Consolidated

Management Report

18

Message from the Chief Executive Officer

NOS has come a long way since the merger in 2013, which successfully brought together two organizations with very different operational legacies and cultures, whilst competing in one of the most advanced and highly invested telecom landscapes in the world. After a period of strong growth in revenues and accelerated market share gains, led by the mass-market take up of convergent offers and which enabled us to exceed our original 30% revenue market share target well ahead of schedule, our focus today is to consolidate our position as the leading entertainment and communications company in Portugal. We are leveraging our unique combination of telco and audiovisuals assets whilst transforming our business to become a more customer centric, operationally fit and digitally enabled organization, to deliver long lasting value creation for our shareholders.

Our results in 2018 reflect this strategic direction. We strengthened our competitive position in all segments with sound RGU growth in a market that is already highly penetrated. Incremental service growth was led by additional greenfield network coverage, continued uptake, albeit lower, of convergent solutions and by sustained improvement in subscriber churn. Despite the slowdown in commercial activity in comparison with previous years, and price stability during 2018, revenues grew just over 1% to 1,576 million euros and, through disciplined cost management and efficiency, EBITDA grew by almost 3% to 592 million euros.

The investment we are doing in strategic technological and operational transformation programmes is a critical enabler of current and long-term competitive strength. Last year we continued to invest in the upgrade of our mobile network to a single RAN, 5G ready architecture, having executed more than 70% of the planned site renewal. Completion of the project during 2019 will stand us with the most technologically advanced mobile network in Portugal, boasting the most advanced and efficient next generation broadband capabilities and features. During the second half of the year, we started to exchange the first FttH households within the context of our network sharing agreement, further extending our greenfield coverage with next generation access technology, and complementing our fully upgraded Docsis 3.1 network, which already allows us to provide Gigabit speeds nationwide.

Last year also marked the launch of the first of three waves of our operational transformation programme, designed to re-think and design the way we interact with our customers at all levels of the organization, with an ambition to deliver excellence in customer experience and be the operator of choice in Portugal. The projects being implemented are company-wide, run by internal resources, and are setting the foundations for a much fitter, digital company, driven by simpler, more customer centric processes and new ways of working. The value captured from the programme will start to accelerate once all three waves of projects are up and running, translating into leading customer experience metrics and savings in both operational running costs and customer related investments.

Our continuous and sustained improvement in operating profitability and FCF momentum, the strength of our capital structure and our leading competitive positioning provide the basis for long-term value creation and continued and attractive shareholder returns. Against this positive backdrop, the Board has again proposed an increase in dividend payment this year to 35 cents, representing an increase of 17% over last year and demonstrative of the confidence we have in our continued operating and financial momentum.

We consider sustainability to be a strategic priority and the guidelines we embrace and report, in line with the GRI - Global Reporting Initiative, are sharing across the organization. We are very conscious of the importance of acting responsibly to ensure our long-term competitiveness, including the role of our sector to contribute to a sustainable future for society. We reiterate our commitment to the ten Principles of Global Compact and to the achievement of the United Nations' Sustainable Development Goals.

I am very confident that NOS is well equipped today to face the long-term challenges of our sector and the ever evolving and legitimate expectations of our customers. The good results we continue to achieve allow us to embrace the future with optimism and I know we have the best team and assets to succeed as the leading entertainment and telecommunications company in Portugal, continuing to increase value generated for our customers, employees, shareholders and other stakeholders.

Miguel Almeida

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01

Company Overview

Business Portfolio

Telecoms

We are part of daily life

We offer next generation fixed and mobile solutions, internet, voice and data for all market segments - Residential, Personal, Business and Wholesale. We are the leading Pay TV and next generation broadband provider in Portugal.

We have the best products and services for our customers

We offer convergent multi-device solutions, combining the cutting edge UMA user interface, with high broadband speeds, the largest Wi-Fi network in the country and 4G mobile services.

We are partners for business transformation

We offer integrated B2B "as-a-service" solutions for each sector and for companies of all sizes, complemented with ICT and cloud services.

Audiovisuals and Cinemas

#1 in content distribution

We acquire and manage film and series rights from some of the largest studios worldwide and from independent producers and distribute audiovisual content and a number of own produced channels in Portugal and in Portuguese speaking African countries.

#1 in cinema exhibition

Through NOS Lusomundo Cinemas we are leaders in Portugal in cinema and alternative content exhibition. We were the first cinema chain in Europe, and one of the first in the world, to be fully digital.

Leaders in technology

40% of our cinemas have 3D REAL D digital projection. We opened the first IMAX cinema in Portugal in 2013 and, in 2016, we were the first to launch 4DX technology. In 2017, we inaugurated two fully laser equipped complexes and in 2018 a third one in the Greater Lisbon area.

Recognized and preferred by our customers and the sector

The NOS 4 bundle is awarded Consumer Choice in the Quadruple Play category.
NOS Cinemas are distinguished in the Movie Theatre category

NOS is awarded Trusted Brand in the Telecommunications and Multimedia category

ELEITO PRODUTO DO ANO

2019

INOVAÇÃO PREMIADA POR CONSUMIDORES

UMA and the NOS Indie offer are awarded Product of the Year in the TV Solutions and Fixed and Mobile Internet and Apps Services category, respectively

NOS in Numbers

Operating Indicators

9,605 MILLION RGUs	1,623 MILLION Pay TV Subs	1,390 MILLION Broadband Subs	1,781 MILLION Fixed Voice Subs
4,779 MILLION Mobile Subs	767 K Convergent Subs	4,408 MILLION HomesPassed	91% THOUSAND 4G Coverage
8,889 MILLION Cinema Tickets	42% Pay TV Market Share	37% Broadband Market Share	34% Fixed Voice Market Share

Sustainability Indicators

Environment

653,851 Total Energy Consumed (GJ)	59,005 GHG emissions, scope 1 and 2 (tCO2e)	717 Waste produced (Tons)	95% Waste recovery rate

Suppliers

84% of the amount of purchases related to national suppliers	Over 9 THOUSAND suppliers

Financial Indicators

€1,576 MILLION
Consolidated Revenues

€1,506 MILLION
Telco Revenues

€111 MILLIONS
Audiovisual & Cinema Revenues

€592 MILLIONS
Consolidated EBITDA

€180 MILLIONS
Consolidated FCF

€141 MILLIONS
Consolidated Net Income

€1,068 M
Total Gross Debt

€1,066 M
Net Financial Debt

1.8x
Net Debt/EBITDA

€1,084 MILLIONS
Total Equity

€0.35
Dividend Proposal 2018 Exercice

€2,728 MILLIONS
Market Cap

BBB
Rating Fitch

BBB-
Rating S&P

Employees

1,919
Employees

41% 59%

41.1
Average Age

51,767
Training hours

68% Lisbon
26% Oporto
3% Madeira
2% Azores
1% Others

A track record of innovation

2011

Launch of Iris
The 1st interface in the world with automatic recording

2012

Launch of Timewarp,
a worldwide revolutionary feature

NOS Cinemas inaugurates the country's **second IMAX cinema** at the Mar Shopping Mall

Focus on **4K Content**

Launch of N Play,
an inhouse OTT like subscription based content library

2016

Launch of UMA TV,
a new generation of TV, with a whole new customer interface and cutting edge features

NOS and Vodafone reach fibre sharing agreement for 2.6 million homes and buisinesses

NOS and Lagoa Town Council sign a protocol as part of the **Smart Cities** scheme.

2018

Opening the new **NOS Data Centre** strenghtening and data analytics service offer

NOS completes **store digital transformation**, covering 183 stores

2013

Opening of the 1st IMAX cinema theatre in Portugal

Merger between **ZON and Optimus**

Launch of the ZON4i offer, the first convergent offer post merger

2014

NOS inaugurates its **Convergence and Supervision Centre**

Launch of the **NOS Brand**

2015

NOS renews the Iris platform and launches the new **NOS IRIS app**, setting new international standards

Premiere of 4DX technology in cinemas

Launch of the NOS TV App allowing TV to be watched on all devices

2017

Launch of the 1st intelligent electricity meter using **NB-IoT technology**

Launch of **YouTube** on UMA TV

NOS's network is **1 Gbps** enable

NOS assigned **Investment Grade** long term credit rating by S&P and Fitch and bond issuance

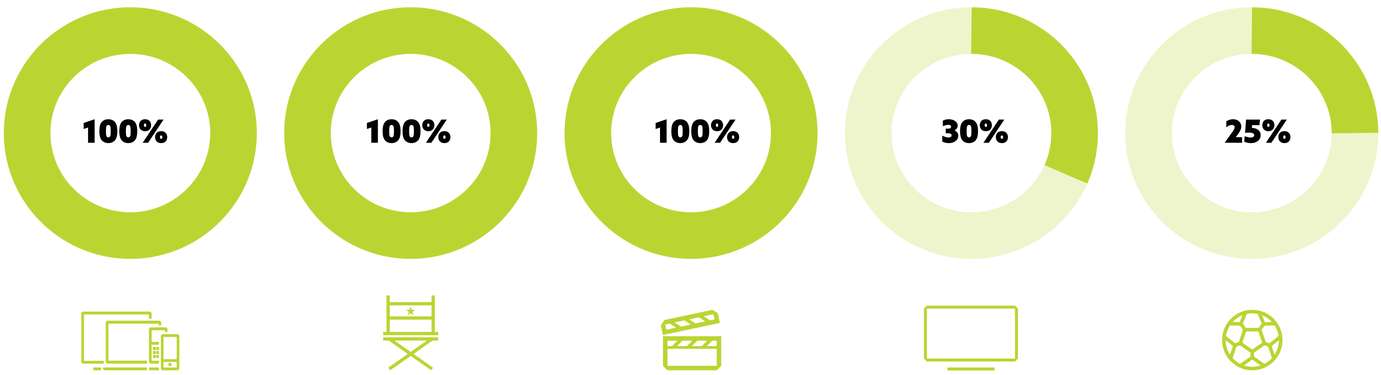
NOS Cinemas - Opening of the first **100% laser** cinema complex in the Greater Lisbon area

02

The best Communications and Entertainment group in Portugal

A leading market position with a strong combination of assets

NOS Group € 1,576 million*



NOS Comunicações	NOS Audiovisuais	NOS Cinemas	ZAP (equity consolidation)	Sport TV (equity consolidation)
€1,506 MILLION*	**€63 MILLION***	**€63 MILLION***	**€196 MILLION* (100%)**	**€187 MILLION* (100%)**

* Revenues FY18

We offer the latest generation of fixed and mobile voice, television, broadband, voice and data solutions for all market segments. We are leaders in Pay TV, next generation broadband services and in cinema exhibition and distribution in Portugal.

We provide solutions for Portuguese enterprises, positioning ourselves as a sophisticated and reliable telecoms provider for companies of all sizes, complementing our communications services with ICT and Cloud services.

We offer consumer and business services and solutions over our leading next generation fixed and mobile infrastructure, covering over 4.4 million households and businesses in Portugal with Gigabit speeds. Our mobile network, equipped with the latest available 5G ready technology, covers over almost the entire population with speeds of up to 200Mbps.

We have over 1.6 million television subscribers, 1.8 million fixed telephony, 1.4 million fixed broadband customers and 4.8 million mobile subscribers. Since our merger in 2013, we have grown our overall market share of retail revenues to 33% led by the mass-market take-up of integrated fixed and mobile convergent offers, which today represent close to 50% of our fixed residential customer base. We have 42% of the pay TV market in Portugal, 25% in mobile and a close to 40% share of all multiple play bundles.

We own the leading cinema exhibition network in Portugal with 218 screens equipped with cutting-edge exhibition technology and the largest audiovisual content distribution business in Portugal, both of which have been in the group for many decades.

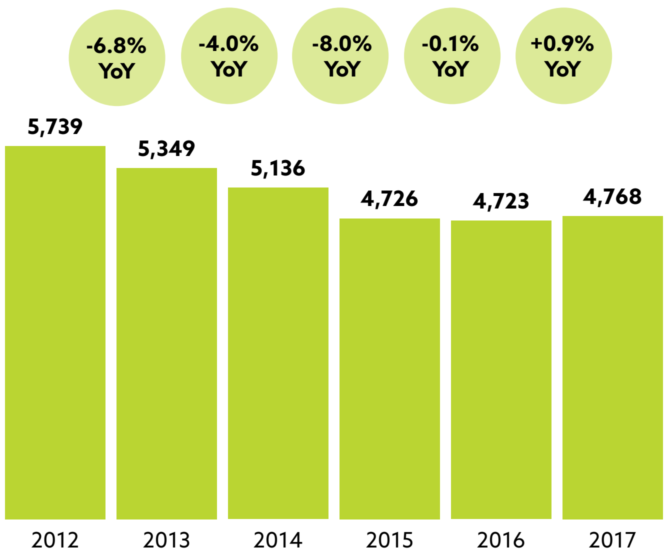
Our business portfolio is complete with a number of minority, equity consolidated stakes, the most significant of which Sport TV (25%) and ZAP (30%). Sport TV owns the rights to, produces, and distributes the main premium sports channels in Portugal and ZAP is the largest satellite Pay TV operator in Angola and Mozambique.

NOS is listed on the Portuguese stock exchange and is the sixth largest company on the main index (PSI-20) with a market capitalization of 2,728 million euros at the end of 2018.

A highly penetrated and invested telecoms market

The Portuguese telecom market is at the forefront of service and technological innovation worldwide, with very high levels of infrastructure investment and service penetration. Consumers today have access to highly advanced communications and entertainment rich offers at some of the lowest price points of the sector, which has led to service penetration well above European averages. In terms of overall market revenues, after a long period of significant year on year declines through to 2016 led by intense competition and bundling discounts, the market started to post a gradual recovery and stabilization.

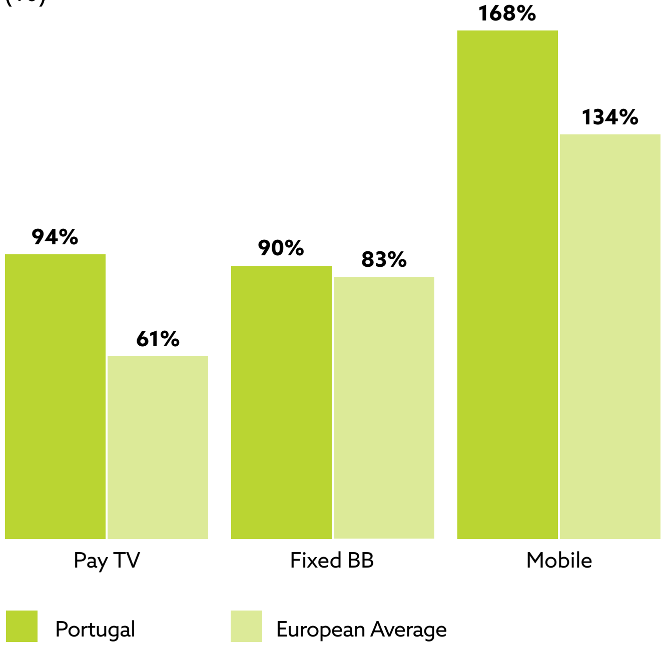
Total Market Revenues and YoY Change
Millions of Euros, %



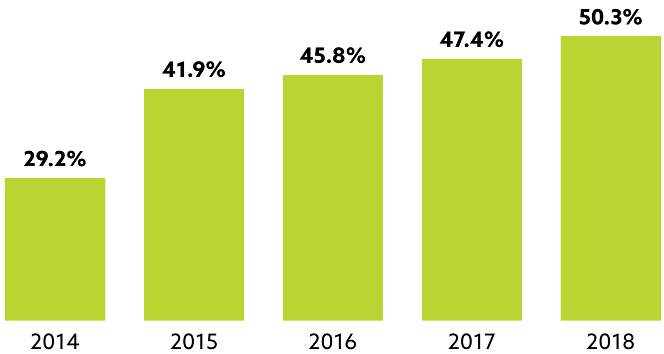
Source: Market Regulators. European average includes Sweden, Spain, UK, France and Germany.

Over 90% of Portuguese households already subscribe to Pay TV services, followed by fixed broadband and fixed voice at 88% (according to the latest available data published by the Portuguese regulator). Reported mobile SIM card penetration stands at 169%. Over 80% of Portuguese households already subscribe to multiple play bundles and close to 50% subscribe to converged fixed and mobile solutions.

Service Penetration
(%)



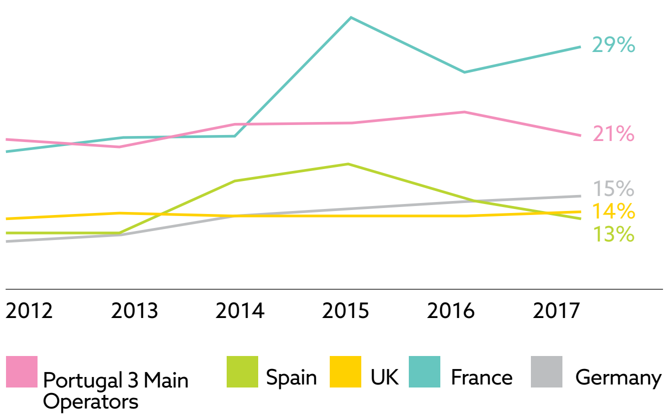
NOS Convergent Penetration
(%)



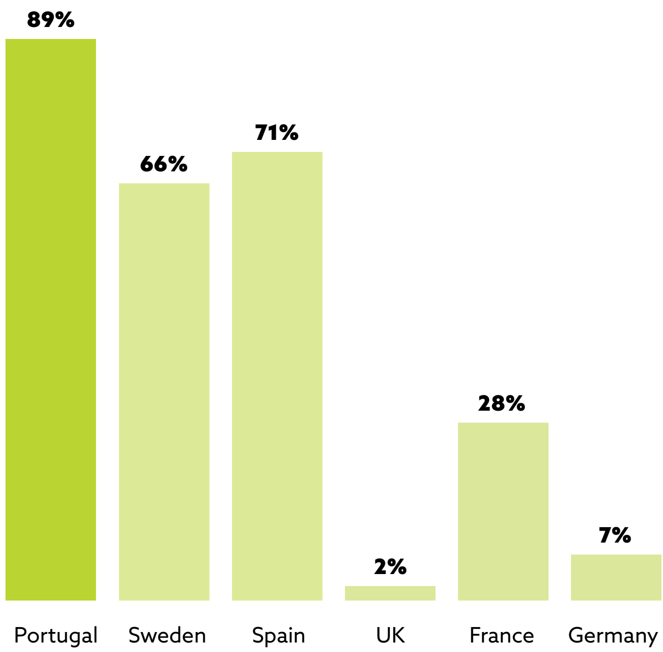
Source: Market Regulators. European average includes Sweden, Spain, UK, France and Germany.

Alongside the intense commercial competition of past years, operators invested significantly in rolling out own telecoms infrastructure, making Portugal one of the most advanced countries in Europe in terms of next generation network availability. As a percentage of sales, investment by portuguese operators ranks amongst the highest in its peer group.

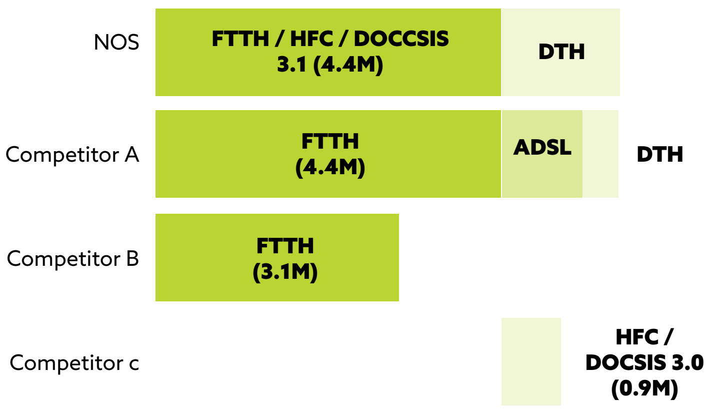
Capex as % of Revenues
(%)



FttH Availability
(%)

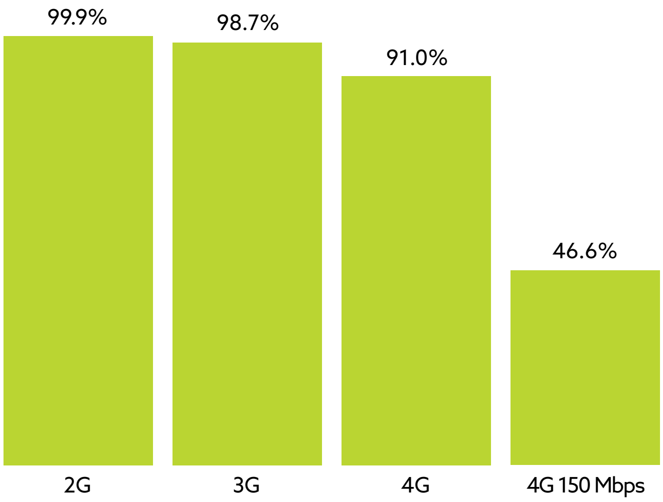


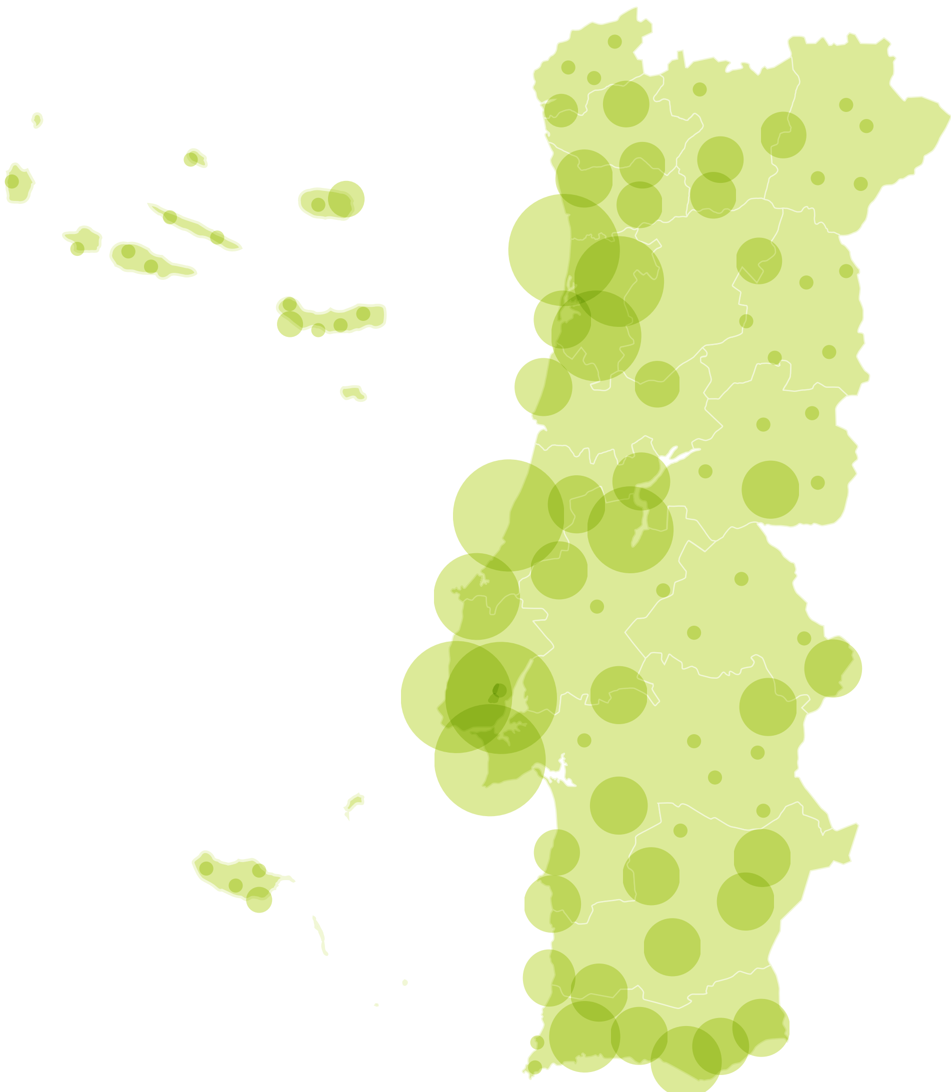
Homes Passed by Operator and Techonology
(%)



FttH networks cover 90% of households in Portugal, which, as an example compares with less than 30% in France and 10% in Germany. In the majority of towns and cities in Portugal, consumers are able to choose between more than one overlapping next generation network operators and are therefore able to benefit from highly sophisticated and innovative gigabit-enabled offers at competitive prices. Mobile network footprint and capacity is equally advanced, with almost full coverage with high speed technologies and providing best in class levels of service.

Mobile coverage [Anacom global coverage]
(%)



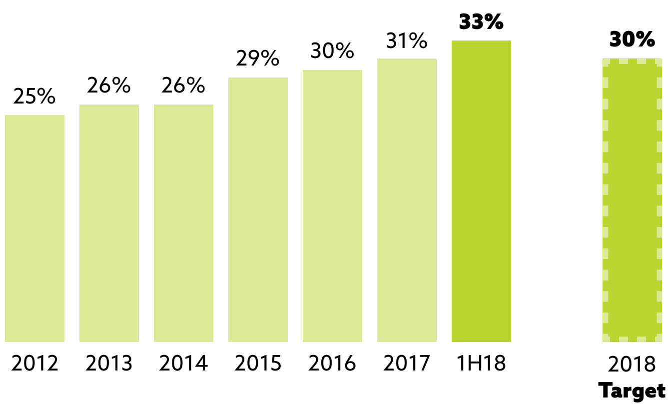


Strategy Re-Cap

When we merged in August 2013, combining the largest pay TV provider and the third mobile operator in Portugal, had a singular opportunity to exploit growth in convergence, upselling mobile services to our fixed residential customers. Equally, we were well positioned to expand our presence in the enterprise segment as a fully integrated, reliable and competitive alternative to the incumbent operator.

By leveraging our unique combination of assets, innovative offers and strong brand positioning, we achieved significant year on year growth in revenues, well above that of the market and leading to growth in market share of 8pp to almost 33% by the end of 2018, well ahead of our original target of 30%.

Telco Revenue Market Share
(%)

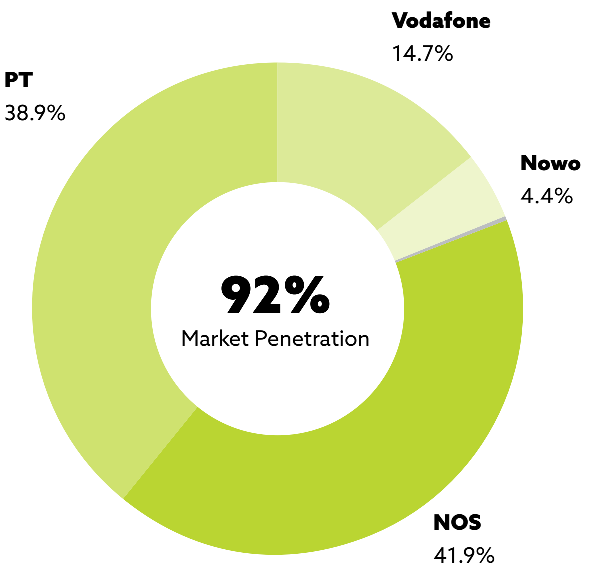


Note: Retail Revenue Market Shares reported by ANACOM used as from 2015.

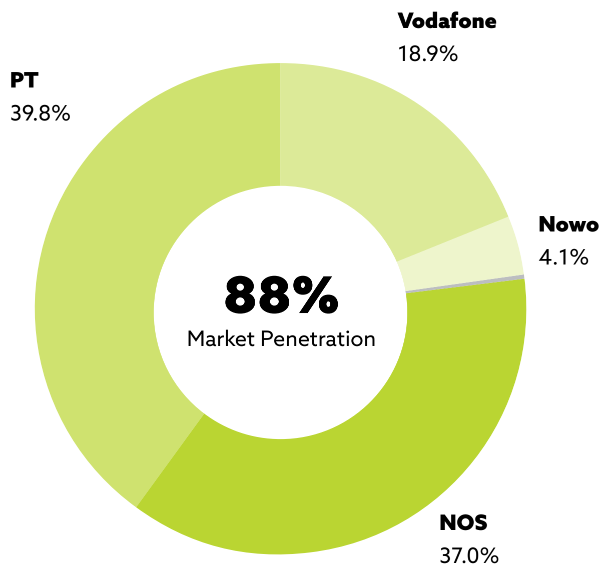
The focus of our strategy today is to continue to consolidate our position in the domestic market as the leading entertainment and communications provider. With strong positions in all our core segments and against a backdrop of already very high service penetration, our operational focus is to reinforce the value of our existing market shares whilst exploring marginal opportunities for growth in segments where we are still comparatively under-represented, we aim to lead in NPS, supported by a transformational operating model to create a fitter, more efficient organization with customer experience and satisfaction at the centre of all we do.

Strong Market Shares in all core services

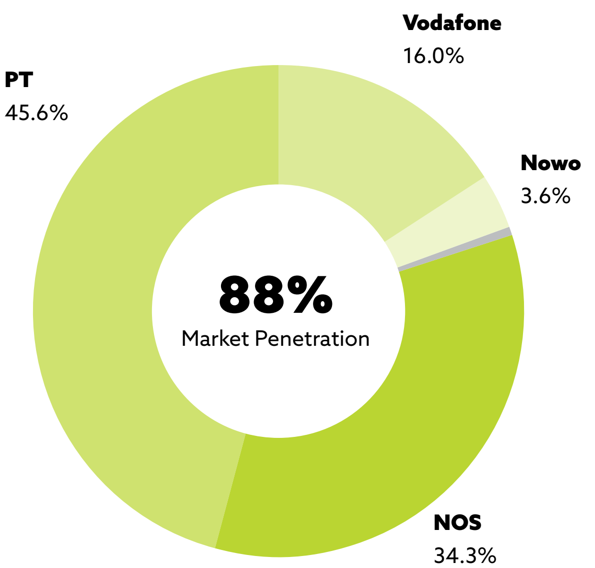
Pay TV | Total Market 3.9M subs
[% of Subs, Anacom Data 2Q18]



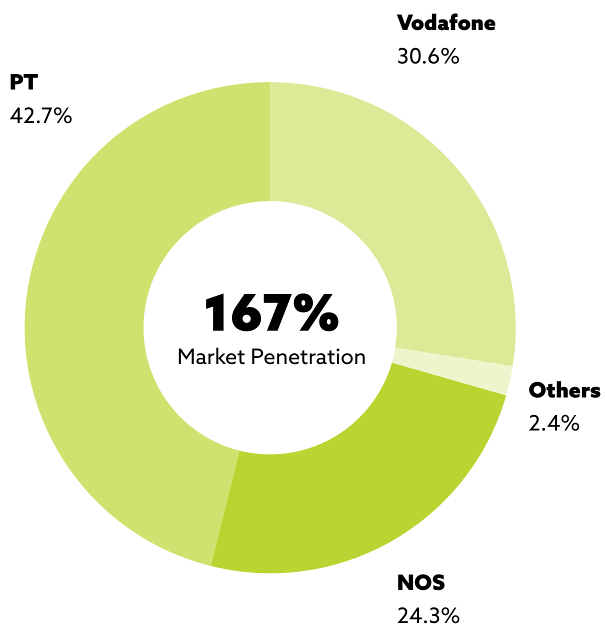
Fixed BB | Total Market 3.7M subs
[% of Subs, Anacom Data 2Q18]



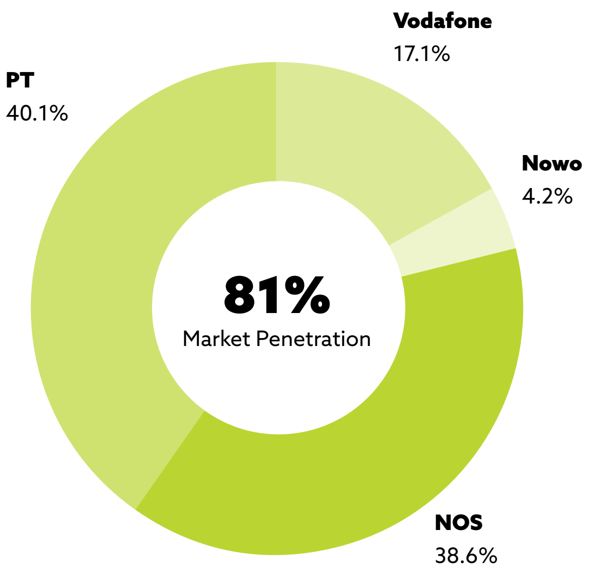
Fixed Voice | Total Market 5.0M accesses
[% of Subs, Anacom Data 2Q18]



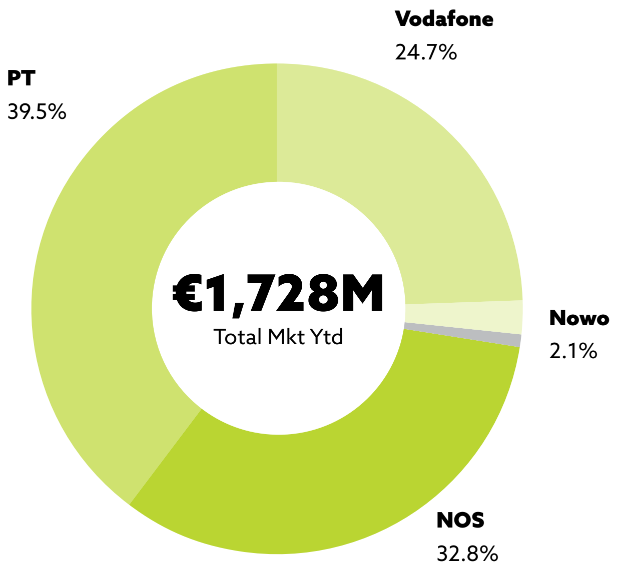
Mobile | Total Market 17.3M subs
[% of Subs, 2Q18]



Multiple Play Bundles | Total Market 3.3M sub
[% of Subs, 2Q18]



Revenues
[YTD 1H18]



Source: NOS estimates, Company reports and ANACOM.

03

Operational and Financial Review 2018

The operational results we achieved in 2018 reflect our strategic purpose to consolidate our operational performance and efficiency in Portugal, driving free cash flow generation and attractive shareholder returns.

Solid RGU growth reinforcing competitive position with operational transformation driving enhanced customer experience

Positive revenue trends outstripping overall market performance

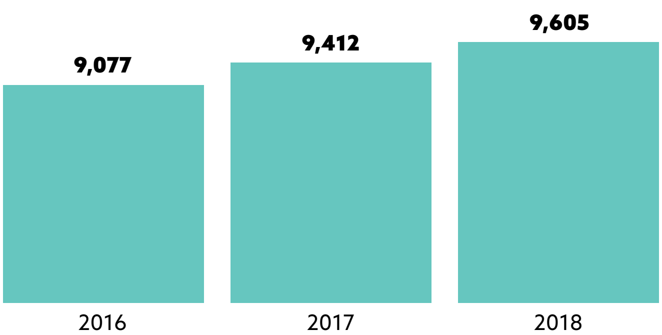
Cost discipline and operational efficiencies supportive of increased operating profitability

Investing to secure long-term competitiveness in a continuously evolving and technologically sophisticated sector

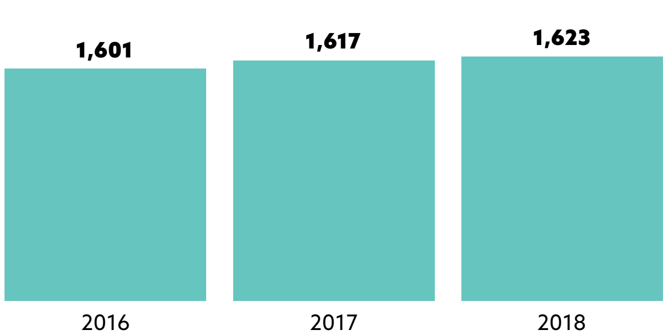
Strong results and confidence in future performance supportive of progressive and sustainable shareholder remuneration

Solid RGU growth reinforcing competitive position with operational transformation driving customer experience

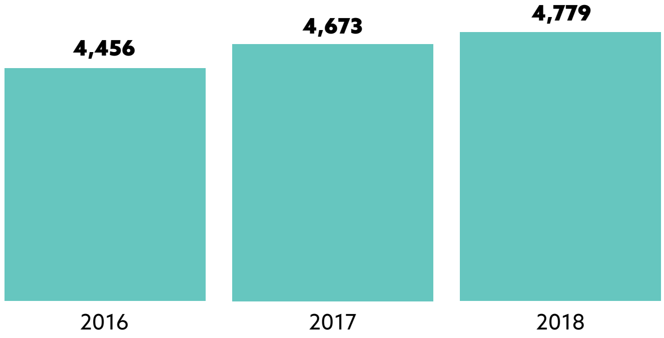
RGUs
(Thousands)



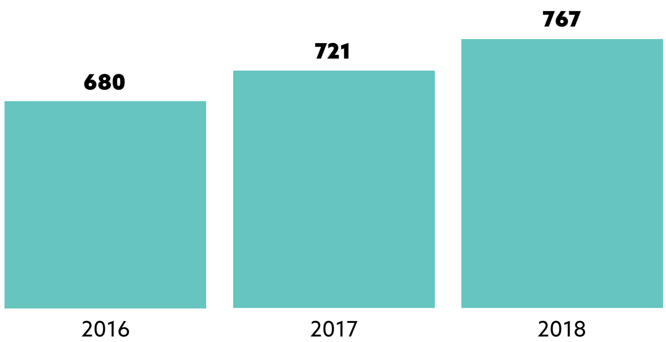
Fixed Pay TV Subscribers
(Thousands)



Mobile Subscribers
(Thousands)



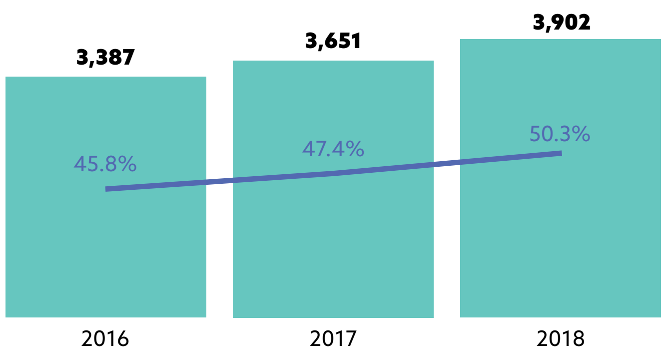
Convergent Customers
(Thousands)



Source: NOS

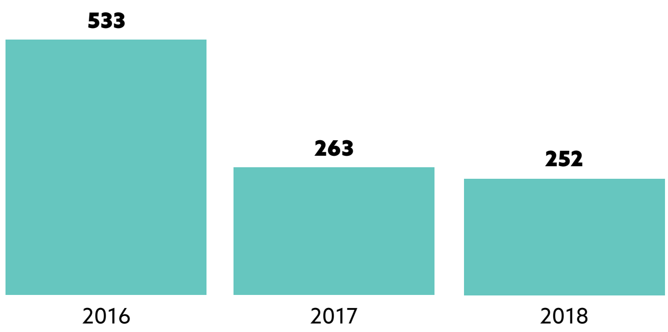
Although the level of convergent penetration was already high at the start of the year, we still recorded yoy growth of 6.3% to 767 thousand convergent customers subscribing to fixed and mobile combined offers during 2018. By the end of the year, convergent pernetration stood at 50.3%, representing a total of 3.902 million convergent RGUs, an average of 5 services per household.

Convergent RGUs and Penetration
(Thousands, %)



Source: NOS

Convergent RGUs Net Adds
(Thousands, %)

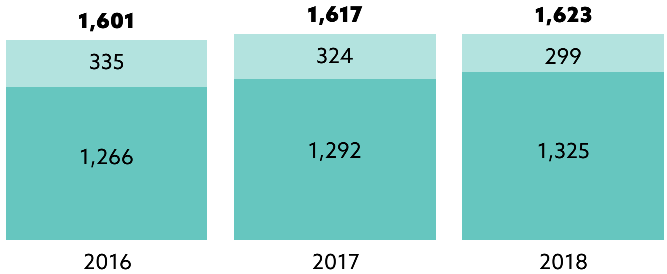


Source: NOS

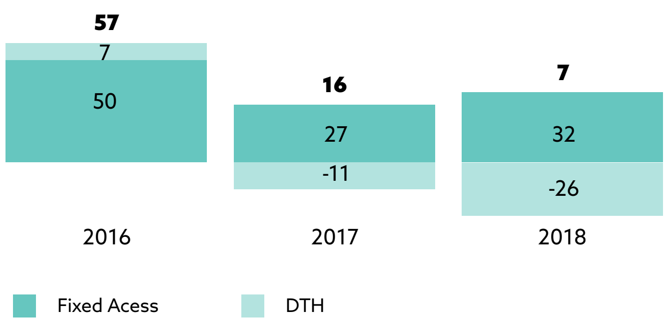
Densification of services, be it through convergent bundles or through integrating additional services per household bill, is a theme we continue to explore as a driver of customer revenues and increased customer loyalty.

Core Pay TV services, which are the basis for upselling services within the home, grew by 6.8 thousand during the year. The slower year on year growth was a consequence of the already high penetration in our legacy footprint and the comparatively lower level of greenfield household expansion in 2018.

Pay TV Subscribers
(Thousands)



Pay TV Net Adds
(Thousands)

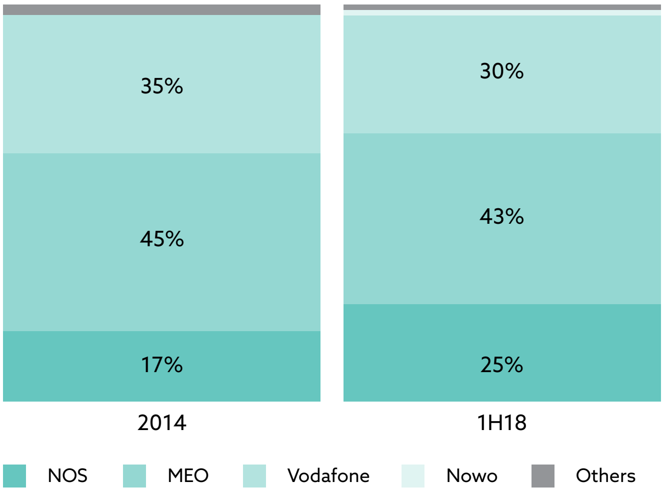


Source: NOS; Anacom

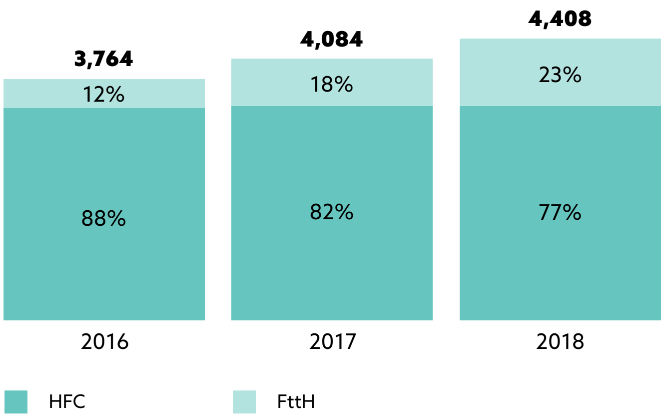
In addition, the pace of decline of our legacy satellite base accelerated during 2018 led by the increase in our own greenfield coverage areas and to that of our competitors who have also been expanding their fixed footprints in recent years.

Broadband and voice take-up kept pace with Pay TV and we reached the end of 2018 with a further 56.5 and 23.1 thousand Broadband and Voice subscribers respectively.

Mobile Market Shares

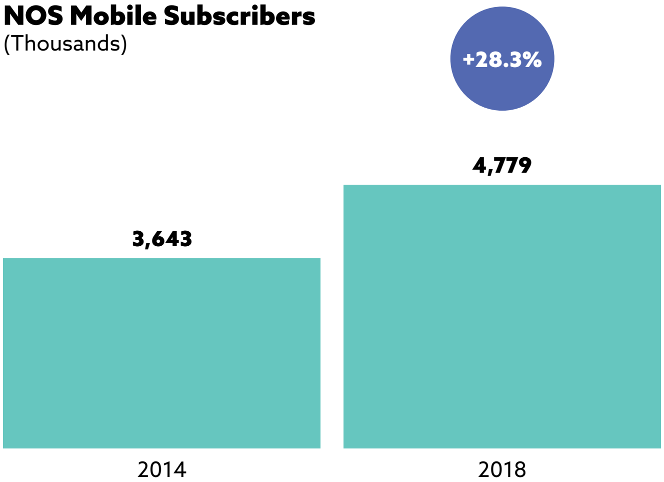


Homes Passed
(Thousands)



Source: NOS; Anacom

NOS Mobile Subscribers
(Thousands)



Source: NOS; Anacom

Still benefitting from the strength of our convergent value proposition, growth in standalone mobile offers, in particular in the teenage and young adult segments with our WTF brand, and an increase in our corporate and SME base, total mobile subscribers grew by 106.1 thousand to 4.779 million. Of these, 57.5% were contract accounts, up from 55.5% in the previous year.

Although the degree of competitive aggression has eased since the early, post-merger years, we are still seeing pockets of more intense competition in some segments and geographies of the market, as is the case of new geographical expansion areas. As a result, net subscriber and customer revenue growth were modest with commercial investment in customer acquisition and retention relatively high. The first part of the year was also marked by higher levels of subscriber churn, in the aftermath of the mid 2017 regulatory intervention around price communication procedures, driving higher levels of retention and customer acquisition.

A key differentiator of our value proposition is delivery of the best content and entertainment formats across all platforms, embracing the rapidly evolving changes to viewing habits. Our combination of telco, audiovisuals and cinema assets makes us unique in our market and we actively exploit new technologies to tap the full potential of digital marketing to generate consumer enthusiasm and develop relevant and targeted services and offers, tailored to specific market segments.

To enhance viewing experience on our user interface and meet the demanding expectations of our customers, we seek to integrate seamlessly into our TV offers new and exciting formats such as pop-up channels, OTT streaming services, user-generated content, multi-channel networks and short-formats, exploiting partnerships wherever relevant.

As an example of innovative, segmented content formats, in early 2018 we launched a pioneering TV app – "NOS Kids" developed specifically for children. Available for Android and iOS, the new NOS app enables thousands of films, series and other children's contents to be accessed in a secure and user-friendly environment, providing access to content with a language and messaging that are appropriate for a young audience. To ensure a personalized and controlled use of the app, parents set up their children's profile on first time access enabling access to thousands of cartoons from children's channels shown over the last 7 days, Video Club films or subscribed content packs, such as NOS Play, Mini NOS Play and Disney on Demand.

Campaigns and marketing activities throughout 2018 reinforced the strength of our brand within our core sports, music and cinema territories, clearly communicating our superior and innovative value proposition and increasing preferences within our target markets. Awareness amongst the youth segment in particular was further strengthened in 2018 with the launch of a very successful joint WTF / Netflix campaign, including an extra 5GB of data traffic for Netflix and Youtube streaming, in addition to already unlimited traffic for navigating on Facebook, messaging apps, Instagram and Spotify, amongst others. The campaign also proved to be a driver of upsell to the higher end of WTF tariffs.

Having completed the full Docsis 3.1 upgrade of our HFC network in the first months of the year, we launched a nationwide premium Gbps offer - providing customers with 1Gbps download speeds across the entire footprint. The campaign generated a lot of market hype, reinforcing our position at the forefront of technological innovation.

We also launched an innovative Internet App "NOS Net" allowing customers to remotely manage their broadband account, WiFi access and personalize their usage and security access data. Examples of benefits are the ability to easily change the name and password of their household wifi network, create an independent visitor network, create various user profiles identifying who and which devices can have access and during what times. This is a particularly family friendly option as it allows parents to define rules for when children can access the Internet. The Eco-wifi mode also enables energy saving definition of when routers should be active.

On the other end of the price spectrum we launched an entry level, content light, triple play offer (ex. set top box) increasing NOS brand awareness in the best value for money brand attribute, a key metric in customer satisfaction surveys.

Consolidating our position as the leading innovator and integrated service provider for the enterprise market

On the business front, we are successfully leveraging our own platforms and asset base and in partnership with specialist providers to deliver the most appropriate solutions for each business. Our strategy is to increase the perimeter of services provided, in particular on the IT and data service management front, and our value proposition is leveraged by the skills and experience developed in our own corporate operations.

The core pillars of our portfolio ensure service continuity and reliability for "bread and butter" connectivity and communications services, whilst aiming to defend legacy revenue streams. Unified communications are a core proposition for business clients and help densify service penetration amongst our base with extended contract periods and typically higher average revenues per account.

As an example of how we have adopted more collaborative formats, we have been particularly successful with our contact-centre services - GoContact. Provision of remote security services, such as operational security centre management, are also proving to be a relevant axis for growth, albeit from a low starting point, and we have won important accounts in some of the most demanding and security sensitive businesses in Portugal, amongst which a number of the leading banks. Our clients are also proving very receptive to cloud and data centre managed solutions such as "Infrastructure as a Service" with the likes of mailbox and security management and "Platforms as a service".

Central Pro

Virtual solution for professional management calls

NOS Wi-Fi PRO

Provides tailor made professional Wi-Fi solutions for SMEs

By Talk

One plataform, multiple communication tools (e-mail, SMS, Messenger, C2C) without upfront investment

IT Solutions

IaaS and Data centre services, Managed Services Security and IT governance

Managed telco and IT service solutions recorded a significant uptake during 2018, with key financial and retail operators implementing our managed end-user support solutions, corroborating the relevance of our focus on developing business lines outside the usual scope of telecom operators and increasing our share of customer spend on telco, IT and data services.

With these solutions, our business clients are able to relieve their organizational structures of the burden of having sophisticated in-house IT structures directing precious talent to application architecture transformation and with the benefit of full access to tailor made solutions, specialist support, continuous innovation and technological upgrades. The significant increase in our data centre capacity was a key enabler to bolster our next generation cloud management platforms, facilitating provisioning and self-service solutions. Our new data centres are the most modern and efficient in Portugal and increase our capability to support both our own operations and those of our business clients in two high growth areas that require significant data storage capacity: Cloud and Data Analytics services.

To capture the IT opportunity, we position ourselves as a partner for transformation for the companies we address, providing reliable and responsive telecom solutions and complementing them with value added services, which go beyond the realm of traditional telecommunications. We cater for the changing needs of our customers, helping them simplify their own processes, maintaining maximum trust and security in the services provided. Businesses are constantly seeking to optimize their efficiency and productivity and have very high expectations as to the quality of the services they buy and to real-time troubleshooting and problem resolution. In a world where technology is in constant development, digitalization is mandatory to support the way businesses interact with their stakeholders and is a facilitator of internal efficiency for all stakeholders.

With our strategic focus on growing alternative data and IT services, we are managing to offset the structurally negative like-for-like trends in legacy telecommunication services, which is evident across the sector worldwide. In parallel, in an effort to improve the operational fitness of this business division, we have adapted core elements of our distribution channels to meet the specific requirements of each sub segment and a number of process transformations are already underway, enhanced by digitalization and automation, some of which within the context of our global transformation programme.

A case study of how we are partnering with organizations, is the control centre we inaugurated in Lagoa, in partnership with the town council, transforming Lagoa into the first Smart City in the Algarve.

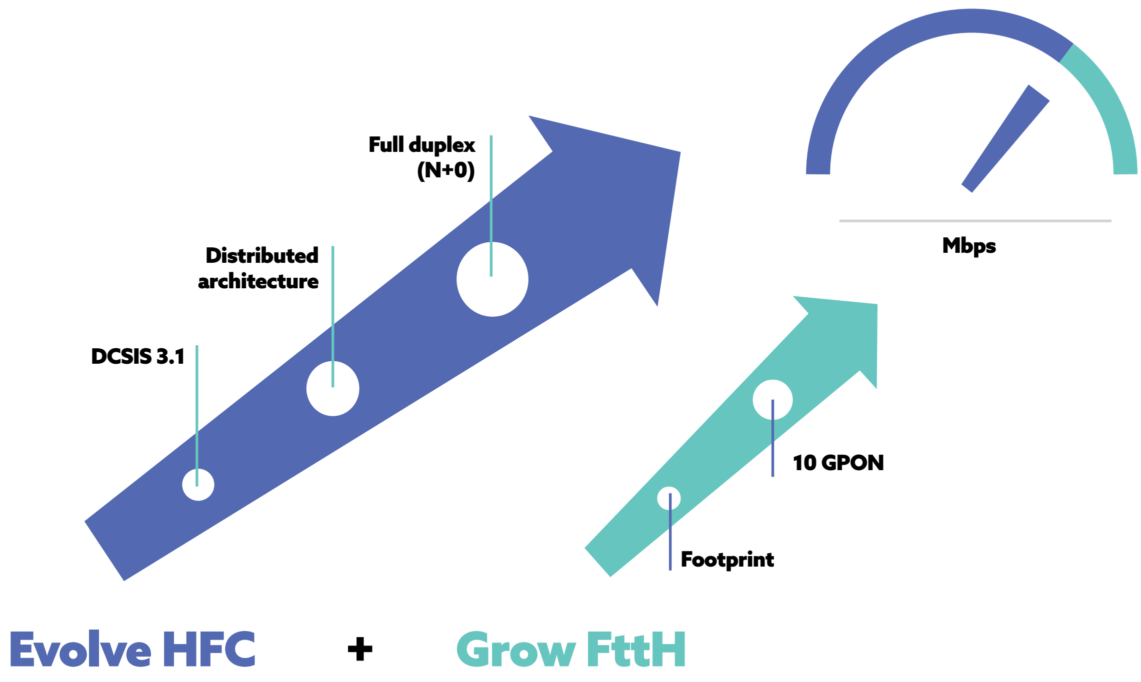
The control centre operates 24/7 and is ran by specialized NOS technicians, collecting data from sensors, as well as from situations reported by local residents. After collecting and analyzing the data, appropriate actions are put into motion, using the online smartcity platform/app. In an initial phase, the Lagoa town council control centre is able to monitor reported situations regarding water and sewage treatment, gardens, cleaning and waste, construction audits, infrastructure management. Future monitoring will be extended for tourism and electricity management, helped by a network of sensors spread around the district, optimizing interaction and proximity between local authorities and municipalities, in a drive towards a more participative and efficient communication and management of resources, encouraging mobility, security and accessibility. We supplied the network and necessary technology, the equipment, and specialized training for the technicians, and have specialized employees permanently assigned to the project. The creation of more intelligent cities is now a reality, which we plan to extend across Portugal, combining our technological solutions and expertise with the ambition of modernizing local government to improve service provision and cost efficiency, to attain higher levels of sustainability and a better quality of life for local residents.

Data analytics segmented targeting is progressing well through the sale of aggregate and irreversibly anonymized carrier information for corporates, helping them to map consumer trends and habits. Amongst the new accounts we have won in this space are key players in the fast-food segment, food retail and infrastructure management. As an example, the NOS Tourism Portal was set up to provide decision makers, organizations and companies linked to the tourism industry with a practical and accessible tool for smart management of aggregated and anonymous data about the presence and flows of foreign tourists, and demand driven forecasts for Portugal as a tourism destination. Among the indicators available on the platform, it is possible to access statistics such as tourism pressure, density and diversity, and others such as lunch and dinner attractions, night retention, weekenders and digital sophistication, and to segment the data by region and town council. Use of this pioneering and innovative tool based on Data Analytics enables businesses to identify opportunities and challenges thereby strengthening strategies for tourism planning and management at a national, regional or local level.

Technological superiority and continuous innovation as pillars of long-term competitive strength

The telecoms sector is characterized by a continuous drive for technological renewal and investment, led by the exponential pace at which data consumption grows every year, the way consumers consume video on multiple devices and demand more and more sophisticated and widespread services. Portugal is no exception and has tended to be at the forefront of technological innovation.

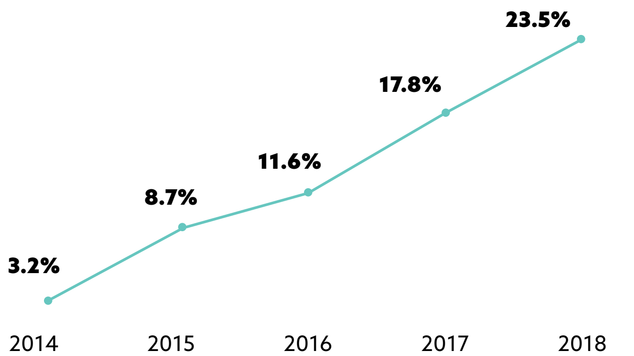
To guarantee delivery of the best service quality, we dedicate significant resources to enhancing the capacity, speed and coverage of our infrastructure, both fixed and mobile.



We continue to extend our next generation footprint in fixed. Having completed the upgrade of our HFC network to Docsis 3.1, extension of our FttH coverage is underway through both greenfield rollout and a dark fibre network swap with Vodafone as agreed in September 2017. Further splitting of our HFC cells to take fibre deeper into the network continues to be done to support increased traffic and capacity demands on our mobile network.

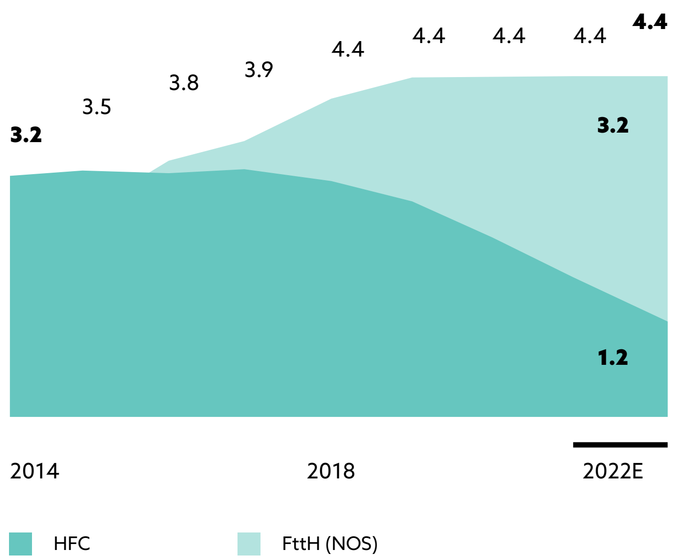
By the end of 2018, we had extended our NGN Gigabit coverage by 311 thousand FttH households to 4.408 million households. Within the context of our agreement with Vodafone, which entails the exchange of approximately 2.6 million FttH households to reach 70% FttH penetration of our fixed network by 2022, by the end of 2018 we had already swapped 530 thousand households.

% NOS homes passed with FttH



Note: FttH includes DST and Vodafone

NOS FttH Evolution (NOS, DST and VDF)
(Million homes)



We are in the final phase of a major upgrade to our mobile network designed primarily to increase capacity, network flexibility and efficiency, and to deliver the best possible quality of service. We are rearranging our network to a single RAN architecture replacing almost all existing radio equipment with the most modern technology to support a smooth 5G oriented evolution.

Data Network Evolution

Increased capacity (3G/4G) and coverage (4G):

- +200% 4G capacity
- Increased 4G capacity and coverage in 90% of network
- Option to gradually refarm 2100Mhz (+4G capacity and 3G network renewal)
- Future Proof 4G network
- Complete modernization of 3G network
- Global network optimization

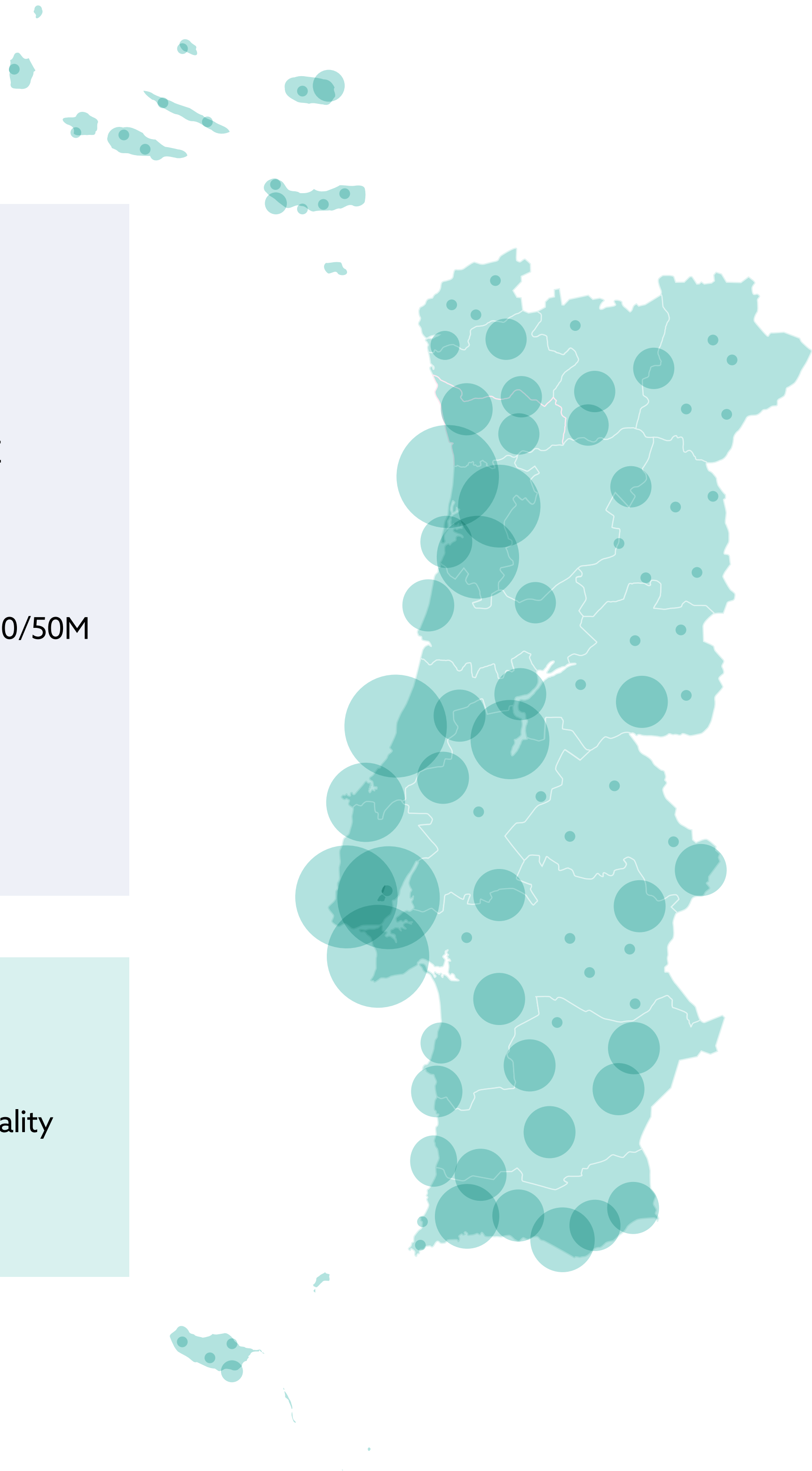
Voice Network Reinforcement

- + Voice Capacity / EDGE data
- + 2G capacity (TRX): 25%
- 15% of sites with reinforced coverage
- Global network optimization plan

Voice and Data Reinforced

Single-RAN Technology

2100 Refarming



- Improve 3G and 4G data QoE
- + data coverage
  (90% of population covered)
- Enable new 4G offers over 150/50M

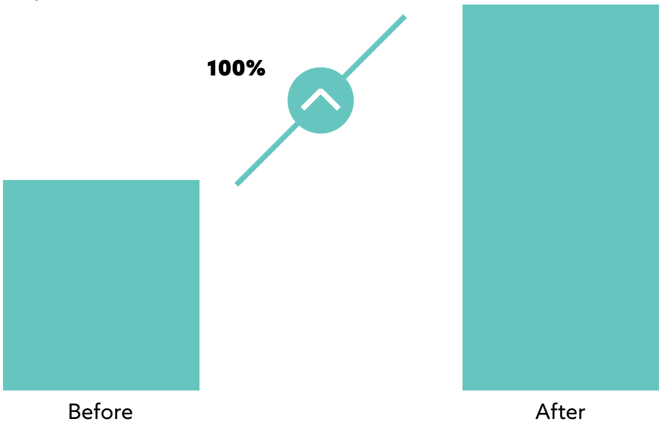
- + voice coverage
- Improvement of voice call quality
- Decrease in dropped calls

New Functionalities

The project entails the complete swap of our 2G, 3G and 4G radio equipment in the South of Portugal and an upgrade of our 3G and 4G equipment in the North of the country, whilst at the same time increasing capacity in both 2G and 4G. With the introduction of LTE2100 we will tap the superior capabilities of 4G devices when compared with 3G and exploit the opportunity to refarm our 2100 Mhz spectrum. 256 QAM, 4T4R and carrier aggregation are key features of the transformation underway, increasing capacity and enabling a more efficient allocation of spectrum independent of bandwidth. The project also involves extension of coverage with investment in an additional 249 sites. Upon completion of the project in the early months of 2019, we will have a fully 4.5G ready network in place, already able to deliver IoT and prepared for the evolution to mobile 1Gbps.

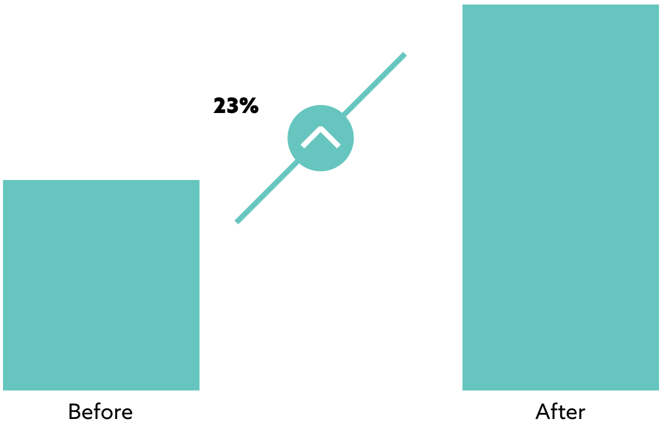
User through put

Carrier aggregation implemented



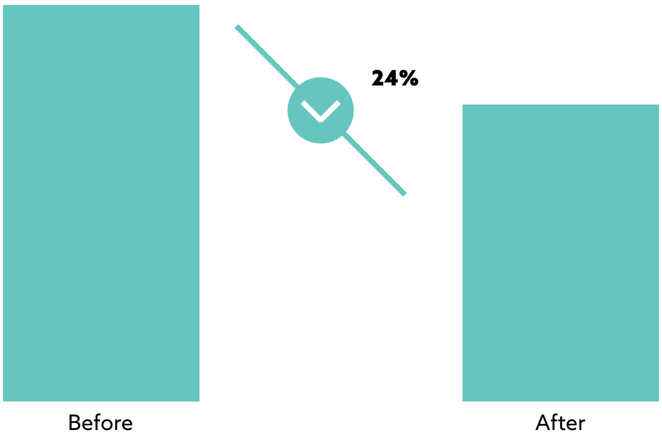
Voice Quality

> 60% excellent samples

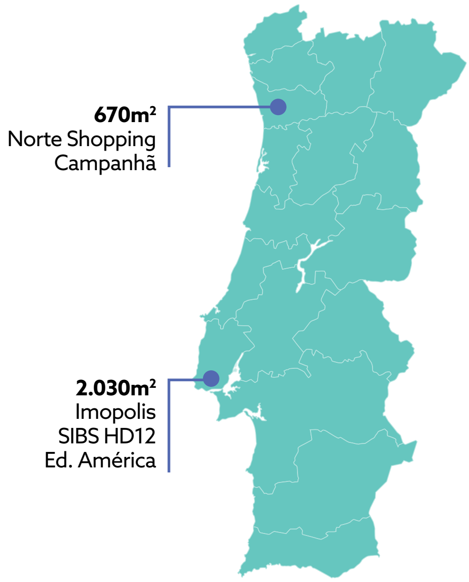


Drop Call

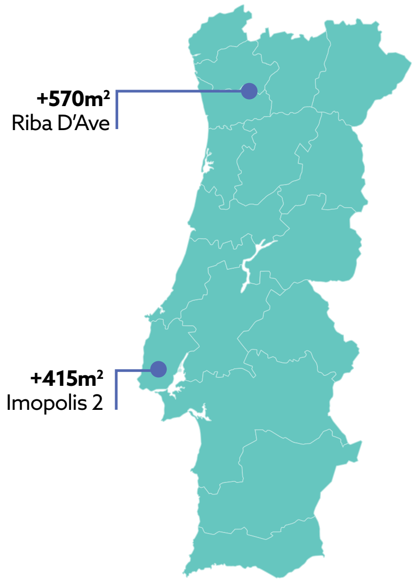
99.6% retention rate

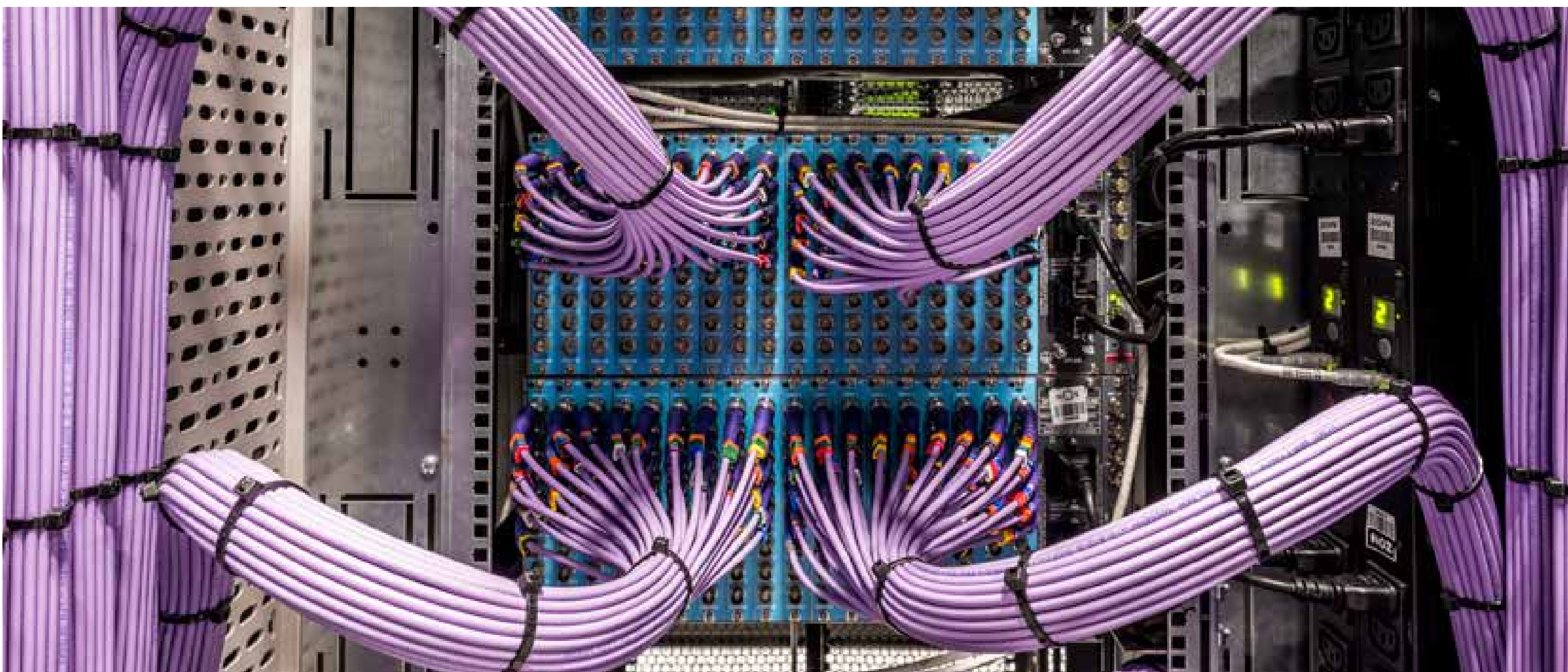


In 2018, we increased installed capacity for data storage and related business services by 50%. The centres use new concepts and the most advanced technologies available in energy efficiency and structural flexibility, incorporating modular scalability at all levels of the infrastructure. Solutions for orchestration and automation are based on SDN (Software Defined Networks), and management of virtualization and Cloud services, for the first time integrated into a productive Data Center, after exhaustive functionality and reliability tests. Interconnection between our data centres is based on high speed and low latency rings (100 Gbps) and the cabling and switching infrastructure is prepared to function locally at outputs of 32Gb FC or 40 GE, scalable up to 100 GE, in order to meet the growing challenges of SSD/All flash storage and High Performance Computing technologies.



We are evolving our core network to all IP as a means of extending IP capillarity, particularly relevant for the enterprise market, to reduce latency and increase capacity by replacing microwaves with optic fiber, and to optimize network flexibility, management and costs. This transformation is becoming even more relevant with the progressive expansion of cloud-based architectures, network virtualization and digitalization of key functions.





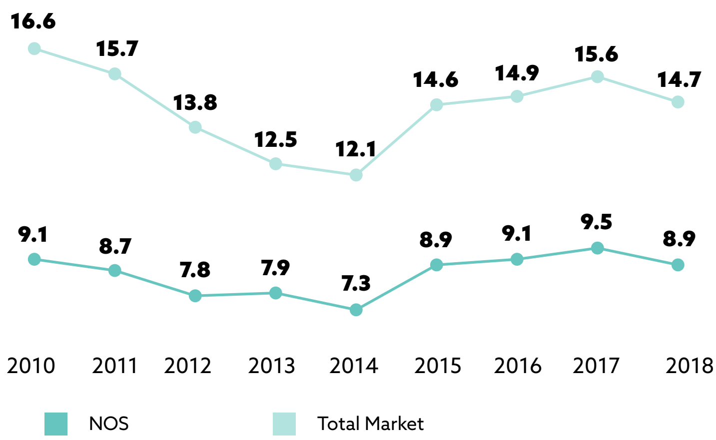
Cinema and Audiovisuals

In 2018, NOS' Cinema ticket sales posted a yoy decrease of 5.9% to 8.889 million, reflecting the performance of the market as a whole due to less blockbuster box office hits during the year in comparison with 2017, an exceptionally strong year. However, 2H18 represented an improvement in performance, with 4Q18 the strongest quarter since 3Q16 for NOS' cinema ticket sales. Average revenue per ticket increased by 1.8% yoy to 4.9 euros in 2018. The most successful films exhibited in 2018 were "The Incredibles 2", "Bohemian Rhapsody", "Fifty Shades Freed", "Avengers: Infinity War" and "Hotel Transylvania 3: Summer Vacation".

NOS' gross box-office revenues declined by 4.6% in 2018, compared with a 4.0% yoy decline for the market as a whole, however the comparison should take into account the fact that, according to ICA, the remainder of the market has expanded by 10 screens yoy, whereas NOS' net number of screens in operation actually decreased throughout most of the year, ending 2018 with 218 screens which compares with 219 at the end of 2017. NOS continues to maintain its leading market position, with a market share of 61.9% in terms of gross revenues in 2018.

In the Audiovisuals arena, NOS distributed 7 of the top 10 cinema box-office hits in 2018, "The Incredibles 2", "Fifty Shades Freed", "Avengers: Infinity War", "A Star Is Born", "Mamma Mia! Here We Go Again", "Johnny English Strikes Again" and "Mission: Impossible - Fallout", therefore maintaining its leadership position in Cinema Distribution.

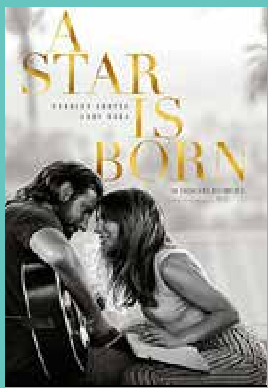
Cinema Tickets Sold
(Millions)



Source: NOS and ICA – Instituto do Cinema e do Audiovisual

Top 10 Movies 2018

Being the largest operator in the market with 218 screens, we continued to capture a share of more than 60%. On the Audiovisuals front, we distributed 7 out of the top 10 movies in 2018, driving continued leadership in box office hits and overall share of distribution.



1. The Incredibles 2 *
2. Bohemian Rhapsody
3. Hotel Transylvania 3: Summer Vacation
4. Fifty Shades Freed *
5. Avengers: Infinity War *
6. Deadpool 2
7. A Star Is Born *
8. Mamma Mia! Here We Go Again *
9. Johnny English Strikes Again *
10. Mission: Impossible - Fallout *

Note: * Films distributed by NOS Lusomundo Audiovisuais

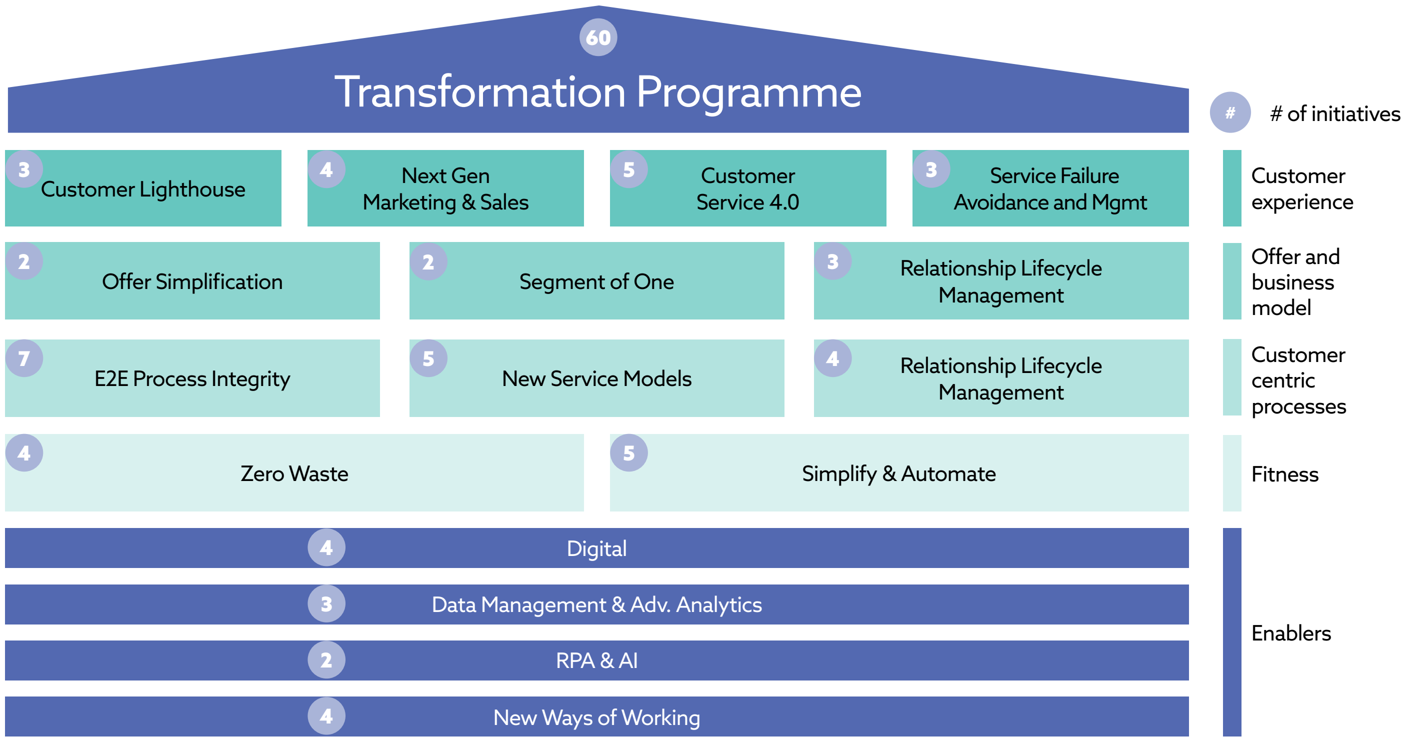
Supported by a transformational operating model to lead in customer experience and operating fitness

Key to sustaining long term competitiveness and value creation for our shareholders, is the pursuit of excellence in customer experience, be it through continuous innovation and relevance of our entertainment and communication offers, be it through ongoing improvement in customer service, at all levels of the organization, supported by a fitter operational model.

With this in mind, we launched a company-wide operational transformation programme at the end of 2017, which is today a core focus of management time and resources. Our strategic ambition is to revolutionize customer centricity, focusing on quality and experience and to build a fitter operating model with the objectives of leading in net promoter score ranking in Portugal, boosting the weight of digital in total customer interactions and capturing recurring cash savings.

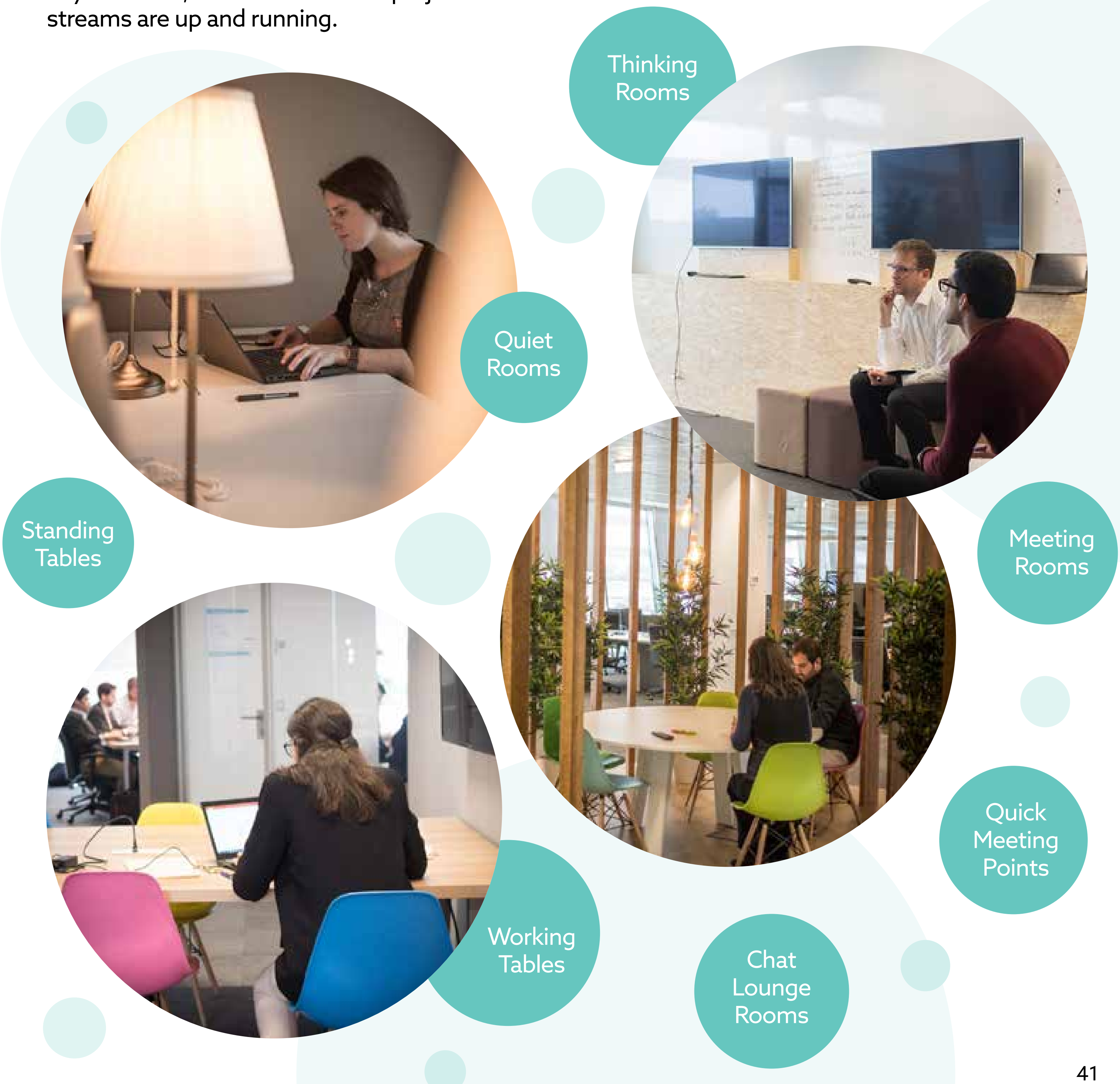
Our vision for transformation is designed around 5 layers:

1. Create a transformational customer experience;
2. Develop digital offers and business models;
3. Establish customer centric processes in the organization focused on service and driven by data;
4. Implement productivity levers to simplify current processes and generated efficiency;
5. Build the skills within the organization to address transformation goals.



Having established the ambition and vision of the project, an in-house project team was set-up to define the scope and complete an in depth diagnosis of all relevant company processes. 2018 was dedicated to the detailed planning and implementation of the first 20 streams (out of a total of 60). Full financial impact of the programme will take until 2022 to be captured, ramping-up more visibly beyond 2020, as and when all 60 projects streams are up and running.

To facilitate transformation in the organization, we have implemented changes in the way we work by enhancing and boosting productivity with new work methods, using new collaborative, simple and social tools and introducing innovative work places and formats such as the "transformation hub" where the project team is located at our head offices in Lisbon.



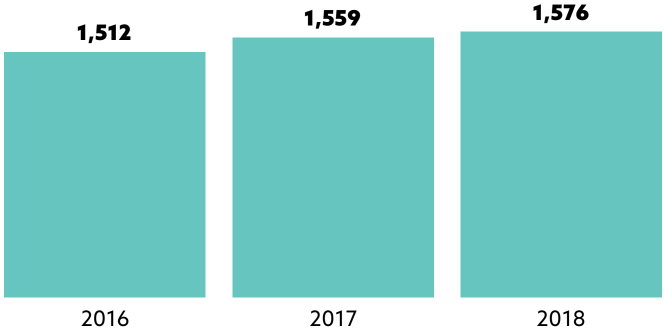
Although still at an early stage of implementation, transformation is already happening at various levels of customer interaction and service efficiency, amongst which it is worth highlighting our "paperless" store initiatives and the digitalization of all our field force interventions. During 2018, we implemented a retail digitalization project across our network of 183 stores aimed at improving customer experience and reducing the environmental footprint of the business.

The ambition was to replace paper and physical documentation with a digital model making in-store operational processes simpler, faster, more secure, and efficient. Supported by new systems and mobile devices, the simplification of processes in the store was implemented using an all-encompassing vision, ranging from document validation, paperless digitalization and filing, and digital subscriptions, through to the sending and delivery of documentation by email. In the final 6 months of implementation until April 2018, the number of digital subscription processes completed reached 75 thousand, driving a huge reduction in photocopies, printing, postal charges and an overall saving in waste and a reduced environmental impact. The re-engineering of processes and the almost total elimination of paper has allowed us to reduce the number of tasks and consequently service time, while also increasing process efficiency and customer satisfaction levels.

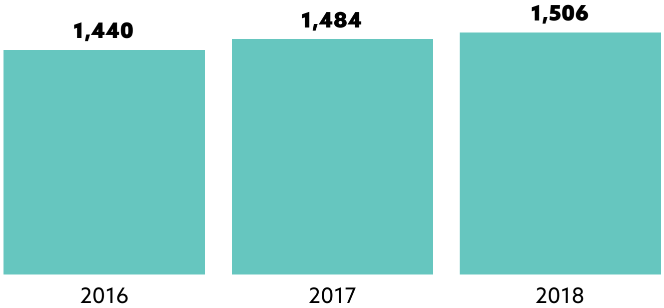
Solid Revenue Trends in a mature market environment

During 2018, we continued to consolidate our operational performance as explained in the pages above.

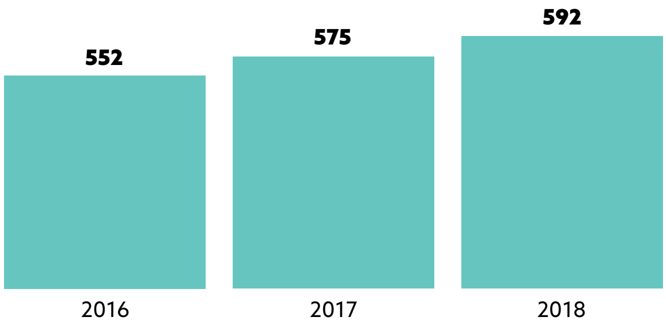
Total Revenues
(Millions of Euros)



Telco Revenues
(Millions of Euros)

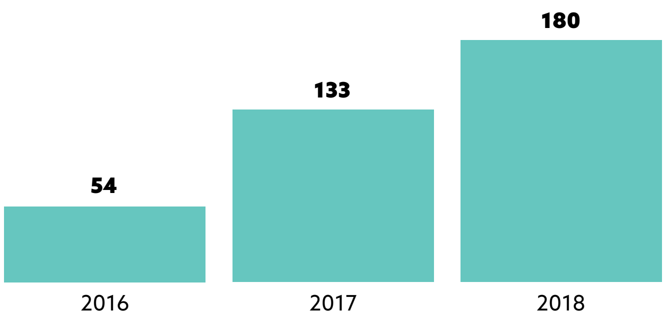


EBITDA
(Millions of Euros)



Source: NOS

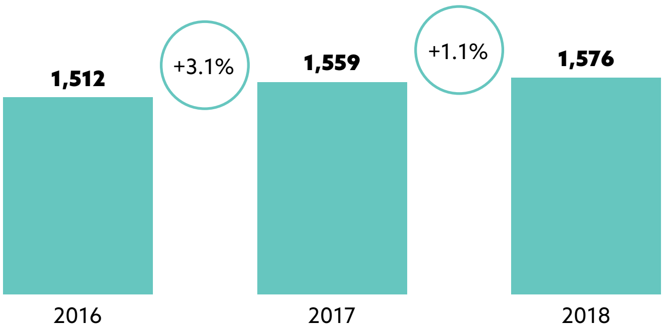
FCF Bef. Dividends and Financial Investments
(Millions of Euros)



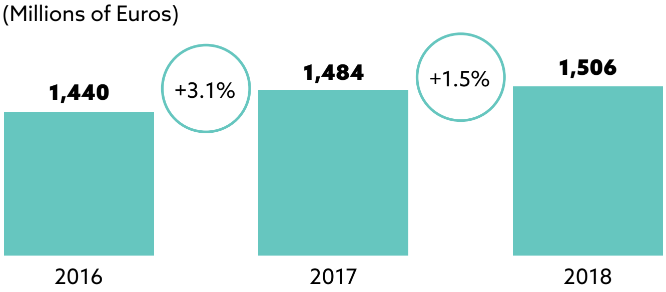
Revenue growth reflected the already mature state of the core telecom operation and slower year on year service uptake when compared with post-merger years.

Total group operating revenues grew by 1.1% yoy in 2018 to 1,576 million euros. The largest contributor to group revenues is the telecom business, which grew yoy by 1.5% to 1,506 million euros. The Audiovisuals and Cinema operation generated revenues of 111.5 million euros, representing a decline of 7.5% yoy.

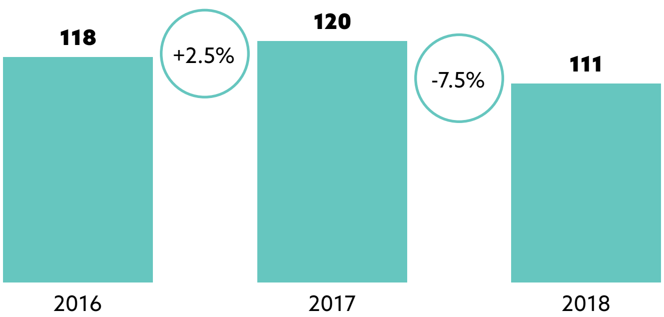
Consolidated Revenues
(Millions of Euros)



Telco Revenues
(Millions of Euros)

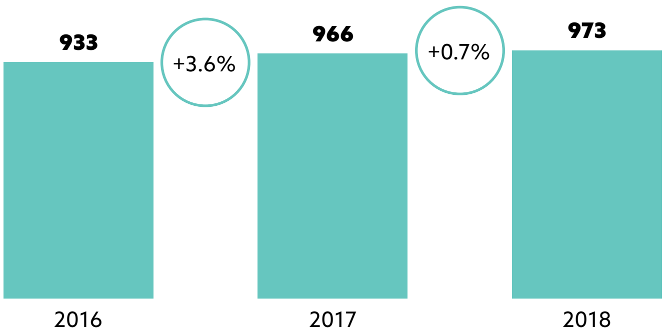


Audiovisuals & Cinema
(Millions of Euros)

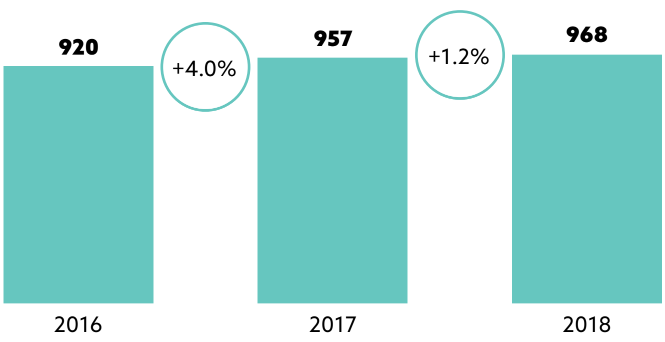


Source: NOS

Consumer Revenues
(Millions of Euros)



Adjusted Consumer Revenues
(Millions of Euros)



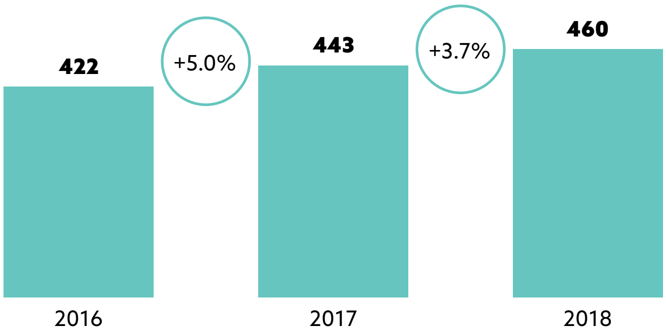
Source: NOS; revenues adjusted for regulatory impacts.

Close to 65% of telco revenues are generated by our consumer business, both residential and personal. In 2018, we recorded growth of 0.7% in Consumer revenues to 973 million euros, combining a marginally negative performance in residential revenues and growth of close to 6% in our stand alone mobile business.

The small decline in residential revenues resulted from a combination of 1.2% growth in our fixed access business led by yoy subscriber growth, and a decline of 6.5% in wireless residential revenues, explained by the decline in DTH subscribers as discussed above in the operational review. Residential fixed ARPUs were slightly lower yoy by 0.5% affected primarily by lower premium channel subscriptions together with regulated cuts to MTRs and roaming tariffs. Excluding premium channel subscription revenues, average revenues from monthly customer bills remained in line with last year. The stellar growth of personal mobile revenues was led by good underlying performance primarily in customer revenues, up 6% yoy, and to a lesser extent by equipment sales due to higher average price of handsets sold. The success of our WTF brand and improved customer mix, together with a higher average subscriber base in the period, were the drivers of improved stand alone mobile customer revenues.

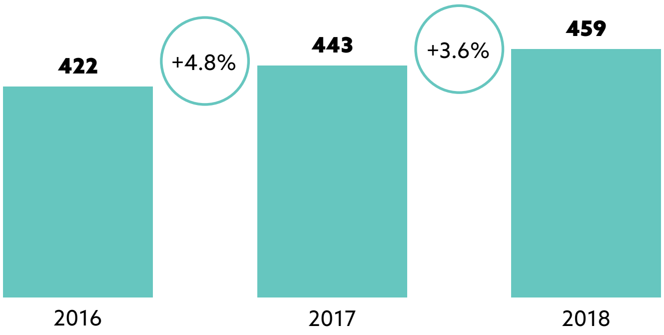
As was to be expected, the regulated MTR cuts as from July 2018 and the change to European Roaming tariffs had a negative yoy impact. Adjusting for these regulatory effects, Consumer revenues would have grown by 1.2% yoy, representing an additional 5 basis points.

Business & Wholesale Revenues
(Millions of Euros)



Source: NOS; revenues adjusted for regulatory impacts.

Ajusted Business & Wholesale Revenues
(Millions of Euros)



Source: NOS; revenues adjusted for regulatory impacts.

Business and Wholesale service revenues grew by 3.7%, driven by 1.1% growth in business revenues and of 7.9% in wholesale revenues. Corporate account revenues posted growth of 2.6% yoy as a result of the increase in revenues generated from non-traditional telco services such as data and IT which drove higher average revenue per client, and also due to new large corporate accounts activated during the year, namely in the financial services and health care sector.

Revenues from small and mid-sized businesses still posted a negative yoy trend of 4.4% due to a combination of effects amongst which lower penetration of premium sport channels in the base, particularly relevant in food and drink establishments, and increased weight of all-inclusive traffic bundles in detriment of more discretionary off-bundle revenues. Partially mitigating the yoy decline in more traditional sources of telco revenues, IT and data-based services recorded relevant growth yoy. We have been achieving IT related revenue growth, namely cloud, datacentre and IT managed services revenues, consistently above 10%.

Wholesale revenues increased by 7.9% yoy led primarily by strong growth in lower margin voice traffic, which represents over 75% of wholesale revenues, and of roaming service revenues benefitting from increased tourist momentum.

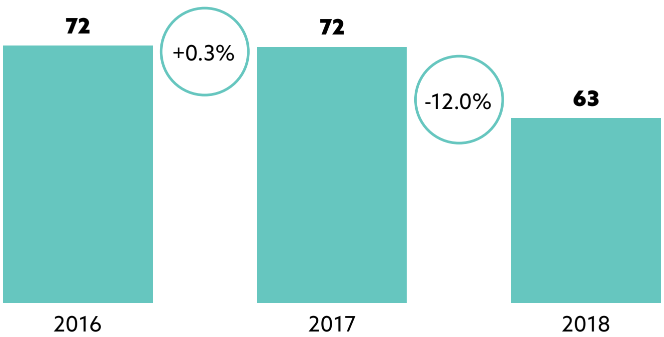
Other telco revenues and eliminations, the majority of which relate to advertising and content, posted a small 1.5% decline yoy to 73.3 million euros. The remaining revenue items in this aggregate are derived from a number of wide-ranging and in some cases volatile sources, as is the case of outstanding debt recovery or operational subsidies received.

Our cinema and audiovisuals division posted a decline in aggregate revenues of 7.5% in 2018 to 111.5 million euros.

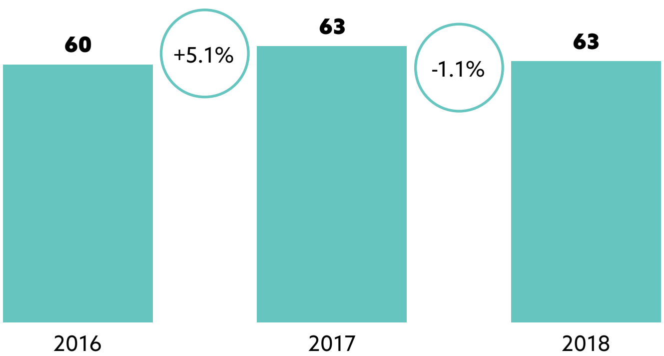
Cinema revenues were 1.1% lower impacted by a particularly weak international environment for box office hits in 1H18, when compared with the record-breaking results achieved in 1H17. However, trends improved significantly during the course of the year, going from negative 10% yoy in 1H18 to positive yoy growth of 7.7% in 2H18, amounting to 62.5 million euros in the full year.

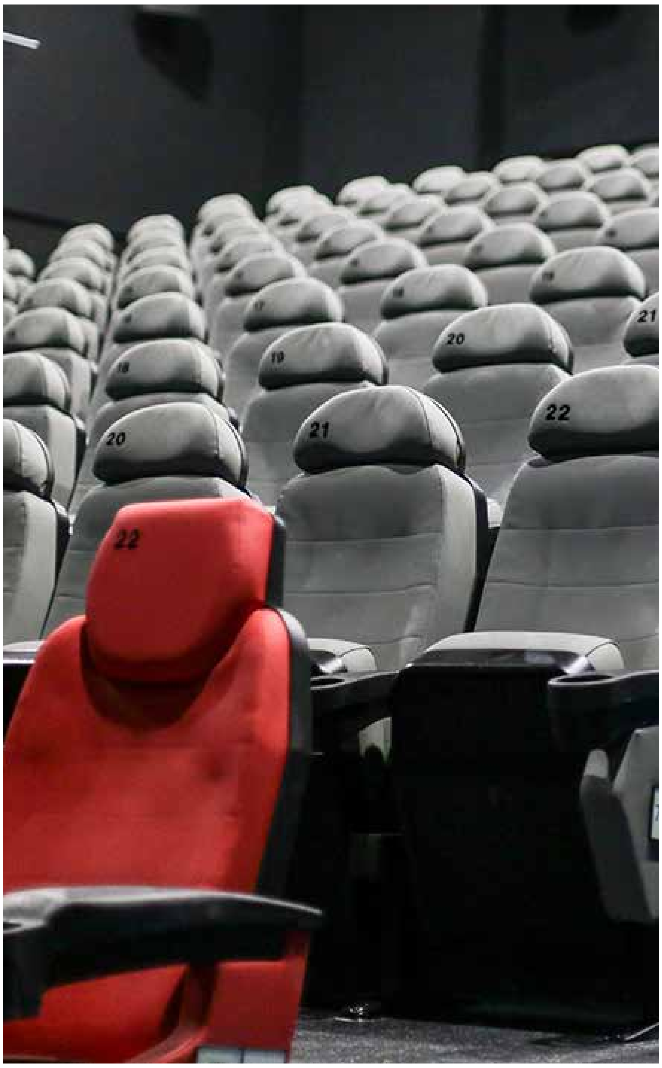
Our Audiovisuals division posted a decline of 12% in revenues yoy to 63.2 million euros, primarily due to the renegotiation of content contracts to Angola that occurred at the end of 2017 within the context of a very challenging macroeconomic environment.

Audiovisuals Revenues
(Millions of Euros)



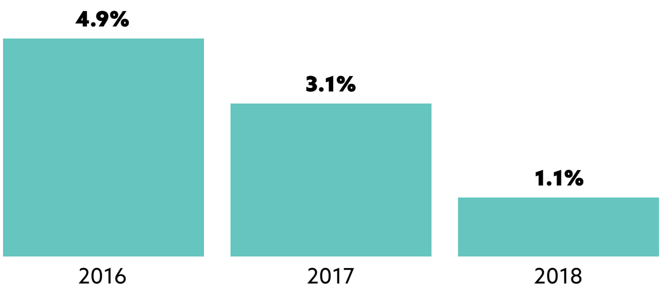
Cinema Exhibition Revenues
(Millions of Euros)



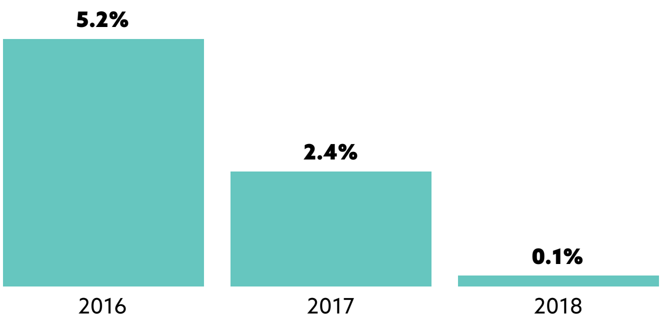


Efficiencies and cost discipline supportive of increased operating profitability

Revenues YoY Change
(%)



OPEX YoY Change
(%)

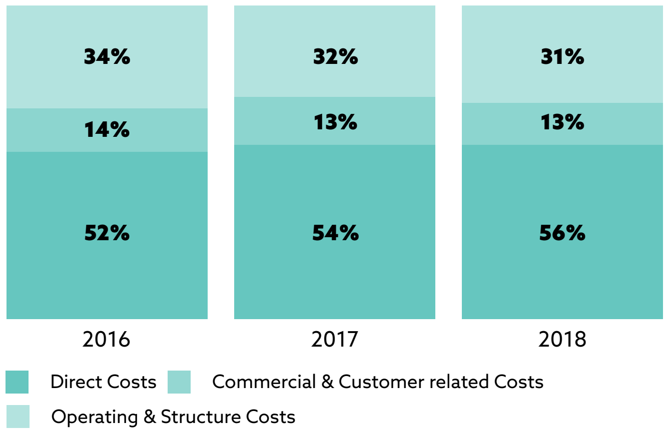


Source: NOS. Growth in 2016 as reported.

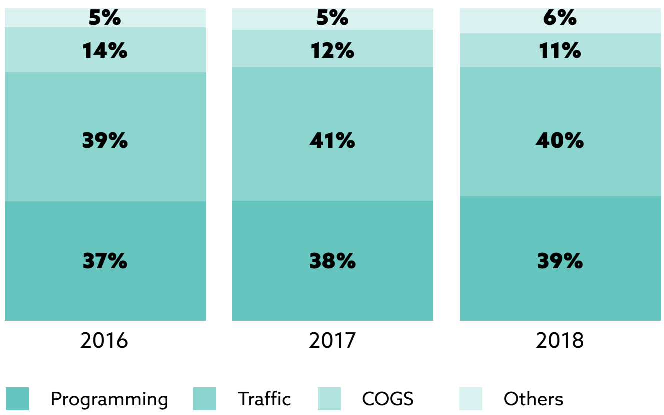
Total OPEX was in line yoy at 984.4 million euros, compared with 1.1% growth in Revenues.

The 3.1% growth in Direct Costs was fully offset by declines in Commercial and Customer Related Costs and Operating and Structure Costs of 4.9% and 2.9% respectively.

OPEX Breakdown
(%)



Direct Costs Breakdown
(%)



Source: NOS

Direct costs make up 56% of total operating costs and vary as a function of our operating activity. The main direct cost lines are programming and royalty costs, (approximately 40%) and interconnection costs and telecom costs such as regulated access, leased line and capacity costs (approximately 45%).

Total Direct costs grew above the level of revenues in 2018 due primarily to the previously negotiated increase in football rights costs. Interconnection costs also grew yoy driven by higher volumes of voice and data traffic on our networks, albeit benefitting from the aforementioned 44% cut in MTRs to 0.42

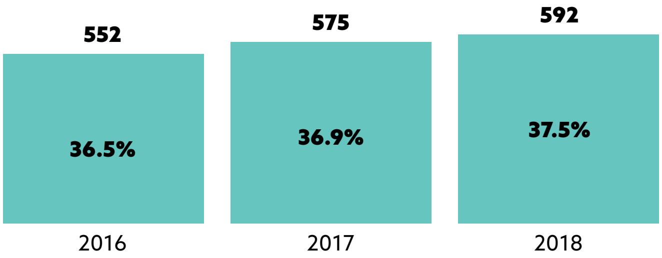
eurocents. As NOS is a net payer of termination rates to other operators, given relative market shares in mobile, reductions in MTRs drive a marginally greater reduction in costs than revenues. Savings were also recorded in a number of other items, an example of which being lower leased line and capacity costs resulting from the increase in own network footprint.

Non-Direct costs fell in total by 3.5% yoy to 431.8 million euros, representing 44% of total OPEX. The 4.9% reduction yoy in Commercial and Customer Related Costs is a result primarily of savings in call centre and customer care costs, billing and collections, lower installation, assembly and terminal equipment related costs and distribution costs.

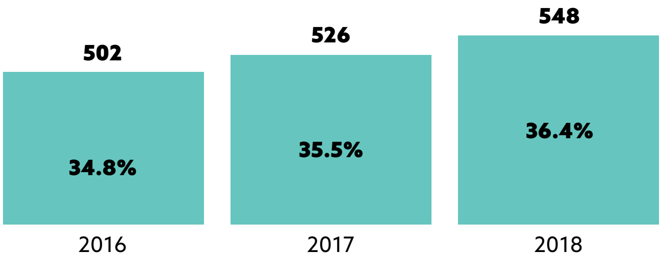
Contributing to the savings achieved in operating and structure costs were lower telecom costs, support costs, suppliers and external services, which were in part mitigated by a yoy rise in regulatory charges and operating provisions.

As discussed in the operating review, work is underway within the context of our long term transformational programme targeting opportunities to become a more agile and efficient operation, aiming to simplify and digitalize processes wherever possible, as a means of increasing customer satisfaction and ultimately reduce costs. The main addressable aggregates are commercial and other operating and structure costs, in addition to some potential opportunities for savings in customer related investments. The programme is still at an early stage of development and such financial impacts are relatively small - the value captured from transformation initiatives will build up primarily from 2020 onwards, as the majority of projects move to implementation phase. The declines recorded in non-direct costs in 2018 were mostly the result of lower commercial activity yoy, but they also reflect some initial benefits of the roll-out of our operational transformation programme.

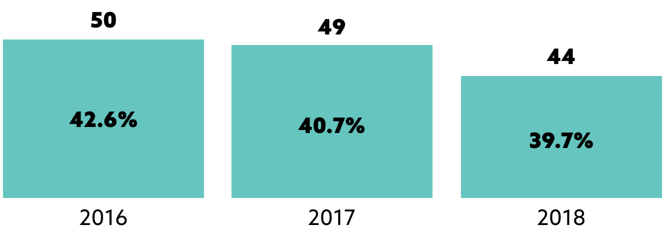
Consolidated EBITDA and Margin
(Millions of Euros, %)



Telco EBITDA and Margin
(Millions of Euros, %)



Audiovisuals and Cinema EBITDA and Margin
(Millions of Euros, %)



Source: NOS

The solid revenue growth in 2018 and disciplined cost management led to growth in consolidated EBITDA of 2.8% yoy to 591.8 million euros representing a 37.5% margin as a proportion of group revenues, and up by 0.6 percentage points yoy.

Core Telco EBITDA increased by 4% yoy to 547.5 million euros representing a 0.9 percentage point increase in margin to 36.4%.

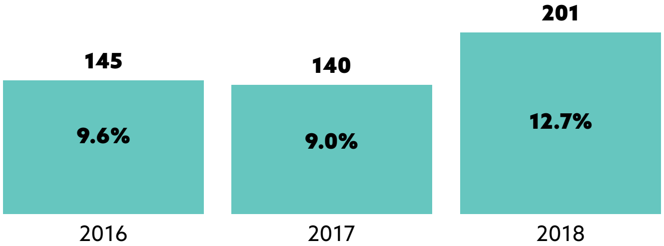
The decline in Audiovisuals and Cinema EBITDA of 9.7% to 44.2 million euros reflects the combination of 3.4% growth in the cinema division and a decline of 13.1% in the audiovisuals division which is explained by the aforementioned renegotiation of the value of content contracts to Africa.

Earnings expansion supported by EBITDA growth

Net Results grew by 15.8% yoy to 141.4 million euros led by EBITDA expansion and by a significant decline in depreciation and amortization, which helped offset a significantly lower yoy contribution from Associates.

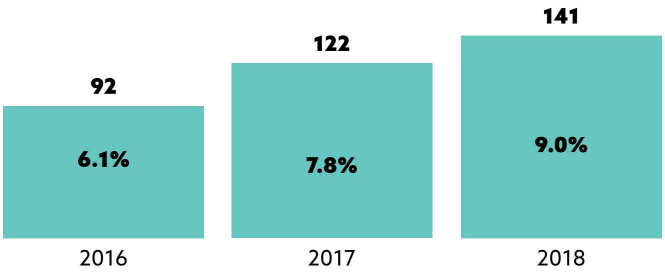
As a result of the major investment project initiated in 2017 to modernize the mobile network, impairments of existing equipment were recorded of close to 35 million euros in 2018. During 2018, depreciation and amortization returned to more normalized levels, with the exception of remaining impairments recorded in 1Q18 still related to the mobile upgrade project. As such, D&A fell by 7% in 2018 to 390 million euros, almost 30 million euros less than in FY2017, and Operating profit (EBIT) grew by 43.6% to 200.8 million euros representing an increase in EBIT margin as a proportion of consolidated revenues to 12.7%.

EBIT and % of Revenues
(Millions of Euros, %)



Source: NOS

Net Income and % of Revenues
(Millions of Euros, %)



Source: NOS

Other expenses continued to decline yoy reflecting lower non-recurrent and integration related costs which fell to just 1 million euros in 2018, compared with 15.7 million euros the year before, explained in great part by a non-recurrent positive contribution, recorded in 1Q18, from a legal settlement in favour of NOS regarding a pending regulatory dispute over operator termination rate charges.

Contributing negatively to Net Results, Associates fell by 29.3 million euros in 2018 due primarily to the negative contribution from ZAP (7.1 million euros) which compares with a significantly more positive contribution in 2017 (20.1 million euros). The big swing in contribution from ZAP yoy is explained by the volatile exchange rate environment in Angola, and in particular the impact of a 30% currency devaluation in in January 2018. Sport TV contributed positively with 0.74 million euros although significantly less than the 2.5 million euros contribution in 2017.

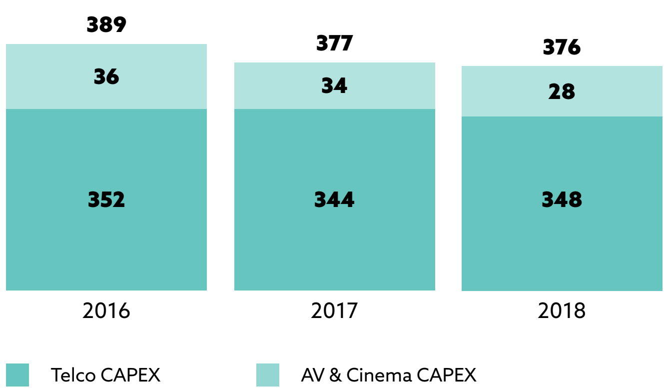
Net Financial Expenses remained stable yoy at 24.2 million euros. Pure net interest charges fell by 17.6% yoy, benefitting from lower average cost of debt however this decline was offset by an upfront one-off cost associated with the early repayment of existing credit facilities following the public bond issue in April 2018. The yoy decline in Net Financial Expenses would have been higher if adjusted for the positive impact in 2017 of the reversal of outstanding interest related with a pending legal case for which NOS reached a settlement in 2Q17. As explained in the capital structure section ahead, we continue to access funding at lower costs and during the course of 2018, average cost of debt was 1.8%, compared with 2.0% in 2017.

The increase in tax provision in 2018 was led by the higher level of Earnings before Tax, which grew by 22.7% to 170.2 million euros. Effective tax as a proportion of Earnings before Tax was 17.2%, compared with 11.9% in 2017.

Investing to secure long-term competitiveness in a continuously evolving and technologically sophisticated sector

In 2018, we invested 375.7 million euros in total, representing a small decline of 0.4% when compared with 2017.

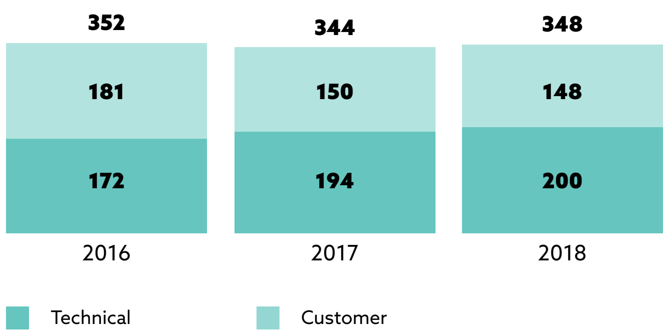
Total CAPEX, Breakdown
(Millions of Euros, %)



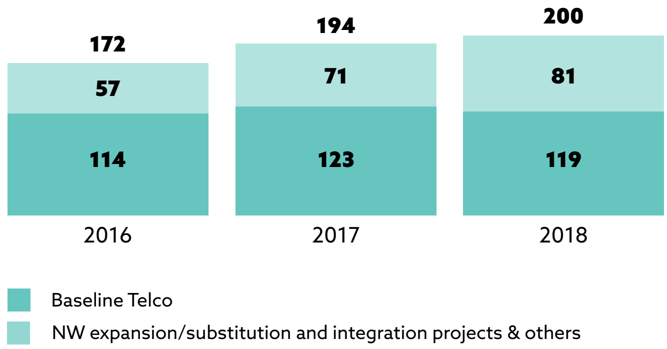
Source: NOS

Telco Technical CAPEX represented just over half of total investment at around 200 million euros, 13.3% of telecom sales. The structural technological investments underway to implement major modernization projects and extend our network footprint and capabilities in the mobile and fixed networks, as discussed in the operating review above, are leading to levels of technical CAPEX closer to the higher end of our long-term guidance range of 12-13% of telco sales. Non-baseline investment, which includes network expansion, substitution and integration projects, amounted to 80.8 million euros, up 13.7% yoy and represented around 5.4% of telco sales. Conclusion of the more relevant non-recurrent projects by the end of 2019, namely the mobile single RAN upgrade, will enable a progressive reduction in technical CAPEX to levels closer to the lower level of our long-term guidance range of 12-13% of telco revenues.

Telco CAPEX, Breakdown
(Millions of Euros, %)



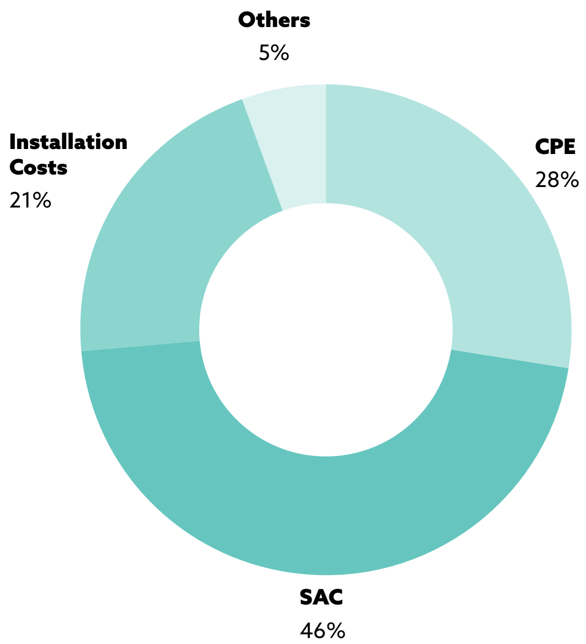
Technical Telco CAPEX, Breakdown
(Millions of Euros, %)



Source: NOS

Customer Related CAPEX, reduced by 1.4% to 147.5 million euros in 2018 representing 9.8% of telco revenues. Although overall commercial activity in 2018 was lower yoy, commercial investment in the existing customer base was slightly higher mainly due to a pickup in migration of DTH customers to fixed access technology as greenfield FttH network rollout is completed.

Costumer CAPEX, Breakdown
2018



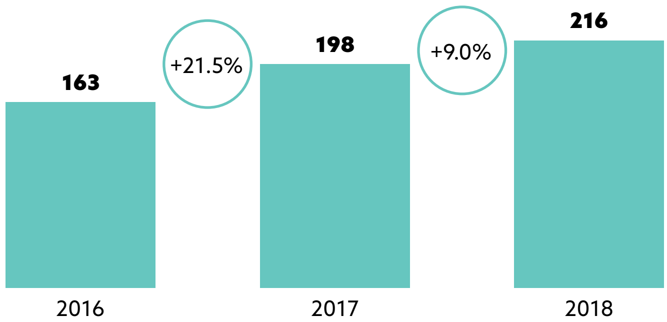
Source: NOS

Audiovisuals and Cinema CAPEX was down by 15.8% yoy to 28.2 million euros due to the weaker operating activity and the aforementioned renegotiation of content contracts to Africa, which resulted in lower full year investment in movie rights.

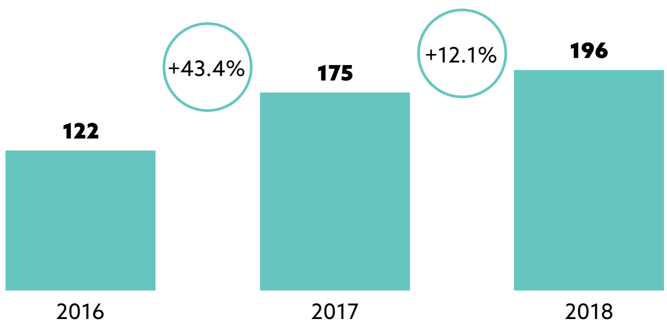
Strong Cash Flow momentum

Operating Cash flow grew by 12% in 2018 to 196.1 million euros with an increase in EBITDA-CAPEX of 9% in the same period to 216 million euros. Although working capital and non cash adjustments to EBITDA – CAPEX had a negative full year contribution of 19.9 million euros, this was a improvement of 14.2% in comparison with the previous year, due primarily to the improved trade balance payments with ZAP during the year and outstanding operator balances related with the aforementioned pending legal dispute.

EBITDA - CAPEX
(Millions of Euros)



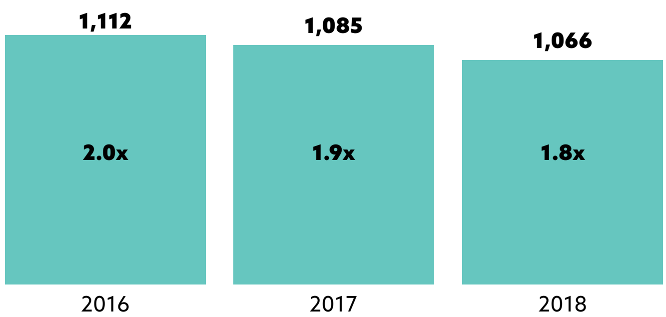
Operating Cash Flow
(Millions of Euros)



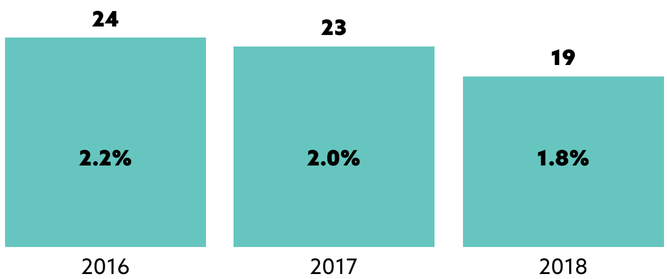
Source: NOS

Total FCF before dividends increased by 47 million euros in 2018 to 180.4 million euros led by the growth in Operating Cash Flow and by lower interest and tax payments, which amounted to 15.1 million euros and 3.6 million euros respectively. Excluding the impact of disposals and other cash items total FCF would have increased by 40.8 million euros to 162.6 million euros, + 33.5% yoy. In 2018 these cash flow lines included interest received from the above outstanding legal settlement and, in 2017, included a one off cash-in of 24.2 million euros from the sale of the Optimus fixed network to Vodafone (as imposed by the regulator at the time of the merger).

Net Financial Debt, Net Financial Debt / EBITDA
(Millions of Euros, %)



Financing Costs and Average Cost of Debt
(Millions of Euros, %)



Source: NOS

A very solid capital structure and debt maturity profile

We continue to maintain a very solid capital structure and debt maturity profile with a Net Debt to EBITDA ratio at the end of 2018 of 1.8x, well within our guidance of 2x which we are committed to maintain, and an average maturity of 2.9 years.

Net Debt at the end of 2018 amounted to 1,065.9 million euros. Total financial debt stood at 1,068.1 million euros and was offset with a cash and short-term investment position on the balance sheet of 2.2 million euros. At the end of 2018, we had 255 million euros of unissued commercial paper programmes.

Our average cost of Net Financial Debt reduced to 1.8% in 2018, compared with 2.0% in the previous year, as a result of continued optimization of our debt structure and access to funding at attractive market terms.

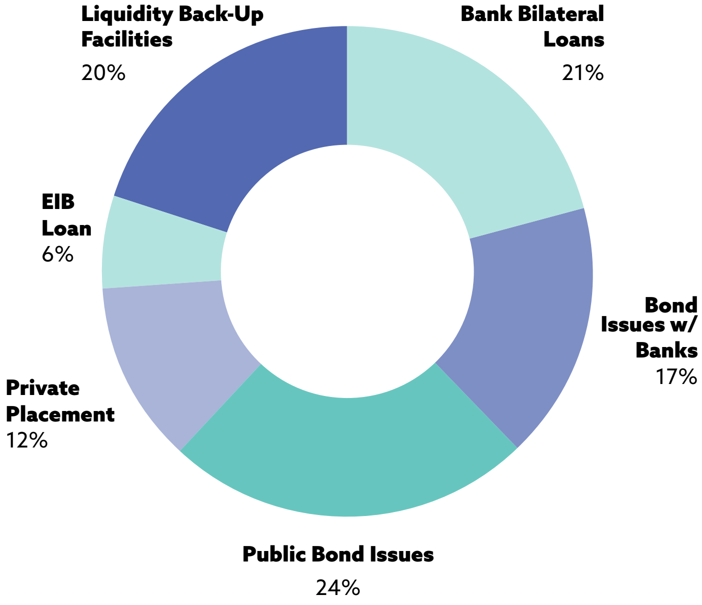
To this end, in March 2018, NOS was assigned investment grade long-term corporate credit rating by Standard & Poor´s Global Ratings (BBB-) and Fitch Ratings (BBB) with a Stable Outlook from both agencies.

In April 2018, we executed an inaugural bond transaction in international debt capital markets issuing a 300 million euro bond, with a 5 year maturity, at an annual fixed coupon rate of 1.125%, corresponding to a 0.75% spread plus 5 year mid swap rate. The proceeds of the issue were used for general corporate purposes and early redemption of existing credit facilities.

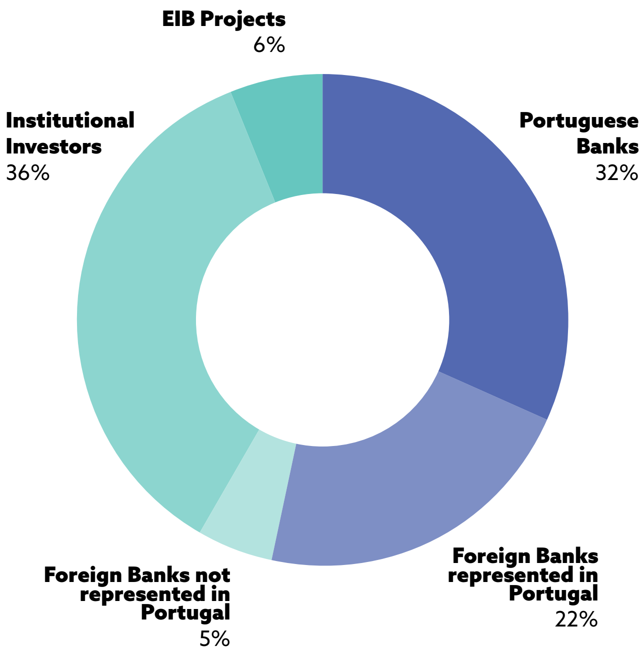
Obtaining credit rating and tapping Debt Capital Markets represents an important step in the execution of our financing strategy, strongly contributing to diversify financing sources and instruments, extend average debt maturity, and further reduce average cost of debt.

Taking into account the loans issued at a fixed rate, the interest rate hedging operations in place, and the negative interest rate environment, as at 31 December 2018, the proportion of issued debt paying interest at a fixed rate is approximately 78%.

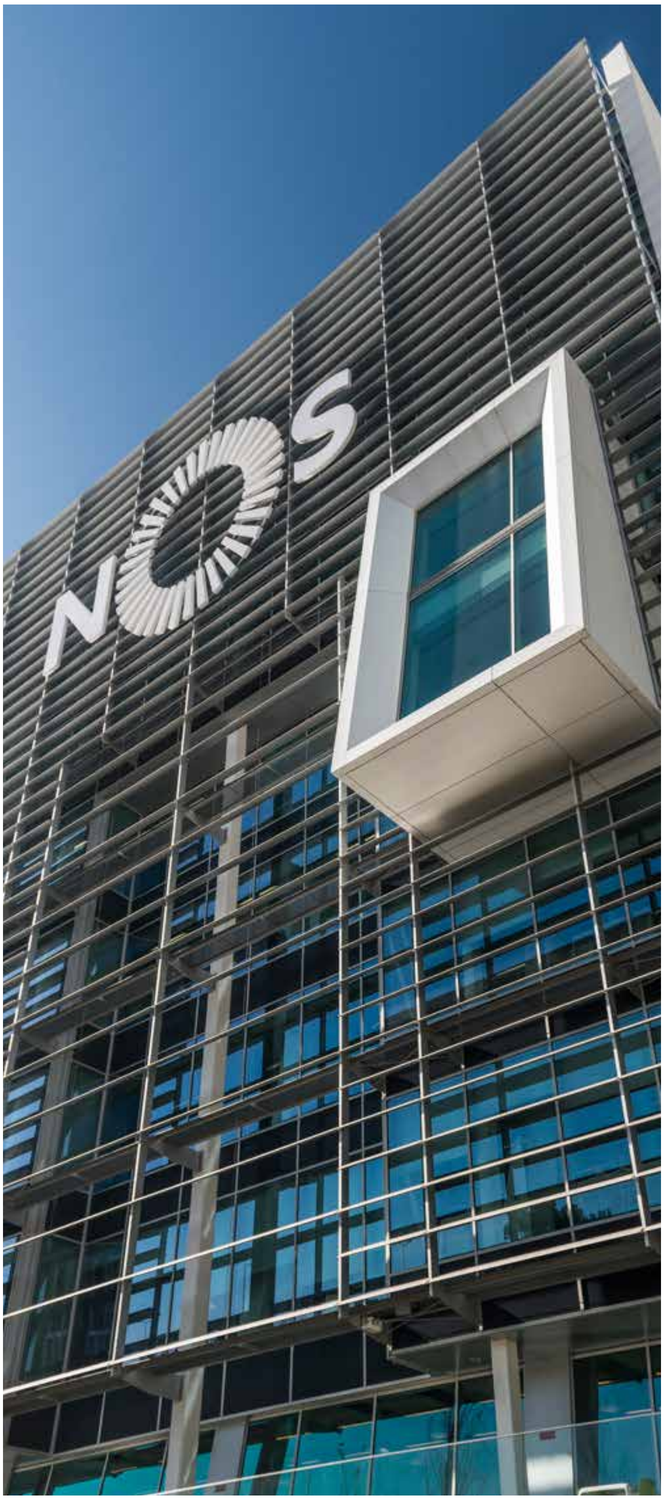
Contracted Debt by Instrument Type



Contracted Debt By Source



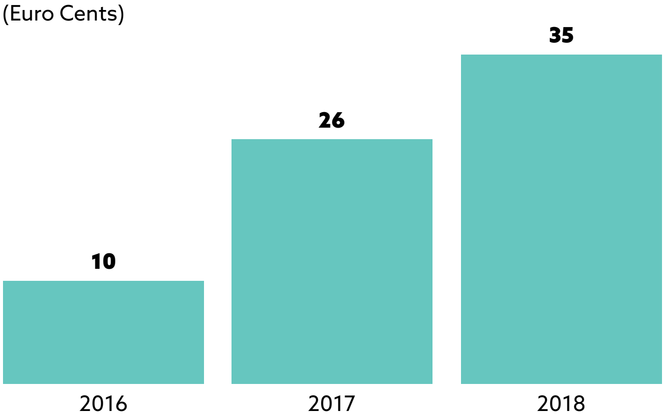
Source: NOS



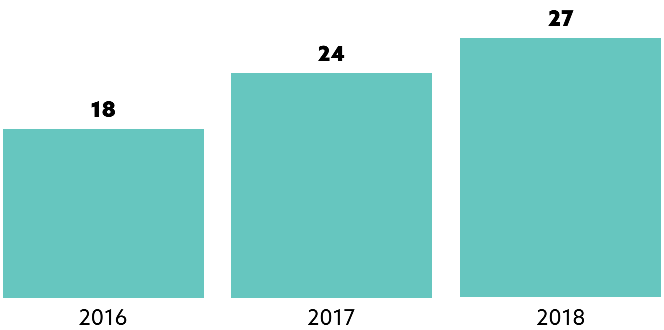
Reiteration of progressive and sustainable shareholder remuneration based on strong operational results and confidence in continued strong performance and competitive strength

The continued growth in cash generation from our operating activity allied with financial discipline and a strong balance sheet structure within our 2x Net Debt / EBITDA target, leave us confident in returning progressive and sustainable growth in dividends to our shareholders. As such, the Board of Directors has proposed to the General Meeting the payment of a 0.35 euros dividend per share over 2018 results.

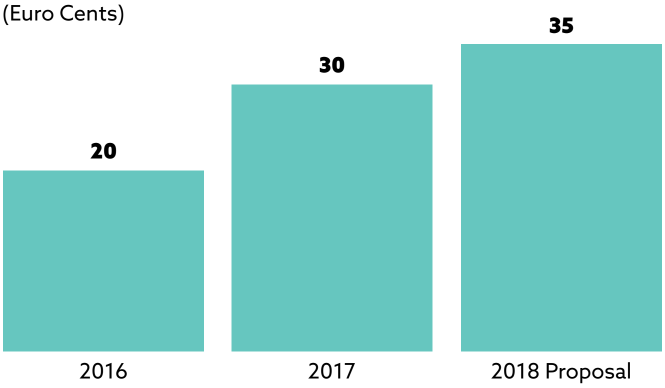
FCF Per Share
(Euro Cents)



Earnings Per Share
(Euro Cents)



Dividend Per Share
(Euro Cents)



Source: NOS

The proposal to be voted by the General Meeting on 8 May is as follows:

Shareholder Remuneration proposal to the General Meeting

Considering that:

For the year ended December 31, 2018, a net profit for the year was determined in the separate accounts in the sum of €288,199,520.32, and that this amount results from the fact that the company, in accordance with applicable accounting standards, recognised in its accounts for the year, the

sum of € 1,213,300 by way of directors' profit sharing, in keeping with article 14(3) of the articles for association;

It is proposed that the following resolution be passed:

1. Given the current financial and asset position of NOS, that the net profit distributable under article 32 of the Companies Code, in the sum of € 288.199.520,32, be paid to shareholders, by way of ordinary dividends for the 2018 financial year the amount of € 180,306,483.00 (or 0.35 euros per share, in respect of the total number of shares issued), and transferred to Free Reserves the amount of € 107,893,037.32;
2. That, since it is not possible to accurately determine the number of treasury shares that will be held on the date of the payment mentioned above, the overall sum of € 180,306,483.00 mentioned in the preceding paragraph calculated on the basis of an amount per share issued (in this case, 0.35 euros per share) be distributed by way of dividends as follows:

   a. The unit amount of 0.35 that presided over the drafting of this proposal be paid to each share issued;

   b. The unit amount corresponding to those shares that on the first day of the payment period mentioned above belong to the Company shall not be transferred to Free Reserves.
3. Under article 14(3) of the Company's Articles of Association and as profit sharing in the Company, it is proposed to resolve on the allocation of the amount of EUR € 1,213,300 to the Directors, under the criterion established by the Board of Directors.

Reporting Changes

As from 1Q19, NOS' accounts will be reported applying the new IFRS 16 framework with regards mainly to the accounting of operating leases. Restated values for the corresponding comparative periods for FY18 will also be provided.

IFRS16 mandates that lessees account for all leases based on a single model of balance sheet recognition (on balance model) similar to the treatment IAS 17 prescribes for financial leases.

At the lease start date, lessees recognize the responsibility related to payments regarding the lease (the lease's Liabilities) and the Asset which is represented by the right to use of the underlying asset during the period of the lease (right of use, or ROU).

Lessees must recognize the cost of interest of the liability of the lease and the ROU depreciation separately.

Lessees must also remeasure the lease's liability according to certain events (such as a change in the period of the lease, a change in future payments resulting from a change in the reference index or the rate used to determine those payments). The lessee will recognize the amount of this remeasurement of the lease's liability as an adjustment to the ROU.

The main impacts are as follows:

2018	Before IFRS 16	Restated
Revenues	1,576.2	1,576.2
OPEX	984.4	951.9
EBITDA	591.8	624.3
Net Income	141.4	137.8
CAPEX	375.7	423.8

Non-Financial Statements

Sustainability and Performance Strategy

Introduction to this report

For the NOS Group (hereinafter referred to as "NOS") sustainability is a strategic dimension of the organization, crucial for long-term value creation. For the second consecutive year, we share with all our stakeholders, our strategy and consolidated performance in the economic, environmental and social dimensions.

The document focuses on our activity, in the period ranging from January 1st to December 31st, 2018. Whenever appropriate and relevant, we have included information related to previous years to enable performance benchmarking.

With the disclosure of this information we intend to comply with the requirements of Decree-Law no. 89/2017, published on July 28th, 2017, regarding the disclosure of non-financial information and information on diversity by large companies and groups. It also allows us to highlight our contribution to the 10 principles of the United Nations Global Compact and the Sustainable Development Objectives (SDO).

The document was designed, having as reference the internationally recognized standards of the Global Reporting Initiative (GRI), version GRI Standards 2016, in the "In accordance - core" option, being in the GRI Table the respective correspondence with the same. For a correct understanding of the disclosed data, we prepared methodological notes that are referred alongside the indicators to which they refer, or in the GRI Table.

Its structure follows the results of the materiality analysis carried out in 2017, which allowed us to identify the most relevant topics for both NOS and our stakeholders. 26 material topics have been identified that continue to be reported this year and are organized by five strategic axes: Acting Ethically and Responsibly; Ensuring a Service of Excellence; Valuing human capital; Preserving the Environment; and Promoting Sustainable Innovation.

The integrated sustainability information included in this document has been subject to independent verification by an external entity, in accordance with the statement made by Ernst & Young Audit & Associates, S.R.O.C., S.A., which is attached. This verification analysed the compliance and reliability of the information provided, in accordance with GRI Standards 2016, in order to ensure that it reflects the reality of our activity.

For further clarification on the information we publish in this document, please contact:

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01

NOS and sustainability

At NOS we believe that technology can play a leading role in responding to global challenges and creating opportunities. We want to use this transformative potential to create social change and increase corporate productivity while respecting the environment and generating value for all our stakeholders.

Values and mission

Our commitment with sustainable development is intrinsically linked to our ambition to remain the best operator of communications and entertainment in Portugal.

We believe that the information and communication technologies sector offer countless opportunities to create a better society and, together with our employees, customers, suppliers, partners and organizations of the third sector, we seek to explore new growth drivers that translate into gains for all parties involved.

In this course, we integrate ethical, environmental and social issues into the business strategy, promote transparent management practices and ensure that all NOS activity is governed by the same principles, standards and values. Our mission of sustainability, revised in 2018, reflects, together with our values, this purpose.

Values

- **Professionalism**
- **Independence**
- **Integrity**
- **Transparency**

Mission

Using the power of communications to develop innovative solutions that contribute to an inclusive society, protect the environment and promote social and economic transformation

Sustainability policy

The principles we have adopted in the NOS Sustainability Policy guide our actions and help us achieve the Sustainability Mission that we have defined.

Sector trends and challenges

The world we live in today faces structural challenges that, if left unchecked, will contribute to increasing economic inequality, scarcity of natural resources and political and social instability. The coming years will be decisive for reversing the negative trends of the recent past.

The telecommunications sector is constantly changing. The market in which we operate is subject to rapid technological developments, which require the permanent integration of state-of-the-art technologies and the development of innovative solutions that respond to our customers' constantly evolving expectations.

On the other hand, the increasing use of smart devices makes issues associated with privacy increasingly important. We implement robust information security and privacy programs, minimizing legal and reputational risks. Increased investment in cybersecurity and protection of network infrastructure from physical threats (for example, extreme weather events) is also a key area of action.

At NOS we follow the evolution of these challenges and trends, constantly updating our business model and diversifying our offer to private and business customers.

Risk management

NOS risk management processes are supported by a consistent and systematic methodology - Enterprise Risk Management (ERM) - aligned with the best international practices and standards, and with the internal (business) and external (stakeholder) context of the organization[1].

The ERM methodology provides for periodic risk assessments, allowing different areas of the organization to review and prioritize the main corporate risks that may compromise their performance and objectives.

In 2018, the ERM risk identification and evaluation process focused on assessing the risks associated with NOS certified management systems: ISO 27001 "Information Security Management System", ISO 20000 "Service Management System", ISO 9001 "Quality Management System", ISO 14001 "Environmental Management System" and ISO 45001 "Occupational Health and Safety Management System".

In total, 29 ERM corporate risks eligible to be evaluated in this process were identified, which include the risks relevant to Sustainability[2]. The risks were submitted to an assessment by the Directors and pivots of 17 NOS areas, with responsibilities in the above-mentioned certifications.

For the risk assessment, probability of occurrence and estimated impact criteria were applied, on a scale of 0 to 10. Of the set of assessed risks, only 3 obtained an inherent risk value above the level of risk acceptance (≥25), being the object of appropriate mitigation initiatives or actions.

In the following table we present the 10 main inherent risks found in the assessment process described, including the main processes, initiatives and/or actions that NOS adopts to address those risks and mitigate the associated impacts.

1. For more details on the risk management methodologies adopted by NOS, see the Corporate Governance Report, section "C.III. Internal control and risk management ", in particular point" 54. Risk management"

2. Among the 29 assessed risks, the most directly associated to topics relevant to Sustainability are: Technological Innovation; Legal; Regulation; Ethics and Culture; Talent Management and Knowledge Retention; Health and safety at Work; Quality of Customer Support; Employees/Partners Fraud; Privacy; Environment; Interruption/Catastrophic Losses.

Results of the 2018 risk assessment

TOP 10 Risks*	Processes/initiatives/actions that address the risks
Business environment | Legislation and Regulation | Regulation **Business environment | Legislation and Regulation | Legal** **Operational | Security and Continuity | Confidentiality**	— Follow-up on the evolution of the legal and regulatory framework applicable by the Legal and Regulatory Department — Continued development of the NOS Privacy Program with the objective to continuously monitor and improve compliance with the GRDP and other regulations which have an impact on confidentiality/privacy — Revision/creation of Privacy Policies — Conclusion of Data Processing Agreements with partners/suppliers — Articulation with external entities for benchmarking and sharing of good practices in security and privacy subjects, such as ENISA through participation in the ECRG -Electronic Communications Reference Group and ETIS, through participation in the DPTF - Data Privacy Task Force and the ISWG - Info Security Working Group
Business Environment | P&S Sector and Market | Technologic innovation **Operational | P&S and Customer Satisfaction | P&S Development** **Operational | Technical-Operational Resources | Development and Operation of Networks and Systems**	— Introduction of technological innovations associated with multi-device TV service platforms — Improvement of mobile and fixed network infrastructure, covering capacity, coverage and resilience — Incorporation of Security & Privacy by Design requirements into the development lifecycle of P & S, networks and systems — Strengthening of technical security measures in networks and systems
Operational | P&S and Customer Satisfaction | Quality of Customer Support	— Strengthening of customer management processes (consents, authentication, etc.) — Implementation of new processes for exercising the rights of personal data holders by customers under the GRDP
Operational | Human Resources | Talent Management and Knowledge Retention	— Empowerment of skills development, recognition and professional growth through, for example, integration into cross-cutting strategic projects — Conducting NOS Campus training programs, acting as sharing and transferring of knowledge as development of potential and talent of employees in five areas of knowledge: management, leadership, technique, technology and fundamentals — Conducting several specific training courses, in e-learning format and onsite format, about Security & Privacy
Operational | Security and Continuity | Interruption/ Catastrophic Losses **Operational | Security and Continuity | Availability**	— Further development of the NOS BCM (Business Continuity Management) Program — Business Continuity management processes that cover the facilities, network infrastructures and critical activities that support communications services, for which NOS develops resiliency strategies, plans and continuity actions — Strengthening of incident/crisis management procedures and scenarios — Conducting audits, tests and simulations — Articulation with external official entities for disaster scenarios, protection of critical infrastructures and communication in crises, including in this scope the collaboration with the National Civil Protection Authority

* TOP10 risks calculated based on the inherent risk value. The risks presented are grouped/organized according to the type and/or the way they are managed.

Interested parties (stakeholders)

Communication and involvement

Recognizing the importance of an effective and permanent dialogue with our stakeholders, we have several mechanisms that allow us to establish close communication and interaction. Based on this communication strategy, including specific moments of listening, we focus our actions on the real needs and interests of the stakeholders, which allows us to align with the sustainability strategy and, consequently, create value for our business and society in general.

Customers

- Social networks
- Market / Satisfaction Studies
- Service line
- Stores
- Digital
- NOS Forum

Social communication

- Participation in conferences and events
- Disclosure of activity information

Community

- Institutional Site
- NOS Innovation Award
- Social Responsibility Initiatives

Suppliers and business partners

- Institutional Site
- Satisfaction Studies
- Supplier Portal
- Support E-mail to suppliers

Industry

- Institutional Site
- Institutional E-mail
- Meetings and direct contact
- Participation in National and international associations

Financial institutions

- Institutional Site
- Institutional E-mail
- Conferences in the field
- Roadshows
- Disclosure of Results
- Direct contact

Employees

- Welcome session
- Open Door HR
- Institutional Site
- Intranet
- Social networks
- Employee Portal
- Internal publications
- Social climate study

Governmental and regulatory entities

- Direct contact
- Communication Extranet
- Participation in National and international associations

How we generate and distribute value

The pursuit of our Sustainability Mission helps us mitigate risks, manage costs, and create new opportunities for our business, stakeholders and society in general.

It is NOS's objective to generate maximum value for its shareholders, employees, suppliers, the State and local communities. Of the total economic value generated in 2018, about 83% was distributed.

(Amounts in thousands of euros)

Shareholders and other financial entities	Suppliers	Employees	State	Community
181 099	**877 299**	**90 826**	**156 445**	**218**

Distributed value **1 305 887**

Generated value **1 582 071**

Retained value **276 184**

Strategic priorities

Approach to sustainability

In a constantly changing market, we seek to respond to the challenge of sustainability with a structured and systematic approach that is based on:

- The identification of ethical, environmental and social issues relevant to stakeholders and to the organization;
- A strategy of proximity and dialogue with stakeholders, that allows us to effectively know and respond to their main concerns and expectations, and to build strong relationships that drive value creation;
- The contextual and trends analyzes we carry out on an ongoing basis to assess the risks and opportunities relevant to the business.

Based on these assumptions, we have presented in the 2017 Annual Report the NOS Sustainability Strategy for the period 2018-2020, corresponding to the company's second strategic sustainability cycle.

Strategic axes

The NOS 2018-2020 Sustainability Strategy was concluded after a reflection that considered the results of the process of listening to internal and external stakeholders, but also context factors, such as the challenges imposed by the market, the concerns and expectations of our investors, the need for legal compliance and the commitments subscribed by the organization.

Based on this reflection, we identified 5 guiding axes of our activity and 26 material topics for ethical, environmental and social issues, to which are associated the most significant risks and opportunities of our activity.

The Sustainability Strategy we are presenting is aligned with the SDO identified as strategic for the business and on which the impact of our actions may be more relevant, recognizing that the economic, social and environmental impacts of our activity extend beyond the frontiers of the organization.

In 2018, we analysed the limits of the 26 material topics in the different phases of our value chain. For the definition of limit, and considering the recommendations of GRI Standards 2016, it was considered who is responsible for the occurrence of the impact, and where changes in management may occur in order to minimize or maximize the same impact. This understanding helps us to more effectively manage the opportunities and risks associated with each topic.

Throughout this document and in each chapter, an assessment of the commitments previously undertaken for each of these axes is presented, as well as the objectives and commitments we propose for 2019.

Strategic Sustainability Axes

1. Acting ethically and responsibly

We act ethically and responsibly. With our employees, customers, suppliers and business partners. We ensure that the principles and rules defined by us, and that guide our behavior, are applied and fulfilled.

2. Ensuring a service of excellence

Customers are the basis of our management model. We put our customers at the center of attention, seeking to meet their needs and obtain high levels of satisfaction. We believe that this is the only way to ensure a sustained pace of capture and retention.

3. Valuing human capital

The most important and differentiating asset of NOS are people. We privilege the development, health and well-being of our employees, in a healthy and safe working environment. We look for people who are capable of undertaking new goals, overcoming challenges and taking advantage of the growth opportunities we have to offer.

4. Preserving the environment

We minimize our environmental impact and that of others. We aim to be more and more efficient in terms of energy consumption, emissions and waste, from the production and installation of equipment by our suppliers, through the operation of our networks, to the use of our products and services by customers. We want to place in the market innovative solutions which realize the potential of new technologies by improving environmental performance in sectors ranging from industry to commerce and services.

5. Promoting sustainable innovation

Innovation is in our DNA. We promote the development of new solutions, which induce economic, environmental and social benefits. We believe in the power and strength of innovation to promote entrepreneurship, creativity and value creation.

Material topics associated with strategic axes, and respective boundaries in the value chain

			Suppliers	NOS	Suppliers	Customers
			Production and installation of equipment	Telecommunication network management and support activities	Logistics, Distribution and Marketing	P&S use and end of life
1. Acting Ethically and Responsibly	1	Corporate Governance		x		
	2	Conduct		x		
	3	Corruption		x		
	4	Conflict of interests		x		
	5	Intellectual property		x		
	6	Transparency and reliability of information		x		
	7	Economic value generated and distributed		x		
	8	Involvement with stakeholders		x		
	9	Information security and privacy		x		
	10	Sustainable supply chain management	x	x	x	
2. Ensuring a Service of Excellence	11	Customer service	x	x	x	
	12	Responsible Marketing		x	x	
	13	Content access		x		x
	14	Response to emergency situations	x	x	x	
3. Valuing Human Capital	15	Work conditions		x		
	16	Health and safety at Work		x		
	17	Remuneration and Benefits		x		
	18	Evaluation and development		x		
	19	Talent management		x		
	20	Diversity		x		
4. Preserving the Environment	21	Energy and climate change	x	x	x	x
	22	Waste	x	x	x	x
	23	Low carbon solutions		x		x
	24	Electromagnetic fields	x	x		
5. Promoting Sustainable Innovation	25	Development of products and services with environmental and social benefits		x		
	26	Promotion of entrepreneurship		x		


NOS
NOS
CITROËN

What matters for our stakeholders

At NOS we want to know what our stakeholders think to understand what we can improve in the way we work. We present in the figure below the most relevant topics identified by the stakeholder groups covered by the direct auscultation process in 2017, which served as the basis for the definition of our materiality matrix.

These topics address their main concerns and expectations. Throughout this document we present how we respond to each identified item.

	Acting ethically and responsibly				**Ensuring a service of excellence**		**Valuing human capital**				**Preserving the environment**	
	CONDUCT	CORRUPTION	ECONOMIC VALUE GENERATED AND DISTRIBUTED	INFORMATION SECURITY AND PRIVACY	CUSTOMER SERVICE	RESPONSE TO EMERGENCY SITUATIONS	WORK CONDITIONS	SAFETY AND HEALTH AT WORK	REMUNERATION AND BENEFITS	EVALUATION AND DEVELOPMENT	ENERGY AND CLIMATE CHANGE	WASTE
Customers				X	X	X		X			X	X
Supliers and partners	X	X	X	X	X		X	X				
Employees	X	X		X	X		X		X	X		

How we govern sustainability

The governance structure

The NOS Executive Committee assumes its full commitment to sustainability management and has the highest responsibility for approving the Corporate Sustainability Strategy. The Corporate Communication and Sustainability Department, by delegation of the Executive Committee, is responsible for implementing the strategy and its management. The 60 pivots of sustainability that we define, and that are distributed by different business areas, support us in the operational execution of the strategy. We also have a set of partners, who are fundamental in the development and implementation of the Strategy.

Sustainability governance model

Executive Committee	– Ultimate responsibility for **approval of the strategy**
Corporate Communication and Sustainability	– Management and coordination of the **implementation** of the sustainability **strategy**; – Definition of **commitments, monitoring and evaluation** of progress towards **sustainable development**; – Monitoring and supporting the definition of mechanisms and tools for **reporting sustainability** indicators.
Sustainability pivots	– **Definition of objectives and targets**; – Consolidation and reporting of sustainability i**ndicators**; – Preparation and monitoring of internal and external audits.

Partners
Support in the development and implementation of the strategy

02

Performing in an ethically and responsible manner

At NOS we are committed to building relationships of trust with our stakeholders and strengthening the Company's positive reputation, based on an integrity, professional, transparent and independent performance in the market in which we operate.

Our year of 2018

Assessment of the COMMITMENTS made

Commitment

To promote an organizational culture based on ethical and integrity principles

Objective	Status
To develop, yearly, a communication plan for Ethics	✓ We developed the Training and Communication Plan for Ethics, aimed at employees. Throughout this chapter are presented the various initiatives that were implemented.
To extend the ethics training plan to Partners of new business areas	✓ We have developed an e-learning training on ethics for employees of partners in the Business Solutions area. The launch is scheduled for the 1st Quarter of 2019.
To promote the dissemination of the BCSD Charter of Principles in the value chain	✓ We invited 96 relevant suppliers to subscribe to BCSD Portugal's Charter of Principles.

✓ Done

Main highlights

+ 11.000
hours of training on Security and Privacy

+5.500
partners' employees trained in ethics (from the active base)

77%
new employees trained in ethics

*The period of ethics training for employees admitted in Nov./18 and Dec./18 is still underway

94%
suppliers with positive evaluation (in the scope of the Purchasing Department)

Ethics and conduct

At NOS we manage ethical issues in an judicious way because we know that its impact on the company's reputation is unquestionable and translates into a competitive advantage, in attracting and retaining employees, respect by partners and customer loyalty.

NOS' code of ethics

The application of the principles of our Code of Ethics, in conjunction with a robust ethics program, aligned with the most relevant ethical risks to the organization and supported by a training and communication plan, allows us to build an ethical, open to dialogue and transparent culture.

2007

Communication of irregularities regulation (whistleblowing)

2013

1st version of the **Procurement Manual**

2014

Subscription to the **United Nations Global Compact**

Approval of the **Regulation of the NOS, SGPS SA Ethics Committee**

General Security Policy

Customer Privacy Policy

2015

NOS Code of Ethics

Sustainability Policy

The Code establishes the principles and rules that govern the relations of NOS with their stakeholders, in their broadest form. They represent a commitment to NOS customers and partners, but also a commitment by the employees and to the employees, as to how they relate to the company and to each other. It covers topics ranging from integrity, transparency, respect, safety and health, information use, intellectual property, resources use, social and environmental responsibility, to conflict management, corruption and bribery.

The Code does not act in isolation, but in conjunction with the other policy regulatory instruments undertaken by NOS, which develop and deepen some of the established ethical principles, as well as the legislation and/or regulation, which is applicable at all times. In 2018 we highlight:

1. the approval and publication on the intranet of the "Code of Conduct for Preventing and Combating Harassment at Work", which develops and deepens this commitment, and
2. the approval of the "Regulation for Acceptance and Offer of Benefits "which clarifies the guidelines on the rules to be followed for the acceptance and offer of benefits.

2016

Launch of the **NOS Code of Ethics** -Short Version for Partners and Suppliers

Delegation of Competences of the NOS Group

Sustainability Requirements for Suppliers and Partners

2017

Launch of the **Guide for a responsible online company**

2018

Publication of the **Code of Conduct for Preventing and Combating Harassment at Work**

Approval of the **Regulation for Acceptance and Offer of Benefits**

Customer Privacy Policy Update

Declaration of Commitment on Privacy and Protection of Personal Data

Employee Privacy Policy

Training and communication in ethics

At NOS we consider it is essential to ensure that all Employees, Suppliers and Partners know the codes and available policies on the field of ethics. The training and communication program that we define annually aims to ensure that everyone respects the organization's guidelines and, to that extent, has a greater clarity on behaviours that may be considered less ethical.

The training plan we define for employees on the Code of Ethics is carried out through e-learning sessions and is part of the process of welcoming new employees, time when it is signed an individual declaration of commitment. The rate of completion of this training in 2018 was 77%.

We promote knowledge sharing sessions aimed at our employees, and following these sessions, the Ethics Committee's activity indicators for the 2017 fiscal year were published on the intranet.

The Code of Ethics is available in the institutional area of the website and intranet.

Let's talk about ethics

In 2018, we held an open session of knowledge sharing on Ethics, addressed to employees, which was attended by the NOS Ethics. The main objectives of the session were to strengthen the importance of the theme for the NOS group, to give visibility and strengthen the role of the Ethics Committee in the company and to clarify existing questions and doubts on these topics.

Employees were given the possibility of asking the questions, previously and anonymously, that they would like to see addressed and answered in the session. The dynamics allowed building trust in existing processes and confirming the full openness and transparency of the Committee in addressing ethical dilemmas.

Ethics committee

The Ethics Committee, as an independent and impartial entity, ensures the supervision, monitoring and compliance of the guidelines issued by the Code of Ethics on the part of members of the corporate bodies and of all employees.

It also clarifies the different stakeholders about doubts and addresses the manifestations of concern related to the Code or its compliance, which can be addressed, in writing, to the NOS Ethics Committee through its own email, which is available at the Intranet and the institutional website.

Information received through this channel is confidential and restricted. The Ethics Committee also analyses situations that are presented to it anonymously and guarantees the anonymity to all participants or whistle-blowers in order to ensure confidence in the process.

Suppliers and partners

Our ethical concerns are extended to our suppliers and partners. The principles and rules described in the NOS Code of Ethics must be strictly complied with by each Partner or Supplier that collaborates with NOS and incorporated in their daily processes.

In this sense, the employees of each Partner or Supplier that represent NOS are obliged to follow the principles and rules of the NOS Code of Ethics with the adaptations described in the short version for partners and suppliers of the NOS Code of Ethics.

The employees of suppliers and partners who are included in organizational units identified as having activities most exposed to the risks of ethics also participated, during 2018, in ethics training sessions whose format was defined by the unit itself (on-site or e-learning). By the end of the year, 5560 active partners employees have completed this training.

Information security and privacy

At NOS we remain committed to creating the necessary conditions for the safe use of our services, and we therefore reassert our commitment to the stakeholders, regarding the issues that we consider to be priorities for information security and privacy.

Management model for information security and privacy

Information Security, within the scope of our activity, is to protect the information and its supporting assets in the three fundamental pillars: Availability, Integrity, Confidentiality. Information protection must also be in line with both our information related internal policies and the external laws and regulations. We also consider the documented service requirements in the agreed service levels, contracts or operating agreements with customers.

For NOS, Privacy is a concept of Information Security associated with Confidentiality, and includes the protection of information, in particular the personal data of customers, employees and other data holders, in order to ensure compliance with the applicable standards and the fundamental right of each individual to have access and decide who should have access, at any time, to his data.

We know that the processing of personal data is essential for the operation and development of our activities, such as the communication and commercialization of our products and services, the provision, monitoring and improvement of the quality of the services we provide, the management of our human resources and the management of service providers, and also for the fulfilment of legal obligations. In 2018, with the entry into force of the new General Regulation on Data Protection (GRDP), we further strengthen our commitment to protect the privacy and personal data of all customers and users of our products and services.

"With this Declaration of Commitment, we want to make clear and explicit our commitment to privacy, security and data protection, ensuring that all those who treat personal data within the scope of the relationship established with NOS subscribe and act in accordance with the principles underlying it."

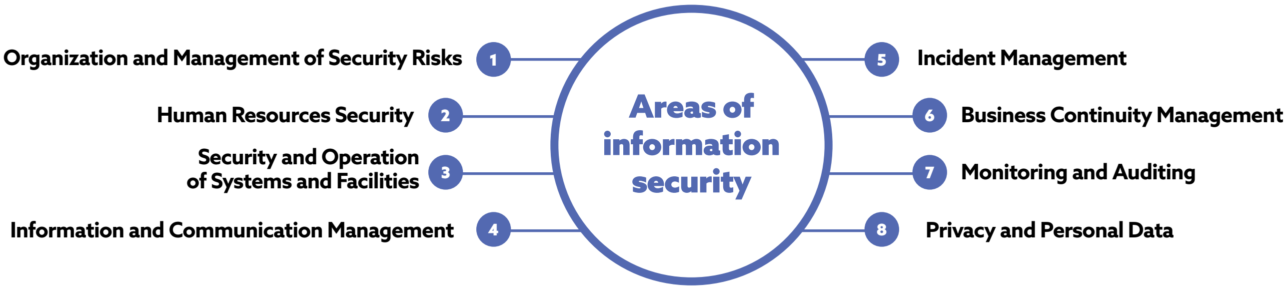
Miguel Almeida, CEO NOS
in Privacy and Protection of Personal Data of the NOS Group Declaration of Commitment, 2018

Information security and privacy policies

The guidelines for the management of the information assets security are regulated in the Code of Ethics and in the Information Security Policy of NOS.

This Policy is the guideline that determines the security posture of NOS as a whole and defines the principles of information security to be followed by our employees, suppliers and partners, but also the security levels and domains and the respective control objectives. It is voluntarily based on the adaptation of international standards and best practices in the field of security, the main ones being the ISO 27001: Information Security Management System; and the Technical Guidelines for Security Measures of ENISA (European Network and Information Security Agency). Considering these references, the NOS developed and adopted an information security framework covering the main domains, which are represented below.

At NOS we also have a Customer Privacy Policy which aims to enable customers and users of our products and services to understand how we treat and protect their personal data. In 2018, we also launched a Privacy Policy for Employees.



In 2018, we completely redesigned the Customer Privacy Policy to ensure greater alignment with the new GRDP. We launched on the NOS website an area dedicated to this subject, from which we have highlighted a video that explains our commitment to Privacy in a simple and accessible language for our customers and users, and we have indicated how they can exercise their rights as personal data holders.

Security and privacy risk management

Through the Security & Privacy (S&P) programs, we manage the risks associated with the availability, integrity, confidentiality and privacy of the information.

The S&P programs are coordinated by the NOS Safety and Privacy Committee. This Committee is appointed by the Executive Committee and its main objectives are to develop and oversee the Information Security Policy and the Privacy Policy, to verify the compliance of the procedures with those policies, to establish and monitor KPIs for security and privacy, and promote training and awareness in these subjects through specific programs.

Each of the companies, areas and employees of our organization, is responsible for ensuring the operationalization and monitoring of information security and privacy controls, that they are assigned to implement.

The business units, under the supervision of the NOS Safety and Privacy Committee, develop a plan of internal initiatives, with the purpose of consolidating the security and privacy processes and controls.

NOS employees assume obligations of confidentiality, secrecy and protection of personal data, and cannot transmit to unauthorized third parties the data they have access to in the course and as a result of their duties. These obligations and duties remain in force even after termination of employment. These obligations are also part of the personal data processing agreements established with our partners and suppliers, whose respective employees may have access to personal data of customers, employees or other holders who are under the processing responsibility of NOS. In addition, these partners and suppliers are responsible for communicating and enforcing these rules to their employees who provide services to us. These obligations are further strengthened and formalized through the signing of terms of responsibility by NOS employees and by partners and suppliers.

For specific issues related to the privacy of personal data, NOS has a Data Protection Officer (DPO), whose main responsibilities are: i) monitor the compliance of data processing with applicable standards, (ii) to be a contact point for customers, users or other holders for the clarification of questions regarding the processing of their data by NOS, (iii) cooperate with the national supervisory authority (CNPD - National Commission of Data Protection), (iv) to provide information and advice to those responsible for the processing or to subcontractors on their obligations under the scope of privacy and data protection.

Security and privacy training and communication

The Information Security and Privacy Policies are published in the institutional area of the website. Internally, we have the Portal ISP (Information Security Policy Portal) dedicated to the publication and dissemination of the documents that constitute the Information Security Policy, being the control activities maintained in the Internal Control Portal.

In May 2018, we launched a new e-learning on "Privacy and Protection of Personal Data" for employees, in order to train the trainees with the essential and practical knowledge that allows them to perceive the impact of the GRDP on their activities at NOS, having obtained an implementation rate of 96%. This training was extended to the most relevant partners, covering more than 12,000 service providers, with an implementation rate of 80%.

We also monitor, on an annual basis, the recurrent trainings in e-learning format on Information Security, addressed to all new NOS employees entering the service, which enable them to acquire fundamental knowledge about security and privacy. In 2018, completion rates for the "Mission: Being an ISM Agent" course and the "Mission: Protecting Information" course were around 70%.

Lastly, new advanced training courses on "Security & Privacy" were also developed, which were aimed primarily at employees in technological areas and still some key employees from other business areas, with an implementation rate of 87%. These employees play a key role in the development and operation of NOS products, services and systems and are responsible for incorporating the Security & Privacy by Design requirements.

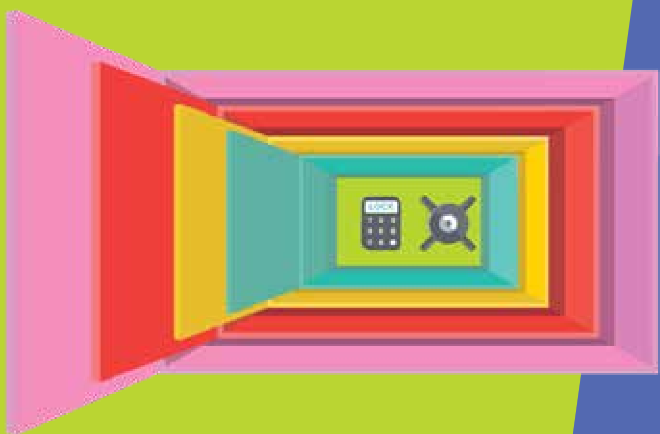
In view of continuous improvement, and because this is a particularly relevant subject for the company, we have made some changes and improvements to the Information Security program, such as the continuation of the convergence of the Information Security program with the Privacy Program and we began to align the Security & Privacy measures with the Control Objectives defined in the NOS Internal Control Manual (including Annex A of ISO27000).

During 2019, we will continue to develop the Privacy Program with the objective of continuously monitoring and improving compliance with the GRDP (this regulation started to be implemented in May 2018).

As commitments for 2019, we will strengthen the governance model of the Security & Privacy teams and their respective responsibilities in the various areas and levels of the organization, implement new processes and tools that support the Security & Privacy Management and continue to improve our Security & Privacy training programs in the e-learning and on-site formats.

Security and privacy actions

The objectives of the Information Security Program for 2018, associated with the ISO27001 Certification, were generally achieved, and for the goals that were not met or partially achieved, a set of improvement actions and specific action plans were defined for their implementation.



Sustainable supply chain management

At NOS we recognize that our activity produces economic, social and environmental impacts, both direct and indirect, in the communities where we are inserted. We believe that we can and should conduct our business with maximum benefit to the various stakeholders with whom we interact, enhancing the positive impacts and minimizing the negative ones.

Our Suppliers and Partners are essential not only for the quality of the products and services we develop and offer to our customers, but also for the sustainability performance in our business value chain.

Our suppliers

In 2018, we had more than 9 thousand suppliers, representing, approximately more 9.3% than in the previous year. The volume of purchases in that year was slightly higher than 2 billion euros, of which 84% was related to national suppliers. The telecommunications business is the business segment with the greatest weight in payments to suppliers (89%).

Excluding the intra-group suppliers, the most relevant supply areas are related to IT interconnectors, equipment and services, which together account for more than 50% of our purchases.

8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Sustainability requirements for suppliers and partners

With the objective of minimizing the impacts of our activities, today and in the future, we have developed a set of principles and policies that serve as a basis for our performance towards suppliers and business partners, as well as the basis for the performance of those suppliers and business partners towards NOS.

The Sustainability Requirements for Suppliers and Partners and the Code of Ethics (in its short version for Suppliers and Partners), present the guidelines that express the essence of our positioning, commitment and performance in terms of sustainability, and that must be adopted by all our Suppliers and Partners. We consider it imperative that our suppliers comply with all legal requirements applicable to their activity, that they collaborate in the requests related to the implementation of good sustainability practices, that they internalize and act in accordance with the principles set out in the Code of Ethics, that they participate, in collaboration with NOS, in improving the environmental and social performance of the products and services provided and, that they remain available for evaluation visits/audits in the context of the supplier evaluation process.

In 2018, due to the entry into force of the GRDP, we reinforced in the Sustainability Requirements for Suppliers and Partners, the obligations of information security, personal data privacy and business continuity. We also sent the agreement for the processing of personal data to suppliers whose services involved the processing of personal data, requiring their signature.

Sustainability Requirements for Suppliers and Partners are communicated to all Suppliers and Partners and are publicly available in the institutional area of the website. They are also an integral part of the general conditions sent to suppliers in the market consultation processes. Within the framework of the supply of products and services to NOS, the suppliers are obliged to fully comply with the requirements present in the general conditions, as they are applicable in the scope of the referred supply.

Supplier selection and management

At NOS we pay special attention to the selection and sustainable management that we establish with our suppliers and partners, both to ensure careful risk management and to develop and maintain a healthy and lasting relationship, observing in this process precise aspects of economic, social and environmental sustainability.

Through the Procurement Manual, applicable to all companies of the Group, we establish rules and principles that govern the Group's activity in the relationship with its suppliers in the process of purchasing goods and services.

Distribution of the BSCD Charter of Principles to Suppliers

In 2017 we voluntarily subscribed to the BCSD Portugal Charter of Principles. This document establishes fundamental sustainability principles to be adopted in the business and seeks to encourage subscribing companies to extend the same principles to the value chain in their sphere of influence.

In 2018, we invited 96 suppliers, with significant relevance to the Purchasing Department, to adhere to the BCSD Portugal Charter of Principles.

This initiative will be continued in the future so that more suppliers in our supply chain will comply with the best management, ethical, social, environmental and quality standards.

The NOS Procurement Process

Purchasing planning

Preparation of the consultation

Consultation and negotiation

Contract award

Order and invoice validation

Control

In strict compliance with the procedures established in the Manual, the selection of suppliers is carried out according to objective criteria, considering the various technical and economic aspects and compliance with the obligations and certifications required.

To this end, this process is supported on an electronic platform, with recognized credibility in the market, being at the end of each formalization carried out an inquiry to the suppliers, to assess their satisfaction with the conduct of the negotiation process, the quality of information provided and the ease of use of this platform.

As a result of this policy, there is a very low level of infringements or non-conformities in the provision of services by suppliers, with high levels of satisfaction rates related to the process itself.

Suppliers evaluation

In the supplier management cycle, an annual evaluation process is conducted internally on a set of suppliers, selected according to relevant criteria to the business, invoice volume, among others.

The results are analysed individually and communicated to all evaluated suppliers. Suppliers with lower rating (<70%) are encouraged to improve their performance according to the opportunities for improvement identified.

The evaluation process for 2017, points to very satisfactory results, with 94% of suppliers that were evaluated achieving an evaluation of more than 70% (+ 2% than the previous year), which demonstrates the importance of creating and maintaining a relationship of proximity between the suppliers and the different internal areas with which they relate.

The evaluation for the year 2018 will take place during the first quarter of 2019 and will include, for the first time, Ethics, Environment and Health and Safety at Work criteria.

Criteria for evaluating suppliers

- Flexibility, proactivity, availability and customer orientation
- Level of compliance, Service Level Agreements (SLA), Service Level Objectives (SLO), technical and operational performance
- Compliance with deadlines, delivery time, response time and resolution time
- Quality of materials, products and services
- Compliance with contractual conditions
- Response to requests, problem solving, technical assistance and information
- Price

Commitments for 2019

Commitment

To promote an organizational culture based on principles of ethics and integrity

Objective	ODS
Review the Code of Ethics	
Disclose, together with the employees, the Regulation for Acceptance and Offering of Benefits	
To conduct an onsite session for employees, dedicated to an ethical subject	
Include sustainability criteria in the supplier evaluation process	

03

Ensuring a service of excellence

At NOS we focus all our attention on our customers. We develop products and services that meet their expectations and requirements to achieve high levels of satisfaction.

Our year of 2018

Assessment of the COMMITMENTS made

Commitments

To improve customer experience

Objective	Status
To implement the "Paper Less" program in its own stores and on the franchising ones	✓ Completion of the digital transformation process of the 183 NOS stores with the implementation of the "Paper Less" project.

✓ Done

Main highlights

+ 3.000
Customer Centricity Subject Training Hours

183
Paper Less stores

+ 2.000
Domain Name Server (DNS) blocks for copyright and related rights protection

Top of mind
award earned by NOS Customer Service (highlight efficiency in resolution and responsiveness)

Responsible Marketing

At NOS we aim to provide customers with products and services of excellence. To this end, we seek to provide complete, clear and accurate information necessary to make an informed and enlightened decision, ensuring the scrupulous compliance of the agreed conditions and the privacy of the information of interested parties that relate to us.

By communicating in this way, besides ensuring compliance with the legislation and the norms that regulate the sector, we want the communication to be clear, effective, fast, predictable and consistent, to always ensure customer satisfaction according to the principles of experience we define.

We develop efforts, permanently, to ensure respect and compliance with all applicable legal provisions on marketing and advertising, being associates of the Portuguese Association of Advertisers and the Association of Advertising Self-Regulation (former Civil Institute of Advertising Self-Discipline), having adhered to the Code of Conduct designed and approved by it. Such Code of Conduct has as main objectives to demonstrate good practices and responsibility in the different forms of Commercial Communication, to guarantee public trust and respect for privacy and consumer preferences.

In this context, procedures have been defined to ensure proper communication with the customer through various means, such as the customer support lines, the NOS Ombudsman, the NOS Forum and the store network.

With regard to the general conditions of the service we provide, in addition to being stated on the main page of the NOS site as "Terms of Service Offer" and at all NOS sales points, are also described in the documentation provided when purchasing products or services.

Customer Experience, NOS Voice and Service Design at NOS Campus

During 2018, our Corporate University - NOS Campus - incorporated subjects related to a Customer-centric culture in various training courses. The trainees learned how to build a customer centricity practice and methodology and apply the voice attributes - clarity, naturalness, empathy, dynamism and consistency - through practical examples and to adapt the communication to the most appropriate tone.

More than 3,000 hours of training were provided on all these subjects.

Building a customer-centric culture, founded in the Customer Experience Principles we define and the unique NOS Voice, improves customer satisfaction and builds a stronger brand image.

Customer service

At NOS we believe that the implementation of an innovation strategy, focused on the customer, is the only way to ensure his permanent satisfaction.

Transformation Program

The year 2018 marked the beginning of a long-term transformation program, transversal to the entire company, which aims to implement significant improvements in customer satisfaction and organizational agility.

Under this program, to which we devote considerable time and resources, the simplification, digitization and automation are key to many of the 60 projects already identified, with the ultimate objective of improving the customer experience.

Customer service model

The "Customer Service" is systematically considered by our stakeholders as one of the most relevant subjects to incorporate into our performance. As a result, our Customer Service Model is one of the pillars of our sustainability strategy.

We work daily, with a customer focus. The 5 Customer Service Principles we define - Customer Focus, Simplicity, Trust, First and Multichannel Resolution - guide us in the path we want to follow, and, in the relationship, we want to create with our customers, throughout the entire service life cycle. Driven by these guiding principles, in 2018 we continued the path of Digitalisation and Robotization, with a very positive evolution of digital interactions, with a strong contribution from the NOS Client App (a 50% increase over the previous year). In parallel, a strong investment in Robotic Process Automation has been made, freeing employees from simple and repetitive tasks, allowing them to focus on the relationship with the customer.

In addition to the digitization, several "Paper Less" initiatives are underway, aimed at decreasing printed documentation and consequently reducing the use of paper, contributing to become a reference company in the implementation of a model of sustainable development.

NOS puts an end to the paper in stores

The NOS "Paper Less" program, completed in April 2018, is implemented in 183 stores. In this program, paper is replaced by digital solutions, which allow to reduce the company's environmental footprint, but also improve the customer experience and increase operational efficiency.

For more detail about this initiative consult the Management Report, page 43.

The relationship with our Contact Centre partners is also critical, as they represent NOS in the direct contact with customers. In this sense, a deep work has been done to adapt the structure of the teams, processes, incentives and training plan with the partners, in order to have a greater focus on the quality of the resolution.

This focus on the customer, and the quality of delivery of our service, has been recognized by several entities, as evidenced by the "Top of Mind" award in the 18th edition of the Call Centre Trophies. This award highlights the brand that comes in 1st place when thinking about the best non-face-to-face customer service, with NOS being highlighted by efficiency in resolution and response efficiency.

Operations Management Model, focus on customer experience

With the objective of implementing a management model of the operations with greater ownership and focus on the customer experience, a proprietary NOS model was developed, based on the Kaizen methodology. This model, which in 2018 was implemented in one of the NOS Customer Service Operations, was based on a framework that contemplates different moments, from training to auditing results.

This project had very positive results, with a 10% increase in the Customer Voice (CV) of the target study team.

Customer experience monitoring

At NOS we plan our activities and processes in order to enable and ensure continuous improvement, efficiency of our system and customer satisfaction. The management of processes associated with the provision of products and services has the ultimate objective of customer satisfaction, ensured by a management system certified according to the ISO 9001 standard.

Being the customer the basis of the strategy, we continually monitor the market, needs and preferences trends through market surveys of customers and consumers. Recurrent evaluation of our customer satisfaction level is one of the cornerstones of this positioning, being measured at a relational and transactional level.

In the relational sphere, we deepened the degree of actionability of the satisfaction tracking and recommendation study, with a semi-annual periodicity for each one of the businesses, which seeks to understand the relationship of customers with NOS and its brand. The study is based on a survey that assesses the level of overall customer satisfaction with the service provided by measuring metrics widely used in industry, such as the Net Promoter Score (NPS) and C-SAT, as well as the level of satisfaction with several factors relevant to each service, the interaction of factors among themselves and their contribution to overall satisfaction. Based on the results obtained, a set of strategic and tactical improvement actions are defined, incorporated into the working plans of the business and operational units.

In the transactional sphere, we consolidated our Customer Voice program, with the objective of collecting feedback from customers regarding the service processes and thus ensuring that actions for continuous improvement of operations incorporate the customers perspective. In 2018, the scope for collecting customer feedback was further reinforced through this program to all face-to-face channels of customer interaction, resulting in about 3 million customer satisfaction observations.

From these results, important insights about the behaviour and professionalism of our employees were extracted, about their ability to solve the different issues and about the degree of effort required from customers in these processes.

In addition, we focused on the sophistication of customer experience monitoring, consolidating, in the first instance, the customer listening program in the different digital channels, which became a very relevant source of feedback on the user experience of our services by our Customers.

Alongside that, we have established a recurring program to analyse the opinions and complaints of our customers in different contact channels, with the purpose of deriving experience use cases to be addressed by the appropriate teams for each situation. This initiative has allowed us to tackle a series of relevant situations and processes and to resolve them in a reasoned and structural way.

Service quality and reliability

NOS Network and Services Management is strategically aligned with the best practices in the telecommunications market, having several recognized certifications (ISO9001, ISO14001, ISO45001, ISO20000 and

ISO27001) which ensure a sustainable growth and a rapid and appropriate response to the high requirement in terms of availability, quality, operation efficiency and operating costs control.

We continually bet on continuous improvement with the objective of mitigating risks and impacts (with a special focus on customer impact) arising from the normal operations activity. In this context, in 2018 we highlight the work developed in the preventive mode for the Availability and Service Continuity Management processes, which involved reengineering in the field of Alterations Management, Problem Management, Risk Management and Continuity Management, with teams dedicated to monitoring Availability, Quality, Usage and Customer Experience

In addition, the transversal strategic management model we defined for Risk Management guarantees the definition of Mission Critical Activities (MCA), responsible and respective priorities, as well as a periodic review of the main fragilities and evolution monitoring by project. The Contingency Plans defined for the identified weaknesses are periodically tested in simulations with a frequency defined by the specialist technical teams and aligned with the Management Team. The Crisis Management process contemplates scaling and reporting for the various hierarchical levels of NOS, according to the criticality of the incident and is transversal to all the services provided.

Aware that our Customers deserve and demand more and more services of high quality and availability, we have based on these last two characteristics the main operational lines of operation of all the infrastructure that makes them viable. Infrastructure, which is thus one of our main assets and fundamental pillar in strengthening our competitive position.

This ever-increasing demand in performance over the network and platforms puts us, year after year, following the training plan we defined for the entire operation ecosystem with state-of-the-art strategies.

The deep reformulation of the operating model we started in 2016 and implemented in 2017 was strengthened in 2018 with a strong focus on a Customer Centric activity, in order to maximize the impact of the developed projects on customer satisfaction throughout the life cycle of our products and services. The review and optimization of all the operational processes that derive from the new operative model responded to three great blocks of challenges:

- Customer vision End2End, from the platforms to the customer equipment, with characterization and management of the user experience of the diverse services;
- Intelligent Service Management supported by Analytics and Automation;
- Use of Artificial Intelligence with predictive algorithms and Machine Learning to anticipate network and service failures.

In 2019 we intend to consolidate this great step and develop new processes and tools for data exploration and intelligence to support operational processes, understand the customer experience and manage their expectations, increasing the initial scope of action of 2018. In addition, we will also increase the scope of automation of the recurring activity, powered by modern technologies and people training, since the new architectures in Telco (SDN / NFV) change the paradigm of services design, provision, management and operation.

Emergency situations response

The business continuity management processes aim to reduce the risk of disruption of services and products provision arising from catastrophic situations, technical-operational failures, or massive failures of human resources.

The continuous improvement work, within the scope of the business continuity management processes and of a Customer Centric strategy, allowed to minimize the impact of the extreme phenomena verified in Portugal in 2018.

This identification of opportunities for improvement also allowed an active contribution in the Working Groups that led to the preparation of the report "Measures for the Protection and Resilience of Electronic Communications Infrastructures", promoted by ANACOM, which identified 27 measures resulting from the analysis of situations involving the serious forest fires of 2017 and which will contribute to increase the resilience of communications.

Some of these measures were already implemented during the year 2018, namely:

- **High-risk fire sites have been identified and a site-specific maintenance plan has been developed for these sites with additional cleaning of vegetation** around the sites, of the undergrowth and the cutting of trees.
- The adoption of **Hertzian beams alternative solutions** for the protection of communications, due to the vulnerability in zones of fibre connectivity high risk of fire.
- **Availability of rented capacity in the satellite segment** and a set of satellite transmission kits that enables faster reestablishment of communications in affected areas. This solution was used successfully in the great Monchique fire that occurred in August 2018 and a process is underway to extend this measure to the autonomous regions.
- **Improvement in the processes of contingency mode performance**, such as coordination with the company responsible for the energy supply, which has made it possible to recover communications services more efficiently and faster during the stormy Leslie in the Centre of the Country.

In 2018, we also highlight the developments made by NOS in a solution that allowed the Portuguese State and the National Civil Protection Authority (ANPC) to have access to the possibility of issuing warnings to populations massively, a fundamental device when the urgency of communication is imperative.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Content access

At NOS we seek to ensure that the products and services we provide guarantee the standards of excellence, both in terms of innovation and in terms of functionalities for content access. In this sense, we provide our customers with features that seek to control the exposure of vulnerable groups, such as children and young people, to abusive content and illegal activities.

NOS safe net

This service allows to protect the whole family and all devices from the dangers of the Internet, by creating profiles for their children, applying filters to harmful content, limiting the hours of games or social networks use, and establishing bedtime schedules. Simultaneously, all applications and browsing time are protected, allowing them to freely explore the internet at any time without fear.

Security in the use of our products and services

With NOS as a global communications and entertainment company, where families are a central target, it presents more and more challenges and dilemmas for parents in relation to children and young people with technology. In this sense, we seek to create tools that help parents to have greater comfort and security to deal with these challenges.

In order to respond to today's children's entertainment needs and parental control and safety, we launched the NOS Kids, on Christmas 2018 - an integrated internet and communications solution for users up to 12 years old. NOS Kids includes access to NOS Safe NET, which results from a partnership between NOS and F-Secure, an international company whose services have already been recognized with several Awards.

APP NOS Net

In 2018, we also launched the NOS Net App, an application that allows you to control the WI-FI at home. The access management of this App allows to create several profiles, identifying to whom belong the equipment with access to the network and establishing at what time each user can access the internet. This is one of the features most valued

Antivirus
Automatically protects against viruses, malware ransomware and spyware

Privacy
Controls the access of installed Apps to customers' personal data

Parental control
It allows to set rules, block dangerous websites and manage online time limits.

Purchases and Online Banking
Ensures protection against fraud and virus in online banking and online purchases.

GPS Tracker
It allows to locate the device, block, activate alarm and delete information remotely.

Family Management
Platform for licenses, devices and family members management.

by families, by allowing the definition of internet access rules for their children, such as establishing the periods dedicated to homework, meals and bedtime.

Through the boxes, there are several relevant features that also address this concern and are available to NOS customers, namely a channel and content locking pin, a rental pin, R18 content filtering in the experience and a TV profile feature, which allows you to create a profile for each family member and associate a different pin to access that profile.

As we also provide the television service through mobile equipment, namely PCs, tablets and smartphones, through NOS TV and NOS Play, the scope extends beyond the box itself. In these devices, content access control is guaranteed through a valid login in the applications, which will correspond to a user registered in the NOS client area (who will be the contract holder, or a user authorized by the holder).

As far as the mobile product is concerned, we also provide some features that can help customers not to get exposed to abusive content - value-added subscription services via SMS are blocked by default; the blocking of access to other subscription services and data services is done at the request of the customer. In addition, the customer may also block the making and/or reception of any call or international calls only.

1st TV APP for children: NOS KIDS APP

NOS Kids App is the first free TV app for NOS Costumers and thoughtfully designed for the little ones, it allows to create a profile for children, ensuring that the access to paid content is only possible by entering a PIN code, defined by the parents. It promotes an autonomous use by the children and ensures tranquillity to the parents by giving access to contents with language and messages adapted to each age, from the preschool to 12 years old.
For more detail consult the Management Report, page 29.

Protection of customer interests

In the area of WAP Billing services (digital content collection service), NOS participated with the other Electronic Communications Operators in the elaboration of a Code of Conduct, which seeks to protect the interests of customers in the context of the processes of subscription, billing and charging of services and/or entertainment content.

NOS also provided a set of features to its Customers that allow them to consult the purchases and subscriptions of WAP Billing services, to disable services, to establish limits to the value to be used by mobile number/per month, or to block access to certain service categories.

Content fraud combat

Fraud in television content such as peer-to-peer sharing, commercialization and illegitimate access to linear and nonlinear content, and real-time events, in particular sports, has been putting pressure on pay TV operators, namely NOS. At NOS we have been intensifying and leading the combat against this type of fraud, through a strategy based on three axes: technological, research and legal.

Since 2015, NOS, as an Internet Service Provider (ISP) and member of APRITEL, has executed more than 2,000 domain name server (DNS) blocks for copyright and related rights protection. These blocks, supported by judicial or administrative orders, inhibit access to illegitimate content, such as movies and series, but also prevent the sharing of malware on the NOS network and on our customers' equipment, as illegal sites (streaming and online gambling) are one of the main tools for sharing viruses or malware.

Commitments for 2019

Commitments

To improve customer experience

Objective	ODS
Expansion of the new NOS store concept to 4 more stores	
To evolve the service monitoring according to the Use Experience of the services	
To decrease detection and incident resolution time	

Commitments

To improve our response to emergency situations

Objective	ODS
To increase energy autonomy on mobile network sites.	
To strengthen our capacity for satellite connections in emergency situations	

04

Valuing human capital

At NOS we believe that investing in new tools, practices and experiences contributes to attracting and retaining the best professionals, enhancing their constant motivation and professional evolution and, consequently, to the development of the company. All this while always guaranteeing a healthy and safe work environment.

Our year of 2018

Assessment of the COMMITMENTS made

Commitments

To identify new talent needs and implement new processes to ensure sourcing and development

Objective	Status
To identify profiles and future critical skills for the business	The formal start of the RH 4.0 initiative, which aims to identify the talent needs for the NOS transformation has been postponed until 2019. However, some of its dimensions have been addressed in other initiatives.
To define the sourcing strategy for new skills	

Commitments

To strengthen talent retention and strengthen the attractiveness of NOS in the labour market

Objective	Status
Implementar iniciativas de desenvolvimento e reconhecimento para os diferentes segmentos	✓ Integration of high potential and performance employees in the initiatives of the company transformation program
	✓ Development of cross-project feedback model.
	Preparation of a Mentoring program, which aims to foster the development of employees supported by the knowledge of managers with recognized experience.The closing of this initiative is dependent on the completion of another HR process, postponed to 2019. The forecast for completion is 4Q 2019.

Commitments

To promote operational excellence and innovation in human capital management

Objective	Status
To ensure end-to-end review of the attraction and recruitment process	Ongoing: The revision of the recruitment process according to best market practices has been carried out in stages, with precedence in other initiatives. The forecast for completion is 4Q 2019.

Commitments

To improve the health and well-being of Employees

Objective	Status
To develop, annually, initiatives that promote the well-being of employees in the three axes of well-being: social, mental and physical	Done: In 2018, we held the 3rd edition of the week NOS Bem-nos-quer, whose main objective was to highlight the importance of the mental, physical and social health of employees. Some of the initiatives developed are described throughout this chapter.

Done Ongoing

Main highlights

1.919
employees
(4% with foreign nationality)

74%
employees with a degree or higher education

+ 36%
hours of training in 2018 vs. 2017

11.580
hours of training (sustainability subjects)

98%
employees with performance evaluation

95%
employees with permanent contract

Diversity

At NOS we value the difference and believe that, in addition to an ethical imperative, diversity contributes to the growth of the company.

The Sustainability Policy and the NOS Code of Ethics establish the commitment of NOS to create a work environment that promotes diversity, respect for individual rights and non-discrimination rights (including age, gender, sexual orientation, race, disability, religion or creed), in particular in situations of recruitment, promotion or termination of employment relationship. We believe, this way we will create opportunities to capitalize on the potential of diversity and our business performance.

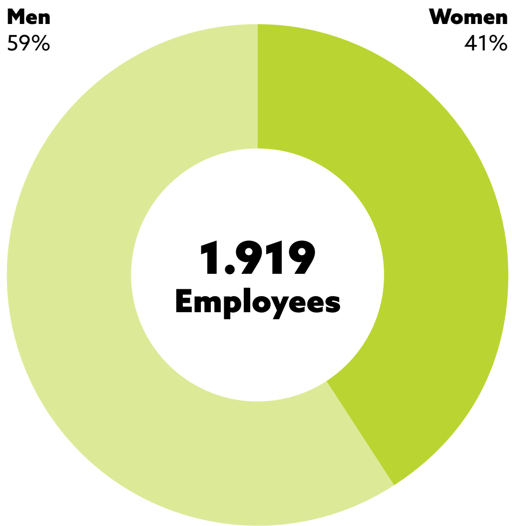
Characterization of employees

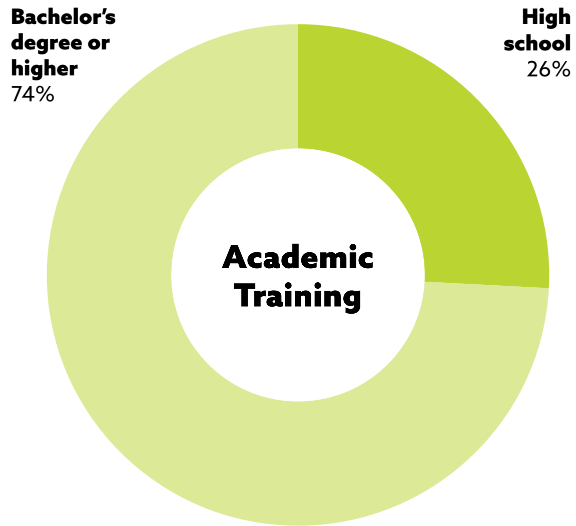
At the end of 2018, the NOS Group had a total of 1,919 employees, a result that reflects a slight decrease compared to the previous year (-1.4%). About 95% of the employees belong to the Telecommunications business.

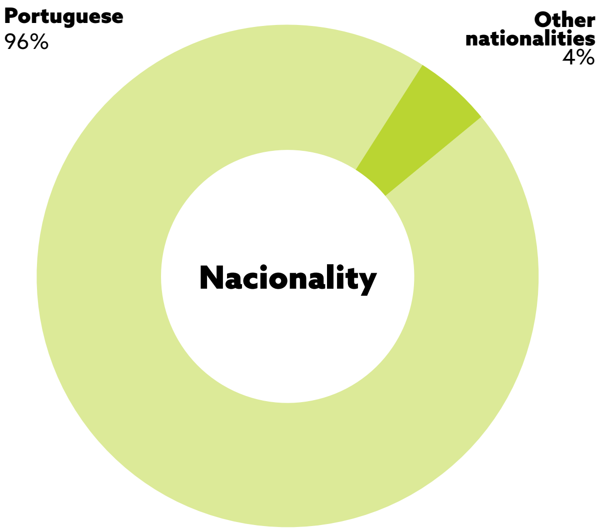
Regarding the distribution by gender, the results show a favourable percentage for men (+ 18%), which reflects the company's business area, where there is a predominance of technical areas that are typically more sought after by the male gender.

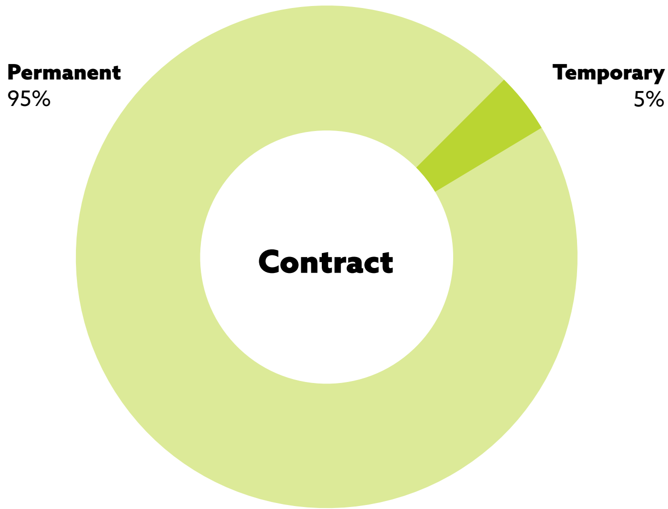
Most of our operations, including the headquarters building, are located in Lisbon, concentrating 68% of our employees. We also have significant operations in Porto (26% of our Employees). The remaining 6% are scattered throughout the autonomous regions and other locations.

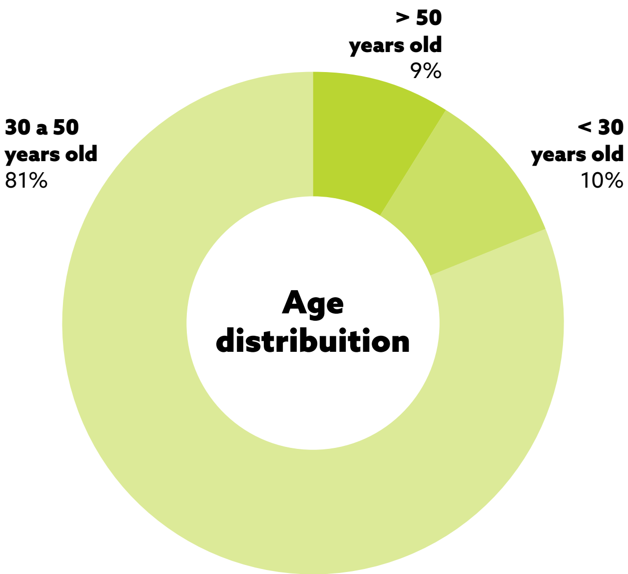
The nature of our activities requires a prominent level of training and specialization from our employees, reason why the majority has academic formation at the degree or superior level. Although most of our employees are Portuguese nationals, in 2018 we had 4% of employees from a total of 25 different nationalities.







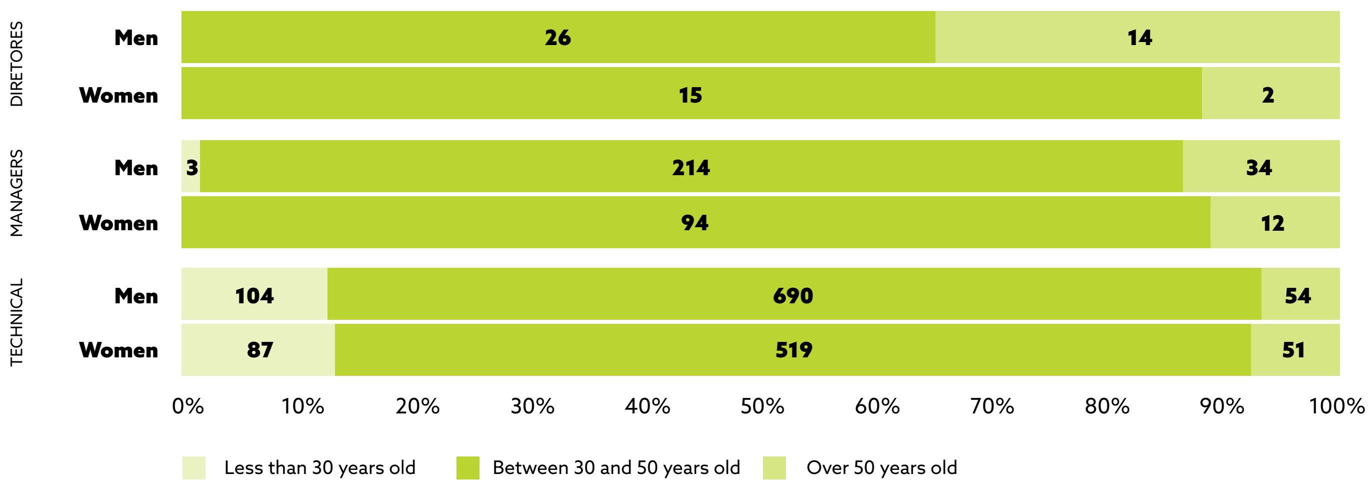




Our commitment to sustainable employability policies is further translated by the effectiveness of employees, in which 95% have an permanent contract and 100% of the employees perform their duties full-time.

At the age level, in the same period, 1,558 employees (81% of the total) are in the age group from 30 to 50 years old.

These numbers reflect our growing focus on youth integration and development: not only do we recruit several young graduates each year to integrate different business areas, but also provide professional internships, summer internships and curricular internships.



Our “NOS Alfa” trainee program, created in 2015, aims to establish itself as a reference program in Portugal in attracting young graduates and aligned with the culture of excellence and innovation of our brand. The program offers a unique opportunity for professional and personal development based on the flexibility of career options, the unique culture of the organization, the quality of integration and follow-up and, finally, the challenges or experiences provided. Since its inception, a total of 120 candidates have already integrated the program in several areas of the company, with emphasis on Engineering, Management and Economics.

Evaluation and development

Performance evaluation is one of the most effective tools to promote the sharing of strategic business objectives, organizational values and culture, allowing to identify the potential of each person, diagnose training needs, contribute as a critical success factor for the development of human capital, and act in the market with greater competitive advantage.

At the NOS we promote a culture of meritocracy that is embodied in the Performance and Development Model, which allows a transversal, equitable and impartial management of the performance, in order to value the obtained results, the behaviours and attitudes demonstrated, and to promote meritocracy.

Performance and Development Model Principles

- Universality
- Coherence and integration
- Transparency and impartiality
- Responsibility and development
- Consequent differentiation

The structure of the Performance and Development Model is based on two components:

Development Component

Composed by self-assessment and the definition of a personal development plan, adjusted to the needs of each employee.

Evaluative component

It is grouped in the collective and individual dimensions (which measures the individual performance of each employee), each with a different purpose and impact.

Evaluative Component
(downward evaluation)

Company objectives

Individual objectives

Behavioural Competencies

GLOBAL ACHIEVEMENT

INDIVIDUAL EVALUATION

Impacts

- Variable Remuneration

- Career
- Development
- Mobility
- Salary progression

The global implementation, which encompasses the two dimensions - individual and collective - has exclusively an impact on the attribution of variable remuneration. The individual evaluation has a medium- and long-term impact, serving as a basis for the design of the personal development plan and having direct effects in terms of development, career, training, salary progression and employee mobility.

This model is supported by a manual and a model realization cycle schedule, in order to communicate to employees their guidelines with full clarity.

The culture of recognition in NOS is not exhausted in the Performance and Development Model. Among other initiatives, are highlighted:

- Extra Bonuses
- Mid-term feedback on the evaluation and development process
- A focus on employee empowerment, not only through promotion and functional mobility, but also, for example, through integration into challenging training plans and into a judicious and stimulating increase in autonomy and responsibilities.

Remuneration and benefits

The NOS Remuneration Policy is governed by a set of principles aligned with national and international best practices.

Equity

Ensuring the principles of internal equity that support integration into a single culture.

Balance

Ensuring the balance between the fixed and variable components of the remuneration structure.

Simplicity

Simplified remuneration structure, ensuring clarity in its communication and understanding by employees.

Flexibility

Ensuring, within the defined rules, the flexibility to handle different situations, namely in the management of high-potential employees.

Performance

Ensuring the linkage between the compensation and individual and company performance in the short and long term.

Competitiveness

Ensuring competitiveness levels necessary to ensure attraction and retention of Talent.

The remuneration package is based on basic remuneration and variable remuneration components with a different assignment by organizational group, according to the policy in force at the company. All organizational groups have a reference salary band that aims to ensure a competitive positioning in the telecommunications and information technology market.

Knowing the importance of the remuneration and benefits policy in attracting and retaining talent, we add to the compensation package a set of benefits, programs and initiatives oriented to the needs of different work generations. Examples of additional benefits are life insurance, health insurance, personal accident insurance and meal card.

In the context of the initiatives aimed at promoting the balance between work and family life we highlight the flexible hours, giving leave to all employees on their birthday day, Christmas Eve and New Year's Eve, as well as discounts on various activities through the celebration of partnerships (health and well-being, culture, sport and leisure, tourism, catering). In addition, we provide our employees with smartphones, laptops, videoconferencing systems and VPN systems, which ensure mobility and flexibility in daily work practices.

Talent management

At NOS we believe that the knowledge sharing and the professional development of each of our people are key factors in achieving our growth ambition. Talent management is crucial for NOS, so we seek to identify, retain, develop and value employees with the best performance and potential.

Within the scope of talent management, we seek to implement internal initiatives that enhance the development of skills, recognition and professional growth, and that allow our employees to have contact with the latest news and trends in the most varied areas. But we went even further and created a Corporate University: the NOS Campus.

It should be noted that, in 2018, we registered a total of 158 entries (35% more than in 2017) and 183 exits of employees (32% more than in 2017), which corresponds to an admission rate of 8% and a net replacement rate of -1%, respectively.

NOS Campus

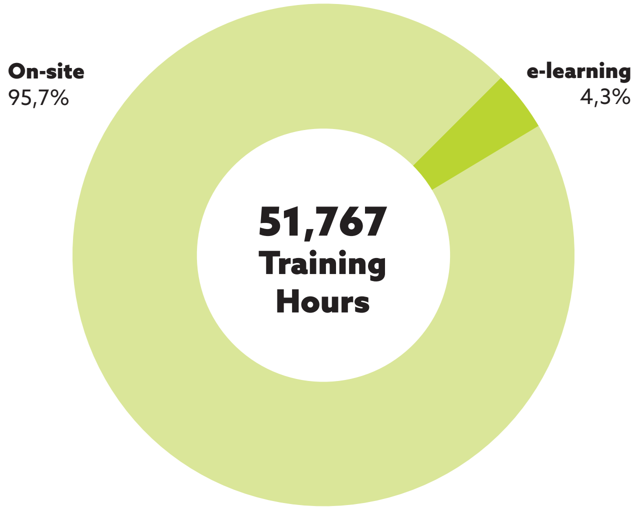
NOS Campus is a space for sharing and transferring knowledge among all professionals and developing their potential and talent. It is also a pole of innovation, attentive to the external environment, aimed at capturing new ideas, transforming them and integrating them into our organization, which aims to be a reference project in Portugal in the area of Training and Business Education.

It provides training in five main knowledge areas: Management, Leadership, Technical, Technology and Fundamental Studies, with the support of the most renowned national and international partners, including universities, business schools and consulting companies.

Main objectives of NOS Campus:

- **Developing knowledge:** Empowering all employees and teams' capabilities through the creation and sharing of knowledge and through focusing in strengthening their individual and collective skills
- **Making a difference:** Promote the values and culture of the organization, strengthening the sense of pride and belonging
- **Supporting growth:** Focus on the valorisation of employees as a privileged means to guarantee the fulfilment of objectives/ results and, in this way, sustain the future of the company
- **Sharing the experience:** Disseminate multidisciplinary knowledge, experiences and good practices within the organization
- **Motivating performance:** Expand the value proposition for NOS employees, contributing to their motivation
- **Promoting innovation:** Develop an observatory of excellence and a reference centre of competence in the communications sector

We carried out 319 training actions, in a total of 51,767 training hours for 1,931 participants, registering an average reaction evaluation of 4.6 (on a scale of 1 to 5), results that corroborate the positioning of the NOS Campus, being the quality of the contents one of our differentiating vectors.



The training performed represents an increase of 36% compared to 2017, equivalent to an average of 27.0 hours of training per employee. The registered difference in average hours of training by gender is mainly due to the predominance of hours of training in technical areas, where 85% of employees are men. In addition to the actions that are part of the NOS Campus training plan, we provide extra plan training to our employees, which in 2018 represented 41% of the total number of hours of training.

Women
Average of 23.4 hours of training

Men
Average of 29.4 hours of training

Total
Average of 27.0 hours of training

In the same year, we devoted 11,580 hours of training to sustainability-related subjects, with a special focus on security and privacy training leveraged by the entry into force of the new general regulation on data protection.

Health and safety at work

NOS Bem-nos-quer program

The health and well-being of employees matters and is relevant to people, for the organization and for the stakeholders in general. At NOS, we evaluated our employees' health and well-being profile and behaviours to design an employee centric program, and implement a set of initiatives tailored to the segments with the objective of changing behaviours and/or encouraging healthier practices.

In this sense, we have been promoting an organizational program, called "NOS Bem-nos-quer", which is based on a holistic approach to total well-being composed of three axes: physical, mental/emotional and social.

Throughout 2018, we developed different initiatives promoted by several areas of the company that contributed to this holistic view of the employee as a professional, individual/family and social person.

We also held the 3rd edition of the week dedicated to health and well-being, with an intensive agenda at the level of content of interest and actions relevant to employees, such as osteopathy, workplace exercise, posture, sleep quality, healthy eating (eg healthy snacks for the whole family), mindfulness, smoking cessation, among others.

In the coming years, the program dedicated to the health and well-being of NOS employees intends to continue to evolve, establishing new initiatives and contents, differentiating formats, involving its employees in the creation of content, extending its scope to families, establishing new partnerships and relevant protocols, inviting experts, among others.

Work conditions

In accordance with the NOS Sustainability Policy we ensure that our employees, suppliers and partners develop their activities in a safe work environment, which prevents risks, injuries, and work incidents.
In 2018, we were the first company in Portugal to migrate to ISO 45001, the first truly global standard for Safety and Health at Work Management Systems, which aims, in particular, to improve the safety and health of employees, reduce risks in the workplace and create better and safer working conditions.

Our action plan foresees a program of semi-annual audits, carried out by external accredited entities, in order to guarantee working conditions in terms of air quality, noise, lighting conditions and air conditioning. Quarterly food audits are also carried out to ensure the quality of food available in company buildings.

Throughout 2018, we also carried out other initiatives aimed at improving the working conditions of employees, with a greater focus on their food and work spaces, namely:

- Beginning of the renovation of the workplace, with the introduction of new collaborative and innovative spaces to stimulate productivity, concentration and creativity (eg phone pods, quiet rooms and thinking rooms). For more details refer to the Management Report, page 42.
- Renewal of the vending machines offer, with the inclusion of sugar-free, lactose-free, gluten-free and biological products.
- Improvement of the lighting and air-conditioning of workspaces.
- Implementation of signage in the lifts and stairs areas to stimulate physical exercise in our buildings.

Over the next four years, we will continue to focus on the optimization of the real estate portfolio, taking this opportunity to rethink the future of the workplace and make fundamental decisions for the future of workspaces.

In the field of physical security, we have developed e-learning training for new employees so that they know how to act in situations of prevention and emergency in our buildings. In 2018, this training achieved an delivery rate of approximately 80%.

Whenever relevant, we support external initiatives aimed at strengthening knowledge on these subjects.

Commitments for 2019

Commitments

Provide the organization with the necessary skills to address the transformation objectives and ensure the HR ecosystem response

Objective	ODS
To identify future profiles and skills critical to the NOS business	
To review and implement sourcing strategy for new skills	
To promote the development of critical skills for the business transformation by strengthening employee training	

Commitments

To enhance talent retention and to enhance the attractiveness of NOS in the labour market

Objective	ODS
To attract talent in critical functional areas through recruitment under the scope of the trainee program	
To strengthen the development solutions and retain high performance and high potential employees	

Commitments

To improve the Health and Well-Being of Employees

Objective	ODS
To develop annually initiatives that promote the well-being of employees in the three axes of well-being: social, mental and physical	

05

Preserving the environment

At NOS we have adopted the best practices and technological solutions to reduce the ecological footprint of our activities, while at the same time helping our customers to reduce their footprint. We are committed to fight climate change and contribute to a circular economy.

Our year of 2018

Assessment of the COMMITMENTS made

Commitments

Effectively manage the environmental impacts associated with P&S life cycles

Objective	Status
To set a goal for the reduction of energy consumption and emissions	✓ Goal established for the reduction of energy consumption in buildings and own stores network by 2020.
To prepare the widening of the scope of accounting for the Carbon Footprint of NOS, in order to cover the supply chain and the use of products and services by customers	✓ Materiality analysis performed, which identified the relevant emission categories of scope 3, accounting methodology defined and timetable established for their phased inclusion in the NOS carbon footprint, within the next three years.

✓ Done

Main highlights

0,39
GJ/TB
(Consumption per Terabyte)

653 861
Giga Joules
(total energy consumed)

48%
renewable electricity consumed

59 005
CO_2e tonnes
(GHG emissions - Scope 1 and 2)

448
tonnes of equipment recovered and reused (fixed business customers)

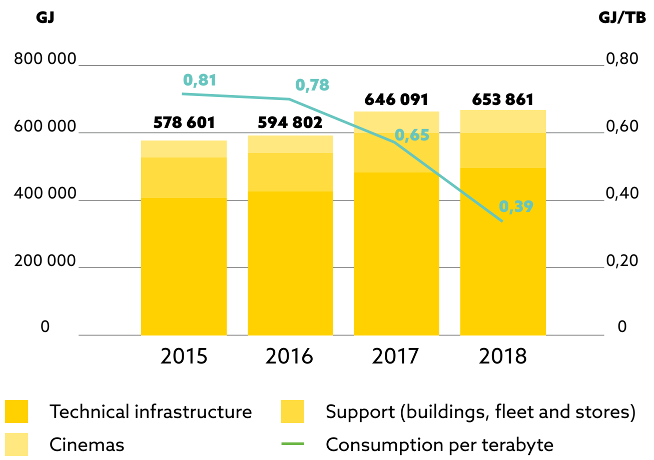
17
measurements of electromagnetic radiation (mobile network sites)

Energy and climate change

Energy Efficiency

In 2018, there was a sturdy growth trend of data traffic in our network, resulting, among others, from the increase in the consumption of TV in streaming. Energy consumption showed a downward trend, with residual growth (+ 1% compared to 2017). Between 2015 and 2018, the overall energy ratio for data traffic decreased by 51%, reflecting an increase in the efficiency of our consumption.

Global energy consumption and energy consumption by data traffic volume, 2015-2018
(in GJ e GJ/TB)



Mobile and fixed data traffic. As of 2018 includes non-linear TV (streaming). Excluding this share, for comparison with previous years, the overall energy-to-volume ratio of data traffic in 2018 is 0.46 GJ/TB.

It does not fully reflect the activity of Data Centres. Excludes Linear TV (broadcast).

Energy consumption values of 2015, 2016 and 2017 were recalculated to include Cinemas.

The telecommunications technical infrastructure - Network and Data Centres - accounts for more than 70% of our total energy consumption, and its weight has been increasing as a result of the expansion of activity and the rapid growth of data traffic. In 2018 we also systematically monitored the energy consumption of NOS cinemas; with the inclusion of these assets - which represent about 10% of total consumption - the scope of environmental information consolidation and reporting now includes all business areas of the company.

The main type of energy consumed in our activities is electricity, which accounts for, on average, 88%. Fossil fuels consumed in our own fleet (diesel and gasoline), buildings (natural gas) and emergency systems (diesel) account for, on average, 10%. The remaining 2% consists of the consumption of thermal energy (heat and cold), purchased from third parties and used in the air conditioning systems of buildings and cinemas.

Global energy consumption by type 2015-2018
(in GJ)

	Global energy consumption	Fossil Fuels	Electricity, heat and cold
2015	578 601	67 140	511 461
2016	594 802	72 907	521 895
2017	646 091	67 716	578 375
2018	653 861	64 413	589 449
Δ '17 - '18%	1%	-5%	2%

Values of 2015, 2016 and 2017 were recalculated to include Cinemas.

Since NOS's own production of renewable energy is currently very low, the percentage of renewable energy consumed is directly related to the primary sources used by the electricity supplier in the production of the supplied energy. In 2018, as a result of weather conditions more favourable to hydro and wind production in Portugal, this percentage rose to 48%. NOS is currently assessing options to increase the consumption of electricity from renewable sources, in order to reduce its carbon footprint.

The continued implementation of energy efficiency measures has made it possible to limit the increase in absolute energy consumption and to consistently improve efficiency ratios.

In 2018, we continued to invest in the energy efficiency of support systems, installing high efficiency backup and energy transformation equipment in new technical rooms and replacing existing equipment. We have also strengthened the adoption of free cooling solutions - which use the outside air to cool down equipment, reducing the use of HVAC units - including the implementation of this system in one of our Data Centres.

Being a rapidly expanding area, the rationalization of energy consumption in Data Centres is the subject of special attention. In 2018 we inaugurated a new unit of our own (Imopólis II), in which we have adopted extensively cold containment solutions in technical corridors, variable speed motors and LED lighting, aiming for levels of efficiency about 15% higher than the existing installations. In conjunction with the continued implementation of server consolidation and virtualization solutions, we expect these measures to reduce the energy consumption of our Data Centres by about 30%.

The project to fully modernize the mobile access network, with the strengthening of the capacity and more efficient equipment, continued in 2018 and should be completed next year. In the already intervened sites, there were energy savings of around 20% for the same traffic capacity and it is estimated that the efficiency gains achieved will allow to maintain overall consumption levels, despite the significant increase in capacity. In the fixed network, we concluded the modernization of HFC (Hybrid Fibre-Coaxial) systems also with significant gains in energy efficiency: the results of monitoring already show consumption reductions of around 20%.

In administrative buildings, we continued the effort to optimize the operation of air conditioning systems and concluded the year with 40% of our own stores network renewed and exclusively using LED lighting. Based on the satisfactory results obtained and the decision to continue to implement efficiency measures, we defined quantified energy consumption reduction objectives for these areas by 2020: 9% reduction in buildings and 35% reduction in the store network, compared to 2015 values.

Carbon footprint

The NOS carbon footprint consists of the greenhouse gas emissions (GHG) that occur along our value chain, from the production of the equipment, through the operation of the telecommunications network and support activities, to the use of products and services by our customers and the end of life of the respective equipment.

The carbon footprint of our operation is dominated by the indirect emissions associated with the production of the energy we consume (scope 2), mostly the electricity necessary for the operation of the technical network. In 2018, despite a 2% increase in overall electricity consumption, the associated emissions decreased by 17% as a result of the reduction of the carbon content of the electricity purchased.

The 5% increase in direct emissions (scope 1) was due to the significant increase in fugitive emissions of fluorinated gases. In 2018 maintenance interventions were carried out in air conditioning systems of large technical facilities, which involved the replacement, for leakage compensation, of significant quantities of refrigerant gases with a high Global Warming Potential, which were accounted for in this period. Emissions associated with fuel consumption in the fleet continued to decline as a result of the progressive renewal of the fleet to more efficient vehicles.

In the categories of indirect emissions (scope 3) currently accounted for, missions maintained the downward trend, with our employees increasingly using the existing videoconferencing solutions in facilities and tools such as the Boleias (Carpooling) platform, which manages the matching of supply and demand for carpooling to any of our buildings. The emissions associated with the treatment of the waste generated in our operation increased by 15% as a result of the change in the monitoring and registration procedures that now guarantee the total coverage of reported data.

Carbon Footprint NOS 2015-2018
(in tCO_2e)

	2015	2016	2017	2018	Δ '17-'18 (%)
Scope 1 - Direct emissions	**4 902**	**5 288**	**4 965**	**5 227**	**5%**
Fuel consumption	4 650	5 052	4 722	4 583	-3%
F-gases leaks	252	236	243	644	165%
Scope 2 - Indirect energy emissions	**61 935**	**44 899**	**64 693**	**53 778**	**-17%**
Electricity consumption - Market-based method	60 982	43 966	63 738	52 851	-17%
Electricity consumption - Location-based method	39 299	38 547	54 620	46 223	-15%
Thermal energy consumption	953	933	955	927	-3%
Scope 3 - Other indirect emissions	**1 138**	**2 691**	**2 340**	**2 207**	**-6%**
Missions	1 039	908	956	815	-15%
Waste treatment	100	95	178	204	15%
Commuting	n.d.	1 689	1 205	1 188	-1%
Total scope 1 + scope 2- Market-based method	**66 837**	**50 187**	**69 658**	**59 005**	**-15%**

Note: 2015-2017 values were recalculated to include the cinematographic distribution activity.

Roadmap for the Carbon Footprint of the NOS Value Chain

Note: The designations in brackets correspond to the GHG Protocol Corporate Accounting and Reporting Standard terminology for each category of emissions.

In the Telecommunications sector, as in many others, most emissions do not occur in direct operations, but outside the organization's borders - in the supply chain and in the use of products and services - with these indirect emissions representing about 80% of the carbon footprint.

With the objective of increasing our ability to induce a reduction in emissions throughout the value chain, we have developed, in 2018, a roadmap for expanding the accounting scope of the NOS carbon footprint.

Based on the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard methodology, we identified the categories of indirect emissions most relevant to our activity, through the application of criteria such as the estimated size of each category, our ability to influence its reduction, the level of exposure to risk involved, the importance of certain emissions for our stakeholders and the practices of reference counterparts.

This exercise has allowed us to conclude that the most relevant emissions are associated with the production of the goods and services we acquire (equipment of our telecommunications network, equipment we place on clients and interconnection services with other operators) and the use, by customers, of our products and services (energy consumption in mobile terminals, fixed telephones, TV set-up boxes, routers or modems). On a second level of importance are the emissions associated with the network of stores operated by agents, the logistics and distribution activities developed by third parties and the use of shared technical infrastructures with other operators.

The next step was to define the accounting methodology to be applied to each of the material categories. Being such activities developed by third parties, access to primary data is limited, so it was necessary to establish approaches based on the application of emission reference values by economic value (e.g. for the procurement of goods and services) or by physical units (e.g. for energy consumption in customer equipment).

Finally, we have established a phased, three-year plan for the progressive inclusion of all relevant emission categories in our annual carbon footprint reporting and accounting process.

Quantifying these emissions will allow NOS to identify the most cost-effective opportunities to reduce emissions, constituting the basis for specific collaboration programs with suppliers and customers.

Climate Change Adaptation and Low Carbon Solutions

We are increasing the resilience of NOS activity, particularly of the technical infrastructure, to the effects of climate change. In 2018 it assumed particular importance the work developed in response to emergency situations resulting from extreme weather events, which are expected to become increasingly frequent, such as the exceptional meteorological conditions that gave rise to the serious forest fires in Portugal in 2017 and 2018. The actions taken are detailed in the Response to Emergency Situations section.

We also continue to develop, for the various customer segments, innovative solutions that bring more functionality and productivity, while reducing user's consumption and emissions. The NOS offer for a low carbon society is presented in detail on the Developing Products and Services with Environmental and Social Benefits section.

Waste management and circular economy

Waste Management of Own Operation

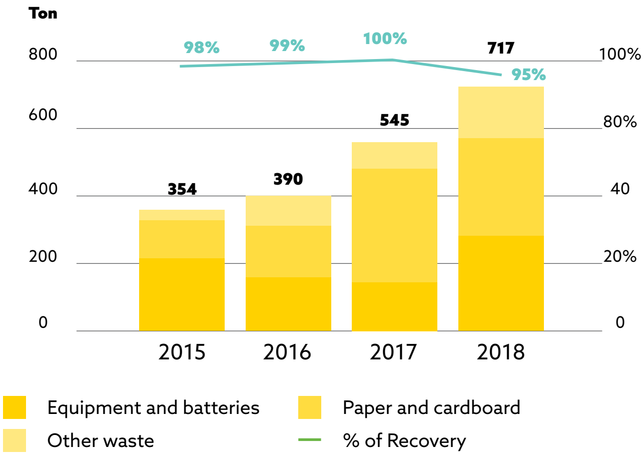
Electrical and electronic end-of-life equipment and their packaging, as well as associated batteries, are the main waste associated with NOS's own operation. In an sector where technological renewal is constant, the transformation of this waste into resources through its reuse and recycling is an important contribution to the objectives of the circular economy.

In the activities developed directly, we implemented selective collection systems which ensure the routing to multi-material recycling or energy recovery of more than 95% of the total waste we produce.

In 2018, with the entry into operation of the Electronic Waste Tracking Guides (e-GARs) system, we improved our monitoring procedures, ensuring total accounting for the production and routing of NOS waste, which justifies the increase in reported quantities (+ 32%) and the slight decrease in the overall recovery rate.

We have also established protocols with third-party organizations for the donation of used computer equipment, thus enabling its re-use. These projects are presented in detail in the Empowering Capabilities section, page 134.

Waste production in own operation and global recovery rate (2015-2018)
(in tonnes and %)



Final destination of waste produced (2015-2018)
(in tonnes)

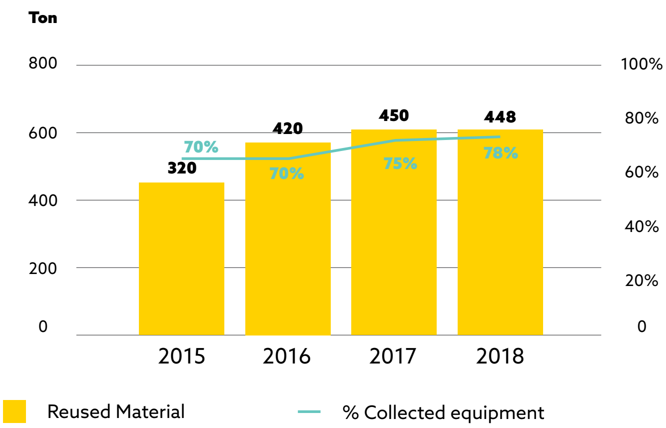
		Hazardous waste (t)				Non-hazardous waste (t)			
		2015	**2016**	**2017**	**2018**	**2015**	**2016**	**2017**	**2018**
Recovery	Multi-material recycling	4,1	1,7	1,2	26,0	341,8	364,2	540,5	637,8
	Energy recovery	0,0	0,0	0,0	0,0	0,3	21,5	3,6	16,2
Disposal	Landfill	0,0	0,0	0,0	0,0	7,7	3,2	0,0	37,2
Total		**4,1**	**1,7**	**1,2**	**26,0**	**349,8**	**388,9**	**544,2**	**691,2**

Customer Equipment Recovery

We have implemented a logistics operation that ensures that more than 75% of the equipment used by our fixed service customers (TV boxes, routers and hubs) is collected, assessed technically and, where possible, recovered for re-marketing. We thus avoid the additional consumption of raw materials and energy and increase the levels of circularity of our processes.

In 2018, 548 000 equipment was replaced on the market, 9% more than in 2017. The amount of associated material decreased slightly due to the change in the profile of equipment collected, with the increase in the number of lighter equipment.

Collection and reuse of customer equipment in the fixed service (2015-2018)
(in tones and %)



For the remaining customer equipment, especially mobile terminals, NOS has associated itself with management entities, through which it finances the correct routing of all the equipment it places on the market which is at the end of life. Waste from all packaging placed on the market is also sent for recycling through the integrated system managed by “Sociedade Ponto Verde”.

Dematerialization of processes

The digitization of invoicing processes of suppliers and customers is an important tool, both for greater process efficiency and for reducing our consumption of materials.

We have been developing digital platforms dedicated to the management of the relationship with suppliers, and we currently already receive about 50% of their invoices by electronic means, which corresponds to a total of 185 000 documents per year.

In 2018, we launched a transversal project to increase our customers’ adherence to digital invoicing. The issuance of invoices accounts for a relevant percentage of the total NOS paper consumption; our ambition is, by 2020, to significantly reduce this value, through a set of initiatives especially aimed at new customers.

Electromagnetic fields

In modern society, all of us are exposed to electromagnetic fields, from the transportation and distribution of energy to electrical equipment, broadcasting and communications devices. Most of these electromagnetic fields, both at home and in the workplace, produce extremely low levels of exposure and the normal use of such systems and equipment is not likely to lead to health risks associated with continued exposure that exceeds the established exposure thresholds (EETs).

Part of NOS activity is based on radio networks that use the radio spectrum, which is an emitter of electromagnetic fields, particularly those associated with the operation of the mobile network and the transportation network.

According to the World Health Organization (WHO) "Electromagnetic fields and public health: mobile phones", here is no evidence of a relationship between adverse health effects and the use of telecommunications equipment. However, we follow and implement the best practices of public health protection against the possible adverse effects of exposure to electromagnetic fields, following the principle of prevention and precaution and responding in an open and transparent manner to public concerns.

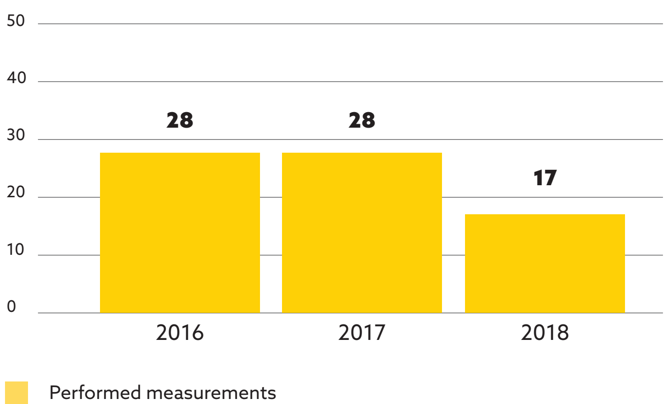
Radiation monitoring

The Monitoring Plans involve the mandatory measurement of the level of radiation in network infrastructures installed in buildings, both in new equipment and in those in which operating conditions have been changed.

Employees and partners accessing mobile antennas are carriers of measurement equipment that emit audible warnings whenever the exposure values are close to the permitted limits.

We aim to ensure that, in places accessible to the public, radiation levels are at least 50 times below the reference value. Since 2014, we have made 180 measurements, and no non-compliance has been detected. The results are communicated to national and local entities, including the "Autoridade Nacional de Comunicações" (ANACOM), which also disseminates the results of measurements made by them in response to requests from public and private entities, and which also demonstrate full compliance with the recommended exposure levels.

Measurement of electromagnetic radiation on mobile network sites (2016-2018)
(in number)



100% below the reference level
88% 50 times below reference level.

The number of measurements for 2018 was lower than in previous years due to fewer licensing of new stations.

Commitments and objectives

At NOS we assume the responsibility of following, studying and implementing national and international best practices, applying the preventive measures that protect the population in general, our employees and other entities with which we interact, of potential adverse effects of human exposure to electromagnetic radiation. To achieve these goals:

- We support, follow and gather information from different forums and national and international reference publications in this area;
- We ensure that all network equipment and terminals are in compliance with national and European requirements, standards and regulations;
- We disseminate and clarify all stakeholders, populations and public and private entities on the effects of electromagnetic fields;
- We apply preventive measures, in addition to those legally required, to ensure that all limits of exposure to electric fields are complied with.

In 2018, the International Commission on Non-Ionizing Radiation Protection (ICNIRP) launched a public consultation with the revision of the reference guidelines on the impact of non-ionizing radiation on human health. We have been monitoring the suggested changes and look forward to the final version of this document to update our procedures and implement the industry's best recommendations.

FAQtos award

At the national level, we monitor the activities of external entities such as FAQtos, which aim to disseminate and monitor the impacts of electromagnetic radiation on public entities such as City Halls, Schools, Hospitals and Health Centres.

In this context, we support the FAQtos Award which aims to contribute to the awareness of electromagnetic fields coming from telecommunications sources (radio frequency bands), their impact on society, as well as potential effects on health and the environment. This award is awarded following a national level project contest, aimed at secondary school students (public and private).

Other environmental impacts

Biodiversity

The construction activities of mobile network stations, typically in urban areas, are covered by specific legislation and require licensing processes with the respective municipal councils. For the generality of the installations, the environmental impacts are related to the visual impact, specifically with the height of the towers, aesthetic reasons, or compliance with the minimum distance 150 m from any building intended for people stay.

When the installation takes place inside or in areas adjacent to protected areas or of high biodiversity value, namely in areas of National Agricultural Reserve (NAR) and National Ecological Reserve (NER), it is necessary to consult both entities. For other areas of greater sensitivity, such as the "Alto Douro Vinhateiro" Special Protection Area, in a forest regime or in a high fire hazard zone, it is also mandatory to request authorization from the "Instituto da Conservação da Natureza e das Florestas" (ICNF-Institute for Conservation of Nature and Forests).

Water consumption management

NOS activities do not involve the consumption of relevant quantities of water. However, we are aware that water is an increasingly scarce natural resource on a global scale, and we implement measures to ration its consumption. Although it was not considered a material topic in our sustainability strategy, since 2014 we have monitored the water consumption of our buildings, our own stores and our technical network.

The results of monitoring indicate that, on a global basis, consumption remains stable, with a slight decrease in 2018 compared to the previous year (-1%). The increase observed in 2017 is related to the inclusion of information of the NOS cinemas, which represent about 50% of the total municipal water consumed.

Total water consumption (2016-2018)
(in m^3)

	Total water consumption (m3)	Municipal water supply (m^3)	Recovered rainwater (m^3)
2016	45 378	44 400	978
2017	85 599	83 975	1 624
2018	84 812	83 159	1 653
Δ'17 - '18%	-1%	-1%	2%

Commitments for 2019

Commitments

To effectively manage the environmental impacts associated with the life cycle of our products and services

Objective	ODS
To reduce, by 2020, 9% of energy consumption in buildings, compared to 2015	
To reduce, by 2020, 35% of energy consumption in own stores, compared to 2015	
To participate, starting in 2019, in a study on the impact of the introduction of 5G on radio field emissions.	

06

Promoting sustainable innovation

At NOS we promote the development of new solutions that induce economic, environmental and social benefits. We believe in the power and strength of innovation to promote entrepreneurship, creativity and value creation.

Our year of 2018

Assessment of the COMMITMENTS made

Commitments

To continue to support technology-based innovation

Objective	**Status**
To stimulate the innovation ecosystem with the Academy and business fabric	✓ Throughout this chapter several innovation initiatives are described with the academy and business community
To develop own formats or in partnership of innovation distinction in Portugal	✓ 3rd Edition of the NOS Innovation Award

✓ Done

Main highlights

218 K
Community investment

PRÉMIO
INOVAÇÃO
NOS

3Rd edition
innovation award

Development of products or services with environmental or social benefits

At NOS, we are committed to developing or supporting the development of innovative solutions, the use of which induces economic as well as environmental and social benefits.

Low carbon solutions

With a ratio of 1:10 between the carbon emissions it induces and the avoided emissions with the adoption of the products and services that it provides, the information and communication technologies sector is essential in the fight against climate change.

To achieve the potential of digital technologies in the transition to a low carbon economic model, we have developed, for the various customer segments, innovative solutions that bring more functionality and productivity, while reducing consumption and emissions.

Virtualization solutions for call centres, which reduce material consumption and waste production; for energy management that reduce consumption in facilities and fleets; for collaboration and telecommuting that reduce travel; or for hosting and centralized data processing, which increase safety and efficiency in energy consumption are some of the examples of solutions we have been developing to fulfil this purpose.

IoT as strategic focus

NOS is today a significant partner of national companies, as a result of a continued commitment to innovation and, in particular, IoT. This is a strategic area and in which we have worked in the most different layers, always with the objective of enhancing the services and operations of our customers. As priority areas of action we highlight: the development of new products (e.g. telemonitoring of chronic patients, smart counters and bike sharing); improving the customer experience (e.g. connection of household equipment, waste management solutions and smart parking); collaboration through innovation in workspaces (e.g. monitoring of space occupancy and use of equipment); and, finally, the optimization of operations (e.g. energy efficiency and control of cold temperature systems). As an example, we highlight two projects developed in 2018.

Bicycles with NOS technology

In 2018, we provided a technological solution (NOS Follow Asset +) for bicycles at the University of Évora, which enables real-time tracking and assets control in a quick and simple way, without the need for professional intervention. The solution, which features a high capacity internal battery and provides locations, it also allows to consult and control the use of bicycles in a quick and simple way, maximizing the profitability of the assets and enhancing the performance of the business.

Remote rehabilitation project

NOS, in partnership with SWORD Health, implemented a remote scanning project of chronic knee and shoulder rehabilitation therapies, the first of its kind at the national level, at the Leiria Central Hospital, through which 30 SWORD Phoenix systems were provided (tablets and software) along with their respective mobile data accesses. This new approach in the field of physical rehabilitation aims to address the main problems of current models, such as the dependence on scarce specialized human resources, difficulties of remote communication between therapist and patient and loss of information on patient performance in each rehabilitation session.

Smart cities

Cities face transformational challenges at various levels - population, environmental, technological, economic/social and financial – which demand the search for fresh solutions.

The architecture of a Smart City supports the collection and processing of information, making it actionable, which allows data to be made available in an open and transversal way to the ecosystem to develop new applications, services and applications, generating benefits.

Analytical cities are a priority focus for NOS. Through a strategy of approximation and cooperation with the Municipalities, and together with our partners, we have been building, over the last years, a portfolio of technological solutions that address different challenges and priorities. Interactive apps that strengthen the link between local authorities and citizens, water, waste and energy management systems, administrative modernization and reduction of operating costs are some of the solutions we have been contributing to.

The collaboration protocols already signed with the Oeiras Municipal Council in 2016 and with the Lagoa Municipal Council in 2017, are examples of our focus on smart cities, which promote its sustainability, mobility, accessibility, efficiency and proximity through technologically innovative solutions.

The potential of the new generation of mobile communications (5G) will also allow to deepen and introduce new solutions in the

Smart Cities paradigm, and to contribute to a growing improvement in the quality of life of citizens.

Accessibility

At NOS we guide our activity towards a clear goal of inclusion, diversity and of contribution to the learning and the knowledge of society. Therefore, we are committed to innovate and invest in technologies and initiatives that maintain our performance in this area a reference, which is reflected in our strong concern to develop solutions for people with special needs.

Solutions for people with hearing impairments	Solutions for people with visual impairments
Support Line for customers with hearing impairments (12472), accessible through a video interpreter system.	Braille invoice
TV App for teletext subtitles, a free inclusive solution that allows access to subtitles in live broadcast programs, through synchronization with the teletext service of the channels.	Films with audio description in the Video club. In addition to the dialogues, the films included in this selection contain a locution that describes each scene in terms of scenarios, costumes, facial expressions, body language, character input and output, and other relevant information, allowing people with visual impairment to have a richer and more complete experience watching the film
DVDs with Portuguese subtitles and sign language	DVDs with audio description service in Portuguese

Promotion of entrepreneurship

At NOS we believe in the power and strength of innovation to promote entrepreneurship, creativity and value creation.

The NOS Innovation Award aims to value what is best developed in Portugal at the level of innovation, with relevant economic and market impact, promoting and recognizing differentiated products, services and processes ideas in national companies.

The 3rd Edition of this event, developed in partnership with the Global Media Group, awarded in 2018 three companies that distinguished themselves with revolutionary and creative projects. The Leiria Central Hospital (in the category of Large Enterprises and Institutions), the Barcelcom Têxteis (in the Small and Medium Enterprises category) and the Sun Concept (national Start-Up).

In 2018, we continued our focus on innovation initiatives and digital transformation projects, together with the academy and the business fabric, with the objective of stimulating the creation of highly qualified employment and, if possible, internationalizing the national scientific and technological capacity. The Collaborative Laboratory (CoLAB), of which NOS is one of the founding entities, is an example of our commitment to digital R&D, essential to the sector's competitiveness and in line with its innovation strategy.

Also, in terms of entrepreneurship, we make available on our website information that supports the creation and management of different businesses. There are several practical guides and ideas that help entrepreneurs to start a business, namely implementation guides, success stories and also events and news related to the subject of entrepreneurship.

Enhancing capabilities

Due to the nature of the sector in which we operate, we believe that it is our responsibility to contribute to the construction of a more inclusive society, which promotes access to new technologies for all, regardless of age, ability, language, culture and technological literacy.

We work in partnership with the private, public sector and third sector organizations in order to, together, develop projects at the level of information and communication technologies (ICT) that impact both these organizations and their target audiences.

In 2018, we identified the intervention areas and guiding axes for our Community Intervention Program, being foreseen for 2019 the development of projects that impact both our business and our target audiences.

We have also developed a program based on the provision and supply, for 3rd sector organizations and their audiences, of communications and television services of the NOS Communications portfolio. Among these, we highlight the offer of these services to special audiences. The objective is to make the equipment (state-of-the-art laptops with mobile internet, free communications and maintenance support) available to children and young people with serious or chronic illnesses, promoting inclusion, fighting isolation, increasing comfort and enhancing their skills.

The program allows shortening distances through the intelligent use of new technologies, simultaneously contributing to the education and the fight against info-exclusion and promoting the responsible and correct use of the equipment that it provides to such a special public.

NOS and ENTRAJUDA allied against info-exclusion

The NOS and the ENTRAJUDA signed a protocol of cooperation that allowed to deliver 300 computers, monitors and their peripherals to national IPSS (Private Institution of Social Solidarity), and contribute to the digital inclusion of those who still face difficulties accessing this equipment.

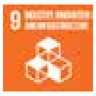
In addition to the positive social impact, this partnership has also brought environmental benefits by contributing to less waste of resources and promoting a circular economy of IT equipment through its reuse.

We are also partnering with MUDA, a national movement promoted by several companies, universities and associations, and by the Portuguese State, which aims to encourage Portuguese participation in the digital space, contributing to a more advanced, inclusive and participatory Country.

Also, in the Cinemas, in collaboration with the associations "Acesso Cultura" and "Vencer Autismo", we promoted, in 2018, a more inclusive format of cinema experience. The "Relaxed Sessions" consisted of film sessions with special light, sound and projection conditions, and with more tolerant rules regarding movement and noise of the audience, intended for all persons who prefer or benefit from a more relaxed environment in a cultural space, such as families or groups with young children, attention deficit, intellectual impairment, autistic spectrum conditions, sensory or communication impairments.

Commitments for 2019

Commitments
To continue to support technology-based innovation

Objective	ODS
To stimulate the innovation ecosystem together with the Academy and business fabric	
To develop project under the Smart Cities scope	

07

Appendix


Há mais
Logística
em nós
Packs Móvel
Packs Fixo

Appendix I

GRI Table

GENERAL CONTENT				
Indicator/Response	**Location**	**UNGC Principles**	**SDG**	**Legal Correspondence**
GRI 102: General Contents 2016				
Organizational Profile				
102-1 Organization name NOS, SGPS, S.A.				CSC | Article 508-G, Number 2, Paragraph a)
102-2 Activities, brands, products and services	RG, pp. 9-15 and 17			
102-3 Headquarters Location Rua Actor António Silva, nº9, Campo Grande, 1600-404 Lisboa				
102-4 Operations location	RG, p. 13			
102-5 Type and legal nature of property	DFC and DFI			
102-6 Markets Served	RG, p. 13			
102-7 Organization size	DnF, pp. 17, 67, 75, 89, 102, 115, and 129			
102-8 Information about Employees and other workers	DnF, pp. 103 and 104	6	5, 8	

Total number of workers by type of contract, by gender

		2016	2017	2018
Permanent employees	Men	1107	1082	1088
	Women	780	776	738
	Subtotal	**1887**	**1858**	**1826**
Temporary employees	Men	36	50	51
	Women	41	39	42
	Subtotal	**77**	**89**	**93**
Total Employees		**1964**	**1947**	**1919**

Total number of workers by type of contract, by gender

		2016	2017	2018
Full-time	Men	1142	1132	1139
	Women	821	815	780
	Subtotal	**1963**	**1947**	**1919**
Part-time	Men	1	0	0
	Women	0	0	0
	Subtotal	**1**	**0**	**0**
Total Employees		**1964**	**1947**	**1919**

Scope: All employees with the exception of cinema workers, internships and government agencies.

Indicator/Response	**Location**	**UNGC Principles**	**SDG**	**Legal Correspondence**
102-9 Supplier Chain	DnF, pp. 84-86		8, 12, 16, 17	
102-10 Significant changes in the organization or its supply chain There were no significant changes during the period covered by the report.				
102-11 Approach to the precautionary principle The principles that make up the NOS Sustainability Policy addresses environmental issues associated with our activity and the sector in which we are inserted, and the precautionary principle underlies our way of acting.				
102-12 External Initiatives NOS is a member of the Portugal Business Council for Sustainable Development (BCSD), having subscribed in 2017 the Charter of Principles of BCSD Portugal. NOS has been a subscriber to the United Nations Global Compact since 2014.				
102-13 Participation in associations Main institutions of which NOS is a member and where it integrates the corporate bodies: - APRITEL "Associação dos Operadores de Comunicações Eletrónicas" - AEM "Associação de Emitentes de Valores Mobiliários" - "Quinta da Regaleira - Fundação CulturSintra" - "Fundação Serralves" - IPCG "Instituto Português de *Corporate Governance*"				
Strategy				
102-14 Statement of the Board of Directors	RG, pp. 2-3			CSC | Article 508-G, Number 2, Paragraph a)
102-15 Main impacts, risks and opportunities	DnF, pp. 63-65			
Ethics and Integrity				
102-16 Values, principles, standards and norms of conduct	DnF, pp. 63, 76, 77 and 79	10	16	
102-17 Mechanisms to clarify doubts and report alleged irregularities on ethical issues	DnF, p. 79	10	16	
Governance				
102-18 Governance Structure	DnF, p. 73			
102-21 Stakeholder consultation on economic, environmental and social issues	DnF, pp. 68-72			DL89 | Introduction, 5th Paragraph
102-22 Composition of the highest governance body and its committees	DnF, p. 73			CVM | Article 245-A, Number 4, Paragraph r)
102-24 Appointment and choice of the highest governance body	RGS, pp. 348-349			CVM | Article 245-A, Number 4, Paragraph r)
Involvement with Stakeholders				
102-40 List of stakeholder groups	DnF, p.66		17	

Indicator/Response	**Location**	**UNGC Principles**	**SDG**	**Legal Correspondence**
102-41 Collective hiring agreements 100% of the employees of NOS Cinemas and NOS Audio-visuals are covered by a collective work agreement.		3	8	
102-42 Identification and selection of stakeholders.	DnF, pp.66 and 68		17	
102-43 Approach to the involvement of stakeholders Most of the dialogue channels identified are used continuously. Participation in meetings, industry associations, press and specialty conferences, roadshows and events occur whenever necessary. The disclosure of results occurs quarterly.	DnF, p. 72		17	DL89 | Introduction, 5th Paragraph
102-44 Main issues and concerns identified	DnF, p. 70		17	
Reporting practices				
102-45 Entities included in the consolidated financial statements The consolidated financial statements include the companies in the NOS universe of which the Group has more than 50% stake and controls management.				
102-46 Definition of report content and limits of the topics	DnF, pp. 59 and 70			
102-47 List of material topics	DnF, p. 70			
102-48 Reformulation of information The information related to environmental indicators now includes data from NOS Cinemas, having been recalculated the figures presented. compared to previous years.				
102-49 Changes in reporting There were no changes in reporting.				
102-50 Period covered by the report January 1st, 2018 to December 31st, 2018				
102-51 Date of most recent previous report Annual Report 2017				
102-52 Publishing cycle Annual periodicity				
102-53 Contacts for questions about the report	DnF, p. 59			
102-54 Declaration of compliance with the GRI Standards	DnF, p. 59			
102-55 GRI index This table				
102-56 External verification	DnF, Annex III			

SPECIFIC CONTENT				
Indicator/Response	**Location**	**UNGC Principles**	**SDG**	**Legal Correspondence**
ECONOMIC PERFORMANCE				
GRI 201: Economic Performance 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp.67-70			
103-2 The management approach and its components	DnF, p.67			
103-3 Evaluation of the management approach	DnF, pp. 64, 67 and 72			
201-1 Direct economic value generated and distributed Scope: Companies in which the Group has more than 50% stake and holds management control (in accordance with consolidated financial statements). See Methodological Notes	DnF, p. 67 Annex II		8	
201-4 Financial benefits received by the government The support received from the State through fiscal incentives was approximately 8 million euros.				
GRI 204: Purchasing Practices 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 84 and 85			
103-2 The management approach and its components	DnF, pp. 84 and 85			
103-3 Evaluation of the management approach	DnF, pp. 64, 72, 84 and 85			
204-1 Proportion of expenses with local suppliers **2018** **National suppliers**: 85,9% **International Suppliers**: 14,1% See Methodological Notes	DnF, pp. 84 and 85 Annex II		8, 12, 16, 17	
GRI 205: Anti-corruption 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 76-79			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 76-79			
103-3 Evaluation of the management approach	DnF, pp. 64 72 and 78			CSC | Article 508-G, Number 2, Paragraph c)
205-2 Communication and training in anti-corruption policies and procedures	DnF, p. 78	10	16	CSC | Article 508-G, Number 2, Paragraph e)

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
205-3 Confirmed cases of corruption and measures taken In the reporting period, no confirmed cases of corruption were identified.		10	16	
GRI 206: Unfair competition 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 76-79			
103-2 The management approach and its components	DnF, pp. 76-79			
103-3 Evaluation of the management approach	DnF, pp. 64 and 72			
206-1 Legal actions for unfair competition, antitrust and monopoly practices In the reporting period there is no record of such occurrences.			16	
ENVIRONMENTAL PERFORMANCE				
GRI 302: Energy 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 116 and 117			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 116 and 117			
103-3 Evaluation of the management approach	DnF, pp. 64, 72, 116 and 117			CSC | Article 508-G, Number 2, Paragraph c)
302-1 Energy consumption within the organization Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF pp. 116 and 117 Annex II	7, 8	7, 9, 12, 13	CSC | Article 508-G, Number 2, Paragraph e)
302-3 Energy intensity Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, pp. 116 and 117 Annex II	8	7, 9, 12, 13	
302-4 Energy consumption reduction Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, pp. 116 and 117 Annex II	8, 9	7, 12, 13	
GRI 303: Water 2016				
Management Approach The topic is non-material for NOS.				
303-1 Total water consumption by source Scope: Excludes NOS Azores and NOS Madeira	DnF, p.125			CSC | Article 508-G, Number 2
303-3 Recycled and reused water Scope: Excludes NOS Azores and NOS Madeira	DnF, p. 125			

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
GRI 304: Biodiversity 2016				
Management Approach The topic is non-material for NOS.				
304-2 Significant impacts of activities, products and services on biodiversity Scope: Excludes NOS Azores and NOS Madeira	DnF, p. 125			CSC | Article 508-G, Number 2
GRI 305: Emissions 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 117-120			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 117-120			
103-3 Evaluation of the management approach	DnF, pp. 64, 72, and 118			CSC | Article 508-G, Number 2, Paragraph c)
305-1 Direct Emissions of Greenhouse Gases - GHG (Scope 1) Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, p. 118, Annex II	7, 8	12, 13	CSC | Article 508-G, Number 2, Paragraph e)
305-2 Indirect GHG emissions (Scope 2) Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, p. 118 Annex II	7, 8	7, 12, 13	
305-3 Other indirect GHG emissions (Scope 3) Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, p. 118, Annex II	7, 8	12, 13	
GRI 306: Effluent and Waste 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 121 and 122			CSC | Article 508-G, Number 2, Paragraph b)
103-2 A The management approach and its components	DnF, pp. 121 and 122			
103-3 Evaluation of the management approach	DnF, pp. 64, 72, 121 and 122			CSC | Article 508-G, Number 2, Paragraph c)
306-2 Waste by type and treatment method Scope: Excludes NOS Azores and NOS Madeira	DnF, pp 121 and 122	7, 8	12	CSC | Article 508-G, Number 2, Paragraph e)
GRI 307: Environmental Compliance 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 76, 77 and 79			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 76, 77 and 79			

<table>
<tr><th>Indicator/Response</th><th>Location</th><th>UNGC Principles</th><th>SDG</th><th>Legal Correspondence</th></tr>
<tr><td>103-3 Evaluation of the management approach</td><td>DnF, pp. 64 and 72</td><td></td><td></td><td>CSC | Article 508-G, Number 2, Paragraph c)</td></tr>
<tr><td>307-1 Non-conformities resulting from non-compliance with environmental laws and regulations
In the reporting period there is no record of such occurrences.
Scope: Excludes NOS Azores and NOS Madeira.</td><td></td><td>8</td><td>16</td><td>CSC | Article 508-G, Number 2, Paragraph e)</td></tr>
<tr><td colspan="5">SOCIAL PERFORMANCE</td></tr>
<tr><td colspan="5">GRI 401: Employment 2016</td></tr>
<tr><td colspan="5">Management Approach</td></tr>
<tr><td>103-1 Explanation of the material topic and its boundary</td><td>DnF, pp. 68-70, 103 and 104</td><td></td><td></td><td rowspan="2">CSC | Article 508-G, Number 2, Paragraph b)</td></tr>
<tr><td>103-2 The management approach and its components</td><td>DnF, pp. 103 and 104</td><td></td><td></td></tr>
<tr><td>103-3 Evaluation of the management approach</td><td>DnF, pp. 64, 72, 103, 104 and 108</td><td></td><td></td><td>CSC | Article 508-G, Number 2, Paragraph c)</td></tr>
<tr><td>401-1 Hiring new employees and employee turnover
<table>
<tr><th>Year 2018</th><th>Total number of entries</th><th>Total number of exits</th></tr>
<tr><td><30 years old</td><td>89</td><td>51</td></tr>
<tr><td>30-50 years old</td><td>68</td><td>126</td></tr>
<tr><td>>50 years old</td><td>1</td><td>6</td></tr>
<tr><td>Female</td><td>60</td><td>91</td></tr>
<tr><td>Male</td><td>98</td><td>92</td></tr>
<tr><td>Total</td><td>158</td><td>183</td></tr>
<tr><td>Year 2018</td><td>Admission rate</td><td>Net Replacement Rate</td></tr>
<tr><td><30 years old</td><td>4,6%</td><td>2,0%</td></tr>
<tr><td>30-50 years old</td><td>3,5%</td><td>-3,0%</td></tr>
<tr><td>>50 years old</td><td>0,05%</td><td>-0,3%</td></tr>
<tr><td>Female</td><td>3,1%</td><td>-1,6%</td></tr>
<tr><td>Male</td><td>5,1%</td><td>0,3%</td></tr>
<tr><td>Total</td><td>8,2%</td><td>-1,3%</td></tr>
</table>
Scope: All employees except cinema workers, internships and government agencies.
See Methodological Notes</td><td>DnF, pp. 103 and 104
Annex II</td><td>6</td><td>5, 8</td><td>CSC | Article 508-G, Number 2, Paragraph e)</td></tr>
<tr><td>401-2 Benefits for full-time employees which are not assigned to temporary or part-time employees
NOS does not distinguish the benefits granted between full-time employees and part-time employees.
Scope: All employees except cinema workers, internships and government agencies.</td><td>DnF, p. 108</td><td></td><td>8</td><td></td></tr>
</table>

<table>
<tr><th>Indicator/Response</th><th>Location</th><th>UNGC Principles</th><th>SDG</th><th>Legal Correspondence</th></tr>
<tr><td>401-3 Parental leave
<table>
<tr><th>Rates 2018</th><th>Women</th><th>Men</th><th>Total</th></tr>
<tr><td>Return</td><td>95,3%</td><td>100%</td><td>98,2%</td></tr>
<tr><td>Retention</td><td>88,1%</td><td>93,0%</td><td>90,9%</td></tr>
</table>
Scope: All employees except cinema workers, internships contracts and government agencies.
See Methodological Notes</td><td>DnF, Annex II</td><td>3, 6</td><td>5, 8</td><td></td></tr>
<tr><td colspan="5">GRI 403: Safety and Health at Work 2016</td></tr>
<tr><td colspan="5">Management Approach</td></tr>
<tr><td>103-1 Explanation of the material topic and its boundary</td><td>DnF, pp. 68-70, 111 and 112</td><td></td><td></td><td rowspan="2">CSC | Article 508-G, Number 2, Paragraph b)</td></tr>
<tr><td>103-2 The management approach and its components</td><td>DnF, pp. 111 and 112</td><td></td><td></td></tr>
<tr><td>103-3 Evaluation of the management approach</td><td>DnF, pp. 64 and 72</td><td></td><td></td><td>CSC | Article 508-G, Number 2, Paragraph c)</td></tr>
<tr><td>403-2 Types and rates of injuries, occupational diseases, days lost, absenteeism and number of work-related deaths
<table>
<tr><th></th><th>2018</th></tr>
<tr><td>Frequency Rate</td><td>4,98</td></tr>
<tr><td>Absenteeism Rate</td><td>1,4%</td></tr>
<tr><td>Lost Days Rate</td><td>50,1</td></tr>
<tr><td>No. of Occupational Diseases</td><td>0</td></tr>
</table>
Scope: All employees except cinema workers, internships contracts and government agencies.
See Methodological Notes</td><td>DnF, Annex II</td><td></td><td>8</td><td>CSC | Article 508-G, Number 2, Paragraph e)</td></tr>
<tr><td colspan="5">GRI 404: Training and Education 2016</td></tr>
<tr><td colspan="5">Management Approach</td></tr>
<tr><td>103-1 Explanation of the material topic and its boundary</td><td>DnF, pp. 68-70, 109 and 110</td><td></td><td></td><td rowspan="2">CSC | Article 508-G, Number 2, Paragraph b)</td></tr>
<tr><td>103-2 The management approach and its components</td><td>DnF, pp. 109 and 110</td><td></td><td></td></tr>
<tr><td>103-3 Evaluation of the management approach</td><td>DnF, pp. 64, 72, 106, 107, 109 and 110</td><td></td><td></td><td>CSC | Article 508-G, Number 2, Paragraph c)</td></tr>
</table>

<table>
<tr><th>Indicator/Response</th><th>Location</th><th>UNGC Principles</th><th>SDG</th><th>Legal Correspondence</th></tr>
<tr><td>404-1 Average annual hours of training per employee
<table>
<tr><th>Professional category</th><th>Gender</th><th>2018</th></tr>
<tr><td rowspan="3">Technical</td><td>Men</td><td>26,6</td></tr>
<tr><td>Women</td><td>22,5</td></tr>
<tr><td>Total</td><td>24,8</td></tr>
<tr><td rowspan="3">Managers</td><td>Men</td><td>40,4</td></tr>
<tr><td>Women</td><td>29,8</td></tr>
<tr><td>Total</td><td>37,2</td></tr>
<tr><td rowspan="3">Directors</td><td>Men</td><td>21,2</td></tr>
<tr><td>Women</td><td>20,0</td></tr>
<tr><td>Total</td><td>20,8</td></tr>
</table>
Scope: All employees except cinema workers, internships contracts and government agencies.
See Methodological Notes</td><td>DnF, pp. 109 and 110
Annex II</td><td>6</td><td>4, 5, 8</td><td>CSC | Article 508-G, Number 2, Paragraph e)</td></tr>
<tr><td>404-3 Percentage of employees receiving regular performance and career development evaluation
<table>
<tr><th>Professional category</th><th>Gender</th><th>2018</th></tr>
<tr><td rowspan="3">Technical</td><td>Men</td><td>99%</td></tr>
<tr><td>Women</td><td>97%</td></tr>
<tr><td>Total</td><td>98%</td></tr>
<tr><td rowspan="3">Managers</td><td>Men</td><td>97%</td></tr>
<tr><td>Women</td><td>95%</td></tr>
<tr><td>Total</td><td>97%</td></tr>
<tr><td rowspan="3">Directors</td><td>Men</td><td>97%</td></tr>
<tr><td>Women</td><td>100%</td></tr>
<tr><td>Total</td><td>98%</td></tr>
</table>
Scope: All employees covered by the performance evaluation model.</td><td>DnF, pp. 106 and 107</td><td>6</td><td>5, 8</td><td></td></tr>
<tr><td colspan="5">GRI 405: Diversity and Equal Opportunity 2016</td></tr>
<tr><td colspan="5">Management Approach</td></tr>
<tr><td>103-1 Explanation of the material topic and its boundary</td><td>DnF, pp. 68-70, 103 and 104</td><td></td><td></td><td rowspan="2">CSC | Article 508-G, Number 2, Paragraph b)</td></tr>
<tr><td>103-2 The management approach and its components</td><td>DnF, pp. 103 and 104</td><td></td><td></td></tr>
<tr><td>103-3 Evaluation of the management approach</td><td>DnF, pp. 64, 72, 103 and 104</td><td></td><td></td><td>CSC | Article 508-G, Number 2, Paragraph c)</td></tr>
</table>

<table>
<tr><th>Indicator/Response</th><th>Location</th><th>UNGC Principles</th><th>SDG</th><th>Legal Correspondence</th></tr>
<tr><td>405-1 Diversity in governance bodies and employees
<table>
<tr><th rowspan="2">Categories</th><th colspan="2">Gender</th><th colspan="3">Age</th></tr>
<tr><td>Men</td><td>Women</td><td><30</td><td>30 - 50</td><td>>50</td></tr>
<tr><td>Technical</td><td>848</td><td>657</td><td>191</td><td>1209</td><td>105</td></tr>
<tr><td>Manager</td><td>251</td><td>106</td><td>3</td><td>308</td><td>46</td></tr>
<tr><td>Director</td><td>40</td><td>17</td><td>0</td><td>41</td><td>16</td></tr>
<tr><td>Governing bodies</td><td>16</td><td>5</td><td>0</td><td>11</td><td>10</td></tr>
</table>
Scope: All employees except cinema workers and internships contracts.</td><td>DnF, pp. 103 and 104</td><td>6</td><td>5, 8</td><td rowspan="2">CSC | Article 508-G, Number 2, Paragraph e)</td></tr>
<tr><td>405-2 Ratio of base salary and remuneration between women and men
NOS chose not to report this indicator since the salaries are set based on experience and function performed and not by gender. Thus, for the same function and experience men and women earn the same basic salary level.</td><td></td><td>6</td><td>5, 8</td></tr>
<tr><td colspan="5">GRI 406/ 407/ 408/ 409: Non-Discrimination / Freedom of Association and Collective Bargaining / Child Labour / Forced or Slave Labour 2016</td></tr>
<tr><td colspan="5">Management Approach
The topic is non-material for NOS. Our response ensures a better alignment with the DL89.</td></tr>
<tr><td>406-1 Incidents of discrimination and corrective measures taken
No incidents of discrimination were recorded.</td><td></td><td>1, 6</td><td>5, 8, 16</td><td>CSC | Article 508-G, Number 2</td></tr>
<tr><td>407-1 Operations and suppliers where freedom of association and of collective bargaining may be at risk
408-1 Operations and suppliers where there is a significant risk of child labour incidents
409-1 Operations and suppliers where there is a significant risk of slave or forced labour incidents
At NOS there is no knowledge of such situations. The NOS rules its action respecting the labour legislation. In addition, it is a subscriber of the UN Global Compact Principles and applies to its suppliers Sustainability Requirements, that contemplate these subjects. In 2017, the NOS also subscribed to the Letter of Principles of the BCSD Portugal that contemplates this subject.</td><td></td><td>3, 4, 5</td><td>8,16</td><td>CSC | Article 508-G, Number 2</td></tr>
<tr><td colspan="5">GRI 403: Local Communities 2016</td></tr>
<tr><td colspan="5">Management Approach
The topic is non-material for NOS.</td></tr>
<tr><td>413-1 Operations with local community involvement, impact assessments and development programs</td><td>DnF, pp. 130 and 135</td><td></td><td></td><td>CSC | Article 508-G, Number 2</td></tr>
<tr><td colspan="5">GRI 414: Suppliers Social Assessment 2016</td></tr>
<tr><td colspan="5">Management Approach</td></tr>
<tr><td>103-1 Explanation of the material topic and its boundary</td><td>DnF, pp. 68-70, 84 and 86</td><td></td><td></td><td rowspan="2">CSC | Article 508-G, Number 2, Paragraph b)</td></tr>
<tr><td>103-2 The management approach and its components</td><td>DnF, pp. 84 and 86</td><td></td><td></td></tr>
</table>

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
103-3 Evaluation of the management approach	DnF, pp. 64 and 72			CSC | Article 508-G, Number 2, Paragraph c)
414-1 New suppliers selected based on social criteria The Assessment for the year 2018 will take place during the first quarter of 2019 and will contemplate, for the first time, the criteria of Ethics, Environment and Safety and Health at Work.		1, 2, 3, 4, 5, 6	8, 12, 16, 17	CSC | Article 508-G, Number 2, Paragraph e)
GRI 415: Public Policies 2016				
Management Approach The topic was considered non-material for NOS.				
415-1 Political contributions NOS assumes itself as a nonpartisan and apolitical organization. It does not support financially or in kind, under any circumstances, political parties, organizations or individuals associated with them whose mission is essentially political.		10	16	CSC | Article 508-G, Number 2
Customer Health and Safety				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 96-98			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 96-98			
103-3 Evaluation of the management approach	DnF, pp. 64 and 72			CSC | Article 508-G, Number 2, Paragraph c)
416-2 Incidents of non-compliance related to health and safety impacts caused by products and services In the reporting period there is no record of such occurrences.			16	CSC | Article 508-G, Number 2, Paragraph e)
GRI 417: Information/Labelling of Products and Services 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp 68-70, and 90			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, p. 90			
103-3 Evaluation of the management approach	DnF, pp. 64 and 72			CSC | Article 508-G, Number 2, Paragraph c)
417-2 Incidents of non-compliance related to information/labelling of products and services In the period of reporting there are seven nonconformities related to the information of products and services (one in NOS Cinema and six in NOS Communications) that resulted in processes with a fine.			16	CSC | Article 508-G, Number 2, Paragraph e)
417-3 Incidents of non-compliance related to marketing communications In the reporting period there is no record of such occurrences.			16	

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
GRI 418: Customer Privacy 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 80-83			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 80 and 83			
103-3 Evaluation of the management approach	DnF, pp. 64 and 72			CSC | Article 508-G, Number 2, Paragraph c)
418-1 Founded complaints regarding breaches of customer privacy and losses of customer data In the reporting period there is a recorded complaint regarding costumer privacy breach and loss of customer data.				CSC | Article 508-G, Number 2, Paragraph e)
GRI 419: *Socioeconomic Compliance* 2016				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 68-70, 76, 77 and 79			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 76, 77 and 79			
103-3 Evaluation of the management approach	DnF, pp. 64 and 72			CSC | Article 508-G, Number 2, Paragraph c)
419-1 Non-compliance with laws and regulations in the social and economic areas In the reporting period, 6 ANACOM minor offences cases were recorded, resulting in fines totalling € 589,166.00.			16	CSC | Article 508-G, Number 2, Paragraph e)

Subtitle:
DFC – 2018 Consolidated Financial Statements
DnF – 2018 Non-Financial Statements
UNGC principles - *United Nations Global Compact*
SDG - Sustainable Development Goals
RG – 2018 Annual Report
RGS – 2018 Corporate Governance Report
DL89 - Decree-Law no. 89/2017 of July 28th
CSC - Portuguese Companies Code | Amendments introduced by Decree-Law no. 89/2017 of July 28th
CVM - Portuguese Securities Market Code | Amendments introduced by Decree-Law no. 89/2017 of July 28th

Appendix II

Methodological notes

201-1 VALOR ECONÓMICO DIRETO GERADO E DISTRIBUÍDO

Economic value generated: The economic value generated is equivalent to the turnover and corresponds to the sum of the following parts: net sales; financial investment income; revenue from asset sales.

Distributed economic value: The economic value distributed is equivalent to the costs of acquiring products, materials and services and corresponds to the sum of the following parts: operating costs; salaries and benefits to employees; payments to capital providers; payments to governments; investments in the community.

Accumulated economic value: The accumulated economic value corresponds to the difference between the economic value generated and the economic value distributed.

204-1 PROPORTION OF EXPENSES WITH LOCAL SUPPLIERS

For NOS, a national supplier is a Supplier with headquarters in the country of the NOS company. For example, for "NOS Sistemas Espanha", a Spanish supplier is a national supplier.

401-1 NEW HIRES AND EMPLOYEE NET REPLACEMENT

In calculating the admissions and net replacement rates the following formulas were used:

Admission rate: Number of admissions/total number of employees

Net Replacement Rate: [((Entries-Exits) + Total number of employees) / Total number of employees] -1

401-3 RETURN TO WORK AND EMPLOYEE RETENTION RATES

In calculating the rates of return to work and retention the following formulas were used:

Return rate: Total number of employees returning after the period of compulsory parental leave /Total number of employees that should return to work after compulsory parental leave) * 100

Retention rate: Total number of employees who returned to work after the period of compulsory parental leave and remain employed after 12 months /Total number of employees who returned to work after the period of compulsory parental leave in the previous period) * 100

403-2 RATES OF INJURIES, OCCUPATIONAL DISEASES, DAYS LOST, ABSENTEEISM AND NUMBER OF WORK-RELATED DEATHS

Occupational accidents: For the purposes of accounting for occupational accidents occurring in the reporting period, all accidents reported to the Human Resources Department are considered, even if they do not generate lost work days.

Days lost: Only working days are counted in the count of days lost. The count of lost days starts the day after the date of the accident.

Occupational diseases: For NOS, occupational diseases are related to the type of work developed by the employee and predictably they would be related to psychiatric leave, nervous exhaustion, tendinitis and musculoskeletal injuries. For the purposes of reporting this indicator, are considered as occupational diseases those communicated and proven in the reporting year.

Accident rates: in calculating the accident rates the following calculation formulas were used:

- Frequency rate = (number of work accidents occurred in the reporting period / number of workable hours) * 1000000
- Lost Days Rate = (number of lost work days related to work accident or occupational disease in the reporting period / No. of workable hours) * 1000000
- Absenteeism rate = number of working days lost due to absence / number of workable days
- Absenteeism: number of days lost due to injuries, occupational diseases, sick leave, family assistance, medical appointments, quarantine and suspensions for disciplinary proceedings. Days of vacation, study, maternity/paternity leave and absences due to the death of family members are excluded.

404-1 AVERAGE HOURS OF TRAINING PER YEAR AND PER EMPLOYEE

In calculating the average number of training hours, per gender and organizational group, the following calculation formulas were used:

Average number of hours of training per employee: Total number of training hours/ Total number of employees

Average hours of training per gender (M/F): Total number of training hours per gender (M/F) / Total number of employees per gender (M/F)

Average number of training hours per organizational group: Total number of training hours per organizational group / Total number of employees in each organizational group

302 - ENERGY CONSUMPTION AND ENERGY EFFICIENCY

Global energy consumption - Total energy consumption associated with NOS activity. Includes consumption of fossil fuels (fleet, buildings, cinemas and emergency generators), consumption of electricity, heat and cold purchased from third parties (technical infrastructure, buildings, own stores and cinemas) and consumption of electricity from renewable self-generation (micro-generation on mobile network sites).

The indicator is expressed in Gigajoule (GJ) using the most recent versions of conversion factors published by the Portuguese national authorities: Lower calorific value and fuel density (General Direction of Energy and Geology) and fuel oxidation factor (Portuguese Environment Agency).

Data traffic - Total volume of data traffic in the NOS telecommunications network. Includes mobile (UMTS and GPRS) and fixed data. It includes traffic associated with the non-linear TV services (streaming) and excludes linear TV (broadband).

Energy consumption per data traffic volume - Ratio between the overall energy consumption of NOS, expressed in GJ, and the volume of data traffic on the company's telecommunications network, expressed in terabytes (TB). It does not reflect the voice traffic on the network or data centre activity that does not involve traffic in the external network to these facilities.

305 - CARBON FOOTPRINT

Methodology - The NOS carbon footprint is accounted for in accordance to The GHG Protocol Corporate Accounting and Reporting Standard - Revised Edition (2004) methodology, complemented by the guidelines contained in The GHG Protocol Scope 2 Guidance (2015), in the accounting of scope 2 emissions , and The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011), in the accounting of scope 3 emissions. The consolidation approach used is operational control.

Greenhouse gas (GHG) - The GHGs included are carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and fluorinated gases (hydrofluorocarbons - HFCs; Perfluorocarbons - PFCs, sulphur hexafluoride - SF6; nitrogen trifluoride - NF3).The results are converted to equivalent carbon dioxide (CO2e) using the Global Warming Potential (GWP) values published in the Intergovernmental Panel on Climate Change Forth Assessment Report.

Scope 1 emissions - Total direct emissions occurring in sources owned or controlled by NOS. Includes emissions associated with fixed and mobile combustion of fossil fuels and fugitive emissions of refrigeration gases used in equipment.

- **Fossil fuels:** Emissions calculated based on the fuel supplied and on conversion factors contained in the most recent issue of the National Emissions Inventory (Portuguese Environment Agency). For road diesel and gasoline the most recent information on the incorporation rate of biofuels (biodiesel and bioethanol, respectively) commercialized in Portugal is used.
- **Fluorinated gases:** Emissions calculated by applying GWP values, specific for each type of gas, to the quantities emitted. It is considered that the amount emitted is equal to the amount consumed to replenish leaks.

Scope 2 emissions - Total emissions associated with the production of energy purchased from third parties and consumed in NOS facilities and equipment. It includes emissions associated with purchased electricity, heat and cold.

- **Electricity:** Emissions calculated based on electric energy invoiced. The calculation according to the Location Based Method uses the representative conversion factor of the average carbon content of electricity from the electric grid in Portugal, according to the most recent data published by the International Energy Agency (data on electricity production in year no.2). The calculation according to the Market Based Method uses the specific conversion factor of the carbonic content of electricity provided by the supplier during the reporting year.
- **Thermal energy:** Emissions calculated based on thermal energy (heat and cold) invoiced. The calculation uses the specific conversion factor of one of the two thermal energy suppliers. This factor is considered representative of the total supply considering the similarity of fuel (natural gas) and technology (cogeneration) used.

Scope 3 emissions: Total emissions associated with third-party activities in the NOS value chain, upstream and downstream of own activities. Among the emission sources classified in the 15 categories defined by The GHG Protocol, currently the following are accounted for: employees' in-service missions, third-party vehicles (category 6), employees' work-home travels - Commuting (category 7) and treatment of waste generated in operations (category 5)

- **Airplane travelling:** Emissions calculated based on distances travelled and number of passengers. The calculation uses average conversion factors per passenger. km for each route typology, based on the most recent edition of the emission factors published by the UK Department for Environment Food and Rural Affairs. The conversion factors are affected by the Radiative Strength Index, by reference to the CO2 emitted, and a distance adjustment factor for correction of non-linear routes.

- **Train travelling:** Emissions calculated based on distances travelled and number of passengers. The calculation uses a conversion factor per passenger.km representative of the rail transport in Portugal, based on the latest information from the operator.
- **Taxi travelling:** Emissions calculated based on estimated distance travelled, made from reimbursed expenses and average travel representative of the taxi trips of NOS employees in Portugal. The calculation of the emissions uses the representative conversion factor of diesel road vehicles, contained in the most recent edition of the National Emissions Inventory (Portuguese Environment Agency).
- **Waste:** Emissions calculated based on information on production and final destination of waste produced, as communicated to the Portuguese Environment Agency. The calculation uses the representative conversion factor of landfill waste, according to the most recent edition of the National Emissions Inventory (Portuguese Environment Agency), considering the entire period of its degradation (30 years).The emissions associated with recycling and energy recovery are considered null because they are, in terms of Portuguese national inventory, allocated to the respective sectors of activity and not to waste treatment.
- **Wastewater:** Emissions calculated based on estimates of discharged wastewater, made from quantities supplied. The calculation uses the representative conversion factor of domestic wastewater treatment, according to the most recent edition of the National Emissions Inventory (Portuguese Environment Agency).
- **Commuting:** Emissions calculated on the basis of distances and means of transport, assessed through a employee survey regarding their 2017 mobility standard, assuming the respective maintenance in 2018. The calculation uses conversion factors representative of the different modes of transport, similar to those used in the calculation of missions' emissions.

ELECTROMAGNETIC FIELDS

Radiation exposure threshold values - Maximum value of power density allowed for exposure to the electromagnetic field, depending on the frequency under analysis, according to Ordinance No. 1421/2004 of 23 November, which follows the Council Recommendation 1999/519/EC of 12th July.

COMPLIANCE INDICATORS – NON-CONFORMITIES

For the purpose of reporting this indicator all legal proceeding, which resulted in the application to NOS of any sanctions for non-compliance with laws or resolutions issued by the regulatory authority, were considered.

Appendix III

Declaration of External Verification

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Independent Limited Assurance Report of the Consolidated Non-Financial Information Statements

(Free translation from the Original Independent Limited Assurance Report in Portuguese dated March 7, 2019. In case of any discrepancy, the Portuguese version always prevails.)

To the Board of Directors of
NOS S.G.P.S., S.A.

Introduction

1. We have been engaged by the Board of Directors of NOS S.G.P.S., SA to proceed with the independent review of the Non-Financial Information Statements on Sustainability Strategy and Performance (hereinafter the "Non-Financial Information Statements") included in the "Report and Accounts 2018", relating to the sustainability activities carried out from 1 January 2018 to 31 December 2018.

Responsibilities

2. The Board of Directors is responsible for preparing the "Non-Financial Information Statements", and to maintain an appropriate internal control system that allows the information presented to be free of material misstatements due to fraud or error.
3. It is our responsibility to issue a limited assurance report, professional and independent, based on the procedures performed and described in the "Scope" section below.

Scope

4. Our review procedures have been planned and executed in accordance with the International Standard on Assurance Engagements (ISAE 3000, Revised) – "Assurance engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standard Board, for a limited level of assurance.
5. A limited assurance engagement consists mainly in the formulation of questions to those in charge of the organization and in analytical procedures, including review tests on a sample basis. Therefore, the assurance provided by these procedures is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our independent review procedures comprised the following:
   - Conducting interviews with Management, in order to understand how the information system is structured and assess their level of knowledge of the topics addressed in the report;
   - Review of the processes, criteria and systems adopted to collect, consolidate, report and validate the data for the year 2018;
   - Analytical review, on a sample basis, of the data calculated by Management, and verification of quantitative and qualitative information disclosed in the report;
   - Confirmation on how collection, consolidation, validation and report procedures are being implemented in selected operating units;
   - Verification of the conformity of the information included in the non-financial information statements with the results of our work.

6. Regarding sustainability reporting standards of the Global Reporting Initiative – GRI Standards 2016, we performed a review of the self-evaluation made by Management of the adopted option to apply the GRI Standards 2016 and conformity with Article 508-G of the Portuguese Companies Act (*Código das Sociedades Comerciais*) and 245-A, paragraph r) of the Securities Market Code (*Código do Mercado dos Valores Mobiliários*) with respect to non-financial and diversity disclosures.

Quality and independence

7. Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and regulatory provisions applicable and we comply with the independence and ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the Code of Ethics of the Order of Chartered Accountants (OROC).

Conclusion

8. Based on our work, nothing has come to our attention that causes us to believe that the systems and procedures for the collection, consolidation, validation and reporting of the information included in the "Non-Financial Information Statements" are not operating appropriately and the information disclosed is not free from relevant material misstatements. Additionally, we concluded that the "Non-Financial Information Statements" include the required data and information for a Core option as defined by the GRI Standards 2016 and by the Article 508º G of the Portuguese Companies Act and paragraph r) of the article 245ºA of the Securities Market Code.

Porto, 7th March 2019

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

Signed

Sandra e Sousa Amorim - ROC nº 1213
Registered with the Portuguese Securities Market Commission under license nº 20160824

Consolidated Financial Statements

Consolidated statement of financial position
at 31 December 2017 and 2018

(Amounts stated in thousands of euros)

	NOTES	31-12-2017 REPORTED	31-12-2017 RESTATED	31-12-2018
ASSETS				
NON - CURRENT ASSETS				
Tangible assets	8	1,137,209	1,043,939	1,053,663
Investment property		661	661	659
Intangible assets	9	1,141,104	1,082,601	1,064,878
Contract costs	10	-	170,797	162,948
Investments in jointly controlled companies and associated companies	11	37,130	37,130	19,585
Accounts receivable - other	12	6,185	6,185	7,334
Tax receivable	13	149	149	149
Available-for-sale financial assets		180	180	204
Deferred income tax assets	14	99,538	109,355	85,641
Derivative financial instruments	20	-	-	112
TOTAL NON - CURRENT ASSETS		2,422,156	2,450,997	2,395,174
CURRENT ASSETS:				
Inventories	15	32,044	32,044	38,885
Accounts receivable - trade	16	406,904	400,895	382,100
Contract assets	17	-	47,424	57,022
Accounts receivable - other	12	10,366	10,366	9,418
Tax receivable	13	14,945	14,945	1,246
Prepaid expenses	18	77,657	46,527	38,844
Non-current assets held-for-sale	19	-	-	600
Derivative financial instruments	20	19	19	73
Cash and cash equivalents	21	2,977	2,977	2,182
TOTAL CURRENT ASSETS		544,911	555,198	530,370
TOTAL ASSETS		2,967,067	3,006,195	2,925,543
SHAREHOLDER'S EQUITY				
Share capital	22.1	5,152	5,152	5,152
Capital issued premium	22.2	854,219	854,219	854,219
Own shares	22.3	(12,681)	(12,681)	(12,132)
Legal reserve	22.4	1,030	1,030	1,030
Other reserves and accumulated earnings	22.4	105,489	129,504	86,909
Net Income		124,094	122,083	141,405
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,077,301	1,099,306	1,076,582
Non-controlling interests	23	9,067	7,807	7,301
TOTAL EQUITY		1,086,368	1,107,114	1,083,883
LIABILITIES				
NON - CURRENT LIABILITIES				
Borrowings	24	954,658	954,658	888,918
Provisions	25	133,262	133,262	128,815
Accounts payable	29	17,615	17,615	9,723
Accrued expenses	26	8,767	8,767	688
Deferred income	27	3,773	3,773	5,521
Derivative financial instruments	20	2,462	2,462	-
Deferred income tax liabilities	14	7,140	25,523	5,968
TOTAL NON - CURRENT LIABILITIES		1,127,678	1,146,060	1,039,632
CURRENT LIABILITIES:				
Borrowings	24	210,136	210,136	244,134
Accounts payable - trade	28	224,864	224,864	254,950
Accounts payable - other	29	58,155	58,155	38,226
Tax payable	13	19,222	19,222	33,783
Accrued expenses	26	213,564	213,564	197,052
Deferred income	27	27,047	27,047	32,671
Derivative financial instruments	20	33	33	1,211
TOTAL CURRENT LIABILITIES		753,021	753,022	802,028
TOTAL LIABILITIES		1,880,699	1,899,082	1,841,661
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		2,967,067	3,006,195	2,925,543

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 31 December 2018.

The Chief Accountant

The Board of Directors

Consolidated statement of income by nature
for the financial years ended on 31 December 2017 and 2018

(Amounts stated in thousands of euros)

	NOTES	4º QUARTER 17 REPORTED	12M 17 REPORTED	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
REVENUES:							
Services rendered		377,501	1,480,102	373,019	1,459,448	377,427	1,464,349
Sales		18,771	68,833	22,568	83,771	26,382	87,682
Other operating revenues		3,042	12,847	3,363	15,422	5,069	24,130
	30	399,316	1,561,783	398,949	1,558,640	408,878	1,576,161
COSTS, LOSSES AND GAINS:							
Wages and salaries	31	23,114	89,201	23,114	89,201	22,497	82,703
Direct costs	32	136,294	499,897	136,108	498,855	143,847	515,493
Costs of products sold	33	14,887	51,111	18,510	63,391	18,045	62,660
Marketing and advertising		13,641	36,415	13,641	36,415	14,145	35,774
Support services	34	24,564	92,920	24,847	92,851	21,920	84,582
Supplies and external services	34	42,432	172,914	40,835	163,848	33,086	148,567
Other operating losses / (gains)		122	605	122	605	167	751
Taxes		8,119	32,455	8,119	32,455	8,764	34,123
Provisions and adjustments	35	7,062	5,627	7,062	5,627	16,365	19,745
Depreciation, amortisation and impairment losses	8, 9 e 37	111,798	422,211	111,847	419,936	92,890	390,001
Integration costs		2,242	8,260	2,242	8,260	2,110	10,684
Losses / (gains) on sale of assets, net		55	56	55	56	(210)	(496)
Other losses / (gains) non recurrent net	38	1,655	7,349	1,655	7,349	3,194	(9,199)
		385,986	1,419,021	388,157	1,418,848	376,819	1,375,387
INCOME BEFORE FINANCIAL RESULTS AND TAXES		13,330	142,762	10,793	139,793	32,058	200,773
Losses / (gains) of affiliated companies, net	11 e 36	(7,950)	(22,933)	(7,950)	(22,933)	1,990	6,441
Financial costs	39	4,349	20,135	4,349	20,135	3,931	16,594
Net foreign exchange losses / (gains)		(65)	57	(65)	57	(190)	(152)
Net losses / (gains) on financial assets		2	2	2	2	(132)	(132)
Net other financial expenses / (income)	39	1,408	3,800	1,408	3,800	1,136	7,845
		(2,256)	1,061	(2,255)	1,061	6,734	30,595
INCOME BEFORE TAXES		15,585	141,701	13,047	138,732	25,324	170,178
Income taxes	14	(2,885)	17,480	(3,730)	16,500	6,825	29,276
NET CONSOLIDATED INCOME		18,470	124,221	16,777	122,232	18,499	140,902
ATTRIBUTABLE TO:							
NOS Group Shareholders		18,628	124,094	16,953	122,083	18,404	141,405
Non-controlling interests	23	(157)	128	(176)	149	94	(504)
EARNINGS PER SHARES							
Basic - euros	40	0.04	0.24	0.03	0.24	0.04	0.28
Diluted - euros	40	0.04	0.24	0.03	0.24	0.04	0.28

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 financial year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Consolidated statement of comprehensive income for the financial years ended on 31 December 2017 and 2018

(Amounts stated in thousands of euros)

	NOTES	4º QUARTER 17 REPORTED	12M 17 REPORTED	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
NET CONSOLIDATED INCOME		18,470	124,221	16,777	122,232	18,499	140,902
OTHER INCOME							
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:							
Accounting for equity method	11	6,841	6,825	6,841	6,825	470	(10,501)
Fair value of interest rate swap	20	271	1,574	271	1,574	374	1,242
Deferred income tax - interest rate swap	20	(61)	(354)	(61)	(354)	(84)	(279)
Fair value of equity swaps	20	157	177	157	177	16	(10)
Deferred income tax - equity swap	20	(35)	(40)	(35)	(40)	(4)	2
Deferred income tax - exchange rate forward	20	4	-	4	-	-	-
Currency translation differences and others		(17)	(48)	(17)	(48)	22	(1,192)
INCOME RECOGNISED DIRECTLY IN EQUITY		7,160	8,134	7,160	8,134	794	(10,738)
TOTAL COMPREHENSIVE INCOME		25,630	132,355	23,937	130,366	19,293	130,164
ATTRIBUTABLE TO:							
NOS Group Shareholders		25,787	132,227	24,113	130,217	19,199	130,668
Non-controlling interests		(157)	128	(176)	149	94	(504)
		25,630	132,355	23,937	130,366	19,293	130,164

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 financial year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Consolidated statement of changes in shareholders’ equity for the financial years ended on 31 December 2017 and 2018

(Amounts stated in thousands of euros)

	NOTES	ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS						NON - CONTROLLING INTERESTS	TOTAL
		SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME		
BALANCE AS AT 1 JANUARY 2017 (REPORTED)		5,152	854,219	(18,756)	1,030	112,031	90,381	9,041	1,053,099
Effect of adoption of IRFS 15 (Note 2.1)		-	-	-	-	26,464	1,971	(1,266)	27,169
BALANCE AS AT 1 JANUARY 2017 (RESTATED)		5,152	854,219	(18,756)	1,030	138,495	92,352	7,775	1,080,267
Result appropriation									
Transfers to reserves		-	-	-	-	92,352	(92,352)	-	-
Dividends paid		-	-	-	-	(102,617)	-	-	(102,617)
Distribution of own shares - share incentive scheme		-	-	5,790	-	(5,790)	-	-	-
Distribuition of own shares - other remunerations		-	-	285	-	(79)	-	-	206
Share Plan - costs incurred in the period and others		-	-	-	-	3,261	-	(44)	3,217
Minority acquisition		-	-	-	-	-	-	(58)	(58)
Comprehensive Income		-	-	-	-	8,134	122,083	149	130,366
Others		-	-	-	-	169	-	-	169
BALANCE AS AT 31 DECEMBER 2017 (RESTATED IFRS 15)		5,152	854,219	(12,681)	1,030	133,925	122,083	7,822	1,111,549
Effect of adoption of IFRS 9 (Note 2.1)		-	-	-	-	(4,339)	-	(15)	(4,354)
BALANCE AS AT 31 DECEMBER 2017 (RESTATED)		5,152	854,219	(12,681)	1,030	129,586	122,083	7,806	1,107,195
BALANCE AS AT 1 JANUARY 2018 (REPORTED)		5,152	854,219	(12,681)	1,030	105,489	124,094	9,067	1,086,368
Effect of adoption of IFRS 15 (Note 2.1)		-	-	-	-	28,353	(2,011)	(1,245)	25,097
Effect of adoption of IFRS 9 (Note 2.1)		-	-	-	-	(4,339)	-	(15)	(4,354)
BALANCE AS AT 1 JANUARY 2018 (RESTATED)		5,152	854,219	(12,681)	1,030	129,504	122,083	7,807	1,107,113
Result appropriation									
Transfers to reserves		-	-	-	-	122,083	(122,083)	-	-
Dividends paid		-	-	-	-	(153,923)	-	-	(153,923)
Aquisition of own shares	22.3	-	-	(3,096)	-	-	-	-	(3,096)
Distribution of own shares - share incentive scheme	22.3	-	-	3,542	-	(3,542)	-	-	-
Distribuition of own shares - other remunerations	22.3	-	-	103	-	(20)	-	-	83
Share Plan - costs incurred in the period and others	44	-	-	-	-	3,544	-	(2)	3,542
Comprehensive Income		-	-	-	-	(10,738)	141,405	(504)	130,164
BALANCE AS AT 31 DECEMBER 2018		5,152	854,219	(12,132)	1,030	86,909	141,405	7,301	1,083,883

The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the financial year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Consolidated statement of cash flows
for the financial years ended on 31 December 2017 and 2018

(Amounts stated in thousands of euros)

	NOTES	12M 17 REPORTED	12M 17 RESTATED	12M 18
OPERATING ACTIVITIES				
Collections from clients		1,787,339	1,787,339	1,858,085
Payments to suppliers		(1,032,457)	(1,033,760)	(1,003,078)
Payments to employees		(114,565)	(114,565)	(109,752)
Receipts / (Payments) relating to income taxes		(17,333)	(17,333)	(3,564)
Other cash receipts / (payments) related with operating activities		(99,369)	(99,369)	(83,058)
CASH FLOW FROM OPERATING ACTIVITIES (1)		523,616	522,312	658,633
INVESTING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Financial investments	11		-	45
Tangible assets		4,129	4,129	1,715
Intangible assets		55	55	11
Available-for-sale financial assets	19	29,776	29,776	-
Interest and related income		5,397	5,397	5,188
		39,356	39,356	6,959
PAYMENTS RESULTING FROM				
Tangible assets		(217,148)	(170,700)	(260,502)
Intangible assets		(169,211)	(214,355)	(191,619)
Available-for-sale financial assets		-	-	(25)
		(386,359)	(385,055)	(452,146)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(347,003)	(345,699)	(445,187)
FINANCING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Borrowings		228,550	228,550	442,599
		228,550	228,550	442,599
PAYMENTS RESULTING FROM				
Borrowings		(270,676)	(270,676)	(429,333)
Lease rentals (principal)		(26,383)	(26,383)	(23,596)
Interest and related expenses		(30,419)	(30,419)	(25,081)
Dividends	22.4	(102,617)	(102,617)	(153,923)
Aquisition of own shares	22.3	-	-	(3,096)
		(430,095)	(430,095)	(635,029)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(201,545)	(201,545)	(192,430)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(24,933)	(24,933)	21,016
Effect of exchange differences		33	33	5
Cash and cash equivalents at the beginning of the year		(13,877)	(13,877)	(38,775)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(38,776)	(38,776)	(17,754)
Cash and cash equivalents	21	2,977	2,977	2,182
Bank overdrafts	24	(41,753)	(41,753)	(19,936)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(38,776)	(38,776)	(17,754)

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the financial year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Notes to the consolidated financial statements as at 31 December 2018

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

1. Introductory Note

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

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

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

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

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

NOS shares are listed on the Euronext Lisbon market. The shareholders' structure of the Group as at 31 December 2018 is shown in Note 22.

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

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

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

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

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

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

The consolidated financial statements for the financial year ended on 31 December 2018 were approved by the Board of Directors and their issue authorised on 7 March 2019.

However, they are still subject to approval by the General Meeting of Shareholders in accordance with company law in Portugal. The Board of Directors believes that these financial statements give a true and fair view of the Group's operations, financial performance, and consolidated cash flows.

2. Accounting policies

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

2.1. Principles of presentation

The consolidated financial statements of NOS were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), adopted by the European Union, in force as at 1 January 2018.

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

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

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

The group presents a statement of financial position at the beginning of the previous comparative period when there is a retrospective application of an accounting policy, a retrospective restatement or a material reclassification of items in the financial statements. A statement of financial position is presented as 1 January 2017 due to retrospective application of accounting policies as a result of the adoption of the new accounting standard (IFRS 15).

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

Changes in accounting policies and disclosures

The standards and interpretations that became effective as of 1 January 2018 are as follows:

- IFRS 2 (amendment), "Classification and Measurement of Share-based Payment Transactions" (effective for periods beginning on or after 1 January 2018). These amendments incorporate guidelines on the accounting treatment of cash-settled share-based payments, which follow the same approach of payments based and settled in shares.
- IFRS 4 (amendment), "Application of the IFRS 9 Financial Instruments with the IFRS 4 Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018). The amendments complement the current options in the standard that can be used to bridge the concern related with the temporary volatility of the results.
- IFRS 9 (new), "Financial instruments – classification and measurement" (effective for annual periods beginning on or after 1 January 2018). The initial phase of IFRS 9 forecasts two types of measurement, amortised cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortised cost only if the company has it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise, financial instruments are measured at fair value through profit and loss.
- IFRS 15 (new), "Revenue from Contracts with Customers", (effective for annual periods beginning on or after 1 January 2018). This standard establishes a single, comprehensive framework for revenue recognition. The framework will be applied consistently across transactions, industries and capitals markets, and improve comparability in the 'top line' of the financial statements of companies globally. IFRS 15 replaces the following standards and interpretations: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.
- IFRS 15 (clarification), "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018). The clarifications presented are about the transition and not about changes in the underlying principles of the standard.
- IFRIC 22 (interpretation), "Foreign currency transactions and advance consideration" (effective for periods beginning on or after 1 January 2018). Interpretations clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.
- IAS 40 (amendment), "Investment property transfers" (effective for annual periods beginning on or after 1 January 2018). The amendments clarify if a property under construction or development, which was previously classified as Inventories, can be transferred to investment property when there is an evident change in use.
- Improvements to international financial reporting standards (2014-2016 cycle that is effective for annual periods beginning on or after 1 January 2017/2018). These improvements involve the review of various standards, highlight the following:

- IFRS 1, "First-time Adoption of IFRS", an improvement that eliminated the short-term exemption for adopters for the first time in paragraphs E3-E7 of IFRS 1 because it served its purpose (which related to exemptions from some disclosures of financial instruments under IFRS 7, exemptions at the level of employee benefits and exemptions at the level of investment entities).

These standards and changes had no material impact on the Group's consolidated financial statements, except for IFRS 9 and IFRS 15.

Impacts of IFRS 9 – Financial Instruments

IFRS 9 was adopted by European Commission Regulation number 2067/2016 of 22 November 2016, with mandatory application for annual periods beginning on or after 1 January 2018. This standard replaced the requirements of IAS 39 and includes the following aspects: classification and measurement of financial assets; classification and measurement of financial liabilities; impairment; and hedge accounting.

Classification and measurement of financial assets:

- All financial assets are measured at fair value on the date of the initial recognition, adjusted for transaction costs in the case that instruments are not accounted for their fair value through profit or loss. However, customer accounts without a significant financing component are initially measured at their transaction value, as defined in IFRS 15 - Revenue from contracts with customers.
- Debt instruments are subsequently measured based on their contractual cash flows and the business model in which such instruments are held. If a debt instrument has contractual cash flows that are only the payments of principal and interest on the outstanding capital and is held within a business model with the purpose to hold the assets to collect contractual cash flows, then the instrument is accounted at amortized cost. If a debt instrument has contractual cash flows that are exclusively the payments of principal and interest on the outstanding capital and is held in a business model whose purpose is to collect contractual cash flows and the sale of financial assets, then the instrument is measured at fair value through profit or loss with its subsequent reclassification to income.
- All other debt instruments are subsequently accounted for its fair value through profit or loss. In addition, there is an option that allows financial assets, at initial recognition, to be designated as fair value through profit or loss if this eliminates or significantly reduces an accounting derecognition in the year's results.
- Equity instruments are generally measured at fair value through profit or loss. However, entities have an irrevocable option, on an instrument-to-instrument basis, to present changes of the fair value of equity instruments, in the statement of comprehensive income (without subsequent reclassification to year's results).

Classification and measurement of financial liabilities:

- For financial liabilities designated as fair value through profit or loss using the fair value option, the amount of the change in the fair value of these financial liabilities that is attributable to changes in credit risk must be presented in the statement of comprehensive income. The remaining of the change in fair value shall be presented in profit or loss, unless the presentation of the change in the fair value related to the liability credit risk, in the statement of comprehensive income will create or increase an accounting decompensation in year's results.
- All remaining requirements of classification and measurement for financial liabilities of IAS 39 were carried forward to IFRS 9, including embedded derivatives separation rules and the criteria for using the fair value option.

Impairment

- Impairment requirements are based on an expected credit loss model (ECL), which replaces the incurred loss model of IAS 39.
- The ECL model applies to: (i) debt instruments accounted at amortized cost or at fair value through comprehensive income, (ii) the majority of loan commitments, (iii) financial guarantee contracts, (iv) to contractual assets under IFRS 15 and (v) receivables from leases under IAS 17 - Leases / IFRS 16 - Leases.
- Generally, entities are obliged to recognize ECLs related to 12 months or over their duration depending on whether there has been a significant increase in credit risk since the initial recognition (or when the commitment or guarantee was entered into). For accounts receivable from customers without a significant financing component and depending on the choice of an entity's accounting policy for other customer and lease receivables credits', a simplified approach can be applied, in which the ECL throughout the respective duration are always recognized.
- The measurement of ECL should reflect the weighted probability of the result, the effect of the time value of money, and be based on reasonable and bearable information that is available at no cost or excessive effort.

Hedge accounting

- Coverage effectiveness tests should be prospective and may be qualitative, depending on the complexity of the coverage, without the 80% - 125% test.
- A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.
- The time value of an option, any forward element of a forward contract and any spread of foreign currency may be excluded from the designation as hedging instruments and be accounted as hedging costs.

Larger sets of items can be designated as covered items, including layered designations and some liquid positions.

The new standard replaces the previous IAS 39, having NOS Group recognized the cumulative effect, in the first period of application of the standard, as an adjustment to equity, in the opening balance sheet of the period in which the standard is adopted (on 1 December 2018).

With the exception of hedge accounting, the standard requires its retrospective application, not being, however, mandatory to restate comparative information. For hedge accounting, the requirements of the standard are applied prospectively, with some exceptions.

Transition

The new standard replaces the previous IAS 39 and may be applied retrospectively for periods beginning on or after 1 January 2018.

With the exception of hedge accounting, the standard requires its retrospective application, not being, however, mandatory to restate comparative information. For hedge accounting, the requirements of the standard are applied prospectively, with some exceptions.

NOS Group adopted this standard on the effective date required (1 January 2018).

Financial impacts

The main impacts of the application of IFRS 9 for the Group are due to the change in the methodology of calculation of the impairment losses with customers and other accounts receivable for an expected loss model (ECL), which considers the credit risk assessment since initial recognition.

The measurement of ECL should reflect the weighted probability of profit or loss, the effect of the time value of money, and be based on reasonable and bearable information that is available at no cost or excessive effort.

Impacts with this standard are presented in the tables below.

Impacts of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and amended in September 2015 and April 2016 with mandatory application for the financial years beginning on or from 1 January 2018, with earlier application permitted. This standard establishes the principles that are to be applied for the recognition of the revenues and costs associated with the contracts with customers, based on a five-step model that will allow allocating the revenue to the performance obligations. According to IFRS 15, the revenue is recognised by a value that reflects the compensation that a company expects to have the right by exchanging a transfer of goods or services to a customer.

Transition

The new standard replace all the previous requests for the recognition of the revenue prescribed in the IFRS and can be applied retrospectively, with regard to periods that began on or after 1 January 2018 by adopting one of the following methods:

i) complete retrospective application: it implies the restatement of all the comparatives periods; or

ii) modified retrospective application: recognition of the cumulative effect during the first application period of the standard, as an adjustment to the equity, and during the opening balance of the period when the standard is adopted.

NOS Group adopted the new standard on the effective date requested (1 January 2018), using the full retrospective method.

Performance Obligations

According to IFRS 15, at the inception of each contract, the entity should assess the goods or services that have been promised and identify as a performance obligation each promise of transfer to the customer of any good or service (or bundle of goods or services) that are distinct. The promises in contracts with clients might be explicit or implicit, as long as those promises create a valid expectation for the customer that the entity will transfer a good or service to the customer, based on published policies, specific declarations, or current commercial practices of the entity.

Subsequently, the entity must distribute the transaction price to each performance obligation that is identified in the contract, based on the autonomous sales price, so that the allocation performed represents the amount of consideration that the entity expects to receive in exchange of the transfer of the promised goods and services to the customer.

According to IFRS 15, when determining the transaction price, the entity should adjust the amount of the revenue to the time effect of money if the timing of payments agreed between the parties provides the customer a significant financing benefit. NOS does not consider that there is a significant benefit component.

IFRS 15 also provides additional disclosures, both on performance obligations of the entity and determination of transaction based-price, and on assets and liabilities that its application will originate, implying a relevant increase of the disclosures on financial statements.

Financial impacts

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

The main impacts of the application of IFRS 15 occurred in the telecommunications segment, in which equipment and services are sold both by separated contracts and by packs of goods and services.

Sale of mobile phones within telecommunications packs

The sale of mobile phones is normally associated with telecommunications packs that include several services: television, internet, data, and equipment and are usually sold with significant discounts. According to the previous policy, the revenue was recognised in accordance with the value of the pack associated with each service. Therefore, the revenue that was associated with the equipment sale was recognised by the price paid by the customers and when the equipment is delivered (when all the risks and advantages inherent in the possession of the goods are transferred to the buyer). There were also situations in which equipments are provided to the customers under a free-lease agreement (rent-free).

According to IFRS 15, and delivery of this equipment being a performance obligation, a part of the revenue from the contracts with customers is now allocated for complying with this obligation. It implies a higher revenue, at the initial moment of the contract, allocated to the sale of equipment, and a lower revenue during all the period of the contract of services provision. In other words, there is a transfer of services revenues to equipment revenues and an amendment of the period of the revenue recognition. With the application of IFRS 15, the revenue was anticipated and restated on 1 January 2017, that originated the establishment of an asset.

Over time, it is expected that this asset (Note 17) remains at stable levels, since the impact of the new contracts will compensate with the impact of those that end. However, some short-term of volatility is estimated and results from the launch of new products.

Commissions and other costs related to the soliciting of contracts

According to the previous policy, the Group capitalised all the commissions that are paid to third parties and other costs related to the soliciting and loyalty of contracts with clients providing that the contracts have a loyalty period and the costs are amortised during the loyalty period of the contracts (predominantly 2 years).

According to IFRS 15, the promises in contracts with customers may be explicit or implicit, so the capitalization of the costs related to soliciting of contracts is not restricted to the contracts that were signed with a loyalty period and that originate a capitalization of commissions and other costs that were previously recognised as costs.

The commissions and other costs related to the soliciting of the contracts are amortised systematically and in a consistent manner with the transfer of goods and services to customers relative to the assets. The Group determined that a customer, on average, is a NOS customer for periods of either 2 to 4 years, depending on the business segment, so the amortisation period of the commissions and costs related to contracts soliciting has been amended from 2 years to 4 and 2 years.

In addition to the adjustments that were previously described, the application of IFRS 15 implied the corresonding adjustment concerning deferred taxes.

The impacts of the adoption of IFRS 9 and 15 in the consolidated financial position statements are presented in the tables below:

At 31 December 2016

	31-12-2016 REPORTED	IFRS 15 - Revenue (recognition according with performance obligations)	IFRS 15 Contract costs	31-12-2016 RESTATED
ASSETS				
NON - CURRENT ASSETS				
Tangible assets	1,158,181	(12,604)	(79,169)	1,066,408
Intangible assets	1,158,779	-	(64,189)	1,094,590
Contract costs	-	-	176,182	176,182
Deferred income tax assets	117,302	-	8,667	125,969
Other assets	18,740	-	-	18,740
TOTAL NON - CURRENT ASSETS	2,453,002	(12,604)	41,491	2,481,889
CURRENT ASSETS:				
Accounts receivable - trade	348,926	-	-	348,926
Contract assets	-	47,136	-	47,136
Prepaid expenses	84,391	(28,957)	-	55,434
Other assets	445,248	-	-	445,248
TOTAL CURRENT ASSETS	529,639	18,179	-	547,818
TOTAL ASSETS	2,982,641	5,575	41,491	3,029,707
SHAREHOLDER'S EQUITY				
Share capital issued, premium and own shares	841,645	-	-	841,645
Other reserves and accumulated earnings	112,031	5,217	21,246	138,494
Net Income	90,381	(1,201)	3,172	92,352
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,044,057	4,016	24,418	1,072,491
Non-controlling interests	9,041	-	(1,266)	7,775
TOTAL EQUITY	1,053,098	4,016	23,152	1,080,266
LIABILITIES				
NON - CURRENT LIABILITIES				
Deferred income tax liabilities	10,206	1,559	18,339	30,104
Other liabilities	1,158,490	-	-	1,158,490
TOTAL NON - CURRENT LIABILITIES	1,168,696	1,559	18,339	1,188,594
TOTAL CURRENT LIABILITIES	760,847	-	-	760,847
TOTAL LIABILITIES	1,929,543	1,559	18,339	1,949,441
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,982,641	5,575	41,491	3,029,707

At 31 December 2017

	31-12-2017 REPORTED	IFRS 15 - Revenue (recognition according with performance obligations)	IFRS 15 Contract costs	IFRS 9	31-12-2017 RESTATED
ASSETS					
NON - CURRENT ASSETS					
Tangible assets	1,137,209	(10,322)	(82,948)	-	1,043,939
Intangible assets	1,141,104	-	(58,503)	-	1,082,601
Contract costs	-	-	170,797	-	170,797
Deferred income tax assets	99,538	-	8,163	1,654	109,355
Other assets	44,305	-	-	-	44,305
TOTAL NON - CURRENT ASSETS	2,422,156	(10,322)	37,509	1,654	2,450,997
CURRENT ASSETS:					
Accounts receivable - trade	406,904	-	-	(6,009)	400,895
Contract assets	-	47,424	-	-	47,424
Prepaid expenses	77,657	(31,130)	-	-	46,527
Other assets	60,350	-	-	-	60,350
TOTAL CURRENT ASSETS	544,911	16,296	-	(6,009)	555,198
TOTAL ASSETS	2,967,067	5,974	37,509	(4,355)	3,006,195
SHAREHOLDER'S EQUITY					
Share capital issued, premium and own shares	847,718	-	-	-	847,718
Other reserves and accumulated earnings	105,489	4,017	24,337	(4,339)	129,504
Net Income	124,094	306	(2,317)	-	122,083
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,077,301	4,324	22,020	(4,339)	1,099,306
Non-controlling interests	9,067	-	(1,245)	(15)	7,807
TOTAL EQUITY	1,086,368	4,324	20,775	(4,354)	1,107,113
LIABILITIES					
NON - CURRENT LIABILITIES					
Deferred income tax liabilities	7,140	1,650	16,733	-	25,523
Other liabilities	1,120,538	-	-	-	1,120,538
TOTAL NON - CURRENT LIABILITIES	1,127,678	1,650	16,733	-	1,146,061
TOTAL CURRENT LIABILITIES	753,021	-	-	-	753,021
TOTAL LIABILITIES	1,880,699	1,650	16,733	-	1,899,082
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,967,067	5,974	37,508	(4,354)	3,006,195

The impacts of adopting IFRS 15 in the Consolidated Statement of Income by nature are presented in the table below:

Financial year ended on 31 December 2017

	12M 17 REPORTED	IFRS 15 - Revenue (recognition according with performance obligations)	IFRS 15 Contract costs	12M 17 RESTATED
REVENUES:				
Services rendered	1,480,102	(20,654)	-	1,459,448
Sales	68,833	16,196	(1,258)	83,771
Other operating revenues	12,848	2,574	-	15,422
	1,561,783	(1,885)	(1,258)	1,558,640
COSTS, LOSSES AND GAINS:				
Direct costs	499,897	-	(1,042)	498,855
Costs of products sold	51,111	10,903	1,377	63,391
Support services	92,920	-	(69)	92,851
Supplies and external services	172,914	-	(9,066)	163,848
Depreciation, amortisation and impairment losses	422,211	(13,185)	10,910	419,936
Other costs, losses and gains	179,968	-	-	179,968
	1,419,021	(2,282)	2,109	1,418,848
INCOME BEFORE FINANCIAL RESULTS AND TAXES	142,762	398	(3,367)	139,793
Financial results	1,061	-	-	1,061
INCOME BEFORE TAXES	141,701	398	(3,367)	138,732
Income taxes	17,480	92	(1,072)	16,500
NET CONSOLIDATED INCOME	124,221	306	(2,295)	122,232
ATTRIBUTABLE TO:				
NOS Group Shareholders	124,094	306	(2,317)	122,083
Non-controlling interests	128	-	21	149
EARNINGS PER SHARES				
Basic - euros	0.24	-	-	0.24
Diluted - euros	0.24	-	-	0.24

The impacts of the adoption of IFRS 9 in the consolidated statement of income by nature were null.

The impacts of the adoption of IFRS 9 and IFRS 15 in the consolidated statements of comprehensive income were null and in the consolidated statement of cash flows were immaterial.

At the date of approval of these financial statements, the standards and interpretations endorsed by the European Union, with mandatory application in future financial years are the following:

- IFRS 9 (amendment): "Prepayment features with negative compensation" (effective for periods beginning on or after 1 January 2019). Amendments to IFRS 9 clarify that a financial asset meets the SPPI criteria regardless of the event or circumstances that caused the anticipated termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract.

- IFRS 16 (new), "Leasings" (effective for annual periods beginning on or after 1 January 2019, with the option of early application). This standard sets out recognition, presentation, and disclosure of leasing contracts, defining a single accounting model. Aside from lower contracts than 12 months and low value (optional), leases should be accounted as an asset and a liability.

- IFRIC 23 (interpretation): "Uncertainty over Income Tax Treatments" (effective for periods beginning on or after 1 January 2019). The interpretation addresses accounting for income taxes, when there is uncertainty over income tax treatments that affect the application of the IAS 12. The interpretation is not applicable to taxes and charges that are outside the scope of the IAS 12, nor include specific requirements relating to interest and penalties associated with uncertainty over tax treatments.

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

Estimated impacts of IFRS 16 – Leases

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

Transition

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

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

NOS Group will adopt the new standard at the effective date requested (1 January 2019), using the full retrospective method.

Leases

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

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

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

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

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

At the start date of the lease, the lessee recognizes the responsibility related to the lease payments (i.e, the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e, the right of use or “ROU”).

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

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

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

IFRS 16 also provides for additional disclosures about the assets and liabilities that their adoption will give rise to, whereby NOS Group anticipates a significant increase in the disclosures in the financial statements.

Financial impacts

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

cinema distribution and exhibition, and audiovisuals.

It is estimated by the group that the impacts of the application of IFRS 16 occur in all the segments, with particular impact on leasing contracts for telecommunications towers, movie theaters, equipments, stores and vehicles.

Additionally, from the application of IFRS 16, there will be a corresponding adjustment on taxes.

The impacts estimated by the Group, from the application of IFRS 16, are as follows:

ITEMS	2018 REPORTED	IFRS16 IMPACT	2018 RESTATED
Revenues	1,576,161	-	1,576,161
Operating costs*	984,397	(32,544)	951,853
Depreciations and amortisations	390,001	31,434	421,435
Income before financial results and taxes	200,773	1,110	201,883
Financial income	16,594	6,537	23,131
Income taxes	29,276	(1,798)	27,478
Net Consolidated Income**	141,405	(3,628)	137,777
Asset	2,925,543	133,441	3,058,984
Other reserves and accumulated earnings	86,909	(26,553)	60,356
Liabilities	1,841,661	163,622	2,005,283

* Before depreciations, amortisations and impairment losses, integration costs, losses/(gains) with disposal of assets, net and other costs/(gains) non-recurrent.
**Excluding minority interests.

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

- IAS 1 e IAS 8 (amendment), “Definition of material" (effective for periods beginning on or after 1 January 2020). The intent of amending the standard is to clarify the definition of material and to align the definition used in international financial reporting standards.
- IFRS 3 (amendment), "Business Combinations" (effective for periods beginning on or after 1 January 2020). The intent of the amendment to the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets.
- IFRS 17 (new), “Insurance Contracts” (effective for periods beginning on or after 1 January 2021). The general objective of IFRS 17 is to provide a more serviceable and consistent accounting model for insurance contracts between entities that issue them globally.

- IAS 19 (amendment), "Plan amendment, curtailment, or settlement" (effective for periods beginning on or after 1 January 2019, and early application is permitted). The objective of the amendment is to harmonise the accounting practices and provide relevant information on decision-making.
- IAS 28 (amendment): "Clarification that measuring associates at fair value through profit or loss is a choice that is made for each investment" that is effective for periods beginning on or after 1 January 2019. The improvement clarified that (i) a company that is a risk capital company, or any other qualifying company, might choose to measure, its investments in associates and/or joint ventures at fair value through profit or loss at the moment of initial recognition and in relation to each investment. (ii) If a company that is not itself an investment entity holds an interest in an associate or joint venture that is an investment entity, the company might decide to maintain the fair value that those associates apply when measuring its subsidiaries by the application of the equity method. This option is taken separately for each investment on the later date considering (a) the initial recognition of the investment in that subsidiary; (b) this subsidiary as becoming an investment entity; and (c) when that subsidiary will be a parent company.
- Improvements to International Financial Reporting Standards (2015-2017 cycle) that is effective for periods beginning on or after 1 January 2019. The improvements involve the review of the IFRS 3 Business combination - interest previously held in a joint operation, IFRS 11 Joint arrangements - interest previously held in a joint operation, IAS 12 Income taxes – consequences for income tax resulting from payments for financial instruments, which are classified as equity instruments and IAS 23 Borrowing costs - borrowing costs eligible for capitalisation.
- Improvements to international financial reporting standards (issued on 29 March 2018, to be applied for annual periods beginning on or after 1 January 2020). These improvements involve reviewing various standards.

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

Additionally, in the third quarter of 2018, the Group changed the presentation caption of costs related to services of large corporate customers, from "Supplies and external services" to "Direct costs", as they refer to costs directly related to the operational activity of this business segment. This change had no impact in the consolidated statement of financial position, of changes in shareholders' equity and of cash flows. The consolidated statements were restated from 1 January 2017, with 7,196 thousand euros being the amount reclassified as at 31 December 2017.

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

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

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

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

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

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

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

Jointly controlled companies

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

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

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

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

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

Associated companies

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

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

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

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

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

Balances and transactions between group companies

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

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

2.3. Accounting policies

2.3.1. Segment reporting

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

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

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

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

In accordance with IAS 1, "Integration costs", "Losses / (gains) on disposal of assets" and "Other non-recurring costs / (gains)"reflect unusual costs, should be disclosed separately from the usual cost lines, in order to avoid distortion of the financial information from regular operations.

2.3.3. Tangible assets

Tangible assets are stated at acquisition cost, less accumulated depreciation and impairment losses, when applicable. Acquisition cost includes, in addition to the purchase price of the asset: (i) costs directly attributable to the purchase; and (ii) the estimated costs of decommissioning and removal of the assets and restoration of the site, which in Group applies to the cinema operation business, telecommunication towers and offices (Notes 2.3.12 and 8).

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

Non-current assets held for sale

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

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

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

Depreciation

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

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

	2017 (YEARS)	2018 (YEARS)
Buildings and other constructions	2 - 50	2 - 50
Technical equipment:		
Network Installations and equipment	7 - 40	7 - 40
Terminal equipment	2 - 8	2 - 8
Other technical equipment	1 - 16	1 - 16
Transportation equipment	3 - 4	3 - 4
Administrative equipment	2 - 10	2 - 10
Other tangible assets	4 - 8	4 - 8

2.3.4. Intangible assets and Contract costs

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

Intangible assets consist mainly of goodwill and utilisation rights of satellite and distribution network capacity, customer portfolios, telecom and software licenses, content utilisation rights and other contractual rights.

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

Goodwill

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

Goodwill is recorded as an asset and included in "Intangible assets" (Note 9) 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 9), which may correspond to the business segments in which the Group operates, or a lower level.

Internally generated intangible assets

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

Industrial property and other rights

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

- Satellite capacity utilisation rights;
- Distribution network utilisation rights;
- Telecom licenses;
- Software licenses;
- Customer portfolios;
- Costs of obtaining and to fulfil a contract with a customer (e.g., customer acquisition and other costs of procurement and installation);
- Content utilisation rights;
- Other contractual rights.

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

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

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

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

Intangible assets in-progress

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

Amortisation

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

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

	2017 (YEARS)	2018 (YEARS)
Rights of using capacities	Period of the contract	Period of the contract
Telecom licences	30 to 33	30 to 33
Software licences	1 to 8	1 to 8
Customer portfolios	5 to 6	5 to 6
Costs of obtaining and to fulfil a contract with a customer	2 to 4	2 to 4
Content utilization rights	Period of the contract	Period of the contract
Other	1 to 8	1 to 8

2.3.5. Impairment of non-current assets, excluding goodwill

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

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

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

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

2.3.6. Financial assets

Financial assets are recognised in the statement of financial position of the Group on the trade or contract date, which is the date on which the Group undertakes to purchase or sell the asset.

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

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

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

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

Financial assets at fair value through profit and loss

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

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

Financial assets at fair value through other comprehensive income

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

Financial assets measured at amortised cost

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

Cash and cash equivalents

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

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

2.3.7. Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to their contractual substance irrespective of their legal form. Equity instruments are contracts that show a residual interest in the Group's assets after deducting the liabilities. The equity instruments issued by Group companies are recorded at the amount received, net of the costs incurred in their issue. Financial liabilities are recognised only when extinguished, i.e. when the obligation is settled, cancelled, or extinguished.

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

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

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

2.3.8. Impairment of financial assets

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

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

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

2.3.9. Derivative financial instruments

Initial and subsequent recognition

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

In terms of hedge accounting, hedges are classified as:

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

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

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

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

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

i) There is an economic relationship' between the hedged item and the hedging instrument;
ii) The effect of credit risk does not "dominate the value changes" that result from that economic relationship; and
iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually 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 bellow:

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

In the financial year of 2018, the Group did not make any changes in the recognition method.

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

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

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

2.3.10. Inventories

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

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

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

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

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

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

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

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

Due to the agreement between the three national operators of reciprocal availability, for several sports seasons "collaborative arrangement", of sports content (national and international) owned by them, (Note 41), NOS considered the recognition of the costs, excluding those divided by the remaining operators, on a systematic basis, given the pattern of economic benefits obtained through their commercial exploration.

2.3.11. Subsidies

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

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

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

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

2.3.12. Provisions and contingent liabilities

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

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

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

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

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

Provisions for potential future operating losses are not covered.

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

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

2.3.13. Leases

Leasing contracts are classified as: (i) finance leases, if substantially all the risks and benefits incident to ownership of the corresponding assets concerned have been transferred; or (ii) operating leases, if not all risks and rewards incident to ownership of those assets have been substantially transferred.

The classification of leases as finance or operating leases is made based on substance rather than contractual form.

The assets acquired under finance leases, the corresponding liabilities are recorded using the financial method, and the assets, related accumulated depreciation, and pending debts are recorded in accordance with the contractual finance plan. In addition, the interest included in the rentals and the depreciation of the tangible and intangible assets are recognised in the income statement for the period to which they relate.

In the case of operating leases, the rentals due are recognised as costs in the income statement over the period of the leasing contract.

2.3.14. Income tax

NOS is covered by the special tax regime for groups of companies, which covers all the companies in which it directly or indirectly owns at least 75% of the share capital and which simultaneously are resident in Portugal and subject to Corporate Income Tax (IRC).

The remaining subsidiaries not covered by the special tax regime for groups of companies are taxed individually based on their respective taxable incomes and the applicable tax rates.

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

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

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

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

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

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

2.3.15. Share-based payments

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

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

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

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

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

2.3.16. Equity

Legal reserve

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

Share premium reserves

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

Reserves for plans of medium term incentive

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

Hedging reserves

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

Own shares reserves

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

Own shares

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

Retained results

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

2.3.17. Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Until 31 December 2014, revenue from penalties, due to the inherent uncertainties, was recorded only at the moment it was received, and the amount was disclosed as a contingent asset (Note 44). From 1 January 2015, Revenue from penalties is recognised based on an estimated collectability rate, taking into account the Group's collection history. Revenue from penalties is recognised under "Other revenues".

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

2.3.18. Accruals

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

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

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

2.3.19. Assets, liabilities and transactions in foreign currencies

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

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

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

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

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

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

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

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

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

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

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

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

	Basis 100	CPI	Converted CPI (Basis 100 Year 2010)
dec/10	Year 2010	100,0	100,0
dec/11	Year 2010	111,4	111,4
dec/12	Year 2011	109,0	121,4
dec/13	Year 2014	93,0	130,8
dec/14	Year 2014	100,0	140,5
dec/15	Year 2014	114,3	160,6
dec/16	Year 2014	162,2	227,9
dec/17	Year 2014	204,8	287,8
mar/18	Year 2014	212,9	299,1
jun/18	Year 2014	220,4	309,8
set/18	Year 2014	232,0	326,1
dec/18	Year 2014	241,1	338,8

At 31 December 2017 and 2018, 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:

	31-12-2017	31-12-2018
US Dollar	1.1993	1.1450
Angolan Kwanza	185.4000	353.0155
British Pound	0.8872	0.8945
Mozambican Metical	70.5700	70.2400
Canadian Dollar	1.5039	1.5605
Swiss Franc	1.1702	1.1269
Real	3.9729	4.4440

In the financial years ended at 31 December 2017 and 2018, the income statements of subsidiaries expressed in foreign currencies were converted to euros at the average exchange rates of the currencies of their countries of origin against the euro, with the exception of cases of affiliated companies that are in a hyperinflationary economy, such as Angola, which exchange rate used is at the end of the period. The average exchange rates used are as follows:

	12M 17	12M 18
US Dollar	1.1297	1.1810
Angolan Kwanza	184.8662	303.6658
Mozambican Metical	71.5117	71.2933

2.3.20. Financial charges and borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accruals principle, except in the case of loans incurred (whether these are generic or specific) for the acquisition, construction or production of an asset that takes a substantial period of time (over one year) to be ready for use, which are capitalised in the acquisition cost of that asset.

2.3.21. Investment property

Investment property mainly includes buildings held to generate rents rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. These are measured initially at cost.

Subsequently, the Group uses the cost model for the valuation of investment property since use of the fair value model would not result in material differences.

An investment property is eliminated from the statement of financial position on disposal or when the investment property is taken permanently out of use and no financial benefit is expected from its disposal.

2.3.22. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

2.3.23. Assets and liabilities offsetting

Financial assets and liabilities are offset and presented at the net amount when, and only when, the Group has the right to offset the recognised amounts and intends to settle for the net amount.

2.3.24. Employee benefits

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

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

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

c) Labour Compensation Fund (FCT) and the Labour Compensation Guarantee Fund (FGCT). Based on the publication of Law No. 70/2013 and subsequent regulation by Order No. 294-A / 2013, entered into force on 1 October the Labour Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of 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.

2.3.25. Statement of cash flows

The statement of cash flows is prepared in accordance with the direct method. The Group classifies under "Cash and cash equivalents" the assets with maturities of less than three months and for which the risk of change in value is negligible. For purposes of the statement of cash flows, the balance of cash and cash equivalents also include bank overdrafts included in the statement of financial position under "Borrowings".

The statement of cash flows is divided into operating, investing, and financing activities.

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

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

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

2.3.26. Subsequent events

Events occurring after the date of the statement of financial position, which provide additional information about conditions that existed at that date, are taken into account in the preparation of financial statements for the year.

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

3. Judgements and estimates

3.1. Relevant accounting estimates

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

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

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

Entities included in the consolidation perimeter

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

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

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

Impairment of non-current assets, excluding goodwill

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

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

Impairment of goodwill

Goodwill is annually subjected to impairment tests or whenever there are indications of a possible loss of value in accordance with the criteria described in Note 9. The recoverable values of the cash-generating units to which goodwill is allocated are determined based on the calculation of current use values. These calculations require the use of estimates by management.

Intangible and tangible assets

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

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

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

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

With the adoption of IFRS 15, the useful lives of subscriber and acquisition costs were reviewed (Note 2.1).

Provisions

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

Deferred income tax assets

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

Expected credit losses

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

Fair value of financial assets and liabilities

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

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

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

3.2. Errors, estimates, and changes to accounting policies

During the financial years ended on 31 December 2017 and 2018, errors, estimates and changes in material accounting policies relating to prior years were not recognised, in addition to the application of IFRS 15 (Note 2.1).

4. Financial risk management policies

4.1. Financial risk management

The activities of the Group are exposed to a variety of financial risk factors: credit risk, liquidity risk and market risk.

The Group's Board of Directors is responsible for defining the principles of risk management and policies covering specific areas such as: exchange rate risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments and the investment of excess liquidity.

A) Credit risk

Credit risk is mainly related to the risk of a counterparty defaulting on its contractual obligations, resulting in a financial loss to the Group. The Group is exposed to credit risk in its operating and treasury activities.

The credit risk associated with operations is mainly related to amounts due from customers for services provided to them (Notes 12 and 16). This risk is monitored on a regular business basis and the aim of management is to: i) limit the credit granted to customers, using the average payment time by each customer; ii) monitor the trend in the level of credit granted; and iii) analyse the impairment of receivables on a regular basis.

The Group does not face any serious credit risk with any particular client, insofar as the accounts receivable derive from a large number of clients from a wide range of businesses.

The impairment adjustments to accounts receivable are calculated on the basis of: i) the customer's risk profile, depending on whether the customer is a residential or business customer; ii) the average collection period, which differs from business to business; iii) the customer's financial status; and iv) future perspective of the evolution of the collection. Because of the dispersed nature of customers, it is not necessary to consider an additional adjustment for credit risk other than the expected credit losses that are already recorded in accounts receivable – customers and accounts receivable - others.

The table below shows the Group's maximum exposure to credit risk at 31 December 2017 and 2018, without taking into account any collateral held or other credit enhancements. For assets in the statement of financial position, the defined exposure is based on their book value as stated in the statement of financial position.

	31-12-2017 RESTATED	31-12-2018
Accounts receivable trade - current i)	345,391	320,678
Accounts receivable other - non-current (Note 12)	6,185	7,334
Accounts receivable other - current (Note 12)	6,614	3,718
Cash and cash equivalents ii)	975	1,438
TOTAL FINANCIAL ASSETS	359,165	333,168

i) Accounts receivable – customers

The Group exposure to credit risk is related to operational account receivables. The amounts presented on financial position are net of impairment losses for estimated doubtful accounts receivable. These impairment losses were estimated by the Group in accordance with its experience and based on their assessment of the current macroeconomic environment. The Board believes that the carrying amounts of account receivables are similar to their fair value.

At 31 December 2017 and 2018, the balances receivable from customers by age were as follows:

	31-12-2017 RESTATED	31-12-2018
Not overdue	120,747	136,581
0 to 90 days	69,954	60,491
90 - 180 days	27,477	19,859
180 to 360 days	52,146	27,333
Over 360 days	220,560	216,237
	490,883	460,500
Expected credit losses	(145,492)	(139,822)
TOTAL ACCOUNTS RECEIVABLE	345,391	320,678

Credit risk is monitored on an ongoing basis and can be summarized as follows:

- regular customers are analyzed on an aggregated basis (homogeneous group) and the expected credit losses calculated thought the use of a collection matrix, which is based on the historical past collections adjusted by the future expectation of collections evolution, to determine the uncollectibility rate;
- the balances of operators, agents and others are analyzed individually and expected credit losses calculated based on the age of each balance, the existence of claims, the current financial situation of each third party and the future expectation of receiving the respective amounts in debt.

Guarantees and pledges obtained from some operators and agents are not material.

ii) At 31 December 2017 and 2018, the Group's credit risk rating for these types of assets (cash and cash equivalents as described in Note 21, with the exception of the value of cash), whose counter parties are Financial Statement Institutions, are as follows:

	31-12-2017 RESTATED	31-12-2018
A	5	18
BBB+	1	1
BBB	4	-
BBB-	176	193
BB-	86	262
B+	-	1
without rating	704	963
TOTAL	975	1,438

The information on ratings was taken from Reuters, based on the ratings awarded by the three major rating agencies (Standard & Poor's, Moody's and Fitch).

B) Liquidity risk

Prudent management of liquidity risk requires the maintenance of an adequate level of cash and cash equivalents to meet the liabilities associated with the negotiation of credit facilities with financial institutions. Under the model adopted, the Group has:

b.1) Commercial paper programmes of which around 294.5 million euros is being used, including 29.5 million euros issued without underwriting securities. The commercial paper programmes have a total amount of 520 million euros, corresponding to eleven programmes, with four banks, including 445 million euros which bear interest at market rates and 75 million euros issued in fixed rate;

b.2) Private and direct cash bonds to the value of 660 million euros;

b.3) A Finance Contract with the European Investment Bank to support the development of mobile broadband network in Portugal in the amount of 73.3 million euros.

Management regularly monitors the forecasts of the Group's liquidity reserves, including the amounts of unused credit lines and the amounts of cash and cash equivalents, based on estimated cash flows and compliance with any covenants usually associated with borrowings.

Of the loans obtained (excluding finance leases), in addition to being subject to the Group complying with its operating, legal and fiscal obligations, 100% are subject to cross-default clauses, Pari Passu clauses and negative pledge clauses and 76% to ownership clauses.

In addition, approximately 27% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, and approximately 6% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA.

The table below shows the Group's liabilities by contractual residual maturity interval. The amounts shown in the table are the contractual undiscounted cash flows payable in the future, including the interest remunerating these liabilities.

	31-12-2017 RESTATED				31-12-2018			
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Borrowings:								
- Bond Issue	1,431	523,130	59,970	584,531	152,487	507,688	-	660,175
- Commercial Paper	122,637	177,500	37,500	337,637	29,732	215,002	49,998	294,732
- Foreign Loans	17,748	72,241	-	89,989	17,504	52,710	-	70,214
- Bank overdrafts	41,753	-	-	41,753	19,936	-	-	19,936
- Financial Leases	26,567	56,525	27,793	110,884	24,475	43,686	19,834	87,995
Accounts payable - trade	224,864	-	-	224,864	254,950	-	-	254,950
Accounts payable - other	75,770	-	-	75,770	47,949	-	-	47,949
Derivatives of financial instruments	33	2,462	-	2,495	1,211	-	-	1,211
Operating leases	58,728	131,050	36,695	226,473	60,800	135,777	43,416	239,993
TOTAL	569,531	962,908	161,958	1,694,396	609,044	954,863	113,248	1,677,155

C) Market risk

Exchange rate risk

Exchange rate risk is mainly related to exposure, resulting from payments made to suppliers of terminal equipment and producers of audiovisual content for the Pay TV and audiovisual businesses, respectively. Business transactions between the Group and these suppliers are mainly denominated in US dollars.

Depending on the balance of accounts payable resulting from transactions in a currency different from the Group's operating currency, the Group contracts or may contract financial instruments, namely short-term foreign currency forwards, in order to hedge the risk associated with these balances (Note 20).

The Group has investments in foreign companies whose assets and liabilities are exposed to exchange rate variations (the Group has two subsidiaries in Mozambique, Lusomundo Moçambique and Mstar, whose functional currency is the Metical and four in Angola, Finstar, ZAP Media, ZAP Cinemas and ZAP Publishing, whose functional currency is the Kwanza). The Group has not adopted any policy of hedging the risk of exchange rate variations for these companies on cash flows in foreign currencies, as they are insignificant in the context of the Group.

A sensitivity analysis was performed using a strengthening or weakening by 10% of the functional currencies of the various financial investments at 31 December 2018. The amount of the investments would decrease by 1,008 thousand euros or increase by 825 thousand euros, respectively, and the counterpart of these changes the equity. In this sensitivity analysis, gains or losses that financial investments would recognise resulting from currency fluctuations are not considered.

The table below shows the Group's exposure to exchange rate risk at 31 December 2017 and 2018, based on the amounts of the Group's financial assets and liabilities in the statement of financial position (amounts stated in local currency):

	31-12-2017 RESTATED			
	US DOLLAR	BRITISH POUND	KWANZA	MOZAMBIQUE METICAL
ASSETS				
Account receivable - trade	7,850	5	-	2,534
Account receivable - other	-	1	465,300	896
Tax receivable	-	-	-	5,093
Cash and cash equivalents	-	-	-	45,605
TOTAL ASSETS	7,850	6	465,300	54,128
LIABILITIES				
Borrowings	-	-	-	-
Account payable - trade	9,118	32	-	592
Accounts payable - other	354	22	-	185
Tax payable	-	-	-	403
TOTAL LIABILITIES	9,472	54	-	1,180
NET	(1,622)	(49)	465,300	52,948

	31-12-2018			
	US DOLLAR	BRITISH POUND	KWANZA	MOZAMBIQUE METICAL
ASSETS				
Account receivable - trade	6,104	-	-	2,868
Account receivable - other	-	1	465,300	726
Tax receivable	-	-	-	5,927
Cash and cash equivalents	-	-	-	56,453
TOTAL ASSETS	6,104	1	465,300	65,974
LIABILITIES				
Borrowings	-	-	-	-
Account payable - trade	11,885	67	-	75,351
Accounts payable - other	30	6	-	5,646
Tax payable	-	-	-	772
TOTAL LIABILITIES	11,915	72	-	81,769
NET	(5,811)	(71)	465,300	(15,795)

NOS uses a sensitivity analysis technique which measures estimated changes in results and equity of an immediate strengthening or weakening of the Euro against other currencies in the rates applying at 31 December 2018 for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, since in practice exchange rates rarely change in isolation.

The sensitivity analysis was performed using a strengthening or weakening of the Euro by 10% in all exchange rates. In such case, profits before tax would have increased by 369 thousand euros (2017: decreased 168 thousand euros) or decreased by 451 thousand euros (2017: decreased by 206 thousand euros), respectively.

D) Interest rate risk

The risk of fluctuations in interest rates can result in a cash flow risk or a fair value risk, depending on whether variable or fixed interest rates have been negotiated.

The borrowings by the Group (with the exception of EIB financing of 73.3 million euros, the bond loan of 300 million euros, the commercial paper issue of 75 million euros and finance leases) have variable interest rates, which exposes the Group to interest rate cash flow risk. The Group has adopted a policy of hedging risk with interest rate swaps to hedge future interest payments on Bond loans and other borrowings (see Note 20).

The NOS Group uses a sensitivity analysis technique, which measures the expected impacts on results and equity of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates, for the rates applying at the date of the statement of financial position for each class of financial instrument, with all other variables remaining constant. This analysis is for illustrative purposes only, since in practice market rates rarely change in isolation.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest receivable or payable on financial instruments with variable rates;
- Changes in market interest rates only affect interest receivable or payable on financial instruments with fixed interest rates when they are recognised at fair value;
- Changes in market interest rates affect the fair value of derivatives and other financial assets and liabilities;
- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by discounting future cash flows from current net values using market rates at the end of the year.

Under these assumptions, an increase or decrease of 0.25% in market interest rates for loans that are not covered or loans with variable interest at 31 December 2018 would have resulted in an increase or decrease in annual profit before tax of approximately 1.1 million euros (2017: 1.7 million euros).

In the case of the interest rate swaps contracted, the sensitivity analysis which measures the estimated impact of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates results in changes in the fair value of the swaps of over 319 thousand euros (2017: over 945 thousand euros) and down 320 thousand euros (2017: down 955 thousand euros) at 31 December 2018.

4.2. Capital risk management

The objective of capital risk management is to safeguard the continuity of the Group's operations, with an adequate return to shareholders and generating benefits for all stakeholders.

The NOS Group's policy is to contract loans with financial institutions, mainly at the level of the parent company, NOS, which in turn makes loans to its subsidiaries and associated companies. In the case of joint ventures, which contract loans in their own name, NOS participates in the contract process and is the guarantor for repayment of the loan. This policy is designed to optimise the capital structure with a view to greater tax efficiency and a reduction in the average cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends distributed to shareholders, issue new shares, and sell assets to reduce liabilities, or launch share buyback plans.

As is the practice of other companies operating in the market in which the Group operates, the Group manages capital based on the net financial debt/EBITDA ratio. Net financial debt is calculated as the total of current and non-current borrowings, excluding the finance lease related to contracts for the acquisition of capacity and content utilisation rights, less the amounts of cash and cash equivalents. The internal ratio set as a target is a level of debt lower than 3 times EBITDA.

	31-12-2017 RESTATED	31-12-2018
Total gross debt	1,088,461	1,068,057
Cash and cash equivalents	(2,977)	(2,182)
TOTAL NET DEBT	1,085,484	1,065,875
EBITDA	575,394	591,763
Total net debt/EBITDA	1.89	1.80

Estimated fair value

The table below shows the financial assets and liabilities of the Group valued at fair value at 31 December 2017 and 2018, as the levels of the fair value hierarchy:

	31-12-2017 RESTATED			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS				
Available-for-sale financial assets	-	-	180	180
Derivative financial instruments - interest rate swap (Note 20)	-	19	-	19
	-	19	180	199
LIABILITIES				
Derivative financial instruments - equity swap (Note 20)	-	9	-	9
Derivative financial instruments - interest rate swap (Note 20)	-	2,453	-	2,453
Derivative financial instruments - exchange rate forward (Note 20)	-	33	-	33
	-	2,495	-	2,495

	31-12-2018			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS				
Available-for-sale financial assets	-	-	204	204
Derivative financial instruments - equity swap (Note 20)	-	153	-	153
Derivative financial instruments - exchange rate forward (Note 20)	-	32	-	32
	-	185	204	389
LIABILITIES				
Derivative financial instruments - interest rate swap (Note 20)	-	1,211	-	1,211
	-	1,211	-	1,211

In accordance with IFRS 13 - Fair value measurement, the levels of the fair value hierarchy are described as follows:

- Level 1 – Financial instruments valued based on quotations in active markets to which the company has access are included in this category, securities valued based on executable (immediate liquidity) published by external sources.

- Level 2 – Financial instruments whose value is based on directly or indirectly observable data in active markets are included in this category, securities valued based on bids provided by external entities and internal valuation techniques using only observable market data.

- Level 3 – All financial instruments valued at fair value that do not fall in level 1 and 2.

Assets available for sale were valued using the discounted cash flow method (level 3).

The calculation of the fair value of interest rate swap derivatives was based on an estimate of discounted future cash flows, using the estimated market interest rate curve calculated by the entities with which the swaps were contracted (level 2).

The fair value of forward rate agreement derivatives is calculated based on the spot exchange rate (level 2).

5. Change in the perimeter

Changes in the consolidation perimeter, during the nine months ended on 31 December 2018 were:

1) on 24 February 2017, MEO became an integral part of the shareholder structure of Sport TV. After this amendment, NOS SGPS came to hold 25% of the share capital of Sport TV (Note 11); and,
2) on 29 March 2017, the companies NOS Internacional, SGPS (“NOS Internacional SGPS”) and NOS Audiovisuais, SGPS (“NOS Audio SGPS”) were established and 100% held by NOS SGPS.
3) on 13 July 2017, NOS SGPS acquired 5,664 shares representing 0.126% of social capital of Lusomundo – SII, SGPS, SA from MPBS Imobiliária, SA. With this transaction, NOS SGPS now holds 100% of social capital of Lusomundo – SII, SGPS, SA.
4) on 13 July 2017, Lusomundo SII acquired 4,262 shares representing 0.196% of social capital of Lusomundo – Imobiliária 2, SA from MPBS Imobiliária, SA. With this transaction, Lusomundo SII now holds 100% of social capital of Lusomundo – Imobiliária 2, SA.
5) after the acquisitions of the minority shareholdings that were mentioned in 3) and 4), reductions of capital were performed in Lusomundo SII, SGPS, SA amounting to 15.9 million euros, in Lusomundo Imobiliária 2, SA amounting to 9.9 million euros and in Empracine amounting to 99.5 thousand euros.
6) on 27 December 2017, East Star Limited was dissolved without generating any impact in the consolidated financial statements.

The changes in the consolidation perimeter, during the nine months ended on 31 December 2018, were:

1) on 1 June 2018, the company Canal 20 T.V., SA was liquidated and dissolved. It did not generate any impact on the consolidated financial statements.

6. Segment reporting

The business segments are as follows:

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

- Audiovisual – the supply of video production services and sales, cinema exhibition and distribution and the acquisition/negotiation of Pay TV and VOD (video-on-demand) rights and includes the following companies: NOS Audiovisuais, NOS Cinemas, Lusomundo Moçambique, Lda ("Lusomundo Moçambique"), Lusomundo Imobiliária 2, S.A. ("Lusomundo Imobiliária 2"), Lusomundo Sociedade de Investimentos Imobiliários, SGPS, S.A. (“Lusomundo SII”), Empracine – Empresa Promotora de Atividades Cinematográficas, Lda (“Empracine”) and NOS Audio SGPS.

Assets and liabilities by segment at 31 December 2017 and 2018 are shown below:

	31-12-2017 RESTATED			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,031,859	12,080	-	1,043,939
Intangible assets	986,169	96,432	-	1,082,601
Contract costs	170,797	-	-	170,797
Investments in jointly controlled companies and associated companies	114,631	15,639	(93,140)	37,130
Accounts receivable - other	51,054	24,520	(69,389)	6,185
Deferred income tax assets	97,399	11,956	-	109,355
Other non-current assets	312	678	-	990
TOTAL NON - CURRENT ASSETS	2,452,221	161,305	(162,529)	2,450,997
CURRENT ASSETS:				
Inventories	31,217	827	-	32,044
Account receivables	395,934	76,166	(60,838)	411,262
Contract assets	47,424	-	-	47,424
Prepaid expenses	44,655	2,154	(282)	46,527
Other current assets	14,480	868	(384)	14,964
Cash and cash equivalents	1,211	1,766	-	2,977
TOTAL CURRENT ASSETS	534,921	81,781	(61,504)	555,198
TOTAL ASSETS	2,987,142	243,086	(224,033)	3,006,195
SHAREHOLDER'S EQUITY				
Share capital	5,152	32,749	(32,749)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(12,681)	-	-	(12,681)
Legal reserve	1,030	1,087	(1,087)	1,030
Other reserves and accumulated earnings	82,002	56,833	(9,331)	129,504
Net income	144,351	27,250	(49,518)	122,083
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,074,072	117,919	(92,685)	1,099,306
Non-controlling interests	7,807	-	-	7,807
TOTAL EQUITY	1,081,879	117,919	(92,685)	1,107,113
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	975,853	48,194	(69,389)	954,658
Provisions	126,775	6,487	-	133,262
Accrued expenses	8,767	-	-	8,767
Other non-current liabilities	23,850	-	-	23,850
Deferred income tax liabilities	25,053	470	-	25,523
TOTAL NON - CURRENT LIABILITIES	1,160,298	55,151	(69,389)	1,146,060
CURRENT LIABILITIES:				
Borrowings	226,145	22,410	(38,419)	210,136
Accounts payable	283,402	17,815	(18,198)	283,019
Tax payable	15,288	4,318	(384)	19,222
Accrued expenses	193,935	24,306	(4,677)	213,564
Other current liabilities	26,194	1,167	(281)	27,080
TOTAL CURRENT LIABILITIES	744,965	70,016	(61,959)	753,022
TOTAL LIABILITIES	1,905,263	125,167	(131,348)	1,899,082
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,987,142	243,086	(224,033)	3,006,195

	31-12-2018			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,042,448	11,215	-	1,053,663
Intangible assets	970,961	93,917	-	1,064,878
Contract costs	162,948	-	-	162,948
Investments in jointly controlled companies and associated companies	45,706	38,690	(64,811)	19,585
Accounts receivable - other	4,552	22,732	(19,950)	7,334
Deferred income tax assets	73,573	12,068	-	85,641
Other non-current assets	434	690	-	1,124
TOTAL NON - CURRENT ASSETS	2,300,622	179,312	(84,760)	2,395,174
CURRENT ASSETS:				
Inventories	37,815	1,070	-	38,885
Account receivables	513,765	55,464	(177,711)	391,518
Contract assets	57,022	-	-	57,022
Prepaid expenses	36,898	2,227	(281)	38,844
Other current assets	1,476	525	(82)	1,919
Cash and cash equivalents	1,172	1,010	-	2,182
TOTAL CURRENT ASSETS	648,148	60,296	(178,074)	530,370
TOTAL ASSETS	2,948,770	239,608	(262,835)	2,925,543
SHAREHOLDER'S EQUITY				
Share capital	5,152	29,799	(29,799)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(12,132)	-	-	(12,132)
Legal reserve	1,030	87	(87)	1,030
Other reserves and accumulated earnings	129,703	(17,840)	(24,954)	86,909
Net income	116,609	34,312	(9,516)	141,405
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,094,580	46,358	(64,356)	1,076,582
Non-controlling interests	7,301	-	-	7,301
TOTAL EQUITY	1,101,881	46,358	(64,356)	1,083,883
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	908,226	643	(19,951)	888,918
Provisions	121,600	7,215	-	128,815
Accrued expenses	688	-	-	688
Other non-current liabilities	15,244	-	-	15,244
Deferred income tax liabilities	5,512	456	-	5,968
TOTAL NON - CURRENT LIABILITIES	1,051,269	8,314	(19,951)	1,039,632
CURRENT LIABILITIES:				
Borrowings	263,483	132,545	(151,894)	244,134
Accounts payable	289,534	25,660	(22,018)	293,176
Tax payable	31,124	2,742	(83)	33,783
Accrued expenses	181,933	19,374	(4,255)	197,052
Other current liabilities	29,546	4,615	(279)	33,882
TOTAL CURRENT LIABILITIES	795,620	184,936	(178,528)	802,028
TOTAL LIABILITIES	1,846,889	193,250	(198,478)	1,841,661
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,948,770	239,608	(262,835)	2,925,543

The results by segment and investments in tangible and intangible assets for the financial years ended on 31 December 2017 and 2018 are shown below:

	12M 17 RESTATED							
	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 17 RESTATED	12M 17 RESTATED
REVENUES:								
Services rendered	358,104	1,402,302	25,793	104,566	(10,878)	(47,420)	373,019	1,459,448
Sales	18,181	65,963	4,450	18,063	(63)	(255)	22,568	83,771
Other operating revenues	3,513	15,820	314	951	(464)	(1,349)	3,363	15,422
	379,797	1,484,084	30,558	123,581	(11,406)	(49,025)	398,949	1,558,640
COSTS, LOSSES AND GAINS:								
Wages and salaries	20,186	78,650	2,928	10,551	-	-	23,114	89,201
Direct costs	138,407	507,414	7,925	31,571	(10,224)	(40,130)	136,108	498,855
Costs of products sold	18,414	63,128	102	280	(6)	(17)	18,510	63,391
Marketing and advertising	13,660	36,368	1,973	7,628	(1,992)	(7,581)	13,641	36,415
Support services	24,773	92,393	(2,205)	3,875	2,279	(3,417)	24,847	92,851
Supplies and external services	35,919	143,898	5,220	21,180	(304)	(1,230)	40,835	163,848
Other operating losses / (gains)	105	550	17	55	-	-	122	605
Taxes	8,035	31,998	84	457	-	-	8,119	32,455
Provisions and adjustments	7,283	6,421	(221)	(794)	-	-	7,062	5,627
	266,782	960,820	15,824	74,803	(10,248)	(52,375)	272,358	983,248
EBITDA	113,015	523,264	14,734	48,778	(1,158)	3,350	126,591	575,392
Depreciation, amortisation and impairment losses	103,290	384,563	8,558	35,373	(1)	-	111,847	419,936
Other losses / (gains), net	3,880	15,374	72	291	-	-	3,952	15,665
INCOME BEFORE FINANCIAL RESULTS AND TAXES	5,846	123,329	6,105	13,114	(1,158)	3,350	10,793	139,793
Net losses / (gains) of affiliated companies	(8,206)	(22,535)	256	(398)	-	-	(7,950)	(22,933)
Financial costs	4,181	19,642	168	493	-	-	4,349	20,135
Net foreign exchange losses / (gains)	(48)	69	(17)	(12)	-	-	(65)	57
Net losses / (gains) on financial assets	(8,775)	(33,888)	-	(15,629)	8,777	49,519	2	2
Net other financial expenses / (income)	1,397	3,755	11	45	-	-	1,408	3,800
	(11,450)	(32,957)	418	(15,501)	8,777	49,519	(2,255)	1,061
INCOME BEFORE TAXES	17,295	156,286	5,685	28,615	(9,933)	(46,169)	13,047	138,732
Income taxes	(4,310)	13,462	580	3,038	-	-	(3,730)	16,500
NET INCOME	21,605	142,824	5,105	25,577	(9,933)	(46,169)	16,777	122,232
CAPEX	107,940	347,032	9,423	33,502	(99,181)	(99,181)	18,182	281,353
EBITDA - CAPEX	5,074	176,232	5,311	15,276	98,024	102,531	108,409	294,039

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

CAPEX = Increases in tangible and intangible assets

	12M 18							
	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	4º QUARTER 18	12M 18	4º QUARTER 18	12M 18	4º QUARTER 18	12M 18	4º QUARTER 18	12M 18
REVENUES:								
Services rendered	363,257	1,410,938	24,743	95,576	(10,573)	(42,165)	377,427	1,464,349
Sales	21,514	70,567	4,935	17,308	(67)	(193)	26,382	87,682
Other operating revenues	5,068	24,438	772	1,726	(771)	(2,034)	5,069	24,130
	389,839	1,505,943	30,450	114,610	(11,411)	(44,392)	408,878	1,576,161
COSTS, LOSSES AND GAINS:								
Wages and salaries	19,721	72,202	2,776	10,501	-	-	22,497	82,703
Direct costs	144,745	523,307	7,862	27,045	(8,760)	(34,859)	143,847	515,493
Costs of products sold	18,070	62,538	(10)	168	(15)	(46)	18,045	62,660
Marketing and advertising	13,722	35,616	2,317	7,684	(1,894)	(7,526)	14,145	35,774
Support services	22,426	84,711	482	3,405	(988)	(3,534)	21,920	84,582
Supplies and external services	28,098	128,823	5,383	21,206	(395)	(1,462)	33,086	148,567
Other operating losses / (gains)	153	664	14	87	-	-	167	751
Taxes	8,813	34,068	(49)	55	-	-	8,764	34,123
Provisions and adjustments	16,245	19,608	120	137	-	-	16,365	19,745
	271,993	961,537	18,895	70,288	(12,052)	(47,427)	278,836	984,398
EBITDA	117,846	544,406	11,555	44,322	641	3,035	130,042	591,763
Depreciation, amortisation and impairment losses	85,856	358,411	7,034	31,590	-	-	92,890	390,001
Other losses / (gains), net	4,910	440	184	549	-	-	5,094	989
INCOME BEFORE FINANCIAL RESULTS AND TAXES	27,080	185,555	4,337	12,183	641	3,035	32,058	200,773
Net losses / (gains) of affiliated companies	1,727	6,369	190	(1)	73	73	1,990	6,441
Financial costs	3,835	15,814	96	780	-	-	3,931	16,594
Net foreign exchange losses / (gains)	(166)	(176)	(24)	24	-	-	(190)	(152)
Net losses / (gains) on financial assets	31,911	14,775	(21,000)	(24,351)	(11,043)	9,444	(132)	(132)
Net other financial expenses / (income)	1,125	7,894	11	(49)	-	-	1,136	7,845
	38,431	44,675	(20,727)	(23,597)	(10,970)	9,517	6,734	30,595
INCOME BEFORE TAXES	(11,350)	140,880	25,063	35,780	11,611	(6,482)	25,324	170,178
Income taxes	5,485	26,290	1,340	2,986	-	-	6,825	29,276
NET INCOME	(16,835)	114,590	23,723	32,794	11,611	(6,482)	18,499	140,902
CAPEX	88,020	347,520	7,324	28,208	-	-	95,344	375,728
EBITDA - CAPEX	29,826	196,886	4,231	16,114	641	3,035	34,698	216,035

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

CAPEX = Increases in tangible and intangible assets

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

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

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

	31-12-2017 RESTATED					
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	180	-	-	180	-	180
Derivative financial instruments (Note 20)	-	19	-	19	-	19
Accounts receivable - trade (Note 16)	400,895	-	-	400,895	-	400,895
Accounts receivable - other (Note 12)	9,559	-	-	9,559	6,992	16,551
Cash and cash equivalents (Note 21)	2,977	-	-	2,977	-	2,977
TOTAL FINANCIAL ASSETS	413,611	19	-	413,630	6,992	420,622
LIABILITIES						
Borrowings (Note 24)	-	-	1,164,794	1,164,794	-	1,164,794
Derivative financial instruments (Note 20)	-	2,495	-	2,495	-	2,495
Accounts payable - trade (Note 28)	-	-	224,864	224,864	-	224,864
Accounts payable - other (Note 29)	-	-	75,591	75,591	179	75,770
Accrued expenses (Note 26)	-	-	222,331	222,331	-	222,331
TOTAL FINANCIAL LIABILITIES	-	2,495	1,687,580	1,690,075	179	1,690,254

	31-12-2018					
	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	204	-	-	204	-	204
Derivative financial instruments (Note 20)	-	185	-	185	-	185
Accounts receivable - trade (Note 16)	382,100	-	-	382,100	-	382,100
Accounts receivable - other (Note 12)	11,052	-	-	11,052	5,700	16,752
Cash and cash equivalents (Note 21)	2,182	-	-	2,182	-	2,182
TOTAL FINANCIAL ASSETS	395,538	185	-	395,723	5,700	401,423
LIABILITIES						
Borrowings (Note 24)	-	-	1,133,052	1,133,052	-	1,133,052
Derivative financial instruments (Note 20)	-	1,211	-	1,211	-	1,211
Accounts payable - trade (Note 28)	-	-	254,950	254,950	-	254,950
Accounts payable - other (Note 29)	-	-	47,822	47,822	127	47,949
Accrued expenses (Note 26)	-	-	197,740	197,740	-	197,740
TOTAL FINANCIAL LIABILITIES	-	1,211	1,633,564	1,634,775	127	1,634,902

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

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

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

8. Tangible assets

At 31 December 2017 and 2018, the movements in this item were as follows:

	31-12-2016 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2017 RESTATED
ACQUISITION COST					
Lands	919	-	-	36	955
Buildings and other constructions	368,233	818	(3,266)	13,114	378,899
Basic equipment	2,278,654	53,782	(107,504)	72,132	2,297,064
Transportation equipment	8,673	1,621	(871)	(1,124)	8,299
Tools and dies	1,341	-	-	6	1,347
Administrative equipment	186,138	3,397	(4,747)	2,062	186,850
Other tangible assets	41,088	297	(20)	563	41,928
Tangible assets in-progress	29,527	137,988	(351)	(107,092)	60,072
	2,914,573	197,903	(116,759)	(20,303)	2,975,414
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Lands	37	-	-	-	37
Buildings and other constructions	198,353	12,002	(3,134)	795	208,016
Basic equipment	1,431,287	189,476	(107,061)	(11,341)	1,502,361
Transportation equipment	3,061	1,715	(868)	6	3,914
Tools and dies	1,250	32	-	-	1,282
Administrative equipment	174,039	3,606	(4,583)	1,700	174,762
Other tangible assets	40,138	5	(19)	979	41,103
	1,848,165	206,836	(115,665)	(7,861)	1,931,475
	1,066,408	(8,933)	(1,094)	(12,442)	1,043,939

The net amount of "Transfers and Others" predominantly corresponds to the transfer of assets to "Intangible assets" (Note 9).

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2018
ACQUISITION COST					
Lands	955	-	(118)	1	838
Buildings and other constructions	378,899	2,518	(3,307)	10,060	388,170
Basic equipment	2,297,064	47,257	(124,113)	137,354	2,357,562
Transportation equipment	8,299	-	(167)	(198)	7,934
Tools and dies	1,347	-	(3)	62	1,406
Administrative equipment	186,850	2,571	(1,863)	1,512	189,070
Other tangible assets	41,928	263	(67)	429	42,553
Tangible assets in-progress	60,072	156,729	-	(161,581)	55,220
	2,975,415	209,338	(129,638)	(12,362)	3,042,753
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Land	37	-	-	(37)	-
Buildings and other constructions	208,016	11,006	(2,772)	(2,428)	213,822
Basic equipment	1,502,361	170,847	(124,397)	(1,751)	1,547,060
Transportation equipment	3,914	1,826	(181)	-	5,559
Tools and dies	1,282	38	(4)	-	1,316
Administrative equipment	174,763	5,431	(1,726)	960	179,428
Other tangible assets	41,104	469	(67)	399	41,905
	1,931,477	189,617	(129,147)	(2,857)	1,989,090
	1,043,939	19,720	(491)	(9,505)	1,053,663

At 31 December 2018, the tangible assets net value is composed mainly by basic equipment, namely:

i) Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 684.5 million euros (31 December 2017: 668.6 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 126 million euros (31 December 2017: 126.1 million euros).

The acquisition cost of the "Tangible assets" and "Intangible assets" held by the Group under finance lease contracts at 31 December 2017 and 2018, amounted to 196.6 million euros and 187.2 million euros, and their net book value as of those dates amounted to 92.1 million euros and 71.8 million euros, respectively.

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 December 2018, total net value of these costs amounted to 14.5 million euros (31 December 2017: 14.5 million euros). The amount of interest capitalised in the financial year ended on 31 December 2018 amounted to 1.3 million euros (31 December 2017: 1.0 million euros).

At 31 December 2017 and 2018, the value of commitments to third parties relating to investments to make was as follows:

	31-12-2017 RESTATED	31-12-2018
Network investments	63,463	71,646
Information systems investments	3,307	4,900
	66,770	76,546

During the financial year ended on 31 December 2018, the Company carried out the impairment analysis (see assumptions in Note 9, except for the evaluation period used, which was 3 years) of fixed assets related to cinema exhibition. Given the range of influence of each complex, the cinemas were grouped as cash-generating units on a regional basis for impairment testing purposes. Regional cash-generating units are Lisbon, Porto, Coimbra, Aveiro, Viseu and cinemas scattered throughout the other regions of the country are considered individual cash generating units.

In these impairment tests, a discount rate (before tax) of 7.2% and a perpetual growth rate of 1.3% were considered. There were no material impairment adjustments resulting from this analysis.

Sensitivity analyses of the variations of the discount rates and growth rates of revenue were carried out and from approximately 10% of them there was no results of any impairments.

Sensitivity analyses for a perpetual growth rate of 0% were also carried out and neither there were results of impairments.

9. Intangible assets

At 31 December 2017 and 2018, the movements in this item were as follows:

	31-12-2016 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2017 RESTATED
ACQUISITION COST					
Industrial property and other rights	1,475,963	12,132	(247)	75,434	1,563,282
Goodwill	641,599	-	-	(199)	641,400
Intangible assets in-progress	34,355	71,318	-	(62,140)	43,533
	2,151,917	83,450	(247)	13,095	2,248,215
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,052,548	108,532	(201)	169	1,161,048
Other intangible assets	4,779	-	-	(213)	4,566
	1,057,327	108,532	(201)	(44)	1,165,614
	1,094,590	(25,082)	(46)	13,139	1,082,601

The amount of "Transfers and Others" corresponds, mainly, to the transfer of assets from "Tangible assets" (Note 8).

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2018
ACQUISITION COST					
Industrial property and other rights	1,563,282	5,664	(183)	65,807	1,634,570
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	43,533	65,470	-	(58,792)	50,211
	2,248,215	71,134	(183)	7,015	2,326,181
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,161,048	97,277	(190)	745	1,258,880
Intangible assets in-progress	4,566	-	-	(2,143)	2,423
	1,165,614	97,277	(190)	(1,398)	1,261,303
	1,082,601	(26,143)	7	8,413	1,064,878

At 31 December 2018, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 118.7 million euros (31 December 2017: 126.9 million euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i) 37.6 million euros (31 December 2017: 40.2 million euros) related to the license, (ii) 12.6 million euros (31 December 2017: 13.4 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 3.9 million euros (31 December 2017: 4.1 million euros) related to the Share Capital of "Fundação para as Comunicações Móveis'', established in 2007, under an agreement entered with "Ministério das Obras Públicas, Transportes e Comunicações" and the three mobile telecommunication operators in Portugal; (iv) 55 million euros (31 December 2017: 58.8 million euros) related with the programme "Initiatives E"; and (v) the net amount of 6.5 million euros (31 December 2017: 7.0 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(2) A net amount of 86.5 million euros (31 December 2017: 90.2 million euros) corresponding to the current value of future payments related with the acquisition of rights of use for frequencies (spectrum) bands of 800 MHz, 1800 MHz, 2600 MHz, which will be used to develop 4th generation services (LTE - Long Term Evolution) and a net amount of 3.0 million euros (31 December 2017: 3.1 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(3) A net amount of 41.5 million euros (31 December 2017: 48.1 million euros) relating to the contract for the exclusive acquisition of satellite capacity celebrated between NOS SA and Hispasat, which is recorded as a finance lease;

(4) Net amounts of 17.1 million euros (31 December 2017: 19.7 million euros) corresponding to the future rights to use movies and series;

Increases in the financial year ended on 31 December 2018 correspond mainly to movies and series usage rights, for an amount of 25.6 million euros, and software acquisition and development, for an amount of 21.7 million euros.

Impairment tests on goodwill

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

	31-12-2017 RESTATED	31-12-2018
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	641,400	641,400

In 2018, impairment tests were performed based on assessments in accordance with the discounted cash flow method, which corroborate the recoverability of the book value of the Goodwill. The amounts in these assessments are based on the historical performances and growth forecast of the businesses and their markets, incorporated in medium to long-term plans approved by the Board.

These estimates are based on the following assumptions:

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

* EBITDA = Operational result + Depreciation and amortisation (CAGR – average 5 years)

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

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

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

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

10. Contract costs

At 31 December 2017 and 2018, the movements in this item were as follows:

	31-12-2016 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2017 RESTATED
Acquisition cost	429,258	99,181	-	528,439
Accumulated amortisation and impairment losses	253,076	104,566	-	357,642
	176,182	(5,385)	-	170,797

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2018
Acquisition cost	528,439	95,256	(109,001)	514,694
Accumulated amortisation and impairment losses	357,642	103,105	(109,001)	351,746
	170,797	(7,849)	-	162,948

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

Increases in the financial year ended on 31 December 2017 and 2018 correspond mainly to commissions paid in customer acquisition for an amount of 61.8 million euros.

11. Investments in jointly controlled companies and associated companies

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED	31-12-2018
INVESTMENTS - EQUITY METHOD		
Sport TV	4,693	5,436
Dreamia	3,658	3,634
Finstar	28,389	9,465
Mstar	(425)	564
Upstar	279	361
Canal 20 TV, S.A.	12	-
Big Picture 2 Films	100	125
	36,706	19,585
ASSETS	37,130	19,585
LIABILITIES (NOTE 25)	(425)	-

Movements in "Investments in jointly controlled companies and associated companies" in the financial years ended on 31 December 2017 and 2018 were as follows:

	12M 17 RESTATED	12M 18
AS AT JANUARY 1	7,063	36,706
Gains / (losses) of exercise (Note 36)	22,070	(6,619)
Gains with the entrance of new shareholders (Note 36) i)	1,237	-
Dividends received (Dreamia)	(490)	-
Changes in equity ii)	6,825	(10,501)
Others	1	-
AS AT DECEMBER 31	36,706	19,585

i) Gains generated by the entrance of MEO in the share capital of Sport TV (Note 5).

ii) Amounts related to changes in equity of the companies registered by the equity method of consolidation are mainly related to foreign exchange impacts of the investment in currencies other than euro and impact of Angola's consideration as a hyperinflationary economy (Note 36).

The Group's interest in the results and assets and liabilities of the jointly controlled companies and associated companies in the financial years ended on 31 December 2017 and 2018, is as follows:

31-12-2017 RESTATED							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	146,300	127,529	18,771	185,213	4,947	25.00%	1,237
Dreamia	15,028	7,712	7,316	2,772	756	50.00%	378
Finstar	329,006	234,373	94,633	302,683	66,305	30.00%	19,892
Mstar	7,704	9,122	(1,418)	20,652	1,467	30.00%	440
Upstar	210,915	209,986	929	105,690	466	30.00%	140
Canal 20 TV, S.A.	25	1	24	-	(2)	50.00%	(1)
East Star**	-	-	-	-	-	30.00%	(36)
Big Picture 2 Films	3,745	3,244	501	10,411	101	20.00%	20
	712,723	591,967	120,756	627,421	74,040		22,070

* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.
** Company dissolved on December 27, 2017.

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

* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.
** Company dissolved on June 1, 2018.

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

12. Accounts receivable – other

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED		31-12-2018	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	7,284	7,013	3,962	8,057
Advances of suppliers	3,752	-	5,700	-
Unbilled revenues	2	-	-	-
	11,038	7,013	9,662	8,057
Expected credit losses	(672)	(828)	(244)	(723)
	10,366	6,185	9,418	7,334

i) At 31 December 2018, the amount of accounts receivable corresponds mainly to short-term loans, medium and long-term loans from Group and interests receivable, from associated companies.

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

	12M 17 RESTATED	12M 18
AS AT JANUARY 1	1,676	1,500
Increases (Note 35)	35	83
Utilizations / Others	(211)	(616)
AS AT DECEMBER 31	1,500	967

13. Taxes payable and receivable

At 31 December 2017 and 2018, these items were composed as follows:

	31-12-2017 RESTATED		31-12-2018	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added tax	943	13,739	826	18,606
Income taxes	13,583	1,293	-	11,295
Personnel income tax witholdings	-	2,140	-	1,787
Social Security contributions	-	1,878	-	1,831
Others	419	172	420	264
	14,945	19,222	1,246	33,783
	15,094	19,222	1,395	33,783

At 31 December 2017 and 2018, the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2017 RESTATED	31-12-2018
Estimated current income tax	(12,504)	(31,733)
Payments on account	19,680	18,967
Withholding income taxes	4,383	785
Others	731	686
	12,290	(11,295)

14. Income tax expense

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

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

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

The companies covered by the Special Regime for Taxation of Corporate Groups in 2018 are:

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária

- Lusomundo SII
- NOS Açores
- NOS Audiovisuais
- NOS Audiovisuais SGPS
- NOS Cinemas
- NOS Comunicações SA
- NOS Inovação
- NOS Internacional SGPS
- NOS Lusomundo TV
- NOS Madeira
- NOSPUB
- NOS Sistemas
- NOS Technology
- NOS Towering
- Per-mar
- Sontária

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

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 31 December 2018.

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 financial years ended on 31 December 2017 and 2018 were as follows:

	31-12-2016 RESTATED	DEFERRED TAXES OF THE PERIOD		IFRS 9 (NOTA 2.1)	31-12-2017 RESTATED
		INCOME (NOTE B)	EQUITY		
DEFERRED INCOME TAX ASSETS					
Expected credit losses	7,380	(2,399)	-	1,654	6,635
Inventories	2,482	(142)	-	-	2,340
Other provision and adjustments	84,371	(12,871)	-	-	71,500
Intragroup gains	23,034	(2,108)	-	-	20,926
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	7,801	(405)	-	-	7,396
Derivatives	901	51	(394)	-	558
	125,969	(17,874)	(394)	1,654	109,355
DEFERRED INCOME TAX ASSETS					
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	7,879	(3,028)	-	-	4,851
Derivatives	10	(10)	-	-	-
Assets recognised under application of IFRS 15 (Note 2)	19,898	(1,515)	-	-	18,383
Others	2,317	(28)	-	-	2,289
	30,104	(4,581)	-	-	25,523
NET DEFERRED TAX	95,865	(13,293)	(394)	1,654	83,832

	31-12-2017 RESTATED	DEFERRED TAXES OF THE PERIOD		31-12-2018
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Expected credit losses	6,635	(1,839)	-	4,796
Inventories	2,340	(730)	-	1,610
Other provision and adjustments	71.500	(19,544)	-	51,956
Intragroup gains	20,926	1,172	-	22,098
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	7,396	(2,453)	-	4,943
Derivatives	558	(43)	(277)	238
	109,355	(23,437)	(277)	85,641
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	4,851	(1,160)	-	3,691
Derivatives	-	7	-	7
Assets recognised under application of IFRS 15 (Note 2)	18,383	(18,383)	-	-
Others	2,289	(19)	-	2,270
	25,523	(19,555)	-	5,968
NET DEFERRED TAX	83,832	(3,882)	(277)	79,673

At 31 December 2018, the deferred tax assets related to the other provisions and adjustments are mainly due: i) Impairments and acceleration of amortisations beyond the acceptable fiscally and other adjustments in fixed tangible assets and intangible assets, amounted to 40.9 million euros (31 December 2017: 50.3 million euros; and ii) Other provisions amounted to 9.6 million euros (31 December 2017: 13.0 million euros).

At 31 December 2018, the deferred tax liability is related to the revaluation of assets relates mainly to the appreciation of customers' portfolio, telecommunications licenses, and other assets of Optimus Group companies.

At 31 December 2018, deferred tax assets were not recognised for an amount of 2.2 million euros, corresponding mainly to tax incentives.

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

At 31 December 2018, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2017: 21%). In the case of temporary differences, the rate used was 22.5% (2017: 22.5%) increased to a maximum of 5.13% (2017: 5.13%) of state surcharge when the taxation of temporary differences in the estimated period of application of the state surcharge was perceived as likely. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grants such tax benefits.

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

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

B) Effective tax rate reconciliation

In the financial years ended on 31 December 2017 and 2018, the reconciliation between the nominal and effective rates of tax was as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
Income before taxes	13,047	138,732	25,324	170,178
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
ESTIMATED TAX	2,936	31,215	5,698	38,290
Permanent differences i)	(4,168)	(7,733)	755	918
Differences in tax rate of group companies	484	(2,709)	96	(1,131)
Record of deferred taxes	(337)	(1,167)	119	(3,743)
Tax benefits ii)	(1,447)	(6,545)	-	(11,398)
State surcharge	(1,865)	3,403	(2,572)	6,915
Autonomous taxation	213	810	254	828
Others	454	(774)	2,475	(1,403)
INCOME TAXES	(3,730)	16,500	6,825	29,276
Effective Income tax rate	-28.6%	11.9%	27.0%	17.2%
Income tax	(16,475)	3,207	(8,107)	25,394
Deferred tax	12,745	13,293	14,932	3,882
	(3,730)	16,500	6,825	29,276

i) At 31 December 2017 and 2018, the permanent differences were composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
Equity method (Note 36)	(7,950)	(22,933)	1,990	6,441
Others	(10,574)	(11,437)	1,365	(2,362)
	(18,524)	(34,370)	3,355	4,079
	22.5%	22.5%	22.5%	22.5%
	(4,168)	(7,733)	755	918

ii) This item corresponds to the amount of deferred taxes and the use of tax benefits for which there was no record of deferred taxes: SIFIDE (Business Research and Development Tax Incentives System), a tax benefit introduced by Law 40/2005 of 3 August and RFAI (Investment Tax Incentive Regime) introduced by Law 10/2009 of 10 March. During the financial year ended on 31 December 2018, following the different dates to submission and approval of applications, tax incentives related to RFAI and SIFIDE of the years of 2016 and 2017 were recognised. Whilst in the financial year ended on 31 December of 2017, only RFAI of the year of 2016 and SIFIDE of 2015 were recognised. Under the terms of the IRC (Corporate Income Tax) Code, the tax paid may not be less than 90% of the amount, which would result if the Company did not benefit from tax benefits. Therefore, this amount corresponds to that difference, given that the amount is recorded in the controlling company under the Special Taxation Regime for Groups of Companies, and the tax benefits are recorded in the controlled companies.

15. Inventories

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED	31-12-2018
INVENTORIES		
Telco	39,261	43,485
Audiovisuals	1,744	1,568
	41,005	45,053
IMPAIRMENT OF INVENTORIES		
Telco	(8,044)	(5,670)
Audiovisuals	(917)	(498)
	(8,961)	(6,168)
	32,044	38,885

The movements occurred in impairment adjustments were as follows:

	12M 17 RESTATED	12M 18
AS AT JANUARY 1	9,523	8,961
Increase/ (decrease) - Cost of products sold (Note 33)	102	(129)
Utilizations / Others	(664)	(2,664)
AS AT DECEMBER 31	8,961	6,168

16. Accounts receivable – trade

At 31 December 2017 and 2018, this item was as follows:

	31-12-2017 RESTATED	31-12-2018
Trade receivables	490,883	460,500
Unbilled revenues i)	55,504	61,422
	546,387	521,922
Expected credit losses	(145,492)	(139,822)
	400,895	382,100

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

The movements occurred in impairment adjustments were as follows:

	12M 17 RESTATED	12M 18
AS AT JANUARY 1	157,753	145,492
Increases and decreases (Note 35)	7,309	20,228
Penalties - i)	9,075	14,092
Impact of the adoption of IFRS 9 (Nota 2.1)	6,009	-
Utilizations / Others	(34,654)	(39,990)
AS AT DECEMBER 31	145,492	139,822

i) Penalties correspond to the estimated amount of uncollectible invoiced penalties recognised in the period, deducted from revenue, as described in Note 44.6.

17. Contract assets

At 31 December 2017 and 2018, this item was as follows:

	31-12-2017 RESTATED	31-12-2018
Contract assets	47,424	57,022
	47,424	57,022

The amount of assets related to contracts with customers was introduced with the application of IFRS 15 and result from the early recognition of revenue, resulting from the allocation of discounts granted in packages, to different performance obligations.

18. Prepaid Expenses

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED	31-12-2018
Programming costs	13,884	16,364
Costs of litigation procedure activity	18,875	8,465
Rentals	3,141	2,636
Taxes	173	-
Advertising	1,213	708
Others	9,241	10,671
	46,527	38,844

19. Non-current assets held-for-sale

During the first quarter of 2017, a contract was signed for the purchase and sale of the assets of the FTTH network of NOS Comunicações SA, located in the metropolitan areas of Lisbon and Porto, following the announcement of the non-opposition decision of the Competition Authority to the operation of merger between ZON and Optimus of 26 August 2013.

20. Derivative financial instruments

Exchange rate derivatives

At the date of the statement of the financial position there were foreign currency forwards open for 2,525 thousand euros (31 December 2017: 3,141 thousand euros), the fair value is the positive amount of 32 thousand euros (2017: loss of about 33 thousand euros).

Interest rate derivatives

At 31 December 2018, NOS had contracted two interest rate swaps totalling 250 million euros (31 December 2017: 250 million euros) whose swap maturities expire in 2019. The fair value of interest rate swaps, in the negative amount of 1.2 million euros (31 December 2017: negative amount of 2.5 million euros), was recorded in liabilities, against shareholder's equity.

Own shares derivatives

At 31 December 2018, NOS had contracted four own shares derivatives, in the amount of 2,641 thousand euros (31 December 2017: 2,318 thousand euros), maturing in March 2019, 2020 and 2021, in order to cover the delivery of share plans liquidated in cash.

		31-12-2017 RESTATED			
		ASSETS		LIABILITIES	
	NOTIONAL	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Interest rate swaps	250,000	-	-	-	2,453
Equity Swaps	2,318	19	-	-	9
Exchange rate forward	3,141	-	-	33	-
	255,459	19	-	33	2,462

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

Movements during the financial years ended on 31 December 2017 and 2018 were as follows:

	31-12-2016 RESTATED	RESULT	EQUITY	31-12-2017 RESTATED
Fair value interest rate swaps	(4,027)	-	1,574	(2,453)
Fair value exchange rate forward	37	(70)	-	(33)
Fair value equity swaps	23	(190)	177	10
DERIVATIVES	(3,967)	(260)	1,751	(2,476)
Deferred income tax liabilities	(10)	10	-	-
Deferred income tax assets	901	51	(394)	558
DEFERRED INCOME TAX	890	61	(394)	558
	(3,077)	(199)	1,357	(1,918)

	31-12-2017 RESTATED	RESULT	EQUITY	31-12-2018
Fair value interest rate swaps	(2,453)	-	1,242	(1,211)
Fair value exchange rate forward	(33)	65	-	32
Fair value equity swaps	10	153	(10)	153
DERIVATIVES	(2,476)	218	1,232	(1,026)
Deferred income tax liabilities	-	(7)	-	(7)
Deferred income tax assets	557	(42)	(277)	238
DEFERRED INCOME TAX	557	(49)	(277)	231
	(1,919)	169	955	(795)

21. Cash and cash equivalents

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED	31-12-2018
Cash	2,002	744
Other deposits i)	579	13
Deposits	396	1,425
	2,977	2,182

i) At 31 December 2017 and 2018, term deposits have short-term maturities and bear interest at normal market rates.

22. Shareholder's equity

22.1. Share capital

At 31 December 2017 and 2018, the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1 euro cent per share.

The main shareholders as of 31 December 2017 and 2018 are:

	31-12-2017 RESTATED		31-12-2018	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Blackrock, Inc	11,562,497	2.24%	11,562,497	2.24%
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	10,891,068	2.11%
Banco BPI, SA	14,275,509	2.77%	-	-
TOTAL	316,423,088	61.42%	302,147,579	58.65%

(1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of company, calculated in accordance with Article 20 of the Securities Code, is attributable to ZOPT SGPS S.A., Sonaecom SGPS S.A. and the following entities:

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

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

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

22.2. Capital issued premium

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

i) share capital in the amount of 2,060,646 euros;
ii) premium for issue of shares in the amount of 854,343,632 euros.

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

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

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

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

c) To increase the share capital.

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 December 2018 there were 2,069,356 own shares, representing 0.4017% of share capital (31 December 2017: 2,040,234 own shares, representing 0.390% of the share capital).

Movements in the financial years ended on 31 December 2017 and 2018 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2017	3,017,603	18,756
Distribution of own shares - share incentive scheme	(931,471)	(5,790)
Distribution of own shares - other remunerations	(45,898)	(285)
BALANCE AS AT 31 DECEMBER 2017	2,040,234	12,681
BALANCE AS AT 1 JANUARY 2018	2,040,234	12,681
Acquisition of own shares	650,000	3,096
Distribution of own shares - share incentive scheme	(603,228)	(3,542)
Distribution of own shares - other remunerations	(17,650)	(103)
BALANCE AS AT 31 DECEMBER 2018	2,069,356	12,132

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 December 2018, NOS had reserves, which by their nature are considered distributable for an amount of approximately 13.5 million euros, not including the net income.

Dividends

The General Meeting of Shareholders held on 27 April 2017 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.20 euros, totalling 103,032 thousand euros. The dividend attributable to own shares, amounted to 415 thousand euros.

	DIVIDENDS
Dividends	103,032
Dividends of own shares	(415)
	102,617

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

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

23. Non-controlling interests

The movements of the non-controlling interests occurred during the financial years ended on 31 December 2017 and 2018 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2016 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	31-12-2017 RESTATED
NOS Madeira	5,544	390	(47)	5,887
NOS Açores	2,174	(241)	(13)	1,920
Lusomundo SII	23	-	(23)	-
Lusomundo Imobiliária 2	35	-	(35)	-
	7,776	149	(118)	7,807

	31-12-2017 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	31-12-2018
NOS Madeira	5,887	(222)	(2)	5,663
NOS Açores	1,920	(282)	-	1,638
	7,807	(504)	(2)	7,301

24. Borrowings

At 31 December 2017 and 2018, the composition of borrowings was as follows:

	31-12-2017 RESTATED		31-12-2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	182,987	873,333	217,769	830,000
Debenture loan	-	585,000	150,000	510,000
Commercial paper	122,901	215,000	29,500	265,000
Foreign loans	18,333	73,333	18,333	55,000
Bank overdrafts	41,753	-	19,936	-
LOANS - ACCRUALS AND DEFERRALS	582	(2,992)	1,890	(4,602)
LOANS - AMORTISED COST	183,569	870,341	219,659	825,398
FINANCIAL LEASES	26,567	84,317	24,475	63,520
Long Term Contracts	12,858	63,475	11,097	53,898
Other	13,709	20,842	13,378	9,622
	210,136	954,658	244,134	888,918

During the financial year ended on 31 December 2018, the average cost of debt of the used lines was approximately 1.8% (2017: 2.0%).

24.1. Debenture loans

At 31 December 2017, NOS had bonds issued in the total of 585 million euros with maturity after one year. At 31 December 2018, NOS has a total amount of 660 million euros of bonds issued, including 510 million euros with maturity after one year.

The detail of the bonds issued as at 31 December 2017 and 2018 is as follows:

i) A bond loan in the amount 100 million euros organised by BPI bank in May 2014 and maturing in November 2019. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

ii) A bond loan organized by four financial institutions in September 2014 amounting to 175 million euros. This was refunded in advance in May 2018. The loan bore interest at variable rates, indexed to Euribor and paid semi-annually.

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

iv) Two bond issues organised by Caixabank amounting to 50 million euros each, and both are maturing in September 2019. The first issue, held in June 2015, was refunded in advance in June 2018 and bore interests quarterly at a fixed rate. The issue made in July 2015, bears interest at a variable rate indexed to Euribor and paid semi-annually.

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

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

At 31 December 2018, an amount of 175 thousand euros, corresponding to interest and commissions, was added from this amount and recorded in the item "Loans - accruals and deferrals".

24.2. Commercial paper

At 31 December 2018, the Company has borrowings of 294.5 million euros in the form of commercial paper, of which 29.5 million euros was issued under non-underwritten programs. The total amount contracted, under underwriting securities, is of 520 million euros, corresponding to eleven programmes, with four banks, 445 million euros of which bear interest at market rates and 75 million euros are issued in fixed rate. Commercial paper programmes with maturities over one-year totalling 265 million euros are classified as non-current, since the Company has the ability to renew unilaterally current issues on or before the programmes' maturity dates and because they are underwritten by the organiser. As such, this amount, although having a current maturity, it was classified as non-current for presentation purposes in the financial position statement.

At 31 December 2018 an amount of 232 thousand euros, corresponding to interest and commissions, was deducted to this amount, and recorded in the item "Loans - accruals and deferrals".

24.3. Foreign loans

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

At 31 December 2018, an amount of 3,119 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan with BEI is at a subsidised rate.

All bank borrowings contracted (with the exception of BEI loan of 73.3 million euros, bond loan in the amount 50 million euros, refunded in June 2018, public issuance of bonds of 300 million euros, commercial paper of 75 million euros, issued in fixed rate, and finance leases) are negotiated at variable short-term interest rates and their book value is therefore broadly similar to their fair value.

24.4. Financial leases

At 31 December 2017 and 2018, the long-term contracts are mainly related to contracts signed by NOS SA for the acquisition of exclusive satellite use, to the contracts signed by NOS SA and NOS Technology related to the purchase of rights to use the distribution network and the contract signed by NOS Cinemas regarding the acquisition of digital equipment.

The medium and long-term agreements under which the group has the right to use a specific asset are recorded as finance leases in accordance with IAS 17 – "Leases" and IFRIC 4 - "Determining whether an arrangement contains a lease".

Financial leases – payments

	31-12-2017 RESTATED	31-12-2018
Until 1 year	26,567	24,476
Between 1 and 5 years	56,525	43,686
Over 5 years	27,793	19,834
	110,884	87,995

Financial leases – present value

	31-12-2017 RESTATED	31-12-2018
Until 1 year	31,255	28,040
Between 1 and 5 years	66,436	51,462
Over 5 years	30,208	21,090
	127,899	100,592
Future financial costs (lease)	(17,015)	(12,597)
PRESENT VALUE OF FINANCE LEASE LIABILITIES	110,884	87,995

The maturities of the loans obtained are as follows:

	31-12-2017 RESTATED			31-12-2018		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	1,431	523,130	59,970	152,487	507,688	-
Commercial paper	122,637	177,500	37,500	29,732	215,002	49,998
Foreign loans	17,748	72,241	-	17,504	52,710	-
Bank overdrafts	41,753	-	-	19,936	-	-
Financial leases	26,567	56,525	27,793	24,475	43,686	19,834
	210,136	829,396	125,262	244,134	819,086	69,832

25. Provisions

At 31 December 2017 and 2018, the provisions were as follows:

	31-12-2017 RESTATED	31-12-2018
Litigation and other - i)	52,261	58,369
Financial investments - ii)	425	-
Dismantling and removal of assets - iii)	31,651	34,626
Contingent liabilities - iv)	32,490	32,055
Contingencies - other - v)	16,435	3,765
	133,262	128,815

i) The amount under the item "Litigation and other" corresponds to provisions to cover the legal and tax claims of which stand out:

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

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

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

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

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

a. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU): The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a formal contest procedure led by the government for that effect, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros for illegally designating MEO. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.
   Therefore:
   - In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision that was contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS, SA, NOS Madeira and NOS Açores which were contested by NOS and for which a bail was presented by NOS SGPS (Note 41) to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.
   - In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, related to NOS, SA, NOS Madeira and NOS Açores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes. The guarantees that have been accepted by ANACOM.
   - In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

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

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

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

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

During the financial year ended on 31 December 2017, movements in provisions were as follows:

	31-12-2016 RESTATED	INCREASES	DECREASES	OTHERS	31-12-2017 RESTATED
Litigation and other	57,697	10,741	(12,710)	(3,467)	52,261
Financial investments	825	-	(400)	-	425
Dismantling and removal of assets	29,694	981	(662)	1,638	31,651
Contingent liabilities	33,486	-	(996)	-	32,490
Contingencies - other	24,585	2,113	(1,182)	(9,081)	16,435
	146,287	13,835	(15,950)	(10,910)	133,262

During the financial year ended on 31 December 2017, increases mainly refer to increases of provisions to tax proceedings plus interest and charges, resulting from unfavourable decision of lawsuit relating to the year 2007. Nevertheless, an appeal against this decision was filled by the company.

During the financial year ended 31 December 2017, the reductions are related predominantly to the increase of provisions for legal proceedings as a result of favourable decisions and agreements reached, namely the process of misconduct interposed by ANACOM mentioned above, in the amount of 6.7 million euros.

Additionally, the movement recorded under "Others" amounting to 3.5 million euros, under "Litigation and others", was recorded by counterpart of the asset (Note 13). In addition, the movements recorded in "Other" in the amount of 8.4 million euros refer mainly to the use of provisions created for employee compensation amounting to 2.4 million euros and to the reclassification of cost estimates in which it is not possible to estimate with great reliability the moment of implementation of the expenditure in the amount of 6.3 million euros.

During the financial year ended on 31 December 2018, movements in provisions, were as follows:

	31-12-2017 RESTATED	INCREASES	DECREASES	OTHERS	31-12-2018
Litigation and other	52,261	14,846	(8,738)	-	58,369
Financial investments	425	-	(425)	-	-
Dismantling and removal of assets	31,651	436	(84)	2,623	34,626
Contingent liabilities	32,490	-	(435)	-	32,055
Contingencies - other	16,435	3,448	(475)	(15,643)	3,765
	133,262	18,730	(10,157)	(13,020)	128,815

During the financial year ended on 31 December 2018, the increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer to the reassessment of various tax and legal contingencies.

The movement recorded under "Others" amounting 13.0 million euros are predominantly related to the reversal of reclassification of cost estimates in which it is not possible to estimate with great reliability the moment of implementation of the expenditure amounting to 13.9 million euros.

The net movements for the financial years ended on 31 December 2017 and 2018 reflected in the income statement under Provisions were as follows:

	12M 17 RESTATED	12M 18
Provisions and adjustments (Note 35)	(1,751)	(613)
Financial investments (Note 11)	(400)	(425)
Other losses / (gains) non-recurrent (Note 38)	2,057	10,161
Interests - dismantling	318	352
Other	(2,339)	(902)
INCREASES AND DECREASES IN PROVISIONS	(2,115)	8,573

26. Accrued expenses

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED	31-12-2018
NON-CURRENT		
Contractual obligations i)	8,139	-
Others	628	688
	8,767	688
CURRENT		
Invoices to be issued by operators ii)	64,136	62,041
Investments in tangible and intangible assets	37,532	26,541
Vacation pay and bonuses	26,504	24,460
Advertising	17,298	15,144
Programming services	7,946	12,293
Professional services	14,628	12,113
Content and film rights	16,892	11,370
Costs of litigation procedure activity	5,078	7,852
Energy and water	3,474	5,807
Comissions	5,122	5,376
Maintenance and repair	2,304	2,409
Rentals	1,570	1,535
Other accrued expenses	11,081	10,110
	213,564	197,052

i) Under the fair value allocation process of to the assets and liabilities of the Optimus group, contractual obligations were identified relating to long-term contracts whose prices are different from market prices. This amount relates to the medium and long-term portion of the fair value adjustment of these contracts. During the financial year ended on 31 December 2018, the differences between the fair value and market prices of these contracts were revalued, resulting in the reversal of the contracts liability initially considered above market (Note 34).

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

27. Deferred income

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED		31-12-2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	26,415	-	32,261	-
Investment subsidy ii)	632	3,773	410	5,521
	27,047	3,773	32,671	5,521

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

ii) Deferred income related to the implicit subsidy when the BEI loans were obtained at interest rates below market value (Note 24). During the second quarter of 2018, the calculation of the implicit subsidy was updated following the revision of the initial contractual conditions.

28. Accounts payable - trade

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED	31-12-2018
Suppliers current account	222,840	252,644
Invoices in reception and conference	2,024	2,306
	224,864	254,950

29. Accounts payable - other

At 31 December 2017 and 2018, this item was composed as follows:

	31-12-2017 RESTATED	31-12-2018
NON-CURRENT		
Assignment of receivables without recourse i)	17,615	9,723
	17,615	9,723
CURRENT		
Fixed assets suppliers	40,753	27,006
Assignment of receivables without recourse i)	15,493	10,093
Advances from customers	179	127
Others	1,730	1,000
	58,155	38,226
	75,770	47,949

i) NOS Comunicações, SA materialised a credit assignment transaction, that was coordinated by Banco Comercial Português and Caixa Geral de Depósitos, which it ceded future credits to be generated by a portfolio of Corporate customers. In the financial year ended on 31 December 2018, the balance amounts to 19.8 million euros. This does not imply any change in the accounting treatment of the receivables or in the relationship with their customers.

30. Operating revenues

Consolidated operating revenues, for the financial years ended on 31 December 2017 and 2018, were as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
SERVICES RENDERED:				
Telco i)	354,920	1,382,967	360,023	1,398,282
Audiovisuals and cinema exhibition ii)	18,099	76,481	17,404	66,067
	373,019	1,459,448	377,427	1,464,349
SALES:				
Telco iii)	18,174	65,945	21,499	70,521
Audiovisuals and cinema exhibition iv)	4,394	17,826	4,883	17,161
	22,568	83,771	26,382	87,682
OTHER OPERATING REVENUES:				
Telco	3,072	14,531	4,930	23,106
Audiovisuals and cinema exhibition	291	891	139	1,024
	3,363	15,422	5,069	24,130
	398,949	1,558,640	408,878	1,576,161

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

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

ii) This item mainly includes (a) box office revenue and publicity at the cinemas of NOS Cinemas, and (b) revenue relating to film distribution to other cinema exhibitors in Portugal and the production and sale of audiovisual content.

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

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

31. Wages and salaries

In the financial years ended on 31 December 2017 and 2018, this item was composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
Remuneration	15,227	65,497	16,122	62,544
Social taxes	4,187	16,817	4,257	16,777
Social benefits	490	1,961	372	1,807
Other	3,210	4,926	1,746	1,575
	23,114	89,201	22,497	82,703

In the financial years ended on 31 December 2017 and 2018, the average number of employees of the companies included in the consolidation was 2,502 and 2,492, respectively. At 31 December 2018, the number of employees of the companies included in the consolidation was 2,526 employees.

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

32. Direct costs

In the financial years ended on 31 December 2017 and 2018, this item was composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
Exhibition costs	51,716	206,045	58,342	212,278
Traffic costs	63,761	218,152	62,373	223,267
Capacity costs	12,085	47,004	11,968	44,693
Costs related to corporate customers services	2,582	7,196	5,374	16,390
Shared advertising revenues	4,907	16,035	4,845	15,206
Others	1,057	4,423	945	3,659
	136,108	498,855	143,847	515,493

In the third quarter of 2018, the Group changed the presentation caption of costs related to services of large corporate customers, from "Supplies and external services" to "Direct costs", as they refer to costs directly related to the operational activity of this business segment. This change had no impact in the consolidated statement of financial position, of changes in shareholders' equity and of cash flows. The consolidated statements were restated from 1 January 2017, ascending the amount reclassified as at 31 December 2017 to 7,196 thousand euros.

33. Cost of products sold

In the financial years ended on 31 December 2017 and 2018, this item was composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
Costs of products sold	18,155	63,289	18,115	62,789
Increases / (decreases) in inventories impairments (Note 15)	355	102	(70)	(129)
	18,510	63,391	18,045	62,660

34. Support services and supplies and external services

In the financial years ended on 31 December 2017 and 2018, this item was composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
SUPPORT SERVICES:				
Administrative support and others	10,446	41,817	10,152	38,771
Call centers and customer support	8,014	31,826	7,565	30,441
Information systems	6,387	19,208	4,203	15,370
	24,847	92,851	21,920	84,582
SUPPLIES AND EXTERNAL SERVICES:				
Maintenance and repair	11,191	45,473	11,417	44,902
Rentals i)	10,987	43,583	1,246	30,285
Electricity	5,602	22,050	7,261	23,972
Professional services	3,456	13,053	3,241	12,199
Communications	2,031	7,694	1,664	7,091
Installation and removal of terminal equipment	1,463	5,881	1,087	4,356
Other supplies and external services	6,105	26,114	7,170	25,762
	40,835	163,848	33,086	148,567

i) As part of the allocating process of the fair value to the assets and liabilities of the Optimus Group, contractual obligations were identified for long-term contracts whose prices differed from market prices. In the last quarter of 2018, the differences between the fair value and the market prices of these contracts were revalued, resulting in the reversal of the contracts liability initially considered above market, amounting to 9 million euros (Note 26).

35. Provisions and adjustments

In the financial years ended on 31 December 2017 and 2018, these items were composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
Provisions (Note 25)	1,440	(1,751)	675	(613)
Expected credit losses - trade (Note 16)	5,557	7,309	15,761	20,228
Expected credit losses - others (Note 12)	42	35	(79)	83
Others	23	34	8	47
	7,062	5,627	16,365	19,745

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

In the financial years ended on 31 December 2017 and 2018, this item was composed as follows:

	4º QUARTER 17	12M 17 RESTATED	4º QUARTER 18	12M 18
EQUITY METHOD (NOTE 11)				
Sport TV	362	(2,474)	718	(743)
Dreamia	252	(378)	207	24
Finstar	(8,620)	(19,892)	1,444	8,409
Mstar	(190)	(440)	(366)	(976)
Upstar	(122)	(140)	10	(82)
Others	(6)	17	(17)	(13)
	(8,324)	(23,307)	1,996	6,619
OTHERS	374	374	(6)	(178)
	(7,950)	(22,933)	1,990	6,441

During the financial year ended on 31 December 2018, the Kwanza recorded an exceptional devaluation against the Euro of approximately 48%, which generated the recognition of exchange losses in Finstar, losses that impact this item in approximately, 12 million euros.

37. Depreciation, amortisation and impairment losses

In the financial years ended on 31 December 2017 and 2018, this item was composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
TANGIBLE ASSETS				
Buildings and other constructions	3,877	12,002	2,670	11,006
Basic equipment	53,036	189,476	41,087	170,847
Transportation equipment	467	1,715	456	1,826
Tools and dies	8	32	11	38
Administrative equipment	637	3,606	1,319	5,431
Other tangible assets	(1)	5	375	469
	58,024	206,836	45,918	189,617
INTANGIBLE ASSETS				
Industrial property and other rights	27,498	108,532	22,138	97,277
	27,498	108,532	22,138	97,277
CONTRACT COSTS				
Contract costs	26,325	104,566	24,834	103,105
	26,325	104,566	24,834	103,105
INVESTIMENT PROPERTY				
Investment property	-	2	-	2
	-	2	-	2
	111,847	419,936	92,890	390,001

During the financial year ended on 31 December 2018, following the modernisation project of the NOS mobile network, impairment losses were recognised on the current assets for an approximate amount of 35 million euros.

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

In the financial years ended on 31 December 2017 and 2018, the other non-recurring costs / (gains) was composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
GAINS:				
Default interests - offsetting of credits i)	-	-	-	(27,318)
	-	-	-	(27,318)
COSTS:	-	-	-	-
Provisions and costs with lawsuits	-	-	-	12,529
Others	1,655	7,349	3,194	5,590
	1,655	7,349	3,194	18,119
TOTAL	1,655	7,349	3,194	(9,199)

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

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

In the financial years ended on 31 December 2017 and 2018, financing costs and other financial expenses / (income) were composed as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
FINANCING COSTS:				
INTEREST EXPENSE:				
Borrowings	3,872	15,987	3,839	13,824
Finance leases	1,010	5,190	1,003	4,408
Derivatives	407	2,200	407	1,624
Others	445	2,130	660	1,820
	5,734	25,507	5,909	21,676
INTEREST EARNED	(1,385)	(5,372)	(1,978)	(5,082)
	4,349	20,135	3,931	16,594
NET OTHER FINANCIAL EXPENSES /(INCOME):				
Comissions and guarantees	1,040	4,761	644	4,856
Others	368	(961)	492	2,989
	1,408	3,800	1,136	7,845

Interest earned mainly corresponds to default interests charged to customers.

In the second quarter of 2017, in the sequence of agreements achieved regarding litigation, provisions for default interest were reversed in Other under Net financial expenses / (income) (Note 25).

40. Net earnings per share

Earnings per share for the financial years ended on 31 December 2017 and 2018 were calculated as follows:

	4º QUARTER 17 RESTATED	12M 17 RESTATED	4º QUARTER 18	12M 18
Consolidated net income attributable to shareholders	16,953	122,083	18,404	141,405
Number of ordinary shares outstanding during the period (weighted average)	513,121,146	512,916,991	513,092,024	513,090,991
Basic earnings per share - euros	0.03	0.24	0.04	0.28
Diluted earnings per share - euros	0.03	0.24	0.04	0.28

In the above periods, there were no diluting effects on net earnings per share, so the diluted earnings per share are equal to the basic earnings per share.

41. Guarantees and financial undertakings

41.1. Guarantees

At 31 December 2017 and 2018, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2017 RESTATED	31-12-2018
Financial instituitions i)	91,843	-
Tax authorities ii)	13,112	13,382
Others iii)	11,479	9,878
	116,434	23,260

i) At 31 December 2017, this amount relates to guarantees issued by NOS in connection with the loans from BEI. In the financial year ended on 31 December 2018, these guarantees were cancelled after renegotiations with BEI.

ii) At 31 December 2017 and 2018, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 44).

iii) At 31 December 2017 and 2018, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings and guarantees provided to cinema owners, and bank guarantees given to providers of satellite capacity renting services.

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

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

On 30 September 2016, NOS constituted guarantees on behalf of Sport TV, to the Football Association League Limited for an amount of 29.1 million euros. This guarantee ended on the last quarter of 2018.

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

In addition to the guarantees required by the tax authorities, sureties were set up for the current fiscal processes, which NOS was a surety for NOS SA for an amount of 15.3 million euros.

41.2. Operating leases

The rentals due on operating leases have the following maturities:

	31-12-2017 RESTATED				31-12-2018			
	AUTOMATIC RENEWAL	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	AUTOMATIC RENEWAL	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Stores, movie theatre and other buildings	1,037	22,041	50,033	17,647	3,875	20,598	49,027	15,468
Telecommunication towers and rooftops	2,068	22,407	60,211	19,048	1,961	24,555	67,879	27,948
Equipments	-	8,922	18,229	-	-	8,062	16,775	-
Vehicles	-	2,253	2,577	-	-	1,749	2,096	-
	3,105	55,623	131,050	36,695	5,836	54,964	135,777	43,416

41.3. Other undertakings

Covenants

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

In addition, approximately 27% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, approximately 6% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA and approximately 4% require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA.

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

Assignment agreements football broadcast rights

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

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

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

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

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

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

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

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

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

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

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

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

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

The estimated cash flows are estimated as follows:

Seasons	2018/19	following
Estimated cash-flows with the contract signed by NOS with the sports entities*	74.1 M€	1,017 M€
NOS estimated cash-flows for the contracts signed by NOS (net amounts charged to the operators) and for the contracts signed by the remaining operators	67.3 M€	559 M€

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

Network sharing contract with Vodafone

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

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

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

42. Notes to the statement of cash flows

The statement of cash flows has been prepared in accordance with the provision of IAS 7, with the following points to note:

42.1. Cash receipts resulting from financial investments

This item was composed as follows:

	12M 17 RESTATED	12M 18
Liquidation of APOR	-	45
	-	45

42.2. Cash payments resulting from financial investments

There are no payments from financial investments as of 31 December 2017 and 2018.

42.3. Earnings per shares

This item was composed as follows:

	12M 17 RESTATED	12M 18
NOS SGPS	102,617	153,923
	102,617	153,923

42.4. Borrowings

This item presents, by net value, the reimbursements, and respective monthly issue renewals of commercial paper programmes.

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 2017 and 2018 and transactions in the financial years ended on 31 December 2017 and 2018 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Balances at 31 December 2017

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
SHAREHOLDERS					
BPI	1,519	41	47	-	-
ASSOCIATED COMPANIES					
Big Picture 2 Films	60	123	628	-	-
Sport TV	1,418	4,795	3,680	-	13,568
JOINTLY CONTROLLED COMPANIES					
Dreamia Holding BV	2,693	-	-	-	-
Dreamia SA	1,801	1,470	211	-	-
Finstar	10,411	-	-	-	-
Mstar	1	-	-	-	-
Upstar	34,025	58	-	12	-
ZAP Cinemas	373	-	-	-	-
ZAP Media	3,744	-	-	-	-
OTHER RELATED PARTIES					
Centro Colombo	25	21	-	-	126
Digitmarket	117	85	-	2	170
Efacec Engenharia	35	237	-	-	-
Itrust - Cyber Security and Intellig. , S.A.	7	292	-	-	117
Maiashopping	8	50	-	-	51
Modelo Continente Hipermercados	976	10	54	-	2
MDS - Corretor de Seguros	74	-	(0)	-	238
Norteshopping	43	23	-	-	126
Saphety Level - Trusted Services	25	82	-	-	-
SC-Consultadoria	162	-	-	-	-
Sonae Indústria PCDM	114	-	-	-	-
Sierra Portugal	475	18	0	-	28
Sonae Center II	627	-	-	-	-
Sonaecom	86	-	365	-	-
UNITEL	4,564	3,187	1,607	-	-
Vasco da Gama	8	49	-	-	79
We Do Consulting-Sist. de Informação	93	2,880	-	-	151
Worten - Equipamento para o Lar	1,988	2	285	-	-
Other related parties	867	222	(2)	-	187
	66,340	13,646	6,876	14	14,844

Transactions in the financial year ended on 31 December 2017

	REVENUES	OPERATING COSTS AND REVENUES	FINANCIAL INCOME AND (EXPENSES)	FIXED ASSETS
SHAREHOLDERS				
Banco BPI	4,980	337	(391)	-
ASSOCIATED COMPANIES				
Big Picture 2 Films	87	5,592	-	-
Sport TV	1,100	77,434	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES				
Dreamia Holding BV	118	-	128	-
Dreamia SA	2,631	(35)	-	-
Finstar	859	-	-	-
Mstar	(34)	-	-	-
Upstar	15,041	(274)	-	-
ZAP Cinemas	7	-	-	-
ZAP Media	294	-	-	-
OTHER RELATED PARTIES				
Cascaishopping	24	670	-	-
Centro Colombo	12	789	-	-
Continente Hipermercados	281	28	-	11
Digitmarket	313	474	-	5,136
Efacec Energia	95	39	-	17
Efacec Engenharia	114	-	-	237
Glunzag	115	-	-	-
Itrust - Cyber Security and Intellig	20	153	-	174
Maxmat	182	-	-	-
Modelo continente hpermercados	4,949	122	-	-
MDS - Corretor de Seguros	512	180	-	-
Modalfa	178	-	-	-
Norteshopping	19	779	-	-
Pharmacontinente	169	-	-	-
Publico	157	28	-	-
Saphety Level - Trusted Services	103	296	-	20
SC-Consultadoria	1,370	-	-	-
Sonae Indústria PCDM	482	-	-	-
Sistavac	140	22	-	440
Sierra Portugal	3,221	1,982	-	-
Solinca HF	294	97	-	-
Sonae Center II	2,840	-	-	-
Sonaecom	31	17	-	-
SonaecomSP	120	(1)	-	-
Spinveste	-	231	-	-
SDSR	297	-	-	-
Troiaverde	76	46	-	-
UNITEL	2,175	1,817	-	-
Vasco da Gama	23	835	-	-
We Do Consulting-Sist. de Informação	446	2,870	-	4,504
Worten - Equipamento para o Lar	5,435	1,094	-	-
Other related parties	1,383	626	-	30
	50,659	96,250	(263)	10,570

Balances at 31 December 2018

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES
ASSOCIATED COMPANIES					
Big Picture 2 Films	26	278	172	-	-
Sport TV	3,222	4,018	2,968	11,764	15,146
JOINTLY CONTROLLED COMPANIES					
Dreamia Holding BV	2,840	-	-	-	-
Dreamia SA	2,727	1,787	340	-	-
Finstar	7,850	-	-	19	-
Mstar	1	-	-	-	-
Upstar	7,015	59	-	1,049	-
ZAP Cinemas	24	-	-	15	-
ZAP Media	407	-	-	125	-
OTHER RELATED PARTIES					
Centro Colombo	5	7	4	-	129
Centro Vasco da Gama	124	325	(24)	-	149
Digitmarket	7	383	-	-	202
Efacec Engenharia	1,025	49	9	-	2
Itrust - Cyber Security and Intellig. , S.A.	103	-	(0)	-	71
Modelo Continente Hipermercados	4	7	-	-	114
Norteshopping	255	-	-	-	-
Saphety Level - Trusted Services	184	-	-	-	-
SC-Consultadoria,SA	740	(10)	30	-	12
Sonae Arauco Portugal, S.A.	928	-	-	-	-
Sierra Portugal	3,116	2,143	1,357	-	-
Sonae Center II	230	1,761	-	-	77
Sonaecom	1,028	169	29	-	-
Other related parties	1,050	148	74	-	297
	32,913	11,125	4,959	12,972	16,199

Transactions in the financial year ended on 31 December 2018

	REVENUES	OPERATING COSTS AND REVENUES	FINANCIAL INCOME AND (EXPENSES)	FIXED ASSETS
ASSOCIATED COMPANIES				
Big Picture 2 Films	48	5,018	-	-
Sport TV	2,001	75,247	0	-
JOINTLY CONTROLLED COMPANIES				
Dreamia Holding BV	13	-	134	-
Dreamia SA	3,491	(226)	0	-
Finstar	874	-	-	(6)
MSTAR	34	-	-	-
Upstar	10,282	(161)	-	-
ZAP Cinemas	10	-	-	-
ZAP Media	265	-	-	-
OTHER RELATED PARTIES				
Arrábidashopping	15	101	(0)	-
Cascaishopping	16	828	-	-
Centro Colombo	24	1,843	0	-
Centro Vasco da Gama	18	1,015	-	-
Continente Hipermercados, S.A.	293	85	(0)	1
Digitmarket	283	673	(0)	5,181
EFACEC Engenharia e Sistemas	119	74	-	371
EFACEC ENGENHARIA E SISTEMAS	100	-	-	-
Gaiashopping	30	408	-	-
Itrust - Cyber Security and Intellig	30	606	-	768
Maiashopping	16	168	0	-
Modalfa-Comércio e Serviços,SA	159	-	-	-
Modelo Continente Hipermercados	3,867	(5)	-	-
Modelo - Dist.de Mat. de Construção,S.A.	139	-	-	-
MDS Corretor de Seguros, SA	525	50	-	-
Norteshopping	21	1,438	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	163	-	-	-
Público-Comunicação Social,SA	141	19	-	-
RACE-Refrig. & Air Condit.Engineering,SA	146	1	-	12
Rio Sul - Centro Comercial, SA	10	129	-	-
Saphety Level - Trusted Services	102	339	-	16
SC-Consultadoria,SA	1,269	-	-	-
SDSR - Sports Division SR, S.A.	268	-	-	-
SFS - Serviços de Gestão e Marketing	-	387	-	-
Sonae Arauco Portugal, S.A.	1,109	-	-	-
Sonae Arauco Deutschland AG	108	-	-	-
Sonae Financial Services, S.A.	124	-	-	-
Sierra Portugal	3,340	233	-	-
Solinca HF	364	-	-	-
Sonae.com,SGPS,SA	30	131	-	-
Sonaecom - Serviços Partilhados, S.A	111	-	-	-
Sonae Center II	3,699	46	-	-
Spinveste - Promoção Imobiliária, SA	-	232	-	-
Troiaverde-Expl.Hoteleira Imob.,SA	126	-	-	-
UNITEL S.a.r.l.	2,219	1,820	-	-
We Do Consulting-Sist. de Informação	460	2,630	-	4,040
Worten - Equipamento para o Lar	3,667	1,761	0	0
Worten España Distribución, SL	122	-	-	-
Other related parties	1,390	550	-	28
	41,638	95,438	134	10,409

The Company regularly performs transactions and signs contracts with several parties within the NOS Group. Such transactions were performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

The Company also regularly performs transactions and enters into financial contracts with various credit institutions, which hold qualifying shareholdings in the Company. However, these are performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

Due to the large number of low value related parties' balances and transactions, it was grouped in the heading "Other related parties" the balances and transactions with entities whose amounts are less than 100 thousand euros.

43.2. Remuneration paid to the managers and other key member of the NOS Management

Remuneration paid to managers, other key members of NOS Management (Managers) for the financial years ended on 31 December 2017 and 2018 were as follows:

	12M 17 RESTATED	12M 18
Compensation	2,984	2,880
Profits sharing / Bonus	1,131	1,213
Share plans and Saving Plan Shares	1,134	1,213
	5,249	5,306

The amounts shown in the table were calculated on an accruals basis for Compensation and Profit sharing / Bonus (short-term remuneration). The value for the Action Plans and Savings Plan Shares correspond to the amount to be allocated in 2019 on the performance of 2018 (awarded in 2018, on the performance in 2017). The average number of key members of management in 2018 is 16 (16 in 2017).

The Corporate Governance Report includes detailed information on the NOS remuneration policy.

The Company considers Leaders members of the Board of Directors.

43.3. Fees and auditors' services

Information concerning fees and services rendered by auditors is described on note 47 of the Corporate Governance Report.

44. Legal actions and contingent assets and liabilities

44.1. Legal actions with regulators

- NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015,2016 and 2017) as Electronic Communications Services Networks Supplier, and furthermore the refund of the amounts that meanwhile were paid within the scope of the mentioned acts of settlement was requested. The settlements for the year 2017 were impugned in the first semester of 2018.
  The settlement amounts are, respectively, as follows:
  - NOS SA: 2009: 1,861 thousand euros 2010: 3,808 thousand euros, 2011: 6,049 thousand euros, 2012: 6,283 thousand euros, 2013: 7,270 thousand euros, 2014: 7,426 thousand euros 2015: 7,253 thousand euros, 2016: 8,242 thousand euros, and 2017: 9,099 thousand euros;
  - 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;

- NOS Madeira: 2009: 40 thousand euros, 2010: 83 thousand euros, 2011:130 thousand euros, 2012: 132 thousand euros, 2013: 149 thousand euros, 2014:165 thousand euros, 2015: 161 thousand euros, 2016: 177 thousand euros and 2017: 187 thousand euros.

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

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

The remaining proceedings are awaiting trial and/or decision.

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

44.2. Tax authorities

During the course of the 2003 to 2018 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2015 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 16 million euros, added interest, and charges. Note that the Group considered that the corrections were unfounded, and contested the amounts mentioned. The Group provided the bank guarantees demanded by the tax authorities in connection with these proceedings, as stated in Note 41.

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

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 presented its defence and reply, and the Court ordered an expert opinion, which was, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor, but of mere delay in sending the documentation by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it sentenced NOS to the payment of approximately 5.3 million euros to MEO, a decision of which only NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied with the decision and did not appeal against the part of the sentence that acquitted the NOS of the requests for compensation that it formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which gave reason to the claims of NOS, in the sense that they should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice, which was admitted and is currently under appreciation in this Court.

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

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

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

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

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

44.4. Action brought by DECO

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

44.5. Interconnection tariffs

At 31 December 2018, accounts receivable and accounts payable include 37,139,253 euros and 43,475,093 euros, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the non-definition of interconnection tariffs of 2001. In what concerns to that dispute, the result was totally favourable to NOS S.A., having already become final.

44.6. Contractual penalties

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

Until December 31st, 2014, the revenue from penalties, in the face of the inherent uncertainties, was only recognised at the time of receipt, and on December 31, 2018, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 58,933 thousand euros. During the financial year ended on 31 December 2018, receipts in the amount of 1,233 thousand euros of the amounts outstanding as of 31 December 2014 were recognised as revenues.

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

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 December 2018, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2016	729,519
Plan 2017	836,519
Plan 2018	844,391

During the financial year ended on 31 December 2018, the movements that occurred in the plans are detailed as follows:

	STANDARD PLAN	NOS PLAN
BALANCE AS AT 31 DECEMBER 2017:	60,378	2,235,860
MOVEMENTS IN THE PERIOD:		
Awarded	-	856,941
Vested	(58,519)	(544,709)
Cancelled / elapsed / corrected [1]	(1,859)	(137,663)
BALANCE AS AT 31 DECEMBER 2018	-	2,410,429

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

The share plans costs are recognised over the year between the awarding and vesting date of those shares. The responsibility is calculated taking into consideration the share price at award date of each plan, for plans settled in shares, or at the closing date, for plans settled in cash. As at 31 December 2018, the outstanding responsibility related to these plans is 6,495 thousand euros and is recorded in Reserves, for an amount of 5,225 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 1,270 thousand euros, for plans liquidated in cash.

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

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at 31 December 2017	1,226	5,252	6,478
Costs of plans vested in the period	(500)	(3,569)	(4,069)
Costs incured in the period and others	544	3,542	4,086
TOTAL COST OF THE PLANS	1,270	5,225	6,495

46. Subsequent events

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

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

47. Annexes

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

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2017	DIRECT 31-12-2018	EFFECTIVE 31-12-2018
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Movies exhibition	Lusomundo SII	100%	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda.	Maputo	Movies exhibition and commercialization of other public events	NOS Cinemas	100%	100%	100%
NOS Sistemas, S.A. ('NOS Sistemas')	Lisbon	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Sistemas España, S.L.	Madrid	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Açores Comunicações, S.A.	Ponta Delgada	Distribution of television by cable and satellite and operation of telecommunications services in the Azores area	NOS SA	84%	84%	84%
NOS Audiovisuais, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Communications S.à r.l	Luxembourg	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic comunications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas , S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS	100%	100%	100%
NOS TECHNOLOGY – Concepção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis')	Matosinhos	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services	NOS SA	100%	100%	100%
NOS TOWERING – Gestão de Torres de Telecomunicações, S.A. ('Be Towering')	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	100%	100%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS SA	100%	100%	100%
Teliz Holding B.V.	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

B) Associated companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2017	DIRECT 31-12-2018	EFFECTIVE 31-12-2018
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%
Canal 20 TV, S.A. (a)	Madrid	Production and distribution of TV products rights	NOS	50.00%	_	_
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%

a) Company liquidated and dissolved during the year 2018.

C) Jointly controlled companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2017	DIRECT 31-12-2018	EFFECTIVE 31-12-2018
Dreamia Holding B.V.	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV	50.00%	100.00%	50.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA	Maputo	Distribution of television by satellite, operation of telecommunications services	NOS	30.00%	30.00%	30.00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communications services provider, production, commercialization, broadcasting and distribution of audiovisual contents	NOS	30.00%	30.00%	30.00%
ZAP Media S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Cinemas, S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Publishing, S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	ZAP Media	30.00%	100.00%	30.00%

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

D) Companies recorded at cost

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2017	DIRECT 31-12-2018	EFFECTIVE 31-12-2018
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Caixanet – Telecomunicações e Telemática, S.A. (b)	Lisbon	Telecommunication services	NOS	5.00%	-	-
Apor - Agência para a Modernização do Porto (b)	Oporto	Development of modernizing projects in Oporto	NOS	3.98%	-	-
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisbon	Insurance services	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisbon	Insurance services	NOS	0.02%	0.02%	0.02%

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

b) Company settled during the year 2018.

Individual Financial Statements

Statement of financial position at 31 December 2017 and 2018

(Amounts stated in euros)

	NOTES	31-12-2017	31-12-2018
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	6	147,424	150,801
Intangible assets	7	453,893,458	453,892,314
Financial investments in group companies	8	1,040,884,396	868,379,508
Accounts receivable	9	546,344,616	90,495,931
Available-for-sale financial assets	11	76,727	12,951
Deferred income tax assets	12	1,677,875	1,350,450
Derivative financial instruments	20	-	111,901
TOTAL NON - CURRENT ASSETS		2,043,024,496	1,414,393,856
CURRENT ASSETS:			
Accounts receivable	9	300,117,749	1,082,233,434
Tax receivable	10	11,994,675	-
Prepaid expenses	13	46,879	69,732
Derivative financial instruments	20	18,651	41,271
Cash and cash equivalents	14	177,880	456,716
TOTAL CURRENT ASSETS		312,355,834	1,082,801,153
TOTAL ASSETS		2,355,380,330	2,497,195,009
SHAREHOLDER'S EQUITY			
Share capital	15.1	5,151,614	5,151,614
Capital issued premium	15.2	854,218,633	854,218,633
Own shares	15.3	(12,681,291)	(12,132,263)
Legal reserve	15.4	1,030,323	1,030,323
Other reserves and accumulated earnings	15.4	258,656,515	202,224,888
Net income		96,556,032	288,199,520
TOTAL EQUITY		1,202,931,826	1,338,692,715
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	16	870,340,798	825,397,627
Provisions	17	2,019,984	2,154,690
Accrued expenses	18	1,083,198	1,142,624
Deferred income	19	3,773,206	5,520,566
Derivative financial instruments	20	2,461,705	-
TOTAL NON - CURRENT LIABILITIES		879,678,891	834,215,507
CURRENT LIABILITIES:			
Borrowings	16	170,523,609	214,680,298
Accounts payable	21	98,656,368	92,717,405
Tax payable	10	408,274	12,785,869
Accrued expenses	18	2,549,264	2,481,164
Deferred income	19	632,098	410,874
Derivative financial instruments	20	-	1,211,177
TOTAL CURRENT LIABILITIES		272,769,613	324,286,787
TOTAL LIABILITIES		1,152,448,504	1,158,502,294
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		2,355,380,330	2,497,195,009

The Notes to the Financial Statements form an integral part of the statement of financial position as at 31 December 2018.

The Chief Accountant

The Board of Directors

Statement of income by nature
for the financial years ended on 31 December 2017 and 2018

(Amounts stated in euros)

	NOTES	2017	2018
REVENUES:			
Services rendered	22	6,792,852	6,249,460
Other operating revenues	23	344,292	318,498
		7,137,144	6,567,958
COSTS, LOSSES AND GAINS:			
Wages and salaries	24	6,341,083	5,727,560
Marketing and advertising		3,837	24,940
Support services	25	1,015,335	796,154
Supplies and external services	25	602,714	708,911
Other operating losses / (gains)	26	73,754	39,307
Taxes		48,252	70,873
Provisions and adjustments	17	(101,656)	(106,143)
Depreciation, amortisation and impairment losses	6 e 7	(49,426)	4,373
Losses / (gains) on sale of assets		(447)	(610)
Other losses / (gains) non recurrent	27	15,608	15,188
		7,949,054	7,280,553
INCOME BEFORE FINANCIAL RESULTS AND TAXES		(811,910)	(712,595)
Financial costs / (revenues)	28	(2,140,074)	(1,325,033)
Foreign exchange losses / (gains)		16	11
Losses / (gains) of affiliated companies	29	(99,118,977)	(292,341,042)
Other financial expenses / (income)	28	4,904,909	5,509,768
		(96,354,126)	(288,156,296)
INCOME BEFORE TAXES		95,542,216	287,443,701
Income taxes	12	(1,013,815)	(755,819)
NET CONSOLIDATED INCOME		96,556,032	288,199,520
EARNINGS PER SHARES			
Basic - euros	15.5	0.19	0.56
Diluted - euros	15.5	0.19	0.56

The Notes to the Financial Statements form an integral part of the statement of income by nature for the year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Statement of comprehensive income
for the financial years ended on 31 December 2017 and 2018

(Amounts stated in euros)

	NOTES	2017	2018
NET INCOME		96,556,032	288,199,520
OTHER INCOME			
ITENS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Fair value of derivative financial investments	20	1,357,333	955,056
OTHER COMPREHENSIVE INCOME		1,357,333	955,056
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		97,913,365	289,154,576

The Notes to the Financial Statements form an integral part of the statement of comprehensive income for the year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Statement of changes in shareholders’ equity
for the financial years ended on 31 December 2017 and 2018

(Amounts stated in euros)

	NOTES	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME	TOTAL
BALANCE AS AT JANUARY 2017		5,151,614	854,218,633	(18,756,232)	1,030,323	274,262,896	80,022,807	1,195,930,041
Result appropriation								
Transfered to reserves		-	-	-	-	80,022,807	(80,022,807)	-
Dividends paid		-	-	-	-	(102,617,128)	-	(102,617,128)
Distribuition of own shares - share plan		-	-	5,789,657	-	(5,789,657)	-	-
Distribuition of own shares - other remunerations		-	-	285,284	-	(78,823)	-	206,461
Share Plan - Costs incurred in the year and others		-	-	-	-	3,217,251	-	3,217,251
Share Plan - Debit to subsidiaries		-	-	-	-	8,281,836	-	8,281,836
Comprehensive income for the year		-	-	-	-	1,357,333	96,556,032	97,913,365
BALANCE AS AT DECEMBER 2017		5,151,614	854,218,633	(12,681,291)	1,030,323	258,656,515	96,556,032	1,202,931,826
BALANCE AS AT JANUARY 2018		5,151,614	854,218,633	(12,681,291)	1,030,323	258,656,515	96,556,032	1,202,931,826
Result appropriation								
Transfered to reserves		-	-	-	-	96,556,032	(96,556,032)	-
Dividends paid	15.4	-	-	-	-	(153,923,228)	-	(153,923,228)
Acquisition of own shares	15.3	-	-	(3,096,380)	-	-	-	(3,096,380)
Distribuition of own shares - share plan	15.3	-	-	3,541,929	-	(3,541,929)	-	-
Distribuition of own shares - other remunerations	15.3	-	-	103,479	-	(19,642)	-	83,837
Share Plan - Costs incurred in the year and others	33	-	-	-	-	3,542,084	-	3,542,084
Comprehensive income for the year		-	-	-	-	955,056	288,199,520	289,154,576
BALANCE AS AT DECEMBER 2018		5,151,614	854,218,633	(12,132,263)	1,030,323	202,224,888	288,199,520	1,338,692,715

The Notes to the Financial Statements form an integral part of the statement of changes in shareholders' equity for the year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Statement of cash flows
for the financial years ended on 31 December 2017 and 2018

(Amounts stated in euros)

	NOTES	2017	2018
OPERATING ACTIVITIES			
Collections from clients		15,313,787	9,437,363
Payments to suppliers		(1,820,402)	(2,798,554)
Payments to employees		(6,110,882)	(5,590,483)
Receipts / (payments) relating to income taxes		(4,238,288)	2,685,337
Other cash receipts / (payments) related with operating activities		6,222,583	4,519,524
CASH FLOW FROM OPERATING ACTIVITIES (1)		9,366,798	8,253,187
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments	8	19,147,745	621,698,957
Tangible assets		851	610
Loans granted		20,000,000	455,887,558
Interest and related income		20,431,780	20,250,217
Dividends		86,318,975	84,759,140
		145,899,351	1,182,596,482
PAYMENTS RESULTING FROM			
Financial investments	8	(31,532,403)	(228,840,000)
Tangible assets		-	(3,737)
Loans granted		(21,603,304)	(778,147,271)
		(53,135,707)	(1,006,991,008)
CASH FLOW FROM INVESTING ACTIVITIES (2)		92,763,644	175,605,474
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		268,784,135	442,599,000
		268,784,135	442,599,000
PAYMENTS RESULTING FROM			
Borrowings		(268,982,333)	(435,744,208)
Lease rentals (principal)		(544)	-
Interest and related expenses		(22,383,958)	(19,665,319)
Dividends	15.4	(102,617,128)	(153,923,228)
Aquisition of own shares	15.3	-	(3,096,380)
		(393,983,963)	(612,429,135)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(125,199,828)	(169,830,135)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(23,069,387)	14,028,526
Cash and cash equivalents at the beginning of the year		(5,459,967)	(28,529,353)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(28,529,353)	(14,500,827)
Cash and cash equivalents	14	177,880	456,716
Bank overdrafts	16	(28,707,232)	(14,957,542)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(28,529,353)	(14,500,827)

The Notes to the Financial Statements form an integral part of the statement of cash flows for the year ended on 31 December 2018.

The Chief Accountant

The Board of Directors

Notes to the financial statements at 31 December 2018

(Amounts stated in euros, unless otherwise stated)

1. Introductory note

NOS, SGPS, S.A. ("NOS" 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, 9, Campo Grande, was established by Portugal Telecom, SGPS, S.A. ("Portugal Telecom") on 15 July 1999 with 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 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, which together 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, and the production of channels for Pay TV and the provision of consultancy services related to information systems.

NOS' shares are listed on the Euronext Lisbon market. The shareholder structure of the Company at 31 December 2018 is shown in Note 15.

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

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

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

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

NOS Inovação main activities are conducting and stimulating scientific activities of R&D (it owns all the intellectual property developed within the NOS Group, intending to guarantee the return of initial investment through the commercialization of patents and concessions regarding commercial operation, as a result of a 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 financial statements.

The financial statements relate to the Company on an individual basis and not consolidated were prepared for publication under the commercial legislation in force.

As provided in IFRS, financial investments are stated at acquisition cost. Consequently, the financial statements do not include the effect of the consolidation of assets, liabilities, income and expenses, which will be made in the consolidated statements. The effect of these consolidation consists in an assets increase of 428,348 thousand euros and in a net income and shareholder's equity reduction of 146,795 thousand euros and 254,810 thousands euros, respectively.

The financial statements for the financial year ended on 31 December 2018 were approved by the Board of Directors and their issue authorised on 7 March 2019.

However, they are still subject to approval by the General Meeting of Shareholders in accordance with company law in Portugal. The Board of Directors believes that the financial statements give a true and fair view of the Company's operations, financial performance, and 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. Basis of presentation

The financial statements were prepared in accordance with the International Financial Reporting Standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), adopted by the European Union, in force as at 1 January 2018.

The financial statements are presented in euros as this the main currency of the Company's operations.

The financial statements were prepared on a going concern basis from the ledgers and accounting records of the Company, using the historical cost convention, adjusted when necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value.

In preparing the financial statements in accordance with IFRS, the Board used estimates, assumptions, and critical judgments with impact on the value of assets, 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 financial statements, current and future results may differ from these estimates. The areas involving a higher element of judgment and estimates or areas when assumptions and estimates are significant to the financial statements are described in Note 4.1.

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

Changes in accounting policies and disclosures

The standards and interpretations that become effective on 1 January 2018 are as follow:

- IFRS 2 (amendment), "Classification and Measurement of Share-based Payment Transactions" (effective for periods beginning on or after 1 January 2018). These amendments incorporate guidelines on the accounting treatment of cash-settled share-based payments, which follow the same approach of payments based and settled in shares.
- IFRS 4 (amendment), "Application of the IFRS 9 Financial Instruments with the IFRS 4 Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018). The amendments complement the current options in the standard that can be used to bridge the concern related with the temporary volatility of the results.
- IFRS 9 (new), "Financial instruments – classification and measurement" (effective for annual periods beginning on or after 1 January 2018). The initial phase of IFRS 9 forecasts two types of measurement, amortised cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortised cost only if the company has it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise, financial instruments are measured at fair value through profit and loss.
- IFRS 15 (new), "Revenue from Contracts with Customers", (effective for annual periods beginning on or after 1 January 2018). This standard establishes a single, comprehensive framework for revenue recognition. The framework will be applied consistently across transactions, industries and capitals markets, and improve comparability in the 'top line' of the financial statements of companies globally. IFRS 15 replaces the following standards and interpretations: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.
- IFRS 15 (clarification), "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018). The clarifications presented are about the transition and not about changes in the underlying principles of the standard.
- IFRIC 22 (interpretation), "Foreign currency transactions and advance consideration" (effective for periods beginning on or after 1 January 2018). Interpretations clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.
- IAS 40 (amendment), "Investment property transfers" (effective for annual periods beginning on or after 1 January 2018). The amendments clarify if a property under construction or development, which was previously classified as Inventories, can be transferred to investment property when there is an evident change in use.
- Improvements to international financial reporting standards (2014-2016 cycle that is effective for annual periods beginning on or after 1 January 2017/2018). These improvements involve the review of various standards, highlight the following:
    - IFRS 1, "First-time Adoption of IFRS", an improvement that eliminated the short-term exemption for adopters for the first time in paragraphs E3-E7 of IFRS 1 because it served its purpose (which related to exemptions from some disclosures of financial instruments under IFRS 7exemptions

from some disclosures of financial instruments under IFRS 7, exemptions at the level of employee benefits and exemptions at the level of investment entities).

These standards and changes had no material impact on NOS' financial statements.

At the date of approval of these financial statements, the standards and interpretations endorsed by the European Union, with mandatory application in future financial years are the following:

- IFRS 9 (amendment): "Prepayment features with negative compensation" (effective for periods beginning on or after 1 January 2019). Amendments to IFRS 9 clarify that a financial asset meets the SPPI criteria regardless of the event or circumstances that caused the anticipated termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract.
- IFRS 16 (new), "Leasings" (effective for annual periods beginning on or after 1 January 2019, with the option of early application). This standard sets out recognition, presentation, and disclosure of leasing contracts, defining a single accounting model. Aside from lower contracts than 12 months and low value (optional), leases should be accounted as an asset and a liability.
- IFRIC 23 (interpretation): "Uncertainty over Income Tax Treatments" (effective for periods beginning on or after 1 January 2019). The interpretation addresses accounting for income taxes, when there is uncertainty over income tax treatments that affect the application of the IAS 12. The interpretation is not applicable to taxes and charges that are outside the scope of the IAS 12, nor include specific requirements relating to interest and penalties associated with uncertainty over tax treatments.

The Company does not expect any material impact resulting from the application of this standards and interpretations, except from the application of IFRS 16.

Estimated impacts of IFRS 16 – Leases

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

Transition

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

i) full retrospective application: it implies the restatement of all comparatives periods; or

ii) modified retrospective application: recognition of the cumulative effect, during the first period of application of the standard, as an adjustment to equity, and during the opening balance of the period when the standard is adopted.

The Company will adopt the new standard at the effective date requested, using the full retrospective method.

Leases

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

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

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

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

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

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

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

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

IFRS 16 also provides for additional disclosures about the assets and liabilities that their adoption will give rise to, whereby the Company anticipates a significant increase in the disclosures in the financial statements.

Financial impacts

It is estimated by the group that the impacts of the adoption of IFRS 16 occur on leasing contracts of vehicles.

Additionally, from the application of IFRS 16, there will be a corresponding adjustment on taxes.

The impacts estimated by the Group, from the application of IFRS 16, are as follows:

	2018 REPORTED	IFRS 16 IMPACT	2018 RESTATED
Revenues	6,567,958	-	6,567,958
Operating costs*	708,911	(121,842)	587,069
Depreciations and amortisations	4,373	112,503	116,876
Income before financial results and taxes	(712,595)	9,338	(703,257)
Financial results	(288,156,296)	5,575	(288,150,721)
Income taxes	(755,819)	847	(754,972)
Net Income	288,199,520	2,917	288,202,437
Asset	2,497,195,009	139,614	2,497,334,623
Other reserves and accumulated earnings	202,224,888	(6,520)	202,218,368
Liabilities	1,158,502,294	143,218	1,158,645,512

*Before depreciations, amortizations and impairment losses, integration costs, losses/(gains) with disposal of assets, net and other costs/(gains) non-recurrent.

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

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

- IFRS 3 (amendment), "Business Combinations" (effective for periods beginning on or after 1 January 2020). The intent of the amendment to the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets.
- IFRS 17, “Insurance Contracts” (new) that is effective for periods beginning on or after 1 January 2021. The general objective of IFRS 17 is to provide a more serviceable and consistent accounting model for insurance contracts between entities that issue them globally.
- IAS 19, “Plan amendment, curtailment, or settlement” (amendment) that is effective for periods beginning on or after 1 January 2019, early application is permitted. The objective of the amendment is to harmonise the accounting practices and provide relevant information on decision-making.
- IAS 28: “Clarification that measuring associates at fair value through profit or loss is a choice that is made for each investment” (amendment) that is effective for periods beginning on or after 1 January 2019. The improvement clarified that (i) a company that is a risk capital company, or any other qualifying company, might choose to measure, its investments in associates and/or joint ventures at fair value through profit or loss at the moment of initial recognition and in relation to each investment. (ii) If a company that is not itself an investment entity holds an interest in an associate or joint venture that is an investment entity, the company might decide to maintain the fair value that those associates apply when measuring its subsidiaries by the application of the equity method. This option is taken separately for each investment on the later date considering (a) the initial recognition of the investment in that subsidiary; (b) this subsidiary as becoming an investment entity; and (c) when that subsidiary will be a parent company.
- Improvements to International Financial Reporting Standards (2015-2017 cycle) that is effective for periods beginning on or after 1 January 2019. The improvements involve the review of the IFRS 3 Business combination - interest previously held in a joint operation, IFRS 11 Joint arrangements - interest previously held in a joint operation, IAS 12 Income taxes – consequences for income tax resulting from payments for financial instruments, which are classified as equity instruments and IAS 23 Borrowing costs - borrowing costs eligible for capitalisation.
- Improvements to International Financial Reporting Standards (issued in 29th March 2018 that is effective for periods beginning on or after 1 January 2020). The improvements involve the review of various standards.

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

2.2. Transactions and balances in foreign currencies

Transactions in foreign currency are recorded at exchange rates on transactions dates. At each reporting date, the carrying amounts of monetary items denominated in foreign currency are updated by applying the exchange rate prevailing on that date. Non-monetary items carried at fair value denominated in foreign currency are restated at the exchange rates of the respective dates on which the fair values were determined. Exchange rate differences on monetary items that constitute an extension of the investment denominated in the functional currency of the Company or the subsidiary in question are recognised as the exchange rate on investment in shareholder’s equity. Exchange rate differences on non-monetary items are classified under “Other reserves”.

Exchange differences arising on the date of receipt or payment of foreign currency transactions and the resulting updates of the above are recognised in the income statement, under "Foreign exchange losses / (gains)" for all other balances or transactions.

At 31 December 2017 and 31 December 2018, 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:

CURRENCY	31-12-2017	31-12-2018
US Dollar	1.199	1.145

2.3. Tangible assets

Tangible assets are stated at acquisition cost less accumulated depreciation and eventual impairment losses. The acquisition cost includes the purchase price of the asset, expenses directly attributable to the purchase and costs incurred in preparing the asset to be ready for utilisation. Costs incurred on borrowings for the construction of tangible fixed assets are recognised as part of the cost of the asset, whenever the period of construction / preparation is more than one year.

Subsequent costs with renovations and major repairs that extend the useful life or productive capacity of assets are recognised as a cost of the asset.

The costs of current maintenance and repairs are recognised as a cost when they are incurred.

The estimated costs of dismantling and removal of the assets will be considered as part of the initial cost.

Depreciation is calculated, once the asset becomes available for use by the straight-line method, on a monthly basis in accordance with the estimated useful life for each class of assets.

The estimated useful lives for the most significant tangible fixed assets are as follows:

CLASS OF GOODS	2017 (YEARS)	2018 (YEARS)
Buildings and other constructions	10	10
Basic equipment	3 - 4	3 - 4
Transportation equipment	4	4
Administrative equipment	2 - 10	2 - 10
Other tangible assets	8	8

The useful lives and depreciation method of the tangible assets are reviewed annually. The effect of any changes to these estimates is recognised prospectively in the income statement.

The residual values of assets and their respective useful lives are reviewed and adjusted if appropriate, at the reporting date. If the carrying amount exceeds the recoverable amount of the asset, it is readjusted to the estimated recoverable amount by recognizing impairment losses (Note 2.6).

Gains or losses resulting from the sale or write-off of a tangible fixed asset are determined as the difference between the realizable value of the transaction and the carrying amount of the asset net of accumulated depreciation and any impairment losses and are recognised in the income statement in the year that occurs the write-off or sale.

2.4. Intangible assets

Intangible assets are stated at acquisition cost less accumulated amortisation and impairment losses, when applicable.

Intangible assets are recognised only when they are identifiable, generate future economic benefits for the Company and can be measured reliably.

Amortisation of intangible assets is recognised on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the most significant intangible assets are as follows:

	2017 (YEARS)	2018 (YEARS)
Computer Programs	3	3
Industrial property and other rights	3	3

The useful lives and amortisation method of the various intangible assets are reviewed annually. The effect of any changes to these estimates is recognised in the income statement prospectively.

2.5. Goodwill

Goodwill represents the excess of acquisition cost over the net fair value of the assets, liabilities, and contingent liabilities of a business, a subsidiary, jointly controlled company or associated, at the acquisition date, if this is not a business combination of entities under common control in accordance with IFRS 3. In the case of a business combination of entities under common control, Goodwill represents the excess of acquisition cost over the fair value of the asset and liabilities of the acquired business.

Goodwill is presented as a component of the acquisition cost of the financial investments, in the separate accounts of NOS, when business is embodied in an entity.

Given the policy followed by the Company in the recognition and measurement of financial investments, Goodwill is recorded as an asset and included in “Intangible assets” if the excess of the costs common from an acquisition by merger, and in “Financial investments in group companies” in an acquisition of a subsidiary 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, which may correspond to the business segments in which the Company operates, or a lower level.

On disposal of a subsidiary, associate or jointly controlled entity, the corresponding goodwill is included in determining the corresponding gain or loss realised.

2.6. Impairment of tangible and intangible assets, excluding goodwill

At each reporting date is carried out a review of the carrying amounts of tangible fixed assets and intangible assets of the Company to determine whether there is any indication that the recorded amount may not be recoverable. If there is any indicator, we estimate the recoverable amount of the respective assets in order to determine the extent of the impairment loss (if any). When it is not possible to determine the recoverable amount of an individual asset, the recoverable amount is estimated for the cash-generating unit to which the asset belongs.

The recoverable amount of the asset or cash-generating unit is the greater of (i) the fair value less costs to sell and (ii) the current use value. In determining the current use value, the estimated future cash flows are discounted using a discount rate that reflects market expectations for the time value of money and the risks specific to the asset or cash-generating unit for which the estimates of future cash flows have not been adjusted.

When the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, is recognised as an impairment loss. The impairment loss is recognised immediately in the income statement under "Depreciation, amortisation, and impairment losses" unless such loss offset a revaluation surplus recorded in shareholders' equity.

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 captions referred in the previous paragraph. The reversal of the impairment loss is made up to the amount that would be recognised (net of amortisation) if no impairment loss had been recorded in previous years.

2.7. Investments in-group companies

Financial investments in Group companies (companies in which the Company holds directly or indirectly controlling, considering that control over an entity exists when the Group is exposed, and or has rights, as a result of their involvement, on the variable returns the entity's activities, and has the ability to affect this return through the power over the entity) are recorded under the caption "Financial investments in Group companies', at their acquisition cost, in accordance with IAS 27, as Company presents, separately, consolidated financial statements in accordance with IAS/IFRS.

Under this caption are also recorded at nominal value, supplementary capital granted to subsidiaries.

An evaluation of investments in Group companies is performed when there are indications that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses detected on the realizable value of the financial investments in Group companies are recognised in the year in which they are estimated, under the caption "Losses / (gains) of affiliated companies" in the income statement.

The expenses incurred with the acquisition of financial investments in Group companies are recorded as cost when they are incurred.

2.8. Financial assets

Financial assets are recognised in the statement of financial position of the Company on the trade or contract date, which is the date on which the Company undertakes to purchase or sell the asset. Initially, financial assets are recognised at their fair value plus directly attributable transaction costs, except for assets at fair value through profit or loss when transaction costs are recognised immediately in profit or loss. These assets are derecognised when: (i) the Company's contractual rights to receive their cash flows expire; (ii) the Company has substantially transferred all the risks and benefits associated with their ownership; or (iii) although it retains part but not substantially all the risks and benefits associated with their ownership, the Company has transferred control of the assets.

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

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

Financial assets at fair value through profit and loss

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

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

Financial assets at fair value through other comprehensive income

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

Financial assets measured at amortised cost

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

Cash and cash equivalents

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

2.9. 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 Company's assets after deducting the liabilities. The equity instruments issued by the Company are recorded at the amount received, net of the costs incurred in their issue. Financial liabilities and equity instruments are regained only when extinguished, i.e., when the obligation is settled, cancelled or extinguished.

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

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

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

2.10. Impairment of financial assets

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

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

2.11. Derivate financial instruments

Initial and subsequent recognition

The Company 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 Companys' 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 Company' commitment;
- Coverage of a net investment in a foreign operational unit.

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

At the beginning of the hedge relationship, the Company 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.

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

Beginning 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company 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 of the following effectiveness requirements:

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

ii) The effect of credit risk does not "dominate the value changes" that result from that economic relationship; and
iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedges that quantity of hedged item.

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

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

In the financial year of 2018, the Company did not make any changes in the recognition method.

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

2.12. Subsidies

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

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

Investment subsidies are recognised in the statement of financial position as deferred income and it is recognised as income on a systematic and rational basis over the useful life of the asset.

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.

2.13. Provisions, contingent liabilities and contingent assets

Provisions are recognised when: (i) there is a present obligation arising from past events and it is likely that in settling that obligation, the expenditure of internal resources will be necessary; and (ii) the amount or value of such obligation can be reasonably estimated. When one of the above conditions is not met, the Company 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 Company are made in accordance with the risk assessments carried out by the Company and by their legal advisers, based on success rates.

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

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

Provisions for potential future operating losses are not covered.

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

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

2.14. Leases

Leasing contracts are classified as: (i) finance leases, if substantially all the risks and benefits incident to ownership of the corresponding assets concerned have been transferred; or (ii) operating leases, if substantially no risks and rewards incident to ownership of those assets have been transferred.

The classification of leases as finance or operating leases is made based on substance rather than contractual form.

The assets acquired under finance leases, the corresponding liabilities are recorded using the financial method, and the assets, related accumulated depreciation, and pending debts are recorded in accordance with the contractual finance plan. In addition, the interest included in the rentals and the depreciation of the tangible and intangible fixed assets are recognised in the income statement for the period to which they relate.

In the case of operating leases, the rentals due are recognised as costs in the statement of comprehensive income over the period of the leasing contract.

2.15. Income tax

NOS is covered by the special tax regime for groups of companies, which covers all the companies in which it directly or indirectly owns at least 75% of the share capital and which simultaneously are resident in Portugal and subject to Corporate Income Tax (IRC).

The remaining subsidiaries not covered by the special tax regime for groups of companies are taxed individually based on their respective taxable incomes and the applicable tax rates.

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

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

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

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

a) The deferred tax benefits acquired in the measurement period of one year after the 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 value is null, any remaining deferred tax benefits are recognised in the income statement.

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

2.16. Share-based payments

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

In accordance with IFRS 2, since it is not possible to reliably estimate the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments (own shares) 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 elapsed 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.

Additionally, the Board of Directors of NOS SGPS, responsible for the plans’ attribution, can decide an additional debit related to costs associated to their management, which is debited to its subsidiaries and recognised in equity.

2.17. Capital

Legal reserve

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

Share premium reserves

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

Reserves for plans of medium term incentive

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

The Company recognises in equity the responsibility of all the action plans of various companies in the NOS group, since it is responsible for its delivery to its employees, against results for the year and accounts receivable of subsidiaries when dealing with own employees or employees of subsidiary companies, respectively.

Hedging reserves

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

Own shares reserves

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

Own shares

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

Retained results

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

2.18. Revenue

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

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

Thus, at the beginning of each contract, the Company 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 Company only provide services so the recognition of revenue occurs at the time of performance of each performance obligation.

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

Revenue from dividends is recognised when the Company’s right to receive the correspondent amount is established.

2.19. Accruals

Company’s revenues and costs are recognised in accordance with the accruals principle, under which they are recognised as they are generated or incurred, regardless 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”, “Prepaid Expenses”, “Accrued expenses” and “Deferred income”, as well as the expenses and income that have already occurred that relate to future periods, which will be recognised in each of those periods, for the corresponding amount.

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

2.20. Financial charges on borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accruals principle, except in the case of loans incurred (whether these are generic or specific) for the acquisition, construction or production of an asset that takes a substantial period of time (over one year) to be ready for use, which are capitalised in the acquisition cost of that asset.

2.21. Employee benefits

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

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

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

c) Labour Compensation Fund (FCT) and the Labour Compensation Guarantee Fund (FGCT). Based on the publication of Law No. 70/2013 and subsequent regulation by Order No. 294-A / 2013, entered into force on 1 October the Labour Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labour (FGCT). In this context, companies that hire a new employee are required to deduct a percentage of the respective salary for these two new funds (0.925% to FCT and 0.075% to 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 of the entity, measured at fair value with changes recognised in the respective results.

2.22. Statement of cash flows

The statement of cash flows is prepared in accordance with the direct method. The Company 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, investment, and financing activities.

Operating activities include cash received from customers and payments to suppliers, staff and others related to operating activities.

The cash flows included in investment 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.

2.23. 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 taken into account in the preparation of financial statements for the period.

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. Risk management

3.1. Financial risk factors

NOS as a holding company (SGPS) develops direct and indirect management activities over its subsidiaries. Thus, the fulfilment of assumed obligations depends on the cash flows generated by these. Therefore, the company depends on the eventual distribution of dividends by its subsidiaries, the payment of interest, repayment of loans and other cash flows generated by those companies.

The ability of NOS' subsidiaries to have available funds will depend, in part, on its ability to generate positive cash flows and, on the other hand, is dependent on the respective results, available reserves, and financial structure.

NOS has a program of risk management that focuses its analysis on the financial markets in order to minimise potential adverse effects on its financial performance. Risk management is handled by the Financial Management in accordance with the policy approved by the Board. There is also at NOS an Internal Control Committee with specific functions in the control area of risks of the activity of the Company.

3.2. Exchange rate risk

Exchange rate risk is mainly related to exposure resulting from payments made to suppliers of terminal equipment and producers of audiovisual content for the Pay TV and audiovisual businesses, respectively. Business transactions between the Company's subsidiaries and these suppliers are mainly denominated in US dollars.

Depending on the balance of accounts payable resulting from transactions in a currency different from the Group's operating currency, the Company's subsidiaries contract or may contract financial instruments, namely short-term foreign currency forwards, in order to hedge the risk associated with these balances.

NOS has investments in foreign companies whose assets and liabilities are exposed to ex-change rate variations (the Group has two subsidiaries in Mozambique, Lusomundo Moçambique and Mstar, whose functional currency is the Metical, four in Angola, Finstar, ZAP Media, ZAP Cinemas and ZAP Publishing whose functional currency is the Kwanza). NOS has not adopted any policy of hedging the risk of exchange rate variations for these companies on cash flows in foreign currencies.

Additional disclosures are made in the consolidated financial statements of NOS.

3.3. Interest rate risk

The risk of fluctuations in interest rates can result in a cash flow risk or a fair value risk, depending on whether variable or fixed interest rates have been negotiated.

NOS has adopted a policy of hedging risk through the use of interest rate swaps to hedge future interest payments on bond loans and other borrowings.

NOS uses a sensitivity analysis technique which measures the expected impacts on results and equity of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates, for the rates applying at the date of the statement of financial position for each class of financial instrument, with all other variables remaining constant. This analysis is for illustrative purposes only, since in practice market rates rarely change in isolation.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest receivable or payable on financial instruments with variable rates;
- Changes in market interest rates only affect interest receivable or payable on financial instruments with fixed interest rates when they are recognised at fair value;
- Changes in market interest rates affect the fair value of derivatives and other financial assets and liabilities;
- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by discounting future cash flows from current net values using market rates at the end of the year.

Under these assumptions, an increase or decrease of 0.25% in market interest rates for loans that are not covered or loans with variable interest at 31 December 2018 would have resulted in an increase or decrease in annual profit before tax of approximately 1.1 million euros (2017: 1.7 million euros).

In the case of the interest rate swaps contracted, the sensitivity analysis which measures the estimated impact of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates results in changes in the fair value of the swaps of over 319 thousand euros (2017: over 945 thousand euros) and down 320 thousand euros (2017: less 955 thousand euros) at 31 December 2018.

Additional disclosures are made in the consolidated financial statements of NOS.

3.4. Credit risk

Credit risk is mainly related to the risk of a counterparty defaulting on its contractual obligations, resulting in a financial loss to the Company's subsidiaries. The Company's subsidiaries are exposed to credit risk in its operating and treasury activities.

This risk is monitored on a regular business basis, and the aim of management is to: i) limit the credit granted to customers, using the average payment time by each customer; ii) monitor the trend in the level of credit granted; and iii) analyse the impairment of receivables on a regular basis.

The Company's subsidiaries do not face any serious credit risk with any particular client, insofar as the accounts receivable derive from a large number of clients from a wide range of businesses and the subsidiaries obtain credit guarantees, whenever the financial situation of the customer requires.

Additional disclosures are made in the consolidated financial statements of NOS.

3.5. Liquidity risk

NOS manages liquidity risk in two ways:

i. ensuring that its debt has a high component of medium and long-term maturities appropriate to the characteristics of industries when its subsidiaries exert their activity; and

ii. through contractual arrangements with financial institutions of credit facilities available at any time, for an amount that ensures adequate liquidity.

Based on estimated cash flows and taking into consideration the compliance with any covenants typically existing in loans payable, management regularly monitors the forecasts of liquidity reserves by subsidiaries of NOS, including the amounts of unused credit lines, amounts of cash and cash equivalents.

Additional disclosures are made in the consolidated financial statements of NOS.

4. Relevant estimates and judgements presented

The preparation of financial statements requires the Company'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 may 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 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:

4.1. Relevant accounting estimates

4.1.1. Provisions

The Company 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.

4.1.2. Tangible and intangible assets

The determination of the useful lives of assets as well as the amortisation / depreciation method to be applied is crucial in determining the amount of amortisation / depreciation to be recognised in the statement of comprehensive income for each year. These two parameters are defined using management's best estimates for the assets and businesses concerned, and taking account of the practices adopted by sector companies at international level.

4.1.3. Impairment assets, excluding goodwill

The determination of a possible impairment loss can be triggered by the occurrence of various events, many of which outside the Company's sphere of influence, such as future availability of financing, cost of capital, as well as any other changes, either internal or external, to the Company.

The identification of impairment indicators, the estimation of future cash flows and determining the fair value of assets involve a high degree of judgment by the Board of Directors with regard to the identification and evaluation of different impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values.

4.1.4. Impairment of goodwill

Goodwill is subjected to impairment tests annually or whenever there are indications of a possible loss of value. 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.

4.1.5. 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 Company's financial assets and liabilities, valuation techniques generally accepted in the market, based on market assumptions, are used.

The Company uses evaluation techniques for unlisted financial instruments such as derivatives. The valuation models that are used most frequently are discounted cash flow models and options models, incorporating, for example, interest rate curves and market volatility.

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 Company uses internal estimates and assumptions.

4.2. Misstatement, estimates and changes to accounting policies

During the financial years ended on 31 December 2017 and 2018, no material misstatements relating to previous years were recognised.

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

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

	31-12-2017					
	LOANS AND RECEIVABLES	DERIVATIVES	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS / LIABILITIES	NON FINANCIAL ASSETS / LIABILITIES	TOTAL
ASSETS						
Accounts receivable - non current (Note 9)	546,344,616	-	-	546,344,616	-	546,344,616
Available-for-sale financial assets (Note 11)	76,727	-	-	76,727	-	76,727
Accounts receivable - current (Note 9)	300,115,134	-	-	300,115,134	2,615	300,117,749
Derivative financial instruments (Note 20)	-	18,651	-	18,651	-	18,651
Cash and cash equivalents (Note 14)	177,880	-	-	177,880	-	177,880
TOTAL FINANCIAL ASSETS	846,714,357	18,651	-	846,733,008	2,615	846,735,623
LIABILITIES						
Borrowings - non current (Note 16)	-	-	870,340,798	870,340,798	-	870,340,798
Accrued expenses - non current (Note 18)	-	-	1,083,198	1,083,198	-	1,083,198
Borrowings - current (Note 16)	-	-	170,523,609	170,523,609	-	170,523,609
Accounts payable - current (Note 21)	-	-	98,656,368	98,656,368	-	98,656,368
Accrued expenses - current (Note 18)	-	-	2,549,264	2,549,264	-	2,549,264
Derivative financial instruments (Note 20)	-	2,461,705	-	2,461,705	-	2,461,705
TOTAL FINANCIAL LIABILITIES	-	2,461,705	1,143,153,237	1,145,614,942	-	1,145,614,942

31-12-2018						
	LOANS AND RECEIVABLES	DERIVATIVES	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS / LIABILITIES	NON FINANCIAL ASSETS / LIABILITIES	TOTAL
ASSETS						
Accounts receivable - non current (Note 9)	90,495,931	-	-	90,495,931	-	90,495,931
Available-for-sale financial assets (Note 11)	12,951	-	-	12,951	-	12,951
Accounts receivable - current (Note 9)	1,082,216,492	-	-	1,082,216,492	16,942	1,082,233,434
Derivative financial instruments (Note 20)	-	153,172	-	153,172	-	153,172
Cash and cash equivalents (Nota 14)	456,716	-	-	456,716	-	456,716
TOTAL FINANCIAL ASSETS	1,173,182,090	153,172	-	1,173,335,262	-	1,173,352,204
LIABILITIES						
Borrowings - non current (Note 16)	-	-	825,397,627	825,397,627	-	825,397,627
Accrued expenses - non current (Note 18)	-	-	1,142,624	1,142,624	-	1,142,624
Borrowings - current (Note 16)	-	-	214,680,298	214,680,298	-	214,680,298
Accounts payable - current (Note 21)	-	-	92,717,405	92,717,405	-	92,717,405
Accrued expenses - current (Note 18)	-	-	2,481,164	2,481,164	-	2,481,164
Derivative financial instruments (Note 20)	-	1,211,177	-	1,211,177	-	1,211,177
TOTAL FINANCIAL LIABILITIES	-	1,211,177	1,136,419,118	1,137,630,295	-	1,137,630,295

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

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

The Company's activity is subject to a variety of financial risks, such as market risk, liquidity risk and economical and judicial risks, which are described in Note 3.

6. Tangible assets

During the years ended at 31 December 2017 and 2018, the movements in acquisition costs and accumulated depreciation in this item were as follows:

	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORTATION EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	TANGIBLE ASSETS IN PROGRESS	TOTAL
ASSETS							
BALANCE AS AT 1 JANUARY 2017	253,332	226,972	72,878	2,424,744	301,557	45	3,279,529
Acquisitions	-	-	-	-	-	3,974	3,974
Disposals	-	-	-	(9,009)	-	-	(9,009)
Adjustments, transfers and write-offs	-	-	(40,271)	2,954	-	(2,955)	(40,272)
BALANCE AS AT 31 DECEMBER 2017	253,332	226,972	32,607	2,418,689	301,557	1,064	3,234,222
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
BALANCE AS AT 1 JANUARY 2017	(253,332)	(226,972)	(29,080)	(2,416,387)	(222,740)	-	(3,148,511)
Depreciation and impairment losses	-	-	(5,660)	(6,495)	62,726	-	50,570
Disposals	-	-	-	9,009	-	-	9,009
Adjustments, transfers and write-offs	-	-	2,134	-	-	-	2,134
BALANCE AS AT 31 DECEMBER 2017	(253,332)	(226,972)	(32,607)	(2,413,873)	(160,014)	-	(3,086,798)
NET VALUE AT 31 DECEMBER 2017	-	-	-	4,816	141,542	1,064	147,424

	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORTATION EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	TANGIBLE ASSETS IN PROGRESS	TOTAL
ASSETS							
BALANCE AS AT 1 JANUARY 2018	253,332	226,972	32,607	2,418,689	301,557	1,064	3,234,222
Acquisitions	-	-	-	-	-	6,605	6,605
Disposals	-	-	-	(12,973)	-	-	(12,973)
Adjustments, transfers and write-offs	-	-	(32,607)	-	-	-	(32,607)
BALANCE AS AT 31 DECEMBER 2018	253,332	226,972	-	2,405,716	301,557	7,669	3,195,247
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
BALANCE AS AT 1 JANUARY 2018	(253,332)	(226,972)	(32,607)	(2,413,873)	(160,014)	-	(3,086,798)
Depreciation and impairment losses	-	-	-	(3,229)	-	-	(3,229)
Disposals	-	-	-	12,973	-	-	12,973
Adjustments, transfers and write-offs	-	-	32,607	-	-	-	32,607
BALANCE AS AT 31 DECEMBER 2018	(253,332)	(226,972)	-	(2,404,129)	(160,014)	-	(3,044,446)
NET VALUE AT 31 DECEMBER 2018	-	-	-	1,587	141,543	7,669	150,801

7. Intangible assets

During the years ended at 31 December 2017 and 2018, the movements in acquisition costs and accumulated amortisation and impairment losses in this item were as follows:

	GOODWILL	SOFTWARE	INDUSTRIAL PROPERTY AND OTHER RIGHTS	TOTAL
ASSETS				
BALANCE AS AT 1 JANUARY 2017	453,888,879	461,345	5,538,531	459,888,755
Acquisitions	-	-	-	-
BALANCE AS AT 31 DECEMBER 2017	453,888,879	461,345	5,538,531	459,888,755
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
BALANCE AS AT 1 JANUARY 2017	-	(461,343)	(5,532,808)	(5,994,151)
Amortisation	-	(2)	(1,142)	(1,144)
BALANCE AS AT 31 DECEMBER 2017	-	(461,345)	(5,533,951)	(5,995,297)
NET VALUE AT 31 DECEMBER 2017	453,888,879	-	4,580	453,893,458

	GOODWILL	SOFTWARE	INDUSTRIAL PROPERTY AND OTHER RIGHTS	TOTAL
ASSETS				
BALANCE AS AT 1 JANUARY 2018	453,888,879	461,345	5,538,531	459,888,755
Acquisitions	-	-	-	-
BALANCE AS AT 31 DECEMBER 2018	453,888,879	461,345	5,538,531	459,888,755
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
BALANCE AS AT 1 JANUARY 2018	-	(461,345)	(5,533,951)	(5,995,297)
Amortisation	-	-	(1,144)	(1,144)
BALANCE AS AT 31 DECEMBER 2018	-	(461,345)	(5,535,095)	(5,996,441)
NET VALUE AT 31 DECEMBER 2018	453,888,879	-	3,436	453,892,314

Goodwill

At 31 December 2017 and 2018, the value of goodwill results from the merger occurred on 27 August 2013, by the merger through the incorporation of Optimus SGPS into ZON, by overall transfer of the assets of Optimus SGPS into ZON.

Impairment tests on goodwill

In 2018, impairment tests were performed based on assessments in accordance with the discounted cash flow method, which corroborate the recoverability of the book value of the Goodwill. The amounts in these assessments are based on the historical performances and forecast growth of the businesses and their markets, incorporated in medium/long term approved plans.

These estimates are based on the following assumptions:

Discount Rate (before taxes)	7.2%
Assessment Period	5 years
EBITDA* Growth	3.60%
Perpetuity Growth Rate	1.3%

* EBITDA = Operational result + Depreciation and amortisation (CAGR – average of 5 years)

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

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

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

8. Investments in subsidiaries and associated companies

At 31 December 2017 and 2018, this item was as follows:

	INVESTMENTS	SUPPLEMENTARY CAPITAL	INVESTMENTS	SUPPLEMENTARY CAPITAL	2018
NOS Comunicações	496,761,600	-	496,761,600	-	496,761,600
NOS Publicidade	-	-	218,475,000	-	218,475,000
Teliz	76,425,000	410,000	76,465,000	410,000	76,875,000
NOS Inovação	27,317,153	-	29,367,153	-	29,367,153
NOS Cinemas	21,326,270	704,375	23,601,270	-	23,601,270
NOS Audiovisuais SGPS	50,000	-	6,050,000	-	6,050,000
Mstar	5,518,502	-	5,518,502	-	5,518,502
NOS Communications S.à r.l	5,000,000	-	5,000,000	-	5,000,000
Sport Tv	2,500,000	4,666,560	1,300,000	4,666,560	5,966,560
NOS Lusomundo SII	437,895	6,000,000	437,895	250,000	687,895
NOS Internacional SGPS	50,000	-	50,000	-	50,000
Upstar	26,528	-	26,528	-	26,528
NOS Technology	4,159,970	230,187,023	-	-	-
NOS Audiovisuais	122,471,165	-	-	-	-
NOS Towering	4,094,838	26,121,692	-	-	-
Sontária	4,676,028	50,000	-	-	-
Per Mar	1,929,798	-	-	-	-
	772,744,747	268,139,650	863,052,949	5,326,560	868,379,508

During the years ended at 31 December 2017 and 2018, the movement in "Financial Investments" of NOS was as follows:

	INVESTMENTS	SUPPLEMENTARY CAPITAL	TOTAL
BALANCE AS AT 1 JANUARY 2017	763,150,910	265,348,828	1,028,499,738
Increases	25,532,403	6,000,000	31,532,403
Decreases	(15,938,566)	(3,209,178)	(19,147,745)
BALANCE AS AT 31 DECEMBER 2017	772,744,747	268,139,650	1,040,884,396
BALANCE AS AT 1 JANUARY 2018	772,744,747	268,139,650	1,040,884,396
Increases	228,840,000	-	228,840,000
Decreases	(137,331,798)	(262,813,090)	(400,144,888)
Impairments (Note 29)	(1,200,000)	-	(1,200,000)
BALANCE AS AT 31 DECEMBER 2018	863,052,949	5,326,560	868,379,508

During the year ended on 31 December 2017, the movements in the caption were as follows:

i) NOS Comunicações: increase of share capital by 10 million euros;

ii) NOS Technology: increase of share capital by 2 million euros;

iii) NOS Audiovisuais: increase of share capital by 4 million euros;

iv) Teliz: increase of share capital by 35 million euros;

v) NOS Towering: increase of share capital by 2 million euros;

vi) NOS Inovação: increase of share capital by 2 million euros;

vii) NOS Lusomundo Cinemas: increase of share capital by 2 million euros and refund of supplementary payments amounting to 2 million euros;

viii) NOS Lusomundo SII: on 13 July 2017, NOS SGPS acquired 5,664 shares representing 0.126% of the share capital of the company from MPBS Imobiliária, S.A., amounting to 8,403 euros, and came to hold 100% of its share capital; NOS SGPS handed over supplementary payments amounting to 6 million euros; and additionally, the company reduced its share capital by approximately 16 million euros;

ix) Sontária: increase of share capital by 2 million euros;

x) Permar: refund of supplementary payments amounting to 1.2 million euros and increase of share capital by approximately 1.4 million euros;

xi) Sport TV: on 24 February 2017, MEO became an integral part of the shareholder structure of Sport TV, NOS SGPS came to hold 25% of the share capital of Sport TV;

xii) NOS Audiovisuais SGPS: on 29 March 2017, the company was incorporated with a share capital of 50,000 Euros;

xiii) NOS Internacional SGPS: on 29 March 2017, the company was incorporated with a share capital of EUR 50,000 Euros;

During the year ended on 31 December 2018, the movements in the caption were as follows:

i) NOS Inovação: increase of share capital by 2 million euros;

ii) NOS Lusomundo Cinemas: increase of share capital by 2 million euros;

iii) NOS Audiovisuais SGPS: increase of share capital by 6 million euros;

iv) NOS Lusomundo SII: refund of supplementary capital amounting to 5.8 million euros;

v) Acquisition by NOS Comunicações, S.A. of 3,250,000 shares representing 100% of the share capital of NOS PUB, amounting to, approximately, 216 million euros, and additionally, the increase of share capital by 2 million euros;

vi) Sale to NOS Comunicações, S.A. of the shares representing the share capital of NOS Technology, NOS Towering, Sontária and Permar, amounting, approximately, to 268 million euros; and credit assignment amounting to 639 million euros;

vii) Sale to NOS Audiovisuais SGPS of the shares representing the share capital of NOS Lusomundo Audiovisuais, amounting, approximately, to 91 million euros; and credit assignment amounting to 47 million euros;

Acquisition and sale operations were supported by external entity evaluations, registered in CMVM.

Assets, liabilities and shareholder's equity, income and statutory results of subsidiaries and associated companies at 31 December 2018 are as follows:

	ASSETS	LIABILITIES	SHAREHOLDER'S EQUITY	TOTAL INCOME	TOTAL EXPENSES	NET INCOME / (LOSS)	% HELD
Mstar	8,007,892	6,127,633	1,880,259	22,082,271	(18,829,432)	3,252,839	29%
NOS Audiovisuais SGPS	138,020,695	131,951,282	6,069,413	28,014	(6,215)	21,799	100%
NOS Communications S.à r.l	16,072,389	4,562,725	11,509,664	25,067,835	(18,590,073)	6,477,762	100%
NOS Comunicações	2,534,878,637	1,618,223,133	916,655,504	1,668,652,830	(1,387,796,332)	280,856,498	100%
NOS Internacional SGPS	50,816	1,237	49,579	4,452	(2,486)	1,966	100%
NOS Inovação	45,145,971	13,341,364	31,804,606	14,527,534	(12,221,107)	2,306,427	100%
NOS Lusomundo Cinemas	33,618,223	18,889,871	14,728,352	65,003,245	(57,963,797)	7,039,448	100%
NOS Lusomundo SII	2,377,861	18,711	2,359,150	10,803	(23,775)	(12,972)	100%
NOS Publicidade	25,178,677	15,086,110	10,092,568	25,252,001	(21,208,267)	4,043,734	100%
Sport TV	161,778,798	140,034,029	21,744,769	188,099,956	(185,126,497)	2,973,459	25%
Teliz Holding B.V	1,338,325	5,445	1,332,880	-	(1,225,096)	(1,225,096)	100%
Upstar	139,979,376	138,776,640	1,202,736	73,910,523	(73,636,834)	273,689	30%

Annually or whenever there are indicators of impairment, the carrying amount of financial investments is compared to its recoverable value. The existence of these indicators is determined when: i) the affiliate's share capital is lower than the carrying amount; or ii) there are recent transactions with implicit valuations lower than the carrying amount; or iii) the stake is located in hyper inflated countries.

The assessment of the recoverable amount is performed taking into consideration internal and external valuations, by revenue generating units, based on the latest approved business plans, which are prepared using discounted cash flows for 5 years. In the perpetuity, the discount rates used were 21.0%, 17.6% and between 7.1% and 8.2% and the growth rates used were 5.0%, 6.5 % and 1.3%, for Mstar, Teliz and the other companies, respectively.

Additional disclosures regarding Telco and Audiovisuals segments are made in the consolidated financial statements of NOS SGPS.

Regarding financial investments in Mstar (Mozambique) and Teliz (owner of financial investments in Angola), the business plans include revenue average annual growth rates of 3.2% and 10.8%, respectively, meaning (i) the best estimates for customer base growth, reflecting the expectation of acquisition of new customers and churn rate estimates, and (ii) an average annual price growth between 55% and 100% of the inflation.

Sensitivity analyses were performed on variations of discount rates, growth and price increases of approximately 10%, from which resulted no impairments.

9. Accounts receivable

At 31 December 2017 and 2018, this item was as follows:

	2017		2018	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Related parties i)	296,329,781	545,887,558	1,080,070,830	90,000,000
Advances to suppliers	2,615	-	16,942	-
Accrued income - interests i)	3,604,531	-	1,500,894	-
Others	180,822	457,058	644,768	495,931
	300,117,749	546,344,616	1,082,233,434	90,495,931

i) At 31 December 2018, the amounts receivable from related parties correspond predominantly to short-term loans, shareholder medium and long-term loans and interest receivable from subsidiaries and associated companies (Note 31). At the end of the year 2018, these short-term loans and supplies, bear interest at the rate of 1.90% and 2.65%, respectively.

10. Taxes payable and receivable

At 31 December 2017 and 2018, these items were composed as follows:

	2017		2018	
	DEBIT BALANCES	CREDIT BALANCES	DEBIT BALANCES	CREDIT BALANCES
Income taxes	11,994,675	338	-	12,395,740
Personnel income tax witholdings	-	91,755	-	84,973
Value-added tax	-	231,654	-	227,946
Social Security contributions	-	84,527	-	77,210
	11,994,675	408,274	-	12,785,869
	11,994,675	408,274	-	12,785,869

At 31 December 2017 and 2018, the amounts receivable and payable in respect of income tax were as follows:

	2017	2018
Current income taxes estimative	(7,775,572)	(30,908,645)
Payments on account	18,798,908	17,552,554
Witholding income taxes	378,646	433,158
Income tax receivable	592,355	527,193
INCOME TAX (PAYABLE) / RECEIVABLE	11,994,337	(12,395,740)

The current income taxes estimate includes the Company and its subsidiaries' taxes estimates, included in the Consolidated Tax Group, where NOS SGPS is the parent company.

11. Available-for-sale financial assets

At 31 December 2017 and 2018, the item "Available-for-sale financial assets", in the amount of 76,727 euros and 12,951 euros, respectively, corresponds to equity investments of low value.

12. Taxes

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

The Company 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 2018 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 Lusomundo TV
- NOS Madeira
- NOS Publicidade
- NOS Sistemas
- NOS Technology
- NOS Towering
- Per-mar
- Sontária

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

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the financial statements as at 31 December 2018.

A) Deferred taxes

NOS has recorded deferred tax relating to temporary differences between the taxable basis and the book amounts of assets and liabilities and tax losses carried (when applicable) forward at the date of the statement of financial position.

The movements in deferred tax assets and liabilities for the financial years ended on 31 December 2017 and 2018 were as follows:

	31-12-2016	NET INCOME / (LOSS) FOR THE YEAR	SHAREHOLDER'S EQUITY	31-12-2017
DEFERRED INCOME TAX ASSETS:				
Derivatives (Note 20)	901,029	42,723	(394,064)	549,688
Share plans	457,536	(51,919)	-	405,617
Other provisions and adjustments	738,138	(15,568)	-	722,570
	2,096,703	(24,764)	(394,064)	1,677,875

	31-12-2017	NET INCOME / (LOSS) FOR THE YEAR	SHAREHOLDER'S EQUITY	31-12-2018
DEFERRED INCOME TAX ASSETS:				
Derivatives (Note 20)	549,688	(34,362)	(277,274)	238,052
Share plans	405,617	5,369	-	410,986
Other provisions and adjustments	722,570	(21,157)	-	701,412
	1,677,875	(50,150)	(277,274)	1,350,450

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 plan of the company, which is regularly revised and updated.

At 31 December 2017 and 2018, the tax rate used to calculate the deferred tax assets relating to temporary differences was 22.5%.

B) Effective tax rate reconciliation

In the years ended at 31 December 2017 and 2018, the reconciliation between the nominal and effective rates of tax was as follows:

	2017	2018
Income before taxes	95,542,216	287,443,701
Statutory tax rate	22.50%	22.50%
Estimated tax	21,496,999	64,674,833
Permanent differences (i)	(22,441,763)	(65,761,824)
Taxes from previous year	(114,758)	18,089
Autonomous taxation	20,123	15,702
Other adjustments	25,584	297,381
INCOME TAXES	(1,013,815)	(755,819)
Effective income tax rate	-1.1%	-0.3%
Income tax	(1,038,579)	(805,969)
Deferred tax	24,764	50,150
	(1,013,815)	(755,819)

(i) At 31 December 2017 and 2018, the permanent differences were composed as follows:

	2017	2018
Dividends received (Note 29)	(99,118,977)	(71,959,141)
Disposals of investments in subsidiaries (Note 29)	-	(221,509,488)
Impairment on Financial Investments (Note 8)	-	1,200,000
Others	(622,195)	(6,143)
	(99,741,172)	(292,274,772)
	22.50%	22.50%
	(22,441,763)	(65,761,824)

13. Prepaid expenses

At 31 December 2017 and 2018, this item was composed as follows:

	2017	2018
Insurances	44,388	42,641
Employees	2,148	2,834
Other prepaid expenses	343	24,257
	46,879	69,732

14. Cash and cash equivalents

At 31 December 2017 and 2018, this item was composed as follows:

	2017	2018
Cash	4,231	4,272
Deposits	173,649	452,444
	177,880	456,716

15. Shareholder's equity

15.1. Share capital

At 31 December 2017 and 2018, the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1 Euro cent per share.

The main shareholders at 31 December 2017 and 2018 are:

	31-12-2017		31-12-2018	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Banco BPI, SA	14,275,509	2.77%	-	-
Blackrock, Inc	11,562,497	2.24%	11,562,497	2.24%
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	10,891,068	2.11%
TOTAL	316,423,088	61.42%	302,147,579	58.65%

(1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of company, is attributable to ZOPT SGPS S.A., Sonaecom SGPS S.A. and the following entities:

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

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

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

15.2. Capital issued premium

On 27 August 2013, and 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), based on the closing market price of 27 August 2013. The capital increase is detailed as follows:

i) share capital for an amount of 2,060,646 euros;

ii) premium for issue of shares for an 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:

1. to cover part of the losses on the balance of the year that cannot be covered by other reserves;
2. 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;
3. to increase the share capital.

15.3. 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 December 2018, there were 2,069,356 own shares, representing 0.4017% of the share capital (31 December 2017: 2,040,234 own shares, representing 0.3960% of the share capital).

Movements in the years ended at 31 December 2017 and 2018 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2017	3,017,603	18,756,232
Distribution of own shares - share incentive scheme	(931,471)	(5,789,657)
Distribution of own shares - other remunerations	(45,898)	(285,284)
BALANCE AS AT 31 DECEMBER 2017	2,040,234	12,681,291
BALANCE AS AT 1 JANUARY 2018	2,040,234	12,681,291
Acquisition of own shares	650,000	3,096,380
Distribution of own shares - share incentive scheme (Note 33)	(603,228)	(3,541,929)
Distribution of own shares - other remunerations	(17,650)	(103,479)
BALANCE AS AT 31 DECEMBER 2018	2,069,356	12,132,263

15.4. Reserves

Legal reserve

Portuguese commercial legislation requires 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

At 31 December 2018, NOS had reserves, which by their nature are considered distributable for an amount of approximately 13.5 million euros, not including net income.

15.5. Dividends

The General Meeting of Shareholders held on 27 April 2017 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.19 euros, totalling 103,032 thousand euros. The dividend that is attributable to own shares totalling 415 thousand euros.

	2017
Dividends	103,032,276
Dividends of own shares	(415,148)
	102,617,128

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

	2018
Dividends	154,548,414
Dividends of own shares	(625,186)
	153,923,228

15.6. Net earnings per share

Earnings per share for the years ended on 31 December 2017 and 2018 were calculated as follows:

	2017	2018
Net income / (Loss) for the year	96,556,032	288,199,520
Number of ordinary shares outstanding during the year (weighted average)	512,916,991	513,090,991
Basic earnings per share	0.19	0.56
Diluted earnings per share	0.19	0.56

During the year ended on 31 December 2017 and 2018, there were no diluting effects on net earnings per share, so the diluted earnings per share are equal to the basic earnings per share.

16. Borrowings

At 31 December 2017 and 2018, the detail of borrowings is as follows:

	2017		2018	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Loans - Nominal value				
Debenture loan	-	585,000,000	150,000,000	510,000,000
Commercial paper	122,901,000	215,000,000	29,500,000	265,000,000
Foreign loans	18,333,333	73,333,333	18,333,333	55,000,000
Bank Overdrafts	28,707,232	-	14,957,542	-
Loans - Accruals and deferrals	582,044	(2,992,535)	1,889,423	(4,602,373)
	170,523,609	870,340,798	214,680,298	825,397,627

During the year ended at 31 December 2018, the average cost of debt of the used credit lines was approximately 1.80% (1.96% in 2017).

16.1. Debenture loans

At 31 December 2017, the Company had 585 million euros bonds issued, with maturity after one year. At 31 December 2018, the Company have 660 million euros bonds issued and 510 millions of those with maturity after one year.

The detail of bonds issued at 31 December 2017 and 2018 is as follows:

i) A bond loan in the amount 100 million euros organised by BPI Bank in May 2014 and maturing in November 2019. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

ii) A bond loan organised into four financial institutions in September 2014, amounting to 175 million euros, refunded in advance in May 2018. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

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

iv) Two bond issues organised by Caixabank amounting to 50 million euros each, and both maturing in June 2019. The first issue, held in June 2015, earlier refunded in June 2018 and pays interest quarterly at a fixed rate. The issue made in July 2015, bears interest at a variable rate indexed to Euribor and paid semi-annually.

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

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

At 31 December 2018, the value of these loans was deducted from the net amount of 175 thousand euros, corresponding to the respective interest and fees, recorded in the item "Loans - accruals and deferrals".

16.2. Commercial paper

At 31 December 2018, the Company has borrowings of 294.5 million euros in the form of commercial paper, of which 29.5 million euros issued without underwriting securities. The total amount contracted, under underwriting securities, is of 520 million euros, corresponding to eleven programmes, with four banks, of which 445 million euros bear interest at market rates and 75 million euros are issued with fix rate. Commercial paper programmes with maturities over 1 year totalling 265 million euros are classified as non-current, since the Company has the ability to renew unilaterally current issues on or before the programmes' maturity dates and because they are underwritten by the organiser. As such, this amount, although having a current maturity, it was classified as non-current for presentation purposes in the financial position statement.

At 31 December 2018 an amount of 231 thousand euros, corresponding to interest and commissions, was added to this amount, and recorded in the item "Loans - accruals and deferrals".

16.3. Foreign loans

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

At 31 December 2018, an amount of 3,119 thousand euros was deducted from this loan, corresponding to the benefit associated with the fact that the loan is at a subsidised rate.

All bank borrowings contracted (with the exception of the EIB loan of 73.3 million euros, the bond loan of 300 million euros, the paper commercial of 75 million euros, issued with fix rate and finance leases) are negotiated at variable short-term interest rates and their book value is therefore broadly similar to their fair value.

The maturities of the loans obtained are as follows:

	2017			2018		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	1,334,605	523,129,870	59,970,082	152,487,218	507,687,565	-
Commercial paper	122,637,444	177,500,000	37,500,000	29,731,392	215,002,182	49,997,818
Foreign loans	17,844,328	72,240,847	-	17,504,146	52,710,062	-
Bank overdrafts	28,707,232	-	-	14,957,542	-	-
	170,523,609	772,870,716	97,470,082	214,680,298	775,399,809	49,997,818

17. Provisions

During the years ended at 31 December 2017 and 2018, the movements recorded in provisions are as follows:

	31-12-2016	INCREASES	REDUCTION	UTILIZATION	31-12-2017
Litigation and others	3,200	-	-	-	3,200
Contingencies - Other	3,227,603	75,240	(121,488)	(1,164,571)	2,016,784
	3,230,803	75,240	(121,488)	(1,164,571)	2,019,984

	31-12-2017	INCREASES	REDUCTION	UTILIZATION	31-12-2018
Litigation and others	3,200	-	-	-	3,200
Contingencies - Other	2,016,784	253,303	(118,597)	-	2,151,490
	2,019,984	253,303	(118,597)	-	2,154,690

Net movements for the years ended at 31 December 2017 and 2018, reflected in the income statement, under Provisions were as follows:

	2017	2018
Provisions and adjustments	(96,118)	(106,143)
Interests and others	49,870	240,849
INCREASES AND DECREASES	(46,248)	134,706

18. Accrued expenses

At 31 December 2017 and 2018, this item was as follow:

	2017		2018	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Wages and salaries	1,670,590	-	1,668,126	-
Supplies and external services	273,070	-	230,392	-
Share Plan	605,604	628,312	582,646	687,738
Others	-	454,886	-	454,886
	2,549,264	1,083,198	2,481,164	1,142,624

19. Deferred income

At 31 December 2017 and 2018, this item was as follows:

	2017		2018	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Investment grant i)	632,098	3,773,206	408,756	5,520,566
Others	-	-	2,118	-
	632,098	3,773,206	410,874	5,520,566

i) Deferred income related to the implicit subsidy calculated when the EIB loans were obtained at interest rates below market value (Note 16.3). During the 2Q18, the implicit subsidy calculation was updated following the revision of the initial contractual conditions.

20. Derivative financial instruments

Interest Rate Swaps

At 31 December 2018, NOS had contracted two interest rate swaps totalling of 250 million euros (31 December 2017: 250 million euros), whose maturities expire in 2019. The fair value of interest rate swaps, in the negative amount of 1.2 million euros (31 December 2017: negative amount of 2.5 million euros) was recorded in liabilities, against shareholder's equity.

Equity Swaps

At 31 December 2018, NOS had contracted four equity swaps totalling of 2,641 thousands euros (31 December 2017: 2,318 thousand euros), maturing in March 2019, 2020 and 2021 to cover the delivery of share plans in cash.

		2017			
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
DERIVATIVES					
Interest rate swaps	250,000,000	-	-	-	2,453,113
Equity Swaps	2,317,542	18,651	-	-	8,592
	252,317,542	18,651	-	-	2,461,705

		2018			
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
DERIVATIVES					
Interest rate swaps	250,000,000	-	-	1,211,177	-
Equity Swaps	2,640,587	41,271	111,901	-	-
	252,640,587	41,271	111,901	1,211,177	-

Movements during the year ended on 31 December 2017 and 2018 were as follows:

	31-12-2016	INCOME	EQUITY	31-12-2017
Fair value interest rate swaps	(4,027,492)	-	1,574,379	(2,453,113)
Equity swaps	22,919	(189,878)	177,018	10,059
DERIVATIVES	(4,004,573)	(189,878)	1,751,397	(2,443,054)
Deferred income tax assets (Note 12)	(901,029)	42,723	(394,064)	(549,688)
DEFERRED INCOME TAX	(901,029)	42,723	(394,064)	1,252,370
	(4,905,602)	(147,155)	1,357,333	(1,190,684)

	31-12-2017	INCOME	EQUITY	31-12-2018
Fair value interest rate swaps	(2,453,113)	-	1,241,936	(1,211,177)
Equity swaps	10,059	152,719	(9,606)	153,172
DERIVATIVES	(2,443,054)	152,719	1,232,330	(1,058,005)
Deferred income tax assets (Note 12)	(549,688)	(34,362)	(277,274)	(238,052)
DEFERRED INCOME TAX	(549,688)	(34,362)	(277,274)	(238,052)
	(2,992,742)	118,357	955,056	(1,296,057)

21. Accounts payable

At 31 December 2017 and 2018, accounts payable to suppliers and other entities were as follows:

	2017	2018
ACCOUNTS PAYABLE		
Related parties i)	98,160,043	91,733,279
Suppliers	467,574	953,524
Fixed assets suppliers	2,497	5,365
Others	26,254	25,237
	98,656,368	92,717,405

i) At 31 December 2017 and 2018, the amounts that are payable to related parties correspond predominantly to loans and interests obtained from group companies (Note 31). At the end of 2018, these loans matured at the interest rate of 0.08%.

22. Services rendered

At 31 December 2017 and 2018, this caption corresponds to management services provided to NOS group companies (Note 31).

23. Other operating revenues

At 31 December 2017 and 2018, this caption comprises the following:

	2017	2018
Guarantee	320,833	244,291
Others	23,459	74,207
	344,292	318,498

24. Personnel Costs

In the years ended on 31 December 2017 and 2018, this item was composed as follows:

	2017	2018
Remunerations	5,468,743	4,897,904
Social taxes	742,204	735,528
Social benefits	54,919	87,573
Others	75,217	6,555
	6,341,083	5,727,560

In the years ended on 31 December 2017 and 2018, the average number of employees of the Company was 6. At 31 December 2018 the number of employees of the Company amounted to 6.

25. Supplies and external services

At 31 December 2017 and 2018, this item was composed as follows:

	2017	2018
Support services	1,019,688	796,154
Specialised works	18,689	318,074
Rentals	253,832	101,248
Travelling costs	92,780	99,452
Insurances	97,278	86,690
Fuels	27,221	32,817
Communications	2,842	15,266
Maintenance and repairs	14,486	9,944
Litigation and notaries	14,411	633
Cleaning, hygiene and comfort	8,172	32
Other supplies and external services	68,650	44,755
	1,618,049	1,505,065

26. Other operational losses / (gains)

At 31 December 2017 and 2018, this item was composed as follows:

	2017	2018
Contributions	35,457	39,307
Others	38,297	-
	73,754	39,307

27. Other losses / (gains) non-recurring

This caption in the years ended at 31 December 2017 and 2018 is as follows:

	2017	2018
Donations	15,000	15,000
Fines and penalties	638	188
Others	(30)	-
	15,608	15,188

28. Financial costs / (revenues) and other financial expenses / (income)

During the years ended at 31 December 2017 and 2018, financial costs / (revenues) and other financial expenses / (income), were as follows:

	2017	2018
FINANCIAL COSTS / (REVENUES)		
INTEREST EXPENSES		
Debenture loans	10,941,574	10,249,662
Commercial paper	3,931,170	3,299,895
Related parties (Note 31)	120,777	49,953
Derivatives	2,200,103	1,623,556
Bank loans	2,121,774	1,523,260
Others	50,145	52,865
	19,365,543	16,799,191
INTEREST EARNED		
Related parties (Note 31)	(21,505,413)	(18,121,417)
Bank deposits	(204)	(2,807)
	(21,505,617)	(18,124,224)
	(2,140,074)	(1,325,033)
NET OTHER FINANCIAL EXPENSES / (INCOME)		
Comissions on bank loans	1,477,324	979,642
Comissions on debenture loans	1,113,019	2,253,693
Comissions on commercial paper	2,113,280	1,575,929
Bank services	96,642	71,219
Others	104,636	629,285
	4,904,901	5,509,768

The decrease of interest expenses and interest earned results predominantly from the reduction in the average rates of financing (Note 16).

29. Losses / (gains) of affiliated companies

During the years ended at 31 December 2017 and 2018, this caption was as follows:

	2017	2018
DIVIDENDS RECEIVED		
NOS Comunicações	(28,063,837)	(22,847,819)
NOS Audiovisuais	(28,026,290)	(10,704,329)
NOS Communications	(16,434,187)	(2,087,554)
NOS Towering	(6,024,432)	(6,822,480)
NOS Cinemas	(5,863,199)	(6,431,352)
NOS Technology	(13,840,276)	(20,990,560)
NOS Inovação	(593,511)	(1,699,184)
Sontária	(197,688)	(285,874)
Per-Mar	(75,208)	(89,282)
Others	(349)	(707)
	(99,118,977)	(71,959,141)
DISPOSALS OF INVESTMENTS IN SUBSIDIARIES (NOTE 8)		
NOS Audiovisuais	-	31,971,165
NOS Towering	-	(131,083,470)
NOS Technology	-	(117,453,009)
Sontária	-	(3,273,972)
Per-Mar	-	(1,670,202)
	-	(221,509,488)
OTHERS		
Losses/(loss reversals) for impairment on financial investments (Note 8)	-	1,200,000
Others	-	(72,413)
	-	1,127,587
	(99,118,977)	(292,341,042)

30. Guarantees and financial undertakings

30.1. Guarantees

At 31 December 2017 and 2018, the Company had furnished guarantees in favour of third parties corresponding to the following situations:

	2017	2018
GUARANTEES IN FAVOUR OF:		
Financial instituitions i)	91,842,850	-
Tax authorities ii)	4,361,215	4,068,039
Others	561,330	2,955
	96,765,395	4,070,994

i) At 31 December 2017, this amount relates to guarantees furnished by NOS in connection with the loan from EIB. During the period ended in 31 December 2018, the guarantees were cancelled after a renegotiation with BEI.

ii) At 31 December 2017 and 2018, this amount relates to the guarantees required by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries.

Other guarantees

Under the financing obtained by Upstar with the Banco Comercial Português totalling 10 million euros, NOS signed a promissory note in the amount proportional to the shareholding of 30% of the funding.

During the first half of 2015, 2016, 2017 and 2018, and following the settlement notes of 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, 16.7, 17.5 and 3 million euros, respectively, in order to prevent the establishment of tax enforcement proceedings in order to enforce recovery of the paid amount.

On September 2016, NOS constituted guarantees, on behalf of Sport TV, to The Football Association League Limited for an amount of 29.1 million euros. This guarantee ended on the last quarter of 2018.

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

In addition to the guarantees required by the Tax Authorities were set up sureties for the current fiscal processes. NOS consisted of NOS SA surety for an amount of 15.3 million euros.

30.2. Operating leases

The rentals due on operating leases have the following maturities:

	2017		2018	
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS
Vehicles	105,642	143,423	71,962	62,657
Buildings	16,226	13,522	13,500	-
	121,868	156,944	85,462	62,657

30.3. Other undertakings

Covenants

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

In addition, approximately 27% of the total loans obtained require that the net financial debt does not exceed 3 times EBITDA, about 4% of the total loans obtained that the net financial debt does not exceed 3.5 times EBITDA , about 6% require that the net financial debt does not exceed to 4 times EBITDA and about 4% require that the net financial debt does not exceed to 5 times EBITDA.

EBITDA= Operational result + Depreciations, amortizations and impairment losses + Losses/(gains) with disposal of assets + Other costs/(gains) non-recurrent.

Assignment agreements football broadcasting rights

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

Additional disclosures are made in consolidated financial statements of NOS SGPS.

31. Related parties

At 31 December 2017 and 2018, the balances with companies of NOS Group were as follows:

Balances with related parties - 2017

	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	ACCRUED EXPENSES	PREPAID EXPENSES	BORROWINGS	Supplementary Capital
SHAREHOLDERS						
BPI	-	25,548	-	-	-	-
ASSOCIATED COMPANIES						
SPORT TV	162,877	-	-	-	-	-
SUBSIDIARIES						
Empracine	1,054	-	-	-	12	-
Lusomundo Imobiliária 2	(7,587)	-	-	-	5,859,940	-
Lusomundo Imobiliária SII	(6,658)	-	-	-	383,192	-
Lusomundo Moçambique	602	-	-	-	-	-
NOS Açores	1,742,623	-	-	-	-	-
NOS Audiovisuais	67,963,756	-	402	-	-	-
NOS Audiovisuais SGPS	-	-	-	-	48,000	-
NOS Cinemas	2,315,599	3,814	69	-	10,659,680	-
NOS Communications	12,873,847	-	-	-	13,391,413	-
NOS Comunicações	324,517,310	307,913	72,564	-	-	-
NOS Inovação	10,039,378	-	56	-	-	-
NOS Internacional SGPS	-	-	-	-	48,000	-
NOS Lusomundo TV	1,143,737	-	199	-	5,573,877	-
NOS Madeira	170,735	-	-	-	4,634,048	-
NOS PUB	1,511,379	-	454,886	-	11,683,131	-
NOS Sistemas	2,685,965	-	-	-	-	-
NOS Sistemas España	6,368	-	-	-	-	-
NOS Technology	326,956,981	91,586	3,857	-	45,305,017	-
NOS Towering	93,738,757	6,615	-	-	-	-
Per-Mar	212,503	-	-	-	269,174	-
Sontaria	1,065,706	-	-	-	304,559	-
JOINTLY CONTROLLED COMPANIES						
Dreamia BV	(1,020)	-	-	-	-	-
Dreamia -Serviços de televisão	5,301	-	-	-	-	-
Finstar	2,607	-	-	-	-	-
Mstar	666	-	-	-	-	-
Upstar	47,695	-	-	-	-	-
OTHER RELATED PARTIES						
Público	-	-	-	405	-	-
-	847,150,183	435,476	532,033	405	98,160,043	-

Balances with related parties - 2018

	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES	BORROWINGS
ASSOCIATED COMPANIES						
SPORT TV	4,645	-	-	-	-	-
SUBSIDIARIES						
Empracine	30,228	-	-	-	-	-
Lusomundo Moçambique	602	-	-	-	-	-
Lusomundo Imobiliária 2	(9,756)	71	-	-	-	357,955
Lusomundo SII	(14,423)	11,307	-	-	-	34,384
NOS Açores	810,188	438,084	-	-	-	-
NOS Audiovisuais	(491,895)	-	-	-	-	9,276,890
NOS Audiovisuais SGPS	131,893,538	9	-	-	-	1
NOS Cinemas	2,061,173	1,399	-	-	-	10,158,912
NOS Communications	81,457	14,023	-	-	-	3,531,750
NOS Comunicações	1,014,451,281	750,996	-	-	-	-
NOS Inovação	9,588,930	-	-	-	-	-
NOS Internacional SGPS	(1,245)	9	-	-	-	46,412
NOS Lusomundo TV	497,064	2,127	-	-	-	11,898,423
NOS Madeira	(1,373,224)	1,351	-	-	-	8,619,571
NOS PUB	1,787,938	2,504	454,886	-	-	14,869,577
NOS Sistemas	4,788,372	-	-	-	-	-
NOS Sistemas España	19,981	-	-	-	-	-
NOS Technology	6,074,771	532,721	-	-	-	26,041,118
NOS Towering	3,750,430	41,197	-	-	-	3,319,752
Per-Mar	(3,014)	66	-	-	-	2,234,111
Sontaria	24,769	68	-	-	-	1,344,423
JOINTLY CONTROLLED COMPANIES						
Dreamia BV	(1,020)	-	-	-	-	-
Dreamia -Serviços de televisão	3,861	-	-	-	-	-
Finstar	101	-	-	101	-	-
Mstar	666	-	-	-	-	-
Upstar	3	-	-	2,017	-	-
OTHER RELATED PARTIES						
Modelo Continente Hipermercados	-	456	-	-	-	-
Continente Hipermercados	-	281	-	-	-	-
Público	-	-	-	-	243	-
-	1,173,975,422	1,796,669	454,886	2,118	243	91,733,279

During the years ended at 31 December 2017 and 2018, transactions made with companies of NOS Group were as follows:

Transactions with related parties - 2017

	REVENUE	WAGES AND SALARIES	SUPPLIES AND EXTERNAL SERVICES	FINANCIAL LOSSES / (GAINS)	ASSETS
SHAREHOLDERS					
Sonaecom	-	-	17,121,100	-	-
BPI	-	-	-	12,500,000	-
ASSOCIATED COMPANIES					
Dreamia - Serviços de televisão	-	-	(207)	-	-
UPSTAR	-	-	(596)	-	-
Sport TV	60,703	-	-	-	-
SUBSIDIARIES					
Empracine	3,190	-	(0)	220	-
Lusomundo Imobiliária 2	4,329	-	(0)	21,565	-
Lusomundo SII	17,236	-	-	13,840	-
NOS Açores	114,190	300	(2)	12,643	-
NOS Audiovisuais	277,935	(29,119)	(0)	1,539,039	-
NOS Cinemas	216,632	(6,555)	(7)	21,713	-
NOS Communications	65,274	3,865	(4)	14,654	-
NOS Comunicações	4,957,415	206,831	1,039	7,588,320	3,683
NOS Inovação	30,213	(238)	(1)	14,603	-
NOS Lusomundo TV	177,871	(659)	(3)	14,408	-
NOS Madeira	39,999	(282)	(0)	17,713	-
NOS PUB	88,427	203,826	(2)	33,384	-
NOS Sistemas	521,392	(145,015)	(16)	9,387,534	-
NOS Technology	90,901	-	(1)	2,681,378	-
NOS Towering	4,037	-	(1)	6,525	-
Per-Mar	5,047	-	(1)	54,703	-
Sontaria	97,359	1,029	(0)	203,946	-
ZON Finance BV	-	-	-	-	-
OTHER RELATED PARTIES					
Continente Hipermercados	-	61	0	-	-
Modelo Continente Hipermercados	-	-	1	-	-
Público	-	-	0	-	-
Solinca	-	-	0	-	-
	6,772,149	234,043	17,121,301	34,126,191	3,683

Transactions with related parties - 2018

	REVENUE	SUPPLIES AND EXTERNAL SERVICES	FINANCIAL LOSSES / (GAINS)	ASSETS
ASSOCIATED COMPANIES				
Sport TV	25,759	-	-	-
SUBSIDIARIES				
Empracine	5,100	(34)	646	-
Lusomundo Imobiliária 2	6,224	(120)	1,139	-
Lusomundo SII	5,031	-	(1,339)	-
NOS Açores	92,234	(208)	55,449	-
NOS Audiovisuais	178,029	(90)	1,458,326	-
NOS Audiovisuais SGPS	-	-	76,480	-
NOS Cinemas	196,368	(4,155)	(5,597)	-
NOS Communications	77,634	(288)	(3,937)	-
NOS Comunicações	4,021,401	(233,237)	6,232,780	6,711
NOS Inovação	89,533	(212)	198,392	-
NOS Internacional SGPS	-	(85)	(56)	-
NOS Lusomundo TV	42,540	(297)	(7,467)	41
NOS Madeira	103,935	(479)	(5,175)	-
NOS PUB	32,843	(51)	(11,428)	-
NOS Sistemas	77,601	(1,183)	65,820	-
NOS Sistemas España	9,409	-		-
NOS Technology	164,955	(6,392)	7,761,627	-
NOS Towering	51,223	(24)	2,226,776	-
Per-Mar	5,203	(183)	4,792	-
Sontaria	6,017	(391)	24,237	-
OUTRAS PARTES RELACIONADAS				
Continente Hipermercados	-	681	-	-
Modelo Continente Hipermercados	-	436	-	-
Público	-	257	-	-
	5,191,041	(246,057)	18,071,463	6,751

Additionally, during the period ended in 31 December 2018, the Company acquired and disposed companies with related parties, as described in Note 8.

The Company regularly performs transactions and signs contracts with several parties within the NOS Group. Such transactions were performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

The Company also regularly performs transactions and enters into financial contracts with various credit institutions, which hold qualifying shareholdings in the Company. However, these are performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

32. Remuneration earned by management

The remuneration earned by management of NOS, for the years ended at December 2017 and 2018 were as follows:

	2017	2018
Fixed remunerations	2,984,164	3,023,000
Profit Sharing / Bonus	1,130,546	1,213,300
Share-based compensation plans	1,134,066	1,213,300
	5,248,775	5,449,600

The amounts presented in the table were calculated on an accruals basis for the fixed remuneration and profit sharing / bonus (short-term remunerations). The amount of Share-based compensation plans corresponds to the amount assigned in 2019 related to 2018 performance (and assigned in 2018 related to the 2017 performance). The average number of members' key of management in 2018 is 16 (16 in 2017). The Corporate Governance Report includes detailed information about NOS' remuneration policy.

The Company considered as Directors the members of the Board of Directors.

33. Share incentive schemes

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

As at 31 December 2018, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan - 2016	729,519
Plan - 2016	836,519
Plan - 2017	844,391

During the year ended on 31 December 2018, the movements that occurred in the plans are detailed as follows:

Movement in number of unvested shares

	STANDARD PLAN	NOS PLAN
BALANCE AS AT 31 DECEMBER 2017	60,378	2,235,860
MOVEMENTS IN THE PERIOD:		
Awarded	-	856,941
Vested	(58,519)	(544,709)
Cancelled / elapsed / corrected (1)	(1,859)	(137,663)
BALANCE AS AT 31 DECEMBER 2018	-	2,410,429

(1) Refers mainly to corrections 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, which may be made through the purchase of shares at a discount.

The share plans costs are recognised over the year between the award and vesting date of those shares. The responsibility is calculated taking into consideration the share price at attribution date of each plan or at closing date, for the plans liquidated in cash. As at 31 December 2018, the outstanding responsibility related to these plans is of 6,496 thousand euros, and is recorded in reserves, for an amount of 5,226 thousand euros, for the plans liquidated in shares, and in accrued expenses, for an amount of 1,270 thousand years, for the plans liquidated in cash.

The costs recognised in previous years and in 2018, and the respective responsibilities are as follows:

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at December 31, 2017	1.233.916	5.252.107	6.486.023
Plans of costs vested in the period	(499.714)	(3.568.910)	(4.068.624)
Costs recognised in the period*	536.181	3.542.084	4.078.265
TOTAL PLANS COSTS	1.270.383	5.225.281	6.495.664
AMOUNT RECEIVABLE FROM GROUP COMPANIES			(4.668.556)
NOS SGPS TOTAL LIABILITY	1.270.383	5.225.281	1.827.108

*Include the costs recognised by the Company and subsidiaries

34. Legally required disclosures

The fees charged for the years ended on 31 December 2017 and 2018 by Statutory Auditor are detailed as follows:

	2017	2018
Statutory audit	35,439	25,520
AUDIT SERVICES	35,439	25,520
NON-AUDIT SERVICES	13,800	22,880
NON-AUDIT SERVICES REQUIRED BY LAW	-	65,000
TOTAL	49,239	113,400

35. Subsequent events

At the date of the document's approval, there were no other relevant subsequent events meriting disclosure in this financial 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.

Report and Opinion of the Statutory Auditor

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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and individual financial statements of NOS, S.G.P.S., S.A. (the Group), which comprise the Consolidated and Individual Statements of Financial Position as at 31 December 2018 (which show a total of 2,925,543 thousand euros and 2,497,195 thousand euros, respectively, a consolidated and individual total equity of 1,083,883 thousand euros and 1,338,693 thousand euros, respectively, including a consolidated net profit for the year attributable to the equity holders of the parent of 141,405 thousand euros and an individual net profit for the year of 288,200 thousand euros), and the Consolidated and Individual Statements of Comprehensive Income, the Consolidated and Individual Statements of Changes in Equity and the Consolidated and Individual Statements of Cash Flows for the year then ended, and accompanying notes to the consolidated and individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and individual financial statements give a true and fair view, in all material respects, of the consolidated and individual financial position of NOS, S.G.P.S., S.A. as at 31 December 2018, and its consolidated and individual financial performance and its consolidated and individual cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated and individual financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters – Consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters relevant to the current period:

1. Recognition and measurement of revenue given the complexity of systems and the existence of several contracts with multiple performance obligations

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Group's revenues consist essentially of: ▸ Revenue from telecommunications services, namely: i) Cable television services, fixed broadband and fixed voice; ii) satellite television; ii) mobile broadband and voice services; ▸ Advertising revenue; and ▸ Revenue from production and distribution of content and channels. The complexity of information systems that support a significant volume of transactions, combined with the existence of multiple performance obligations, represent a significant audit risk. The process of revenue recognition and measurement involves significant judgement on the part of Management as disclosed in note 2.3.17 to the financial statements, with particular regard to the appropriate allocation of revenue to each of the performance obligations and estimates of discounts and offers to be granted to customers. In 2018, the new revenue accounting standard - IFRS15 - Revenue from contracts with customers - became effective. The standard required changes in the process of recognition and measurement of revenue which required management to exercise significant judgement and implement additional control procedures in the process. NOS adopted IFRS15 using the full retrospective method of adoption and applied the standard for each period presented in the financial statements which includes current and prior periods.	Our approach to the risk of material misstatement included (i) a global response to the way the audit was conducted overall and (ii) a specific response involving a combined approach of assessing controls and performing substantive procedures, including: ▸ Involvement of internal experts in the evaluation of the Group's information technology general controls and in the test of the application controls of the most relevant revenue processes; ▸ Execution of specific audit procedures to assess the operational effectiveness of the controls identified as relevant, including: i) conciliations between systems; ii) testing the controls of the Bill Cycle Review; and iii) validation of the key controls operating throughout the end-to-end process; ▸ Analysis of the various types of contracts in order to identify the specific performance obligations of the contracts, such as services, goods, prices, discounts and offers. Our procedures included verifying the correct allocation of revenue to the various services/goods identified. In addition, it was verified the application of the full retrospective method of the new revenue standard; ▸ Analytical review tests of the disaggregated revenue, comparing it with the same period of the previous year and with the expectation formed based on projected and actual indicators of the Group's performance, including: i) revenue market share; ii) RGU's (Revenue Generating Units); and iii) ARPU (Average Revenue Per User); and ▸ We assessed the adequacy of the applicable disclosures, included in the Notes 2.1, 2.3.17 and 30 of the financial statements, particularly the quantitative and qualitative impacts assessed by Management regarding the adoption of IFRS 15 using the full retrospective method of adoption.

2. Goodwill impairment

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2018, the carrying amount of Goodwill is 641 million euros (2017: 641 million euros), representing 22% (2017: 22%) of the Group's total assets. Goodwill is allocated to Telco and Audiovisual segments.	We assessed the assumptions used in the valuation models prepared by management, namely cash flow projections, discount rates, inflation rates, perpetuity growth rate and sensitivity analysis. We were supported, in the performance of these procedures, by internal specialists in business valuations.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The possible existence of impairment of Goodwill was considered a key audit matter due to the significance of the amounts to the Group's financial position and due to the complexity involved in the impairment assessment process, which includes assumptions such as future market and economic conditions, market share, revenue and margin evolution.	We evaluated the reliability of the assumptions used in the development of the business plan when compared to prior periods and as compared to historical data and external information. We evaluated the clerical and arithmetic accuracy of the models used. We focused on the sensitivity analysis of the two cash generating units, in order to validate the appropriateness of the disclosures included in Note 9 to the financial statements, reflecting the results of the impairment tests carried out. We verified compliance with the applicable disclosure requirements (IAS 36).

3. Cost capitalization and assessment of the useful lives attributable to tangible, intangible assets and contract with costumers' costs

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
Capitalization of expenditure and determination of useful lives attributable to assets are accounting estimates where management uses significant judgement, as disclosed in Notes 2.1., 2.3.3, 2.3.4 and 3.1 to the financial statements. The risks identified are related to the possibility that the capitalized costs do not comply with the capitalization requirements prescribed in the applicable accounting standards or that the tangible and intangible assets and contract with costumers' costs' useful lives are not appropriate or consistent with the period during which economic benefits from the use of those assets will flow to the Group. The subsequent measurement of the amounts recognized as assets requires a continued assessment of the existence of impairment indicators. IFRS16 – Leases will become effective in 2019. IFRS 16 requires a lessee to present all leases on the balance sheet based on a single recognition model (on-balance model), similarly to the treatment that IAS 17 – Leases provides for financial leases. The judgements done and the estimated impacts of the full retrospective method for the adoption of the new leases standard are disclosed in Note 2.1 of the financial statements and summarizes the estimated impacts on 2018 balances.	We performed specific audit procedures to assess the operational effectiveness of internal controls considered relevant in order to assess whether: ► The capitalization criteria are compliant with the Group's policy; and ► The tangible and intangible assets' useful lives are approved by management and are reviewed on a yearly basis. In addition, we analyzed capitalized costs by nature and assessed whether the capitalization requirements were met. In what concerns useful lives, we tested their consistency and appropriateness considering the specificities of the Group's revenue recognition and the practices of the sector in which the Group operates. We assessed the adequacy of the applicable disclosures, included in the Notes 2.1, 2.3.3, 2.3.4, and 3.1 of the financial statements, particularly the quantitative and qualitative impacts estimated by Management regarding the adoption of IFRS16 - Lease using the full retrospective method of adoption.

4. Recognition, measurement and disclosure of tax, regulatory and legal contingencies

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Provisions account and Note 44 – Legal processes in course, contingent assets and contingent liabilities of the Notes to the financial statements, refer to obligations for tax, regulatory and legal contingencies. Management periodically evaluates potential liabilities arising from past events the probability for which implies the recognition of a provision and/or a disclosure in the financial statements. This evaluation results from a process involving significant judgment on the part of the Group's management. The risks identified are both in the assessment of the likelihood of outflows of resources from the Group as well as in the quantification of the liability or of the contingent liability.	Our approach to the risk of material misstatement included the following procedures: ► Analysis of the controls established in the Group to identify situations likely to give rise to the recognition of provisions or the disclosure of tax, regulatory and legal contingent situations; ► Obtaining external confirmations from all the lawyers with whom the Group has relations; obtaining explanatory memoranda prepared by external and internal lawyers for the main proceedings in progress; reading the minutes of the Group's various Committees and Commissions; and analysis of the arguments used by management for the graduation of each contingency; ► Involvement in the audit of internal experts in tax matters; ► Evaluation of the probabilities of the outcome of contingencies taking into account not only the historical decisions as well as the conclusion of similar processes in other entities in the sector; and ► Validation of the disclosures included in the Notes to the financial statements related to Provisions and Legal processes, contingent assets and contingent liabilities. In relation to regulatory and legal provisions, the following procedures were also performed: ► Quarterly meetings with the Group's Regulatory and Financial Departments to take note of new contingencies and obtain an update on any situations known in previous periods; ► Analysis of the newsletters issued by the sector regulator (ANACOM) and its decisions on specific issues of regulation of the sector and assessment of their possible impact on the Group's financial statements; and ► Analysis of National and International Regulation Reports prepared by the Group's Regulatory Department.

5. Impairment of trade accounts receivable

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
Impairment of trade receivables amounts to 139.8 million Euros as at 31 December 2018 (2017 – restated amounts: 145.5 million Euros), representing approximately 28% (2017: 27%) of the total balance of trade accounts receivable. The impairment testing of accounts receivable is one of the key areas of judgment for management. The identification of the accounts receivable impaired and the determination of the recoverable amount is a process that involves the analysis of several assumptions and factors, including the aging of the debt, the financial condition of the debtor, the expectation of default and of collection and the forward-looking expected credit loss. In specific cases, the use of complex models and assumptions may produce significantly different estimates of impairment of trade receivables, involving a significant volume of information. Audit risk arises from the significant judgment used in this type of calculation, and is increased by the large volume of information managed in different information systems, which requires complex calculations and various assumptions based on historical data and forward-looking expectations. IFRS 9 – Financial Instruments became effective in 2019 replacing IAS 39 – Financial instruments: recognition and measurement. The new requirements of IFRS 9, regarding the recognition and measurement of impairment losses on trade accounts receivables is based on a forward-looking expected credit loss. The adoption of IFRS 9 requires additional disclosures (namely the impact on the prior period balances).	Our approach to the risk of material misstatement included: i) a global response in the way the audit was conducted overall; and ii) a specific response involving a combined approach of assessing controls and performing substantive procedures on collections, recovery of overdue debts, analysis of the variables included in the forward-looking expected credit loss and the calculation of trade receivables impairment as well as the assumptions used by management to define the quantification of the impairment losses to be recognized. We have analyzed the assumptions underlying the quantification of the trade receivables impairment loss based on a forward-looking expect credit approach, which takes into account the ageing of the debt, the financial capacity of the debtors, the historical trends of collections and the forward-looking expect credit loss variables. In addition, we performed sensitivity analysis regarding the assumptions used by the Group. We assessed the adequacy of the applicable disclosures, included in the Notes 2.1, 2.3.8, and 16 of the financial statements, particularly the quantitative and qualitative impacts assessed by Management regarding the retrospectively adoption of IFRS 9.

Key audit matters – Individual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters relevant to the current period:

1. Goodwill and Financial investments impairment

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2018, the carrying amounts of Goodwill and Financial investments are 454 million Euros (2017: 454 million Euros) and 868 million Euros (2017: 1,041 million Euros), respectively. These assets represent 53% of the Company's total assets. The possible existence of impairment of Goodwill and Financial investments was considered a key audit matter due to the significance of the amounts on the Entity's financial position and to the complexity involved in the impairment assessment process, which includes assumptions such as future market and economic conditions, market share, revenue and margin evolution.	We assessed the assumptions used in the valuation models prepared by management, namely cash flow projections, discount rates, inflation rates, perpetuity growth rate and sensitivity analysis. We were supported, in the performance of these procedures, by internal specialists in business valuations. We evaluated the reliability of the assumptions used in the development of the business plan when compared to prior periods and as compared to historical data and external information. We evaluated the clerical and arithmetic accuracy of the models used. We focused on the sensitivity analysis of the two cash generating units and in the recoverability of the Financial investments located in Angola and Mozambique, in order to validate the appropriateness of the disclosures included in the Notes 7 and 8 to the financial statements, reflecting the results of the impairment tests carried out. We verified compliance with the applicable disclosure requirements (IAS 36).

Responsibilities of management and the supervisory board for the consolidated and individual financial statements

Management is responsible for:

- the preparation of the consolidated and individual financial statements that presents a true and fair of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, including the Corporate Governance Report, in accordance with the law and regulation;
- the design and maintenance of an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of the appropriate accounting policies considering the circumstances; and
- the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters that may raise significant doubts about going concern.

The supervisory board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and individual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and individual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and individual financial statements, including the disclosures, and whether the consolidated and individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the consolidated and individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the information included in the Management Report with the consolidated and individual financial statements, as well as the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the non-financial statement as required by article 508-G of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Group has prepared a separate report, separate from the Management Report, which includes non-financial information, as required by article 508-G of Commercial Companies Code, and it has been published together with the Management Report.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, it is our opinion that the Corporate Governance Report includes the information required to the Entity to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of Regulation (EU) nr. 537/2014

Pursuant to article 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Group for the first time in the shareholders' general meeting held on 23 April 2014 for the period between 2014 and 2015, to complete the mandate of the three year period from 2013 and 2015. We were reappointed for a second mandate in the shareholders' general meeting held on 26 April 2016 for the period between 2016 and 2018;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the consolidated and individual financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated and individual financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated and individual financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report to the supervisory board that we have prepared and delivered today to the supervisory board; and
- We declare that we have not provided any prohibited services pursuant to article 77, nr. 8 of the Statute of the Institute of Statutory Auditors and we have remained independent of the Group in conducting the audit.

Porto, 7th March 2019

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Sandra e Sousa Amorim (ROC nr. 1213)
Registered with the Portuguese Securities Market Commission under license nr. 20160824

Statement under the terms of Article 245, paragraph 1, subparagraph c) of the Portuguese Securities Code

In accordance with Article 245, paragraph 1, c) of the Securities Code, the Board of Directors of NOS, SGPS, S.A., whose names and roles are listed below, declare that, to their knowledge:

a) The management report, the annual individual and consolidated accounts, the legal certification of accounts, required by law or regulation, relative to the year ended 31 December 2018, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, the company's financial situation and results, as well as those of the companies included in its consolidation perimeter;

b) The management report faithfully portrays the evolution of the company's business, performance and position, as well as those of the companies included in its consolidation perimeter and, when applicable, contains a description of the main risks and uncertainties that they face.

Lisbon, 07 de March 2019

The Board of Directors

Jorge Brito Pereira
(Chairman of the Board of Directors)

Miguel Almeida
(Chief Executive Officer)

José Pedro Pereira da Costa
(Vice-President - CFO)

Ana Paula Marques
(Executive Member of the Board of Directors)

Jorge Graça
(Executive Member of the Board of Directors)

Luis Nascimento
(Executive Member of the Board of Directors)

Manuel Ramalho Eanes
(Executive Member of the Board of Directors)

Ângelo Paupério
(Member of the Board of Directors)

António Domingues
(Member of the Board of Directors)

António Lobo Xavier
(Member of the Board of Directors)

Catarina Tavira Van-Dúnem
(Member of the Board of Directors)

Cláudia Azevedo
(Member of the Board of Directors)

João Torres Dolores
(Member of the Board of Directors)

Joaquim de Oliveira
(Member of the Board of Directors)

Lorena Fernandes
(Member of the Board of Directors)

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

Report and Opinion of the Fiscal Board

Shareholders,

According to the articles of association, the supervision of the Company is committed to a Fiscal Board, comprised of three full members and one alternate member, elected by the General Meeting, as well as to a Statutory Auditor or Firm of Chartered Accountants.

In these circumstances, as set forth in paragraph 1, sub-paragraph g), of Article 420º of the Portuguese Companies Code, we hereby submit our Report on our Supervision Activity and our Opinion on the Individual and Consolidated Annual Report and Accounts of NOS, SGPS, S.A. ("Company") for the financial year ended on 31 December 2018.

The Fiscal Board has regularly accompanied the evolution of the activities of the Company and of its main subsidiaries, monitoring the compliance with the law and with the articles of association, supervising the Company's management, the effectiveness of its risk management systems, internal control and internal auditing and the preparation and disclosure of individual and consolidated financial information. Moreover, the Fiscal Board verified the regularity of the accounting records, the accuracy of the individual and consolidated financial statements and the accounting policies and valuation criteria adopted by the Company in order to ensure that they lead to a correct appraisal of its assets and individual and consolidated profits, as well as its cash flow statements.

As part of its duties, the Fiscal Board met with the Statutory Auditor and External Auditors in order to monitor their audits and learn their conclusions, supervising the works performed by the Statutory Auditor and External Auditors and their independence and competence. The Fiscal Board also met on a regularly basis with the heads of the Internal Audit Department and Legal Department, and the Board Member responsible for the financial area whenever was deemed fit and appropriate. The Fiscal Board received full cooperation from all at all times.

The Fiscal Board monitored the whistleblowing system. This system is available to all shareholders, employees and to the general public. All reports received were duly analyzed.

As for the Corporate Governance report, it is the duty of the Fiscal Board to merely verify that it includes the elements referred to in Article 245-A of the Portuguese Securities Code, which the Fiscal Board did.

The Fiscal Board also received from the Statutory Auditor a letter confirming its independence in relation to the Company.

As such, the Fiscal Board issues the following

OPINION:

The Fiscal Board was informed about the conclusions of the work of the examination of the Company´s accounts and external auditing on the Individual and Consolidated Financial Statements for the financial year of 2018, which include the individual and consolidated financial position in 31 December 2018, the individual and consolidated Statements by nature, the individual and consolidated Statements of comprehensive income, the individual and consolidated Statement of changes in equity, the individual and consolidated cash flow Statement and its respective Annexes. The Fiscal Board scrutinized the Audit Report from the Statutory Auditor and External Auditors on these documents which expressed no reservations.

Within its powers, and according to paragraph 1, subparagraph c) of the article 245.º of the Portuguese Securities Code, the Fiscal Board declares that, to its knowledge, the Management Report, and the Individual and Consolidated Financial Statements for the financial year ended on 31 December 2018 were drawn up in accordance with the applicable accounting standards, reflecting a true and fair view of the assets and liabilities, financial position and results of NOS, SGPS, S.A. and the companies included in the consolidation as a whole. Additionally, the Management Report faithfully states the businesses' evolution, and the performance and position of the company and of the Group. It also complies with the applicable legal requirements and accounting standards as well as with the articles of association and, whenever deemed necessary, contains a description of the principal risks and uncertainties faced. It is also mentioned that the Non-Financial Statements contain enough information to allow an understanding of the performance, position and impact of the group's activities, related to the matters of environmental, social and worker issues, gender equality, non-discrimination, respect for human rights, fight against corruption and attempts at bribery. The Fiscal Board also ensures that the Company's Corporate Governance Report, which will be announced at the same time as the Management Report, includes the elements referred to in Article 245-A of the Portuguese Securities Code.

In view of the above, taking into account the opinion and the information received from the Board of Directors, the Company's departments, the Statutory Auditor and the External Auditor, the Fiscal Board opinion is as follows:

i. The Management Report for 2018 may be approved;

ii. The Individual and Consolidated Financial Statements for 2018 may be approved;

iii. The Proposal for the Application and Distribution of Profits presented by the Board of Directors, namely taking into account Article 32 of the Portuguese Companies Code, as per the Law Decree nr. 185/2009 of 12th of August, may be approved.

Lisbon, 04 April 2019

The Fiscal Board

Paulo Mota Pinto

Patrícia Teixeira Lopes

Eugénio Ferreira

Corporate Governance Report

1. Introduction

NOS, SGPS, S.A. ("NOS" or "Company") is a public company, issuer of shares admitted to trading on the Euronext Lisbon regulated market.

NOS undertakes the committement of creating sustainable value for its shareholders and remaining stakeholders.

Seeing corporate governance as a tool for competitiveness and value creation, NOS aims to be a national and international benchmark, not only in the governance model, but also in the content and the way it discloses information to its shareholders and the market in general, keeping watch to the evolution of the best practices and committed to permanently and actively improving its practices in this area.

NOS corporate governance, being a transversal undertaken commitment by all Company, is based on the following principles:

(i) Commitment with the shareholders;

(ii) Ethics;

(iii) Transparency;

(iv) Supervision; and

(v) Risk assessment.

Part I - Mandatory information concerning shareholder structure, organization and corporate governance

A. Shareholder Structure

I. Capital Structure

1. Share capital, number of shares, categories, admission or not to trading

NOS share capital is 5,151,613.80 euros and it is fully subscribed and paid up. The share capital is represented by 515,161,380 ordinary shares with the nominal value of € 0,01 (one cent) each.

All NOS shares are admitted to trading on the Euronext Lisbon regulated market.

2. and 6. Restrictions on the transfer of shares, shareholder agreements and limits on owing the shares

The Articles of Association do not set out limitations or restrictions to the transfer of the shares that represent the share capital of NOS.

Notwithstanding, pursuant to article 9(1) of the Articles of Association, shareholders who directly or indirectly compete with the activity performed by the companies owned by NOS, cannot hold common shares that represent more than 10% of the Company's share capital, without prior authorization from the General Meeting.

NOS is aware of a shareholders agreement entered into between shareholders of ZOPT, SGPS, S.A. ("ZOPT") under the terms of the announcement to the market issued on 27 August 2013.

As disclosed, Sonaecom, SGPS, S.A. ("Sonaecom"), Kento Holding Limited and Unitel International Holdings, B.V. (where Kento and Unitel International hereinafter jointly referred to as "Group KJ") entered into a shareholder agreement regarding ZOPT on 14 December 2012, in which they own the following stakes ("Shareholders Agreement"):

a) SONAECOM owns 50% of the share capital and voting rights of ZOPT;

b) Grupo KJ owns 50% of the share capital and voting rights of ZOPT, where 17.35% is owned by Kento Holding Limited and 32.65% is owned by Unitel International Holdings, B.V..

In turn, ZOPT now holds, as result of the merger that took place in 2013, more than 50% of the share capital and voting rights of NOS. Furthermore, on 14 June 2016, ZOPT acquired from Sonaecom – SGPS, S.A.

11,012,532 shares representing 2.14% of the share capital and voting rights of NOS. Consequently, ZOPT became the direct holder of 268,644,537 shares representing 52.15% of the share capital of NOS, as disclosed to the market on 16 June 2016.

Due to the Shareholders Agreement, this qualified shareholding can be attributed on the one hand to Kento Holding Limited and Unitel International Holdings B.V., companies directly and indirectly controlled by Mrs. Isabel dos Santos, and, on the other hand, to Sonaecom SGPS S.A. (company controlled by Sonae SGPS, S.A. through Sontel BV which, in turn, is controlled by Efanor Investimentos, SGPS, SA). As of November 29th, 2017, Efanor Investimentos, SGPS, S.A., no longer have a controlling shareholding under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code. As disclosed, to the market, "*the Parties signed the Shareholders Agreement to govern their legal positions as shareholders of ZOPT, SGPS, S.A., under the terms summarized below:*

"1. Corporate Bodies

1.1 ZOPT, SGPS, S.A.'s Board of Directors will be formed by an even number of members. SONAECOM and KJ Group will each have the right to appoint half the members of the Board of Directors, among which the Chairman will be appointed by agreement of the Parties.

1.2 ZOPT, SGPS, S.A.'s Board of Directors will be able to meet regularly when at least the majority of its members is present, and its resolutions will be made with the favourable vote of the majority of its Directors and always with the favourable vote of, at least, one member appointed by each Party.

1.3 ZOPT, SGPS, S.A.'s Chairman of the General Meeting and its Secretary will be appointed by agreement of the Parties. The General Meeting can only meet, in first or second calling, once more than fifty per cent of the Company's share capital is present or duly represented.

1.4 ZOPT, SGPS, S.A. will be supervised by a Fiscal Board whose members will be appointed by agreement of the Parties.

1.5 Any member of the corporate bodies appointed under the Shareholders Agreement can be removed or replaced at any time, by way of a proposal submitted to that effect by the Party that appointed him/her or, if he/she is a member appointed by agreement, by any of the Parties; in such case the other Party must vote in favour and undertake all actions necessary for such removal or replacement.

1.6 The exercise of ZOPT, SGPS, S.A.'s voting right concerning the appointment and election of members of the corporate bodies of any subsidiary or of any companies in which ZOPT, SGPS, S.A. owns a shareholding, as well as concerning any other matters, will be determined by the Board of Directors.

2. Shares Transfer

2.1 The Parties shall abstain from transferring any shares representing ZOPT, SGPS, S.A.'s share capital that they hold, as well as from allowing that they become encumbered in any way.

2.2 The Parties shall undertake all actions necessary to prevent ZOPT, SGPS, S.A. from transferring any shares representing the Company's share capital that it may own in the future, as well as to ensure that such shares will not become encumbered in any way, with the exception of the shares that exceed the number of shares necessary for its shareholding not to be equal to or lower than half of the Company's' share capital and voting rights.

2.3 The Parties shall abstain from acquiring or holding (directly or on behalf of anyone with whom they have a relationship under article 20 of the Portuguese Securities Code) any shares representing the Company's share capital, unless via ZOPT, SGPS, S.A. and/or, in SONAECOM's case, as a result of the Merger.

2.4 Two years after the commercial registry of the Merger, KJ Group will have the right to purchase from SONAECOM, or whomever it appoints, up to half of the shares representing the Company's share capital held by SONAECOM or anyone with whom it has a relationship under article 20 of the Portuguese Securities Code – with the exception of ZOPT, SGPS, S.A. and the entities covered by article 20(1)(d) – unless the Parties agree that, at the end of that period, the relevant shares will be acquired by ZOPT, SGPS, S.A..

3. Termination

3.1 The Shareholders Agreement will remain in force for an undetermined period, and shall only expire in case ZOPT, SGPS, S.A. ceases to exist following its dissolution and liquidation, or in case one of the Parties acquires the shares representing the share capital of ZOPT, SGPS, S.A. held by the other Party.

3.2 In a deadlock situation and in the absence of an agreed solution, as well as once twelve months have passed as from the commercial registry of the merger, any of the Parties is entitled to demand the dissolution of ZOPT SGPS, S.A..

3.3 Should a deadlock situation occur, the Parties will endeavour to find a mutually accepted solution for the situation, appointing each a representative to that effect, whose identity will be notified to the other Party within five days from the occurrence of the deadlock. If, in the following fifteen days, the deadlock has yet to been solved, any Party will have the right to demand the dissolution of ZOPT SGPS, S.A.."

There are no special rules that apply to the amendment of the Company's Articles of Association, being the process to alter the Articles of Association of NOS governed by the legal provisions in force from time to time.

There are neither special rights attributed to shareholders nor rules about employees' participation in the Company's share capital.

3. Treasury Stocks

At the end of 2017, NOS directly owned 2,040,234 own shares.

During 2018, the following transactions took place, which are summarized in the table below:

DESCRIPTION	NUMBER OF SHARES
Initial balance	2040.234
Aquisition of share	650.000
Distribution of shares - Share incentive scheme ans other remuneration	(620.878)
Final balance	**2 069 356**

Following the above mentioned transactions, on 31 December 2018, NOS held 2,069,356 own shares, which corresponded to 0.402% of the share capital and of the voting rights.

Voting rights attached to own shares are suspended under the applicable law.

4. Significant agreements that variate with a change of control

NOS is not a party to any significant agreements that come into force, are amended, or terminate if there is a change of Company control or change in the members of the Board of Directors following a takeover bid, except for normal market practice regarding debt issues.

NOS and its subsidiaries are parties to some financing contracts and debt issues, which include provisions allowing for the change of control, typical in these types of transactions (including, tacitly, changes in the change of control as a consequence of a public takeover bid), and which are deemed necessary for the mentioned transactions. These provisions are not deemed as prejudicial to the economic interest in the transfer of the shares nor to the free assessment by the shareholders of the performance of the directors.

5. Defensive measures

NOS has not adopted any defensive measures that could automatically cause a serious erosion of the Company assets in the case of change of control or change to the composition of the Board of Directors.

The Company, independently, or jointly with other Group companies has signed financing agreements with financing entities which set out the possibility of termination if there are significant alterations in the Company's shareholding structure and/or in the respective voting rights, accordingly with the market practice in these types of transactions.

There are no other significant agreements signed by NOS or by its subsidiaries that include change of control clauses (including following a takeover bid), i.e., that come into force, are amended or terminate if there is a change of control, as well as the respective effects.

There are no agreements between the Company and the members of the board of directors or other NOS senior managers, in the sense of article 3 of Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 *ex vi* article 248-B(3) of the Portuguese Securities Code, that set out a compensation in the event of dismissal, unfair dismissal, or termination of the labour relationship following any change in the Company's control.

Measures that could interfere with the success of a takeover bid

NOS has not adopted any measures in order to impede the success of takeover bids contrary to the interests of the Company and its shareholders.

NOS considers that there are no defensive clauses that could automatically cause erosion to the Company's assets in the event of a transfer of control or of a change to the composition of the board of directors or that would potentially impair the economic interest in the shares' transfer and the free assessment by the shareholders of the performance of the directors.

II. Shareholdings and bonds

7. Owners of qualified shareholdings

The structure of qualified shareholdings in NOS that the Company was notified of (including to information rendered under article 447(5) of the Portuguese Companies Code ("CSC")) was, on 31 December 2018, as follows:

Shareholders	Number of Shares	% Share Capital and Voting Rights
ZOPT, SGPS, SA [1]	268 644 537	52,15%
Blackrock, Inc	11 562 497	2,24%
MFS Investment Management	11 049 477	2,14%
Norges Bank	10 891 068	2,11%
Total Identified	**302 147 579**	**58,65%**

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

a. To the companies Kento Holding Limited and Unitel International Holdings, BV, as well as to Mrs. Isabel dos Santos, being (i) Kento Holding Limited and Unitel International Holdings, BV companies directly and indirectly controlled by Mrs. Isabel dos Santos and (ii) ZOPT a company jointly controlled by its shareholders Kento Holding Limited, Unitel International Holdings, BV, and Sonaecom SGPS, S.A. as a result of the shareholders agreement entered into between these entities;

b. To all entities in a control relationship with Sonaecom SGPS, S.A., namely SONTEL, BV and SONAE, SGPS, S.A., directly or indirectly controlled by EFANOR INVESTIMENTOS, SGPS, S.A, also as a result of the control relationship and shareholders agreement mentioned in a.

As of 29 November 2017, Efanor Investimentos, SGPS, S.A ceased to be a controlling shareholder under the terms and for the purposes of articles 20º and 21º of the Portuguese Securities Code.

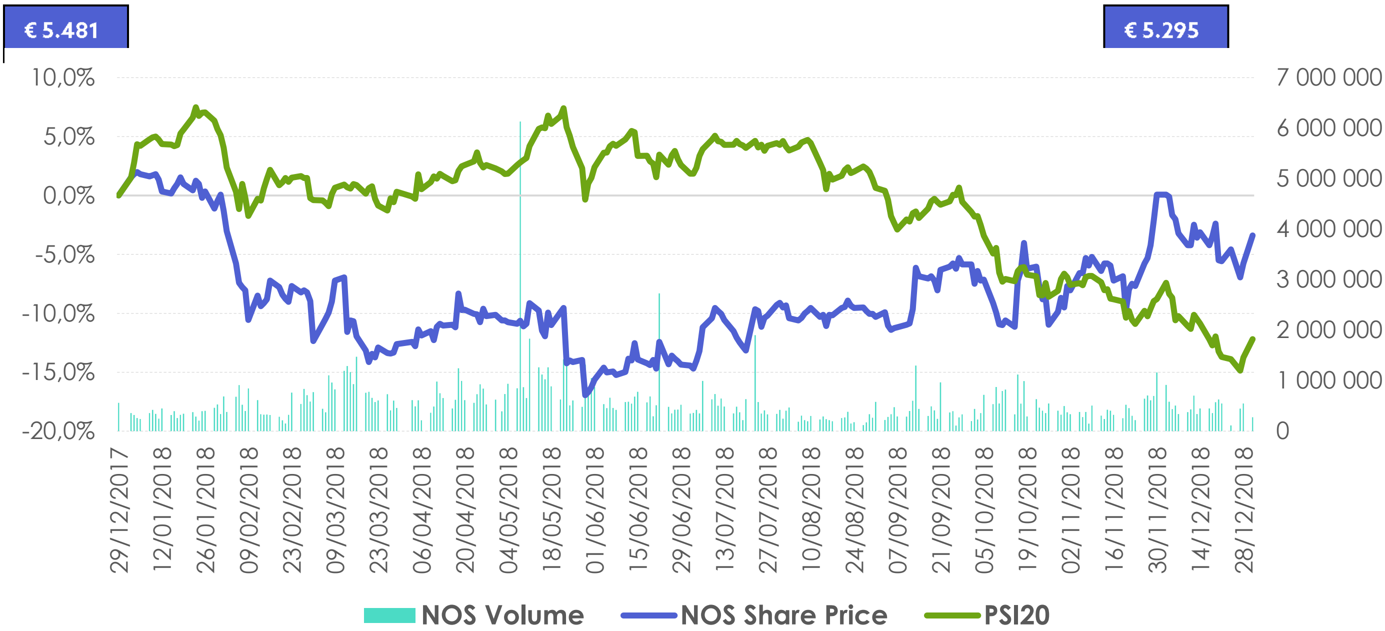
Note: The calculation of the voting rights percentage corresponding to each shareholder does not consider own shares held by the Company.

There is a detailed record of the communications regarding qualified shareholdings on NOS website, on http://www.nos.pt/ir.

Evolution of NOS/PSI 20 share prices

The share price of NOS ended 2018 at € 5.295, representing a decrease of almost 3.4% since the end of 2017, which is compared with devaluation of the PSI 20 index of 12.2% during the same period.

The changes in the price of NOS shares over the year, along with the number of shares traded each day, are shown in the following chart.



The following table shows the year's main communication events to the market over the year, such as results presentations, General Meetings of shareholders and dividend payments:

Date	Event
12-03-2018	Full Year 2017 Earnings Announcement
10-05-2018	General Shareholders Meeting
10-05-2018	First Quarter 2018 Earnings Announcement
10-05-2018	Approval of the Own Shares Acquisition Programme
25-05-2018	Dividend payment for the 2017 financial year
23-07-2018	First Half 2018 Earnings Announcement
08-11-2018	Third Quarter 2018 Earnings Announcement

During 2018, the share price of NOS reached a maximum of € 5.620 and a minimum of € 4.528.

In total, 145.491.950 NOS shares have changed hands in 2018, which corresponds to an average volume of 570.557 shares per session – which means 0.11% of the issued shares.

The main Portuguese share index, the PSI20 showed during 2018 a devaluation of 12.2%, and the Spanish index, IBEX 35, suffered a decrease of 15.0% from the end of 2017.

Other international indices presented, during the year 2018 negative performances, and the FTSE100 (United Kingdom) resgistered a decrease of 12.5%. During 2017, CAC40 (France) and DAX (Germany) devalued by 11.0% and 18.3%, respectively, while Dow Jones EuroStoxx 50 suffered a fall of 7.0%.

8. Shares and bonds held by members of the board of directors and the audit and finance committee and fiscal board

Name	Position / Job	Shares					
		Balance 31-12-2017	2018 Transactions				Balance 31-12-2018
			Acquisitions *	Disposals	Unit Price *	Date	
Jorge Manuel de Brito Pereira	Chairman of the Board of Directors	0	-	-	-	-	0
Miguel Nuno Santos Almeida	Chairman of the Executive Committee	39 025	14 984	-	4,750 €	29/03/2018	54 009
José Pedro Faria Pereira da Costa	Executive Member	117 392	12 880	-	4,750 €	29/03/2018	130 272
Manuel Ramalho Eanes	Executive Member	0	8 741	8 741	**	29/03/2018	0
Ana Paula Garrido de Pina Marques	Executive Member	18 210	8 741	-	4,750 €	29/03/2018	26 951
Cônjuge		17 641	7 070	-	4,750 €	29/03/2018	24 711
Luís Moutinho do Nascimento	Executive Member	80	-	-	-	-	80
Jorge Filipe Pinto Sequeira dos Santos Graça	Executive Member	0	10 152 -	- 10 152	4,750 € 4,730 €	29/03/2018 04/03/2018	0
Ângelo Gabriel Ribeirinho dos Santos Paupério (1)	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268 644 537	-	-	-	-	268 644 537
António Domingues	Non-Executive Member	0	-	-	-	-	0
António Bernardo Aranha da Gama Lobo Xavier (2)	Non-Executive Member	0	-	-	-	-	0
BPI, SA		14 275 509	500	14 276 009	-	-	0
ZOPT, SGPS, SA		268 644 537	-	-	-	-	268 644 537
Catarina Eufémia Amorim da Luz Tavira Van-Dúnem	Non-Executive Member	0	-	-	-	-	0
João Pedro Magalhães da Silva Torres Dolores	Non-Executive Member	0	-	-	-	-	0
Joaquim Francisco Alves Ferreira de Oliveira	Non-Executive Member	0	-	-	-	-	0
Lorena Solange Fernandes da Silva Fernandes	Non-Executive Member	0	-	-	-	-	0
Maria Cláudia Teixeira de Azevedo (3)	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268 644 537	-	-	-	-	268 644 537
Mário Filipe Moreira Leite da Silva (4)	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268 644 537	-	-	-	-	268 644 537
Paulo Cardoso Correia da Mota Pinto	Chairman of the Fiscal Board	0	-	-	-	-	0
Eugénio Luís Lopes Franco Ferreira	Member of the Fiscal Board	0	-	-	-	-	0
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	Member of the Fiscal Board	0	-	-	-	-	0
Luís Filipe da Silva Ferreira	Substitute Member of the Fiscal Board	0	-	-	-	-	0
Ernst & Young Audit & Associados, SROC, S.A.	Statutory Auditor	0	-	-	-	-	0
Sandra e Sousa Amorim	Statutory Auditor	0	-	-	-	-	0
Rui Abel Serra Martins	Statutory Auditor	0	-	-	-	-	0
Paulo Jorge Luís da Silva	Substitute Statutory Auditor	0	-	-	-	-	0

(1) Ângelo Gabriel Ribeirinho dos Santos Paupério is a member of the Board of Directors of ZOPT, SGPS, S.A., which owned, on 31 December 2018 a share correspondent to 52.15% of the share capital and voting rights of NOS and a member of the Board of Directors and Executive Committee of Sonaecom, SGPS, S.A..

(2) António Bernardo Aranha da Gama Lobo Xavier is member of the Board of Directors and Executive Committee of Sonaecom, SGPS, S.A. and also Vice-President of the Board of Directors of BPI, S.A.

(3) Maria Cláudia Teixeira de Azevedo is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 31 December 2018, correspondent to 52.15% of the share capital and voting rights of NOS, and member of Board of Dircetors and Executive Committee of Sonaecom, SGPS, S.A..

(4) Mário Filipe Moreira Leite da Silva is member of the Board of Directors of ZOPT, SGPS, S.A., company holding, on 31 December 2018 a share correspondent to 52.15% of the share capital and voting rights of NOS.

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

** The announcement with details of these transactions is available on NOS' institutional website at www.nos.pt/ir.

9. Special powers of the board of directors

The Company's Board of Directors shall exercise the powers conferred by the law and the Articles of Association.

According to article 16 of the Articles of Association, the Board of Directors is especially responsible for managing the Company business and namely:

a) The acquisition, divestment, leasing and encumbering movable and real estate assets, commercial establishments, investments in companies and vehicles;

b) Entering into financing and loan agreements, including medium and long-term, internal or external agreements;

c) Representing the Company in and out of court, actively and passively, with the right to withdraw, settle and make admissions in respect of any judicial proceeding. It may also enter into arbitration agreements;

d) Appointing attorneys-in-fact with whatever powers it deems appropriate, including powers of sub-delegation;

e) Approving the management plans and business investment and operating budgets;

f) Co-opting to replace directors who are definitively unavailable;

g) Preparing and submitting to the approval of the General Meeting a stock option plan for the members of the Board of Directors as well as for employees with positions of high responsibility in the Company;

h) Appointing any other individuals or legal entities to perform corporate roles in the Company's subsidiary or affiliate companies;

i) Passing resolutions for the Company to provide technical and/or financial support to its subsidiaries or affiliates;

j) Exercising any other powers attributed to it by the General Meeting.

The Company's Articles of Association do not set forth any special powers for the Board of Directors regarding resolutions on increasing the share capital.

Additionally, pursuant to the provisions of article 17(1) of the Articles of Association, the Board of Directors can delegate day-to-day management of the Company to an Executive Committee.

10. Relevant commercial relations with owners of qualified shareholdings.

NOS carried out no economically or strategic significant operations or business, for any of the parties involved, with members of the management or supervisory bodies or companies that are in a control or group relationship, that were not conducted under normal market conditions for similar operations and that were not part of the Company's current activity.

NOS has not conducted any business or operation with qualifying shareholders - or entities that are in any relationship with them pursuant to article 20 of the Portuguese Securities Code - outside normal market conditions. NOS has also implemented transaction control mechanisms with related parties, as detailed in item 89.

The Company regularly executed transactions and agreements with various entities within NOS Group. These operations were conducted under normal market terms for similar transactions and were part of the contracting companies' current activities. In this matter, the procedures and criteria that apply to the intervention of the Fiscal Board in taking resolutions as to the business dealings with qualifying shareholders are detailed in items 89, 90 and 91 in this report.

B. Corporate Bodies and Committees

I. General Meeting

11. Composition of the board of the general meeting

Pursuant to article 12(1) of NOS Articles of Association, the board of the General Meeting is composed by a Chairman and a Secretary and is composed of:

- Pedro Canastra de Azevedo Maia (Chairman)
- Tiago Antunes da Cunha Ferreira de Lemos (Secretary)

The term of office of the members of the board of the General Meeting is three years.

The current members of the board of the General Meeting were elected for the second time on the Annual General Meeting of 26 April 2016 for the three-year period of 2016/2018.

The General Meeting, composed of shareholders with voting rights, meets at least once a year, pursuant to the provisions in article 376 of the CSC. Pursuant to articles 23-A of the Portuguese Securities Code and 375 of the CSC, a General Meeting is also held whenever convened by the Chairman of the board of the General Meeting, upon request from the Board of Directors or the Fiscal Board, or by shareholders who represent at least 2% of the share capital.

Pursuant to article 21-B of the Portuguese Securities Code, the notice to call a General Meeting is published with at least 21 days' prior notice on the portal of the Ministry of Justice (http://publicacoes.mj.pt). The notice is also published on the Company's website, on the information broadcasting system of the Portuguese Securities Market Commission ("CMVM" - http://www.cmvm.pt) and on the Euronext Lisbon website.

The board of the General Meeting is provided with all the resources needed to perform its duties, namely with the assistance from the Company's General Secretariat.

In 2018, the Chairman and Secretary were respectively paid a total sum of € 18,000 and € 5,000 as fees, as explained in the item 82 below.

12. Voting right restrictions

Pursuant to the Company's Articles of Association, there are no restrictions on voting rights.

Pursuant to article 11 of the Company's Articles of Association, shareholders with voting rights can attend the General Meetings.

To every 100 shares corresponds one vote.

This statutory provision should not be deemend as a limit to the exercise of the voting right by the shareholders, specially having in mind that the nominal value of the shares is one cent. In addition, shareholders holding less than the number of shares necessary to exercise the voting right may join together to reach the required number or more and be represented at the General Meeting by one of these shareholders.

The law and Articles of Association state that shareholders with voting rights who, on the record date, which is at 0:00 (GMT) on the fifth trading day before the General Meeting, own shares that grant them at least one vote pursuant to the law and the Company's Articles of Association and who comply with the legal formalities as described in the corresponding notice, have the right to participate, discuss and vote at the General Meeting.

The shareholdings, as a whole, are not subject to limits on the respective voting power, as there are no cap limits on voting. Additionally, considering the relationship of proportionality there is no time lag between the right to receive dividends or to subscribe new securities and the voting right.

The voting right may, on all matters included in the notice of meeting, may be exercised by correspondence or by electronic means, under the terms set forth in the Company's Articles of Association and in the notice of meeting, since the Company also has a system that allows, without limitations, the possibility of shareholders using their voting rights in both formats, being this information duly and promptly sent to shareholders and made available to the public through the publication of the corresponding notice and other documents (including voting ballot and forms) on the Company's website.

13. Maximum number of votes for any shareholder

Pursuant to the Company's Articles of Association, there is no limit on the number of votes that can be held or exercised by each shareholder.

14. Matters requiring a qualified quorum under the articles of association

Pursuant to article 13 of the Articles of Association, notwithstanding the qualified majority provided by law, the General Meeting takes its resolutions by the simple majority of votes cast.

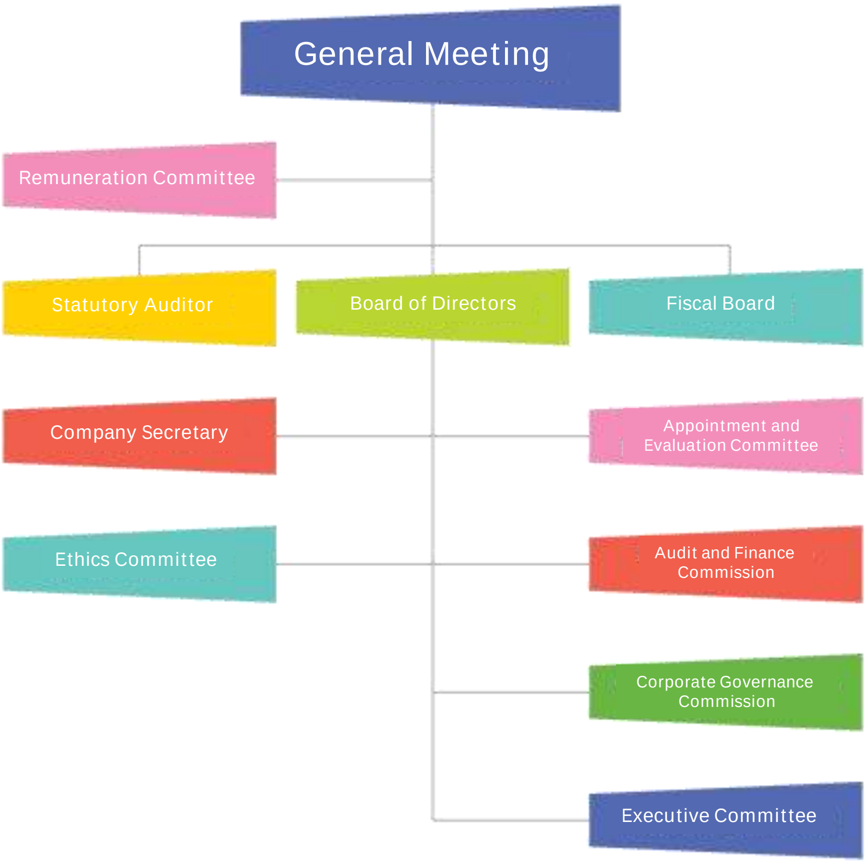
The General Meeting can run at a first meeting so long as shareholders representing more than 50% of the share capital are present or represented.

NOS Articles of Association do not, therefore, set any qualified quorum greater than that provided by law.

II. Administration and Oversight

15. Identification of the governance model

NOS adopts the reinforced one-tier governance model, pursuant to article 278(1)(a) and (3) and article 413(1)(b), both from the CSC and article 10(1) of the Company's Articles of Association. The Company's governing bodies are the General Meeting, the Board of Directors (who manages the Company), the Fiscal Board and the Statutory Auditor (who supervises the Company).



NOS Board of Directors believes this model is fully and effectively implemented and there are no constraints on its operations.

It is also believed that this governance structure allows the Company to work properly, enabling a flow of information and a proper transparent dialogue between the different corporate bodies and between the Company, its shareholders and other stakeholders.

Pursuant and for the purposes of article 446-A of the CSC and article 10(2) of the Company's Articles of Association, the Company's secretary and the alternate Company's secretary are appointed by the Board of Directors and have the tasks established by law and cease their mandates with the termination of the Board of Directors that appointed them.

On 31 December 2018, the Company's secretary and alternate Company's secretary were:

- Company Secretary – Sandra Martins Esteves Aires
- Alternate Company Secretary – Francisco Xavier Luz Patrício Simas

The Company Secretary has the following powers to:

- Guarantee the formalities and conformity of the corporate acts;
- Ensure that several corporate documents are updated and disclosed;
- Provide assistance to the corporate bodies, the Company in general and the other companies of the Group in matters related with Corporate law, Securities law and Corporate Governance, enhancing compliance with laws, regulations and recommendations;
- Guarantee the necessary assistance to the meeting of the Board of Directors, of the Executive Committee and of the General Meeting of both NOS and subsidiaries;
- Manage the administrative support to the corporate bodies.

Furthermore, under the applicable law, the Company Secretary is also empowered to:

- Act in the capacity of secretary in the meeting of the corporate bodies;
- Prepare minutes and sign them jointly with the members of the relevant corporate bodies and with the Chairman of the Board of the General Meeting whenever applicable;
- Keep in good order the books and sheets of the minutes, the presence lists, the shares record book as well as any formality related thereto;
- Send notices of meetings of the corporate bodies as required by law;
- Certify signatures of the members of the corporate bodies included in the company's documents;
- Certify all copies or transcriptions from the books of the Company or other archived documents as true, updated and complete;
- Satisfy, in the scope of its powers, any shareholders' requests exercising their information rights and provide information to the members of the corporate bodies performing supervisory functions over resolutions of the Board of Directors or of the Executive Committee;
- Partially or wholly certify the content of the by-laws in force, as well as the identity of the members of the several corporate bodies and their corresponding powers;
- Certify updated copies of the Articles of Association, of the shareholders' resolutions and of the managements as well as of the entries in place as recorded in the Company's books, as well as ensure that they are delivered or sent to the shareholders that have required them and have paid the corresponding costs;
- Certify with the corresponding initials all the documentation submitted to the General Meeting and referred to in the corresponding minutes;
- Promote the registration of corporate acts whenever required.

16. Rules of the articles of association about the appointment and replacement of board of directors

Pursuant to article 15 of the Company's Articles of Association, the members of the Board of Directors are elected by the General Meeting, which appoints a Chairman and if it so wishes, one or more Vice-Chairman.

If the General Meeting does not appoint a Chairman of the Board of Directors, the Board will make the appointment.

One of the Company's directors can be elected by the General Meeting pursuant to article 392(1) of the CSC.

The replacement of a director, if they cease their office before the end of the term of office, shall comply with applicable legal requirements, namely under article 393 of the CSC.

Without prejudice to the above, article 16(2) and (3) of the Company's Articles of Association state that where the director who is definitively absent is the Chairman or Vice-Chairman, he/she shall be replaced through election at the General Meeting. For this purpose, a director is considered to be definitively absent if, during their term of office, they miss two meetings in a row or five in total, without a justification that is accepted by the Board of Directors.

17. Composition of the Board of Directors

Pursuant to article 15 of the Company's Articles of Association, the Board of Directors is composed of up to twenty-three members elected by the General Meeting. The Articles of Association set out no express provision on minimum number of directors to be part of NOS Board of Directors, following that the statutory minimum corresponds to the minimum legal requirement for a collegial body, such as the Board of Directors in the one-tier model, as set out in of article 278(1)(a) of the CSC.

Article 10(3) of the Company's Articles of Association states that when the law or the Articles of Association do not set a specific number of members on a corporate body, this number shall be established, on a case by case basis, by the resolution to elect, corresponding to the number of members elected. This does not affect, pursuant to article 10(4), the possibility to change the number of the corporate body members during the term of office, up to the legal limit or up to the limit set out by the Articles of Association.

The members of NOS corporate bodies and other bodies keep their terms of office for renewable periods of three calendar years, and the calendar year of their appointment counts as a complete year.

The current Board of Directors was elected at the Annual General Meeting on 26 April 2016, for the three-year period of 2016/2018, and at the date of the election, it was composed of 17 Directors with Jorge Manuel de Brito Pereira appointed as Chairman.

Currently, the Board of Directors comprises 16 Directors, as follows:

	Board of Directors	Executive Committee	Non-executive Director	First appointed and end of term of office
Jorge de Brito Pereira	Chairman	---	X	01/10/2013 31/12/2018
Miguel Almeida	Member	Chairman	---	01/10/2013 31/12/2018
José Pedro Pereira da Costa	Member	Member	---	21/09/2007 31/12/2018
Ana Paula Marques	Member	Member	---	01/10/2013 31/12/2018
Manuel Ramalho Eanes	Member	Member	---	01/10/2013 31/12/2018

Jorge Graça	Member	Member	---	26/04/2016 31/12/2018
Luís Nascimento	Member	Member	---	29/06/2017 31/12/2018
Ângelo Paupério	Member	---	X	01/10/2013 31/12/2018
António Lobo Xavier	Member	---	X	01/10/2013 31/12/2018
António Domingues	Member	Member	X	01/09/2004 31/12/2018
Catarina Tavira Van-Dúnem	Member	---	X	27/11/2012 31/12/2018
Joaquim Oliveira	Member	---	X	31/01/2008 31/12/2018
Lorena Fernandes	Member	---	X	01/10/2013 31/12/2018
Maria Cláudia Azevedo	Member	---	X	01/10/2013 31/12/2018
Mário Leite da Silva	Member	---	X	19/04/2010 31/12/2018
João Dolores	Member	---	X	26/04/2016 31/12/2018

18. Distinction between executive and non-executive (and independent) directors

Pursuant to article 17(1) of the Company's Articles of Association, NOS Board of Directors, approved on its meeting held on 26 April 2016, the incorporation of an Executive Committee currently composed by 6 members.

In order to maximise the pursuit of the Company's interests, the management body is composed of 10 non-executive members, a number higher than the number of executive members. The Company understands that this number of non-executive directors is suitable and that ensures effective monitoring, oversight and assessment of the executive members of NOS, having in mind, specially, its dimension, shareholder structure and the size and complexity of the risks associatied with its activity.

Considering the above mentioned, and based on the Company's dimension, its shareholder structure and the respective free-float, in line with the definition of independence under on the one hand the CMVM Regulation

4/2013 and on the other hand the Recommendation III.4 of the IPCG's Corporate Governance Code of 2018, the Company has, among its non-executive Directors, one independent Director – Lorena Solange Fernandes da Silva Fernandes.

It shall be noted that the Non-Executive Directors of the Company have regularly and effectively developed their legal functions which generally consist in the supervision, oversight and evaluation of the executive members' activity.

Pursuant to applicable legislation and regulations, particularly the provision in article 407(8) of the CSC, NOS Non-Executive Directors have performed their functions so as to comply with their duties of vigilance regarding the activity of the members of the Executive Committee. According to that provision, Non-Executive Directors shall proceed with the "*general oversight (...) of the Executive Committee*", and are liable "*for any losses caused or acts or omissions by it, when they are aware of such acts or omissions or the intent to practice them, and do not call on Board intervention to take the proper measures*". Since the Chairman of the Board of Directors of NOS is a Non-Executive Director, the functions of the Non-Executive Directors are particularly easy, since the Chairman is empowered to coordinate the activities of the Non-Executive Directors and to act as a link, shortening and simplifying the dialogue with the Executive Committee.

One should also note the efforts by the Non-Executive Directors to keep up to date with different matters at all times, being studied and handled by the Board of Directors and their regular presence and participation in the meetings of that body, which largely contributes to the good performance of their jobs.

NOS non-executive Directors have also made important contributions to the Company by performing their duties on the specialised Board of Directors committees (see item 27).

In order to better guarantee the due and effective monitoring, oversight and assessment of the Executive Committee's activity, as determined by the Board of Directors the Executive Committee presents, on a quarterly basis, to the Board of Directors, a summary of the most important points of its activity in the relevant period.

In practice, the agenda of the Executive Committee activity is forwarded to the members of the Fiscal Board every month.

In addition, the members of the Executive Committee, when so requested by other members of the corporate bodies, also provide proper and timely information.

19. Board of Directors' Qualifications

a. Jorge Brito Pereira: Chairman of the Board of Directors

Qualifications:

- Degree in Law from Universidade Católica Portuguesa, Faculdade de Direito;
- Master's in Legal Sciences from Universidade de Lisboa, Faculdade de Direito;
- MBA from IMD, Lausanne.

Professional Experience:

- Partner at Uría Menéndez – Proença de Carvalho, Sociedade de Advogados;
- Chairman of the Board of the Shareholders Meeting of Banco Bic Português S.A.
- Chairman of the Board of the Shareholders Meeting of Efacec Power Solutions S.A.;
- Chairman of the Board of the Shareholders Meeting of SAPEC, SGPS, S.A.;
- Chairman of the Board of the Shareholders Meeting of BFA - Banco de Fomento de Angola, S.A.;

- Chairman of the Board of the Shareholders Meeting of CIMINVEST – Sociedade de Investimentos e Participações S.A.;
- Chairman of the Board of the Shareholders Meeting of SANTORO FINANCE – Prestação de Serviços, S.A.;
- Chairman of the Board of the Shareholders Meeting of SANTORO FINANCIAL HOLDINGS, SGPS, S.A.;
- Chairman of the Board of the Shareholders Meeting of FIDEQUITY – SERVIÇOS DE GESTÃO S.A.;

b. Miguel Nuno Santos Almeida: Chairman of the Executive Committee

Qualifications:

- Degree in Mechanical Engineering from Universidade do Porto, Faculdade de Engenharia;
- MBA from INSEAD.

Professional Experience:

- Chairman of the Board of Directors of NOS Comunicações, S.A.
- Chairman of the Board of Directors of NOS Technology – Concepção, Construção e Gestão de Redes de Comunicações S.A.;
- Chairman of the Board of Directors of NOS Towering – Gestão de Torres de Telecomunicações S.A.;
- Chairman of the Board of Directors of NOS Sistemas - Serviços em Tecnologia de Informação S.A.;
- Chairman of the Board of Directors of NOS Inovação S.A.
- Chairman of the Board of Directors of NOS Açores Comunicações S.A.;
- Chairman of the Board of Directors of NOS Lusomundo Audiovisuais S.A.;
- Chairman of the Board of Directors of NOS Lusomundo Cinemas S.A.;
- Chairman of the Board of Directors of NOS Lusomundo TV S.A.;
- Chairman of the Board of Directors of NOS Madeira Comunicações S.A;
- Chairman of the Board of Directors of NOSPUB Publicidade e Conteúdos S.A.;
- Chairman of the Board of Directors of NOS Audiovisuais SGPS S.A.;
- Chairman of the Board of Directors of NOS Internacional SGPS S.A.;
- Former Chairman of the Executive Committee of OPTIMUS Comunicações, S.A.;
- Former Executive Director and Member of the Board of Directors of Sonaecom, SGPS, S.A..

c. José Pedro Faria Pereira da Costa: Vice-Chairman of the Executive Committe

Qualifications:

- Degree in Business Administration and Management from Universidade Católica Portuguesa;
- MBA from INSEAD.

Professional Experience:

- Chairman of the Board of Directors of Per-Mar, Sociedade de Construções S.A.;
- Chairman of the Board of Directors of Sontária – Empreendimentos Imobiliários S.A.;
- Chairman of the Board of Directors of Lusomundo Imobiliária 2 S.A.;
- Chairman of the Board of Directors of Lusomundo Sociedade de Investimentos Imobiliários SGPS S.A.;
- Vice-Chairman of the Board of Directors of Mstar S.A.;

- Chairman of the Board of Directors of Finstar – Sociedade de Investimentos e Participações, S.A.;
- Member of the Board of Directors of NOS Lusomundo Audiovisuais S.A.;
- Member of the Board of Directors of NOS Lusomundo Cinemas S.A.;
- Member of the Board of Directors of NOS Lusomundo TV S.A.;
- Member of the Board of Directors of NOSPUB Publicidade e Conteúdos S.A.;
- Member of the Board of Directors of NOS Comunições S.A.;
- Member of the Board of Directors of NOS Audiovisuais SGPS S.A.;
- Member of the Board of Directors of NOS Internacional SGPS S.A.;
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- Member of the Board of Directors of NOS Technology – Concepção, Construção e Gestão de Redes de Comunicações, S.A.;
- Member of the Board of Directors of NOS Towering – Gestão de Torres de Telecomunicações, S.A.;
- Member of the Board of Directors of Dreamia Holding B.V.;
- Member of the Board of Directors of Dreamia Serviços de Televisão S.A.;
- Member of the Board of Directors of NOS Sistemas Serviços em Tecnologia de Informação S.A.;
- Member of the Board of Directors of NOS Sistemas España S.L.;
- Member of the Board of Directors of NOS Inovação S.A.
- Member of the Board of Directors of NOS Açores Comunicações S.A.;
- Member of the Board of Directors of NOS Communications S.à.r.l.;
- Member of the Board of Directors of NOS Madeira Comunicações S.A.;
- Member of the Board of Directors of Teliz Holding B.V.;
- Member of the Board of Directors of Upstar Comunicações S.A.;
- Member of the Board of Directors of Big Picture 2 Films, S.A.;
- Member of the Board of Directors of Sport TV Portugal S.A.;
- Manager of Empracine Empresa Promotora de Atividades Cinematográficas, Lda.;
- Former Member of the Board of Directors of Group Portugal Telecom acting as CFO and responsible for PT Comunicações, PT.COM e PT Prime companies;
- Vice-Chairman of the Executive Committee of Telesp Celular Participações;
- Member of the Executive Committe of Banco Santander de Negócios Portugal, responsible for Corporate Finance;
- Started his career in McKinsey & Company in Portugal and Spain.

d. Ana Paula Garrido de Pina Marques: Executive Member

Qualifications:

- Degree in Economy from Universidade do Porto, Faculdade de Economia;
- MBA from INSEAD.

Professional experience:

- Member of the Board of Directors of NOS Comunicações S.A.;
- Member of the Board of Directors of NOS Technology – Concepção, Construção e Gestão de Redes de Comunicações S.A.;
- Member of the Board of Directors of NOS Towering – Gestão de Torres de Telecomunicações S.A.;
- Member of the Board of Directors of NOS - Sistemas Serviços em Tecnologia de Informação S.A.;
- Member of the Board of Directors of NOS Inovação S.A.
- Member of the Board of Directors of NOS Communications S.à.r.l.;

- Member of the Board of Directors of NOS Lusomundo Cinemas S.A.;
- Member of the Board of Directors of NOS Lusomundo Audiovisuais S.A.;
- Member of the Board of Directors of NOS Lusomundo TV S.A.;
- Member of the Board of Directors of NOS Açores Comunicações, S.A.;
- Member of the Board of Directors of NOS Madeira Comunicações, S.A.;
- Member of the Board of Directors of NOSPUB Publicidade e Conteúdos S.A.;
- Member of the Board of Directors of NOS Audiovisuais SGPS S.A.;
- Member of the Board of Directors of NOS Internacional SGPS, S.A.;
- Member of the Board of Directors of Per-Mar, Sociedade de Construções S.A.;
- Member of the Board of Directors of Sontária – Empreendimentos Imobiliários S.A.;
- Member of the Board of Directors of Lusomundo Imobiliária 2 S.A.;
- Member of the Board of Directors of Lusomundo Sociedade de Investimentos Imobiliários SGPS, S.A.;
- Member of the Board of Directors of Sport TV Portugal S.A.;
- Manager of Empracine Empresa Promotora de Atividades Cinematográficas, Lda.;
- Former Executive Director of OPTIMUS – Comunicações, responsible for Business Unit, Home Service, Costumer Service, Operations and Terminals Management;
- Former Chairman of APRITEL ("Associação dos Operadores de Comunicações Eletrónicas");
- Former Manager of Marketing and Sales Private Mobile Service Business Unit of Optimus.
- Former Manager of Branding and Communication, as well as Director of the Data Business Unit of Optimus;
- Started her career in the Marketing Department of Procter & Gamble.

e. Luís Moutinho do Nascimento: Executive Member

Qualifications:

- Degree in Management from Universidade Católica Portuguesa;
- MBA from INSEAD.

Professional experience:

- Member of the Board of Directors of NOS Comunicações S.A.;
- Member of the Board of Directors of NOS Technology – Concepção, Construção e Gestão de Redes de Comunicações S.A.;
- Member of the Board of Directors of NOS Towering – Gestão de Torres de Telecomunicações S.A.;
- Member of the Board of Directors of NOS Sistemas Serviços em Tecnologia de Informação S.A.;
- Member of the Board of Directors of NOS Inovação S.A.
- Member of the Board of Directors of NOS Lusomundo Cinemas S.A.;
- Member of the Board of Directors of NOS Lusomundo Audiovisuais S.A.;
- Member of the Board of Directors of NOS Lusomundo TV S.A.;
- Member of the Board of Directors of NOSPUB Publicidade e Conteúdos S.A.;
- Member of the Board of Directors of NOS Audiovisuais SGPS S.A.;
- Member of the Board of Directors of NOS Internacional SGPS S.A.;
- Member of the Board of Directors of Dreamia Holding B.V.;
- Former member of the Executive Committee of Portugal Telecom, responsible for B2C Sales and Marketing;
- Former manager of the Home Segment & CRM of Portugal Telecom;
- Former non-executive member of the Board of Directors of PT Contact;

- Former Manager of Strategic Marketing of PT Multimedia;
- Former Associate and Manager on Diamond Cluster;
- Started his career as analyst on McKinsey & Company;

f. Manuel António Neto Portugal Ramalho Eanes: Executive Member

Qualifications:

- Degree in Management from Universidade Católica Portuguesa;
- MBA from INSEAD.

Professional experience:

- Member of the Board of Directors of NOS Comunicações S.A.;
- Member of the Board of Directors of NOS Technology – Concepção, Construção e Gestão de Redes de Comunicações, S.A.;
- Member of the Board of Directors of NOS Towering – Gestão de Torres de Telecomunicações S.A.;
- Member of the Board of Directors of NOS - Sistemas Serviços em Tecnologia de Informação S.A.;
- Member of the Board of Directors of NOS Inovação S.A.
- Member of the Board of Directors of NOS Açores Comunicações S.A.;
- Member of the Board of Directors of NOS Lusomundo Cinemas S.A.;
- Member of the Board of Directors of NOS Lusomundo Audiovisuais S.A.;
- Member of the Board of Directors of NOS Lusomundo TV S.A.;
- Member of the Board of Directors of NOSPUB Publicidade e Conteúdos S.A.;
- Member of the Board of Directors of NOS Audiovisuais SGPS S.A.;
- Member of the Board of Directors of NOS Internacional SGPS, S.A.;
- Member of the Board of Directors of Finstar – Sociedade de Investimentos e Participações, S.A.;
- Member of the Board of Directors of NOS Sistemas España S.L.;
- Former Executive Director of Optimus – Comunicações, SA, responsible for Companies and Operators;
- Former Director at Optimus of Home Wireline, Central Marketing, Data Service, Particular Sales, SME's and Business Development;
- Started his career in McKinsey & Co.

g. Jorge Filipe Pinto Sequeira dos Santos Graça: Executive Member

Qualifications:

- Degree in Business Management and Administration from Universidade Católica Portuguesa;
- MBA from Kellogg School of Management at Northwestern University.

Profissional experience:

- Member of the Board of Directors of NOS Comunicações S.A.;
- Member of the Board of Directors of NOS Technology – Concepção, Construção e Gestão de Redes de Comunicações S.A.;
- Member of the Board of Directors of NOS Towering – Gestão de Torres de Telecomunicações S.A.;
- Member of the Board of Directors of NOS - Sistemas Serviços em Tecnologia de Informação S.A.;

- Member of the Board of Directors of NOS Inovação S.A.
- Member of the Board of Directors of NOS Açores Comunicações S.A.;
- Member of the Board of Directors of NOS Madeira Comunicações S.A.;
- Member of the Board of Directors of NOS Lusomundo Cinemas S.A.;
- Member of the Board of Directors of NOS Lusomundo Audiovisuais S.A.;
- Member of the Board of Directors of NOS Lusomundo TV S.A.;
- Member of the Board of Directors of NOSPUB Publicidade e Conteúdos S.A.;
- Member of the Board of Directors of NOS Audiovisuais SGPS S.A.;
- Member of the Board of Directors of NOS Internacional SGPS, S.A.;
- Former Director of ZON TV Cabo responsible of Product and Marketing,
- Former Director of Product TV of ZON TV Cabo;
- Former Project Leader at The Boston Consulting Group.

h. Ângelo Gabriel Ribeirinho dos Santos Paupério: Non-Executive Member

Qualifications:

- Degree in Civil Engineering from Universidade do Porto, Faculdade de Engenharia;
- Master in Companies Management – MBA (Porto Business School).

Profissional experience:

- Executive Chairman of the Board of Directors of Sonaecom, SGPS, S.A.;
- Chairman of the Board of Directors of Sonae Investment Management – Software and Technology, SGPS, S.A.;
- Chairman of the Board of Directors of Público – Comunicação Social, S.A.;
- Chairman of the Board of Directors of Sonae Financial Services, S.A. (with current non-executive functions);
- Chairman of the Board of Directors of SFS – Gestão e Consultoria S.A.;
- Chairman of the Board of Directors of Modelo Continente, SGPS, S.A.;
- Chairman of the Board of Directors of Sonae Center Serviços, S.A.;
- Chairman of the Board of Directors of Sonae MC – SGPS, S.A.;
- Chairman of the Board of Directors of Enxomil – Consultoria e Gestão S.A.;
- Chairman of the Board of Directors of Enxomil – Sociedade Imobiliária S.A.;
- Chairman of the Board of Directors of APGEI;
- Member of the Board of Directors and Co-CEO of Sonae, SGPS, S.A.;
- Member of the Board of Directors of Sonae Sierra, SGPS, S.A.;
- Member of the Board of Directors of ZOPT, SGPS, S.A.;
- Member of the Board of Directors of Love Letters – Galeria de Arte, S.A.;
- Member of the Superior Board of Universidade Católica Portuguesa.

i. António Bernardo Aranha da Gama Lobo Xavier: Non-Executive Member

Qualifications:

- Degree in Law;
- Master's in Economic Law from Universidade de Coimbra.

Professional experience:

- Partner and Board Member of Morais Leitão, Galvão Teles, Soares da Silva & Associados;
- Vice-Chairman of the Board of Directors of Banco BPI, SGPS, S.A.;
- Member of the Board of Directors of Sonaecom, SGPS, S.A.;
- Member of the Board of Directors of Riopele, S.A.;
- Member of the Board of Directors of Mota-Engil, SGPS, S.A.;
- Member of the Board of Directors of Fundação Casa da Música;
- Member of the Board of Directors of Fundação Francisco Manuel dos Santos;
- Member of the Curators Board of Fundação Belmiro de Azevedo;
- Chairman of the General Meeting of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado;
- Chairman of the General Meeting of BERD – Bridge Engineering Research & Design;
- Chairman of General Meeting of Textil Manuel Gonçalves S.A.;
- Chairman of General Meeting of Ascendum, S.A.;
- Council of State (since 07.04.2016).
- Chairman of General Meeting of GMG – Grupo Manuel Gonçalves, SGPS, S.A.;
- Chairman of General Meeting of TMG Capital, SGPS, S.A.

j. Catarina Eufémia Amorim da Luz Tavira Van-Dúnem: Non-Executive Member

Qualifications:

- Degree in Management and Company Organisation from Instituto Universitário de Lisboa, ISCTE – Instituto Superior de Ciências do Trabalho e da Empresa.

Professional experience:

- Executive Member of the Marketing and Product team which she created, launched and currently manages in ZAP, the company engaged with the distribution of TV channels via satellite in Angola and Mozambique;
- Led the Products and Services team of Unitel, the leading telecommunications operator in Angola;
- Created the client's new services area of Unitel, the leading telecommunications operator in Angola;
- Started her career in the USA as assistant manager in Sentis and Coral, partners of Shell Oil USA.

k. Joaquim Francisco Alves Ferreira de Oliveira: Non-Executive Member

Professional experience:

- Chairman of the Board of Directors of Olivedesportos, SGPS, S.A.;
- Chairman of the Board of Directors of Olivedesportos – Publicidade, Televisão e Media, S.A.;
- Chairman of the Board of Directors of Sport TV Portugal, S.A.;
- Chairman of the Board of Directors of Sportinveste Multimédia, SGPS, S.A.;
- Chairman of the Board of Directors of Sportinveste Multimédia, SGPS, S.A.;
- Chairman of the Board of Directors of Controlinveste Media, SGPS, S.A.;
- Chairman of the Board of Directors of Controlinveste, SGPS, S.A.;
- Chairman of the Board of Directors of Sportinveste Multimédia, S.A.;

- Since 1984, the year he founded the Olivedesportos (leader and pioneer in the area of television and advertising rights linked to sporting events), he has been Chairman Board of Directors of several companies that make up the respective business group (Olivedesportos);
- In 1994, acquired the sports newspaper "O Jogo" and created, in 1996, PPTV (now incorporated in Olivedesportos), through which he founded jointly with RTP and PT Multimédia (now NOS) the first sports cable channel - Sport TV, chairing today to its Board of Directors.
- He also chairs, since its foundation in 2001, the Board of Directors of Sportinveste Multimedia SGPS, S.A. and Sportinveste Multimedia, S.A., joint venture, created to run multimedia content linked to sporting events;
- In 2005, he acquired Grupo Lusomundo Media (currently Global Media Group), which currently holds 19,25% of the capital following the shareholder restructuring of that business sector, with the entry of new shareholders.

l. Lorena Solange Fernandes da Silva Fernandes: Non-Executive Member

Qualifications:

- Degree in Business Management from the Economy and Management faculty at Universidade Lusíadas de Angola and Senior Executive Programme, London Business School;
- Post-graduate degree in Labour Law and Social Security from Lisbon Law School;
- MBA – Financial and Commercial Management from Brazilian Business School – Escola Internacional de Negócios.

Professional experience:

- Consumer Business Director;
- Store manager at Unitel S.A.;
- Responsible for stores and agent departments at Unitel, S.A..

m. Maria Cláudia Teixeira de Azevedo: Non-Executive Member

Qualifications:

- Degree in Management from Universidade Católica Portuguesa;
- MBA from INSEAD.

Professional experience:

- Chairwoman of the Board of Directors of PCJ – Público, Comunicação, e Jornalismo, S.A.;
- Chairwoman of the Board of Directors of IMPARFIN, SGPS, S.A.;
- Chairwoman of the Board of Directors of LINHACOM, SGPS, S.A.;
- Chairwoman of the Board of Directors of Praça Foz - Sociedade Imobiliária, S.A.;
- Member of the Board of Directors of SONAE CAPITAL, SGPS, S.A.;
- Member of the Board of Directors of SONAECOM – SGPS, S.A.;
- Member of the Board of Directors of ZOPT, SGPS, S.A.;
- Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT – SOFTWARE AND TECHNOLOGY, SGPS, S.A.;
- Member of the Board of Directors of Publico – Comunicação Social S.A.;
- Member of the Board of Directors of EFANOR – SERVIÇOS DE APOIO À GESTÃO, S.A.;
- Member of the Board of Directors of EFANOR –INVESTIMENTOS, SGPS, S.A.;

- Member of the Board of Directors of SEKIWI, SGPS, S.A.;
- Member of the Board of Directors of Vistas da Foz – Sociedade Imobiliária, S.A.;
- Member of the Board of Directors of Setimanale SGPS S.A.;
- Member of the Board of Directors of BA – Business Angels SGPS S.A.;
- Member of the Board of Directors of BA – Capital SGPS S.A..

n. Mário Filipe Moreira Leite da Silva: Non-Executive Member

Qualifications:

- Degree in Economics from Universidade do Porto, Faculdade de Economia.

Professional experience:

- Chairman of the Board of Directors of Fidequity – Serviços de Gestão S.A.;
- Chairman of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A.;
- Chairman of the Board of Directors of Santoro Financial Holding SGPS, S.A.;
- Chairman of the Board of Directors of BFA – Banco de Fomento de Angola, S.A.;
- Chairman of the Board of Directors of Efacec Power Solutions SGPS S.A.;
- Member of the Board of Directors of Nova Cimangola, S.A.;
- Member of the Board of Directors of ZOPT, SGPS, S.A.;
- Member of the Board of Directors of SOCIP – Sociedade de Investimentos e Participações, S.A.;
- Member of the Board of Directors of Finstar – Sociedade de Investimentos e Participações, S.A.;
- Member of the Board of Directors of Esperaza Holding B.V.;
- Member of the Board of Directors of Kento Holding Limited;

o. João Pedro Magalhães da Silva Torres Dolores: Non-Executive Member

Qualifications:

- Degree in Economics from Universidade do Porto, Faculdade de Economia;
- MBA from London Business School.

Professional experience:

- Chief Corporate Center Officer in Sonae, SGPS, S.A.;
- Former Manager of Strategic Planning and Management Control of Sonae, SGPS, S.A.;
- Former Manager of Cloud Business Unit of Portugal Telecom, SGPS, S.A.;
- Former Sub-Manager of Innovation Management of Portugal Telecom, SGPS, S.A.;
- Former Senior Associate at McKinsey & Company;
- Former Brand Manager of JW Burmester & Ca, S.A..

p. António Domingues: Non-Executive Member

Qualifications:

- Degree in Economics from Instituto Superior de Economia de Lisboa;

Professional experience:

- Vice-Chairman of the Board of Directors of Banco Fomento Angola;

- Non-executive Member of the Board of Directors Haitong Bank;
- Chairman of Efacec Risk and Finance Committee;
- Former Chairman of the Board of Directors and of the Executive Committee of the Board of Directors of Caixa Geral de Depósitos;
- Former Vice-Chairman of the Executive Committee of the Board of Directors of Banco BPI;
- Former Vice-Chairman of the Board of Directors of Banco Português de Investimentos and of BCI Moçambique;
- Former Member of the Board of Directors of UNICRE, SIBS and Allianz Portugal;
- Former Member of the Board of Directors of BPI Madeira, SGPS, S.A.;
- Former Member of the Management of BPI SGPS S.A.;
- Former Central Manager of the Financial and International Management of BPI-Banco Português de Investimento S.A.;
- Former Deputy Director-General of the French Branch of Banco Português do Atlântico;
- Former Technical Advisor of the Foreign Department of Banco de Portugal;
- Former Director of the Foreign Department of the Issuing Institute of Macau;
- Former Technical Economist of the Planning and Studies Office of the Ministry of Industry and Energy.

20. Relationship between Directors and Shareholders with a qualified shareholding over 2%

- Jorge Brito Pereira: Chairman of the Board of Directors

  He is Partner of a law firm, that acts as council of Companies controlled by Mrs. Isabel dos Santos (to whom a qualified holding of the share capital and voting rights of the Company is attributable to, as explained in depth in item 7 of this report) and companies controlled directly or indirectly by her.

- Ângelo Gabriel Ribeirinho dos Santos Paupério: Member of the Board of Directors

  He is a Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2018, corresponds to 52.15% of the share capital and voting rights of NOS (disregarding own shares). He is Executive Chairman of the Board of Directors of Sonaecom SGPS, S.A..

- Mário Leite da Silva: Member of the Board of Directors

  He is a Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2018, corresponds to 52.15% of the share capital and voting rights of NOS (disregarding own shares). He is a Member of the Board of Directors of Kento Holding Limited.

- Maria Cláudia Teixeira de Azevedo: Member of the Board of Directors

  She is a Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2018, corresponds to 52.15% of the share capital and voting rights of NOS (disregarding own shares). She is a Member of the Board of Directors of Sonaecom SGPS, S.A..

21. Organograms and competence maps

Under the Articles of Association, the General Meeting, the Board of Directors, the Fiscal Board and the Statutory Auditor are corporate bodies of the Company.

NOS General Meeting has, particularly, the following duties:

a) To elect the members of the board of the General Meeting, the members of the Board of Directors, the members of the Fiscal Board and the Statutory Auditor;
b) To pass resolutions on the management report, accounts for the financial year and the company's corporate governance report;
c) To pass resolutions on the application of profits for the financial year;
d) To pass resolutions on any amendments to the Articles of Association, including share capital increases;
e) To resolve on any other items to which it was convened.

NOS Board of Directors is responsible for managing the Company's activity and their responsibilities are defined in the law, the Company's Articles of Association and the corresponding Regulations.

Members of the Board of Directors which do not perform executive duties shall promote the adequate supervision and surveillance of the performance of the members of the Executive Committee.

The Board of Directors, pursuant to article 17(1) and (3) of the Company's Articles of Association, created and delegated the day-to-day management of the Company to an Executive Committee for the three-year period of 2016/2018, setting out the corresponding composition, functioning and delegation of management powers.

Therefore, the Board of Directors delegated to the Executive Committee the necessary powers to develop and execute the day-to-day management of the Company. For these purposes, were not deemed as current management and, as such, were not delegated by the Board of Directors, namely: (i) the definition of the company's strategy and main policies; (ii) the organization and coordination of the business structure; (iii) the matters which are to be deemed as strategic in view of their amount, risk or special characteristics. However, within the limits of its powers, the Executive Committee must make proposals to the Board of Directors on some of these matters, as described below.

Accordingly, the following items were not delegated:

a) Election of the Chairman of the Board of Directors;
b) Co-optation and, where appropriate, election of members of the corporate bodies of the Company and its subsidiaries;
c) Convening General Meetings;
d) Approval of annual reports and financial statements, to be submitted to the General Meeting, as well as the half-yearly and quarterly reports and financial statements and the results to be disclosed to the market;
e) Approval of the activity plans, budgets and annual investment plans of the Company, as well as any substantial amendments and which cause relevant impacts on those plans:
f) Definition of the general goals and fundamental principles of the Company's policies, as well as the options that shall be deemed strategic due to their amount, risk or special characteristics;
g) Posting bonds or secured or personal guarantees;
h) Important extensions or reductions of the Company's activity or internal organization, as well as that of the other companies of the same group;
i) Changing the Company's head offices and capital increases;
j) Approval of merger, demerger and transformation projects of the Company or which envolve Group companies, except if, in these cases, such operations constitute mere internal restructures within the framework of the global goals and the fundamental principles that were approved;
k) Appointing the Secretary of the Company and its alternate;

l) Incorporating companies and subscribing, acquiring, encumbering and disposing of stakeholdings, when such transactions involve amounts higher than 2,500,000 Euros;
m) Acquisition, disposal and encumbrance of rights, movable and immovable property, including any kind of securities, financial instruments, shares and bonds, when involving amounts higher than 2,500,000 Euros;
n) Signing contracts to pursue the corporate object, when such contracts involve amounts higher than 50,000,000 Euros;
o) Enter into any transactions between the Company and the shareholders of qualifying holdings of 2% or more of the voting rights (Qualifying Holders) and/or related entities under article 20 of the Portuguese Securities Code (Related Party) when such transactions exceed the individual amount of 75,000 Euros or the annual aggregate amount by the service provider of 150,000 Euros (regardless of the approval of such transactions, in general or structural terms, by the Board of Directors);
p) Resolving, pursuant to the law and the Articles of Association, on the issue of bonds and commercial paper as well as the obtaining loans on the national and international financial market, once or more, when it involves amounts higher than that of the net financial debt of the Company on the EBITDA of 2 and up until the limit of 25,000,000 Euros per contract or issue.

Alongside the day-to-day management of the Company, the Executive Committee is responsible, in particular, for:

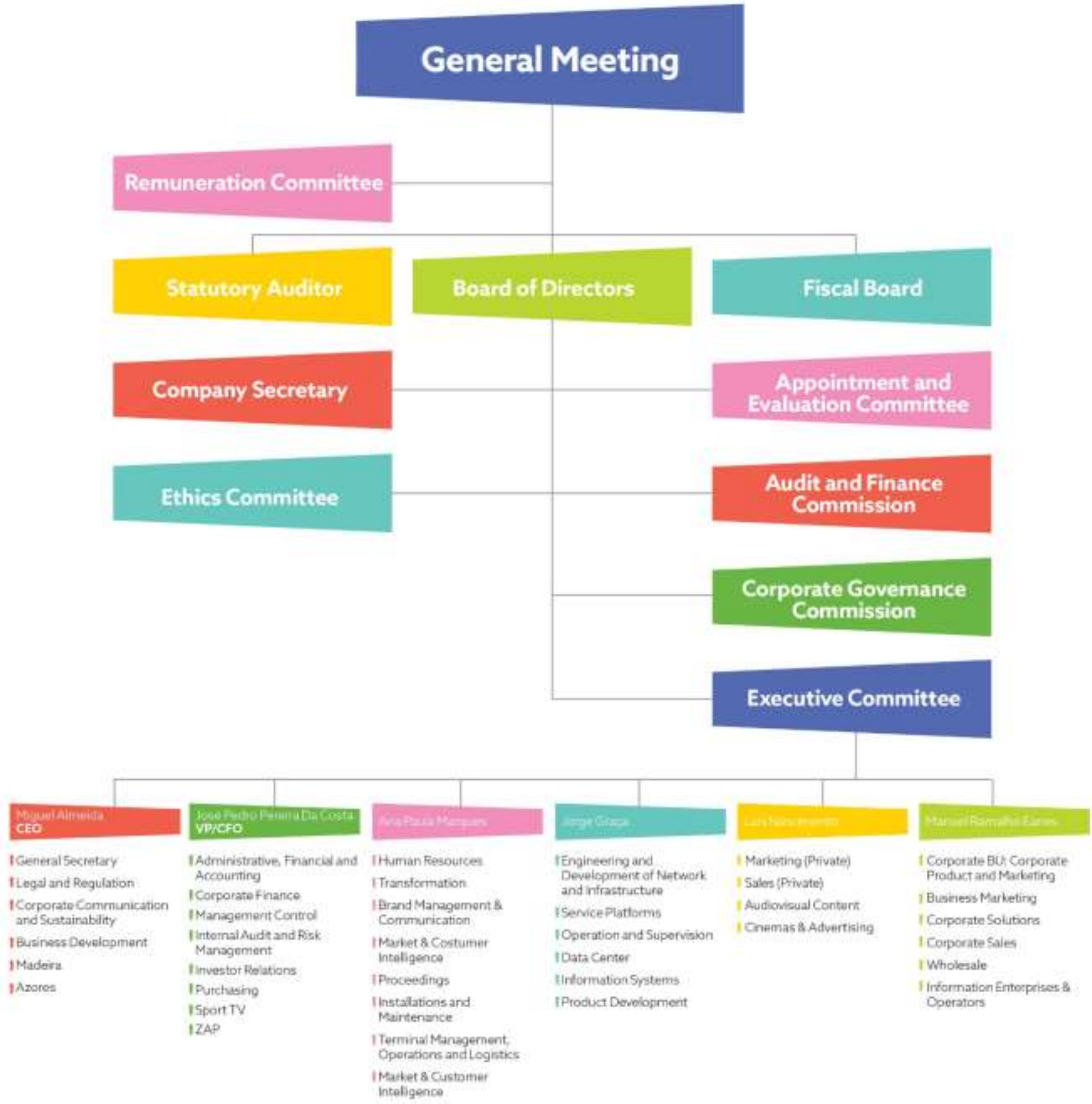
a) Proposing to the Board of Directors the strategic guidelines of the Group and the fundamental policies of the Company and its subsidiaries;
b) Cooperating with the Board of Directors and its Committees regarding what is deemed necessary for the performance of the respective objectives;
c) Defining the internal rules regarding the organization and functioning of the Company and its subsidiaries, notably concerning hiring, definition of remuneration categories and conditions and other employee benefits;
d) Issuing instructions to companies of the same group under total control, and controlling the implementation of the guidelines and policies under the previous paragraphs;
e) Exercising disciplinary authority and deciding on the application of any sanctions regarding the employees of the Company.

The Board of Directors, when defining the functioning of the Executive Committee, especifically delegated to the Chairman of the Executive Committee, the following duties:

a) Coordenating the activity of the Executive Committee;
b) Convening and conducting the meetings of the Executive Committee;
c) Providing for the proper implementation of the resolutions of the Board of Directors;
d) Providing for the proper implementation of the resolutions of the Executive Committee;
e) Ensuring the compliance with the limitations on the delegation of duties, on the strategy of the Company and the duties of cooperation with the Chairman of the Board of Directors and other members of the Board of Directors as well as other company bodies;
f) Ensuring that the Board of Directors is informed of the actions and relevant decisions of the Executive Committee as well as guaranteeing that all the clarifications requested by the Board of Directors are provided in a timely and appropriate manner;
g) Ensuring that the Board of Directors is informed, on a quarterly basis, of the transactions that, within the duties delegated to the Executive Committee, have been entered into between the Company and shareholders owing a qualified shareholding equal or above 2% of the voting rights (Qualifying Shareholders) and/or any entities in a relationship of article 20 of the Portuguese Securities Code with them (Related Entities), when such transactions exceed the individual amount of 10,000 Euros.

The Board of Directors, upon a proposal from the Chairman of the Executive Committee, defined and attributed specific responsibilities to each member of the Executive Committee to oversee and coordinate the various areas of the Group activity.

Nowadays, the organizational and operational structure of the Company is the following:



As previously referred, the Company adopted a reforced one-tier governance model where the management of the Company is carried out by a board of directors and the Company's oversight is carried out by a Fiscal Board and a Statutory Auditor, as better detailed in items 30 to 47 below.

22. Regulation for the functioning of the Board of Directors

The Board of Directors, pursuant to article 18(1) of the Company's Articles of Association approved its internal Regulations on organisation and functioning on 26 April 2016, which is available on the Company's website.

In line with the recommendations and good practices adopted by the Company, the Regulation for the organization and functioning of the Board of Directors, governs, namely, the exercise of the powers, the presidency, the frequency of meetings, the performance and the obligations' framework of the members of this governing body.

The Board of Directors is responsible for managing the Company's business, and to exercise the powers provided for in article 16 of the Articles of Association, described in item 9 above, to which reference is made.

Pursuant to article 3 of the Regulations of the Company's Board of Directors, the Chairman of the Board of Directors is responsible for:

a) Representing the Board of Directors and the Company;

b) Co-ordinating the activity of the Board of Directors;

c) Convening and chairing meetings of the Board of Directors;

d) Ensuring, in conjunction with the Chief Executive Officer, proper implementation of the resolutions of the Board of Directors;

e) Ensuring together with the Chairman of the Executive Committee that the Board of Directors is informed of all relevant actions and resolutions of the Executive Committee as well as ensuring that all the clarifications requested by the Board of Directors are provided in a timely and proper manner;

f) Oversee the relation between the Company and the shareholders.

Pursuant the Regulation of the Company's Board of Directors, when exercising their duties and powers, the Directors shall obtain information on the course of the Company's activity, requesting information at any time necessary or convenient for the good performance of their position and for the best prosecution of social interest and may invite employees or advisers from the Company or from other Companies of the Group to participate in its meetings. Except in situations of an urgent nature, Directors who jointly or individually wish to access the information included in the scope of the powers delegated to the Executive Committee may request it directly from the Chairman of the Executive Committee or from the Chairman of the Board of Directors.

The Company Secretary or the corresponding Alternate shall also attend the Board of Directors' meetings, and they are responsible for organising the the meetings, particularly ensuring the notification to all members the Board of Directors, at least 5 days in advance, of the notice of meeting, the agenda and the supporting documents and for drawing up the minutes.

23. Meetings of the Board of Directors and attendance of each member

Under article 4 of the Regulation of the Board of Directors, the Board of Directors of NOS meets at least 6 times a year and whenever is convened on the initiative of the Chairman, or by two directors.

Under the terms of article 18(3) of the Company's Articles of Association, the meetings of the Board of Directors cannot be held without the attendance of the majority of its current members and the Chairman of the Board of Directors, in cases of noted urgency, may excuse the attendance of that majority if their participation is ensured by postal votes or by proxy.

The Directors may attend the meetings of the Board of Directors by electronic means. The Company shall ensure the authenticity of the statements and the security of communications, recording the contents thereof and identifying the participants.

Postal votes and proxy votes are permitted, although a Director may not represent more than one other Director.

Resolutions of the Board of Directors shall be taken by a majority of the votes cast, the Chairman having a casting vote.

Resolutions taken at the meetings of the Board of Directors, as well as explanations of vote, are recorded in the minutes drawn up by the Company Secretary or by their Alternate.

During 2018, the current Board of Directors met 8 times, 5 times in person and 3 by electronic means. The presence of the members on the in-person meetings was as follows:

	Board of Directors	Executive Committee	Non-executive Directors	Attendance of meetings of the Board of Directors
Jorge de Brito Pereira	Chairman	---	X	5 P
Miguel Almeida	Member	Chairman	---	5 P
José Pedro Pereira da Costa	Member	Vice-Chairman	---	5 P
Ana Paula Marques	Member	Member	---	5 P
Manuel Ramalho Eanes	Member	Member	---	5 P
Jorge Graça	Member	Member	---	5 P
Luís Nascimento	Member	Member	---	5 P
Ângelo Paupério	Member	---	X	5 P
António Lobo Xavier	Member	---	X	5 P
António Domingues	Member	---	X	5 P
Catarina Tavira Van-Dúnem	Member	---	X	1 P, 3 R and 1 A
Joaquim Oliveira	Member	---	X	5 P
Lorena Fernandes	Member	---	X	5 P
Maria Cláudia Azevedo	Member	---	X	3 P and 2 R
Mário Leite da Silva	Member	---	X	4 P and 1 R
João Dolores	Member	---	X	4 P and 1 R

P – Present R – Represented A - Absent

Moreover, regarding the meetings of the Board of Directors held by electronic means, pursuant to article 410(8) of CSC, to article 18(6) of the Company's Articles of Association and article 5(3) of the Regulation of the Board of Directors, the presence of the members was as follows:

	Board of Directors	Executive Commission	Non-executive directors	Attendance to the Board of Directors meetings held by electronic means
Jorge de Brito Pereira	Chairman	---	X	3 P
Miguel Almeida	Member	Chairman	---	3 P
José Pedro Pereira da Costa	Member	Vice-Chairman	---	3 P
Ana Paula Marques	Member	Member	---	2 P e 1 A
Manuel Ramalho Eanes	Member	Member	---	3 P
Jorge Graça	Member	Member	---	3 P
Luis Nascimento	Member	Member	---	3 P
Ângelo Paupério	Member	---	X	3 P
António Lobo Xavier	Member	---	X	3 P
António Domingues	Member	---	X	2 P e 1 A
Catarina Tavira Van- Dúnem	Member	---	X	1 P, 2 A
Joaquim Oliveira	Member	---	X	3 P
Lorena Fernandes	Member	---	X	3 P
Maria Cláudia Azevedo	Member	---	X	3 P
Mário Leite da Silva	Member	---	X	3 P
João Dolores	Member	---	X	3 P

P – Present   A - Absent

The absences of the Directors, consecutive or not, were always duly justified and accepted by the Board of Directors.

24. Bodies with the power to conduct evaluation of executive Directors

The Remuneration Committee is empowered to annually assess the achievement of objectives by the Directors, supported by an opinion issued by the Appointment and Evaluation Committee ("AEC").

The Board of Directors, at the begining of the new term of office corresponding to the three-year period 2016/2018, from 26 April 2016 to 31 December 2018, in its pursuit of the best corporate governance practices concerning the need for the Board of Directors to create the committees revealed necessary, notably to ensure competent and independent evaluation of the performance of executive Directors and of their own overall performance, as well as of the several existing committees, created the AEC, in which it delegated such functions, made up of a Chairman and two Members, who are:

Chairman: Ângelo Paupério

Member: Mário Leite da Silva

Member: Jorge Brito Pereira

A description of the powers and functioning of the AEC is presented in item 29 below.

25. Executive Directors evaluation criteria

The evaluation criteria for the members of the Executive Committee are measurable and pre-defined, globally considering the Company's growth and wealth creation in a mid-long term perspective.

As an example, the aggregated items considered for the purposes mentioned above generally combine financial and operational indicators. In this scope and for further detail please refer to items 70 and 71 of this report.

26. Availability of the Directors

All the members of the Company's Board of Directors are able to perform their duties with utmost diligence, guaranteeing careful management in accordance with best practices, scrupulously fulfilling their general and fundamental duties.

For a better understanding of the effective availability of the members of the Board of Directors, reference is made to paragraph 19 of this report which contains not only the professional experience of the members of the Board of Directors, but also the positions currently performed by them, as well as to paragraph 23 where the high attendance of the directors to the meetings is described.

Moreover, in accordance to article 398 of CSC, the directors shall not: (i) carry out any activity that is competing with the Company or company in a relationship of control or group with the Company, on their own behalf or on behalf of others and carry out functions in a competing company or be appointed on its behalf, unless authorized by the shareholders' General Meeting; or (ii) carry out functions under an employment agreement (such agreement being deemed terminated in case of such agreement has been entered into less than one year before the appointment as director, or suspended in case of such agreement has been entered into more than one year before the appointment as director).

In accordance with the Board of Directors regulation, the Directors inform the Chairman of the Board of Directors, that informs the other members, whenever there is a situation of a potential or an effective conflict of interests of a Director, on his own behalf, on other's behalf or as determined on the Company's Code of Ethics.

In these situations, if the Board of Directors or the Director consider that there is a conflict of interest, the latter will not participate in the discussion nor exercise his respective right to vote in the deliberations in question. In accordance with the practice of the Company, in such situations, the Director in question will not receive documentation pertaining the topics where there is a conflict of interest.

In addition, at the time of their election and by 31 January of each year, all members of the Board of Directors individually complete a questionnaire on independence and applicable incompatibilities in accordance with the applicable regulation, without prejudice to the obligation to immediately report any changes to the answers to such questionnaire.

27. Specialized committees

Considering the limits set out by law and the best corporate governance practices, the Board of Directors of NOS created and delegated to an Executive Committee the day-to-day management of the Company, for the term of office corresponding to the three-year period 2016/2018.

In compliance with the applicable legal or regulatory requirements – always with merely ancillary duties and the resolutions to be taken only by the Board of Directors –NOS Board of Directors created, in addition to the Executive Committee:

a. The Corporate Governance Committee;

b. The Audit and Finance Committee;

c. The Appointment and Evaluation Committee;

d. The Ethics Committee.

The Corporate Governance, Audit and Finance and Appointment and Evaluation Committees as well as the Ethics Committee have internal regulations, which regulate the exercise of their functions, the presidency, the frequency of the meetings, the operation and the duties of their members, all available for consultation on the Company's website in http://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Paginas/default.aspx.

Taking into account the compliance with the recommendations and best practices of corporate governance, the Company considers that the above mentioned internal commissions are adequate to its dimension and complexity, taking into account the adopted government model.

The members of the Corporate Governance, Audit and Finance and Appointment and Evaluation Committees, as well as 2 of the Ethics Committee members are also members of the Board of Directors, being obliged to the obligations of the latter, namely in respect to conflict of interest prevention, as described in paragraph 26 above. In addition, any member of the Company's corporate bodies shall comply with the terms of the Ethic Code in force, where are the necessary mechanisms to avoid conflict of interest situations.

Minutes pertaining the meetings of the Corporate Governance, Audit and Finance and Appointment and Evaluation Committees, as well as the Ethics Committee shall always be written and signed.

28. Composition of the Executive Committee

The members of the Executive Committee are chosen by the Board of Directors and the Committee is made up of a minimum of three and a maximum of seven Directors, as provided for in article 17(1) of the Company's Articles of Association.

Currently, the Executive Committee is composed by a Chairman, a Vice-Chairman and by four members, whose professional profiles ensure their recognised reputation, competence and diversity of knowledge and experience to perform their duties.

For more detailed information related with the professional experience and expertise to their positions by the Members of the Executive Committee, refer to paragraph 19 of this Report.

Additionally, the Board of Directors defined the functioning and delegation of management powers to the Executive Committee, which is available for consultation on the Company's website.

The Executive Committee sets the dates and frequency of its ordinary meetings and meets extraordinarily whenever called by the Chairman, the Vice-Chairman or by two of its Members.

The Executive Committee is not able to function without the presence of a majority of its effective members. However, the Chairman may, when notably urgent, waive the presence of such majority, provided it is represented.

Postal votes and proxy votes are allowed. However, any member of the Executive Committee may not represent more than one other member. The attendance by means of video or conference call is also allowed.

Resolutions are taken by a majority of votes cast, and the Chairman has a casting vote.

The resolutions taken at meetings of the Executive Committee, as well as explanations of vote are recorded in minutes drawn up by the Secretary of the Company or the Alternate and signed by all the attendees of the meeting.

The Board of Directors delegated to the Executive Committee the necessary powers to develop and implement the day-to-day management of the Company, as detailed in item 21 of this Report, where an informative table presents the composition of the Executive Committee as well as the respective allocation of powers.

The powers delegated to the Executive Committee may be subdelegated, in their entirety or in part, to one or more of its members, or to employees of the Company.

Considering the Company's internal rules (notably, the Regulation of the Board of Directors and the Fiscal Board, as well as the delegation of powers to the Executive Committee) and the practices it follows, NOS has appropriate mechanisms to assure, timely and adequately, the information flow (beginning with the relevant notices of meeting and minutes), necessary to the exercise of legal and statutory competences of each one of the remaining bodies and commissions, in particular, between the executive administration, on one hand, and the non-executive administration and supervisory bodies, on the other hand.

The Directors who, jointly or separately, intend to access information included within the framework of the powers delegated to the Executive Committee may request it directly from the Chairman of that committee or through the Chairman of the Board of Directors.

Moreover, as follows from the internal regulations on the functioning of the Executive Committee, its Chairman is responsible, in particular, for "ensuring that the Board of Directors is informed of the relevant actions and resolutions of the Executive Committee and also ensuring that all explanations requested by the Board of Directors are provided in a timely and appropriate manner".

29. Powers of Committees and of the Ethics Committee

Corporate Governance Committee

The Board of Directors, to reflect on the governance system, structure and practices adopted, verify their effectiveness and propose measures to the appropriate bodies with a view to their improvement, created, for the three-year period of 2016/2018, a Corporate Governance Committee (CGC), made up of a Chairman and three Members:

Chairman: António Lobo Xavier

Member: Jorge Brito Pereira

Member: Lorena Fernandes

Member: Joaquim Oliveira

The powers of the CGC are the following:

a) To study, propose and recommend the adoption by the Board of Directors of the policies, rules and procedures necessary for compliance with the applicable legal and regulatory provisions as well as those of the Articles of Association's, including recommendations, opinions and best practices, both national and international, in the matter of corporate governance, rules of conduct and social responsibility;

b) To strive for full compliance with legal and regulatory requirements, recommendations and best practices relating to the Company's governance model and for the adoption by the Company of corporate principles and practices in matters such as:

   (i) structure, competences and operation of the governing bodies and in-house committees and their internal articulation;

   (ii) requirements as to qualifications, experience, incompatibilities, and independence applicable to members of the management and supervisory bodies;

   (iii) efficient mechanisms for the performance of duties by non-executive members of the management body;

   (iv) exercise of voting rights, representation and equal treatment of shareholders;

   (v) prevention of conflicts of interest;

   (vi) transparency of corporate governance, of information to be disclosed to the market and of the relationships with the investors and other Company's stakeholders;

c) To maintain and supervise the compliance with the Company's Code of Ethics by all its governing bodies, directors and employees and those of its subsidiaries and also to perfect and update the said Code, submitting to the Board of Directors such proposals as it may deem appropriate for the purpose, and proposing to the Board of Directors those measures it considers appropriate for the development of a corporate and professional ethics culture within the Company;

d) To receive, discuss, investigate and evaluate alleged irregularities reported to it, as provided for in the Company's irregularities reporting policy;

e) To support the Board of Directors in carrying out its supervisory role of the Company's activity in the matters of corporate governance, rules of conduct and social responsibility.

The CGC shall meet at least once a year and may additionally meet whenever convened by its Chairman, by any of its members or by the Chairman of the Executive Committee. In 2018, the CGC, under its competences, had a meeting to analyze and approve the Corporate Governance Report for 2017.

The resolutions taken are recorded in minutes signed by all the members of this committee taking part in each meeting.

Audit and Finance Committee

The Board of Directors, created for the three-year period of 2016/2018, an Audit and Finance Committee (AFC), made up of a Chairman and five Members:

Chairman: António Domingues

Member: Ângelo Paupério

Member: Jorge Brito Pereira

Member: Catarina Tavira Van-Dúnem

Member: Mário Leite da Silva

Member: João Dolores

The powers of the AFC are the following:

a) to follow the Executive Committee's activities;
b) to review and examine, at the end of the year, the NOS Group Budget for the following year;
c) to review and examine the NOS Group strategic plan for the relevant year;
d) to review the annual, half-yearly, quarterly, and similar financial statements to be published, and to report its findings to the Board of Directors;
e) to advise the Board of Directors on its reports for the market to be included in the publication of the annual, half-yearly and quarterly results;
f) to advise the Fiscal Board, on behalf of the Board of Directors, on the appointment, duties and remuneration of the External Auditor;
g) to advise the Board of Directors on the quality and independence of the Internal Audit function, and on the appointment and dismissal of the Internal Audit Manager;
h) to review the scope of the Internal Audit and Risk Management functions, as well as their relationship with the work of the External Auditor;
i) to review and discuss with the External Auditor and the person in charge of risk management the reports produced within the scope of their duties and, consequently, to advise the Board of Directors on matters deemed relevant;
j) to supervise the Company's risk management policy, in connection with the Fiscal Board, regarding, notably, the risk control policies, the identification of key risk indicators (KRI) and the assessment risk evaluation;
k) to suggest to the Executive Committee internal control system's improvement measures for the financial information, risk management systems and internal audit;
l) to review, discuss and advise the Board of Directors on the accounting policies, criteria and practices adopted by the Company;
m) to establish, execute and supervise the receipt and processing of the accounting complaints, the internal accounting and auditing controls;
n) to assess Company's communication proceedings regarding shareholders and investors;
o) to acknowledge rating agencies reports concerning the Company's rating;
p) to issue a binding opinion on profits' advancing during the year;
q) to review and issue a prior opinion on transactions between the Company and Shareholders of qualifying holdings equal to or greater than 2% of the voting rights (Qualifying Shareholders) and/or entities with which they are in any relationship pursuant to article 20 of the Portuguese Securities Code (Related Parties).

The AFC shall meet at least four times a year and may additionally meet whenever convened by its Chairman or by any of its members. In 2018, the AFC, under its competences, analyzed, among others:

- The (i) Management Report, Balance Sheet and Accounts, individual and consolidated, Corporate Governance Report, Consolidated Non-Financial Statements and (ii) Proposed Earnings Application, pertaining 2017;
- The financing strategy for 2018 and 2019 – Rating and DCM;
- The Finance Report; P&C Report; Funding Report; and IR Report;
- NOS Internal Audit Report;
- Transactions with Related Parties; and
- Financial Statements and Press Release of Earnings Announcement;

The Company considers that, being AFC composed by one Chairman and five members, the efficient execution of its functions is assured and that this number is adequate to the Company's dimension and to the complexity of the risks inherent to its activity.

Appointment and Evaluation Committee

As in the aforementioned committees, the Board of Directors, created for the three-year period of 2016/2018, the Appointment and Evaluation Committee (AEC), made up of a Chairman and three Members, appointed by the Board of Directors from among its members.

Currently, the AEC has the following composition:

Chairman: Ângelo Paupério

Member: Jorge Brito Pereira

Member: Mário Leite da Silva

The AEC is responsible in particular for the following:

a) Assist the Board of Directors when appointing Directors to be appointed by co-optation to join the Company's Board of Directors, under Article 393(3)(b) of the CSC;

b) In its duties of assisting the Board of Directors, in the event of a vacancy in the Board of Directors or in the Company's Executive Committee, to draft, when asked, a reasoned opinion, identifying the people with the most suited profile to fulfill such vacancy, regarding the set of skills, knowledge and professional experience required to perform such tasks;

c) Conducting the annual process of evaluation of the members of the Executive Committee, ensuring further harmonization with the Remuneration Committee;

d) Within the annual process of evaluation of the members of the Executive Committee, propose to the Remuneration Committee the criteria which will be regarded when establishing the floating remuneration, namely the individual performing goals;

e) Performing an overall evaluation of the Board of Directors and of its specialised committees existing within the Board of Directors.

f) Whenever requested by the Board of Directors or by the Remuneration Committee, issue an opinion on the Executive Committee's general remuneration policy, as well as on the floating remuneration programs based on the allocation of NOS' shares or stock options.

Within its scope of activity, AEC must uphold the long-term interests of shareholders, investors and general public's.

The AEC meets whenever it is convened by initiative of its Chairman or by any of its members.

Ethics Committee

The Board of Directors resolved, for the three-year period of 2016/2018, the incorporation of an Ethics Committee composed by a Chairman (Non-executive Director) and two Members (Executive Director in charge of Human Resources and the Chairman of the Fiscal Board) as follows:

Chairman: António Lobo Xavier

Member: Ana Paula Marques

Member: Paulo Mota Pinto

The Ethics Committee is responsible in particular for the following:

- Receiving and responding to requests for clarification and expression of concerns related with the Code of Ethics and its observance, through an email created for this purpose;
- Analysing, discussing and appraising the requests for clarification of questions or concerns related with the content of the Ethics Code or its observance, that have been submitted to the hierarchical managers, to the Human Resources Department or by e-mail created for this purpose;
- Requesting the internal audit, within the framework of its powers, the investigations that may be deemed necessary at each moment;
- Issuing opinions about measures to be taken as a result of such investigation;
- Promoting and monitoring the implementation of the Ethics Code, in particular with regard to communication actions, awareness and training of employees, suppliers and partners, towards the strengthening of an ethical culture;
- Issuing, when requested to do so by any corporate body of the Company, opinions about ethics or conduct codes, or about professional practices which need to meet legal and / or regulatory requirements;
- Under sustainability area's proposal and whenever deemed suitable, making a review of the Code of Ethics and respective procedures concerning the needs of the Company and submit it for the approval of CGC;
- Suggesting to CGC policies, goals, instruments and indicators regarding the management system of corporate ethical performance;
- Ensuring the management system of corporate ethical performance is compatible with the requirements of NOS internal control system;
- Send to CGC, whenever relevant for the purposes of corporate governance, a report of the executed actions;
- Reporting and annually submit to the Board of Directors an activity report;
- Clarifying questions arising from the Ethics Code, including, without limitation, the clarification on the matters which are subject to the competence of the Fiscal Board under the Whistleblowing Regulation or other legal powers of this body as opposed to the matters that are under the Ethics Committee's competence under the Ethics Code;
- Preparing the annual report of activity in order to meet the Company's commitments concerning sustainability.

The resolutions of the Ethics Committee are taken by a majority or, in the event of a tie, by the casting vote of its Chairman.

The Ethics Committee is able to receive requests for clarification or concerns related with the Code of Ethics and its compliance, presented by employees, partners, suppliers, customers or third parties, in person or in writing, by the email comitedeetica@nos.pt. The Ethics Committee also analyses the requests for clarification and concerns relating with possible breaches of the Code of Ethics.

The Ethics Committee meets whenever it is convened by initiative of its Chairman, or by any of its members and is assisted by the Internal Audit Director.

The Ethics Committee held three meetings during 2018. These meetings were focused on: (i) to assess the situations and documents submitted to this committee, including the approval of the Regulation for Acceptance and Offer of Benefits; (ii) make recommendations; (iii) monitor the communication and training plan for employees and partners; (iv) balance and approve activity indicators. The Ethics Committee carried out a class session “Let’s talk about Ethics” opened to all employees where there was the opportunity to discuss and clarify the ethics-related issues and that included the internal disclosure of Ethics indicators for 2017.

III. Supervision

30. Identification of the Fiscal Board

Pursuant to article 278(1)(a) and (3) and article 413(1)(b), all of the CSC, and article 10(1) and article 21 both of the Articles of Association, the supervision of the Company is the responsibility of:

a) a Fiscal Board;

b) a Statutory Auditor or an Audit Firm;

Their duties correspond to those assigned by law.

31. Composition of the Fiscal Board

Fiscal Board

Pursuant to article 22(1) of the Company’s Articles of Association, the Fiscal Board is made up of three members and an alternate member, elected by the General Meeting, which shall also elect its Chairman. It is made clear that, while there is no provision in the Articles of Association requiring a minimum or maximum number of members of the Fiscal Board, this Board should necessarily be made of three effective members and one alternate member per the terms of law.

Pursuant to article 10(6) of the Company’s Articles of Association, the members of the corporate bodies perform their duties for renewable periods of three calendar years, the calendar year of their appointment is considered a full year.

At the General Meeting, on 26 April 2016, the following members were elected as members of the Fiscal Board, for the three-year period of 2016/2018:

Chairman:	Paulo Cardoso Correia da Mota Pinto
Member:	Eugénio Luís Lopes Franco Ferreira
Member:	Patrícia Andrea Bastos Teixeira Lopes Couto Viana
Alternate:	Luís Filipe da Silva Ferreira

The Company considers that, being the Fiscal Board composed by one Chairman, two members and an alternate member, as is market practice in comparable companies, the efficient execution of its functions is assured and that this number is adequate to the dimension of the Company and to the complexity of the risks inherent to its activity. This is reinforced by the existence of the AFC that, under its competences, assists, advises and supports the Fiscal Board in several of its functions, as described in paragraph 29 above.

Any member of the Company's corporate bodies shall also respect the terms of the Ethics Code in force, in which are stated the mechanisms necessary to avoid conflicts of interest events.

Statutory Auditor

Pursuant to article 22(3) of the Company's Articles of Association, the Statutory Auditor, full and alternate, are elected by the General Meeting acting on a proposal from the Fiscal Board.

Pursuant to article 10(6) of the Company's Articles of Association, the members of the corporate bodies perform their duties for renewable periods of three calendar years, the calendar year of their appointment being considered a full year.

At the General Meeting, on 26 April 2016, the following were elected as full and alternate Statutory Auditors, for the three-year period of 2016/2018:

Full: Ernst & Young Audit & Associados, SROC, S.A., (ROC No. 178),

represented by Sandra e Sousa Amorim (ROC no. 1213) and Rui Abel Serra Martins (ROC No. 1119),

Alternate: Paulo Jorge Luís da Silva (ROC No 1334)

32. Identification of independent members

In the light of the criteria laid down in article 414(5) of the CSC, the Fiscal Board currently integrates two independent members, Eugénio Luís Lopes Franco Ferreira and Patrícia Andrea Bastos Teixeira Lopes Couto Viana.

33. and 36. Professional qualifications, availability and other offices held by the members of the Fiscal Board

The members of the Fiscal Board are manifestly suitable and have academic and professional experience appropriate to the exercise of supervisory functions.

The members of the Company's Fiscal Board are appointed, replaced or dismissed in accordance with the law, notably and respectively, under the terms of articles 415 and 419 of the CSC.

In order to ensure a more assertive understanding of the effective qualifications, experience and availability of the Fiscal Board members, the functions performed by them, as well as their academic and professional qualifications and professional activities, are described below:

Paulo Cardoso Correia da Mota Pinto

Qualifications:

- Degree, Master's and Doctorate in Law at Universidade de Coimbra, Faculdade de Direito.

Professional Experience:

- He began his teaching career in 1990 and is a Professor at the Faculty of Law of the University of Coimbra. He has also taught and given lectures in the field of private law at other universities in Portugal and abroad (Brazil, Angola, Mozambique, Macau, Spain, Germany, etc.);
- Member of various Master's and Doctoral panels, particularly in the field of private law, sometimes as examiner. He has published studies (articles and books) mainly in the field of civil law and fundamental rights and has written preliminary drafts of laws (such as the legal rules governing the sale of consumer goods and direct-mail advertising);
- Constitutional Court Judge, elected by the Portuguese Parliament, from 11 March 1998 to 4 April 2007, having been rapporteur in that capacity for more than 550 judgments and more than 350 summary decisions on a variety of subjects (almost all available unabridged at www.tribunalconstitucional.pt);
- Since April 2007 he has worked as a legal adviser and arbitrator. In this latter capacity, he has chaired or been a member of ad hoc arbitral tribunals, set up by the Centres for Commercial Arbitration of the Associação Comercial do Porto and the Associação Comercial de Lisboa or for the International Court of Arbitration of the International Chamber of Commerce;
- Chairman of the General Meeting of Caixa Geral de Depósitos, S.A., since 2016;
- Former Legal Advisor of BPI - Banco Português de Investimento from 1991 to 1998;
- Former Member of Parliament, Chairman of the Parliamentary Budget and Finance Committee of the 11th Legislature, from November 2009 to April 2011, and Chairman of the European Affairs Committee, of the 12th Legislature, from June 2011 to October 2015;
- Former Chairman of the Intelligence Oversight Committee of the Portuguese Republic, elected by the Assembly of the Republic, from March 2013 to December 2017;
- Former Vice-Chairman of the National Political Committee of the PSD between 2008 and 2010.

Patrícia Andrea Bastos Teixeira Lopes Couto Viana

Qualifications:

- Ph.D. in Business Science from Universidade do Porto, Faculdade de Economia (FEP), 2007, Doctoral Thesis regarding "Accounting for Financial Instruments. Empirical evidence from Europe";
- Master's in Business Science, with an expertise in Financing (FEP), 1999;
- Degree in Management (FEP), 1994 ("Fundação Eng. António de Almeida Award" for the graduate in Management from the Universidade do Porto, Faculdade de Economia, with the higher rank in 1994).

Professional experience:

- Porto Business School Vice-Dean;
- Member of the Remuneration Committee of Caixa Geral de Depósitos;
- Auxiliar Professor at the Universidade do Porto, Faculdade de Economia;
- Former Pro-Dean of Universidade do Porto, in charge of strategic planning and management (from April 2008 to April 2015);
- Former Chairman of the Fiscal Board of the Fundação Instituto Marques da Silva;
- Former Member of the General Council INESC – TEC;
- Former Member of the Fiscal Board of the Fundação Ciência e Desenvolvimento;
- Former Member of the Board of UPTEC – Associação para o Desenvolvimento do Parque de Ciência e Tecnologia da Universidade do Porto;
- Former Director of the Instituto Mercado de Capitais da Euronext Lisboa from November 1999 to September 2002;
- Joined the Gabinete de Estudos e Desenvolvimento da BDP - Bolsa de Derivados do Porto, from September 1994 to November 1999;
- Former Member of INTACCT, european project on adoption of IAS/IFRS in the EU Member States;
- Author of several papers on national and international professional and academic magazines, regular speaker in conferences regarding IAS/IFRS adoption.

Eugénio Luís Lopes Franco Ferreira

Qualifications:

- Degree in Economics from the Universidade do Porto, Faculdade de Economia in 1976, where he taught as assistant Financial Mathematics on 1976/77. During his professional career, he had attended numerous training courses in several European countries and the United States.
- Member of the Portuguese Association of Economists and member of the Portuguese Institute of Corporate Governance. Em 2016 he voluntarily cancelled its membership on the Statutory Auditors Association and on the Certified Accountants Association.

Professional experience:

- Member of the Fiscal Board of Corticeira Amorim, SGPS, S.A.;
- Freelance consultant since 2009;
- 1977-2008: joined Price Waterhouse (PW), now PriceWaterhouseCoopers (PwC), on their Porto offices. Following a brief period on their Paris offices (1986), he became a Partner in 1991, and afterword was transferred to the Lisbon offices in 1996. Inicially he joined the Auditing Department, and afterwards Transaction Services, taking part in numerous audits of companies and other entities and consultancy projects, notably in the area of transactions and company restructuring. As an auditor, the scope of his responsibilities mostly included the performance of duties as member of the Fiscal Board or as Statutory Auditor;

- At different times played various internal functions in PW / PwC, notably (i) the head of the Oporto office (1989-1998); (ii) territorial responsibility for the technical audit function and risk management ("Technical Partner" and "Risk Management Partner"); (iii) responsibility for administrative functions, financial and internal computer ("Finance & Operations Partner"); (iv) responsible for the Audit Department; (v) member of the Executive Committee ("Territory Leadership Team");
- 1966-1976: he began his activity on a small car company, which was interrupted during 1971-1974 during the course of military service.

Luís Filipe da Silva Ferreira (Alternate)

Professional experience:

- He started his professional career on 1970 at Coopers & Lybrand (now PwC PricewaterhouseCoopers). On 1975, after carrying out obligatory military service (1973/75) started his career as an auditor. In January 1986 he was co-opted to Partner. On the same date, started the Consulting business line. As Partner kept responsibilities as Account Manager (Global Relationship Partner), including development projects of the three business lines - Assurance, Advisory and Tax, large clients of the Firm - EDP groups, REN, EDA, Generg, Portugal Águas, Cimpor, Tabaqueira, Vale de Lobo and public sector companies - ANA, REFER, Estradas de Portugal, Administração dos Portos de Lisboa and Sines. In some cases, the extent of responsibilities as auditor included the performance of functions in the Fiscal Board. (In accordance with the rules on reform of Partners, ceased connection PwC in 2012, and startedto act professionally as a consultant in free regime);
- Currently, he provides strategy and operations consulting services, in the areas in which he is specialized – Energy, Mobility, Utilities for both public and private sectors;
- He holds responsibilities on corporate bodies of Águas do Vouga, SA, Águas do Norte, S.A., Aguas do Centro, S.A., Aguas de Lisboa e Vale do Tejo, S,A., e Aguas do Algarve, S.A.;
- Pro-bono contributor to BLC3 – Plataforma para o Desenvolvimento da Beira Interior, assuming the functions related with the Financial Risk Management of the Association and Projects;
- Participation in the innovation and development of products arising of social and civic saving projects;
- Through partnerships, develops business activities regarding business development in Portugal and Mozambique;
- Certified as a Financial Advisor Autonomous (Certified Financial Adviser) by the CMVM / Euronext Lisbon (2002), Financial Controller recognized by OROC – Ordem dos Revisores Oficiais de Contas (2001), CISA - Certified Information Systems Auditor, by ISACA - Information Systems Audit and Control Association, Illinois, USA. (1994), TOC - Accountant by the Câmara dos Técnicos Oficiais de Contas (1979) and Certified as a professional trainer;
- Advisor to the Minister for Public Works, Transport and Communications from 2004 to 2011;
- He also held internal positions within the Firm, notably: he was responsible for the launch of operations in Algarve, he was the head of the Auditing and Accountancy Technical Department and of the internal administrative, financial and IT services and responsible for the Governance and Audit Committee;

- Internal and external instructor, teaching Information Systems, Computer Auditing, Systems and Consolidated Financial Processes on specialised, postgraduate and master degrees.

34. Regulations of the Fiscal Board

The Fiscal Board, under its duties pursuant to the Articles of Association, approved a new version of the Fiscal Board Regulation, on 22 September 2016, available for consultation on the Company's website in www.nos.pt. In line with the recommendations and good practices adopted by the Company, this Regulation governs, namely, the exercise of attributions, the presidency, the frequency of the meetings, the operating and the duties of the members of the Fiscal Board.

Under the terms of the Company's Articles of Association and the Regulations of the Fiscal Board, this Committee carries out the functions and duties provided for in articles 420, 420-A and 422, all of the CSC.

In the performance of its duties assigned by law and the Articles of Association, the Fiscal Board is responsible, in particular, for the following:

a) Supervising the management of the Company;

b) Ensuring that the law and the Articles of Association are observed;

c) Verifying the regularity of all books, accounting registers and supporting documents;

d) Whenever it deems such action convenient and by the means it considers appropriate, verifying the extent of cash and the stock of any kind of assets or securities belonging to the Company or received by it by way of guarantee, as a deposit or in any other capacity;

e) Verifying the accuracy of the financial statements;

f) Verifying whether the accounting policies and valuing criteria adopted by the Company lead to the correct valuation of the assets and the results;

g) Drawing up an annual report on its supervision of the Company and issuing a statement of opinion on the annual report, accounts and proposals presented by the management, in which it must express its agreement or not with the annual management report, with the annual accounts and with the legal certification of accounts or declaration that it is impossible to certify the same accounts;

h) Convening the General Meeting whenever the Chairman of the board of the General Meeting fails to do so;

i) Supervising the process of preparation and disclosure of financial information and issue recommendations or proposals to assure its integrity;

j) Assist the supervision of the auditing of the Company's financial individual and consolidated statements, notably its execution, bearing in mind possible conclusions of CMVM;

k) Engaging the services of experts to assist one or more of its members in the exercise of their duties. The engagement and remuneration of experts must take into account the importance of the matters committed to their attention and the economic situation of the Company;

l) Assessing the functioning of the risk management system, the internal control system and the internal auditing system and supervise their efficiency, proposing any adjustments that may be deemed necessary, as well as receiving the corresponding reports;

m) Receiving notifications of irregularities ("whistleblowing") submitted by shareholders, Company employees or others, informing the Company entity responsible for handling the reported irregularity;

n) Being the main counterpart of the external auditor and the first recipient of the relevant reports, and being responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the Company;

o) Assessing the external auditor on an annual basis and proposing to the competent body its dismissal or termination of the contract for services when there is a valid basis for said dismissal;

p) Appointing the statutory auditor or audit firm to propose to the General Meeting and reasonably recommend its preference, under article 16 of Regulation 537/2014 (EU), 16 April 2014;

q) Supervising and assessing the independence of the Statutory Auditor, including obtaining written formal confirmations under Articles 63 and 78 of the Statutory Auditors Bar Statute, in particular to assess the suitability and to approve the provision of other services besides audit services, under Article 5 of Regulation 537/2017 (EU), 16 April 2014;

r) Issuing a prior opinion on relevant business activities with qualifying shareholders, or entities with who they are in any relationship, according to article 20 of the Portuguese Securities Code;

s) Confirming whether the corporate governance report disclosed includes the information listed in article 245-A of the Portuguese Securities Code;

t) Carrying out any other duties required by law or by the Articles of Association.

The Fiscal Board shall also:

a) Supervise and issue its opinion on the Company's annual report and accounts, including, in particular, the scope, the process of preparation and disclosure as well as the accuracy and integrality of the accounting documents, and other financial information for which the law determines the involvement of the Fiscal Board;

b) Inform the Board of Directors on the legal audit results and explain the way it contributed to the integrity of the process of preparation and disclosure of the financial information, as well as the role the Fiscal Board played in such process;

c) Whenever it deems appropriate, make a decision, in advance and in good time, and give a prior opinion, on any reports, documentation or information of financial nature, that are assessed by the Board of Directors and are to be disclosed to the market, notably the preliminary anouncements of the quarterly accounts, or to be submitted by the Company to any competent supervisory authority.

For the exercise of their functions, any member of the Fiscal Board may, jointly or separately:

a) Obtain from the management the presentation of any books, records and documents belonging to the Company for examination and certification thereof, and verify the existence of any types of assets, notably cash, securities and merchandise;

b) Obtain from the management or from any of the Directors information or clarifications about the course of the operations or activities of the Company or about any of its businesses;

c) Obtain, under the terms of article 421(2) of the CSC, from third parties who have carried out operations on behalf of the Company, any information required for clarification of such operations;

d) Attend board meetings, whenever it sees fit.

In addition to general and particular duties emerging from their duty of supervision, the members of the Fiscal Board have the following:

a) The duty to exercise conscientious and impartial supervision, without taking any advantage of the information to which they have access in the course of their duties;

b) The duty to attend meetings of the Board of Directors to which its Chairman calls them, to attend meetings of the Board of Directors in which the annual accounts and the preliminary anouncements of the quarterly accounts are reviewed and to attend the General Meetings;

c) The duty to keep confidential any facts and information made known to them as a result of their supervisory activity, notwithstanding the duty to report any criminal activities to the competent authorities and to report at the first General Meeting that takes place, all irregularities and inaccuracies found and explanations asked for and received concerning them;

d) The duty to report to the Company reasonably in advance or, if unforeseeable, immediately, any circumstances that affect their independence and impartiality or that constitute a legal conflict of interest to carry out their duties;

e) The duty to report to the Company, within three days, any acquisition or sale of shares or bonds issued by the Company or any of its subsidiaries, made by themselves or by any person or entity as determined by law, in particular article 20 and article 248-B of the Portuguese Securities Code and article 447 of the CSC.

Within the verification of the adequacy of the process of preparation and disclosure of financial information by theBoard of Directors, the Fiscal Board verifies the adequacy of the estimates, judgements, relevant disclosures and consistent application between exercises, in a duly documented and communicated manner.

The coordination between the Fiscal Board and the Board of Directors should be assured by the Chairman of the Fiscal Board and by the Chairman of the Board of Directors or by the Director that the Board of Directors designates for that purpose.

The Fiscal Board obtains from the Board of Directors all the necessary information to carry out its duties, namely relating to the operational and financial progress of the Company, changes to its business portfolio, the terms of any transactions that have occurred and the details of the resolutions taken.

The Fiscal Board may, whenever deemed necessary, request from the heads of the different departments any information considered necessary to carry out its duties.

The Fiscal Board, whenever deemed necessary, shall request from the Chairman of the Board of Directors:

a) The minutes of the meetings of the Executive Committee, as well as the half-yearly reports on its activities that it has prepared; and

b) The notices of meetings, the minutes of the Board of Directors and the corresponding support documents.

Each year the Fiscal Board obtains from the internal auditor information on the internal audit plan and a periodical summary of the main conclusions of the internal audit, without prejudice to it also being a recipient of the internal audit report.

The Fiscal Board keeps a record of all irregularities that are reported, taking necessary measures with the Board of Directors and/or the internal and/or external auditors, and prepares a report thereon.

In its functions, the Fiscal Board will be assisted by the General Secretariat, Audit and Internal Control, Financial and Administrative Department and may ask the Board of Directors, when deemed necessary, the occasional cooperation of one or more of its members within their expertises for information release and execution of tasks regarding the reasoning of its analysis and conclusions.

35. Meetings of the Fiscal Board and attendance of each member

The Fiscal Board meets at least quarterly and may meet extraordinarily on the initiative of its Chairman or at the request of any of its members, who must propose the date and agenda for such purpose.

Minutes shall be drawn up for each meeting, which are subject to formal approval at the following meeting and signed by all the members who attended the meeting.

The resolutions of the Fiscal Board are taken by a majority, the Chairman having a casting vote. Members who do not agree with the resolutions must state the reasons for their disagreement in the minutes.

During the year of 2018, the Fiscal Board met 10 times in person and 3 times by be electronic means and all its members were present:

	Attendance at the meetings of the Audit Committee
Paulo Cardoso Correia da Mota Pinto	13/13 P
Eugénio Luís Lopes Franco Ferreira	13/13 P
Patrícia Teixeira Lopes	13/13 P

P – Present

37. Intervention in engaging additional services from the External Auditor

In order to ensure the independence of the External Auditor, the Fiscal Board, according to its Regulations, has the following powers and duties with regard to the external audit:

- It is the main counterpart of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company; and
- It evaluates the external auditor on an annual basis and proposes to the relevant corporate body its dismissal or termination of the contract of services where there is a valid basis for the said dismissal.

In addition, the Fiscal Board, on 20 June 2017 approved a new version of the Regulation for the provision of services by the External Auditors ("Regulation for the Provision of Services"), which defines the rules applicable to services other than audit services ("Non Audit Services") or related to audit ("Audit Related Services") provided by the external auditor to NOS and its subsidiaries, included on the appropriate scope of consolidation, specifying, namely the different services of audit that can not be carried out by the Statutory Auditor and the procedures to assure its independency. This Regulation for the Provision of Services shall apply to services provided by the external auditor and related companies.

Under the mentioned Regulation for the Provision of Services, hiring non-audit or audit-related services should be deemed as exceptions or complements, respectively, and in accordance with the rules laid down in that Regulation.

The assessment of the eligibility of the service depends on the appreciation of the Fiscal Board, which considers the following principles: (i) an auditor cannot audit his own work; (ii) an auditor cannot perform any function or perform work that is the responsibility of management; and (iii) an auditor cannot directly or indirectly act on behalf of his client.

The annual fees for several audit services cannot exceed the amount corresponding to 70% of the total of the average of the legal auditing fees of the last 3 years, provided to the Company and its subsidiaries, included in the consolidation perimeter using the full consolidation method.

The provision of non-audit services by the full or alternate Statutory Auditor requires the prior approval and authorization of the Fiscal Board, which adequately assesses the threats to independence arising from the provision of these services and the safeguard measures applied in accordance with article 73 of Law no. 140/2015 of 7 September. For this purpose, the Fiscal Board should receive a proposal regarding the provision of services to be submitted for approval and authorization, as well as any additional information that may be deemed relevant, which shall comply with the following requirements:

a) Be clear about the services to be rendered and the fees that will be charged for them;
b) Include a declaration of conformity with the independence principles defined in article 2 of the Regulation for Provision of Services;
c) Include reasoning for the provision of the services;
d) Include the initial date for the provision of services and its respective fees.

As per the Regulation for the Provision of Services, if a member of the network of the full or alternate Statutory Auditor who performs the statutory audit of the accounts of NOS or its subsidiaries, provides any non-services prohibited pursuant article 77(8) of Law no. 140/2015 of 7 September, to an entity with offices in a third country that is controlled by NOS or its subsidiaries, the full or alternate Statutory Auditor shall assess whether its independence is compromised by such service provision by the member of the network, in accordance with Article 5(5) of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014.

38. Other functions

Under the terms of the Company's Articles of Association and the relevant Regulation, and in addition to the above mentioned in item 34, it is to be noted that the Fiscal Board:

- Evaluates the functioning of the risk management system, the internal control system and the internal auditing system and supervises their efficiency, proposing any adjustments that may be deemed necessary, as well as receiving the corresponding reports;
- Receives notifications of irregularities (whistleblowing) submitted by shareholders, Company employees or others, informing the Company's entity responsible for handling the irregularity reported;
- Issues a prior opinion on relevant business activities with qualifying shareholders, or entities with which they are in any relationship, according to article 20 of the Portuguese Securities Code;
- Supervises and issues its opinion on the Company's annual report and accounts, including, in particular, the scope, the process of preparation and disclosure as well as the accuracy and integrality of the accounting documents, and other financial information for which the law determines the involvement of the Fiscal Board;

- Informs the board of directors of the legal audit results and explains the way it helped to assess the integrity of the preparation and disclosure of the financial information process, as well as the role which the Fiscal Board played in such process; and
- Whenever it deems appropriate, makes a decision, in advance and in good time, and gives a prior opinion on any reports, documents or information of a financial nature that may be evaluated by the Board of Directors and is to be disclosed to the market, notably the preliminary announcements of the quarterly accounts, or submitted by the Company to any competent supervisory authority.

The Fiscal Board also decides on risk policy, work plans and the resources allocated to the internal control services and evaluates annually the compliance with the company's strategic plan and the budget and the risks management. The Fiscal Board has mechanisms implemented that allow, periodically, monitoring and control (i) of the Risks Management model, (ii) of the liquidity and interest rate risk, (iii) of the current management of treasury operations and the accounting policies adopted by the Group, (iv) of the current principal judicial and fiscal disputes and their possible accounting impact on the accounts, and (v) of the procedures of Fraud and Corruption Management.

The Fiscal Board also promotes periodic meetings with the Statutory Auditor for the purposes of monitoring the latter's work.

The Fiscal Board is currently studying ways of supervising the operating of the Board of Directors and the committees, as well as the respective relationship between corporate bodies and committees of the Company. In particular, the Fiscal Board shall endeavor to implement a reporting system, in which internal committees responsible for internal control and compliance services shall report to the Fiscal Board, at least when matters related to accountability are concerned, identification or resolution of conflicts of interest and detection of potential irregularities.

IV. Statutory Auditor

39. Identification of the Statutory Auditor

Pursuant to article 22(3) of the Company's Articles of Association, the Statutory Auditor, full and alternate, is elected by the General Meeting acting on a proposal from the Fiscal Board.

At the General Meeting, on 26 April 2016, the following were elected as full and alternate Statutory Auditors for the three-year period 2016/2018:

Full: Ernst & Young Audit & Associados, SROC, S.A., (ROC No. 178), represented by Sandra e Sousa Amorim (ROC no. 1213) and Rui Abel Serra Martins (ROC No. 1119) and

Alternate: Paulo Jorge Luís da Silva (ROC no. 1334).

40. Number of years working for the company

The Statutory Auditors, full and alternate, were elected for the first time on the 23 April 2014 General Meeting, to fullfil the term concerning the period 2013/2015.

Thus, new full and alternate Statutory Auditors began their functions in the Company in 2014, having consecutively served the Company for approximately 5 years.

41. Description of the services provided

On 31 December 2018, Ernst & Young Audit & Associados, SROC, SA, also played the functions of External Auditor of the Company.

In addition to all legally stipulated competences and duties, the Statutory Auditor also verifies the application of the policies and systems of remuneration of the corporate bodies, the effectiveness and the operating of the internal control mechanisms reporting any deficiencies to the Fiscal Board with whom it collaborates in a perspective of proximity and to whom it provides information on any irregularities relevant to the performance of the functions of the supervisory body as well as any difficulties encountered in carrying out its duties, in particular, in the context of the various meetings held by both during the exercise.

V. External Auditor

42. Identification of the External Auditor and Partner

The External Auditors of NOS are independent entities with international reputation, being their actions closely monitored and supervised by the Company's Fiscal Board.

NOS does not grant its External Auditors any damages protection.

The External Auditor should, within the framework of its powers, verify the implementation of policies and systems concerning the remuneration of corporate bodies, the efficiency and the effectiveness of internal control mechanisms and report any disabilities to the Fiscal Board.

On 31 December 2018, NOS External Auditor was Ernst & Young Audit & Associados, SROC, S.A., (ROC no. 178 and CMVM registration no. 20161480), represented by Sandra e Sousa Amorim (ROC no. 1213 and CMVM registration no. 20160824) and Rui Abel Serra Martins (ROC no. 1119 and CMVM registration no. 20160731).

43. Number of years working for the Company

Pursuant the favourable opinion of AFC and the proposal of the Fiscal Board, the appointment of Ernst & Young Audit & Associados, SROC, S.A. as new External Auditor of the Company was approved for the first time in the Board of Directors' meeting on 24 March 2014.

Thus, the current External Auditor and the respective partners started their functions at the Company in 2014, having consecutively served the Company for approximately 5 years.

44. Rotation of the External Auditor and Partner

Pursuant to the Regulations of the AFC, the Commission advises the Fiscal Board, on behalf of Board of Directors, regarding the appointment, powers and remuneration of the External Auditor.

As provided for in the Regulations of the Fiscal Board, this Committee evaluates the External Auditor on an annual basis and proposes to the competent body its dismissal or termination of the contract for services when there is a valid basis for said dismissal.

Neither the Articles of Association nor the internal regulations set out the periodic rotation of the External Auditor. However, the practices followed by the Company are aligned with the new Statutory Audit Bar Statute (EOROC), approved by Law no. 140/2015, 7 September, and with the Audit Supervision Framework (RJSA), approved by Law no. 148/2015, 9 September.

45. Body responsible for assessement of the External Auditor and its periodicity

In light of the above, pursuant to article 3(1)(o) of the Regulations of the Fiscal Board, this Board annually evaluates the External Auditor, and proposes to the competent body its dismissal or the termination of the service agreement whenever there is a valid reason.

46. Identification of non-audit services

As mentioned in item 37, on 20 June 2017, the Fiscal Board, approved a new version of the Regulation for the Provision of Services by External Auditors that defines the applicable regime to non-audit or audit related services provided by the External Auditor to NOS and its subsidiaries included in its scope of consolidation. This regulation is applicable to the services provided by the External Auditor and its related companies. Under the aforementioned regulation, the hiring of non-audit or audit-related services shall be considered, respectively, on an exceptional or complementary basis and in accordance with the rules established in the Regulation for the Provision of Services.

The non-audit services, which are defined by the negative, consist of all services in which the auditor does not issue an opinion on accounts in accordance with SAIs (excluding prohibited services), such as:

a) Review of financial statements with a limited level of assurance, which includes limited reviews of quarterly, half-yearly or other period accounts;

b) Advise on interpretation and counselling on implementation of new accounting and financial reporting rules;

c) Counselling related with the required financial reporting for the compliance with the accounting policies adopted.

d) Tax services related to the audit or mid-term review of the financial statements, including review of the compliance with Transfer Pricing rules;

e) Requirements of internal control reporting, whether audits or reviews of internal controls;

f) Review of financial information to be disclosed to the market;

g) Reviews and audits to Information Systems, when related to the auditing of the financial statements;

h) Comfort Letters and other reports of agreed procedures, within the scope of prospects and other procedures related to securities;

i) Audit to the Social Responsibility and Sustainability Reports;

j) Certification of the internal control report;

k) Other certifications not required by law or by the Company's Articles of Association;

l) Audit for the acquisition of new businesses (auditing of the opening balances), including advice on accounting restatement;

m) Training in technical matters;

n) Other services, namely the ones that may be provided by the External Auditors, due to their professional experience and/or knowledge of the company, and that are not described in the previous paragraphs, such as Due Diligences in potential acquisitions and/or sales.

In 2018 were hired by NOS or its Group companies the non-audit services described on the above paragraphs a), h), i) and n) above. The provision of such services does not constitute a threat to the independence of the External Auditor nor does it fall within the prohibited services provided for in Article 77 (8) of the EOROC and, given the nature of the services concerned, there are efficiency gains which justify its provision by the External Auditor.

As per the Regulation for the Provision of Services, if a member of the network of the full or alternate Statutory Auditor who performs the statutory audit of the accounts of NOS or its subsidiaries, provides any non-services prohibited pursuant article 77(8) of Law no. 140/2015 of 7 September, to an entity with offices in a third country that is controlled by NOS or its subsidiaries, the full or alternate Statutory Auditor shall assess whether its independence is compromised by such service provision by the member of the network, in accordance with Article 5(5) of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014.

The prohibited non-audit services are as follows:

o) Tax advisory services relating to:

    i. Preparation of tax declarations;

    ii. Taxes on salaries;

    iii. Custom duties;

    iv. The identification of public subsidies and tax incentives, unless the assistance of the statutory auditor or audit firm in relation to such services is required by law;

    v. Assistance on inspections of tax authorities unless the assistance of the statutory auditor or the audit firm in relation to such inspections is required by law;

    vi. Calculation of direct and indirect taxes and deferred taxes;

    vii. Tax advisory;

p) Services involving any participation in the management or decision-making of the audited entity;

q) Preparation and issuance of accounts and accounting records;

r) Wage processing services;

s) The planning and implementation of internal control or risk management procedures related to the preparation and/or control of financial information or the planning and implementation of the computer systems used in the preparation of such information;

t) Evaluation services, including evaluations of actuarial services or litigation support services;

u) Legal services regarding:

   i. General advisory;

   ii. Negotiations on behalf of the audited entity; and

   iii. Representation of the audited entity in the context of dispute settlement;

v) Services relating to the internal audit of the audited entity:

w) Services relating to the financing, allocation and capital structure and the investment strategy of the audited entity, except for the provision of services relating to the accounts reliability assurance, such as the issuance of 'comfort letters' relating to prospectuses issued by the entity audited;

x) The promotion, negotiation, or underwriting of shares in the audited entity;

y) The human resources services regarding:

   i. Management positions likely to exert significant influence over the preparation of accounting records or accounts subject to statutory audit when such services involve:

      i. The selection or search of candidates for such positions;

      ii. The carrying out of verifications of the references of the candidates for such positions;

   ii. The configuration of the organization structure;

   iii. The control of costs.

47. Remuneration paid to the auditor and its network

In 2018, NOS Group (the Company and companies controlled by or in a group relationship with the Company) paid, as fees to NOS Statutory Auditor and External Auditor, Ernst & Young, S.A. (E&Y), and to its network of companies, the following amounts:

	NOS		COMPANIES INCLUDED IN THE GROUP		TOTAL	
		%		%		%
Audit services	25 520	23%	141 240	90%	166.760	62%
Non-audit services	22 880	20%	15 300	10%	38.180	14%
Non-audit services required by law	65 000	57%	0	0%	65.000	24%
NOS	**113 400**	**100%**	**156 540**	**100%**	**269 940**	**100%**

The risk management policy at NOS, supervised by the Fiscal Board in coordination with the AFC, monitors and controls the services requested from the External Auditor and their network of companies, in order for their independence not to be undermined. The fees paid by NOS Group to E&Y represent less than 1% of the total annual turnover of E&Y, in Portugal. In addition, every year a “Letter of independence” is prepared, in which E&Y guarantees the compliance with international guidelines on auditor independence.

In addition, pursuant to the Regulation approved by the Fiscal Board, the annual fees for non-audit or audit-related services in total may not exceed an amount corresponding to 70% of the total of the average of the statutory auditing fees of the last 3 years, provided to the Company and its subsidiaries, included in the consolidation perimeter using the full consolidation method. During the exercise of 2018, the non-auditing services represented 20% of the average of the statutory auditing fees of the last 3 years. The Fiscal Board quarterly receives and analyses the information concerning the fees and services provided by the External Auditor.

The Fiscal Board, in the course of its duties, carries out each year a global assessment of the performance of the External Auditor and also of its independence. In addition, whenever necessary or appropriate on the basis of developments in the Company's activity or configuration of the market in general, the Fiscal Board reflects on the suitability of the External Auditor to carry out its duties. The current External Auditor of the Company started its work at NOS in 2014.

C. Internal Organization

I. Articles of Association

48. Rules on changing the Articles of Association

By law and under the Company's Articles of Association (article 12(4)(d)), ammendments to the Articles of Association, including those concerning share capital increases, always depend of shareholder's resolutions, in which must be present or represented, in case of first call, at least fifty percent of the shareholders.

Such resolutions are taken by the majority provided for by law, which consists of two thirds of the votes cast, except on a second call if the shareholders holding at least half of the share capital are present or represented, in which case these resolutions can be taken by a majority of the votes cast (article 386(3) and (4) of the CSC).

II. Reporting of irregularities

49. Means and policy

NOS has a policy for reporting irregularities occurring within the Company, and has a Regulation on Procedures to be Adopted in respect of the Irregularities Report ("Whistleblowing"), approved on 12 February 2014.

In connection with this Regulation, "irregularities" are considered to be all intentional or negligent acts or omissions occurring in the course of the Group's activities, contrary to legal or regulatory provisions, which set out violations of ethic or legal nature, with material impact in the following domains:

a) Accounting;

b) Auditing;

c) Intern control and corruption combatting; and

d) Any kind of financial crimes.

The members of the corporate bodies or other managers, directors, collaborators and other employees of the Group, regardless of their hierarchical rank or professional relationship, participate in the implementation of the irregularities communication policy through internal communications in accordance with the rules and procedures provided for in the Whistleblowing Regulation.

This Regulation is available on NOS' intranet and on the Company's website, available on www.nos.pt.

Any communication covered by the Regulation shall be treated as confidential, unless the author expressly and unequivocally requests otherwise. Anonymous complaints will only be accepted and treated on an exceptional basis and, in any case, no reprisal or retaliation will be tolerated against those that make the mentioned communications.

The reporting of any signs of irregularities must be made in writing, with the indication "confidential", addressed to the Fiscal Board, by letter sent to the post box address Apartado 14026 EC, 5 de Outubro, 1064-001 Lisboa, or to the electronic mail address comunicar.irregularidades@nos.pt, choosing the author one of the above mentioned ways of communication.

The Fiscal Board is responsible for receiving, recording and processing the communications of irregularities that occur in NOS or in the companies within the respective group and for undertaking other acts which are necessarily related with those powers.

After being registered, the communications are subject to a preliminary analysis in order to ensure the degree of credibility of the communication, the irregular nature of the reported behaviour, the viability of research and the identification of the people involved or who have knowledge of the relevant facts and, in this regarding, must be confronted or surveyed.

The report of the preliminary analysis shall concludes by the continuation - or not - of the investigation. If the Fiscal Board considers that the communication is consistent, plausible and likely, an investigation begins, conducted and supervised by the Fiscal Board, which will be made known to the CGS and the Ethics Committee. Once the investigation phase is concluded, the Fiscal Board shall prepare a report, duly substantiated on the facts found during the investigation, and will present its resolution, proposing to the Board of Directors or, as the respective delegation, to the Executive Committee, measures that are deemed appropriate in each case.

The Internal Audit must assist the Fiscal Board. The Fiscal Board may also hire external auditors or other experts to assist in the investigation, when the specialty of matters requires specialized services.

The Fiscal Board, within the limits of its powers, shall monitor the correct application of the procedure established by the aforementioned Regulation.

III. Internal control and risk management

50. Entities responsible for Internal Auditing and risk management

The internal control and risk management system at NOS consists of various key parties with the following responsibilities and goals:

- Executive Committee – The Executive Committee is responsible for the creation and functioning of the Company's internal control and risk management system, in exercise of the powers of day-to-day management conferred by the Board of Directors. It is also responsible for discussing and approving risk objectives, including the levels of risk acceptance, approving of strategic plans and the Company's risk management policies, in order to ensure that the risks actually incurred are consistent with those objectives.

- Areas of business – Each functional department in NOS business units is, as part of its responsibility in corporate or functional processes, responsible for the implementation of internal controls and for the management of their specific risks. In addition, for the development of certain risk management programmes, specific risk management teams may be set up, such as risk committees or working teams. These normally include an executive coordinator, a committee of directors and a team of pivots (interlocutors) representing the business units.
- Risk Management – The risk management areas work to raise awareness, measure and manage business risks that interfere with the fulfilment of goals and with value creation within the organisation. They contribute with tools, methodologies, support and know-how to the business areas. They also promote and monitor the implementation of programmes, projects and actions aimed at bringing risk levels close to the acceptable limits laid down by the management.
- Internal Auditing – Assesses risk exposure and verifies the effectiveness of risk management and of internal control of both business processes and information and telecommunications systems. Proposes measures to improve internal controls, aimed at more effective management of business and technology risks. Monitors the evolution of risk exposure associated with the main findings and non-conformities identified in the audits. This area reports to the Fiscal Board in respect to these matters.
- External Auditor – Verifies the effectiveness and functioning of internal control mechanisms and reports weaknesses identified to the Company's supervisory body. Whilst performing their duties, carried out in the public interest, the external auditor is responsible for verifying the accounts of the Company and for the respective issue of the legal certification of accounts and of an audit report, among other duties.
- Fiscal Board – It is the supervisory body with legal and statutory responsibility for evaluating the operating of the risk management and internal control systems and of the internal audit system, being recipient of the said reports, and decides on the work plan and resources assigned to the Internal Audit services.
- Finance and Audit Committee – As a specialized committee, it advises the Board of Directors on certain matters, including those relating to the functions of the External Auditor, Internal Audit and Risk Management, thereby reinforcing, in a complementary manner, the supervision of these matters that is carried out by the Fiscal Board.

As a part of the Internal Control and Risk Management System, the Company has a corporate department specialising in risk – the Department of Internal Auditing and Risk Management – the mission of which is to contribute to effective management of NOS business risks. These Internal Auditing and Risk Management teams support the Company in the fulfilment of its objectives, adding value and improving the Company's operations, through a systematic and disciplined approach in order to assess and help to improve the effectiveness of risk management, internal control and corporate governance processes.

The area of Risk Management includes the teams from the Risk Management and Continuous Risk Monitoring Programmes. This area coordinates the development and maintenance of the Information Security, Personal Data Privacy and Business Continuity Programs. It is responsible for the operational management of the following NOS certifications: ISO 27001 "Information Security Management System", ISO 20000 "Service Management System", ISO 9001 "Quality Management System", ISO 14001 "Environmental Management System" and ISO 45001 "Occupational Health and Safety Management System". Within its scope is also the continuous monitoring of risks activities, through follow-up of improvement and corrective actions, as well as key indicators in some business processes.

These teams perform risk analysis, propose risk management policies for the Company and coordinate cross-cutting programmes or projects to endow the organization of adapted procedures and the respective internal controls which will allow for the risk management. They also ensure the review, assessment and adaptation of the internal control manuals implemented in the main NOS businesses. There are also risk management functions in some of the areas of business, particularly when the existence of specific pivots or champions (interlocutors) is important for certain special aspects of risk management, such as the management of Business Continuity, Information Security, Internal Control Manual, Privacy, Services Management, as well as the case of integrated management system relating to Quality, Environment and Occupational Health and Safety.

Within the assessment of the degree of internal compliance and the performance of the risk management system, the Finance and Audit Committee and the Fiscal Board receive the following reports: the annual assessment carried out by the External Audit on the Internal Control system; the indicators produced periodically by the Risk Management on the results of the Internal Control (for example, degree of implementation of the Internal Control Manual, coverage of financial risks by the Internal Control Manual, Self-Assessments results of controls, key controls, etc.).

The area of Internal Auditing covers the Business Process Auditing and Systems Auditing teams. The following activities fall within its scope: assurance audits of processes and systems, compliance audits of the Internal Control Manual and the ISO 27001 certification, incident and complaint audits, as well as independent and objective advisory work.

The activities of the Internal Auditing teams are defined under the Internal Audit Charter. The Internal Auditing activity is governed by the guidelines of the Institute of Internal Auditors (IIA), including the definition of internal audit, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IIA Standards). The annual Internal Audit plan is developed based on the Company's annual Actions and Resources Plan and on a prioritisation of audit work, using a risk-based methodology that includes the results of ERM - Enterprise Risk Management and considers the roadmap for coverage of business procedures, telecommunications and information systems and legal obligations.

The internal audit plan also considers the contributions of the Executive Committee, of other senior managers, of the Audit and Finance Committee and, separately, of the Fiscal Board which has a responsibility based on the law or on the Articles of Association to state its position on the working plan and the resources allocated to the Internal Auditing services.

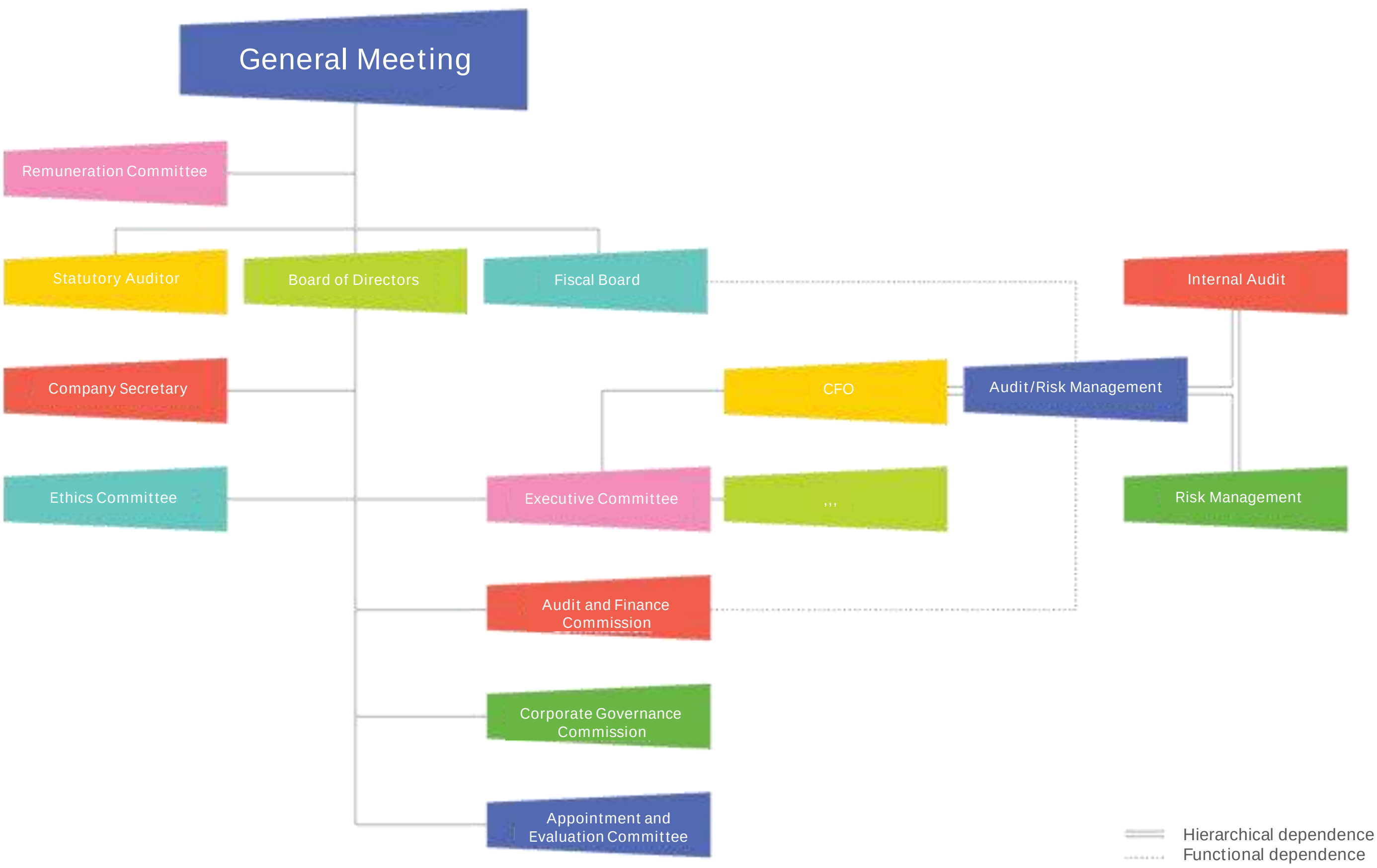
In accordance with good international practices, the Internal Auditing and Risk Management teams have the majority of their staff certified in audit norms and risk management methods, involving in total 28 certifications. These include the *Certified Internal Auditor* (CIA), the *Certified in Control Self Assessment* (CCSA), the *Certified Information System Auditor* (CISA), the *ISO 27001 ISMS Lead Auditor*, the ISO 22301 BCMS Lead Auditor, the ISO 31000 Lead Risk Manager, the *Certified Continuity Manager* (CCM), the *Associated Business Continuity Professional* (ABCP), the *Certified Information System Security Manager* (CISM), the Certified Information Systems Security Professional (CISSP), the *ISO 27001 ISMS Lead Implementer*, the *Certified in Risk and Information Systems Control* (CRISC), the Certified in the Governance of Enterprise IT (CGEIT), the *ITIL Foundation* (ITIL), the *Project Management Professional* (PMP) and the *Certified Project Management Associate* (CPMA).

51. Relationships with other bodies or committees

The hierarchical and functional relationships are those specified below:

- Internal Auditing and the Risk Management report hierarchically to NOS Executive Committee, namely to the CFO (*Chief Financial Officer*).
- The Internal Auditing and the Risk Management report functionally to NOS Fiscal Board, as the supervisory body with responsibility based on the law or on the Articles of Association for assessing the performance of internal control and risk management systems and of the internal audit system, receiving the corresponding reports, and giving its opinion on the working plan and the resources allocated to the Audit Internal services.
- Internal Auditing and the Risk Management (this in the Internal Control part) also report functionally to NOS Audit and Finance Committee, as the specialised commission that advises the Board of Directors on certain matters, including those concerning the Auditing and Risk Management functions, thus reinforcing, complementarily, the supervision of these matters already carried out by the Fiscal Board.
- Internal Auditing secretaries the NOS Ethics Committee, in its capacity as committee responsible for overseeing and maintaining the NOS Code of Ethics, for monitoring its implementation and for ensuring that all members of corporate bodies and all employees of the company comply with it.

The remaining responsibilities for the creation, operation and periodic assessment of the internal control and risk management system are defined in the Regulations of corresponding bodies or committees.



52. Other competent areas in risk control

In addition to the areas referred to in the preceding sections, the Company has other functional areas with competence in internal control and risk management that make a decisive contribution to maintaining and improving the control environment. Particularly notable in this context are the following business areas and processes:

- The areas of Planning and Control, in coordination with the corresponding *pivots* in the areas of business, are responsible for monitoring the implementation of Annual Action and Resource Plans (encompassed on the strategic plans of the Company) and the correspondent budgets and forecasts, in the financial and operational components;

- The various areas of business and individual employees are required to comply with the procedures set out in the Internal Control Manual, ensuring that all acts or transactions engaged in are appropriate and properly evidenced;

- The different areas of business have processes and indicators to monitor operations and KPIs;

- There are areas dedicated to monitoring specific business risks and generating alerts, such as the *Enterprise Business Assurance* (control of subscription fraud, consumption fraud, and contents fraud) and Services Supervision teams, in the communications business;

- The technical areas, including Networks and Information Systems, have indicators and alerts for interruptions in service and security incidents, on an operational level;

- The various areas of business have internal controls that ensure not only their commitment in the environment of risk management and internal control, but also the permanent monitoring of the pattern of effectiveness and adequacy of these controls.

53. Main types of risk

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

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

The main risks inherent to NOS business and the corresponding strategies and actions that have been adopted for their management will now be described. For some risks, we make reference to the strategies and actions to other sections of the Accounts Report where they are described with further detail.

Economic risks

- Economic Environment – The Company was still exposed over the last few years to the effects of the economic environment experienced in Portugal during the last years and consequently to a general reduction in consumption. Despite the improvements on the economic and market environment verified more recently, mainly through the increase of the product, there is a risk of the market share, in clients and/or revenue, being affected by the unemployment rate, by the still high use of measures for reduction of public consumption and also by the private consumption variability. NOS has carefully monitored this risk and adopted strategies aiming to increase of clients and counter the drop in revenue visible in the Portuguese telecomunications market. NOS has also been paying attention to the identification of other opportunities, in conjunction with the competition and technological innovation risk response strategies that are described below.

- Competition – This risk is related to the potential reduction in the prices of products and services, reduction in market share, loss of customers, increasing difficulty in obtaining and retaining customers. The management of competition risk has involved a strategy of investing in constant improvement in quality, distinctiveness and innovation for the products and services provided, as well as in its protection from competition, diversification of supply, combination of offers related with different businesses of NOS and the strengthening of the portfolio of broadcasting rights and the respective provision of contents as well as the constant monitoring of customer preferences and/or needs. The operational integration processes that have taken place over the past years in NOS have contributed to the development of a competitive position vis-à-vis its competitors. NOS intends to go even further in strengthening its competitive position, evolving from a logic of integration to a logic of transformation, and so has in place an operational transformation programme focused essentially on customer satisfaction, organizational fitness and operational efficiency. NOS is also aware of the consolidation and acquisition moves of its competitors in the communications, content and entertainment industries.
- Technological Innovation – This risk is associated with the need for investment in increasingly competitive services (multimedia services, messaging services, multiplatform TV services, cloud services, infrastructure and information technology services, etc.), which are subject not only to accelerated changes in technology but also to the actions of the players which act outside of the tradiditional communications market, like the OTT (over-the-top players) Operators. NOS has in place various initiatives on technological transformation which lay the foundation for long-term competitive differentiation. The Company also has been managing this risk by introducing technologies, services and innovative contents as described over the Management Report and also on the Non-Financial Statements, namely on the "Risk Management" and "Promote sustainable innovation" sections.
- Business Interruption and Catastrophic Losses (Business Continuity Management) - Since the businesses of NOS are based above all on the use of technology, potential failures in technical-operational resources (network infrastructures, information systems applications, servers, etc.) may cause a significant risk of business interruption, if they are not well managed. This may imply other risks for the Company, such as adverse impacts on reputation, on the brand, on revenue integrity, on customer satisfaction and on service quality, which may lead to the loss of customers. In the electronic communications sector, business interruption and other associated risks may be aggravated because the services are in real time (voice, data/internet and TV), and customers typically have low tolerance for interruptions. To address these risk, NOS develops and maintains the BCM - Business Continuity Management programme, as well as other initiatives and actions as described on the Non-Financial Statements, namely on the "Risk Management" and "How to address emergency situations" sections.
- Confidentiality, Integrity and Availability (Information Security Management) - Bearing in mind that NOS is the biggest corporate group in the area of communications and entertainment in the country, its businesses makes intensive use of information and of information and communication technologies that are typically subject to security risks, such as availability, integrity, and confidentiality. Just like other operators, NOS is increasingly exposed to cybersecurity risks, related to external threats to the electronic communications networks and to the surrounding cyberspace. To address the security and cybersecurity risks, NOS develops and maintains the ISM (Information

Security Management), as well as other initiatives and actions detailed on the Non-Financial Statements, namely on the “Risk Management” and “Information Security and Privacy” sections.

- Privacy (Personal Data Protection) - Privacy risks are becoming more important, mainly associated with changes in the regulations on personal data protection, which is transversal to all sectors of activity and also applicable, in particular, to the protection of personal data, which is subject to specific regulations on security and privacy. To address these risks, NOS has an ongoing Privacy Program in order to monitor and continually improve the company compliance with the new General Regulation on Data Protection and with other regulations that have an impact on privacy. Some of the most relevant initiatives and actions are described under the Non Financial Statements, namely on on the “Risk Management” and “Information Security and Privacy” sections.

- Service Fraud (Management of Communications Fraud) - Customer or third party fraud is a common risk in the comunications sector. Perpetrators of fraud may take advantage of the potential vulnerabilities of the network’s business process, the network or of the communications services. In view of this situation, NOS has a team dedicated to Fraud control, including subscription fraud, consumption fraud and contents fraud. In order to encourage secure use of communications services, it has developed various initiatives and implemented controls, including the provision of an internal platform with information on security risks and service fraud, as well as the continuous improvement of processes to monitor and mitigate these risks. Fraud controls are implemented to prevent anomalous situations of fraudulent use or situations of misuse with a direct impact on the costumer satisfaction, on the potential service disruption and on the Company’s revenue. NOS has also joined initiatives developed by the GSM Association (GSMA), namely the Fraud and Security Group (FASG).

- Revenue and Cost Assurance (Enterprise Business Assurance) - Electronic comunications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenue and costs, from a viewpoint of revenue flows and platform integrity. Billing processes perform revenue controls, with regard to invoicing quality. NOS also Business Assurance teams that apply processes to control revenue integrity (underinvoicing or overinvoicing) and processes the cost control and services utilization with the aim of presenting a consistent chain of revenue and costs, from the moment the customer enters our provisioning systems, involving the provision of the communications service, up to the time of invoicing and charging.

Financial risks

- Tax – The Company is exposed to changes in tax legislation and varied interpretations of the application of tax and tax related regulations in several ways. The Finance Department contributes to management of this risk, monitoring all tax regulations and seeking to guarantee maximum tax efficiency. This department may also be supported by external consultants whenever the questions being analysed are more critical and, for this reason, require interpretation by an independent entity.

- Credit and Collections – These risks are associated with a reduction in receipts from customers due to possible ineffective or deficient operation of collection procedures and/or changes in the legislation that regulates the provision of essential services and have an impact on the recovery of customer debts. The current adverse economic climate also significantly contributes to the worsening of these risks. They are mitigated through the definition of a monthly plan of collection actions, their follow-up and validation and the review of results. Where necessary, the procedure and the timings of these actions are adjusted to ensure the receipt of customer debts. The aim is to ensure that the amounts owed are effectively collected within the periods negotiated without affecting the financial health of the Company. In addition, NOS has specific teams for Credit

Control, Inbound Delivery, Collections and Litigation and, regarding some business segments, also subscribes credit insurances.

Legal risks

- Legal and Regulatory – The electronic communications market in Portugal is subject to a regulatory framework emerging from European and national law. In Portugal, ANACOM, as a sector regulator, is resposable to ensure operators' access to the networks, in conditions of transparency and equality, as well as to promote competition and market development. To this end, it ensures the compliance and the supervision of a significant set of rules to which the market is subject, including the analysis of relevant markets, the identification of companies with significant market power (SMP) and the imposition of appropriate measures for the resolution of identified market failures. Within this context, in 2018 it should be highlighted the approval of the Portability Regulation, the analysis of the amendment of the conditions associated with the use of the MEO conduits and poles, the decision on the limits associated with zero rating offers, a new project for Regulation on Network Security and Integrity and a first public consultation with a view to the future allocation of radio spectrum for 5G.

ANACOM is also responsible for ensuring the dissemination and monitoring the compliance with European directives applicable to the sector, and in 2018 was published the European Code of Electronic Communications, which assembles the four main European directives applicable to the sector (Framework-Directive, Authorization Directive, Access Directive and Universal Service Directive). This document shall be transposed to internal law until the end of 2020, being that in this process the participation of the sector regulator is expected, as well as the involvement of the relevant stakeholders. In addition, ANACOM is also responsible for ensuring the compliance by the operators with the European regulations directly applicable to Portugal, such as the TSM Regulation (which includes rules for roam-like-at-home and protection of network neutrality), the General Regulation on Data Protection and the e-Privacy Regulation. In addition to the specific rules relating to the communications sector, NOS is also subject to horizontal legislation, including competition law, being that in this case it can be subject to intervention by, amongst others, the Competition Authority. Finally, it should be pointed out that the management of the existing regulatory and legal risks is ensured by the Legal and Regulatory Department, which monitors the evolution of the applicable legal and regulatory framework, considering the threats and opportunities that represent to the competitive position of the NOS in the business areas in which it operates,

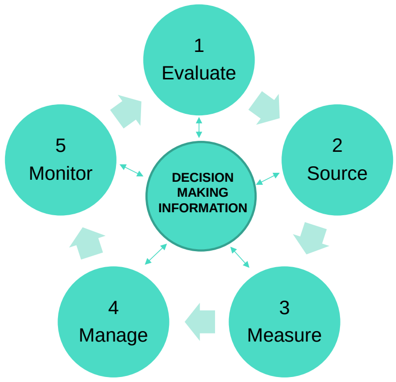
54. Risk management

The risk management and internal control processes at NOS, including the methodologies used to identify, assess and monitor risks, are described in this section.

The risk management and internal control processes are supported by a consistent and systematic methodology, based on the international standard Enterprise Risk Management - Integrated Framework, issued by COSO (Committee of Sponsoring Organisations of the Treadway Commission). In addition, for the management of risks related to Information Security, Personal Data Protection and Business Continuity, specific methodologies were also considered in line with the standards from the ISO 2700x series - Information Security Management and with ISO 22301 - Business Continuity Management, as well as legal and regulatory requirements on network security and integrity (supervised by ANACOM) and on personal data privacy (supervised by CNPD).

The methodologies adopted for the internal control system also took into consideration the references provided by organisations responsible for promoting the existence of control mechanisms in markets, including recommendations from the CMVM Corporate Governance Code (previously in force) and from the IPCC (Portuguese Institute of Corporate Governance), as well as the Portuguese Companies Code. In addition, for aspects of internal control related to ICT (Information and Communication Technologies), the COBIT (Control Objectives for Information and Related Technology) framework was also considered.

The diagram below illustrates the main stages of NOS general risk management methodology, which can be applied to entities or to the business processes of its main subsidiaries.



Risk Management Cycle
(*ERM - Enterprise Risk Management*)

In line with this general methodology, the management and control of risks are achieved using the main approaches and methods presented below:

Enterprise Risk Management (ERM)
Approach: This approach seeks to align the risk management cycle with NOS strategic planning cycle. It enables NOS businesses to assign priorities and identify critical risks that may compromise its performance and its objectives, and to adopt actions to manage these risks. This is achieved through constant monitoring of risks and the implementation of certain corrective measures.
Method: 1. Identify and assess business risks >> 2. Explore risks and Identify causes >> 3. Measure triggers >> 4. Manage risks >> 5. Monitor risks
Business Continuity Management *(BCM)*
Approach: It seeks to mitigate the risk of interruptions of critical business activities that may arise as a consequence of disasters, technical-operational failures or human failures. The scope of this process also includes the assessment and management of physical security risks at NOS' critical sites.
Method: 1. Understand the business >> 2. Define resilience strategies >> 3. Develop and implement continuity and crisis management plans >> 4. Test, maintain and audit the BCM plans and processes.
Information Security Management *(ISM)*
Approach: It seeks to manage risks associated with the availability, integrity, confidentiality and privacy of information and personal data. Its goals are to develop and maintain the Information Security Policy and Privacy Policies, to verify the compliance of procedures with the policy, to

develop training and awareness programmes, and to establish and monitor KPIs (Key Performance Indicators) for Information Security and Privacy.
Method: 1. Identify critical information/data >> 2. Detail critical information/data support platforms/resources >> 3. Assess the security risk level >> 4. Define and implement indicators >> 5. Manage and monitor risk mitigation measures
Continuous Monitoring of Risks and Controls (*CM - Continuous Monitoring*)
Approach: It can be used to continuously review business procedures, ensuring preventive, pro-active and dynamic maintenance of an acceptable level of risk and control. The Internal Control Manual systematises and references the controls, facilitating their disclosure and encouraging compliance by the different people involved in the organisation.
Method: 1. Define processes, business cycles and data structure >> 2. Establish the design of controls >> 3. Implement, disclose and ensure the effective application of controls >> 4. Analyse and report status metrics for the implementation of controls >> 5. Follow up action plans and update controls.

55. Main features of the internal control and risk management systems related to the disclosure of financial information

NOS recognises that, as is the case with other listed companies with similar activities, it is potentially exposed to risks related to accounting processes and financial reporting. The Company is thus committed to maintaining an effective internal control environment, especially in these processes. It intends to ensure the quality and improvement of the most important processes for preparation and disclosure of financial statements, in accordance with the accounting principles adopted and bearing in mind its goals of transparency, consistency, simplicity and materiality. In this context, the Company's attitude to financial risk management has been conservative and prudent.

Functional responsibilities for financial statements on the corporate level of NOS and in the Group's subsidiary companies are distributed as follows:

- Entity Level Controls are defined in corporate terms, including NOS, being applicable to all the group companies, and aim to establish internal control guidelines for NOS subsidiaries;
- Process Level Controls and IS/IT Controls are defined in corporate terms, being applied to NOS subsidiaries, adapted to their specific characteristics, organisation and responsibility for processes.

In view of this division, the controls related to collection of the information that will be the basis for preparation of the financial statements can be found, usually, at the departments of each of the subsidiary companies; the controls related to processing, recording and filing this information in accounting books can be found at a corporate level in the Administrative and Finance Department.
The internal control and risk management system associated with financial statements includes the key controls specified below:

- The process of disclosure of financial information is institutionalised, the criteria for preparation and disclosure have been duly approved, are fully established and periodically reviewed;
- The use of accounting principles, explained in the Annexes of the Financial Statements notably on the section regarding "Accountancy Policies", is one of the key pillars of the control system;
- The controls are aggregated by the business cycles that give rise to the financial statements, and by the corresponding classes and subclasses of transactions;

- Indexing is maintained between the controls defined in the Internal Control Manual and the four commonly accepted financial assertions:

i. Completeness: to ensure that all transactions are recorded, that all valid transactions are submitted for processing and that there are no duplicate records;

ii. Accuracy: to ensure that transactions are recorded correctly including recording in the accounts in the period in which they occurred, with appropriate accrual accounting;

iii. Validity: which means that all transactions are valid, complying with two fundamental criteria: (i) they are properly approved in accordance with delegations of power and (ii) are related to the normal activities of the Company, in other words, they are legal;

iv. Restricted Access: it seeks to ensure that there are appropriate restrictions on access to information in electronic format or any other means of protecting assets.

In order to guarantee the know-how of all the those involved in the financial reporting process with regard to the Company's operations, to applicable regulations and to the technical knowledge necessary to fulfil their responsibilities, the Administrative and Finance Department shall prepare, for the most significant situations, a set of documents on the implemented policies and preocedures and their relevance to the IFRS (International Financial Reporting Standards) and also addresses potential causes of risk that may materially affect accounting and financial reporting.

These potential causes of risk include the following:

- Accounting estimates – The most significant accounting estimates are described in the Annexes of the Financial Statements. The estimates were based on the best information available during the preparation of the financial statements, and on the best understanding and best experience of past and/or present events;
- Balances and transactions with related parties – The most significant balances and transactions with related parties are disclosed in the Annexes of the financial statements.

NOS adopts various measures to help manage risks and maintain a robust internal control environment, including initiatives of the following type:

- Conformity tests – These include periodical control self-assessment of the internal control system and the consequent revision of the Internal Control Manual, ensuring that it is always up-to-date. They also include corrective actions concerning control procedures considered non-compliant, as a result of conformity assessment by Internal Auditing and by the External Auditor;
- Review and improvement of design of controls – These include the review of the procedures of control and the strengthening of business cycles and financial flows with levels of relevant materiality, to improve the control environment and the control and perception of current risks (operational and financial). This reinforcement includes the creation of an aggregating vision of the life cycles of the assets or the associated financial flows, as well as the respective processes and systems that support them.

In addition to the financial risks referred to in the section on the main types of risks with an impact on the business, the Company is potentially exposed to other financial risks that may have an impact on the financial statements, such as credit risk (related to balances receivable), liquidity risk (related to sufficient assets to cover liabilities), market risk (related to exchange rate and interest rate variations) and capital risk (related to financial loans and the remuneration of shareholders).

In the Annexes of the Financial Statements, namely in the "Risk Management Policies" section, more specific information can be found on financial risk management policies, as well as on how risks associated with the financial statements are managed and controlled.

IV. Investor Information

56. and 57. Department responsible for investor information and Market Relations Representative

The Investor Relations Department aims at ensuring the proper relationships with shareholders, investors and analysts, under the principle of equal treatment, as well as with the financial markets in general and, in particular, with the regulated market where the shares representing the capital of NOS are admitted to trading - Euronext Lisbon - and with the regulator, the CMVM.

Each year the Investor Relations Department publishes the management report and accounts, also publishing annual, half-yearly and quarterly information, in accordance with national corporate law and the laws of Portuguese capital market. The Company discloses privileged information on its activity or the securities it has issued immediately and publicly and shareholders and remaining stakeholders can access this information on the Company's website (www.nos.pt/ir). All the information is made available on the Company's website in Portuguese and English.

The Investor Relations Department also provides up-to-date information on the activities of NOS to the financial community through regular press releases, presentations and announcements on the quarterly, half-yearly and annual results, as well as on any relevant facts that occur.

It also provides full explanations to the financial community in general – shareholders, investors (institutional and private) and analysts, also assisting and supporting shareholders in the exercise of their rights. The Investor Relations Department organises regular meetings between the executive management team and the financial community through the attendance in specialised conferences, roadshows both in Portugal and in the main international financial markets and frequently meets investors who are visiting Portugal. In 2018, the main Investor Relations events were:

DATE	FORMAT	LOCATION
08 February	**Santander Iberian Conference**	Madrid
19 March	**Roadshow**	London
20 March	**Citigroup European and Emerging Telecoms Conference**	London
23 March	**Roadshow**	Madrid
18 April	**Roadshow**	London
18 May	**Roadshow**	Paris
24 May	**Roadshow**	Frankfurt
25 May	**Roadshow**	Copenhagen
04/05 June	**Roadshow**	NY/Boston
07 June	**Roadshow**	London
28 June	**Roadshow**	London
05 September	**Barclays TMT Forum**	London
06 September	**Deutsche Bank TMT Conference**	London
07 September	**BPI Iberian Conference**	Cascais
11 September	**BBVA Iberian Conference**	London
12 September	**Goldman Sachs Communacopia**	NY
13 September	**Roadshow**	Chicago
14 November	**Morgan Stanley TMT Conference**	Barcelona
20 November	**Roadshow**	Madrid
22 November	**Roadshow**	Bilbao
05 December	**Roadshow**	Paris

The composition of the Investor Relations Department is the following:

Maria João Carrapato – Head of the Investor Relations Department and Market Relations Representative
Tel.: +351 21 782 47 25

Henrique Rosado
Tel.: +351 21 791 66 63

Clara Teixeira
Tel.: +351 21 782 47 25

The functions, composition and contacts of the Investor Relations Department can also be found on the Company's website.

Any interested party may request information from the Investor Relations Department, through the following contacts:

Rua Ator António Silva, nº 9
1600 - 203 Lisboa (Portugal)
Tel. +(351) 21 782 47 25 Fax: +(351) 21 782 47 35
E-mail: ir@nos.pt

58. Enquiries

The Company has a record of all enquiries and their processing, all of which have been immediately or dealt with within the maximum period of 24 business hours.

It is to be noted that, as at 31 December 2018, there were no enquiries unanswered.

V. Website

59. Addresses

Through its website (http://www.nos.pt/institucional/PT/Paginas/default.aspx), NOS offers access to information in Portuguese and English language on its evolution and its current economic, financial and governance situation.

60 to 65. Location for the provision of: (i) information on the Company; (ii) articles of association and regulations; (iii) information on members of company bodies and other structures; (iv) accounting documents and other financial documents; (v) notice of meeting and preparatory and subsequent information; and (vi) archive of resolutions

In line with Recommendation I.2.3 of the IPCG Corporate Governance Code, the Company offers on its website (http://www.nos.pt/institucional/PT/investidores/governo-de-sociedade/Paginas/default.aspx) the following information and/or documentation, in Portuguese and English language:

- Company name, its public company status, location of its headquarters and other elements referred to in article 171 of the CSC;
- Articles of Association and regulations governing the functioning of the management body, audit body and correspondent internal committees (Executive Committee, Corporate Governance Commission, Audit and Finance Commission, Appointmant and Evaluation Committee as well as the Ethics Committee);
- Identity of the members of the Company bodies;
- Investor Relations Department, including, identity of the represetantive for the relationships with the market, duties and contacts;
- Financial statements from the last 10 years, as well as the half-yearly calendar of corporate events, disclosed at the beginning of each half-year, including, among other things, the General Meetings, and disclosure of annual, half-yearly and quarterly accounts.
- Notices convening the General Meeting, proposals presented and extracts from minutes;
- Archives with resolutions taken by the Company's General Meeting, the share capital represented and the results of votes for at least the last three years;

- The number of meetings conducted in 2018 by the management and audit bodies and committees of the Company.

D. Remuneration

I. Power of decision

66. Identification

Under article 399 of the CSC and article 14 of the Company's Articles of Association, the General Meeting or a committee that it appoints is responsible for setting the remuneration of the members of the statutory boards and other corporate bodies, taking into account the duties performed and the financial situation of the Company.

When there is a Remuneration Committee, it shall be made up of two or more members, shareholders or not and elected by the General Meeting (article 14(2) of the Company's Articles of Association).

II. Remuneration Committee

67. Composition of the Remuneration Committee

At the Anual General Meeting, on 26 April 2016, a Remuneration Committee was appointed for the three-year period 2016/2018.

The Remuneration Committee is made up of two members with recognised experience, particularly in the field of business, who have the necessary knowledge to handle and decide on all the matters within the competence of the Remuneration Committee, including the remuneration policy.

In order to determine the remuneration policy, the Remuneration Committee accompanies and evaluates, constantly and with the support of the Appointment and Evaluation Committee, the performance of the Directors, verifying to what extent the objectives proposed have been achieved, and it shall meet whenever necessary.

The composition of the Remuneration Committee, on 31 December 2018, was the following:

Chairman: Ângelo Paupério

Member: Mário Leite da Silva

The Company provides members of the Remuneration Committee with permanent access, at the expense of the Company, to third party consultants specialised in various different fields, whenever needed by the committee. Such external consultants shall be chosen by the relevant committee, while the Remuneration

Committee ensures that such services are provided with independency, by counsels that do not provide other services to the Company or to other companies of the group. During 2018, the Remuneration Committee did not engage any services to support the performance of its duties.

The Remuneration Committee met 3 times in 2018, having decided on matters of assessment, remuneration and definition of the goals of the Executive Committee.

The minutes of the respective meetings are always drawn up and signed.

68. Knowledge and experience of members

The members of the Remunaration Committee hold a vast and recognized management experience, namely in listed companies as presented in item 19 of this report.

III. Remuneration structure

69. Description of the remuneration policy

A Remuneration Committee declaration on the remuneration policy for NOS management and supervisory board members was submitted to the Company's shareholders at NOS General Meeting on 10 May 2018, in compliance with article 2 of Law no. 28/2009, of 19 June a general outline of which is given below.

Rewarding systems have a strategic role in the organisation's ability to attract, to retain and to motivate the best professionals in the market.

Best practices in remuneration systems for listed companies suggest the use of models that incorporate different components: a fixed component that works as "basis" remuneration and a variable one that may be annual bonus, profit sharing and/or the implementation of share allocation plans.

The components of NOS compensation scheme for Executive Directors are in line with practices in other comparable companies.

The variable remuneration associated with the achievement of management goals is applied through the following components: Profit Sharing and Share Allocation Plan.

The Profit sharing can be proposed to shareholders by the Board of Directors. After assessment of the total amount to be distributed, the amount to be received by each member will also depend on alignment with the results.

The Share Plans, approved, over time, at the General Meeting aim to guarantee the alignment of individual interests with the corporate goals and interests of NOS shareholders, rewarding the achievement of objectives that imply sustained value creation.

The non-executive members of the Board of Directors, as they are not responsible for carrying out the defined strategies in a daily basis, have a compensation system that does not include any variable remuneration components, only a fixed amount.

Remuneration policy for members of the supervisory bodies

The members of the Fiscal Board, like other Non-Executive Directors, only receive a fixed component.

The Statutory Auditor is remunerated under the terms established in the contract, in accordance with the law.

In view of the above, NOS considers that its remuneration model for the Executive Directors is properly structured, since: i) it defines a potential maximum total remuneration; ii) it rewards performance, through a remuneration which is adequate if the mechanisms of defense of the stakeholders' interests; iii) it discourages excessive risk-taking, since fifty per cent of the variable components –Profit Sharing and Share Allocation Plan – are deferred in time, during three years; iv) it actively guarantees the adoption of policies that are sustainable over time, namely through the previous definition of business goals and because the effective payment of the deferred variable components depends on the achievement of objective conditions, associated with the economic soundness of the Company; v) it enables talent to be obtained and retained; and vi) it is in line with the comparable benchmarking.

70. Remuneration structure and alignment of interests

The aforementioned compensation system also has to ensure that the interests of the Board of Directors members (in particular, Executive Directors, who may benefit from a variable component of remuneration) are in line with the long-terms business objectives. The success of this strategy lies in ensuring that the alignment is conducted through clear objectives that are consistent with the strategy, strict metrics to assess individual performance, along with appropriate performance incentives that simultaneously encourage ethical principles, while discouraging excessive risk-taking.

Therefore, the creation of value needs not just excellent professionals, but also a framework of incentives that reflect both size and complexity of challenges.

Each year the Remuneration Committee, in coordination with the AEC, defines the large variables to be assessed and their corresponding objective amounts.

The variable component of the Executive Directors was calculated using the performance of NOS as measured by the previously defined business indicators. In 2018, have been considered the aggregates Revenues, EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), Free Cash Flow after interest and taxes and before dividends, Financial Investments, Acquisition of Own Shares and Net Promoter Score.

On the other hand, the goal of the component associated with the Share Allocation Plan, apart from complying with the already mentioned objectives for the Profit Sharing, is also to ensure the alignment with the creation of shareholder value and the strengthening of loyalty mechanisms.

NOS has in operation a Share Allocation Plan, approved at the General Meeting on 23 April 2014 (named NOS Plan), applicable to collaborators that belongs to different organizational groups, including Executive Directors.

It shall be highlighted, however, that, due to the deferral of the delivery of shares, during the course of 2018, was in force the plan of the companies prior to the merger called "Standard". In other words, it was still possible, after the merger, to deliver these shares under these plans.

71. Variable component and performance

The variable remuneration, using the components referred to above, seeks to consolidate a correct policy for setting objectives with systems that properly reward the ability to execute and to obtain results and to achieve ambitious performances, discouraging short-term policies and instead fostering the development of sustainable medium and long-term policies.

The Share Allocation Plan defines the terms of the deffered shares vesting (deferral of 3 years), in compliance with the legal requirements in force regarding variable remuneration deferral.

It should also be noted that despite the current Share Plans being deferred in time *de facto* (the NOS Plan and the Standard Plan) the Remuneration Committee limited, regarding the executive members, the transformation of rights awarded under the current Plans to the confirmation of Company's positive results, which requires compliance with the following additional condition:

The consolidated net situation in the year n+3, excluding any extraordinary movements occurred after the end of year n, and discounting an amount for each financial year correspondent to a pay-out of 40% on the net profit in the consolidated accounts of each year of the deferral period (irrespectively of the effective pay out), must be higher than the one calculated found at the end of financial year n. Extraordinary movements, in the period between year n and n+3, include capital increases, purchase or sale of own shares, extraordinary dividends, annual pay-out other than 40% of the consolidated profit of the respective business year or other movements that affect the net situation but do not arise from the Company's operating profits. The net situation of year n+3, must be calculated based on the accounting rules used in financial year n, so that comparability is ensured.

The distribution of shares, under the approved plans, being totally dependent on Group and individual performance, primarily aims to ensure the maximum creation of value in a medium and long-term perspective, thus encouraging sustainable policies in the long term.

These plans are described in a more detailed way in item 86 of Chapter VI below.

The objectives that are assessed generally correspond to profitability and growth variables that ensure the development and the sustainability of the Company and, as an indirect result, of national economy and its stakeholders as a whole.

Maximum limits on variable remuneration

The value of the variable components (including the Share Plans), when the allocation is decided by the Remuneration Committee, is limited to a maximum amount of 120% with regard to the fixed remuneration, in compliance with the best corporate governance practices in force on this subject.

Guarantee of minimum variable remuneration

There are no contracts with guaranteed minimums for the variable remuneration, regardless of the Company's performance, nor are there any contracts to mitigate the inherent risk of the variable remuneration.

72. Deferral of variable remuneration

Half of the variable compensation allocated was deferred for three years and its payment is dependent on a positive future performance. The definition of this condition for future access to the variable remuneration was already explained in the previous item 71.

73. Allocation of the variable component in shares

The General Meeting approved on 23 April 2014 approved the Share Allocation Plan (NOS Plan).

In this context, it shall be noted that there are no hedging or risk transfer contracts concerning a predefined amount of the total annual remuneration of the Executive Directors. Consequently, the risk underlying the corresponding variability of the remuneration is not mitigated.

The vesting period for the shares of this Plan is three years, counted from the date of attribution, that is, their actual delivery, and the consequent availability, will only occur for the executive members, after three years of their attribution, upon verification of the conditions under which their delivery is subject, in particular, uponverification of positive performance as described in paragraph 71 above.

74. Allocation of the variable component in options

No remunerations in options are implemented for Directors, that is to say that the Share Allocation Plan only allows the allocation of shares.

75. Annual bonuses and other non-cash benefits

In 2018, no significant other non-cash benefits were given.

76. Supplementary pension or retirement schemes

There are neither supplementary pensions nor early retirement schemes for Directors.

IV. Disclosure of remunerations

77. Remuneration of Directors

During the course of 2018, the Directors' remuneration was as follows:

NAME	FIXED REMUNERATION	COMPANY'S PROFIT SHARING	TOTAL
EXECUTIVE DIRECTORS			
MIGUEL NUNO SANTOS ALMEIDA	575 000	316 800	891 800
JOSE PEDRO FARIA PEREIRA DA COSTA	425 000	234 300	659 300
ANA PAULA GARRIDO PINA MARQUES	325 000	179 300	504 300
JORGE FILIPE PINTO SEQUEIRA DOS SANTOS GRACA	275 000	151 800	426 800
LUIS MOUTINHO DO NASCIMENTO	275 000	151 800	426 800
MANUEL ANTONIO PORTUGAL RAMALHO EANES	325 000	179 300	504 300
NON-EXECUTIVE DIRECTORS			
JORGE MANUEL DE BRITO PEREIRA	140 000	-	140 000
ANGELO GABRIEL RIBEIRINHO SANTOS PAUPERIO	75 000	-	75 000
ANTONIO BERNARDO ARANHA GAMA LOBO XAVIER	60 000	-	60 000
ANTONIO DOMINGUES (3)	55 000	-	55 000
CATARINA EUFEMIA AMORIM DA LUZ TAVIRA	55 000	-	55 000
JOAQUIM FRANCISCO ALVES FERREIRA DE OLIVEIRA	55 000	-	55 000
JOAO PEDRO MAGALHAES DA SILVA TORRES DOLORES	55 000	-	55 000
LORENA SOLANGE FERNANDES DA SILVA FERNANDES	55 000	-	55 000
MARIA CLAUDIA TEIXEIRA AZEVEDO	55 000	-	55 000
MARIO FILIPE MOREIRA LEITE DA SILVA	75 000	-	75 000
	2 880 000	**1 213 300**	**4 093 300**

The amounts shown in the table above were calculated on an accruals basis.

Additionally and regarding the performance of the executive members during the financial year of 2018, rights will be allocated under NOS 2019-2022 share plan, with a vesting period for the shares of three years, subject to the Company's future positive performance under the terms referred in item 71. The estimated[1] number of shares to be given to each Director is detailed below:

NAME	NR OF SHARES
EXECUTIVE DIRECTORS	
MIGUEL NUNO SANTOS ALMEIDA	66 162
JOSE PEDRO FARIA PEREIRA DA COSTA	48 932
ANA PAULA GARRIDO PINA MARQUES	37 446
JORGE FILIPE PINTO SEQUEIRA DOS SANTOS GRACA	31 703
LUIS MOUTINHO DO NASCIMENTO	31 703
MANUEL ANTONIO PORTUGAL RAMALHO EANES	37 446
	253 392

[1] The final number of shares to be allocated will be calculated based on the average closing price in the 15 sessions prior to 31 March or before the resolution of the Remuneration Committee.

78. Amounts paid by other companies in the NOS Group

Executive Directors of NOS that also hold positions in other NOS Group companies do not receive any additional remuneration or other amounts in any ground whatsoever.

79. Profit sharing or payment of bonuses

The variable components to be paid based on the 2018 performance, including the Company's profit sharing or the payment of other components of the variable remuneration, are described in item 77.

80. Compensation to former Executive Directors

In 2018 no compensations were paid to former Directors for the termination of their duties.

81. Remuneration received by members of the supervisory body

The remuneration of members of the Fiscal Board, during 2018, was as follows:

NAME	FIXED REMUNERATION
FISCAL BOARD	
PAULO CARDOSO CORREIA DA MOTA PINTO	60 000
EUGENIO LUIZ LOPES FRANCO FERREIRA	30 000
PATRICIA ANDREA BASTOS TEIXEIRA LOPES COUTO VIANA	30 000
	120 000

The members of the Fiscal Board do not receive any variable component, nor benefit from NOS share plans.

82. Remuneration of the chairman of the General Meeting

The remuneration of members of the Board of General Meeting, during 2018, was as follows:

NAME	FIXED REMUNERATION
BOARD OF THE COMPANY'S GENERAL MEETING	
PEDRO CANASTRA DE AZEVEDO MAIA	18 000
TIAGO ANTUNES DA CUNHA FERREIRA DE LEMOS	5 000
	23 000

V. Agreements with remuneration implications

83. Limits on compensation for unfair dismissal

The Directors of NOS in the case of unfair dismissal are entitled to compensation for damages suffered in accordance with the applicable law and/or contract.

84. Compensation in case of dismissal, unfair dismissal or termination due to change of control (Directors and Senior Officers)

In the case of early termination of Directors' term of office, in general, there are no additional compensatory conditions to those legally established, except in the case of a management contract that stipulates specific conditions in this matter.

VI. Share plans and stock options

85. Plans and targets

The objectives of the Share Allocation Plan in force in NOS Group, mentioning all the details needed to be assessed (including the respective regulations) are:

• To ensure the loyalty of collaborators in the different companies of the Group;

• To stimulate their creative and productive capacity and foster business profits;

• To create favourable recruitment conditions for senior officers and high strategic value workers;

• To align the interests of the collaborators with the business objectives and the interests of NOS shareholders, rewarding their performance in relation to value creation for NOS shareholders, reflected in the value of its shares on the stock exchange.

This Plan, which applies to collaborators that belongs to some organizational groups (including Executive Directors), is one of the pillars that makes NOS a benchmark company in personal and professional development matters and stimulates the development and mobilisation of employees around a common project.

NOS Share Allocation Plan Regulation, which include all necessary elements for the correct evaluation of the Plan, can be found at the Company's website.

Through the Share Allocation Plan a number of shares will be allocated, which is exclusively dependent on the compliance with the objectives established for NOS and on individual performance assessments.

This compensation philosophy, through share programmes that help to align the collaborators, in particular Executive Directors, with the creation of shareholder value, is an important loyalty mechanism, apart from bolstering the performance culture of NOS Group, since their allocation depends on compliance with the corresponding objectives.

To make NOS a benchmark in terms of international remuneration practices, adopting the best models of market-leader companies, is the main goal of these Plans, which have three main objectives: alignment with sustainable and winning strategies, collaborators' motivation and sharing of created value.

Following the deferral of the delivery of shares, will remain in force the plan prior to the merger called "Standard".

86. Characterisation of plans

NOS Plan

A Share Allocation Plan which was approved at the General Meeting on 23 April 2014, for employees that belong to some organizational groups and are selected by the Executive Committee (or by the Remuneration Committee on proposal from the Chairman of the Board of Directors if the beneficiary is a member of NOS Executive Committee).

The share vesting period of this Plan is three years from the date they are allocated, in other words, shares are actually delivered and made available to the executive members, only three years after they are allocated, if the conditions the delivery is subject to are satisfied, notably the positive performance under the terms referred to in item 71 above.

87. Share plans and stock options for employees and collaborators

Conditions and Resolution on the number of shares to allocate to beneficiaries

Under the NOS Plan, the Executive Committee shall select the beneficiaries of each Plan and decide on a case by case basis on the allocation of shares to the eligible collaborators. The Remuneration Committee has this responsibility for Executive Committee members.

The allocation of shares to the respective beneficiaries depends entirely on performance criteria, of both the Group and the individual.

The number of shares to be allocated is established using the amounts that are set with reference to the percentages of the remuneration earned by the beneficiaries, taking into account the assessment of NOS annual objectives as well as the assessment of individual performance. The specific number of shares to be given will be, therefore, the result of the division of the value provided by the average closing price, weighted by the respective volume, of Shares in the fifteen trading sessions prior to the reference date, except if the Executive Committee or Remuneration Committee, in the case of Executive Committee's members, considers at its sole discretion other criteria that are deemed to be more appropriate. Shares can be delivered for no consideration or through a right to buy with a discount up to 90%.

These shares, or the equivalent value in cash, are delivered after a deferral period of 3 years. However, should dividends be distributed or if the nominal value of the shares or share capital is changed during the deferral period, the initial number of shares under the Plan will be altered to reflect the effects of these changes, so that the plan is aligned with the total return achieved.

On 31 December 2018, the plans that allow the delivery of shares are the following:

	NUMBER OF SHARES
NOS PLAN	
Plan 2016	729 519
Plan 2017	836 519
Plan 2018	844 391

During the financial year ended on 31 December 2018, the movements under the Plans are detailed as follows:

	STANDARD PLAN	NOS PLAN
BALANCE AS AT 31 DECEMBER 2017:	**60 378**	**2 235 860**
MOVEMENTS IN THE PERIOD:		
Awarded	-	856 941
Vested	(58 519)	(544 709)
Cancelled / elapsed / corrected [(1)]	(1 859)	(137 663)
BALANCE AS AT 31 DECEMBER 2018:	**-**	**2 410 429**

[(1)] It mainly includes corrections introduced by virtue of the dividend paid, shares related to plans exceptionally settled in cash and shares related with termination of relationships with collaborators, not benefitting from the vesting of the shares.

Share plan costs are recognised in the accounts over the period between the allocation and the vesting date of those shares. Total responsibility for the plans is calculated taking into consideration the share price at the allocation date for the plans settled in shares, or at the close date for the plans cash settled. As at 31 December 2018, liabilities for these plans are 6,495 thousand euros and are recorded under Reserves, in the amount of 5,225 thousand euros, for the plans settled in shares, and in Accruals of Costs, in the amount of 1,270 thousand euros, for the plans settled in cash.

88. Control of employees' participation in the capital

Limits to the transfer of shares

The rights to the shares allocated can only be disposed of after the respective vesting period, the length of which is of three years, according to the conditions described above. In the case of executive members who are beneficiaries of Share Plans, the transfer of the shares also depends on an extra condition related to the existence of future positive Company profits, also described on item 71.

E. Transactions with related parties

I. Mechanisms and control procedures

89. Control mechanisms for related party transactions

NOS has established control mechanisms and procedures for the Company's transactions with qualifying shareholders, or with entities with which they are in any relationship, pursuant to article 20 of the Portuguese Securities Code.

Pursuant to article 3.1(o) of the delegation of management powers by the Board of Directors to Executive Committee, the delegation did not cover the entering into of any transactions, between the Company and shareholders with qualifying holdings representing 2% or more of the voting rights (Qualifying Shareholders) and/or entities related to them in any way pursuant to article 20 of the Portuguese Securities Code (Related

Parties), in excess of the individual amount of € 75,000 or the aggregate annual amount per supplier of € 150,000 (without prejudice to the transactions having been approved in general terms or in terms of framework by the Board of Directors).

In turn, article 2(2.9)(g), also of the delegation of management powers by the Board of Directors to the Executive Committee, determines that the Chairman of the Executive Committee is responsible in particular for ensuring that the Board of Directors is informed, quarterly, of the transactions that, in connection with the delegation of powers of the Executive Committee, have been entered into by the Company and shareholders with qualifying holdings representing 2% or more of the voting rights (Qualifying Shareholders) and/or entities related to than in any way pursuant to article 20 of the Portuguese Securities Code (Related Parties), when in excess of the individual amount of € 10,000.

The AFC, as a specialised committee of the Board of Directors, scrutinises these matters. article 3(q) of its regulations determines that its powers include, in particular, the power to analyse and issue its prior opinion on the transactions between the Company and shareholders with qualifying holdings representing 2% or more of the voting rights (Qualifying Shareholders) and/or entities related to them in any way pursuant to article 20 of the Portuguese Securities Code (Related Parties).

In addition, pursuant to recommendation I.5.1. of the IPGC Corporate Governance Code, under the terms of article 3(1)(r) of the Regulations of the Fiscal Board, this body is responsible, in particular, for issuing a prior opinion on relevant business activities with qualifying shareholders, or entities with which they are in any relationship, according to article 20 of the Portuguese Securities Code;

It is to be noted that, in 2014, the Company approved, through its supervisory body – the Fiscal Board – Regulations for Transactions with Qualified Shareholders and Related Parties (we refer to entities with which they are in any of the relationships described in article 20 of the Portuguese Securities Code), which laid down, in particular, procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings – or with related parties –, and thus business of significant importance is dependent upon the prior opinion of that supervisory body.

NOS did not carry out any deals and transactions that are economically material to any of the parties involved with members of the management or supervisory bodies or controlled or group companies, except for those business deals or transactions conducted under normal market conditions for similar transactions and are part of the Company's current business.

90. and 91. Transactions subject to control and intervention of the supervisory body for prior assessment of these transactions

The abovementioned Regulations on Transactions with shareholders of qualifying holdings and/or Related Parties lays down internal procedures for control of transactions with holders of qualified holdings, considered suited to the transparency of the decision-making process, defining the terms of intervention of the Fiscal Board in this process.

Thus, without prejudice to additional obligations, pursuant to these Regulations, by the end of the month following the end of each quarter, the Executive Committee shall inform the Fiscal Board of all the transactions made in the previous quarter with each qualifying shareholder and/or related party.

The list of transactions carried out during 2018 can be found in Note 42 of the Consolidated Annual Report.

Transactions with qualifying shareholders and/or related parties require a prior opinion from the Fiscal Board in the following cases: (i) transactions which value per transaction exceeds a particular level set forth in the

Regulations and described in the table below; (ii) transactions with a significant impact on the activities of NOS and/or its subsidiaries due to their nature or strategic importance, regardless of their value; (iii) transactions made, exceptionally, outside normal market conditions, regardless of their value.

Types and values of the transactions to be considered for the purposes of item (i) above:

TYPE	VALUE
Transactions – Sales, services, purchases and services obtained, except in case of renovation of pending contracts	More than EUR 1,000,000
Loans and other funding received and granted, except day-to-day management/ operations up to 180 days	More than EUR 10,000,000
Financial investments	More than EUR 10,000,000

The prior opinion of the Fiscal Board required for the transactions referred to in items (i) and (ii) above will not be necessary in the case of: (i) interest and/or exchange rate hedging transactions through trading rooms or auctions and (ii) applications or financial investments through trading rooms or auctions.

Without prejudice to other transactions subject to the approval of the Board of Directors by law and under the Company's Articles of Association, this body is responsible for authorising transactions with qualifying shareholders and/or related parties when the opinion of the Fiscal Board referred to in the preceding paragraph is not favourable.

For the Fiscal Board to appraise the transaction in question and issue an opinion, the Executive Committee must provide that body with all necessary information and a reasoned justification.

The assessment to authorise and issue a prior opinion applicable to transactions with qualifying shareholders and/or related parties should take into account, among other relevant aspects, the principle of equal treatment of shareholders and other stakeholders, the interest of the Company and the impact, materiality, nature and justification for each transaction.

II. Elements relating to the businesses

92. Location for the provision of information on related party transactions

The accounting documents where information is available on business with related parties are available at the Company headquarters and on its website.

(http://www.nos.pt/institucional/PT/investidores/informacao-financeira/Paginas/default.aspx)

Part II – Evaluation of Corporate Governance

1. Identification of the Corporate Governance Code adopted

Pursuant to article 2(1) of CMVM Regulation No. 4/2013, on corporate governance, we hereby inform that NOS adopts the Recommendations set out in the IPGC – Instituto Português de Corporate Governance Corporate Governance Code, published in 2018 (Corporate Governance Code), available at the website of this entity at: www.cgov.pt.

2. Analysis of compliance with the adopted Corporate Governance Code

This report aims to fulfil the obligation for annual publication of a detailed report on corporate governance structure and practices, pursuant to article 245A of the Portuguese Securities Code, applicable to the issuers of shares admitted to trading on a regulated market situated or operating in Portugal.

In addition, this report describes the corporate governance structure and practices adopted by the Company in compliance with the IPGC Recommendations on corporate governance, in the version published in 2018, as well as with best international corporate governance practices, having been drawn up in accordance with the provisions of article 7 of the Portuguese Securities Code and article 1 of CMVM Regulation No. 4/2013.

The attached table presents: i) a summary of IPGC Recommendations on Corporate Governance, in the version published in 2018; ii) the corresponding level of observance by NOS, as at 31 December 2017; and, also iii) the Chapters of this Corporate Governance Report that describe the measures taken by the Company to comply with the aforementioned CMVM Recommendations.

Global assessment of the level of adoption of Recommendations from the Corporate Governance Code

NOS adopts all recommendations that considers applicable set out in the Corporate Governance Code, with the exception of Recommendations II.4; III.1, III.4, V.2.1, V.2.4, V.2.5, V.3.6, V.4.2, and V.4.3 and of the aforementioned code, being recommendations III.8, IV.1, IV.4, V.1.1., V.1.2. partially adopted.

3. Other informations

Regarding article 245-A(r) of the Portuguese Securities Code, NOS has in place a set of principles and rules governing the internal and external relations of NOS Group companies, applicable to all members of the corporate bodies and employees of the Group. Indeed, NOS bases its human resources management policy on respect for diversity, individual rights and non-discrimination (depending on age, gender, sexual orientation, race, disability, religion or creed), in particular in the context of recruitment, promotion or termination of labour relationship. These principles and regulations are available through the consultation of the Code of Ethics of the Company, available at http://docs-institucional.nos.pt/Code-of-Ethics/.

Notwithstanding the above, NOS is analysing the need to develop these principles in an autonomous diversity policy, in order to ensure Company's compliance with recent legislation on the subject, including Law 62/2017 of 1 August and Decree-Law no. 89/2017 of 28 July.

Appendix I

2018 Corporate Governance Report Compliance Analysis

	CORPORATE GOVERNANCE CODE	ASSESSMENT	Reference on the CGR / Comments
I.	GENERAL PROVISIONS		
General Principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies			
I.1.	**Company's relationship with investors and disclosure** ***Principle***: *Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.*		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	**Adopted**	**Items 15, 28, 29, 56, 57, 58, 59 and 60 to 65.**
I.2.	**Diversity in the composition and functioning of the company's governing bodies** *Principle I.2.A: Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.* *Principle I.2.B: Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.*		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	**N/A**	This recommendation is not applicable to NOS in 2018 as there were no appointments of governing bodies.
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.	**Adopted**	**Items 22, 29, 34 and 67**
I.2.3.	The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	**Adopted**	**Items 27, 60-65**
I.2.4.	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	**Adopted**	**Items 60-65**
I.2.5.	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	**Adopted**	**Item 49**
I.3.	***Relationships between the company bodies*** *Principle: Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.*		
I.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and	**Adopted**	**Item 21, 22, 28 and 34**

	perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.		
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	**Adopted**	**Item 22, 28 and 34**
I.4.	***Conflicts of interest*** *<u>Principle:</u> The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed*		
I.4.1.	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	**Adopted**	**Items 21, 23, 26 and 27**
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	**Adopted**	**Items 21, 23, 26 and 27**
I.5.	***Related party transactions*** *<u>Principle:</u> Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.*		
I.5.1.	The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	**Adopted**	**Items 89-91**
I.5.2.	The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months.	**Adopted**	**Item 91**
c	**SHAREHOLDERS AND GENERAL MEETINGS**		
II.A	*<u>Principle</u>: As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.*		
II.B	*<u>Principle:</u> The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself*		
II.C	*<u>Principle:</u> The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.*		
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	**Adopted**	**Items 5 and 12.**
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	**Adopted**	**Item 14**
II.3.	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	**Adopted**	**Item 12**
II.4.	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	**Not Adopted**	The Company considers that, due to the relevance of the General Shareholders 'Meeting, the participation in the same via telematic means can jeopardize the integrity of the information and carries risks of dissemination of information that the Company, due to its shareholders'

			respect, does not intend to put in question.
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	**N/A**	**Item 13**
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	**Adopted**	**Items 2, 4 and 5**
III.	**NON EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION**		
III.A	*<u>Principle:</u> The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.*		
III.B	*<u>Principle</u>: The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.*		
III.C	*Principle: The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.*		
III.1.	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	**Not Adopted**	**Item 18**
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	**Adopted**	**Items 18, 29 and 31**
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	**Adopted**	**Item 18**
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding.	**Not Adopted**	**Item 18**

III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	**N/A**	**N/A**
III.6.	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**Adopted**	**Items 21 and 22**
III.7.	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**N/A**	**N/A**
III.8.	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	**Partially adopted**	**Item 38**
III.9.	Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	**Adopted**	**Items 27 and 29**
III.10.	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	**Adopted**	**Items 50 *et seq***
III.11.	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	**Adopted**	**Items 29, 34, 38 and 50**
III.12.	The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	**Adopted**	**Items 34 and 38**
IV.	**EXECUTIVE MANAGEMENT**		
IV.A	*<u>Principle:</u> As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.*		
IV.B	*<u>Principle:</u> In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.*		
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	**Partially adopted**	Executive Directors carry out their functions on a full-time basis.
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	**Adopted**	**Item 21**
IV.3.	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	**Adopted**	**Items 50 to 55**
IV.4.	The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	**Partially Adopted**	**Item 38 and 50** This function is divided, depending on the matter in question, between the

			Executive Committee and the Audit Board, assisted by the Internal Audit Department.
V.	**EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT**		
V.1.	***Annual evaluation of performance*** *<u>Principle:</u> The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.*		
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Partially Adopted**	**Items 24, 25, 29, 69, 70 and 71 *et seq***
V.1.2.	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Partially Adopted**	**Item 34 and 38** .
V.2.	***Remuneration*** *<u>Principle:</u> The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.*		
V.2.1.	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	**Not Adopted**	The Company considers that in the perspective of the defense of the interests of shareholders and investors, the existing mechanisms are equivalent to those provided in the recommendation.
V.2.2.	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	**Adopted**	**Item 24, 69 *et seq***
V.2.3.	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	**N/A**	**Item 69 – 87** At the time this Declaration was drawn up and approved, it was not clear whether the IPCG Governance Code was already in force. In this context, the Company chose to follow the recommendations of the CMVM in this regard and it is understood that this recommendation did not apply to the 2018 financial year.

V.2.4.	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	**N/A / Not Adopted**	**Item 76 and 83**
V.2.5.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	**Not Adopted**	The Company considers that in the perspective of the defense of the interests of shareholders and investors, the existing mechanisms are equivalent to those provided in the recommendation.
V.2.6.	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	**Adopted**	**Item 67**
V.3.	***Director remuneration*** *<u>Principle:</u> Directors should receive compensation:* *i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;* *ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and* *iii) that rewards performance.*		
V.3.1.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	**Adopted**	**Item 69 *et seq* namely 71**
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	**Adopted**	**Item 72**
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	**N/A**	**Item 74**
V.3.5.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	**Adopted**	**Item 69**
V.3.6.	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	**Not Adopted**	**Item 83**
V.4.	***Appointments*** *<u>Principle:</u> Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.*		
V.4.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	**N/A**	There were no appointments for the governing bodies during 2018.
V.4.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	**Not Adopted**	The Company considers that in the perspective of the defense of the interests of shareholders and investors, the existing mechanisms are equivalent to those provided in the recommendation. .
V.4.3.	This nomination committee includes a majority of nonexecutive, independent members.	**Not Adopted**	The Company considers that

			in the perspective of the defense of the interests of shareholders and investors, the existing mechanisms are equivalent to those provided in the recommendation.
V.4.4.	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	**N/A**	There were no appointments for the governing bodies during 2018.
VI.	**RISK MANAGEMENT**		
	<u>Principle</u>: Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.		
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	**Adopted**	**Item 50 *et seq***
VI.2.	Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	**Adopted**	**Item 50 *et seq***
VI.3.	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	**Adopted**	**Item 50 *et seq***
VII.	**FINANCIAL STATEMENTS AND ACCOUNTING**		
VII.1	***Financial information*** *<u>Principle VII.A:</u> The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.* *<u>Principle VII.B</u>: The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.*		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	**Adopted**	**Item 34**
VII.2	***Statutory audit of accounts and supervision*** *<u>Principle:</u> The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations.*		
VII.2.1.	Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	**Adopted**	**Items 34, 37, 46 and 47** .
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	**Adopted**	**Items 34 and 37**

VII.2. 3.	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	**Adopted**	**Items 34 and 37**
VII.2. 4.	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	**Adopted**	**Item 41**
VII.2. 5.	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	**Adopted**	**Item 41**

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