Consolidated Management Report

1Q19

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1Q19 Highlights

- Solid Telco revenue growth offsetting weaker quarter for Cinemas & Audiovisuals;
- EBITDA expansion above Revenue growth due to cost discipline and operating leverage;
- Operating performance reflecting more mature market environment and high levels of service penetration;
- Transformational investments on track to achieve a more efficient and customer centric organization;
- Good FCF momentum and solid capital structure, providing a platform for progressive and sustainable shareholder returns.

1Q19 Highlights	1Q18	1Q19	1Q19 / 1Q18
Financial Highlights			
Operating Revenues	383.0	385.3	0.6%
Telco Revenues	365.7	369.8	1.1%
EBITDA	157.4	160.7	2.1%
EBITDA Margin	41.1%	41.7%	0.6pp
Telco	143.6	147.4	2.6%
EBITDA Margin	39.3%	39.9%	0.6pp
Net Income Before Associates & Non-Controlling Interests	41.0	42.2	2.9%
Operating Cash Flow	42.5	49.1	15.4%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	38.0	42.9	12.9%

Governing Bodies

As at the date of this report, 08 May 2019, 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 Manuel Ramalho Eanes Jorge Graça Luís Nascimento
Members	Ângelo Paupério António Domingues António Lobo Xavier Catarina Tavira Van-Dúnem Cláudia Azevedo João Torres Dolores Joaquim de Oliveira Lorena Fernandes Mário Leite da Silva

Fiscal Board

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 Sandra e Sousa Amorim (ROC number 1213);
Alternate	Paulo Jorge Luís da Silva (ROC n.º 1334)

Management Report

Operational Review

We continued to increase our fixed network throughout the first months of the year, with an additional 55 thousand addressable households becoming available. Of our total Next Generation footprint of 4.48 million households at the end of 1Q19, NOS already has 1.1 million households covered with FttH (combining legacy coverage with new network coverage and access to regional wholesale providers) and is able to offer 1 Gbps across the entire footprint with fully Docsis 3.1 upgraded HFC technology in non-FttH locations. The increased footprint is providing additional market to continue to expand our base of Pay TV fixed access subcribers, which stood at 1.326 million at the end of 1Q19, reflecting a 30% take-up rate in our footprint. The pace of new household coverage has slowed compared with previous quarters and this is naturally leading to a lower quarterly number of new addressable households. At the end of 1Q19, fixed convergent customers were 50.7% of the fixed access customer base. As in previous quarters, our DTH customer base posted negative net adds driven by continued customer migration to fixed access technologies as operators continue to expand their fixed access coverage.

Fixed Broadband subscribers posted marginal growth to 1.387 million subscribers and fixed telephony subscribers were down by 2.8 thousand in the quarter. Post paid mobile subscribers increased by 16.1 thousand subscribers led by continued take-up of convergent and integrated telecom packages. Densification of services, be it through convergent bundles or through integrating additional services per household bill, is a proposition we continue to explore as a driver of customer revenues and increased customer loyalty. Pre-paid mobile subscribers fell to 1.995 million subscribers reflecting the seasonal disconnection in the first quarter of the year.

Premium Sport TV channel subscriptions continued to underperform previous years impacted in part by the loss of the Champions League, and to a more structural and sector wide increase in piracy. Regarding Eleven Sports, we reached an agreement to distribute the channel during 1Q19, and it is now distributed within the programming grid as a premium subscription. Progress is being made by the sector against content and broadcasting piracy with operators and other stakeholders implementing a number of combined technical, legal and social responsibility measures in an effort to make it harder for premium content to be illegally distributed and viewed and to raise public awareness to the risks of accessing premium content through illegal platforms.

Although yoy comparisons are still impacted by the MTR cuts, which occurred last July, and by a lower level of premium subscription revenues, we witnessed an encouraging increase in residential fixed ARPU qoq to 44.1 euros.

Activity in the business segment is successfully reflecting the groundwork of past quarters to raise the share of non-traditional telco spend by focusing on integration and value added IT and data centre services, leveraging our own platforms and asset base and in partnership with specialist providers to deliver the most appropriate solutions for each business. Results achieved to date reflect an increase in services sold and average revenue per account in practically all of the business segments we address, with new business lines helping to mitigate the sector wide negative trends in value of traditional mobile and fixed communications. An example of a recently launched high value and innovative service for our larger corporate accounts is the creation of a cloud-based, scalable infrastructure to deploy SAP HANA providing both data centre capacity and systems operation services relieving our customers of the burden of own technical equipment continuously requiring upgrade and of the need for in-house technical expertise. Overall our experience is showing that the more we are able to integrate fixed, mobile and IT services and propose value added, transformational solutions to our customers, the more they are willing to entrust us with additional business. In the small and mid-sized segment, the efforts we made to simplify our offers and improve our service model are bearing fruit, with clear pick up in penetration of services per account and improved operational indicators such as first time resolution and service to sales ratios. An example of a highly successful product offering in the SME space is our Central Pro/WiFi Pro service, providing our customers with virtualized and highly scalable capabilities and enabling transformational and more efficient work practices. This service's rate of acquisition has doubled. Our strategic approach to the B2B segment, leveraged by these innovative product launches and customer success stories, clearly supports our positioning as the primary Digital Transformation Partner for the Portuguese companies, and a true integrated ICT Service Provider leader.

As regards our technological investment, our single RAN mobile upgrade is reaching the final stretch of the deployment programme with close to 85% of our sites already upgraded. In modernized and optimized cells we have witnessed an average reduction in refused call rates of more than 20%, of almost 30% in dropped call rates and average throughput has increased by more than 2x. FttH deployment is running according to plan and by the end of 1Q19 we had reached total fixed coverage of 4.482 million households, 1.105 million of which with FttH access technology. Of these, we wholesale approximately 280 thousand from a regional fibre operator, DST and the remainder are a combination of own legacy FttH deployment and households received within the context of our network sharing agreement with Vodafone which entails the exchange of approximately 2.6 million FttH households until 2022 to reach 70% FttH penetration of our fixed network by that time. The network sharing agreement is progressing well and we have been exchanging FttH households according to plan. By the end of this year, we expect to have reached our peak coverage of close to 4.7 million households. Since 2015, NOS has increased its FttH footprint by more than 100 municipalities, reaching 248 in total with its 1 Gbps network.

Operating Indicators ('000)	1Q18	1Q19	1Q19 / 1Q18
Telco [1]			
Aggregate Indicators			
Homes Passed	4,108.5	4,482.4	9.1%
Total RGUs	9,440.6	9,556.5	1.2%
Mobile	4,700.0	4,749.5	1.1%
Pre-Paid	2,057.7	1,995.0	(3.0)%
Post-Paid	2,642.4	2,754.5	4.2%
Pay TV Fixed Access [2]	1,295.0	1,326.3	2.4%
Pay TV DTH	319.6	290.5	(9.1)%
Fixed Voice	1,755.0	1,771.5	0.9%
Broadband	1,339.7	1,386.8	3.5%
Others and Data	31.1	31.8	2.2%
3,4&5P Subscribers (Fixed Access)	1,120.4	1,169.9	4.4%
% 3,4&5P (Fixed Access)	86.5%	88.2%	1.7pp
Convergent RGUs	3,753.9	3,918.4	4.4%
Convergent Customers	737.5	770.0	4.4%
Fixed Convergent Customers as % of Fixed Access Customers	48.5%	50.7%	2.2pp
% Convergent Customers	45.7%	47.6%	2.0pp
Net Adds			
Homes Passed	14.5	55.0	278.1%
Total RGUs	40.6	(24.0)	n.a.
Mobile	30.0	(18.2)	n.a.
Pre-Paid	(22.0)	(34.3)	55.6%
Post-Paid	52.0	16.1	(69.1)%
Pay TV Fixed Access	2.8	1.8	(36.0)%
Pay TV DTH	(4.7)	(8.4)	76.0%
Fixed Voice	2.2	(2.8)	n.a.
Broadband	10.1	3.4	(66.2)%
Others and Data	0.3	0.1	(48.3)%
3,4&5P Subscribers (Fixed Access)	8.3	6.6	(19.8)%
Convergent RGUs	103.3	19.2	(81.4)%
Convergent Customers	16.0	3.0	(81.3)%

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

Operating Indicators ('000)	1Q18	1Q19	1Q19 / 1Q18
Telco [1]			
Indicators per Segment			
Consumer			
Total RGUs	7,960.7	8,044.3	1.1%
Pay TV Fixed Access	1,195.2	1,221.1	2.2%
Pay TV DTH	293.3	266.1	(9.3)%
Broadband	1,212.7	1,252.3	3.3%
Fixed Voice	1,411.6	1,420.3	0.6%
Mobile	3,847.9	3,884.5	1.0%
ARPU / Unique Subscriber With Fixed Access (Euros)	44.2	44.1	(0.2)%
Net Adds			
Total RGUs	14.2	(34.0)	n.a.
Pay TV Fixed Access	1.6	0.4	(76.0)%
Pay TV DTH	(4.4)	(7.5)	70.0%
Broadband	9.1	1.7	(81.8)%
Fixed Voice	0.4	(6.0)	n.a.
Mobile	7.6	(22.5)	n.a.
Business			
Total RGUs	1,479.9	1,512.2	2.2%
Pay TV	126.2	129.6	2.7%
Broadband	158.2	166.3	5.2%
Fixed Voice	343.4	351.2	2.3%
Mobile	852.2	865.0	1.5%
ARPU per RGU (Euros)	14.7	14.8	0.3%
Net Adds			
Total RGUs	26.4	10.0	(62.1)%
Pay TV	0.9	0.6	(36.0)%
Broadband	1.3	1.9	50.5%
Fixed Voice	1.9	3.2	72.7%
Mobile	22.3	4.3	(80.8)%
Cinema [1]			
Revenue per Ticket (Euros)	4.9	5.2	6.7%
Tickets Sold	2,183.5	1,847.2	(15.4)%
Screens (units)	219	218	(0.5)%

(1) Portuguese Operations

Cinema and Audiovisuals

Operating Indicators ('000)	1Q18	1Q19	1Q19 / 1Q18
Cinema (1)			
Revenue per Ticket (Euros)	4.9	5.2	6.7%
Tickets Sold - NOS	2,183.5	1,847.2	(15.4%)
Tickets Sold - Total Portuguese Market (2)	3,715.1	3,075.9	(17.2%)
Screens (units)	219	218	(0.5%)

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

NOS' Cinema ticket sales posted a yoy decline of 15.4% to 1.847 million in 1Q19, reflecting the negative performance of the market as a whole[1], which declined by 17.2%, due to less blockbuster box office hits in comparison with 1Q18 and to the fact that part of the Easter holidays fell in the first quarter in 2018. Average revenue per ticket improved by 6.7% yoy to 5.2 euros in 1Q19. The most successful films exhibited in 1Q19 were "Captain Marvel", "How To Train Your Dragon: The Hidden World", "Green Book", "Alita: Battle Angel" and "The Mule".

NOS' gross box-office revenues decreased by 15.8% in 1Q19, compared with a 17.2% yoy drop for the market as a whole. NOS continues to maintain its leading market position.

In the Audiovisuals arena, NOS distributed 8 of the top 10 cinema box-office hits in 1Q19, "Captain Marvel", "How To Train Your Dragon: The Hidden World", "The Mule", "Glass", "Astérix: The Secret Of The Magic Potion", "Creed II", "Cold Pursuit" and "Aquaman", therefore maintaining its leadership position in Cinema Distribution.

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

Consolidated Financial Review

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

As from 1Q19, NOS' accounts are reported applying IFRS16, primarily affecting the accounting of operating lease contracts. Restated values for the corresponding periods in 2018 are presented in this report and are the basis for all comparisons made.

Consolidated Financial Statements

Profit and Loss Statement (Millions of Euros)	1Q18	1Q19	1Q19 / 1Q18
Operating Revenues	383.0	385.3	0.6%
Telco	365.7	369.8	1.1%
Consumer Revenues	240.4	241.2	0.3%
Business and Wholesale Revenues	109.0	112.4	3.2%
Others and Eliminations	16.3	16.2	(0.5%)
Audiovisuals & Cinema (1)	27.2	25.8	(5.0%)
Others and Eliminations	(9.8)	(10.3)	4.7%
Operating Costs Excluding D&A	(225.6)	(224.6)	(0.5%)
Direct Costs	(128.2)	(129.4)	0.9%
Non-Direct Costs (2)	(97.4)	(95.2)	(2.3%)
EBITDA (3)	157.4	160.7	2.1%
EBITDA Margin	41.1%	41.7%	0.6pp
Telco	143.6	147.4	2.6%
EBITDA Margin	39.3%	39.9%	0.6pp
Cinema Exhibition and Audiovisuals	13.7	13.3	(3.2%)
EBITDA Margin	50.6%	51.6%	1.0pp
Depreciation and Amortization	(114.2)	(97.3)	(14.8%)
(Other Expenses) / Income	12.1	(3.3)	n.a.
Operating Profit (EBIT) (4)	55.3	60.1	8.7%
Share of results of associates and joint ventures	(6.3)	0.2	n.a.
(Financial Expenses) / Income	(8.2)	(6.4)	(22.2%)
Income Before Income Taxes	40.7	53.9	32.3%
Income Taxes	(6.0)	(11.5)	90.9%
Net Income Before Associates & Non-Controlling Interests	41.0	42.2	2.9%
Income From Continued Operations	34.7	42.4	22.2%
o.w. Attributable to Non-Controlling Interests	0.3	0.1	(65.3%)
Net Income	34.9	42.5	21.5%

(1) Includes cinema operations in Mozambique.
(2) Non-Direct Costs Include Commercial & Customer Related Costs and Operating & Structure Costs
(3) EBITDA = Operating Profit + Depreciation and Amortization + Integration Costs + Net Losses/Gains on Disposal of Assets + Other Non-Recurrent Losses/Gains
(4) EBIT = Income Before Financials and Income Taxes.

Revenues

Consolidated Revenues grew by 0.6% yoy to 385.3 million euros, with growth in core telco revenues of 1.1% to 369.8 million euros and a decline of 5% in audiovisuals and cinema revenues to 25.8 million euros.

Within the telco division, consumer revenues grew by 0.3% yoy to 241.2 million euros and Business and Wholesale Revenues by 3.2% to 112.4 million euros. The 44% cut in regulated MTRs as from July 2018 continues to have an impact on comparability – adjusting for this effect, total Consumer revenues would have grown by 1.3% and Business and Wholesale Revenues by 3.6%. Also placing some drag on customer revenues was the lower average premium sports channel subscriber base yoy.

Focusing on the Consumer segment, revenues from fixed residential services increased by close to 2%, supported by the higher average base of customers yoy. The increase in fixed revenues helped to offset a more than 10% decline in revenues from the DTH segment, due to the migration of DTH customers to fixed access solutions, as discussed in the operational review above. Personal revenues grew by close to 4% yoy driven by the higher average subscriber base yoy and to a lesser extent by equipment sales with a higher average price of handsets sold.

Business and Wholesale revenues increased by 3.2% yoy to 112.4 million euros led by growth in Business Revenues of around 0.7% and of 7.5% in Wholesale Revenues. Within the Business segment, customer revenues grew by 4.4% however, this momentum was diluted by the significant decline in operator revenues due to regulatory cut in MTRs. Growth in both large corporate and smaller business revenues is very positive and, in the mid-sized business segment, growth is trending gradually positive, all of which led by a focus on value and service differentiation through more sales of IT and data related services.

A strong quarter for Mass Calling Services led to another good quarter for wholesale revenues, reflecting similar yoy growth as the previous quarter, along with growth in lower margin voice traffic. However this segment is characterized by high quarterly volatility as a function of relatively short-term operator contracts registered during the period.

Our Audiovisuals and Cinema division posted a decline in revenues of 5% yoy to 25.8 million euros. This was driven mostly by the negative cinema spectator numbers in the quarter, as was the case for the whole sector as explained in the operating section above, leading to cinema revenues declining by 8.4% yoy, despite the 15.4% decline in attendance. Audiovisual distribution revenues were only marginally down yoy by 1.3%.

OPEX

Total OPEX fell by 0.5% yoy to 224.6 million euros in 1Q19 reflecting a combination of 0.9% growth in Direct Costs to 129.4 million euros, which was more than offset by a decline of 2.3% in non-Direct Costs. Overall cost discipline enabled growth in EBITDA of 2.1% to 160.7 million euros and an expansion in EBITDA margin to 41.7% compared with 41.1% in 1Q18. Core Telco EBITDA posted a stronger rate of growth yoy of 2.6% to 147.4 million euros however, this was diluted on a consolidated basis due to the weaker operating performance of the audiovisuals and cinema division in the quarter which posted a 3.2% decline in EBITDA to 13.3 million euros.

Within direct costs, most items were relatively flat yoy and in some cases posted marginal declines as was the case of traffic related costs due primarily to lower MTR costs, and programming costs. The direct cost item that grew this quarter was IT related project costs associated with our Corporate segment and Cost of Goods Sold reflecting the higher average value of terminal equipment being sold.

Within non-direct costs, continued cost efficiency and some phasing effects drove a decline of 2.3% yoy to 95.2 million euros in 1Q19. Customer related costs fell by 6.8% yoy to 16.1 million euros led by efficiencies yoy in a number of areas such as call centre and customer care costs, lower billing and collections costs and lower costs related with terminal equipment maintenance. Operating and Structure Costs also declined by

2.3% to 67.4 million euros with savings in support areas and lower provisions amongst others helping to offset increases in duct and leased line rentals due to the increased size of the network. Some of yoy savings already reflect work being done within the operational transformation programme aimed at simplifying and digitalizing processes wherever possible as a means of increasing customer satisfaction and ultimately reduce costs. Overall contribution is still small given the early stage of the programme with value captured expected to ramp up beyond 2020 once the majority of project streams are up and running.

Depreciation and Amortization was 14.8% lower yoy at 97.3 million euros due, as in the last quarter, to lower yoy impact from impairment of existing mobile network equipment within the context of the major mobile upgrade project being deployed.

Consolidated Operating Profit (EBIT) was 8.7% higher yoy at 60.1 million euros due to the yoy increase in EBITDA and decline in Depreciation and Amortization and despite the recording of a non-recurrent positive contribution in 1Q18 from a legal settlement in favour of NOS regarding a regulatory dispute over operator termination rate charges which led to a decline in Other Expenses yoy of 15.4 million euros to negative 3.3 million euros, compared with positive 12.1 million euros in 1Q18.

Below EBIT, Share of Results of Associates and Joint Ventures posted a significant yoy improvement of 6.5 million euros to 0.2 million euros, an improvement explained almost entirely by the impact last year of a 30% currency devaluation in Angola, in January 2018. Financial Expenses also posted an improvement from 8.2 million euros in 1Q18 to 6.4 million euros in 1Q19 benefitting, as in previous quarters, from a lower average cost of debt. The increase in tax provision in 1Q19 to 11.5 million euros was led by the higher level of Earnings before Tax and Associates and a higher effective tax rate due to a timing differential when recognizing deferred taxes. Net Income therefore increased by 21.5% in comparison with 1Q18 to 42.5 million euros.

CAPEX

CAPEX (Millions of Euros) (1)	1Q18	1Q19	1Q19 / 1Q18
Total CAPEX Excluding Leasing Contracts	87.6	87.3	(0.4%)
Telco	80.8	81.7	1.2%
% of Telco Revenues	22.1%	22.1%	0.0pp
o.w. Technical CAPEX	48.6	44.9	(7.6%)
% of Telco Revenues	13.3%	12.1%	(1.1pp)
Baseline Telco	30.4	32.8	7.9%
Network Expansion / Substitution and Integration Projects and Others	18.2	12.1	(33.4%)
o.w. Customer Related CAPEX	32.2	36.8	14.5%
% of Telco Revenues	8.8%	10.0%	1.2pp
Audiovisuals and Cinema Exhibition	6.8	5.5	(19.2%)
Leasing Contracts	11.5	3.7	(67.6%)
Total Group CAPEX	99.1	91.0	(8.2%)

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

Total CAPEX of 91 million euros was 8.2% lower yoy in 1Q19, representing 23.6% as a proportion of Consolidated Revenues. With implementation of IFRS16 as from 2019, the level of operational leasing contracts is now isolated in this report to provide a better proxy of cash CAPEX for the period and try to reduce quarterly volatility resulting from operating lease capitalization under the new accounting rules.

Total Telco CAPEX posted a 1.2% increase to 81.7 million euros (22.1% of Telco Revenues). Technical Telco investments reduced by 7.6% yoy to 44.9 million euros, (12.1% of Telco Revenues).

Audiovisuals and Cinema CAPEX declined by 19.2% yoy to 5.5 million euros due primarily to the weaker activity in the quarter as discussed in the operating review above.

Cash Flow

Cash Flow (Millions of Euros)	1Q18	1Q19	1Q19 / 1Q18
EBITDA	157.4	160.7	2.1%
Total CAPEX Excluding Leasings	(87.6)	(87.3)	(0.4%)
EBITDA - Total CAPEX Excluding Leasings	69.7	73.5	5.3%
% of Revenues	18.2%	19.1%	0.9pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(13.5)	(8.3)	(37.9%)
Leasings (Capital & Interest) (1)	(13.7)	(16.0)	16.4%
Operating Cash Flow	42.5	49.1	15.4%
Interest Paid	(5.3)	(3.0)	(44.6%)
Income Taxes Paid	3.3	(0.4)	n.a.
Disposals	0.2	0.4	149.6%
Other Cash Movements (2)	(2.7)	(3.3)	n.a.
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	38.0	42.9	12.9%
Acquisition of Own Shares	(3.1)	0.0	(100.0%)
Dividends	0.0	0.0	n.a.
Free Cash Flow	34.9	42.9	22.9%
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(1.7)	(3.4)	103.6%
Change in Net Financial Debt	(33.2)	(39.5)	18.9%

(1) Includes Long Term Contracts.
(2) Includes Cash Restructuring Payments and Other Cash Movements.

As with CAPEX, the implementation of the IFRS16 accounting standard as from 2019 has introduced some changes to the presentation of aggregates in our cash flow discussion to facilitate yoy comparisons and understanding of cash flow trends.

EBITDA-CAPEX excluding the impact of leases, increased by 5.3% to 73.5 million euros, while the level of investment in working capital and non-cash adjustments in EBITDA-CAPEX declined by 5.1 million euros. The cash impact of leasing contracts, relating to both components of capital amortization and interest charges, was 16 million euros in 1Q19, up from 13.7 million euros in 1Q18. Combining these effects, Operating Cash Flow increased by 15.4% to 49.1 million euros in 1Q19. Interest paid was lower by 44.6% due essentially to a difference in the timing of coupon payments in comparison with 1Q18 and to the lower average cost of debt yoy. Cash Taxes increased by 3.7 million euros yoy explained primarily by a one-off recovery of withholding tax payments in 1Q18 which generated a positive cash tax.

As a result of the aforementioned yoy variations in cash items, total FCF before dividends amounted to 42.9 million euros recording an increase of 12.9% yoy, reflecting strong cash conversion capability and providing a strong platform for sustainable shareholder remuneration progression.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	1Q18	2018	1Q19	1Q19 / 1Q18
Non-current Assets	2,526.1	2,528.7	2,510.5	(0.6%)
Current Assets	581.8	530.1	518.7	(10.8)%
Total Assets	3,107.9	3,058.8	3,029.2	(2.5)%
Total Shareholders' Equity	1,105.2	1,053.6	1,098.1	(0.6)%
Non-current Liabilities	1,292.3	1,164.2	1,147.6	(11.2)%
Current Liabilities	710.5	841.0	783.6	10.3%
Total Liabilities	2,002.8	2,005.2	1,931.2	(3.6)%
Total Liabilities and Shareholders' Equity	3,107.9	3,058.8	3,029.2	(2.5)%

Capital Structure and Funding

Net Financial Debt (Millions of Euros) (1)	1Q18	2018	1Q19	1Q19 / 1Q18
Short Term	99.3	219.7	180.3	81.6%
Medium and Long Term	920.8	825.4	826.1	(10.3%)
Total Debt	1,020.1	1,045.1	1,006.4	(1.3%)
Cash and Short Term Investments	2.3	2.2	3.0	26.8%
Net Financial Debt	1,017.7	1,042.9	1,003.4	(1.4%)
Net Financial Debt / EBITDA after lease payments (last 4 quarters) (2)	1.8x	1.9x	1.8x	n.a.
Leasings and Long Term Contracts	264.0	252.4	240.6	(8.9%)
Net Debt	1,281.7	1,295.2	1,244.0	(2.9%)
Net Debt / EBITDA	2.1x	2.1x	2.0x	n.a.
Net Financial Gearing (3)	53.9%	55.3%	53.3%	(0.6pp)

(1) Net Financial Debt = Borrowings – Leasings + Cash
(2) EBITDA After Lease Payments = EBITDA - Lease Cash Payments (Capital & Interest)
(3) Net Financial Gearing = Net Debt / (Net Debt + Total Shareholders' Equity).

At the end of 1Q19, Total Net Debt, including leasings and long term contracts (according to IFRS 16) amounted to 1,244.0 million euros. Total Debt was 1,246.9 million euros, which was offset with a cash and short-term investment position on the balance sheet of 3.0 million euros. At the end of 1Q19, NOS also had 255 million euros of unissued commercial paper programmes. The all-in average cost of debt stood at 1.7% for 1Q19, which compares with 2.0% in 1Q18 and 1.6% in 4Q18.

Net Financial Debt / EBITDA after lease payments (last 4 quarters) now stands at 1.8x. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that we are committed to maintain. The average maturity of Debt at the end of 1Q19 was 2.7 years.

Taking into account the loans issued at a fixed rate, the interest rate hedging operations in place, and the negative interest rate environment, as at 31 March 2019, the proportion of NOS' issued debt paying interest at a fixed rate is approximately 80%.

Consolidated Financial Statements

Consolidated statement of financial position at 31 March 2018, 31 December 2018 and 31 March 2019

(Amounts stated in thousands of euros)

	NOTES	31-03-2018 REPORTED	31-12-2018 REPORTED	31-03-2018 RESTATED	31-12-2018 RESTATED	31-03-2019
ASSETS						
NON - CURRENT ASSETS						
Tangible assets	7	1,039,819	1,053,663	1,003,851	1,026,355	1,029,593
Investment property		661	659	661	659	658
Intangible assets	8	1,070,676	1,064,878	1,019,047	1,019,256	1,018,924
Contract costs	9	167,258	162,948	167,258	162,948	164,381
Rights of use	10	-	-	202,878	200,483	189,557
Investments in jointly controlled companies and associated companies	11	23,340	19,585	23,340	19,585	20,014
Accounts receivable - other	12	5,548	7,334	5,548	4,529	4,542
Tax receivable	13	149	149	149	149	149
Available-for-sale financial assets		191	204	191	204	209
Deferred income tax assets	14	95,719	85,641	103,189	94,404	82,318
Derivative financial instruments	19	-	112	-	112	166
TOTAL NON - CURRENT ASSETS		2,403,361	2,395,174	2,526,111	2,528,684	2,510,512
CURRENT ASSETS:						
Inventories	15	31,327	38,885	31,327	38,885	42,062
Accounts receivable - trade	16	485,963	382,100	485,963	382,100	339,097
Contract assets	17	-	57,022	-	57,022	60,480
Accounts receivable - other	12	11,123	9,418	11,123	9,164	21,669
Tax receivable	13	1,223	1,246	1,223	1,246	3,320
Prepaid expenses	18	49,841	38,844	49,841	38,844	48,402
Non-current assets held-for-sale	19	-	600	-	600	600
Derivative financial instruments	19	24	73	24	73	154
Cash and cash equivalents	20	2,330	2,182	2,330	2,182	2,954
TOTAL CURRENT ASSETS		581,832	530,370	581,832	530,116	518,738
TOTAL ASSETS		2,985,193	2,925,543	3,107,943	3,058,800	3,029,250
SHAREHOLDER'S EQUITY						
Share capital	21.1	5,152	5,152	5,152	5,152	5,152
Capital issued premium	21.2	854,219	854,219	854,219	854,219	854,219
Own shares	21.3	(12,263)	(12,132)	(12,263)	(12,132)	(8,134)
Legal reserve	21.4	1,030	1,030	1,030	1,030	1,030
Other reserves and accumulated earnings	21.4	241,206	86,909	214,574	60,276	196,158
Net Income		33,778	141,405	34,945	137,770	42,461
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,123,122	1,076,582	1,097,656	1,046,315	1,090,886
Non-controlling interests	22	7,536	7,301	7,526	7,296	7,196
TOTAL EQUITY		1,130,657	1,083,883	1,105,183	1,053,611	1,098,082
LIABILITIES						
NON - CURRENT LIABILITIES						
Borrowings	23	1,000,395	888,918	1,123,749	1,014,364	1,002,106
Provisions	24	141,572	128,815	141,572	128,815	127,020
Accounts payable	28	14,145	9,723	14,145	9,723	7,632
Accrued expenses	25	8,231	688	252	688	293
Deferred income	26	3,703	5,521	3,703	5,521	5,418
Derivative financial instruments	19	2,505	-	2,505	-	-
Deferred income tax liabilities	14	6,380	5,968	6,380	5,123	5,139
TOTAL NON - CURRENT LIABILITIES		1,176,932	1,039,632	1,292,306	1,164,233	1,147,609
CURRENT LIABILITIES:						
Borrowings	23	126,739	244,134	160,329	283,061	244,837
Accounts payable - trade	27	228,649	254,950	228,649	254,950	243,341
Accounts payable - other	28	41,213	38,226	41,213	38,226	40,149
Tax payable	13	29,400	33,783	29,400	33,783	31,293
Accrued expenses	25	222,862	197,052	222,122	197,052	191,113
Deferred income	26	28,669	32,671	28,669	32,671	32,005
Derivative financial instruments	19	73	1,211	73	1,211	822
TOTAL CURRENT LIABILITIES		677,604	802,028	710,454	840,955	783,559
TOTAL LIABILITIES		1,854,536	1,841,661	2,002,760	2,005,189	1,931,168
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		2,985,193	2,925,543	3,107,943	3,058,800	3,029,250

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

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 31 March 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of income by nature
for the quarters ended on 31 March 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	3M 18 REPORTED	3M 18 RESTATED	3M 19
REVENUES:				
Services rendered		355,611	355,611	360,880
Sales		20,104	20,104	19,424
Other operating revenues		7,288	7,288	5,012
	29	383,002	383,002	385,316
COSTS, LOSSES AND GAINS:				
Wages and salaries	30	19,978	19,978	20,162
Direct costs	31	122,265	121,062	122,224
Costs of products sold	32	13,496	13,496	13,916
Marketing and advertising		6,275	6,275	6,289
Support services	33	22,456	22,420	20,979
Supplies and external services	33	39,126	29,744	28,852
Other operating losses / (gains)		156	156	121
Taxes		8,374	8,374	8,764
Provisions and adjustments	34	4,142	4,142	3,294
Depreciation, amortisation and impairment losses	7, 8 and 36	107,101	114,216	97,320
Reestructuring costs		1,315	1,315	1,913
Losses / (gains) on sale of assets, net		(45)	(45)	(182)
Other losses / (gains) non recurrent net	37	(13,390)	(13,390)	1,592
		331,249	327,744	325,244
INCOME BEFORE FINANCIAL RESULTS AND TAXES		51,754	55,259	60,072
Net losses / (gains) of affiliated companies	11 and 35	6,314	6,314	(198)
Financial costs	38	4,665	6,853	5,628
Net foreign exchange losses / (gains)		187	187	51
Net losses / (gains) on financial assets		-	-	(3)
Net other financial expenses / (income)	38	1,392	1,199	731
		12,558	14,554	6,208
INCOME BEFORE TAXES		39,196	40,706	53,864
Income taxes	14	5,681	6,022	11,493
NET CONSOLIDATED INCOME		33,515	34,684	42,371
ATTRIBUTABLE TO:				
NOS Group Shareholders		33,778	34,945	42,461
Non-controlling interests	22	(263)	(260)	(90)
EARNINGS PER SHARES				
Basic - euros	39	0.07	0.07	0.08
Diluted - euros	39	0.07	0.07	0.08

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

The Notes to the Financial Statements form an integral part of the consolidated statement of income by nature for the quarter ended on 31 March 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of comprehensive income for the quarters ended on 31 March 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	3M 18 REPORTED	3M 18 RESTATED	3M 19
NET CONSOLIDATED INCOME		33,515	34,684	42,371
OTHER INCOME				
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:				
Accounting for equity method	11	(7,223)	(7,223)	234
Fair value of interest rate swap	19	172	172	389
Deferred income tax - interest rate swap	19	(39)	(39)	(88)
Fair value of equity swaps	19	(361)	(361)	35
Deferred income tax - equity swap	19	81	81	(8)
Currency translation differences and others		(745)	(745)	(20)
INCOME RECOGNISED DIRECTLY IN EQUITY		(8,115)	(8,115)	542
TOTAL COMPREHENSIVE INCOME		25,400	26,568	42,913
ATTRIBUTABLE TO:				
NOS Group Shareholders		25,663	26,840	43,003
Non-controlling interests		(263)	(272)	(90)
		25,400	26,568	42,913

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

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the quarter ended on 31 March 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of changes in shareholders' equity for the quarters ended on 31 March 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS						NON - CONTROLLING INTERESTS	TOTAL
		SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME		
BALANCE AS AT 1 JANUARY 2018 (RESTATED AT 31 DECEMBER 2018)		5,152	854,219	(12,681)	1,030	129,504	122,083	7,807	1,107,113
Effect of adoption of IFRS 16 (Note 2.1)		-	-	-	-	(30,969)	4,337	(11)	(26,643)
BALANCE AS AT 1 JANUARY 2018 (RESTATED AT 31 MARCH 2019)		5,152	854,219	(12,681)	1,030	98,534	126,420	7,796	1,080,470
Result appropriation									
Transfers to reserves		-	-	-	-	126,420	(126,420)	-	-
Aquisition of own shares		-	-	(3,096)	-	-	-	-	(3,096)
Distribution of own shares - share incentive scheme		-	-	3,411	-	(3,411)	-	-	-
Distribuition of own shares - other remunerations		-	-	103	-	(20)	-	-	83
Share Plan - costs incurred in the period and others		-	-	-	-	1,165	-	(8)	1,157
Comprehensive Income		-	-	-	-	(8,115)	34,945	(263)	26,568
BALANCE AS AT 31 MARCH 2018 (RESTATED IFRS 16)		5,152	854,219	(12,263)	1,030	214,574	34,945	7,526	1,105,183
BALANCE AS AT 1 JANUARY 2019 (REPORTED)		5,152	854,219	(12,132)	1,030	86,909	141,405	7,301	1,083,883
Effect of adoption of IFRS 16 (Note 2.1)		-	-	-	-	(26,633)	(3,635)	(5)	(30,273)
BALANCE AS AT 1 JANUARY 2019 (RESTATED)		5,152	854,219	(12,132)	1,030	60,276	137,770	7,296	1,053,611
Result appropriation									
Transfers to reserves		-	-	-	-	137,770	(137,770)	-	-
Distribution of own shares - share incentive scheme	21.3	-	-	3,659	-	(3,659)	-	-	-
Distribuition of own shares - other remunerations	21.3	-	-	339	-	(13)	-	-	326
Share Plan - costs incurred in the period and others	43	-	-	-	-	1,242	-	(10)	1,232
Comprehensive Income		-	-	-	-	542	42,461	(90)	42,913
BALANCE AS AT 31 MARCH 2019		5,152	854,219	(8,134)	1,030	196,158	42,461	7,196	1,098,082

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

The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the quarter ended on 31 March 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of cash flows for the quarters ended on 31 March 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	3M 18 REPORTED	3M 18 RESTATED	3M 19
OPERATING ACTIVITIES				
Collections from clients		434,399	434,399	498,332
Payments to suppliers		(236,013)	(225,040)	(266,517)
Payments to employees		(24,646)	(24,646)	(25,507)
Receipts / (Payments) relating to income taxes		3,337	3,337	(390)
Other cash receipts / (payments) related with operating activities		(11,369)	(11,369)	(30,179)
CASH FLOW FROM OPERATING ACTIVITIES (1)		165,708	176,681	175,739
INVESTING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Financial investments	11	-	-	91
Tangible assets		148	148	491
Intangible assets		10	10	-
Interest and related income		1,218	1,218	1,524
		1,376	1,376	2,106
PAYMENTS RESULTING FROM				
Tangible assets		(76,020)	(76,020)	(68,697)
Intangible assets		(43,614)	(43,614)	(46,145)
		(119,634)	(119,634)	(114,842)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(118,258)	(118,258)	(112,736)
FINANCING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Borrowings		37,099	37,099	4,000
		37,099	37,099	4,000
PAYMENTS RESULTING FROM				
Borrowings		(50,000)	(50,000)	(31,000)
Lease rentals (principal)		(4,018)	(12,803)	(15,270)
Interest and related expenses		(7,309)	(9,497)	(6,962)
Aquisition of own shares	21.3	(3,096)	(3,096)	-
		(64,424)	(75,397)	(53,232)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(27,325)	(38,298)	(49,232)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		20,125	20,125	13,771
Effect of exchange differences		(45)	(45)	(16)
Cash and cash equivalents at the beginning of the year		(38,775)	(38,775)	(17,754)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(18,696)	(18,696)	(3,999)
Cash and cash equivalents	20	2,330	2,330	2,954
Bank overdrafts	23	(21,026)	(21,026)	(6,953)
		(18,696)	(18,696)	(3,999)

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

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the quarter ended on 31 March 2019.

The Chief Accountant

The Board of Directors

Notes to the consolidated financial statements as at 31 March 2019

(Amounts stated in thousands of euros, unless otherwise stated)

1. Introductory Note

NOS, SGPS, S.A. ("NOS", "NOS SGPS" or "Company"), formerly named ZON OPTIMUS, SGPS, S.A. ("ZON OPTIMUS") and until 27 August 2013, named ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("ZON"), with Company headquarters registered at Rua Actor António Silva, nº9, Campo Grande, was established by Portugal Telecom, SGPS, S.A. ("Portugal Telecom") on 15 July 1999 for the purpose of implementing its multimedia business strategy.

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

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

On 20 September 2014, because of the launch of the new brand "NOS" on 16 May 2014, the General Meeting of Shareholders approved the change of the Company's name to NOS, SGPS, S.A..

The businesses operated by NOS and its associated companies, form the "NOS Group" or "Group", which includes cable and satellite television services, voice and Internet access services, video production and sale, advertising on Pay TV channels, cinema exhibition and distribution, the production of channels for Pay TV, management of datacentres and consulting services in IT.

NOS shares are listed on the Euronext Lisbon market. The shareholders' structure of the Group as at 31 March 2019 is shown in Note 21.

Cable and satellite television in Portugal is mainly provided by NOS Comunicações, S.A. ("NOS SA") and its subsidiaries, NOS Açores and NOS Madeira. These companies carry out: a) cable and satellite television distribution; b) the operation of the latest generation mobile communication network, GSM/UMTS/LTE; c) the operation of electronic communications services, including data and multimedia communication services in general; d) IP voice services ("VOIP" - Voice over IP); e) Mobile Virtual Network Operator ("MVNO"), and f) the provision of consultancy and similar services directly or indirectly related to the above mentioned activities and services. The business of NOS SA, NOS Açores and NOS Madeira is regulated by Law no. 5/2004 (Electronic Communications Law), which establishes the legal regime governing electronic communications networks and services.

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

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

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

NOS Inovação main activities are conducting and stimulating scientific activities of R&D (it owns all the intellectual property developed within the NOS Group, intending to guarantee the return of the initial investment through the commercialization of patents and concessions regarding commercial operation, as a result of the creation of new products and services), the demonstration, disclosure, technology and training transfers in the services and information management domains as well as fixed and mobile solutions of the latest generation of TV, internet, voice and data solutions.

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

The consolidated financial statements for the quarter ended on 31 March 2019 were approved by the Board of Directors and their issue authorised on 8 May 2019.

The Board of Directors believes that these financial statements give a true and fair view of the Group's operations, financial performance, and consolidated cash flows.

2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are described below. These policies were consistently applied to all the financial years presented, unless otherwise stated.

2.1. Principles of presentation

The consolidated financial statements of NOS were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), adopted by the European Union, in force as at 1 January 2019.

These consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Consequently, these financial statements do not include all the information required by IFRS and should therefore be read in conjunction with the consolidated financial statements for the year ended on 31 December 2018.

The consolidated financial statements are presented in euros as this is the main currency of the Group's operations and all amounts are presented in thousands of euros, except when referred to the financial statements of subsidiaries located abroad were converted into euros in accordance with the accounting policies described in Note 2.3.19.

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 when necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value (Note 2.3.22).

In preparing the consolidated financial statements in accordance with IFRS, the Board used estimates, assumptions, and critical judgments with impact on the value of assets and liabilities and the recognition of income and costs in each reporting period. Although these estimates were based on the best information available at the date of preparation of the consolidated financial statements, current and future results may differ from these estimates. The areas involving a higher element of judgment and estimates are described in Note 3.

The group presents a statement of financial position at the beginning of the previous comparative period when there is a retrospective application of an accounting policy, a retrospective restatement or a material reclassification of items in the financial statements. A statement of financial position is presented as 1 January 2018 due to retrospective application of accounting policies because of the adoption of the new accounting standard (IFRS 16).

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 2019 are as follows:

- IAS 19 (amendment), "Plan amendment, curtailment, or settlement" (effective for periods beginning on or after 1 January 2019, and early application is permitted). The objective of the amendment is to harmonise the accounting practices and provide relevant information on decision-making.
- IAS 28 (amendment): "Clarification that measuring associates at fair value through profit or loss is a choice that is made for each investment" that is effective for periods beginning on or after 1 January 2019. The improvement clarified that (i) a company that is a risk capital company, or any other qualifying company, might choose to measure, its investments in associates and/or joint ventures at fair value through profit or loss at the moment of initial recognition and in relation to each investment. (ii) If a company that is not itself an investment entity holds an interest in an associate or joint venture that is an investment entity, the company might decide to maintain the fair value that those associates apply when measuring its subsidiaries by the application of the equity method. This option is taken separately for each investment on the later date considering (a) the initial recognition of the investment in that subsidiary; (b) this subsidiary as becoming an investment entity; and (c) when that subsidiary will be a parent company.
- IFRIC 23 (interpretation): "Uncertainty over Income Tax Treatments" (effective for periods beginning on or after 1 January 2019). The interpretation addresses accounting for income taxes, when there is uncertainty over income tax treatments that affect the application of the IAS 12. The interpretation is not applicable to taxes and charges that are outside the scope of the IAS 12, nor include specific requirements relating to interest and penalties associated with uncertainty over tax treatments.
- IFRS 9 (amendment): "Prepayment features with negative compensation" (effective for periods beginning on or after 1 January 2019). Amendments to IFRS 9 clarify that a financial asset meets the SPPI criteria regardless of the event or circumstances that caused the anticipated termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract.
- IFRS 16 (new), "Leases" (effective for annual periods beginning on or after 1 January 2019, with the option of early application). This standard sets out recognition, presentation, and disclosure of leasing contracts, defining a single accounting model. Aside from lower contracts than 12 months and low value (optional), leases should be accounted as an asset and a liability.
- Improvements to International Financial Reporting Standards (2015-2017 cycle) that is effective for periods beginning on or after 1 January 2019. The improvements involve the review of the IFRS 3 Business combination - interest previously held in a joint operation, IFRS 11 Joint arrangements - interest previously held in a joint operation, IAS 12 Income taxes – consequences for income tax resulting from payments for financial instruments, which are classified as equity instruments and IAS 23 Borrowing costs - borrowing costs eligible for capitalisation.

Material impacts on the consolidated financial statements of the group of the application of these standards and amendments are not estimated, except for IFRS 16.

Estimated impacts of IFRS 16 – Leases

IFRS 16 was issued in October 2017 and should be applied for periods beginning on or after 1 January 2019, being the early adoption permitted. This standard establishes the form of recognition, presentation and disclosure of leases, defining a single model of recognition.

Transition

The new standard will replace all current requirements, principles of recognition, measurement, presentation and disclosure of leases prescribed in IFRS, particularly in IAS 17 - Leases and should be applied retrospectively, adopting one of the following methods:

i) complete retrospective application: it implies the restatement of all comparatives periods; or
ii) modified retrospective application: recognition of the cumulative effect, during the first period of application of the standard, as an adjustment to equity, and during the opening balance of the period when the standard is adopted.

NOS Group adopted the new standard on the effective date requested (1 January 2019), using the full retrospective method.

Leases

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

At the beginning of each contract, an entity shall evaluate and identify whether it is or contains a lease. This evaluation involves an exercise of judgment on whether each contract depends on a specific asset, if the entity obtains substantially all the economic benefits from the use of that asset and if the entity has the right to control the use of the asset.

In the case of contracts that constitute or contain a lease, entities shall account for each component of the lease contained in the contract as a lease, separately from the other components of the contract that are not leases, unless the entity applies the practical expedient foreseen in the scope of the standard. NOS Group adopted this practical expedient.

IFRS 16 establishes that lessees account for all leases based on a single on-balance model recognition, similarly to the treatment that IAS 17 establishes for financial leases.

The standard allows two exceptions to this model: (1) low value leases and (2) short term leases (with a lease term lower than 12 months). NOS Group did not adopt these exceptions.

At the start date of the lease, the lessee recognises the responsibility related to the lease payments (the lease liability) and the asset that represents the right to use the underlying asset during the lease period (the right of use or "ROU").

Lessees will have to separately recognise the cost of interest on the lease liability and the depreciation of the ROU.

Tenants should also remeasure the lease liability according to the occurrence of certain events (such as a change in the lease period, a change in future payments that result from a change in the reference rate or the rate used to determine such payments). The lessee will recognise the amount of the remeasurement of the lease liability as an adjustment in the ROU.

The lessor's accounting remains substantially unchanged from the current treatment of IAS 17. The lessor continues to classify all leases using the same principles of IAS 17 and distinguishing between two types of leases: operational and financial.

There were no additional provisions made to dismantling of assets now considered in the Rights of Use, once it is already considered in the financial statements of the previous year.

Financial impacts

The business segments in which NOS Group operates are essentially telecommunications, advertising,

cinema distribution and exhibition, and audiovisuals.

The impact of the application of IFRS 16 were in all the segments, with particular impact on leasing contracts for telecommunications towers, movie theaters, equipments, stores and vehicles.

Additionally, the application of IFRS 16, implicated a corresponding adjustment on taxes.

The impacts of the application of IFRS 16 in the consolidated financial position statements are presented in the tables below:

At 31 December 2017:

	31-12-2017 REPORTED	IFRS 16 Leases	31-12-2017 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	1,043,939	(39,917)	1,004,022
Intangible assets	1,253,398	(54,073)	1,199,325
Rights of use	-	204,920	204,920
Deferred income tax assets	107,700	7,811	115,511
Other assets	44,306	-	44,306
TOTAL NON - CURRENT ASSETS	2,449,343	118,741	2,568,084
CURRENT ASSETS:			
Accounts receivable - trade	10,366	-	10,366
Other assets	550,840	-	550,840
TOTAL CURRENT ASSETS	561,206	-	561,206
TOTAL ASSETS	3,010,549	118,741	3,129,290
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	846,690	-	846,690
Other reserves and accumulated earnings	134,873	(30,969)	103,904
Net Income	122,083	4,337	126,420
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,103,644	(26,632)	1,077,014
Non-controlling interests	7,822	(11)	7,811
TOTAL EQUITY	1,111,466	(26,643)	1,084,825
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	954,658	121,828	1,076,486
Accrued expenses	8,767	(8,139)	628
Other liabilities	182,635	-	182,635
TOTAL NON - CURRENT LIABILITIES	1,146,060	113,689	1,259,749
Borrowings	210,136	32,435	242,571
Accrued expenses	213,564	(740)	212,824
Other liabilities	329,321	-	329,321
TOTAL CURRENT LIABILITIES	753,021	31,695	784,716
TOTAL LIABILITIES	1,899,082	145,384	2,044,465
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,010,549	118,741	3,129,290

At 31 March 2018:

	31-03-2018 REPORTED	IFRS 16 Leases	31-03-2018 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	1,039,819	(35,968)	1,003,851
Intangible assets	1,070,676	(51,629)	1,019,047
Rights of use	-	202,878	202,878
Deferred income tax assets	95,719	7,470	103,189
Other assets	197,147	-	197,147
TOTAL NON - CURRENT ASSETS	2,403,361	122,750	2,526,111
CURRENT ASSETS:			
Accounts receivable - trade	491,971	-	491,971
Other assets	89,861	-	89,861
TOTAL CURRENT ASSETS	581,832	-	581,832
TOTAL ASSETS	2,985,193	122,750	3,107,943
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	847,108	-	847,108
Other reserves and accumulated earnings	242,236	(26,632)	215,604
Net Income	33,778	1,167	34,945
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,123,122	(25,466)	1,097,656
Non-controlling interests	7,536	(9)	7,526
TOTAL EQUITY	1,130,657	(25,474)	1,105,183
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	1,000,395	123,354	1,123,749
Accrued expenses	8,231	(7,979)	252
Other liabilities	168,306	-	168,306
TOTAL NON - CURRENT LIABILITIES	1,176,932	115,374	1,292,306
Borrowings	126,739	33,590	160,329
Accrued expenses	222,862	(740)	222,122
Other liabilities	328,003	-	328,003
TOTAL CURRENT LIABILITIES	677,604	32,850	710,454
TOTAL LIABILITIES	1,854,536	148,224	2,002,760
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,985,193	122,750	3,107,943

At 31 December 2018:

	31-12-2018 REPORTED	IFRS 16 Leases	31-12-2018 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	1,053,663	(27,308)	1,026,355
Intangible assets	1,064,878	(45,622)	1,019,256
Rights of use	-	200,483	200,483
Accounts receivable - other	7,334	(2,805)	4,529
Deferred income tax assets	85,641	8,763	94,404
Other assets	183,658	-	183,658
TOTAL NON - CURRENT ASSETS	2,395,174	133,510	2,528,684
CURRENT ASSETS:			
Accounts receivable - trade	9,418	(254)	9,164
Other assets	520,952	-	520,952
TOTAL CURRENT ASSETS	530,370	(254)	530,116
TOTAL ASSETS	2,925,543	133,257	3,058,800
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	847,239	-	847,239
Other reserves and accumulated earnings	87,939	(26,633)	61,306
Net Income	141,405	(3,635)	137,770
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,076,582	(30,267)	1,046,315
Non-controlling interests	7,301	(4)	7,296
TOTAL EQUITY	1,083,883	(30,272)	1,053,611
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	888,918	125,446	1,014,364
Deferred income tax liabilities	5,968	(845)	5,123
Other liabilities	144,746	-	144,746
TOTAL NON - CURRENT LIABILITIES	1,039,632	124,601	1,164,233
Borrowings	244,134	38,927	283,061
Other liabilities	557,894	-	557,894
TOTAL CURRENT LIABILITIES	802,028	38,927	840,955
TOTAL LIABILITIES	1,841,660	163,529	2,005,189
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,925,543	133,257	3,058,800

The impacts of the application of IFRS 16 in the Consolidated Statement of Income by nature are presented in the table below:

Quarter ended on 31 March 2018

	3M 18 REPORTED	IFRS 16 Leases	3M 18 RESTATED
REVENUES:	383,002	-	383,002
COSTS, LOSSES AND GAINS:			
Direct costs	122,265	(1,203)	121,062
Support services	22,456	(36)	22,420
Supplies and external services	39,126	(9,382)	29,744
Depreciation, amortisation and impairment losses	107,100	7,116	114,216
Other costs, losses and gains	40,302	-	40,302
	331,249	(3,505)	327,744
INCOME BEFORE FINANCIAL RESULTS AND TAXES	51,753	3,505	55,259
Financial costs	4,665	2,188	6,853
Net other financial expenses / (income)	1,392	(193)	1,199
Other financial results	6,501	-	6,501
	12,558	1,995	14,554
INCOME BEFORE TAXES	39,196	1,510	40,706
Income taxes	5,681	341	6,022
NET CONSOLIDATED INCOME	33,515	1,169	34,684
ATTRIBUTABLE TO:			
NOS Group Shareholders	33,778	1,167	34,945
Non-controlling interests	(263)	2	(260)
EARNINGS PER SHARES			
Basic - euros	0.07	-	0.07
Diluted - euros	0.07	-	0.07

The impacts of the adoption of IFRS 16 in the Consolidated statement of cash flows are equivalent to the reclassification of suppliers' payments to:

- payments regarding Lease rentals, in the amount of 9 million euros; and
- payments regarding Interest and related expenses, in the amount of 2 million euros.

There were no impacts with the adoption of IFRS 16 in the Consolidated statement of comprehensive income.

At the date of approval of these financial statements, there are no standards and interpretations endorsed by the European Union, with mandatory application in future financial years.

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:

- IAS 1 e IAS 8 (amendment), "Definition of material" (effective for periods beginning on or after 1 January 2020). The intent of amending the standard is to clarify the definition of material and to align the definition used in international financial reporting standards.

- IFRS 3 (amendment), "Business Combinations" (effective for periods beginning on or after 1 January 2020). The intent of the amendment to the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets.

- IFRS 17 (new), "Insurance Contracts" (effective for periods beginning on or after 1 January 2021). The general objective of IFRS 17 is to provide a more serviceable and consistent accounting model for insurance contracts between entities that issue them globally.
- Improvements to international financial reporting standards (issued on 29 March 2018, to be applied for annual periods beginning on or after 1 January 2020). These improvements involve reviewing various standards.

The Group has been evaluating the impact of these amendments. It will apply this standard once it becomes effective or when earlier application is permitted.

2.2. Bases of consolidation

Controlled companies

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

The interest of third parties in the equity and net profit of such companies' income presented separately in the consolidated statement of financial position and in the consolidated statement, respectively, under the item "Non-controlling Interests" (Note 22).

The identifiable acquired assets and the liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the existence of non-controlled interests. The excess of acquisition cost over the fair value of the Group's share of identifiable acquired assets and liabilities is stated in Goodwill. When the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

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

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

When an increase in position in the capital of an associated company results in the acquisition of control, with the latter being included in the consolidated financial statements by the full consolidation method, the share of the fair values assigned to the assets and liabilities, corresponding to the percentages previously held, is stated in the income statement.

The directly attributable transaction costs are recognised immediately in profit or loss.

The results of companies acquired or sold during the year are included in the income statements as from the date of obtaining control or until the date of their disposal, respectively.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction shows evidence of impairment of the transferred asset.

When necessary, adjustments are made to the financial statements of controlled companies in order to align their accounting policies with those of the Group.

Jointly controlled companies

The classification of investments as jointly controlled companies is determined based on the existence of shareholder agreements, which show and regulate the joint control. Financial investments of jointly controlled companies (Annex C)) are stated by the equity method. Under this method, financial investments are adjusted periodically by an amount corresponding to the share in the net profits of jointly controlled companies, as a contra entry in "Losses / (gains) of affiliated companies" in the income statement before financial results and taxes. Direct changes in the post-acquisition equity of jointly controlled companies are recognised as the value of the shareholding as a contra entry in reserves, in equity.

Additionally, financial investments may also be adjusted for recognition of impairment losses.

Any excess of acquisition cost over the fair value of identifiable net assets and liabilities (goodwill) is recorded as part of the financial investment of jointly controlled companies and subject to impairment testing when there are indicators of loss of value. When the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

Losses in jointly controlled companies, which exceed the investment made in them, are not recognised, except when the Group has entered into undertakings with that company.

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

Associated companies

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

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

Financial investments in the majority of associated companies (Annex B)) are stated by the equity method. Under this method, financial investments are adjusted periodically by an amount corresponding to the share in the net profits of associated companies, as a contra entry in "Losses / (gains) of affiliated companies" in the income statement. Direct changes in the post-acquisition equity of associated companies are recognised as the value of the shareholding as a contra entry in reserves, in equity. Additionally, financial investments may also be adjusted for recognition of impairment losses.

Losses in associated companies, which exceed the investment made in them, are not recognised, except when the Group has entered into undertakings with that associated company.

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

Balances and transactions between group companies

Balances and transactions as well as unrealised gains between Group companies, and between them and the parent company, are eliminated in the consolidation.

The part of unrealised gains arising from transactions with associated companies or jointly controlled companies attributable to the Group is eliminated in the consolidation. Unrealised losses are similarly eliminated except when they show evidence of impairment of the transferred asset.

2.3. Accounting policies

2.3.1. Segment reporting

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

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

2.3.2. Classification of the statement of financial position and income statement

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

In accordance with IAS 1, "Integration costs", "Losses / (gains) on disposal of assets" and "Other non-recurring costs / (gains)"reflect unusual costs, should be disclosed separately from the usual cost lines, in order 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, when applicable. Acquisition cost includes, in addition to the purchase price of the asset: (i) costs directly attributable to the purchase; and (ii) the estimated costs of decommissioning and removal of the assets and restoration of the site, which in Group applies to the cinema operation business, telecommunication towers and offices (Notes 2.3.12 and 7).

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

Non-current assets held for sale

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

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

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

Depreciation

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

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

	2018 (YEARS)	2019 (YEARS)
Buildings and other constructions	2 - 50	2 - 50
Technical equipment:		
Network Installations and equipment	7 - 40	7 - 40
Terminal equipment	2 - 8	2 - 8
Other technical equipment	1 - 16	1 - 16
Transportation equipment	3 - 4	3 - 4
Administrative equipment	2 - 10	2 - 10
Other tangible assets	4 - 8	4 - 8

In the quarter ended 31 March 2019, the useful lives practiced in mobile network equipment were revised and changed, prospectively, from 16 to 8 years.

2.3.4. Intangible assets and Contract costs

Intangible assets and Charges of contracts with costumers are stated at acquisition cost, less accumulated amortisation and impairment losses, when applicable. Recognised only when they generate future economic benefits for the Group and when they can be measured reliably.

Intangible assets consist mainly of goodwill, telecom and software licenses, content utilisation rights and other contractual rights.

Contract costs consist mainly of commissions paid to third parties and charges incurred with the customer loyalty contracts acquisition.

Goodwill

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

Goodwill is recorded as an asset and included in “Intangible assets” (Note 8) in the case of a controlled company or in the case in which the excess of cost has been originated by a merger, and in “Financial investments in group companies” (Note 11) in the case of a jointly controlled company or an associated company.

Goodwill is not amortised and is subject to impairment tests at least once a year, on a specified date, and whenever there are changes in the test’s underlying assumptions at the date of the statement of financial position which may result in a possible loss of value. Any impairment loss is recorded immediately in the income statement in “Impairment losses” and is not liable to subsequent reversal.

For the purposes of impairment tests, goodwill is attributed to the cash-generating units to which it is related (Note 8), which may correspond to the business segments in which the Group operates, or a lower level.

Internally generated intangible assets

Internally generated intangible assets, including expenditure on research, are expensed when they are incurred. Research and development costs are only recognised as assets when the technical capability to complete the intangible asset is demonstrated and when it is available for use or sale.

Industrial property and other rights

Assets classified under this item relate to the rights and licenses acquired under contract by the Group to third parties and used in realising the Group's activities, and include:

- Telecom licenses;
- Software licenses;
- Content utilisation rights;
- Other contractual rights.

The content exploration rights are recorded in the consolidated statement of financial position, as intangible assets, when the following conditions are fulfilled: (i) there is control over the content, (ii) the Company has the right to choose the way to explore the content, and (iii) it is available for exhibition.

The conclusion of contracts relating to sports contents, which are not immediately available, originates rights that are initially classified as contractual commitments.

In the specific case of broadcasting rights of sports competitions, these are recognised as assets when the necessary conditions to organise each sports competition are present, which occurs in the homologation date of the participating teams in the competition that is being held in the sports season to be initiated, by the organizing entity, taking into consideration that it is from that date that the conditions for the recognition of an asset are present, namely, the unequivocal attainment of the exploration rights of the games of the stated season. In this situation, the stated rights are recognised in the income statement in "Depreciation, amortisation, and impairment losses", by the linear method, by twelfths, starting from the beginning of the month in which they are available for use.

Resulting from agreements concluded for the cession of the exclusive rights to exploit sports content, and as it is permitted by IAS 1, since 2017, NOS presents the net assets and liabilities of the values ceded to other operators, considering that this compensation best reflects the substance of the transactions.

Intangible assets in-progress

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

Amortisation

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

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

	2018 (YEARS)	2019 (YEARS)
Telecom licences	30 - 33	30 - 33
Software licences	1 - 8	1 - 8
Content utilization rights	Period of the contract	Period of the contract
Other	1 - 8	1 - 8

2.3.5. Impairment of non-current assets, excluding goodwill

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

The recoverable value is estimated for each asset individually or, if that is not possible, assets are grouped at the lowest levels for which there are identifiable cash flows to the cash-generating unit to which the asset belongs. Each of the Group's businesses is a cash-generating unit, except for the assets allocated to the cinema exhibition business, which are grouped into regional cash-generating units.

The recoverable amount is calculated as the higher of the net sale price and the current use value. The net sale price is the amount that would be obtained from the sale of the asset in a transaction between independent and knowledgeable entities, less the costs directly attributable to the sale. The current use value is the current value of the estimated future cash flows resulting from continued use of the asset or of the cash-generating unit. When the amount at which the asset is recorded exceeds its recoverable value, it is recognised as an impairment loss.

The reversal of impairment losses recognised in previous years is recorded when there are indications that these losses no longer exist or have decreased. The reversal of impairment losses is recognised in the statement of comprehensive income in the year in which it occurs. However, an impairment loss can only be reversed up to the amount that would be recognised (net of amortisation or depreciation) if no impairment loss had been recorded in previous years.

2.3.6. 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, apart from commercial accounts receivable, financial assets are recognised at fair value plus directly attributable transaction costs, except for assets at fair value through income in which transaction costs are immediately recognised in income. Trade accounts receivable, at the initial time, are recognised at their transaction price, as defined in IFRS 15.

The financial assets are derecognised when: (i) the Group's contractual rights to receive their cash flows expire; (ii) the Group has substantially transferred all the risks and benefits associated with their ownership; or (iii) although it retains part but not substantially all of the risks and benefits associated with their ownership, the Group has transferred control of the assets.

The financial assets and liabilities are offset and shown as a net value when, and only when, the Group has the right to offset the recognised amounts and intends to settle for the net value.

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortised cost, financial assets at fair value through other comprehensive income. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

Financial assets at fair value through profit and loss

This category includes financial derivatives and equity instruments that the Group has not classified as financial assets through other comprehensive income at the time of initial recognition. This category also includes all financial instruments whose contractual cash flows are not exclusively capital and interest.

Gains and losses resulting from changes in the fair value of assets measured at fair value through profit or loss are recognised in results in the year in which they occur under "Losses / (gains) on financial assets", including the income from interest and dividends.

Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are those that are part of a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, being that these contractual cash flows are only capital and interest reimbursement on the capital in debt.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are those that are included in a business model whose purpose is to hold financial assets in order to receive the contractual cashflows, being that these contractual cash flows are only capital reimbursement and interest payments on the capital in debt.

Cash and cash equivalents

The amounts included in "Cash and cash equivalents" correspond to the amounts of cash, bank deposits, term deposits and other investments with maturities of less than three months which may be immediately realisable and with a negligible risk of change of value.

For the purposes of the statement of cash flows, "Cash and cash equivalents" also includes bank overdrafts included in the statement of financial position under "Borrowings" (when applicable).

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

In accordance with IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for:

a) Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
b) Financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when it is applied the continued involvement approach;
c) Financial guarantee contracts;
d) The commitments to grant a loan at a lower interest rate than the market;
e) The recognised contingent consideration by a buyer in a concentration of business activities to which IFRS 3 applies. Such contingent consideration shall be subsequently measured at fair value, with changes recognised in profit or loss.

Financial liabilities of the Group include: borrowings, accounts payable and derivative financial instruments.

2.3.8. Impairment of financial assets

At the date of each financial position statement, the Group analyses and recognises expected losses on its debt securities, loans and accounts receivable. The expected loss results from the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The objective of this impairment policy is to recognise expected credit losses over the respective duration of financial instruments that have undergone significant increases in credit risk since initial recognition, assessed on an individual or collective basis, taking into account all reasonable and sustainable information, including prospects. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the provision for losses relating to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months.

For receivables and assets resulting from contracts under IFRS 15, the Group adopts the simplified approach when calculating expected credit losses. As a result, the Group does not monitor changes in credit risk, recognising instead impairment losses based on the expected credit loss on each reporting date. The Group presents an impairment loss criterion based on the history of credit losses, adjusted by specific prospective factors for the clients and the economic environment.

2.3.9. Derivative financial instruments

Initial and subsequent recognition

The Group uses derivative financial instruments, such as exchange rate forward contracts, interest rate swaps, to cover its exchange rate risks, interest, respectively. Such derivative financial instruments are initially recorded at fair value on the date the derivative is contracted and are subsequently measured at fair value. Derivatives are presented in assets when their fair value is positive and in liabilities when their fair value is negative.

In terms of hedge accounting, hedges are classified as:

- Fair value hedge when the purpose is to hedge the exposure to fair value changes of a registered asset or liability or an unregistered Groups' commitment;
- Cash flow hedge when the purpose is to hedge the exposure to cash flow variability arising from a specific risk associated with the whole or a component of a registered asset or liability or an anticipated highly probable occurrence or exchange risk associated with an unregistered Groups' commitment;
- Coverage of a net investment in a foreign operational unit.

NOS Group uses derivative financial instruments with fair value and cash flow hedges.

At the beginning of the hedge relationship, the Group formally designates and documents the hedging relationship for which hedge accounting is intended to apply as well as the management and strategy purpose of such hedge.

Until the 1 January 2018, the documentation included the identification of the hedging instrument, the hedged item or transaction, the nature of the hedged risk and the manner in which the Group assessed the effectiveness of changes in the fair value of the hedging instrument according with the Group's exposure to changes in the fair value of the hedge item or cash flows arising from the hedged risk. Such hedges should be highly effective to compensate changes in fair values or cash flows and would be assessed on a continuing basis in order to demonstrate their highly effectiveness over the reporting period.

Beginning 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

i) There is an economic relationship' between the hedged item and the hedging instrument;

ii) The effect of credit risk does not "dominate the value changes" that result from that economic relationship; and

iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group actually uses to hedges that quantity of hedged item.

Hedges that meet all the quantifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward contracts of: i) currency contracts for its exposure to foreign currency risk in forecast transactions and firm commitments; ii) interest rates to cover the risk of volatility of the interest rates; iii) own shares contracts for its exposure to volatility in own shares to be distributed within the scope of share incentive scheme. The ineffective portion relating to foreign currency contracts is recognised as "Net foreign exchange losses/(gains)", the ineffective portion relating to interest rates is recognised as "Financial costs" and the ineffective portion relating to own shares contracts is recognised as "Wages and salaries".

In the quarter of March 2019, the Group did not make any changes in the recognition method.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a Group's commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.3.10. Inventories

Inventories, which mainly include mobile phones, customer terminal equipment, DVDs, and content broadcasting rights, are valued at the lower of their cost or net realisable value.

The acquisition cost includes the invoice price, freight, and insurance costs, using the weighted average cost as the method of costing goods sold.

Inventories are adjusted for technological obsolescence, as well as for the difference between the purchase cost and the net realisable value, whichever is the lower, and this reduction is recognised directly in the income statement.

The net realisable value corresponds to the normal sale price less restocking costs and selling costs.

The differences between the cost and the corresponding net realisable value of inventories, when this is less than the cost, are recorded as operating costs in "Cost of goods sold".

Inventories in transit, since they are not available for consumption or sale, are separated out from other inventories and are valued at their specific acquisition cost.

The signing of contracts related with sports content originates rights that are initially classified as contractual commitments.

The content broadcasting rights are recorded in the consolidated statement of financial position, as Inventories, in the event of the nonexistence of full right over the way of exploration of the asset, by the respective value of cost or net realisable value, whenever it is lower, when programmatic content has been received and is available for exhibition or use, according to contractual conditions, without any production or change, given that the necessary conditions for the organization of each sports competition are present, which occurs in the homologation date of the participating teams in the competition that is being held in the sports season to be initiated, by the organizing entity. The stated rights are recognised in the income statement in "Direct costs: Exhibition costs", on a systematic basis given the pattern of economic benefits obtained through their commercial exploration.

Due to the agreement between the three national operators of reciprocal availability, for several sports seasons "collaborative arrangement", of sports content (national and international) owned by them, (Note 40), NOS considered the recognition of the costs, excluding those divided by the remaining operators, on a systematic basis, given the pattern of economic benefits obtained through their commercial exploration.

2.3.11. Subsidies

Subsidies are recognised at their fair value when there is a reasonable assurance that they will be received and Group companies will meet the requirements for their award.

Operating subsidies, mainly for employee training, are recognised in the statement of comprehensive income by deduction from the corresponding costs incurred.

Investment subsidies are recognised in the statement of financial position as deferred income.

If the subsidy is considered as deferred income, it is recognised as income on a systematic and rational basis during the useful life of the asset.

2.3.12. Provisions and contingent liabilities

Provisions are recognised when: (i) there is a present obligation arising from past events and it is likely that in settling that obligation, the expenditure of internal resources will be necessary; and (ii) the amount or value of such obligation can be reasonably estimated. When one of the above conditions is not met, the Group discloses the events as a contingent liability unless the likelihood of an outflow of funds resulting from this contingency is remote, in which case they are not disclosed.

Provisions for legal procedures taking place against the Group are made in accordance with the risk assessments carried out by the Group and by their legal advisers, based on success rates.

Provisions for restructuring are only recognised when the Group has a detailed, formal plan, which identify the main features of the restructuring programme, and after these facts have been reported to the entities involved.

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

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

Provisions for potential future operating losses are not covered.

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

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

2.3.13. Rights of use and Leases

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

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

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

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

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

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

2.3.13.1. Rights of use of assets

The Group recognises the right to use the assets at the start date of the lease (that is, the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, deducted from accumulated depreciation and impairment losses and adjusted for any new measurement of lease liabilities. The cost of the ROU of the assets includes the recognised amount of the lease liability, any direct costs incurred initially and payments already made prior to the initial rental date, less any incentives received.

Unless it is reasonably certain that the Group obtains ownership of the leased asset at the end of the lease term, the recognised right of use of the assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the term of the lease.

Rights of use are subject to impairment.

2.3.13.2. Liabilities with leases

At the start date of the lease, the Group recognises the liabilities measured at the present value of the future payments to be made until the end of the lease.

Lease payments include fixed payments (including fixed payments on the substance), deducted of any incentives to be received, variable payments, dependent on an index or rate, and expected amounts to be paid under residual value guarantees. The lease payments also include the exercise price of a call option if it is reasonably certain that the Group will exercise the option, and penalties for termination of the lease if it is reasonably certain that the Group will terminate the lease.

Variable payments that do not depend on an index or a rate are recognised as an expense in the period in which the event giving rise to them occurs.

To calculate the present value of the lease payments, the Group uses the incremental loan rate at the start date of the lease if the implied interest rate is not readily determinable.

After the start date of the lease, the value of the lease liability is increased to reflect the increase in interest and reduces by the payments made. In addition, the book value of the lease liability is remeasured if there is a change, such as a change in the lease term, fixed payments or the purchase decision of the underlying asset.

2.3.14. 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 based on their respective taxable incomes and the applicable tax rates.

Income tax is stated in accordance with the IAS 12 criteria. In calculating the cost relating to income tax for the period, in addition to current tax, allowance is also made for the effect of deferred tax calculated in accordance with the liability method, taking into account the temporary differences resulting from the difference between the tax basis of assets and liabilities and their values as stated in the consolidated financial statements, and the tax losses carried forward at the date of the statement of financial position. The deferred income tax assets and liabilities were calculated based on the tax legislation currently in force or of legislation already published for future application.

As stipulated in the above standard, deferred income tax assets are recognised only when there is reasonable assurance that these may be used to reduce future taxable profit, or when there are deferred income tax liabilities whose reversal is expected to occur in the same period in which the deferred income tax assets are reversed. At the end of each period an assessment is made of deferred income tax assets, and these are adjusted in line with the likelihood of their future use.

The amount of tax to be included, either in current tax or in deferred tax resulting from transactions or events recognised in equity accounts, is recorded directly under those items and does not affect the results for the period.

In a business combination, the deferred tax benefits acquired are recognised as follows:

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

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

2.3.15. 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 "Other reserves" in equity.

The accumulated cost recognised at the date of each statement of financial position up to the vesting reflects the best estimate of the number of own shares that will be vested, weighted by the 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 based on shares but paid in cash lead to the recognition of a liability valued at fair value at the date of the statement of financial position.

2.3.16. 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 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 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 (ex: firewall, antivirus).
Satellite television: Revenues from the satellite television service mainly result from: (a) basic and premium channel subscription packages; (b) equipment rental; (c) consumption of content (VOD); (d) service activation; and (e) sale of equipment.

Mobile broadband and voice services: Revenues from mobile broadband Internet access services and mobile voice services result mainly from monthly subscriptions and/or usage of the Internet and voice service, as well as the traffic associated with the type chosen by the client.

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

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

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

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

The Group's revenue is based on the five-step model established by IFRS 15:

1) Identification of the contract with the customer;
2) Identification of performance obligations;
3) Determining the price of the transaction;
4) Allocation of the price of the transaction to the performance obligations; and
5) Recognition of revenue.

Thus, at the beginning of each contract, the NOS Group evaluates the promised goods or services and identifies, as a performance obligation, every promise of transfer to the customer of any distinct good or service (or package of goods or services). These promises in customer contracts may be express or implied, provided such promises create a valid expectation in the client that the entity will transfer a good or service to the customer, based on the entity's published policies, specific statements or usual business practices.

The NOS Group has internally defined that a performance obligation corresponds to the promise of delivery of a good or service that can be used in an isolated/separated way by the customer and on which there is a clear perception of this good or service by the customer among the available in each contract.

The main performance obligations are summarized as Sales of Mobile Phones, Telephones, Hotspots, DVD's, Movie Tickets and Other Equipment and the Services Rendered of Mobile Internet Services, Fixed Internet, Mobile Phone, Landline Phone, Television, Consulting, Cloud/ IT Services, distribution of audio-visual rights among others.

The provision of Set-top-boxes, routers, modems and other terminal equipment at the customers' home and respective installation and activation services were considered by the group as not corresponding to a performance obligation, since they are necessary actions to fulfil the promised performance obligation.

In determining and allocating the transaction price of each performance obligation, NOS used stand-alone prices of the promised products and services at the time of entering into the agreement with the customer to distribute the amount expected to be received under the contract.

The recognition of revenue occurs at the time of performance of each performance obligation.

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

Revenue from telecom services subscriptions (TV, internet, mobile and fixed voice services bundle subscription, individually or as a bundle) is recognised linearly over the subscription period.

Revenue from equipment rental is recognised linearly over the rental agreement, except in the case of instalment sales, which are accounted as credit sales.

The Group attributes to its customers, loyalty points that might be exchanged, over a limited period, for discounts in equipment purchase. These points represent a deferred income, until the date when the points are definitely converted into benefits, as its utilization implies an additional retention. The fair value of the liability is calculated based on an estimated utilisation point rate and an average cost per point, taking into consideration the available points at the date of each report.

Revenue related with traffic, roaming, data usage, audiovisual content, and others is recognised when the service is rendered. The Group also offers various personalised solutions, particularly to its corporate customers in telecom management, access, voice, and data transmission services. These personalised solutions are also recognised when the service is rendered.

Unless demanded or allowed by IFRS, the compensation of revenues and costs is not performed, namely, when it reflects the nature of the transaction or other event.

The compensation of revenues and costs is performed in the following situations:

(i) When the gross inflows from economic benefits do not result in equity increases to the Group, i.e., the amount charged to the customer is equal to the amount delivered to the partner. This situation is applicable to the revenue obtained by the invoicing special services operators, in these cases the amounts charged on account of the capital are not revenue; and,

(ii) When the counterpart is not a "customer" but a partner who shares the risks and benefits of developing a product or services in order for it to be commercialised. Thus, a counterpart of a contract will not be a customer if, for instance, the counterpart has hired from NOS to participate in an activity or process in which the parties in the contract share the risks and benefits instead of obtaining the Group's ordinary activities result. These cases are designated collaborative arrangements. This situation is applicable to revenues from operators affected by the reciprocal availability agreement regarding broadcasting rights of sports content.

Discounts granted to customers related with loyalty programmes are allocated to the entire retention contract to which the customer is committed to. Therefore, the discount is recognised as the goods and services made available to the customer.

Amounts that have not been invoiced for are included based on estimates. The differences between the estimated amounts and the actual amounts, which are normally immaterial, are recorded in the next financial year.

Until 31 December 2014, revenue from penalties, due to the inherent uncertainties, was recorded only at the moment it was received, and the amount was disclosed as a contingent asset (Note 42). From 1 January 2015, Revenue from penalties is recognised based on an estimated collectability rate, considering the Group's collection history. Revenue from penalties is recognised under "Other revenues".

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

2.3.18. 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, regardless of when they are received or paid.

The costs and revenues related to the current period and whose expenses and income will only occur in future periods are registered under "Accounts receivable – trade", "Accounts receivable – other", "Prepaid expenses", "Accrued expenses" and "Deferred income", as well as the expenses and income that have already occurred that relate to future periods, which will be recognised in each of those periods, for the corresponding amount.

The costs related to the current period and whose expenses will only occur in that future periods are registered under "Accrued expenses" when it is possible to estimate with certainty the related amount, as well as the timing of the expense's materialization. If uncertainty exists related to any of these aspects, the value is classified as Provisions (Note 2.3.12).

2.3.19. 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 in the item "Losses / (gains) on exchange variations". Exchange rate variations generated on monetary items, which constitute enlargement of the investment denominated in the functional currency of the Group or of the subsidiary in question, are recognised in equity. Exchange rate differences on non-monetary items are classified in "Other reserves" in equity.

The financial statements of subsidiaries denominated in foreign currencies are converted at the following exchange rates:

- The exchange rate obtaining on the date of the statement of financial position for the conversion of assets and liabilities;
- The average exchange rate in the period for the conversion of items in the income statement, apart from cases of affiliated companies that are in a hyperinflationary economy, such as Angola;
- The average exchange rate in the period, for the conversion of cash flows (in cases where the exchange rate approximates to the real rate, and for the remaining cash flows the rate of exchange at the date of the operations is used), apart from cases of affiliated companies that are in a hyperinflationary economy, such as Angola;
- The historical exchange rate for the conversion of equity accounts.

Exchange differences arising from the conversion into euros of the financial statements of subsidiaries denominated in foreign currencies are included in equity under "Other reserves".

In the last quarter of 2017, the Angolan economy was considered a hyperinflationary economy according to IAS 29 - Financial Reporting in Hyperinflationary Economies.

This standard requires that the financial statements prepared in the currency of a hyperinflationary must be expressed in terms of the current measurement unit at the financial statements preparation date.

In summary, the general aspects that must be considered for the restatement of the individual financial statements are the following ones:

- The monetary assets and liabilities are not amended because they are already updated to the current unit at the financial statements date;

- The non-monetary assets and liabilities (that are still not expressed in terms of the current unit at the financial statements) are restated by the application of an index;

- The effect of the inflation on the net monetary position of the subsidiaries companies is reflected in the income statement as a loss in the net monetary position.

Additionally, according to IAS 21, the restatement of the consolidated financial statements is prohibited when the parent company does not operate in a hyperinflationary economy.

The conversion coefficient that was used for the restatement of the individual financial statements of the subsidiaries in Angola was the Consumer Price Index (CPI), issued by the National Bank of Angola.

	Basis 100	CPI	Converted CPI (Basis 100 Year 2010)
dec/10	Year 2010	100.0	100.0
dec/11	Year 2010	111.4	111.4
dec/12	Year 2011	109.0	121.4
dec/13	Year 2014	93.0	130.8
dec/14	Year 2014	100.0	140.5
dec/15	Year 2014	114.3	160.6
dec/16	Year 2014	162.2	227.9
dec/17	Year 2014	204.8	287.8
mar/18	Year 2014	212.9	299.1
jun/18	Year 2014	220.4	309.8
set/18	Year 2014	232.0	326.1
dec/18	Year 2014	241.1	338.8
mar/19	Year 2014	249.9	351.2

At 31 December 2018 and 31 March 2019, 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:

	31-12-2018	31-03-2019
US Dollar	1.1450	1.1235
Angolan Kwanza	353.0155	356.7875
British Pound	0.8945	0.8583
Mozambican Metical	70.2400	71.7900
Canadian Dollar	1.5605	1.500
Swiss Franc	1.1269	1.1181
Real	4.4440	4.3865

In the quarters ended at 31 March 2018 and 2019, 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, with the exception of cases of affiliated companies that are in a hyperinflationary economy, such as Angola, which exchange rate used is at the end of the period. The average exchange rates used are as follows:

	3M 18	3M 19
US Dollar	1.2292	1.1358
Angolan Kwanza	261.3572	356.9470
Mozambican Metical	75.5167	71.5033

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

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

- On the main market of the assets and liabilities, or

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

Since different entities and businesses within a single entity can have access to different markets, the main or most advantageous market for the same asset or liability can vary from one entity to another, or even between businesses within the same entity, but it is assumed that they are accessible to the Group.

The fair value measurement uses assumptions that market participant's use in defining price of the asset or liability, assuming that market participants would use the asset to maximise its value.

The Group uses valuation techniques appropriate to the circumstances whenever there is information to measure the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or of which disclosure is mandatory, are rated on a fair value hierarchy, which ranks data in three levels to be used in the measurement at fair value, and detailed below:

Level 1 – Listed and unadjusted market prices, in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - valuation techniques using inputs that aren't quoted, but which are directly or indirectly observable;

Level 3 - valuation techniques using inputs not based on observable market data, based on unobservable inputs.

The fair value measurement is classified in the same fair value hierarchy level at the lowest level of input, which is significant to the measurement as a whole.

2.3.23. 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 voluntarily accepts to leave in exchange of these benefits. The Group recognises these benefits when it can be shown to be committed to a termination of current employees according to a detailed formal plan for termination and there is no realistic possibility of withdrawal or these benefits are granted to encourage voluntary redundancy. When the benefits of cessation of employment are due more than 12 months after the balance sheet date, they are updated to their present value.

b) Holiday, holiday allowances, and bonuses. According to the labour law, employees are entitled to 22 days annual leave, as well as one month of holiday allowances, rights acquired in the year preceding payment. These liabilities of the Group are recorded when incurred, independently of the moment of payment, and are reflected under the item "Accounts payable and other".

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

   - The monthly deliveries to FGCT, made by the employer are recognised as expense in the period to which they relate.

   - The monthly deliveries to FCT, made by the employer are recognised as a financial asset, in the caption "Other non-current financial assets" of the entity, measured at fair value with changes recognised in the respective results.

2.3.25. 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, investing, and financing activities.

Operating activities include cash received from customers and payments to suppliers, staff and others related to operating activities. Under "Other cash receipts / (payments) related with operating activity" includes the amount received and subsequent payments related to assignments without recourse, coordinated by the Banco Comercial Português and Caixa Geral de Depósitos, and these operations do not involve any change in the accounting treatment of the underlying receivables or in the relationship with their clients.

The cash flows included in investing activities include acquisitions and disposals of investments in subsidiaries and cash received and payments arising from the purchase and sale of tangible and intangible assets, amongst others.

Financing activities include cash received and payments relating to borrowings, the payment of interest and similar costs, finance leases, the purchase and sale of own shares and the payment of dividends.

2.3.26. 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 considered 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 it may implement in the future. However, at the date of completion of such operations, their results may differ from these estimates.

Changes to these estimates that occur after the date of approval of the consolidated financial statements will be corrected in the income statement in a prospective manner, in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

The estimates and assumptions that imply a greater risk of giving rise to a material adjustment in assets and liabilities are described below:

Entities included in the consolidation perimeter

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed, or has rights, to variability in return from its involvement with that entity and can take possession of them through the power it holds over this entity.

The decision that an entity must be consolidated by the Group requires the use of judgment, estimates, and assumptions to determine the extent to which the Group is exposed to return variability and the ability to take possession of them through its power.

Other assumptions and estimates could lead to the Group's consolidation perimeter being different, with direct impact on the consolidated financial statements.

Impairment of non-current assets, excluding goodwill

The determination of a possible impairment loss can be triggered by the occurrence of various events, such as the availability of future financing, the cost of capital or other market, economic and legal changes or changes with an adverse effect on the technological environment, many of which are beyond the Group's control.

The identification and assessment of impairment indicators, the estimation of future cash flows, and the calculation of the recoverable value of assets involve a high degree of judgment by the Board.

Impairment of goodwill

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

Intangible and tangible assets

The life of an asset is the period during which the Company expects that an asset will be available for use and this should be reviewed at least at the end of each financial year.

The determination of the useful lives of assets, the amortisation/depreciation method to be applied, and the estimated losses resulting from the replacement of equipment before the end of its useful life due to technological obsolescence is crucial in determining the amount of amortisation/depreciation to be recognised in the consolidated income statement each period.

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

The capitalised costs with the audiovisual content distribution rights acquired for commercialisation in the various windows of exhibition are amortised over the period of exploration of the respective contracts. Additionally, these assets are subject to impairment tests whenever there are indications of changes in the pattern generation of future revenue underlying each contract.

Rights of use

The Group determines the end of the lease as the non-cancelable part of the lease term, together with any periods covered by an option to extend the lease if it is reasonably certain that it will be exercised, or any periods covered by an option to terminate the lease agreement, if it is reasonably certain that it will not be exercised.

The Group has the option, under some of its lease agreements, to lease its assets for additional periods. NOS assesses the reasonableness of exercising the option to renew the contract. That is, NOS considers all the relevant factors that create an economic incentive for exercising the renewal. After the start date, the Group re-evaluates the termination of the contract if there is a significant event or changes in circumstances that are under control and affect its ability to exercise (or not exercise) the renewal option (a change in strategy of business).

Provisions

The Group periodically reviews any obligations arising from past events, which should be recognised or disclosed. The subjectivity involved in determining the probability and amount of internal resources required to meet obligations may give rise to significant adjustments, either due to changes in the assumptions made, or due to the future recognition of provisions previously disclosed as contingent liabilities.

Deferred income tax assets

Deferred income tax assets are recognised only when there is strong assurance that there will be future taxable income available to use the temporary differences or when there are deferred tax liabilities whose reversal is expected in the same period in which the deferred tax assets are reversed. The assessment of deferred income tax assets is undertaken by management at the end of each period taking account of the expected future performance of the Group.

Expected credit losses

The credit risk on the balances of accounts receivable is assessed at each reporting date, using a collection matrix based on the historical past collections adjusted from the future expectation of collections evolution, to determine the uncollectability rate. The expected credit losses of the accounts receivable are thus adjusted for the assessment made, which may differ from the effective risk that will incurred in the future.

Fair value of financial assets and liabilities

When the fair value of an asset or liabilities is calculated, on an active market, the respective market price is used. When there is no active market, which is the case with some of the Group's financial assets and liabilities, valuation techniques generally accepted in the market, based on market assumptions, are used.

The Group applies evaluation techniques for unlisted financial instruments, such as derivatives, financial instruments at fair value and instruments measured at amortised cost. The most frequently used valorisation models are models of discounted cash flows and option models, which incorporate, for example, interest rate and market volatility curves.

For certain types of more complex derivatives, more advanced valuation models are used containing assumptions and data that are not directly observable in the market, for which the Group uses internal estimates and assumptions.

3.2. Errors, estimates, and changes to accounting policies

During the quarters ended on 31 March 2018 and 2019, errors, estimates and changes in material accounting policies relating to prior years were not recognised, in addition to the application of IFRS 16 (Note 2.1).

4. Change in the perimeter

During the quarters ended on March 2018 and 2019, there were no changes in the consolidation perimeter.

5. Segment reporting

The business segments are as follows:

- Telco – TV, Internet (fixed and mobile) and voice (fixed and mobile) services rendered and includes the following companies: NOS Technology, NOS Towering, Per-mar, Sontária, NOS, NOS Açores, NOS Communications, NOS Madeira, NOSPUB, NOS SA, NOS Lusomundo TV, Teliz Holding, NOS Sistemas, NOS Sistemas España, NOS Inovação and NOS Internacional SGPS.
- Audiovisual – the supply of video production services and sales, cinema exhibition and distribution and the acquisition/negotiation of Pay TV and VOD (video-on-demand) rights and includes the following companies: NOS Audiovisuais, NOS Cinemas, Lusomundo Moçambique, Lda ("Lusomundo Moçambique"), Lusomundo Imobiliária 2, S.A. ("Lusomundo Imobiliária 2"), Lusomundo Sociedade de Investimentos Imobiliários, SGPS, S.A. ("Lusomundo SII"), Empracine – Empresa Promotora de Atividades Cinematográficas, Lda ("Empracine") and NOS Audio SGPS.

Assets and liabilities by segment at 31 December 2018 and 31 March 2019 are shown below:

	31-12-2018 RESTATED			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,015,150	11,205	-	1,026,355
Intangible assets	925,339	93,917	-	1,019,256
Contract costs	162,948	-	-	162,948
Tangible assets	182,213	18,270	-	200,483
Investments in jointly controlled companies and associated companies	45,706	38,690	(64,811)	19,585
Accounts receivable - other	1,747	22,732	(19,950)	4,529
Deferred income tax assets	79,493	14,911	-	94,404
Other non-current assets	434	690	-	1,124
Investment property	-	659	-	659
Tax receivable	149	-	-	149
Available-for-sale financial assets	173	31	-	204
Derivative financial instruments	112	-	-	112
TOTAL NON - CURRENT ASSETS	2,413,030	200,415	(84,761)	2,528,684
CURRENT ASSETS:				
Inventories	37,815	1,070	-	38,885
Account receivables	570,533	55,464	(177,711)	448,286
Prepaid expenses	36,898	2,227	(281)	38,844
Other current assets	1,476	525	(82)	1,919
Tax receivable	832	496	(82)	1,246
Other current assets	600	-	-	600
Derivative financial instruments	44	29	-	73
Cash and cash equivalents	1,172	1,010	-	2,182
TOTAL CURRENT ASSETS	647,894	60,296	(178,074)	530,116
TOTAL ASSETS	3,060,924	260,711	(262,835)	3,058,800
SHAREHOLDER'S EQUITY				
Share capital	5,152	29,799	(29,799)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(12,132)	-	-	(12,132)
Legal reserve	1,030	87	(87)	1,030
Other reserves and accumulated earnings	115,266	(30,036)	(24,954)	60,276
Net income	110,570	36,716	(9,516)	137,770
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,074,105	36,566	(64,356)	1,046,315
Non-controlling interests	7,296	-	-	7,296
TOTAL EQUITY	1,081,401	36,566	(64,356)	1,053,611
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,011,341	22,974	(19,951)	1,014,364
Provisions	121,600	7,215	-	128,815
Accrued expenses	688	-	-	688
Other non-current liabilities	15,244	-	-	15,244
Deferred income tax liabilities	4,668	455	-	5,123
TOTAL NON - CURRENT LIABILITIES	1,153,540	30,644	(19,951)	1,164,233
CURRENT LIABILITIES:				
Borrowings	293,847	141,108	(151,894)	283,061
Accounts payable	289,534	25,660	(22,018)	293,176
Tax payable	31,124	2,742	(83)	33,783
Accrued expenses	181,933	19,374	(4,255)	197,052
Other current liabilities	29,545	4,616	(279)	33,882
TOTAL CURRENT LIABILITIES	825,983	193,500	(178,529)	840,955
TOTAL LIABILITIES	1,979,523	224,145	(198,479)	2,005,189
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,060,924	260,711	(262,835)	3,058,800

	31-03-2019			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,018,429	11,164	-	1,029,593
Intangible assets	926,450	92,474	-	1,018,924
Contract costs	164,381	-	-	164,381
Tangible assets	171,765	17,793	-	189,557
Investments in jointly controlled companies and associated companies	46,093	38,732	(64,811)	20,014
Accounts receivable - other	6,703	17,789	(19,950)	4,542
Deferred income tax assets	70,562	11,755	-	82,318
Other non-current assets	506	675	-	1,182
TOTAL NON - CURRENT ASSETS	2,404,889	190,382	(84,760)	2,510,512
CURRENT ASSETS:				
Inventories	41,327	735	-	42,062
Account receivables	478,473	64,314	(182,021)	360,766
Contract assets	60,480	-	-	60,480
Prepaid expenses	46,651	2,164	(413)	48,402
Other current assets	1,164	3,151	(241)	4,074
Cash and cash equivalents	1,576	1,378	-	2,954
TOTAL CURRENT ASSETS	629,671	71,742	(182,675)	518,738
TOTAL ASSETS	3,034,560	262,124	(267,434)	3,029,250
SHAREHOLDER'S EQUITY				
Share capital	5,152	29,799	(29,799)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(8,134)	-	-	(8,134)
Legal reserve	1,030	88	(88)	1,030
Other reserves and accumulated earnings	222,315	(111)	(26,046)	196,158
Net income	45,582	5,302	(8,423)	42,461
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,120,164	35,078	(64,356)	1,090,886
Non-controlling interests	7,196	-	-	7,196
TOTAL EQUITY	1,127,360	35,078	(64,356)	1,098,082
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,000,903	21,153	(19,950)	1,002,106
Provisions	119,701	7,319	-	127,020
Accrued expenses	293	-	-	293
Other non-current liabilities	13,050	-	-	13,050
Deferred income tax liabilities	4,695	444	-	5,139
TOTAL NON - CURRENT LIABILITIES	1,138,643	28,916	(19,950)	1,147,609
CURRENT LIABILITIES:				
Borrowings	247,777	159,010	(161,950)	244,837
Accounts payable	283,152	16,118	(15,780)	283,490
Tax payable	31,001	533	(241)	31,293
Accrued expenses	177,491	18,368	(4,746)	191,113
Other current liabilities	29,137	4,099	(409)	32,827
TOTAL CURRENT LIABILITIES	768,557	198,128	(183,126)	783,559
TOTAL LIABILITIES	1,907,200	227,045	(203,077)	1,931,168
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,034,560	262,124	(267,434)	3,029,250

The results by segment and investments in tangible and intangible assets for the quarters ended on 31 March 2018 and 2019 are shown below:

	3M 18 RESTATED			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
	3M 18 RESTATED	3M 18 RESTATED	3M 18 RESTATED	3M 18 RESTATED
REVENUES:				
Services rendered	342,691	23,471	(10,551)	355,611
Sales	15,995	4,154	(45)	20,104
Other operating revenues	7,372	254	(338)	7,288
	366,058	27,878	(10,934)	383,002
COSTS, LOSSES AND GAINS:				
Wages and salaries	17,470	2,508	-	19,978
Direct costs	122,984	6,400	(8,322)	121,062
Costs of products sold	13,449	53	(6)	13,496
Marketing and advertising	6,446	1,719	(1,890)	6,275
Support services	22,246	612	(438)	22,420
Supplies and external services	27,471	2,551	(278)	29,744
Other operating losses / (gains)	145	11	-	156
Taxes	8,341	33	-	8,374
Provisions and adjustments	4,209	(67)	-	4,142
	222,760	13,819	(10,934)	225,646
EBITDA	143,298	14,059	-	157,356
Depreciation, amortisation and impairment losses	104,440	9,776	-	114,216
Other losses / (gains), net	(12,131)	11	-	(12,120)
INCOME BEFORE FINANCIAL RESULTS AND TAXES	50,988	4,271	-	55,259
Net losses / (gains) of affiliated companies	6,314	-	-	6,314
Financial costs	5,936	917	-	6,853
Net foreign exchange losses / (gains)	70	117	-	187
Net other financial expenses / (income)	1,220	(21)	-	1,199
	13,541	1,013	-	14,554
INCOME BEFORE TAXES	37,448	3,258	-	40,706
Income taxes	5,324	698	-	6,022
NET INCOME	32,125	2,560	-	34,684
CAPEX	92,262	6,842	-	99,104
EBITDA - CAPEX	51,036	7,217	-	58,252

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

CAPEX = Increases in tangible and intangible assets, contract costs and rights of use

	3M 19			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
	3M 19	3M 19	3M 19	3M 19
REVENUES:				
Services rendered	349,000	22,820	(10,940)	360,880
Sales	15,882	3,581	(39)	19,424
Other operating revenues	5,255	265	(508)	5,012
	370,137	26,666	(11,487)	385,316
COSTS, LOSSES AND GAINS:				
Wages and salaries	17,668	2,494	-	20,162
Direct costs	125,328	5,652	(8,756)	122,224
Costs of products sold	13,790	131	(5)	13,916
Marketing and advertising	6,432	1,740	(1,883)	6,289
Support services	21,064	416	(501)	20,979
Supplies and external services	26,761	2,433	(342)	28,852
Maintenance and repairs	10,033	261	-	10,294
Supplies and external services	16,728	2,172	(342)	18,558
Other operating losses / (gains)	107	14	-	121
Taxes	8,729	35	-	8,764
Provisions and adjustments	3,375	(81)	-	3,294
	223,254	12,834	(11,487)	224,601
EBITDA	146,883	13,832	-	160,715
Depreciation, amortisation and impairment losses	88,734	8,586	-	97,320
Depreciation, amortisation	88,170	8,586	-	96,756
Impairment losses	564	-	-	564
Other losses / (gains), net	3,230	93	-	3,323
Reestructuring costs	1,822	91	-	1,913
Losses / (gains) on sale of assets, net	(184)	2	-	(182)
Other losses / (gains) non recurrent net	1,592	-	-	1,592
INCOME BEFORE FINANCIAL RESULTS AND TAXES	54,919	5,153	-	60,072
Net losses / (gains) of affiliated companies	(157)	(41)	-	(198)
Financial costs	5,409	219	-	5,628
Net foreign exchange losses / (gains)	(32)	83	-	51
Net losses / (gains) on financial assets	(6,703)	(1,724)	8,424	(3)
Net other financial expenses / (income)	718	12	-	731
	(765)	(1,451)	8,424	6,209
INCOME BEFORE TAXES	55,685	6,604	(8,424)	53,864
Income taxes	10,192	1,301	-	11,493
NET INCOME	45,492	5,303	(8,424)	42,371
CAPEX	81,740	5,526	-	87,266
EBITDA - CAPEX	65,143	8,306	-	73,449

EBITDA = Operational Result + Depreciation, amortisation and impairment losses + Restructuring costs + Losses / (gains) on sale of assets + Other losses / (gains) non-recurrent
CAPEX = Increases in tangible and intangible assets, contract costs and rights of use

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

6. Financial assets and liabilities classified in accordance with the IFRS 9 – financial instruments

The accounting policies set out in IFRS 9 for financial instruments were applied to the following items:

31-12-2018 RESTATED	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	204	-	-	204	-	204
Derivative financial instruments (Note 19)	-	185	-	185	-	185
Accounts receivable - trade (Note 16)	382,100	-	-	382,100	-	382,100
Accounts receivable - other (Note 12)	7,993	-	-	7,993	5,700	13,693
Cash and cash equivalents (Note 20)	2,182	-	-	2,182	-	2,182
TOTAL FINANCIAL ASSETS	392,479	185	-	392,664	5,700	398,364
LIABILITIES						
Borrowings (Note 23)	-	-	1,297,425	1,297,425	-	1,297,425
Derivative financial instruments (Note 19)	-	1,211	-	1,211	-	1,211
Accounts payable - trade (Note 27)	-	-	254,950	254,950	-	254,950
Accounts payable - other (Note 28)	-	-	47,822	47,822	127	47,949
Accrued expenses (Note 25)	-	-	197,740	197,740	-	197,740
TOTAL FINANCIAL LIABILITIES	-	1,211	1,797,937	1,799,148	127	1,799,275

31-03-2019	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	209	-	-	209	-	209
Derivative financial instruments (Note 19)	-	320	-	320	-	320
Accounts receivable - trade (Note 16)	339,097	-	-	339,097	-	339,097
Accounts receivable - other (Note 12)	7,760	-	-	7,760	18,451	26,211
Cash and cash equivalents (Note 20)	2,954	-	-	2,954	-	2,954
TOTAL FINANCIAL ASSETS	350,020	320	-	350,340	18,451	368,791
LIABILITIES						
Borrowings (Note 23)	-	-	1,246,943	1,246,943	-	1,246,943
Derivative financial instruments (Note 19)	-	822	-	822	-	822
Accounts payable - trade (Note 27)	-	-	243,341	243,341	-	243,341
Accounts payable - other (Note 28)	-	-	47,575	47,575	206	47,781
Accrued expenses (Note 25)	-	-	191,406	191,406	-	191,406
TOTAL FINANCIAL LIABILITIES	-	822	1,729,265	1,730,087	206	1,730,293

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

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

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

7. Tangible assets

In the quarters ended on 31 March 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-03-2018 RESTATED
ACQUISITION COST					
Lands	955	-	-	-	955
Buildings and other constructions	378,899	262	(26)	(5,119)	374,016
Basic equipment	2,218,817	11,840	(1,104)	27,626	2,257,179
Transportation equipment	567	-	-	-	567
Tools and dies	1,347	-	-	11	1,358
Administrative equipment	186,850	709	(419)	323	187,463
Other tangible assets	41,928	61	(4)	103	42,088
Tangible assets in-progress	60,072	37,507	-	(25,468)	72,111
	2,889,436	50,379	(1,553)	(2,525)	2,935,737
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Lands	37	-	-	-	37
Buildings and other constructions	208,016	2,667	(27)	(3,809)	206,847
Basic equipment	1,459,884	47,044	(1,084)	(382)	1,505,462
Transportation equipment	329	1	-	-	330
Tools and dies	1,282	9	-	-	1,291
Administrative equipment	174,763	1,420	(396)	806	176,593
Other tangible assets	41,104	45	(2)	179	41,326
	1,885,415	51,186	(1,509)	(3,206)	1,931,886
	1,004,022	(808)	(44)	681	1,003,851

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

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-03-2019
ACQUISITION COST					
Land	838	-	-	-	838
Buildings and other constructions	388,170	1,454	(137)	4,516	394,003
Basic equipment	2,278,623	11,753	(424)	35,470	2,325,422
Transportation equipment	567	-	-	-	567
Tools and dies	1,406	-	-	-	1,406
Administrative equipment	189,070	787	(55)	272	190,074
Other tangible assets	42,553	75	-	86	42,714
Tangible assets in-progress	55,220	33,932	-	(47,030)	42,122
	2,956,447	48,001	(616)	(6,686)	2,997,146
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	213,822	2,007	(635)	544	215,738
Basic equipment	1,493,105	34,362	(272)	-	1,527,195
Transportation equipment	516	1	-	-	517
Tools and dies	1,316	11	-	-	1,327
Administrative equipment	179,428	1,283	(38)	-	180,673
Other tangible assets	41,905	198	-	-	42,103
	1,930,092	37,862	(945)	544	1,967,553
	1,026,355	10,139	329	(7,230)	1,029,593

At 31 March 2019, the tangible assets net value is composed mainly by basic equipment, namely:

i) Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 695.2 million euros (31 December 2018: 684.5 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 125.2 million euros (31 December 2018: 126 million euros).

Tangible and intangible assets include interests and other financial expenses incurred directly related to the construction of certain tangible or intangible assets in progress. At 31 March 2019, total net value of these costs amounted to 14.4 million euros (31 December 2018: 14.5 million euros). The amount of interest capitalised in the quarter ended on 31 March 2019 amounted to 0.3 million euros (31 December 2018: 1.3 million euros).

8. Intangible assets

In the quarters ended on 31 March 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-03-2018 RESTATED
ACQUISITION COST					
Industrial property and other rights	1,450,947	1,968	(10)	16,976	1,469,881
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	43,533	12,589	-	(18,468)	37,654
	2,135,880	14,557	(10)	(1,492)	2,148,935
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,102,786	23,295	(2)	(111)	1,125,968
Other intangible assets	4,566	-	-	(646)	3,920
	1,107,352	23,295	(2)	(757)	1,129,888
	1,028,528	(8,738)	(8)	(735)	1,019,047

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

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-03-2019
ACQUISITION COST					
Industrial property and other rights	1,521,380	966	-	28,291	1,550,637
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	50,211	11,425	-	(21,640)	39,996
	2,212,991	12,391	-	6,651	2,232,033
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,191,312	19,374	-	-	1,210,686
Intangible assets in-progress	2,423	-	-	-	2,423
	1,193,735	19,374	-	-	1,213,109
	1,019,256	(6,983)	-	6,651	1,018,924

At 31 March 2019, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 116.6 million euros (31 December 2018: 118.7 million euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i) 36.9 million euros (31 December 2018: 37.6 million euros) related to the license, (ii) 12.3 million euros (31 December 2018: 12.6 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 3.8 million euros (31 December 2018: 3.9 million euros) related to the Share Capital of "Fundação para as Comunicações Móveis'', established in 2007, under an agreement entered with "Ministério das Obras Públicas, Transportes e Comunicações" and the three mobile telecommunication operators in Portugal; (iv) 54 million euros (31 December 2018: 55 million euros) related with the programme "Initiatives E"; and (v) the net amount of 6.4 million euros (31 December 2018: 6.5 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(2) A net amount of 85.5 million euros (31 December 2018: 86.5 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 3.0 million euros (31 December 2018: 3.0 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(3) A net amount of 15.7 million euros (31 December 2018: 17.1 million euros) corresponding to the future rights to use movies and series.

Increases in the quarter ended on 31 March 2019 correspond mainly to movies and series rights of use, for an amount of 7.0 million euros, and software acquisition and development, for an amount of 4.4 million euros.

Impairment tests on goodwill

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

	31-12-2018 RESTATED	31-03-2019
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	641,400	641,400

In 2018, 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 growth forecast 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 AUDIOVISUALS	NOS CINEMAS
Discount rate (before taxes)	7.2%	6.2%	7.2%
Assessment period	5 years	5 years	5 years
EBITDA* Growth	4.0%	-4.2%	2.4%
Perpetuity growth rate	1.3%	1.3%	1.3%

* EBITDA = Operational result + Depreciation and amortisation (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 several businesses and markets, and were determined based on the most appropriate criterion for the valuation of each cash-generating unit.

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

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

At 31 March 2019, it was understood that the assumptions made in the impairment tests carried out in 2018 did not have material variations, and therefore there are no indications of any impairment.

9. Contract costs

In the quarters ended on 31 March 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2018 RESTATED
Acquisition Cost	528,439	22,687	(34,424)	516,702
Accumulated amortisation and impairment losses	357,642	26,226	(34,424)	349,444
	170,797	(3,539)	-	167,258

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2019
Acquisition Cost	514,694	26,870	-	541,564
Accumulated amortisation and impairment losses	351,746	25,437	-	377,183
	162,948	1,433	-	164,381

Contract costs refers to commissions paid to third parties and other costs related to raising customers' loyalty contracts. These costs are amortized, systematically and consistently, with the transfer to customers of goods or services to which the asset is related (between 2 and 4 years).

10. Rights of use

In the quarters ended on 31 March 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2018 RESTATED
ACQUISITION COST				
Telecommunications towers and rooftops	143,058	3,438	-	146,496
Movie theatres	103,575	-	-	103,575
Transponders	91,541	-	-	91,541
Equipments	79,221	6,166	-	85,387
Buildings	71,868	1,328	-	73,196
Fiber optic rental	34,582	-	-	34,582
Stores	21,579	147	-	21,726
Others	33,980	402	(39)	34,343
	579,404	11,481	(39)	590,846
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	111,096	2,029	-	113,125
Movie theatres	84,392	1,306	-	85,698
Transponders	43,459	1,946	-	45,405
Equipments	37,421	4,353	-	41,774
Buildings	45,496	1,313	-	46,809
Fiber optic rental	21,941	770	-	22,711
Stores	14,910	526	-	15,436
Others	15,769	1,265	(24)	17,010
	374,484	13,508	(24)	387,968
	204,920	(2,027)	(15)	202,878

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2019
ACQUISITION COST				
Telecommunications towers and rooftops	122,014	624	-	122,638
Movie theatres	84,816	1,254	-	86,070
Transponders	92,395	-	-	92,395
Equipments	99,145	2,897	-	102,042
Buildings	65,282	(269)	-	65,013
Fiber optic rental	34,157	-	-	34,157
Stores	14,768	(463)	-	14,305
Others	22,290	(324)	-	21,966
	534,867	3,719	-	538,586
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	81,614	2,586	-	84,200
Movie theatres	67,326	1,486	-	68,812
Transponders	50,859	1,483	-	52,342
Equipments	53,365	3,887	-	57,252
Buildings	33,803	1,783	-	35,586
Fiber optic rental	24,696	763	-	25,459
Stores	9,659	488	-	10,147
Others	13,061	2,170	-	15,231
	334,384	14,646	-	349,030
	200,483	(10,927)	-	189,557

The caption "Rights of Use" refers to assets associated with lease contracts, resulting from the application of IFRS 16 on January 1, 2019. These assets are amortized according to the duration of the respective agreement.

11. Investments in jointly controlled companies and associated companies

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED	31-03-2019
INVESTMENTS - EQUITY METHOD		
Sport TV	5,436	4,979
Dreamia	3,634	3,672
Finstar	9,465	9,953
Mstar	564	904
Upstar	361	378
East Star	125	128
ASSETS	19,585	20,014

Movements in "Investments in jointly controlled companies and associated companies" in the quarters ended on 31 March 2018 and 2019 were as follows:

	3M 18 RESTATED	3M 19
AS AT JANUARY 1	36,706	19,585
Gains / (losses) of exercise (Note 35)	(6,426)	196
Changes in equity i)	(7,223)	234
AS AT MARCH 31	23,057	20,014

i) Amounts related to changes in equity of the companies registered by the equity method of consolidation are mainly related to foreign exchange impacts of the investment in currencies other than euro and impact of Angola's consideration as a hyperinflationary economy.

The Group's interest in the results and assets and liabilities of the jointly controlled companies and associated companies in the periods ended on 31 December 2018 and 31 March 2019, is as follows:

31-12-2018							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	161,779	140,034	21,745	188,100	2,973	25.00%	743
Dreamia	15,553	8,286	7,267	2,118	(48)	50.00%	(24)
Finstar	196,896	165,345	31,551	254,280	(28,029)	30.00%	(8,409)
Mstar	8,008	6,128	1,880	22,082	3,253	30.00%	976
Upstar	139,979	138,777	1,202	73,911	274	30.00%	82
Canal 20 TV, S.A. **	-	-	-	-	-	50.00%	(12)
Big Picture 2 Films	3,552	2,926	626	9,393	126	20.00%	25
	525,767	461,496	64,271	549,884	(21,451)		(6,618)

* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.

** Company dissolved on June 1, 2018.

31-03-2019							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	119,666	99,746	19,919	47,656	(1,825)	25.00%	(456)
Dreamia	15,905	8,561	7,345	661	77	50.00%	39
Finstar	209,322	176,145	33,177	37,423	804	30.00%	241
Mstar	9,497	6,484	3,013	5,585	1,177	30.00%	353
Upstar	126,903	125,644	1,259	3,559	57	30.00%	17
Big Picture 2 Films	2,237	1,598	638	1,465	12	20.00%	2
	483,530	418,178	65,352	96,349	302		196

* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.

Consolidated adjustments are reflected in the indicators presented in the tables above.

12. Accounts receivable – other

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED		31-03-2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables	3,708	5,252	3,637	5,265
Advances of suppliers	5,700	-	18,451	-
	9,408	5,252	22,088	5,265
Impairment of other receivable	(244)	(723)	(419)	(723)
	9,164	4,529	21,669	4,542

i) At 31 March 2019, the amount of accounts receivable corresponds mainly to short-term loans, medium and long-term loans from Group and interests' receivable, from associated companies.

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

	3M 18 RESTATED	3M 19
AS AT JANUARY 1	1,500	967
Increases (Note 34)	152	183
Utilizations / Others	(147)	(8)
AS AT MARCH 31	1,505	1,142

13. Taxes payable and receivable

At 31 December 2018 and 31 March 2019, these items were composed as follows:

	31-12-2018 RESTATED		31-03-2019	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added tax	826	18,606	2,899	14,322
Income taxes	-	11,295	-	9,465
Personnel income tax witholdings	-	1,787	-	5,535
Social Security contributions	-	1,831	-	1,871
Others	420	264	421	100
	1,246	33,783	3,320	31,293
	1,395	33,783	3,469	31,293

At 31 December 2018 and 31 March 2019, the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2018 RESTATED	31-03-2019
Estimated current tax on income	(31,733)	(30,291)
Payments on account	18,967	19,116
Withholding income taxes	785	1,025
Others	686	685
	(11,295)	(9,465)

14. Income tax expense

NOS and its subsidiaries are subject to IRC - Corporate Income Tax - at the rate of 21% on taxable amount (taxable profit less eventual tax losses subject to deduction), plus IRC surcharge at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 22.5%. Additionally, following the introduction of austerity measures approved by Law 66-B/2012 of 31 December, and respective addendum published by Law 2/2014 of 16 January, this rate was raised by 3% and will be applied to the company's taxable profit between 1.5 million euros and 7.5 million euros, by 5% to the company's taxable profit which exceeds 7.5 million euros, and by 9% to the company's taxable profit above 35 million euros.

In the calculation of taxable income, amounts, which are not fiscally allowable, are added to or subtracted from the book results. These differences between accounting income and taxable income may be of a temporary or permanent nature.

NOS is taxed in accordance with the Special Regime for Taxation of Corporate Groups, which covers the companies in which it directly or indirectly holds at least 75% of their share capital and which fulfil the requirements of Article 69 of the IRC Code.

The companies covered by the Special Regime for Taxation of Corporate Groups in 2019 are:

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária
- Lusomundo SII
- NOS Açores
- NOS Audiovisuais
- NOS Audiovisuais SGPS
- NOS Cinemas
- NOS Comunicações SA
- NOS Inovação
- NOS Internacional SGPS
- NOS Lusomundo TV
- NOS Madeira
- NOSPUB
- NOS Sistemas
- NOS Technology
- NOS Towering
- Per-mar
- Sontária

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

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 31 March 2019.

A) Deferred tax

NOS and its associated companies have reported deferred tax relating to temporary differences between the taxable basis and the book amounts of assets and liabilities, and tax losses carried forward at the date of the statement of financial position.

The movements in deferred tax assets and liabilities for the quarters ended on 31 March 2018 and 2019 were as follows:

	31-12-2017 RESTATED	DEFERRED TAXES OF THE PERIOD		31-03-2018 RESTATED
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	6,635	5	-	6,640
Inventories	2,340	(190)	-	2,150
Other provision and adjustments	71,500	(17,480)	-	54,020
Intragroup gains	20,926	4,050	-	24,976
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	7,396	(43)	-	7,353
Assets recognised under application of IFRS 16 (Note 2.1)	7,811	(341)		7,470
Derivatives	557	(20)	43	580
	117,165	(14,019)	43	103,189
DEFERRED INCOME TAX ASSETS				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	4,851	(734)	-	4,117
Derivatives	-	6	-	6
Liabilities recognised under application of IFRS 15	18,383	(18,383)	-	-
Others	2,289	(32)	-	2,257
	25,523	(19,143)	-	6,380
NET DEFERRED TAX	91,642	5,124	43	96,809

	31-12-2018 RESTATED	DEFERRED TAXES OF THE PERIOD		31-03-2019
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	4,796	(24)	-	4,772
Inventories	1,610	104	-	1,714
Other provision and adjustments	51.956	(2,446)	-	49,510
Intragroup gains	22,098	(904)	-	21,194
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,943	-	-	4,943
Assets recognised under application of IFRS 16 (Note 2.1)	8,763	(8,763)	-	-
Derivatives	238	35	(88)	185
	94,404	(11,998)	(88)	82,318
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,846	(77)	-	2,769
Derivatives	7	58	8	73
Others	2,270	27	-	2,297
	5,123	8	8	5,139
NET DEFERRED TAX	89,281	(12,006)	(96)	77,179

At 31 March 2019, the deferred tax assets related to the other provisions and adjustments are mainly due: i) Impairments and acceleration of amortisations beyond the acceptable fiscally and other adjustments in fixed tangible assets and intangible assets, amounted to 40.3 million euros (31 December 2018: 40.9 million euros; and ii) Other provisions amounted to 8.2 million euros (31 December 2018: 9.6 million euros).

At 31 March 2019, the deferred tax liability is related to the revaluation of assets relates mainly to the appreciation of telecommunications licenses, and other assets at the merger of Group companies.

At 31 March 2019, deferred tax assets were not recognised for an amount of 1.8 million euros, corresponding mainly to tax incentives.

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

At 31 March 2019, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2018: 21%). In the case of temporary differences, the rate used was 22.5% (2018: 22.5%) increased to a maximum of 5.13% (2018: 5.13%) of state surcharge when the taxation of temporary differences in the estimated period of application of the state surcharge was perceived as likely. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grants such tax benefits.

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

Additionally, under the terms of current legislation in Portugal, tax losses generated from 2012 to 2013 and from 2014 to 2016 may be carried forward for a period of five years and twelve years, respectively, after their occurrence and may be deducted from taxable profits generated during that period, up to a limit of 75% of the taxable profit, in 2012 and 2013, and 70% of taxable profit from 2014 to 2016. For tax losses generated in taxation periods that begin on or after 1 January 2017, the carryover is over a five-year period up to the limit of 70% of the taxable profit.

B) Effective tax rate reconciliation

In the quarters ended on 31 March 2018 and 2019, the reconciliation between the nominal and effective rates of tax was as follows:

	3M 18 RESTATED	3M 19
Income before taxes	40,706	53,864
Statutory tax rate	22.5%	22.5%
ESTIMATED TAX	9,159	12,119
Permanent differences i)	1,102	(3)
Differences in tax rate of group companies	(512)	(535)
Record of deferred taxes	(5,408)	-
Tax benefits ii)	(2,401)	(2,800)
State surcharge	3,586	1,890
Autonomous taxation	207	187
Others	289	635
INCOME TAXES	6,022	11,493
Effective Income tax rate	14.8%	21.3%
Income tax	11,146	(513)
Deferred tax	(5,124)	12,006
	6,022	11,493

i) At 31 March 2018 and 2019, the permanent differences were composed as follows:

	3M 18 RESTATED	3M 19
Equity method (Note 35)	6,314	(198)
Others	(1,417)	184
	4,897	(14)
	22.5%	22.5%
	1,102	(3)

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

15. Inventories

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED	31-03-2019
INVENTORIES		
Telco	43,485	47,321
Audiovisuals	1,568	1,306
	45,053	48,627
IMPAIRMENT OF INVENTORIES		
Telco	(5,670)	(5,994)
Audiovisuals	(498)	(571)
	(6,168)	(6,565)
	38,885	42,062

The movements occurred in impairment adjustments were as follows:

	3M 18 RESTATED	3M 19
AS AT JANUARY 1	8,961	6,167
Increase and decrease - Cost of products sold (Note 32)	(700)	397
Utilizations / Others	20	2
AS AT MARCH 31	8,281	6,566

16. Accounts receivable – trade

At 31 December 2018 and 31 March 2019, this item was as follows:

	31-12-2018 RESTATED	31-03-2019
Trade receivables	460,499	420,648
Unbilled revenues i)	61,423	61,375
	521,922	482,023
Impairment of trade receivable	(139,822)	(142,926)
	382,100	339,097

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

The movements occurred in impairment adjustments were as follows:

	3M 18 RESTATED	3M 19
AS AT JANUARY 1	139,484	139,822
Increases and decreases (Note 34)	3,753	6,005
Penalties - i)	3,139	3,759
Impact of application of IFRS 9	6,008	-
Utilizations / Others	(16,275)	(6,660)
AS AT MARCH 31	136,109	142,926

i) Penalties correspond to the estimated amount of uncollectible invoiced penalties recognised in the period, deducted from revenue, as described in Note 42.6.

17. Contract assets

At 31 December 2018 and 31 March 2019, this item was as follows:

	31-12-2018 RESTATED	31-03-2019
Contract assets	57,022	60,480
	57,022	60,480

The amount of assets related to contracts with customers result from the early recognition of revenue, resulting from the allocation of discounts granted in packages, to different performance obligations.

18. Prepaid Expenses

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED	31-03-2019
Programming costs	16,364	19,034
Costs of litigation procedure activity	8,465	8,148
Insurance	1,276	1,903
Advertising	708	1,482
Others	12,031	17,835
	38,844	48,402

19. Derivative financial instruments

Exchange rate derivatives

At the date of the statement of the financial position there were foreign currency forwards open for 1,612 thousand euros (31 December 2018: 2,525 thousand euros), the fair value is the positive amount of 56 thousand euros (2018: gain of about 32 thousand euros).

Interest rate derivatives

At 31 March 2019, NOS had contracted two interest rate swaps totalling 250 million euros (31 December 2018: 250 million euros) whose swap maturities expire in 2019. The fair value of interest rate swaps, in the negative amount of 0.8 million euros (31 December 2018: negative amount of 1,2 million euros), was recorded in liabilities, against shareholder's equity.

Own shares derivatives

At 31 March 2019, NOS had contracted two own shares derivatives, in the amount of 1,919 thousand euros (31 December 2018: 2,641 thousand euros), maturing in March 2020 and 2021, in order to cover the delivery of share plans liquidated in cash.

		31-12-2018 RESTATED			
		ASSETS		LIABILITIES	
	NOTIONAL	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	250,000	-	-	1,211	-
Equity Swaps	2,641	41	112	-	-
Exchange rate forward	2,525	32	-	-	-
	255,166	73	112	1,211	-

		31-03-2019			
		ASSETS		LIABILITIES	
	NOTIONAL	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	250,000	-	-	822	-
Equity swaps	1,919	98	166	-	-
Exchange rate forward	1,612	56	-	-	-
	253,531	154	166	822	-

Movements during the quarters ended on 31 March 2018 and 2019 were as follows:

	31-12-2017 RESTATED	RESULT	EQUITY	31-03-2018 RESTATED
Fair value interest rate swaps	(2,453)	-	172	(2,281)
Fair value exchange rate forward	(33)	48	-	15
Fair value equity swaps	10	63	(361)	(288)
DERIVATIVES	(2,476)	111	(189)	(2,554)
Deferred income tax liabilities	-	(6)	-	(6)
Deferred income tax assets	557	(20)	43	580
DEFERRED INCOME TAX	557	(26)	43	574
	(1,919)	85	(146)	(1,980)

	31-12-2018 RESTATED	RESULT	EQUITY	31-03-2019
Fair value interest rate swaps	(1,211)	-	389	(822)
Fair value exchange rate forward	32	24	-	56
Fair value equity swaps	153	76	35	264
DERIVATIVES	(1,026)	100	424	(502)
Deferred income tax liabilities	(7)	(58)	(8)	(73)
Deferred income tax assets	238	35	(88)	185
DEFERRED INCOME TAX	231	(23)	(96)	112
	(795)	77	328	(390)

20. Cash and cash equivalents

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED	31-03-2019
Cash	744	1,130
Other deposits i)	13	279
Deposits	1,425	1,545
	2,182	2,954

i) At 31 December 2018 and 31 March 2019, term deposits have short-term maturities and bear interest at normal market rates.

21. Shareholder's equity

21.1. Share capital

At 31 December 2018 and 31 March 2019, the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1 euro cent per share.

The main shareholders as of 31 December 2018 and March 2019 are:

	31-12-2018 RESTATED		31-03-2019	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Blackrock, Inc	11,562,497	2.24%	-	0.00%
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	10,891,068	2.11%
TOTAL	302,147,579	58.65%	290,585,082	56.41%

(1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of company, calculated in

accordance with Article 20 of the Securities Code, is attributable to ZOPT SGPS S.A., Sonaecom SGPS S.A. and the following entities:

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

b. Entities in a control relationship with Sonaecom SGPS S.A., namely, SONTEL, BV and SONAE, SGPS, S.A, companies directly and indirectly controlled by Efanor Investimentos, SGPS, S.A., also due of such control and of the shareholder agreement mentioned in a.

   Efanor Investimentos, SGPS, S.A, with effects after 29 November 2017, has no longer a control shareholder, in accordance and for the effects of Articles 20 and 21 of the Securities Code.

21.2. Capital issued premium

On 27 August 2013, following the completion of the merger between ZON and Optimus SGPS, the Company's share capital was increased by 856,404,278 euros, corresponding to the total number of issued shares (206,064,552 shares), based on the closing market price of 27 August 2013. The capital increase is detailed as follows:

i) share capital in the amount of 2,060,646 euros;

ii) premium for issue of shares in the amount of 854,343,632 euros.

Additionally, the premium for issue of shares was deducted for an amount of 125 thousand euros related to costs with the respective capital increase.

The capital issued premium is subject to the same rules as for legal reserves and can only be used:

a) To cover part of the losses on the balance of the year that cannot be covered by other reserves;

b) To cover part of the losses carried forward from the previous year that cannot be covered by the net income of the year or by other reserves;

c) To increase the share capital.

21.3. Own shares

Company law regarding own shares requires the establishment of a non-distributable reserve of an amount equal to the purchase price of such shares, which becomes frozen until the shares are disposed of or distributed. In addition, the applicable accounting rules determine that gains or losses on the disposal of own shares are stated in reserves.

At 31 March 2019 there were 1,387,471 own shares, representing 0.2693% of share capital (31 December 2018: 2,069,356 own shares, representing 0.4017% of the share capital).

Movements in the quarters ended on 31 March 2018 and 2019 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2018	2,040,234	12,681
Acquisition of own shares	650,000	3,096
Distribution of own shares - share incentive scheme	(580,966)	(3,411)
Distribution of own shares - other remunerations	(17,650)	(103)
BALANCE AS AT 31 MARCH 2018	2,091,618	12,263
BALANCE AS AT 1 JANUARY 2019	2,069,356	12,132
Distribution of own shares - share incentive scheme	(624,194)	(3,659)
Distribution of own shares - other remunerations	(57,691)	(339)
BALANCE AS AT 31 MARCH 2019	1,387,471	8,134

21.4. Reserves

Legal reserve

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

Other reserves

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IAS / IFRS. Thus, on 31 March 2019, NOS had reserves, which by their nature are considered distributable for an amount of approximately 305.7 million euros, not including the net income.

22. Non-controlling interests

The movements of the non-controlling interests occurred during the quarters ended on 31 March 2018 and 2019 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2017 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	31-03-2018 RESTATED
NOS Madeira	5,882	(169)	(5)	5,708
NOS Açores	1,914	(93)	(3)	1,818
	7,796	(263)	(8)	7,526

	31-12-2018 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	31-03-2019
NOS Madeira	5,660	29	(9)	5,680
NOS Açores	1,636	(119)	(1)	1,516
	7,296	(90)	(10)	7,196

23. Borrowings

At 31 December 2018 and 31 March 2019, the composition of borrowings was as follows:

	31-12-2018 RESTATED		31-03-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	217,769	830,000	177,786	830,000
Debenture loan	150,000	510,000	150,000	510,000
Commercial paper	29,500	265,000	2,500	265,000
Foreign loans	18,333	55,000	18,333	55,000
Bank overdrafts	19,936	-	6,953	-
LOANS - ACCRUALS AND DEFERRALS	1,890	(4,602)	2,501	(3,910)
LOANS - AMORTISED COST	219,659	825,398	180,287	826,090
LEASES	63,402	188,966	64,550	176,016
	283,061	1,014,364	244,837	1,002,106

During the quarter ended on 31 March 2019, the average cost of debt of the used lines was approximately 1.6% (2018: 1.8%).

23.1. Debenture loans

At 31 December 2018 and 31 March 2019, NOS has a total amount of 660 million euros of bonds issued, including 510 million euros with maturity after one year:

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 semi-annually.

ii) A private placement in the amount of 150 million euros organised by BPI bank and Caixa - Banco de Investimento in March 2015 maturing in March 2022. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

iii) One bond issues organised by Caixabank amounting to 50 million euros and maturing in June 2019. The issue, bears interest at a variable rate indexed to Euribor and paid semi-annually.

iv) A bond loan in the amount 60 million euros organised by ING in June 2016 and maturing in May 2023. The loan bears interest at variable rates indexed to Euribor and paid semi-annually.

v) A bond issue for an amount of 300 million euros in May 2018, whose maturity occurs in May 2023. The issue bears interest at a fix rate and it is paid annually.

At 31 March 2019, an amount of 1,312 thousand euros, corresponding to interest and commissions, was added from this amount and recorded in the item "Loans - accruals and deferrals".

23.2. Commercial paper

At 31 March 2019, the Company has borrowings of 267.5 million euros in the form of commercial paper, of which 2.5 million euros was issued under non-underwritten programs. The total amount contracted, under underwriting securities, is of 520 million euros, corresponding to eleven programmes, with four banks, 445 million euros of which bear interest at market rates and 75 million euros are issued in fixed rate. Commercial paper programmes with maturities over one-year totalling 265 million euros are classified as non-current, since the Company can renew unilaterally current issues on or before the programmes' maturity dates and because they are underwritten by the organiser. As such, this amount, although having a current maturity, it was classified as non-current for presentation purposes in the financial position statement.

At 31 March 2019 an amount of 525 thousand euros, corresponding to interest and commissions, was added to this amount, and recorded in the item "Loans - accruals and deferrals".

23.3. Foreign loans

In November 2013, NOS signed a Finance Contract with the European Investment Bank for an amount of 110 million euros to support the development of the mobile broadband network in Portugal. In June 2014, the total amount of funds was used. This contract matures in a maximum period of 8 years from the use of the funds, with partial amortisations of 18,3 million euros per year as of June 2017. At 31 March 2019, the amount in borrowings totalizes 73,3 million euros.

At 31 March 2019, an amount of 3,246 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan with BEI is at a subsidised rate.

All bank borrowings contracted (apart from BEI loan of 73.3 million euros, from public issuance of bonds of 300 million euros from a commercial paper program of 75 million euros issued in fixed rate, besides finance leases) are negotiated at variable short-term interest rates and their book value is therefore broadly similar to their fair value.

23.4. Leases

At 31 December 2018 and 31 March 2019, the leases refer mainly to rental agreements for telecommunications towers, movie theaters, equipment, shops and vehicles, exclusive acquisition of satellite capacity and rights to use distribution network capacity.

Leases – payments

	31-12-2018 RESTATED	31-03-2019
Until 1 year	63,402	64,551
Between 1 and 5 years	131,849	129,122
Over 5 years	57,118	46,894
	252,368	240,566

Leases – present value

	31-12-2018 RESTATED	31-03-2019
Until 1 year	73,908	74,247
Between 1 and 5 years	153,032	148,333
Over 5 years	62,443	51,581
	289,383	274,161
Future financial costs (lease)	(37,015)	(33,595)
PRESENT VALUE OF LEASE LIABILITIES	252,368	240,566

The maturities of the loans obtained are as follows:

	31-12-2018 RESTATED			31-03-2019		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	152,487	447,718	59,970	153,441	507,871	-
Commercial paper	29,732	227,500	37,500	3,025	215,002	49,998
Foreign loans	17,504	52,710	-	16,868	53,219	-
Bank overdrafts	19,936	-	-	6,953	-	-
Leases	63,402	131,849	57,118	64,550	129,122	46,894
	283,061	859,777	154,587	244,837	905,214	96,892

24. Provisions

At 31 December 2018 and 31 March 2019, the provisions were as follows:

	31-12-2018 RESTATED	31-03-2019
Litigation and other - i)	58,369	55,888
Dismantling and removal of assets - iii)	34,626	36,198
Contingent liabilities - iv)	32,055	32,055
Contingencies - other - v)	3,765	2,879
	128,815	127,020

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

b. Supplementary Capital: the fiscal authorities believe that NOS SA has broken the principle of full competition under the terms of (1) of Article 58 of the Corporate Tax Code (CIRC) – currently Article 63 –, by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, regarding 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 regarding all the above-mentioned years. As for the year 2004, the Court has decided favourably. This decision is concluded (favourably), originating a reversal of provisions, in 2016, in the amount of 1.3 million euros plus interest. As for the years 2006 and 2007, the Porto Fiscal and Administrative Court has already decided unfavourably. As for the year 2005, the Court's decision was favourable, having been realised by the Tax Authorities, which meant the reversal of the provision of one million euros, in 2018;

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 11);

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

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

a. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU): The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a formal contest procedure led by the government for that effect, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros for illegally designating MEO. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

Therefore:

- In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision that was contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS, SA, NOS Madeira and NOS Açores which were contested by NOS and for which a bail was presented by NOS SGPS (Note 40) to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.
- - In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, related to NOS, SA, NOS Madeira and NOS Açores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes. The guarantees that have been accepted by ANACOM.
- - In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to

that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

- - In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, for an amount of 7.7 million euros that was contested by NOS, in standard terms.
- - In 2017, NOS, SA, NOS Madeira and NOS Açores were notified of the decision of ANACOM concerning the entities that are obliged to contribute toward the compensation fund and the setting of the values of contributions corresponding to CLSU that must be compensated and relating to the months of 2014 in which MEO still remained as provider of the Universal Service, which establishes for all these companies a contribution totalling close to 2.4 million euros. In December 2017, the settlement notes relating to NOS, SA, NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to Universal Service (not designated through a tender procedure) flagrantly violate the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS has judicially challenged either the approval of audit results of the net cost of universal service related to the pre-competitive period, and the liquidation of each extraordinary contribution, once the Board of Directors is convinced it will be successful in challenges already undertaken;

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

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

During the quarter ended on 31 March 2018, movements in provisions were as follows:

	31-12-2017 RESTATED	INCREASES	DECREASES	OTHERS	31-03-2018 RESTATED
Litigation and other	52,261	7,550	(586)	-	59,225
Financial investments	425	(142)	-	-	283
Dismantling and removal of assets	31,651	207	(7)	339	32,190
Contingent liabilities	32,490	-	-	-	32,490
Contingencies - other	16,435	339	(6)	616	17,384
	133,262	7,954	(599)	955	141,572

During the quarter ended on 31 March 2018, increases mainly refer to provisions for legal claims plus interest and charges.

The movement recorded in "Others" in the amount of 0.6 million euros, under "Contingencies - other" refers mainly to the reclassification of cost estimates in respect of which it was not possible to estimate with great reliability the timing of the expenditure, in the meantime settled, in the amount of 1.4 million euros, less the use of provisions created for compensations to employees, in the amount of 0.8 million euros.

During the quarter ended on 31 March 2019, movements in provisions, were as follows:

	31-12-2018 RESTATED	INCREASES	DECREASES	OTHERS	31-03-2019
Litigation and other	58,369	1,483	(3,964)	-	55,888
Dismantling and removal of assets	34,626	113	(9)	1,468	36,198
Contingent liabilities	32,055	-	-	-	32,055
Contingencies - other	3,765	1,485	(28)	(2,343)	2,879
	128,815	3,081	(4,001)	(875)	127,020

During the quarter ended on 31 March 2019, the increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer, predominantly, the reassessment of several legal contingencies.

The movement recorded under “Others”, on the item “Contingencies – other”, amounting 2.3 million euros are related with provisions created for employee compensation.

The net movements for the quarter ended on 31 March 2018 and 2019 reflected in the income statement under Provisions were as follows:

	3M 18 RESTATED	3M 19
Provisions and adjustments (Note 34)	205	(2,893)
Financial investments (Note 11)	(142)	-
Integration costs (compensations)	339	-
Other losses / (gains) non-recurrent (Note 37)	6,652	1,285
Interests - dismantling	201	104
Other interests	100	584
INCREASES AND DECREASES IN PROVISIONS	7,355	(920)

25. Accrued expenses

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED	31-03-2019
NON-CURRENT		
Others	688	293
	688	293
CURRENT		
Invoices to be issued by operators i)	62,041	60,304
Investments in tangible and intangible assets	26,541	21,431
Vacation pay and bonuses	24,460	20,117
Advertising	15,144	14,167
Professional services	12,113	14,054
Content and film rights	11,370	9,947
Programming services	12,293	8,718
Costs of litigation procedure activity	7,852	8,360
Taxes (ANACOM and Cinema Law)	17	7,983
Energy and water	5,807	5,859
Comissions	5,376	5,692
Maintenance and repair	2,409	2,905
Other accrued expenses	11,628	11,576
	197,052	191,113

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

26. Deferred income

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED		31-03-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	32,262	-	31,596	-
Investment subsidy ii)	409	5,521	409	5,418
	32,671	5,521	32,005	5,418

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

ii) Deferred income related to the implicit subsidy when the BEI loans were obtained at interest rates below market value (Note 23). During the second quarter of 2018, the calculation of the implicit subsidy was updated following the revision of the initial contractual conditions.

27. Accounts payable - trade

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED	31-03-2019
Suppliers current account	252,644	239,622
Invoices in reception and conference	2,306	3,719
	254,950	243,341

28. Accounts payable - other

At 31 December 2018 and 31 March 2019, this item was composed as follows:

	31-12-2018 RESTATED	31-03-2019
NON-CURRENT		
Assignment of receivables without recourse i)	9,723	7,632
	9,723	7,632
CURRENT		
Fixed assets suppliers	27,006	28,904
Assignment of receivables without recourse i)	10,093	9,118
Advances from customers	127	206
Others	1,000	1,921
	38,226	40,149
	47,949	47,781

i) NOS Comunicações, SA materialised a credit assignment transaction, that was coordinated by Banco Comercial Português and Caixa Geral de Depósitos, which it ceded future credits to be generated by a portfolio of Corporate customers. In the quarter ended on 31 March 2019, the balance amounts to 16.8 million euros. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.

29. Operating revenues

Consolidated operating revenues, for the quarters ended on 31 March 2018 and 2019, were as follows:

	3M 18 RESTATED	3M 19
SERVICES RENDERED:		
Telco i)	339,191	345,236
Audiovisuals and cinema exhibition ii)	16,420	15,644
	355,611	360,880
SALES:		
Telco iii)	15,989	15,877
Audiovisuals and cinema exhibition iv)	4,115	3,547
	20,104	19,424
OTHER OPERATING REVENUES:		
Telco	7,047	4,921
Audiovisuals and cinema exhibition	241	91
	7,288	5,012
	383,002	385,316

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

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

ii) This item mainly includes (a) box office revenue 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.

30. Wages and salaries

In the quarters ended on 31 March 2018 and 2019, this item was composed as follows:

	3M 18 RESTATED	3M 19
Remuneration	15,225	15,099
Social taxes	4,164	4,084
Social benefits	470	482
Other	119	497
	19,978	20,162

In the quarters ended on 31 March 2018 and 2019, the average number of employees of the companies included in the consolidation was 2,520 and 2,453, respectively. At 31 March 2019, the number of employees of the companies included in the consolidation was 2,456 employees.

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

31. Direct costs

In the quarters ended on 31 March 2018 and 2019, this item was composed as follows:

	3M 18 RESTATED	3M 19
Exhibition costs	51,401	50,052
Traffic costs	52,193	51,539
Capacity costs	11,069	11,956
Costs related to corporate customers services	2,375	5,544
Shared advertising revenues	3,179	3,133
Others	845	-
	121,062	122,224

In the third quarter of 2018, the Group changed the presentation caption of costs related to services of large corporate customers, from "Supplies and external services" to "Direct costs", as they refer to costs directly related to the operational activity of this business segment. This change had no impact in the consolidated statement of financial position, of changes in shareholders' equity and of cash flows. The consolidated statements were restated, ascending the amount reclassified as at 31 March 2018 to 2,375 thousand euros.

32. Cost of products sold

In the quarters ended on 31 March 2018 and 2019, this item was composed as follows:

	3M 18 RESTATED	3M 19
Costs of products sold	14,196	13,519
Increases / (decreases) in inventories impairments (Note 15)	(700)	397
	13,496	13,916

33. Support services and supplies and external services

In the quarters ended on 31 March 2018 and 2019, this item was composed as follows:

	3M 18 RESTATED	3M 19
SUPPORT SERVICES:		
Administrative support and others	9,777	9,241
Call centers and customer support	8,194	7,861
Information systems	4,449	3,877
	22,420	20,979
SUPPLIES AND EXTERNAL SERVICES:		
Maintenance and repair	10,944	10,294
Electricity	5,604	5,798
Professional services	3,052	2,729
Communications	1,777	1,547
Installation and removal of terminal equipment	902	1,671
Travel and accommodation	985	1,194
Fees	1,158	697
Other supplies and external services	5,322	4,922
	29,744	28,852

34. Provisions and adjustments

In the quarters ended on 31 March 2018 and 2019, these items were composed as follows:

	3M 18 RESTATED	3M 19
Provisions (Note 24)	205	(2,893)
Impairment of account receivables - trade (Note 16)	3,753	6,005
Impairment of account receivables - others (Note 12)	152	183
Others	32	(1)
	4,142	3,294

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

In the quarters ended on 31 March 2018 and 2019, this item was composed as follows:

	3M 18 RESTATED	3M 19
EQUITY METHOD (NOTE 11)		
Sport TV	(142)	456
Dreamia	15	(39)
Finstar	6,703	(241)
Mstar	(113)	(353)
Upstar	(23)	(17)
Others	(14)	(2)
	6,426	(196)
OTHERS	(112)	(2)
	6,314	(198)

During the quarter ended on 31 March 2018, the Kwanza recorded an exceptional devaluation against the Euro of approximately 30%, which generated the recognition of exchange losses in Finstar, losses that impact this item in approximately, 10 million euros.

36. Depreciation, amortisation and impairment losses

In the quarters ended on 31 March 2018 and 2019, this item was composed as follows:

	3M 18 RESTATED	3M 19
TANGIBLE ASSETS		
Buildings and other constructions	2,667	2,007
Basic equipment	47,044	34,362
Transportation equipment	1	1
Tools and dies	9	11
Administrative equipment	1,420	1,283
Other tangible assets	45	198
	51,186	37,862
INTANGIBLE ASSETS		
Industrial property and other rights	23,295	19,374
	23,295	19,374
CONTRACT COSTS		
Contract costs	26,226	25,437
	26,226	25,437
LEASES		
Leases	13,508	14,646
	13,508	14,646
INVESTIMENT PROPERTY		
Investment property	1	1
	1	1
	114,216	97,320

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

In the quarters ended on 31 March 2018 and 2019, the other non-recurring costs / (gains) was composed as follows:

	3M 18 RESTATED	3M 19
GAINS:		
Default interests - offsetting of credits i)	(27,164)	-
	(27,164)	-
COSTS:		-
Provisions and costs with lawsuits	12,529	-
Others	1,245	1,592
	13,774	1,592
TOTAL	(13,390)	1,592

i) Following the dispute between the subsidiary NOS SA and MEO - Serviços de Comunicações e Multimédia, SA (formerly TMN - Telecomunicações Móveis Nacionais, SA), relating to the lack of definition of interconnection prices for 2001, and subsequent assignment from TMN to MEO and unilateral compensation by MEO of interconnection related credits, NOS filed an action against it, in which it required that (i) the compensation be declared ineffective and (ii) the payment of the debt, plus interest. After all appeals and claims in court, promoted by MEO, were dismissed, including by the Constitutional Court, NOS received and recognised an income of interests on these loans amounting to 27.3 million euros. This amount was received at 3 July 2018.

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

In the quarters ended on 31 March 2018 and 2019, financing costs and other financial expenses / (income) were composed as follows:

	3M 18 RESTATED	3M 19
FINANCING COSTS:		
INTEREST EXPENSE:		
Borrowings	3,762	3,441
Finance leases	3,305	2,718
Derivatives	402	396
Others	546	553
	8,015	7,108
INTEREST EARNED	(1,162)	(1,480)
	6,853	5,628
NET OTHER FINANCIAL EXPENSES /(INCOME):		
Comissions and guarantees	1,057	530
Others	142	201
	1,199	731

Interest earned mainly corresponds to default interests charged to customers.

39. Net earnings per share

Earnings per share for the quarters ended on 31 March 2018 and 2019 were calculated as follow:

	3M 18 RESTATED	3M 19
Consolidated net income attributable to shareholders	34,945	42,461
Number of ordinary shares outstanding during the period (weighted average)	513,113,304	513,326,896
Basic earnings per share - euros	0.07	0.08
Diluted earnings per share - euros	0.07	0.08

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.

40. Guarantees and financial undertakings

40.1. Guarantees

At 31 December 2018 and 31 March 2019, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2018 RESTATED	31-03-2019
Tax authorities i)	13,382	13,189
Others ii)	9,878	10,316
	23,260	23,505

i) At 31 March 2019, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 42).

ii) At 31 December 2018 and 31 March 2019, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings and guarantees provided to cinema owners, and bank guarantees given to providers of satellite capacity renting services.

In connection with the finance obtained by Upstar from Banco Comercial Português, totalling 10 million euros, NOS signed a promissory note, proportional to the participation held, of 30% of the loan.

During the first semester of 2015, 2016, 2017 and 2018, and following the settlement notes to CLSU 2007-2009, 2010-2011, 2012-2013 and 2014, respectively, NOS constituted guarantees in favour of the Universal Service Compensation Fund in the amount of 23.6 million euros, 16.7 million euros, 17.5 million euros and 3.0 million euros, respectively, in order to prevent the introduction of tax enforcement proceedings in order to enforce recovery of the amounts paid.

NOS provided a guarantee to Warner Brothers, under the contract renewal of cinema distribution for national territory and African Portuguese speaking countries.

In addition to the guarantees required by the tax authorities, sureties were set up for the current fiscal processes, which NOS was a surety for NOS SA for an amount of 15.2 million euros.

40.2. Other undertakings

Covenants

Of the loans obtained, in addition to being subject to the Group complying with its operating, legal and fiscal obligations, 100% are subject to cross-default, Pari Passu and Negative Pledge clauses and 76% to ownership clauses.

In addition, approximately 21% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, approximately 6% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA and approximately 4% require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA.

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

Assignment agreements football broadcast rights

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

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

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

The contract will last 10 seasons, concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights stated in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January 2016, with the overall financial consideration amounting to 446 million euros, divided into progressive annual amounts.

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

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

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

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

1) C. D. Tondela – Futebol, SDUQ, Lda
2) Clube Futebol União da Madeira, Futebol, SAD
3) Grupo Desportivo de Chaves – Futebol, SAD
4) Sporting Clube da Covilhã – Futebol, SDUQ, Lda
5) Clube Desportivo Feirense – Futebol, SAD

6) Sport Clube de Freamunde – Futebol, SAD
7) Sporting Clube Olhanense – Futebol, SAD
8) Futebol Clube de Penafiel, SDUQ, Lda
9) Portimonense Futebol, SAD

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

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

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

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

Seasons	2018/19	following
Estimated cash-flows with the contract signed by NOS with the sports entities*	74,1 M€	1.017 M€
NOS estimated cash-flows for the contracts signed by NOS (net amounts charged to the operators) and for the contracts signed by the remaining operators	67,3 M€	559 M€

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

Network sharing contract with Vodafone

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement of infrastructure development and sharing with a nationwide scope. This partnership allows the two Operators providing their commercial offers under a shared network at the beginning of 2018.

The agreement covers the reciprocal sharing of dark fibre in approximately 2.6 million of homes in which each of the entities shares with the other one an equivalent investment value, in other words, they share similar goods. It is assumed that both companies retain full autonomy, independence, and confidentiality concerning the design of the commercial offers, the management of the customers' database and the choice of technological solutions they might decide to implement, that did not originate any impact on the consolidated financial statements (according to IAS 16, this exchange of similar non-monetary assets will be presented on a net basis).

The partnership was also widened to the sharing of the mobile infrastructure and the minimum share of 200 mobile towers was agreed.

41. Related parties

41.1. Balances and transactions between related parties

Transactions and balances between NOS and companies of the NOS Group were eliminated in the consolidation process and are not subject to disclosure in this note.

The balances at 31 December 2018 and 31 March 2019 and transactions in the quarters ended on 31 March 2018 and 2019 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Balances at 31 December 2018

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
ASSOCIATED COMPANIES					
Big Picture 2 Films	26	278	172	-	-
Sport TV	3,222	4,018	2,968	11,764	15,146
JOINTLY CONTROLLED COMPANIES					
Dreamia Holding BV	2,840	-	-	-	-
Dreamia SA	2,727	1,787	340	-	-
Finstar	7,850	-	-	19	-
Mstar	1	-	-	-	-
Upstar	7,015	59	-	1,049	-
ZAP Cinemas	24	-	-	15	-
ZAP Media	407	-	-	125	-
OTHER RELATED PARTIES					
Centro Colombo	5	7	4	-	129
Digitmarket	124	325	(24)	-	149
Itrust - Cyber Security and Intellig. , S.A.	7	383	-	-	202
Modelo Continente Hipermercados	1,025	49	9	-	2
MDS Corretor de Seguros, SA	103	-	(0)	-	71
Norteshopping	4	7	-	-	114
SC-Consultadoria,SA	255	-	-	-	-
Sonae Arauco Portugal, S.A.	184	-	-	-	-
Sierra Portugal	740	(10)	30	-	12
Sonae Center II	928	-	-	-	-
UNITEL	3,116	2,143	1,357	-	-
We Do Consulting-Sist. de Informação	230	1,761	-	-	77
Worten - Equipamento para o Lar	1,028	169	29	-	-
Others	1,050	148	74	-	297
	32,911	11,124	4,959	12,972	16,199

Transactions in the quarter ended on 31 March 2018

	REVENUES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	CAPEX
SHAREHOLDERS				
Banco BPI	1,382	18	(65)	-
ASSOCIATED COMPANIES				
Big Picture 2 Films	17	1,481	-	-
Sport TV	396	19,306	-	-
JOINTLY CONTROLLED COMPANIES				
Dreamia Holding BV	13	-	33	-
Dreamia SA	951	(67)	-	-
Finstar	206	-	-	-
Mstar	(8)	-	-	-
Upstar	2,683	(90)	-	-
ZAP Media	66	-	-	-
OTHER RELATED PARTIES				
Cascaishopping	3	237	-	-
Centro Colombo	5	478	-	-
Digitmarket	118	163	-	158
Gaiashopping	14	116	-	-
Itrust - Cyber Security and Intellig	7	132	-	248
Maiashopping	8	200	-	-
Modelo continente hpermercados	886	(24)	-	-
Norteshopping	4	354	-	-
Saphety Level - Trusted Services	25	93	-	1
Sonae Indústria PCDM	103	-	-	-
Sierra Portugal	975	63	-	-
Solinca HF	116	-	-	-
Sonae Center II	880	-	-	-
UNITEL	977	427	-	-
Vasco da Gama	3	253	-	-
We Do Consulting-Sist. de Informação	118	694	-	825
Worten - Equipamento para o Lar	865	376	-	-
SFS - Serviços de Gestão e Marketing	-	106	-	-
Others	891	287	-	-
	11,704	24,603	(32)	1,232

Balances at 31 March 2019

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
ASSOCIATED COMPANIES					
Big Picture 2 Films	21	158	55	-	-
Sport TV	3,235	3,997	3,186	18,908	14,431
JOINTLY CONTROLLED COMPANIES					
Dreamia Holding BV	2,875	-	-	-	-
Dreamia SA	3,100	1,172	564	-	-
Finstar	8,319	-	-	121	-
Mstar	10	-	-	-	-
Upstar	8,278	61	-	508	-
ZAP Cinemas	24	-	-	15	-
ZAP Media	473	-	-	142	-
OTHER RELATED PARTIES					
Centro Colombo	3	5	16	-	133
Digitmarket-Sistemas de Informação,SA	166	234	-	25	89
S21SEC Portugal- Cybersecuruty Serv., S.A.	13	566	-	-	148
Modelo Continente Hipermercados,SA	745	42	17	-	2
MDS Corretor de Seguros, SA	69	-	(0)	-	40
Norteshopping	16	25	-	-	114
Saphety Level - Trusted Services S.A.	34	84	-	-	0
SC-Consultadoria,SA	441	-	-	-	-
Sonae Arauco Portugal, S.A.	171	-	-	-	-
Sierra Portugal, SA	569	(6)	45	-	10
Sonae.com,SGPS,SA	79	-	100	-	-
Sonae MC – Serviços Partilhados, SA	1,267	-	-	-	-
UNITEL S.a.r.l.	2,393	1,445	978	-	-
We Do Consulting-SI,SA	117	2,124	-	-	202
Worten-Equipamento para o Lar,SA	1,087	54	144	-	-
Others	1,102	82	(2)	-	216
	34,606	10,043	5,103	19,718	15,383

Transactions in the quarter ended on 31 March 2019

	REVENUES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	CAPEX
ASSOCIATED COMPANIES				
Big Picture 2 Films	37	807	-	-
Sport TV	445	19,588	-	-
JOINTLY CONTROLLED COMPANIES				
Dreamia Holding BV	-	-	35	-
Dreamia SA	988	(23)	-	-
Finstar	463	-	-	-
MSTAR	9	-	-	-
Upstar	2,351	-	-	35
ZAP Media	66	-	-	-
OTHER RELATED PARTIES				
Cascaishopping- Centro Comercial, S.A.	4	224	-	-
Centro Colombo- Centro Comercial, S.A.	4	500	-	-
Digitmarket	117	137	-	296
S21SEC Portugal- Cybersecuruty Serv., S.A.	11	435	-	141
Maiashopping- Centro Comercial, S.A.	2	164	-	-
Modelo Continente Hipermercados,SA	769	(10)	-	-
MDS Corretor de Seguros, SA	133	30	-	-
Norteshopping-Centro Comercial, S.A.	4	372	-	-
SC-Consultadoria,SA	394	-	-	-
Sonae Arauco Portugal, S.A.	110	-	-	-
Sierra Portugal, SA	646	79	-	-
Sonae.com,SGPS,SA	8	-	(25)	-
Sonae MC – Serviços Partilhados, SA	1,449	-	-	-
UNITEL S.a.r.l.	846	283	-	-
Centro Vasco da Gama-Centro Comercial,SA	4	263	-	-
We Do Consulting-SI,SA	135	639	-	1,010
Worten-Equipamento para o Lar,SA	736	391	-	-
Others	1,045	449	-	4
	10,776	24,328	10	1,485

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.

42. Legal actions and contingent assets and liabilities

42.1. Legal actions with regulators

- NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015,2016 and 2017) as Electronic Communications Services Networks Supplier, and furthermore the refund of the amounts that meanwhile were paid within the scope of the mentioned acts of settlement was requested. The settlements for the year 2017 were impugned in the first semester of 2018.

The settlement amounts are, respectively, as follows:

- NOS SA: 2009: 1,861 thousand euros 2010: 3,808 thousand euros, 2011: 6,049 thousand euros, 2012: 6,283 thousand euros, 2013: 7,270 thousand euros, 2014: 7,426 thousand euros 2015: 7,253 thousand euros, 2016: 8,242 thousand euros, and 2017: 9,099 thousand euros and 2018: 10,303 thousand euros;
- NOS Açores: 2009: 29 thousand euros, 2010: 60 thousand euros, 2011: 95 thousand euros, 2012: 95 thousand euros, 2013: 104 thousand euros, 2014: 107 thousand euros, 2015: 98 thousand euros; 2016: 105 thousand euros, 2017: 104 thousand euros and 2018: 111 thousand euros;
- NOS Madeira: 2009: 40 thousand euros, 2010: 83 thousand euros, 2011:130 thousand euros, 2012: 132 thousand euros, 2013: 149 thousand euros, 2014:165 thousand euros, 2015: 161 thousand euros, 2016: 177 thousand euros and 2017: 187 thousand euros and 2018: 205 thousand euros.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. NOS SA, NOS Açores and NOS Madeira claim, namely: i) addition to defects of unconstitutionality and illegality, related to the inclusion in the cost accounting of ANACOM of the provisions made by the latter, due to judicial proceedings against the latter (including these appeals of the activity rate) and ii) that only revenues from the electronic communications business *per se*, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

Four sentences on the matter were given, i.e. in December 2012, in September 2017, in April 2018 and in May 2018, respectively, within the scope of the contestation of the annual rate of 2009, 2010 (NOS Comunicações) and 2012 (Ex-ZON and also Ex-Optimus). The first judgment ruled in favour of the respective contestation, only based on lack of prior hearing, but ordered ANACOM to pay interest. ANACOM submitted an appeal concerning that decision, but the Court of Appeal declined it by decision in July 2013. The three remain decisions judge also, in turn, ruled in favour of the respective contestations, but, this time for fundamental reasons, annulled the contested act by unlawfulness with the legal consequences, namely imposing the refund of the tax that was paid but still not refunded to NOS and ordering ANACOM to pay compensatory interest. These decisions were the subject of an appeal from ANACOM to the Tribunal Central Administrativo – Sul (Central Administrative Court – South), where it is pending.

The remaining proceedings are awaiting trial and/or decision.

- During the first quarter of 2017, NOS was notified by ANACOM of the initiation of an infraction process related to communications of prices update at the end of 2016. On this date, it is impossible to determine what the scope of the infraction proceedings is to be.

42.2. Tax authorities

During the course of the 2003 to 2019 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2016 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 16 million euros, added 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 40.

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.

42.3. Actions by MEO against NOS SA, NOS Madeira and NOS Açores and by NOS SA against MEO

- In 2011, MEO brought against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million of Euros, as compensation for alleged unauthorized portability of NOS SA in the period between March 2009 and July 2011. NOS SA presented its defence and reply, and the Court ordered an expert opinion, which was, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor, but of mere delay in sending the documentation by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it sentenced NOS to the payment of approximately 5.3 million euros to MEO, a decision of which only NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied with the decision and did not appeal against the part of the sentence that acquitted the NOS of the requests for compensation that it formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which it gave reason to the claims of NOS, in the sense that they should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice (SCJ), that appeal which found that the facts established by the Court of First Instance and confirmed by the Court of Appeal were insufficient to resolve on the substance of the case. Consequently, the SCJ ordered that the court under appeal should amplify the facts. The case will be referred to the Court of Appeal so that, if it considers that it has the conditions to do so, expands on the facts in the terms intended by the SCJ.

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

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

  At the beginning of July 2018, NOS, SA was notified of the filing by MEO of a lawsuit concerning portability compensations in which MEO claims from NOS the right, in this respect, to approximately 26.8 million euros intending to proceed with the special judicial notification sent to the NOS in July 2015, as mentioned above. NOS contested the action during the month of October 2018.

- In 2011, NOS SA brought an action in Lisbon Judicial Court against MEO, claiming payment of 22.4 million euros, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence of technical nature. At the same time, it was requested by NOS and accepted by the Court an economic and financial expert analysis, which has already started. The related expert report has already been made available to the Court and parties. Therefore, awaits the scheduling of the court hearing.

  It is the understanding of the Board of Directors, supported by lawyers who monitor the process, that there is, in substance, good chance of NOS SA winning the action, because MEO has already been convicted for the same offense, by ANACOM. Nevertheless, it is impossible to determine the outcome of the action.

42.4. Action brought by DECO

In March 2018, NOS was notified of a lawsuit brought by DECO against NOS, MEO and NOWO, in which a declaration of nullity of the obligation to pay the price increases imposed on customers at the end of 2016 is requested. In April and May 2018, the operators, including NOS, lodged a defence and are awaiting further developments in the process. The Board of Directors is convinced that the arguments used by the author are not justified, which is why it is believed that the outcome of the proceeding should not result in significant impacts for the Group's financial statements.

42.5. Interconnection tariffs

At 31 March 2019, accounts receivable and accounts payable include 37,139,253 euros and 43,475,093 euros, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the non-definition of interconnection tariffs of 2001. In what concerns to that dispute, the result was totally favourable to NOS S.A., having already become final.

42.6. Contractual penalties

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

Until December 31st, 2014, the revenue from penalties, in the face of the inherent uncertainties, was only recognised at the time of receipt, and on 31 March 2019, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 55,355 thousand euros. During the quarter ended on 31 March 2019, receipts in the amount of 273 thousand euros of the amounts outstanding as of 31 December 2014 were recognised as revenues.

From 1 January 2015, revenue from penalties is recognised considering an estimated collectability rate considering the Group's collection history. The penalties invoiced are recorded as accounts receivable and the uncollectible calculated values of these amounts are recorded as impairment by deducting the revenue recognised at the time of invoicing (Note 16).

43. Share incentive scheme

On 23 April 2014, the General Meeting approved the Regulation on Short and Medium-Term Variable Remuneration, which establishes the terms of the Share Incentive Scheme ("NOS Plan"). This plan aimed at more senior employees with the vesting taking place three years being awarded, assuming that the employee is still with the company during that period.

At 31 March 2019, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2017	825,979
Plan 2018	833,074
Plan 2019	702,577

During the quarter ended on 31 March 2019, the movements that occurred in the plans are detailed as follows:

	NOS PLAN 2016	NOS PLAN 2017	NOS PLAN 2018	NOS PLAN 2019	TOTAL
BALANCE AS AT 31 DECEMBER 2018:	729,519	836,519	844,391	-	2,410,429
MOVEMENTS IN THE PERIOD:					
Awarded	-	-	-	702,577	-
Vested	(597,096)	(13,945)	(13,153)	-	(624,194)
Cancelled / elapsed / corrected (1)	(132,423)	3,405	1,836	-	(127,182)
BALANCE AS AT 31 MARCH 2019	-	825,979	833,074	-	1,659,053

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

The share plans costs are recognised over the year between the awarding and vesting date of those shares. The responsibility is calculated taking into consideration the share price at award date of each plan, for plans settled in shares, or at the closing date, for plans settled in cash. As at 31 March 2019, the outstanding responsibility related to these plans is 3,591 thousand euros and is recorded in Reserves, for an amount of 2,705 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 886 thousand euros, for plans liquidated in cash.

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

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at 31 December 2018	1,270	5,225	6,495
Costs of plans vested in the period	(642)	(3,752)	(4,394)
Costs incured in the period and others	258	1,232	1,490
TOTAL COST OF THE PLANS	886	2,705	3,591

44. Subsequent events

As of the date of approval of this document, there have been no other relevant subsequent events that merit disclosure in the present report.

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.

45. Annexes

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

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2018	DIRECT 31-03-2019	EFFECTIVE 31-03-2019
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 Audiovisuais, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Communications S.à r.l	Luxembourg	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic 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 Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas , S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS	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 SA	100%	100%	100%
NOS TOWERING – Gestão de Torres de Telecomunicações, S.A. ('Be Towering')	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	100%	100%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS SA	100%	100%	100%
Teliz Holding B.V.	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

B) Associated companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE	DIRECT	EFFECTIVE
				31-12-2018	31-03-2019	31-03-2019
Big Picture 2 Films, S.A.	Oeiras	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	20.00%	20.00%	20.00%
Big Picture Films, S.L.	Madrid	Distribution and commercialization of movies	Big Picture 2 Films, S.A.	20.00%	100.00%	20.00%
Sport TV Portugal, S.A.	Lisbon	Conception, production, realization and commercialization of sports programs for telebroadcasting, purchase and resale of the rights to broadcast sports programs for television and provision of publicity services	NOS	25.00%	25.00%	25.00%

C) Jointly controlled companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE	DIRECT	EFFECTIVE
				31-12-2018	31-03-2019	31-03-2019
Dreamia Holding B.V.	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV	50.00%	100.00%	50.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA	Maputo	Distribution of television by satellite, operation of telecommunications services	NOS	30.00%	30.00%	30.00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communications services provider, production, commercialization, broadcasting and distribution of audiovisual contents	NOS	30.00%	30.00%	30.00%
ZAP Media S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Cinemas, S.A.	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	DIRECT	EFFECTIVE
				31-12-2018	31-03-2019	31-03-2019
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisbon	Insurance services	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisbon	Insurance services	NOS	0.02%	0.02%	0.02%

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

Limited review Report prepared by Auditor registered in CMVM

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Limited review report on the consolidated condensed financial statements

Introduction

We have performed a limited review on the consolidated condensed financial statements of NOS, S.G.P.S., S.A. (the Entity), which comprise the Consolidated Condensed Statement of Financial Position as at 31 March 2019 (which shows a total of 3,029,250 thousand Euros and a shareholders' equity total of 1,098,082 thousand Euros, including a consolidated net profit attributable to equity holders of the parent of 42,461 thousand Euros), the Consolidated Condensed Statement of Income by Nature, the Consolidated Condensed Statement of the Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the three month period then ended, and the related notes to the consolidated condensed financial statements, including a summary of significant accounting policies.

Management responsibilities

Management is responsible for the preparation of the consolidated condensed financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, for the interim financial reporting (IAS 34), and for the design and maintenance of an appropriate system of internal control to enable the preparation of condensed consolidated financial statements which are free from material misstatement due to fraud or error.

Auditor's responsibilities

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

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

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

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of NOS S.G.P.S., S.A., as at 31 March 2019, have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for the interim financial reporting (IAS 34).

Porto, 8 May 2019

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

(Signed)

Sandra e Sousa Amorim - ROC nr. 1213
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