Consolidated
Management Report
1Q20

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Preliminary considerations

- **NOS International Carrier Services ("NICS"):** 1Q20 accounts are adjusted to reflect the announcement of the sale of NICS on 1 April 2020 ("link to announcement"), which is still pending regulatory approval. NICS' accounts are deconsolidated from NOS' Group continued operations and their contribution to Net Results appears as Discontinued Operations. Figures for FY19 have been restated accordingly. As a reference, in 2019 NICS generated Revenues of 141 million euros and its contribution to EBITDA was 1.1 million euros.

- COVID 19: The Portuguese government declared a state of emergency on 18 March, with renewal on 3 April and 17 April. As such, the country has been operating under lock-down with highly restrictive measures in place to minimize the spread of the virus and preserve the capacity of the national health service:

  - Since the start of the pandemic, NOS implemented a full time COVID-19 Crisis Office with the main purpose of providing NOS with the necessary conditions to manage the health, social and economic risks associated with the spread of the virus for its companies, employees and partners, and to monitor and analyse the evolution of the various phases of the pandemic. Priorities of the office are to minimize the health impact to employees and to all those with whom they are in contact and to guarantee business continuity in services considered critical, therefore ensuring availability of key resources – employees, suppliers, agents and partners, amongst others and the need to adapt to the specific requirements of clients. All work is being done in close coordination with the relevant health authorities, namely the Portuguese General Health Directorate.

  - To ensure employee health and safety and business continuity, from an early stage we implemented a number of protective measures such as remote work practices, on site personal protection and reinforced hygiene measures, travel restrictions to employees and visitor travel and also restrictions to participate in non-essential events and meetings. Organizational response to the crisis has been outstanding with more than 95% of NOS' employees working in remote mode even before the national state of emergency was declared, and with 85% of outsourced work forces going remote in record time. Furthermore, thanks to the work of the past years on our digital transformation programme, the level of operational digitalization increased substantially enabling us to sustain best-in-class response levels in customer service and field force interventions. Although this accelerated growth in digitalization levels was triggered by an unprecedented humanitarian crisis, we are encouraged by the potential longer-term efficiency opportunities associated with a more structural shift in consumer behaviour towards online, digital platforms.

  - At a time when citizens are being forced to change their social and professional habits, NOS' key objective is to keep customers connected to their core telecommunications and entertainment services. We have implemented a number of commercial measures with a direct impact on economic and financial performance, namely: an increase in mobile data allowances to provide easier service access, free premium sports channels subscription given the suspension of live sports events, reinforced service and maintenance capacity for the B2B segment and reinforced own store safety measures. Although the formal lock-down was only declared on 16 March, the nationwide implementation of social distancing measures and the clear slowdown in economic activity started to be felt towards the end of February, and as such impacted performance for all of March. The main operating impacts of the pandemic in our 1Q20 revenues were felt namely in:

- Cinemas and Audiovisuals: complete closure of NOS' theatres on 16 March and postponement of a number of movie premieres;
- Roaming and international calls: traffic and revenues impacted by restrictions imposed on international travel;
- Premium sport channels: reduction in revenues with subscriptions being offered for free given the absence of live sports events;
- Equipment: fall in sales due to closure of all non-essential retail activity namely in shopping centres and to general restrictions to circulation; This decline has been compensated to some degree with online sales in the short term, however this could present an opportunity for a longer term shift towards more efficient digital retail platforms;
- Mobile data: stay-at-home policies dictating lower mobile data usage and higher wifi adoption. In addition, NOS upgraded mobile data allowances across the board to its mobile customers offering a 10 GB/30-day subscription to maintain communications and support remote work requirements during their confinement.

- Macroeconomic projections have also led NOS to review internal assumptions and ultimately to reinforce provisions in 1Q20 for accounts receivable and other contractual remunerations. Asset and Goodwill impairment tests were also revisited however no adjustments were made in this case.
- Estimates of future impacts are highly dependant on how much longer the strict containment measures are in place and as such, it is not possible to provide a reliable quantification of the financial impacts. Given the Portuguese Government decision to lift the State of Emergency on 3 May, with progressive easing of restrictive measures, we still expect to have a substantially impacted Q2 with April and May being fully impacted by the lockdown restrictions, and hopefully a gradually more normalized Q3 and Q4.
- Importantly, and in face of the current challenges, NOS has a robust capital structure with Net Debt to EBITDA (after lease contracts) of less than 2x and a strong liquidity position with cash and unused credit lines in excess of 415 million euros. This already sound financial position will be further enhanced with the announced sale of NOS Towering.

1Q20 Highlights

Operating

- Operating activity reflects the initial impacts of restrictions imposed by the COVID-19 related pandemic and subsequent restrictions to circulation and economic activity felt since the end of February;
- The Consumer business sustained a relatively stable level of net adds despite the marked slowdown in sales activity;
- The B2B segment also felt the impact of the economic slowdown, with some pressure felt in the SME segment with customers bracing themselves for the complete shutdown of their commercial operations for an indefinite period and thus, endeavouring to extract cost and payment flexibity;
- Wholesale and Others declined more sharply, with lower roaming in and wholesale mass calling service revenues;
- Strong pace of technological investment reflecting favourable deployment conditions given the strategic nature of the sector and the importance of ensuring best in class network capabilities. Lower commercial investment due to reduced sales activity;
- Complete shutdown of Cinema exhibition on 16 March, driving a sharp decline in box-office sales and distribution revenues, albeit traffic had already started to fall from the beginning of March.

Financial

- Slowdown in activity driving a significant decline in financial metrics, in particular in the Cinema and Audiovisuals and Wholesale segments;
- In the core Telco Unit, decline in Direct Costs with relatively flat Non Direct Costs was not enough to compensate the decline in revenues at the Telco EBITDA level. However, EBITDA decline in the Telco unit was almost compensated by the decline in Customer Related CAPEX, due to the lower level of commercial activity and churn;
- FCF impacted by decline in EBITDA whilst maintining overall levels of total CAPEX;
- Conservative capital structure at less than 2x Net Debt / EBITDA and liquidity further reinforced with successful completion of refinancing deals under stable market conditions;
- NOS Towering sale will further strengthen balance sheet with total potential proceeds of 550 million euros, 375 million euros of which to be received up-front upon finalization of deal.

1Q20 Highlights	1Q19	1Q20	1Q20 / 1Q19
Operating Highlights			
Homes Passed	4,449.5	4,639.6	4.3%
% FttH	27.4%	33.2%	5.9pp
Total RGUs	9,508.5	9,707.9	2.1%
Pay TV RGUs	1,616.8	1,644.0	1.7%
Convergent + Integrated Customers	896.1	942.0	5.1%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	58.5%	60.2%	1.7pp
Mobile RGUs	4,749.5	4,847.1	2.1%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.9	44.2	(1.8%)
Financial Highlights			
Operating Revenues	355.9	345.4	(3.0%)
Telco Revenues	340.4	332.9	(2.2%)
EBITDA	160.2	152.7	(4.6%)
EBITDA Margin	45.0%	44.2%	(0.8pp)
Telco	146.9	141.8	(3.4%)
EBITDA Margin	43.1%	42.6%	(0.5pp)
Net Income Before Associates & Non-Controlling Interests	41.7	(2.0)	n.a.
EBITDA - Total CAPEX Excluding Leasings	72.9	64.5	(11.5%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	42.9	34.6	(19.2%)

Governing Bodies

As at the date of this report, 06 May 2020, NOS' Governing Bodies had the following composition:

Board of Directors

Chairman of the Board of Directors	Ângelo Paupério
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	Ana Rita Cernadas António Domingues António Lobo Xavier António Correia Teles Catarina Tavira Cristina Marques João Torres Dolores Joaquim de Oliveira José Carvalho de Freitas Maria Cláudia de Azevedo

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

Operating Review

Total RGU growth maintained a relatively stable performance with net adds of 20.5 thousand in 1Q20, despite the generalized slowdown in economic activity since lower sales were, in part, compensated by lower market-wide churn rates. Total RGUs increased by 2.1% yoy to 9.708 million services, with Consumer RGUs growing by 2.2% yoy to 8.216 million and Business Services growing 1.4% to 1.492 million. With the institution of pandemic related nationwide restrictions and stay-at-home recommendations, almost all proactive commercial initiatives were put on hold and marketing campaigns focused on institutional positioning and support during this unprecedented crisis. Pay TV subscribers grew by 5.3 thousand in 1Q20, of which 4.4 thousand over fixed access technology and with the DTH subscriber base posting net growth for the first time since 3Q16. The number of fixed broadband and voice customers grew by 10.2 thousand and 8.2 thousand respectively in the quarter, higher than the same quarter last year, further supported towards the end of the quarter by the relevance of residential fixed solutions due to stay-at-home recommendations. Post paid mobile net adds posted yoy growth of 31% to 21 thousand in 1Q20 driving a significant reduction in negative net adds in total mobile RGUs in comparison with the previous year, reducing from -18.2 to -4 thousand in 1Q20.

Customers subscribing to convergent and integrated packages recorded net adds of 11.3 thousand to 942 thousand, representing 60% of the fixed access customer base by the end of the quarter and clear evidence of the importance in the Portuguese market that customers place on taking their fixed and mobile services within the same monthly bill and of their appreciation of high bandwidth and more flexible, made-to-measure tariff plans with high usage allowances and content line up. Average Revenues in fixed residential services posted a marginal yoy decline of 1.8% to 44.2 euros, reflecting a combination of stability in basic monthly contract revenues which was diluted by a decline in more discretionary revenues such as premium channel revenues, off bundle traffic and roaming-out revenues.

On the content front, on 18 March NOS launched "TVI Ficção", a 24-hour channel with a selection of the most popular TVI produced series, soap-operas, sitcoms and mini-series. Already at the beginning of April, NOS launched an exclusive channel, "Casa e Cozinha", (House and Kitchen) specifically designed to appeal to viewers under isolation at home with creative and inspiring ideas for things to do such as new recipes, decoration, fashion and beauty, travel and well-being. "Casa e Cozinha" is produced by Dreamia, 50% owned by NOS and is included in the regular line-up in HD format and with access to all interactive functionalities such as restart TV, automatic and advanced recording and is also available over the NOS TV APP.

The competencies and technological platforms that we have been developing to serve our business customers and to partner in their transformation initiatives have served us well in the past weeks as reflected in our ability to provide fast and technologically cutting-edge support in their own deployment of remote work platforms. During the period we launched a specific offer sharing all internal information prepared for our own crisis response plan, with a regular and time critical flow of information providing customers with a benchmark on how to implement their own response strategies. We also launched a sophisticated Analytics programme to support public institutions and companies to monitor the COVID pandemic. Examples of success in the large corporate space were our ability to implement, in a 24-hour timeframe, IT solutions and platforms, such as VPNs, remote service desks and collaborative tools supporting our customers in their move to work-from-home models. Although acceleration of these kinds of solutions in corporate and large businesses was driven by the pandemic, we believe it provides a platform for future expansion in the portfolio of IT and data solutions we provide our customers, a core element of our strategy for the business segment. On a more negative note, revenues, in particular in the smaller business segment, were impacted by the suspension of payment of premium sports channels in March, and the difficulties felt by many smaller clients to surpass an indefinite period of business shutdown. Wholesale revenues recorded a negative performance in the quarter reflecting the collapse of roaming-in revenues caused by global travel restrictions and also as a result of the decline in low-margin mass calling service (MCS) revenues due to lower game and reality show broadcasting.

Consistent with overall sector trends, traffic volumes have increased exponentially in recent weeks due to the almost overnight shift to remote work and learning platforms from home and the increase in time spent on entertainment and gaming platforms. The increase has been particularly relevant over fixed networks given the stay-at-home restrictions. Given the huge investments made in past years to deploy our nationwide next generation network, both fixed and mobile, with best in class capabilities and service levels, we have successfully withstood the peak in network demand, delivering services with only minimum levels of disruption. This ability to respond effectively in times of crisis, and guarantee critical business and social continuity, is a reflection of the strategic national relevance of nurturing well invested and financially sustainable telecommunications operators in the country.

In this regard, conditions to deploy telecoms infrastructure during this period have been comparatively favourable and as such, we have resumed a normalized pace of FttH expansion. By the end of 1Q20, we had guaranteed access to an additional 27 thousand FttH households net, through own deployment and wholesale access mostly within the framework of our FttH sharing agreement. FttH penetrations as a proportion of our total fixed coverage grew to 33.2% compared with 27.4% at the end of 1Q19 and an additional 1.4pp in comparison with the previous quarter.

The sophistication and resilience of our next generation networks, both fixed and mobile, has really been put to the test over the past weeks with the unprecedented change in usage intensity and traffic profiles, due to the almost overnight implementation of new, remote and digital ways of working and learning from home. The increased video and data usage and traffic related with work, academic, social and entertainment platforms led to a huge step up in traffic usage in a very short time frame. And our network passed with flying colours, delivering consistently best-in-class levels of service quality and experience. The relevance of the feat is evident in the increase in traffic on the network during this exceptional period, with an average of 30% more traffic in both fixed and mobile 4G and with an almost 50% escalation in upstream traffic since the last week of February. The ability to ensure this kind of nationwide service quality bears witness to the ongoing intense technological investment made over the years in both capacity, coverage and technological innovation, providing portuguese consumers with access to the very best network, next generation, capabilities and services at highly competitive prices, which compares particularly well with the vast majority of other international markets.

NOS′ organizational response to the pandemic has been best in class at all levels with the company pioneering incorporation of measures that ensure social distancing recommendations in all processes and interactions whilst, at the same time, launching inclusive initiatives to support and engage employees, customers, communities and business partners. The company-wide digitalization programme we have been pursuing over the past couple of years has provided the pillars to respond with robust and reliable solutions. NOS′ companywide digital transformation programme is focused on addressing customer needs and accelerating the release of new digital features, contributing directly to sustained growth in demand and usage of digital channels. During 1Q20, due to the current context, we reinforced our focus on driving customer takeup of digital touchpoints, having recorded a 51% increase in the number of users of NOS customer service apps and also a marked acceleration of online equipment sales and customer acquisition, all of which key pillars of our digital transformation programme. Several new releases and campaigns were launched during the period, such as the 10GB mobile data allowance available only for redemption over digital channels which generated more than 40% take-up with digital customers. On the customer service front, where the majority of the workforce is outsourced, we were able to transfer 90% of the operation to work-from-home models in a little more than a week. In comparison with normal activity levels, both technical and non-technical inbound demand increased by more than 30% with issues mainly related to clients calling to request increased service capacity, with migration of customer traffic from stores and general enquiries about digital payment options. To meet the shift in demand we were able to reassign staff from frontline commercial activities ensuring 100% remote training for reassigned employees and, despite the significant increase in demand, service response levels were consistently maintained close to 90%. Regarding our installation and technical field force, the processes we have developed to digitalize and simplify customer interactions have proven especially important, enabling our technicians to adapt immediately to Covid-19 driven restrictions whilst still delivering benchmark levels of productivity and response times, and ensuring stringent health protection measures for both technicians and customers from the beginning of the pandemic.

Operating Indicators ('000)	1Q19	1Q20	1Q20 / 1Q19
Telco [(1)]			
Homes Passed	4,449.5	4,639.6	4.3%
Total RGUs	9,508.5	9,707.9	2.1%
o.w. Consumer RGUs	8,037.7	8,216.2	2.2%
o.w. Business RGUs	1,470.8	1,491.7	1.4%
Mobile	4,749.5	4,847.1	2.1%
Pre-Paid	1,995.0	1,983.2	(0.6%)
Post-Paid	2,754.5	2,863.9	4.0%
Pay TV Fixed Access [(2)]	1,326.3	1,360.4	2.6%
Pay TV DTH	290.5	283.7	(2.3%)
Fixed Voice	1,728.0	1,756.7	1.7%
Broadband	1,382.5	1,424.5	3.0%
Others and Data	31.7	35.5	12.0%
3,4&5P Subscribers (Fixed Access)	1,170.0	1,218.2	4.1%
% 3,4&5P (Fixed Access)	88.2%	89.5%	1.3pp
Convergent + Integrated RGUs	4,521.0	4,753.7	5.1%
Convergent + Integrated Customers	896.1	942.0	5.1%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	58.5%	60.2%	1.7pp
% Convergent + Integrated Customers	55.4%	57.3%	1.9pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.9	44.2	(1.8%)
Net Adds			
Homes Passed	55.0	27.0	(50.8%)
Total RGUs	(23.8)	20.5	n.a.
o.w. Consumer RGUs	(33.8)	20.0	n.a.
o.w. Business RGUs	10.0	0.6	(94.4%)
Mobile	(18.2)	(4.0)	(78.1%)
Pre-Paid	(34.3)	(25.0)	(27.0%)
Post-Paid	16.1	21.0	30.8%
Pay TV Fixed Access	1.8	4.4	140.6%
Pay TV DTH	(8.4)	0.9	n.a.
Fixed Voice	(2.6)	8.2	n.a.
Broadband	3.4	10.2	200.6%
Others and Data	0.1	0.7	n.a.
3,4&5P Subscribers (Fixed Access)	6.8	8.8	30.7%
Convergent + Integrated RGUs	38.3	49.1	28.4%
Convergent + Integrated Customers	6.3	11.3	79.0%

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

Cinema and Audiovisuals

Operating Indicators ('000)	1Q19	1Q20	1Q20 / 1Q19
Cinema (1)			
Revenue per Ticket (Euros)	5.2	5.2	0.9%
Tickets Sold - NOS	1,847.2	1,526.6	(17.4%)
Tickets Sold - Total Portuguese Market (2)	3,113.5	2,529.7	(18.7%)
Screens (units)	218	219	0.5%

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

The sales of NOS cinema tickets declined by 17.4% in 1Q20, to 1.527 million tickets, a reflection of the performance of the market as a whole[1], which declined by 18.7% in the same period. Performance of the cinema exhibition business was clearly impacted by the COVID-19 pandemic, with NOS' cinemas being shut from 16 March. At the end of February, NOS' cinema exhibition business was growing well and outperforming the market, with year-to-date growth of 15.1% in terms of attendance, which compares with 12.1% for the market as a whole. The top films exhibited by NOS in 1Q20 were "1917", "Bad Boys For Life", "Birds of Prey (and the Fantabulous Emancipation of One Harley Quinn)", "Jumanji: The Next Level" and "Sonic The Hedgehog". The average revenue per ticket, of 5.2 euros for 1Q20, marginally improved by 0.9% yoy. NOS' gross box-office revenues decreased by 16.7% in 1Q20, which compares with 17.4% for the market as a whole. Until the end of February, NOS was up by 16.3% year-to-date, with the market improving by 14.1%.

In the Audiovisuals area, NOS distributed 5 out of the top 10 cinema box-office hits in 1Q20, "1917", "Birds of Prey (and the Fantabulous Emancipation of One Harley Quinn)", "Sonic The Hedgehog", "Star Wars: Episode IX - The Rise of Skywalker" and "Frozen II", maintaining its status of clear leadership in this market.

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

Financial Performance

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

Profit and Loss Statement (Millions of Euros)	1Q19	1Q20	1Q20 / 1Q19
Operating Revenues	355.9	345.4	(3.0%)
Telco	340.4	332.9	(2.2%)
Consumer Revenues	244.1	243.6	(0.2%)
Business Revenues	72.2	71.6	(0.8%)
Wholesale and Others	24.1	17.7	(26.6%)
Audiovisuals & Cinema [1]	25.8	21.8	(15.5%)
Others and Eliminations	(10.3)	(9.3)	(9.3%)
Operating Costs Excluding D&A	(195.7)	(192.7)	(1.6%)
Direct Costs	(100.7)	(97.7)	(3.0%)
Non-Direct Costs [2]	(95.0)	(95.0)	(0.0%)
EBITDA [3]	160.2	152.7	(4.6%)
EBITDA Margin	45.0%	44.2%	(0.8pp)
Telco	146.9	141.8	(3.4%)
EBITDA Margin	43.1%	42.6%	(0.5pp)
Cinema Exhibition and Audiovisuals	13.3	10.9	(17.9%)
EBITDA Margin	51.6%	50.1%	(1.5pp)
Depreciation and Amortization	(97.3)	(100.5)	3.2%
(Other Expenses) / Income	(3.3)	(45.7)	n.a.
Operating Profit (EBIT) [4]	59.5	6.5	(89.0%)
Share of profits (losses) of associates and joint ventures	0.2	(8.8)	n.a.
(Financial Expenses) / Income	(6.4)	(5.7)	(10.8%)
Income Before Income Taxes	53.3	(8.0)	n.a.
Income Taxes	(11.4)	(2.9)	(74.9%)
Net Income Before Associates & Non-Controlling Interests	41.7	(2.0)	n.a.
Income From Continued Operations	41.9	(10.9)	n.a.
o.w. Attributable to Non-Controlling Interests	0.1	0.4	n.a.
Discontinued Operations	0.4	0.1	(67.5%)
Net Income	42.5	(10.4)	n.a.

(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.

As explained in the preliminary notes at the start of this report, several business segments have been particularly impacted by the restrictions imposed. Within the Telco sector, the biggest impacts were felt in terms of: i) revenues from premium channel subscriptions, which are being offered free of charge to subscribers during this period due to the fact that no live matches are being broadcast; ii) roaming and international travel revenues which have dropped to absolute lows due to the restrictions on non-essential international travel; iii) pressure in the B2B segment, with some companies being forced to negotiate their cost structure and payment terms and also in the Wholesale and Others line, due to lower roaming in and wholesale mass calling service revenues; iv) lower equipment sales due to the closure of all non-essential retail activity, in particular of shopping centres. The Cinema and Audiovisual business is the most impacted on a relative basis given the complete closure of exhibition theatres since 16 March, and postponement of movie premieres, driving a collapse in ticket sales and lower audiovisuals revenues given the latter's high dependence on cinema distribution activity.

Financial statements are also impacted by the deconsolidation of NICS due to the announcement of its sale on 1 April 2020. As the transaction is still pending regulatory approval, NICS' contribution to results is recorded in the P&L under discontinued operations. All accounts have been restated to reflect the adjustment as from 1Q19. For reference, in full year 2019, NICS contributed to consolidated accounts with revenues of 141 million euros and EBITDA of 1.1 million euros.

Revenues

Consolidated revenues fell 3% yoy to 345.4 million euros, as a result of the significant slowdown in commercial activity as from mid-March as discussed above, before the nationwide pandemic related restrictions started to be implemented.

In the Telco segment, revenues fell by 2.2% yoy to 332.9 million euros reflecting different patterns between segments.

The Consumer segment recorded a marginal decline yoy in revenues of 0.2% to 243.6 million euros, combining a decline of 1.8% in Residential Revenues to 196.3 million euros, explained by the aforementioned decline in premium sports channel revenues, discretionary traffic and roaming-out revenues and by lower DtH subscriber numbers yoy and a 7.1% increase in stand -alone mobile revenues. Business revenues posted a decline of 0.8% yoy to 71.6 million euros, similarly affected by lower revenues from premium channel sales and discretionary traffic and roaming out revenues and also due to significantly lower volumes of equipment sales. Other Telco and Wholesale revenues fell to 17.7 million euros yoy driven by the negative impact primarily from lower roaming-in revenues, mass calling service revenues and advertising revenues.

The impact of the pandemic on the cinema business was felt from the beginning of the month with a significant reduction in spectators in the build up to the nationwide lock-down and subsequent closure of the theatres on 16 March. The impact on quarterly numbers was material and is set to continue until lock-down restrictions are lifted and with gradual recovery thereon. Total Cinema and Audiovisuals Revenues fell by 15.5% to 21.8 million euros with a drop in Cinema Revenues of 16.8% to 11.5 million euros and in Audivisuals Revenues of 19.3% to to 12.2 million euros, the latter due to its almost 50% revenue exposure to cinema distribution.

EBITDA and Net Results

Total OPEX fell by 1.6% in 1Q20 to 192.7 million euros with the direct cost base down by 3% yoy to 97.7 million euros, in line with the decline in Revenues and with the largest savings deriving from the more than 50% reduction in cinema royalties and mass-calling interconnection costs. Non-direct costs remained flat reflecting a combination of lower commercial costs due primarily to a postponement of regular advertising campaigns for the period. This was offset in main part by a yoy increase in duct and circuit related costs, the latter led by the increased scale of the network.

Consolidated EBITDA fell by 4.6% to 152.7 million euros combining a 3.4% decline in Telco EBITDA to 141.8 million euros and a 17.9% decline in Audiovisuals and Cinema EBITDA to 10.9 million euros, the latter decline a reflection of the complete closure of the cinema theatres in March due to the COVID-19 pandemic. Variable costs represent a little more than 60% of OPEX in the cinema operation, under more normal operating circumstances, related mostly with royalties.

Net Results in 1Q20 were negative by 10.4 million euros led by a decline in EBIT to 6.5 million euros. Due to the impacts of the COVID-19 pandemic, non-recurrent items increased by 42.4 million euros, the majority of which reflecting reinforcement of operating provisions for customer bad debt, onerous contracts and personal protective equipment. Net financial expenses were 10.8% lower yoy at 5.7 million euros, reflecting lower levels of average gross debt and respective average cost of debt. Contribution from Associated Companies deteriorated significantly yoy to losses of 8.8 million euros, with similar negative contribution from Sport TV due to impairments recorded in the quarter and at ZAP due to provisions booked. Finally, provisions for taxes reduced to 2.9 million euros, from 11.4 million euros in 1Q19, led by the significantly lower level of Earnings Before Taxes.

CAPEX

CAPEX (Millions of Euros) (1)	1Q19	1Q20	1Q20 / 1Q19
Total CAPEX Excluding Leasing Contracts	87.3	88.2	1.1%
Telco	81.7	81.8	0.1%
% of Telco Revenues	24.0%	24.6%	0.6pp
o.w. Technical CAPEX	44.9	48.5	7.9%
% of Telco Revenues	13.2%	14.6%	1.4pp
Baseline Telco	32.8	29.8	(9.0%)
Network Expansion / Substitution and Integration Projects and Others	12.1	18.7	53.7%
o.w. Customer Related CAPEX	36.8	33.4	(9.4%)
% of Telco Revenues	10.8%	10.0%	(0.8pp)
Audiovisuals and Cinema Exhibition	5.5	6.4	16.2%
Leasing Contracts	3.7	11.3	203.2%
Total Group CAPEX	91.0	99.5	9.4%

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

Total CAPEX in 1Q20 of 88.2 million euros (excluding leasing contracts) was marginally higher than the levels of the previous year with Telco CAPEX in line at 81.8 million euros, representing 24.6% of Telco Revenues. Technical telco CAPEX was 7.9% higher at 48.5 million euros with expansionary CAPEX up by 53.7% yoy at 18.7 million euros, the majority of which relating to the FttH deployment programme underway, which was fully maintained, guaranteeing service providers with much needed continuity of service. Customer Related CAPEX was down 9.4% yoy at 33.4 million euros as a consequence of the lower level of commercial activity driving lower contract related sales commissions, installation costs and investment in customer premise equipment.

With the implementation of IFRS16 as from 2019, and as in previous quarters, the level of operational leasing contracts is isolated in the table 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.

Cash Flow

Cash Flow (Millions of Euros)	1Q19	1Q20	1Q20 / 1Q19
EBITDA	160.2	152.7	(4.6%)
Total CAPEX Excluding Leasings	(87.3)	(88.2)	1.1%
EBITDA - Total CAPEX Excluding Leasings	72.9	64.5	(11.5%)
% of Revenues	20.5%	18.7%	(1.8pp)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(7.8)	(4.5)	(41.8%)
Leasings (Capital & Interest) (1)	(16.0)	(15.6)	(2.7%)
Operating Cash Flow	49.1	44.4	(9.6%)
Interest Paid	(3.0)	(2.6)	(12.2%)
Income Taxes Paid	(0.4)	(3.6)	n.a.
Disposals	0.4	0.0	(94.1%)
Other Cash Movements (2)	(3.3)	(3.6)	8.5%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	42.9	34.6	(19.2%)
Financial Investments	0.0	0.0	n.a.
Acquisition of Own Shares	0.0	0.0	n.a.
Dividends	0.0	0.0	n.a.
Free Cash Flow	42.9	34.6	(19.2%)
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(3.4)	(3.1)	(9.8%)
Change in Net Financial Debt	(39.5)	(31.5)	(20.0%)

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

Free Cash Flow Before Dividends decreased in 1Q20 to 34.6 million euros as a consequence of the 11.5% yoy decline in EBITDA – CAPEX to 64.5 million euros which was in part offset by the lower level of non-cash adjustments and change in working capital and marginally lower cash lease charges that, in combination, drove a decline in Operating Cash Flow of 9.6% to 44.4 million euros.

The absolute decline in Operating Cash Flow of 4.7 million euros in 1Q20 was lower than the decline in Consolidated Revenues of 10.5 million euros and in EBITDA of 7.4 million, indicative of some ability to partially contain business activity impacts on cash generation.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	1Q19	2019	1Q20	1Q20 / 1Q19
Non-current Assets	2,510.5	2,534.3	2,533.1	0.9%
Current Assets	518.7	553.8	520.2	0.3%
Total Assets	3,029.2	3,088.2	3,085.7	1.9%
Total Shareholders' Equity	1,098.1	1,012.3	1,002.4	(8.7)%
Non-current Liabilities	1,147.6	1,333.3	1,412.3	23.1%
Current Liabilities	783.6	742.5	640.8	(18.2)%
Total Liabilities	1,931.2	2,075.9	2,083.3	7.9%
Total Liabilities and Shareholders' Equity	3,029.2	3,088.2	3,085.7	1.9%

Capital Structure and Funding

At the end of 1Q20, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,311.1 million euros. Total Debt stood at 1,127.5 million euros and was offset with a cash and short-term investment position on the balance sheet of 65.4 million euros. At the end of 1Q20, NOS also had 350 million euros in unissued commercial paper programmes.

The all-in average cost of debt stood at 1.1% for 1Q20 which compares with 1.7% in 1Q19. Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.9x. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that NOS is committed to maintain.

The average maturity of debt at the end of 1Q20 was 3.0 years. Taking into account loans issued at a fixed rate, interest rate hedging operations in place and the negative interest rate environment, as at 31 March 2020, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 100%.

On 27 March, NOS announced that it had reached agreements regarding the contractual terms for three financing deals for a total amount of 280 million euros, with three banking institutions:

- 100 million euros maturing in 2025, with Santander, to refinance existing facilities that mature in 2020;
- 90 million euros with BPI and 90 million euros with BBVA, both maturing in 12 months with a view to increase liquidity.

These transactions will enable NOS to refinance all facilities maturing in 2020 and will significantly increase its liquidity position, whilst increasing average debt maturity and maintaining a very attractive average cost of debt.

Net Financial Debt (Millions of Euros)	1Q19	2019	1Q20	1Q20 / 1Q19
Short Term	180.3	84.6	23.1	(87.2%)
Medium and Long Term	826.1	1,021.8	1,104.4	33.7%
Total Debt	1,006.4	1,106.4	1,127.5	12.0%
Cash and Short Term Investments	3.0	12.8	65.4	n.a.
Net Financial Debt (1)	1,003.4	1,093.6	1,062.1	5.8%
Net Financial Debt / EBITDA after lease payments (last 4 quarters) (2)	1.8x	1.9x	1.9x	n.a.
Leasings and Long Term Contracts	240.6	253.7	249.0	3.5%
Net Debt	1,244.0	1,347.3	1,311.1	5.4%
Net Debt / EBITDA	2.0x	2.1x	2.1x	n.a.
Net Financial Gearing (3)	53.3%	57.3%	56.8%	3.6pp

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

Subsequent Events

NOS International Carrier Services (NICS) sale to Tofane Global (1 April 2020)

NOS announced it had reached an agreement with Tofane Global, S.A.S. to sell all of NOS International Carrier Services S.A.´s share capital to iBasis, TOFANE's fully owned subsidiary and to supply NOS group companies with wholesale international voice and SMS services, which were previously provided by NOS ICS. Completion of this agreement is subject to non-opposition by the Competition Authority. In 2019 NOS ICS generated revenues of approximately €141 million and contributed with €1.1 million euros to NOS' Consolidated EBITDA. Considering the approval of the transaction before 31 March 2020, accounts have been restated accordingly for 1Q20 and for FY19. With this transaction, NOS will increase its focus on its core telecom business whilst optimizing the underlying cost structure for international voice and SMS traffic.

NOS Tower Sale to Cellnex (14 April 2020)

NOS announced it had reached an agreement to sell 100% of the share capital of NOS Towering S.A. to Cellnex, encompassing the disposal of approximately 2,000 sites (towers and rooftops). The parties also signed a long-term agreement whereby Cellnex will provide NOS Group with active network hosting over the passive infrastructure acquired, for a period of 15 years which renews automatically for equal periods. In addition, this agreement foresees a perimeter increase of up to 400 additional sites over the next 6 years. The execution of these agreements is subject to the verification of the usual conditions in this type of transaction, notably, if applicable, the non-opposition by the Competition Authority. This operation, which will be accounted as a sale and lease back transaction, was approved after 31 March 2020.

The potential value of the agreements to be reached over a 6-year period is 550 million euros, with an upfront payment of approximately 375 million euros. The expected impact on pro forma operating cash flow for NOS in year 1 is approximately 22 million euros, therefore driving an implied multiple on the initial 2000 site perimeter of 17x and a combined multiple for the full perimeter of 20x. Given IFRS16 accounting standards the appropriate multiple for valuation comparisons should be EV/OCF impact as lease contract costs are accounted below EBITDA.

This agreement will enable NOS to continuously optimize and expand its state-of-the-art mobile network, while reinforcing its ability to invest in the long-term value of the company. By joining forces with Cellnex in Portugal, through this strategic partnership, NOS ensures the supply of current and future needs of its passive mobile infrastructure. In addition to this agreement, NOS will continue to pursue other investment efficiency opportunities.

Consolidated Financial Statements

Condensed consolidated statement of financial position at 31 March 2019, 31 December 2019 and 31 March 2020

(Amounts stated in thousands of euros)

	NOTES	31-03-2019	31-12-2019	31-03-2020
ASSETS				
NON - CURRENT ASSETS				
Tangible assets	7	1,029,593	1,034,813	1,042,680
Investment property		658	653	649
Intangible assets	8	1,018,924	1,014,066	1,009,038
Contract costs	9	164,381	163,101	162,028
Rights of use	10	189,557	218,383	215,575
Investments in jointly controlled companies and associated companies	11	20,014	18,244	12,943
Accounts receivable - other	12	4,542	4,064	3,630
Tax receivable	13	149	149	149
Other financial assets non-current		209	439	399
Deferred income tax assets	14	82,318	80,428	86,053
Derivative financial instruments	19	166	-	-
TOTAL NON - CURRENT ASSETS		2,510,512	2,534,342	2,533,144
CURRENT ASSETS:				
Inventories	15	42,062	34,081	37,344
Accounts receivable - trade	16	339,097	361,712	285,416
Contract assets	17	60,480	68,059	67,490
Accounts receivable - other	12	21,669	28,128	21,107
Tax receivable	14	3,320	4,631	6,797
Prepaid expenses	18	48,402	43,954	36,139
Non-current assets held-for-sale		600	450	450
Derivative financial instruments	19	154	-	17
Cash and cash equivalents	20	2,954	12,819	65,393
CURRENT ASSETS FROM CONTINUING OPERATIONS		518,738	553,834	520,153
Assets held for sale	45	-	-	32,354
TOTAL CURRENT ASSETS		518,738	553,834	552,507
TOTAL ASSETS		3,029,250	3,088,176	3,085,651
SHAREHOLDER'S EQUITY				
Share capital	21.1	5,152	5,152	5,152
Capital issued premium	21.2	854,219	854,219	854,219
Own shares	21.3	(8,134)	(14,655)	(9,325)
Legal reserve	21.4	1,030	1,030	1,030
Other reserves and accumulated earnings	21.4	196,158	16,041	154,982
Net Income		42,461	143,494	(10,355)
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,090,886	1,005,281	995,703
Non-controlling interests	22	7,196	7,042	6,657
TOTAL EQUITY		1,098,082	1,012,322	1,002,360
LIABILITIES				
NON - CURRENT LIABILITIES				
Borrowings	23	1,002,106	1,216,847	1,295,617
Provisions	24	127,020	94,959	95,496
Accounts payable - other	28	7,632	3,855	3,873
Accrued expenses	25	293	667	521
Deferred income	26	5,418	5,123	5,025
Derivative financial instruments	19	-	265	485
Deferred income tax liabilities	14	5,139	11,626	11,239
TOTAL NON - CURRENT LIABILITIES		1,147,609	1,333,343	1,412,256
CURRENT LIABILITIES:				
Borrowings	23	244,837	143,281	80,875
Accounts payable - trade	27	243,341	259,499	252,712
Accounts payable - other	28	40,149	33,835	35,393
Tax payable	13	31,293	68,202	73,473
Accrued expenses	25	191,113	203,726	170,139
Deferred income	26	32,005	33,834	27,916
Derivative financial instruments	19	822	135	338
CURRENT LIABILITIES FROM CONTINUING OPERATIONS		783,559	742,511	640,846
Liabilities directly associated with the assets held for sale	45	-	-	30,189
TOTAL CURRENT LIABILITIES		783,559	742,511	671,035
TOTAL LIABILITIES		1,931,168	2,075,854	2,083,291
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		3,029,250	3,088,176	3,085,651

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

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 31 March 2020.

The Chief Accountant

The Board of Directors

Condensed consolidated statement of income by nature for the quarters ended on 31 March 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	3M 19 REPORTED	3M 19 RESTATED*	3M 20
REVENUES:				
Services rendered		360,880	331,469	322,224
Sales		19,424	19,424	18,219
Other operating revenues		5,012	5,012	4,941
	29	385,316	355,905	345,384
COSTS, LOSSES AND GAINS:				
Wages and salaries	30	20,162	20,079	21,148
Direct costs	31	122,224	93,527	90,675
Costs of products sold	32	13,916	13,916	14,756
Marketing and advertising		6,289	6,289	5,365
Support services	33	20,979	20,979	21,475
Supplies and external services	33	28,852	28,767	27,610
Other operating losses / (gains)		121	121	150
Taxes		8,764	8,764	8,240
Provisions and adjustments	34	3,294	3,294	3,237
Depreciation, amortisation and impairment losses	7, 8, 9 e 36	97,320	97,320	100,474
Reestructuring costs	37	1,913	1,913	578
Losses / (gains) on sale of assets, net		(182)	(182)	(25)
Other losses / (gains) non recurrent net	38	1,592	1,592	45,183
		325,244	296,379	338,866
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES		60,072	59,526	6,518
Net losses / (gains) of affiliated companies	11 e 35	(198)	(198)	8,824
Financial costs	39	5,628	5,628	4,664
Net foreign exchange losses / (gains)		51	51	150
Net losses / (gains) on financial assets		(3)	(3)	58
Net other financial expenses / (income)	39	731	731	841
		6,208	6,208	14,537
INCOME BEFORE TAXES		53,864	53,318	(8,019)
Income taxes	14	11,493	11,370	2,852
NET CONSOLIDATED INCOME FROM CONTINUING OPERATIONS		42,371	41,948	(10,871)
Net consolidated income from discontinued operadtions	45	-	423	138
NET CONSOLIDATED INCOME		42,371	42,371	(10,733)
ATTRIBUTABLE TO:				
NOS Group Shareholders		42,461	42,461	(10,355)
Non-controlling interests	22	(90)	(90)	(378)
EARNINGS PER SHARES				
Basic - euros	40	0.08	0.08	(0.02)
Diluted - euros	40	0.08	0.08	(0.02)
EARNINGS PER SHARES FROM CONTINUING OPERATIONS				
Basic - euros	40	0.08	0.08	(0.02)
Diluted - euros	40	0.08	0.08	(0.02)

*Restatement resulting from the classification of NOS International Carrier Services as a discontinued operating unit (note 45).

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

The Notes to the Financial Statements form an integral part of the consolidated statement of income by nature for the quarter ended on 31 March 2020.

The Chief Accountant

The Board of Directors

Condensed consolidated statement of comprehensive income for the quarters ended on 31 March 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	3M 19 REPORTED	3M 19 RESTATED	3M 20
NET CONSOLIDATED INCOME		42,371	42,371	(10,733)
OTHER INCOME				
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:				
Accounting for equity method	11	234	234	(1,064)
Fair value of interest rate swap	19	389	389	21
Deferred income tax - interest rate swap	19	(88)	(88)	(5)
Fair value of equity swaps	19	35	35	(164)
Deferred income tax - equity swap	19	(8)	(8)	37
Currency translation differences and others		(20)	(20)	(35)
INCOME RECOGNISED DIRECTLY IN EQUITY		542	542	(1,210)
TOTAL COMPREHENSIVE INCOME		42,913	42,913	(11,943)
ATTRIBUTABLE TO:				
NOS Group Shareholders		43,003	43,003	(11,565)
Non-controlling interests		(90)	(90)	(378)
		42,913	42,913	(11,943)

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

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the quarter ended on 31 March 2020.

The Chief Accountant

The Board of Directors

Condensed consolidated statement of changes in shareholders' equity for the quarters ended on 31 March 2019 and 2020

(Amounts stated in thousands of euros)

		ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS							
	NOTES	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME	NON - CONTROLLING INTERESTS	TOTAL
BALANCE AS AT 1 JANUARY 2019		5,152	854,219	(12,132)	1,030	60,276	137,770	7,296	1,053,611
Result appropriation									
Transfers to reserves		-	-	-	-	137,770	(137,770)	-	-
Distribution of own shares - share incentive scheme	21.3	-	-	3,659	-	(3,659)	-	-	-
Distribuition of own shares - other remunerations	21.3	-	-	339	-	(13)	-	-	325
Share Plan - costs incurred in the period and others		-	-	-	-	1,242	-	(10)	1,232
Comprehensive Income		-	-	-	-	542	42,461	(90)	42,913
BALANCE AS AT 31 MARCH 2019		5,152	854,219	(8,134)	1,030	196,158	42,461	7,196	1,098,082
BALANCE AS AT 1 JANUARY 2020		5,152	854,219	(14,655)	1,030	16,041	143,494	7,042	1,012,322
Result appropriation									
Transfers to reserves		-	-	-	-	143,494	(143,494)	-	-
Distribution of own shares - share incentive scheme	21.3	-	-	4,820	-	(4,820)	-	-	-
Distribuition of own shares - other remunerations	21.3	-	-	510	-	(235)	-	-	275
Share Plan - costs incurred in the period and others	44	-	-		-	1711.851	-	(7)	1,705
Comprehensive Income		-	-	-	-	(1,210)	(10,355)	(378)	(11,943)
BALANCE AS AT 31 MARCH 2020		5,152	854,219	(9,325)	1,030	154,982	(10,355)	6,657	1,002,360

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

The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the quarter ended on 31 March 2020.

The Chief Accountant

The Board of Directors

Condensed consolidated statement of cash flows for the quarters ended on 31 March 2019 and 2020

(Amounts stated in thousands of euros)

	NOTES	3M 19	3M 20
OPERATING ACTIVITIES			
Collections from clients		498,332	413,751
Payments to suppliers		(266,517)	(192,090)
Payments to employees		(25,507)	(24,739)
Receipts / (Payments) relating to income taxes		(390)	(2,497)
Other cash receipts / (payments) related with operating activities		(30,179)	(32,524)
CASH FLOW FROM OPERATING ACTIVITIES (1)		175,739	161,901
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments		91	-
Tangible assets		491	52
Interest and related income		1,524	736
		2,106	788
PAYMENTS RESULTING FROM			
Tangible assets		(68,697)	(57,726)
Intangible assets and contract costs		(46,145)	(51,020)
		(114,842)	(108,746)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(112,736)	(107,958)
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		4,000	57,001
		4,000	57,001
PAYMENTS RESULTING FROM			
Borrowings		(31,000)	(29,998)
Lease rentals (principal)		(15,270)	(15,999)
Interest and related expenses		(6,962)	(5,808)
		(53,232)	(51,805)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(49,232)	5,196
Change in cash and cash equivalents (4)=(1)+(2)+(3)		13,771	59,139
Effect of exchange differences		(16)	(35)
Cash and cash equivalents at the beginning of the year		(17,754)	3,301
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(3,999)	62,405
Cash and cash equivalents	20	2,954	65,393
Bank overdrafts	23	(6,953)	(2,988)
		(3,999)	62,405

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

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the quarter ended on 31 March 2020.

The Chief Accountant

The Board of Directors

Notes to the condensed consolidated financial statements as at 31 March 2020

(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 June 2014, because of the launch of the new brand “NOS” on 16 May 2014, the General Meeting of Shareholders approved the change of the Company’s name to NOS, SGPS, S.A..

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

NOS shares are listed on the Euronext Lisbon market. The shareholders’ structure of the Group as at 31 March 2020 is shown in Note 21.

The business of NOS Comunicações, S.A. (“NOS SA”) and its subsidiaries, NOS Açores, NOS Madeira, NOS International Carrier Services (discontinuing operations) and NOS wholesale is: 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 these companies is regulated by Law no. 5/2004 (Electronic Communications Law), which establishes the legal regime governing electronic communications networks and services.

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

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

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

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

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

The consolidated financial statements for the quarter ended on 31 March 2020 were approved by the Board of Directors and their issue authorised on 06 May 2020. At the present date, the financial statements for the financial year ended on 31 December 2019, have not yet been approved by the General Meeting of Shareholders, as a result of the current context caused by COVID-19 (Note 46), and they are expected to be approved within the deadlines legally provided for and changed after the situation created by COVID-19. In addition, no significant impacts are expected on the management and operation of NOS, due to the postponement of the General Shareholders' Meeting, with no impact in terms of the company's capital structure. NOS 'capital structure is within the 2x Net Financial Debt / EBITDA After Leasings Payments threshold, so the Board of Directors believes that the company will overcome the negative impacts caused by this crisis, without disruption of business continuity.

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 were prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Therefore, these financial statements do not include all the information required by IFRS, so they must be read in conjunction with the consolidated financial statements for the year ended on 31 December 2019.

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 2.3.20.

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 2.3.23).

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. Similary, the income statements by nature are restated.

During the quarter ended on 31 March 2020, the income statements by nature related to the quarter ended on 31 March 2019, were restated due to the classification of NOS International Carrier Services as a discontinued unit (Note 45).

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 2020 are as follows:

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

No material impacts are estimated on the Company's financial statements from the application of these standards and amendments.

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

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

- 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 useful and consistent accounting model for insurance contracts between entities that issue them globally.
- IAS 1 (amendment), "Presentation of financial statements". The change of is standard is intended to clarify the classification of liabilities as current or non-current.

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.

Holdings in entities without significant influence

Investments made by the Group in entities where it does not have significant influence are initially recorded at cost and subsequently measured at fair value through profit or loss.

These investments are presented under "Other financial assets non-current" in the statement of financial position and changes in fair value are recorded against "Net losses / (gains) of affiliated companies" in the statement of income.

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.

In the quarter ended on 31 March 2020, these costs refer, mainly, to non-recurring expenses caused by the slowdown in the Portuguese economy, resulting from the measures adopted to combat the new coronavirus COVID-19.

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 (Note 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:

	2019 (YEARS)	2020 (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

2.3.4. Intangible assets

Intangible assets 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.

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:

	2019 (YEARS)	2020 (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. Contract costs

This item corresponds to costs incurred in attracting customers and costs associated with fulfilling a contract that are capitalized whenever they meet all of the following criteria:

i) they are related to an existing contract or a specific future contract;
ii) generate or increase resources that will be used in the future;
iii) costs are expected to be recovered; and
iv) they are not already covered by the scope of another standard, such as inventories, tangible or intangible assets.

These costs are recognised for the period expected to fulfill the contract (2 to 4 years).

The costs of attracting customers are essentially:

i) Commissions paid to third parties with the acquisition of new contracts / new customers;
ii) Commissions paid to third parties for upgrading the services provided;
iii) Commissions paid to third parties for renewal of loyalty of services and offers to customers; and
iv) Several commissions with revenue collection.

The costs associated with fulfilling the contracts are essentially:

i) Costs incurred with the portability of mobile / fixed numbers of other operators;
ii) Variable costs, variables, incurred with the activation of services contracted by customers.

2.3.6. 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.

2.3.7. 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).

2.3.8. 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.

2.3.9. 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.

2.3.10. Derivative financial instruments

Initial and subsequent recognition

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

In terms of hedge accounting, hedges are classified as:

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

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

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

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

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

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

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

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

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

In the quarter ended on 31 March 2020, 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.

2.3.11. 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 41), 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.

2.3.12. 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 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.

2.3.13. 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.

2.3.14. 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 judgement as to whether each contract depends on a specific asset, if NOS obtains substantially all the economic benefits from the use of that asset and whether NOS has the right to control the use of the asset.

All contracts that constitute a lease are accounted for based on 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 liability is 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.

2.3.14.1. 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.

2.3.14.2. 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.

2.3.15. 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).

2.3.16. Share-based payments

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

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

The cost is recognised, linearly over the period in which the service is provided by employees, under the caption "Wages and salaries" in the income statement, with the corresponding increase in "Other reserves" in equity.

The accumulated cost recognised at the date of each statement of financial position up to the vesting reflects the best estimate of the number of own shares that will be vested, weighted by the tire elapse between the grant and the vesting. The impact on the income statement each year corresponds to the accumulated cost valuation between the beginning and the end of the year.

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

2.3.17. 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.

2.3.18. Revenue

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

i) Revenues of Communications 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 which revenue is recognized according to the exhibition period of the movie and when the sell occurs, 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 is recognized 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 in each call or recharge, that might be exchanged, over a limited period, for discounts in equipment purchase. In each reporting period, NOS recognises the current liability with discounts to be awarded in the future. This responsibility is calculated based on the amount of points awarded and not yet used, discounted from the estimate of points that will not be used (based on the history of use) and valued based on the offer available at each time for the use of points (specific catalog).

The recognition of liability configures a deferred income (until the date on which the points are definitively converted into benefits), which is recognised at the time of the use of the discount, as a revenue accrual.

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 43). From 1 January 2015, Revenue from penalties is recognised based on an estimated collectability rate, considering the Group's collection history.

In the quarter ended on 31 March 2020, due to the impacts resulting from the new coronavirus and the estimated reduction in collections, expected credit losses were recognised for all accounts receivable from penalties. The revenue from penalties is recognised in the "Other income" item upon receival.

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.

2.3.19. Accruals

Group's revenues and costs are recognised in accordance with the accrual's 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 2.3.13).

2.3.20. 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;
- 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;
- 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
dec/18	Year 2014	241.1	338.8
sept/19	Year 2014	270.2	379.7

In the last quarter of 2019, the Angolan economy was no longer considered a hyperinflationary economy.

IAS 29 - Financial Reporting in Hyperinflationary Economies provides that "when an economy ceases to be hyperinflationary, the company should treat the amounts expressed in the current unit of measurement at the end of the previous reporting period, as the basis for the carrying amounts in its statements subsequent financial statements ". In this way, the adjustments / revaluations, carried out until the end of the classification as a hyperinflationary economy, are treated as a considered cost / ("deemed cost") and recognised in the same proportion as the assets that gave rise to it.

At 31 December 2019 and 31 March 2020, 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:

	31-12-2019	31-03-2020
US Dollar	1.1234	1.0956
Angolan Kwanza	536.2617	562.4569
British Pound	0.8508	0.8864
Mozambican Metical	68.7000	73.300
Canadian Dollar	1.4598	1.5617
Swiss Franc	1.0854	1.0585
Real	4.5157	5.7001

In the quarters ended on 31 March 2019 and 2020, the income statements of subsidiaries expressed in foreign currencies were converted to euros at the average exchange rates of the currencies of their countries of origin against the euro, which exchange rate used is at the end of the period. The average exchange rates used are as follows:

	3M 19	3M 20
US Dollar	1.1358	1.1002
Angolan Kwanza	356.9470	546.1848
Mozambican Metical	71.5033	71.3733

2.3.21. 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.

2.3.22. 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.

2.3.23. 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.

2.3.24. 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.

2.3.25. 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.

2.3.26. 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.

2.3.27. 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 quarter.

Events occurring after the date of the statement of financial position, which provide information on conditions that occur after that date, are disclosed in the notes to the financial statements, when they are materially relevant.

3. Judgements and estimates

3.1. Relevant accounting estimates

The preparation of consolidated financial statements requires the Group's management to make judgments and estimates that affect the statement of financial position and the reported results. These estimates are based on the best information and knowledge about past and/or present events and on the operations that the Company considers it may implement in the future. However, at the date of completion of such operations, their results may differ from these estimates.

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

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

Entities included in the consolidation perimeter

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

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

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

Impairment of non-current assets, excluding goodwill

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

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

Impairment of goodwill

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

Intangible and tangible assets

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

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

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

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

Rights of use

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

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

Provisions

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

Deferred income tax assets

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

Expected credit losses

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

Fair value of financial assets and liabilities

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

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

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

3.2. Errors, estimates, and changes to accounting policies

During the quarters ended on 31 March 2019 and 2020, errors, estimates and changes in material accounting policies relating to prior years were not recognised.

4. Change in the perimeter

The changes in the consolidation perimeter, during the financial years ended on 31 December 2019, were:

1) The spin-off project of NOS Comunicações, SA took place, creating three new entities, NOS International Carrier Services, SA, NOS Wholesale, SA and NOS Corporate Center, SA, companies to which the assets assigned to the Voice and SMS, Data and roaming and Shared services businesses were transferred, respectively. The spin-off did not have any impact on the consolidated financial statements.
2) Additionally, Grupo NOS subscribed 100% of the capital of the NOS 5G Fund and 4.2% of the TechTransfer Fund, in the amount of 10 million euros and 200 thousand euros, respectively.

During the quarter ended on 31 March 2020, did not occur changes in the consolidation perimeter.

5. Segment reporting

The business segments are as follows:

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

Assets and liabilities by segment at 31 December 2019 and 31 March 2020 are shown below:

	31-12-2019			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,021,538	13,275	-	1,034,813
Intangible assets	921,600	92,466	-	1,014,066
Contract costs	163,101	-	-	163,101
Rights of use	182,799	35,584	-	218,383
Investments in jointly controlled companies and associated companies	73,733	47,655	(103,144)	18,244
Accounts receivable - other	76,141	2,923	(75,000)	4,064
Deferred income tax assets	69,158	11,270	-	80,428
Other non-current assets	565	676	-	1,241
TOTAL NON - CURRENT ASSETS	2,508,637	203,849	(178,144)	2,534,342
CURRENT ASSETS:				
Inventories	33,393	688	-	34,081
Account receivables	364,176	64,494	(38,830)	389,840
Contract assets	68,059	-	-	68,059
Prepaid expenses	42,426	1,845	(317)	43,954
Other current assets	2,923	2,158	-	5,081
Cash and cash equivalents	11,988	831	-	12,819
TOTAL CURRENT ASSETS	522,966	70,016	(39,148)	553,834
TOTAL ASSETS	3,031,603	273,865	(217,292)	3,088,176
SHAREHOLDER'S EQUITY				
Share capital	5,152	36,756	(36,756)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(14,655)	-	-	(14,655)
Legal reserve	1,030	88	(88)	1,030
Other reserves and accumulated earnings	47,416	22,145	(53,520)	16,041
Net income	135,892	19,925	(12,323)	143,494
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,029,054	78,914	(102,687)	1,005,281
Non-controlling interests	7,042	-	-	7,042
TOTAL EQUITY	1,036,095	78,914	(102,687)	1,012,322
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,165,451	110,614	(59,218)	1,216,847
Provisions	88,064	6,895	-	94,959
Accrued expenses	667	-	-	667
Other non-current liabilities	9,243	-	-	9,243
Deferred income tax liabilities	11,189	437	-	11,626
TOTAL NON - CURRENT LIABILITIES	1,274,615	117,946	(59,218)	1,333,343
CURRENT LIABILITIES:				
Borrowings	161,469	24,177	(42,365)	143,281
Accounts payable	281,767	19,746	(8,179)	293,334
Tax payable	65,469	2,733	-	68,202
Accrued expenses	186,056	22,201	(4,531)	203,726
Other current liabilities	26,131	8,149	(311)	33,969
TOTAL CURRENT LIABILITIES	720,893	77,005	(55,387)	742,511
TOTAL LIABILITIES	1,995,508	194,951	(114,605)	2,075,854
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,031,603	273,865	(217,292)	3,088,176

	31-03-2020			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,029,154	13,526	-	1,042,680
Intangible assets	919,088	89,950	-	1,009,038
Contract costs	162,028	-	-	162,028
Rights of use	181,473	34,102	-	215,575
Investments in jointly controlled companies and associated companies	68,306	47,781	(103,144)	12,943
Accounts receivable - other	103,104	(19,474)	(80,000)	3,630
Deferred income tax assets	74,816	11,237	-	86,053
Other non-current assets	525	672	-	1,197
TOTAL NON - CURRENT ASSETS	2,538,494	177,794	(183,144)	2,533,144
CURRENT ASSETS:				
Inventories	36,602	742	-	37,344
Account receivables	344,755	58,749	(29,491)	374,013
Prepaid expenses	34,118	2,021	-	36,139
Other current assets	(46,510)	3,174	50,600	7,264
Cash and cash equivalents	64,670	723	-	65,393
CURRENT ASSETS OF CONTINUING OPERATING UNITS	433,635	65,409	21,109	520,153
Assets for sale	32,354	-	-	32,354
TOTAL CURRENT ASSETS	465,989	65,409	21,109	552,507
TOTAL ASSETS	3,004,483	243,203	(162,035)	3,085,651
SHAREHOLDER'S EQUITY				
Share capital	5,152	36,756	(36,756)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(9,325)	-	-	(9,325)
Legal reserve	1,030	1,374	(1,374)	1,030
Other reserves and accumulated earnings	176,817	16,231	(38,066)	154,982
Net income	14,597	1,539	(26,491)	(10,355)
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,042,490	55,900	(102,687)	995,703
Non-controlling interests	6,657	-	-	6,657
TOTAL EQUITY	1,049,147	55,900	(102,687)	1,002,360
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,257,875	117,741	(79,999)	1,295,617
Provisions	88,843	6,653	-	95,496
Accrued expenses	521	-	-	521
Other non-current liabilities	9,383	-	-	9,383
Deferred income tax liabilities	10,831	408	-	11,239
TOTAL NON - CURRENT LIABILITIES	1,367,453	124,802	(79,999)	1,412,256
CURRENT LIABILITIES:				
Borrowings	83,201	12,437	(14,763)	80,875
Accounts payable	269,511	30,660	(12,066)	288,105
Tax payable	22,333	540	50,600	73,473
Accrued expenses	155,944	17,315	(3,120)	170,139
Other current liabilities	26,705	1,549	-	28,254
TOTAL CURRENT LIABILITIES	557,694	62,501	20,651	640,846
Liabilities directly associated with assets held for sale	30,189	-	-	30,189
TOTAL LIABILITIES	587,883	62,501	20,651	671,035
TOTAL LIABILITIES	1,955,336	187,303	(59,348)	2,083,291
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,004,483	243,203	(162,035)	3,085,651

The results by segment and investments in tangible and intangible assets, contract costs and rights of use for the quarters ended on 31 March 2019 and 2020 are shown below:

	3M 19 RESTATED			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
REVENUES:				
Services rendered	319,589	22,820	(10,940)	331,469
Sales	15,882	3,581	(39)	19,424
Other operating revenues	5,255	265	(508)	5,012
	340,726	26,666	(11,487)	355,905
COSTS, LOSSES AND GAINS:				
Wages and salaries	17,585	2,494	-	20,079
Direct costs	96,631	5,652	(8,756)	93,527
Costs of products sold	13,790	131	(5)	13,916
Marketing and advertising	6,432	1,740	(1,883)	6,289
Support services	21,064	416	(501)	20,979
Supplies and external services	26,676	2,433	(342)	28,767
Other operating losses / (gains)	107	14	-	121
Taxes	8,729	35	-	8,764
Provisions and adjustments	3,375	(81)	-	3,294
	194,389	12,834	(11,487)	195,736
EBITDA	146,337	13,832	-	160,169
Depreciation, amortisation and impairment losses	88,734	8,586	-	97,320
Other losses / (gains), net	3,230	93	-	3,323
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	54,373	5,153	-	59,526
Net losses / (gains) of affiliated companies	(157)	(41)	-	(198)
Financial costs	5,409	219	-	5,628
Net foreign exchange losses / (gains)	(32)	83	-	51
Net losses / (gains) on financial assets	(6,703)	(1,724)	8,424	(3)
Net other financial expenses / (income)	718	12	-	731
	(765)	(1,451)	8,424	6,209
INCOME BEFORE TAXES	55,139	6,604	(8,424)	53,318
Income taxes	10,069	1,301	-	11,370
EARNINGS PER SHARES FROM CONTINUING OPERATIONS	45,069	5,303	(8,424)	41,948
Net consolidated income from discontinued operadtions	423	-	-	423
NET INCOME	45,492	5,303	(8,424)	42,371
CAPEX	81,740	5,526	-	87,266
EBITDA - CAPEX	64,597	8,306	-	72,903

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

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

	3M 20			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
REVENUES:				
Services rendered	313,040	18,287	(9,103)	322,224
Sales	15,162	3,104	(47)	18,219
Other operating revenues	4,694	408	(161)	4,941
	332,896	21,799	(9,311)	345,384
COSTS, LOSSES AND GAINS:				
Wages and salaries	18,552	2,596	-	21,148
Direct costs	94,111	4,534	(7,970)	90,675
Costs of products sold	14,684	80	(8)	14,756
Marketing and advertising	6,427	1,208	(2,270)	5,365
Support services	21,109	360	6	21,475
Supplies and external services	25,515	1,167	928	27,610
Other operating losses / (gains)	131	16	3	150
Taxes	8,196	44	-	8,240
Provisions and adjustments	3,398	(161)	-	3,237
	192,123	9,844	(9,311)	192,656
EBITDA	140,773	11,955	-	152,728
Depreciation, amortisation and impairment losses	90,022	10,452	-	100,474
Other losses / (gains), net	44,393	1,344	(1)	45,736
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	6,358	159	1	6,518
Net losses / (gains) of affiliated companies	8,951	(126)	(1)	8,824
Financial costs	4,103	560	1	4,664
Net foreign exchange losses / (gains)	54	97	(1)	150
Net losses / (gains) on financial assets	(24,387)	(2,046)	26,491	58
Net other financial expenses / (income)	838	2	1	841
	(10,441)	(1,513)	26,491	14,537
INCOME BEFORE TAXES	16,799	1,672	(26,490)	(8,019)
Income taxes	2,719	133	-	2,852
EARNINGS PER SHARES FROM CONTINUING OPERATIONS	14,080	1,539	(26,490)	(10,871)
Net consolidated income from discontinued operadtions	138	-	-	138
NET INCOME	14,218	1,539	(26,490)	(10,733)
CAPEX	92,754	6,765	-	99,520
EBITDA - CAPEX	48,019	5,190	-	53,208

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.

At 31 March 2020, fully consolidated foreign companies represent 1% of assets (at 31 December 2019: 1%) and their turnover is less than 1% of consolidated turnover.

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:

	31-12-2019					
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	439	-	-	439	-	439
Accounts receivable - trade (Note 16)	361,711	-	-	361,711	-	361,711
Accounts receivable - other (Note 12)	7,640	-	-	7,640	24,552	32,192
Cash and cash equivalents (Note 20)	12,819	-	-	12,819	-	12,819
TOTAL FINANCIAL ASSETS	382,609	-	-	382,609	24,552	407,161
LIABILITIES						
Borrowings (Note 23)	-	-	1,360,127	1,360,127	-	1,360,127
Derivative financial instruments (Note 19)	-	400	-	400	-	400
Accounts payable - trade (Note 27)	-	-	259,501	259,501	-	259,501
Accounts payable - other (Note 28)	-	-	37,577	37,577	112	37,689
Accrued expenses (Note 25)	-	-	204,393	204,393	-	204,393
TOTAL FINANCIAL LIABILITIES	-	400	1,861,598	1,861,998	112	1,862,110

31-03-2020	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	399	-	-	399	-	399
Derivative financial instruments (Note 19)	-	17	-	17	-	17
Accounts receivable - trade (Note 16)	285,416	-	-	285,416	-	285,416
Accounts receivable - other (Note 12)	6,563	-	-	6,563	18,174	24,737
Cash and cash equivalents (Note 20)	65,393	-	-	65,393	-	65,393
TOTAL FINANCIAL ASSETS	357,771	17	-	357,788	18,174	375,962
LIABILITIES						
Borrowings (Note 23)	-	-	1,376,492	1,376,492	-	1,376,492
Derivative financial instruments (Note 19)	-	823	-	823	-	823
Accounts payable - trade (Note 27)	-	-	252,712	252,712	-	252,712
Accounts payable - other (Note 28)	-	-	39,112	39,112	154	39,266
Accrued expenses (Note 25)	-	-	170,660	170,660	-	170,660
TOTAL FINANCIAL LIABILITIES	-	823	1,838,976	1,839,799	154	1,839,953

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

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

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

7. Tangible assets

In the quarters ended on 31 March 2019 and 2020, the movements in this item were as follows:

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

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

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-03-2020
ACQUISITION COST					
Land	838	-	-	-	838
Buildings and other constructions	404,434	654	-	4,071	409,159
Basic equipment	2,456,116	10,274	(33)	29,867	2,496,224
Transportation equipment	508	-	-	(1)	507
Tools and dies	1,487	-	-	-	1,487
Administrative equipment	189,992	649	(99)	69	190,611
Other tangible assets	43,125	22	-	156	43,303
Tangible assets in-progress	39,574	35,565	-	(35,981)	39,158
	3,136,074	47,164	(132)	(1,819)	3,181,287
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	222,826	2,662	-	(5)	225,483
Basic equipment	1,654,724	32,963	(23)	472	1,688,136
Transportation equipment	504	1	-	(1)	504
Tools and dies	1,369	13	-	-	1,382
Administrative equipment	179,235	1,191	(87)	9	180,348
Other tangible assets	42,603	151	(5)	5	42,754
	2,101,261	36,981	(115)	480	2,138,607
	1,034,813	10,183	(17)	(2,299)	1,042,680

At 31 March 2020, the tangible assets net value is composed mainly by basic equipment, namely:

i) Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 707.1 million euros (31 December 2019: 698.5 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 101.2 million euros (31 December 2019: 102.9 million euros).

Tangible and intangible assets include interests and other financial expenses incurred directly related to the construction of certain tangible or intangible assets in progress.

At 31 March 2020, total net value of these costs amounted to 13.6 million euros (31 December 2019: 13.7 million euros). The amount of interest capitalised in the periods ended on 31 March 2020 amounted to 0.2 million euros (31 December 2019: 1 million euros).

8. Intangible assets

In the quarters ended on 31 March 2019 and 2020, the movements in this item were as follows:

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

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

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-03-2020
ACQUISITION COST					
Industrial property and other rights	1,634,046	478	-	7,775	1,642,299
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	23,201	16,606	-	(5,539)	34,268
	2,298,647	17,084	-	2,236	2,317,967
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,281,835	24,348	-	391	1,306,574
Intangible assets in-progress	2,746	-	-	(391)	2,355
	1,284,581	24,348	-	-	1,308,929
	1,014,066	(7,264)	-	2,236	1,009,038

At 31 March 2020, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 108.4 million euros (31 December 2019: 110.5 million euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i)

34.3 million euros (31 December 2019: 35 million euros) related to the license, (ii) 11.5 million euros (31 December 2019: 11.7 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 3.5 million euros (31 December 2019: 3.6 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) 50.2 million euros (31 December 2019: 51.2 million euros) related with the programme "Initiatives E"; and (v) the net amount of 5.9 million euros (31 December 2019: 6.1 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(2) A net amount of 81.8 million euros (31 December 2019: 82.7 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 2.8 million euros (31 December 2019: 2.9 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(3) A net amount of 13.2 million euros (31 December 2019: 15.7 million euros) corresponding to the future rights to use movies and series.

Increases in the quarter ended on 31 March 2020 correspond mainly to movies and television series rights of use, for an amount of 5.2 million euros, and acquisition and development of software, for an amount of 11.9 million euros.

Impairment tests on goodwill

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

	31-12-2019	31-03-2020
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	641,400	641,400

In this context of uncertainty regarding the level of evolution and contagion of the virus, strong economic slowdown and estimated changes to the consumption pattern of the Portuguese (Note 46), the business plans prepared in the year of 2019, are under review in face of the new reality.

It is difficult to project the potential impact of this shock, however, there are already negative impacts in some business areas, namely, the closure of cinemas, a drop in equipment sales and revenues from premium sports channels.

For these reasons, in the first quarter of 2020, a review of the impairment tests was carried out, and in the specific case of the Audiovisual segment, a 50% drop in the operating margin of the cinema ticket sales business and the respective distribution of films was simulated, which support the recoverability of the carrying amount of Goodwill.

9. Contract costs

In the quarters ended on 31 March 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2019
ACQUISITION COST				
Cost of attracting customers	362,641	17,988	-	380,629
Costs of fulfilling customer contracts	152,054	8,881	-	160,935
	514,694	26,870	-	541,564
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES				
Cost of attracting customers	260,712	17,266	-	277,978
Costs of fulfilling customer contracts	91,035	8,171	-	99,206
	351,746	25,437	-	377,183
	162,948	1,433	-	164,381

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2020
ACQUISITION COST				
Cost of attracting customers	427,519	15,223	-	442,742
Costs of fulfilling customer contracts	189,594	8,756	-	198,350
	617,113	23,979	-	641,092
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES				-
Cost of attracting customers	327,650	16,565	-	344,215
Costs of fulfilling customer contracts	126,362	8,487	-	134,849
	454,012	25,052	-	479,064
	163,101	(1,073)	-	162,028

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

10. Rights of use

In the quarters ended on 31 March 2019 and 2020, the movements in this item were as follows:

	31-12-2018	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2019
ACQUISITION COST				
Telecommunications towers and rooftops	122,014	624	-	122,638
Movie theatres	84,816	1,254	-	86,070
Transponders	92,395	-	-	92,395
Equipments	99,145	2,897	-	102,042
Buildings	65,282	(269)	-	65,013
Fiber optic rental	34,157	-	-	34,157
Stores	14,768	(463)	-	14,305
Others	22,290	(324)	-	21,966
	534,867	3,719	-	538,586
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	81,614	2,586	-	84,200
Movie theatres	67,326	1,486	-	68,812
Transponders	50,859	1,483	-	52,342
Equipments	53,365	3,887	-	57,252
Buildings	33,803	1,783	-	35,586
Fiber optic rental	24,696	763	-	25,459
Stores	9,659	488	-	10,147
Others	13,061	2,170	-	15,231
	334,383	14,646	-	349,029
	200,484	(10,927)	-	189,557

	31-12-2019	INCREASES	DISPOSALS AND WRITE-OFFS	31-03-2020
ACQUISITION COST				
Telecommunications towers and rooftops	139,010	4,478	-	143,488
Movie theatres	108,681	327	-	109,008
Transponders	91,907	-	-	91,907
Equipments	118,564	2,681	-	121,245
Buildings	68,603	485	(16)	69,072
Fiber optic rental	33,065	-	-	33,065
Stores	17,838	228	-	18,066
Others	31,324	3,093	(48)	34,369
	608,993	11,292	(65)	620,220
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	93,237	2,556	-	95,793
Movie theatres	72,093	1,790	1,700	75,583
Transponders	56,671	1,468	-	58,139
Equipments	69,091	4,414	-	73,505
Buildings	45,043	1,679	(1,717)	45,005
Fiber optic rental	26,674	762	-	27,436
Stores	11,975	548	-	12,523
Others	15,825	872	(37)	16,660
	390,610	14,089	(54)	404,645
	218,383	(2,797)	(11)	215,575

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 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019	31-03-2020
INVESTMENTS - EQUITY METHOD		
Sport TV	4,544	-
Dreamia	3,369	3,472
Finstar*	8,635	7,569
Mstar	1,151	1,321
Upstar	391	404
Big Picture 2 Films	154	177
ASSETS	18,244	12,943

* Consolidated from Finstar and ZAP Media

Movements in "Investments in jointly controlled companies and associated companies" in the quarters ended on 31 March 2019 and 2020 were as follows:

	3M 19 RESTATED	3M 20
AS AT JANUARY 1	19,585	18,244
Gains / (losses) of exercise (Note 35)	196	(341)
Impairment (Note 35)	-	(3,896)
Changes in equity i)	234	(1,064)
AS AT MARCH 31	20,014	12,943

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.

The Group's interest in the results and assets and liabilities of the jointly controlled companies and associated companies in the quarters ended on 31 December 2019 and 31 March 2020, is as follows:

31-12-2019							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	184,333	166,158	18,175	199,021	(3,570)	25.00%	(893)
Dreamia	14,384	7,646	6,738	2,309	(529)	50.00%	(265)
Finstar**	183,058	154,273	28,785	161,522	4,388	30.00%	1,316
Mstar	13,002	9,165	3,837	24,767	1,893	30.00%	568
Upstar	79,057	77,754	1,303	32,908	101	30.00%	30
Big Picture 2 Films	2,653	1,883	770	6,397	144	20.00%	29
	476,487	416,879	59,608	426,923	2,426		787

* 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 of Finstar and ZAP Media

31-03-2020							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	144,586	129,004	15,582	46,269	(2,592)	25.00%	(648)
Dreamia	14,772	7,827	6,945	814	207	50.00%	104
Finstar**	186,053	160,823	25,230	53,978	(270)	30.00%	(81)
Mstar	11,184	6,780	4,404	7,505	828	30.00%	248
Upstar	66,579	65,231	1,348	7,797	44	30.00%	13
Big Picture 2 Films	2,996	2,112	884	2,540	114	20.00%	23
	426,170	371,777	54,393	118,903	(1,668)		(341)

* 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 of Finstar and ZAP Media

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

In 31 March 2020, the assets, liabilities and results of jointly controlled companies Finstar and ZAP Media (Finstar Group) are:

31-03-2020							
ENTITY	NON - CURRENT ASSETS	CURRENT ASSETS	NON - CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME
Finstar	25,897	113,432	18,175	125,037	14,292	48,005	(1,816)
ZAP Media	19,475	8,180	6,738	28,267	(612)	5,973	(1,314)

The differences between the individual accounts (prepared in accordance with Angolan regulations) and the Finstar Group correspond, predominantly, to the annulment of balances and transactions between the companies and the adjustment because the companies are in a hyperinflationary economy from 2017 to September 2019 (IAS 29).

The Group has several controls regarding the reporting process of its jointly controlled and associated companies. The amounts included in the reported financial statements are subject to audit in cases where it is legally required. In the remaining cases and in those where the audit has not been completed, specific review procedures are carried out by the Group.

The Board of Directors believes that the recent seizure of assets to Mrs. Isabel dos Santos, in the specific case of the shares held by her in Finstar and ZAP Media (where she holds 70% of the capital), does not change the control profile, in this case joint control as defined in IFRS 11, and thus relevant consequences for the operational management of companies and NOS are not expected, besides to restrictions on the distribution of dividends (Note 12)

12. Accounts receivable – other

At 31 December 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019		31-03-2020	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	5,608	5,032	4,479	5,180
Advances to suppliers	24,552	-	18,176	-
	30,160	5,032	22,655	5,180
Impairment of other receivable	(2,032)	(968)	(1,548)	(1,550)
	28,128	4,064	21,107	3,630

i) At 31 March 2020, the amount of accounts receivable corresponds mainly to dividends (Note 11), short-term loans, medium and long-term loans from Group and interests' receivable, to associated companies.

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

	3M 19 RESTATED	3M 20
AS AT JANUARY 1	967	3,000
Increases (Note 34)	183	102
Utilizations / Others	(8)	(4)
AS AT MARCH 31	1,142	3,098

13. Taxes payable and receivable

At 31 December 2019 and 31 March 2020, these items were composed as follows:

	31-12-2019		31-03-2020	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added tax	4,211	19,102	6,376	15,638
Income taxes	-	43,428	-	50,600
Personnel income tax witholdings	-	3,597	-	5,323
Social Security contributions	-	1,913	-	1,842
Others	420	162	421	70
	4,631	68,202	6,797	73,473
	4,780	68,202	6,946	73,473

At 31 December 2019 and 31 March 2020, the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2019	31-03-2020
Estimated current tax on income	(25,969)	(25,453)
Tax processes	(43,402)	(51,102)
Payments on account	20,593	20,591
Withholding income taxes	4,096	4,115
Others	1,254	1,249
	(43,428)	(50,600)

In the quarter ended on 31 March 2020, the item "Tax processes" includes liabilities, related to ongoing tax processes, of which highlights:

i) 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;

ii) 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, with regard to the years 2004, 2005, 2006 and 2007 of corrections to the determination of its taxable income in the total amount of 20.5 million euros. NOS SA contested the decision with regard to all the above-mentioned years. As for the year 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 decided favourably, having been concretized by the Tax Authorities, which meant the provision reversal of one million euros, in 2018.

iii) During the quarter ended on 31 March 2020, provisions for tax incentives recovered in the past, in the amount of 7.7 million euros, were recognised.

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 2020 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
- NOS International Carrier Services
- NOS Wholesale
- NOS Corporate Center
- NOS Property
- Per-mar
- Sontária

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

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 31 March 2020.

A) Deferred tax

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

The movements in deferred tax assets and liabilities for the quarters ended on 31 March 2019 and 31 March 2020 were as follows:

	31-12-2018	DEFERRED TAXES OF THE PERIOD		31-03-2019
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	4,796	(24)	-	4,772
Inventories	1,610	104	-	1,714
Other provision and adjustments	51,956	(2,446)	-	49,510
Intragroup gains	22,098	(904)	-	21,194
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,943	-	-	4,943
Assets recognised under application of IFRS 16 (Note 2.1)	8,763	(8,763)	-	-
Derivatives	238	35	(88)	185
	94,404	(11,998)	(88)	82,318
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,846	(77)	-	2,769
Derivatives	7	58	8	73
Others	2,270	27	-	2,297
	5,123	8	8	5,139
NET DEFERRED TAX	89,281	(12,006)	(96)	77,179

	31-12-2019	DEFERRED TAXES OF THE PERIOD INCOME (NOTE B)	EQUITY	31-03-2020
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	1,471	6,194	-	7,665
Inventories	1,871	55	-	1,926
Other provision and adjustments	51,825	(344)	-	51,481
Intragroup gains	20,091	(372)	-	19,719
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	5,080	-	-	5,080
Derivatives	90	60	32	182
	80,428	5,593	32	86,053
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,799	(44)	-	2,755
Derivatives	-	-	-	-
Intra-group leases	6,324	(331)	-	5,993
Others	2,503	(12)	-	2,491
	11,626	(387)	-	11,239
NET DEFERRED TAX	68,802	5,980	32	74,814

At 31 March 2020, 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 40.9 million euros (31 December 2019: 40.3 million euros; and ii) Other provisions amounted to 9.8 million euros (31 December 2019: 11.5 million euros).

At 31 March 2020, 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 31 March 2020, deferred tax assets were not recognised for an amount of 1.3 million euros, corresponding mainly to tax incentives.

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

At 31 March 2020, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2019: 21%). In the case of temporary differences, the rate used was 22.5% (2019: 22.5%) increased to a maximum of 6.99% (2019: 6.99%) of state surcharge when the taxation of temporary differences in the estimated period of application of the state surcharge was perceived as likely. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grants such tax benefits.

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

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

B) Effective tax rate reconciliation

In the quarters ended on 31 March 2019 and 31 March 2020, the reconciliation between the nominal and effective rates of tax was as follows:

	3M 19 RESTATED	3M 20
Income before taxes	53,318	(8,019)
Statutory tax rate	22.5%	22.5%
ESTIMATED TAX	11,997	(1,804)
Permanent differences i)	(3)	2,187
Differences in tax rate of group companies	(535)	(32)
Tax benefits ii)	(2,800)	2,179
State surcharge	1,890	(352)
Autonomous taxation	187	205
Others	635	469
INCOME TAXES	11,370	2,852
Effective Income tax rate	21.3%	-35.6%
Income tax	(636)	8,832
Deferred tax	12,006	(5,980)
	11,370	2,852

i) At 31 March 2019 and 2020, the permanent differences were composed as follows

	3M 19 RESTATED	3M 20
Equity method (Note 35)	(198)	8,824
Others	184	897
	(14)	9,721
	22.5%	22.5%
	(3)	2,187

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; and provisions for used tax incentives.

15. Inventories

At 31 December 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019	31-03-2020
INVENTORIES		
Telco	39,476	42,878
Audiovisuals	1,278	1,334
	40,754	44,212
IMPAIRMENT OF INVENTORIES		
Telco	(6,083)	(6,276)
Audiovisuals	(590)	(592)
	(6,673)	(6,868)
	34,081	37,344

The movements occurred in impairment adjustments were as follows:

	3M 19 RESTATED	3M 20
AS AT JANUARY 1	6,167	6,673
Increase and decrease - Cost of products sold (Note 32)	397	652
Utilizations / Others	2	(456)
AS AT MARCH 31	6,566	6,869

16. Accounts receivable – trade

At 31 December 2019 and 31 March 2020, this item was as follows:

	31-12-2019	31-03-2020
Trade receivables	451,086	429,046
Unbilled revenues i)	64,754	46,657
	515,840	475,703
Impairment of trade receivable	(154,128)	(190,287)
	361,712	285,416

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 variation in the item "Accounts receivable - customers" results, predominantly, from the reclassification to "assets held for sale" of NOS International Carrier Services contributions (Note 45) and reinforcement of impairments.

The movements occurred in impairment adjustments were as follows:

	3M 19 RESTATED	3M 20
AS AT JANUARY 1	139,822	154,128
Increases and decreases (Note 34)	6,005	3,582
Penalties - i)	3,759	3,174
Other losses / (gains) non-recurrent (Note 38)	-	28,239
Losses/ (Gains) in participated companies (Note 35)	-	4,135
Utilizations / Others	(6,660)	(2,971)
AS AT MARCH 31	142,926	190,287

i) Penalties correspond to the estimated amount of uncollectible invoiced penalties recognised in the financial year, deducted from revenue, as described in Note 43.6.

17. Contract assets

At 31 December 2019 and 31 March 2020, this item was as follows:

	31-12-2019	31-03-2020
Contract assets	68,059	67,490
	68,059	67,490

The contract assets correspond to discounts, attributed to customers at the time of the sale of equipment (included in the telecommunications packages) and which are allocated to monthly fees / services rendered, within the scope of the allocation of credits to different types of performance obligations, according to IFRS 15. These assets are deferred, at the time of sale of the equipment, and recognised over the contract period (service rendered).

18. Prepaid Expenses

At 31 December 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019	31-03-2020
Programming costs i)	22,232	10,189
Costs of litigation procedure activity ii)	6,686	3,289
Insurance	824	552
Advertising	183	2,663
Others iii)	14,029	19,446
	43,954	36,139

i) Programming costs correspond to costs inherent to the availability of channels, namely fixed fees, billed in advance. This cost is recognised in the period in which the channel is made available and transmitted, and recognised as a programming cost, in the Consolidated Income Statement.

ii) Deferred costs related to collection actions correspond to services paid in advance to external entities as part of the processes for recovering customer debts / collection actions. These costs are recognised as the service is provided.

iii) "Others" includes deferred costs, mainly related to:

Expenses to be recognised from various supplies and external services, such as specialised works, maintenance and repair work and others, billed in advance by suppliers (quarterly or annual billing), the respective expense being recognised in the income statement as the service is provided.

19. Derivative financial instruments

Interest rate derivatives

At 31 March 2020, NOS had contracted two interest rate swaps totalling 150 million euros (31 December 2019: 150 million euros) whose swap maturities expire in 2022. The fair value of interest rate swaps, in the negative amount of 17 thousand euros (31 December 2019: negative amount of 38 thousand euros), was recorded in liabilities, against shareholder's equity.

Own shares derivatives

At 31 March 2020, NOS had contracted two own shares derivatives, in the amount of 1,681 thousand euros (31 December 2019: 2,640 thousand euros), maturing in March 2021 and 2022, in order to cover the delivery of share plans liquidated in cash.

Exchange rate derivatives

At the date of the statement of the financial position there were foreign currency forwards open for 1,846 thousand euros (31 December 2019: 5,085 thousand euros), whose fair value amounts to a negative net amount of 15 thousand euros (2019: negative in 16 thousand euros).

	31-12-2019				
		ASSETS		LIABILITIES	
	NOTIONAL	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	150,000	-	-	-	38
Equity Swaps	2,640	-	-	119	227
Exchange rate forward	5,085	-	-	16	-
	157,725	-	-	135	265

	31-03-2020				
		ASSETS		LIABILITIES	
	NOTIONAL	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	150,000	-	-	-	17
Equity swaps	1,681	-	-	336	469
Exchange rate forward	1,846	17	-	2	-
	153,527	17	-	338	485

Movements during the quarters ended on 31 March 2019 and 2020 were as follows:

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

	31-12-2019	RESULT	EQUITY	31-03-2020
Fair value interest rate swaps	(38)	0	21	(17)
Fair value exchange rate forward	(16)	31	-	15
Fair value equity swaps	(346)	(295)	(164)	(805)
DERIVATIVES	(400)	(264)	(143)	(807)
Deferred income tax liabilities	-	-	-	-
Deferred income tax assets	90	60	32	182
DEFERRED INCOME TAX	90	60	32	182
	(310)	(204)	(111)	(625)

20. Cash and cash equivalents

At 31 December 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019	31-03-2020
Cash	857	311
Terms deposits i)	11,962	65,082
	12,819	65,393

i) At 31 December 2019 and 31 March 2020, there are 10 million euros recorded in the item "Current deposits" whose use is restricted, because they are held by the Capital Fund NOS 5G recently subscribed by NOS.

21. Shareholder's equity

21.1. Share capital

At 31 December 2019 and 31 March 2020, 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 2019 and 31 March 2020 are:

	31-12-2019		31-03-2020	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
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	290,585,082	56.41%	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.

21.2. Capital issued premium

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

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

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

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

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

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

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

c) To increase the share capital.

21.3. Own shares

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

At 31 March 2020 there were 1,651,545 own shares, representing 0.3206% of share capital (31 December 2019: 2,595,541 own shares, representing 0.5038% of the share capital).

Movements in the quarters ended on 31 March 2019 and 2020 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2019	2,069,356	12,132
Distribution of own shares - share incentive scheme	(624,194)	(3,659)
Distribution of own shares - other remunerations	(57,691)	(339)
BALANCE AS AT 31 MARCH 2019	1,387,471	8,134
BALANCE AS AT 1 JANUARY 2020	2,595,541	14,655
Distribution of own shares - share incentive scheme	(853,702)	(4,820)
Distribution of own shares - other remunerations	(90,294)	(510)
BALANCE AS AT 31 MARCH 2020	1,651,545	9,325

21.4. Reserves

Legal reserve

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

Other reserves

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IAS / IFRS. Thus, on 31 March 2020, NOS had reserves, which by their nature are considered distributable for an amount of approximately 421.2 million euros, not including the net income.

22. Non-controlling interests

The movements of the non-controlling interests occurred during the quarters ended on 31 March 2019 and 2020 and the results attributable to non-controlling interests for the year are as follows:

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

	31-12-2019	ATTRIBUTABLE PROFITS	OTHERS	31-03-2020
NOS Madeira	5,502	(271)	(5)	5,226
NOS Açores	1,540	(107)	(2)	1,431
	7,042	(378)	(7)	6,657

23. Borrowings

At 31 December 2019 and 31 March 2020, the composition of borrowings was as follows:

	31-12-2019		31-03-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	82,851	1,024,667	21,321	1,106,667
Debenture loan	-	575,000	-	575,000
Commercial paper	55,000	413,000	-	495,000
Foreign loans	18,333	36,667	18,333	36,667
Bank overdrafts	9,518	-	2,988	-
LOANS - ACCRUALS AND DEFERRALS	1,770	(2,848)	1,744	(2,267)
LOANS - AMORTISED COST	84,621	1,021,819	23,065	1,104,400
LEASES	58,660	195,028	57,810	191,217
	143,281	1,216,847	80,875	1,295,617

During the quarter ended on 31 March 2020, the average cost of debt of the used lines was approximately 1.1% (2019: 1.5%).

At 31 March 2020 there is no default in terms of capital, interest, conditions for redemption on loans payable or other commitments.

23.1. Debenture loans

At 31 March 2020, NOS has a total amount of 575 million euros of bonds issued, respectively, with maturity after one year:

i) 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.

ii) 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.

iii) A bond loan in the amount 50 million euros organised 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.

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

v) A bond loan in the amount 25 million euros organised by Medio Banca in July 2019 and maturing in July 2024. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

At 31 March 2020, an amount of 886 thousand euros, corresponding to interest and commissions, was added from this amount and recorded in the item "Loans - accruals and deferrals".

23.2. Commercial paper

At 31 March 2020, the Company has borrowings of 540 million euros in the form of commercial paper. The total amount contracted, under underwriting securities, is of 845 million euros, corresponding to fourteen programmes, with six banks, 670 million euros of which bear interest at market rates and 175 million euros are issued in fixed rate. Commercial paper programmes with maturities over one-year totalling 665 million euros are classified as non-current, since the Company can renew unilaterally current issues on or before the programmes' maturity dates and because they are underwritten by the organiser. As such, this amount, although having a current maturity, it was classified as non-current for presentation purposes in the financial position statement.

At 31 March 2020 an amount of 446 thousand euros, corresponding to interest and commissions, was added to this amount, and recorded in the item "Loans - accruals and deferrals".

23.3. Foreign loans

In November 2013, NOS signed a Finance Contract with the European Investment Bank for an amount of 110 million euros to support the development of the mobile broadband network in Portugal. In June 2014, the total amount of funds was used. This contract matures in a maximum period of 8 years from the use of the funds, with partial amortisations of 18.3 million euros per year as of June 2017. At 31 March 2020, the amount in borrowings corresponds to 55 million euros.

At 31 March 2020, an amount of 1,855 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 two commercial paper program of 75 and 100 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 2019 and 31 March 2020, 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

	31-12-2019	31-03-2020
Until 1 year	65,160	63,637
Between 1 and 5 years	149,804	162,840
Over 5 years	62,146	41,686
	277,110	268,163
Future financial costs (lease)	(23,422)	(19,136)
PRESENT VALUE OF LEASE LIABILITIES	253,688	249,027

Leases – present value

	31-12-2019	31-03-2020
Until 1 year	58,660	57,810
Between 1 and 5 years	136,823	152,600
Over 5 years	58,205	38,617
	253,688	249,027

The maturities of the loans obtained are as follows:

	31-12-2019			31-03-2020		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	2,334	573,221	-	2,470	573,416	-
Commercial paper	55,648	362,949	50,000	493	444,953	50,000
Foreign loans	17,121	35,649	-	17,114	36,031	-
Bank overdrafts	9,518	-	-	2,988	-	-
Leases	58,660	136,823	58,205	57,810	152,600	38,617
	143,281	1,108,642	108,205	80,875	1,207,000	88,617

24. Provisions

At 31 December 2019 and 31 March 2020, the provisions were as follows:

	31-12-2019	31-03-2020
Litigation and other - i)	30,263	30,342
Dismantling and removal of assets - ii)	39,032	39,751
Contingent liabilities - iii)	23,827	23,827
Contingencies - other - iv)	1,837	1,576
	94,959	95,496

i) At 31 March 2020, the amount under the item "Litigation and other" corresponds to provisions to cover the legal and others claims in-progress.

ii) 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;

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

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

Therefore:

- In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision that was contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS, SA, NOS Madeira and NOS Açores which were contested by NOS and for which a bail was presented by NOS SGPS (Note 42) to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.

- In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, related to

NOS, SA, NOS Madeira and NOS Açores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes. The guarantees that have been accepted by ANACOM.

- In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

- In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and September 2014, for an amount of 7.7 million euros that was contested by NOS, in standard terms.

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

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

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

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

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

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

The movements recorded in "Others", under the heading "Contingencies - other", in the amount of 2.3 million euros, refer to the use of provisions created for compensation to employees.

During the quarter ended on 31 March 2020, movements in provisions, were as follows:

	31-12-2019	INCREASES	DECREASES	OTHERS	31-03-2020
Litigation and other	30,263	628	(549)	-	30,342
Dismantling and removal of assets	39,032	68	(4)	655	39,751
Contingent liabilities	23,827	-	-	-	23,827
Contingencies - other	1,837	435	(11)	(685)	1,576
	94,959	1,131	(564)	(30)	95,496

During the quarter ended on 31 March 2020, the increases refer mainly to provisions for legal and other claims plus interests and charges and the reductions refer, predominantly, to the reassessment and prescription of several contingencies.

The net movements for the quarters ended on 31 March 2019 and 2020 reflected in the income statement under Provisions were as follows:

	3M 19 RESTATED	3M 20
Provisions and adjustments (Note 34)	(2,893)	(447)
Other losses / (gains) non-recurrent (Note 37 e 38)	1,285	438
Interests - dismantling	104	64
Other interests	584	512
INCREASES AND DECREASES IN PROVISIONS	(920)	567

25. Accrued expenses

At 31 December 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019	31-03-2020
NON-CURRENT		
Others	667	521
	667	521
CURRENT		
Invoices to be issued by operators i)	73,113	55,669
Vacation pay and bonuses	25,545	21,148
Professional services	10,703	12,201
Advertising	14,916	10,895
Content and film rights	13,313	10,764
Programming services	11,058	10,491
Investments in tangible and intangible assets	20,046	8,753
Costs of litigation procedure activity	8,614	8,185
Comissions	6,198	5,449
Energy and water	4,660	4,526
Maintenance and repair	1,788	3,316
Other accrued expenses	13,772	18,742
	203,726	170,139

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 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019		31-03-2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	33,436	-	27,519	-
Investment subsidy ii)	398	5,123	397	5,025
	33,834	5,123	27,916	5,025

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 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019	31-03-2020
Suppliers current account	257,824	250,263
Invoices in reception and conference	1,675	2,449
	259,499	252,712

28. Accounts payable - other

At 31 December 2019 and 31 March 2020, this item was composed as follows:

	31-12-2019	31-03-2020
NON-CURRENT		
Assignment of receivables without recourse i)	3,855	3,873
	3,855	3,873
CURRENT		
Fixed assets suppliers	27,689	30,542
Assignment of receivables without recourse i)	4,865	3,813
Advances from customers	112	154
Others	1,169	884
	33,835	35,393
	37,690	39,266

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, amounting 63.9 million euros, to be generated by a portfolio of Corporate customers. In the quarter ended on 31 March 2020, the balance amounts to 7.7 million euros. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.

29. Operating revenues

Consolidated operating revenues, for the quarters ended on 31 March 2019 and 2020, were as follows:

	3M 19 RESTATED	3M 20
SERVICES RENDERED:		
Communications service revenues (i)	307,225	301,614
Revenue distribution and cinematographic exhibition (ii)	10,556	8,207
Advertising revenue (iii)	5,184	4,412
Production and distribution of content and channels (iv)	7,514	7,401
Others	990	590
	331,469	322,224
SALES:		
Telco v)	15,877	15,152
Audiovisuals and cinema exhibition vi)	3,547	3,067
	19,424	18,219
OTHER OPERATING REVENUES:		
Telco	4,921	4,695
Audiovisuals and cinema exhibition	91	246
	5,012	4,941
	355,905	345,384

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 at the NOS Cinemas, and (b) revenue relating to film distribution to other cinema exhibitors in Portugal.

iii) This item includes advertising revenues on television channels and NOS cinemas.

iv) This item includes revenues related to production of audiovisual content and distribution of channels, essentially TVCines.

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

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

30. Wages and salaries

In the quarters ended on 31 March 2019 and 2020, this item was composed as follows:

	3M 19 RESTATED	3M 20
Remuneration	15,038	16,039
Social taxes	4,071	4,206
Social benefits	480	473
Other	490	430
	20,079	21,148

In the quarters ended on 31 March 2019 and 2020, the average number of employees of the companies included in the consolidation was 2,453 and 2,488, respectively. At 31 March 2020, the number of employees of the companies included in the consolidation was 2,478 employees.

The costs of compensations paid to employees, since they are non-recurring costs, are recorded in the item “Integration costs” (Note 37).

31. Direct costs

In the quarters ended on 31 March 2019 and 2020, this item was composed as follows:

	3M 19 RESTATED	3M 20
Exhibition costs	50,052	49,213
Traffic costs	22,859	18,770
Capacity costs	11,939	12,291
Costs related to corporate customers services	5,544	7,560
Shared advertising revenues	3,133	2,841
	93,527	90,675

32. Cost of products sold

In the quarters ended on 31 March 2019 and 2020, this item was composed as follows:

	3M 19 RESTATED	3M 20
Costs of products sold	13,519	14,104
Increases / (decreases) in inventories impairments (Note 15)	397	652
	13,916	14,756

33. Support services and supplies and external services

In the quarters ended on 31 March 2019 and 2020, this item was composed as follows:

	3M 19 RESTATED	3M 20
SUPPORT SERVICES:		
Administrative support and others	9,241	9,312
Call centers and customer support	7,861	8,809
Information systems	3,877	3,354
	20,979	21,475
SUPPLIES AND EXTERNAL SERVICES:		
Maintenance and repair	10,294	10,465
Electricity	5,798	5,614
Professional services	2,716	2,758
Communications	1,547	1,096
Travel and accommodation	1,161	825
Fees	697	776
Installation and removal of terminal equipment	1,671	686
Other supplies and external services	4,885	5,390
	28,767	27,610

34. Provisions and adjustments

In the quarters ended on 31 March 2019 and 2020, these items were composed as follows:

	3M 19 RESTATED	3M 20
Provisions (Note 24)	(2,893)	(447)
Impairment of account receivables - trade (Note 16)	6,005	3,582
Impairment of account receivables - others (Note 12)	183	102
Others	(1)	-
	3,294	3,237

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

In the quarters ended on 31 March 2019 and 2020, this item was composed as follows:

	3M 19 RESTATED	3M 20
EQUITY METHOD (NOTE 11)		
Sport TV	456	648
Dreamia	(39)	(103)
Finstar	(241)	81
Mstar	(353)	(249)
Upstar	(17)	(13)
Others	(2)	(23)
	(196)	341
OTHERS i)	(2)	8,483
	(198)	8,824

i) During the quarter ended on 31 March 2020, as a result of the estimated negative impacts with the spread of the new coronavirus COVID-19 (Note 46), namely, a significant drop in revenue related to premium sports channels, an impairment for the financial investment of Sport TV in the amount of 3.9 million euros (Note 11) was recognised.

Additionally, also taking into account the estimated negative impacts with the spread of the new coronavirus COVID-19 (Note 46), and the destabilization of the Angolan economy with the drop in oil demand, impairments were recognised for the value of dividends and other accounts receivable from the Angolan subsidiary Finstar, in the amount of 4.6 million euros (Notes 12 and 16).

36. Depreciation, amortisation and impairment losses

In the quarters ended on 31 March 2019 and 2020, this item was composed as follows:

	3M 19 RESTATED	3M 20
TANGIBLE ASSETS		
Buildings and other constructions	2,007	2,662
Basic equipment	34,362	32,963
Transportation equipment	1	1
Tools and dies	11	13
Administrative equipment	1,283	1,191
Other tangible assets	198	151
	37,862	36,981
INTANGIBLE ASSETS		
Industrial property and other rights	19,374	24,348
	19,374	24,348
CONTRACT COSTS		
Contract costs	25,437	25,052
	25,437	25,052
RIGHTS OF USE		
Rights of use	14,646	14,089
	14,646	14,089
INVESTIMENT PROPERTY		
Investment property	1	4
	1	4
	97,320	100,474

37. Restructuring Costs

In the quarters ended on 31 March 2019 and 2020, this item was composed as follows:

	3M 19 RESTATED	3M 20
Personnel compensation	1,485	438
Supplies and external services related to reestructuring process	101	-
Personnel costs related to non-recurrent projects	327	140
	1,913	578

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

In the quarters ended on 31 March 2019 and 2020, the other non-recurring costs / (gains) was composed as follows:

	3M 19 RESTATED	3M 20
COSTS:		
Losses resulting from COVID-19 impacts (Note 46) i)	-	40,606
Others	1,592	4,577
	1,592	45,183
TOTAL	1,592	45,183

i) In the quarter ended on 31 March 2020, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, the company recognised the following extraordinary expenses:

a. reinforcement of expected credit losses from accounts receivable, in the amount of approximately 21.2 million euros, resulting from the incorporation, in the projection model of future collections, of the new projections released by the Bank of Portugal for the growth of the GDP and unemployment rate for the next 3 years, and identification of customers particularly affected by the current crisis, namely, in the cinema business;

b. recognition of expected credit losses from all penalties billed to customers and not provisioned, in the amount of approximately 7.0 million euros, as a consequence of the foreseeable sharp reduction in their collection;

c. loss recognition for onerous contracts related to premium sports content, in the amount of 10.8 million euros;

d. and losses related to the acquisition of various security materials to combat the spread of the new coronavirus COVID-19, in the amount of approximately 1.6 million euros.

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

In the quarters ended on 31 March 2019 and 2020, financing costs and other financial expenses / (income) were composed as follows:

	3M 19 RESTATED	3M 20
FINANCING COSTS:		
INTEREST EXPENSE:		
Borrowings	3,441	2,629
Finance leases	2,718	1,575
Derivatives	396	19
Others	553	1,194
	7,108	5,417
INTEREST EARNED	(1,480)	(753)
	5,628	4,664
NET OTHER FINANCIAL EXPENSES /(INCOME):		
Comissions and guarantees	530	710
Others	201	131
	731	841

Interest earned mainly corresponds to default interests charged to customers.

40. Net earnings per share

Earnings per share for the quarters ended on 31 March 2019 and 2020 were calculated as follow:

	3M 19 RESTATED	3M 20
Consolidated net income attributable to shareholders	42,461	(10,355)
Number of ordinary shares outstanding during the period (weighted average)	513,326,896	512,887,420
Basic earnings per share - euros	0.08	(0.02)
Diluted earnings per share - euros	0.08	(0.02)

	3M 19 RESTATED	3M20
Consolidated net income attributable to shareholders from continuing operations	42,038	(10,493)
Number of ordinary shares outstanding during the period (weighted average)	513,326,896	512,887,420
Basic earnings per share - euros	0.08	(0.02)
Diluted earnings per share - euros	0.08	(0.02)

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.

41. Guarantees and financial undertakings

41.1. Guarantees

At 31 December 2019 and 31 March 2020, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2019	31-03-2020
Tax authorities i)	26,852	26,852
Others ii)	10,515	10,471
	37,367	37,323

i) At 31 December 2019 and 31 March 2020, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 43).

ii) At 31 December 2019 and 31 March 2020, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings and guarantees provided to cinema owners, and bank guarantees given to providers of satellite capacity renting services.

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

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

In addition to the guarantees required by the tax authorities, sureties were set up for the current fiscal processes, which NOS was a surety for NOS SA for an amount of 14.1 million euros.

41.2. 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 90% to ownership clauses.

In addition, approximately 26% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 3% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, approximately 1% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA and approximately 10% require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA.

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

Assignment agreements football broadcast rights

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

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

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

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

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

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

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

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

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

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

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

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

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

The estimated cash flows are estimated as follows:

Seasons	2019/20	following
Estimated cash-flows with the contract signed by NOS with the sports entities*	115.6 M€	870.8 M€
NOS estimated cash-flows for the contracts signed by NOS (net amounts charged to the operators) and for the contracts signed by the remaining operators	68.1 M€	488.2 M€

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

Network sharing contract with Vodafone

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

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

The partnership has also been extended to mobile infrastructure sharing where it is agreed a minimum sharing of 200 mobile towers.

42. Related parties

42.1. 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 2019 and 31 March 2020 and transactions in the quarters ended on 31 March 2019 and 2020 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Balances at 31 December 2019

	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
	23,780	45,026	-
Big Picture 2 Films	41	625	-
Sport TV	23,739	44,401	-
JOINTLY CONTROLLED COMPANIES	18,029	3,834	2,923
Dreamia Holding BV	-	-	2,923
Dreamia SA	2,623	2,465	-
Finstar	7,654	10	-
Mstar	14	-	-
Upstar	7,066	1,217	-
ZAP Media	672	142	-
OTHER RELATED PARTIES	10,014	8,734	-
Banco BIC Português, S.A.	372	-	-
Centro Colombo- Centro Comercial, S.A.	140	7	-
Digitmarket-Sistemas de Informação,SA	273	222	-
EFACEC Engenharia e Sistemas	21	1,388	-
EFACEC Serviços Corporativos	480	-	-
ITRUST - Cyber Security and Intellig.,SA	317	510	-
Maiashopping- Centro Comercial, S.A.	293	1	-
MDS Corretor de Seguros, SA	107	-	-
Modelo Continente Hipermercados,SA	704	81	-
Norteshopping-Centro Comercial, S.A.	121	6	-
Olivedesportos - Publicidade, Televisão e Media	-	3,792	-
RACE-Refrig. & Air Condit.Engineering,SA	99	321	-
SC - Sociedade de Consultoria, SA	171	-	-
Sierra Portugal, SA	510	(5)	-
Sonae MC – Serviços Partilhados, SA	682	-	-
UNITEL S.a.r.l.	2,468	1,564	-
UNITEL T+ Telecomunicações, S.A.	179	290	-
Worten-Equipamento para o Lar,SA	1,679	540	-
Other related parties	1,398	18	-
	51,823	57,594	2,923

Transactions in the quarter ended on 31 March 2019

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS
ASSOCIATED COMPANIES	482	20,395	-
Big Picture 2 Films	37	807	-
Sport TV	445	19,588	-
JOINTLY CONTROLLED COMPANIES	3,877	25	649
Dreamia Holding BV	-	-	35
Dreamia SA	988	(23)	-
Finstar	463	-	-
Mstar	9	-	-
Upstar	2,351	47	614
ZAP Media	66	-	-
OTHER RELATED PARTIES	7,386	6,150	(25)
Banco BIC Português, S.A.	568	-	-
Cascaishopping- Centro Comercial, S.A.	4	224	-
Centro Colombo- Centro Comercial, S.A.	4	500	-
Digitmarket	117	432	-
EFACEC Engenharia e Sistemas	26	743	-
EFACEC Serviços Corporativos	271	-	-
S21SEC Portugal- Cybersecuruty Serv., S.A.	11	576	-
Maiashopping- Centro Comercial, S.A.	2	164	-
Modelo Continente Hipermercados,SA	769	(10)	-
MDS Corretor de Seguros, SA	133	30	-
Norteshopping-Centro Comercial, S.A.	4	372	-
SC-Consultadoria,SA	394	-	-
Sonae Arauco Portugal, S.A.	110	-	-
Sierra Portugal, SA	646	79	-
Sonae MC – Serviços Partilhados, SA	1,449	-	-
UNITEL S.a.r.l.	846	283	-
Centro Vasco da Gama-Centro Comercial,SA	4	263	-
We Do Consulting-SI,SA	135	1,650	-
Worten-Equipamento para o Lar,SA	736	391	-
Other related parties	1,157	453	(25)
	11,745	26,569	624

Balances at 31 March 2020

	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
ASSOCIATED COMPANIES	11,182	63,768	-
Big Picture 2 Films	34	459	-
Sport TV	11,148	63,309	-
JOINTLY CONTROLLED COMPANIES	18,629	2,859	2,907
Dreamia Holding BV	40	-	2,907
Dreamia SA	3,002	1,407	-
Finstar	10,445	71	-
Mstar	10	-	-
Upstar	4,394	1,239	-
ZAP Media	738	142	-
OTHER RELATED PARTIES	9,543	3,988	-
Banco BIC Português, S.A.	166	-	-
Centro Colombo- Centro Comercial, S.A.	144	11	-
Digitmarket-Sistemas de Informação,SA	160	133	-
EFACEC Energia - Máquinas e Equipamentos	136	-	-
EFACEC Engenharia e Sistemas	22	998	-
EFACEC Serviços Corporativos	479	-	-
S21SEC Portug-Cyber Security Services,SA	309	420	-
Maiashopping- Centro Comercial, S.A.	54	(119)	-
Modelo Continente Hipermercados,SA	592	3	-
MDS Corretor de Seguros, SA	207	-	-
Norteshopping-Centro Comercial, S.A.	122	7	-
SC-Consultadoria,SA	195	-	-
Sierra Portugal, SA	526	(4)	-
Solinca - Health & Fitness, SA	102	-	-
Sonae MC – Serviços Partilhados, SA	695	-	-
SDSR - Sports Division SR, S.A.	124	-	-
UNITEL S.a.r.l.	2,723	1,777	-
UNITEL T+	102	190	-
Worten-Equipamento para o Lar,SA	1,405	534	-
Other related parties	1,280	38	-
	39,354	70,615	2,907

Transactions in the quarter ended on 31 March 2020

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS
ASSOCIATED COMPANIES	574	31,866	-
Big Picture 2 Films	53	1,321	-
Sport TV	521	30,545	-
JOINTLY CONTROLLED COMPANIES	3,560	90	37
Dreamia Holding BV	-	-	24
Dreamia SA	823	56	13
Finstar	2,448	-	-
MSTAR	8	-	-
Upstar	215	34	-
ZAP Media	66	-	-
OTHER RELATED PARTIES	6,196	3,817	-
Banco BIC Português, S.A.	408	-	-
Cascaishopping- Centro Comercial, S.A.	4	220	-
Centro Colombo- Centro Comercial, S.A.	4	508	-
Digitmarket-Sistemas de Informação,SA	23	327	-
EFACEC Engenharia e Sistemas	17	393	-
EFACEC Serviços Corporativos	366	-	-
Gaiashopping I- Centro Comercial, S.A.	4	105	-
S21SEC Portug-Cyber Security Services,SA	10	534	-
Maiashopping- Centro Comercial, S.A.	2	101	-
Modelo Continente Hipermercados,SA	1,057	19	-
MDS Corretor de Seguros, SA	191	-	-
Norteshopping-Centro Comercial, S.A.	4	499	-
SC-Consultadoria,SA	247	-	-
Sierra Portugal, SA	597	29	-
Solinca - Health & Fitness, SA	111	-	-
Sonae MC – Serviços Partilhados, SA	1,077	-	-
SDSR - Sports Division SR, S.A.	101	-	-
Centro Vasco da Gama-Centro Comercial,SA	4	268	-
Worten-Equipamento para o Lar,SA	905	407	-
Other related parties	1,064	407	-
	10,330	35,772	37

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.

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.

43. Legal actions and contingent assets and liabilities

43.1. 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, 2018 and 2019) 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 settlements of the year 2019 will be impugned until the final of first semester of 2020.

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, 2017: 9,099 thousand euros, 2018: 10,303 thousand euros and 2019: 10,169 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, 2018: 111 thousand euros and 2019: 107 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, 2017: 187 thousand euros, 2018: 205 thousand euros and 2019: 195 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.

43.2. Tax authorities

During the course of the 2003 to 2019 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2017 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 28.9 million euros, added interest, and charges. These settlement notes, which totally were contested, are the respective lawsuits in progress.

Based on the advice obtained from the process representatives and tax consultants, the Board of Directors maintains the belief in a favourable outcome, which is why these proceedings are maintained in court. However, in accordance with the principle of prudence, an assessment of the group's level of exposure to these proceedings is made periodically, in the light of the evolution of case law, and consequently the provisions recorded for this purpose are adjusted. The Group provided the bank guarantees demanded by the tax authorities, in connection with these proceedings, as stated in Note 41.

43.3. 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 interests 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 Lower Courts were insufficient to resolve on the substance of the case. Consequently, the SCJ ordered that the court under appeal should amplify the facts. The case was transferred to the Court of Appeal and from the latter to the Court of First Instance for the extension of the facts in the terms intended by the STJ. In November 2019, the Court of First Instance granted the parties the possibility of requesting the production of supplementary evidence on the subject of the extension, with NOS requesting an expert examination and the repetition of testimonial evidence. In February 2020, the Court considered that the expansion of the matter of fact leads to the need to obtain new evidence, which requires the analysis of the information relating to all portabilities that serve as the basis for the process, determining the carrying out of expert evidence for that purpose. The process awaits the appointment of the expert.
- MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and September 2013 and May 2016) and three to NOS Madeira (March and September 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.
- MEO doesn’t indicate in all notifications the amounts in which it wants to be financially compensated, realizing only part of these, in the case of NOS SA, in the amount of 26 million euros (from August 2011 to May 2014), in the case of NOS Açores, in the amount of 195 thousand euros and NOS Madeira, amounting to 817 thousand euros.
- At the beginning of July 2018, NOS, SA was notified of the filing by MEO of a lawsuit concerning portability compensations in which MEO claims from NOS the right, in this respect, to approximately 26.8 million euros intending to proceed with the special judicial notification sent to the NOS in July 2015, as mentioned above. NOS challenged the lawsuit during the month of October 2018 and, in September 2019, a judgement was handed down by the Court of First Instance, which upheld the prescription exception invoked by NOS SA, absolving it from the request made by MEO. MEO appealed against this decision to the Court of Appeal, so the deadline for NOS to lodge its administrative infractions is ongoing. In February 2020, we were notified of the judgment issued by the Lisbon Court of Appeal, which dismissed the appeal filed by MEO, thus confirming the decision of the lower court. In March 2020, a discriminatory note and justification of part costs was sent to MEO. MEO did not appeal the judgment, having already settled the amount of the claimed costs.

- 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. At the same time, NOS requested, and it was accepted by the Court, to carry out an economic-financial survey, and the expert report was completed in June 2018. MEO argued for the nullity of the expert report, and NOS submitted a response. The Court rejected the nullity of the expert report for lack of legal basis and questioned the parties that had requested the appearance of the experts at the final hearing, to clarify which points, in their view, had not been made clear in the expert report. MEO reiterated the request for the experts to appear at the final hearing to provide clarifications, while NOS, in turn, waived their presence. At the beginning of March 2020, the parties were notified of the scheduled judicial due diligence for 17 April 2020, with a view to scheduling the acts to be carried out at the final hearing, establishing the number of sessions and their likely duration, as well as the designation of the respective dates and, also, attempted conciliation. However, in view of the contingency period in which we find ourselves, this judicial process was cancelled. It is the understanding of the Board of Directors, corroborated by the attorneys accompanying the process, that it is, in formal and substantive terms, likely that NOS SA will be able to win the lawsuit, due to MEO already having been convicted for the same offences by ANACOM, however, it is not possible to determine the outcome of the action.

43.4. Action brought by DECO

In March 2018, NOS was notified of a lawsuit brought by DECO against NOS, MEO and NOWO, in which a declaration of nullity of the obligation to pay the price increases imposed on customers at the end of 2016 is requested. In April and May 2018, the operators, including NOS, lodged a defence. The action's value has been fixed at EUR 60,000. By order of October 2018, the Local Civil Court declared itself incompetent to hear the case, whereas the Central Civil Court of the same Court had jurisdiction to hear the case. Referring the case to the Central Court, a prior hearing was scheduled for October 8, 2019, which was then cancelled due to the judge declaring himself unable to hear the case. The process has already been redistributed and the previous hearing was scheduled for 23 April 2020. However, in view of the contingency period in which we find ourselves, the above mentioned judicial procedure was cancelled. 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.

43.5. Interconnection tariffs

At 31 December 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.

43.6. Contractual penalties

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

Until December 31st, 2014, the revenue from penalties, in the face of the inherent uncertainties, was only recognised at the time of receipt, and on 31 December 2019, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 47,789 thousand euros. During the financial year ended on 31 December 2019, receipts in the amount of 1,028 thousand euros of the issued invoice 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).

In 2020, due to the foreseeable sharp reduction in the collection of these penalties, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, NOS recognised expected credits losses to all penalties billed to customers and not provisioned, in the amount of approximately 7.0 million euros (Note 38).

44. Share incentive scheme

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

At 31 March 2020, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2017	15,835
Plan 2018	862,635
Plan 2019	737,393

During the quarter ended on 31 March 2020, the movements that occurred in the plans are detailed as follows:

	NOS PLAN 2017	NOS PLAN 2018	NOS PLAN 2019	TOTAL
BALANCE AS AT 31 DECEMBER 2019:	856,299	866,098	739,162	2,461,559
MOVEMENTS IN THE PERIOD:				
Vested	(849,443)	(2,928)	(1,331)	(853,702)
Cancelled / elapsed / corrected (1)	8,979	(535)	(438)	8,006
BALANCE AS AT 31 MARCH 2020	15,835	862,635	737,393	1,615,863

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

The share plans costs are recognised over the year between the awarding and vesting date of those shares. The responsibility is calculated taking into consideration the share price at award date of each plan, for plans settled in shares, or at the closing date, for plans settled in cash. As at 31 March 2020, the outstanding responsibility related to these plans is 3,224 thousand euros and is recorded in Reserves, for an amount of 2,704 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 520 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 2019	1,443	4,891	6,334
Costs of plans vested in the period	-	(3,892)	(3,892)
Costs incured in the period and others	(923)	1,705	782
TOTAL COST OF THE PLANS	520	2,704	3,224

Exceptionally, in the first quarter of 2020, the plans to be settled in cash due in the year, were paid in shares.

45. Discontinued operations unit held for sale

On 1 April 2020, NOS had reached an agreement with Tofane Global, SAS ("TOFANE") and IBASIS PORTUGAL, SA ("iBasis"), to sell all of NOS Internacional Carrier Services, SA's ("NOS ICS") share capital to iBasis, TOFANE's fully owned subsidiary and to supply NOS group companies with wholesale international voice and SMS services, which were previously provided by NOS ICS.

With this transaction NOS will increase its focus on its core telecom business whilst optimizing the underlying cost structure for international voice and SMS traffic.

Completion of this agreement is subject to non-opposition by the Competition Authority.

During the period ended on 31 March 2020, considering the approval of the transaction in March 2020, NOS ICS was classified as an asset held for sale and a discontinued operating unit, with the restatement of comparative periods being made in the consolidated statement results.

In the quarters ended on 31 March 2019 and 2020, the contributions to the results of this discontinued operating unit are as follows:

	3M 19	3M 20
REVENUES:	29,411	28,430
COSTS, LOSSES AND GAINS:		
Wages and salaries	83	87
Direct costs	28,697	27,844
Supplies and external services	85	97
Taxes	-	145
Depreciation, amortisation and impairment losses	-	2
	28,865	28,175
INCOME BEFORE FINANCIAL RESULTS AND TAXES	546	255
Net foreign exchange losses / (gains)	-	6
Net other financial expenses / (income)	-	1
	-	7
INCOME BEFORE TAXES	546	248
Income taxes	123	111
NET CONSOLIDATED INCOME FROM DISCONTINUED OPERATIONS	423	138
EARNINGS PER SHARES		
Basic - euros	0.00	0.00
Diluted - euros	0.00	0.00

At 31 March 2020, contributions to the statement of the financial position of the assets and liabilities of this discontinued operating unit have the following composition:

	31-03-2020
ASSETS	
NON - CURRENT ASSETS	
Tangible assets	1
Rights of use	6
Deferred income tax assets	6
Other non-current assets	2
TOTAL NON - CURRENT ASSETS	15
CURRENT ASSETS:	
Accounts receivable	32,313
Prepaid expenses	14
Cash and cash equivalents	12
TOTAL CURRENT ASSETS	32,339
TOTAL ASSETS HELD FOR SALE	32,354
LIABILITIES	
NON - CURRENT LIABILITIES	
Borrowings	1
TOTAL NON - CURRENT LIABILITIES	1
CURRENT LIABILITIES:	
Borrowings	6
Accounts payable - trade	17,620
Tax payable	300
Accrued expenses	12,262
TOTAL CURRENT LIABILITIES	30,188
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE	30,189

In the period ended March 31, 2020, cash flows from operating activities amounted to 12 thousand euros.

46. Other matters

46.1. COVID-19

With the emergence, spread and infection of the new coronavirus COVID-19, several measures were taken to contain the virus with very significant estimated impacts on the Portuguese economy, as well as in other economies, namely, limitations on travel rights and closure of several facilities and establishments.

As a result of the population's confinement measures, people and companies were and are being forced to adapt to a new reality, transforming the way they work and the way we socialize.

In the uncertainty posed by this threat, it is essential that companies design and implement, in a timely manner, structured and efficient contingency plans that guarantee employee protection and business continuity or that, at least, mitigate the resulting effects.

In this context, from the very first moment, NOS has a permanent COVID-19 Monitoring Office, whose mission is to provide the organization with the necessary conditions to manage this risk, as well as to analyse and monitor the evolution of the different phases. The main objectives of the COVID-19 Monitoring Office are to ensure that NOS, its Companies, its Employees and Partners are prepared to face the COVID-19 Pandemic, in order to:

i. Minimize the health impact to employees and to all those with whom they;

ii. Guarantee business continuity, ensuring the provision of services considered critical, for which it is necessary to certify the availability of key resources - employees, suppliers, agents, partners, etc. - and the need to adapt to the specific requirements of clients.

Both objectives are supported by a coherent and structured communication on the topic with the different stakeholders and a high-level articulation with official authorities, in particular with the General Health Directorate.

Our main concern is of course the health and well-being of all our employees. To ensure employee health and safety and business continuity, from an early stage we implemented a number of protective measures such as remote work practices, on site personal protection, travel restrictions to employees and visitors and also restrictions to participate in non-essential events and meetings and reinforced hygiene measures.

We are committed to support our customers during the current COVID-19 public health crisis. At a time when many Portugueses are changing their habits and routines and working remotely, keeping our customers connected is the main objective of NOS. To this end, we facilitate access to services, through data offers, suspension of monthly payment of premium sports channels, reinforcement of the ability to implement business services and guaranteeing a safe and secure service in our stores, in order to safeguard our customers, employees and partners. The NOS Telecommunications Network supports a set of basic services of our society, which include our National Health System. In this context of global health emergency, the maintenance of Portuguese communications is a fundamental task.

This is a situation of uncertainty and very dynamic, which makes it extremely difficult to estimate impacts, which always have to consider several scenarios and countless variables. Evidence of this difficulty is the historical drops and sharp volatility of exchanges, all over the world.

The impacts on NOS were already felt in the results of the first quarter of 2020, with a drop in consolidated EBITDA of 4.6%, which shows a reduction in activity in:

i. Cinemas and Audiovisuals: complete closure of NOS' theatres on 16 March and postponement of a number of movie premieres;

ii. Roaming and international calls: traffic and revenues impacted by restrictions imposed on international travel;

iii. Equipment sales: with the closure of shopping centers and travel restrictions, there was a reduction in the sale of mobile phones and equipment, which is partially offset by the increase in online sales (in the long run there may be a positive effect on the evolution customer take-up of digital channels);

iv. Mobile data revenues: quarantine and isolation situations imply an increase in the use of wireless networks, reducing the use of mobile data; and,

v. Drop in revenue related to premium sports and advertising content.

On the other hand, the projections made for the Portuguese economy, led to a reassessment of projections and estimates, which resulted in the reinforcement, in the first quarter of 2020, of impairments of accounts receivable (28.2 million euros) and other costs recognised, related to onerous contracts (10.8 million euros) (Note 38), as well as the recording of impairments in the item "Losses / (Gains) in subsidiaries", in the amount of 8.5 million euros (Note 35). A review of the impairment tests was also carried out, with no evidence of impairment being concluded, either in Goodwill or in other types of assets.

In terms of the projection of future impacts, these will depend on the extent, namely timing, of the spread of the virus and the respective containment measures, making it difficult to predict the scale of the impact, in the knowledge, however, that it will occur in the areas mentioned above. NOS 'capital structure is within the 2x Net Financial Debt / EBITDA After Leasings Payments (EBITDA - Leasings Payments (Capital and Interest)) threshold, so the Board of Directors believes that the company will overcome the negative impacts caused by this crisis, without jeopardizing business continuity.

47. Subsequent events

47.1. Preventive seizure of 26.075% of the share capital of NOS, SGPS, S.A.

On 4 April 2020, SONAECOM, SGPS, SA, holder of 50% of the capital of ZOPT, SGPS, SA (hereinafter "ZOPT"), was informed by this company of the communication received from the Central Criminal Investigation Court of Lisbon (hereinafter Tribunal) to proceed to the preventive seizure of 26.075% of the share capital of NOS, SGPS, SA, corresponding to half of the shareholding in NOS held by ZOPT and, indirectly, by the companies Unitel International Holdings, BV and Kento Holding Limited ", controlled by Eng.ª Isabel dos Santos.
Under the terms of the aforementioned decision, the foreclosed shares are deprived of the exercise of voting rights and the right to receive dividends, the latter of which must be deposited with Caixa Geral de Depósitos, S.A. at the court's discretion.
The other half of ZOPT's participation in NOS share capital, corresponding to an identical percentage of 26.075% - and which, at least in line with the criterion used by the Court, embodies the 50% held in ZOPT by SONAECOM - was not subject to seizure, nor the rights attached to it were subject to any limitation.

47.2. Disposal of NOS Towering, S.A.

On 14 April 2020, NOS Comunicações, SA and Cellnex Telecom, SA entered into an agreement whose purpose is to transfer to Cellnex the shares representing the entire share capital of NOS Towering, SA, encompassing the disposal of approximately 2,000 sites (towers and rooftops)..

The parties also signed a long-term agreement whereby Cellnex will provide the NOS Group with active network hosting over the passive infrastructure acquired, for a period of 15 years, automatically renewed for equal periods. In addition, this agreement foresees a perimeter increase of up to 400 additional sites over the next 6 years.

The execution of these agreements is subject to the verification of the usual conditions in this type of transaction, notably, if applicable, the non-opposition by the Competition Authority.

The potential value of the agreements to be reached over a 6-year period is 550 million euros, with an upfront payment of approximately 375 million euros. The expected impact on pro forma operating cash flow for NOS in year 1 is approximately 22 million euros.

This agreement will enable NOS to continuously optimize and expand its state-of-the-art mobile network, while reinforcing its ability to invest in the long-term value of the company. By joining forces with Cellnex in Portugal, through this strategic partnership, NOS ensures the supply of current and future needs of its passive mobile infrastructure. In addition to this agreement, NOS will continue to pursue other investment efficiency opportunities. The approval of this transaction, which constitutes a sale and lease back, occurred after the date of the statement of financial position.

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.

48. Annexes

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

COMPANY Company	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE	DIRECT	EFFECTIVE
				31-03-2019	31-03-2020	31-03-2020
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Movies exhibition	Lusomundo SII	100%	100%	100%
Fundo de Capital de Risco NOS 5G (a)	Lisbon	Invest and support the development of companies that aim to commercialize technologies and products that result from scientific and technological research	NOS	-	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 Property, S.A. (b)	Luxembourg	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic comunications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Corporate Center, S.A. (c)	Lisbon	Service rendered of business support and management and administration consultancy services, including accounting, logistics, administrative, financial, tax, human resources services and any other services that are subsequent or related to previous activities. The company may also perform any other services. activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraph, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	-	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS International Carrier Services, S.A. (c)	Lisbon	Service rendered and exploitation of electronic communications, namely, service rendered of national and international voice and SMS traffic transport services, as well as associated support signaling. The company may also perform any other activities that are complementary, subsidiary or ancillary. referred to in the preceding paragraph, directly or through participation in any other forms of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	-	100%	100%
NOS Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas , S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS	100%	100%	100%
NOS TECHNOLOGY - Concepção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis')	Matosinhos	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services	NOS SA	100%	100%	100%
NOS TOWERING - Gestão de Torres de Telecomunicações, S.A. ('Be Towering')	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	100%	100%
NOS Wholesale, S.A. (c)	Lisbon	Trade, service rendered and exploitation of wholesale offerings of national and international electronic communications services and related services, namely information and communication technology services Rendering of consulting services and support to contract management in roaming business. The organization of the material and human resources necessary for the commercialization, promotion and operation of electronic communications networks and circuits. The company may also perform any other activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraphs, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private	NOS SA	0%	100%	100%
Per-Mar - Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS SA	100%	100%	100%
Teliz Holding B.V.	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

(a) Fund subscription in December 2019
(b) On 1st October 2019, the company NOS Communications S.à r.l. changed its headquarters to Lisbon and changed its name to Nos Property, S.A..
(c) Constitution on 1st August 2019, by split of NOS Comunicações, S.A

B) Associated companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-03-2019	DIRECT 31-03-2020	EFFECTIVE 31-03-2020
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	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-03-2019	DIRECT 31-03-2020	EFFECTIVE 31-03-2020
Dreamia Holding B.V.	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV	50.00%	100.00%	50.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA	Maputo	Distribution of television by satellite, operation of telecommunications services	NOS	30.00%	30.00%	30.00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communications services provider, production, commercialization, broadcasting and distribution of audiovisual contents	NOS	30.00%	30.00%	30.00%
ZAP Media S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Cinemas, S.A. (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%	-	-
ZAP Publishing, S.A. (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%	-	-

(a) Companies liquidated and dissolved in December 2019

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

D) Companies in which NOS does not have significant influence

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-03-2019	DIRECT 31-03-2020	EFFECTIVE 31-03-2020
Associação Laboratório Colaborativo em Transformação Digital - DTX	Guimarães	Research applied to different areas associated with digital transformation to encourage cooperation between R&D units, educational institutions and the productive sector	NOS Inovação, S.A.	4.92%	4.92%	4.92%
Fundo TechTransfer	Lisboa	Invest and support the development of companies that aim to commercialize technologies and products that result from scientific and technological research	NOS Inovação, S.A.	-	4.20%	4.20%
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisboa	Insurance services	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisboa	Insurance services	NOS	0.02%	0.02%	0.02%

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

Limited review Report prepared by Auditor registered in CMVM

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(Translation from the original document in Portuguese language.
In case of doubt, the Portuguese version prevails.)

Limited review report on the consolidated condensed financial statements

Introduction

We have performed a limited review on the consolidated condensed financial statements of NOS, S.G.P.S., S.A. (the Entity), which comprise the Consolidated Condensed Statement of Financial Position as at 31 March 2020 (which shows a total of 3,085,651 thousand Euros and a shareholders' equity total of 1,002,360 thousand Euros, including a consolidated net loss attributable to equity holders of the parent of 10,355 thousand Euros), the Consolidated Condensed Statement of Income by Nature, the Consolidated Condensed Statement of the Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the three month period then ended, and the related notes to the consolidated condensed financial statements, including a summary of significant accounting policies.

Management responsibilities

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

Auditor's responsibilities

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

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

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

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of NOS S.G.P.S., S.A., as at 31 March 2020, 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).

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

Emphasis of Matter

We draw attention to the disclosures included in the Notes to the condensed consolidated financial statements regarding: i) the impacts on the financial statements and the uncertainties resulting from the Covid-19 pandemic (notes 35, 38 and 46.1); ii) the fact that the financial statements for the year ended December 31, 2019 have not yet been approved by the Shareholders' General Meeting (note 1); and iii) the preventive seizure of 26.075% of the Entity's share capital (note 47.1). Our conclusion is not modified in respect to these matters.

Porto, 6th May 2020

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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