



CONSOLIDATED MANAGEMENT REPORT AND ACCOUNTS

1Q23



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01

MANAGEMENT REPORT

GOVERNING BODIES

As elected at the General Shareholder Meeting held on 21 April 2022.

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, CFO Daniel Beato Filipa Santos Carvalho Jorge Graça Luis Nascimento Manuel Ramalho Eanes
Members	António Lobo Xavier Catarina Távira Van-Dúnem Cláudia de Azevedo Cristina Marques Eduardo Verde Pinho João Torres Dolores Rita Rodrigues

Fiscal Board

Chairman of the Fiscal Board	José Pereira Alves
Members	Patrícia Teixeira Lopes Paulo Mota Pinto
Alternate	Ana Luísa Aniceto da Fonte

Officials of the General Meeting of Shareholders

Chairman	Agostinho Guedes
Secretary	Daniela Baptista

Statutory Auditor

In Office	ERNST & YOUNG AUDIT & ASSOCIADOS, SROC, S.A., (ROC number 178 and registered at CMVM with the number 20161480, represented by Sandra e Sousa Amorim (ROC number 1213);
Alternate	Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC n.º 1258)

1Q23 HIGHLIGHTS

We had a strong start to 2023, with accelerated growth and very positive momentum in our core Telco business. Our focus on customer experience and technological leadership continues to lead to robust operational performance, with strong KPI growth. These positive results demonstrate our commitment to delivering superior network, service, and product quality to our customers.

Table 1.

1Q23 Highlights	1Q22	1Q23	1Q23 / 1Q22
Operating Highlights ('000)			
Total RGUs	10,393.3	10,871.7	4.6%
Mobile RGUs	5,423.5	5,811.7	7.2%
Fixed Pay TV RGUs	1,401.8	1,441.8	2.9%
Convergent + Integrated Customers	1,036.2	1,104.3	6.6%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	65.2%	67.9%	2.8pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros) ⁽¹⁾	47.1	49.3	4.6%
Homes Passed	5,134.4	5,336.8	3.9%
% FttH	54.0%	66.6%	12.5pp
Financial Highlights (Millions of Euros)			
Consolidated Revenues	373.4	381.4	2.2%
Consolidated EBITDA	159.4	173.5	8.8%
Consolidated EBITDA Margin	42.7%	45.5%	2.8pp
Consolidated EBITDA AL	137.6	146.2	6.2%
Consolidated EBITDA AL Margin	36.8%	38.3%	1.5pp
Consolidated EBITDA AL - Consolidated CAPEX Excluding Leasings & Other Contractual Rights	6.2	49.1	698.3%
Telco Revenues	365.8	369.2	0.9%
Telco EBITDA	149.6	163.7	9.4%
Telco EBITDA Margin	40.9%	44.3%	3.4pp
Telco EBITDA AL	130.7	138.9	6.3%
Telco EBITDA Margin AL	35.7%	37.6%	1.9pp
Telco EBITDA AL - Telco CAPEX Excluding Leasings & Other Contractual Rights	5.2	46.3	796.5%

(1) Fixed residential ARPU restated from 1Q19 to include Revenues of SIM cards integrated in residential bills

- We delivered another quarter of healthy RGU growth across all businesses and with particular strength in mobile. Total RGUs increased by 89.4 thousand net additions of which 77.9 came from mobile (85.6% in mobile post-paid contracts).
- Fixed Broadband services increased by 6.3 thousand and Fixed PayTV by 7.5 thousand net additions respectively, reflecting the regard with which Portuguese consumers view our next generation fixed connectivity solutions and the high value proposition of our NOS TV solutions.
- Convergence remains a key preference of consumers with an additional 15.2 thousand customers taking their residential services in integrated bundles representing 68% of the fixed customer base by the end of the quarter.

- Cinema operations kept up their positive trajectory over the previous year, with ticket sales up by 52% in 1Q23 to 1,502 thousand, again recovering well only down by 19% versus 1Q19.

Operating momentum driving solid financial results

- Consolidated revenues grew 2.2% yoy to 381.4 million euros, with EBITDA growth of 8.8% to 173.5 million and EBITDA AL of 6.2% to 146.2 million euros.
- Telco Revenues grew by 0.9% to 369.2 million euros impacted for the high volume of resale revenues booked in 1Q22. Adjusting for low margin resale revenues, Telco Revenues would have grown by 5.4%. Audiovisual and Cinema Revenues grew by 22.6% to 20.4 million euros.
- Telco EBITDA increased 9.4% yoy to 163.7 million euros. Telco EBITDA AL increased 6.3% yoy to 138.9 million euros, Audiovisual and Cinema EBITDA AL increased 5.8% to 7.2 million euros. General inflationary pressures continued to affect the cost base albeit ongoing operating efficiencies helped to offset the impact.
- Net Income attributable to NOS shareholders amounted to 34.9 million euros in 1Q23 representing a decline of 15.1% yoy.
- Total CAPEX excluding leasing contracts and other contractual rights was 97.0 million euros in 1Q23, a decline of 26.2% yoy as was expected due to the fact that 5G deployment is decelerating with more than 88% population coverage at the end of 1Q23.
- Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition in 1Q23 amounted to 28.4million euros reflecting the yoy improvement in EBITDA AL and the anticipated decline in CAPEX.

Operating and Financial Review

The Consolidated Financial Statements for 1Q23 have been subject to a limited review.

Table 2.

Profit and Loss Statement (Millions of Euros)	1Q22	1Q23	1Q23 / 1Q22
Operating Revenues	373.4	381.4	2.2%
Telco	365.8	369.2	0.9%
Consumer Revenues	247.8	265.1	7.0%
Business Revenues	97.1	79.6	(18.0%)
Wholesale and Others	21.0	24.5	16.6%
Audiovisuals & Cinema ⁽¹⁾	16.6	20.4	22.6%
Others and Eliminations	(9.1)	(8.2)	(10.0%)
Operating Costs Excluding D&A	(213.9)	(207.9)	(2.8%)
Telco	(216.1)	(205.5)	(4.9%)
Audiovisuals & Cinema ⁽¹⁾	(6.8)	(10.5)	53.8%
Others and Eliminations	9.1	8.2	(10.0%)
EBITDA ⁽²⁾	159.4	173.5	8.8%
EBITDA Margin	42.7%	45.5%	2.8pp
Telco	149.6	163.7	9.4%
EBITDA Margin	40.9%	44.3%	3.4pp
Cinema Exhibition and Audiovisuals	9.8	9.9	0.7%
EBITDA Margin	58.9%	48.4%	(10.5pp)
Depreciation and Amortization	(110.4)	(120.4)	9.1%
(Other Expenses) / Income	2.7	(0.5)	118.2%
Operating Profit (EBIT) ⁽³⁾	51.8	52.6	1.7%
Share of profits (losses) of associates and joint ventures	5.3	2.5	(52.3%)
(Financial Expenses) / Income	(9.1)	(13.0)	43.4%
Leases Financial Expenses	(6.2)	(7.4)	19.7%
Funding & Other Financial Expenses	(2.8)	(5.5)	95.1%
Income Before Income Taxes	48.0	42.2	(12.1%)
Income Taxes	(6.9)	(7.1)	(2.9%)
Net Income Before Associates & Non-Controlling Interests	35.8	32.5	(9.1%)
Net income	41.1	35.0	(14.7%)
Net income attributable to Non-controlling interests	0.0	(0.1)	(533.4%)
Net Income attributable to NOS shareholders	41.1	34.9	(15.1%)
Net Income attributable to NOS shareholders excluding gain from tower sale	41.1	34.9	(15.1%)
Leasings	(21.9)	(27.4)	25.3%
Telco	(18.9)	(24.7)	30.9%
Cinema Exhibition and Audiovisuals	(3.0)	(2.6)	(11.0%)
Operating costs Excluding D&A AL	(235.8)	(235.2)	(0.2%)
Telco	(235.0)	(230.2)	(2.0%)
Audiovisuals & Cinema ⁽¹⁾	(9.8)	(13.2)	34.3%
Others and Eliminations	9.1	8.2	(10.0%)
EBITDA AL	137.6	146.2	6.2%
EBITDA AL margin	36.8%	38.3%	1.5pp
Telco	130.7	138.9	6.3%
EBITDA AL margin	35.7%	37.6%	1.9pp
Audiovisuals & Cinema	6.8	7.2	5.8%
EBITDA AL margin	41.1%	35.5%	(5.6pp)

⁽¹⁾ Includes cinema operations in Mozambique.

⁽²⁾ EBITDA = Operating Profit + Depreciation and Amortization + Integration Costs + Net Losses/Gains on Disposal of Assets + Other Non-Recurrent Losses/Gains

⁽³⁾ EBIT = Income Before Financials and Income Taxes.

Revenues

Consolidated revenues in 1Q23 grew by 2.2% YoY to 381.4 million euros, driven by the strength of operational performance across all business segments. Telco revenues were 0.9% higher yoy, reaching 369.2 million euros, impacted for the high volume of resale revenues booked in 1Q22. Adjusting for low margin resale revenues, Telco Revenues would have grown by 5.4% and consolidated revenues by 6.6%. This very positive growth was driven primarily by strong growth of 7.0% in the B2C segment driven by increased RGUs and improved customer value mix. B2B revenues, adjusted for the impact of the low margin B2B resale revenues decreased by 2.7%. Wholesale and other revenues also continued to grow strongly, driven by the ongoing recovery in roaming revenues and a rise in low margin mass calling services.

Audiovisual distribution and cinema exhibition revenues in 1Q23 grew by 22.6% yoy to 20.4 million euros, reflecting the ongoing recovery in cinema sales, in particular impacted by the very strong attendance driven by "Avatar: The Way of Water" which became the highest GBO movie ever in Portugal. This growth was also supported by the successful screening of other blockbuster movies such as, "Puss in Boots: Last Wish" and "Creed III" showing that cinema going is very much alive as long as there are popular movies on show in theatres.

Table 3.

Operating Indicators ('000)	1Q22	1Q23	1Q23 / 1Q22
Cinema ⁽¹⁾			
Revenue per Ticket (Euros)	5.5	6.1	10.0%
Tickets Sold - NOS	987.6	1,501.7	52.1%
Tickets Sold - Total Portuguese Market ⁽²⁾	1,564.0	2,316.3	48.1%
Screens (units)	208	214	2.9%

(1) Portuguese Operations

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

OPEX, EBITDA, EBITDA AL and Net Results

As from 1Q23 we will focus our review of operational profitability on EBITDA AL, equivalent to pre IFRS16 EBITDA. EBITDA will continue to be included, for reference and continuity in the coming quarters, in our reported financial tables.

Consolidated EBITDA maintained a very positive trend in 1Q23 increasing 8.8% to 173.5 million euros. Consolidated EBITDA AL increased by 6.2% to 146.2 million euros. Telco EBITDA AL posted a strong yoy increase of 6.3% to 138.9 million euros, while Audiovisual and Cinema EBITDA AL increased by 5.8% to 7.2 million euros.

Consolidated OPEX after leases remained flat yoy at 235.2 million euros. We continue our efforts to contain costs to offset global inflationary pressures and we remain focused on maintaining a positive margin trajectory, as we explore ways to optimize our cost base. This quarter the cost items more negatively affected by inflation were wages and salaries and external services, particularly the services with a high labour cost component. Commercial and service costs were also impacted by inflation. Also leasing costs increased due essentially to the additional tower sale executed in 2022 and to the inflationary environment, in the case of the tower leasing inflation adjustments are capped at 2%. On the positive side, we recorded a very significant decline in COGS due to the lower sales of low margin software and IT resale revenues in comparison with 1Q22. Also we maintained an efficient management of energy costs which started to revert and contribute positively to EBITDA AL evolution.

Consolidated Net Results for 1Q23 amounted to 34.9 million euros representing a decline of 15.1% in comparison with 1Q22 explained mostly by an increase in D&A to 120.4 million euros, reflecting the high capex levels of 2021 and 2022. Also net financial costs increased to 13.0 million euros, impacted primarily by the increased interest rate environment.

CAPEX

Total CAPEX, excluding leasing contracts and other contractual rights, was significantly lower at 97.0 million euros, a reduction of 26.2% yoy, confirming the strong deceleration of 5G deployment which had already reached population coverage of 88% by the end of 1Q23. As a result, investment in Telco Technical CAPEX amounted to 53.4 million euros, of which 21.8 related to network expansion, substitution and integration projects, down 56.6% yoy. We remain committed to maintaining our network leadership position and providing customers with the best possible connectivity solutions however this strategic ambition will be achievable with a more normalized level of investment going forward. Customer related CAPEX was 39.2 million euros in the period, 8.2% yoy, reflecting the inflation in unit costs of CPEs, and also increase in the labour component of sales commissions and installation. Audiovisuals and Cinema CAPEX in 1Q23 reached 4.4 million euros.

Table 4.

CAPEX (Millions of Euros) ⁽¹⁾	1Q22	1Q23	1Q23 / 1Q22
Total CAPEX Excluding Leasing Contracts, Spectrum license & Other Contractual Rights	131.4	97.0	(26.2%)
Telco	125.6	92.6	(26.2%)
% of Telco Revenues	34.3%	25.1%	(9.2pp)
o.w. Technical CAPEX	89.4	53.4	(40.2%)
% of Telco Revenues	24.4%	14.5%	(10.0pp)
Baseline Telco	39.0	31.6	(19.0%)
Network Expansion / Substitution and Integration Projects and Others	50.4	21.8	(56.6%)
o.w. Customer Related CAPEX	36.2	39.2	8.2%
% of Telco Revenues	9.9%	10.6%	0.7pp
Audiovisuals and Cinema Exhibition	5.8	4.4	(24.9%)
Leasing Contracts & Other Contractual Rights	11.8	29.1	145.9%
Spectrum licenses	0.0	0.0	n.a.
Total Group CAPEX	143.3	126.1	(12.0%)

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

Cash Flow

Table 5.

Cash Flow (Millions of Euros)	1Q22	1Q23	1Q23 / 1Q22
EBITDA AL	137.6	146.2	6.2%
Total CAPEX Excluding Leasings, Spectrum License & Other Contractual Rights	(131.4)	(97.0)	(26.2%)
EBITDA AL - Total CAPEX Excluding Leasings, Spectrum License & Other Contractual Rights	6.2	49.1	698.3%
% of Revenues	1.6%	12.9%	11.2pp
Non-Cash Items Included in EBITDA AL - CAPEX and Change in Working Capital	1.9	(5.2)	(372.5%)
Operating Cash Flow	8.1	44.0	445.6%
Interest Paid	(3.2)	(4.7)	47.1%
Income Taxes Paid	(0.2)	0.0	(120.5%)
Disposals	0.5	0.3	(51.6%)
Other Cash Movements ⁽²⁾	(1.0)	(11.2)	(972.2%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	4.1	28.4	590.6%
Financial Investments	0.2	0.1	(63.1%)
Acquisition of Own Shares	(2.9)	(4.4)	50.9%
Dividends	0.0	0.0	n.a.
Free Cash Flow	1.4	24.0	1659.9%
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(0.2)	(1.0)	391.8%
Change in Net Financial Debt	(1.2)	(23.0)	1883.8%

(1) Includes Long Term Contracts.

(2) Includes Cash Restructuring Payments and Other Cash Movements.

In 1Q23, EBITDA AL minus total CAPEX excluding leases and other contractual rights amounted to 49.1 million euros, a significant increase compared to 6.2 million euros in 1Q22, reflecting the positive trend in EBITDA AL and reduction in investment following peak CAPEX levels recorded in 2022.

Total FCF for the quarter was 28.4 million euros, reflecting very solid operating performance. This quarter was impacted negatively by "Other Cash Movements" of 11.2 million euros, representing mostly the tower sale VAT payment of 10.3 million euros that was received from the final tower transaction in 4Q22. Excluding this non-recurrent VAT payment from the tower transaction, FCF would have amounted to 38.7 million euros.

Consolidated Balance Sheet

Table 6.

Balance Sheet (Millions of Euros)	1Q22	1Q23	1Q23 / 1Q22
Non-current Assets	2,795.8	2,930.1	4.8%
Current Assets	536.8	558.5	4.0%
Total Assets	3,332.7	3,488.6	4.7%
Total Shareholders' Equity	1,007.3	1,083.3	7.5%
Non-current Liabilities	1,537.7	1,382.7	(10.1%)
Current Liabilities	787.7	1,022.6	29.8%
Total Liabilities	2,325.4	2,405.3	3.4%
Total Liabilities and Shareholders' Equity	3,332.7	3,488.6	4.7%

Capital Structure and Funding

Table 7.

Net Financial Debt (Millions of Euros)	1Q22	1Q23	1Q23 / 1Q22
Short Term	99.1	342.9	246.2%
Medium and Long Term	947.0	649.4	(31.4%)
Total Debt	1,046.0	992.3	(5.1%)
Cash and Short Term Investments	15.5	23.1	49.2%
Net Financial Debt ⁽¹⁾	1,030.5	969.2	(6.0%)
Net Financial Debt / EBITDA after lease payments (last 4 quarters) ⁽²⁾	1.96x	1.74x	(0.11pp)
Leasings and Long Term Contracts	528.8	638.9	20.8%
Net Debt	1,559.3	1,608.1	3.1%
Net Debt / EBITDA	2.49x	2.42x	(0.03pp)
Net Financial Gearing ⁽³⁾	60.8%	59.8%	-1.7%

⁽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)

As of the end of 1Q23, NOS had a total net debt, including leasings and long-term contracts (according to IFRS16) of 1,608.1 million euros. Net financial debt stood at 969.2 million euros with a cash and short-term investment position on the balance sheet of 23.1 million euros. NOS has a strong funding position with unissued commercial paper programmes of 387.5 million euros. Net financial debt / EBITDA AL stood at 1.74x in 1Q23, which is comfortably below NOS' target leverage ratio of around 2x net financial debt / EBITDA AL.

The all-in average cost of debt for 1Q23 was 2.3%, an increase versus last quarter reflecting the increasing interest rate context. As at 31 March 2023, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 63%.

At the end of 1Q23, the average maturity of NOS debt was 2.7 years.

General Meeting and Shareholder Remuneration

On 5 April 2023, NOS' held its Annual General Meeting. All points on the agenda were approved and as a result, NOS' shareholders approved an ordinary dividend payment of 27.8c per share, in line with last year and an extraordinary dividend of 15.2c per share, linked to the capital gain and FCF generated by the tower sale transaction closed in 2022. Payment of the total dividend was made on 21 April 2023.

Upon payment of this dividend, NOS maintains a solid capital structure, remaining below its target net debt ratio of 2x NFD / EBITDA AL. NOS remains robustly positioned to meet future investments and committed to continuing to distribute an attractive level of dividends whilst maintaining a strategic focus on preserving a strong capital structure to support continued delivery of sustainable value creation for shareholders.

02

CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

AT 31 MARCH 2022, 31 DECEMBER 2022 AND 31 MARCH 2023

(Amounts stated in thousands of euros)

	NOTES	31-03-2022	31-12-2022	31-03-2023
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	7	1,077,803	1,107,052	1,105,945
Investment property		617	514	511
Intangible assets	8	1,204,881	1,209,558	1,205,040
Contract costs	9	161,375	160,594	161,105
Rights of use	10	232,903	297,723	308,447
Investments in jointly controlled companies and associated companies	11	27,668	38,961	41,311
Accounts receivable - other	12	5,583	4,758	4,574
Tax receivable	13	61	369	262
Other financial assets non-current	14	2,143	5,248	5,286
Deferred income tax assets	15	82,349	89,554	87,459
Derivative financial instruments	20	460	11,249	10,111
TOTAL NON - CURRENT ASSETS		2,795,843	2,925,580	2,930,051
CURRENT ASSETS:				
Inventories	16	51,057	67,223	70,570
Accounts receivable - trade	17	330,915	319,441	318,200
Contract assets	18	60,916	60,095	61,045
Accounts receivable - other	12	18,850	16,632	18,181
Tax receivable	13	5,236	6,906	7,163
Prepaid expenses	19	54,041	52,232	60,237
Derivative financial instruments	20	322	-	-
Cash and cash equivalents	21	15,497	15,215	23,121
TOTAL CURRENT ASSETS		536,834	537,744	558,517
TOTAL ASSETS		3,332,677	3,463,324	3,488,568

CONDENSED CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

AT 31 MARCH 2022, 31 DECEMBER 2022 AND 31 MARCH 2023

(Amounts stated in thousands of euros)

	NOTES	31-03-2022	31-12-2022	31-03-2023
SHAREHOLDER'S EQUITY				
Share capital	22.1	5,152	855,168	855,168
Capital issued premium	22.2	854,219	4,202	4,202
Own shares	22.3	(12,278)	(15,968)	(14,377)
Legal reserve	22.4	1,030	1,030	1,030
Other reserves and accumulated earnings	22.4	111,686	(22,914)	195,943
Net Income		41,108	224,574	34,915
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,000,917	1,046,092	1,076,881
Non-controlling interests	23	6,344	6,251	6,374
TOTAL EQUITY		1,007,261	1,052,343	1,083,255
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	24	1,409,383	1,210,181	1,207,297
Provisions	25	80,774	81,267	80,875
Accounts payable - other	29	38,570	42,128	41,691
Deferred income	27	3,802	2,824	2,753
Deferred income tax liabilities	3.2 & 15	48,327	50,125	50,098
TOTAL NON - CURRENT LIABILITIES		1,580,856	1,386,525	1,382,714
CURRENT LIABILITIES:				
Borrowings	24	165,463	427,453	423,906
Accounts payable - trade	28	277,921	253,355	268,893
Accounts payable - other	29	30,229	53,789	33,894
Tax payable	3.2 & 13	30,832	38,842	41,612
Accrued expenses	26	204,321	212,430	212,667
Deferred income	27	35,790	38,190	40,915
Derivative financial instruments	20	4	397	712
TOTAL CURRENT LIABILITIES		744,560	1,024,456	1,022,599
TOTAL LIABILITIES		2,325,416	2,410,981	2,405,313
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,332,677	3,463,324	3,488,568

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 2023.

The Chief Accountant

The Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF INCOME BY NATURE

FOR THE QUARTERS ENDED ON 31 MARCH 2022 E 2023

(Amounts stated in thousands of euros)

	NOTES	3M 22	3M 23
REVENUES:			
Services rendered		327,970	349,336
Sales		37,925	25,410
Other operating revenues		7,472	6,658
	30	373,367	381,404
COSTS, LOSSES AND GAINS:			
Wages and salaries	31	20,292	21,967
Direct costs	32	80,521	81,599
Costs of products sold	33	35,073	21,780
Marketing and advertising		5,274	9,180
Support services	34	20,630	24,033
Supplies and external services	34	38,173	35,784
Other operating losses / (gains)		334	289
Taxes		8,788	9,016
Provisions and adjustments	35	4,841	4,212
Depreciation, amortization and impairment losses	7,8,9,10 & 37	110,405	120,405
Restructuring costs	38	1,006	359
Losses / (gains) on sale of assets, net	7 & 8	(15)	(80)
Other losses / (gains) non recurrent net	39	(3,718)	218
		321,604	328,762
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES		51,763	52,642
Net losses / (gains) of affiliated companies	12 & 36	(5,307)	(2,530)
Financial costs	40	8,138	11,880
Net foreign exchange losses / (gains)		92	121
Net losses / (gains) on financial assets		34	4
Net other financial expenses / (income)	40	786	973
		3,743	10,448
INCOME BEFORE TAXES		48,020	42,194
Income taxes	15	6,943	7,146
NET CONSOLIDATED INCOME		41,077	35,048
ATTRIBUTABLE TO:			
NOS Group Shareholders		41,108	34,915
Non-controlling interests	23	(31)	133
EARNINGS PER SHARES			
Basic – euros	41	0.08	0.07
Diluted – euros	41	0.08	0.07

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 2023.

The Chief Accountant

The Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTERS ENDED ON 31 MARCH 2022 AND 2023

(Amounts stated in thousands of euros)

	NOTES	3M 22	3M 23
NET CONSOLIDATED INCOME		41,077	35,048
OTHER INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:			
Accounting for equity method	11	4,270	(180)
Fair value of interest rate swap	20	10	(979)
Deferred income tax - interest rate swap	20	(2)	220
Fair value of equity swaps	20	281	-
Deferred income tax - equity swap	20	(63)	-
Fair value of exchange rate forward	20	82	(512)
Deferred income tax - exchange rate forward	20	(24)	149
Currency translation differences and others		(14)	15
INCOME RECOGNISED DIRECTLY IN EQUITY		4,540	(1,287)
TOTAL COMPREHENSIVE INCOME		45,617	33,761
ATTRIBUTABLE TO:			
NOS Group Shareholders		45,648	33,628
Non-controlling interests		(31)	133
		45,617	33,761

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 2023.

The Chief Accountant

The Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE QUARTERS ENDED ON 31 MARCH 2022 AND 2023

(Amounts stated in thousands of euros)

		ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS						NON - CONTROLLING INTERESTS	TOTAL
	NOTES	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES	LEGAL RESERVE	OTHER RESERVES	NET INCOME		
BALANCE AS AT 1 JANUARY 2022		5,152	854,219	(12,353)	1,030	(35,586)	144,159	6,379	963,000
Result appropriation									
Transfers to reserves		-	-	-	-	144,159	(144,159)	-	-
Aquisition of own shares	22.3	-	-	(3,358)	-	-	-	-	(3,358)
Distribution of own shares:									
Distribution of own shares - share incentive scheme	22.3	-	-	3,147	-	(3,147)	-	-	-
Distribution of own shares - other remunerations	22.3	-	-	286	-	(14)	-	-	272
Share Plan - costs incurred in the period and others		-	-	-	-	1,734	-	(4)	1,730
Comprehensive Income		-	-	-	-	4,540	41,108	(31)	45,617
BALANCE AS AT 31 MARCH 2022		5,152	854,219	(12,278)	1,030	111,686	41,108	6,344	1,007,261
BALANCE AS AT 1 JANUARY 2023		855,168	4,202	(15,968)	1,030	(22,914)	224,574	6,251	1,052,343
Result appropriation									
Transfers to reserves		-	-	-	-	224,574	(224,574)	-	-
Aquisition of own shares	22.3	-	-	(4,422)	-	-	-	-	(4,422)
Distribution of own shares:									
Distribution of own shares - share incentive scheme	22.3	-	-	5,902	-	(5,902)	-	-	-
Distribution of own shares - other remunerations	22.3	-	-	111	-	6	-	-	117
Share Plan - costs incurred in the period and others	45	-	-	-	-	1,466	-	(10)	1,456
Comprehensive Income		-	-	-	-	(1,287)	34,915	133	33,761
BALANCE AS AT 31 MARCH 2023		855,168	4,202	(14,377)	1,030	195,943	34,915	6,374	1,083,255

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 2023.

The Chief Accountant

The Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE QUARTERS ENDED ON 31 MARCH 2022 AND 2023

(Amounts stated in thousands of euros)

	NOTES	3M 22	3M 23
OPERATING ACTIVITIES			
Collections from clients		427,725	438,699
Payments to suppliers		(214,715)	(200,329)
Payments to employees		(23,022)	(22,326)
Receipts / (Payments) relating to income taxes		(230)	47
Other cash receipts / (payments) related with operating activities		(8,683)	(15,188)
CASH FLOW FROM OPERATING ACTIVITIES (1)		181,075	200,903
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments		275	275
Tangible assets		579	-
Intangible assets		1,142	1,354
		1,996	1,629
PAYMENTS RESULTING FROM			
Financial investments	4 & 14	(88)	(206)
Tangible assets		(93,424)	(82,080)
Intangible assets and contract costs		(58,325)	(54,681)
		(151,837)	(136,967)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(149,841)	(135,338)
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		152,200	23,000
		152,200	23,000
PAYMENTS RESULTING FROM			
Borrowings		(150,000)	(33,500)
Lease rentals (principal)		(16,901)	(23,784)
Interest and related expenses		(10,871)	(13,675)
Aquisition of own shares	22.3	(2,930)	(4,422)
		(180,702)	(75,381)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(28,502)	(52,381)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		2,732	13,184
Effect of exchange differences		3	(2)
Cash and cash equivalents at the beginning of the year		10,170	8,079
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22	12,905	21,261
Cash and cash equivalents	21	15,497	23,121
Bank overdrafts	24	(2,592)	(1,860)

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 2023.

The Chief Accountant

The Board of Directors

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2023

(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, n.º9, 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 datacenters and consulting services in IT, mainly in the Portuguese market.

NOS shares are listed on the Euronext Lisbon market. The shareholders' structure of the Group as at 31 March 2023 is shown in Note 22.

The business of NOS Comunicações, S.A. ("NOS SA") and its subsidiaries, NOS Technology, NOS Açores, NOS Madeira, NOS Wholesale, NOS Sistemas and BLU comprehends: a) cable and satellite television distribution; b) the operation of the latest generation mobile communication network, GSM/UMTS/LTE/5G; 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"), f) the provision of consultancy and similar services directly or indirectly related to the above mentioned activities and services, and g) datacentre management and consulting services in IT. 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.

The main activity of NOS Audio - Sales and Distribution, S.A., previously designated NOS Lusomundo TV, S.A. and the result of the merger of NOSPUB with NOS Lusomundo TV on December 2020, is the negotiation, acquisition and distribution of content rights and other multimedia products to television and other platforms of distribution, currently producing films and series channels through the compilation of the acquired contents, which are distributed, among other operators, by NOS SA and its subsidiaries. This company 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 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 2023 were approved by the Board of Directors and their issue authorised on 26 April 2023.

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 2022.

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 2.3.21.

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 2.3.24).

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 Board of Directors is convinced that there are no material uncertainties that might question this assumption. An analysis was made that the Group has the necessary resources to continue its operations into the future, for a period of no less than 12 months from the reporting date.

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 following standards, interpretations, amendments and revisions adopted ("endorsed") by the European Union were mandatory for the first time on the financial year beginning 1 January 2023:

- IFRS 17 – Insurance Contracts. IFRS 17 applies to all insurance contracts (i.e. life, non-life, direct insurance and reinsurance) regardless of the type of entity that issues them, as well as some guarantees and some financial instruments with discretionary participation features. Overall, IFRS 17 provides an accounting model for insurance contracts that is more useful and more consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
- Amendments to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information. This amendment to IFRS 17 relates to the presentation of comparative information for financial assets in initial application of IFRS 17. The amendment adds a transition option that permits an entity to apply an 'overlay' in classifying a financial asset in the comparative period(s) presented in initial application of IFRS 17. The overlay permits all financial assets, including those held in relation to non-contractual activities within the scope of IFRS 17, to be classified, instrument by instrument, in the comparative period(s) in a manner aligned with how the entity expects those assets to be classified on initial application of IFRS 9.

- Amendments to IAS 1 – Disclosure of accounting policies. These amendments are intended to assist the entity in disclosing 'material' accounting policies, previously referred to as 'significant' policies. However, due to the absence of this concept in the IFRS standards, it was decided to replace it by the concept 'materiality', a concept already known to users of financial statements. In assessing the materiality of accounting policies, the entity has to consider not only the size of transactions but also other events or conditions and the nature of these.
- Amendments to IAS 8 – Definition of accounting estimates. The amendment clarifies the distinction between change in accounting estimate, change in accounting policy and correction of errors. In addition, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction. The amendment clarifies that payments that settle a liability are tax deductible, however it is a matter of professional judgement whether such deductions are attributable to the liability that is recognised in the financial statements or the related asset. This judgment is important in determining whether there are temporary differences in the initial recognition of the asset or liability. Thus, the initial recognition exception is not applicable to transactions that gave rise to equal taxable and deductible temporary differences. It is only applicable if the recognition of a leasing asset and a leasing liability gives rise to taxable and deductible temporary differences that are not equal.

These standards and amendments had no material impacts on the consolidated financial statements of the Group.

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:

- Amendments to IAS 1 – Disclosure of accounting policies. Classification of current and non-current liabilities. This amendment intends to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will or will not exercise that right), or by events that occur after the reporting date, such as non-compliance with a covenant. However, if the right to defer settlement for at least twelve months is subject to the fulfilment of certain conditions after the reporting date, those criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current. This amendment also includes a new definition of "settlement" of a liability and is applicable retrospectively.
- Amendments to IFRS 16 – Leasings - Responsibility of a lease in a sale and leaseback transaction. This amendment specifies the requirements regarding the subsequent measurement of lease liabilities, related to sale and leaseback transactions that qualify as "sale" in accordance with the principles of IFRS 15, focusing on variable lease payments that do not depend on an index or rate. In subsequently measuring lease liabilities, seller-lessees shall determine "lease payments" and "revised lease payments" in a manner that does not recognise any gain or loss related to the retained right-of-use. Applying these requirements does not prevent a seller-lessee from recognising, in the income statement, any gain or loss relating to the partial or total "sale" as required by paragraph 46(a) of IFRS 16. This amendment is retrospective.

The Group did not apply any of these standards in advance in the financial statements in the quarter ended on 31 March 2023. No significant impacts on the financial statements resulting from their adoption are estimated.

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 23).

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 non-controlling interests are initially recognized 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 recognized 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 recognized immediately in profit or loss.

When the Group loses control over a controlled entity, the assets and liabilities of that entity, and any non-controlling interests and other components recognised in equity, are derecognised. Any resulting gain or loss is recognised in the income statement. Any interest retained in the entity is measured at fair value when control is lost.

Intercompany transactions, balances, unrealized gains on transactions and dividends distributed between Group companies are eliminated. Unrealized 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 recognized 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 recognized, except when the Group has entered into undertakings with that entity.

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 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 recognized 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 recognized, except when the Group has entered 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 income statement.

Balances and transactions between group companies

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

The part of unrealized gains arising from transactions with associated companies or jointly controlled companies attributable to the Group is eliminated in the consolidation. Unrealized 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 (Note 5).

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

The Group presents assets and liabilities in the financial statements based in the current and non-current classification. An asset is classified as current when:

- The asset is expected to be realized, sold or consumed in its normal operational cycle;
- If the asset is held, essentially, for negotiation purposes;
- The asset is expected to be realized 12 months after reported;

- The asset is a cash or a cash equivalent, unless its trade or use is limited to settle a liability during, at least, 12 months after reporting.

A liability is classified as current when:

- The liability is expected to be settled in its normal operational cycle;
- The liability is held, essentially, for negotiation purposes;
- The liability is expected to be settled in a 12 month period after reported;
- There is no unconditional right to differ the liability settlement during, at least, 12 months after reported;

The remaining assets and liabilities of the Group are classified as non-current.

Realizable 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 and revenues, that should be disclosed separately from the usual cost and revenues lines, in order to avoid distortion of the financial information from regular operations, and be consistent with the way the group's financial performance is analyzed and monitored by management. These unusual costs and revenues may not be comparable to similarly titled measures used by other companies. When determining whether an event or transaction is unusual, management considers both quantitative and qualitative factors. Examples of unusual costs and revenues are: business restructuring programs and respective compensation; regulatory affairs and lawsuits; extraordinary impairment of assets due to the reduction of their recoverable amount, sale of non current assets, among others. If costs and revenues meet these criteria, which are applied consistently from year to year, they are treated as unusual and presented in the specific lines above.

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 recognized by a deduction, from the corresponding asset as a contra entry in profit and loss. The costs of current maintenance and repairs are recognized as a cost when they are incurred. Significant costs incurred on renovations or improvements to the asset are capitalized 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.

The gains and losses from the disposal of tangible assets, determined by the difference between the sale value and the net book value, are recognized in the item "Losses/ (gains) on disposal 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:

	2022 (YEARS)	2023 (YEARS)
Buildings and other constructions	2 - 50	2 - 50
Technical equipment:		
Network Installations and equipment	7 - 40	7 - 40
Terminal equipment	2 - 8	1 - 5
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. Non-current assets held for sale and discontinued operations

The non-current assets (or discontinued operations) are classified as held for sale if the respective value is realizable through a sale transaction instead of its continued use.

This situation is considered to happen only when: i) the sale is very likely to happen and the asset is immediately available to be sold in its current conditions, ii) the Company made the commitment to sell, and iii) the sale is expected to take place in a period of 12 months. In this case, the non-current assets are measured by the lower amount between accounting value or the respective fair value deducted from the costs of the sale.

The non-current assets held for sale and discontinued operations are measured at the lower of two: i) the accounting value and, ii) the fair value deducted from the costs of the sale. The costs of the sale are the incremental costs directly assigned to the disposal of the asset (or group to be disposed), excluding financial costs and income tax expenses.

From the moment that tangible assets are considered to be "held for sale" the inherent depreciation of those assets ceases, and the assets are determined as non-current asset held for sale.

A discontinued operation unit is a component of an entity that was disposed or is classified as held for sale and:

- Represents an important line of business or geographical area separated from the operational units;
- It is an integrant part of a single coordinated plan to dispose an important line of business or geographical area separated from the operational units or;
- It is a subsidiary acquired exclusively for resale.

Discontinued operations are excluded from the continued operations results and are presented in separate as an amount of net income after taxes from discontinued operations on the financial statement of income by nature.

2.3.5. Intangible Assets

Intangible assets are stated at acquisition cost, less accumulated amortization and impairment losses, when applicable. Recognized 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 utilization rights and other contractual rights.

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.

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 recognized 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 realizing the Group's activities, and include:

- Telecom licenses;
- Software licenses;
- Content utilization 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 recognized as assets when the necessary conditions to organize 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 recognized in the income statement in "Depreciation, amortization, 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.

When the recognized intangible assets involve payments in periods above 1 year, the intangible asset corresponds to the present value of those payments.

Amortization

The useful lives of the intangible assets are classified as finite or indefinite.

Intangible assets with finite useful lives are amortised over their useful lives, with an impairment analysis carried out whenever there are indications that the amount at which the intangible asset is mentioned in the financial statements may not be recovered. The amortization period and the amortization method of an intangible asset with a finite useful life are reviewed periodically. Any changes in the expected useful life or in the expected pattern of future consumption of the economic benefits incorporated in the asset, are considered in the modification over the period or method of amortization and, if verified, are treated as changes in accounting estimates. The amortization costs of intangible assets with finite lives are recognized in the income statement.

The assets with finite useful life are amortised by the straight-line method, in twelfths, from the beginning of the month in which they become available for use.

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

	2022 (YEARS)	2023 (YEARS)
Telecom licences	20 - 33	20 - 33
Software licences	1 - 8	1 - 8
Content utilization rights	Period of the contract	Period of the contract
Other	1 to 20	1 to 20

The intangible assets with indefinite useful lives are not amortised, and impairment assessments are performed annually.

Accordingly, the useful life of an intangible asset that is not being amortised is periodically reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If not, the change in the assessment of the useful life from indefinite to finite is accounted for as a change in an accounting estimate.

An intangible asset is unrecognized in its disposal moment, or when no future economic benefits from its use or disposal are expected. The gain or loss related with an unrecognized intangible asset (determined as the difference between the net income of its disposal, if there is any, and the carrying amount of that same asset) is recognised in the financial statement of income by nature.

2.3.6. 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:

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

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

The costs of attracting customers are essentially:

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

The costs associated with fulfilling the contracts are essentially:

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

2.3.7. 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 amortization or depreciation) if no impairment loss had been recorded in previous years.

2.3.8. 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:

- the Group's contractual rights to receive their cash flows expire;
- the Group has substantially transferred all the risks and benefits associated with their ownership; or
- 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.

Financial assets at fair value through results are presented in the financial statements at fair value, the net changes being known in the income statement. This category of assets includes derivative instruments and investments in listed companies for which the Company has not classified them as financial assets at fair value through other comprehensive income. Dividends from investments in listed companies are recognised as income in the income statement when the respective right of receipt is formalized.

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.

Financial assets measured at amortised cost are subsequently measured using the effective tax rate method and subject to impairment. Income and costs are recognised in the income statement when the asset is derecognised, updated or an impairment is recognised over it. Financial assets measured at the Company's amortised cost include accounts receivable and loans granted to related parties.

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 realizable 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).

2.3.9. 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:

- Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
- 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;
- Financial guarantee contracts;
- The commitments to grant a loan at a lower interest rate than the market;
- 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.

2.3.10. Impairment of financial assets

At the date of each financial position statement, the Group analyses and recognizes 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 recognize 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, considering 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, recognizing instead impairment losses based on the expected credit loss on each reporting date. The Group established a provisions' matrix where it presents an impairment loss criterion based on the history of credit losses, adjusted by specific prospective factors for the clients and the economic environment.

2.3.11. 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.

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:

- There is an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship; and
- 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:

- currency contracts for its exposure to foreign currency risk in forecast transactions and firm commitments;
- interest rates to cover the risk of volatility of the interest rates;
- 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".

On the quarter ended on 31 March 2023, the Group did not change 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.

2.3.12. 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 realizable 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 realizable value, whichever is the lower, and this reduction is recognised directly in the income statement.

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

The differences between the cost and the corresponding net realizable 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 realizable 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. No balances of content rights are registered in the Inventories caption.

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 42.2), 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.

2.3.13. Subsidies

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

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

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

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

2.3.14. Provisions and contingent liabilities

Provisions are recognised when:

- 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
- 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 program, 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 arising from onerous contracts are recorded and measured as provisions. An onerous contract exists when the Company is an integral part of a contract, whose compliance has associated costs directly associated with the contract (both incremental costs and an allocation of costs directly related to the contract) that exceed future economic benefits.

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.

2.3.15. 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.

The estimated costs of dismantling, removal of assets and restoration of the site related with leases are recognised in tangible assets with works carried out (Note 2.3.3).

2.3.15.1 Rights of use of assets

The Group recognizes 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.

The rights of use of assets are depreciated using the straight-line method by the shortest period between length of the contract and its expected useful life.

If at the end of the leasing contract the asset is transferred to the company, or if the cost reflects the possibility of exercising the call option, the depreciation is calculated according to the estimated useful life of the asset.

2.3.15.2 Liabilities with leases

At the start date of the lease, the Group recognizes 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.

2.3.16 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.

Deferred income tax assets are recognised for all the deductible temporary differences until it is likely that a taxable profit is obtained to which the deductible temporary difference may be used, unless the deferred income tax asset results from the initial recognition of an asset or liability in a transaction which:

- Is not a concentration of business activities;
- At the moment of the transaction, it does not affect neither the accounting profit nor the taxable profit (fiscal loss);
- With respect to deductible temporary differences arising from investments in subsidiaries, branches and associates and interests in joint arrangements, deferred income tax assets are recognised only to the extent that the temporary difference will revert in the foreseeable future and taxable profit against which the temporary difference can be used will be available.

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:

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

2.3.17 Payment based in shares

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

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

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

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

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

2.3.18 Equity

Share issue premiums

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.

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”.

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.

Other reserves and accumulated earnings**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.

Other reserves and 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.

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.

Dividends

The company recognizes the liability, as well as its impact over the equity, associated with the responsibility to distribute dividends when it is approved by the shareholders.

2.3.19 Revenue

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

- Revenues of Communications Services:

Cable/Satellite television, fixed broadband and fixed voice: The revenues from services provided using the fibre optic cable network result from:

 - basic channel subscription packages that can be sold in a bundle with fixed broadband/fixed voice services;
 - premium channel subscription packages and S-VOD;
 - terminal equipment rental;
 - consumption of content (VOD);
 - traffic and voice termination;
 - service activation;
 - sale of equipment, licensing and others; and
 - other additional services (ex: firewall, antivirus).
- 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.
- 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.

- Film showings and distribution: Distribution revenue pertains to the distribution of films to film exhibitors not distributed by the Group, that are included in the film showings, whilst income from film showings mostly derive from cinema ticket sales and the product sales in the bars; the film showings revenue includes the revenue from ticket sales and bar sales respectively.
- Revenue from distributing channel content: Revenue from 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. The television channels distribution by subscription to third parties consists in the transmission and retransmission of information, including, namely, the distribution of television emissions and radio broadcasting, owned and third party owned, codified or not, as well as the addressed nature rendered services and data transmission. NOS is leading these activities since it: controls the channel exhibition, in its package of products disposes the power of pricing, the retribution corresponds to the service price and not to a mere commission and it is exposed to the credit risk of its customers.
- Consultancy and datacenter management: information systems consultancy and datacenter management are the major services rendered by NOS Sistemas.
- Insurance brokerage commissions: income from insurance sales commissions is obtained by NOS Mediação de Seguros.
- Intelligent Alarm: the revenues obtained with the NOS | Securitas Intelligent Alarm include security solutions for people and property, which combine the professional monitoring of the Securitas Alarm Center with NOS latest technology.

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

- Identification of the contract with the customer;
- Identification of performance obligations;
- Determining the price of the transaction;
- Allocation of the price of the transaction to the performance obligations; and
- 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, Licensing 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 included when the buyer takes on the risks and advantages of taking possession of goods and the value of the benefits are reasonably quantified.

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

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

The Group attributes to its customers loyalty points in each call or recharge, that might be exchanged, over a limited period, for discounts in equipment purchase.

In each reporting period, NOS recognizes 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:

- 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,
- 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.

The revenue from penalties is recognised in the "Other income" item upon receipt.

Interest revenue is recognised using the effective interest method, only when they generate future economic benefits.

2.3.20 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 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 2.3.14).

2.3.21 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.

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 deemed cost and recognised in the same proportion as the assets that gave rise to it.

At 31 December 2022 and 31 March 2023, 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:

	31-12-2022	31-03-2023
US Dollar	1.0666	1.0875
Angolan Kwanza	537.5664	547.0125
British Pound	0.8869	0.8792
Mozambican Metical	67.4500	68.7700
Canadian Dollar	1.4440	1.4737
Swiss Franc	0.9847	0.9968
Real	5.6386	5.5158

In the quarters ended on 31 March 2022 and 2023, 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. The average exchange rates used are as follows:

	3M 22	3M 23
Angolan Kwanza	543.2726	541.8054
Mozambican Metical	70.4833	68.2633

2.3.22 Financial charges and borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accrual's 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 capitalized in the acquisition cost of that asset. Costs from capitalized borrowings are determined having in consideration the amount of borrowing costs obtained that can be capitalized, according to the application of a capitalization rate over the expenses associated with that asset. The capitalization rate (aligned with NOS average financing rate) as well as with the costs to be capitalized are determined monthly, taking into consideration the monthly balance of eligible borrowings and the monthly amount of the asset in progress that qualifies.

2.3.23 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.

2.3.24 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, at fair value on the date of the financial statements.

The fair value measurement assumes that the asset or liability is exchanged in an orderly transaction among market

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

- On the main market of the assets and liabilities, or
- In the absence of a primary market, it is assumed that the transaction occurs in the most advantageous market. This is what maximizes the amount that would be received for selling asset or minimizes 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 maximize 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.

2.3.25 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.

2.3.26 Employee benefits

Personnel expenses are recognised when the service is rendered by employees independently of their date of payment. Here are some specificities:

- 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 recognizes these benefits when it can be shown to be committed to a termination of current employees according to a detailed formal plan for termination and there is no realistic possibility of withdrawal or these benefits are granted to encourage voluntary redundancy. 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.
- Holiday, holiday allowances, and bonuses. According to the labor law, employees are entitled to 22 days annual leave, as well as one month of holiday allowances, rights acquired in the year preceding payment. These liabilities of the Group are recorded when incurred, independently of the moment of payment, and are reflected under the item "Accounts payable and other".
- Labor Compensation Fund (FCT) and the Labor Compensation Guarantee Fund (FGCT). Based on the publication of Law No. 70/2013 and subsequent regulation by Order No. 294-A / 2013, entered into force on 1 October the Labor Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labor (FGCT). In this context, companies that hire a new employee are required to deduct a percentage of the respective salary for these two new funds (0.925% to 0.075% and the FCT for FGCT), in order to ensure, in the future, the partial

payment the compensation for dismissal. Considering the characteristics of each Fund, the following is considered:

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

2.3.27 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.

2.3.28 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 of 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 subject to impairment tests or whenever there are indications of a possible loss of value, according to the criteria referred on 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 amortization/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 amortization/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 capitalized costs with the audiovisual content distribution rights acquired for commercialization 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.

The residual value, the useful life and the depreciation methods are periodically revised by the various companies of the Group and prospectively adjusted, if appropriated.

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 uncollectibility rate. The expected credit losses of the accounts receivable are thus adjusted for the assessment made, which may differ from the effective risk that will be incurred in the future.

Fair value of financial assets and liabilities

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

The Group applies evaluation techniques for unlisted financial instruments, such as derivatives, financial instruments at fair value and instruments measured at amortised cost. The most frequently used valuation 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 31 March 2022 and 2023 no material errors, estimates or changes in accounting policies were recognised in relation to prior years. A reclassification of estimates to address uncertainties about the acceptance of a particular tax treatment by the Tax Administration's was made from Taxes payable to deferred tax liabilities, amounting to approximately €42.9 million (March 31, 2022: €43.1 million), with restatement of the period ended March 31, 2022, for comparability purposes (Note 15).

4. Changes in the perimeter

During the quarter ended on 31 March 2022, there were no changes in the perimeter.

During the quarter ended on 31 March 2023, the following changes in perimeter occurred:

- Incorporation of the company Ten Twenty One, S.A., in February 2023, whose main activity is the provision of engineering and consulting services in the area of information technologies, communications and electronics;
- Acquisition of the company BLU, S.A., in March 2023, whose main activity is the provision of telecommunications services, establishment, management and operation of telecommunications networks.

Following the acquisition of BLU, S.A., NOS made a preliminary assessment of the fair value of assets acquired and liabilities assumed through this operation, so the purchase price allocation is still subject to changes until the conclusion of the period of one year from the control date, as permitted by IFRS 3 - Business Combinations. Nevertheless, NOS does not estimate material changes as a result of any changes to the allocation made.

The detail of net assets acquired and goodwill arising on this transaction is as follows:

	BOOK VALUE	ADJUSTMENTS TO FAIR VALUE	FAIR VALUE
ACQUIRED ASSETS			
Contract costs - customer portfolio	-	183	183
Accounts receivable	141	-	141
Prepaid expenses	21	-	21
Cash and cash equivalents	158	-	158
	320	183	503
ACQUIRED LIABILITIES			
Accounts payable	120	-	120
Tax payable	7	-	7
Deferred income	26	-	26
	153	-	153
TOTAL NET ASSETS ACQUIRED	167	183	350
GOODWILL			-
ACQUISITION PRICE			350

The difference between the amount paid and the net assets acquired was allocated in full to the company's client portfolio, taking into account the rationale behind the acquisition operation.

The contribution of BLU, S.A. to net income and revenues for the quarter ended on 31 March 2023, was 14 thousand euros and 56 thousand euros respectively, corresponding to a period of one month.

The net cash flows with the acquisition of BLU, S.A., resulted in a payment of 192 thousand euros, included in the cash flows of Investment Activities (Price paid: 350 thousand euros; Cash and cash equivalents: 158 thousand euros).

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, Per-mar, Sontária, NOS SGPS, NOS Açores, NOS Property, NOS Madeira, NOS SA, NOS Audio- Sales and Distribution, Teliz Holding, NOS Sistemas, NOS Sistemas España, NOS Inovação, NOS Internacional SGPS, NOS Corporate Center, NOS Wholesale, Fundo NOS 5G, Dualgrid, NOS Mediação de Seguros, Ten Twenty One and BLU.
- 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"), NOS Audio SGPS and Dreamia S.L.

Assets and liabilities by segment at 31 December 2022 and 31 March 2023 are shown below:

	31-12-2022			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,098,022	9,030	-	1,107,052
Intangible assets	1,117,022	92,536	-	1,209,558
Contract costs	160,594	-	-	160,594
Rights of use	270,493	27,230	-	297,723
Investments in jointly controlled companies and associated companies	122,712	46,256	(130,007)	38,961
Accounts receivable - other	43,569	3,082	(41,893)	4,758
Deferred income tax assets	81,545	8,009	-	89,554
Other non-current assets	16,917	463	-	17,380
TOTAL NON - CURRENT ASSETS	2,910,874	186,606	(171,900)	2,925,580
CURRENT ASSETS:				
Inventories	66,657	566	-	67,223
Account receivables	391,650	47,390	(42,872)	396,168
Prepaid expenses	50,891	1,721	(380)	52,232
Other current assets	4,788	2,118	-	6,906
Cash and cash equivalents	14,265	950	-	15,215
TOTAL CURRENT ASSETS	528,251	52,745	(43,252)	537,744
TOTAL ASSETS	3,439,125	239,351	(215,152)	3,463,324
SHAREHOLDER'S EQUITY				
Share capital	855,168	48,917	(48,917)	855,168
Capital issued premium	4,202	-	-	4,202
Own shares	(15,968)	-	-	(15,968)
Legal reserve	1,030	1,989	(1,989)	1,030
Other reserves and accumulated earnings	7,998	37,897	(68,809)	(22,914)
Net income	216,203	18,207	(9,836)	224,574
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,068,633	107,010	(129,551)	1,046,092
Non-controlling interests	6,514	-	(263)	6,251
TOTAL EQUITY	1,075,147	107,010	(129,814)	1,052,343
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,188,142	63,931	(41,892)	1,210,181
Provisions	73,656	7,611	-	81,267
Other non-current liabilities	44,952	-	-	44,952
Deferred income tax liabilities	49,296	829	-	50,125
TOTAL NON - CURRENT LIABILITIES	1,356,046	72,371	(41,892)	1,386,525
CURRENT LIABILITIES:				
Borrowings	433,941	17,185	(23,673)	427,453
Accounts payable	305,870	17,086	(15,812)	307,144
Tax payable	37,485	1,357	-	38,842
Accrued expenses	199,001	17,274	(3,845)	212,430
Other current liabilities	31,898	7,068	(379)	38,587
TOTAL CURRENT LIABILITIES	1,008,195	59,970	(43,709)	1,024,456
TOTAL LIABILITIES	2,364,241	132,341	(85,601)	2,410,981
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,439,388	239,351	(215,415)	3,463,324

31-03-2023

	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,096,668	9,277	-	1,105,945
Intangible assets	1,112,975	92,065	-	1,205,040
Contract costs	161,105	-	-	161,105
Rights of use	271,719	36,728	-	308,447
Investments in jointly controlled companies and associated companies	125,071	46,247	(130,007)	41,311
Accounts receivable - other	43,294	3,173	(41,893)	4,574
Deferred income tax assets	79,734	7,725	-	87,459
Other non-current assets	15,702	468	-	16,170
TOTAL NON - CURRENT ASSETS	2,906,268	195,683	(171,900)	2,930,051
CURRENT ASSETS:	-	-	-	-
Inventories	69,960	610	-	70,570
Account receivables	394,503	37,670	(34,747)	397,426
Prepaid expenses	59,163	1,452	(378)	60,237
Other current assets	4,855	2,427	(119)	7,163
Cash and cash equivalents	16,137	6,984	-	23,121
TOTAL CURRENT ASSETS	544,618	49,143	(35,244)	558,517
TOTAL ASSETS	3,450,886	244,826	(207,144)	3,488,568
SHAREHOLDER'S EQUITY	-	-	-	-
Share capital	855,168	48,917	(48,917)	855,168
Capital issued premium	4,202	-	-	4,202
Own shares	(14,377)	-	-	(14,377)
Legal reserve	1,030	2,697	(2,697)	1,030
Other reserves and accumulated earnings	218,626	48,220	(70,903)	195,943
Net income	39,031	2,920	(7,036)	34,915
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,103,680	102,754	(129,553)	1,076,881
Non-controlling interests	6,374	-	-	6,374
TOTAL EQUITY	1,110,054	102,754	(129,553)	1,083,255
LIABILITIES	-	-	-	-
NON - CURRENT LIABILITIES:	-	-	-	-
Borrowings	1,177,882	71,309	(41,894)	1,207,297
Provisions	73,159	7,716	-	80,875
Other non-current liabilities	44,444	-	-	44,444
Deferred income tax liabilities	49,283	815	-	50,098
TOTAL NON - CURRENT LIABILITIES	1,344,768	79,840	(41,894)	1,382,714
CURRENT LIABILITIES:	-	-	-	-
Borrowings	422,517	19,766	(18,377)	423,906
Accounts payable	297,701	17,802	(12,716)	302,787
Tax payable	40,629	1,102	(119)	41,612
Accrued expenses	200,105	16,668	(4,106)	212,667
TOTAL CURRENT LIABILITIES	996,064	62,232	(35,697)	1,022,599
TOTAL LIABILITIES	2,340,832	142,072	(77,591)	2,405,313
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,450,886	244,826	(207,144)	3,488,568

The results by segment and investments in tangible and intangible assets, contract costs and rights of use for the quarters ended on 31 March 2022 and 2023 are shown below:

	3M 22			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
REVENUES:				
Services rendered	322,457	16,643	(11,130)	327,970
Sales	35,980	1,977	(32)	37,925
Other operating revenues	7,343	279	(150)	7,472
	365,780	18,899	(11,312)	373,367
COSTS, LOSSES AND GAINS:				
Wages and salaries	18,033	2,259	-	20,292
Direct costs	85,915	2,162	(7,556)	80,521
Costs of products sold	34,675	407	(9)	35,073
Marketing and advertising	7,649	594	(2,969)	5,274
Support services	20,706	702	(778)	20,630
Supplies and external services	36,988	1,185	-	38,173
Other operating losses / (gains)	279	55	-	334
Taxes	8,767	21	-	8,788
Provisions and adjustments	4,854	(13)	-	4,841
	217,866	7,372	(11,312)	213,926
EBITDA	147,914	11,527	-	159,441
Depreciation, amortisation and impairment losses	102,572	7,833	-	110,405
Other losses / (gains), net	(2,882)	155	-	(2,727)
INCOME BEFORE LOSSES / (GAINS)				
PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	48,224	3,539	-	51,763
Net losses / (gains) of affiliated companies	(5,200)	(107)	-	(5,307)
Financial costs	7,775	363	-	8,138
Net foreign exchange losses / (gains)	73	19	-	92
Net losses / (gains) on financial assets	(7,344)	(2,754)	10,132	34
Net other financial expenses / (income)	783	3	-	786
	(3,913)	(2,476)	10,132	3,743
INCOME BEFORE TAXES	52,137	6,015	(10,132)	48,020
Income taxes	6,131	812	-	6,943
NET INCOME	46,006	5,203	(10,132)	41,077
CAPEX	132,688	10,563	-	143,251
EBITDA - CAPEX	15,226	964	-	16,190

	3M23			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
REVENUES:				
Services rendered	340,651	18,695	(10,010)	349,336
Sales	22,315	3,178	(83)	25,410
Other operating revenues	6,638	169	(149)	6,658
	369,604	22,042	(10,242)	381,404
COSTS, LOSSES AND GAINS:				
Wages and salaries	19,380	2,587	-	21,967
Direct costs	83,584	4,244	(6,229)	81,599
Costs of products sold	21,162	628	(10)	21,780
Marketing and advertising	11,554	626	(3,000)	9,180
Support services	24,047	704	(718)	24,033
Supplies and external services	33,911	2,158	(285)	35,784
Other operating losses / (gains)	249	40	-	289
Taxes	8,992	24	-	9,016
Provisions and adjustments	4,247	(35)	-	4,212
	207,126	10,976	(10,242)	207,860
EBITDA	162,478	11,066	-	173,544
Depreciation, amortisation and impairment losses	113,707	6,698	-	120,405
Other losses / (gains), net	432	65	-	497
Restructuring costs	293	66	-	359
Losses / (gains) on sale of assets, net	(80)	-	-	(80)
Other losses / (gains) non recurrent net	219	(1)	-	218
INCOME BEFORE LOSSES / (GAINS) PARTICIPATED COMPANIES, FINANCIAL RESULTS AND TAXES	48,339	4,303	-	52,642
Net losses / (gains) of affiliated companies	(2,539)	9	-	(2,530)
Financial costs	11,390	490	-	11,880
Net foreign exchange losses / (gains)	151	(30)	-	121
Net losses / (gains) on financial assets	(7,031)	(1)	7,036	4
Net other financial expenses / (income)	967	6	-	973
	2,938	474	7,036	10,448
INCOME BEFORE TAXES	45,401	3,829	(7,036)	42,194
Income taxes	6,237	909	-	7,146
NET INCOME	39,164	2,920	(7,036)	35,048
CAPEX	110,121	15,978	-	126,099
EBITDA - CAPEX	52,357	(4,912)	-	47,445

EBITDA = Operational Result + Depreciation, amortization 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 2023, fully consolidated foreign companies represent less than 1% of assets (at 31 March 2022: less than 1%) and their turnover is less than 0.1% 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:

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.

	31-12-2022					
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Other financial assets non-current (Note 14)	5,248	-	-	5,248	-	5,248
Derivative financial instruments (Note 20)	-	11,249	-	11,249	-	11,249
Accounts receivable - trade (Note 17)	319,441	-	-	319,441	-	319,441
Accounts receivable - other (Note 12)	9,425	-	-	9,425	11,965	21,390
Cash and cash equivalents (Note 21)	15,215	-	-	15,215	-	15,215
TOTAL FINANCIAL ASSETS	349,329	11,249	-	360,578	11,965	372,543
LIABILITIES						
Borrowings (Note 24)	-	-	1,637,634	1,637,634	-	1,637,634
Derivative financial instruments (Note 20)	-	397	-	397	-	397
Accounts payable - trade (Note 28)	-	-	253,355	253,355	-	253,355
Accounts payable - other (Note 29)	-	-	95,725	95,725	192	95,917
Accrued expenses (Note 26)	-	-	212,430	212,430	-	212,430
TOTAL FINANCIAL LIABILITIES	-	397	2,199,144	2,199,541	192	2,199,733

	31-03-2023					
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Other financial assets non-current (Note 14)	5,286	-	-	5,286	-	5,286
Derivative financial instruments (Note 20)	-	10,111	-	10,111	-	10,111
Accounts receivable - trade (Note 17)	318,200	-	-	318,200	-	318,200
Accounts receivable - other (Note 12)	9,054	-	-	9,054	13,701	22,755
Cash and cash equivalents (Note 21)	23,121	-	-	23,121	-	23,121
TOTAL FINANCIAL ASSETS	355,661	10,111	-	365,772	13,701	379,473
LIABILITIES						
Borrowings (Note 24)	-	-	1,631,203	1,631,203	-	1,631,203
Derivative financial instruments (Note 20)	-	712	-	712	-	712
Accounts payable - trade (Note 28)	-	-	268,893	268,893	-	268,893
Accounts payable - other (Note 29)	-	-	75,415	75,415	170	75,585
Accrued expenses (Note 26)	-	-	212,667	212,667	-	212,667
TOTAL FINANCIAL LIABILITIES	-	712	2,188,178	2,188,890	170	2,189,060

7. Tangible Assets

In the quarters ended on 31 March 2022 and 2023, the movements in this item were as follows:

	31-12-2021	INCREASES	DISPOSALS AND WRITE- OFFS	TRANSFERS AND OTHERS	31-03-2022
ACQUISITION COST					
Lands	796	-	-	-	796
Buildings and other constructions	276,320	-	(10)	8,323	284,633
Basic equipment	2,765,157	12,445	(6,861)	44,045	2,814,786
Transportation equipment	514	-	-	-	514
Tools and dies	1,596	-	-	-	1,596
Administrative equipment	195,035	378	(466)	571	195,518
Other tangible assets	43,864	36	-	70	43,970
Tangible assets in-progress	41,226	67,359	-	(49,910)	58,675
	3,324,508	80,218	(7,337)	3,099	3,400,488
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	180,308	2,860	-	2	183,170
Basic equipment	1,872,564	42,431	(5,709)	(1,005)	1,908,281
Transportation equipment	513	-	-	-	513
Tools and dies	1,479	16	-	-	1,495
Administrative equipment	185,182	1,053	(464)	4	185,775
Other tangible assets	43,362	89	-	-	43,451
	2,283,408	46,449	(6,173)	(999)	2,322,685
	1,041,100	33,769	(1,164)	4,098	1,077,803

	31-12-2022	INCREASES	DISPOSALS AND WRITE- OFFS	TRANSFERS AND OTHERS	31-03-2023
ACQUISITION COST					
Land	519	-	-	-	519
Buildings and other constructions	264,259	(557)	(303)	2,665	266,064
Basic equipment	2,909,175	14,928	(16,631)	18,402	2,925,874
Transportation equipment	514	-	-	-	514
Tools and dies	1,607	-	-	-	1,607
Administrative equipment	195,921	363	(47)	689	196,926
Other tangible assets	44,162	37	-	59	44,258
Tangible assets in-progress	53,438	29,110	-	(23,796)	58,752
	3,469,595	43,881	(16,981)	(1,981)	3,494,514
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	159,518	4,097	(303)	36	163,348
Basic equipment	1,971,674	44,812	(16,548)	(7,249)	1,992,689
Transportation equipment	514	-	-	-	514
Tools and dies	1,528	14	-	-	1,542
Administrative equipment	185,650	987	(43)	10	186,604
Other tangible assets	43,659	215	-	(2)	43,872
	2,362,543	50,125	(16,894)	(7,205)	2,388,569
	1,107,052	(6,244)	(87)	5,224	1,105,945

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

At 31 March 2023, the net value of tangible assets is composed mainly by basic equipment, namely:

- Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 828.8 million euros (31 December 2022: 831.8 million euros);
- Terminal equipment installed on client premises, included under Basic equipment, amounts to 104.4 million euros (31 December 2022: 105.7 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 2023, total net value of these costs amounted to 12.2 million euros (31 December 2022: 13.6 million euros). The amount of interest capitalised in the quarter ended on 31 March 2023 amounted to 0.5 million euros (31 December 2022: 1.1 million euros).

8. Intangible assets

In the quarters ended on 31 March 2022 and 2023, the movements in this item were as follows:

	31-12-2021	INCREASES	TRANSFERS AND OTHERS	31-03-2022
ACQUISITION COST				
Industrial property and other rights	1,981,959	674	33,054	2,015,687
Goodwill	641,400	-	-	641,400
Intangible assets in-progress	39,861	26,796	(36,124)	30,533
	2,663,220	27,470	(3,070)	2,687,620
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Industrial property and other rights	1,456,166	24,486	32	1,480,684
Other intangible assets	2,023	-	32	2,055
	1,458,189	24,486	64	1,482,739
	1,205,031	2,984	(3,134)	1,204,881

	31-12-2022	INCREASES	TRANSFERS AND OTHERS	31-03-2023
ACQUISITION COST				
Industrial property and other rights	2,103,180	1,315	22,107	2,126,602
Goodwill	641,400	-	-	641,400
Intangible assets in-progress	27,217	26,852	(27,251)	26,818
	2,771,797	28,167	(5,144)	2,794,820
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Industrial property and other rights	1,559,907	27,461	68	1,587,436
Intangible assets in-progress	2,332	-	12	2,344
	1,562,239	27,461	80	1,589,780
	1,209,558	706	(5,224)	1,205,040

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

At 31 March 2023, the item "Industrial property and other rights" includes mainly:

- A net amount of 141.3 million euros (31 December 2022: 143.2 million euros) corresponding to the acquisition of frequency usage rights in 5G bands and other relevant bands (100MHz in the 3.6GHz band and 2x10MHz in the 700MHz band, also acquiring 2x5MHz in the 2100MHz band and 2x2MHz in the 900MHz band);
- A net amount of 83.7 million euros (31 December 2022: 85.8 million euros) mainly related to the investment, net of amortization, made in the development of the UMTS network by NOS SA, including:
 - 26.5 million euros (31 December 2022: 27.2 million euros) related to the license,
 - 8.9 million euros (31 December 2022: 9.1 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal,
 - 2.7 million euros (31 December 2022: 2.8 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;
 - 38.8 million euros (31 December 2022: 39.7 million euros) related with the program "Initiatives E"; and
 - the net amount of 4.6 million euros (31 December 2022: 4.7 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;
- A net amount of 70.5 million euros (31 December 2022: 71.4 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 2.4 million euros (31 December 2022: 2.5 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;
- A net amount of 176 million euros related with software development (31 December 2022: 173 million euros);
- A net amount of 15.4 million euros (31 December 2022: 15.7 million euros) corresponding to the future rights to use movies and series.

Increases in the quarter ended on 31 March 2023 correspond mainly to the acquisition of movies and television series usage rights, for an amount of 3.4 million euros, and acquisition and development of software and other assets, for an amount of 24.7 million euros.

Impairment tests on goodwill

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

	31-12-2022	31-03-2023
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	641,400	641,400

In 2022 impairment tests were performed based on assessments in accordance with the discounted cash flow method, which corroborate the recoverability of the book value of the Goodwill. The amounts in these assessments are based on the historical performances and forecast growth of the businesses and their markets, incorporated in medium/long term approved plans.

These estimates are based on the following assumptions:

	TELCO SEGMENT	AUDIOVISUALS SEGMENT	
		NOS AUDIOVISUALS	NOS CINEMAS
Discount rate (before taxes)	6.5%	9.4%	9.4%
Assessment period	5 years	5 years	5 years
EBITDA Growth (2022-27)*	3.0%	-6.2%	4.2%
Perpetuity growth rate	2.0%	2.0%	2.0%

* EBITDA = Operating Income + Depreciation, Amortization and Impairment Losses + Restructuring Costs + Losses / (Gains) on disposal of assets + Other Costs / (Gains) Non-Recurring (CAGR - average 5 years)

In the Telco segment, the assumptions used are based on past performance, evolution of the number of customers, expected development of regulated tariffs, current market conditions, and expectations of future development.

In the cinema segment, the most affected segment by COVID-19, strong EBITDA growth is justified on the prospect of a recovery in activity to levels close to those pre-pandemic.

The number of years specified in the impairment tests depends on the degree of maturity of the several businesses and markets, and were determined based on the most appropriate criterion for the valuation of each cash-generating unit.

Sensitivity analyses were performed to variations in the discount rate and growth rate in the perpetuity of the various reported segments, of 1 percentage point and 0.4 percentage points, respectively.

In the telecommunications segment, sensitivity analysis were also performed to variations in the operational indicators RGU (Revenue Generating Unit), ARPU (Average Revenue per User), EBITDA and CAPEX, in perpetuity, of approximately 5%.

In the cinema segment, sensitivity analysis were conducted on variations in the projected number of tickets sold, average revenue per ticket, EBITDA and CAPEX, in perpetuity, of approximately 5%.

These simulations did not result in the need to reinforce impairment.

In the three months ended on 31 March 2023, it was understood that the assumptions made in the impairment tests carried out in 2022 were conservative due the more recent developments, so there are no indications of the existence of any impairment.

9. Contract costs

In the quarters ended on 31 March 2022 and 2023, the movements in this item were as follows:

	31-12-2021	INCREASES	31-03-2022
ACQUISITION COST			
Cost of attracting customers	556,967	16,347	573,314
Costs of fulfilling customer contracts	256,884	7,393	264,277
	813,851	23,740	837,591
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES			
Cost of attracting customers	457,570	16,040	473,610
Costs of fulfilling customer contracts	194,163	8,443	202,606
	651,733	24,483	676,216
	162,118	(743)	161,375

	31-12-2022	INCREASES	31-03-2023
ACQUISITION COST			
Cost of attracting customers	623,472	17,040	640,512
Costs of fulfilling customer contracts	286,840	7,927	294,767
	910,312	24,967	935,279
ACCUMULATED AMORTIZATIONS AND IMPAIRMENT LOSSES			
Cost of attracting customers	522,150	16,244	538,394
Costs of fulfilling customer contracts	227,568	8,212	235,780
	749,718	24,456	774,174
	160,594	511	161,105

Contract costs refers to commissions paid to third parties and other costs related to raising customers' loyalty contracts, including portability costs. These costs are amortised, 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 2022 and 2023, the movements in this item were as follows:

	31-12-2021	INCREASES	TRANSFERS AND OTHERS	31-03-2022
ACQUISITION COST				
Telecommunications towers and rooftops	142,921	1,740	-	144,661
Movie theatres	118,322	4,700	-	123,022
Transponders	91,787	-	-	91,787
Equipments	149,061	2,830	-	151,891
Buildings	77,480	(113)	-	77,367
Fiber optic rental	40,146	-	-	40,146
Stores	21,445	314	-	21,759
Others	41,321	2,352	-	43,673
	682,483	11,823	-	694,306
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	56,137	2,801	-	58,938
Movie theatres	89,550	2,234	-	91,784
Transponders	68,380	1,463	-	69,843
Equipments	102,784	3,931	-	106,715
Buildings	58,411	1,808	-	60,219
Fiber optic rental	32,019	763	-	32,782
Stores	16,585	680	-	17,265
Others	22,554	1,303	-	23,857
	446,420	14,983	-	461,403
	236,063	(3,160)	-	232,903

	31-12-2022	INCREASES	TRANSFERS AND OTHERS	31-03-2023
ACQUISITION COST				
Telecommunications towers and rooftops	224,319	8,272	-	232,591
Movie theatres	124,323	11,562	-	135,885
Transponders	93,752	383	-	94,135
Equipments	165,910	3,606	-	169,516
Buildings	91,336	2,458	-	93,794
Fiber optic rental	40,137	-	-	40,137
Stores	24,547	2,250	-	26,797
Others	43,415	553	-	43,968
	807,739	29,084	-	836,823
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	69,950	5,393	-	75,343
Movie theatres	97,322	2,023	-	99,345
Transponders	74,552	1,622	-	76,174
Equipments	119,138	4,172	-	123,310
Buildings	66,151	2,172	-	68,323
Fiber optic rental	35,068	762	-	35,830
Stores	19,874	952	-	20,826
Others	27,961	1,264	-	29,225
	510,016	18,360	-	528,376
	297,723	10,724	-	308,447

The caption "Rights of Use" refers to assets associated with lease contracts. These assets are amortised according to the duration of the respective agreement, except for the lease of equipment with a purchase option that is amortised over the estimated period of use.

11. Investments in jointly controlled companies and associated companies

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022	31-03-2023
INVESTMENTS - EQUITY METHOD		
Finstar*	32,811	35,230
Dreamia	2,347	2,350
Mstar	3,023	2,596
Other companies	780	1,135
ASSETS	38,961	41,311

* Consolidated from Finstar and ZAP Media

Movements in "Investments in jointly controlled companies and associated companies" in the quarters ended on 31 March 2022 and 2023 were as follows:

	3M 22	3M 23
AS AT JANUARY 1	17,016	38,961
Gains / (losses) of exercise (Note 36)	5,307	2,530
Changes in equity	4,270	(180)
AS AT MARCH 31	26,593	41,311

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 assets, liabilities and results of the jointly controlled companies and associated companies in the periods ended on 31 December 2022 and 31 March 2023, are as follows:

31-12-2022								
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD
Sport TV*	84,507	99,229	71	159,280	24,385	208,331	12,080	25%
Dreamia	876	16,985	6,924	6,066	4,871	16,568	(1,272)	50%
Finstar	77,697	199,314	-	167,640	109,371	339,309	68,907	30%
Mstar	1,064	16,336	-	9,009	8,391	30,665	2,927	30%
Upstar	976	20,089	-	18,873	2,192	21,423	920	30%
Big Picture 2 Films	770	893	522	780	361	3,270	(172)	20%
Dualgrid	6	267	-	176	97	516	38	50%
Dreamia S.L.	14,967	1,126	6,363	2,302	7,428	2,213	(9)	50%
	180,863	354,239	13,880	364,126	157,096	622,295	83,419	

31-03-2023								
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD
Sport TV*	39,455	78,119	71	90,794	26,709	59,469	2,324	25%
Dreamia	1,120	14,329	6,979	3,603	4,867	4,381	(5)	50%
Finstar	75,635	211,726	-	169,928	117,433	131,765	8,405	30%
Mstar	764	16,706	-	8,627	8,843	7,608	1,702	30%
Upstar	982	21,822	-	19,379	3,425	5,440	639	30%
Big Picture 2 Films	702	897	499	794	306	410	(55)	20%
Dualgrid	6	253	-	167	92	144	11	50%
Dreamia S.L.	15,022	1,215	6,409	2,391	7,437	585	8	50%
	133,686	345,067	13,958	295,683	169,112	209,802	13,029	

* Sport TV annual reporting period is from 1 July to 30 June (aligned with the period of the football seasons), therefore, in the accounts presented in the table above, revenues and net income correspond to the values relating to the reported period of 12 months of 2022 and 3 months of 2023, respectively.

Indicators presented in the tables above do not include consolidated adjustments which were considered when determining the Group's interest in the results, assets and liabilities of jointly controlled and associated companies.

In the quarter ended on 31 March 2023, the assets, liabilities and results of jointly controlled company ZAP Media (100% held by Finstar) are:

31-03-2023							
ENTITY	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME
ZAP Media	28,631	19,922	-	30,804	17,749	12,766	2,073

The differences between the individual accounts (prepared in accordance with Angolan regulations) and the Finstar Group (Finstar + ZAP Media) correspond, predominantly, to the annulment of balances and transactions between the companies and the adjustment because the companies were 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 seizure of assets to Mrs. Isabel dos Santos, in the specific case of the shares held by her in Finstar, ZAP Media, Mstar and Upstar (where she holds 70% of the capital), does not change the control profile, in this case joint control as defined in IFRS 11.

12. Accounts receivable - other

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022		31-03-2023	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables	5,646	5,640	5,484	5,440
Advances to suppliers	11,965	-	13,701	-
	17,611	5,640	19,185	5,440
Impairment of other receivable	(979)	(882)	(1,004)	(866)
	16,632	4,758	18,181	4,574

At 31 March 2023, this item corresponds predominantly to:

- short-term loans, medium and long-term loans from Group and interests' receivable; and
- associated companies, the amount receivable of 2.5 million euros from the sale of NOS International Carrier Services.

Additionally, as of 31 March 2023, advances to suppliers correspond predominantly to amounts paid under football rights contracts and other operating costs.

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

	3M 22	3M 23
AS AT JANUARY 1	1,524	1,861
Increases (Note 35)	127	39
Utilizations / Others	218	(30)
AS AT MARCH 31	1,869	1,870

13. Taxes payable and receivable

At 31 December 2022 and 31 March 2023, these items were composed as follows:

	31-12-2022		31-03-2023	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	369	-	262	-
	369	-	262	-
CURRENT				
Value-added tax (VAT)	6,484	21,891	6,741	16,647
Income taxes	-	13,070	-	18,102
Personnel income tax withholdings	-	1,883	-	4,832
Social Security contributions	-	1,865	-	1,942
Others	422	133	422	89
	6,906	38,842	7,163	41,612
	7,275	38,842	7,425	41,612

At 31 December 2022 and 31 March 2023, the amounts of CIT (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2022	31-03-2023
Estimated current tax on income	(45,776)	(50,746)
Payments on account	30,596	30,596
Withholding income taxes	966	1,055
Others	1,144	993
	(13,070)	(18,102)

14. Other non-current financial assets

On 31 December 2022 and 31 March 2023, this caption is composed as follows:

	31-12-2022	31-03-2023
Fundo TechTransfer	1,233	1,240
Didimo*	1,415	1,415
Seems Possible*	800	800
Reckon.ai*	500	500
MindProber*	500	500
SkillAugment*	300	300
Others	500	531
	5,248	5,286

During the financial year ended on 31 December 2022, NOS reinforced its investment in start-up Reckon.ai and invested in the start-up Didimo, which develops photo-based 3D digital avatars, in the start-up MindProber, which has developed a pioneering platform capable of measuring the emotional impact that multimedia content has on consumers, and in the start-up SkillAugment (KIT-AR), which develops solutions using emerging technologies such as augmented reality and artificial intelligence.

During the quarter ended on 31 March 2023, NOS reinforced its investment on Tech Transfer Fund.

15. 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 114/2017 of 29 December, 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 2023 are:

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária
- Lusomundo SII
- NOS Açores
- NOS Audiovisuais
- NOS Audiovisuais SGPS
- NOS Cinemas
- NOS Comunicações
- NOS Inovação
- NOS Internacional SGPS
- NOS Audio – Sales and Distribution
- NOS Madeira
- NOS Mediação de Seguros
- NOS Sistemas
- NOS Technology
- NOS Wholesale
- NOS Corporate Center
- NOS Property
- Per-mar
- Sontária
- Teliz

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 2023.

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 quarter ended on 31 March 2022 and 2023 were as follows:

	31-12-2021	INCOME (NOTE B)	EQUITY	31-03-2022
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	6,531	709	-	7,240
Inventories	2,539	106	-	2,645
Other provision and adjustments	41,645	(201)	-	41,444
Intragroup gains	20,892	(34)	-	20,858
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,968	-	-	4,968
Assets recognised under application of IFRS 16	4,739	454	-	5,193
Derivatives	76	(10)	(65)	1
	81,390	1,024	(65)	82,349
DEFERRED INCOME TAX LIABILITIES				
Tax litigation	42,167	939	-	43,106
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,429	(43)	-	2,386
Derivatives	116	62	24	202
Others	2,614	19	-	2,633
	47,326	977	24	48,327
NET DEFERRED TAX	34,064	47	(89)	34,022

	31-12-2022	INCOME (NOTE B)	EQUITY	31-03-2023
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	9,288	(805)	-	8,483
Inventories	2,579	84	-	2,663
Other provision and adjustments	39,761	(2,503)	-	37,258
Intragroup gains	26,851	109	-	26,960
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,865	(170)	-	4,695
Assets recognised under application of IFRS 16	6,160	1,033	-	7,193
Derivatives	50	8	149	207
	89,554	(2,244)	149	87,459
DEFERRED INCOME TAX LIABILITIES				
Tax litigation	42,618	235	-	42,853
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,235	(42)	-	2,193
Derivatives	2,487	22	(220)	2,289
Others	2,785	(22)	-	2,763
	50,125	193	(220)	50,098
NET DEFERRED TAX	39,429	(2,437)	369	37,361

At 31 March 2023, the deferred tax assets related to the other provisions and adjustments are mainly due:

- Impairments and acceleration of amortizations beyond the acceptable fiscally and other adjustments in fixed tangible assets and intangible assets, amounted to 29.7 million euros (31 December 2022: 31.2 million euros); and
- Other provisions amounted to 7.6 million euros (31 December 2022: 8.6 million euros).

In the quarter ended on 31 March 2023, the item "Tax litigation" includes liabilities, related to ongoing tax processes, of which highlights:

- 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 periodization 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 amortization 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 unfavorably, in March 2014. The company has appealed.

In March 2021, NOS SA was notified of the dismissal issued by the Court of Appeal. Not accepting the decision, NOS filed a Review Appeal with the Supreme Administrative Court, pending, in this regard, the issuance of the respective admissibility order.

In May 2022, NOS was notified of the decision which did not admit the review appeal. An appeal has been filed against the Constitutional Court with suspensive effects on the transit of that non-admission decision. In addition to that appeal, an application was lodged in the file for recognition of the invalidity of the decision, for lack of reasoning. Both expedients are pending consideration and decision.

- **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, 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 favorably. This decision is concluded (favorably), 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 unfavorably. As for the year 2005, the Court decided favorably, having been concretized by the Tax Authorities, which meant the provision reversal of one million euros, in 2018.

The revaluations of assets refer to the appreciation of telecommunications licenses and other assets at the merger of Group companies.

At 31 March 2023, deferred tax assets were not recognised for an amount of 0.4 million euros, corresponding mainly to tax incentives and losses.

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 2023, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2022: 21%). In the case of temporary differences, the rate used was 22.5% (2022: 22.5%) increased to a maximum of 6.3% (2022: 6.3%) 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.

With the State Budget for 2023, tax losses will have no time limit for carry forward, but there will be a limitation on their deduction up to 65% of the taxable profit generated.

B) Effective tax rate reconciliation

In the quarters ended on 31 March 2022 and 2023, the reconciliation between the nominal and effective rates of tax was as follows:

	3M 22	3M 23
Income before taxes	48,020	42,194
Statutory tax rate	22.5%	22.5%
ESTIMATED TAX	10,805	9,494
Permanent differences	(1,165)	(647)
Tax benefits	(1,550)	(1,646)
State surcharge	1,675	1,286
Autonomous taxation	137	144
Others	(2,959)	(1,485)
INCOME TAXES	6,943	7,146
Effective Income tax rate	14.5%	16.9%
Income tax	6,990	4,709
Deferred tax	(47)	2,437
	6,943	7,146

At 31 March 2022 and 2023, the permanent differences were composed as follows:

	3M 22	3M 23
Equity method (Note 36)	(5,307)	(2,530)
Others	131	(344)
	(5,176)	(2,874)
	22.5%	22.5%
	(1,165)	(647)

Additionally, the amount registered as fiscal benefits relates to the register 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.

16. Inventories

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022	31-03-2023
INVENTORIES		
Telco	75,818	79,411
Audiovisuals	566	610
	76,384	80,021
IMPAIRMENT OF INVENTORIES		
Telco	(9,161)	(9,451)
	(9,161)	(9,451)
	67,223	70,570

The movements occurred in impairment adjustments were as follows:

	3M 22	3M 23
AS AT JANUARY 1	8,935	9,161
Increase and decrease - Cost of products sold (Note 33)	486	435
Utilizations / Others	(107)	(145)
AS AT MARCH 31	9,314	9,451

17. Accounts receivable – trade

At 31 December 2022 and 31 March 2023, this item was as follows:

	31-12-2022	31-03-2023
Trade receivables	444,218	460,461
Unbilled revenues	89,805	77,437
	534,023	537,898
Impairment of trade receivable	(214,582)	(219,698)
	319,441	318,200

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

The movements occurred in impairment adjustments were as follows:

	3M 22	3M 23
AS AT JANUARY 1	197,628	214,582
Increases and decreases (Note 35)	4,597	4,877
Penalties	3,955	4,892
Utilizations / Others	(3,860)	(4,653)
AS AT MARCH 31	202,320	219,698

Penalties correspond to the invoiced penalties, in the period, for which the full expected credit losses are registered, and the register was made by deduction from the respective revenue.

18. Contract assets

At 31 March 2023, the contract assets, in the amount of 61.0 million euros (31 December 2022: 60.1 million euros), 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).

19. Prepaid expenses

At 31 December 2022 and 31 March 2023, this item was composed as follow:

	31-12-2022	31-03-2023
Programming costs i)	21,091	22,403
Costs related to specific corporate projects	10,941	10,919
Costs of litigation procedure activity ii)	5,591	5,927
Repair and maintenance	1,875	2,923
Insurance	1,333	1,557
Advertising	132	153
Others iii)	11,269	16,355
	52,232	60,237

- 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 specialized 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. The increase in this item results mainly from expenses paid in advance at the beginning of each year in respect of the current year.

20. Derivative financial instruments

Interest rate derivatives

At 31 March 2023, NOS have 3 interest rate swaps in a total amount of 180 million euros (31 December 2022: 180 million euros), with forward start on September 2022.

Exchange rate derivatives

At the date of the statement of the financial position there are foreign currency forwards open worth 44,055 thousand euros (31 December 2022: 41,147 thousand euros).

31-12-2022					
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	180,000	-	10,947	-	-
Exchange rate forward	41,147	-	302	397	-
	221,147	-	11,249	397	-

31-03-2023					
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	180,000	-	9,968	-	-
Exchange rate forward	44,055	-	143	712	-
	224,055	-	10,111	712	-

Movements during the quarters ended on 31 March 2022 and 2023 were as follows:

	31-12-2021	INCOME	EQUITY	31-03-2022
Fair value interest rate swaps	(10)	-	10	-
Fair value exchange rate forward	313	1	82	396
Fair value equity swaps	(218)	319	281	382
DERIVATIVES	85	320	373	778
Deferred income tax liabilities	(116)	(62)	(24)	(202)
Deferred income tax assets	76	(10)	(65)	1
DEFERRED INCOME TAX	(40)	(72)	(89)	(201)
	45	248	284	577

	31-12-2022	INCOME	EQUITY	31-03-2023
Fair value interest rate swaps	10,947	-	(979)	9,968
Fair value exchange rate forward	(95)	38	(512)	(569)
Fair value equity swaps	-	-	-	-
DERIVATIVES	10,852	38	(1,491)	9,399
Deferred income tax liabilities	(2,487)	(22)	220	(2,289)
Deferred income tax assets	50	8	149	207
DEFERRED INCOME TAX	(2,437)	(14)	369	(2,082)
	8,415	24	(1,122)	7,317

21. Cash and cash equivalents

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022	31-03-2023
Cash	1,017	492
Other deposits	-	15,115
Terms deposits i)	14,198	7,514
Cash and cash equivalents	15,215	23,121
Bank overdrafts (Note 24)	7,136	1,860
Cash and cash equivalents for the purposes of the Cash Flow Statement	8,079	21,261

At 31 December 2022 and 31 March 2023, there are 5.6 million euros recorded in the item "Current deposits" whose use is restricted, because they are held by the Capital Fund NOS 5G, subscribed by NOS.

22. Shareholder's equity

22.1. Share capital

At 31 December 2022 and 31 March 2022, the share capital of NOS was 855,167,890.80 euros. At 31 March 2023, the share capital is represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1.66 euro each (2022: 1.66 euro each).

The main shareholders as of 31 December 2022 and 31 March 2022 are:

	31-12-2022		31-03-2023	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
Sonaecom, SGPS, S.A.	134,322,268	26.07%	134,322,268	26.07%
ZOPT, SGPS, SA	134,322,269	26.07%	134,322,269	26.07%
Sonae, SGPS, S.A.	55,524,516	10.78%	55,524,516	10.78%
Mubadala Investment Company	25,758,569	5.00%	25,758,569	5.00%
TOTAL	349,927,622	67.93%	349,927,622	67.93%

According to paragraphs b) and c) of number 1 of article 20º and article 21º of the Portuguese Securities Code, a qualified shareholding of 26.07% of the share capital and voting rights of NOS, SGPS, S.A. as calculated in the terms of article 20º of the Portuguese Securities Code, is attributable to the following companies:

- Sonaecom - The aforementioned qualified holding is also attributable to Sonaecom SGPS S.A., and all entities in a control relationship with Sonaecom, namely SONTEL, BV and SONAE, SGPS, S.A., directly or indirectly controlled by EFANOR INVESTIMENTOS, SGPS, S.A., as a result of the control relationship and shareholders agreement mentioned. As of November 29th, 2017, EFANOR INVESTIMENTOS, SGPS, S.A., no longer has a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code;
- ZOPT - This qualified holding is attributable to the companies Kento Holding Limited ("Kento"), BV, as well as to Mrs. Isabel dos Santos, being (i) Kento and Unitel International directly and indirectly controlled by Mrs. Isabel dos Santos; (ii) a ZOPT, a society controlled by Kento Holding Limited, Unitel International Holdings, BV.

22.2. 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:

- share capital in the amount of 2,060,646 euros;
- 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:
- To cover part of the losses on the balance of the year that cannot be covered by other reserves;
- 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;
- To increase the share capital.

On 21 April 2022, was approved in the Annual General Meeting of shareholders of NOS SGPS, an increase of share capital, by incorporation of share premium, in the amount of 850,016,277.00, through the increase of the nominal value of the total shares representing the share capital in the amount of 1.65€. The nominal value of each share is now 1.66€.

As of 31 March 2023, the amount of share issue premium is 4,202,356 euros (2022: 4,202,356 euros).

22.3. 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 2023 there were 3,562,512 own shares, representing 0.6915% of share capital (31 December 2022: 4,008,391 own shares, representing 0.7781% of the share capital).

The movements occurred in the financial quarters ended on 31 March 2022 and 2023 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2022	3,002,427	12,353
Acquisition of own shares	898,333	3,358
Distribution of own shares - share incentive scheme	(781,379)	(3,147)
Distribution of own shares - other remunerations	(70,908)	(286)
BALANCE AS AT 31 MARCH 2022	3,048,473	12,278
BALANCE AS AT 1 JANUARY 2023	4,008,391	15,968
Acquisition of own shares	1,044,138	4,422
Distribution of own shares - share incentive scheme	(1,462,391)	(5,902)
Distribution of own shares - other remunerations	(27,626)	(111)
BALANCE AS AT 31 MARCH 2023	3,562,512	14,377

22.4. 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 2023 NOS had reserves, which by their nature are considered distributable for an amount of approximately 371.4 million euros, not including the net income.

23. Non-controlling interests

The movements of the non-controlling interests occurred during the quarters ended on 31 March 2022 and 2023 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2021	ATTRIBUTABLE PROFITS	OTHERS	31-03-2022
NOS Madeira	5,289	6	(3)	5,292
NOS Açores	1,090	(37)	(1)	1,052
	6,379	(31)	(4)	6,344

	31-12-2022	ATTRIBUTABLE PROFITS	OTHERS	31-03-2023
NOS Madeira	5,432	155	(8)	5,579
NOS Açores	819	(22)	(2)	795
	6,251	133	(10)	6,374

24. Borrowings

At 31 December 2022 and 31 March 2023, the composition of borrowings was as follows:

	31-12-2022		31-03-2023	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	350,136	655,000	339,360	650,000
Debenture loan	300,000	290,000	300,000	290,000
Commercial paper	43,000	365,000	37,500	360,000
Bank overdrafts	7,136	-	1,860	-
LOANS - ACCRUALS AND DEFERRALS	2,832	(541)	3,524	(570)
LOANS - AMORTISED COST	352,968	654,459	342,884	649,430
LEASES	74,485	555,722	81,022	557,867
	427,453	1,210,181	423,906	1,207,297

During the financial quarter ended on 31 March 2023, the average cost of debt of the used lines was approximately 2.2% (2022: 1.2%).

The average global financing cost (used and unused lines) during the quarter ended on 31 March 2023 was approximately 2.3% (2022: 1.3%).

At 31 March 2023 there is no default in terms of capital, interest, conditions for redemption on loans payable or other commitments.

24.1. Debenture loans

At 31 March 2023, NOS has a total amount of 590 million euros of bonds issued:

- 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.
- A bond loan in the amount 50 million euros placed 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.
- A bond loan in the amount 50 million euros placed 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.
- A bond loan in the amount 25 million euros placed 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.
- A bond loan in the amount of 15 million euros placed by BPI in July 2021 and maturing in July 2026. The loan bears interest at a variable rate, indexed to the Euribor and paid on a quarterly basis.
- A bond loan in the amount of 75 million euros placed by Caixa Geral de Depósitos in March 2022 and maturing in March 2027. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.
- A bond loan in the amount of 75 million euros placed by BPI in July 2022 and maturing in March 2027. The loan bears interest at variable rates, indexed to Euribor and paid quarterly.

Additionally, NOS has also contracted two financings, whose bonds will be issued in April 2023:

- Bond loan, of 50 million euros, placed by BPI and maturing in January 2028.
- Bond loan, of 75 million euros, placed by Caixa Geral de Depósitos and maturing in April 2028.

At 31 March 2023, an amount of 3,467 thousand euros, corresponding to interest and commissions, was added to this amount and recorded in the item "Loans - accruals and deferrals".

24.2. Commercial paper

At 31 March 2023, the Company has borrowings of 397,5 million euros in the form of commercial paper. The total amount contracted, under underwriting securities, is of 885 million euros, corresponding to 17 programmes, with 7 banks, 747.5 million euros of which bear interest at market rates and 137.5 million euros are issued in fixed rate. Commercial paper programmes with maturities over one-year totaling 885 million euros (of which 397,5 million euros have been used as of 31 March 2023), since the Company can renew unilaterally current issues on or before the programmes' maturity dates and because they are underwritten by the organizer. 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 2023 an amount of 513 thousand euros, corresponding to interest and commissions, was deducted to this amount, and recorded in the item "Loans - accruals and deferrals".

24.3. Leases

At 31 December 2022 and 31 March 2023, 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

	31-12-2022	31-03-2023
Until 1 year	120,515	110,067
Between 1 and 5 years	305,011	315,254
Over 5 years	420,531	411,303
	846,057	836,624
Future financial costs (lease)	(215,850)	(197,735)
PRESENT VALUE OF LEASE LIABILITIES	630,207	638,889

Leases – present value

	31-12-2021	31-03-2023
Until 1 year	74,485	81,022
Between 1 and 5 years	214,269	223,107
Over 5 years	341,453	334,760
	630,207	638,889

The maturities of the loans obtained are as follows:

	31-12-2022			31-03-2023		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	302,944	289,466	-	303,912	289,555	-
Commercial paper	42,888	364,993	-	37,112	359,875	-
Bank overdrafts	7,136	-	-	1,860	-	-
Leases	74,485	214,269	341,453	81,022	223,107	334,760
	427,453	868,728	341,453	423,906	872,537	334,760

25. Provisions

At 31 December 2022 and 31 March 2023, the provisions were as follows:

	31-12-2022	31-03-2023
Litigation and other - i)	32,158	31,628
Dismantling and removal of assets - ii)	22,294	22,581
Contingent liabilities - iii)	22,908	22,908
Contingencies - other - iv)	3,907	3,758
	81,267	80,875

- i) At 31 March 2023, 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 June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a formal contest procedure led by the government for that effect, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros for illegally designating MEO. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has been 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 44) 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, in the amount of 13.6 million euros which were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

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

- In 2017, NOS, SA, NOS Madeira and NOS Açores were notified of the decision of ANACOM concerning the entities that are obliged to contribute toward the compensation fund and the setting of the values of contributions corresponding to CLSU that must be compensated and relating to the months of 2014 in which MEO still remained as provider of the Universal Service, which establishes for all these companies a contribution around 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 universal service net cost related with the pre-contest period as well as the liquidation of each and every extraordinary contributions that may be required. In September 2021, the Lisbon Administrative Circle Court ruled as unfounded the action regarding the administrative challenge of the results of the CLSU 2007-2009 audit, which NOS appealed in October 2021. The Board of Directors is convinced it will be successful in both challenges and appeals 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 2022, movements in provisions were as follows:

	31-12-2021	INCREASES	DECREASES	OTHERS	31-03-2022
Litigation and other	32,468	563	(2,332)	-	30,699
Financial investments	1,075	-	-	-	1,075
Dismantling and removal of assets	22,326	116	-	-	22,442
Contingent liabilities	23,707	-	-	-	23,707
Contingencies - other	2,940	942	-	(1,031)	2,851
	82,516	1,621	(2,332)	(1,031)	80,774

During the quarter ended on 31 March 2023, movements in provisions, were as follows:

	31-12-2022	INCREASES	DECREASES	OTHERS	31-03-2023
Litigation and other	32,158	1,115	(1,645)	-	31,628
Financial investments	-	-	-	-	-
Dismantling and removal of assets	22,294	287	-	-	22,581
Contingent liabilities	22,908	-	-	-	22,908
Contingencies - other	3,907	363	-	(512)	3,758
	81,267	1,765	(1,645)	(512)	80,875

During the quarters ended on 31 March 2022 and 2023, the increases refer mainly to compensation to employees, provisions for legal and other claims plus interests and charges, and the decreases refer mainly to the reassessment and prescription of several legal contingencies.

The movements recorded in "Others", under the heading "Contingencies - other" correspond, predominantly, to compensations to employees.

The net movements for the financial year ended on 31 March 2022 and 2023 reflected in the income statement under Provisions were as follows:

	3M 22	3M 23
Provisions and adjustments (Note 35)	118	(708)
Other losses / (gains) non-recurrent (Note 38)	934	363
Interests - dismantling	116	287
Other	(1,879)	178
INCREASES AND DECREASES IN PROVISIONS	(711)	120

26. Accrued expenses

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022	31-03-2023
CURRENT		
Invoices to be issued by operators i)	39,314	39,234
Investments in tangible and intangible assets	40,116	35,705
Costs related to specific projects of business customers	30,494	25,369
Vacation pay and bonuses	24,320	24,989
Professional services	16,306	19,834
Advertising	15,084	15,359
Content and film rights	13,205	11,737
Programming services	11,779	9,149
Taxes (ANACOM and Cinema Law) ii)	-	8,421
Comissions	5,198	6,480
Energy and water	5,495	5,969
Costs of litigation procedure activity	4,033	4,160
Maintenance and repair	1,699	2,774
Other accrued expenses	5,387	3,487
	212,430	212,667

- i. Invoices to be issued by operators correspond predominantly to interconnection costs for international traffic and for the use of roaming services not yet billed.
- ii. Amounts relating to ANACOM licences and other ICA fees, the invoicing of which is issued annually in subsequent periods.

27. Deferred income

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022		31-03-2023	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	37,844	-	40,585	-
Investment subsidy ii)	346	2,824	330	2,753
	38,190	2,824	40,915	2,753

- 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, SA customers, related with the recharges of mobile phones and purchase of telecommunications minutes yet unused.
- ii) This item is related mainly to the deferral of income related to the implicit subsidy calculated with the obtaining of a loan, in the meantime fully repaid, from EIB, at interest rates below market values.

28. Accounts payable - trade

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022	31-03-2023
Suppliers current account	252,195	266,972
Invoices in reception and conference	1,160	1,921
	253,355	268,893

29. Accounts payable - other

At 31 December 2022 and 31 March 2023, this item was composed as follows:

	31-12-2022	31-03-2023
NON-CURRENT		
Contractual rights	42,128	41,691
	42,128	41,691
CURRENT		
Fixed assets suppliers	47,437	26,978
Contractual rights	1,934	2,130
Advances from customers	191	170
Others	4,227	4,616
	53,789	33,894
	95,917	75,585

The caption Contractual Rights refers to the liability to be settled over 20 years, related with the contractual right acquired with the agreement celebrated between NOS Comunicações, S.A., NOS Technology S.A., and Vodafone Portugal, Comunicações Pessoais, S.A with the aim of sharing mobile support network infrastructures (passive infrastructure such as towers and masts) and active mobile network (active radio equipment such as antennas, amplifiers and other equipment), as disclosed to the market on 22 October 2020.

30. Operating revenues

Consolidated operating revenues, for the quarters ended on 31 March 2022 and 2023, were as follows:

	3M 22	3M 23
SERVICES RENDERED:		
Communications service revenues i)	312,357	328,407
Revenue distribution and cinematographic exhibition ii)	5,203	9,070
Advertising revenue iii)	4,173	4,441
Production and distribution of content and channels iv)	5,508	5,426
Others	729	1,992
	327,970	349,336
SALES:		
Telco v)	35,967	22,303
Audiovisuals and cinema exhibition vi)	1,958	3,107
	37,925	25,410
OTHER OPERATING REVENUES:		
Telco	7,343	6,638
Audiovisuals and cinema exhibition	129	20
	7,472	6,658
	373,367	381,404

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 datacenter 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, thought the compilation of acquired contents, 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.

This item includes earned income related with non-compliances and contractual penalties, as well as other supplementary income of diverse natures.

31. Wages and salaries

In the quarters ended on 31 March 2022 and 2023, this item was composed as follows:

	3M 22	3M 23
Remuneration	15,292	16,685
Social taxes	4,186	4,498
Social benefits	495	488
Other	319	296
	20,292	21,967

In the quarters ended on 31 March 2022 and 2023, the average number of employees of the companies included in the consolidation was 2,289 and 2,423, respectively. At 31 March 2023, the number of employees of the companies included in the consolidation was 2,425 employees.

The costs of compensations paid to employees, since they are non-recurring costs, are recorded in the item "Restructuring costs" (Note 38).

32. Direct Costs

In the quarters ended on 31 March 2022 and 2023, this item was composed as follows:

	3M 22	3M 23
Exhibition costs	45,107	45,190
Traffic costs	15,780	16,800
Costs related to corporate customers services	12,425	11,727
Capacity costs	4,299	4,990
Shared advertising revenues	2,910	2,892
	80,521	81,599

33. Cost of products sold

In the quarters ended on 31 March 2022 and 2023, this item was composed as follows:

	3M 22	3M 23
Costs of products sold	34,587	21,345
Increases / (decreases) in inventories impairments (Note 16)	486	435
	35,073	21,780

34. Support services and supplies and external services

In the quarters ended on 31 March 2022 and 2023, this item was composed as follows:

	3M 22	3M 23
SUPPORT SERVICES:		
Administrative support and others	8,438	9,705
Call centers and customer support	8,492	9,409
Information systems	3,700	4,919
	20,630	24,033
SUPPLIES AND EXTERNAL SERVICES:		
Maintenance and repair	11,783	12,432
Leasing of ducts and poles	7,145	6,431
Electricity	6,919	4,713
Professional services	2,691	2,195
Installation and removal of terminal equipment	1,347	1,341
Travel and accommodation	442	893
Communications	981	723
Other supplies and external services	6,865	7,056
	38,173	35,784

During the quarter ended on 31 March 2022, given the application of IFRS 16, (practical expedient to consider the changes / concessions related to COVID-19 as not being a modification to the lease) discounts from rents were recognised, on the item "Other Supplies and external services", in the amount of approximately 1.5 million euros.

35. Provisions and adjustments

In the quarters ended on 31 March 2022 and 2023, these items were composed as follows:

	3M 22	3M 23
Provisions (Note 25)	118	(708)
Impairment of account receivables - trade (Note 17)	4,597	4,877
Impairment of account receivables - others (Note 12)	127	39
Others	(1)	4
	4,841	4,212

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

In quarters ended on 31 March 2022 and 2023, this item was composed as follows:

	3M 22	3M 23
EQUITY METHOD (NOTE 11)		
Dreamia	(109)	(2)
Finstar	(5,217)	(2,521)
Mstar	(200)	366
Upstar	(5)	(370)
Others	224	(3)
	(5,307)	(2,530)

37. Depreciation, amortization and impairment losses

In the quarters ended on 31 March 2022 and 2023, this item was composed as follows:

	3M 22	3M 23
TANGIBLE ASSETS		
Buildings and other constructions	2,860	4,097
Basic equipment	42,431	44,812
Tools and dies	16	14
Administrative equipment	1,053	987
Other tangible assets	89	215
	46,449	50,125
INTANGIBLE ASSETS		
Industrial property and other rights	24,486	27,461
	24,486	27,461
CONTRACT COSTS		
Contract costs	24,483	24,456
	24,483	24,456
RIGHTS OF USE		
Rights of use	14,983	18,360
	14,983	18,360
INVESTMENT PROPERTY		
Investment property	4	3
	4	3
	110,405	120,405

38. Restructuring Costs

In the quarters ended on 31 March 2022 and 2023, this item was composed as follows:

	3M 22	3M 23
Personnel compensation (Note 25)	934	363
Personnel costs related to non-recurrent projects	72	(4)
	1,006	359

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

In the quarters ended on 31 March 2022 and 2023, the other non-recurring costs / (gains) was composed as follows:

	3M 22	3M 23
GAINS:		
Legal Processes	6,134	-
	6,134	-
COSTS:		
Others	2,416	218
	2,416	218
TOTAL	(3,718)	218

In the quarter ended on 31 March 2023, an income/receivable of 6.1 million euros was estimated resulting from favorable decisions in proceedings initiated by the company.

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

In the quarters ended on 31 March 2022 and 2023, financing costs and other financial expenses / (income) were composed as follows:

	3M 22	3M 23
FINANCING COSTS:		
INTEREST EXPENSE:		
Borrowings	2,360	4,885
Finance leases	6,208	7,428
Derivatives	16	50
Others	481	829
	9,065	13,192
INTEREST EARNED	(927)	(1,312)
	8,138	11,880
NET OTHER FINANCIAL EXPENSES / (INCOME):		
Comissions and guarantees	861	804
Others	(75)	169
	786	973

Interest earned mainly corresponds to default interests charged to customers.

41. Net earnings per share

Earnings per share for the quarters ended on 31 March 2022 and 2023 were calculated as follow:

	3M 22	3M 23
Consolidated net income attributable to shareholders	41,108	34,915
Number of ordinary shares outstanding during the period (weighted average)	512,143,093	511,308,637
Basic earnings per share - euros	0.08	0.07
Diluted earnings per share - euros	0.08	0.07

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.

42. Guarantees and financial undertakings

42.1. Guarantees

At 31 December 2022 and 31 March 2023, the Group presents guarantees in favour of third parties corresponding to the following situations:

	31-12-2022	31-03-2023
Tax authorities i)	33,155	35,882
Others ii)	13,757	14,588
	46,912	50,470

- i) At 31 December 2022 and 31 March 2023, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 44).
- ii) At 31 December 2022 and 31 March 2023, 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 14.6 million euros.

42.2. Other undertakings

Covenants

From the loans obtained (excluding financial leases), besides being subject to the Group's compliance with its obligations (operational, legal and fiscal) 100% of them are subject to Cross default and Pari Passu, 97% are subject to Negative Pledge clauses and 77% are subject to Ownership clauses.

Additionally, about 16% of total borrowings require that the consolidated net financial debt does not exceed 3 times EBITDA after payment of consolidated leases, about 43% require that the consolidated net financial debt does not exceed 3.5 times EBITDA after payment of consolidated leases, about 5% require that the consolidated net financial debt does not exceed 4 times EBITDA after payment of consolidated leases and about 8% require that the consolidated net financial debt does not exceed 5 times EBITDA after payment of consolidated leases.

Net Financial Debt = Loans - Leasings - Cash and Cash Equivalents

EBITDA = Operating profit + Depreciation, amortisation and impairment losses + Restructuring costs + Losses / (gains) on disposal of assets + Other non-recurrent costs / (gains)

EBITDA after lease payments = EBITDA - lease payments (principal and interest)

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 began 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.

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, which is being made directly in some cases and through channel yield to third parties in others, 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	2022/23	Following
Estimated cash-flows with the contract signed by NOS with the sports entities*	113.6 M€	498.3 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	58.9 M€	264.4 M€
* Includes direct broadcasts of games and channels, advertising and others.		

Considering that, following the celebrated agreements with the remaining operators, the risks and benefits associated to contracts with teams are shared amongst the operators, the agreement was considered a collaborative agreement. For this reason, the revenue (with operators) is compensated with the expenses with teams.

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.

Celebrated agreements regarding the sharing of mobile network support infrastructure

On 22 October 2020, NOS Comunicações S.A. and NOS Technology, on the one hand, and Vodafone Portugal, Comunicações Pessoais, S.A., on the other hand, celebrated a set of agreements regarding the sharing of mobile network support infrastructure (passive infrastructures such as towers and poles) and activemobile network elements (active radio equipment such as antennas, amplifiers and remaining equipment). These agreements have the following characteristics:

- a) the agreements have a nationwide scope with diverse geographical application according to the higher or lower level of population density. In higher density geographies, typically larger urban areas, the parties will pursue synergies by sharing support infrastructure. In lower density areas, typically rural and interior locations, in addition to shared use of support infrastructure, the parties will also share active mobile network.
- b) the agreements focus on assets currently held, or that may be held by each party in the future, and on existing 2G, 3G and 4G technology. Incorporation of 5G technology in these agreements will depend on each to deploy this technology.
- c) the agreements do not encompass spectrum sharing between the operators and each party will maintain exclusive strategic control of its networks, thus ensuring full competitive, strategic and commercial independence and the ability to differentiate in terms of customer service and provision.

Each party retains the ability to develop its mobile communications network independently.

These agreements will enable NOS to invest more efficiently by capturing value through synergies. NOS will also be able to deploy its mobile network faster and in a more environmentally responsible way, thus benefitting customers and remaining stakeholders.

Sharing of mobile infrastructure represents an important contribution towards greater geographical cohesion and digital inclusion, both of which are essential to the sustainable development of the country.

43. Related parties

43.1. 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 2022 and 31 March 2023 and transactions in the quarters ended on 31 March 2022 and 2023 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Balances at 31 December 2022

	Balances at 31 December 2022		
	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
ASSOCIATED COMPANIES	26,212	12,775	-
Big Picture 2 Films	5	67	-
Sport TV	26,207	12,708	-
JOINTLY CONTROLLED COMPANIES	14,224	1,116	3,082
Dreamia SA	2,409	410	-
Dreamia Servicios de Televisión, S.L.	102	-	3,082
Finstar	11,261	73	-
Upstar	299	142	-
ZAP Media	142	-	-
MSTAR	11	-	-
DUALGRID	-	-	-
OTHER RELATED PARTIES	10,253	3,506	-
Banco BIC Português, S.A.	199	-	-
Cascaishopping- Centro Comercial, S.A.	75	152	-
Centro Colombo- Centro Comercial, S.A.	296	522	-
Centro Vasco da Gama-Centro Comercial,SA	699	819	-
Maiashopping- Centro Comercial, S.A.	76	102	-
MC Shared Services, S.A.	1,667	-	-
Modelo Continente Hipermercados,SA	1,577	38	-
Norteshopping-Centro Comercial, S.A.	351	360	-
SC-Consultadoria,SA	341	-	-
Sierra Portugal, SA	299	131	-
Universo, IME, S.A.	110	-	-
Worten-Equipamento para o Lar,SA	3,318	1,275	-
Other related parties	1,245	107	-
	50,689	17,397	3,082

Transactions in the quarter ended on 31 March 2022

	31-03-2022		
	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS
ASSOCIATED COMPANIES	20,264	20,345	-
Big Picture 2 Films	17	867	-
Sport TV ⁽¹⁾	20,247	19,478	-
JOINTLY CONTROLLED COMPANIES	3,024	45	23
Finstar	1,963	-	-
Upstar	63	32	-
Dreamia Holding BV	-	-	24
Dreamia SA	998	(40)	(1)
DUALGRID	-	53	-
OTHER RELATED PARTIES	6,432	3,758	-
Banco Bic Português, S.A.	466	-	-
CascaShopping- Centro Comercial, S.A.	3	162	-
Centro Colombo- Centro Comercial, S.A.	5	353	-
Continente Hipermercados, S.A.	120	10	-
MDS Corretor de Seguros, SA ⁽²⁾	336	-	-
Modalfa-Comércio e Serviços,SA	298	-	-
Modelo Continente Hipermercados,SA	1,318	45	-
Norteshopping-Centro Comercial, S.A.	3	414	-
Olivedesportos- Publicidade Televisão e Media SA ⁽³⁾	4	1,075	-
S21SEC Portug-Cyber Security Services,SA ⁽⁴⁾	15	784	-
SC-Consultadoria,SA	217	-	-
Sierra Portugal, SA	556	32	-
Sonae MC – Serviços Partilhados, SA	672	-	-
Worten-Equipamento para o Lar,SA	1,280	182	-
Other related parties	1,138	700	-
	29,720	24,148	23

Balances at 31 March 2023

	Balances at 31 March 2023		
	ACCOUNTS RECEIVABLES AND PREPAID EXPENSES	ACCOUNTS PAYABLE AND DEFERRED INCOME	BORROWINGS
ASSOCIATED COMPANIES	29,932	12,816	-
Big Picture 2 Films	6	167	-
Sport TV	29,926	12,649	-
JOINTLY CONTROLLED COMPANIES	14,618	1,404	3,173
Dreamia SA	1,375	793	-
Dreamia Servicios de Televisión, S.L.	34	-	3,173
Finstar	12,757	(64)	-
Upstar	299	445	-
ZAP Media	142	142	-
MSTAR	11	-	-
DUALGRID	-	88	-
OTHER RELATED PARTIES	7,270	4,104	-
Banco Bic Português, S.A.	208	-	-
Cascaishopping Centro Comercial, SA	460	389	-
Centro Colombo Centro Comercial, SA	413	834	-
Centro Vasco da Gama Centro Comercial,SA	364	500	-
Continente Hipermercados, SA	102	1	-
Fashion Division, S.A.	128	-	-
Gaiashopping I Centro Comercial, SA	67	153	-
Modelo Continente Hipermercados, SA	1,106	53	-
Norteshopping Centro Comercial, SA	451	726	-
SC - Sociedade de Consultoria, SA	245	-	-
SFS - Financial Services, IME, S.A.	113	-	-
SFS, Gestão e Consultoria, S.A.	3	104	-
Sierra Portugal, SA	313	16	-
Sonae MC - Serviços Partilhados, SA	319	-	-
Worten - Equipamento para o Lar, SA	1,984	1,309	-
Other related parties	994	19	-
	51,820	18,324	3,173

Transactions in the quarter ended on 31 March 2023

	31-03-2023		
	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS
ASSOCIATED COMPANIES	16,459	15,974	-
Big Picture 2 Films	4	232	-
Sport TV	16,455	15,742	-
JOINTLY CONTROLLED COMPANIES	3,300	68	23
Dreamia Servicios de Televisión, S.L.	-	-	23
Dreamia SA	1,148	(36)	-
Finstar	2,147	-	-
Upstar	5	32	-
DUALGRID	-	72	-
OTHER RELATED PARTIES	7,522	2,205	-
Banco Bic Português, S.A.	460	-	-
Cascaishopping Centro Comercial, SA	3	292	-
Centro Colombo Centro Comercial, SA	5	356	-
Centro Vasco da Gama Centro Comercial,SA	3	192	-
Continente Hipermercados, SA	128	12	-
Fashion Division, S.A.	172	-	-
Gaiashopping I Centro Comercial, SA	3	113	-
Modalfa - Comércio e Serviços, SA	257	-	-
Modelo Continente Hipermercados, SA	1,433	36	-
Norteshopping Centro Comercial, SA	3	427	-
Pharmacontinente - Saúde e Higiene, SA	107	-	-
SC - Sociedade de Consultoria, SA	200	-	-
SFS - Financial Services, IME, S.A.	149	-	-
SFS, Gestão e Consultoria, S.A.	5	116	-
Sierra Portugal, SA	391	34	-
Solinca Classic, S.A.	101	-	-
Sonae MC - Serviços Partilhados, SA	1,555	1	-
Worten - Equipamento para o Lar, SA	1,709	246	-
Other related parties	838	380	-
	27,281	18,247	23

(1) In the quarters ended on 31 March 2022 and 2023, the amount related to Sales and Services Rendered includes about 16 million euros (31 March 2022: 20 million euros), which are not recorded in the consolidated accounts under Sales and Services Rendered, since it is related to the agreement celebrated with the operators, which configures a sharing of costs and benefits, therefore the compensation of the revenue is made with the expenses with the clubs (Note 42.2).

(2) Company ceased to be a related party in December 2022.

(3) Company ceased to be a related party in April 2022.

(4) Company ceased to be a related party in December 2022.

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.

44. Legal actions and contingent assets and liabilities

44.1. Legal actions with regulators and Competition Authority (AdC)

- 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, 2019, 2020 and 2021) 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. Also NOS Wholesale brought action for judicial review of ANACOM's decision in respect of payment of the Annual Fee of Activity for 2020 and 2021.

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, 2019: 10,169 thousand euros; 2020: 10,184 thousand euros and 2021: 9,653 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, 2019: 107 thousand euros, 2020: 120 thousand euros and 2021: 123 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, 2019: 195 thousand euros, 2020: 202 thousand euros and 2021: 223 thousand euros.
- NOS Wholesale: 2020: 36 thousand euros and 2021: 110 thousand euros.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. The appeals invoke: i) 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. Eleven sentences were handed down on the matter, of which ANACOM appealed to the Central Administrative Court and/or the Constitutional Court. 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, beginning of 2017. In the end of the last trimester of 2020, ANACOM notified NOS of the accusation, with the practice of 4 very severe offences and 1 severe offence related, respectively, with i) the non-communication to customers of the right to rescind the contract with no charges, as a result of prices changes, with (ii and iii) the supposed non-communication of pricing update and with (iv) the adequate advance and, yet, (v) the lack of information to be communicated to ANACOM. However, ANACOM did not present any value for a fine, except in relation to the with severe offence. In this case, ANACOM gave NOS the possibility to settle the fine by the minimum, in the amount of 13 thousand euros, which NOS did. NOS presented its written defense on 29 January 2021. NOS was notified, in November 2022, of ANACOM's decision that condemned NOS to pay a fine of 5.2 million euros. NOS has challenged the decision in court, pending further developments.
- On 17 July 2020, NOS was notified by the AdC of an illegality note (accusation) related to digital marketing without a google search engine, which accuses the operators MEO, NOS, NOWO and Vodafone of concertation, for a period ranging from between 2010 and 2018, failing to identify a concrete fine. It is not possible, at this moment, to estimate the value of an eventual fine. NOS presented its written defense to the Portuguese Competition Authority (AdC) and an appeal to the Lisbon Court of Appeal, where it challenged the nullity of the obtained evidence. In July 2022, the Lisbon Court of Appeal confirmed NOS position pending further developments. Is the Board of Directors' conviction, taking into account the elements it knows, that will be able to demonstrate the various arguments in favor of its defense.

- On 15 December 2021, NOS was notified by the Portuguese Competition Authority (AdC) of an illegality note (accusation) related to advertising service practices in automatic recordings, which accuses NOS, other operators and a consultant of concertation behavior in the television recordings advertising market. NOS presented its written defense. At the time, it is not possible to estimate whether there will be an acquittal or conviction and, in the case of the latter, the amount of a possible fine. Further developments on the AdC's decision are awaited. It is the conviction of the Board of Directors, taking into account the elements it knows, that it will be able to demonstrate the various arguments in favor of its defense.

44.2. Tax authorities

During the course of the 2003 to 2022 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2020 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 37 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 favorable 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 guarantees demanded by the Tax Authorities, related to these processes, according reference in Note 42.

44.3. 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 contested, and the Court ordered an expert opinion, meanwhile, deemed without effect. The discussion and trial hearing took place in the first quarter of 2016, being the 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. In that regard, it sentenced NOS to the payment of approximately 5.3 million euros to MEO, a decision of which 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 NOS. 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 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 First Instance and in November 2019, this, 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 determined 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 appointment of the expert occurred on October 2021. In December 2022, the expert asked to be relieved of his duties because he felt that the qualified non-judicial verification was unfeasible in view of the volume of documentation to be analysed. Further developments are awaited.

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 performance of expert evidence of technical nature and an economic-financial survey, which were completed in February 2016 and June 2018, respectively. MEO argued for the nullity of the expert economic-financial report, which was dismissed. After the trial, in May 2022, the court partially agreed with NOS, condemning MEO to pay 7.9 million euros, a decision challenged by MEO and NOS by filing appeals in October 2022. 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.

44.4. 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. After the discussion and trial sessions were held in 2022, the parties are now awaiting the Court's decision. 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.

44.5. Action brought by Citizens Voice

In November 2022, NOS was served with a lawsuit filed by Citizens Voice - Consumer Advocacy Association ("Citizens Voice"), where a set of requests related to the automatic activation of pre-defined volumes of mobile data, once the data volume included in the monthly fee contracted by customers has been exhausted. Citizens Voice requests more specifically (i) the judicial declaration of the illegality of this practice for understanding that violates a set of national and European rules, (ii) the recognition of the right of customers to refuse to contract these services, (iii) the return of amounts paid on this basis over the past years by NOS customers, as well as (iv) the payment of compensation in the amount of 100 euros to each customer for alleged moral damages resulting from that practice. In December 2022 NOS presented its response invoking the illegitimacy of Citizens Voice to present the action, namely by the existence of a profit interest, and furthermore defending the lawfulness of the practice and its total transparency and clarity for the respective customers. The Board of Directors is convinced that the arguments used by the plaintiff are unfounded, reason why it is believed that the outcome of the process will not result in significant impacts for the Group's financial statements.

44.6. Interconnection tariffs

At 31 March 2023, 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. In March 2021, MEO filed a new lawsuit against NOS, in which it claimed the price of interconnection services between TMN and Optimus for 2001 at 55\$00 (€ 0.2743) per minute. After NOS presented its defence contesting MEO's petition, a preliminary hearing was held and, by court decision, NOS was acquitted of the case. MEO filed an appeal against the decision, which was dismissed, and in February 2023 filed a new appeal to the STJ where NOS presented reply allegations. Further developments of the process are awaited, being the understanding of the Board of Directors, supported by the lawyers who monitor the process, that there is, in substantive terms, a good chance that NOS SA can win the action.

45. 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 2023, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2021	1,318,127
Plan 2022	1,077,083

During the quarter ended on 31 March 2023, the movements that occurred in the plans are detailed as follows:

	NOS PLAN 2020	NOS PLAN 2021	NOS PLAN 2022	TOTAL
BALANCE AS AT 31 DECEMBER 2022:	1,459,370	1,320,809	1,079,152	3,859,331
MOVEMENTS IN THE PERIOD:				
Vested	(1,458,712)	(2,086)	(1,593)	(1,462,391)
Cancelled / elapsed / corrected ⁽¹⁾	(658)	(596)	(476)	(1,730)
BALANCE AS AT 31 MARCH 2023	-	1,318,127	1,077,083	2,395,210

(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. The responsibility is recorded in Reserves and Accrued Expenses, respectively.

As at 31 March 2023, the outstanding responsibility related to these plans is 3,516 thousand euros and is recorded in Reserves.

The costs recognised in previous years and in the quarter ended on 31 March 2023, and its liabilities are as follows:

	TOTAL
Costs recognized in previous years related to plans as at 31 December 2022	6,675
Costs of plans vested in the period	(4,615)
Costs incurred in the period and others	1,456
TOTAL COST OF THE PLANS	3,516

46. Other matters

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

On 4 April 2020, SONAECONOM, 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 SONAECONOM - was not subject to seizure, nor the rights attached to it were subject to any limitation.

On 12 June 2020, ZOPT was authorized by the Lisbon Central Criminal Investigation Court to exercise the voting right corresponding to the 26.075% of NOS share capital preventively seized under the aforementioned Court order.

Following the communication of April 4, 2020, ZOPT filed third-party claims, which, in June 2020, were rejected by the investigating judge on the grounds that the Portuguese courts had no jurisdiction to hear and decide them, a decision that, having been appealed by ZOPT, was revoked by the Lisbon Court of Appeal, in February 2021.

In November 2021, the Investigating Judge, aware of the cause's merit, dismissed the third-party embargoes presented by ZOPT, a decision that, according to ZOPT, was appealed to the Court of Appeal. After being admitted in February 2022, in June 2022, ZOPT was notified of the decision dismissing the appeal. Further developments are awaited. The Board of Directors of NOS is not aware of any developments in this process.

In September 2022, Sonaecom informed that in a meeting of the General Meeting of ZOPT it was decided to proceed with the amortization of Sonaecom's stake in that company and the refund of the additional payments made by Sonaecom, for a consideration that includes the delivery of shares representing 26.075% of the capital of NOS. As a result of this repayment, which was subject to the applicable legal procedures, Sonaecom is no longer a shareholder of ZOPT, which is now wholly owned by Unitel International Holdings, BV and Kento Holding Limited, companies controlled by Isabel do Santos. In December 2022, Sonaecom, upon completion of the legal procedures, informed that it now holds directly 134,322,268 ordinary shares of NOS, corresponding to 26.07% of its share capital.

Additionally, also informed that such participation is also attributable to the entities with which it is in a control relationship, namely, SONTEL, BV, Sonae Investments, BV, SONAE, SGPS, S.A. and EFANOR INVESTIMENTOS, SGPS, S.A..

The Board of Directors of NOS is not aware of any developments in the above mentioned preventive seizure process.

47. Subsequent events

On April 5, 2023, the integrated management report, individual and consolidated financial statements and corporate governance report for the year 2022, as well as the Board of Directors' proposal for the payment of an ordinary dividend per share of 27.8 cents and an extraordinary dividend of 15.2 cents were approved at the NOS SGPS Annual Shareholders' General Meeting.

Up to the date of approval of this document, no other subsequent relevant events have occurred that merit disclosure in this report.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

48. Annexes

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

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-03-2022	DIRECT 31-03-2023	EFFECTIVE 31-03-2023
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
BLU S.A. (a)	Lisbon	Rendering of telecommunications services, establishment, management and operation of telecommunications networks	NOS Comunicações	-	100%	100%
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Invest and support the development of companies that aim to commercialize technologies and products that result from scientific and technological research	Lusomundo SII	100%	100%	100%
Fundo de Capital de Risco N5G (b)	Lisbon	Movies exhibition	NOS	100%	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda. (c)	Maputo	Movies exhibition and commercialization of other public events	NOS + NOS Cinemas	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 Comunicações	84%	84%	84%
NOS Audio - Sales and Distribution, S.A.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products. Procurement and exploitation of advertising and any activity of commercial valorization of objects and figures related to entertainment activities.	NOS	100%	100%	100%
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 Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic communications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Corporate Center, S.A.	Lisbon	Service rendered of business support and management and administration consultancy services, including accounting, logistics, administrative, financial, tax, human resources services and any other services that are subsequent or related to previous activities. The company may also perform any other services, activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraph, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS	100%	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas, S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS Comunicações	78%	78%	78%
NOS Mediação de Seguros, S.A.	Lisbon	Distribution of insurance and related activities. It may also engage in any other complementary, subsidiary or accessory activities, directly or through participation in any other forms of association, temporary or permanent, with other companies and/or other public or private entities.	NOS	-	100%	100%
NOS Property, S.A.	Lisbon	Management of investments	NOS	100%	100%	100%
NOS Sistemas España, S.L.	Madrid	Rendering of consulting services in the area of information systems	NOS Comunicações	100%	100%	100%
NOS Sistemas, S.A.	Lisbon	Rendering of consulting services in the area of information systems	NOS Comunicações	100%	100%	100%
NOS TECHNOLOGY – Conceção, 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 Comunicações	100%	100%	100%
NOS Wholesale, S.A.	Lisbon	Trade, service rendered and exploitation of wholesale offerings of national and international electronic communications services and related services, namely information and communication technology services. Rendering of consulting services and support to contract management in roaming business. The organization of the material and human resources necessary for the commercialization, promotion and operation of electronic communications networks and circuits. The company may also perform any other activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraphs, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	0%	100%	100%
Per-Mar – Sociedade de Construções, S.A. ("Per-Mar")	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ("Sontária")	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS Comunicações	100%	100%	100%
Teliz Holding, S.A.	Lisbon	Management of group financing activities	NOS	100%	100%	100%
Ten Twenty One, S.A. (d)	Lisbon	Provision of engineering and consulting services in the area of information technology, communications and electronics	NOS	-	100%	100%

(a) Adquirida on March 2023

(b) NOS SGPS: 27,50%; NOS Audiovisuais SGPS: 22,50%; NOS Sistemas: 20,00%; NOS Internacional SGPS: 20,00%; NOS Cinemas: 10,00%

(c) NOS SGPS: 90%; NOS Lusomundo Cinemas: 10%

(d) Created on February 2023

B) Associated companies

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-03-2022	DIRECT 31-03-2023	EFFECTIVE 31-03-2023
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 31-03-2022	DIRECT 31-03-2023	EFFECTIVE 31-03-2023
Dreamia Servicios de Televisión, S.L.	Amsterdam	Management of investments	NOS Audiovisuais	-	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 (a)	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%
Dualgrid - Gestão de Redes Partilhas, 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	50%	50.00%	50.00%

(a) NOS SGPS: 29,40%; NOS Comunicações: 0,60%.

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 31-03-2022	DIRECT 31-03-2023	EFFECTIVE 31-03-2023
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	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	3.90%	3.90%	3.90%
RK. AI - Serviços de Processamento de Imagens e Análise de Dados, S.A. (Reckon.ai)	Porto	The Company's activities relate to information and computer technologies, images and data processing and analysis, hosting and related activities and IT consulting.	Fundo NOS 5G	11.76%	11.76%	11.76%
SkillAugment, Lda (KIT-AR) (a)		KIT-AR is a software-based startup, founded in 2018, resulting from a European industrial research project led by 2 European R&D entities - Sintef (NO) and UCL (UK). KIT-AR has developed an innovative augmented reality platform supporting operators on the shop floor equipped with smart glasses: (By using KIT-AR, large industrial companies with processes requiring manual intervention from operators will be able to mitigate errors in the various manufacturing processes and increase the global productivity of the operation; As a company operating in a rapidly expanding market, with a technically differentiated solution already validated by a small initial set of customers and with a technically robust team, KIT-AR configures a relevant investment opportunity.				
Seems Possible, Lda. (Knock Healthcare) (b)	Porto	Data processing activities, information domiciliation and related activities, namely in the health area. Business and management consultancy, namely planning, organization, control, information and management, company reorganization. Compensation strategies for termination of employment relationship. Consultancy on safety and hygiene at work. Design of accounting programs and budget control processes. Development of all types of software. Marketing objectives and policies and human resources management. Sale of medical devices and other health equipment. Services to support the internationalization of plans in health area.	Fundo NOS 5G	-	0.00%	0.00%
Mindprober	Braga	The society aims to measure the emotional impact that multimedia content has on consumers, through wearables that monitor biometric data such as sweat or heartbeat acceleration.	Fundo NOS 5G	-	2.09%	2.09%
Didimo Inc. (c)	Dover	DIDIMO has developed a platform that allows the generation, in about 60 seconds, of 3D digital avatars based on photographs.	Fundo NOS 5G	-	0.00%	0.00%
Didimo SA (c)	Porto	DIDIMO has developed a platform that allows the generation, in about 60 seconds, of 3D digital avatars based on photographs.	Fundo NOS 5G	-	0.00%	0.00%
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 investment in the entity (KIT-AR) was in convertible debt, which represent a participation of 0%

(b) The investment in the entity (Knock Healthcare) was in convertible debt, which represent a participation of 0%

(c) NOS 5G Fund only holds 1 share in each entity, representing 0.0% of the capital.

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 2023 (which shows a total of 3,488,568 thousand Euros and a shareholders' equity total of 1,083,255 thousand Euros, including a consolidated net profit attributable to equity holders of the parent of 34,915 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 2023, have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for the interim financial reporting (IAS 34).

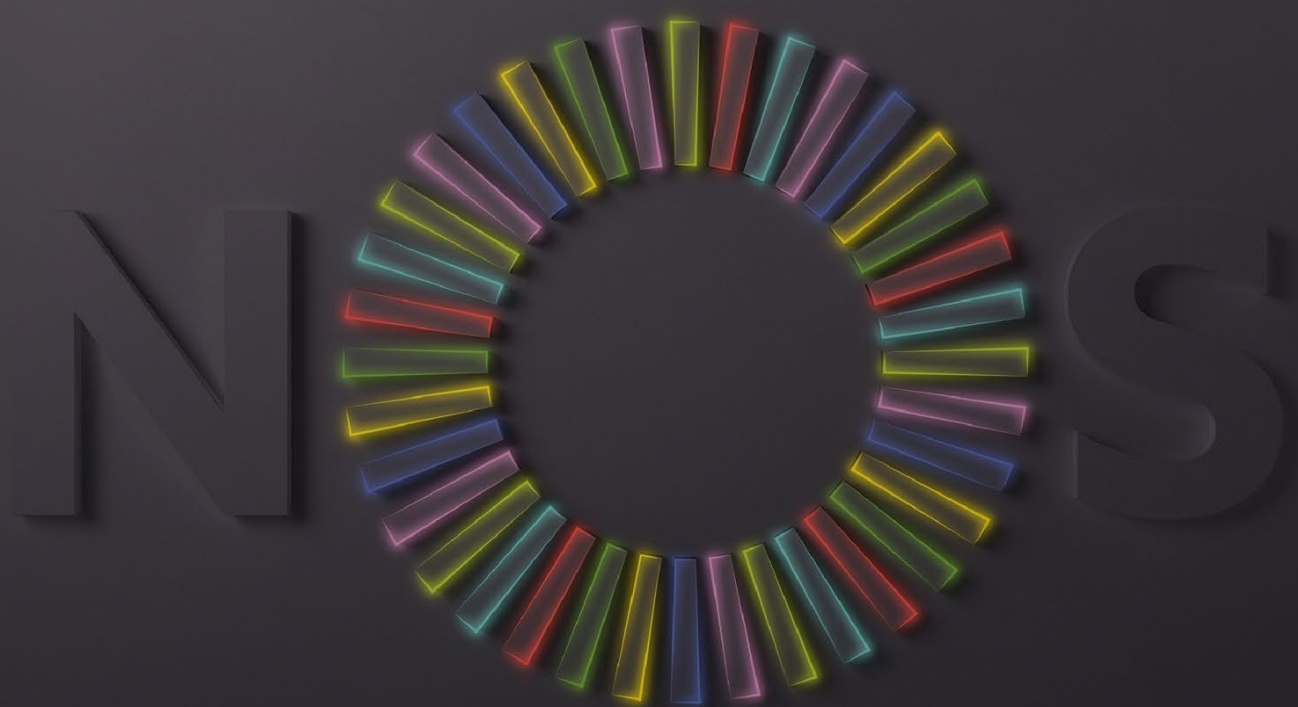
Porto, 26 April 2023

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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