Consolidated
Management Report
9M19

19

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9M19 Highlights

9M19 Highlights	9M18	9M19	9M19 / 9M18
Financial Highlights			
Operating Revenues	1,167.3	1,185.2	1.5%
Telco Revenues	1,116.1	1,128.0	1.1%
EBITDA	491.7	505.3	2.8%
EBITDA Margin	42.1%	42.6%	0.5pp
Telco	450.9	463.3	2.8%
EBITDA Margin	40.4%	41.1%	0.7pp
Net Income Before Associates & Non-Controlling Interests	129.0	135.6	5.1%
EBITDA - Total CAPEX Excluding Leasings	212.2	230.7	8.7%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	180.1	144.4	(19.9%)

9M19

- Continued increased traction in Pay TV services and increased penetration of integrated and convergent offers with greater focus on more flexible "pick & mix" offers, with an acceleration in RGU growth in 3Q19 driven by seasonal pick-up in mobile subscribers;
- 1.5% yoy consolidated revenue growth led by solid telco performance and an 8.3% increase in Cinema & Audiovisuals revenues, with record quarter for Cinema exhibition in 3Q19;
- Technological investment projects on track, mobile upgrade and fixed access deployment positively impacting operating service quality;
- Strong FCF generation in 9M19 of 144.4 million euros, despite a reduction due to non-recurrent impact of legal settlement which happened in 3Q18.

Governing Bodies

As at the date of this report, 6 November 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, Vice-Presidente Jorge Graça Luis Nascimento Manuel Ramalho Eanes
Members	Ângelo Paupério António Domingues António Lobo Xavier António Correia Teles Catarina Tavira Van-Dúnem Cláudia Azevedo João Torres Dolores Joaquim de Oliveira Mário Leite da Silva Paula Neves Oliveira
Fiscal Board	
Chairman of the Fiscal Board	José Pereira Alves
Members	Patrícia Couto Viana Paulo Mota Pinto
Alternate	Ana Luísa Aniceto da Fonte
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	Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC n.º 1258)

Management Report

Business Review

Core service growth continued to pick up in 3Q19 led by a seasonal recovery in mobile with 39.7 thousand net adds (41.1 thousand in 9M19) and by stronger take up in Pay TV with net growth of 14.2 thousand Pay TV subscribers (8.0 thousand in 9M19), with Fixed access growth more than offsetting the continued decline in DTH subscribers. Fixed broadband services grew in line with the Pay TV base consistent with the fact that they tend to be sold on top of Pay TV offers.

In late May, NOS launched a new residential value proposition focusing on more flexible offers for fixed and mobile services. The commercial focus is progressively detracting from relatively rigid convergent bundles and moving towards more "pick & mix" like solutions that enable customers to subscribe to bundles whilst retaining flexibility to add or subtract services as a function of specific usage profiles and without having to disrupt the base tariff plan. To reflect this change in operating momentum, we have adapted our KPI reporting from simply "convergent" customers to "convergent and integrated" customers who are invoiced for fixed and mobile services on the same monthly bill. At the end of 9M19, 914.8 thousand customers were subscribing to converged and integrated offers, representing 59.1% of the fixed customer base with the revised commercial positioning having given a boost to fixed and mobile service take-up. Campaigns for the consumer segment have also placed strong emphasis on the advantages of increasing the number of mobile cards within an account as a means of driving a more than proportionate increase in mobile data allowances. These marketing shifts are designed to encourage customers to upgrade services, receiving more value for money on a like for like basis whilst driving progressive growth in monthly revenues.

In comparison with 9M18, total premium channel subscriptions remained flat however they posted growth of 6% in comparison to the previous quarter driven by a boost in sports channel subscriptions with the start of the football season. Premium sport subscriptions are starting to show tenuous signs of recovery versus previous quarters however yoy revenue from premium channels still posted negative growth due to the less favourable mix with increased weight of lower priced channels.

Fixed residential ARPU was broadly flat yoy at 44.1 euros per customer, in comparison with 9M18 (44.2 euros). However, this reflects a combination of more positive underlying trends in basic services which were mitigated by regulatory effects and the still negative yoy performance of premium revenues. Basic customer revenue ARPU grew by 1.1% yoy, reflecting upselling and index-based price events which helped to offset the yoy decline in premium channel revenues per sub as well as the negative impact to discretionary traffic revenues resulting from the regulatory imposition of internatonal call caps within Europe as from May 2019 and the MTR cuts of July 2018.

Important customer service and transactional APPs were launched during 3Q19, designed to fundamentally improve customer experience, service take-up and general operating efficiency. The new "NOS Cinemas" App, launched in July, enables customers to acquire tickets directly over their mobile devices using easy payment methods such as "MBWay" or "Pay Pal", seamlessly browse movies on show at their favourite theatres, send tickets to friends or buy popcorn and other bar products in advance of the session. The two service APPs, for NOS and WTF customers (our stand-alone mobile brand for the teenage/young adult segment), represent key milestones in our digitalization programme and provide insights to better understanding and leveraging customer preferences and usage profiles and a platform to develop more targeted and effective digital marketing initiatives. Over the NOS APP, customers can actively manage their tariff plans, data allowances and consumption and general account settings, make payments at any time and always have their NOS Cinema card at hand. In addition to tariff and data allowance management and consumption, the WTF APP also includes several additional features that are appealing to the target segment such as management of UBER and UBER Eats vouchers and NOS Cinema Vouchers, amongst others. All the APPs are proving a big success, with ratings on digital stores ranging from 4.5 to 4.7 and consistently listing amongst the top 20 downloads since respective launches.

Within the B2B segment, operating performance was positive with yoy growth in the number of client accounts managed across the main segments and importantly posting some growth in average revenue per account, reflecting the effort being made to compensate the generalized decline in traditional telco revenues with new data and IT driven services. Wholesale activity was very positive primarily due to a seasonal pick-up in voice and data traffic in 1Q19 and 3Q19 and to structural growth in revenues from network sharing arrangements in place.

Our FttH deployment programme is going according to plan and as a result, total fixed NGN coverage increased by 181 thousand households in 9M19 to 4.6 million households, of which 31% were FttH, up from 29% last quarter and 22% in 9M18. NGN coverage is delivered over our legacy Docsis 3.1 and FttH networks, new FttH build and wholesaled FttH network within the context of the sharing agreement with Vodafone and finally through wholesale access from dst, a regional FttH provider.

Modernization of our mobile infrastructure with the upgrade to a 5G ready single RAN architecture is now complete and network performance and customer satisfaction levels are already reflecting this important investment. We continuously evaluate opportunities for further improvement in the quality and reach of our networks, whilst approaching investments in a technologically rational and cost-effective manner, as is the case of our FttH sharing deal that is currently being deployed.

Operating Indicators ('000)	9M18	9M19	9M19 / 9M18
Telco [1]			
Homes Passed	4,277.4	4,608.9	7.8%
Total RGUs	9,548.9	9,652.9	1.1%
o.w. Consumer RGUs	8,055.6	8,138.0	1.0%
o.w. Business RGUs	1,493.3	1,514.9	1.4%
Mobile	4,761.3	4,808.8	1.0%
Pre-Paid	2,051.1	2,013.1	(1.9%)
Post-Paid	2,710.2	2,795.6	3.2%
Pay TV Fixed Access [2]	1,312.5	1,347.2	2.6%
Pay TV DTH	309.2	284.1	(8.1%)
Fixed Voice	1,765.6	1,773.4	0.4%
Broadband	1,369.4	1,406.3	2.7%
Others and Data	31.0	33.0	6.5%
3,4&5P Subscribers (Fixed Access)	1,147.3	1,195.7	4.2%
% 3,4&5P (Fixed Access)	87.4%	88.7%	1.3pp
Convergent + Integrated RGUs	4,432.8	4,622.1	4.3%
Convergent + Integrated Customers	880.4	914.8	3.9%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	57.4%	59.1%	1.7pp
% Convergent + Integrated Customers	54.3%	56.1%	1.8pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.2	44.1	(0.2%)
Net Adds			
Homes Passed	183.4	181.4	(1.1%)
Total RGUs	149.0	72.4	(51.4%)
o.w. Consumer RGUs	109.1	59.7	(45.3%)
o.w. Business RGUs	39.9	12.7	(68.0%)
Mobile	91.2	41.1	(54.9%)
Pre-Paid	(28.6)	(16.1)	(43.6%)
Post-Paid	119.8	57.2	(52.2%)
Pay TV Fixed Access	20.3	22.7	12.2%
Pay TV DTH	(15.2)	(14.7)	(3.1%)
Fixed Voice	12.8	(0.9)	(106.7%)
Broadband	39.7	22.9	(42.4%)
Others and Data	0.1	1.3	992.5%
3,4&5P Subscribers (Fixed Access)	35.2	32.4	(7.9%)
Convergent + Integrated RGUs	782.3	139.3	(82.2%)
Convergent + Integrated Customers	158.9	25.0	(84.3%)

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

Cinema and Audiovisuals

Operating Indicators ('000)	9M18	9M19	9M19 / 9M18
Cinema [1]			
Revenue per Ticket (Euros)	4.9	5.2	6.1%
Tickets Sold - NOS	6,346.9	6,860.9	8.1%
Tickets Sold - Total Portuguese Market [2]	10,538.5	11,471.4	8.9%
Screens (units)	212	218	2.8%

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

NOS' Cinema business posted the best quarter ever in terms of ticket sales with a yoy improvement of 16.2% to 2.764 million in 3Q19, also reflecting the positive performance of the market as a whole. This record performance was due to an improved line-up of box office hits in comparison with 3Q18 and also with previous quarters. Although trends in Portugal tend to follow those of other western European and anglo-saxon markets, 3Q19 was significantly stronger in Portugal with the exhibition of very popular and more family centric animated films and super-hero franchises. In 9M19, the number of NOS cinema ticket sales increased by 8.1% to 6.861 million tickets.

The top films exhibited in 9M19 were "The Lion King", "Avengers: Endgame", "Toy Story 4", "Spider-Man: Far From Home" and "Dumbo". Average revenue per ticket improved by 6.1% yoy to 5.2 euros in 9M19. NOS' gross box-office revenues increased by 7.0% in 9M19 as NOS continues to lead the market with a 61.3% share of gross revenues.

In the Audiovisuals arena, NOS distributed 8 of the top 10 cinema box-office hits in 9M19, "The Lion King", "Avengers: Endgame", "Toy Story 4", "Dumbo", "Alladin", "Captain Marvel", "The Secret Life of Pets 2" and "Fast & Furious Presents: Hobbs & Shaw", maintaining its clear leadership status in this market.

Consolidated Financial Review

Consolidated Income Statement

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

As from 1Q19, NOS' accounts are reported applying IFRS 16, 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.

Profit and Loss Statement (Millions of Euros)	9M18	9M19	9M19 / 9M18
Operating Revenues	1,167.3	1,185.2	1.5%
Telco	1,116.1	1,128.0	1.1%
Consumer Revenues	727.5	729.5	0.3%
Business and Wholesale Revenues	332.0	340.5	2.6%
Others and Eliminations	56.7	58.0	2.3%
Audiovisuals & Cinema (1)	81.7	88.4	8.3%
Others and Eliminations	(30.5)	(31.2)	2.4%
Operating Costs Excluding D&A	(675.6)	(679.8)	0.6%
Direct Costs	(393.4)	(399.0)	1.4%
Non-Direct Costs (2)	(282.2)	(280.8)	(0.5%)
EBITDA (3)	491.7	505.3	2.8%
EBITDA Margin	42.1%	42.6%	0.5pp
Telco	450.9	463.3	2.8%
EBITDA Margin	40.4%	41.1%	0.7pp
Cinema Exhibition and Audiovisuals	40.8	42.0	2.9%
EBITDA Margin	50.0%	47.5%	(2.5pp)
Depreciation and Amortization	(319.8)	(298.0)	(6.8%)
(Other Expenses) / Income	4.1	(14.0)	n.a.
Operating Profit (EBIT) (4)	176.0	193.4	9.9%
Share of results of associates and joint ventures	(4.5)	2.3	n.a.
(Financial Expenses) / Income	(24.1)	(19.2)	(20.3%)
Income Before Income Taxes	147.5	176.5	19.7%
Income Taxes	(22.9)	(38.6)	68.4%
Net Income Before Associates & Non-Controlling Interests	129.0	135.6	5.1%
Income From Continued Operations	124.5	137.9	10.7%
o.w. Attributable to Non-Controlling Interests	0.6	0.2	(60.9%)
Net Income	125.1	138.1	10.4%

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

Operating Revenues

In 9M19, Consolidated Revenue growth amounted to 1.5% yoy to 1,185.2 million euros, with growth in core telco revenues of 1.1% to 1,128.0 million euros and continued strong recovery in the audiovisuals and cinema businesses with growth of 8.3% to 88.4 million euros, driven by a record quarter in revenues in 3Q19, posting 15.6% yoy growth to 33.6 million euros.

Within the telco division, Consumer revenues grew by 0.3% yoy to 729.5 million euros, with Customer Revenues growing 1.0%, reflecting a combination of 2.3% growth in fixed residential Customer revenues, continued decline in DTH Customer revenues of more than 10% yoy, and strong growth in Personal (stand-alone mobile) Customer revenues of 5.0%.

Business and Wholesale Revenues posted yoy growth of 2.6% to 340.5 million euros with growth of 2.8% in Business Customer Revenues and 7.0% in Wholesale revenues, which was partially offset by lower Equipment sales. As mentioned above in the operating discussion, the very good performance in Wholesale was due to a strong pick-up in voice and data traffic and, to a lesser degree, to structural growth in revenues from network sharing.

Total Customer Revenues were negatively impacted by the lower yoy level of premium sports channel revenues as discussed above, (down yoy by 10.5%) and by the the regulatory imposition of tariff caps on international calls within Europe, which came into force in May 2019. Operator revenues yoy comparisons in 3Q19 were no longer impacted by the MTR cuts of July 2018 and posted a marginal decline of just 1.3% (-13.5% in 9M19).

The strong performance in 2Q19 and 3Q19 in Audiovisuals and Cinemas led to growth of revenues of 8.3%, with Cinema exhibition revenues growing by 12.8% yoy to 50.8 million euros and Audiovisuals revenues by 6.3% to 50.0 million euros, the latter influenced by the underlying trends in cinema going.

Consolidated Operating Costs

Total OPEX grew by 0.6% to 679.8 million euros reflecting growth of 1.4% in direct costs to 399.0 million euros and a slight decline of 0.5% in non-direct costs to 280.8 million euros. Consolidated EBITDA grew by 2.8%, above the pace of revenues, to 505.3 million euros and representing an increase in Group EBITDA margin of 0.5 pp to 42.6%. Telco EBITDA grew by 2.8% to 463.3 million euros representing a 41.1% EBITDA margin (up 0.7pp yoy) and Audiovisuals and Cinema by 2.9% to 42.0 million euros, representing a margin of 47.5% (down 2.5pp yoy).

Direct Costs yoy performance was impacted by increased Corporate IT project costs and higher movie royalties with the strong box office sales, offset by lower traffic related costs due to the regulated cuts in MTRs in July 2018. Non-direct costs posted a decline of 0.5% to 280.8 million euros resulting from a number of opposite trends in the main costs aggregates, namely a decline in Commercial and Customer related costs, with particular focus on areas such as customer billing and finishing, and an increase in Operating and Structure Costs with the main impact related to an adjustment in provisions for bad debt in 2018.

Depreciation and Amortization declined by 6.8% yoy in 9M19 to 298.0 million euros mainly due to a significantly lower level of network imparities when compared with those recorded in 9M18 as a result of the single RAN modernization project underway. This reduction was partially mitigated by a downward revision of average economic life of network assets to 8 years.

Net Results increased by 10.4% to 138.1 million euros. Net financial expenses posted a positive yoy performance with the various refinanciang deals closed in previous quarters driving a significantly lower average cost of debt, as explained ahead in the capital structure section. The average provision for taxes amounted to 38.6 million euros, primarily due to the higher level of pre-tax results and and a higher effective tax rate due to a timing differential when recognizing deferred taxes related to fiscal benefits.

CAPEX

CAPEX (Millions of Euros) (1)	9M18	9M19	9M19 / 9M18
Total CAPEX Excluding Leasing Contracts	279.6	274.7	(1.7%)
Telco	258.7	254.8	(1.5%)
% of Telco Revenues	23.2%	22.6%	(0.6pp)
o.w. Technical CAPEX	150.8	150.5	(0.2%)
% of Telco Revenues	13.5%	13.3%	(0.2pp)
Baseline Telco	92.6	101.8	10.0%
Network Expansion / Substitution and Integration Projects and Others	58.2	48.6	(16.5%)
o.w. Customer Related CAPEX	107.8	104.4	(3.2%)
% of Telco Revenues	9.7%	9.3%	(0.4pp)
Audiovisuals and Cinema Exhibition	20.9	19.8	(5.0%)
Leasing Contracts	33.2	36.3	9.5%
Total Group CAPEX	312.7	311.0	(0.6%)

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

Total CAPEX of 274.7 million euros (excluding leasing contracts) was 1.7% lower yoy in 9M19, representing 23.2% as a proportion of Consolidated Revenues, compared with 23.9% in 9M18. With the implementation of IFRS16 as from 2019, the level of operational leasing contracts is now isolated in the chart above to provide a better proxy of cash CAPEX for the period and to reduce quarterly volatility resulting from operating lease capitalization under the new accounting rules.

Total Telco CAPEX posted a 1.5% decrease to 254.8 million euros (22.6% of Telco Revenues). Technical Telco investments were 0.2% lower in 9M19. As a percentage of Telco Sales, Technical Telco CAPEX amounted to 13.3% in 9M19. Customer Related CAPEX posted a decline of 3.2% to 104.4 million euros in 9M19, representing 9.3% of Telco Revenues.

Audiovisuals and Cinema CAPEX declined by 5.0% yoy to 19.8 million euros.

Cash Flow

Cash Flow (Millions of Euros)	9M18	9M19	9M19 / 9M18
EBITDA	491.7	505.3	2.8%
Total CAPEX Excluding Leasings	(279.6)	(274.7)	(1.7%)
EBITDA - Total CAPEX Excluding Leasings	212.2	230.7	8.7%
% of Revenues	18.2%	19.5%	1.3pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	2.6	(10.0)	n.a.
Leasings (Capital & Interest) (1)	(45.0)	(48.5)	7.7%
Operating Cash Flow	169.8	172.2	1.4%
Interest Paid	(12.3)	(11.8)	(3.9%)
Income Taxes Paid	3.9	(8.8)	n.a.
Disposals	0.8	1.4	65.1%
Other Cash Movements (2)	18.0	(8.6)	n.a.
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	180.1	144.4	(19.9%)
Acquisition of Own Shares	(3.1)	(3.5)	14.5%
Dividends	(153.9)	(179.6)	16.7%
Free Cash Flow	23.1	(38.8)	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(9.6)	(7.6)	(21.0%)
Change in Net Financial Debt	(13.5)	46.4	n.a.

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

Presentation of some aggregates has changed since FY18 to accommodate introduction of the IFRS16 accounting standard and to facilitate yoy comparisons and understanding of cash flow trends.

Free Cash Flow Before Dividends decreased by 19.9% to 144.4 million euros in 9M19 due to the positive impact in 3Q18, of a non-recurrent inflow related with the receival of a legal settlement in favour of NOS, regarding a pending regulatory dispute over operator terminator rate charges.

EBITDA-CAPEX excluding the impact of leases, increased by 8.7% to 230.7 million euros, while the level of investment in working capital and non-cash adjustments in EBITDA-CAPEX amounted to 10.0 million euros, which compares with a positive amount of 2.6 million euros in 9M18, explained primarily by the contribution of trade balance payments with ZAP and outstanding operator balances related with the aforementioned pending legal dispute in the previous year. The cash impact of leasing contracts, relating to both components of capital amortization and interest charges, was 48.5 million euros in 9M19, up from 45.0 million euros in 9M18. Combining these effects, Operating Cash Flow increased by 1.4% to 172.2 million euros in 9M19. Cash Taxes amounted to 8.8 million euros in 9M19, which compares with a positive value of 3.9 million euros in 9M18 due to a one-off recovery of withholding tax payments in 1Q18 which generated a positive cash tax and to a corporate tax refund last year related to excess advance payments made in 3Q18.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	9M18	2018	9M19	9M19 / 9M18
Non-current Assets	2,534.5	2,528.7	2,521.6	(0.5%)
Current Assets	532.3	530.1	569.3	6.9%
Total Assets	3,066.8	3,058.8	3,090.8	0.8%
Total Shareholders' Equity	1,039.4	1,053.6	1,011.7	(2.7)%
Non-current Liabilities	1,230.6	1,164.2	1,265.9	2.9%
Current Liabilities	796.8	841.0	813.3	2.1%
Total Liabilities	2,027.4	2,005.2	2,079.1	2.6%
Total Liabilities and Shareholders' Equity	3,066.8	3,058.8	3,090.8	0.8%

Capital Structure

At the end of 9M19, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,329.1 million euros. Total Debt stood at 1,120.4 million euros and was offset with a cash and short-term investment position on the balance sheet of 31.2 million euros. At the end of 9M19, NOS also had 275 million euros in unissued commercial paper programmes.

The all-in average cost of debt stood at 1.5% for 9M19 which compares with 1.9% in 9M18. Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.9x, below the 2.0x of 1H19, which reflected the 35 euro cents per share dividend payment in 2Q19. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that NOS is committed to maintain.

The average maturity of debt at the end of 9M19 was 3.1 years. Taking into account loans issued at a fixed rate, interest rate hedging operations in place and the negative interest rate environment, as at 30 September 2019, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 96%.

In 2Q19, NOS executed seven financing operations:

- A Bond Issue, by private subscription, in the amount of 50 million euros with maturity in 2024 which was organized, launched, placed and guaranteed subscription by Banco BPI;
- A Commercial Paper Programme of up to 50 million euros with maturity in 2024, with Banco BPI;
- A Bond Issue, by private subscription, in the amount of 50 million euros with maturity in 2024, which was organized, launched, placed and guaranteed subscription by Caixa Geral de Depósitos and Caixa – Banco de Investimento;
- A Commercial Paper Programme of up to 50 million euros with maturity in 2024, with Caixa Geral de Depósitos and Caixa – Banco de Investimento;

- A Bond Issue, by private subscription, in the amount of 25 million euros with maturity in 2024, which was organized, launched, placed and guaranteed subscription by Mediobanca;
- A Commercial Paper Programme of up to 25 million euros with maturity in 2024, with Mediobanca;
- A Commercial Paper Programme of up to 100 million euros with maturity in 2026, with BBVA.

The purpose of these financing operations was to refinance all the lines maturing in 2019, as well as to implement a liability management exercise by extending maturities and reducing the cost of financing lines which matured in 2020 and 2023. These operations have therefore positively contributed to the strategic objectives of the financing activity, namely in what regards the diversification of financing sources, extension and management of the average maturity of debt and the reduction of the average financing cost.

During 3Q19 Fitch Ratings affirmed NOS' Long Term Issuer Default Rating at "BBB" with a Stable Outlook. Maintaining its investment grade long term issuer credit rating with Fitch enables NOS to reinforce the conditions to further diversify its sources of funding, extend average debt maturity and continue to reduce the already low average cost of debt.

Net Financial Debt (Millions of Euros)	9M18	2018	9M19	9M19 / 9M18
Short Term	164.2	219.7	171.6	4.5%
Medium and Long Term	875.7	825.4	948.8	8.3%
Total Debt	1,040.0	1,045.1	1,120.4	7.7%
Cash and Short Term Investments	2.5	2.2	31.2	1154.8%
Net Financial Debt (1)	1,037.5	1,042.9	1,089.3	5.0%
Net Financial Debt / EBITDA after lease payments (last 4 quarters) (2)	1.8x	1.9x	1.9x	n.a.
Leasings and Long Term Contracts	253.9	252.4	239.8	(5.5%)
Net Debt	1,291.4	1,295.2	1,329.1	2.9%
Net Debt / EBITDA	2.1x	2.1x	2.1x	n.a.
Net Financial Gearing (3)	55.6%	55.3%	59.0%	3.4pp

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

Transactions of Own Shares

By the end of 9M19, NOS held, within the scope of its Employee Share Plan and the Regulation on Short and Medium Term Variable Remuneration, aimed at NOS employees, 1,990,718 own shares.

The table below summarizes NOS' own shares transactions, which took place until 30 September 2019:

Description	Number of Shares
Initial Balance	2,069,356
Acquisition	610,500
Share Incentive Scheme and Other Remuneration - Distribution	689,138
Final Balance	1,990,718

Subsequent Events

During October 2019, a gradual and significant currency devaluation, of approximately 26% versus the Euro occurred, which led to currency exchange losses being booked in October 2019, by the companies in which NOS has a minority stake in Angola, which it consolidates through the equity method. These losses will impact the “Share of Results of Associates and Joint Ventures” line in NOS’ consolidated accounts in approximately 5 million euros in the month of October 2019.

Consolidated Financial Statements

Consolidated statement of financial position at 30 September 2018, 31 December 2018 and 30 September 2019

(Amounts stated in thousands of euros)

	NOTES	30-09-2018 REPORTED	31-12-2018 REPORTED	30-09-2018 RESTATED	31-12-2018 RESTATED	30-09-2019
ASSETS						
NON - CURRENT ASSETS						
Tangible assets	7	1,053,840	1,053,663	1,021,818	1,026,355	1,044,520
Investment property		659	659	659	659	657
Intangible assets	8	1,062,521	1,064,878	1,015,721	1,019,256	1,017,895
Contract costs	9	162,910	162,948	162,910	162,948	161,670
Rights of use	10	-	-	199,367	200,483	196,909
Investments in jointly controlled companies and associated	11	21,111	19,585	21,111	19,585	21,786
Accounts receivable - other	12	5,239	7,334	5,239	4,529	4,416
Tax receivable	13	149	149	149	149	149
Available-for-sale financial assets		236	204	236	204	226
Deferred income tax assets	14	99,858	85,641	107,184	94,404	73,330
Derivative financial instruments	19	65	112	65	112	-
TOTAL NON - CURRENT ASSETS		2,406,588	2,395,174	2,534,457	2,528,684	2,521,558
CURRENT ASSETS:						
Inventories	15	33,663	38,885	33,663	38,885	40,924
Accounts receivable - trade	16	384,706	382,100	384,706	382,100	350,054
Contract assets	17	56,457	57,022	56,457	57,022	68,643
Accounts receivable - other	12	4,498	9,418	4,498	9,164	24,557
Tax receivable	13	1,230	1,246	1,230	1,246	3,140
Prepaid expenses	18	49,205	38,844	49,205	38,844	50,057
Non-current assets held-for-sale		-	600	-	600	600
Derivative financial instruments	19	61	73	61	73	106
Cash and cash equivalents	20	2,484	2,182	2,484	2,182	31,173
TOTAL CURRENT ASSETS		532,303	530,370	532,304	530,116	569,254
TOTAL ASSETS		2,938,891	2,925,543	3,066,761	3,058,800	3,090,811
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	(12,159)	(12,132)	(12,159)	(12,132)	(11,639)
Legal reserve	21.4	1,030	1,030	1,030	1,030	1,030
Other reserves and accumulated earnings	21.4	85,458	86,909	58,826	60,276	17,749
Net Income		123,001	141,405	125,107	137,770	138,093
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,056,701	1,076,582	1,032,175	1,046,315	1,004,604
Non-controlling interests	22	7,204	7,301	7,199	7,296	7,059
TOTAL EQUITY		1,063,905	1,083,883	1,039,374	1,053,611	1,011,663
LIABILITIES						
NON - CURRENT LIABILITIES						
Borrowings	23	944,518	888,918	1,068,374	1,014,364	1,111,541
Provisions	24	137,743	128,815	137,743	128,815	132,295
Accounts payable	28	11,583	9,723	11,583	9,723	4,916
Accrued expenses	25	6,372	688	519	688	545
Deferred income	26	5,662	5,521	5,662	5,521	5,226
Derivative financial instruments	19	1,585	-	1,585	-	216
Deferred income tax liabilities	14	5,166	5,968	5,166	5,123	11,148
TOTAL NON - CURRENT LIABILITIES		1,112,628	1,039,632	1,230,631	1,164,233	1,265,888
CURRENT LIABILITIES:						
Borrowings	23	190,636	244,134	225,499	283,061	248,752
Accounts payable - trade	27	253,106	254,950	253,106	254,950	262,291
Accounts payable - other	28	41,898	38,226	41,898	38,226	32,788
Tax payable	13	53,289	33,783	53,289	33,783	35,616
Accrued expenses	25	192,315	197,052	191,849	197,052	201,977
Deferred income	26	31,114	32,671	31,114	32,671	31,682
Derivative financial instruments	19	-	1,211	-	1,211	155
TOTAL CURRENT LIABILITIES		762,358	802,028	796,755	840,955	813,260
TOTAL LIABILITIES		1,874,986	1,841,661	2,027,387	2,005,189	2,079,148
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		2,938,891	2,925,543	3,066,761	3,058,800	3,090,811

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 30 September 2019.

The Chief Accountant The Board of Directors

Consolidated statement of income by nature for the three and nine months ended on 30 September 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	3º QUARTER 18 REPORTED	9M 18 REPORTED	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
REVENUES:							
Services rendered		367,829	1,086,922	367,829	1,086,922	375,307	1,105,708
Sales		21,789	61,300	21,789	61,300	22,263	61,078
Other operating revenues		5,378	19,061	5,378	19,061	5,876	18,397
	29	394,996	1,167,283	394,996	1,167,283	403,445	1,185,182
COSTS, LOSSES AND GAINS:							
Wages and salaries	30	21,187	60,206	21,187	60,206	21,989	62,383
Direct costs	31	120,569	371,646	118,802	367,231	126,161	376,787
Costs of products sold	32	17,018	44,615	17,018	44,615	14,293	42,246
Marketing and advertising		7,426	21,629	7,426	21,629	8,965	21,561
Support services	33	20,935	62,662	20,893	62,548	19,343	59,816
Supplies and external services	33	40,368	115,481	30,659	90,025	28,862	84,889
Other operating losses / (gains)		158	584	158	584	139	393
Taxes		8,656	25,359	8,656	25,359	7,149	24,490
Provisions and adjustments	34	2,464	3,380	2,464	3,380	3,143	7,280
Depreciation, amortisation and impairment losses	7, 8 and 36	95,189	297,111	103,217	319,837	97,513	297,974
Reestructuring costs		3,423	8,574	3,423	8,574	2,755	7,019
Losses / (gains) on sale of assets, net		(192)	(286)	(192)	(286)	(207)	(645)
Other losses / (gains) non recurrent net	37	282	(12,393)	282	(12,393)	4,345	7,634
		337,484	998,568	333,994	991,309	334,450	991,827
INCOME BEFORE FINANCIAL RESULTS AND TAXES		57,513	168,715	61,004	175,974	68,994	193,355
Net losses / (gains) of affiliated companies	11 and 35	(1,276)	4,451	(1,276)	4,451	(1,007)	(2,296)
Financial costs	38	4,103	12,663	6,174	19,080	5,812	16,450
Net foreign exchange losses / (gains)		(79)	38	(79)	38	12	(36)
Net losses / (gains) on financial assets		(2)	(1)	(2)	(1)	(4)	(9)
Net other financial expenses / (income)	38	1,194	6,709	1,061	4,954	997	2,766
		3,942	23,861	5,880	28,523	5,811	16,875
INCOME BEFORE TAXES		53,572	144,854	55,124	147,451	63,183	176,480
Income taxes	14	9,590	22,451	9,943	22,936	15,267	38,618
NET CONSOLIDATED INCOME		43,983	122,403	45,182	124,515	47,916	137,862
ATTRIBUTABLE TO:							
NOS Group Shareholders		44,111	123,001	45,309	125,107	47,897	138,093
Non-controlling interests	22	(128)	(598)	(127)	(592)	19	(231)
EARNINGS PER SHARES							
Basic - euros	39	0.09	0.24	0.09	0.24	0.09	0.27
Diluted - euros	39	0.09	0.24	0.09	0.24	0.09	0.27

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 nine months ended on 30 September 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of comprehensive income for the quarters ended on 30 September 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	3º QUARTER 18 REPORTED	9M 18 REPORTED	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
NET CONSOLIDATED INCOME		43,983	122,403	45,182	124,515	47,916	137,862
OTHER INCOME							
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:							
Accounting for equity method	11	(3,009)	(10,971)	(3,009)	(10,971)	86	(72)
Fair value of interest rate swap	19	387	868	387	868	270	1,081
Deferred income tax - interest rate swap	19	(87)	(195)	(87)	(195)	(61)	(243)
Fair value of equity swaps	19	190	(26)	190	(26)	(299)	(481)
Deferred income tax - equity swap	19	(42)	6	(42)	6	67	108
Currency translation differences and others		(260)	(1,214)	(260)	(1,214)	-	(143)
INCOME RECOGNISED DIRECTLY IN EQUITY		(2,821)	(11,532)	(2,821)	(11,532)	63	250
TOTAL COMPREHENSIVE INCOME		41,162	110,871	42,361	112,983	47,979	138,112
ATTRIBUTABLE TO:							
NOS Group Shareholders		41,290	111,469	42,503	113,590	48,120	138,343
Non-controlling interests		(128)	(598)	(142)	(607)	(141)	(231)
		41,162	110,871	42,361	112,983	47,979	138,112

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 nine months ended on 30 September 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of changes in shareholders' equity for the nine months ended on 30 September 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 ACCUMULATE D 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)	-	-
Dividends paid		-	-	-	-	(153,923)	-	-	(153,923)
Aquisition of own shares		-	-	(3,096)	-	-	-	-	(3,096)
Distribution of own shares - share incentive scheme		-	-	3,515	-	(3,515)	-	-	-
Distribuition of own shares - other remunerations		-	-	103	-	(20)	-	-	83
Share Plan - costs incurred in the period and others		-	-	-	-	2,862	-	(5)	2,857
Comprehensive Income		-	-	-	-	(11,532)	125,107	(592)	112,983
BALANCE AS AT 30 SEPTEMBER 2018 (RESTATED IFRS 16)		5,152	854,219	(12,159)	1,030	58,826	125,107	7,199	1,039,374
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)	-	-
Dividends paid		-	-	-	-	(179,607)	-	-	(179,607)
Aquisition of own shares	21.3	-	-	(3,547)	-	-	-	-	(3,547)
Distribution of own shares - share incentive scheme	21.3	-	-	3,702	-	(3,702)	-	-	-
Distribuition of own shares - other remunerations	21.3	-	-	338	-	(60)	-	-	277
Share Plan - costs incurred in the period and others	43	-	-	-	-	2,823	-	(6)	2,817
Comprehensive Income		-	-	-	-	250	138,093	(231)	138,112
BALANCE AS AT 30 SEPTEMBER 2019		5,152	854,219	(11,639)	1,030	17,749	138,093	7,059	1,011,663

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 nine months ended on 30 September 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of cash flows for the nine months ended on 30 September 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	9M 18 REPORTED	9M 18 RESTATED	9M 19
OPERATING ACTIVITIES				
Collections from clients		1,390,804	1,390,804	1,388,677
Payments to suppliers		(739,150)	(704,849)	(702,684)
Payments to employees		(80,657)	(80,657)	(81,322)
Receipts / (Payments) relating to income taxes		3,856	3,856	(8,762)
Other cash receipts / (payments) related with operating activities		(33,235)	(33,235)	(32,505)
CASH FLOW FROM OPERATING ACTIVITIES (1)		541,618	575,919	563,404
INVESTING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Financial investments		-	-	91
Tangible assets		1,134	1,134	1,620
Intangible assets		11	11	-
Interest and related income		3,239	3,239	3,700
		4,384	4,384	5,411
PAYMENTS RESULTING FROM				
Financial investments	11	(25)	(25)	-
Tangible assets		(203,054)	(203,054)	(216,946)
Intangible assets		(138,328)	(138,328)	(143,840)
		(341,407)	(341,407)	(360,786)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(337,023)	(337,023)	(355,375)
FINANCING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Borrowings		377,099	377,099	299,000
		377,099	377,099	299,000
PAYMENTS RESULTING FROM				
Borrowings		(378,333)	(378,333)	(206,833)
Lease rentals (principal)		(16,028)	(43,912)	(48,520)
Interest and related expenses		(19,215)	(25,632)	(22,086)
Dividends	21.4	(153,924)	(153,924)	(179,607)
Aquisition of own shares	21.3	(3,096)	(3,096)	(3,547)
		(570,596)	(604,897)	(460,593)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(193,497)	(227,798)	(161,593)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		11,098	11,098	46,436
Effect of exchange differences		6	6	30
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		(27,671)	(27,671)	28,712
Cash and cash equivalents	20	2,484	2,484	31,173
Bank overdrafts	23	(30,155)	(30,155)	(2,461)
		(27,671)	(27,671)	28,712

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 nine months ended on 30 September 2019.

The Chief Accountant

The Board of Directors

Notes to the consolidated financial statements as at 30 September 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 30 September 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 period ended on 30 September 2019 were approved by the Board of Directors and their issue authorised on 6 November 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 comparative 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	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			
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 30 September 2018:

	30-09-2018 REPORTED	IFRS 16	30-09-2018 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	1,053,840	(32,022)	1,021,818
Intangible assets	1,062,521	(46,800)	1,015,721
Rights of use	-	199,367	199,367
Deferred income tax assets	99,858	7,326	107,184
Other assets	190,369	-	190,369
TOTAL NON - CURRENT ASSETS	2,406,588	127,869	2,534,457
CURRENT ASSETS:			
TOTAL CURRENT ASSETS	532,303	-	532,303
TOTAL ASSETS	2,938,891	127,869	3,066,761
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	847,212	-	847,212
Other reserves and accumulated earnings	86,488	(26,632)	59,856
Net Income	123,001	2,106	125,107
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,056,701	(24,526)	1,032,175
Non-controlling interests	7,204	(5)	7,199
TOTAL EQUITY	1,063,905	(24,531)	1,039,374
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	944,518	123,856	1,068,374
Accrued expenses	6,372	(5,853)	519
Other liabilities	161,738	-	161,738
TOTAL NON - CURRENT LIABILITIES	1,112,628	118,003	1,230,631
Borrowings	190,636	34,863	225,499
Accrued expenses	192,314	(466)	191,849
Other liabilities	379,408	-	379,408
TOTAL CURRENT LIABILITIES	762,358	34,397	796,755
TOTAL LIABILITIES	1,874,986	152,400	2,027,387
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,938,891	127,869	3,066,761

At 31 December 2018:

	31-12-2018 REPORTED	IFRS 16	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
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			
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:

The nine months ended on 30 September 2018

	9M 18 REPORTED	IFRS 16	9M 18 RESTATED
REVENUES:	1,167,283	-	1,167,283
COSTS, LOSSES AND GAINS:			
Direct costs	371,646	(4,415)	367,231
Support services	62,662	(114)	62,548
Supplies and external services	115,481	(25,456)	90,025
Depreciation, amortisation and impairment losses	297,112	22,725	319,837
Other costs, losses and gains	151,667	-	151,667
	998,568	(7,259)	991,309
INCOME BEFORE FINANCIAL RESULTS AND TAXES	168,715	7,259	175,974
Financial costs	12,663	6,417	19,080
Net other financial expenses / (income)	6,709	(1,756)	4,954
Other financial results	4,489	-	4,489
	23,861	4,662	28,523
INCOME BEFORE TAXES	144,854	2,597	147,451
Income taxes	22,451	485	22,936
NET CONSOLIDATED INCOME	122,403	2,112	124,515
ATTRIBUTABLE TO:			
NOS Group Shareholders	123,001	2,106	125,107
Non-controlling interests	(598)	6	(592)
EARNINGS PER SHARES			
Basic - euros	0.24	-	0.24
Diluted - euros	0.24	-	0.24

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 28 million euros; and
- payments regarding Interest and related expenses, in the amount of 6.4 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.
- Update of the interest rate reference (issued on 26 September 2019, to be applied for annual periods beginning on or after 1 January 2020). The purpose of this update is to change the standards of financial instruments provided in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

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 nine months ended on 30 September 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 nine months ended on 30 September 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
sep/18	Year 2014	232.0	326.1
dec/18	Year 2014	241.1	338.8
mar/19	Year 2014	250.2	351.2
jun/19	Year 2014	258.6	363.3
set/19	Year 2014	270.2	379.7

At 31 December 2018 and 30 September 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	30-09-2019
US Dollar	1.1450	1.0889
Angolan Kwanza	353.0155	401.5286
British Pound	0.8945	0.8857
Mozambican Metical	70.2400	66.8600
Canadian Dollar	1.5605	1.4426
Swiss Franc	1.1269	1.0847
Real	4.4440	4.5288

In the nine months ended at 30 September 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:

	9M 18	9M 19
US Dollar	1.1942	1.1236
Angolan Kwanza	287.6098	373.4811
Mozambican Metical	71.9100	69.5678

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 nine months ended on 30 September 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

The changes in the consolidation perimeter, during the quarterly ended on 30 September 2018, were:

1) On 1 September 2018, the company Canal 20 T.V., SA was liquidated and dissolved. It didn't generate any impact on the consolidated financial statements.

During the period ended on 30 September 2019, the spin-off project of NOS Comunicações, SA was materialised, resulting in the creation of three new entities, NOS International Carrier Services, SA, NOS Wholesale, SA and NOS Corporate Center, SA. The businesses transferred were related to the Voice and SMS, Data and Roaming and Shared Services, respectively. The spin-off did not have any impact on the consolidated financial statements.

5. Segment reporting

The business segments are as follows:

- Telco – TV, Internet (fixed and mobile) and voice (fixed and mobile) services rendered and includes the following companies: NOS Technology, NOS Towering, Per-mar, Sontária, NOS, NOS Açores, NOS Communications, NOS Madeira, NOSPUB, NOS SA, NOS Lusomundo TV, Teliz Holding, NOS Sistemas, NOS Sistemas España, NOS Inovação, NOS Internacional SGPS, NOS Corporate Center, NOS Wholesale and NOS International Carrier Services.

- 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 30 September 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
Rights of use	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
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
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

	30-09-2019			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,033,574	10,946	-	1,044,520
Intangible assets	924,511	93,384	-	1,017,895
Contract costs	161,670	-	-	161,670
Rights of use	178,855	18,054	-	196,909
Investments in jointly controlled companies and associated companies	76,808	40,971	(95,993)	21,786
Accounts receivable - other	76,634	2,782	(75,000)	4,416
Deferred income tax assets	62,368	10,962	-	73,330
Other non-current assets	354	678	-	1,032
TOTAL NON - CURRENT ASSETS	2,514,774	177,777	(170,993)	2,521,558
CURRENT ASSETS:				
Inventories	40,162	762	-	40,924
Account receivables	354,106	71,924	(51,419)	374,611
Contract assets	68,643	-	-	68,643
Prepaid expenses	48,510	1,910	(363)	50,057
Other current assets	2,106	2,173	(433)	3,846
Cash and cash equivalents	29,250	1,923	-	31,173
TOTAL CURRENT ASSETS	542,777	78,692	(52,215)	569,254
TOTAL ASSETS	3,057,550	256,469	(223,208)	3,090,811
SHAREHOLDER'S EQUITY				
Share capital	5,152	36,756	(36,756)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(11,639)	-	-	(11,639)
Legal reserve	1,030	88	(88)	1,030
Other reserves and accumulated earnings	45,902	22,118	(50,271)	17,749
Net income	131,744	14,773	(8,424)	138,093
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,026,408	73,735	(95,539)	1,004,604
Non-controlling interests	7,059	-	-	7,059
TOTAL EQUITY	1,033,467	73,735	(95,539)	1,011,663
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,089,983	96,558	(75,000)	1,111,541
Provisions	125,016	7,279	-	132,295
Accrued expenses	545	-	-	545
Other non-current liabilities	10,358	-	-	10,358
Deferred income tax liabilities	10,680	468	-	11,148
TOTAL NON - CURRENT LIABILITIES	1,236,583	104,305	(75,000)	1,265,888
CURRENT LIABILITIES:				
Borrowings	255,509	34,232	(40,989)	248,752
Accounts payable	290,300	12,572	(7,794)	295,078
Tax payable	33,704	2,345	(433)	35,616
Accrued expenses	183,013	22,054	(3,090)	201,977
Other current liabilities	24,974	7,227	(364)	31,837
TOTAL CURRENT LIABILITIES	787,500	78,429	(52,669)	813,260
TOTAL LIABILITIES	2,024,083	182,734	(127,669)	2,079,148
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,057,550	256,469	(223,208)	3,090,811

The results by segment and investments in tangible and intangible assets for the three and nine months ended on 30 September 2018 and 2019 are shown below:

9M 18 RESTATED								
	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 18 RESTATED	9M 18 RESTATED
REVENUES:								
Services rendered	353,842	1,048,878	24,869	70,833	352,600	(32,789)	731,311	1,086,922
Sales	17,294	49,053	4,546	12,373	19,356	(126)	41,196	61,300
Other operating revenues	5,503	19,370	321	954	5,949	(1,263)	11,773	19,061
	376,639	1,117,301	29,736	84,160	377,905	(34,178)	784,280	1,167,283
COSTS, LOSSES AND GAINS:								
Wages and salaries	18,510	52,481	2,677	7,725	19,041	-	40,228	60,206
Direct costs	120,333	374,315	7,095	19,015	118,741	(26,099)	246,169	367,231
Costs of products sold	16,998	44,468	30	178	14,091	(31)	31,119	44,615
Marketing and advertising	7,591	21,894	1,702	5,367	6,061	(5,632)	15,354	21,629
Support services	20,797	62,171	575	1,726	18,756	(1,349)	40,128	62,548
Supplies and external services	28,202	83,237	2,853	7,855	29,226	(1,067)	60,281	90,025
Other operating losses / (gains)	147	511	11	73	270	-	428	584
Taxes	8,615	25,255	41	104	8,329	-	16,985	25,359
Provisions and adjustments	2,285	3,363	179	17	(3,226)	-	(762)	3,380
	223,478	667,695	15,163	42,060	211,290	(34,178)	449,931	675,577
EBITDA	153,160	449,606	14,573	42,100	166,616	-	334,349	491,706
Depreciation, amortisation and impairment losses	94,025	291,221	9,192	28,616	102,404	-	205,621	319,837
Other losses / (gains), net	3504	(4,469)	9	364	4,502	-	8,015	(4,105)
INCOME BEFORE FINANCIAL RESULTS AND TAXES	55,631	162,854	5,372	13,120	59,710	-	120,713	175,974
Net losses / (gains) of affiliated companies	(1,280)	4,642	4	(191)	(587)	-	(1,863)	4,451
Financial costs	5,493	16,653	681	2,427	6,053	-	12,227	19,080
Net foreign exchange losses / (gains)	(64)	(10)	(15)	48	(70)	-	(149)	38
Net losses / (gains) on financial assets	(1)	(17,136)	-	(3,351)	-	20,486	(1)	(1)
Net other financial expenses / (income)	1,111	5,014	(50)	(60)	2,694	-	3,755	4,954
	5,259	9,164	620	(1,127)	8,090	20,486	13,969	28,523
INCOME BEFORE TAXES	50,373	153,690	4,752	14,247	51,620	(20,486)	106,745	147,451
Income taxes	8,754	20,765	1,189	2,171	6,971	-	16,914	22,936
NET INCOME	41,619	132,925	3,563	12,076	44,649	(20,486)	89,831	124,515
CAPEX	102,123	291,808	7,735	20,899	-	-	109,858	312,707
EBITDA - CAPEX	51,038	157,798	6,838	21,201	166,616	-	224,492	178,999

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

9M 19								
	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	2º QUARTER 19	9M 19	2º QUARTER 19	9M 19	3º QUARTER 19	9M 19	3º QUARTER 19	9M 19
REVENUES:								
Services rendered	357,581	1,062,101	28,865	76,688	(11,139)	(33,081)	375,307	1,105,708
Sales	17,258	48,163	5,063	13,059	(58)	(144)	22,263	61,078
Other operating revenues	6,063	18,985	319	940	(506)	(1,528)	5,876	18,397
	380,901	1,129,248	34,247	90,687	(11,703)	(34,753)	403,445	1,185,182
COSTS, LOSSES AND GAINS:								
Wages and salaries	19,202	54,476	2,787	7,907	-	-	21,989	62,383
Direct costs	124,338	377,744	10,263	25,015	(8,440)	(25,972)	126,161	376,787
Costs of products sold	14,255	42,037	45	229	(7)	(20)	14,293	42,246
Marketing and advertising	9,168	22,221	2,062	5,373	(2,265)	(6,033)	8,965	21,561
Support services	19,402	60,025	442	1,294	(501)	(1,503)	19,343	59,816
Supplies and external services	26,566	78,274	2,786	7,840	(490)	(1,225)	28,862	84,889
Other operating losses / (gains)	127	359	12	34	-	-	139	393
Taxes	7,130	24,401	19	89	-	-	7,149	24,490
Provisions and adjustments	3,169	7,371	(26)	(91)	-	-	3,143	7,280
	223,357	666,907	18,389	47,690	(11,703)	(34,753)	230,043	679,844
EBITDA	157,544	462,341	15,858	42,997	-	-	173,402	505,338
Depreciation, amortisation and impairment losses	88,576	272,392	8,937	25,582	-	-	97,513	297,974
Other losses / (gains), net	6,886	13,937	7	71	-	-	6,893	14,008
INCOME BEFORE FINANCIAL RESULTS AND TAXES	62,081	176,011	6,914	17,344	-	-	68,995	193,355
Net losses / (gains) of affiliated companies	(966)	(2,066)	(41)	(230)	-	-	(1,007)	(2,296)
Financial costs	5,201	15,074	611	1,376	-	-	5,812	16,450
Net foreign exchange losses / (gains)	157	100	(145)	(136)	-	-	12	(36)
Net losses / (gains) on financial assets	(3)	(6,709)	(1)	(1,724)	-	8,424	(4)	(9)
Net other financial expenses / (income)	984	2,730	13	36	-	-	997	2,766
	5,373	9,129	437	(678)	-	8,424	5,810	16,875
INCOME BEFORE TAXES	56,707	166,881	6,477	18,023	-	(8,424)	63,183	176,480
Income taxes	14,003	35,367	1,264	3,251	-	-	15,267	38,618
NET INCOME	42,704	131,514	5,212	14,772	-	(8,424)	47,916	137,862
CAPEX	93,784	286,416	9,658	24,536	-	-	103,442	310,952
EBITDA - CAPEX	63,761	175,925	6,200	18,461	-	-	69,960	194,386

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

30-09-2019						
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	226	-	-	226	-	226
Derivative financial instruments (Note 19)	-	106	-	106	-	106
Accounts receivable - trade (Note 16)	350,054	-	-	350,054	-	350,054
Accounts receivable - other (Note 12)	7,806	-	-	7,806	21,167	28,973
Cash and cash equivalents (Note 20)	31,173	-	-	31,173	-	31,173
TOTAL FINANCIAL ASSETS	389,259	106	-	389,365	21,167	410,532
LIABILITIES						
Borrowings (Note 23)	-	-	1,360,293	1,360,293	-	1,360,293
Derivative financial instruments (Note 19)	-	371	-	371	-	371
Accounts payable - trade (Note 27)	-	-	262,291	262,291	-	262,291
Accounts payable - other (Note 28)	-	-	37,453	37,453	251	37,704
Accrued expenses (Note 25)	-	-	202,522	202,522	-	202,522
TOTAL FINANCIAL LIABILITIES	-	371	1,862,559	1,862,930	251	1,863,181

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 nine months ended on 30 September 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-09-2018 RESTATED
ACQUISITION COST					
Lands	955	-	(117)	-	838
Buildings and other constructions	378,899	2,078	(2,323)	(72)	378,582
Basic equipment	2,218,817	28,207	(28,814)	106,187	2,324,397
Transportation equipment	567	365	(32)	-	900
Tools and dies	1,347	-	(3)	33	1,377
Administrative equipment	186,850	2,014	(1,588)	1,259	188,535
Other tangible assets	41,928	190	(65)	340	42,393
Tangible assets in-progress	60,072	119,135	-	(116,194)	63,013
	2,889,436	151,989	(32,942)	(8,448)	3,000,035
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Lands	37	-	-	(37)	-
Buildings and other constructions	208,016	8,336	(2,088)	(3,714)	210,550
Basic equipment	1,459,884	115,371	(28,686)	(956)	1,545,613
Transportation equipment	329	413	(32)	-	710
Tools and dies	1,282	27	(4)	-	1,305
Administrative equipment	174,763	4,112	(1,488)	957	178,344
Other tangible assets	41,104	93	(63)	561	41,695
	1,885,415	128,352	(32,361)	(3,189)	1,978,217
	1,004,022	23,636	(581)	(5,259)	1,021,818

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-09-2019
ACQUISITION COST					
Land	838	-	-	-	838
Buildings and other constructions	388,170	2,948	(217)	9,519	400,420
Basic equipment	2,278,623	32,198	(84,049)	102,255	2,329,027
Transportation equipment	567	-	-	-	567
Tools and dies	1,406	-	4	77	1,487
Administrative equipment	189,070	1,663	(1,571)	816	189,978
Other tangible assets	42,553	181	-	285	43,019
Tangible assets in-progress	55,220	116,236	-	(122,690)	48,766
	2,956,447	153,226	(85,833)	(9,738)	3,014,102
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	213,822	7,134	(715)	(649)	219,592
Basic equipment	1,493,105	111,872	(83,346)	2,647	1,524,278
Transportation equipment	516	2	-	45	563
Tools and dies	1,316	42	(4)	-	1,354
Administrative equipment	179,428	3,237	(1,545)	219	181,339
Other tangible assets	41,905	550	(1)	2	42,456
	1,930,092	122,837	(85,611)	2,264	1,969,582
	1,026,355	30,389	(222)	(12,002)	1,044,520

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

At 30 September 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 692.5 million euros (31 December 2018: 684.5 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 112.3 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 30 September 2019, total net value of these costs amounted to 13.8 million euros (31 December 2018: 14.5 million euros). The amount of interest capitalised in the nine months ended on 30 September 2019 amounted to 0.8 million euros (31 December 2018: 1.3 million euros).

8. Intangible assets

In the nine months ended on 30 September 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-09-2018 RESTATED
ACQUISITION COST					
Industrial property and other rights	1,450,947	2,847	(14)	44,932	1,498,712
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	43,533	47,713	-	(41,239)	50,007
	2,135,880	50,560	(14)	3,693	2,190,119
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,102,786	67,866	(2)	782	1,171,432
Other intangible assets	4,566	-	-	(1,600)	2,966
	1,107,352	67,866	(2)	(818)	1,174,398
	1,028,528	(17,306)	(12)	4,511	1,015,721

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-09-2019
ACQUISITION COST					
Industrial property and other rights	1,521,380	7,151	-	67,793	1,596,324
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	50,211	52,124	-	(69,125)	33,210
	2,212,991	59,275	-	(1,332)	2,270,934
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,191,312	59,254	(104)	154	1,250,616
Intangible assets in-progress	2,423	-	-	-	2,423
	1,193,735	59,254	(104)	154	1,253,039
	1,019,256	21	104	(1,486)	1,017,895

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

At 30 September 2019, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 112.5 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) 35.6 million euros (31 December 2018: 37.6 million euros) related to the license, (ii) 11.9 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) 3.7 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) 52.1 million euros (31 December 2018: 55 million euros) related with the programme "Initiatives E"; and (v) the net amount of 6.2 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 83.7 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 2.9 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 13.2 million euros (31 December 2018: 17.1 million euros) corresponding to the future rights to use movies and series.

Increases in the nine months ended on 30 September 2019 correspond mainly to movies and series rights of use, for an amount of 20.2 million euros, and software acquisition and development, for an amount of 29.7 million euros.

Impairment tests on goodwill

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

	31-12-2018 RESTATED	30-09-2019
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 30 September 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 nine months ended on 30 September 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-09-2018 RESTATED
Acquisition Cost	528,439	70,384	(109,001)	489,822
Accumulated amortisation and impairment losses	357,642	78,271	(109,001)	326,912
	170,797	(7,887)	-	162,910

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-09-2019
Acquisition Cost	514,694	74,369	-	589,063
Accumulated amortisation and impairment losses	351,746	75,647	-	427,393
	162,948	(1,278)	-	161,670

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 nine months ended on 30 September 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-09-2018 RESTATED
ACQUISITION COST				
Telecommunications towers and rooftops	143,058	13,715	-	156,773
Movie theatres	103,575	-	-	103,575
Transponders	91,541	-	-	91,541
Equipments	79,221	16,450	(333)	95,338
Buildings	71,868	1,429	-	73,297
Fiber optic rental	34,582	7,751	(425)	41,908
Stores	21,579	331	-	21,910
Others	33,980	1,244	(382)	34,842
	579,404	40,920	(1,140)	619,184
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	111,096	6,470	-	117,566
Movie theatres	84,392	3,864	-	88,256
Transponders	43,459	5,836	-	49,295
Equipments	37,421	12,551	(312)	49,660
Buildings	45,496	4,162	-	49,658
Fiber optic rental	21,941	7,818	-	29,759
Stores	14,910	1,591	-	16,501
Others	15,769	3,728	(377)	19,120
	374,484	46,021	(689)	419,816
	204,920	(5,101)	(451)	199,367

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-09-2019
ACQUISITION COST				
Telecommunications towers and rooftops	122,014	12,167	1,346	135,527
Movie theatres	84,816	4,620	-	89,436
Transponders	92,395	(488)	-	91,907
Equipments	99,145	13,608	(1,477)	111,276
Buildings	65,282	2,815	(3,675)	64,422
Fiber optic rental	34,157	-	-	34,157
Stores	14,768	1,691	149	16,608
Others	22,290	1,461	10,652	34,403
	534,867	35,874	6,995	577,736
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	81,614	7,698	1,366	90,678
Movie theatres	67,326	4,767	-	72,093
Transponders	50,859	4,405	(61)	55,203
Equipments	53,365	10,686	(192)	63,859
Buildings	33,803	4,658	3,246	41,707
Fiber optic rental	24,696	2,288	(1,073)	25,911
Stores	9,659	1,626	147	11,432
Others	13,061	4,106	2,776	19,943
	334,384	40,234	6,209	380,827
	200,483	(4,360)	786	196,909

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 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-09-2019
INVESTMENTS - EQUITY METHOD		
Sport TV	5,436	4,592
Dreamia	3,634	3,850
Finstar	9,465	11,365
Mstar	564	1,451
Upstar	361	389
Big Picture 2 Films	125	139
ASSETS	19,585	21,786

Movements in "Investments in jointly controlled companies and associated companies" in the nine months ended on 30 September 2018 and 2019 were as follows:

	9M 18 RESTATED	9M 19
AS AT JANUARY 1	36,706	19,585
Gains / (losses) of exercise (Note 35)	(4,623)	2,272
Changes in equity i)	(10,971)	(71)
AS AT SEPTEMBER 30	21,112	21,786

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 30 September 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 December 2017.

30-09-2019							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	209,416	191,046	18,369	139,386	(3,375)	25.00%	(844)
Dreamia	15,230	7,530	7,700	2,214	432	50.00%	216
Finstar	243,639	205,757	37,882	145,746	6,777	30.00%	2,033
Mstar	9,306	4,470	4,836	17,678	2,749	30.00%	825
Upstar	115,873	114,578	1,295	24,095	93	30.00%	28
Big Picture 2 Films	2,952	2,255	697	4,832	71	20.00%	14
	596,415	525,636	70,779	333,952	6,746		2,272

* 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 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED		30-09-2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	3,708	5,252	3,840	5,139
Advances of suppliers	5,700	-	21,167	-
	9,408	5,252	25,007	5,139
Impairment of other receivable	(244)	(723)	(450)	(723)
	9,164	4,529	24,557	4,416

i) At 30 September 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:

	9M 18 RESTATED	9M 19
AS AT JANUARY 1	1,500	967
Increases (Note 34)	162	299
Utilizations / Others	(518)	(93)
AS AT SEPTEMBER 30	1,144	1,173

13. Taxes payable and receivable

At 31 December 2018 and 30 September 2019, these items were composed as follows:

	31-12-2018 RESTATED		30-09-2019	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added tax	826	18,606	2,720	19,494
Income taxes	-	11,295	-	12,414
Personnel income tax witholdings	-	1,787	-	1,782
Social Security contributions	-	1,831	-	1,862
Others	420	264	420	64
	1,246	33,783	3,140	35,616
	1,395	33,783	3,289	35,616

At 31 December 2018 and 30 September 2019, the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2018 RESTATED	30-09-2019
Estimated current tax on income	(31,733)	(28,214)
Payments on account	18,967	14,189
Withholding income taxes	785	452
Others	686	1,159
	(11,295)	(12,414)

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 30 September 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 periods ended on 30 September 2018 and 2019 were as follows:

	31-12-2017 RESTATED	DEFERRED TAXES OF THE PERIOD		30-09-2018 RESTATED
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	6,635	(1,692)	-	4,943
Inventories	2,340	(295)	-	2,045
Other provision and adjustments	71,500	(8,684)	-	62,816
Intragroup gains	20,926	2,101	-	23,027
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	7,396	(707)	-	6,689
Assets recognised under application of IFRS 16 (Note 2.1)	7,811	(485)		7,326
Derivatives	557	(30)	(189)	338
	117,165	(9,792)	(189)	107,184
DEFERRED INCOME TAX ASSETS				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	4,851	(1,951)	-	2,900
Derivatives	-	9	-	9
Liabilities recognised under application of IFRS 15	18,383	(18,383)	-	-
Others	2,289	(32)	-	2,257
	25,523	(20,357)	-	5,166
NET DEFERRED TAX	91,642	10,565	(189)	102,018

	31-12-2018 RESTATED	DEFERRED TAXES OF THE PERIOD		30-09-2019
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	4,796	(3,655)	-	1,141
Inventories	1,610	158	-	1,768
Other provision and adjustments	51.956	(5,767)	-	46,189
Intragroup gains	22,098	(2,709)	-	19,389
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,943	(183)	-	4,760
Assets recognised under application of IFRS 16 (Note 2.1)	8,763	(8,763)	-	-
Derivatives	238	88	(243)	83
	94,404	(20,831)	(243)	73,330
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,846	(183)	-	2,663
Derivatives	7	127	(108)	26
Liabilities recognised under application of IFRS 15 (Note 2)	-	-	-	-
Intra-group leases	-	6,090	-	6,090
Others	2,270	99	-	2,369
	5,123	6,133	(108)	11,148
NET DEFERRED TAX	89,281	(26,964)	(135)	62,182

At 30 September 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 36.1 million euros (31 December 2018: 40.9 million euros; and ii) Other provisions amounted to 9.2 million euros (31 December 2018: 9.6 million euros).

At 30 September 2019, the deferred tax liability is related to the revaluation of assets relates mainly to lease agreements between Group companies and the appreciation of telecommunications licenses, and other assets at the merger of Group companies.

At 30 September 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 30 September 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 nine months ended on 30 September 2018 and 2019, the reconciliation between the nominal and effective rates of tax was as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
Income before taxes	55,124	147,451	63,183	176,480
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
ESTIMATED TAX	12,402	33,176	14,216	39,708
Permanent differences i)	(584)	163	107	(93)
Differences in tax rate of group companies	(440)	(1,227)	(45)	(1,113)
Record of deferred taxes	(63)	(3,862)	(499)	(1,848)
Tax benefits ii)	-	(11,398)	(2,097)	(8,263)
State surcharge	2,920	9,388	2,979	8,421
Autonomous taxation	172	574	183	548
Others	(4,464)	(3,878)	423	1,258
INCOME TAXES	9,943	22,936	15,267	38,618
Effective Income tax rate	18.0%	15.6%	24.2%	21.9%
Income tax	9,395	33,501	10,951	11,654
Deferred tax	548	(10,565)	4,316	26,964
	9,943	22,936	15,267	38,618

i) At 30 September 2018 and 2019, the permanent differences were composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
Equity method (Note 35)	(1,276)	4,451	(1,007)	(2,296)
Others	(1,322)	(3,727)	1,485	1,884
	(2,598)	724	478	(412)
	22.5%	22.5%	22.5%	22.5%
	(584)	163	107	(93)

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. During the nine months ended on 30 September 2018 and following different dates for the submission and approval of the applications, tax incentives for the RFAI and SIFIDE of 2016 and 2017 were recognised, while in the nine months ended on 30 September 2019, only the RFAI and SIFIDE of 2018 were recognised. 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 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-09-2019
INVENTORIES		
Telco	43,485	46,372
Audiovisuals	1,568	1,334
	45,053	47,706
IMPAIRMENT OF INVENTORIES		
Telco	(5,670)	(6,210)
Audiovisuals	(498)	(572)
	(6,168)	(6,782)
	38,885	40,924

The movements occurred in impairment adjustments were as follows:

	9M 18 RESTATED	9M 19
AS AT JANUARY 1	8,961	6,167
Increase and decrease - Cost of products sold (Note 32)	(59)	1,888
Utilizations / Others	(1,135)	(1,273)
AS AT SEPTEMBER 30	7,767	6,782

16. Accounts receivable – trade

At 31 December 2018 and 30 September 2019, this item was as follows:

	31-12-2018 RESTATED	30-09-2019
Trade receivables	460,499	429,811
Unbilled revenues i)	61,423	64,183
	521,922	493,994
Impairment of trade receivable	(139,822)	(143,940)
	382,100	350,054

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:

	9M 18 RESTATED	9M 19
AS AT JANUARY 1	139,484	139,822
Increases and decreases (Note 34)	4,467	11,433
Penalties - i)	10,995	13,899
Impact of application of IFRS 9	6,008	-
Utilizations / Others	(37,764)	(21,214)
AS AT SEPTEMBER 30	123,190	143,940

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 30 September 2019, this item was as follows:

	31-12-2018 RESTATED	30-09-2019
Contract assets	57,022	68,643
	57,022	68,643

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 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-09-2019
Programming costs	16,364	16,513
Costs of litigation procedure activity	8,465	9,087
Insurance	1,276	1,336
Taxes	-	4,923
Advertising	708	1,420
Others	12,031	16,778
	38,844	50,057

19. Derivative financial instruments

Exchange rate derivatives

At the date of the statement of the financial position there were foreign currency forwards open for 6,922 thousand euros (31 December 2018: 2,525 thousand euros), whose fair value amounts to a positive net amount of 106 thousand euros (2018: gain of about 32 thousand euros).

Interest rate derivatives

At 30 September 2019, NOS had contracted two interest rate swaps totalling 250 million euros (31 December 2018: 250 million euros) whose swap maturities expire in 2019 e 2022. The fair value of interest rate swaps, in the negative amount of 0.1 million euros (31 December 2018: negative amount of 1.2 million euros), was recorded in liabilities, against shareholder's equity.

Own shares derivatives

At 30 September 2019, NOS had contracted three own shares derivatives, in the amount of 2,640 thousand euros (31 December 2018: 2,641 thousand euros), maturing in March 2020, 2021 and 2022, in order to cover the delivery of share plans liquidated in cash.

	31-12-2018 RESTATED				
	NOTIONAL	ASSETS		LIABILITIES	
		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	-

	30-09-2019				
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	250,000	-	-	76	54
Equity swaps	2,640	-	-	79	162
Exchange rate forward	6,922	106	-	-	-
	259,562	106	-	155	216

Movements during the nine months ended on 30 September 2018 and 2019 were as follows:

	31-12-2017 RESTATED	RESULT	EQUITY	30-09-2018 RESTATED
Fair value interest rate swaps	(2,453)	-	868	(1,585)
Fair value exchange rate forward	(33)	73	-	40
Fair value equity swaps	10	102	(26)	86
DERIVATIVES	(2,476)	175	842	(1,459)
Deferred income tax liabilities	-	(9)	-	(9)
Deferred income tax assets	557	(30)	(189)	338
DEFERRED INCOME TAX	557	(39)	(189)	329
	(1,919)	136	653	(1,130)

	31-12-2018 RESTATED	RESULT	EQUITY	30-09-2019
Fair value interest rate swaps	(1,211)	-	1,081	(130)
Fair value exchange rate forward	32	74	-	106
Fair value equity swaps	153	87	(481)	(241)
DERIVATIVES	(1,026)	161	600	(265)
Deferred income tax liabilities	(7)	(127)	108	(26)
Deferred income tax assets	238	88	(243)	83
DEFERRED INCOME TAX	231	(39)	(135)	57
	(795)	122	465	(208)

20.Cash and cash equivalents

At 31 December 2018 and 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-09-2019
Cash	744	1,533
Other deposits i)	13	-
Deposits	1,425	29,640
	2,182	31,173

i) At 31 December 2018 and 30 September 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 30 September 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 30 September 2019 are:

	31-12-2018 RESTATED		30-09-2019	
	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%	-	-
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 30 September 2019 there were 1,990,718 own shares, representing 0.3864% of share capital (31 December 2018: 2,069,356 own shares, representing 0.4017% of the share capital).

Movements in the three and nine months ended on 30 September 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	(598,725)	(3,515)
Distribution of own shares - other remunerations	(17,650)	(103)
BALANCE AS AT 30 SEPTEMBER 2018	2,073,859	12,159
BALANCE AS AT 1 JANUARY 2019	2,069,356	12,132
Acquisition of own shares	610,500	3,547
Distribution of own shares - share incentive scheme	(631,447)	(3,702)
Distribution of own shares - other remunerations	(57,691)	(338)
BALANCE AS AT 30 SEPTEMBER 2019	1,990,718	11,639

21.4. Reserves

Legal reserve

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

Other reserves

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IAS / IFRS. Thus, on 30 September 2019, NOS had reserves, which by their nature are considered distributable for an amount of approximately 122.6 million euros, not including the net income.

Dividends

The General Meeting of Shareholders held on 10 May 2018 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.30 euros, totalling 154,548 thousand euros. The dividend attributable to own shares amounted to 625 thousand euros.

	DIVIDENDS
Dividends	154,548
Dividends of own shares	(625)
	153,923

The General Meeting of Shareholders held on 8 May 2019 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.35 euros, totalling 180,306 thousand euros. The dividend attributable to own shares amounted to 699 thousand euros.

	DIVIDENDS
Dividends	180,306
Dividends of own shares	(699)
	179,607

22. Non-controlling interests

The movements of the non-controlling interests occurred during the nine months ended on 30 September 2018 and 2019 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2017 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	30-09-2018 RESTATED
NOS Madeira	5,882	(326)	(3)	5,553
NOS Açores	1,914	(266)	(2)	1,646
	7,796	(592)	(5)	7,199

	31-12-2018 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	30-09-2019
NOS Madeira	5,660	(46)	(4)	5,611
NOS Açores	1,636	(186)	(2)	1,448
	7,296	(231)	(6)	7,059

23. Borrowings

At 31 December 2018 and 30 September 2019, the composition of borrowings was as follows:

	31-12-2018 RESTATED		30-09-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	217,769	830,000	170,794	951,667
Debenture loan	150,000	510,000	100,000	575,000
Commercial paper	29,500	265,000	50,000	340,000
Foreign loans	18,333	55,000	18,333	36,667
Bank overdrafts	19,936	-	2,461	-
LOANS - ACCRUALS AND DEFERRALS	1,890	(4,602)	811	(2,828)
LOANS - AMORTISED COST	219,659	825,398	171,605	948,839
LEASES	63,402	188,966	77,147	162,702
	283,061	1,014,364	248,752	1,111,541

During the nine months ended on 30 September 2019, the average cost of debt of the used lines was approximately 1.4% (2018: 1.7%).

23.1. Debenture loans

At 31 December 2018 and 30 September 2019, NOS has a total amount of 660 million euros and 675 million euros of bonds issued, respectively, including at 30 September 2019, 575 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) 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.

iv) A bond loan in the amount 50 million euros organized by BPI bank in June 2019 and maturing in June 2024. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

v) A bond loan in the amount 50 million euros organized by Caixa Geral de Depósitos in July 2019 and maturing in July 2024. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

vi) A bond loan in the amount 25 million euros organized by Caixa Geral de Depósitos in July 2019 and maturing in July 2024. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

At 30 September 2019, an amount of 318 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 30 September 2019, the Company has borrowings of 390 million euros in the form of commercial paper. The total amount contracted, under underwriting securities, is of 665 million euros, corresponding to thirteen programmes, with six banks, 590 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 340 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 30 September 2019 an amount of 669 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 September 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 September 2017. At 30 September 2019, the amount in borrowings totalizes 55 million euros.

At 30 September 2019, an amount of 2,368 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 55 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 30 September 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	30-09-2019
Until 1 year	63,402	77,147
Between 1 and 5 years	131,849	113,616
Over 5 years	57,118	49,087
	252,368	239,849

Leases – present value

	31-12-2018 RESTATED	30-09-2019
Until 1 year	73,908	84,255
Between 1 and 5 years	153,032	128,792
Over 5 years	62,443	52,882
	289,383	265,929
Future financial costs (lease)	(37,015)	(26,080)
PRESENT VALUE OF LEASE LIABILITIES	252,368	239,849

The maturities of the loans obtained are as follows:

	31-12-2018 RESTATED			30-09-2019		
	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	101,563	573,119	-
Commercial paper	29,732	227,500	37,500	50,725	289,946	49,998
Foreign loans	17,504	52,710	-	16,856	35,776	-
Bank overdrafts	19,936	-	-	2,461	-	-
Leases	63,402	131,849	57,118	77,147	113,616	49,087
	283,061	859,777	154,587	248,752	1,012,457	99,085

24. Provisions

At 31 December 2018 and 30 September 2019, the provisions were as follows:

	31-12-2018 RESTATED	30-09-2019
Litigation and other - i)	58,369	60,946
Dismantling and removal of assets - iii)	34,626	37,710
Contingent liabilities - iv)	32,055	31,391
Contingencies - other - v)	3,765	2,248
	128,815	132,295

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 September 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 September 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 September 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 nine months ended on 30 September 2018, movements in provisions were as follows:

	31-12-2017 RESTATED	INCREASES	DECREASES	OTHERS	30-09-2018 RESTATED
Litigation and other	52,261	9,013	(7,514)	-	53,760
Financial investments	425	-	(425)	-	-
Dismantling and removal of assets	31,651	340	(37)	2,179	34,133
Contingent liabilities	32,490	-	-	-	32,490
Contingencies - other	16,435	1,710	(464)	(321)	17,360
	133,262	11,063	(8,440)	1,858	137,743

During the nine months ended on 30 September 2018, increases mainly refer from provisions for legal claims plus interest and charges.

The movement recorded in "Others" in the amount of 2.0 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 3.1 million euros, less the use of provisions created for compensations to employees, in the amount of 1.1 million euros.

During the nine months ended on 30 September 2019, movements in provisions, were as follows:

	31-12-2018 RESTATED	INCREASES	DECREASES	OTHERS	30-09-2019
Litigation and other	58,369	8,961	(6,384)	-	60,946
Dismantling and removal of assets	34,626	89	(89)	3,084	37,710
Contingent liabilities	32,055	-	(663)	-	31,391
Contingencies - other	3,765	4,455	(1,481)	(4,491)	2,248
	128,815	13,505	(8,617)	(1,407)	132,295

During the nine months ended on 30 September 2019, the increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer, predominantly, to the reassessment of several legal contingencies.

The net movements for the nine months ended on 30 September 2018 and 2019 reflected in the income statement under Provisions were as follows:

	9M 18 RESTATED	9M 19
Provisions and adjustments (Note 34)	(1,288)	(4,462)
Financial investments (Note 11)	(425)	-
Other losses / (gains) non-recurrent (Note 37)	8,429	7,023
Interests - dismantling	303	-
Other interests	(4,396)	2,327
INCREASES AND DECREASES IN PROVISIONS	2,623	4,888

25. Accrued expenses

At 31 December 2018 and 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-09-2019
NON-CURRENT		
Others	688	545
	688	545
CURRENT		
Invoices to be issued by operators i)	62,041	65,219
Vacation pay and bonuses	24,460	24,630
Investments in tangible and intangible assets	26,541	21,727
Content and film rights	11,370	15,650
Professional services	12,113	13,334
Advertising	15,144	12,652
Programming services	12,293	8,849
Costs of litigation procedure activity	7,852	8,000
Taxes (ANACOM and Cinema Law)	17	7,676
Comissions	5,376	6,051
Energy and water	5,807	5,175
Maintenance and repair	2,409	1,781
Other accrued expenses	11,628	11,233
	197,052	201,977

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 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED		30-09-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	32,261	-	31,285	-
Investment subsidy ii)	410	5,521	397	5,226
	32,671	5,521	31,682	5,226

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

ii) Deferred income related to the implicit subsidy when the BEI loans were obtained at interest rates below market value (Note 23).

27. Accounts payable - trade

At 31 December 2018 and 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-09-2019
Suppliers current account	252,644	258,856
Invoices in reception and conference	2,306	3,435
	254,950	262,291

28. Accounts payable - other

At 31 December 2018 and 30 September 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-09-2019
NON-CURRENT		
Assignment of receivables without recourse i)	9,723	4,916
	9,723	4,916
CURRENT		
Fixed assets suppliers	27,006	24,782
Assignment of receivables without recourse i)	10,093	5,953
Advances from customers	127	251
Others	1,000	1,802
	38,226	32,788
	47,949	37,704

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 nine months ended on 30 September 2019, the balance amounts to 10.9 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 three and nine months ended on 30 September 2018 and 2019, were as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
SERVICES RENDERED:				
Telco i)	350,314	1,038,259	353,637	1,050,544
Audiovisuals and cinema exhibition ii)	17,516	48,663	21,670	55,164
	367,829	1,086,922	375,307	1,105,708
SALES:				
Telco iii)	17,284	49,022	17,251	48,142
Audiovisuals and cinema exhibition iv)	4,505	12,278	5,013	12,936
	21,789	61,300	22,263	61,078
OTHER OPERATING REVENUES:				
Telco	5,105	18,175	5,734	17,990
Audiovisuals and cinema exhibition	273	886	142	407
	5,378	19,061	5,876	18,397
	394,996	1,167,283	403,445	1,185,182

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 three and nine months ended on 30 September 2018 and 2019, this item was composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
Remuneration	16,327	46,422	16,952	47,072
Social taxes	4,233	12,520	4,324	12,605
Social benefits	480	1,435	487	1,452
Other	146	(172)	226	1,254
	21,187	60,206	21,989	62,383

In the three and nine months ended on 30 September 2018 and 2019, the average number of employees of the companies included in the consolidation was 2,493 and 2,466, respectively. At 30 September 2019, the number of employees of the companies included in the consolidation was 2,463 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 nine months ended on 30 September 2018 and 2019, this item was composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
Exhibition costs	52,579	153,936	54,935	159,218
Traffic costs	49,553	160,894	50,735	155,269
Capacity costs	9,766	32,725	12,103	35,887
Costs related to corporate customers services	2,869	6,601	5,148	16,308
Shared advertising revenues	3,197	10,361	3,240	10,105
Others	838	2,714	-	-
	118,802	367,231	126,161	376,787

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 30 September 2018 to 6,601 thousand euros.

32. Cost of products sold

In the three and nine months ended on 30 September 2018 and 2019, this item was composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
Costs of products sold	16,840	44,674	13,860	40,358
Increases / (decreases) in inventories impairments (Note 15)	178	(59)	433	1,888
	17,018	44,615	14,293	42,246

33. Support services and supplies and external services

In the three and nine months ended on 30 September 2018 and 2019, this item was composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
SUPPORT SERVICES:				
Administrative support and others	9,922	28,618	8,624	26,812
Call centers and customer support	7,256	22,876	7,711	23,062
Information systems	3,714	11,053	3,008	9,942
	20,893	62,548	19,343	59,816
SUPPLIES AND EXTERNAL SERVICES:				
Maintenance and repair	11,531	33,485	10,488	30,289
Electricity	5,721	16,711	5,168	16,794
Professional services	3,039	8,958	3,013	8,663
Installation and removal of terminal equipment	1,288	3,269	1,175	4,589
Communications	1,740	5,427	1,434	4,417
Travel and accommodation	913	3,082	985	3,334
Fees	1,127	2,922	1,522	2,107
Other supplies and external services	5,300	16,171	5,077	14,696
	30,659	90,025	28,862	84,889

34.Provisions and adjustments

In the three and nine months ended on 30 September 2018 and 2019, these items were composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
Provisions (Note 24)	(66)	(1,288)	118	(4,462)
Impairment of account receivables - trade (Note 16)	2,509	4,467	2,981	11,433
Impairment of account receivables - others (Note 12)	16	162	34	299
Others	5	39	10	10
	2,464	3,380	3,143	7,280

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

In the three and nine months ended on 30 September 2018 and 2019, this item was composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
EQUITY METHOD (NOTE 11)				
Sport TV	(481)	(1,461)	421	844
Dreamia	1	(183)	(19)	(216)
Finstar	(404)	6,965	(1,155)	(2,033)
Mstar	(316)	(610)	(218)	(825)
Upstar	(41)	(92)	(6)	(28)
Others	3	4	(23)	(14)
	(1,238)	4,623	(999)	(2,272)
OTHERS	(38)	(172)	(8)	(24)
	(1,276)	4,451	(1,007)	(2,296)

During the nine months ended on 30 September 2018, the Kwanza recorded an exceptional devaluation against the Euro of approximately 36%, 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 nine months ended on 30 September 2018 and 2019, this item was composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
TANGIBLE ASSETS				
Buildings and other constructions	2,753	8,336	2,557	7,134
Basic equipment	32,431	115,371	35,042	111,872
Transportation equipment	383	413	1	2
Tools and dies	10	27	16	42
Administrative equipment	1,260	4,112	1,207	3,237
Other tangible assets	4	93	166	550
	36,841	128,352	38,989	122,837
INTANGIBLE ASSETS				
Industrial property and other rights	21,271	67,866	19,514	59,254
	21,271	67,866	19,514	59,254
CONTRACT COSTS				
Contract costs	25,952	78,271	25,558	75,647
	25,952	78,271	25,558	75,647
LEASES				
Leases	19,152	45,346	13,451	40,234
	19,152	45,346	13,451	40,234
INVESTIMENT PROPERTY				
Investment property	1	2	1	2
	1	2	1	2
	103,217	319,837	97,513	297,974

During the nine months of 2018, following the modernisation project of the NOS mobile network, impairment losses were recognised for an approximate amount of 30 million euros.

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

In the three and nine months ended on 30 September 2018 and 2019, the other non-recurring costs / (gains) was composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
GAINS:				
Default interests - offsetting of credits i)	-	(27,318)	-	-
	-	(27,318)	-	-
COSTS:				
Provisions and costs with lawsuits	-	12,529	4,164	4,164
Others	282	2,396	181	3,470
	282	14,925	4,345	7,634
TOTAL	282	(12,393)	4,345	7,634

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 ofinterconnection 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 three and nine months ended on 30 September 2018 and 2019, financing costs and other financial expenses / (income) were composed as follows:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
FINANCING COSTS:				
INTEREST EXPENSE:				
Borrowings	3,248	9,985	3,127	10,051
Finance leases	3,228	9,823	2,058	6,843
Derivatives	410	1,217	371	1,151
Others	267	1,159	1,154	1,902
	7,153	22,184	6,710	19,947
INTEREST EARNED	(979)	(3,104)	(898)	(3,497)
	6,174	19,080	5,812	16,450
NET OTHER FINANCIAL EXPENSES /(INCOME):				
Comissions and guarantees	971	4,212	811	2,203
Others	90	742	186	563
	1,061	4,954	997	2,766

Interest earned mainly corresponds to default interests charged to customers.

39.Net earnings per share

Earnings per share for the three and nine months ended on 30 September 2018 and 2019 were calculated as follow:

	3º QUARTER 18 RESTATED	9M 18 RESTATED	3º QUARTER 19	9M 19
Consolidated net income attributable to shareholders	45,309	125,107	47,897	138,093
average)	513,081,276	513,090,643	513,166,298	513,226,521
Basic earnings per share - euros	0.09	0.24	0.09	0.27
Diluted earnings per share - euros	0.09	0.24	0.09	0.27

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 30 September 2019, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2018 RESTATED	30-09-2019
Tax authorities i)	13,382	26,740
Others ii)	9,878	10,211
	23,260	36,951

i) At 31 December 2018 and 30 September 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 30 September 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 quarterly of 2015, 2016, 2017 and 2018, and following the settlement notes to CLSU 2007-2009, 2010-2011, 2012-2013 and 2014, respectively, NOS constituted guarantees in favour of the Universal Service Compensation Fund in the amount of 23.6 million euros, 16.7 million euros, 17.5 million euros and 3.0 million euros, respectively, in order to prevent the introduction of tax enforcement proceedings in order to enforce recovery of the amounts paid.

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 14.1 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 82% to ownership clauses.

In addition, approximately 14% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 7% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, approximately 5% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA and approximately 11% 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 andp 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	2019/20	following
Estimated cash-flows with the contract signed by NOS with the sports entities*	115.6 M€	870.8 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	68.1 M€	488.2 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 has also been extended to mobile infrastructure sharing where it is agreed a minimum sharing of 200 mobile towers.

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 30 September 2019 and transactions in the quarterlys ended on 30 September 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
MDS Corretor de Seguros, SA	103	-	(0)	-	71
Modelo Continente Hipermercados	1,025	49	9	-	2
Norteshopping	4	7	-	-	114
SC-Consultadoria,SA	255	-	-	-	-
Sierra Portugal	740	(10)	30	-	12
Sonae Arauco Portugal, S.A.	184	-	-	-	-
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	1,052	149	74	-	297
	32,913	11,125	4,959	12,972	16,199

Transactions in the nine months ended on 30 September 2018

	REVENUES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	CAPEX
SHAREHOLDERS				
Banco BPI	-	-	-	-
ASSOCIATED COMPANIES				
Big Picture 2 Films	24	3,463	-	-
Sport TV	1,542	55,760	-	-
JOINTLY CONTROLLED COMPANIES				
Dreamia Holding BV	13	-	100	-
Dreamia SA	2,635	5	-	-
Finstar	652	-	-	-
Mstar	25	-	-	-
ZAP Cinemas	10	-	-	-
ZAP Media	199	-	-	-
OTHER RELATED PARTIES				
Cascaishopping	12	617	-	-
Centro Colombo	18	1,355	-	-
Centro Vasco da Gama	14	709	-	-
Continente Hipermercados, S.A.	219	67	-	-
CYBER SECURI AND INTELLIGEN,SA	-	-	-	434
Digitmarket	233	487	-	5,040
EFACEC Engenharia e Sistemas	94	34	-	371
Gaiashopping	27	311	-	-
Itrust - Cyber Security and Intellig	22	370	-	-
Maiashopping	13	238	-	-
Modalfa-Comércio e Serviços,SA	115	-	-	-
Modelo Continente Hipermercados	2,935	(4)	-	-
MDS Corretor de Seguros, SA	395	-	-	-
Norteshopping	16	1,085	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	119	-	-	-
Público-Comunicação Social,SA	110	13	-	-
RACE-Refrig. & Air Condit.Engineering,SA	110	1	-	-
Rio Sul - Centro Comercial, SA	7	98	-	-
Saphety Level - Trusted Services	75	247	-	-
SC-Consultadoria,SA	956	-	-	-
SDSR - Sports Division SR, S.A.	197	-	-	-
SFS - Serviços de Gestão e Marketing	-	264	-	-
Sonae Arauco Portugal, S.A.	823	-	-	-
Sierra Portugal	2,468	172	-	-
Solinca HF	275	-	-	-
Sonae Center II	2,609	46	-	-
Spinveste - Promoção Imobiliária, SA	-	174	-	-
Troiaverde-Expl.Hoteleira Imob.,SA	102	-	-	-
UNITEL S.a.r.l.	1,820	1,286	-	-
We Do Consulting-Sist. de Informação	341	1,995	-	2,563
Worten - Equipamento para o Lar	2,629	1,182	-	-
Others	1,508	508	-	44
	31,296	70,331	100	8,452

Balances at 30 September 2019

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
ASSOCIATED COMPANIES					
Big Picture 2 Films	22	852	208	-	-
Sport TV	7,745	3,727	3,368	18,491	10,020
JOINTLY CONTROLLED COMPANIES					
Dreamia Holding BV	2,855	1	-	-	-
Dreamia SA	1,814	2,393	251	-	-
Finstar	13,401	-	-	121	-
Mstar	11	-	-	-	-
Upstar	6,754	62	(28)	295	-
ZAP Cinemas	24	-	-	15	-
ZAP Media	606	-	-	142	-
OTHER RELATED PARTIES					
Centro Colombo- Centro Comercial, S.A.	3	6	12	-	133
Digitmarket-Sistemas de Informação,SA	314	346	-	25	203
Gaiashopping I- Centro Comercial, S.A.	3	88	-	-	36
ITRUST - Cyber Security and Intellig.,SA	9	360	-	-	53
Modelo Continente Hipermercados,SA	726	86	7	-	0
Norteshopping-Centro Comercial, S.A.	7	17	-	-	114
Olivedesportos - Publicidade, Televisão e Media	-	-	30	-	-
SC-Consultadoria,SA	214	-	-	-	-
Sonae Arauco Portugal, S.A.	101	-	-	-	-
RACE-Refrig. & Air Condit.Engineering,SA	57	90	-	-	-
Sierra Portugal, SA	606	(4)	(1)	-	5
Sonae MC – Serviços Partilhados, SA	610	1	-	-	-
Worten-Equipamento para o Lar,SA	1,240	75	269	-	-
Others	1,196	216	34	-	244
	40,869	9,802	4,319	19,089	10,808

Transactions in the nine months ended on 30 September 2019

	REVENUES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	CAPEX
ASSOCIATED COMPANIES				
Big Picture 2 Films	75	2,891	-	-
Sport TV	1,322	57,372	-	-
JOINTLY CONTROLLED COMPANIES				
Dreamia Holding BV	-	-	105	-
Dreamia SA	2,794	(161)	-	-
Finstar	7,499	-	-	-
MSTAR	26	-	-	-
Upstar	1,423	(31)	-	(793)
ZAP Media	199	-	-	-
OTHER RELATED PARTIES				
Cascaishopping- Centro Comercial, S.A.	11	611	-	-
Centro Colombo- Centro Comercial, S.A.	13	1,537	-	-
Centro Vasco da Gama-Centro Comercial,SA	11	816	-	-
Continente Hipermercados, S.A.	234	30	0	-
Digitmarket-Sistemas de Informação,SA	175	769	0	4,622
EFACEC Energia	155	36	-	-
Gaiashopping I- Centro Comercial, S.A.	19	301	-	-
ITRUST - Cyber Security and Intellig.,SA	32	1,187	-	404
Maiashopping- Centro Comercial, S.A.	11	366	0	-
MDS Corretor de Seguros, SA	391	71	-	-
Modalfa-Comércio e Serviços,SA	117	-	-	-
Modelo - Dist.de Mat. de Construção,S.A.	102	-	-	-
Modelo Continente Hipermercados,SA	2,593	130	-	-
Norteshopping-Centro Comercial, S.A.	12	1,052	-	-
Olivedesportos - Publicidade, Televisão e Media	20	2,034	-	
PHARMACONTINENTE - Saúde e Higiene, S.A.	144	-	-	-
Público-Comunicação Social,SA	97	39	-	-
RACE-Refrig. & Air Condit.Engineering,SA	162	1	-	94
Rio Sul - Centro Comercial, SA	7	95	-	-
SC-Consultadoria,SA	870	-	-	-
SDSR - Sports Division SR, S.A.	199	-	-	-
SFS, Gestão e Consultoria, S.A.	4	253	-	-
Sierra Portugal, SA	2,067	109	-	-
Solinca - Health & Fitness, SA	314	-	-	-
Sonae Arauco Portugal, S.A.	336	-	-	-
Sonae MC – Serviços Partilhados, SA	2,475	1	-	-
Spinveste - Promoção Imobiliária, SA	-	156	-	-
UNITEL S.a.r.l.	1,908	388	-	-
We Do Consulting-Sist. de Informação (*)	306	1,430	-	2,061
Worten-Equipamento para o Lar,SA	1,990	997	0	0
Outras partes relacionadas	1,576	557	(52)	-
	29,690	73,037	53	6,388

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, 2017 and 2018) 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 2018 were impugned in the first semester of 2019.

  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 2017 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 28.5 million euros, added interest, and charges. These settlement notes, which totally were contested, are the respective lawsuits in progress.

Based on the advice obtained from the process representatives and tax consultants, the Board of Directors maintains the belief in a favourable outcome, which is why these proceedings are maintained in court. However, in accordance with the prudence principle, periodically, it is performed an assessment of the group's level of exposure to these proceedings taking into consideration the evolution of case law. As a result, the provisions recorded are adjusted. The Group provided the bank guarantees demanded by the tax authorities, in connection with these proceedings, as stated in Note 40.

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 was transferred to the Court of Appeal and from the latter to the Court of First Instance for the extension of the facts in the terms intended by the STJ.

- 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 challenged the lawsuit during the month of October 2018 and, in September 2019, a judgement was handed down by the Court of First Instance, which upheld the prescription exception invoked by NOS SA, absolving it from the request made by MEO. MEO appealed against this decision to the Court of Appeal, so the deadline for NOS to lodge its administrative infractions is ongoing.

- 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, the 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. Further terms of the proceedings are awaited.

42.5. Interconnection tariffs

At 30 September 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 with MEO, 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 30 September 2019, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 50,834 thousand euros. During the nine months ended on 30 September 2019, receipts in the amount of 762 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 30 September 2019, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2017	866,028
Plan 2018	875,571
Plan 2019	739,922

During the quarterly ended on 30 September 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	702,577
Vested	(599,677)	(17,187)	(14,583)	-	(631,447)
Cancelled / elapsed / corrected (1)	(129,842)	46,696	45,763	37,345	(38)
BALANCE AS AT 30 SEPTEMBER 2019	-	866,028	875,571	739,922	2,481,521

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

The share plans costs are recognised over the year between the awarding and vesting date of those shares. The responsibility is calculated taking into consideration the share price at award date of each plan, for plans settled in shares, or at the closing date, for plans settled in cash. As at 30 September 2019, the outstanding responsibility related to these plans is 5,510 thousand euros and is recorded in Reserves, for an amount of 4,251 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 1,259 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)	(3,791)	(4,433)
Costs incured in the period and others	631	2,817	3,448
TOTAL COST OF THE PLANS	1,259	4,251	5,510

44. Subsequent events

During the month of October 2019, there was a significant gradual devaluation of Kwanza against the Euro of approximately 26%, which led to the recognition of foreign exchange losses in October 2019 by the minority subsidiaries of NOS in Angola, consolidated by the method equity method. These losses will impact the caption "Losses / (gains) on subsidiaries" in consolidated accounts of NOS by approximately 5 million euros in October 2019.

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 30-09-2019	EFFECTIVE 30-09-2019
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 (b)	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 Corporate Center, S.A. (a)	Lisbon	Service rendered of business support and management and administration consultancy services, including accounting, logistics, administrative, financial, tax, human resources services and any other services that are subsequent or related to previous activities. The company may also perform any other services. activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraph, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	0%	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS International Carrier Services, S.A. (a)	Lisbon	Service rendered and exploitation of electronic communications, namely, service rendered of national and international voice and SMS traffic transport services, as well as associated support signaling. The company may also perform any other activities that are complementary, subsidiary or ancillary. referred to in the preceding paragraph, directly or through participation in any other forms of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	0%	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%
NOS Wholesale, S.A. (a)	Lisbon	Trade, service rendered and exploitation of wholesale offerings of national and international electronic communications services and related services, namely information and communication technology services Rendering of consulting services and support to contract management in roaming business. The organization of the material and human resources necessary for the commercialization, promotion and operation of electronic communications networks and circuits. The company may also perform any other activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraphs, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	0%	100%	100%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS SA	100%	100%	100%
Teliz Holding B.V.	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

(a) Constitution on 1st August 2019, by split of NOS Comunicações, S.A

(b) On 1st October 2019, the company NOS Communications S.à r.l. changed its headquarters to Lisbon and changed its name to Nos Property, S.A..

B) Associated companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE	DIRECT	EFFECTIVE
				31-12-2018	30-09-2019	30-09-2019
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	30-09-2019	30-09-2019
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	30-09-2019	30-09-2019
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.

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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 30 September 2019 (which shows a total of 3,090,811 thousand Euros and a shareholders' equity total of 1,011,663 thousand Euros, including a consolidated net profit attributable to equity holders of the parent of 138,093 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 nine month period then ended, and the related notes to the consolidated condensed financial statements, including a summary of significant accounting policies.

Management responsibilities

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

Auditor's responsibilities

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

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

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

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of NOS S.G.P.S., S.A., as at 30 September 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, 6th November 2019

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

(Signed)

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