552**	**2,340,824**

(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 or the closing date for plans settled in cash, 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 30 June 2016, the outstanding responsibility related to these plans is 5,982 thousand euros and is recorded in reserves, in the amount of 5,048 thousand euros, for plans settled in shares and cost accruals in the amount of 934 thousand euros, for plans settled in cash.

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

	ACCRUALS	RESERVES	TOTAL
Costs recognised in previous years related to plans as at 31 December 2015	-	10,111	10,111
Costs of plans vested in the period	-	(6,027)	(6,027)
Costs recognised in the period	-	2,356	2,356
Reclassification to accruals the plans to be settled in cash	934	(934)	-
Costs of plans exceptionally settled in cash and others	-	(458)	(458)
TOTAL COST OF THE PLANS	**934**	**5,048**	**5,982**

41. Subsequent events

In July 2016 was signed between the NOS Comunicações, S.A., NOS Lusomundo Audiovisuais S.A., Vodafone Portugal, Comunicações Pessoais, S.A., Cabovisão - Televisão por Cabo, S.A., Altice Picture S.A.R.L., PT - Portugal, SGPS, S.A. and MEO – Serviços de Comunicação e Multimédia, S.A. an agreement for the reciprocal provision of broadcasting rights for sporting events and broadcasting rights and distribution of sports channels and club channels whose broadcast rights currently are held or will be acquired by the Parties, it is expected in particular to the costs (current and future) associated with these sports content.

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.

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 30/06/2016	EFFECTIVE 30/06/2016
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 30/06/2016	EFFECTIVE 30/06/2016
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 30/06/2016	EFFECTIVE 30/06/2016
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 30/06/2016	EFFECTIVE 30/06/2016
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.

Limited review Report prepared by Auditor registered in CMVM

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(Free translation of a report originally issued in Portuguese)

Limited review report on the consolidated condensed financial statements

Introduction

We have performed a limited review on the consolidated condensed financial statements of NOS, S.G.P.S., S.A., which comprise the consolidated condensed statement of financial position as at 30 June 2016 (which shows a total of 2,983,198 thousand Euros and a shareholders' equity total of 1,011,274 thousand Euros, including a consolidated net profit attributable to equity holders of the parent of 50,896 thousand Euros), the consolidated condensed statements of income by nature, of the comprehensive income, of the changes in equity and of the cash flow statement for the six month period then ended, and the related notes to the consolidated condensed financial statements.

Board of Directors responsibilities

The Board of Directors is responsible for the preparation of the consolidated condensed financial statements in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, and for the design and maintenance of an appropriate system of internal control to enable the preparation of condensed consolidated financial statements which are free from material misstatement due to fraud or error.

Auditor's Responsibility

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

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

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

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of NOS S.G.P.S., S.A., as at 30 June 2016, have not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted in the European Union.

Lisbon, 31 August 2016

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº 178)
Represented by:

(Signed)

Ricardo Filipe de Frias Pinheiro (ROC nº 739)

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

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

a) The first half 2016 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, situation and results, as well as those of the companies included in its consolidation perimeter;

b) The management report faithfully portrays the important events occurred in First Half 2016 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following six months.

Lisbon, 27 July 2016

Jorge Brito Pereira
(Chairman of the Board of Directors)

Miguel Nuno Santos Almeida
(Chairman of the Executive Committee)

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

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

André Nuno Malheiro dos Santos Almeida
(Member of the Executive Committee)

Jorge Filipe Santos Graça
(Member of the Executive Committee)

Manuel Ramalho Eanes
(Member of the Executive Committee)

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

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

António Domingues
(Member of the Board of Directors)

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

Isabel dos Santos
(Member of the Board of Directors)

João Torres Dolores
(Member of the Board of Directors)

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

Lorena Solange Fernandes da Silva Fernandes
(Member of the Board of Directors)

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

Mário Filipe Moreira Leite da Silva
(Member of the Board of Directors)

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

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

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

a) The first half 2016 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, situation and results of NOS, SGPS, S.A., as well as those of the companies included in its consolidation perimeter;

b) The management report faithfully portrays the important events occurred in First Half 2016 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following six months.

Lisbon, 27 July 2016

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

Patrícia Teixeira Lopes
(Member of the Fiscal Board)

Eugénio Ferreira
(Member of the Fiscal Board

NOS