




Consolidated
Management
Report
2Q19

19

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1H19 Highlights

1H19 Highlights	1H18	1H19	1H19 / 1H18
Financial Highlights			
Operating Revenues	772.3	781.7	1.2%
Telco Revenues	739.9	747.6	1.0%
EBITDA	324.0	331.9	2.5%
EBITDA Margin	41.9%	42.5%	0.5pp
Telco	297.4	305.6	2.7%
EBITDA Margin	40.2%	40.9%	0.7pp
Net Income Before Associates & Non-Controlling Interests	85.1	88.7	4.2%
Operating Cash Flow	104.2	114.3	9.7%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	92.0	100.0	8.7%

1H19

- Sustained solid revenue performance in Telcos, with strong yoy performance in Cinemas & Audiovisuals;
- EBITDA expansion above Revenue growth driving margin expansion;
- Quarterly recovery in Telco and cinema KPIs in 2Q19;
- Higher CAPEX driven by transformational fixed and mobile network projects;
- Continued year on year FCF improvement.

Governing Bodies

As at the date of this report, 22 July 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 Távira 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

Capital Markets

NOS' Share Performance

On 28 June 2019, the close price of NOS' shares was 5.780 euros, which represents a 9.2% increase since the beginning of the year, and which compares with an 8.6% improvement of the main Portuguese share index, PSI20.

Taking into account the payment of a dividend of 0.35 euros per share, which took place on 24 May 2019, NOS' Total Shareholder Return in 1H19 amounted to -15.8%.

In 1H19 more than 71.2 million NOS shares were traded, which translates to an average daily volume of 569.9 thousand shares per market session.



As such, the daily average volume of NOS in 1H19 represents 0.11% of its total number of shares outstanding.

The highest price at which NOS shares were traded this semester was 6.130 euros (on 12 and 15 April 2019), while their lowest trade price was 5.170 euros (on 28 February 2019).

As previously mentioned, the main Portuguese share index, PSI20, posted in 1H19 an increase of 8.6%. Additionally, the Spanish index, IBEX35, improved by 7.7%. FTSE100 (United Kingdom) climbed 10.4%, as well as DAX (Germany) and CAC40 index (France), which improved by 17,4% and 17.1% respectively, in 1H19.

1H19 Market Announcements

Below we present the major Investor Relation events, which took place in 1H19. The activity developed by the Investor Relations Office also provides permanent and updated information to the financial community about the activities of NOS, through regular press releases, presentations and communications on the quarterly, half-yearly and annual results, as well as any other relevant events that may occur.

23 January	NOS informs on "NOS/2015 - EUR 50.000.000 FLOATING RATE NOTES DUE 2019" Bonds Interest Payment
11 March	NOS informs on Qualified Shareholding of BlackRock Inc.
20 March	NOS informs on NOS 2015/2022 Bonds Interest Payment
29 March	NOS informs on Acquisition of Own Shares
29 March	NOS informs on shares delivered to Board Members and employees of the NOS Group
03 April	NOS informs on Manager Transactions
03 April	NOS informs on Manager Transactions
03 April	NOS informs on Manager Transactions
03 April	NOS informs on Manager Transactions
03 April	NOS informs on Manager Transactions
03 April	NOS informs on Manager Transactions
03 April	NOS informs on Acquisition of Own Shares
05 April	NOS informs on Annual Report 2018
05 April	NOS informs on General Shareholders Meeting
23 April	NOS informs on NOS, SGPS, S.A. €300mn 1.125% Notes due 02 May 2023 Bond Interest Payment
02 May	NOS informs on ZON OPTIMUS/2014-2019 Bonds Interest Payment
08 May	NOS informs on 1Q19 Consolidated Results
08 May	NOS informs on calendar for dividend payment
08 May	NOS informs on Shareholders' Meeting Deliberations
15 May	NOS informs on the Appointment of the Company's Corporate Secretary
15 May	NOS informs on the Appointment of the Chairman of the Board of Directors and the Composition of the Executive Committee
31 May	NOS informs on 1Q19 Consolidated Management Report
03 June	NOS informs on "NOS 2015-2019" Bonds Interest Payment
21 June	NOS informs on interest payment and final redemption of "NOS 2016-2023" Bonds

1H19 Main Investor Relations Events

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

24/25 January	Roadshow in London
29 January	Roadshow in Milan
07 February	Santander Iberian Conference in Madrid
14 March	Roadshow in Lisbon
20 March	Citigroup Telecoms Conference in London
21 March	Roadshow in London
05 April	Conferência ESN in Paris
14 May	Kepler European Small & Mid Cap Days in Paris
16 May	Roadshow in London
28 May	Roadshow in Frankfurt
28 June	Roadshow in Madrid

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

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

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1600-404 Lisboa

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Governing Bodies Shareholdings

Under the terms and for the purposes of Article 9, Paragraph a) and numbers 6 and 7 of Article 14 of CMVM Regulation 5/2008, and according to the information provided to the Company by the Governing Bodies, NOS hereby informs on the shareholdings of the members of its Governing Bodies, including the Audit and Finance Committee and the Alternate and In Office Statutory Auditors, at 30 June 2019:

Name	Position / Job	Shares					Balance 30-06-2019
		Balance 31-12-2018	1H19 Transactions			Date	
			Acquisitions *	Disposals	Unit Price *		
Jorge Manuel de Brito Pereira	Chairman of the Board of Directors	0	-	-	-	-	0
Miguel Nuno Santos Almeida	Chairman of the Executive Committee	54,009	18,051	-	5.655 €	29/03/2019	72,060
José Pedro Faria Pereira da Costa	Executive Member	130,272	15,018	15,018	5.655 €	29/03/2019	130,272
Manuel Ramalho Eanes	Executive Member	0	10,512	-	5.655 €	29/03/2019	0
Ana Paula Garrido de Pina Marques	Executive Member	26,951	10,512	-	5.655 €	29/03/2019	37,463
Cônjuge		24,711	9,444	-	5.655 €	29/03/2019	34,155
Luís Moutinho do Nascimento	Executive Member	80	-	-	-	-	80
Jorge Filipe Pinto Sequeira dos Santos Graça	Executive Member	0	13,560	13,560	5.655 €	29/03/2019	0
Ângelo Gabriel Ribeirinho dos Santos Paupério ⁽¹⁾	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268,644,537	-	-	-	-	268,644,537
António Domingues	Non-Executive Member	0	-	-	-	-	0
António Bernardo Aranha da Gama Lobo Xavier	Non-Executive Member	0	-	-	-	-	0
António Lobão Teles	Non-Executive Member	0	-	-	-	-	0
Catarina Eufémia Amorim da Luz Távira Van-Dúnem	Non-Executive Member	0	-	-	-	-	0
João Pedro Magalhães da Silva Torres Dolores ⁽²⁾	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268,644,537	-	-	-	-	268,644,537
Joaquim Francisco Alves Ferreira de Oliveira	Non-Executive Member	0	-	-	-	-	0
Maria Cláudia Teixeira de Azevedo ⁽³⁾	Vogal Não Executivo	0	-	-	-	-	0
ZOPT, SGPS, SA		268,644,537	-	-	-	-	268,644,537
Mário Filipe Moreira Leite da Silva ⁽⁴⁾	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268,644,537	-	-	-	-	268,644,537
Paula Oliveira	Non-Executive Member	0	-	-	-	-	0
José Pereira Alves	Chairman of the Fiscal Board	0	-	-	-	-	0
Paulo Cardoso Correia da Mota Pinto	Member of the Fiscal Board	0	-	-	-	-	0
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	Member of the Fiscal Board	0	-	-	-	-	0
Ana Luísa Nabais Aniceto da Fonte	Substitute Member of the Fiscal Board	0	-	-	-	-	0
Ernst & Young Audit & Associados, SROC, S.A.	Statutory Auditor	0	-	-	-	-	0
Sandra e Sousa Amorim	Statutory Auditor	0	-	-	-	-	0
Pedro Jorge Pinto Monteiro da Silva e Paiva	Substitute Statutory Auditor	0	-	-	-	-	0

⁽¹⁾ Ângelo Gabriel Ribeirinho dos Santos Paupério is member of the Board of Directors of ZOPT, SGPS, S.A., which owned, on 30 June 2019 a share correspondent to 52.6% of the share capital and voting rights of NOS and a member of the Board of Directors and Executive Committee of Sonaeacom, SGPS, S.A.

⁽²⁾ João Pedro Magalhães da Silva Torres Dolores is member of the Board of Directors of Sonaeacom, SGPS, S.A., company holding a 50% share of ZOPT, SGPS, S.A., which on 30 June 2019 held a share correspondent to 52.6% of the share capital and voting rights of NOS.

⁽³⁾ Maria Cláudia Teixeira de Azevedo is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 30 June 2019, correspondent to 52.6% of the share capital and voting rights of NOS, and member of Board of Directors and Executive Committee of Sonaeacom, SGPS, S.A..

⁽⁴⁾ Mário Filipe Moreira Leite da Silva is member of the Board of Directors of ZOPT, SGPS, S.A., company holding, on 30 June 2019 a share correspondent to 52.6% of the share capital and voting rights of NOS.

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

** Please refer to the announcement made on NOS' institutional website at www.nos.pt/ir for further detail.

Qualified Shareholdings

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

The structure of NOS' Social Qualified Shareholdings disclosed to the company, was, in 30 June 2019, as follows:

Shareholders	Number of Shares	% Share Capital and Voting Rights
ZOPT, SGPS, SA ⁽¹⁾	268,644,537	52.15%
MFS Investment Management	11,049,477	2.14%
Norges Bank	10,891,068	2.11%
Total Identificado	290,585,082	56.41%

(1) According to paragraphs b) and c) of number 1 of article 20º and article 21º of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of NOS, SGPS, S.A. as calculated in the terms of article 20º of the Portuguese Securities Code, is attributable to ZOPT, Sonaecom and the following companies:

a. This qualified holding is attributable to the companies Kento Holding Limited ("**Kento**") and Unitel International Holdings, BV ("**Unitel International**"), as well as to Mrs. Isabel dos Santos, under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, being (i) Kento and Unitel International directly and indirectly controlled by Mrs. Isabel dos Santos and (ii) ZOPT controlled together by its shareholders Kento, Unitel International and Sonaecom SGPS S.A., as a result of the shareholders agreement entered into between these entities;

b. The aforementioned qualified holding is also attributable to Sonaecom SGPS S.A., and all entities in a control relationship with Sonaecom, namely SONTTEL, BV and SONAE, SGPS, S.A., directly or indirectly controlled by EFANOR INVESTIMENTOS, SGPS, S.A., also under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, as a result of the control relationship and shareholders agreement mentioned in a.

As of November 29th, 2017, EFANOR INVESTIMENTOS, SGPS, S.A., no longer has a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code.

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

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

Transactions of Own Shares

By the end of 1H19, NOS held, within the scope of its Employee Share Plan and the Regulation on Short and Medium Term Variable Remuneration, aimed at NOS employees, 1,997,971 own shares.

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

Description	Number of Shares
Initial Balance	2,069,356
Acquisition	610,500
Share Incentive Scheme and Other Remuneration - Distribution	681,885
Final Balance	1,997,971

Business Review

Subscriber net adds improved in 2Q19 in comparison with 1Q19, reflecting a more normalized level of churn along with a pick up in FttH services and lower DTH disconnections. Fixed access Pay TV net adds in 1H19 amounted to 5.2 thousand whereas DTH net disconnections were 11.4 thousand in 1H19. Fixed BB and Voice, which are typically sold on top of base TV services, posted net adds of 10.3 thousand and -3.3 thousand respectively in the first half of the year. In 2Q19, Mobile KPIs also recovered from the seasonal dip at the start of the year, with net adds of 19.6 thousand, therefore ending 1H19 in positive territory with 1.4 thousand accumulated net adds.

Convergent penetration is still growing although at a slower pace, reaching 50.9% by the end of 1H19. In addition to convergent offers, more customers are integrating add-on mobile SIMs with their monthly bills, supporting RGU penetration per subscriber.

Commercial efforts focus on delivering enhanced customer experience and a simpler and more flexible value proposition. In May, NOS launched a new, easy to combine family tariff structure whereby, upon addition of SIM cards to existing contracts, allowances for data, voice minutes and SMSs are automatically duplicated for all users in the account. With a view to boost the proportion of more efficient and less costly digital sales platforms, NOS is offering incentives exclusively for purchases made online, namely an extra 500MB of monthly data, videoclub rental vouchers and a smartwatch.

Upgrades to NOS' high-end UMA TV interface have picked up in recent quarters and now represent more than 15% of the fixed pay TV base. UMA is an important differentiator of customer experience providing a more exciting and powerful on-demand and personalized entertainment experience, enabling interactive searches of the best HD content over a seamless multi-device, multi-technology interface.

Premium sports continued to underperform with channel subscriptions down by 7.2% yoy. Reflecting their discretionary and seasonal nature and the pernicious rise in content piracy across the sector, revenues from premium sports channels continue to post negative yoy performance.

Notwithstanding lower premium revenues and the negative yoy revenue impact of MTR cuts in July 2018, fixed residential ARPU was relatively stable yoy at 44.1 euros, down 0.3% over 1H18.

On the mobile front, NOS reinforced its positioning as leading innovator with the launch of the first eSIM in Portugal, enabling NOS clients with compatible devices to test the new technology. In

addition to the obvious efficiency and activation benefits of dematerializing SIM cards, other consumer relevant benefits are the possibility of having various eSIMs in each mobile device and activation of smaller devices such as smartwatches and fitness bands. The level of compatible device penetration in Portugal is still relatively low however this is set to follow an accelerated growth path given the very high level of mobile SIM penetration at almost 170%.

In B2B, operating performance remained on track with previous quarters, posting RGU and revenue growth in all segments. Notwithstanding the headwinds from MTR cuts in 2H18 and the pressure on premium channel sales, average customer revenues in all sub-segments posted encouraging trends offsetting a seasonal decline in wholesale revenues.

Growth in ICT and data services is materializing in B2B with NOS reinforcing its innovative positioning during the quarter with the launch of a number of new projects, in association with both the public and private sector institutions. This is the result of a strategic focus on raising the share of non-traditional telco spend by focusing on integration and value added IT and data centre services, leveraging own platforms and asset base and in partnership with specialist providers to deliver the most appropriate solutions for each business. Overall experience is showing that the more NOS is able to integrate fixed, mobile and IT services and propose value added, transformational solutions to clients, the more they are willing to contract additional business.

As an example of new services, NOS launched a cloud-based solution for SAP Hana in partnership with Hewlett Packard Enterprises (HPE), facilitating mandatory SAP customer migration. With this **“as a service” model, “SAP Hana aaS”, unique to the Portuguese market, NOS customers** have access to unprecedented data processing capabilities to be more competitive managing business critical data in real time, with total cost and resource flexibility (pay as you use). The platform is easily scaleable and clients benefit from highly experienced 24/7 technical support.

In April, NOS became part of the first technological free zone in Portugal (ZLT). Together with CEiiA (Centre of Engineering and Product Development) NOS launched a nationwide pioneer platform to **test 5G solutions in Matosinhos in the North of Portugal. “WeShare by AYR”, the first pilot to be** launched in 2019, enables adoption of sustainable mobility solutions through CO2 emissions reduction. 5G is set to be a catalyst for industry and society transformation in Portugal, and to **enable the advent of “smart cities”**. Amongst some of the services already implemented within existing municipal partnerships, NOS has already deployed a number of solutions for facilities management, such as energy efficiency, intelligent lighting, waste and water grid telemanagement.

As regards our major technological projects underway, FttH network deployment continued throughout 1H19 with coverage of an additional 97.1 thousand addressable households. Total NGN coverage had reached 4.525 million households by the end of June, combining legacy HFC coverage

and new FttH coverage within the context of the sharing agreement and access to regional wholesale providers, namely DST. NOS is able to offer 1 Gbps download speeds across the entire footprint with fully Docsis 3.1 upgraded HFC technology in non-FttH locations. Total FttH coverage by the end of 1H19 was 1.318 million households, representing 29% of total coverage.

The Single RAN mobile upgrade project is reaching conclusion with 97% of sites now modernized. Key network performance metrics are already showing marked improvement and impacting positively customer satisfaction levels. In modernized and optimized cells we have witnessed average reductions in refused call rates of close to 20%, up to around 35% in dropped call rates and average throughput has increased by more than 2x. In addition to the upgrade project, NOS is deploying additional sites to increment coverage and capacity, an investment that is set to continue through coming quarters. NOS has also been making targeted investments in high-density locations such as football stadiums and concert venues, increasing available data capacity by more than four times.

Operating Indicators ('000)	1H18	1H19	1H19 / 1H18
Telco ⁽¹⁾			
Homes Passed	4,174.8	4,524.6	8.4%
Total RGUs	9,483.4	9,583.5	1.1%
o.w. Consumer RGUs	7,994.9	8,068.9	0.9%
o.w. Business RGUs	1,488.5	1,514.6	1.8%
Mobile	4,722.6	4,769.1	1.0%
Pre-Paid	2,050.7	1,994.0	(2.8)%
Post-Paid	2,671.9	2,775.1	3.9%
Pay TV Fixed Access ⁽²⁾	1,301.8	1,329.7	2.1%
Pay TV DTH	314.8	287.4	(8.7)%
Fixed Voice	1,759.2	1,771.0	0.7%
Broadband	1,353.7	1,393.8	3.0%
Others and Data	31.2	32.6	4.3%
3,4&5P Subscribers (Fixed Access)	1,132.0	1,176.9	4.0%
% 3,4&5P (Fixed Access)	87.0%	88.5%	1.6pp
Convergent RGUs	3,812.1	3,927.0	3.0%
Convergent Customers	749.4	773.1	3.2%
Fixed Convergent Customers as % of Fixed Access Customers	49.3%	50.9%	1.6pp
% Convergent Customers	46.4%	47.8%	1.4pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.3	44.1	(0.3)%
<i>Net Adds</i>			
Homes Passed	80.8	97.1	20.2%
Total RGUs	83.4	3.1	(96.3)%
o.w. Consumer RGUs	48.4	(9.4)	n.a.
o.w. Business RGUs	35.0	12.4	(64.5)%
Mobile	52.5	1.4	(97.4)%
Pre-Paid	(29.0)	(35.3)	21.8%
Post-Paid	81.5	36.7	(55.0)%
Pay TV Fixed Access	9.6	5.2	(46.0)%
Pay TV DTH	(9.6)	(11.4)	18.9%
Fixed Voice	6.4	(3.3)	n.a.
Broadband	24.0	10.3	(56.9)%
Others and Data	0.4	0.9	142.5%
3,4&5P Subscribers (Fixed Access)	19.9	13.7	(31.4)%
Convergent RGUs	161.5	29.2	(81.9)%
Convergent Customers	28.0	6.1	(78.1)%

(1) Portuguese Operations.

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

Cinemas and Audiovisuals

Operating Indicators ('000)	1H18	1H19	1H19 / 1H18
Cinema ⁽¹⁾			
Revenue per Ticket (Euros)	4.9	5.2	5.4%
Tickets Sold - NOS	3,968.6	4,096.8	3.2%
Tickets Sold - Total Portuguese Market ⁽²⁾	6,620.0	6,680.9	0.9%
Screens (units)	212	218	2.8%

(1) Portuguese Operations

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

In 1H19, **NOS' Cinema ticket sales posted a yoy** increase of 3.2% to 4.097 million tickets, outperforming the market as a whole, which grew by 0.9%^[1] yoy. Average revenue per ticket improved by 5.4% yoy to 5.2 euros in 1H19. The most successful films exhibited in 1H19 were **"Avengers: Endgame", "Dumbo", "Captain Marvel", "Aladdin" and "The Secret Life of Pets 2"**. **NOS'** gross box-office revenues increased by 1.5% in 1H19, which compares with a 0.2% yoy decline for the market as a whole. NOS continues to maintain its leading market position, with a market share of 62.8% in terms of exhibition gross revenues in 1H19. In the Audiovisuals arena, NOS distributed 7 of the top 10 cinema box-office hits in 1H19, **"Avengers: Endgame", "Dumbo", "Captain Marvel", "Aladdin", "The Secret Life of Pets 2", "How To Train Your Dragon: The Hidden World" and "Pokémon Detective Pikachu"**, therefore maintaining its leadership position in Cinema Distribution in 1H19.

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)	1H18	1H19	1H19 / 1H18
Operating Revenues	772.3	781.7	1.2%
Telco	739.9	747.6	1.0%
Consumer Revenues	481.6	483.1	0.3%
Business and Wholesale Revenues	222.9	225.8	1.3%
Others and Eliminations	35.3	38.7	9.6%
Audiovisuals & Cinema ⁽¹⁾	52.7	54.9	4.2%
Others and Eliminations	(20.3)	(20.7)	2.3%
Operating Costs Excluding D&A	(448.3)	(449.8)	0.3%
Direct Costs	(262.6)	(265.6)	1.1%
Non-Direct Costs ⁽²⁾	(185.7)	(184.2)	(0.8%)
EBITDA ⁽³⁾	324.0	331.9	2.5%
EBITDA Margin	41.9%	42.5%	0.5pp
Telco	297.4	305.6	2.7%
EBITDA Margin	40.2%	40.9%	0.7pp
Cinema Exhibition and Audiovisuals	26.5	26.3	(0.8%)
EBITDA Margin	50.4%	48.0%	(2.4pp)
Depreciation and Amortization	(216.6)	(200.5)	(7.5%)
(Other Expenses) / Income	7.6	(7.1)	n.a.
Operating Profit (EBIT) ⁽⁴⁾	115.0	124.4	8.2%
Share of results of associates and joint ventures	(5.7)	1.3	n.a.
(Financial Expenses) / Income	(16.9)	(12.4)	(27.0%)
Income Before Income Taxes	92.3	113.3	22.7%
Income Taxes	(13.0)	(23.4)	79.7%
Net Income Before Associates & Non-Controlling Interests	85.1	88.7	4.2%
Income From Continued Operations	79.3	89.9	13.4%
o.w. Attributable to Non-Controlling Interests	0.5	0.3	(46.2%)
Net Income	79.8	90.2	13.0%

(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 1H19 consolidated Revenues grew by 1.2% yoy to 781.7 million euros, with growth in core telco revenues of 1% to 747.6 million euros and a strong performance in audiovisuals and cinema revenues, which grew 4.2% to 54.9 million euros.

Within the telco division, Consumer revenues were relatively flat yoy at 483.1 million euros, reflecting a combination of 2.6% growth in fixed residential Customer revenues, and continued decline in DTH Customer revenues of more than 10% yoy, due to the lower average customer base as explained in the operating discussion above, and the fact that Personal Customer revenues recorded a semester of healthy growth of more than 5%, led by strong RGU performance in the stand-alone mobile segment. Business and Wholesale Revenues were 1.3% higher yoy at 225.8 million euros combining over 4% growth in Customer revenues and around 3% growth in Wholesale, which was offset by lower Equipment sales. In both the Consumer and Business Division, lower Operator Revenues had a negative impact on yoy performance due to the impact of the MTR cut in July 2018 with total Operator Revenues down by around 19% yoy. Additional pressure on overall Customer Revenues came from the lower yoy level of premium sports channel subscription revenues as discussed above, which were down yoy by 10.9% in 1H19.

Despite the poorer performance in 1Q19, the recovery in Audiovisuals and Cinemas in 2Q19 was driven by the strong worldwide pick up in box office sales. Cinema exhibition revenues therefore grew by 7.7% in 1H19 to 30.6 million euros and Audiovisuals revenues by 3.7% to 31.8 million euros, influenced by the underlying trends in cinema going.

Consolidated Operating Costs

Total OPEX remained stable in 1H19, growing slightly by 0.3% to 449.8 million euros, reflecting 1.1% growth in Direct costs to 265.6 million euros partially offset by a 0.8% decline in non-Direct costs to 184.2 million euros. Cost discipline remains a core priority, helping to offset the mature market environment and slowdown in volume growth and driving EBITDA expansion of 2.5% yoy to 331.9 million euros, above growth in Revenues and representing a 42.5% margin as a proportion of Consolidated revenues. Telco EBITDA grew by 2.7% to 305.6 million euros representing a 40.9% margin of telco revenues and Audiovisuals and Cinema EBITDA posted a small yoy decrease of 0.8% to 26.3 million euros, representing 48.0% of respective revenues.

The 1.1% increase in Direct Costs in 1H19 was led essentially by an increase in Corporate IT project costs which was offset by lower traffic related costs due to the regulated cut in MTRs.

Non-direct costs posted a decline of 0.8% to 184.2 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 posted a material decline of 7.5% to 200.5 million euros, with yoy comparisons no longer affected by the impairment of mobile network equipment recorded during 2017 and early 2018 within the context of the Single RAN mobile modernization project.

Consolidated Operating Profit (EBIT) was 8.2% higher yoy at 124.4 million euros due to the yoy increase in EBITDA and the decline of D&A.

Below EBIT, Share of Results of Associates and Joint Ventures posted significant yoy growth to 1.3 million euros, led by the yoy improvement of results at ZAP which more than offset a lower contribution from Sport TV. Financial Expenses also posted an improvement from 16.9 million euros in 1H18 to 12.4 million euros in 1H19 benefitting, as in previous periods, primarily from a lower average cost of debt. The increase in tax provision in 1H19 to 23.4 million euros was led by the higher level of Earnings before Tax and Associates and a higher effective tax rate due to a timing differential when recognizing deferred taxes. Combining all the effects, Net Income grew by 13.0% to 90.2 million euros.

CAPEX

CAPEX (Millions of Euros) ⁽¹⁾	1H18	1H19	1H19 / 1H18
Total CAPEX Excluding Leasing Contracts	179.3	182.4	1.7%
Telco	166.1	171.3	3.1%
% of Telco Revenues	22.5%	22.9%	0.5pp
o.w. Technical CAPEX	100.3	103.0	2.7%
% of Telco Revenues	13.6%	13.8%	0.2pp
Baseline Telco	66.0	71.2	7.9%
Network Expansion / Substitution and Integration Projects and Others	34.3	31.8	(7.4%)
o.w. Customer Related CAPEX	65.9	68.3	3.6%
% of Telco Revenues	8.9%	9.1%	0.2pp
Audiovisuals and Cinema Exhibition	13.2	11.2	(15.2%)
Leasing Contracts	23.5	25.1	6.6%
Total Group CAPEX	202.8	207.5	2.3%

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

Total CAPEX of 182.4 million euros (excluding leasing contracts) was 1.7% higher yoy in 1H19, representing 23.3% as a proportion of Consolidated Revenues. With 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 3.1% increase to 171.3 million euros (22.9% of Telco Revenues).

Technical Telco investments were 2.7% higher in 1H19 reflecting deployment of the main network expansion and upgrade projects underway.

Audiovisuals and Cinema CAPEX declined by 15.2% yoy to 11.2 million euros due primarily to a more efficient management of content slate in 1H19.

Cash Flow

Cash Flow (Millions of Euros)	1H18	1H19	1H19 / 1H18
EBITDA	324.0	331.9	2.5%
Total CAPEX Excluding Leasings	(179.3)	(182.4)	1.7%
EBITDA - Total CAPEX Excluding Leasings	144.7	149.5	3.4%
% of Revenues	18.7%	19.1%	0.4pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(11.2)	(3.7)	(67.4%)
Leasings (Capital & Interest) ⁽¹⁾	(29.3)	(31.6)	7.8%
Operating Cash Flow	104.2	114.3	9.7%
Interest Paid	(9.2)	(8.8)	(3.7%)
Income Taxes Paid	2.5	(1.1)	n.a.
Disposals	0.1	0.9	n.a.
Other Cash Movements ⁽²⁾	(5.6)	(5.2)	(7.6%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	92.0	100.0	8.7%
Acquisition of Own Shares	(3.1)	(3.5)	14.5%
Dividends	(153.9)	(179.6)	16.7%
Free Cash Flow	(65.0)	(83.2)	27.8%
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(5.4)	(4.3)	(21.4%)
Change in Net Financial Debt	70.5	87.4	24.1%

⁽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.

EBITDA-CAPEX excluding the impact of leases, increased by 3.4%% to 149.5 million euros, while the level of investment in working capital and non-cash adjustments in EBITDA-CAPEX amounted to 3.7 million euros. The cash impact of leasing contracts, relating to both components of capital amortization and interest charges, was 31.6 million euros in 1H19, up from 29.3 million euros in 1H18. Combining these effects, Operating Cash Flow increased by 9.7% to 114.3 million euros in 1H19. Interest paid was 3.7% lower at 8.8 million euros due essentially to the lower average cost of debt yoy. Cash Taxes amounted to 1.1 million euros, down from a positive value of 2.5 million euros in 1H18 explained primarily by a one-off recovery of withholding tax payments in 1Q18 which generated a positive cash tax.

As a result of the various cash movements in 1H19 translated into growth in total FCF before dividends to 100.0 million euros, representing growth of 8.7% over 1H18. Final variation in net debt was impacted by the payment in the second quarter of 179.6 million euros in dividends relating to distribution of 2018 results.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	1H18	2018	1H19	1H19 / 1H18
Non-current Assets	2,532.3	2,528.7	2,519.2	(0.5)%
Current Assets	589.8	530.1	543.5	(7.9)%
Total Assets	3,122.2	3,058.8	3,062.7	(1.9)%
Total Shareholders' Equity	996.3	1,053.6	963.0	(3.3)%
Non-current Liabilities	1,295.9	1,164.2	1,225.4	(5.4)%
Current Liabilities	830.0	841.0	874.3	5.3%
Total Liabilities	2,125.9	2,005.2	2,099.7	(1.2)%
Total Liabilities and Shareholders' Equity	3,122.2	3,058.8	3,062.7	(1.9)%

Capital Structure

At the end of 1H19, Total Net Debt, including Leasings and Long Term Contracts (according to IFRS16) amounted to 1,376.1 million euros. Total Debt was 1,141.6 million euros, which was offset with a cash and short-term investment position on the balance sheet of 11.3 million euros. At the end of 1H19, NOS also had 230 million euros of unissued commercial paper programmes.

The all-in average cost of debt stood at 1.6% for 1H19, which compares with 2.0% in 1H18. Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 2.0x, above the 1.8x of 1Q19, reflecting the dividend payment in the amount of 35 euro cents per share. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that we are committed to maintain.

The average maturity of debt at the end of 1H19 was 3.1 years. Taking into account the loans issued at a fixed rate, the interest rate hedging operations in place and the negative interest rate **environment, as at 30 June 2019, the proportion of NOS' issued debt paying interest at a fixed rate is approximately 75%.**

In 2Q19 and up to the date of this Management Report , NOS has 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.

Net Financial Debt (Millions of Euros)	1H18	2018	1H19	1H19 / 1H18
Short Term	199.2	219.7	248.0	24.5%
Medium and Long Term	925.4	825.4	893.6	(3.4%)
Total Debt	1,124.5	1,045.1	1,141.6	1.5%
Cash and Short Term Investments	3.1	2.2	11.3	263.0%
Net Financial Debt ⁽¹⁾	1,121.4	1,042.9	1,130.3	0.8%
Net Financial Debt / EBITDA after lease payments (last 4 quarters) ⁽²⁾	2.0x	1.9x	2.0x	n.a.
Leasings and Long Term Contracts	259.9	252.4	245.8	(5.4%)
Net Debt	1,381.3	1,295.2	1,376.1	(0.4%)
Net Debt / EBITDA	2.2x	2.1x	2.2x	n.a.
Net Financial Gearing ⁽³⁾	58.3%	55.3%	59.0%	0.7pp

⁽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).

Subsequent Events

On 12 July NOS announced the signature of an MoU with dstelecom, S.A. establishing the terms and conditions for negotiating the construction and use of a new optic fibre network, with widespread **national coverage, that will enable NOS' customers to access a new high speed fixed offer.** The contract signed between NOS and dstelecom is for 20 years and covers between 900 thousand and 1.2 million households in Portugal, currently not covered and that are not included either in NOS' FttH rollout plans or encompassed by the network sharing agreement between NOS and Vodafone, and are independent of other FttH network roll-out plans which may already be underway or are being planned. With this agreement, NOS commits to use the network built by dstelecom on an exclusive basis and over and above any other existing or future fixed network in the referred geographies. The agreement foresees that an identical arrangement may be reached with another electronic communications provider, and that a non-discrimination agreement is reached between all parties. The final agreement will significantly increase the level of competitive fixed next generation network coverage in Portugal, providing citizens with the opportunity to choose freely between various operators and products and services in a much wider spanning area of the country.

Risks and Uncertainties for Future Periods

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

The approach adopted by NOS for Enterprise Risk Management (ERM), is to incorporate risk management into NOS strategic planning activities. During the preparation of action plans and annual resources, the business areas consider risks that may compromise their performance and objectives and define actions to manage those risks, within the levels of acceptance intended and established by the Executive Committee.

The main types of risks and the corresponding strategies that have been adopted for their management will now be described.

Economic Risks

- **Economic Environment** – The Company was still exposed to the effects of the economic environment experienced in Portugal during the last years and consequently to a general reduction in consumption. Despite recent economic environment and Market improvements, mainly through product growth, client and/or revenue Market share risk still stands, as it can still be affected by high unemployment rates, by the use of public consumption reduction measure and also by private consumption variability. NOS has carefully monitored this risk and adopted strategies aiming to increase of clients and to counter the drop in revenue visible in the Portuguese telecommunications market. NOS has also been paying attention to the identification of other opportunities, in conjunction with the competition and technological innovation risk response strategies that are described below.
- **Competition** – This risk is related to the potential reduction in the prices of products and services, reduction in market share, loss of customers, increasing difficulty in obtaining and retaining customers. The management of competition risk has involved a strategy of investing in constant improvement in quality, distinctiveness and innovation for the products and services provided, as well as in its protection from competition, diversification of supply, combination of offers related with different businesses of NOS and the strengthening of the portfolio of broadcasting rights and the respective provision of contents as well as the constant monitoring of customer preferences and/or needs. The operational integration processes that have taken place over the past years in NOS have contributed to the

development of a competitive position vis-à-vis its competitors. NOS intends to go even further in strengthening its competitive position, evolving from a logic of integration to a logic of transformation, thus it has in place an operational transformation programme focusing on customer satisfaction, organizational fitness and operational efficiency. NOS is also aware of the consolidation and acquisition moves of its competitors in the communications, content and entertainment industries.

- Technological Innovation – This risk is associated with the need for investment in increasingly competitive services (multimedia services, messaging services, multiplatform TV services, cloud services, infrastructure and information technology services, etc.), which are subject not only to accelerated changes in technology but also to the actions of the players which act outside of the traditional communications market, like the OTT (over-the-top players) Operators. NOS has in place a number of technological transformation initiatives which constitute the pillars of a long-term competitive differentiation. The company has also been managing such risks through the introduction of technologies, services and contents which increase sustainability, mobility, accessibility, efficiency and proximity, through innovative solutions such as: multidevice TV services (incorporating innovative features); Internet of Things solutions (*tracking* and asset control in real time); Smart Cities solutions (processing and collecting analytical data on citizens and municipalities).
- Business Interruption and Catastrophic Losses (Business Continuity Management) - Since the businesses of NOS are based above all on the use of technology, potential failures in technical-operational resources (network infrastructures, information systems applications, servers, etc.) may cause a significant risk of business interruption, if they are not well managed. This may imply other risks for the Company, such as adverse impacts on reputation, on the brand, on revenue integrity, on customer satisfaction and on service quality, which may lead to the loss of customers. In the electronic communications sector, business interruption and other associated risks may be aggravated because the services are in real time (voice, data/internet and TV), and customers typically have low tolerance for interruptions. In order to address these risks NOS develops and maintains the BCM - Business Continuity Management programme, which is aimed at Business Continuity management processes that cover buildings, network infrastructures and the most critical activities that support communications services, for which it develops resilience strategies, continuity plans and actions, as well as incident/crisis management scenarios and procedures. The continuity processes may be periodically subject to audits, tests and simulations. NOS has also been developing the coordination with external official entities for catastrophic scenarios, critical infrastructure

protection and communication in crisis, including the cooperation with the National Authority for Civil Protection.

- Confidentiality, Integrity and Availability (Information Security Management) - Bearing in mind that NOS is the biggest corporate group in the area of communications and entertainment in the country, its businesses make intensive use of information and of information and communication technologies that are typically subject to security risks, such as availability, integrity, and confidentiality. NOS, as well as other operators, is ever more exposed to cybersecurity risks, related with threats external to electronic communication networks and the surrounding cyberspace. In order to address security and cybersecurity risks, NOS develops and maintains the Information Security Management programme (ISM), **which is coordinated by NOS' Security and Privacy Committee**. This Committee is mandated by the Executive Board and aims at developing and monitoring the Information Security Policy and the Privacy Policy, verifying procedure compliance with these policies, establishing and monitoring security and privacy KPIs and promoting training and awareness on this thematic through specific programmes.. Each company, business unit and employee within the Company is responsible for ensuring the operationalization and monitoring of information security and privacy controls, under their responsibility. It is worth highlighting a few examples such as the Security & Privacy by Design requirements implementation in the network and systems, product and services development lifecycle, the network and security technical security measures and the mobile and fixed infrastructures enhancement, encompassing capacity, coverage and resilience. In addition, NOS has certain segments and business processes certified under the ISO27001 Standard - Information Security Management Systems, namely those related to customer management of the communications business (manage customer, bill and charge) and services of NOS Sistemas *data centers* (housing service). NOS has also been coordinating with some external entities such as ENISA at the ECRG - Electronic Communications Reference Group, ETIS at the DPTF - Data Privacy Task Force and the ISWG - Info Security Working Group, promoting benchmarking and best practices sharing in Security and Privacy.
- Privacy (Personal Data Protection) - Privacy risks are also being increasingly more important, mainly associated with changes in the regulations on personal data protection, which is transversal to all sectors of activity and also applicable, in particular, to the protection of personal data, which is subject to specific regulations on security and privacy. In order to address these risks NOS has been developing a Privacy programme aiming at monitoring and continuously improving compliance with the new General Protection Data Regulation and other regulations that might impact privacy. As an example, we would like to highlight the

revision/creation of Privacy Policies, the deployment of new processes for the exercise of rights by clients, owners of personal data, under the GDPR, as well as the strengthening of client management processes (consents, authentication, etc.). For specific issues related to the confidentiality and privacy of personal data, the Company has a Data Protection Officer (DPO) who is responsible for monitoring compliance of data processing with the applicable regulations, for acting in the name of the Company in interaction with the national regulatory authority for data protection (CNPd - National Commission for Data Protection) and to be a point of contact with the personal data subjects to clarify questions regarding the treatment of their data by the NOS. Employees and subcontractors assume obligations of confidentiality, secrecy and protection of personal data and must not transmit to any third parties the data to which they have access in the course of and as a result of their duties. The obligations are reinforced through the signature of data processing agreements by subcontractors, the signature of terms of responsibility by **NOS employees and by subcontractors' employees**, as well as through communication and awareness actions and holding of specialized training internal courses on security and privacy.

- Service Fraud (Management of Telecommunications Fraud) - Customer or third party fraud is a common risk in the communications sector. Perpetrators of fraud may take advantage of the **potential vulnerabilities of the network's business process, the network or of the** communications services. In view of this situation, NOS has Fraud control teams, including subscription fraud, consumption fraud and content fraud. In order to encourage secure use of communications services, it has developed various initiatives and implemented controls, including the provision of an internal platform with information on security risks and service fraud, as well as the continuous improvement of processes to monitor and mitigate these risks. Fraud controls are implemented to prevent anomalous situations of fraudulent use or situations of misuse with a direct impact on customer satisfaction, on the potential service **disruption and on the Company's revenue. NOS has also joined initiatives developed by the** GSM Association (GSMA), namely the Fraud and Security Group (FASG).
- Revenue and Cost Assurance (Enterprise Business Assurance) - Electronic communications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenue and costs, from a viewpoint of revenue flows and platform integrity. Billing processes perform revenue controls, with regard to invoicing quality. NOS also has a Revenue Assurance area that applies processes to control revenue integrity (under invoicing or over invoicing) and cost control with the aim of presenting a consistent chain of revenue and costs, from the moment the customer enters our provisioning systems, involving the provision of the communications service, up to the time of invoicing and charging.

Financial Risks

- **Tax** – The Company is exposed to changes in tax legislation and varied interpretations of the application of tax and tax related regulations in several ways. The Finance Department contributes to management of this risk, monitoring all tax regulations and seeking to guarantee maximum tax efficiency. This department may also be supported by external consultants whenever the questions being analysed are more critical and, for this reason, require interpretation by an independent entity.
- **Credit and Collections** – These risks are associated with a reduction in receipts from customers due to possible ineffective or deficient operation of collection procedures and/or changes in the legislation that regulates the provision of essential services and have an impact on the recovery of customer debts. The current adverse economic climate also significantly contributes to the worsening of these risks. They are mitigated through the definition of a monthly plan of collection actions, their follow-up and validation and the review of results. Where necessary, the procedure and the timings of these actions are adjusted to ensure the receipt of customer debts. The aim is to ensure that the amounts owed are effectively collected within the periods negotiated without affecting the financial health of the Company. In addition, NOS has specific areas for Credit Control, Collections and Litigation Management and, regarding some business segments, also subscribes credit insurances.

Legal Risks

- **Legal and Regulatory** – The electronic communications market in Portugal is subject to a regulatory framework emerging from European and national law. In Portugal, ANACOM, as the sector regulator, is responsible for ensuring transparent and equal network access to all operators, as well as promoting competition and Market development. For that purpose, it ensures the fulfillment and supervision of a significant set of rules to which the market is subject, including the analysis of relevant markets, the identification of companies with significant market power (SMP) and the imposition of appropriate measures for the resolution of market failures.

Within this context, in 2018 it should be highlighted the approval of the Portability Regulation, the analysis of the amendment of the conditions associated with the use of the MEO conduits and poles, the decision on the limits associated with zero rating offers, a new project for Regulation on Network Security and Integrity and a first public consultation with a view to the future allocation of radio spectrum for 5G.

ANACOM is also responsible for ensuring the dissemination and monitoring the compliance with European directives applicable to the sector, and in 2018 was published the European Code of Electronic Communications, which assembles the four main European directives applicable to the sector (Framework-Directive, Authorization Directive, Access Directive and Universal Service Directive). This document shall be transposed to internal law until the end of 2020, being that in this process the participation of the sector regulator is expected, as well as the involvement of the relevant stakeholders. In addition, ANACOM is also responsible for ensuring the compliance by the operators with the European regulations directly applicable to Portugal, such as the TSM Regulation (which includes rules for roam-like-at-home and protection of network neutrality), the General Regulation on Data Protection and the e-Privacy Regulation.

In addition to the specific rules regarding the communications sector, NOS is also subject to horizontal legislation, including competition law, being that in this case it can be subject to intervention by, amongst others, the Competition Authority.

Finally, the management of existing legal and regulatory risks is ensured by the Legal and Regulatory Department, which monitors the evolution of the applicable legal and regulatory framework, considering the threats and opportunities that represent to the competitive position of the NOS in the business areas in which it operates.

Lisbon, 22 July 2019

The Board of Directors

Consolidated Financial Statements



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

(Amounts stated in thousands of euros)

	NOTES	30-06-2018 REPORTED	31-12-2018 REPORTED	30-06-2018 RESTATED	31-12-2018 RESTATED	30-06-2019
ASSETS						
NON - CURRENT ASSETS						
Tangible assets	7	1,045,637	1,053,663	1,012,782	1,026,355	1,034,592
Investment property		660	659	660	659	658
Intangible assets	8	1,063,918	1,064,878	1,014,703	1,019,256	1,019,333
Contract costs	9	165,129	162,948	165,129	162,948	162,282
Rights of use	10	-	-	201,823	200,483	199,199
Investments in jointly controlled companies and associated companies	11	23,072	19,585	23,072	19,585	20,701
Accounts receivable - other	12	5,458	7,334	5,458	4,529	4,457
Tax receivable	13	149	149	149	149	149
Available-for-sale financial assets		202	204	202	204	228
Deferred income tax assets	14	100,688	85,641	108,366	94,404	77,441
Derivative financial instruments	19	-	112	-	112	129
TOTAL NON - CURRENT ASSETS		2,404,913	2,395,174	2,532,344	2,528,684	2,519,169
CURRENT ASSETS:						
Inventories	15	34,695	38,885	34,695	38,885	44,109
Accounts receivable - trade	16	449,481	382,100	449,481	382,100	352,506
Contract assets	17	48,920	57,022	48,920	57,022	65,643
Accounts receivable - other	12	7,769	9,418	7,769	9,164	20,232
Tax receivable	13	1,247	1,246	1,247	1,246	3,755
Prepaid expenses	18	44,607	38,844	44,607	38,844	45,288
Non-current assets held-for-sale		-	600	-	600	600
Derivative financial instruments	19	1	73	1	73	59
Cash and cash equivalents	20	3,116	2,182	3,116	2,182	11,310
TOTAL CURRENT ASSETS		589,835	530,370	589,835	530,116	543,502
TOTAL ASSETS		2,994,748	2,925,543	3,122,179	3,058,800	3,062,672
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	(12,213)	(12,132)	(12,213)	(12,132)	(11,681)
Legal reserve	21.4	1,030	1,030	1,030	1,030	1,030
Other reserves and accumulated earnings	21.4	87,613	86,909	60,981	60,276	17,024
Net Income		78,890	141,405	79,799	137,770	90,196
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,014,691	1,076,582	988,967	1,046,315	955,939
Non-controlling interests	22	7,330	7,301	7,324	7,296	7,038
TOTAL EQUITY		1,022,021	1,083,883	996,291	1,053,611	962,978
LIABILITIES						
NON - CURRENT LIABILITIES						
Borrowings	23	999,571	888,918	1,124,836	1,014,364	1,076,257
Provisions	24	143,369	128,815	143,368	128,815	125,094
Accounts payable	28	14,064	9,723	14,064	9,723	7,253
Accrued expenses	25	6,330	688	356	688	447
Deferred income	26	5,505	5,521	5,505	5,521	5,316
Derivative financial instruments	19	2,081	-	2,081	-	41
Deferred income tax liabilities	14	5,671	5,968	5,671	5,123	10,949
TOTAL NON - CURRENT LIABILITIES		1,176,590	1,039,632	1,295,881	1,164,233	1,225,357
CURRENT LIABILITIES:						
Borrowings	23	225,207	244,134	259,543	283,061	311,111
Accounts payable - trade	27	243,511	254,950	243,511	254,950	254,891
Accounts payable - other	28	52,711	38,226	52,711	38,226	47,459
Tax payable	13	38,570	33,783	38,570	33,783	35,206
Accrued expenses	25	208,292	197,052	207,827	197,052	196,282
Deferred income	26	27,783	32,671	27,783	32,671	28,960
Derivative financial instruments	19	63	1,211	63	1,211	428
TOTAL CURRENT LIABILITIES		796,137	802,028	830,007	840,955	874,337
TOTAL LIABILITIES		1,972,727	1,841,661	2,125,888	2,005,189	2,099,694
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,994,748	2,925,543	3,122,179	3,058,800	3,062,672

As a standard practice, only the annual accounts are audited, therefore the semester 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 June 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of income by nature for the quarters and semesters ended on 30 June 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	2° QUARTER 18 REPORTED	6M 18 REPORTED	2° QUARTER 18 RESTATE	6M 18 RESTATE	2° QUARTER 19	6M 19
REVENUES:							
Services rendered		363,482	719,093	363,482	719,093	369,521	730,401
Sales		19,407	39,511	19,407	39,511	19,391	38,815
Other operating revenues		6,395	13,683	6,395	13,683	7,509	12,521
	29	389,285	772,287	389,285	772,287	396,421	781,737
COSTS, LOSSES AND GAINS:							
Wages and salaries	30	19,041	39,019	19,041	39,019	20,232	40,394
Direct costs	31	128,813	251,078	127,368	248,430	128,402	250,626
Costs of products sold	32	14,101	27,597	14,101	27,597	14,037	27,953
Marketing and advertising		7,928	14,203	7,928	14,203	6,307	12,596
Support services	33	19,271	41,727	19,235	41,655	19,494	40,473
Supplies and external services	33	35,987	75,113	29,622	59,366	27,175	56,027
Other operating losses / (gains)		270	426	270	426	133	254
Taxes		8,329	16,703	8,329	16,703	8,577	17,341
Provisions and adjustments	34	(3,226)	916	(3,226)	916	843	4,137
Depreciation, amortisation and impairment losses	7, 8 and 36	94,821	201,922	102,404	216,620	103,141	200,461
Restructuring costs		3,836	5,151	3,836	5,151	2,351	4,264
Losses / (gains) on sale of assets, net		(49)	(94)	(49)	(94)	(256)	(438)
Other losses / (gains) non recurrent net	37	715	(12,675)	715	(12,675)	1,697	3,289
		329,836	661,085	329,572	657,316	332,133	657,377
INCOME BEFORE FINANCIAL RESULTS AND TAXES							
		59,447	111,201	59,711	114,970	64,289	124,361
Net losses / (gains) of affiliated companies	11 and 35	(587)	5,727	(587)	5,727	(1,091)	(1,289)
Financial costs	38	3,895	8,560	6,053	12,906	5,010	10,638
Net foreign exchange losses / (gains)		(70)	117	(70)	117	(99)	(48)
Net other financial expenses / (income)	38	4,123	5,515	2,694	3,893	1,038	1,769
		7,361	19,919	8,089	22,643	4,856	11,064
INCOME BEFORE TAXES							
		52,085	91,281	51,621	92,327	59,433	113,297
Income taxes	14	7,180	12,861	6,971	12,993	11,858	23,351
NET CONSOLIDATED INCOME							
		44,905	78,420	44,650	79,334	47,575	89,946
ATTRIBUTABLE TO:							
NOS Group Shareholders		45,112	78,890	44,854	79,799	47,735	90,196
Non-controlling interests	22	(207)	(470)	(205)	(465)	(160)	(250)
EARNINGS PER SHARES							
Basic - euros	39	0.09	0.15	0.09	0.15	0.09	0.18
Diluted - euros	39	0.09	0.15	0.09	0.15	0.09	0.18

As a standard practice, only the annual accounts are audited, therefore the quarterly and semester 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 semester ended on 30 June 2019.

The Chief Accountant

The Board of Directors

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

(Amounts stated in thousands of euros)

	NOTES	2° QUARTER 18 REPORTED	6M 18 REPORTED	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
NET CONSOLIDATED INCOME		44,905	78,420	44,650	79,334	47,575	89,946
OTHER INCOME							
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:							
Accounting for equity method	11	(739)	(7,962)	(739)	(7,962)	(392)	(158)
Fair value of interest rate swap	19	309	481	309	481	422	811
Deferred income tax - interest rate swap	19	(69)	(108)	(69)	(108)	(94)	(182)
Fair value of equity swaps	19	145	(216)	145	(216)	(217)	(182)
Deferred income tax - equity swap	19	(33)	48	(33)	48	49	41
Currency translation differences and others		(209)	(954)	(209)	(954)	(123)	(143)
INCOME RECOGNISED DIRECTLY IN EQUITY		(596)	(8,711)	(596)	(8,711)	(355)	187
TOTAL COMPREHENSIVE INCOME		44,309	69,709	44,053	70,622	47,220	90,133
ATTRIBUTABLE TO:							
NOS Group Shareholders		44,516	70,179	44,272	71,101	47,380	90,383
Non-controlling interests		(207)	(470)	(219)	(479)	(160)	(250)
		44,309	69,709	44,053	70,622	47,220	90,133

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

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the semester ended on 30 June 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of changes in shareholders' equity for the semesters ended on 30 June 2018 and 2019

(Amounts stated in thousands of euros)

NOTES	ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS						NON - CONTROLLING INTERESTS	TOTAL
	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME		
BALANCE AS AT 1 JANUARY 2018 (RESTATED AT 31 DECEMBER 2018)	5,152	854,219	(12,681)	1,030	129,504	122,083	7,807	1,107,113
Effect of adoption of IFRS 16 (Note 2.1)	-	-	-	-	(30,969)	4,337	(11)	(26,643)
BALANCE AS AT 1 JANUARY 2018 (RESTATED AT 31 MARCH 2019)	5,152	854,219	(12,681)	1,030	98,534	126,420	7,796	1,080,470
Result appropriation								
Transfers to reserves	-	-	-	-	126,420	(126,420)	-	-
Dividends paid	-	-	-	-	(153,923)	-	-	(153,923)
Acquisition of own shares	-	-	(3,096)	-	-	-	-	(3,096)
Distribution of own shares - share incentive scheme	-	-	3,461	-	(3,461)	-	-	-
Distribution of own shares - other remunerations	-	-	103	-	(20)	-	-	83
Share Plan - costs incurred in the period and others	-	-	-	-	2,142	-	(7)	2,135
Comprehensive Income	-	-	-	-	(8,711)	79,799	(467)	70,622
BALANCE AS AT 30 JUNE 2018 (RESTATED IFRS 16)	5,152	854,219	(12,213)	1,030	60,981	79,799	7,324	996,291
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)
Acquisition of own shares	21.3	-	(3,547)	-	-	-	-	(3,547)
Distribution of own shares - share incentive scheme	21.3	-	3,659	-	(3,659)	-	-	-
Distribution of own shares - other remunerations	21.3	-	339	-	(13)	-	-	326
Share Plan - costs incurred in the period and others	43	-	-	-	2,071	-	(8)	2,063
Comprehensive Income	-	-	-	-	187	90,196	(250)	90,132
BALANCE AS AT 30 JUNE 2019	5,152	854,219	(11,681)	1,030	17,024	90,196	7,038	962,978

As a standard practice, only the annual accounts are audited, therefore the semester 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 semester ended on 30 June 2019.

The Chief Accountant

The Board of Directors

Consolidated statement of cash flows for the semesters ended on 30 June 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	6M 18 REPORTED	6M 18 RESTATE	6M 19
OPERATING ACTIVITIES				
Collections from clients		882,840	882,840	906,757
Payments to suppliers		(472,315)	(449,787)	(474,519)
Payments to employees		(56,139)	(56,139)	(56,039)
Receipts / (Payments) relating to income taxes		2,459	2,459	(1,124)
Other cash receipts / (payments) related with operating activities		(37,873)	(37,873)	(13,201)
CASH FLOW FROM OPERATING ACTIVITIES (1)		318,972	341,500	361,874
INVESTING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Financial investments		-	-	91
Tangible assets		274	274	951
Intangible assets		10	10	-
Interest and related income		2,191	2,191	2,668
		2,475	2,475	3,710
PAYMENTS RESULTING FROM				
Tangible assets		(120,463)	(120,463)	(130,380)
Intangible assets		(92,168)	(92,168)	(92,045)
		(212,631)	(212,631)	(222,425)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(210,156)	(210,156)	(218,715)
FINANCING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Borrowings		377,099	377,099	224,000
		377,099	377,099	224,000
PAYMENTS RESULTING FROM				
Borrowings		(293,333)	(293,333)	(109,333)
Lease rentals (principal)		(10,118)	(28,301)	(31,581)
Interest and related expenses		(14,534)	(18,879)	(16,426)
Dividends	21.4	(153,923)	(153,923)	(179,607)
Aquisition of own shares	21.3	(3,096)	(3,096)	(3,547)
		(475,004)	(497,532)	(340,494)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(97,905)	(120,433)	(116,494)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		10,911	10,911	26,665
Effect of exchange differences		27	27	1
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		(27,837)	(27,837)	8,912
Cash and cash equivalents	20	3,116	3,116	11,310
Bank overdrafts	23	(30,953)	(30,953)	(2,398)
		(27,837)	(27,837)	8,912

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

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the semester ended on 30 June 2019.

The Chief Accountant

The Board of Directors

Notes to the consolidated financial statements as at 30 June 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 June 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 semester ended on 30 June 2019 were approved by the Board of Directors and their issue authorised on 22 July 2019.

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

2. Accounting policies

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

2.1. Principles of presentation

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

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

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

The consolidated financial statements were prepared on a going concern basis from the ledgers and accounting records of the companies included in the consolidation (Annex A)), using the historical cost convention, adjusted when necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value (Note 2.3.22).

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

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

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

Changes in accounting policies and disclosures

The standards and interpretations that became effective as of 1 January 2019 are as follows:

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

for income tax resulting from payments for financial instruments, which are classified as equity instruments and IAS 23 Borrowing costs - borrowing costs eligible for capitalisation.

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

Estimated impacts of IFRS 16 – Leases

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

Transition

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

Financial impacts

The business segments in which NOS Group operates are essentially telecommunications, advertising, cinema distribution and exhibition, and audiovisuals.

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

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

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

At 31 December 2017:

	31-12-2017 REPORTED	IFRS 16	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 June 2018:

	30-06-2018 REPORTED	IFRS 16	30-06-2018 RESTATE
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	1,045,637	(32,855)	1,012,782
Intangible assets	1,063,918	(49,215)	1,014,703
Rights of use	-	201,823	201,823
Deferred income tax assets	100,688	7,678	108,366
Other assets	194,670	-	194,670
TOTAL NON - CURRENT ASSETS	2,404,913	127,431	2,532,344
CURRENT ASSETS:			
TOTAL CURRENT ASSETS	589,835	-	589,835
TOTAL ASSETS	2,994,748	127,431	3,122,179
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	847,158	-	847,158
Other reserves and accumulated earnings	88,643	(26,632)	62,011
Net Income	78,890	909	79,799
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,014,691	(25,724)	988,967
Non-controlling interests	7,330	(6)	7,324
TOTAL EQUITY	1,022,021	(25,730)	996,291
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	999,571	125,265	1,124,836
Accrued expenses	6,330	(5,974)	356
Other liabilities	170,689	-	170,689
TOTAL NON - CURRENT LIABILITIES	1,176,590	119,291	1,295,881
Borrowings	225,207	34,336	259,543
Accrued expenses	208,292	(466)	207,827
Other liabilities	362,638	-	362,638
TOTAL CURRENT LIABILITIES	796,137	33,870	830,007
TOTAL LIABILITIES	1,972,727	153,161	2,125,888
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	2,994,748	127,431	3,122,179

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
Accounts receivable - other	7,334	(2,805)	4,529
Deferred income tax assets	85,641	8,763	94,404
Other assets	183,658	-	183,658
TOTAL NON - CURRENT ASSETS	2,395,174	133,510	2,528,684
CURRENT ASSETS			
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:

Semester ended on 30 June 2018

	6M 18 REPORTED	IFRS 16	6M 18 RESTATED
REVENUES:	772,287	-	772,287
COSTS, LOSSES AND GAINS:			
Direct costs	251,078	(2,648)	248,430
Support services	41,727	(72)	41,655
Supplies and external services	75,113	(15,747)	59,366
Depreciation, amortisation and impairment losses	201,922	14,698	216,620
Other costs, losses and gains	91,245	-	91,245
	661,085	(3,769)	657,316
INCOME BEFORE FINANCIAL RESULTS AND TAXES	111,202	3,769	114,970
Financial costs	8,560	4,345	12,906
Net other financial expenses / (income)	5,515	(1,622)	3,893
Other financial results	5,844	-	5,844
	19,919	2,723	22,643
INCOME BEFORE TAXES	91,281	1,046	92,327
Income taxes	12,861	132	12,993
NET CONSOLIDATED INCOME	78,420	914	79,334
ATTRIBUTABLE TO:			
NOS Group Shareholders	78,890	909	79,799
Non-controlling interests	(470)	5	(465)
EARNINGS PER SHARES			
Basic - euros	0.15	-	0.15
Diluted - euros	0.15	-	0.15

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 18 million euros; and
- payments regarding Interest and related expenses, in the amount of 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.

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 semester ended 30 June 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 semester of June 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 time elapse between the grant and the vesting. The impact on the income statement each year corresponds to the accumulated cost valuation between the beginning and the end of the year.

In turn, benefits granted based on shares but paid in cash lead to the recognition of a liability valued at fair value at the date of the statement of financial position.

2.3.16. Equity

Legal reserve

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

Share premium reserves

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

Reserves for plans of medium term incentive

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

Hedging reserves

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

Own shares reserves

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

Own shares

The own shares are recorded at acquisition cost as a deduction from equity. Gains or losses on the sale of own shares are recorded under "Other reserves".

Retained results

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

2.3.17. Revenue

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

i) Revenues of Telecommunications Services:

Cable television, fixed broadband and fixed voice: The revenues from services provided using the fibre optic cable network result from: (a) basic channel subscription packages that can be sold in a bundle with fixed broadband/fixed voice services; (b) premium channel subscription packages and S-VOD; (c) terminal equipment rental; (d) consumption of content (VOD); (e) traffic and voice termination; (f) service activation; (g) sale of equipment; and (h) other additional services (ex: firewall, antivirus).

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

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

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

iii) Film showings and distribution: Distribution revenue pertains to the distribution of films to film exhibitors not distributed by the Group, that are included in the film showings, whilst income

from film showings mostly derive from cinema ticket sales and the product sales in the bars; the film showings revenue includes the revenue from ticket sales and bar sales respectively.

- iv) Revenue from producing and distributing channel content: Revenue from production and distribution essentially includes the sale of DVDs, the sale of content and the distribution of television channels subscriptions to third parties and count from the time at which they are sold, shown, and made available for distribution to telecommunications operators, respectively.
- v) Consultancy and datacentre management: information systems consultancy and datacentre management are the major services rendered by NOS Sistemas.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) When the gross inflows from economic benefits do not result in equity increases to the Group, i.e., the amount charged to the customer is equal to the amount delivered to the partner. This situation is applicable to the revenue obtained by the invoicing special services operators, in these cases the amounts charged on account of the capital are not revenue; and,
- (ii) **When the counterpart is not a "customer" but a partner who shares the risks and benefits of** developing a product or services in order for it to be commercialised. Thus, a counterpart of a contract will not be a customer if, for instance, the counterpart has hired from NOS to participate in an activity or process in which the parties in the contract share the risks and benefits instead of **obtaining the Group's ordinary activities result. These cases are designated collaborative** arrangements. This situation is applicable to revenues from operators affected by the reciprocal availability agreement regarding broadcasting rights of sports content.

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

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

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

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

2.3.18. Accruals

Group's revenues and costs are recognised in accordance with the accruals principle, under which they are recognised as they are generated or incurred, regardless of when they are received or paid.

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

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

2.3.19. Assets, liabilities and transactions in foreign currencies

Transactions in foreign currencies are converted into the functional currency at the exchange rate on the transactions dates. On each accounting date, outstanding balances (monetary items) are updated by applying the exchange rate prevailing on that date. The exchange rate differences in this update are recognised in the income statement for the year in which they were calculated in the item "Losses / (gains) on exchange variations". Exchange rate variations generated on monetary items, which constitute enlargement of the investment denominated in the functional currency of the Group or of the subsidiary in question, are recognised in equity. Exchange rate differences on non-monetary items are classified in **"Other reserves" in equity**.

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

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

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

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

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

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

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

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

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

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

	Basis 100	CPI	Converted CPI (Basis 100 Year 2010)
dec/10	Year 2010	100.0	100.0
dec/11	Year 2010	111.4	111.4
dec/12	Year 2011	109.0	121.4
dec/13	Year 2014	93.0	130.8
dec/14	Year 2014	100.0	140.5
dec/15	Year 2014	114.3	160.6
dec/16	Year 2014	162.2	227.9
dec/17	Year 2014	204.8	287.8
mar/18	Year 2014	212.9	299.1
jun/18	Year 2014	220.4	309.8
set/18	Year 2014	232.0	326.1
dec/18	Year 2014	241.1	338.8
mar/19	Year 2014	250.2	351.2
jun/19	Year 2014	258.6	363.4

At 31 December 2018 and 30 June 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	30-06-2019
US Dollar	1.1450	1.1380
Angolan Kwanza	353.0155	385.2699
British Pound	0.8945	0.8966
Mozambican Metical	70.2400	69.8700
Canadian Dollar	1.5605	1.4893
Swiss Franc	1.1269	1.1105
Real	4.4440	4.3511

In the semesters ended at 30 June 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:

	6M 18	6M 19
US Dollar	1.2104	1.1298
Angolan Kwanza	270.3044	363.0863
Mozambican Metical	73.0983	74.0983

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 be 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 semesters ended on 30 June 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 semester ended on 30 June 2018, were:

- 1) **On 1 June 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 semester ended on 30 June 2019, there were no changes in the consolidation perimeter.

5. Segment reporting

The business segments are as follows:

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

Assets and liabilities by segment at 31 December 2018 and 30 June 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

30-06-2019				
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,023,863	10,729	-	1,034,592
Intangible assets	927,372	91,961	-	1,019,333
Contract costs	162,282	-	-	162,282
Rights of use	180,270	18,929	-	199,199
Investments in jointly controlled companies and associated companies	55,765	40,929	(75,993)	20,701
Accounts receivable - other	1,676	2,781	-	4,457
Deferred income tax assets	60,496	11,069	5,876	77,441
Other non-current assets	485	679	-	1,164
TOTAL NON - CURRENT ASSETS	2,412,209	177,077	(70,117)	2,519,169
CURRENT ASSETS:				
Inventories	43,328	781	-	44,109
Account receivables	458,350	61,310	(146,922)	372,738
Contract assets	65,643	-	-	65,643
Prepaid expenses	43,394	1,981	(87)	45,288
Other current assets	2,144	2,603	(333)	4,414
Cash and cash equivalents	9,379	1,931	-	11,310
TOTAL CURRENT ASSETS	622,238	68,606	(147,342)	543,502
TOTAL ASSETS	3,034,447	245,684	(217,459)	3,062,672
SHAREHOLDER'S EQUITY				
Share capital	5,152	36,756	(36,756)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(11,681)	-	-	(11,681)
Legal reserve	1,030	88	(88)	1,030
Other reserves and accumulated earnings	45,200	2,094	(30,270)	17,024
Net income	89,060	9,559	(8,423)	90,196
EQUITY BEFORE NON - CONTROLLING INTERESTS	982,980	48,496	(75,537)	955,939
Non-controlling interests	7,038	-	-	7,038
TOTAL EQUITY	990,019	48,496	(75,537)	962,978
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,054,440	21,817	-	1,076,257
Provisions	117,949	7,145	-	125,094
Accrued expenses	447	-	-	447
Other non-current liabilities	12,610	-	-	12,610
Deferred income tax liabilities	4,633	440	5,876	10,949
TOTAL NON - CURRENT LIABILITIES	1,190,079	29,402	5,876	1,225,357
CURRENT LIABILITIES:				
Borrowings	313,803	123,307	(125,999)	311,111
Accounts payable	293,923	26,832	(18,405)	302,350
Tax payable	35,018	520	(332)	35,206
Accrued expenses	182,656	16,598	(2,972)	196,282
Other current liabilities	28,949	529	(90)	29,388
TOTAL CURRENT LIABILITIES	854,349	167,786	(147,798)	874,337
TOTAL LIABILITIES	2,044,428	197,188	(141,922)	2,099,694
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,034,447	245,684	(217,459)	3,062,672

The results by segment and investments in tangible and intangible assets for the semesters ended on 30 June 2018 and 2019 are shown below:

	6M 18 RESTATED						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 18 RESTATED	6M 18 RESTATED
REVENUES:								
Services rendered	352,345	695,036	22,493	45,964	(11,356)	(21,907)	363,482	719,093
Sales	15,764	31,759	3,673	7,827	(30)	(75)	19,407	39,511
Other operating revenues	6,495	13,867	379	633	(479)	(817)	6,395	13,683
	374,604	740,662	26,546	54,424	(11,865)	(22,799)	389,285	772,287
COSTS, LOSSES AND GAINS:								
Wages and salaries	16,501	33,971	2,540	5,048	-	-	19,041	39,019
Direct costs	130,998	253,982	5,520	11,920	(9,150)	(17,472)	127,368	248,430
Costs of products sold	14,021	27,470	95	148	(15)	(21)	14,101	27,597
Marketing and advertising	7,857	14,303	1,946	3,665	(1,875)	(3,765)	7,928	14,203
Support services	19,128	41,374	539	1,151	(432)	(870)	19,235	41,655
Supplies and external services	27,564	55,035	2,451	5,002	(393)	(671)	29,622	59,366
Other operating losses / (gains)	219	364	51	62	-	-	270	426
Taxes	8,299	16,640	30	63	-	-	8,329	16,703
Provisions and adjustments	(3,131)	1,078	(95)	(162)	-	-	(3,226)	916
	221,457	444,217	13,078	26,897	(11,864)	(22,799)	222,669	448,315
EBITDA	153,146	296,445	13,468	27,527	-	-	166,616	323,972
Depreciation, amortisation and impairment losses	92,756	197,196	9,648	19,424	-	-	102,404	216,620
Other losses / (gains), net	4,158	(7,973)	344	355	-	-	4,502	(7,618)
INCOME BEFORE FINANCIAL RESULTS AND TAXES	56,232	107,222	3,477	7,748	-	-	59,711	114,970
Net losses / (gains) of affiliated companies	(392)	5,922	(195)	(195)	-	-	(587)	5,727
Financial costs	5,224	11,160	829	1,746	-	-	6,053	12,906
Net foreign exchange losses / (gains)	(16)	54	(54)	63	-	-	(70)	117
Net losses / (gains) on financial assets	(17,135)	(17,135)	(3,351)	(3,351)	20,487	20,487	1	1
Net other financial expenses / (Income)	2,683	3,903	11	(10)	-	-	2,694	3,893
	(9,638)	3,903	(2,760)	(1,747)	20,487	20,487	8,089	22,643
INCOME BEFORE TAXES	65,870	103,319	6,237	9,495	(20,487)	(20,487)	51,621	92,327
Income taxes	6,687	12,011	284	982	-	-	6,971	12,993
NET INCOME	59,183	91,308	5,953	8,513	(20,487)	(20,487)	44,650	79,334
CAPEX	97,423	189,685	6,322	13,164	-	-	103,745	202,849
EBITDA - CAPEX	55,724	106,760	7,146	14,363	-	-	62,871	121,123

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

	6M 19						GROUP	
	TELCO		AUDIOVISUALS		ELIMINATIONS			
	2° QUARTER 19	6M 19	2° QUARTER 19	6M 19	2° QUARTER 19	6M 19	2° QUARTER 19	6M 19
REVENUES:								
Services rendered	355,520	704,520	25,003	47,823	(11,002)	(21,942)	369,521	730,401
Sales	15,023	30,905	4,415	7,996	(47)	(86)	19,391	38,815
Other operating revenues	7,667	12,922	356	621	(514)	(1,022)	7,509	12,521
	378,210	748,347	29,774	56,440	(11,563)	(23,050)	396,421	781,737
COSTS, LOSSES AND GAINS:								
Wages and salaries	17,606	35,274	2,626	5,120	-	-	20,232	40,394
Direct costs	128,078	253,406	9,100	14,752	(8,776)	(17,532)	128,402	250,626
Costs of products sold	13,992	27,782	53	184	(8)	(13)	14,037	27,953
Marketing and advertising	6,621	13,053	1,571	3,311	(1,885)	(3,768)	6,307	12,596
Support services	19,559	40,623	436	852	(501)	(1,002)	19,494	40,473
Supplies and external services	24,947	51,708	2,621	5,054	(393)	(735)	27,175	56,027
Other operating losses / (gains)	125	232	8	22	-	-	133	254
Taxes	8,542	17,271	35	70	-	-	8,577	17,341
Provisions and adjustments	827	4,202	16	(65)	-	-	843	4,137
	220,297	443,551	16,466	29,300	(11,563)	(23,050)	225,200	449,801
EBITDA	157,913	304,796	13,308	27,140	-	-	171,221	331,936
Depreciation, amortisation and impairment losses	95,082	183,816	8,059	16,645	-	-	103,141	200,461
Other losses / (gains), net	3,821	7,051	(29)	64	-	-	3,792	7,115
INCOME BEFORE FINANCIAL RESULTS AND TAXES								
	59,011	113,930	5,278	10,431	-	-	64,289	124,361
Net losses / (gains) of affiliated companies	(943)	(1,100)	(148)	(189)	-	-	(1,091)	(1,289)
Financial costs	4,464	9,873	546	765	-	-	5,010	10,638
Net foreign exchange losses / (gains)	(25)	(57)	(74)	9	-	-	(99)	(48)
Net losses / (gains) on financial assets	(3)	(6,706)	1	(1,723)	-	8,424	(2)	(5)
Net other financial expenses / (income)	1,027	1,746	11	23	-	-	1,038	1,769
	4,520	3,756	336	(1,115)	-	8,424	4,856	11,065
INCOME BEFORE TAXES								
	54,490	110,174	4,943	11,547	-	(8,424)	59,433	113,297
Income taxes	11,172	21,364	686	1,987	-	-	11,858	23,351
NET INCOME								
	43,319	88,810	4,256	9,560	-	(8,424)	47,575	89,946
CAPEX								
	108,305	192,632	8,223	14,878	-	-	116,528	207,510
EBITDA - CAPEX								
	49,608	112,164	5,085	12,262	-	-	54,693	124,426

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

30-06-2019						
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	228	-	-	228	-	228
Derivative financial instruments (Note 19)	-	188	-	188	-	188
Accounts receivable - trade (Note 16)	352,506	-	-	352,506	-	352,506
Accounts receivable - other (Note 12)	7,521	-	-	7,521	17,168	24,689
Cash and cash equivalents (Note 20)	11,310	-	-	11,310	-	11,310
TOTAL FINANCIAL ASSETS	371,565	188	-	371,753	17,168	388,921
LIABILITIES						
Borrowings (Note 23)	-	-	1,387,368	1,387,368	-	1,387,368
Derivative financial instruments (Note 19)	-	469	-	469	-	469
Accounts payable - trade (Note 27)	-	-	254,891	254,891	-	254,891
Accounts payable - other (Note 28)	-	-	54,499	54,499	213	54,712
Accrued expenses (Note 25)	-	-	196,729	196,729	-	196,729
TOTAL FINANCIAL LIABILITIES	-	469	1,893,487	1,893,956	213	1,894,169

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 semesters ended on 30 June 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-06-2018 RESTATED
ACQUISITION COST					
Lands	955	-	-	-	955
Buildings and other constructions	378,899	656	(26)	(3,966)	375,563
Basic equipment	2,218,817	22,477	(1,184)	58,965	2,299,075
Transportation equipment	567	-	(33)	366	900
Tools and dies	1,347	-	-	10	1,357
Administrative equipment	186,850	1,349	(554)	985	188,630
Other tangible assets	41,928	108	(4)	234	42,266
Tangible assets in-progress	60,072	76,187	-	(58,838)	77,421
	2,889,436	100,777	(1,801)	(2,245)	2,986,167
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Lands	37	-	-	(37)	-
Buildings and other constructions	208,016	5,583	(27)	(3,766)	209,806
Basic equipment	1,459,884	82,940	(1,131)	446	1,542,139
Transportation equipment	329	30	(33)	366	692
Tools and dies	1,282	17	-	-	1,299
Administrative equipment	174,763	2,852	(521)	813	177,907
Other tangible assets	41,104	89	(2)	351	41,542
	1,885,415	91,511	(1,714)	(1,827)	1,973,385
	1,004,022	9,265	(87)	(418)	1,012,782

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-06-2019
ACQUISITION COST					
Land	838	-	-	-	838
Buildings and other constructions	388,170	1,057	(147)	5,553	394,633
Basic equipment	2,278,623	20,043	(14,176)	75,363	2,359,853
Transportation equipment	567	-	-	-	567
Tools and dies	1,406	-	-	84	1,490
Administrative equipment	189,070	992	(607)	816	190,271
Other tangible assets	42,553	123	-	234	42,910
Tangible assets in-progress	55,220	76,661	-	(87,810)	44,071
	2,956,447	98,876	(14,930)	(5,760)	3,034,633
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	213,822	4,577	(647)	(653)	217,099
Basic equipment	1,493,105	76,830	(13,816)	1,552	1,557,671
Transportation equipment	516	1	-	45	562
Tools and dies	1,316	26	-	-	1,342
Administrative equipment	179,428	2,030	(584)	206	181,080
Other tangible assets	41,905	384	(1)	(1)	42,287
	1,930,092	83,848	(15,048)	1,149	2,000,041
	1,026,355	15,028	118	(6,909)	1,034,592

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

At 30 June 2019, the tangible assets net value is composed mainly by basic equipment, namely:

- Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 688.5 million euros (31 December 2018: 684.5 million euros);
- Terminal equipment installed on client premises, included under Basic equipment, amounts to 113.7 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 June 2019, total net value of these costs amounted to 14.3 million euros (31 December 2018: 14.5 million euros). The amount of interest capitalised in the semester ended on 30 June 2019 amounted to 0.5 million euros (31 December 2018: 1.3 million euros).

8. Intangible assets

In the semesters ended on 30 June 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-06-2018 RESTATED
ACQUISITION COST					
Industrial property and other rights	1,450,947	1,928	(10)	27,959	1,480,824
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	43,533	29,958	-	(27,817)	45,674
	2,135,880	31,886	(10)	142	2,167,898
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,102,786	46,595	(2)	(56)	1,149,323
Other intangible assets	4,566	-	-	(695)	3,871
	1,107,352	46,595	(2)	(751)	1,153,195
	1,028,528	(14,709)	(8)	893	1,014,703

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	30-06-2019
ACQUISITION COST					
Industrial property and other rights	1,521,380	4,233	-	51,661	1,577,274
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	50,211	29,879	-	(45,895)	34,195
	2,212,991	34,112	-	5,766	2,252,869
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,191,312	39,740	93	(32)	1,231,113
Intangible assets in-progress	2,423	-	-	-	2,423
	1,193,735	39,740	93	(32)	1,233,536
	1,019,256	(5,628)	(93)	5,798	1,019,333

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

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

- (1) A net amount of 114.6 million euros (31 December 2018: 118.7 million euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i) 36.3 million euros (31 December 2018: 37.6 million euros) related to the license, (ii) 12.1 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) 53.1 million euros (31 December 2018: 55 million euros) related with the programme "Initiatives E"; and (v) the net amount of 6.3 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 84.6 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 15.2 million euros (31 December 2018: 17.1 million euros) corresponding to the future rights to use movies and series.

Increases in the semester ended on 30 June 2019 correspond mainly to movies and series rights of use, for an amount of 12.4 million euros, and software acquisition and development, for an amount of 20.2 million euros.

Impairment tests on goodwill

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

	31-12-2018 RESTATED	30-06-2019
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 June 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 semesters ended on 30 June 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-06-2018 RESTATED
Acquisition Cost	528,439	46,651	(34,424)	540,666
Accumulated amortisation and impairment losses	357,642	52,319	(34,424)	375,537
	170,797	(5,668)	-	165,129

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-06-2019
Acquisition Cost	514,694	49,423	-	564,117
Accumulated amortisation and impairment losses	351,746	50,089	-	401,835
	162,948	(666)	-	162,282

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 semesters ended on 30 June 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-06-2018 RESTATED
ACQUISITION COST				
Telecommunications towers and rooftops	143,058	9,969	-	153,027
Movie theatres	103,575	-	-	103,575
Transponders	91,541	-	-	91,541
Equipments	79,221	11,189	(333)	90,077
Buildings	71,868	1,375	-	73,243
Fiber optic rental	34,582	-	(425)	34,157
Stores	21,579	187	-	21,766
Others	33,980	815	(370)	34,425
	579,404	23,535	(1,128)	601,811
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	111,096	4,172	-	115,268
Movie theatres	84,392	2,599	-	86,991
Transponders	43,459	3,892	-	47,351
Equipments	37,421	6,094	(312)	43,203
Buildings	45,496	2,745	-	48,241
Fiber optic rental	21,941	770	-	22,711
Stores	14,910	1,053	-	15,963
Others	15,769	4,868	(377)	20,260
	374,484	26,194	(689)	399,988
	204,920	(2,658)	(439)	201,823
	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	30-06-2019
ACQUISITION COST				
Telecommunications towers and rooftops	122,014	8,267	1,368	131,649
Movie theatres	84,816	3,707	-	88,523
Transponders	92,395	(488)	-	91,907
Equipments	99,145	8,488	(1,576)	106,057
Buildings	65,282	2,021	(3,274)	64,029
Fiber optic rental	34,157	-	-	34,157
Stores	14,768	1,487	150	16,405
Others	22,290	1,616	11,107	35,013
	534,867	25,098	7,775	567,740
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	81,614	4,433	1,366	87,413
Movie theatres	67,326	2,985	-	70,311
Transponders	50,859	2,875	-	53,734
Equipments	53,365	8,790	(192)	61,963
Buildings	33,803	3,112	3,303	40,218
Fiber optic rental	24,696	1,525	-	26,221
Stores	9,659	1,013	147	10,819
Others	13,061	2,050	2,750	17,862
	334,384	26,783	7,374	368,541
	200,483	(1,685)	401	199,199

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 June 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-06-2019
INVESTMENTS - EQUITY METHOD		
Sport TV	5,436	5,014
Dreamia	3,634	3,831
Finstar	9,465	10,176
Mstar	564	1,181
Upstar	361	383
Big Picture 2 Films	125	116
ASSETS	19,585	20,701

Movements in "Investments in jointly controlled companies and associated companies" in the semesters ended on 30 June 2018 and 2019 were as follows:

	6M 18 RESTATED	6M 19
AS AT JANUARY 1	36,706	19,585
Gains / (losses) of exercise (Note 35)	(5,861)	1,273
Changes in equity i)	(7,962)	(157)
AS AT JUNE 30	22,883	20,701

- 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 June 2019, is as follows:

31-12-2018							GAIN/(LOSS) ATTRIBUTED TO THE GROUP
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	
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.

30-06-2019							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	84,891	64,836	20,055	93,050	(1,690)	25.00%	(423)
Dreamia	16,515	8,853	7,662	1,520	395	50.00%	197
Finstar	196,124	162,204	33,920	90,871	2,928	30.00%	878
Mstar	7,922	3,984	3,938	11,420	2,023	30.00%	607
Upstar	114,796	113,521	1,275	11,697	72	30.00%	22
Big Picture 2 Films	1,973	1,391	582	2,279	(45)	20.00%	(8)
	422,221	354,790	67,432	210,836	3,684		1,273

* 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 June 2019, this item was composed as follows:

	31-12-2018 RESTATED		30-06-2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	3,708	5,252	3,564	5,180
Advances of suppliers	5,700	-	17,168	-
	9,408	5,252	20,732	5,180
Impairment of other receivable	(244)	(723)	(500)	(723)
	9,164	4,529	20,232	4,457

i) At 30 June 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:

	6M 18 RESTATED	6M 19
AS AT JANUARY 1	1,500	967
Increases (Note 34)	146	265
Utilizations / Others	(516)	(9)
AS AT JUNE 30	1,130	1,223

13. Taxes payable and receivable

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

	31-12-2018 RESTATED		30-06-2019	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added tax	826	18,606	3,335	19,552
Income taxes	-	11,295	-	9,479
Personnel income tax withholdings	-	1,787	-	2,698
Social Security contributions	-	1,831	-	3,286
Others	420	264	420	191
	1,246	33,783	3,755	35,206
	1,395	33,783	3,904	35,206

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

	31-12-2018 RESTATED	30-06-2019
Estimated current tax on income	(31,733)	(31,040)
Payments on account	18,967	19,215
Withholding income taxes	785	1,189
Others	686	1,157
	(11,295)	(9,479)

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 June 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 semesters ended on 30 June 2018 and 2019 were as follows:

	31-12-2017 RESTATED	DEFERRED TAXES OF THE PERIOD		30-06-2018 RESTATED
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	6.635	(2.336)	-	4.299
Inventories	2.340	(230)	-	2.110
Other provision and adjustments	71.500	(8.426)	-	63.074
Intragroup gains	20.926	3.074	-	24.000
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	7.396	(674)	-	6.722
Assets recognised under application of IFRS 16 (Note 2.1)	7.811	(133)		7.678
Derivatives	557	(14)	(60)	483
	117.165	(8.739)	(60)	108.366
DEFERRED INCOME TAX ASSETS				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	4.851	(1.445)	-	3.406
Liabilities recognised under application of IFRS 15	18.383	(18.383)	-	-
Others	2.289	(24)	-	2.265
	25.523	(19.852)	-	5.671
NET DEFERRED TAX	91.642	11.113	(60)	102.695

	31-12-2018 RESTATED	DEFERRED TAXES OF THE PERIOD		30-06-2019
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	4.796	(3.589)	-	1.207
Inventories	1.610	384	-	1.994
Other provision and adjustments	51.956	(3.057)	-	48.899
Intragroup gains	22.098	(1.807)	-	20.291
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4.943	-	-	4.943
Assets recognised under application of IFRS 16 (Note 2.1)	8.763	(8.763)	-	-
Derivatives	238	51	(182)	107
	94.404	(16.781)	(182)	77.441
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2.846	(130)	-	2.716
Derivatives	7	76	(41)	42
Intragroup leases	-	5.876	-	5.876
Others	2.270	45	-	2.315
	5.123	5.867	(41)	10.949
NET DEFERRED TAX	89.281	(22.648)	(141)	66.492

At 30 June 2019, the deferred tax assets related to the other provisions and adjustments are mainly due: i) Impairments and acceleration of amortisations beyond the acceptable fiscally and other adjustments in fixed tangible assets and intangible assets, amounted to 40.1 million euros (31 December 2018: 40.9 million euros; and ii) Other provisions amounted to 7.9 million euros (31 December 2018: 9.6 million euros).

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

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
Income before taxes	51,621	92,327	59,433	113,297
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
ESTIMATED TAX	11,615	20,774	13,373	25,492
Permanent differences i)	(355)	747	(197)	(200)
Differences in tax rate of group companies	(275)	(787)	(533)	(1,068)
Record of deferred taxes	1,609	(3,799)	(1,349)	(1,349)
Tax benefits ii)	(8,997)	(11,398)	(3,366)	(6,166)
State surcharge	2,882	6,468	3,552	5,442
Autonomous taxation	195	402	178	365
Others	297	586	200	835
INCOME TAXES	6,971	12,993	11,858	23,351
Effective Income tax rate	13.5%	14.1%	20.0%	20.6%
Income tax	12,960	24,106	(11,303)	703
Deferred tax	(5,989)	(11,113)	23,161	22,648
	6,971	12,993	11,858	23,351

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

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
Equity method (Note 35)	(587)	5,727	(1,091)	(1,289)
Others	(988)	(2,405)	215	399
	(1,575)	3,322	(876)	(890)
	22.5%	22.5%	22.5%	22.5%
	(355)	747	(197)	(200)

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 semester ended 30 June 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 semester ended 30 June 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 June 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-06-2019
INVENTORIES		
Telco	43,485	50,357
Audiovisuals	1,568	1,344
	45,053	51,701
IMPAIRMENT OF INVENTORIES		
Telco	(5,670)	(7,029)
Audiovisuals	(498)	(563)
	(6,168)	(7,592)
	38,885	44,109

The movements occurred in impairment adjustments were as follows:

	6M 18 RESTATED	6M 19
AS AT JANUARY 1	8,961	6,167
Increase and decrease - Cost of products sold (Note 32)	(237)	1,455
Utilizations / Others	(705)	(29)
AS AT JUNE 30	8,019	7,593

16. Accounts receivable – trade

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

	31-12-2018 RESTATED	30-06-2019
Trade receivables	460,499	439,114
Unbilled revenues i)	61,423	55,420
	521,922	494,534
Impairment of trade receivable	(139,822)	(142,028)
	382,100	352,506

- 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:

	6M 18 RESTATED	6M 19
AS AT JANUARY 1	139,484	139,822
Increases and decreases (Note 34)	1,958	8,452
Penalties - i)	5,235	6,563
Impact of application of IFRS 9	6,008	-
Utilizations / Others	(19,575)	(12,809)
AS AT JUNE 30	133,110	142,028

- 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 June 2019, this item was as follows:

	31-12-2018 RESTATED	30-06-2019
Contract assets	57,022	65,643
	57,022	65,643

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 June 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-06-2019
Programming costs	16,364	16,992
Costs of litigation procedure activity	8,465	7,775
Insurance	1,276	1,470
Advertising	708	1,901
Others	12,031	17,150
	38,844	45,288

19. Derivative financial instruments

Exchange rate derivatives

At the date of the statement of the financial position there were foreign currency forwards open for 4,450 thousand euros (31 December 2018: 2,525 thousand euros), whose fair value is null (2018: gain of about 32 thousand euros).

Interest rate derivatives

At 30 June 2019, NOS had contracted two interest rate swaps totalling 250 million euros (31 December 2018: 250 million euros) whose swap maturities expire in 2019. The fair value of interest rate swaps, in the negative amount of 0.4 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 June 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	-

30-06-2019					
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	250,000	-	-	400	-
Equity swaps	2,640	59	129	-	41
Exchange rate forward	4,450	-	-	28	-
	257,090	59	129	428	41

Movements during the semesters ended on 30 June 2018 and 2019 were as follows:

	31-12-2017 RESTATED	RESULT	EQUITY	30-06-2018 RESTATED
Fair value interest rate swaps	(2,453)	-	481	(1,972)
Fair value exchange rate forward	(33)	21	-	(12)
Fair value equity swaps	10	47	(216)	(159)
DERIVATIVES	(2,476)	68	265	(2,143)
Deferred income tax liabilities	-	-	-	-
Deferred income tax assets	557	(14)	(60)	483
DEFERRED INCOME TAX	557	(14)	(60)	483
	(1,919)	54	205	(1,660)

	31-12-2018 RESTATED	RESULT	EQUITY	30-06-2019
Fair value interest rate swaps	(1,211)	-	811	(400)
Fair value exchange rate forward	32	(60)	-	(28)
Fair value equity swaps	153	176	(182)	147
DERIVATIVES	(1,026)	116	629	(281)
Deferred income tax liabilities	(7)	(76)	41	(42)
Deferred income tax assets	238	51	(182)	107
DEFERRED INCOME TAX	231	(25)	(141)	65
	(795)	91	488	(216)

20. Cash and cash equivalents

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

	31-12-2018 RESTATED	30-06-2019
Cash	744	1,664
Other deposits i)	13	586
Deposits	1,425	9,060
	2,182	11,310

- i) At 31 December 2018 and 30 June 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 June 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 June 2019 are:

	31-12-2018 RESTATED		30-06-2019	
	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 June 2019 there were 1,997,971 own shares, representing 0.3878% of share capital (31 December 2018: 2,069,356 own shares, representing 0.4017% of the share capital).

Movements in the semesters ended on 30 June 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	(589,458)	(3,461)
Distribution of own shares - other remunerations	(17,650)	(103)
BALANCE AS AT 30 JUNE 2018	2,083,126	12,213
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	(624,194)	(3,659)
Distribution of own shares - other remunerations	(57,691)	(339)
BALANCE AS AT 30 JUNE 2019	1,997,971	11,681

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 June 2019, NOS had reserves, which by their nature are considered distributable for an amount of approximately 122.5 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 semesters ended on 30 June 2018 and 2019 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2017 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	30-06-2018 RESTATED
NOS Madeira	5,882	(272)	(5)	5,605
NOS Açores	1,914	(193)	(2)	1,720
	7,796	(465)	(7)	7,324

	31-12-2018 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	30-06-2019
NOS Madeira	5,660	(78)	(7)	5,575
NOS Açores	1,636	(172)	(1)	1,463
	7,296	(250)	(8)	7,038

23. Borrowings

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

	31-12-2018 RESTATED		30-06-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	217,769	830,000	248,231	896,667
Debenture loan	150,000	510,000	100,000	500,000
Commercial paper	29,500	265,000	127,500	360,000
Foreign loans	18,333	55,000	18,333	36,667
Bank overdrafts	19,936	-	2,398	-
LOANS - ACCRUALS AND DEFERRALS	1,890	(4,602)	(227)	(3,073)
LOANS - AMORTISED COST	219,659	825,398	248,004	893,594
LEASES	63,402	188,966	63,107	182,663
	283,061	1,014,364	311,111	1,076,257

During the semester ended on 30 June 2019, the average cost of debt of the used lines was approximately 1.6% (2018: 2.0%).

23.1. Debenture loans

At 31 December 2018 and 30 June 2019, NOS has a total amount of 660 million euros and 600 million euros of bonds issued, respectively, including at 30 June 2019, 500 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.

At 30 June 2019, an amount of 1,273 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 June 2019, the Company has borrowings of 487.5 million euros in the form of commercial paper, of which 97.5 million euros was issued under non-underwritten programs. The total amount contracted, under underwriting securities, is of 620 million euros, corresponding to twelve programmes, with five banks, 545 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 285 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 June 2019 an amount of 663 thousand euros, corresponding to interest and commissions, was **added to this amount, and recorded in the item "Loans - accruals and deferrals"**.

23.3. Foreign loans

In November 2013, NOS signed a Finance Contract with the European Investment Bank for an amount of 110 million euros to support the development of the mobile broadband network in Portugal. In June 2014, the total amount of funds was used. This contract matures in a maximum period of 8 years from the use of the funds, with partial amortisations of 18,3 million euros per year as of June 2017. At 30 June 2019, the amount in borrowings totalizes 55 million euros.

At 30 June 2019, an amount of 2,690 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 June 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	30-06-2019
Until 1 year	63,402	63,107
Between 1 and 5 years	131,849	130,385
Over 5 years	57,118	52,279
	252,368	245,770

Leases – present value

	31-12-2018 RESTATED	30-06-2019
Until 1 year	73,908	71,164
Between 1 and 5 years	153,032	146,949
Over 5 years	62,443	56,439
	289,383	274,552
Future financial costs (lease)	(37,015)	(28,782)
PRESENT VALUE OF LEASE LIABILITIES	252,368	245,770

The maturities of the loans obtained are as follows:

	31-12-2018 RESTATED			30-06-2019		
	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	100,528	498,199	-
Commercial paper	29,732	227,500	37,500	128,163	310,002	49,998
Foreign loans	17,504	52,710	-	16,915	35,395	-
Bank overdrafts	19,936	-	-	2,398	-	-
Leases	63,402	131,849	57,118	63,107	130,385	52,278
	283,061	859,777	154,587	311,111	973,981	102,276

24. Provisions

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

	31-12-2018 RESTATED	30-06-2019
Litigation and other - i)	58,369	54,391
Dismantling and removal of assets - iii)	34,626	35,951
Contingent liabilities - iv)	32,055	32,055
Contingencies - other - v)	3,765	2,697
	128,815	125,094

- i) The amount under the item "Litigation and other" corresponds to provisions to cover the legal and tax claims of which stand out:
 - a. Future credits transferred: for the financial year ended at 31 December 2010, NOS SA was notified of the Report of Tax Inspection, when it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the

improper deduction of the amount of 20 million euros in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that year, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year for 5 years). NOS SA challenged the decisions regarding the 2009 to 2013 fiscal year and will appeal for the judicial review in due time the decision regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavourably, in March 2014. The company has appealed;

b. Supplementary Capital: the fiscal authorities believe that NOS SA has broken the principle of full competition under the terms of (1) of Article 58 of the Corporate Tax Code (CIRC) – currently Article 63 –, by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, regarding the years 2004, 2005, 2006 and 2007 of corrections to the determination of its taxable income in the total amount of 20.5 million euros. NOS SA contested the decision regarding all the above-mentioned years. As for the year 2004, the Court has decided favourably. This decision is concluded (favourably), originating a reversal of provisions, in 2016, in the amount of 1.3 million euros plus interest. As for the years 2006 and 2007, the Porto Fiscal and Administrative Court has already decided unfavourably. As for the year 2005, **the Court's decision was favourable, having been realised by the Tax Authorities, which meant the reversal of the provision of one million euros, in 2018;**

ii) The amount under the item "Financial investments" corresponds to the liabilities assumed, in addition to the investment made, by the Group in jointly controlled companies and associated companies (Note 11);

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

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

a. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU): The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a formal contest procedure led by the government for that effect, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros for illegally designating MEO. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU

to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

Therefore:

- In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision that was contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS, SA, NOS Madeira and NOS Açores which were contested by NOS and for which a bail was presented by NOS SGPS (Note 40) to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.
- In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, related to NOS, SA, NOS Madeira and NOS Açores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes. The guarantees that have been accepted by ANACOM.
- In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.
- In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, for an amount of 7.7 million euros that was contested by NOS, in standard terms.
- In 2017, NOS, SA, NOS Madeira and NOS Açores were notified of the decision of ANACOM concerning the entities that are obliged to contribute toward the compensation fund and the setting of the values of contributions corresponding to CLSU that must be compensated and relating to the months of 2014 in which MEO still remained as provider of the Universal Service, which establishes for all these companies a contribution totalling close to 2.4 million euros. In December 2017, the settlement notes relating to NOS, SA, NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to Universal Service (not designated through a tender procedure) flagrantly violate the

Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS has judicially challenged either the approval of audit results of the net cost of universal service related to the pre-competitive period, and the liquidation of each extraordinary contribution, once the Board of Directors is convinced it will be successful in challenges already undertaken;

- b. Other tax proceedings: which the Board of Directors is convinced that there are strong arguments to obtain a favourable decision for NOS SA, but considers that they correspond to a contingent liability under the fair value allocation of assumed liabilities related to the merger operation;
- v) The amount under the caption "Contingencies - other" refers to provisions for risks related to miscellaneous events/disputes of various kinds, the settlement of which may result in outflows of cash, and other likely liabilities related to several transactions from previous periods, and whose outflow of cash is probable, namely, costs charged to the current period or previous years, for which it is not possible to estimate reliably the time of occurrence of the expense.

During the semester ended on 30 June 2018, movements in provisions were as follows:

	31-12-2017 RESTATED	INCREASES	DECREASES	OTHERS	30-06-2018 RESTATED
Litigation and other	52,261	8,448	(2,599)	-	58,110
Financial investments	425	-	(235)	-	190
Dismantling and removal of assets	31,651	293	-	733	32,677
Contingent liabilities	32,490	-	-	-	32,490
Contingencies - other	16,435	1,652	(156)	1,971	19,901
	133,262	10,393	(2,990)	2,704	143,368

During the semester ended on 30 June 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 semester ended on 30 June 2019, movements in provisions, were as follows:

	31-12-2018 RESTATED	INCREASES	DECREASES	OTHERS	30-06-2019
Litigation and other	58,369	2,393	(6,371)	-	54,391
Dismantling and removal of assets	34,626	202	(22)	1,145	35,951
Contingent liabilities	32,055	-	-	-	32,055
Contingencies - other	3,765	2,986	(633)	(3,421)	2,697
	128,815	5,581	(7,026)	(2,276)	125,094

During the semester ended on 30 June 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 movement recorded under "Others", on the item "Contingencies - other", amounting 2.3 million euros are related with provisions created for employee compensation.

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

	6M 18 RESTATED	6M 19
Provisions and adjustments (Note 34)	(1,222)	(4,580)
Financial investments (Note 11)	(235)	-
Other losses / (gains) non-recurrent (Note 37)	8,372	2,207
Interests - dismantling	293	180
Other interests	195	748
INCREASES AND DECREASES IN PROVISIONS	7,403	(1,445)

25. Accrued expenses

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

	31-12-2018 RESTATED	30-06-2019
NON-CURRENT		
Others	688	447
	688	447
CURRENT		
Invoices to be issued by operators i)	62,041	57,537
Investments in tangible and intangible assets	26,541	23,141
Vacation pay and bonuses	24,460	19,075
Advertising	15,144	11,858
Professional services	12,113	14,779
Content and film rights	11,370	11,695
Programming services	12,293	8,605
Costs of litigation procedure activity	7,852	7,925
Taxes (ANACOM and Cinema Law)	17	15,881
Energy and water	5,807	6,172
Comissions	5,376	5,613
Maintenance and repair	2,409	2,245
Other accrued expenses	11,628	11,756
	197,052	196,282

- 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 June 2019, this item was composed as follows:

	31-12-2018 RESTATED		30-06-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	32,262	-	28,552	-
Investment subsidy ii)	409	5,521	408	5,316
	32,671	5,521	28,960	5,316

- 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 June 2019, this item was composed as follows:

	31-12-2018 RESTATED	30-06-2019
Suppliers current account	252,644	251,793
Invoices in reception and conference	2,306	3,098
	254,950	254,891

28. Accounts payable - other

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

	31-12-2018 RESTATED	30-06-2019
NON-CURRENT		
Assignment of receivables without recourse i)	9,723	7,253
	9,723	7,253
CURRENT		
Fixed assets suppliers	27,006	39,464
Assignment of receivables without recourse i)	10,093	6,511
Advances from customers	127	213
Others	1,000	1,271
	38,226	47,459
	47,949	54,712

- 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 semester ended on 30 June 2019, the balance amounts to 13.8 million euros. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.

29. Operating revenues

Consolidated operating revenues, for the semesters ended on 30 June 2018 and 2019, were as follows:

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
SERVICES RENDERED:				
Telco i)	348,754	687,945	351,671	696,907
Audiovisuals and cinema exhibition ii)	14,727	31,147	17,849	33,494
	363,482	719,093	369,521	730,401
SALES:				
Telco iii)	15,749	31,738	15,014	30,891
Audiovisuals and cinema exhibition iv)	3,658	7,773	4,377	7,924
	19,407	39,511	19,391	38,815
OTHER OPERATING REVENUES:				
Telco	6,023	13,070	7,335	12,256
Audiovisuals and cinema exhibition	372	613	174	265
	6,395	13,683	7,509	12,521
	389,285	772,287	396,421	781,737

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 semesters ended on 30 June 2018 and 2019, this item was composed as follows:

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
Remuneration	14,870	30,095	15,021	30,120
Social taxes	4,123	8,287	4,197	8,281
Social benefits	485	955	483	965
Other	(438)	(319)	531	1,028
	19,041	39,019	20,232	40,394

In the semesters ended on 30 June 2018 and 2019, the average number of employees of the companies included in the consolidation was 2,505 and 2,457, respectively. At 30 June 2019, the number of employees of the companies included in the consolidation was 2,475 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 semesters ended on 30 June 2018 and 2019, this item was composed as follows:

	2º QUARTER 18 RESTATED	6M 18 RESTATED	2º QUARTER 19	6M 19
Exhibition costs	49,956	101,357	54,231	104,283
Traffic costs	59,148	111,341	52,995	104,534
Capacity costs	11,890	22,959	11,828	23,784
Costs related to corporate customers services	1,357	3,732	5,615	11,159
Shared advertising revenues	3,985	7,164	3,733	6,866
Others	1,031	1,876	-	-
	127,368	248,430	128,402	250,626

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 June 2018 to 3,732 thousand euros.

32. Cost of products sold

In the semesters ended on 30 June 2018 and 2019, this item was composed as follows:

	2º QUARTER 18 RESTATED	6M 18 RESTATED	2º QUARTER 19	6M 19
Costs of products sold	13,638	27,834	12,979	26,498
Increases / (decreases) in inventories impairments (Note 15)	463	(237)	1,058	1,455
	14,101	27,597	14,037	27,953

33. Support services and supplies and external services

In the semesters ended on 30 June 2018 and 2019, this item was composed as follows:

	2º QUARTER 18 RESTATED	6M 18 RESTATED	2º QUARTER 19	6M 19
SUPPORT SERVICES:				
Administrative support and others	8,919	18,696	8,947	18,188
Call centers and customer support	7,426	15,620	7,490	15,351
Information systems	2,889	7,338	3,057	6,934
	19,235	41,655	19,494	40,473
SUPPLIES AND EXTERNAL SERVICES:				
Maintenance and repair	11,010	21,954	9,507	19,801
Electricity	5,386	10,990	5,828	11,626
Professional services	2,867	5,919	2,921	5,650
Installation and removal of terminal equipment	1,079	1,981	1,743	3,414
Communications	1,910	3,687	1,436	2,983
Travel and accommodation	1,184	2,169	1,155	2,349
Fees	637	1,795	(112)	585
Other supplies and external services	5,549	10,871	4,697	9,619
	29,622	59,366	27,175	56,027

34. Provisions and adjustments

In the semesters ended on 30 June 2018 and 2019, these items were composed as follows:

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
Provisions (Note 24)	(1.427)	(1.222)	(1.687)	(4.580)
Impairment of account receivables - trade (Note 16)	(1.795)	1.958	2.447	8.452
Impairment of account receivables - others (Note 12)	(6)	146	82	265
Others	2	34	1	-
	(3.226)	916	843	4.137

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

In the semesters ended on 30 June 2018 and 2019, this item was composed as follows:

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
EQUITY METHOD (NOTE 11)				
Sport TV	(838)	(980)	(34)	423
Dreamia	(199)	(184)	(158)	(197)
Finstar	666	7.369	(637)	(878)
Mstar	(181)	(294)	(254)	(607)
Upstar	(28)	(51)	(5)	(22)
Others	15	1	11	9
	(565)	5.861	(1.077)	(1.273)
OTHERS	(22)	(134)	(14)	(16)
	(587)	5.727	(1.091)	(1.289)

During the first semester of 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 semesters ended on 30 June 2018 and 2019, this item was composed as follows:

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
TANGIBLE ASSETS				
Buildings and other constructions	2.916	5.583	2.570	4.577
Basic equipment	35.896	82.940	42.468	76.830
Transportation equipment	29	30	-	1
Tools and dies	8	17	15	26
Administrative equipment	1.432	2.852	747	2.030
Other tangible assets	44	89	186	384
	40.325	91.511	45.986	83.848
INTANGIBLE ASSETS				
Industrial property and other rights	23.300	46.595	20.366	39.740
	23.300	46.595	20.366	39.740
CONTRACT COSTS				
Contract costs	26.093	52.319	24.652	50.089
	26.093	52.319	24.652	50.089
LEASES				
Leases	12.686	26.194	12.137	26.783
	12.686	26.194	12.137	26.783
INVESTMENT PROPERTY				
Investment property	-	1	-	1
	-	1	-	1
	102.404	216.620	103.141	200.461

During the first semester of 2018, following the modernisation project of the NOS mobile network, impairment losses were recognised for an approximate amount of 23 million euros.

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

In the semesters ended on 30 June 2018 and 2019, the other non-recurring costs / (gains) was composed as follows:

	2º QUARTER 18 RESTATED	6M 18 RESTATED	2º QUARTER 19	6M 19
GAINS:				
Default interests - offsetting of credits i)	(154)	(27,318)	-	-
	(154)	(27,318)	-	-
COSTS:				
Provisions and costs with lawsuits	-	12,529	-	-
Others	869	2,114	1,697	3,289
	869	14,643	1,697	3,289
TOTAL	715	(12,675)	1,697	3,289

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

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

In the semesters ended on 30 June 2018 and 2019, financing costs and other financial expenses / (income) were composed as follows:

	2º QUARTER 18 RESTATED	6M 18 RESTATED	2º QUARTER 19	6M 19
FINANCING COSTS:				
INTEREST EXPENSE:				
Borrowings	2,975	6,737	3,483	6,924
Finance leases	3,290	6,595	2,067	4,785
Derivatives	405	807	384	780
Others	346	892	195	748
	7,016	15,031	6,129	13,237
INTEREST EARNED	(963)	(2,125)	(1,119)	(2,599)
	6,053	12,906	5,010	10,638
NET OTHER FINANCIAL EXPENSES /(INCOME):				
Comissions and guarantees	2,184	3,241	862	1,392
Others	510	652	176	377
	2,694	3,893	1,038	1,769

Interest earned mainly corresponds to default interests charged to customers.

39. Net earnings per share

Earnings per share for the semesters ended on 30 June 2018 and 2019 were calculated as follow:

	2° QUARTER 18 RESTATED	6M 18 RESTATED	2° QUARTER 19	6M 19
Consolidated net income attributable to shareholders	44,854	79,799	47,735	90,196
Number of ordinary shares outstanding during the period (weighted average)	513,077,700	513,095,404	513,188,134	513,257,132
Basic earnings per share - euros	0.09	0.16	0.09	0.18
Diluted earnings per share - euros	0.09	0.16	0.09	0.18

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

	31-12-2018 RESTATED	30-06-2019
Tax authorities i)	13,382	11,888
Others ii)	9,878	10,208
	23,260	22,096

- i) At 31 December 2018 and 30 June 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 June 2019, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings and guarantees provided to cinema owners, and bank guarantees given to providers of satellite capacity renting services.

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

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

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

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

40.2. Other undertakings

Covenants

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

In addition, approximately 16% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, approximately 5% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA and approximately 4% require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA.

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

Assignment agreements football broadcast rights

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

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

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

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

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

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

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

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

- 1) C. D. Tondela – Futebol, SDUQ, Lda
- 2) Clube Futebol União da Madeira, Futebol, SAD
- 3) Grupo Desportivo de Chaves – Futebol, SAD
- 4) Sporting Clube da Covilhã – Futebol, SDUQ, Lda
- 5) Clube Desportivo Feirense – Futebol, SAD
- 6) Sport Clube de Freamunde – Futebol, SAD
- 7) Sporting Clube Olhanense – Futebol, SAD
- 8) Futebol Clube de Penafiel, SDUQ, Lda
- 9) Portimonense Futebol, SAD

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

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, in order to assure to both companies, directly by the assigning party or indirectly through the transfer to third party content distribution channels or models, the availability of broadcasting rights of the sports clubs home football games, as well as the broadcasting and distribution rights of sports 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).

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 June 2019 and transactions in the semesters ended on 30 June 2018 and 2019 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Balances at 31 December 2018

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

Transactions in the semester ended on 30 June 2018

	REVENUES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	CAPEX
SHAREHOLDERS				
Banco BPI	2,563	49	(104)	-
ASSOCIATED COMPANIES				
Big Picture 2 Films	10	2,405	-	-
Sport TV	796	38,503	-	-
JOINTLY CONTROLLED COMPANIES				
Dreamia Holding BV	13	-	67	-
Dreamia SA	1,806	43	0	-
Finstar	435	-	-	-
Mstar	16	-	-	-
Upstar	5,372	(153)	-	-
ZAP Media	132	-	-	-
OTHER RELATED PARTIES				
Cascaishopping	7	456	-	-
Centro Colombo	13	860	-	-
Continente Hipermercados, S.A.	148	40	-	1
Digitmarket	166	326	-	661
EFACEC Engenharia e Sistemas	-	-	-	203
Gaiashopping	23	231	-	-
Itrust - Cyber Security and Intellig	15	212	-	359
Maishopping	10	200	-	-
Modelo continente hpermercados	1,951	(26)	-	-
MDS Corretor de Seguros, SA	268	-	-	-
Norteshopping	11	822	-	-
Saphety Level - Trusted Services	51	182	-	6
SC-Consultadoria,SA	628	-	-	-
SDSR - Sports Division SR, S.A.	129	-	-	-
Sonae Arauco Portugal, S.A.	228	-	-	-
Sierra Portugal	1,696	104	-	-
Solinca HF	187	-	-	-
Sonae Center II	1,661	46	-	-
Spinveste - Promoção Imobiliária, SA	-	116	-	-
UNITEL S.a.r.l.	1,805	905	-	-
Vasco da Gama	9	505	-	-
We Do Consulting-Sist. de Informação	235	1,355	-	1,822
Worten - Equipamento para o Lar	1,768	739	-	-
SFS - Serviços de Gestão e Marketing	-	185	-	-
Others	1,441	431	-	-
	23,593	48,536	(37)	3,053

Balances at 30 June 2019

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
ASSOCIATED COMPANIES					
Big Picture 2 Films	32	60	353	-	-
Sport TV	142	3,607	2,922	-	4,252
JOINTLY CONTROLLED COMPANIES					
Dreamia Holding BV	2,818	-	-	-	-
Dreamia SA	4,399	1,611	710	-	-
Finstar	12,405	-	-	121	-
Mstar	14	-	-	-	-
Upstar	5,920	62	(48)	295	-
ZAP Cinemas	24	-	-	15	-
ZAP Media	539	-	-	142	-
OTHER RELATED PARTIES					
Centro Colombo	3	38	4	-	133
Centro Vasco da Gama	8	15	-	-	78
Digitmarket-Sistemas de Informação,SA	211	53	-	25	98
S21SEC Portugal- Cybersecurity Serv., S.A.	9	130	-	-	86
Modelo Continente Hipermercados,SA	609	4	23	-	0
MDS Corretor de Seguros, SA	104	-	(0)	-	10
Norteshopping	7	19	-	-	114
SC-Consultadoria,SA	220	-	-	-	-
Sierra Portugal, SA	611	(3)	60	-	5
Sonae Financial Services, S.A.	139	-	-	-	-
Sonae.com,SGPS,SA	77	68	38	-	-
Sonae MC - Serviços Partilhados, SA	605	-	-	-	-
UNITEL S.a.r.l.	2,487	1,481	154	-	-
We Do Consulting-SI,SA	108	1,722	-	-	192
Worten-Equipamento para o Lar,SA	840	258	129	-	-
Others	1,160	106	(2)	-	181
	33,492	9,231	4,343	597	5,149

Transactions in the semester ended on 30 June 2019

	REVENUES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)	CAPEX
ASSOCIATED COMPANIES				
Big Picture 2 Films	69	1,271	-	-
Sport TV	890	38,357	-	-
JOINTLY CONTROLLED COMPANIES				
Dreamia Holding BV	-	-	70	-
Dreamia SA	1,870	(201)	-	-
Finstar	4,665	-	-	-
MSTAR	17	-	-	-
Upstar	1,446	11	-	13
ZAP Media	132	-	-	-
OTHER RELATED PARTIES				
Cascaishopping- Centro Comercial, S.A.	7	385	-	-
Centro Colombo- Centro Comercial, S.A.	8	1,039	-	-
Centro Vasco da Gama-Centro Comercial,SA	7	525	-	-
Continente Hipermercados, S.A.	164	19	-	-
Digitmarket-Sistemas de Informação,SA	159	366	-	498
EFACEC Energia	86	27	-	-
Gaiashopping I- Centro Comercial, S.A.	15	143	-	-
ITRUST - Cyber Security and Intellig.,SA	22	846	-	283
Maishopping- Centro Comercial, S.A.	9	156	-	-
Modelo Continente Hipermercados,SA	1,766	6	-	-
MDS Corretor de Seguros, SA	271	61	-	-
Norteshopping-Centro Comercial, S.A.	8	717	-	-
SC-Consultadoria,SA	619	-	-	-
SDSR - Sports Division SR, S.A.	137	-	-	-
SFS, Gestão e Consultoria, S.A.	3	236	-	-
Sonae Arauco Portugal, S.A.	219	-	-	-
Sonae Financial Services, S.A.	145	-	-	-
Sierra Portugal, SA	1,396	131	-	-
Solinca - Health & Fitness, SA	210	-	-	-
Sonae MC – Serviços Partilhados, SA	1,908	-	-	-
UNITEL S.a.r.l.	1,779	324	-	-
We Do Consulting-SI,SA	264	1,239	-	1,879
Worten-Equipamento para o Lar,SA	1,234	732	-	0
Others	1,432	526	(45)	4
	20,955	46,916	25	2,676

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 2016 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 16 million euros, added interest, and charges. Note that the Group considered that the corrections were unfounded, and contested the amounts mentioned. The Group provided the bank guarantees demanded by the tax authorities in connection with these proceedings, as stated in Note 40.

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

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

- In 2011, MEO brought against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million of Euros, as compensation for alleged unauthorized portability of NOS SA in the period between March 2009 and July 2011. NOS SA presented its defence and reply, and the Court ordered an expert opinion, which was, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor, but of mere delay in sending the documentation by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it sentenced NOS to the payment of approximately 5.3 million euros to MEO, a decision of which only NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied with the decision and did not appeal against the part of the sentence that acquitted the NOS of the requests for compensation that it formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which it gave reason to the claims of NOS, in the sense that they should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice (SCJ), that appeal which found that the facts established by the Court of First Instance and confirmed by the Court of Appeal were insufficient to resolve on the substance of the case. Consequently, the SCJ ordered that the court under appeal should amplify the facts. The case will be referred to the Court of Appeal so that, if it considers that it has the conditions to do so, expands on the facts in the terms intended by the SCJ.
- MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and September 2013 and May 2016) and three to NOS Madeira (March and September 2013 and May 2016), in order to stop the prescription of alleged damages resulting

from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

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

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

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

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

42.4. Action brought by DECO

In March 2018, 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.

42.5. Interconnection tariffs

At 30 June 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 June 2019, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 53,301 thousand

euros. During the semester ended on 30 June 2019, receipts in the amount of 506 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 June 2019, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2017	869,755
Plan 2018	879,145
Plan 2019	741,553

During the semester ended on 30 June 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	(597,096)	(13,945)	(13,153)	-	(624,194)
Cancelled / elapsed / corrected ⁽¹⁾	(132,423)	47,181	47,907	38,976	1,641
BALANCE AS AT 30 JUNE 2019	-	869,755	879,145	741,553	2,490,453

(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 June 2019, the outstanding responsibility related to these plans is 4,511 thousand euros and is recorded in Reserves, for an amount of 3,536 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 975 thousand euros, for plans liquidated in cash.

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

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at 31 December 2018	1,270	5,225	6,495
Costs of plans vested in the period	(642)	(3,752)	(4,394)
Costs incurred in the period and others	347	2,063	2,410
TOTAL COST OF THE PLANS	975	3,536	4,511

44. Subsequent events

On 12 July, NOS announced the signature of an MoU with dstelecom, S.A., establishing the terms and conditions for negotiating the construction and use of a new optic fibre network. The contract, signed between NOS and dstelecom, is for 20 years and covers between 900 thousand and 1.2 million households in Portugal, currently not covered and that are not included either in NOS' FttH rollout plans or encompassed by the network sharing agreement between NOS and Vodafone.

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 30-06-2019	EFFECTIVE 30-06-2019
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Movies exhibition	Lusomundo SII	100%	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda.	Maputo	Movies exhibition and commercialization of other public events	NOS Cinemas	100%	100%	100%
NOS Sistemas, S.A. ('NOS Sistemas')	Lisbon	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Sistemas España, S.L.	Madrid	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Açores Comunicações, S.A.	Ponta Delgada	Distribution of television by cable and satellite and operation of telecommunications services in the Azores area	NOS SA	84%	84%	84%
NOS Audiovisuais, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Communications S.à r.l	Luxembourg	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic communications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas, S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS	100%	100%	100%
NOS TECHNOLOGY - Concepção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis')	Matosinhos	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services	NOS SA	100%	100%	100%
NOS TOWERING - Gestão de Torres de Telecomunicações, S.A. ('Be Towering')	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	100%	100%
Per-Mar - Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS SA	100%	100%	100%
Teliz Holding B.V.	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

B) Associated companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2018	DIRECT 30-06-2019	EFFECTIVE 30-06-2019
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 31-12-2018	DIRECT 30-06-2019	EFFECTIVE 30-06-2019
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%
East Star Ltd (b)	Port Louis	Management of investments involved in the development, operation and marketing, through any technological means, of telecommunications, television and audiovisual products and services	Teliz Holding B.V.	0.00%	0.00%	0.00%
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 31-12-2018	DIRECT 30-06-2019	EFFECTIVE 30-06-2019
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundafrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisbon	Insurance services	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisbon	Insurance services	NOS	0.02%	0.02%	0.02%

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

Limited review report prepared by auditor registered in the CMVM



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Limited review report on the consolidated condensed financial statements

Introduction

We have performed a limited review on the consolidated condensed financial statements of NOS, S.G.P.S., S.A. (the Entity), which comprise the Consolidated Condensed Statement of Financial Position as at 30 June 2019 (which shows a total of 3,062,672 thousand Euros and a shareholders' equity total of 962,978 thousand Euros, including a consolidated net profit attributable to equity holders of the parent of 90,196 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 six 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 June 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, 22 July 2019

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

(Signed)

Sandra e Sousa Amorim - ROC nr. 1213

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

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

- a) The first half 2019 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, situation and results, as well as those of the companies included in its consolidation perimeter;
- b) The management report faithfully portrays the important events occurred in first half 2019 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following six months.

Lisbon, 22 July 2019

Jorge Brito Pereira
(Chairman of the Board of Directors)

Miguel Nuno Santos Almeida
(Chairman of the Executive Committee)

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

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

Jorge Filipe Santos Graça
(Member of the Executive Committee)

Luis Moutinho do Nascimento
(Member of the Executive Committee)

Manuel Ramalho Eanes
(Member of the Executive Committee)

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

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

António Correia Teles
(Member of the Board of Directors)

António Domingues
(Member of the Board of Directors)

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

João Torres Dolores
(Member of the Board of Directors)

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

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

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

Paula Neves de Oliveira
(Member of the Board of Directors)

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

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

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

- a) The first half 2019 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, situation and results of NOS, SGPS, S.A., as well as those of the companies included in its consolidation perimeter;
- b) The management report faithfully portrays the important events occurred in First Half 2019 and its impact on the accounts and contains a description of the main risks and uncertainties for the following six months.

Lisbon, 19 July 2019

José Pereira Alves
(Chairman of the Fiscal Board)

Patrícia Couto Viana
(Member of the Fiscal Board)

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



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