Consolidated Management Report & Accounts **2019**

Index

Management Report

Management Report

01. CEO Message

The world is on the verge of the 4th industrial revolution, an era of scientific and technological disruption which will bring with it profound social transformation and maybe even a redefinition of what it means to be human. At NOS, we cannot begin to imagine what this new era will bring, although we do believe that it will bring a better standard of living for all, in a more balanced, inclusive and humane society. NOS wants to contribute to this bright future and is committed to taking on a leading role in Portugal's development.

Our vision for NOS is to be at the forefront of technology, with the best communication networks, fully digital, and transparent, simple and efficient integration of technologies such as 5G, artificial intelligence, Cloud or IoT, with a human touch. Always aiming to provide our customers with the best services and customer experience. We want to be a key player in this evolutionary process that will impact everyone and to be a catalyst for transformation in business, thereby maximizing the opportunities that this revolution will bring for Portugal and the Portuguese.

To be sustainable in the long term in a world that is changing so fast, companies have to embrace socially responsible business practices and contribute actively to creating a better society for future generations. We embrace our commitment to be a role model for inclusiveness and diversity and have made climate change and carbon emission reductions a top priority. We remain committed to the principles of Global Compact and to achieving the United Nations Objectives for Sustainable Development. We want to be a business that cares for improving and developing its people, and ultimately for their happiness.

We took important steps in 2019 toward the creation of a new NOS, in areas ranging from technology to process, from environment to diversity, and naturally impacting our relationship with our customers. We ensured that we continued on a path of growth and profitability that was first set down 6 years ago, as you will be able to see throughout the pages of this report. Each and every year since then, we have recorded improvement both in operating and financial indicators, a unique performance of which we are very proud.

In 2020, we will accelerate the pace of internal transformation taking important steps towards building the new NOS. It will also be a critical year on the external front, with a number of processes ongoing that could play a defining role in our future. Despite the unfounded and disproportionate regulatory hostility we are facing, given the quality of our team, asset base, our track record of success and the results we have achieved so far, we are very confident about the future.

By leveraging all that is best in technology, we believe that NOS will not only be a leading player in its markets, but also a leading agent in the transformation process towards a better society.

Miguel Almeida
Chief Executive Officer

02. NOS' Highlights in 2019

CONSOLIDATED REVENUES
€1,599 M

CONSOLIDATED EBITDA
€641 M

CONSOLIDATED FCF
€147 M

NET INCOME
€143 M

TOTAL EQUITY
€1,005 M

DIVIDEND PROPOSAL
€0.278

MARKET CAP
€2,412 M

RATING FITCH
BBB

RATING S&P
BBB-

PAY TV
1,639 M SUBS
41% Market Share

FIXED VOICE
1,779 M SUBS
34% Market Share

BROADBAND
1,419 M SUBS
36% Market Share

MOBILE
4,851 M SUBS
24% Market Share

CONVERGENT + INTEGRATED SUBS
€930 K

TOTAL RGUS
€9,723 M

TELCO REVENUES
€1,522 M

TELCO EBITDA
€585 M

CINEMA
9,269 M TICKETS SOLD
60 % Market Share

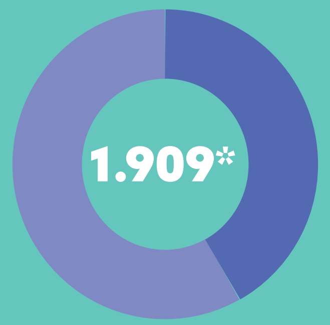
AUDIOVISUAIS
NOS distributed 8 of the Top 10 movies in 2019

REVENUES
€119 M

EBITDA
€56 M

EMPLOYEES

MEN
59.6%



WOMEN
40.4%

AVERAGE AGE
41.5

TRAINING HOURS
46,246

LOCATION

69.3%	25.9%	2.6%	1.7%	0.5%
Lisbon	Oporto	Madeira	Azores	Others

*As of 31 December 2019, the headcount number included in the consolidated accounts was 2,543, excluding non-executive board members, corporate bodies and trainees. For the purposes of human resources management, the number of employees considered is 1,909, excluding cinema operational workforce, given the seasonality of this business.

ENVIRONMENT

TOTAL ENERGY CONSUMED
684,221 (GJ)

WASTE RECOVERY RATE
95%

GHG EMISSIONS SCOPE 1 AND 2
54,377 (tCO2e)

WASTE PRODUCED
823 (ton)

03. Main Achivements in 2019

JANUARY

NOS' offers awarded Product of the Year and Consumer Choice

FEBRUARY

NOS secures Eleven Sports channels sports content broadcasting, among which the Champions League

NOS signs an agreement with the Vila Nova de Famalicão municipality, within the Smart Cities programme

MARCH

NOS invests in Customer Care improvements through a multichannel, dematerialized approach

NOS' security solution wins international award

NOS Follow equips Evora's University bicycle park

APRIL

NOS integrates Portugal's First Technological Free Zone

NOS innovates again and announces the first eSIM in Portugal

MAY

NOS is awarded "Trusted Brand" for the fourth consecutive year

NOS performs a live 5G demo at the Portugal Smart Cities Summit

JUNE

Launch of the new exclusive channel NOS Studios

NOS launches cloud service for SAP Hana solutions

JULY

NOS debuts Picture-in-Picture feature in Portugal

NOS and dstelecom announce a fibre optic network sharing agreement which will allow NOS to reach 5.7 million homes passed

NOS Cinema App Launch

NOS launches the First eSIM technology Smartwatch tariff plan

AUGUST

NOS launches de First 5G ready smartphone in Portugal

SEPTEMBER

Launch of the SundanceTV On Demand service

GALP Gás Natural Distribuição and NOS test smart meters

NOS opens Data Center in the Azores Islands and enhances service offers

OCTOBER

NOS launches the First "no limit" 5G ready tariff plan

Launch of the new NOS App

Launch of the WTF App

NOS transforms Matosinhos into the First 5G city in Portugal

NOS deploys 5G coverage at the Web Summit

NOVEMBER

NOS signs the UN Letter of Commitment to control global warming

NOS donates desktops and several accessories to schools

DECEMBER

New NOS Cinema Theatres at NorteShopping – The First equipped with 'Screen X' and 'Nos Xvision' in Portugal

NOS launches "NOS 5G" Fund, an innovative fund that will invest 10 million euros in 5G Research and Development (R&D)

Early contract cancelation: NOS reduces by over 50% the amount to be supported by customers

NOS supports Entrajuda and donates over one thousand plastic storage cases

04. Competing in a mature Telecom market

The Portuguese telecom market is one of the most invested, advanced and mature markets in Europe, and one where consumers benefit from some of the lowest prices in Europe for the services which are most relevant to them.

Both in fixed and mobile networks, Portugal can rival any European market in terms of footprint and sophistication. This is a direct result of the level of competition which for several years was one of the defining characteristics of this market, as the main three operators expanded their fixed footprint by deploying FttH and aimed to capture customers through more attractive pricing strategies and increasingly sophisticated offers.

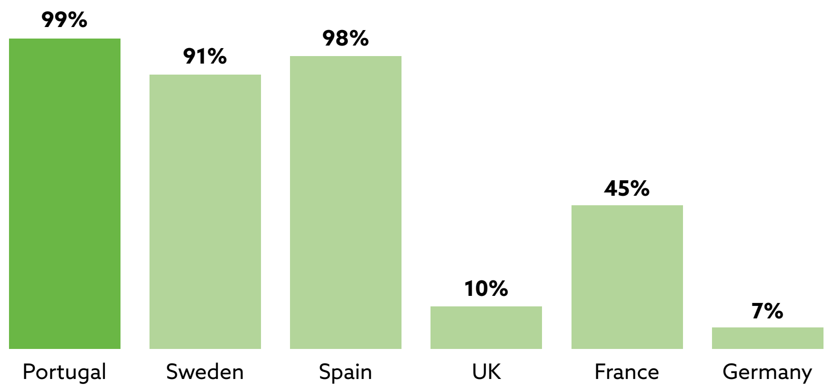
Fixed and mobile service convergence has played a large role in the competitive landscape of the Portuguese market, and its level of penetration is also already at quite a high level in comparison with other markets.

As such, it is not surprising that, according to a study commissioned by the Portuguese Telecom Operators' Association (Apritel) in 2019 and data from the sector regulator (Anacom), 3P and 4/5P bundles represent 39.1% and 43.3% of the market, respectively. They are therefore the most representative types of offer in the Portuguese telecoms space and the most relevant to Portuguese consumers.

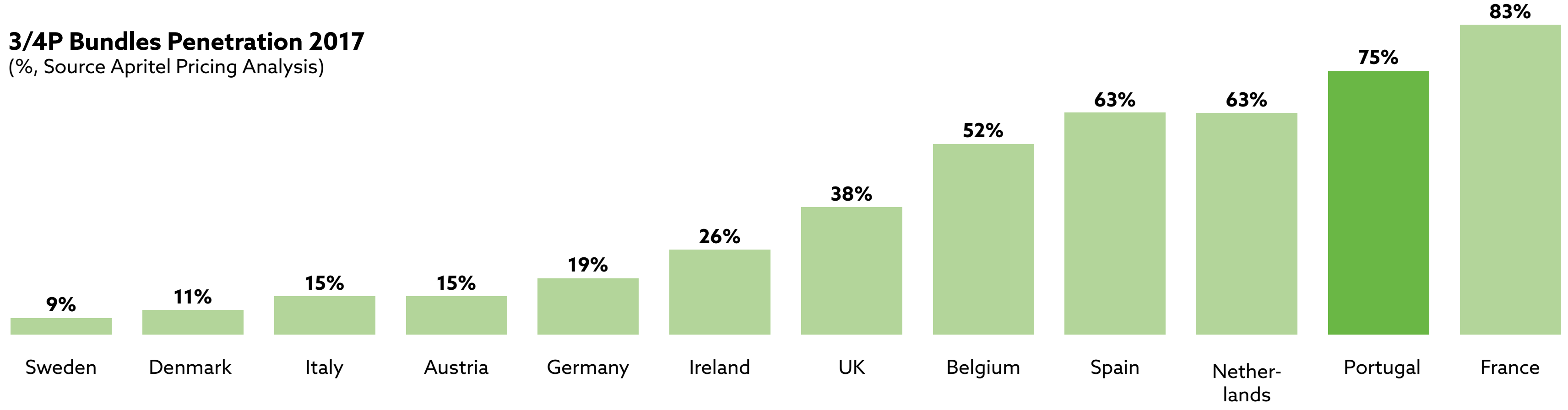
It is also not surprising that, due to the competitiveness of past years, Portugal has some of the lowest priced offers in Europe on both 3P and 4P bundles, well below the European average and second only to France, even after an adjustment for purchasing power parity is applied.

In recent years the Portuguese market has shown signs of greater maturity, as demonstrated by more stable pricing, less aggressive churn levels and more subdued market share shifts between operators.

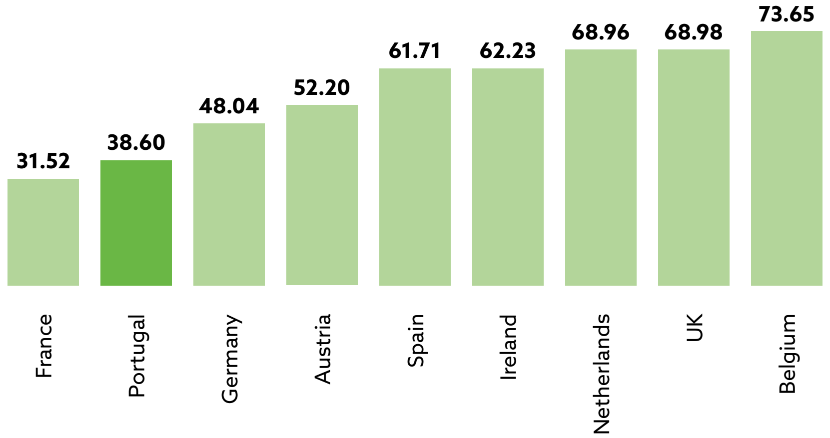
FttH Penetration 2018
(%, Source: FttH Council)



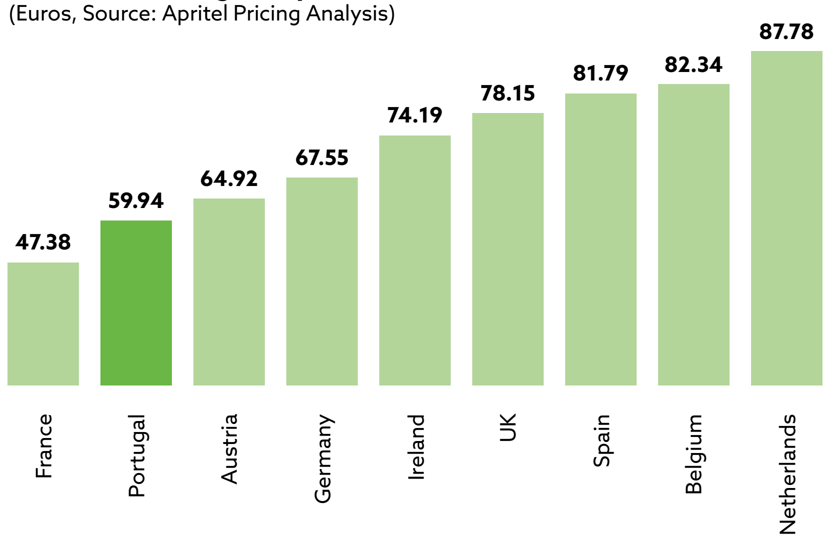
3/4P Bundles Penetration 2017
(%, Source Aprite Pricing Analysis)



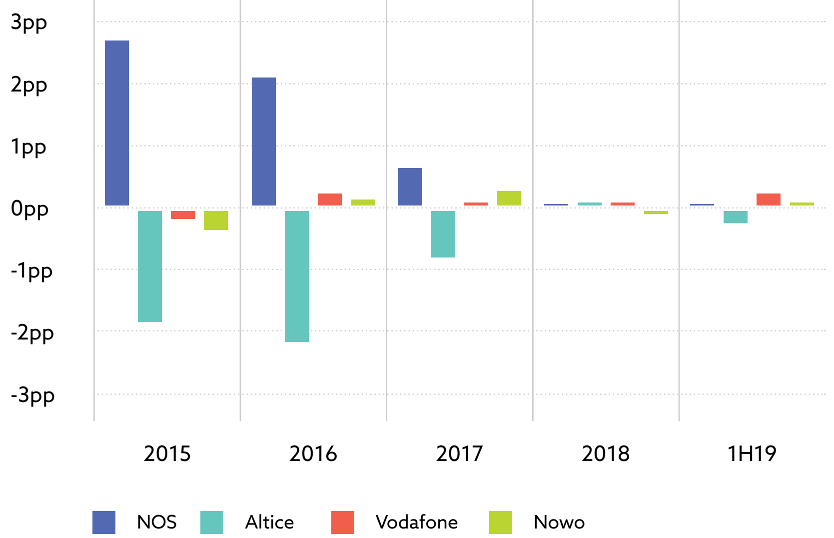
3P Bundle Pricing Comparison
(Euros, Source: Apritel Pricing Analysis)



4P Bundle Pricing Comparison
(Euros, Source: Apritel Pricing Analysis)



Total RGU Market Share Gained
(p.p., Source: ANACOM)

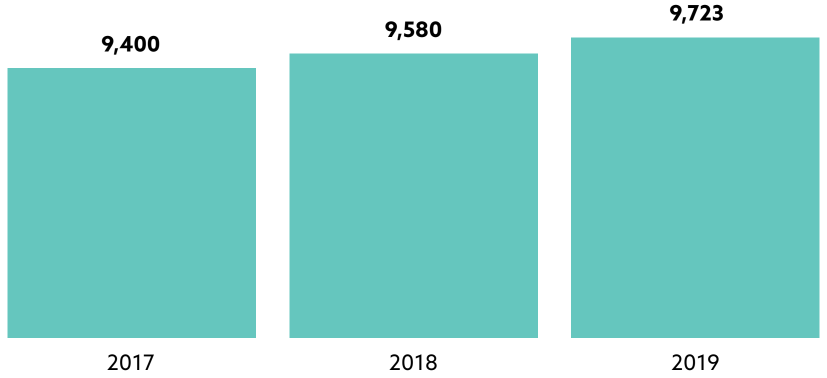


05. Operational results driving financial strength

Solid growth in core business

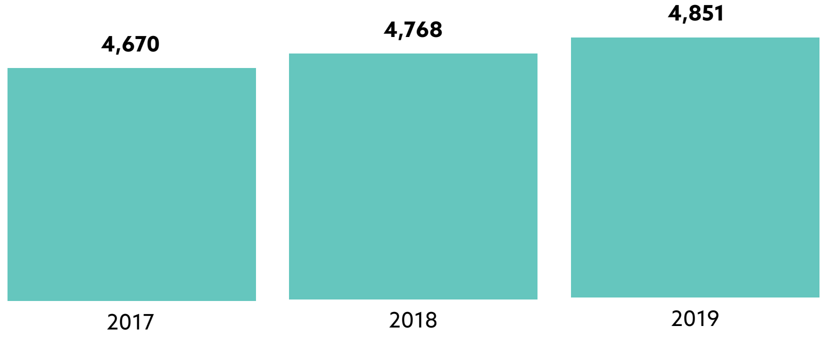
In total, NOS added 142 thousand RGUs during 2019, which represents 1.5% yoy growth to more than 9.7 million total RGUs.

Total RGUs
(Thousands)



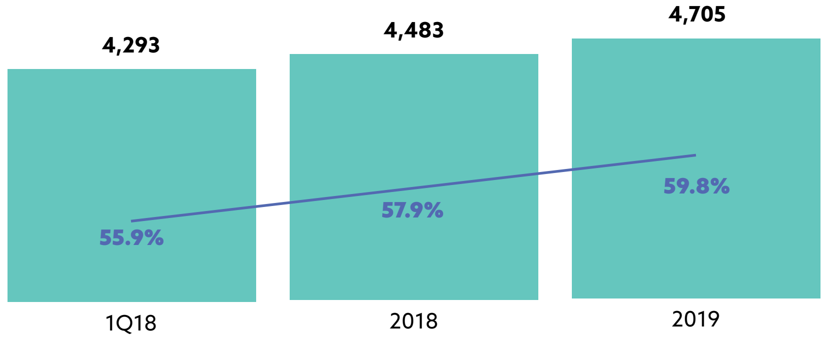
A major contributor to the growth in 2019 were mobile services which grew by more than 83 thousand, with the 104 thousand net adds in post-paid services more than offsetting a net loss of 21 thousand pre-paid subscribers (which still represents a significant improvement in comparison with 50 thousand pre-paid losses in 2018). Mobile subscribers at the end of 2019 reached 4.851 million, 58.6% of which post-paid, which compares with 57.4% at the end of 2018.

Mobile Subscribers
(Thousands)



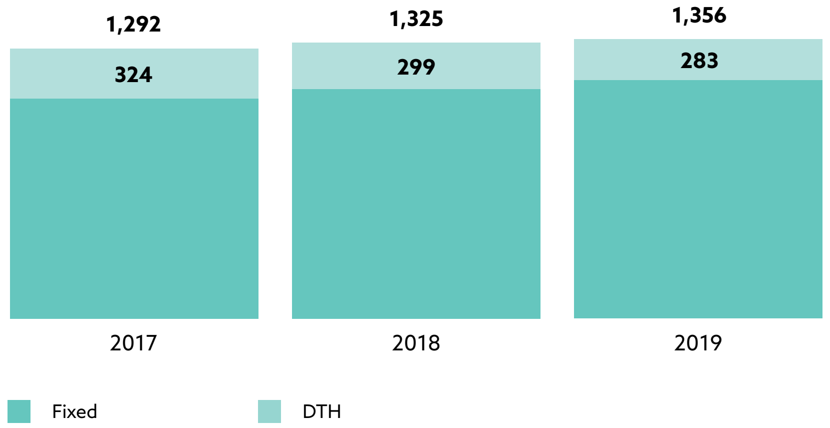
As mentioned ahead, NOS' focus on "pick and mix" solutions for the consumer market is helping to drive take-up of integrated fixed and mobile services that are more flexible for the consumer in that they can subscribe to basic offers and manage additional services according to usage profiles without having to renegotiate original bundles. The shift in consumer offers is leading to more take up of integrated fixed and mobile offers rather than more rigid convergent bundles, with penetration of convergent and integrated offers as a percentage of the fixed customer base reaching 59.8% by the end of 2019, more than 930 thousand customers.

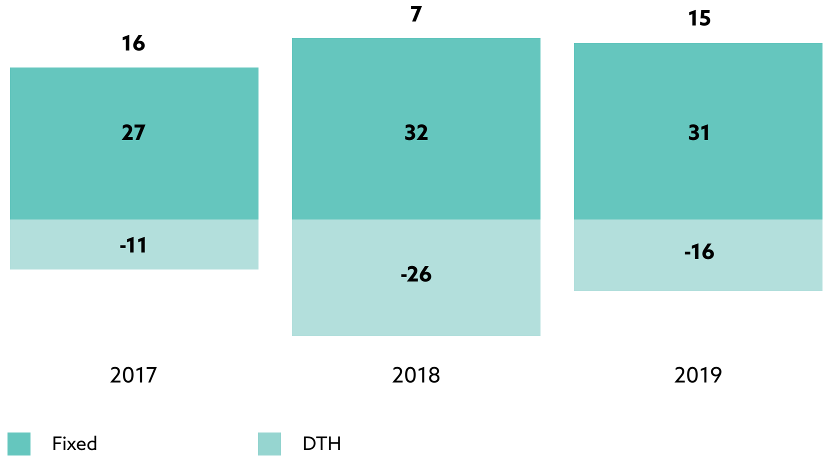
Convergent + Integrated RGUs, Penetration
(Thousands, %)



Pay TV customers reached a total of 1,639 million, having grown by 15,4 thousand subscribers in 2019, more than twice the number of net adds in 2018, as a result of two different trends. On one hand, Fixed Pay TV subscribers continued to grow at a robust pace, with 31 thousand net adds, which on the other hand, were partially offset by the continued migration of DTH customers to offers supported by fixed technologies, resulting in a net loss of 16 thousand satellite subscribers. The pace of this decline was however lower than the net loss of 26 thousand DTH customers in comparison with 2018.

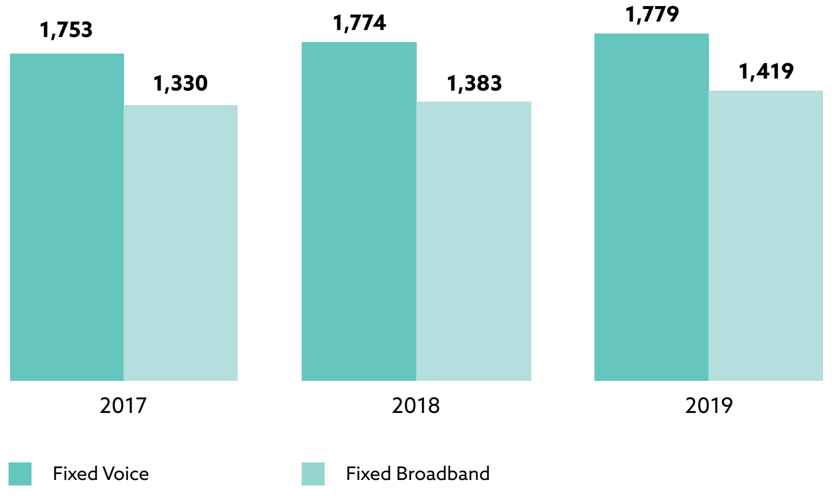
Pay TV Subscribers and Net Adds
(Thousands)





Typically sold with Pay TV as an anchor, Fixed Broadband and Fixed Voice services posted a solid performance in 2019 with 35 and 5 thousand net adds respectively and growing to a total of 1,419 fixed Broadband and 1,779 million fixed voice subscribers.

Fixed Broadband and Fixed Voice Subscribers
(Thousands)



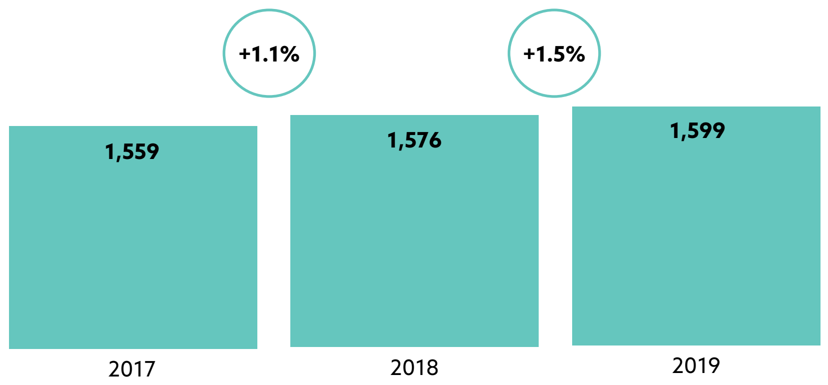
Fixed Residential ARPU remained flat yoy at 44.1 euros, resulting from a combination of robust growth in customer revenues of 2.3%, which was however offset by a decline of more than 11% in operator revenues mainly as a result of the MTR cuts which took place in July 2018.

The sales of NOS Cinema tickets in 2019 improved by 4.3% to 9,269 million tickets, following the good performance of the market as a whole, which represents a 59.7% market share for the full year. The average revenue per ticket sold also improved by 7.5% yoy, benefitting from the launch of several special formats, as mentioned below. The Audiovisuals division also posted excellent performance in cinema distribution, with 8 of the top 10 movies of the year distributed by NOS, therefore maintaining its strong position of leadership in this business.

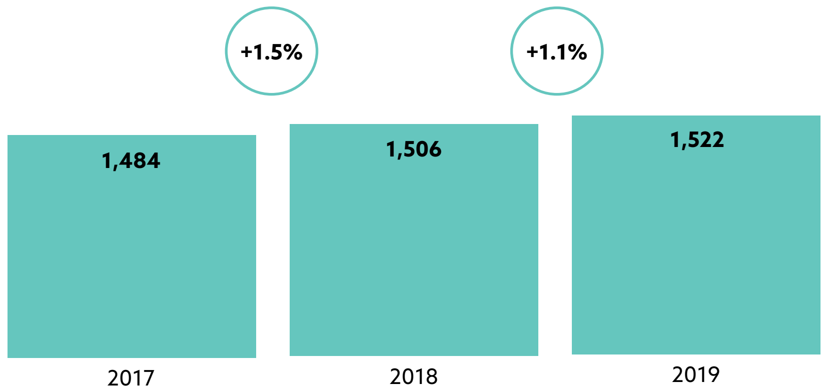
Financial performance ahead of the sector

REVENUES

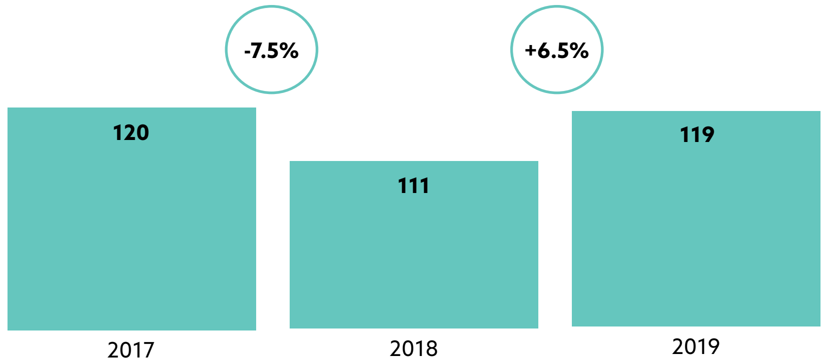
Consolidated Revenues
(Millions of Euros)



Telco Revenues
(Millions of Euros)



Cinema & AV Revenues
(Millions of Euros)



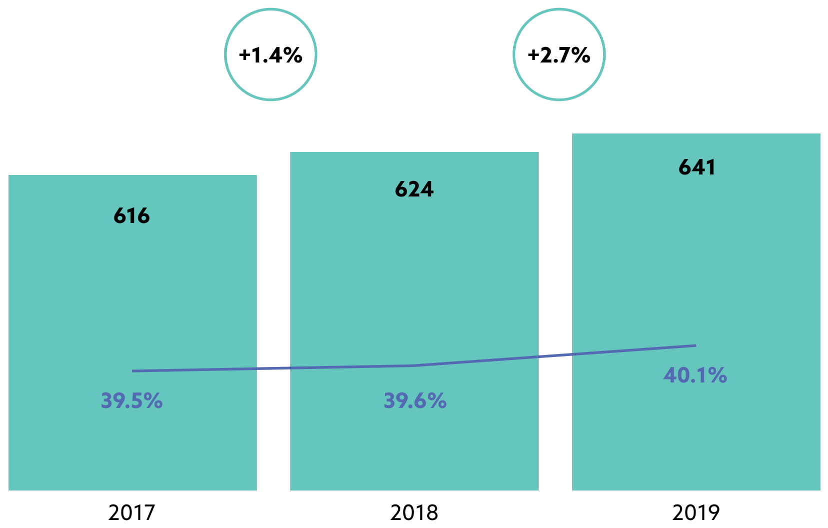
Consolidated Revenues grew by 1.5% in 2019 to 1,599.2 million euros, an acceleration in comparison with 1.1% of 2018. Telco Revenues grew by 1.1% to 1,522.3 million euros, whereas Cinema Exhibition and Audiovisuals returned to growth after declining in 2018, increasing 6.5% to 118.8 million euros.

Within Telco Revenues, the Consumer segment grew by 0.7%, the same as in 2018, to 979.4 million euros, driven by fixed residential, stand-alone mobile and equipment revenues, which were, however, partially offset by a decline in residential satellite services due to the structural decline in subscribers as discussed above. Business and Wholesale revenues grew by 2.3%, with Customer Revenues posting a 2.8% yoy increase and Wholesale revenues posting growth of 5.8%, driven by a good year for lower margin traffic and data contracts and also benefitting from the underlying growth in revenues from the network sharing agreement.

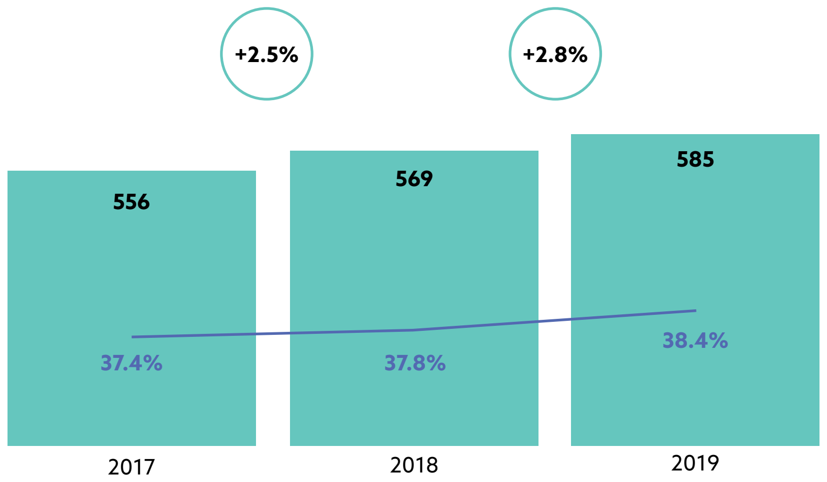
Cinema Exhibition revenues grew by 5.3% yoy to 66.6 million euros, a reflection of the recovery of cinema going for the market as whole, which had posted a decline in 2018. Audiovisuals revenues improved by 10% yoy to 68.8 million euros, on the back of the recovery in the number of cinema spectators but also of an improved performance in terms of market share of gross box office revenues, as previously mentioned.

EBITDA & OPEX

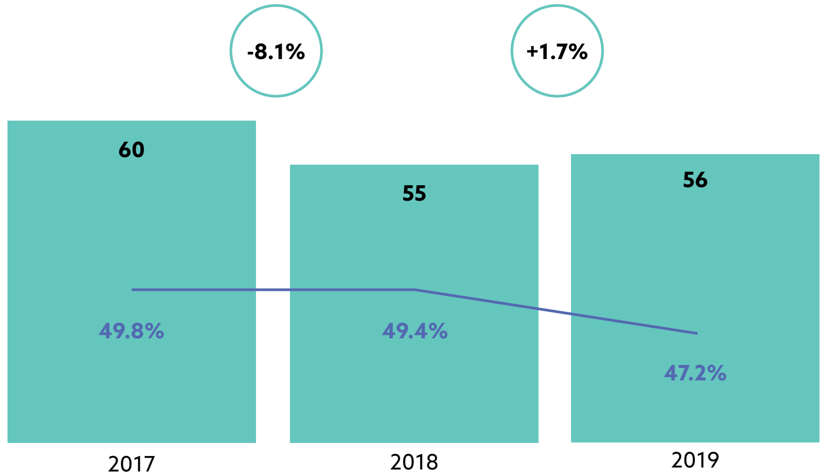
Consolidated EBITDA
(Millions of Euros, %)



Telco EBITDA
(Millions of Euros, %)

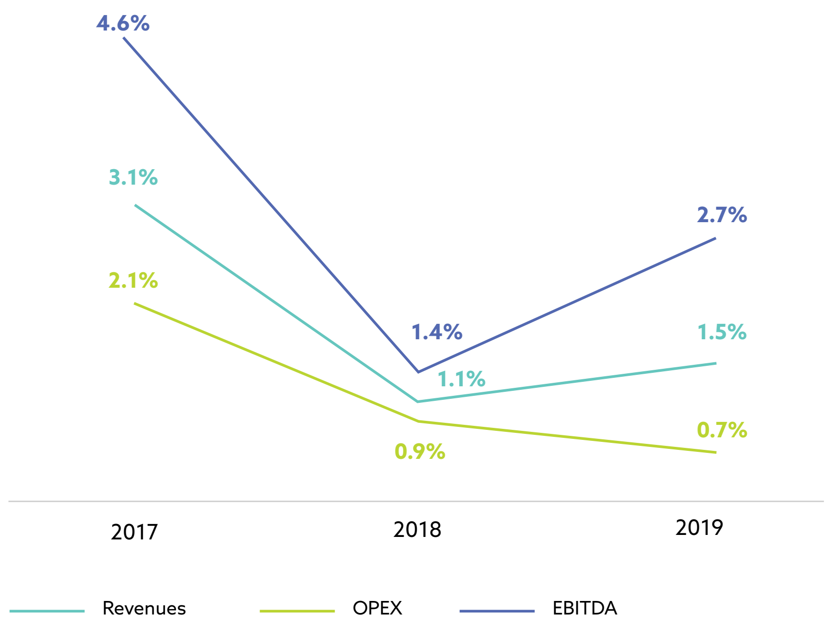


Cinema & AV EBITDA
(Millions of Euros, %)

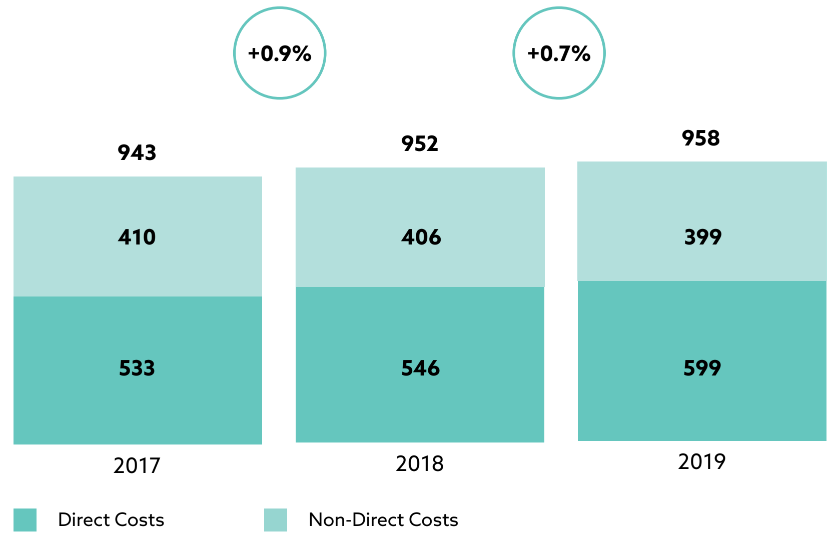


Total OPEX increased 0.7% yoy to 958.2 million euros, less than the growth recorded in Consolidated Revenues. As such, Consolidated EBITDA grew 2.7% yoy to 641.1 million euros, representing 40.1% margin as proportion of Consolidated Revenues, an additional 0.5pp in comparison to 2018. Telco EBITDA reached 585 million euros, a 0.6pp yoy increase in margin to 38.4%, while Audiovisuals and Cinema EBITDA amounted to 56 million euros, 47.2% of revenues.

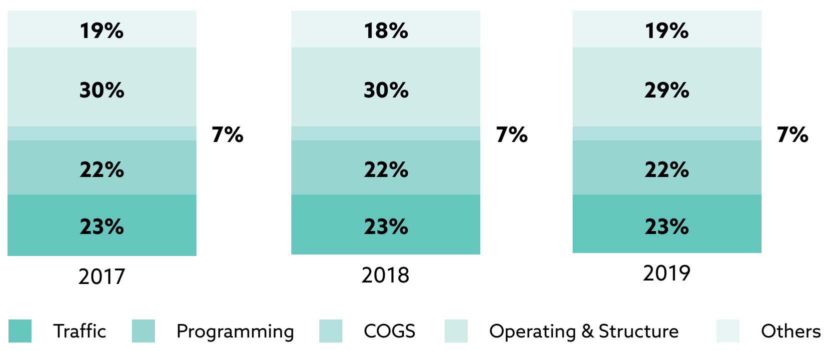
Revenues, OPEX & EBITDA
(YoY Change, %)



Total OPEX
(Millions of Euros)



Total OPEX Breakdown
(%)

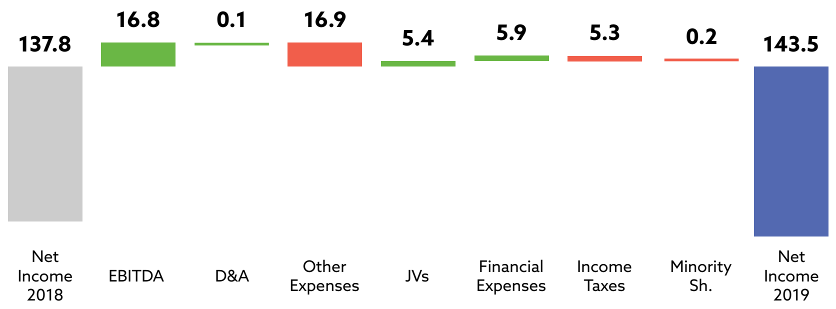


Direct Costs increased by 2.3% to 558.8 million euros, driven mainly by higher COGS on the back of improved Equipment sales and of higher average value of terminal equipment being sold, of higher royalties due to the better Cinemas and Audiovisuals performance and of increased Corporate IT project costs. On the other hand, traffic and interconnection related costs declined yoy, as did programming costs, after having increased for several years due to accommodating higher premium sports costs.

Non-Direct Costs declined by 1.6% yoy to 121.4 million euros. Our operational transformation programme has contributed to improvements in various cost items, namely customer related costs, on the back of lower billing and collections costs and lower costs related with terminal equipment maintenance. Also, support services, maintenance and general supplies and external services costs were down in 2019. These declines were partially offset by higher commercial costs, namely marketing and publicity, and costs related to the increased network size in comparison with 2018.

NET RESULTS

Net Income Evolution
(2018 -2019, Millions of Euros)



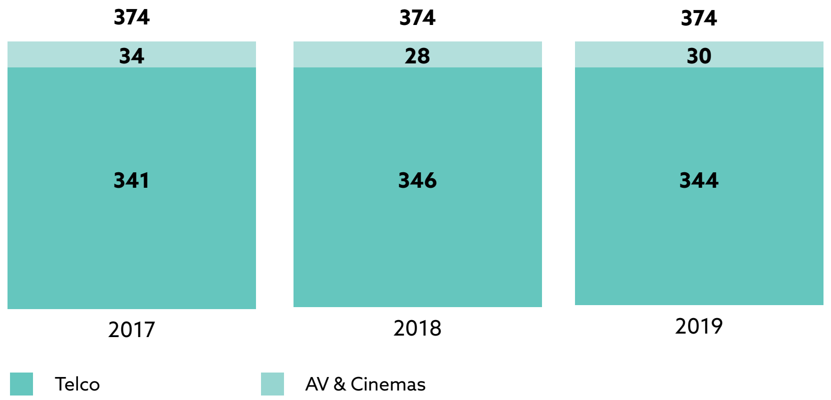
Depreciation and Amortization were stable in 2019 at 421.3 million euros. Other Expenses returned to a more normalized level of 17.9 million euros, after having been positively impacted in 2018 by a non-recurrent contribution from a legal settlement in favour of NOS regarding a regulatory dispute over operator termination rate charges, which led to an unusually low value of Other Expenses in 2018 of only 1 million euros. EBIT therefore remained flat in 2019 at 201.8 million euros, representing 12.6% of Consolidated Revenues.

The Share of Results in Associates and Joint Ventures improved yoy, although it was still negative by 1 million euros. This line had shown a positive contribution of 2.3 million euros until 9M19, however the final months of 2019, in particular October, saw significant local currency devaluation, therefore, more than offsetting the positive contribution which had been booked up to that point in time. Net Financial Expenses declined by 5.9 million euros, or 19.3%, in comparison with 2018. Average cost of debt continues to decline with the various refinancing deals closed in 1H19, as explained ahead in the Capital Structure section. The tax provision in 2019 increased to 32.8 million euros, due to Earnings Before Tax having increased by 6.9% to 176 million euros and to a higher effective tax rate due to a timing differential when recognizing deferred taxes related to fiscal benefits, which was partially offset by an alteration in the tax rate applied to deferred tax assets recorded, in 4Q19.

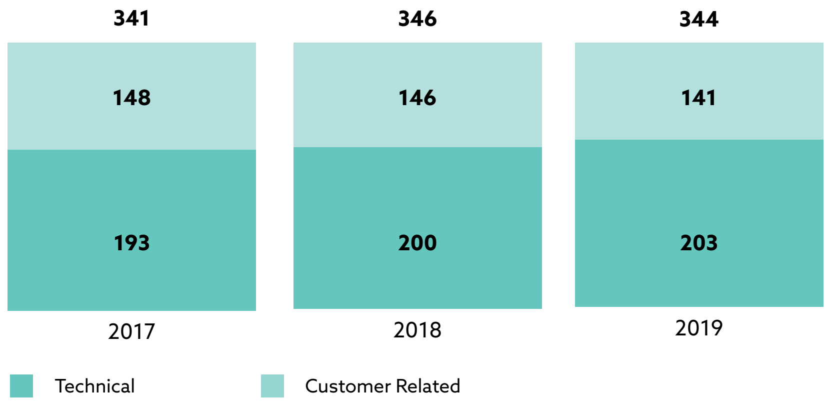
Net Income for 2019 amounted to 143.5 million euros, which represents a 4.2% increase over 2018, and 9% of Consolidated Revenues, which compares with 8.7% in 2018.

CAPEX

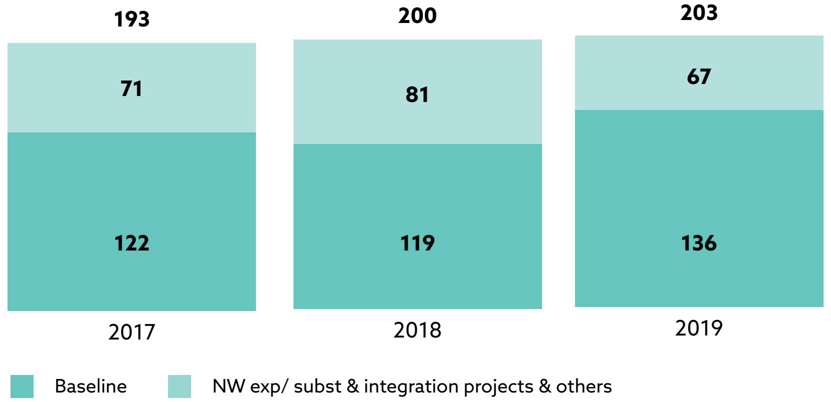
Total CAPEX Excl. Leases
(Millions of Euros)



Telco CAPEX
(Millions of Euros)



Technical Telco CAPEX
(Millions of Euros)



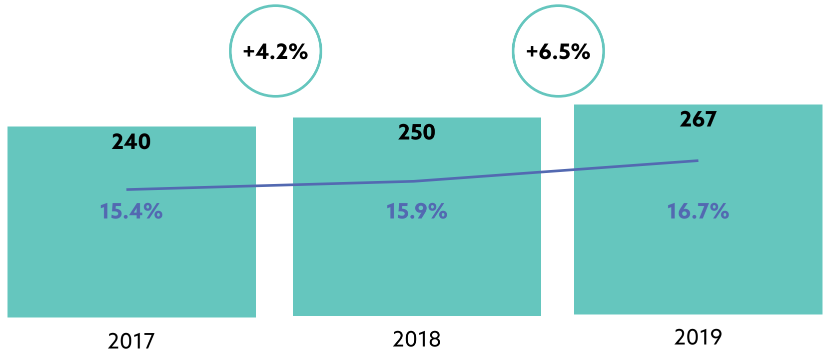
In 2019 total investment (excluding leasing contracts) remained stable at 374.4 million euros, a marginal 0.1% growth over 2018 and representing 23.4% of Consolidated Revenues.

Telco CAPEX amounted to 344.5 million euros in 2019, a 0.3% decline in comparison with 2018. In light of our mobile network upgrade, completed in 2019, and our ongoing FttH network rollout, Technical CAPEX rose by 1.8% to 203.1 million euros, 13.3% of Telco Revenues. Customer Related CAPEX declined by 3.2% to 141.4 million euros, or 9.3% of Telco Revenues, which compares with 9.7% in 2018.

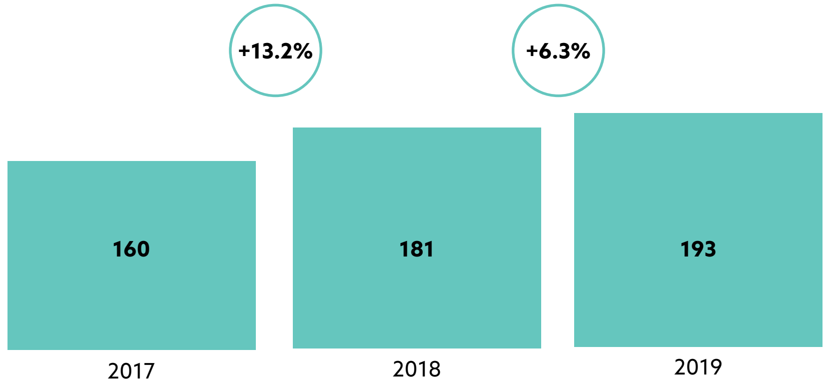
Audiovisuals and Cinema CAPEX increased by 5.9% to 29.9 million euros due to the increased activity in these businesses, which experienced a year of stronger growth, as mentioned above.

FREE CASH FLOW

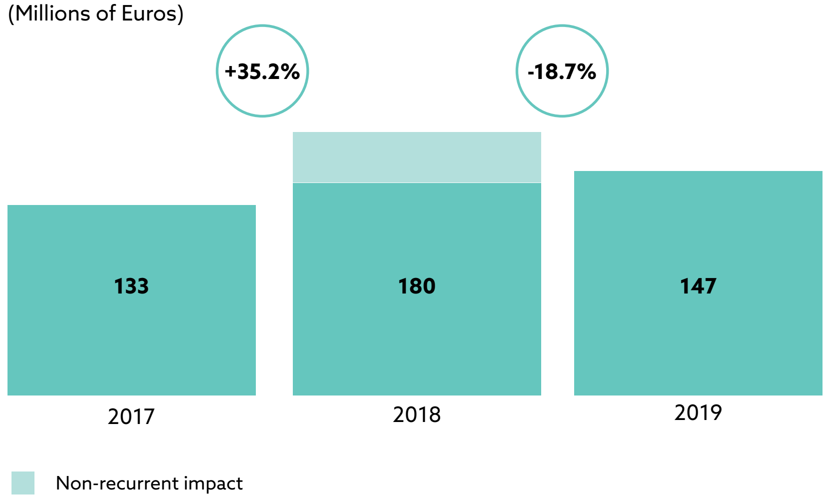
EBITDA-CAPEX, % of Revenues
(Millions of Euros, %)



Operating Cash Flow
(Millions of Euros)



FCF Before Dividends
(Millions of Euros)



As a consequence of the 2.7% growth of Consolidated EBITDA and the stable yoy performance of CAPEX, EBITDA-CAPEX (excluding leasings) rose by 6.5% to 266.7 million euros, representing 16.7% of Revenues, which compares with 15.9% recorded in 2018. With relatively stable Working Capital and Non-Cash Items included in EBITDA-CAPEX and also Leases in comparison with 2018, Operating Cash Flow Including Leasing contracts grew by 6.3% yoy to 192.6 million euros. Income Taxes Paid grew from 3.6 million euros in 2018 to 19 million euros in 2019, mainly due to a greater use of fiscal benefits in 2018, linked to the timing of their approval. Other Cash Movements in 2018 benefitted from the positive impact in 3Q18, of a non-recurrent inflow related with the receival of a legal settlement in favour of NOS, regarding a pending regulatory dispute over operator terminator rate charges. Due to this positive impact, total Free Cash Flow Before Dividends declined by 18.7% in 2019 to 146.8 million euros, from 180.4 million euros in 2018.

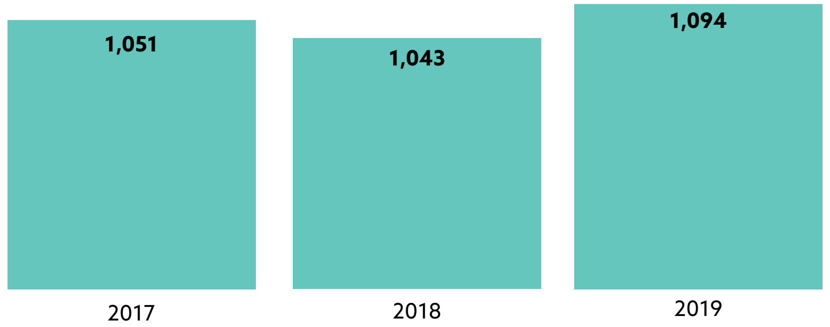
CAPITAL STRUCTURE

At the end of 2019, Total Net Debt, including Leases and Long-Term Contracts (according to IFRS16) amounted to 1,347.3 million euros. Total Debt stood at 1,106.4 million euros and was offset with a cash and short-term investment position on the balance sheet of 12.8 million euros. At the end of 2019, NOS also had 202 million euros in unissued commercial paper programmes.

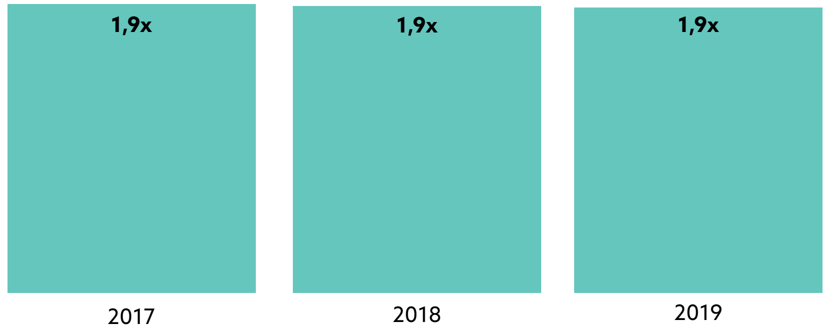
The all-in average cost of debt stood at 1.5% for 2019 which compares with 1.8% in 2018. Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.9x. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that NOS is committed to maintain.

The average maturity of debt at the end of 2019 was 3.1 years, up from 2.9 in 2018. Considering loans issued at a fixed rate, interest rate hedging operations in place and the negative interest rate environment, as at 31 December 2019, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 95%.

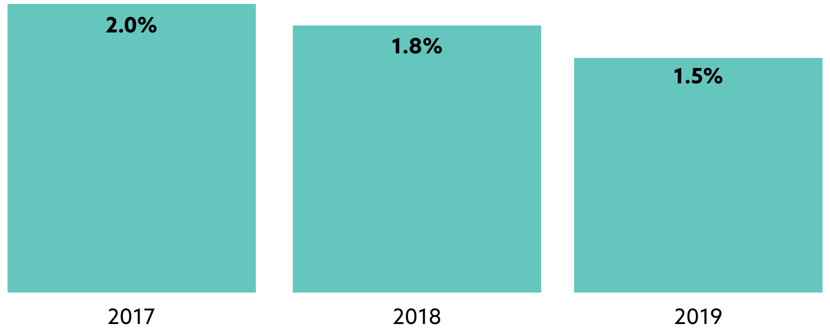
Net Financial Debt
(Millions of Euros)



Net Financial Debt / EBITDA After Leases
(x)



Average Cost of Debt
(%)



With the purpose of refinancing all the lines, maturing in 2019, as well as implementing a liability management exercise by extending maturities and reducing the cost of financing lines, which matured in 2020 and 2023, in 2019, NOS executed seven financing operations:

- In June, a Commercial Paper Programme of up to 100 million euros with maturity in 2026, with BBVA;
- Also in June, a Bond Issue, by private subscription, in the amount of 50 million euros with maturity in 2024 which was organized, launched, placed and guaranteed subscription by Banco BPI;
- In June, a Commercial Paper Programme of up to 50 million euros with maturity in 2024, with Banco BPI;
- In July, a Bond Issue, by private subscription, in the amount of 50 million euros with maturity in 2024, which was organized, launched and placed by Caixa – Banco de Investimento and guaranteed subscription by Caixa Geral de Depósitos;
- A Commercial Paper Programme of up to 50 million euros with maturity in 2024, with Caixa Geral de Depósitos, in July;
- Also in July, a Bond Issue, by private subscription, in the amount of 25 million euros with maturity in 2024, which was organized, launched, placed and guaranteed subscription by Mediobanca;
- A Commercial Paper Programme of up to 25 million euros with maturity in 2024, with Mediobanca which took place in July.

These operations have therefore positively contributed to NOS' strategic funding, namely regarding the diversification of financing sources, extension and management of the average maturity of debt and the reduction of the average cost of funds.

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

06. Maximizing Customer Experience providing the best service and the best content

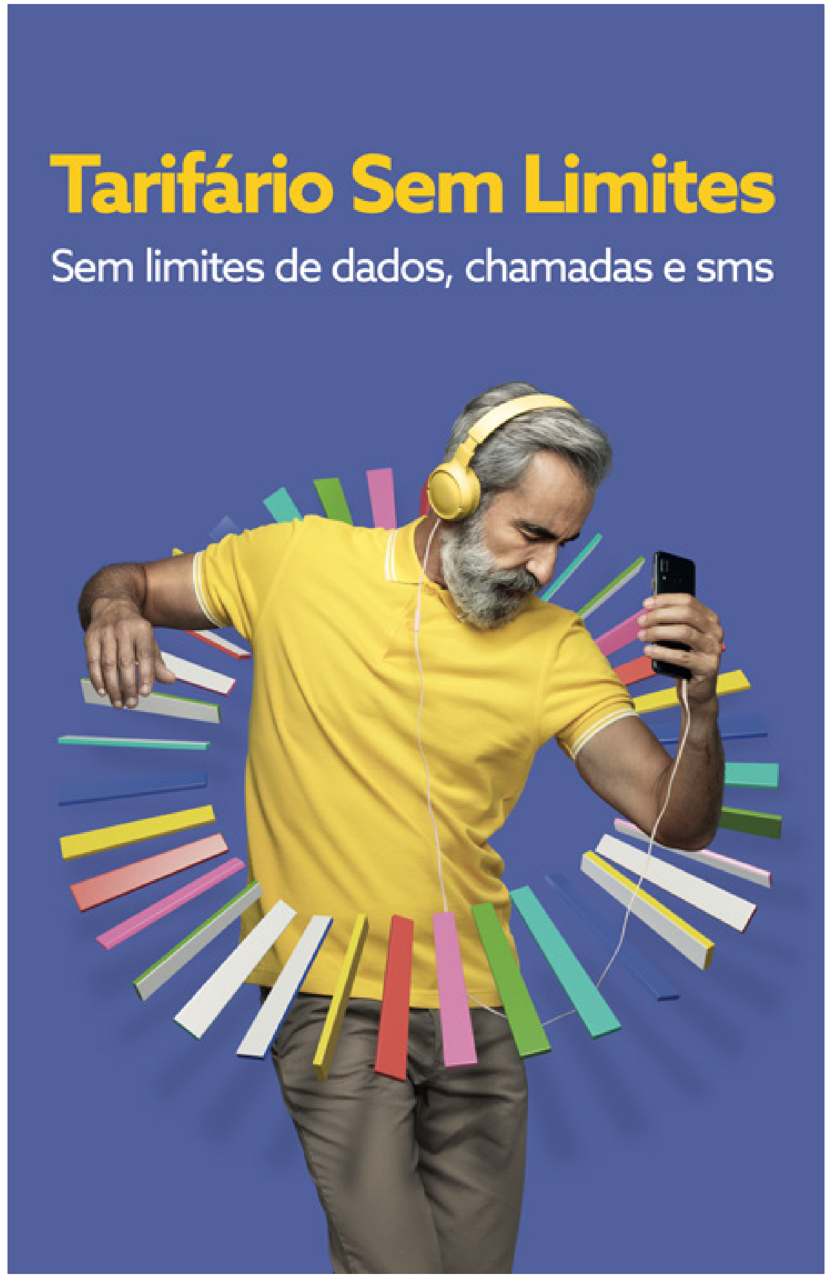
Consumer segment

We believe in making technology usable and exciting for our customers, delivering the best customer experience. Our customers want to communicate and watch their favourite content, whenever and wherever they want, in the most user friendly, stimulating and reliable format and it is our role to exceed their expectations.

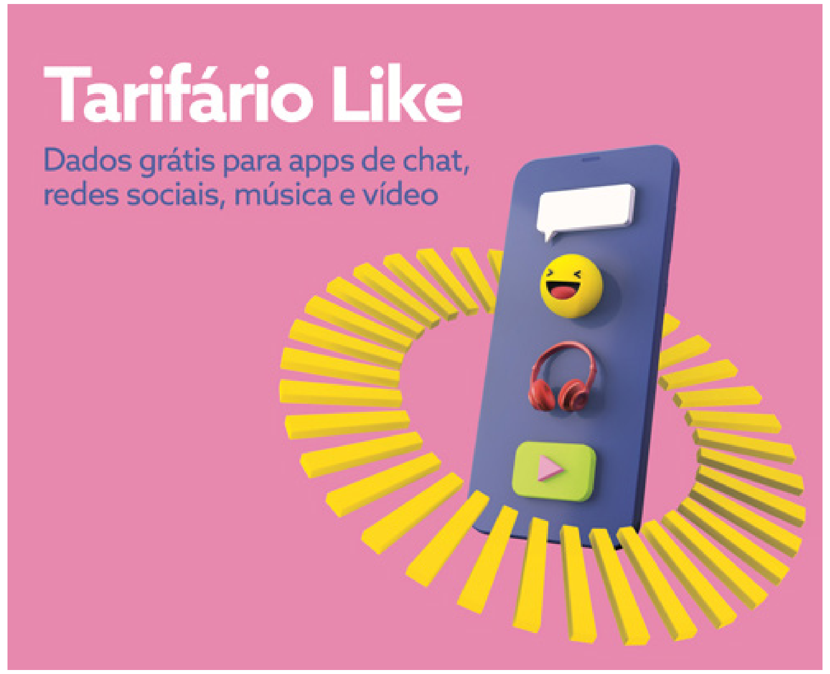
Different customers have different preferences and in the digitally sophisticated world of today, we are better equipped to understand those differences, evolving to more personalized offers and recommendations, that can simultaneously be tailored to specific user groups or scaled up to the wider customer base. This evolution is only possible through continued technological innovation in systems and networks together with transformational simplification and digitalization of processes and customer interfaces. This has been a core focus of our marketing efforts over the past couple of years and many of our recent launches such as "Made-to-measure", "Like" and "Pick and Mix" tariff plans bear witness to these investments and to the simplification of core business processes, enabled by digitalization and automation.

Mobile stand-alone or add-on solutions to residential bundles were at the heart of many of our marketing activities during 2019. New tariff plans such as our "No limits" mobile tariffs and the refresh of WTF youth tariffs were a big success, helping to drive the robust mobile subscriber numbers reported above.

Targeting more the converged or integrated market, with the launch of "made to measure" mobile data plans, and multiple play "pick and mix" solutions our customers can easily adjust the profile of their tariffs and adapt contracted services to their specific usage plans. Our commercial proposition during the year also shifted towards increased emphasis on equipment sales and, in addition to positioning ourselves with a best price guaranteed value proposition, we expanded the scope of device related revenues with accessory sales and insurance plans.

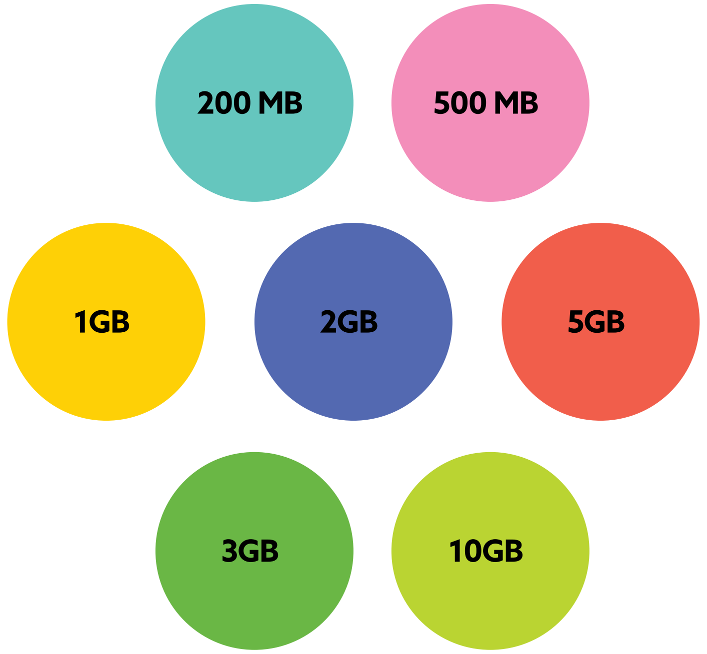


The NOS store refurbishment process of the past couple of years now provides a much better backdrop for showcasing and testing handsets, with the advantage of being a one-stop-shop for all communicated related purchases. To raise awareness for our differentiating equipment proposition, we held two "N DAY" editions – 5 days of unbeatable discounts on top of the range handsets and TVs, with minimum price guaranteed on smartphones, matching the leading specialized retailers.



Mobile internet made to measure

- Multiple mobile internet solutions according to usage profile
- Add more cards and double your data allowance
- Combine different mobile tariffs such as made to measure or youth tarriffs such as WTF or NOS Kids



Leading innovation and technological relevance is a key strategic priority and the advent of 5G presents itself as a watershed opportunity. We have led a number of key initiatives to reinforce our pioneering stance on this front, having been the first operator in Portugal to launch a 5G ready handset - the Huawei Mate 20 X 5G – after having carried out the first demonstration of the potential capabilities of 5G in a real life environment in May last year.

Later in November, we launched a fully enabled and operational 5G city in Matosinhos, partnering with Huawei, providing a real-world environment for testing 5G solutions and services for the residential and business markets, as well as for the town council, research centres and other institutions. The 5G network in Matosinhos uses the 3,5GHz a band width on spectrum allocated by ANACOM for trial purposes. We have created an entire eco-system to test and develop new use cases and applications, exploring 5G in all its dimensions, over and above eMBB (enhanced Mobile Broadband), which allows any user with a 5G mobile device to browse the internet with maximum speeds in excess of 1 Gigabit per second and with a very low latency that provides an "instant" data user experience. Earlier in the year we had already demonstrated the potential of 5G technology, providing evidence of the difference that the new generation of mobile communications will make in terms of response time under emergency conditions, specifically for video surveillance and rescue operations on beaches.

Other important milestones in our innovation roadmap during 2019 was the launch of our "Giga" WiFi router and of the first eSIM in Portugal, both of which reinforcing our technological differentiation. In addition to the obvious efficiency and activation benefits of dematerializing SIM cards, other consumer relevant benefits are the possibility of having various eSIMs in each mobile device and activation of smaller devices such as smartwatches and fitness bands. The level of compatible device penetration in Portugal is still relatively low, however this is set to follow an accelerated growth path given the very high level of mobile SIM penetration at almost 170%.

New Giga Router

- Intelligent WiFi
- Speeds up to 1 Gbp
- 4KHDR streaming
- Maximum performance
- Advanced gaming
- Smarthome connectivity - TVs, lights inteligent devices
- Award winning design

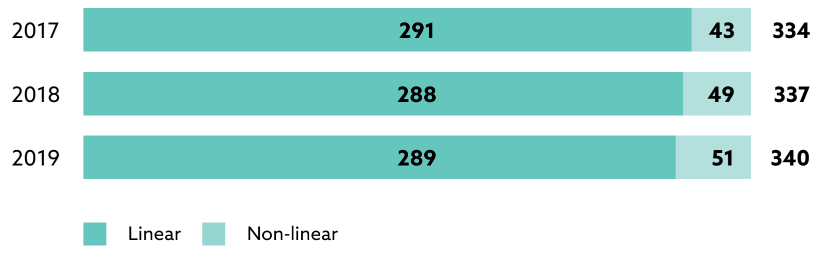
DESIGN AWARD 2019

NOS launches the first eSIM in Portugal

- Dual SIM usage
- Additional data plans
- Simpler, more remote and digital activation process
- Use in a smaller connected devices
- Lower device failure
- Increased connectivity between devices (smartphones, tables, smart watches, fitness bands)

Content plays a key role in our entertainment value proposition. Contrary to what is happening in other developed markets, traditional TV viewing in Portugal is relatively stable, however we are witnessing a progressive increase in the time spent watching non-linear TV and over multiple devices. Our strategy is to position our TV user interface "UMA" as the best curator of linear and non-linear multi source content, incorporating our own- and third-party streaming platforms as a means of increasing customer traction within our NOS ecosystem. UMA is an important differentiator of customer experience providing a more exciting and powerful on-demand and personalized entertainment experience, enabling interactive searches of the best HD content over a seamless multi-device, multi-technology interface.

Average Time Watching TV
(Minutes per capita)

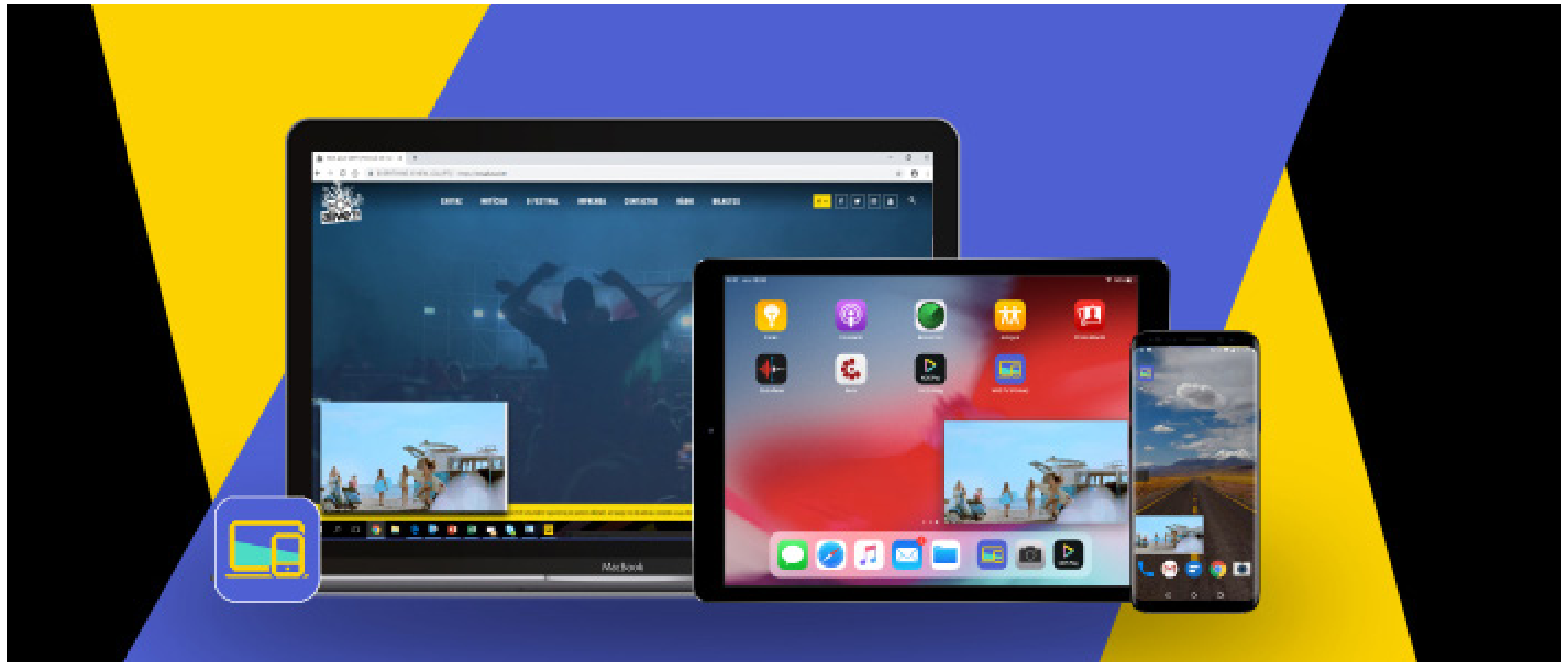


We actively exploit our unique combination of telco, audio-visual and cinema assets to tap the full potential of new technologies leveraging partnerships wherever relevant. The importance of these kind of innovative formats means that we focus on creating content and experiences that create closer links between linear and non-linear components. Our user interface is of utmost importance in maximizing experience and helping customers to find their favourite content and features when they want and over any device.

As examples of innovative and segmented content formats, during 2019 we launched an exclusive movie channel "NOS Studios", available in linear and non-linear format, which is included free to all UMA customers, or on a subscription basis to other NOS subscribers for €5 per month. NOS Studios provides a distinctive line-up with the most recent films, major successes from the best cinema studios and films that have won the most awards with a list of partners that includes Disney, FOX, MGM, Universal and Warner, among others. With a new film per day being premiered from different genres, NOS Studios is the channel for the whole family and has ranked at the top of relevant audience ratings since launch.

In July we were the first to launch a picture in picture (PIP) functionality in Portugal with our NOS TV allowing customers user to watch content and at the same time use other applications, enabling multitask and multi-device viewing. With this innovation, entirely developed by our in-house NOS Innovation team, we again set the pace for new standards in consumer experience making it possible to watch, for example, a TV series or a football match on a smartphone, tablet or PC while at the same time navigating the Internet, interact on social networks, send messages, e mails or play computer games.

In terms of customer experience, the more sophisticated our services become, the more we must concentrate on simplifying processes and delivering a streamlined service. Our operational transformation programme is running several core projects to simplify and digitalize customer touchpoints, amongst other major projects. Important customer service and transactional APPs were launched during 2019, designed to fundamentally improve customer experience, service take-up and general operating efficiency. The two service APPs, for NOS and WTF customers (our stand-alone mobile brand for the teenage/young adult segment), represent key milestones in our digitalization programme and provide insights to better understanding and leveraging customer preferences and usage profiles and a platform to develop more targeted and effective digital marketing initiatives. Over the NOS APP, customers can actively manage their tariff plans, data allowances and consumption and general account settings, make payments at any time and always have their NOS Cinema card at hand. In addition to tariff and data allowance management and consumption, the WTF APP also includes several additional features that are appealing to the target segment such as management of UBER and UBER Eats vouchers and NOS Cinema Vouchers, amongst others. All the APPs are proving a big success, with ratings on digital stores ranging from 4.5 to 4.7 and consistently listing amongst the top 20 downloads since respective launches.



NOS App

Over the NOS service app, customers can actively manage their tariff plans, data allowances and consumption and general account settings, make payments at any time and always have their NOS Cinemas card at hand.

WTF App

WTF customers can manage their data allowance and consumption, their Uber and Uber Eats vouchers, and activate the exclusive 2 for 1 NOS Cinemas vouchers

NOS Cinemas App

Customers can acquire tickets directly over their mobile devices using easy payment methods such as "MBay" or "Pay Pal", seamlessly browse movies on show at their favourite theatres, send tickets to friends or buy popcorn and other bar products in advance of the session

Sales and support processes and channels are also reflecting the effort to streamline and digitalize, as reflected in the level of in-store digitalization, process automation, electronic bill take-up (over 90% with new customers) and introduction of digital signatures, amongst others. As an example of the value captured from rollout of some of these projects, we have witnessed an increase in paperless processes to 85% and a reduction of FTEs of close to 15% within our stores. The introduction of digitalized price tags has also led to a big improvement of in-store efficiency and has reduced time to deploy nationwide product offers and promotions.

Implementation of a seamless omnichannel experience is key to our strategy, having evolved from an almost independent multichannel structure in the past. The end goal is to deliver an agile and smooth handover between sales and service customer touchpoints, independently of where the contact is initiated and where it is completed, thus promoting a more satisfactory sales experience and increased customer loyalty.

Conscious of the need to excel in customer experience, already at the start of 2020, we started to provide customers with more simplified contractual information resorting to a clearer and more concise information sheet providing all relevant contractual information when the contract is signed. The sheet provides more detailed information about contract durations, related charges and how outstanding debts are calculated in the event the contract is terminated earlier than forecast, and under which circumstances a contract may be terminated, amongst others. With this initiative, our customers can make a more informed and conscious choice about the services being contracted, such as the main features, offers and discounts related to customer loyalty, duration of the contract, and the costs and charges arising from early cancellation. We believe this voluntary self-regulation initiative will be extremely beneficial for our customers by increasing the level of transparency of the contractual relationship and therefore driving a higher level of customer experience.

Business Segment

Our strategy within the business segment is to increase the perimeter of services provided in the IT and data service management front, and our value proposition is anchored on the skills and experience developed in our own corporate operations. 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. Growth in IT revenues is supportive, allowing us to offset declines in legacy revenues from traditional telecommunication services.

We segment our business customers according to whether they are very large corporate accounts or small and mid-sized enterprises (SMEs). In the SME space, we then tier the addressable market into smaller accounts that tend to have requirement similar to higher-end residential customers, and then those that are larger in terms of employee numbers and scale of operations and that require a more specific commercial approach and technological solutions.

SME customer experience and satisfaction are a core focus, with continued work throughout the year on simplification of business complexity, commercial effectiveness through segment fine-tuning, sales channel optimization and better resource allocation and support. Positioned to be a core partner for business transformation, our digitalization strategy is a critical enabler to improve customer interaction and satisfaction. The launch of our client self-care APP and the full sales process digitalization on to our "VPro" digital web-based solution, have made a big impact on account servicing and the quality of the end to end sales process.

The basic pillars of our marketing approach to SMEs are to continue to develop core convergent and collaborative communication services, alongside TV and video, whilst developing more sophisticated IT and advanced connectivity solutions. The level of complexity of the services provided is naturally higher the larger the company, ranging from more standardised convergent offers to more advanced tailor-made solutions that cover advanced connectivity and IT and unified communications for medium sized. These include features like video conference aaS (as a Service), call centre aaS, central

Dielmar

Dielmar is a 100% portuguese company, founded by 4 taylors who always aimed to grow and innovate. Today they dress the Portuguese Football and the President of the Republic. NOS' data network connected several locations, ensuring the same security and quality, as if all employees were together in the company's head offices.

Symington

The Geographic Information System, custom-built for Symington, is one of the most advanced nationwide. This system allows winery technicians and oenologists to access, in real time, a very complete set of data, bringing efficiency to the harvest management and drawing maximum benefit from grapes to produce the best wine. With NOS' solution, oenologists have a general overview of the harvest's evolution in the 26 estates the company owns in the Douro valley.

FEPSA

FEPSA is a company from São João da Madeira, world leader in felt hats manufacturing for customers from Hollywood to the Vatican City. Find out how FEPSA transformed a local tradition in a global business with NOS' Mobility solutions.

Carris

Everyone knows Carris. But not many people know how, with NOS' assistance, Carris enabled 700 vehicles with mobile Wi-Fi access, allowing all customers to access the internet safely and with no charges. With NOS' Wi-Fi, this historical company transformed a city journey in a trip around the world.

unified communications, Internet aaS, and data network management amongst others.

Larger businesses are addressed with a more specialized marketing and commercial strategy, supported by in-house technical development teams and account managers, and offering a wide array of services tailored to meet the needs of different economic segments and competitive dynamics. Our portfolio covers end to end corporate requirements adapted to the specifics of each business profile: multi-technology network management; hybrid operator/third party IT architectures ranging from computing to warehousing, back-up and disaster recovery, software and applicational platforms; managed services; Data and analytics services which enable clients to monetise anonymous data generated on our network. Within large corporate accounts, IT revenues now represent more than 20% of service revenues, offsetting the continued negative trend in traditional communication revenues.

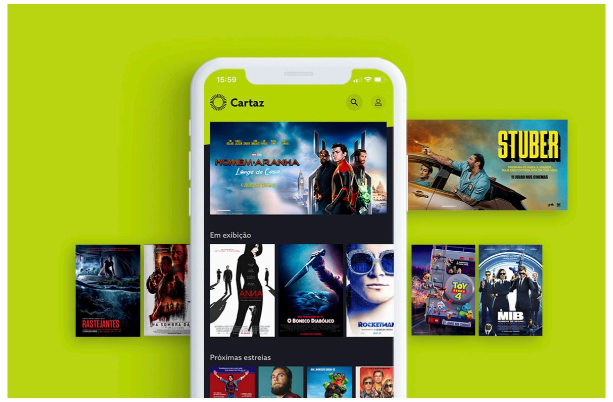
Cinema and Audiovisuals

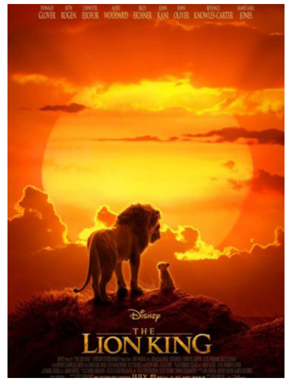
Our Cinema and Audiovisual operations represent an important complement to our positioning as the leading entertainment and communications company in Portugal. We are market leaders in both Cinema exhibition and Audiovisual distribution with more than 60% and 70% market shares respectively and leverage these assets to provide benefits to our customers such as cinema discounts for our telco customers, invitations to exclusive premier launches amongst other.

Last year saw a significant increase in cinema going worldwide and Portugal was no exception, with 5% growth in spectators to 15.5 million and 5.6% growth in gross box office revenues to 83.1 million euros, driven by a strong line-up of box office hits.

Although trends in Portugal tend to follow those of other western European and anglo-saxon markets, some films did exceptionally well in Portugal which tends to be partial to family centric animated films and super-hero franchises. Of the top-ranking films measured by Gross Box Office sales (GBO), The Lion King was a resounding success with GBO of close to 7 million euros and 1.28 million spectators, making it the most successful film ever in Portuguese theatres. Although far from the audience of international movies, national content had its best year since 1975 according to the Portuguese Cinema Institute, reaching a 4.5% market share with the top ranking Portuguese film, "Variações" a biographic portrayal of the life of a Portuguese alternative 80's pop star, reaching 278 thousand spectators.

We strive to always have the best exhibition technology in our theatres, continuously investing in exciting new formats, as is the case of being the first operator to launch IMAX back in 2013, in Lisbon and now with the launch of the first 4DX wide-screen theatre with the reopening of the Norte Shopping cinema complex in December 2019. By the end of 2019, we had 219 cinema screens spread over 31 theatres in Portugal.





The Lion King
July 2019
GBO - 6,9K

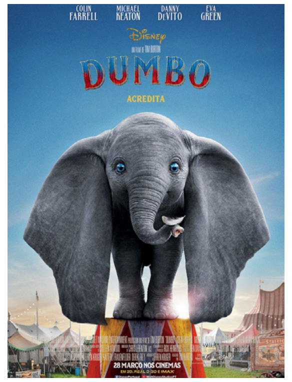
Joker
October 2019
GBO - 4,9K

Avengers
April 2019
GBO - 3,9K

Toy Story 4
June 2019
GBO - 2,1K

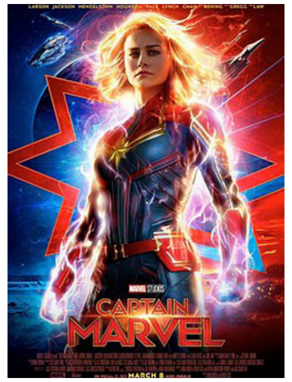
Spiderman
July 2019
GBO - 1,9K

Frozen II
November 2019
GBO - 1,6K



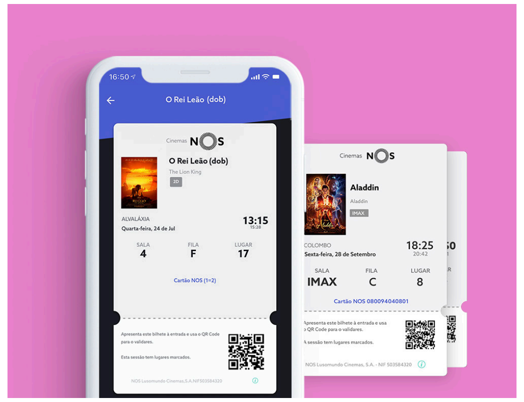
Dumbo
March 2019
GBO - 1,5K

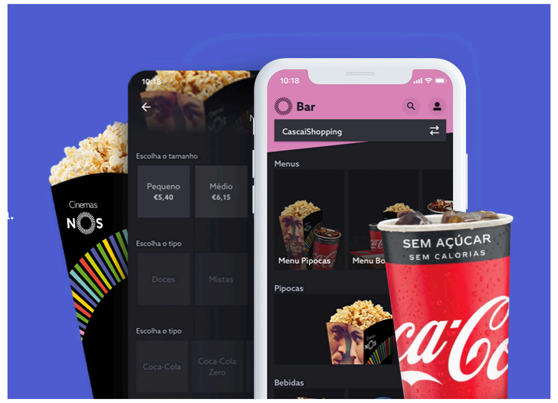
Aladin
May 2019
GBO - 1,6K



Captain Marvel
March 2019
GBO - 1,6K

Once Upon a time in Hollywood
August 2019
GBO - 1,6K





Our customer experience benefitted from a major upgrade with the launch of our NOS Cinema APP in July 2019. The APP provides a fast, intuitive, easy and secure platform to browse and choose their favourite films and trailers that are showing in NOS theatres without having to queue to buy tickets and buy popcorn and drinks from the bar. In addition to facilitating the choice and purchase process, customers are also able to select their preferred theatre location, movie genre, personal favourites list and set notifications for when a film is to be premiered. Customers with the NOS and/or the WTF Card can also introduce their credentials to take advantage of benefit from their exclusive advantages when paying over the app. By the end of the year the NOS Cinemas APP had close to 110 thousand registered users and had been downloaded close to 130 thousand times.

Cinemas
NOS

Thank you

NOS Cinemas receive Consumer Choice award 6th year in a row.

Our customers continue to reward our efforts and once again in 2019, we received the award for Portuguese Consumer Choice for the sixth consecutive year as measured by customer satisfaction and recommendation levels throughout the year.

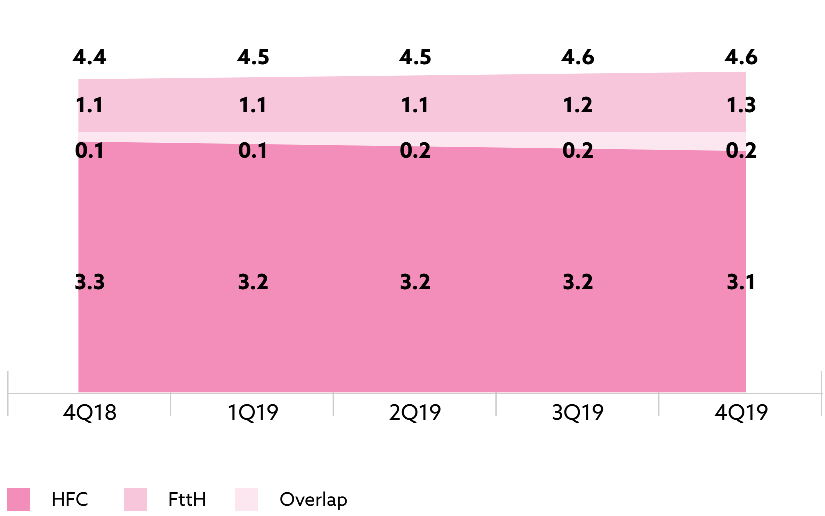
NOS' Audiovisuals' activity reflected the strong year for movie exhibition alongside a positive performance for sale of movie and TV rights. Of the top box office hits exhibited in 2019, NOS Audiovisuals distributed 8 of the top 10 cinema box-office hits, top of the list being "The Lion King", "Joker", "Avengers: Endgame", "Frozen II" and "Toy Story 4", thus maintaining an unmatched leadership position in the Portuguese market.

07. Investing in the best technologyto deliver our services

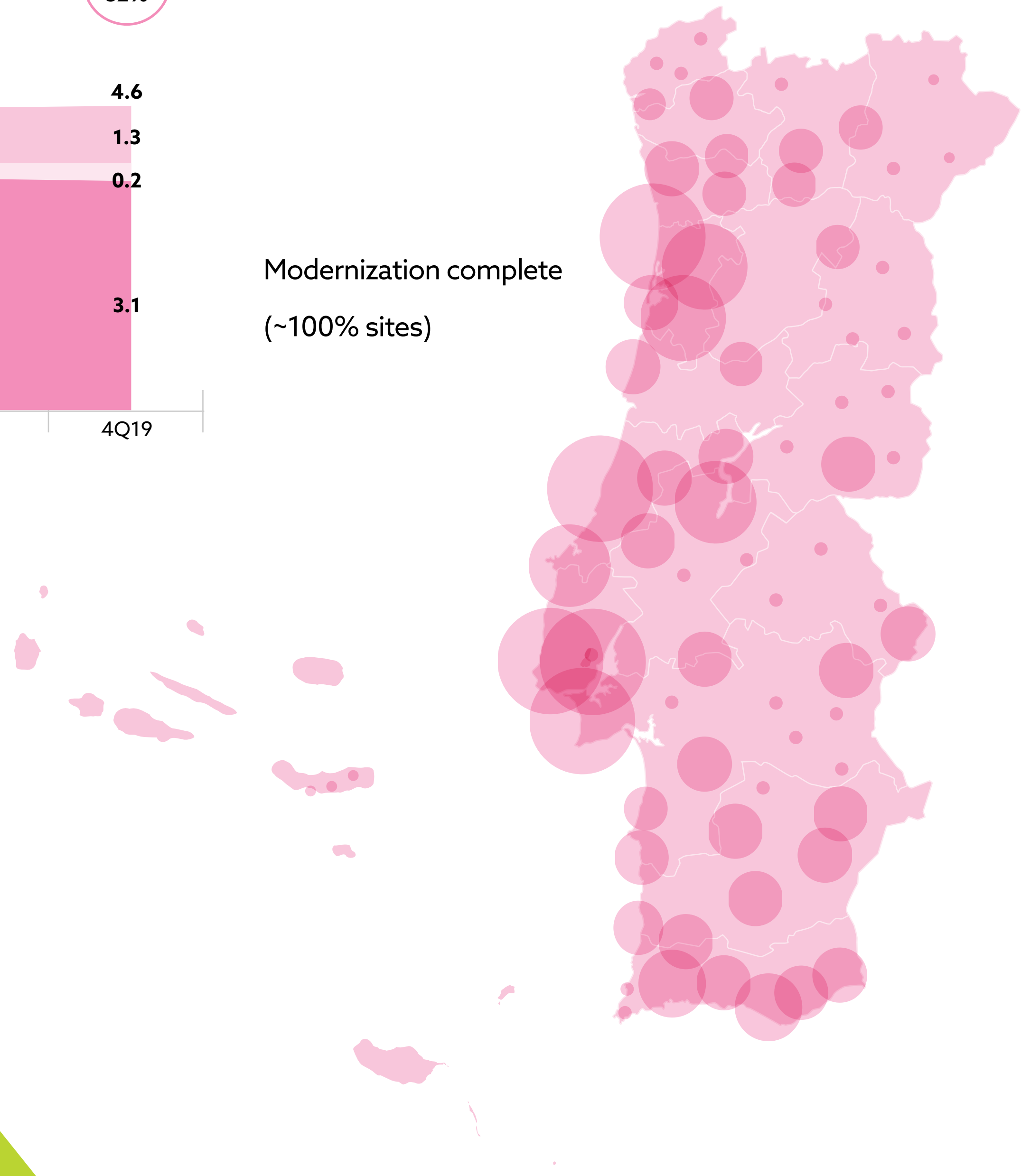
Technological superiority, innovation and reliability are structural pillars for long-term competitiveness in a sector characterized by a continuous drive for technological renewal and investment. Drivers of this demand are primarily the exponential pace at which data consumption grows every year, the way subscribers consume video on multiple devices and demand more and more sophisticated and widespread services. To provide our customers nationwide with their entertainment and communication services wherever and whenever they want to access them, and with the service quality and reliability they expect, every year we make significant investments to increase capacity, coverage and resilience of our mobile and fixed infrastructure.

On the fixed local access front, our FttH deployment programme is going according to plan through both greenfield rollout and a dark fibre network swap with Vodafone, as agreed in September 2017, which entails the exchange of approximately 2.6 million FttH households until 2022 to reach 70% FttH penetration of our fixed network by that time. 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. Total fixed NGN coverage at the end of 2019 stood at 4.6 million households, an increase of 219 thousand households during the year, of which 32% were FttH, up from 26% last year. NGN coverage is delivered over our legacy Docsis 3.1 and FttH networks, new FttH build and wholesaled FttH network within the context of the sharing agreement with Vodafone and finally through wholesale access from dst, a regional FttH provider. Since 2014, NOS has increased its FttH footprint by 109 municipalities, reaching 230 in total with its 1 Gbps network.

Total network coverage
(%)



Mobile Single RAN Upgrade



Modernization of our mobile infrastructure with the upgrade to a 5G ready single RAN architecture is now complete and network performance and customer satisfaction levels are already reflecting this important investment. The project entailed the 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. 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 involved extension of coverage with investment in approximately 250 additional sites. With this investment completed in early 2019, we are prepared for the evolution to mobile 1Gbps with the licensing of 5G spectrum in 2020.

As regards expansion and optimization, we continuously evaluate opportunities for further improvement in the quality and reach of our networks, whilst approaching investments in a technologically rational and cost-effective manner, as is the case of our FttH sharing arrangement with Vodafone that is currently being deployed. To that effect, in July 2019, we announced the signature of an MoU with dstelecom, S.A., establishing the terms and conditions for negotiating the construction and use of a new optic fibre network, with widespread national coverage, that will enable our customers to access a new high speed fixed offer. The contract, signed between NOS and dstelecom, is for 20 years and covers between 900 thousand and 1.2 million households in Portugal, currently not covered and that are not included either in NOS´ FttH rollout plans or encompassed by the network sharing agreement between NOS and Vodafone, and are independent of other FttH network roll-out plans which may already be underway or are being planned. With this agreement, we commit to use the network built by dstelecom on an exclusive basis and over and above any other existing or future fixed network in the referred geographies. The agreement foresees that an identical arrangement may be reached with another electronic communications provider, on a non-discriminatory basis.

08. Working better through transformational change and digital leadership

A couple of years ago we launched the founding structure for our company wide operational transformation programme, with the primary goal of achieving excellence in customer experience through implementing a fitter and more digital operating model. This programme is at the heart of our management time and focus, be it through specific transformation projects, be it through the way of thinking and working that this transformational model imposes on operating processes.

As a recap, our vision for transformation is designed around 3 layers with a strategic focus on customer centricity, driven quality and customer experience and obsession with service quality and improving customer experience.

Of the more than 60 projects identified in the original planning phase many have already gone from the detailed evaluation and planning phase to company wide deployment during 2019, leading to significant benefits in terms of customer experience and satisfaction levels and already started to capture financial value through cost efficiencies. Much work has been done in a number of critical workstreams, with some landmark digital projects being deployed during the year.

Within the context of our digitalization programme we achieved some major milestones with the launch of the three new transactional and service APPS discussed above. Initial take up and usage are extremely encouraging and focus going forward will be on driving further utilization as a means of increasing self-care and thus relieving internal structures of less complex tasks and increasing customer satisfaction levels. Also, on the digitalization front we completed deployment of our light and seamless digital sales force platform for the SME segment, which has significantly increased the quality and reliability of the sales effort, with full digital end-to-end integration. Our RPA programme consolidated its reach throughout the company with an in-house specialist team responsible for evaluation and training up internal teams to deploy automation software where viable thus driving increases in productivity and process reliability and reducing related costs with the most relevant application in back-office roles. Progress is being made on a number of data analytics projects that are taking our understanding of customer profiles and usage trends to a higher level, enabling us to proactively address customers with more targeted offers and retention strategies.

Although much work has already been done, and value is starting to be captured, we are just at the beginning of the second of three waves of transformational projects, 60 in total. Full financial impact of the programme will take until 2022 to be captured, ramping-up more visibly beyond 2020, as all projects streams are up and running across the company. Perhaps one of the major symptoms of how our transformation has impacted operations is the material change in the way we work, enhancing and boosting productivity with new, agile work methods, using collaborative, simple and social tools and extending innovative work places and formats beyond the original project team hub.

Create a transformation Customer experience

Develop digital offers and business models

Establish customer centric processes in the organization focused on service and driven by data

Implement productivity levers to simplify current processes and generated efficiency

Build the skills within the organization to address transformation goals

09. Shareholder Remuneration proposal to the General Meeting

Considering that:

For the year ended December 31, 2019, a net profit for the year was determined in the separate accounts in the sum of € 297,101,343.50, 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 € 1,285,032 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 € 297,101,343.50, be paid to shareholders, by way of ordinary dividends for the 2019 financial year the amount of € 143,214,863.64 (or 0.278 euros per share, in respect of the total number of shares issued), and transferred to Free Reserves the amount of € 153,886,479.86;
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 € 143,214,863.64 mentioned in the preceding paragraph calculated on the basis of an amount per share issued (in this case, 0.278 euros per share) be distributed by way of dividends as follows:

   a. The unit amount of 0.278 euros 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 € 1,285,032 to the Directors, under the criterion established by the Board of Directors.

10. Subsequent events

On 23 January, Jorge Brito Pereira (Chairman of the Board of Directors), Paula Oliveira and Mário Leite da Silva (Members of the Board of Directors) resigned from their positions.

On 27 January, Ângelo Paupério, Member of the Board of Directors, was nominated Chairman of the Board of Directors.

On 4 February, NOS announced to the market that a Letter of Intent was signed between NOS and Vodafone Portugal, framing the negotiation principles for a mobile network sharing agreement of assets that are currently held or will be held by the aforementioned Parties.

NOS' purpose is to enhance the efficiency of its investments and achieve larger and faster coverage of the national territory, thus delivering a reinforced service with more benefits for its customers. NOS believes this agreement will also be a significant contribution to the economic and digital development of the country.

The proposed agreement does not imply spectrum sharing and parties will maintain exclusive strategic control of their networks, thus ensuring independence in the definition and provision of services to their respective customers.

The parties will negotiate on an exclusive basis with a view to reaching a definitive agreement in June 2020.

On 13 February, S&P Global Ratings affirmed NOS' Long Term Issuer Default Rating at "BBB-" with a Stable Outlook. Maintaining its investment grade long term issuer credit rating with S&P enables NOS to reinforce the conditions to further diversify its sources of funding, extend average debt maturity and continue to reduce the already low average cost of debt.

Non-Financial Statements

Sustainability Report

About this report

For the NOS Group (hereinafter referred to as "Group") sustainability is a strategic dimension, essential to the progress of the organization and business, and the creation of long-term value.

For the third consecutive year, we share, with all stakeholders, the Group's consolidated strategy and performance in the economic, environmental and social dimensions, seeking to respond to the expectations and interests of the different stakeholders.

The Sustainability Report (hereinafter referred to as "Report") focuses on the Group's activity between the January 1st and December 31st, of 2019. Whenever appropriate and relevant, we have included information related to previous years, to allow a comparative assessment of our performance. The reporting of this information highlights our performance at the level of the principles of the United Nations Global Compact and the Sustainable Development Goals (SDGs), in addition to meeting the requirements of Decree-Law No. 89/2017, published on July 28th, 2017.

As in previous years, the Report was prepared with reference to the internationally recognized standards of the Global Reporting Initiative (GRI), version GRI Standards 2016, for the "In accordance-core" level, the correspondence with the same information being available in the GRI table.

It is structured around the five axes that we have identified as strategic, and around a chapter that presents the sustainability management model in the Group. These strategic axes are a direct result of the materiality analysis carried out in 2017, which made it possible to identify the 26 material topics of greatest importance for our stakeholders. The Group's performance and some of the main initiatives developed throughout the year are presented for each axis.

The integrated sustainability information included in this report 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:

Isabel Borgas
Corporate Communication and Sustainability Department
NOS Comunicações, S.A., Rua Actor António Silva, nº9, Campo Grande, 1600-404 Lisboa
sustentabilidade@nos.pt

01. NOS and Sustainability

Locally and globally, sustainability is increasingly important for companies' long-term strategies. That's how it is at NOS, where we integrate ethical, social and environmental issues into the business strategy.

The ambition to continue to be the best communications and entertainment operator in Portugal moves us towards a path of sustainable development that generates countless opportunities to create a better society, together with our employees, customers, suppliers, partners and third sector organizations.

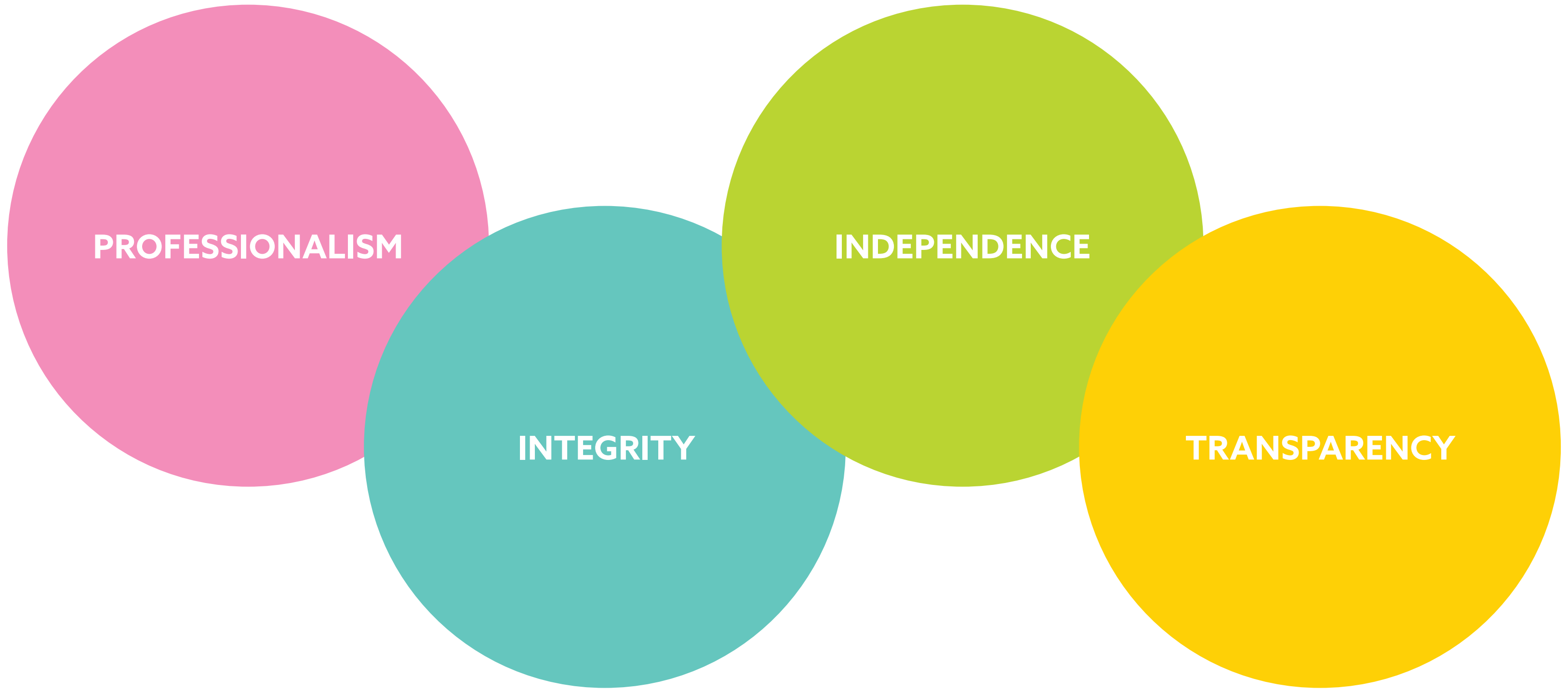
We believe that technological evolution goes hand in hand with the evolution of society and, in this sense, business and company are at the forefront in responding to global challenges, such as adaptation and mitigation of climate change, scarcity of natural resources, increasing economic inequalities and a greater concern with issues of security, privacy and education.

The market where 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 the expectations, which are also evolving, from our customers.

At NOS we follow the evolution of these challenges, study trends and act accordingly. We use our products and services, which are constantly updated, to create social change, increase company productivity and improve people's standard of living, respecting the environment and generating value for stakeholders.

Values and Mission

Our sustainability mission supports the promotion of transparent management practices and the guarantee that all the Group's activity is governed by ethical, environmental and social principles, standards and values.



Sustainability Mission
To use the power of information and communication technologies to develop innovative solutions that contribute to an inclusive society, protect the environment and enhance social and economic transformation.

Policies developed and commitments made by NOS

Along this path, we highlight some of the principles and commitments that we subscribe to, as well as some internal benchmarks that support the management of our activity in different dimensions:

United Nations Global Compact

Sustainable Development Goals

Commitment letter "Business Ambition for 1.5°C"

CEO's Guide on Human Rights

BCSD Portugal Charter of Principles

Sustainability Policy

For more information, consult the NOS website.

How we Govern Sustainability

Sustainability Governance Model

Executive Comitee	Corporate Communication and Sustainability Department	Sustainability Pivots
— Ultimate responsibility for approval of the strategy	— Management and coordination of the implementation of the sustainability strategy; — Definition of commitments, monitoring and evaluation of the progress towards sustainable development; — Monitoring and supporting the definition of mechanisms and tools for reporting	— Definition of objectives and targets in the collection process; — Consolidation and reporting of sustainability; — Preparation and monitoring of internal and external audits.

Partners
— Support in the development and implementation of the strategy.

The Executive Committee, which is fully committed to the company's sustainability management, has the maximum responsibility for approving the Corporate Sustainability Strategy.

The Corporate Communication and Sustainability Department, delegated by the Executive Committee, is in charge of managing and coordinating the implementation of the strategy, and the respective management.

The 59 sustainability pivots that we have defined, which are spread across different areas of the business, support us in the operational execution of the strategy.

NOS also has a set of partners, fundamental in the development and implementation of the Strategy.

Coordination Committee of the Integrated Management System

Part of our commitment is to adopt the best market practices. To this end, we make use of a range of management systems that provide us with a holistic view of our processes and activities. Its use allows an effective monitoring and continuous evaluation of our performance, through performance indicators and an audit program (internal and external). The certification of our processes is critical to ensure the high quality of our products and services and the satisfaction of everyone involved.

The Coordination Committee of the Integrated Management System (IMS) is sponsored by the Executive Committee, and its coordination is ensured by the Audit and Risk Management Department. It develops operational management and maintenance activities for the IMS, ensuring compliance with the normative requirements subscribed and the monitoring of processes in order to enhance its continuous improvement. It is composed of representatives (Pivots) from the departments/areas:

Permanent Members (regular)

Operational business directions and central support directions most relevant in terms of Quality, Environment and Health and Safety at Work management. It may include other areas, when necessary, and depending on the topic to be addressed

Non-Permanent Members *(ad-hoc)*

Pivots from the areas covered by the IMS may be invited to participate in the IMS Forums, with ISM Operational Management being responsible for involving them, whenever relevant and necessary.

On a quarterly basis, the Committee promotes the IMS Forum whose main objectives are:

1. Review the status of IMS initiatives;
2. Become aware of the risks and validate projects with an impact on Quality, Environment and Health and Safety at Work;
3. Discuss and approve IMS documents;
4. To share knowledge and ongoing initiatives;
5. Recommend measures to be taken following the monitoring and analysis of non-compliant situations, incidents and opportunities for improvement, when necessary.

Risk Management

At NOS, risk management processes are supported by a consistent and systematic methodology - Enterprise Risk Management (ERM) -, based on best practices and international standards and aligned with the Group's internal (business) and external (stakeholders) context . This methodology provides for periodic risk assessments to be carried out that allow for the review and prioritization of the main corporate risks that may compromise the performance and objectives of the different areas of the organization.

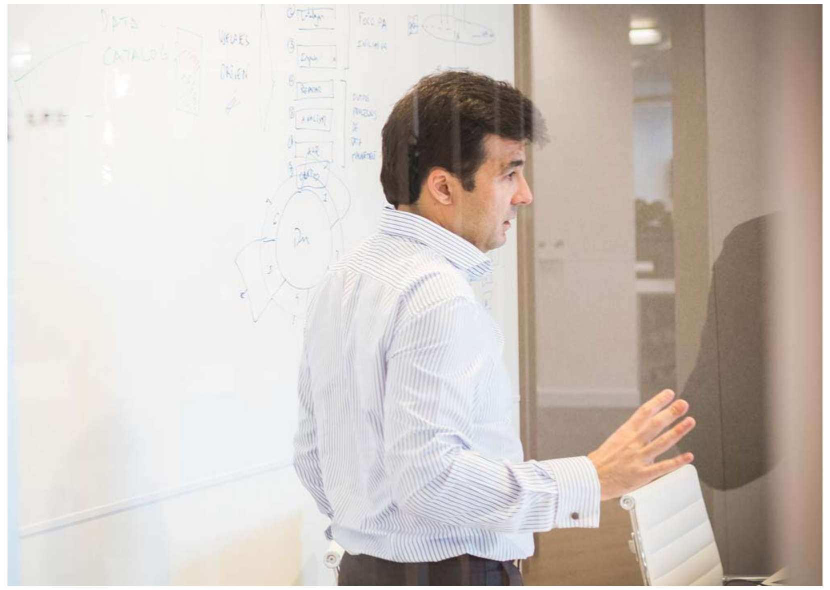
In the 2019 risk identification and assessment process, 40 ERM risks were identified to be assessed, taking into account:

- 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";
- The risks associated with financial reporting (including those referred to in ISA701);
- The most significant corporate risks identified by NOS management (arising from previous risk assessments).

In the total of risks assessed are included the risks associated with topics relevant to Sustainability . The risks were submitted to an assessment made by the directors and pivots of 18 NOS areas with responsibilities under the aforementioned certifications.

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

We highlight, in the following table, the 10 main inherent risks found in the described assessment process, including examples of processes, initiatives and/or actions that NOS adopts to address these risks and, thus, mitigate the associated impacts. The TOP 10 of the risks presented was calculated based on the inherent risk value and are grouped/ordered by type and/or the way they are managed.



2019 risk assessment results

TOP 10 Risks	Examples of processes/initiatives/actions that address the risks
Business Environment | Legislation and Regulation | **Regulation**	– Monitoring the evolution of the legal and regulatory framework applicable by the Legal and Regulations Department – Further development of the Personal Data Protection and Privacy initiatives program with the objective of continuously monitoring and improving compliance with the GDPR and other regulations with an impact on privacy – Reinforcement of specific security measures related to the implementation of the Regulation on the Security and Integrity of Networks and Services – Articulation with external entities for benchmarking and sharing of best practices on Security and Privacy issues, such as ETIS through participation in DPTF - Data Privacy Task Force and ISWG - Info Security Working Group
Business Environment | Politics and Economy | **Economic Climate** Business Environment | P&S Sector and Market | **Competition + Technological innovation** Operational | P&S and Customer Satisfaction | **Development P&S + P&S Performance**	– Adoption of strategies in order to grow in customers and counter the drop in revenues seen in the telecommunications market in Portugal – Protection of the offer in the face of competition, diversification of the offer, crossing of offers between NOS businesses – Monitoring of customer preferences and/or needs, with the aim of improving the quality, differentiation and innovation of products and services – Completion of the modernization of the mobile network infrastructure, with the upgrade to a Single RAN (Radio Access Network) architecture prepared for 5G – Further expansion of NGN (New Generation Networks) fixed network infrastructure, including increased coverage by FTTH – Further introduction of innovative technologies, services and content that enhance sustainability, mobility, accessibility and proximity, such as: multidevice TV services (incorporating innovative features); Internet of Things solutions (real-time asset tracking and control); Smart Cities solutions (collection and processing of analytical information about municipalities and citizens) – Further strengthening of the audio-visual rights portfolio and the respective content offer – Incorporation of Security & Privacy by Design requirements into the development lifecycle of P&S, networks and systems
Operational | P&S and Customer Satisfaction | **Quality of Customer Support** Operational | Processes | **Process Efficiency**	– Continuation of the operational transformation program whose key objectives are customer satisfaction, organizational fitness and operational efficiency – Further digitization of processes, highlighting new forms of iteration and customer support through new Apps (NOS Client App, WTF App, NOS Cinemas App) – Further robotization, namely the automation of processes by RPA (Robotic Process Automation) – Further renovation of the store network for the new store concept (full and light) that allows a closer service model and supported by tools that optimize processes – Strengthening of customer management processes (consents, authentication, etc.) – Implementation of controls and indicators on the processes for exercising personal data holders' rights by customers under the GDPR
Operational | Human Resources | **Talent Management and Knowledge Retention**	– Enhancing the development of skills, recognition and professional growth through, for example, integration in transversal strategic projects – Conducting NOS Campus training programs, acting as sharing and transfer of knowledge as development of the potential and talent of employees, in five areas of knowledge: management, leadership, technique, technology and fundamentals – Conducting several specific training courses, in e-learning and on-site format, on Security & Privacy
Operational | Security and Continuity | **Interruption / Catastrophic Losses**	– Further development of NOS 'BCM (Business Continuity Management) Program – Business Continuity management processes that cover the facilities, network infrastructures and the most critical activities that support communications services, for which NOS develops resilience strategies, plans and continuity actions – Reinforcement of incident/crisis management scenarios and procedures – Conducting audits, tests and simulations – Articulation with external official entities for catastrophe scenarios, protection of critical infrastructures and communication in crises, including in this scope the collaboration with the National Emergency and Civil Protection Authority

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

2 Among the 40 risks assessed, those most directly associated with topics relevant to Sustainability are: Economic Climate; Competition; Technologic innovation; Regulation; Ethics and Culture; Talent Management and Knowledge Retention; Health and safety at Work; Process Efficiency; Product & Service Development; Product & Service Performance; Quality of Customer Support; Interruption/Catastrophic Losses; Environment.

Stakeholders

Communication and involvement

Recognizing the importance of an effective and permanent dialogue with our stakeholders, we seek to implement a communication strategy that allows us to establish lasting and close relationships with them, and to identify and understand their current and future needs and concerns.

Employees

Welcome session;
Open Door HR;
Institutional website;
Intranet;
Social networks;
Employee portal;
Internal publications;
Social climate study.

Customers

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

Suppliers and Partners

Institutional website;
Satisfaction studies;
Supplier Portal;
Supplier support email.

Community

Institutional website;
Entrepreneurship and social responsibility initiatives.

Government entities and Regulators

Direct contact;
Communication Extranet;
Participation in national and international associations.

Financial entities

Institutional website;
Institutional email;
Specialty conferences;
Roadshows;
Disclosure of results;
Direct Contact.

Industry

Institutional website;
Institutional email;
Meetings and direct contact;
Participation in national and international associations.

Social Communication

Participation in conferences and events;
Disclosure of activity information

What matters to our stakeholders

At NOS we seek to know what our stakeholders think in order to understand what we can improve in the management of our activities. The direct consultation process, which we carried out in 2017, made it possible to identify the most relevant topics for the groups of stakeholders covered by this query (customers, suppliers and partners and employees). This exercise also served as a basis for the definition of our materiality matrix.

Throughout the Report, we present how we manage these issues, and some initiatives carried out in 2019, to satisfy the main concerns and expectations of our stakeholders.

	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	HEALTH AND SAFETY AT WORK	COMPENSATION AND BENEFITS	EVALUATION AND DEVELOPMENT	ENERGY AND CLIMATE CHANGE	WASTE
Customers				●	●	●		●			●	●
Suppliers and partners	●	●	●	●	●		●	●				
Employees	●	●		●	●		●		●	●		

How we generate and distribute value

Our ambition is to create shared value. In addition to creating value for shareholders, we are also committed to creating value for employees, suppliers, the State and the community in general.

Economic Value Generated

Revenue 2019
1 604 211

Retained Economic Value € Thousands

283 213

Distributed Economic Value € Thousands

Community (donations)
248

Employees Community
91 441

State
171 849

Shareholders and other financial entities
207 965

Suppliers
849 494

Strategic priorities

Approach to sustainability

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

— In identifying ethical, environmental and social issues relevant to stakeholders and the organization;

— In a strategy of proximity and dialogue with stakeholders, which allows us to know and respond effectively to their main concerns and expectations, and build solid relationships that boost the value creation;

— In the context and trend analysis that we carry out continuously to assess the risks and opportunities relevant to the business.

Based on these premises, we define NOS 'Sustainability Strategy for the period 2018-2020, corresponding to the company's second strategic sustainability cycle.

Strategic Axes

The Sustainability Strategy was concluded after a reflection that considered the results of the consultation process with internal and external stakeholders, but also contextual 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.

This exercise allowed us to identify 5 guiding axes for our work and 26 material topics for ethical, environmental and social issues, to which the most significant risks and opportunities of our activity are associated.

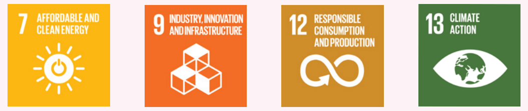
The Strategy is in line with the Sustainable Development Goals (SDGs) identified as strategic for the business and on which the impact of our operations may be more relevant, recognizing that the economic, social and environmental impacts of our activity extend beyond those company borders.

1. Acting Ethically and Responsibly

2. Ensuring a Service of Excellence

3. Valuing Human Capital

4. Preserving the environment



5. Promoting Sustainable Innovation

1. **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 behaviour, are applied and complied with.

2. **We ensure a service of excellence,** placing our customers at the centre, seeking to meet their needs, improving their experience and aiming for high levels of satisfaction. We believe that this is the only way to guarantee a sustained rate of capture and retention. Customers are the foundation of our management model.

3. **We value human capital,** giving priority to the development, health and well-being of our employees, in a sustainable and safe work environment. We look for people capable of undertaking new goals, overcoming challenges and taking advantage of the growth opportunities we have to offer. NOS 'most important and differentiating asset is people.

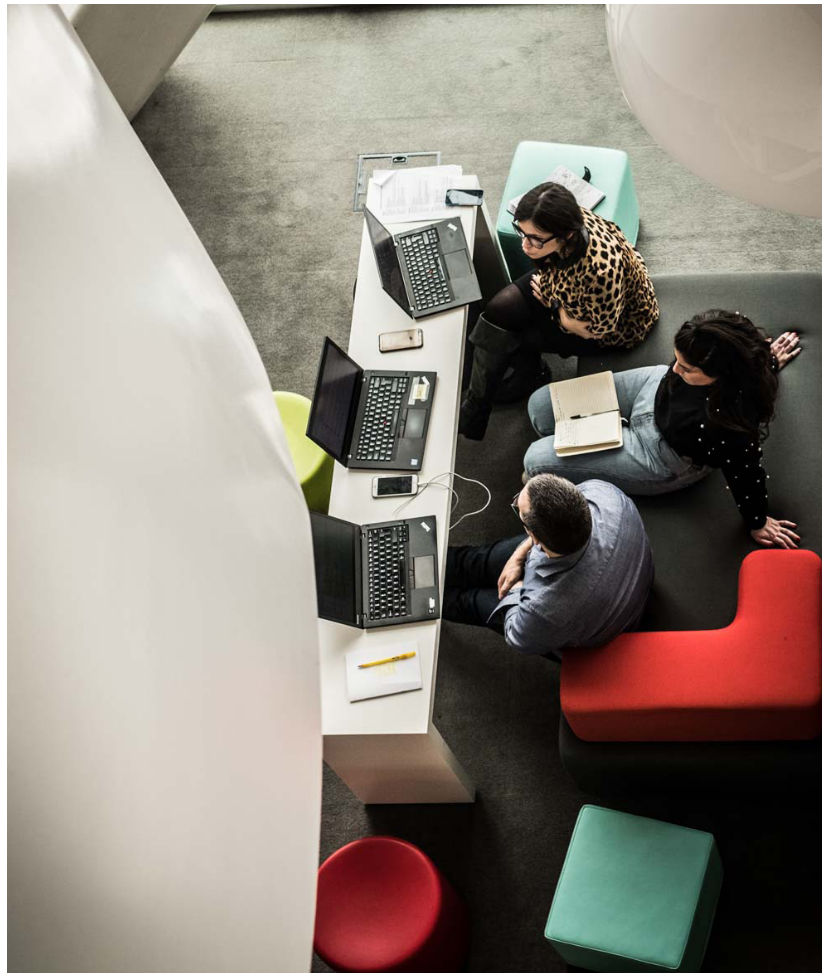
4. **We preserve the environment,** we intend to be increasingly efficient in terms of energy, mobility, emissions and waste, from the production and installation of equipment by our suppliers, through our own operation, to the use of our products and services by customers. We want to bring innovative solutions to the market that realize the potential of new technologies, improving environmental performance in sectors ranging from industry to commerce and services. We minimize our environmental impact and that of others.

5. **We promote sustainable innovation,** through 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. Innovating is in our DNA.

Material topics by strategic axis, and respective boundaries in the value chain

In 2018 we analysed the limits of the 26 material topics in the different phases of our value chain. For the definition of the limit, considering the recommendations of the GRI Standards 2016, it was taken into account who is responsible for the occurrence of the impact, and where changes in the way of management may occur in order to minimize or maximize this 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 made for each of these axes is also presented, as well as the objectives we propose for 2020 and the following years.



			Suppliers	**NOS**	**Suppliers**	**Customers**	
		Material topics	Production and installation of equip-ment	Management of telecommunications networks and support activities	Logistics, distribution and marketing	Use and end of life of P&S	**Correspondence with the GRI Standards**
1. Acting Ethically and Responsibly	**1**	Corporate governance		x			102-18; 102-21; 102-22; 102-24
	2	Conduct		x			102-16; 102-17
	3	Corruption		x			205-2; 205-3
	4	Conflict of interest		x			-
	5	Intellectual property		x			-
	6	Transparency and reliability of information		x			417-2; 417-3
	7	Economic value generated and distributed		x			201-1
	8	Stakeholders Involvement		x			102-40; 102-41; 102-42; 102-43; 102-44
	9	Information security and privacy		x			418-1
	10	Sustainable supply chain management	x	x	x		102-9; 102-10; 204-1; 414-1; 407-1; 408-1; 409-1
2. Ensuring a Service of Excellence	**11**	Customer service	x	x	x		-
	12	Responsible marketing		x	x		417-3
	13	Content access		x		x	-
	14	Response to emergency situations	x	x	x		-
3. Valuing Human Capital	**15**	Work conditions		x			401-2; 401-3
	16	Health and safety at work		x			403-2
	17	Compensation and Benefits		x			401-2; 405-2
	18	Evaluation and development		x			404-1; 404-3
	19	Talent management		x			-
	20	Diversity		x			405-1; 405-2
4. Preserving the environment	**21**	Energy and climate change	x	x	x	x	302-1; 302-3; 302-4; 305-1; 305-2; 305-3
	22	Waste	x	x	x	x	306-2
	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			-

02. Acting ethically and responsibly

Assessment of commitments made

Commitment	Year	Status 2019
Review the Code of Ethics	2019	**IMPLEMENTED** In 2019, we conducted an internal review of the Code to ensure alignment with new policies and codes that deepen specific ethical issues. This new version will be communicated, internally and externally, during 2020.
Disclose, to employees, the Regulation for Acceptance and Offer of Benefits	2019	**IMPLEMENTED** We internally disclosed the "Regulation for Acceptance and Offer of Benefits" and promoted the realization of on-site format sessions to clarify doubts of Employees.
Hold an on-site format session for employees dedicated to an ethical topic	2019	**IMPLEMENTED** We held the 2nd Edition of "Let's Talk Ethics", a session dedicated to the topic of business ethics and aimed at Employees.
Include sustainability criteria in the supplier evaluation process	2019	**IMPLEMENTED** We have included Ethics, Environment and Health and Safety at Work criteria in the annual evaluation process of our suppliers.

Commitment	Year	Status
Ensure that employees, suppliers and partners are aware of and are aligned with the latest version of the Code of Ethics	2020	**NEW**
Sensitize Employees to NOS rules and ethical principles	2020	**NEW**
Launch new Security & Privacy training programs	2020	**NEW**
Develop a structured, transversal and differentiated program that fosters relationships and collaboration with suppliers, maximizing the sharing of information and experiences in order to anticipate and/or challenge the introduction of innovations and new business model	2020	**NEW**

Main Highlights

>8.000
employees of partners trained in ethics
(from the active base)

> 7.800
employees of partners trained in Security & Privacy

83,3%
turnover with national suppliers

81%
suppliers with satisfactory evaluation

Ethics and conduct

Professionalism, integrity, transparency and independence are the fundamental principles at NOS, which support our ambition and the growth objectives we want to achieve. They are what allow us to establish trusting relationships with our stakeholders and, therefore, they must be applied and fulfilled in everything we do.

How we manage ethical issues

At NOS we manage ethical issues judiciously. We know that its impact on the organization's reputation is unquestionable and translates into a competitive advantage, a distinctive factor in attracting and retaining employees, in the respect with partners and in customer loyalty.

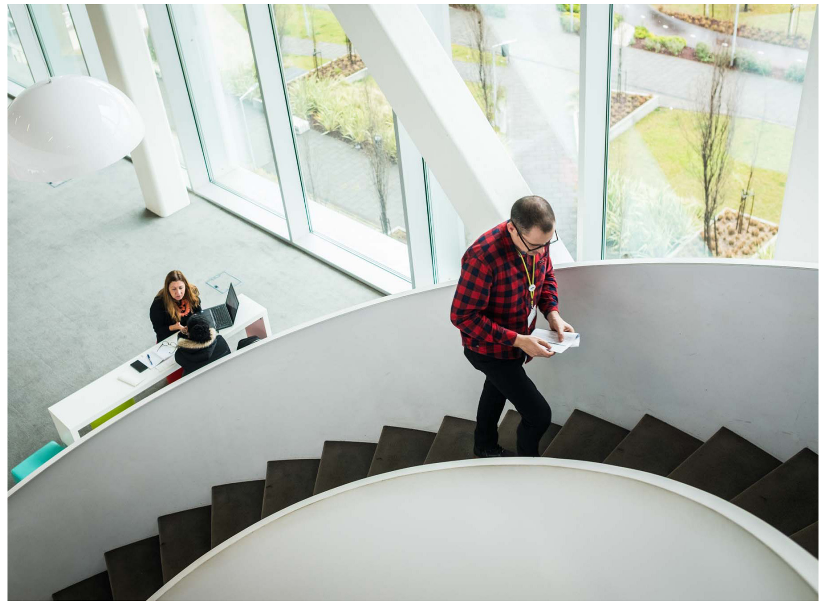
The application of the principles of our Code of Ethics, together with a robust ethics program, aligned with the ethical risks relevant to the organization and supported by a training and communication plan, allows us to build an ethical, transparent and open to dialogue culture. In this way of being, we also seek to make all managers aware of the increased responsibility they have in applying the Code.

The Code of Ethics

The Code of Ethics, published in its first version in 2015, was created with the fundamental objective of sharing a set of principles and rules that should govern the internal and external relations of NOS Group companies with their stakeholders, as well as promoting and encourage its adoption by all members of NOS corporate bodies and employees, as well as, with the necessary adaptations, by all those who represent or render services to the NOS Group.

The Code does not act in isolation, but in conjunction with the other regulatory instruments of the Policies undertaken by NOS, that develop and deepen some of the established ethical principles, as well as with the legislation and/or regulation, which may be, at each moment, applicable.

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



Major milestones

2007
Communication of Irregularities Regulation
Establishes a set of internal rules and procedures for the receipt, registration and handling of communications of Financial Irregularities received by the Company, in accordance with the provisions of the law.

2013
Procurement Manual
Establishes the set of rules and principles that govern the NOS Group's activity in the relationship with its suppliers within the scope of the goods and services acquisition process, being applicable to all the companies of the Group.

2014
General Security Policy
It defines the Information Security Principles that must be followed by NOS employees and service providers, the security levels and domains and the respective control objectives.

2014
Customer Privacy Policy
Informs customers and users of products and services of NOS Group companies about how their personal data is treated and how it is protected.

2014
Approval of the Regulation of the NOS Ethics Committee, SGPS S.A.
In 2014, the Regulation of the NOS Ethics Committee was approved, which establishes the rules of operation of the Ethics Committee.

2015
NOS Code of Ethics
Establishes the principles and rules that govern its relations with its stakeholders, in its broadest form.

2015
Sustainability Policy
It determines the principles that make it possible to promote prosperity and create social, environmental and economic change, to achieve process optimization, to improve the capacities of people and organizations.

2016
Sustainability requirements for Partners and Suppliers
Set of guidelines that reflect the essentials of our positioning, commitment and performance in terms of sustainability, and that must be adopted by all our Suppliers and Partners.

2016
Code of Ethics - short version for Partners and Suppliers
Set of principles and rules that must be strictly complied with by each Supplier or Partner that works with NOS and incorporated into their daily processes.

2016
Delegation of Competencies of the NOS Group
Informs about the delegation of competences to be applied to the NOS Group, including those relating to Cross-cutting Policies (communication, human resources, commercial, others) and the Employment and Procurement Policies.

2017
Guide for a responsible online company
This guide aims to support and guide employees towards the conduct expected when working in a professional context or representing NOS in the use of the various digital channels.

2018
Code of Conduct for Prevention and Combating Harassment at Work
Establishes principles and rules that aim to prevent and, if necessary, combat harassment or any other form of attack on the dignity of employees or the people with whom they relate.

2018
Employee Privacy Policy
Informs about the protection of privacy and personal data related to Employees of NOS Group companies.

2018
Customer Privacy Policy (update)
Update of the Policy on protection of privacy and personal data related to Customers of NOS Group companies, for greater alignment with the GDPR.

2018
Declaration of Commitment to Privacy and Protection of Personal Data
Commitment to the protection of privacy and personal data, regarding legislation, regulations and national and European guidelines applicable to their treatment.

2018
Regulation for Acceptance and Offer of Benefits
Establishes a set of principles and rules transversal to the NOS Group's activities in order to clarify the rules of acceptance and offer of benefits, by employees, in the context of their professional activities.

2019
Plan for Gender Equality
Plan through which NOS establishes a public commitment in terms of gender diversity, based on mutual respect and equal opportunities.

Risk Management Policy
Formalizes the reference methodologies that already exist in NOS risk management, the intervening entities and their responsibilities.

The Ethics Committee

The NOS Ethics Committee, as an independent and impartial entity, has, among others, the responsibility to promote and monitor the implementation of the Code of Ethics; receive and respond to requests for clarification and expression of concerns related to the Code of Ethics and its fulfilment through an email for this purpose, available on the NOS **website** and on the intranet; issuing opinions on measures to be taken as a result of the investigations; and ensure the compliance of the ethical performance management system with the requirements established in the Company's internal control system.

The information handled by the Ethics Committee is strictly confidential. The Ethics Committee also addresses anonymous situations and guarantees anonymity in order to guarantee trust in the process.

Ethics training and communication

At NOS we believe that only through the consistent and regular application of our ethical principles is it possible to maintain the trust of our stakeholders, our most precious asset.

The annual ethics training and communication program we have developed aims to ensure that all Employees, Suppliers and Partners know and understand the Ethics Policies and Codes available and, to that extent, have greater clarity about behaviours that can be considered less ethical.

EMPLOYEES

The training plan for Employees provides for mandatory e-learning on the Code of Ethics, making it an integral part of the welcoming process for new employees, when an individual declaration of commitment to comply with the Code is signed.

Main objectives of e-learning "There is ethics in us"

To make known:

- The principles and rules of the Code of Ethics
- The internal mechanisms available to report an alleged irregularity or clarify doubts
- The organization's ethical commitments to be undertaken in the employee's day-to-day
- The impact of their behaviour

For the second consecutive year, we shared the Ethics Committee's activity indicators for the year 2018 with our Employees and, due to the success of the previous edition, we held a new edition of "Let's Talk Ethics" in 2019.

Let's Talk Ethics

The "Let's Talk Ethics" initiative consisted of an open session of sharing and knowledge on the topic of business ethics, addressed to employees, and with the participation of the Ethics Committee. The main objectives of the session were to reinforce the importance of ethical issues for the Group, to clarify the role of the Committee in the company, to generate confidence in existing processes and to clarify existing doubts on the topic.

Employees were given the possibility to ask, previously anonymously, the questions they would like to see addressed and answered in person at the session. This dynamic made it possible to confirm the Committee's total openness and transparency in resolving the ethical dilemmas presented.

How do you globally evaluate the "Let's talk about Ethics" session?*	4,5
What is, in your opinion, the relevance of the initiative and the topic addressed? *	4,7

* Average value of the 2018 and 2019 sessions, calculated on a scale of 1 (Very bad | Totally irrelevant) to 5 (Very Good | Totally relevant)

SUPPLIERS AND PARTNERS

The principles and rules described in the Code of Ethics must be strictly complied with by each Partner or Supplier that works with NOS and incorporated into their daily processes.

In this sense, the employees of each Partner or Supplier acting on behalf of NOS are obliged to follow the principles and rules of the Code with the adaptations described in the short version for Suppliers and Partners of the NOS Code of Ethics, available at the **website**.

Whenever faced with alleged violations of the NOS Code of Ethics, and within the scope of the contractual relationship with NOS, the Partner or Supplier must report them to the NOS Ethics Committee.

Employees of suppliers and partners who provide services in organizational units identified as having activities more exposed to ethics risks also participated, in 2019, in ethics training sessions whose format was defined by the unit itself. By the end of the year, more than 8000 employees from active base partners had completed this training.

Security and privacy

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

In order to ensure that all people who in any way relate to NOS (customers, employees, suppliers and partners, among others) have the necessary conditions for the safe use of our services, we continue to revalidate the commitment we have with stakeholders, regarding issues that we consider to be a priority in terms of security and privacy.

Security and privacy management

The Security & Privacy (S&P) programs and processes that we develop and maintain allow us to manage risks related to availability, integrity, confidentiality and privacy, and associated with information/data, processes/assets or products/services.

NOS companies, areas and employees are responsible for ensuring the operationalization and monitoring of information security, privacy and business continuity controls whose implementation is attributed to them.

The NOS Security & Privacy Committee, appointed by the Executive Committee, is responsible for coordinating S&P programs that aim to develop and implement S&P processes in the organization.

Security & Privacy Processes
Planning and strategy (including S&P Steering Committees)
Policies and regulatory body
Awareness and training
Control and monitoring (including risk assessments, control of S&P initiatives, KRIs)
Compliance support (including changes to legislation and / or regulation of S&P, areas support)
Security & Privacy by Design
S&P objects (inventory and risk assessment of assets, activities and products or services)
Treatment activity records (TARs))
Privacy Impact Assessments (PIAs)
Subcontractors
Business continuity and crisis management (BCM)
S&P Incidents
S&P certifications

Information Security Management

The NOS Information Security Management (ISM) program aims to implement processes to protect information and its supporting assets on the three fundamental pillars (availability, integrity and confidentiality). Information protection must comply with both internal information policies and external laws and regulations. The service requirements documented in the agreed service levels, contracts or operational agreements with customers must also be considered.

Areas of information security
Organization and Management of Security Risks
Human Resources Security
Security and Operation of Systems and Facilities
Information and Communication Management
Incident Management
Business Continuity Management
Monitoring and Auditing
Privacy and Personal Data

Personal Data Protection Management

For NOS, privacy is a concept of information security associated with confidentiality that includes the protection of information, in particular the personal data of customers, employees and other data subjects, with the objective of guaranteeing compliance with the applicable rules and the fundamental right of each individual to have access and to decide who should have access, at every moment, to their data.

In this context, and in conjunction with the ISM, we have developed and maintain a program of initiatives that aim to implement processes for the protection of personal data, but also to continuously monitor and improve compliance with the General Data Protection Regulation (GDPR) and other regulations impacting privacy.

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

Business Continuity Management

NOS develops and maintains a Business Continuity Management (BCM) program with the objective of implementing processes to reduce the risk of interrupting critical business activities or critical products and services, originating in catastrophe situations, technical-operational failures, or massive human resource failures.

The Business Continuity management processes cover the facilities, network infrastructures and the most critical activities that support critical services, for which resilience strategies, plans and continuity actions are developed, as well as incident/S&P crises management procedures. Continuity processes are periodically subject to impact and risk analysis, as well as audits, tests and simulations. NOS also promotes the articulation with external official entities for catastrophe scenarios, protection of critical infrastructures and communication in crises, including in this scope, for example, the collaboration with the National Emergency and Civil Protection Authority.

Information security and privacy actions

In 2019, we highlight the solidification of the Personal Data Protection and Privacy initiatives program; the update of our main security and privacy policies and standards; the reinforcement of the rules for the processing of clients' personal data; the reinforcement of technical security measures in networks and systems; the development of a more detailed methodology for conducting privacy risk assessments (Privacy Impact Assessment); the implementation of indicators that allow to improve the control of key privacy-related processes; and the continuation of the actions of accountability of our partners and suppliers through the conclusion of Data Processing Agreements.

"NOS Security Talk" Conference

The digital world brings many opportunities and advantages, but it also raises risks for which it is important to raise families' awareness in order to create healthy internet usage habits and to safeguard the appropriate protection measures. Aware of this reality, NOS held in 2019 a conference to reflect on the great current challenges of cybersecurity, namely regarding the online security of families.

Mikko Hypponen, a global cybersecurity expert and F-Secure's Chief Research Officer, was the special guest at this conference.

As commitments for 2020, we will continue to implement the new governance model for Security & Privacy functions and respective responsibilities in the various areas and levels of the organization; make the transition to the new processes and tools that support Security & Privacy management; and launch new training programs, in e-learning and on-site formats, on these topics.

Security and privacy training and communication

In 2019, we continued to implement the training plan defined for employees and extendable to partners, including the realization of e-learnings on "Security & Privacy".

SECURITY & PRIVACY E-LEARNINGS

NOS Employees
191
employees
(new admissions)

Success rate of 81%

Partner's Employees
7878
partner's employees
(NOS Partner Academies)

Success rate of 75%

"SECURITY & PRIVACY BY DESIGN" TRAINING

NOS Employees
214
employees
(on-site format training)

Success rate of 90%

Sustainable supply chain management

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

Our suppliers are a key element to guarantee the quality of the products and services we develop and sell. They are an integral part of our value chain and, consequently, of our economic, social and environmental performance.

In this context, we have developed a set of principles and policies that serve as a basis for both our actions towards them and their actions towards NOS. We consider it essential that our suppliers comply with all legal requirements applicable to their activity, collaborate in requests regarding the implementation of good sustainability practices, internalize and act in accordance with the principles set out in the NOS Code of Ethics and in the Sustainability Requirements that we define for Suppliers and Partners.

In 2019, we had more than 9 thousand suppliers representing approximately 4% more than in the previous year. The procurement volume, in that same year, was slightly over 2 billion euros, 83.3% of which related to national suppliers. The telecommunications business is the segment with the greatest weight in payments to suppliers (86%). Excluding intragroup suppliers, the most relevant supply areas are related to interconnections, equipment and IT services, which together represent more than 50% of our purchases.

Sustainability requirements for suppliers and partners

The Sustainability Requirements for Suppliers and Partners present guidelines that reflect the essentials of our positioning, commitment and performance in terms of sustainability, and that must be adopted by all NOS suppliers and partners. They include topics such as ethics, information security, privacy of personal data and business continuity, energy and emissions, waste, and health and safety in the workplace.

The Requirements are communicated to all suppliers and partners and are available on the NOS **website**. They are also an integral part of the General Conditions for the Supply of Goods and Services to Grupo NOS sent to suppliers in the market consultation processes. In the scope of supplying products and services to NOS, suppliers are obliged to fully comply with the requirements, as far as they are applicable to the supply in question.

The participation of suppliers, in collaboration with NOS, in improving the environmental and social performance of our products and services is critical to minimizing our impact, today and in the future.

Supplier selection and management

The quality of the products and services that NOS acquires is essential to maintain and improve the value proposition of its offer. Given the importance of the participation of suppliers and partners in our activities, we pay special attention to the selection and the relationship we establish with them.

Through the Procurement Manual, we guarantee the implementation in the Group of best practices in terms of the procurement process, and establish rules and principles for consultation, subsequent adjudication and control of the process. In this way, we guarantee careful risk management, maximizing gains, and we contribute to developing and maintaining a healthy and lasting relationship with our suppliers.

The subsequent selection of our suppliers is carried out according to objective criteria, taking into account the technical, economic and compliance aspects with the required obligations and certifications.

This process is supported on an electronic platform, with recognized credibility in the market. At the end of each formalization, a survey of technically valid suppliers is carried out to assess their satisfaction with the conduct of the business process, the quality of information provided and the ease of use of this platform.

NOS PROCUREMENT PROCESS

Procurement planning

Consultation preparation

Negotiation Consultation

Contract adjudication

Ordering and validating invoices

Control

As a result, we found a very low level of non-compliance or non-conformities in the provision of services by suppliers, with high levels of satisfaction with the process itself.

Suppliers evaluation

Supplier evaluation is essential to identify opportunities for improvement in the service provided and to continuously improve supplier management. In this context, we conduct an internal evaluation process of suppliers annually, selected according to criteria of relevance/criticality for the business, turnover volume, among others.

In 2019, the evaluation methodology was revised to broaden the scope of the suppliers evaluated and, on the other hand, to include evaluation criteria related to the ethical, environmental and safety and health performance of the suppliers.

For each criterion, metrics were defined to make the exercise more objective and comparable between different evaluations, and the respective weighting to be considered in the final evaluation.

In order to guarantee the excellence of the services we provide and that are provided to us, suppliers with the lowest rating (<70%) are encouraged to improve their performance through a process of continuous improvement, which includes meetings with key stakeholders of our company. company and an intermediate evaluation process.

In the 2019 evaluation, referring to the supply provided in the previous year, only 19% of the 155 suppliers evaluated obtained evaluations below 70%. Of these, 33% improved their evaluations after implementing the improvement interactions we have defined.

902 | inquiries sent internally

125 | suppliers evaluated > 70%

The evaluation process also makes it possible to make selection and disqualification rational models available for future adjudication procedures. In 2019, as a result of the low evaluations, there were 14 contract terminations.

03. Ensuring a Service of Excellence

Assessment of commitments made

Commitment	Year	Status 2019
Extend the new NOS store concept to more stores, namely 4 in 2019 and 15 in 2020	2020	**IMPLEMENTED** We extended the new NOS store concept to 21 stores. This concept provides a better customer experience and a new architecture and design, including the use of more energy efficient equipment.
Evolve the monitoring of the service according to the using experience of the services	2019	**IMPLEMENTED** We have established an end-to-end customer vision and implemented an Intelligent Service Management system supported on Analytics and Automation
Decrease incident detection time and resolution	2019	**IMPLEMENTED** Improvements in detection were introduced following the actions of optimization of network alarms and review of dispatching and resolution processes. Contingency plans were also defined with 1st line activation.
Increase energy autonomy on mobile network sites	2019	**IMPLEMENTED** Replacement and reinforcement of autonomy was carried out on the most relevant sites in terms of transmission.
Strengthen our capacity for satellite connections in emergency situations	2019	**IMPLEMENTED** We strengthened the availability of leased capacity in the satellite segment and a set of satellite transmission kits

Commitment	Year	Status
Improve the customer experience, anticipating needs and ensuring first-time, low-effort resolution in all interactions	2021	**NEW**
Implement automation processes to improve incident resolution time	2020	**NEW**
Use Artificial Intelligence with predictive algorithms and Machine Learning to anticipate network and service failures	2020	**NEW**
Massively improve the alert to the population solution in the event of an accident or catastrophe	2020	**NEW**
Define contingency plans to minimize impacts resulting from extreme weather conditions	2020	**NEW**
Ensure network resilience in areas of increased fire risk	2020	**NEW**

Main Highlights

35 initiatives
no âmbito do under the transformation program

176
Paper Less Stores

TOP of Mind
award won for NOS customer service

+ 3.000
DNS blocks for copyright and related rights protection

32%
of total stores (owned and franchised) remodelled

Responsible Marketing

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

At NOS we aim to provide our customers with excellent products and services. To this end, we seek to provide complete, clear and accurate information necessary to make an informed and enlightened decision, ensuring scrupulous compliance with the agreed conditions and the information privacy from stakeholders who relate to us.

In this way of communicating, in addition to ensuring compliance with the legislation and rules that regulate the sector, we want communication to be clear, effective, fast and consistent, to always guarantee customer satisfaction according to the experience principles we define.

We constantly develop efforts to ensure respect and compliance with all applicable legal provisions in terms of marketing and advertising, being members of APAN (Portuguese Association of Advertisers) and of the Advertising Self-Regulation Association (former Civil Institute of Advertising Self-Discipline).

We are subscribers to the Code of Conduct prepared and approved by the Advertising Self-Regulation Association, whose main objectives are to demonstrate good practices and responsibility in the different forms of Commercial Communication, to guarantee public confidence and respect for consumer privacy and preferences. In this context, we have defined procedures to ensure adequate communication with the customer through various channels, such as the customer support lines, NOS Ombudsman, NOS Forum and the chain of stores.

Regarding the general conditions of the service we provide, in addition to being provided on the main page of the NOS **website** as "Conditions for the Offer of Services" and in all NOS points of sale, they are also described in the documentation delivered when purchasing products or services.

Invoice with minimal detail

The invoice with minimal detail, implemented in 2019, is now available to subscribers who request it, free of charge, regardless of the channel or support used.

Among the information contained in the invoice with minimum detail, it is worth mentioning the express indication of the date on which the loyalty period ends, if any, and the charges to be borne by the customer in case of early termination of the contract.

This measure undeniably strengthens the right of consumers to clearer and more transparent information, namely in particularly sensitive matters, such as invoicing and termination of their contracts.

As of January 2020, we started making available to our customers the SIS - simplified information sheet - with the aim of sharing in a straightforward way and all the relevant contractual information.

SIS will be mandatorily delivered to customers at the time of celebrating the contract, or at an earlier time, if the customer so requests, allowing them to make a more informed and conscious choice of the contracted service, as well as to know the main characteristics of the services, the offers and discounts associated with loyalty, the duration of the contract and charges arising from early termination of the contract.

We believe that this self-regulatory initiative will be extremely beneficial for our customers and for the communications sector, introducing more transparency and simplicity in the contractual relationship between customers and NOS.

Also in 2020, and with the aim of expanding the dissemination channels where information associated with the termination of the contract is made available (in addition to the SIS and the invoice with minimal detail), we made available on the **website**, on the App and in the client area, more information on contractual loyalty periods, associated charges and the formula for calculating the amount to be borne in the event of early termination of the contract, and also information on the qualification of extraordinary situations that allow its customers to terminate the contract ahead of time without any associated charge. This is yet another measure of simplification, transparency and value creation for the Portuguese by NOS.

Customer service

At NOS we put our customers at the centre. We understand and satisfy their needs in depth and strive to exceed their expectations. This knowledge, combined with an innovation strategy, allows us to develop measures and initiatives that anticipate their future needs and ensure their permanent satisfaction.

Transformation Program

2019 was marked by the start of the delivery of the projects launched under the transformation program, long-term and transversal to the entire company, which aims to implement significant improvements in customer satisfaction and organizational agility.

Within the scope of this program, to which we have dedicated considerable time and resources, and in which dozens of projects are being worked on, this year, are particularly highlighted the improvements made to the digitization of our relationship with the Customer and the automation of a series of operational activities, with the ultimate goal of improving the customer experience.

Customer service model

We focus on improving the quality and performance of our operations, rewarding our providers along the way. In this sense, in 2019, we developed a new partner service model, based on continuous improvement and based on principles of total partnership, in order to deliver a better customer experience and foster operational improvements.

The partner service model assumes an effective reduction in the volume of interactions between our customers and partners, namely by the Contact Centre, through the resolution in the first contact, and better compensating the non-repetition of customer contacts and, thus, increasing the customer satisfaction with a faster and more appropriate response to each customer. This model also has a special focus on the retention of resources, their satisfaction, digitization and the guarantee of procedural compliance.

In order to promote a collaborative spirit, we carry out a series of initiatives, under the topics of sustainability, team spirit and solidarity, among them the "International Week of Contact Centres". Created at an international level, this initiative sought to promote teamwork among employees, streamline activities within the Contact Centres and encourage a spirit of healthy competition and solidarity.

During this week, activities were developed based on the protection of the environment, recycling, healthy habits and the use of second-hand objects, through an exchange fair and a solidarity market that collected goods to be delivered to an institution.

International Week of Contact Centres

+150 kg
offerd fruit

We delivered
2.600
environmental kits
(cup, bag and program of the Week)

1.000
objects delivered at an exchange fair

32
bags with clothes collected at the Solidarity Market

In addition to the adhesion and involvement of the entire customer service community this week, habits were created that have remained and continue to this day, such as the decrease in the use of plastic in our outsourcing partners.

We were again awarded the "Top of Mind" distinction

As a result of these and many other initiatives, we were distinguished at the Call Centre Trophy 2019 in the "Top of Mind" category, an award that highlights the brand, that appears in 1st place when thinking about the best remote customer service. This award represents the recognition of our effort and commitment to deliver the best experience to our customer.

Our path towards digitization and robotization

In 2019, we continued the path of digitization and robotization, which has, in recent years, played a significant role in NOS 'strategic priorities.

On digitization, we continued to invest in our mobile application ecosystem, in order to guarantee an accessible, convenient and free service to all our customers. As a result of several direct interactions with customers, to ensure that we would meet their needs, we relaunched NOS App, seeking to make the customer support experience simpler, even more autonomous and intuitive; and we launched the WTF App for the younger segment.

Additionally, we changed the paradigm and, today, the invoices we deliver to our customers are electronic, by default. As of 2019, NOS became the only telecommunications operator in Portugal to send digital format invoices by SMS to all customers with electronic invoice and associated contact number. For more details on NOS dematerialization initiatives see chapter "Preserving the Environment".

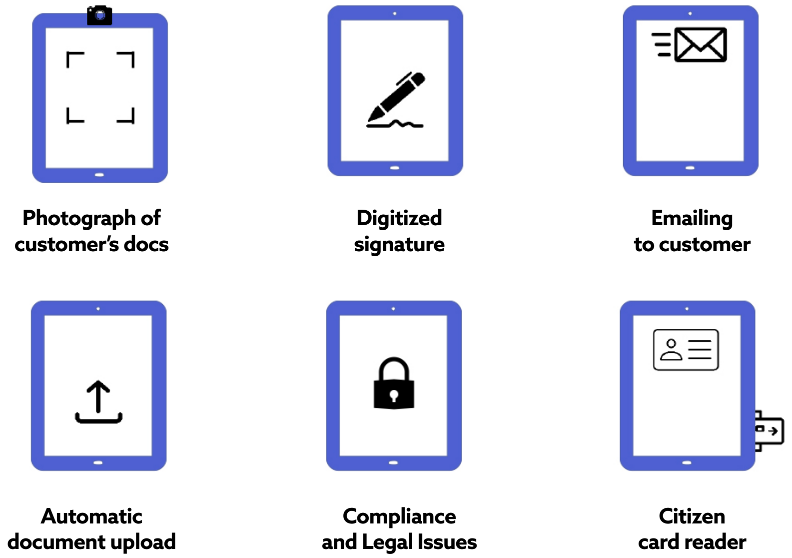
Along with digitization, robotization also had a particular prominence at NOS in 2019, impacting the way of working of dozens of teams. One of these teams is the NOS Backoffice, one of the company's important assets to the extent that it allows the Front office areas to be freed from the more transactional activities, gaining them more time for the relationship with the customer. In order to maximize this objective, the Backoffice has an ongoing transformation project aimed at developing an operating model based on robotization and specialized in transactional activities.

In this sense, a thorough work has been done to adapt the structure of the teams, simplify processes and systems, develop robots and implement a culture of efficiency with a strong investment on productivity, through a methodology that favours greater daily communication with the teams. At the end of 2019, the Backoffice had 22% of its robotic activity.

Digitization of processes in NOS stores

Also, in our stores, we have been working on digitizing processes in order to improve our customer service, and to be more agile and efficient. The projects, already implemented and under implementation, illustrate our mission.

The "Paper Less" project, implemented in 2017, currently impacts 176 stores. With the purchase of hybrid computers in stores, we digitized all processes that were performed on paper:



With this project, we were able to save around 9,700 reams of paper per year, reducing our environmental footprint and offering, at the same time, a faster, safer and more technological service.

During 2019, we implemented the "Digital Labels" project in 38 stores. This project consisted of replacing paper price tags for digital e-paper tags. In addition to the significant operational improvement in store, through the automation of recurring tasks, we managed to reduce 1h30 of work per week in each store, and we plan to save around 4,000 sheets of paper per year in these 38 stores, contributing, once again, to the reduction of NOS footprint.

In addition to digital projects, we have also been investing and improving our in-store customer service model. We are investing in a more up-to-date version of the queue management system with which in addition to the possibility of scheduling visits to stores and removing passwords online, we will include priority passwords for customers with special needs.

Monitoring of the customer experience

Our activities and processes are planned in order to enable and ensure the continuous improvement, the effectiveness of our system and customer satisfaction. The management of processes associated with the supply 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 continuously monitor the market, the needs and trends of preferences, through market studies of customers and consumers. The recurrent assessment of the degree of satisfaction of our customers is one of the cornerstones of this positioning, being measured at a relationship and transactional level.

Relationship sphere

We simplified the semi-annual study of satisfaction and recommendation tracking and thus deepened its degree of actionability. This study is based on a survey that evaluates the level of global customer satisfaction with the service provided by measuring metrics widely used in the industry, such as the Net Promoter Score (NPS) and C-SAT, as well as the level of satisfaction with various 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 is defined, incorporated into the work plans of the business and operational units.

Transactional sphere

We introduced relevant changes to our Voice of the Customer program, with the objective of collecting feedback from customers regarding service processes and thus ensuring that actions for continuous improvement of operations incorporate the perspective of customers.

Keeping the scope in collecting customer feedback, which results in about 3 million customer satisfaction observations per year, we started to monitor satisfaction at the end of the main Customer journeys, allowing us to have a more holistic view of their experience and relationship with NOS.

These studies have allowed us to take advantage of significant insights about the main points of dissatisfaction of our customers, about the degree of effort required from customers in these processes and about our ability to resolve the different issues we face. Insights are our starting point for launching various improvements initiatives for our customers, carried out by different areas of the Group.

Also, in this context, we continued with a program for analysing customer opinions and complaints, in different business segments and in different contact channels, with the aim of deriving experience use cases to be addressed by the appropriate teams for each situation. This methodology has allowed us to have a very clear and tangible visibility of the points of improvement, making its resolution process much more grounded and structural.

Accessibility

We consider it essential to create solutions that provide our customers with special needs with mechanisms that allow accessibility to our products and services. It is in this sense that we continuously work on developing solutions or initiatives, namely for people with hearing and visual impairments.

Solutions for people with hearing impairments

- Support line for customers with hearing impairments (12472), accessible through a video interpreter system.
- TV app for teletext subtitles, a free inclusive solution that allows access to subtitles in programs broadcast, in real time, through synchronization with the channel's teletext service.
- DVDs with Portuguese subtitles and sign language

Solutions for people with visual impairments

- Braille invoice
- Films with audio description in the Videoclub. In addition to the dialogues, the films included in this selection contain a voice that describes each scene in terms of scenarios, costumes, facial expressions, body language, character input and output, among other relevant information, allowing visually impaired people to have a richer and more complete experience when watching the movie
- DVDs with audio description service in Portuguese

Service quality and reliability

2019 was a year of consolidation of the strategy started in 2016, in which NOS Network and Services Management, strategically aligned with the best practices in the telecommunications market, ensures sustainable growth and a quick and adequate response to the high demands in terms of availability, quality, operation efficiency and control of operating costs.

With the knowledge that our Customers deserve and increasingly demand services of high quality and availability, NOS has been strengthening its competitive position by investing in the operation of the entire infrastructure. Year after year we have been reviewing and executing the training plan defined for the entire ecosystem of our operation, also ensuring the use of state-of-the-art technology.

In the reporting year, we continued and strengthened our Customer Centric operations, maximizing the impact on customer satisfaction throughout the life cycle of our products and services, and based on three main blocks:

- End2End customer view, from platforms to customer equipment, with characterization and management of the experience of using the various services;
- Intelligent Service Management supported in Analytics and Automation;
- Use of Artificial Intelligence with predictive algorithms and Machine Learning to anticipate network and service failures.

In addition to consolidating the existing models in 2018, in 2019 we expanded, across the board, the scope to new processes of operational support and automation of recurring activity, initiatives to improve customer experience and manage their expectations, among others.

To reduce the risk of interruption of critical business activities, or of critical products and services, we also have our Business Continuity Management program. For more details, see the chapter "Acting Ethically and Responsibly".

Response to emergency situations

Our investment into business continuity management processes prepares us to respond to emergency situations.

During 2019 additional actions were developed in line with the measures that were being developed in previous years, thus guaranteeing the continuity of services and increasing the resilience of communications:

- Improvement in the contingency mode operation processes resulting from extreme weather situations and catastrophe situations, with permanent attention to the IPMA alerts, to ensure the rapid replacement of communications services;
- Definition of recurring processes to identify high risk sites in case of fire and specific maintenance plans such as additional cleaning of vegetation around the sites, of the undergrowth and the felling of trees;
- Adoption of alternative radio relay solutions to protect the most vulnerable communications and prepare contingency plans that allow automatic switching of transmission links to alternative configurations;
- Review of the criteria and increase of the autonomy of the most critical stations, by strengthening the battery systems, in order to respond to situations of power supply failure;
- Availability of leased capacity in the satellite segment and a set of satellite transmission kits that allows for a faster restoration of communications in affected areas.

We highlight the implementation of a massive alert solution to the population, in the event of an accident or catastrophe, in line with the requirements of the National Emergency and Civil Protection Authority (ANEPC). This solution, using the NOS mobile network, allows the sending of written messages to the population potentially affected by an accident or catastrophe, with a warning from the National Civil Protection Authority about the event, the risks involved and self-protection measures to be adopted.

Additionally, and as a result of the strike in the fuels supply at national level, we have defined internal crisis and contingency management plans to ensure a high degree of readiness by the teams. Through these plans, NOS can guarantee the availability of communications services, framed as a priority sector of the economy and of the satisfaction of the basic needs of the population. The contingency plans were implemented in order to ensure supply for business continuity (deposits of facilities and critical vehicles, supply coordination with ANEPC), reducing travel and adapting and prioritizing activities associated with the operation.

Content access

At NOS we seek to ensure that the products and services we deliver ensure the standards of excellence, both in terms of innovation and in terms of functionality for accessing content. 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.

Security and use of our products and services

Having NOS, a positioning as a communications and entertainment company whose main target is families, the investment on children arises naturally. The education of children and young people present more and more challenges for parents regarding the relationship with technology. In this sense, because we are present in the families' homes and facilitate the use of technology, we seek to create tools that help parents to have greater comfort and security when faced with these challenges.

With this reality in mind, we developed, in 2018, the NOS Kids tariff in order to provide children with an easy and safe entertainment experience, with access to the best content, which includes access to NOS Safe Net.

NOS Safe Net

NOS Safe Net, a service that results from NOS 'partnership with F-Secure, allows protecting the whole family and all devices from the dangers of the internet, through the creation of profiles for children, application of filters for harmful content, limitation of schedules for using games or social networks, and setting times to go to sleep. All applications and browsing times are protected, allowing them to freely explore the internet at all times, without fear.

NOS Safe Net, in addition to helping parents manage the time their children spend in front of screens and the content they access, also allows them to locate the equipment they use in case of loss or theft.

The NOS Safe Net security solution won the international "Best Protection" award 2018 from the AV-TEST Institute, for the 6th time in 8 years.

In 2019 we focused on consolidating the path started in 2018. The offer of services for children had improvements in experience and a strong investment in the promotion of these products in the market, in order to achieve the objective of helping the largest number of families possible to have right solutions for their children.

For the future, we have relevant projects to spread the use and availability of the NOS Safe Net solution to all NOS customers, namely iOS support, in addition to Android already available. It is also intended to create other ways of providing the service, such as physical cards for sale in stores.

Through the boxes, there are several relevant features that also address this concern and are available to NOS customers, namely channel and content blocking pin, rental pin, adult content filtering in the experience and the TV profile feature that allows creating a profile for each family member and assigning a different pin to access it.

Given that we also provide the television service through mobile equipment, namely PCs, tablets and smartphones, via NOS TV and NOS Play, the scope extends beyond the box itself. In this equipment, the form of access control to content is guaranteed through a valid authentication (login) in the apps, which will correspond to a user registered in the NOS customer area (who will be the contract holder or a user authorized by the holder).

Regarding the mobile product, we also offer some features that can help customers not to be exposed to abusive content - value added subscription services via SMS are blocked by default; access to other subscription services and data services is blocked at the customer's request. Additionally, the customer can also block the making and/or receiving of any call or only international calls.

Combating content fraud

The fraud of television content such as peer-to-peer sharing, marketing and illegitimate access to linear and non-linear content and to real-time events, namely sport, has been putting pressure on the profitability of pay TV operators, where NOS is inserted. At NOS we have been intensifying and leading the fight against this type of fraud, through a strategy based on 3 axes: technological, investigation and legal, reinforced by a dedicated Content Protection team.

Since 2015, NOS, as an Internet Service Provider (ISP) and a member of APRITEL, has executed more than 3,000 blocks per Domain Name Server (DNS) to protect copyright and related rights. These blocks, supported by court or administrative orders, inhibit access to illegitimate content, such as movies and series, but they also allow to avoid sharing malware on the NOS network and on our customers' equipment, since illegal sites (streaming and online gambling) are one of the main tools for sharing viruses or malware.

Protection of customer interests

At the beginning of 2020, with the objective of strengthening the protection of our customers and promoting greater transparency in the services provided, we stopped allowing the use of the balance or invoice, for new activations of services of the type WAP Billing. These services are often promoted in an intrusive manner that often lead to unclear subscriptions.

This strategic option makes NOS the first operator in Portugal, and one of the pioneers worldwide, to take this voluntary step, in favour of the security and protection of its customers, thus ending up with a relevant reason for dissatisfaction and for a high number of complaints.

04. Valuing Human Capital

Assessment of commitments made

Commitment	Year	Status 2019
Identify profiles and future skills critical to the NOS business	2019	**IMPLEMENTED** Within the scope of the transformation of the operational model, a set of critical skills for the evolution of the business was identified
Promote the development of critical skills for business transformation by strengthening employee training	2019	**IMPLEMENTED** We identified skills following a procurement strategy based on two fundamental approaches: internal development and external attraction
Review and implement sourcing strategy for new skills	2019	**IMPLEMENTED** We made a reflection of our sourcing strategy, adapting it to the company's attractiveness objectives and the skills we are looking for
Attract talent in critical functional areas through recruitment under the trainee program	2019	**IMPLEMENTED** We launched a new technological aspect of the NOS Alfa corporate trainee program, (NOS Alfa tech)
Strengthen high performance and potential employee development and retention solutions	2019	**IMPLEMENTED** We developed tools to identify employees at risk of leaving (whose pilot is underway) and we reviewed retention practices, based on the recognition and professional development of employees.
Develop, annually, initiatives that promote the well-being of employees in the three well-being axes: social, mental and physical	2019	**IMPLEMENTED** In 2019, we carried out a set of initiatives to promote the well-being of employees described throughout this chapter

Commitment	Year	Status
Prepare future leadership and ensure the evolution of the current one	2020	**NEW**
Reposition NOS Campus in line with the ongoing transformation	2020	**NEW**
Promote diversity and foster an inclusion mindset in NOS	2020	**NEW**
Redefine the health and well-being program to increase the impact on promoting healthy living in a sustainable manner.	2025	**NEW**

Main Highlights

95%
employees with permanent contract

74,8%
employees with a college degree

24
focus groups carried out in the NOS@ Diversity Study

99%
employees with performance evaluation

24,2
average hours of training per employee/ year

40,4%
female employees

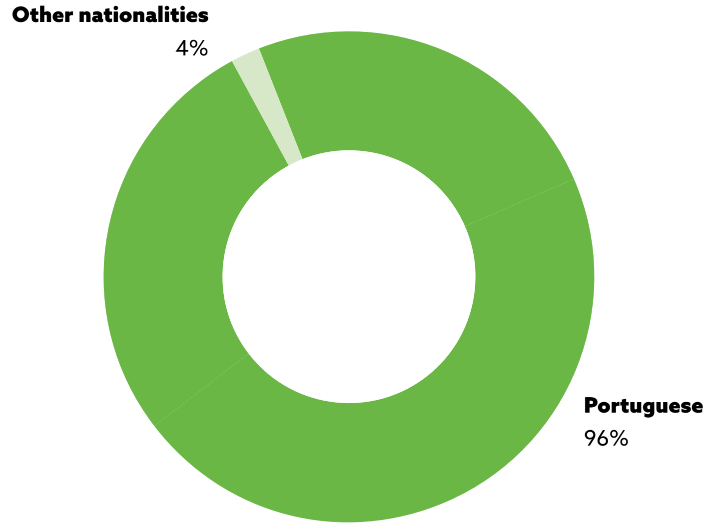
Our Human Capital

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

With the ambition to develop our people and talent, in general, we promote a culture based on meritocracy, ethics, thoroughness and transparency. The quality of the work of our employees is what leads us to excellent results and organizational success.

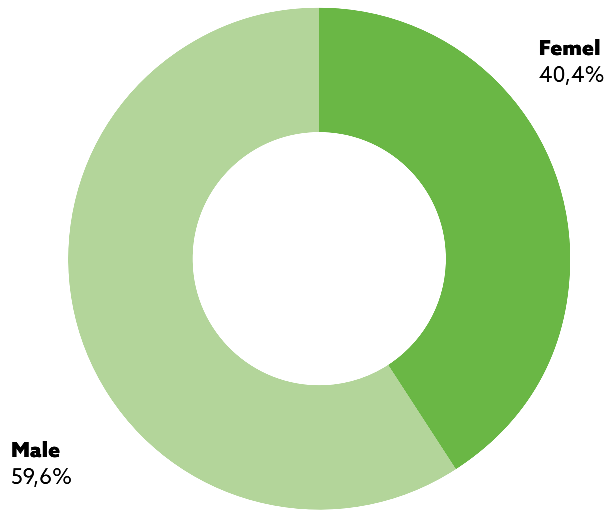
At the end of 2019, we registered a total of 1,909 employees, which reflects a slight reduction (1%) compared to the previous year. Although the majority of our employees are Portuguese nationals, we registered 4% of employees born in other countries. Most of our employees (95%) belong to the telecommunications business.



	2017	2018	2019
Total number of employees	1.947	1.919	1.909

The gender distribution of our employees reflects the company's business area, where there is a predominance of technical areas, typically most sought after by men. In 2019, there was a percentage difference favourable to the male gender (+ 19.6%). Regarding geographical distribution, we have a higher density of employees in Lisbon (around 69%) and in Porto (26%). The remaining 5% are spread over the autonomous regions and other locations.

Our commitment to sustainable employability policies is also reflected in the permanent contracts of employees, in which 95% have a permanent contract and 100% of employees perform their duties full time.



% of employees by type of contract	2017	2018	2019
Permanent	95,4%	95,2%	95,2%
Temporary	4,6%	4,8%	4,8%

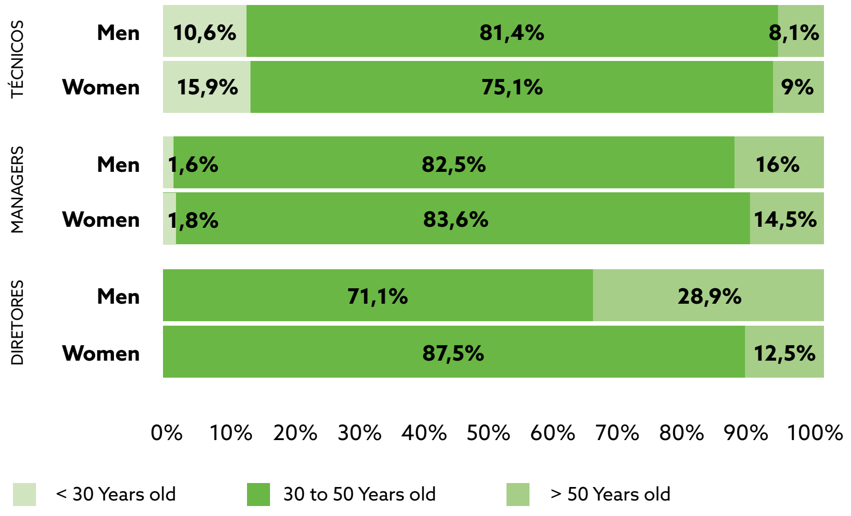
In 2019, we recorded a total of 187 entries (18% more than in 2018) and 193 employee exits (5% more than in 2018), which corresponds to a 10% admission ratio and a net replacement ratio of -0.3%, respectively.

As a result of our growing investment in the integration and development of young people, in 2019, we again had a significant percentage (79%) of employees in the age group from 30 to 50 years old. At NOS, we not only recruit several young graduates every year to integrate different business areas, but we also provide professional internships, summer internships and curricular internships. It is worth noting the gradual increase of employees under the age of 30 at NOS.

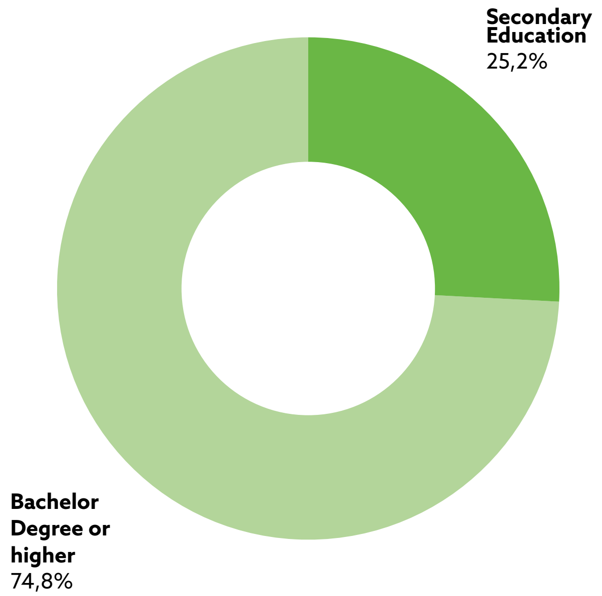
% of employees by age group	2017	2018	2019
< 30 Years old	9,7%	10,1%	10,4%
30 a 50 Years old	83,6%	81,2%	79,4%
> 50 Years old	6,9%	8,7%	10,3%

Of the total NOS employees, it appears that the category of technicians is the most represented (78%), followed by the category of managers (19%) and, finally, by the category of directors (3%).

Distribution of employees by gender, functional group and age group



In view of the activity we carry out, which requires a high level of knowledge and skills, most of our employees have academic training at a college level.



Diversity

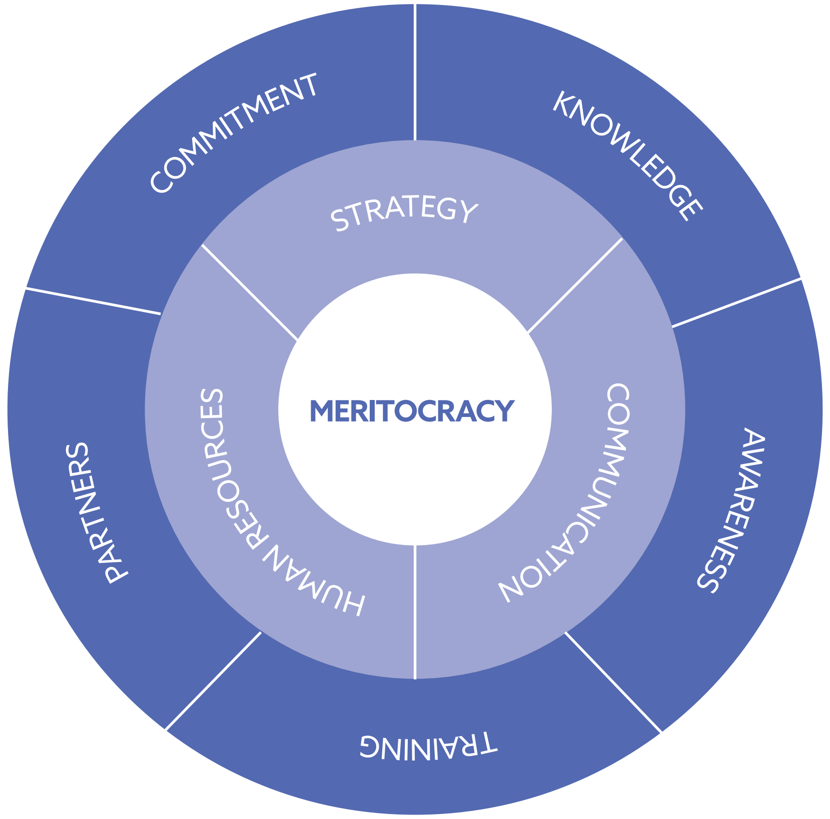
At NOS, we value a diverse workforce, not only in terms of gender or age, but also in terms of origins, life experiences and ways of thinking. The integration of people with different characteristics strongly contributes to the creation of diversified value and to the composition of a strong NOS brand, based on its people.

We are promoters of equal opportunities and we work every day with the aim of ensuring that all our people, regardless of their differences, receive a meritocratic treatment, guided by the example of our leaders.

To successfully implement our vision for diversity and inclusion, we have adopted an approach that presupposes the development of Human Resources models and policies that allow us to respond effectively to the principles and values by which we are governed.

2019 was marked by the launch of our Gender Equality Plan, fully adapted to our culture and our goals of meritocracy and transparency. The Plan, available on the NOS intranet and **website**, has a set of measures focused on diversity and conciliation of personal, family and professional lives of our employees.

Our Plan is based on five dimensions - Commitment, Knowledge, Awareness, Training and Partners - each with a set of specific objectives and measures to be implemented.



The entire process of implementing the Gender Equality Plan will be monitored and evaluated annually, by a Diversity Policy Management Committee, with the respective conclusions presented to the Board of Directors. It is intended to ensure an evolutionary logic, with the introduction of possible adjustments and/or the creation of new measures that leverage the development of good practices in this field.

In 2019, other initiatives in this area were also developed, including a study on diversity at NOS and a session for our employees, which included the participation of researcher Laura Sagnier, to present the pioneering study "Women in Portugal Today ", and discuss the role of men and women in Portuguese society.

NOS@ Diversity Study

As a starting point for the design of practices and policies in the field of diversity, gender equality and conciliation of personal, family and professional life, we conducted a qualitative study of our employees, which included 24 focus groups and 12 individual interviews, distributed through Lisbon and Porto.

NOS@ Diversity Study allowed to know, in greater detail, the vision and expectations of our employees in this area, having provided strong and credible foundations for the future.

Additionally, in pursuit of our responsibility to contribute to a more equal world, without gender bias and where each child or adolescent can dream and plan their future completely free of gender barriers, we partnered with a set of external initiatives. Noteworthy are the initiatives of the GirlMove Academy and the project "Engineers for a day" that have had our support in recent years, and to which we intend to continue to contribute.

Girl Move Academy

Initiative that aims to reverse the cycle of poverty and low levels of education among the female population in Mozambique. This Academy of female leaders is committed to training a new generation of women, capable of assuming themselves as part of the solution in the most strategic axes of Mozambique.

NOS has been supporting this project through support with communication services and, since 2018, it has been welcoming young Mozambicans for a two-month internship. These internships allowed the consolidation of knowledge, techniques and forms of work organization for the young participants.

Engineers for a Day

In order to combat the segregation of men and women in certain professional areas, namely STEM, and to combat gender stereotypes and the subsequent sexual segregation in school, training and professional options, NOS participates in the "Engineers for a day" initiative , promoted by the Secretary of State for Citizenship and Equality.

Evaluation and Development

Within the meritocracy culture that we have developed, we have established a performance evaluation model to promote the sharing of strategic business objectives, organizational values and culture.

Our performance evaluation model allows us to identify the potential of each person, diagnose training needs and contributes, as a critical success factor, to the development of human capital, and to operate in the market with greater competitive advantage.

Its implementation leads to a transversal, equitable and impartial performance management, valuing the results obtained, the behaviours and attitudes shown, and thus promoting our culture of meritocracy.

Principles of the Performance and Development Model
Universality
Coherence and integration
Transparency and impartiality
Responsibility and development
Consequent differentiation

The model consists of two components: development and evaluative.

Development component
Composed of self-evaluation 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 aspects (which measures the individual performance of each employee), each with a different purpose and impact.

Evaluative Component
(downward evaluation)

Impacts

Company objectives
Individual objectives
Behavioural Competencies
Global achievement
Individual evaluation

- Variable Remuneration

- Career
- Development
- Mobility
- Salary progression

The global achievement, which encompasses both dimensions - individual and collective - has an exclusive impact on the attribution of variable compensation. Individual evaluation has a medium and long-term impact, serving as a basis for the development of the personal development plan, and also has direct effects in terms of development, career, training, salary progression and employee mobility.

This model is supported by a manual and a schedule of the model's realization cycle, in order to communicate its guidelines with total clarity to employees.

The recognition of the work carried out by our employees is not limited to the Performance and Development Model or the Internal Mobility Program. Among other initiatives we promote, the following are highlighted:

- Mid-term feedback in the evaluation and development process;
- Investment in the empowerment of employees, through promotion and functional mobility, integration in challenging training plans and a judicious and stimulating increase in autonomy and responsibilities.

Internal Mobility Program

In 2019, we restructured the Internal Mobility Program, a development program for our Employees, which aims to develop transversal skills as well as a broader knowledge of our business. Throughout 2019, we provide personalized assistance to employees who have shown interest in a new position.

Within the scope of this program, the Internal Recruitment portal was also launched at the end of 2019, a tool that allows our employees to learn about internal career opportunities, enhancing a more active role in their development and career management.

Remuneration and benefits

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

Equity

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

Balance

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

Simplicity

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

Flexibility

Ensure, within the defined rules, the flexibility to deal with different situations, namely in the management of high potential employees.

Performance

Ensure the link between compensation and individual and company performance in the short and long terms.

Competitiveness

Ensure the levels of competitiveness necessary to ensure the attraction and retention of Talent.

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

Knowing the importance that the compensation and benefits policy represents in attracting and retaining talent, we add to the remuneration package, a set of benefits, programs and initiatives geared to the needs of different work generations. Additional benefits include life insurance, health insurance, personal accident insurance and meal card.

Initiatives aimed at promoting a balance between professional and personal life

- Flexible schedule
- Leave on birthday, Christmas Eve and New Year's Eve afternoon
- Discounts on various activities through partnerships for health and well-being, culture, sports and leisure, tourism, catering

In order to guarantee the mobility and flexibility of our employees' daily work practices, we provide them with smartphones, laptops, videoconferencing systems and VPN systems.

Talent management

At NOS we believe that the sharing of knowledge 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 better performance and potential.

Having identified the critical skills for business transformation, we reviewed our procurement strategy in two main approaches: internal development and external attraction. In the scope of development, the offer of the corporate university (NOS Campus) was reviewed, to adapt the contents to the necessary requalification.

Among other topics, in 2019 there was a strong investment in the agile methodology, not only in immersing the main stakeholders, leaders and team members, to ensure the transversal alignment of the organization, but also in the training of the various functions (such as Product owner, Scrum Master and Chapter Lead) and practices inherent to the methodology.

We identify potential

Regarding the identification and attraction of talent, NOS has been developing its Trainee Program, "NOS Alfa", created in 2015. The program offers a unique opportunity for professional and personal development based on the flexibility of career options, in the unique culture of the organization, in the quality of integration and monitoring and, finally, in the challenges or experiences provided. Since its inception, a total of 151 candidates have joined the program in several areas of the company, with emphasis on Engineering, Management and Economics.

"NOS Alfa tech"

In 2019, as part of the commitment to technological transformation, we took advantage of the solidity of the NOS Alfa corporate trainee program, to launch the technological arm of the program, called "Alfa tech". This program opened opportunities in the latest technologies, in the areas of Advanced Analytics, Big Data, Cybersecurity, Software Development, System Engineering, Robotics, Multimedia, among others.

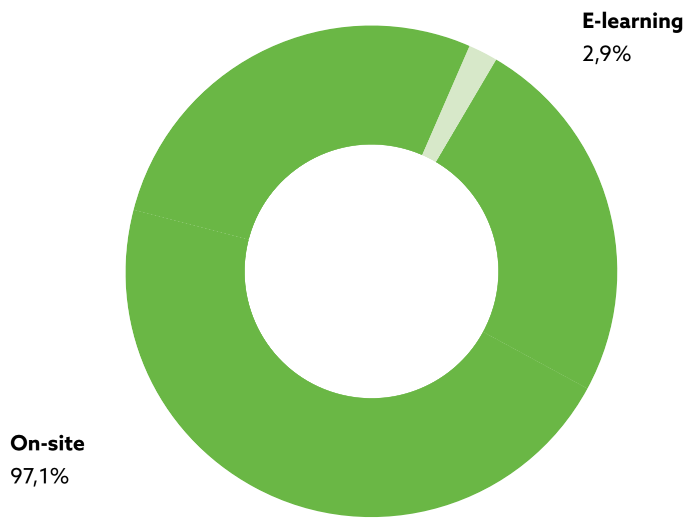
We intend, therefore, to continue to be a reference in attracting young graduates, attracting talents aligned with a culture and values of excellence and innovation.

We invest in our employees

Within the scope of talent management, we have implemented internal initiatives that enhance the development of skills, recognition and professional growth. As a result, we invested in the creation of a Corporate University: the NOS Campus.

In 2019, we carried out 346 training actions, totalling 46,246 hours of training for 1,408 participants. This training was mostly in on-site format (97.1%).

In 2019, there was a 12% reduction in the total number of training hours compared to 2018. This reduction is related to the strong investment verified, in the year 2018, in training actions on Security & Privacy to align all employees with the new General Data Protection Regulation (GDPR).



Average training hours per gender	2019
Female	22,5
Male	25,4
Total	24,2

NOS Campus

Space for sharing and knowledge transfer between all professionals and developing their potential and talent. Innovation pole, attentive to the external environment, dedicated to capturing new ideas, transforming them, and integrating them into our organization. We want to go further and make this a reference project in Portugal in the area of Business Training and Education.

5 main knowledge areas

- **Management**
- **Leadership**
- **Technical**
- **Technology**
- **Fundamental studies**

Main objectives of NOS Campus

- Developing knowledge: Enhance the capacities of all employees and teams through the creation and sharing of knowledge and the commitment to strengthening their individual and collective skills;
- Making a difference: Promote the organization's values and culture, strengthening the feeling of pride and belonging;
- Supporting growth: Investing in the valorisation of employees as a privileged means to guarantee the fulfilment of objectives/results and, in this way, sustain the company's future;
- Sharing experience: Disseminating multidisciplinary knowledge, experiences and good practices within the organization;
- Motivating performance: Expand the value proposal for NOS employees, contributing to their motivation;
- Promoting innovation: Develop an observatory of excellence and a centre of competence reference in the communications sector.

Health and safety at Work

Health and Well-being Program

The health and well-being of employees matters and is relevant to people, the organization and stakeholders in general. At NOS, after evaluating the profile and behaviours of the health and well-being of our employees, to design a program centred on employees (employee centric), we held focus group sessions to collect current and contributory feedback, and started a process of reflection and reinvention to ensure that we develop an organizational program aligned with the needs of employees and that contributes to the transformation with direct benefits.

We want to transform people's behaviour so that they really achieve a healthy and sustainable life in different dimensions. We believe that it is possible to have a positive impact on people's lives and, as a consequence, to be more attractive to people who are already with us and to those who are thinking of joining us. That's what moves us.

In this sense, throughout 2019, we carried out a thorough reflection on the program dedicated to health and well-being and defined the new bases that underpin and guide it in terms of ambition, mission and vision. We also defined a new positioning for our program, which will be based on four differentiating factors and a new approach that genuinely puts the person at the centre. The program that we will relaunch in 2020 has three main objectives and levels of intervention:

- Raise awareness and train for the adoption of healthy habits and help to identify risk signs, acting on prevention;
- Provide support and facilitate access to support to reduce the level of circumstantial concern;
- Reinforce the bonds that generate personal happiness, celebrate special moments and provide leisure opportunities in the social dimension

We continued to carry out some initiatives, such as participation in physical exercise activities (running and marathons); the promotion of healthy behaviours, providing means of facilitation such as smoking cessation through MultiCare Online; the realization of get together and celebration moments; and the development of hobbies and offers on special days. With the intention of promoting hydration and water consumption, which we know to be one of the critical needs of our people, we offer glass bottles to our employees, an initiative that has also significantly reduced the production of plastic waste (see chapter "Preserving the Environment ", for details).

Next year, the NOS employees' health and well-being program aims to gain new vigour and continue to evolve, presenting new initiatives and content, differentiating formats, new means of learning, new partnerships and relevant protocols, for employees and their families. We believe that it will be more effective in contributing to transformation, capable of making everyone's life more sustainable.

Work conditions

At NOS we seek to ensure that employees, suppliers and partners develop their activities in a safe work environment, which prevents risks, injuries, and work incidents.

The action plan we have developed, in line with our Health and Safety at Work Management System (ISO 45001), includes several initiatives, namely a semi-annual audit program, carried out by accredited external entities, with a view to guaranteeing the conditions for work in terms of air quality, noise, lighting and air conditioning. Quarterly food audits are also carried out to ensure the quality of the food available in the company's buildings.

Within the scope of the transformation program, we are developing an initiative that aims to rethink and design the NOS workplace, in order to improve the experience of the Employee and transform the way we work, to be more disruptive, agile and oriented towards customers.

In the pursuit of this new vision, we think of spaces that foster collaboration, agility and experimentation between different teams, we adopt innovative technologies and approaches, which promote sharing and efficiency, and we reinforce the brand image and identity in the dimensions of the workplace, with customers, employees and the talent market.

Throughout 2019, we carried out some actions, based on improving the working conditions of employees, with a greater focus on their food and workspaces:

- Introduction of new collaborative and innovative spaces in the Azores and Madeira, to stimulate productivity, focus and creativity (such as phone pods, quiet rooms and thinking rooms);
- Implementation of a management tool for meeting rooms and new numbering and location signs that allowed a more effective management of this resource;
- Improvement of lighting and air conditioning in workspaces.

We will continue to invest in the optimization of the real estate portfolio, during the next four years, taking advantage of these opportunities to rethink the future of the experience of employees in their workplace, incorporating good practices in terms of sustainability.

In the area of physical security, we develop e-learning training for new employees so that they know how to act in situations of prevention and emergency in our buildings. In 2019, this training reached a completion rate of approximately 82%.

Whenever relevant, we adhere to external initiatives aimed at strengthening knowledge on these matters.

05. Preserving the Environment

Assessment of commitments made

Commitment	Year	Status 2019
Reduce, by 2020, 9% of energy consumption in buildings, compared to 2015	2020	**IN PROGRESS** In 2019, energy consumption in buildings was 9% lower than in 2015.
Reduce, by 2020, 35% of energy consumption in own stores, compared to 2015	2020	**IN PROGRESS** In 2019, energy consumption in the chain of own stores was 33% lower than in 2015.
Participate, from 2019, on a study on the impact of 5G technology on exposure to electromagnetic fields	2019	**IMPLEMENTED** In 2019 we joined a working group to assess the impact of 5G networks on exposure to electromagnetic fields.

Commitment	Year	Status
Reduce by 2025, 75% and by 2030, 85% of total energy consumption per data traffic, compared to 2015	2030	**NEW**
Consume by 2025, 65% and by 2030, 80% of renewable electricity	2030	**NEW**
Reduce by 2025, 50% and by 2030, 75% of the carbon footprint of the own operation (emissions of scope 1 and 2), compared to 2015	2030	**NEW**

Main Highlights

684 221 GJ
of total energy consumed

0,31 GJ/TB
of energy consumption per data traffic

54 377 t CO2e
of scope 1 and 2 emissions

588 000
reused customer equipment

26
radiation measurements at sites

Energy and climate change

In 2019, we set quantified medium-term goals to reduce the most relevant environmental impacts of our activity: energy consumption and greenhouse gas emissions (GHG).

We set goals integrated into our business goals and aligned with scientific and social consensus on the necessary contribution of the private sector to the low carbon transition.

In line with this new ambition, we assume public commitments in the context of the Business Ambition 1.5ºC and the Science Based Target Initiative, international reference initiatives that promote the reduction of carbon emissions in the business sector.

Our energy and emissions reduction goals

In 2019, as part of the review of the NOS business strategy, we defined objectives for the reduction of energy consumption and carbon emissions of our operation, which will be monitored together with the other strategic objectives of the company.

Based on scenarios of business evolution in the medium term, we projected consumption and emissions, and took decisions that will translate into its reduction: significant increase in the energy efficiency of our network and support facilities; procurement of renewable electricity; and reconfiguration of our fleet.

-85% Energy consumption	**OBJECTIVE:** Provide more services to our customers, consuming less energy. **2030 GOAL:** Reduce the total energy consumption per data traffic in our operation by 85%, compared to 2015. **BY 2025:** To achieve a reduction of 75%.
80% Renewable electricity	**OBJECTIVE:** Use renewable electricity to satisfy our consumption. **2030 GOAL:** Consume 80% of electricity with renewable certification. **BY 2025**: 65% of renewable electricity.
-75% Emissions	**OBJECTIVE:** Reduce our carbon footprint. **2030 GOAL:** Reduce the carbon footprint of the operation by 75% (scope 1 and 2 emissions), compared to 2015. **BY 2025:** To achieve a reduction of 50%.

In November, we signed the Business Ambition for 1.5ºC Commitment Letter, an initiative of the Secretary-General of the United Nations, making us one of the first Portuguese companies to join this global movement. We commit, in this way, to align our emissions with the decarbonization trajectories necessary to limit global warming to 1.5ºC.

We tested our new emission reduction goal using the Science Based Target Initiative criteria and are committed to adopting a science based emission reduction goal (Science Based Target) by the end of 2021.The adoption of a Science Based Target materializes our alignment with the 1.5ºC decarbonization scenarios.

BUSINESS AMBITION FOR 1.5°C OUR ONLY FUTURE

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Energy management

The main form of energy consumed in our activities is electricity (88%). Fossil fuels consumed in the company's own fleet (diesel and gasoline), in buildings (natural gas) and in emergency systems (diesel) represent around 10%. The remaining 2% consists of thermal energy (heat and cold), purchased from third parties and used in the air conditioning systems of buildings and cinemas.

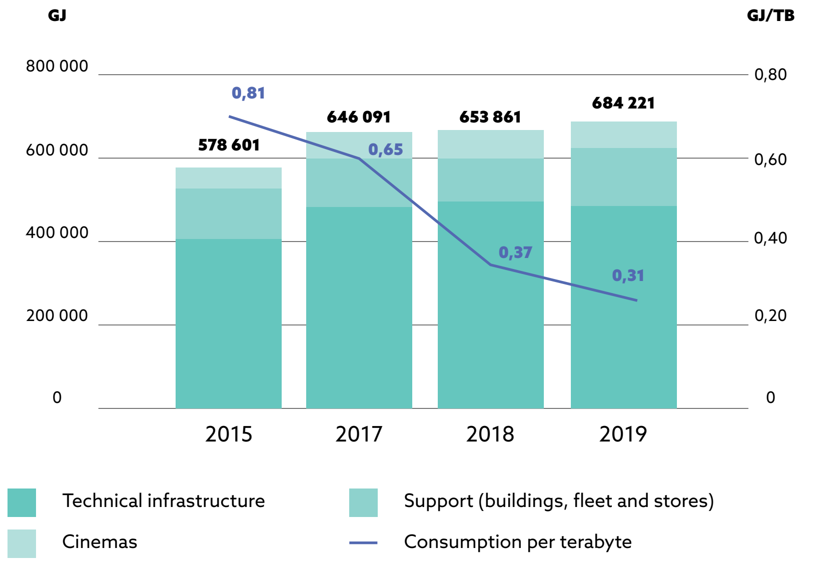
Own production of renewable energy in our facilities is currently very low. In 2019, electricity purchased from third parties was, according to information from the respective supplier, generated by 55% from renewable sources .
We assume as a goal to consume 80% of electricity with renewable certification by 2030, with an intermediate goal of 65% by 2025.

The technical telecommunications infrastructure - network and data centres - represents almost 75% of our total energy consumption. Its weight has been increasing, as a result of the expansion of activity and the rapid growth of data traffic, which induces greater consumption in the equipment that supports it.

Therefore, in 2019, data traffic on the NOS network increased + 27%, compared to the previous year, in particular due to the rapid growth registered in mobile devices, including the consumption of streaming TV. Although global energy consumption in our operation grew by 5%, the ratio per unit of traffic decreased by 18%, reflecting greater efficiency. Between 2015 and 2019, this indicator decreased by 62%. Our goal is to achieve a 75% reduction in 2025 and an 85% reduction in 2030.

3. Quarterly base information published by EDP Comercial for 2019, and available at that date.

Global energy consumption and energy consumption per data traffic



Mobile and fixed data traffic. As of 2018 it includes non-linear TV (streaming) and excludes linear TV (broadcast). It does not fully reflect the activity of data centers.

Data traffic value 2018 revised to integrate all traffic associated with non-linear TV (streaming).

The main responsible for the global increase in consumption was the growth (+ 6%) registered in the technical infrastructure, as a result of the respective expansion, increase in capacity and supported services. This growth was especially visible in the FTTH (Fibre to the Home) network and in Data Centres. The various measures implemented in the technical network throughout 2019 contained the absolute increase in energy consumption, despite the significant increase in the amount of service delivered.

We strengthened the investment in energy efficiency of the network support systems, with the installation of backup equipment and high efficiency energy transformation in new technical rooms and access network sites. We continued to virtualize servers, discontinuing physical machines, and to consolidate equipment, in particular by increasing the occupation of the new Data Centre (Imopólis II, opened in 2018), which has a high level of energy efficiency.

In the mobile network, we completed the project, started in 2017, for the complete modernization of the access network, with capacity strengthening and installation of more efficient equipment. The project generated energy savings of around 25%, for the same traffic capacity, which limited the growth in absolute consumption, despite the installation of more equipment and increased use. We also tested several functionalities of intelligent network management, which optimize the operation in periods of reduced traffic, with results that point to savings between 1.5 and 2.5%, and which will be activated in the entire mobile network in 2020. Next year, we will also continue the development of specific solutions, already tested in pilot installations, to reduce energy consumption in 5G networks.

In administrative buildings, we continued to modernize and optimize the operation of HVAC systems and installed LED lighting in two buildings. These measures resulted in a 1% reduction in energy consumption compared to 2018 and put us on track to meet the target set for 2020 (-9%, compared to 2015 figures).

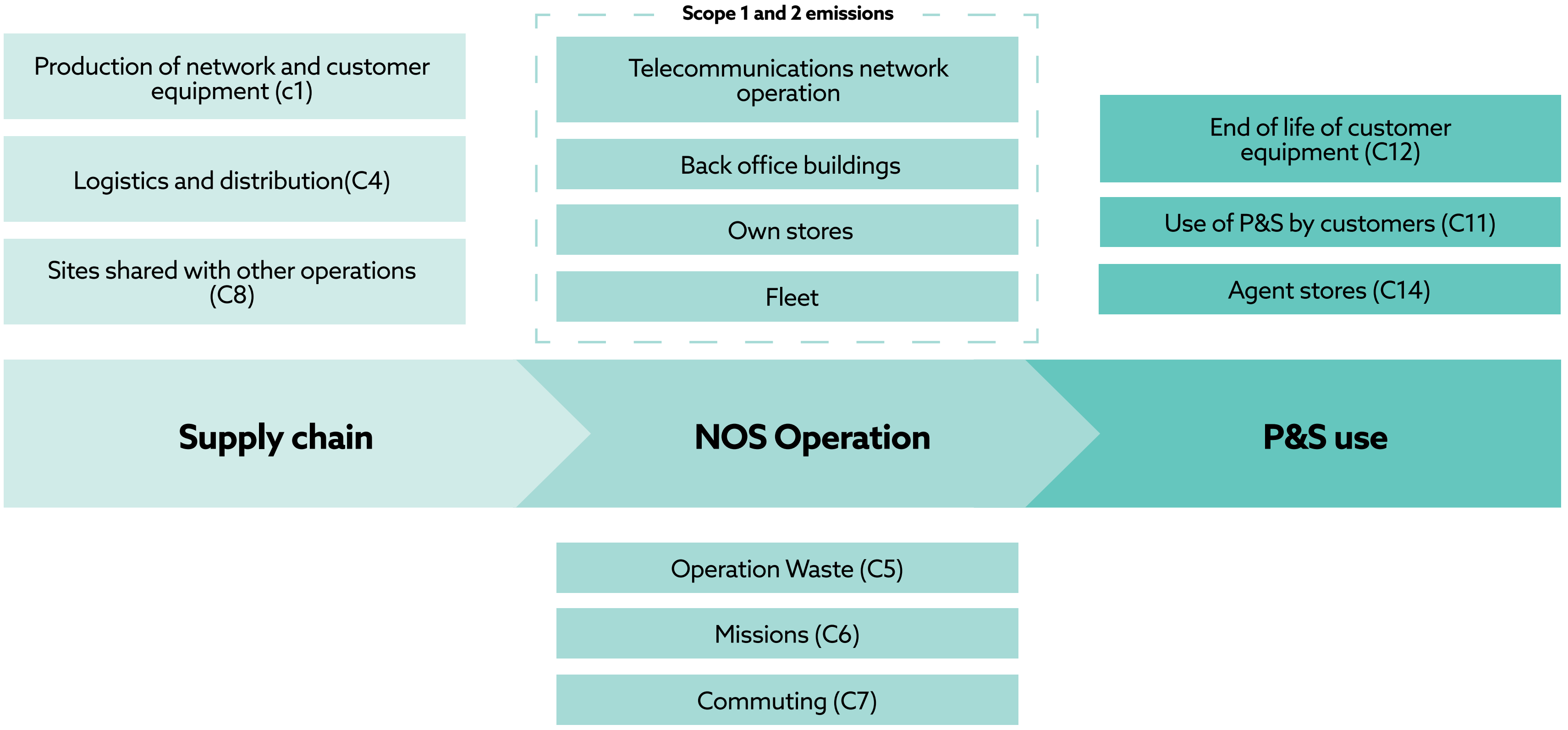
In the chain of own stores, electricity consumption remained practically unchanged, despite a slight increase in the respective area. Between 2015 and 2019, energy consumption in the store chain decreased by 33%, and our goal is to achieve a 35% reduction by 2020.

In the company's own fleet, we increased the number of vehicles in the pool, which employees can use for commuting, and defined new procurement rules that will, from 2020, translate into a phased process of electrification of the NOS car fleet.

Carbon footprint reduction

NOS 'carbon footprint is made up of greenhouse gas (GHG) emissions that occur throughout our value chain, from the production of 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 and packaging.

In order to increase our ability to induce a reduction in emissions across the value chain, we have defined a roadmap for expanding the scope of accounting for our footprint. Based on the GHG Protocol methodology, we have identified the categories of indirect emissions (scope 3) most relevant to our activity, and we have established a phased plan for their progressive quantification and reporting.



In 2019, we started accounting three new categories of scope 3 emissions : emissions associated with the production of consumed energy and not accounted for in scope 1 or 2, that is, the extraction and processing of fossil fuels and losses in the transport and distribution of electricity (category 3); energy consumption in NOS equipment installed on shared sites that are owned by other operators (category 8); and energy consumption in the NOS store network operated by third parties, under franchising (category 14).

NOS Carbon footprint

(in tCO_2e)

	2015	2016	2017	2018	2019	Δ '18-'19 (%)
Scope 1 - Direct emissions	**4 902**	**5 288**	**4 965**	**5 227**	**7 064**	**35%**
Fuel consumption	4 650	5 052	4 722	4 583	4 526	-1%
F-gases leaks	252	236	243	644	2 538	294%
Scope 2 - Indirect energy emissions	**61 935**	**44 899**	**64 693**	**53 775**	**47 313**	**-12%**
Electricity consumption - Market-based method	60 982	43 966	63 738	52 835	46 332	-12%
Electricity consumption - Location-based method	39 299	38 547	54 620	46 209	60 870	32%
Thermal energy consumption	953	933	955	940	981	4%
Scope 3 - Other indirect emissions	**1 138**	**2 691**	**2 340**	**2 207**	**15 816**	**614%**
C3 - Energy, not accounted for in scoope 1 and 2	n.d.	n.d.	n.d.	n.d.	11 125	n.a.
C5 - Waste treatment	100	95	178	214	164	-23%
C6 - Missions	1 039	908	956	815	708	-13%
C7 - Pendular mobility	n.d.	1 689	1 205	1 188	1 181	-1%
C8 - Equipment on third party sites	n.d.	n.d.	n.d.	n.d.	2 202	n.a.
C14 - Franchising stores	n.d.	n.d.	n.d.	n.d.	436	n.a.
Total scope 1 + scope 2- Market-based method	**66 837**	**50 187**	**69 659**	**59 002**	**54 377**	**-8%**

The carbon footprint of our operation is dominated by indirect emissions associated with the production of the energy we consume (scope 2), especially the electricity needed for the operation of the technical network. In 2019, despite a 5% increase in global electricity consumption, associated emissions were reduced by 12%, as a result of the reduction in the carbon content of the electricity procured.

The visible growth (+ 35%) in direct emissions (scope 1) was due to the increase in fugitive emissions of fluorinated gases, which almost tripled. This one-off increase was the result of accidental triggering in automatic fire extinguishing systems at major facilities in the technical network, which required the replacement, for leakage compensation, of a significant amount of gas with a high Global Warming Potential. Emissions associated with fuel consumption in the fleet continued to decline, as a result of the progressive renewal of the vehicle fleet by more efficient vehicles and the introduction of new management measures for their use.

In the categories of indirect emissions (scope 3), missions in service also maintained the downward trend, with emphasis on the 14% reduction in emissions associated with plane travel, which represent almost 90% of the total. The videoconferencing solutions on the premises are increasingly used by our employees and new measures to promote more sustainable mobility are also being studied, to be implemented from 2020.

Development of low carbon solutions

With a 1:10 ratio between the carbon emissions it induces, and the emissions avoided with the adoption of the products and services it offers, the sector of information and communication technologies is a fundamental to achieve the low carbon transition.

Integrated in the strategic reflection process developed in 2019, we set the objective of strengthening the offer of products and services that reduce customer emissions, creating a positive net balance between the reduction of emissions induced by our products and the carbon footprint of our operation.

We already have on the market, for the different customer segments, innovative solutions that bring more features and productivity, while reducing consumption and emissions. This portfolio includes virtualization solutions for call centres, which reduce material consumption and waste production; for energy management, which reduce consumption in facilities and fleets; for collaboration and telework, which reduce travel; or for hosting and centralized data processing, which increase security and efficiency in energy consumption. The offer of other NOS products and services with environmental and social benefits is presented in detail in the chapter "Promoting Sustainable Innovation".

Adaptation to climate change

We are increasing the resilience of NOS 'activity, in particular the technical infrastructure, to the effects of climate change, through the integration and strengthening of specific measures in our business continuity management processes.

In 2019, the work that we have been developing in the response to emergency situations resulting from extreme weather events continued, which is expected to be more and more frequent. We improved contingency procedures in exceptional meteorological situations, in conjunction with the Portuguese Institute for the Sea and the Atmosphere (IPMA), systematized the identification of technical installations in places with a high risk of fire, strengthened the energy autonomy of critical installations and adopted solutions that allow maintenance and rapid reestablishment of communications. The actions taken are presented in detail in the "Response to Emergency Situations" section.

Waste management and circular economy

Waste management from own operation

End-of-life electrical and electronic equipment and their packaging, as well as associated batteries, are the main waste of NOS 'own operation. In a sector in which technological renewal is constant, it is particularly relevant to introduce circularity principles that transform this waste into resources, through its reuse and recycling.

In the activities carried out directly, we implemented selective collection systems that guarantee the forwarding for multi-material recycling or energy recovery of more than 95% of the total waste we produce.

In 2019, there was an increase of 15% in total waste production, essentially resulting from the increase in waste from equipment and batteries, as a result of the modernization of our network. These wastes are almost entirely sent for recycling.

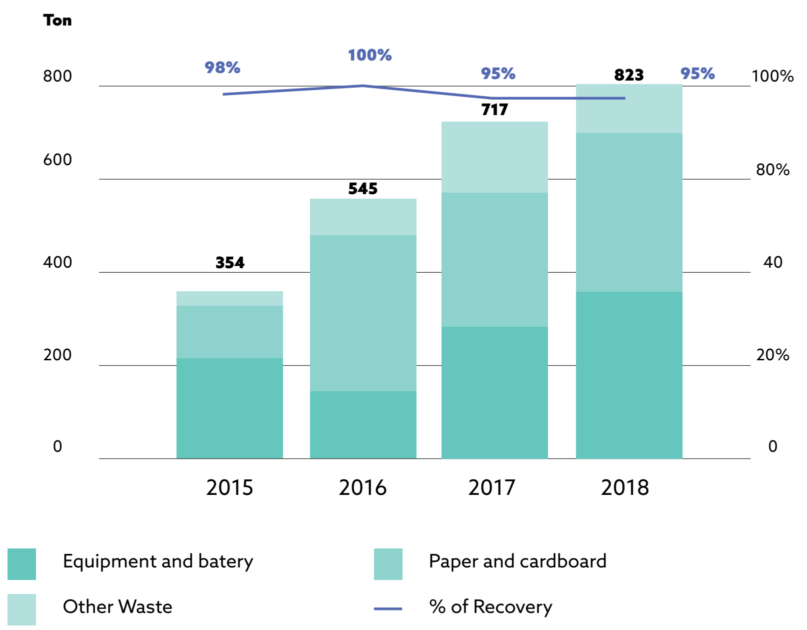
On the other hand, there was a reduction (-8%) in the production of other wastes, in particular packaging and other plastic wastes, as a result of the management measures and awareness actions on this issue implemented throughout the year, with special emphasis on the elimination of plastic glasses and water bottles in all buildings within the scope of the campaign "Dive in this wave against plastic".

Reduce plastic consumption

In June, we launched the internal campaign Dive In This Wave Against Plastic, which started with the offer, to all employees, of a personalized glass bottle, accompanied by messages encouraging daily water intake as a way of promoting health and well-being. The initiative also included an online and offline information and awareness campaign on the environmental impacts of plastic waste and individual good practices to reduce its production.

At the end of the first half of 2019, we eliminated the plastic cups from the water dispenser machines in our buildings. In offices and meeting rooms, we placed glass bottles for the use tap water. With these measures we estimate to reduce four tons of waste annually.

Waste production in own operation and overall recovery rate
(in ton. and %)



Final destination of the waste produced (2015-2019)
(in ton.)

		Hazardous Waste (t)					Non-hazardous waste (t)				
		2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Recovery	Multi-material recycling	4,1	1,7	1,2	26,0	63,0	341,8	364,2	540,5	637,8	702,9
	Energy recovery	0,0	0,0	0,0	0,0	0,0	0,3	21,5	3,6	16,2	15,6
Disposal	Landfill	0,0	0,0	0,0	0,0	3,6	7,7	3,2	0,0	37,2	37,2
Total		**4,1**	**1,7**	**1,2**	**26,0**	**66,6**	**349,8**	**388,9**	**544,2**	**691,2**	**756,3**

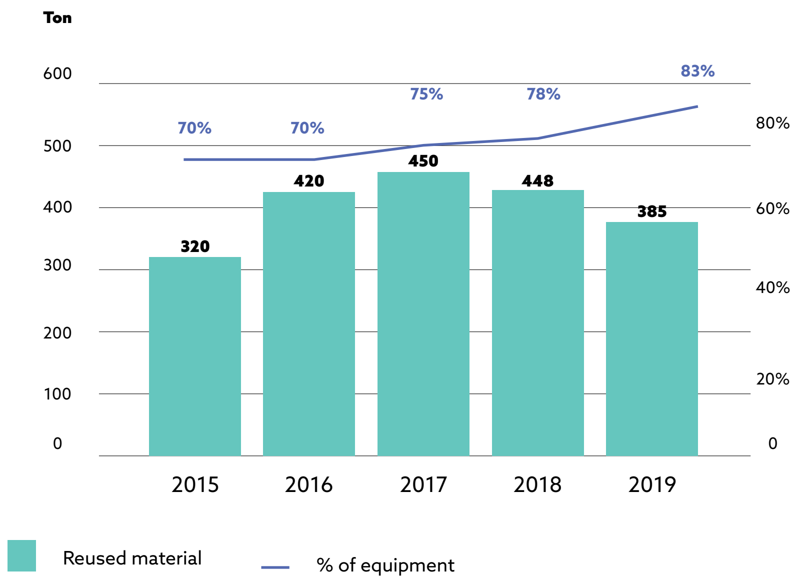
We extended the protocols with third sector organizations to donate used equipment and materials, increasing the service life of these resources and supporting the activities of partner institutions. In 2019, it is worth mentioning the donation of computer equipment to educational establishments, and of plastic storage boxes from our logistical operation, which started to be used by social solidarity institutions in the distribution of food. These projects are presented in detail in the section Enhance Capabilities.

Customer Equipment Recovery

Our equipment recovery operation ensures that more than 70% of the equipment used by fixed service customers (TV boxes, routers and hubs) is collected, technically evaluated and, whenever possible, recovered for replacement in the market. In this way, we avoid the additional consumption of raw materials and energy and increase the circularity levels of our processes.

In 2019, more than 588,000 pieces of equipment were put back on the market, an increase of 7% over the previous year. The amount of associated material maintained a slight downward trend, due to the change in the profile of equipment recovered, which is progressively lighter. There was also an increase (+ 5%) in the equipment collection rate, a consequence of improvements identified through a project integrated in the transformation program.

Recovery and reuse of customer equipment in the fixed service (2015-2019)
(in ton. and %)



For the remaining customer equipment, especially mobile terminals, NOS has partnered with management entities, through which it finances the correct routing at the end-of-life of all the equipment it places on the market. The 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

With a very significant number of customers and suppliers, the digitization of our invoicing processes is an important tool, both for modernization and operational efficiency, and for rationalizing material and energy consumption.

The digital invoicing project launched last year, reached the milestone of 1 million customers in 2019. At the end of the year, 52% of users of 3P and 5P services (services that include, at least, television, internet and telephone) had an electronic invoice and the subscription rate for this modality was 89% among new customers. In 2020, we will expand the project, with the aim of significantly reducing paper consumption and improving the customer experience.

Regarding our suppliers, the use of dedicated digital platforms allowed us to receive, in 2019, 55% of the respective invoices electronically, which corresponds to a total of more than 235,000 documents per year, an increase of 5 % over the previous year.

In 2019, we also launched three initiatives to improve the digital experience of our customers and which contribute to reducing resource consumption: we launched the first eSIM (embedded SIM) card in Portugal, which allows the dematerialization of the SIM card and the activation of different user profiles on one device; and made the NOS 100% digital card available in the new NOS Cinemas App, which can be shared with family members through the application.

Electromagnetic fields

In modern society, most people are permanently exposed to very low intensity electric and magnetic fields, generated by the functioning of equipment necessary for the most varied activities, including research, communications, medicine, transportation and distribution of electricity, aeronautics or maritime navigation.

Mobile telecommunications equipment uses radio frequencies that, as happens with the operation of other electrical equipment, generate electromagnetic fields. The current scientific consensus is that there is no evidence of a relationship between adverse health effects and the use of mobile telecommunications equipment within the internationally established exposure limits.

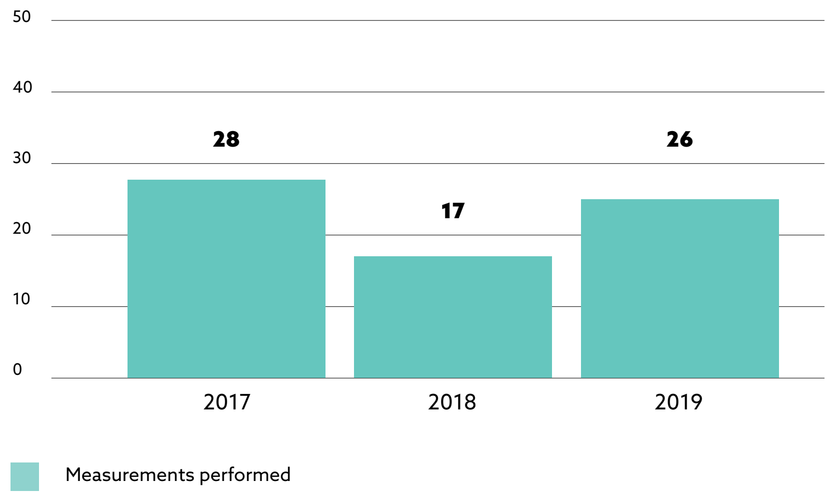
All of our network equipment and mobile phones provided to customers comply with Portuguese legislation on exposure limits to electromagnetic fields, which follows European Union regulations and international scientific guidelines.

We follow the latest scientific developments on the topic, including the recommendations of the World Health Organization (WHO) and the International Commission on Non-Ionizing Radiation Protection (ICNIRP), and we seek to respond, in a transparent manner, to the public's concerns in this matter. Based on the precautionary principle, we implement preventive measures in addition to those legally required to ensure that all exposure limits are met.

We carry out an annual plan to monitor exposure to electromagnetic fields at our fixed and mobile terrestrial service facilities, defined based on the requirements of Regulation no. 609/2011 of the National Communications Authority (ANACOM) and which covers facilities located inland, on top or on the facade of buildings, and which are new or have undergone configuration changes.

In 2019, all the monitored stations presented values of electromagnetic field density lower than the reference values, and 88% registered values 50 times lower. The results are communicated to national and local authorities, including ANACOM, which also discloses the results of measurements made by itself in response to requests from public and private entities, publishing the respective results on its website.

Measurement of electromagnetic radiation on mobile network sites (2017-2019)
(in n.°)



4. Maximum permitted values of exposure to the electromagnetic field, in accordance with Ordinance No. 1421/2004 and Regulation No. 86/2007.

At the national level, we participate in initiatives such as FAQtos, promoted by INOV (INESC) with the objective of monitoring and disseminating information about the impacts of electromagnetic radiation to public entities such as municipal councils, schools, hospitals and health centres.

Within the scope of FAQtos, together with other operators, we integrated a working group to assess the impact of the new 5G networks on the exposure limits, exclusion zones and other aspects related to emissions from electromagnetic fields. The study will use the experience of the 5G experimental facilities that each operator has in Portugal.

At the international level, we also followed the forum organized by the GSMA (global association of mobile operators) on the implications of the first 5G commercial networks in the exposure to electromagnetic fields and which involved the participation of operators, regulators and researchers in the fields of medicine and biology.

Other environmental impacts

Biodiversity

The installation of mobile network stations, typically in urban areas, is regulated by specific legislation and requires licensing procedures with the respective Municipal Councils. For the majority of the installations, the restrictions are related to the visual impact - height of the towers, aesthetic aspects - and the mandatory minimum distance of 150 m from any building intended for the permanence of people.

When the installation takes place inside or in areas adjacent to protected areas or areas of high conservation value, namely areas of the National Agricultural Reserve (RAN) and the National Ecological Reserve (REN), it is necessary to consult both entities. For other areas of greater sensitivity, such as the Special Protection Area of the Alto Douro Wine Region, areas under forest or high fire risk, it is also mandatory to request authorization from the Institute for the Conservation of Nature and Forests (ICNF).

Management of water consumption

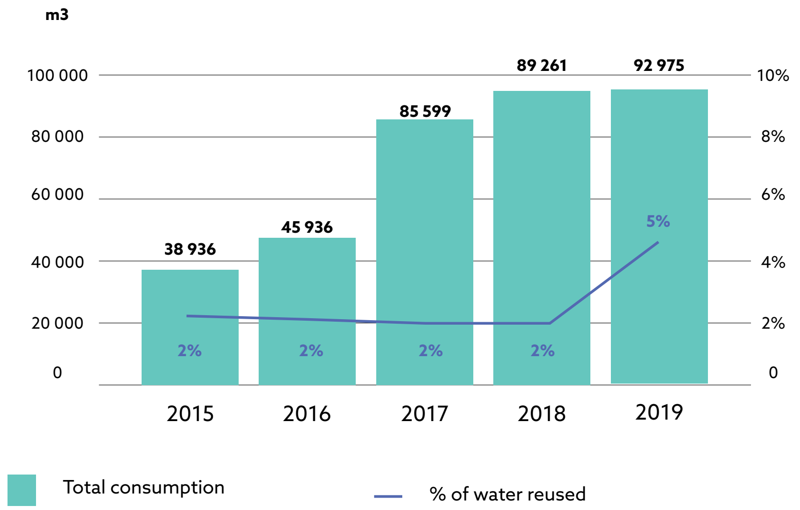
Our activities do not involve the consumption of significant amounts of water, and this is not considered a material topic in our sustainability strategy. However, water is a scarce natural resource, whose consumption we monitor and rationalize in the support buildings, technical network, own stores and cinemas.

Our facilities at Parque das Nações, in Lisbon, have a system that allows the collection of rainwater and its use in the irrigation and firefighting systems of the building.

The results of the monitoring indicate that, globally, water consumption in our operation remains stable. In 2019, there was a slight increase (+ 4%) compared to the previous year.

However, about 75% of this increase was registered in the volume of rainwater recovered and reused, without implying an increase in the consumption of the municipal network, which constitutes our only other source of supply.

Total water consumption and % of water reused (2015-2019)
(in m^3)



From 2017 includes cinemas

06. Promoting sustainable innovation

Assessment of commitments made

Commitment	Year	Status 2019
Dynamize the innovation ecosystem with the Academia and business fabric	2019	**IMPLEMENTED** Throughout this chapter, various innovation initiatives with academia and the business community are described.
Develop project within the scope of Smart Cities	2019	**IMPLEMENTED** In 2019, we implemented two projects, with the municipal council of Famalicão and Moita.
Develop pilot project with 5G technology in the business sector	2020	**NEW**
Continued investment in Smart Cities projects with implementation in 2 new municipalities	2020	**NEW**

Main Highlights

10 million euros
invested in "NOS 5G Fund"

248 thousand of euros
of community support

Development of products or services with environmental and social benefits

For NOS, innovation has the power to transform competitive or sustainable markets or positions. We believe that innovation should be viewed openly and not department by department, company by company.

We develop, or support the development, of innovative solutions, the use of which induces economic, environmental and social benefits, involving customers, partners, developers and academia, in a virtuous ecosystem, which begins with the idea and ends with the solution and/or product implemented in customers.

A NOS a liderar o 5G

The 5th Generation of mobile communications (5G) will transform our lives, not only on a personal level, but also on a professional level, opening a new world of challenges and opportunities. It is no longer about what technology can do, but what people can do with it.

Speed, latency, increased capacity of connected devices, opens the door to major developments in IOT, in the transformation of the way we live today and connect with each other.

Speed	Latency	Resilience	Transparency
5G will allow ultra-fast connection speeds that will radically transform the way we live.	Through a latency close to zero, actions become instantaneous, allowing for a real experience, without delays or deviations.	5G will bring a more robust network, thus helping companies to become more efficient and simplifying citizens' lives.	5G will allow to connect numerous objects and equipment and put them at the service of citizens.

With 5G we have opened up the way for a simpler, instantaneous and immersive daily life, with impacts on social and environmental levels, from traffic to lighting, from water supply to emergency responses, from security to waste management. With this technology, it will be possible to mitigate the effects of climate change, for example, by reducing light consumption, installing intelligent lamps and systems on roads, streets and buildings that allow switching on and off depending on the presence of people.

NOS invests on 5G and intends to lead this movement, of innovation and service excellence, being a pioneer in the use cases that improve the lives of our customers.

Promotion of entrepreneurship

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The "NOS 5G" fund, launched at the end of 2019, is a pioneering fund intended for investment in research and development (R&D) in 5G.

With an initial amount available for investment of 10 million euros, the fund aims to invest in companies with technological solutions based on the next generation of mobile network, covering areas as varied as virtual reality, smart cities, autonomous driving, Internet of Things (IoT) and Big Data.

In addition to fostering Portugal's growth and job creation, the fund will focus on investing with the community of entrepreneurs in Portugal, in technological projects in the early stages of development, usually referred to as early stage.

We have also developed other institutional programs that generate effective and real contributions to solving the business challenges of NOS and its customers. As an example, we highlight some acceleration, brainstorming and hackathons programs carried out in 2019.

Hackathon IoT

NOS Hackathon IoT was a technology marathon, focused on IoT, in which young university students worked on real challenges in the Internet of Things (IoT) paradigm of the company and its customers.

The selected multidisciplinary teams were immersed in a dynamic co-creation environment and were put to the test in solving current and real IoT challenges, in the areas of health, retail, logistics and facilities.

Participants also relied on practical workshops and learning of new technical technologies and working methods (Agile, Scrum, etc.), within a framework of mentoring and coaching of national reference mentors in their areas.

Eurekathon | A success story

In partnership with LTP Labs and Porto Business School and guided by the ambition to clearly mark NOS 'position as a reference company in Advanced Analytics, we held the annual Eurekathon competition. In this 24-hour edition, we put know-how at the service of sustainability and challenged more than 100 young people, from the Engineering and Science areas of leading universities in Porto, Aveiro, Minho and Coimbra, to use NOS data, anonymized, to combat isolation in our country.

The winning teams used a disruptive approach to the challenge and proposed a set of solutions that not only maximized the support provided and the well-being of the population but minimized the associated costs. 20% of the prize amount awarded to the winners was donated to non-profit institutions whose mission is similar to that of the challenge.

IoT as a strategic investment

NOS is today a prominent partner of national companies, the result of a continued commitment to innovation and, in particular, IoT. This is a strategic area and in which we have been working in the most different layers, always with the objective of enhancing the services and operations of our customers.

As priority areas of activity, we highlight the development of new products (e.g. telemonitoring for the chronically ill; smart meters and bike sharing); the improvement of the customer experience (e.g. connection of domestic equipment; waste management solutions and smart parking); collaboration through innovation in workspaces (e.g. monitoring space occupation and use of equipment); and, finally, the optimization of operations (e.g. energy efficiency and control of cold systems). As an example, we highlight two projects developed in 2019.

Smart irrigation with NOS technology

In 2019, NOS developed a technological solution that allows better remote management of garden irrigation, reduces operating costs, eliminates leaks and losses and further optimizes water consumption.

The solution is based on smart and connected irrigation controllers, remotely managed through a cloud platform that crosses different data sources (such as satellite images, weather, etc.) to recommend efficient irrigation programs considering the history and forecast of future conditions. The solution, focused on bringing these advantages to Portuguese municipalities, but also to private entities such as hotels or agricultural companies, has already shown that it is able to bring significant water savings, in addition to reducing travel and improving the quality of green spaces.

NOS participates in a pilot project for smart gas meters

NOS, together with "Gás Natural Distribuição" and "Lisboa Gás", implemented a pilot project for smart meters in the district of Lisbon. 100 units were installed in Lisbon, Cascais and Sintra, which establish remote contact with the operational platform that allows to receive consumption data in real time, thus supporting a set of innovative advantages such as the guarantee that consumers will be able to receive their invoices based on actual consumption, avoiding travel or resorting to estimates, and ensuring greater convenience for the customer.

In this pioneering project in Portugal, the tests take place, in a real environment, using the latest Narrowband-IoT (NB-IoT) communications technology, supported in hardware layers (the meters) and also management platforms, made available by NOS, which allow more reliable and agile data communication between meters at consumers' premises and the distribution network operator.

NOS and smart cities

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

The architecture of a smart city supports the collection and processing of information, making it actionable, which allows making data available in an open and transversal way to the ecosystem for the development of new applications, services and applications, generating benefits.

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

In 2019, NOS 'work focused on adding new innovative solutions to this portfolio, such as visualizing points of interest in the city in an augmented reality experience, as well as investing in consultative capacity that aims to support Portuguese Municipalities in the design of their transformation plans and in measuring the potential impact of different initiatives.

Additionally, in addition to the collaboration protocols already signed in previous years with the Municipal Councils of Oeiras and Lagoa, in 2019 NOS implemented 2 more projects, this time, with the Municipal Councils of Famalicão and Moita, once again showing our commitment to smart cities, which promote their sustainability, mobility, accessibility, efficiency and proximity, through technologically innovative solutions.

Finally, 2019 was the year in which NOS pioneering tested in Portugal some of the potential of the new generation of mobile communications (5G) through demonstrations of use cases such as the remote driving of emergency vehicles in Lisbon, or the remote control of rescue drones in Matosinhos. Some of these solutions, among others, will allow to deepen and introduce new concepts in the paradigm of smart cities, contributing to an increasing improvement in the quality of life of citizens.

In the near future, 5G will be an important facilitator in the development of smart and sustainable cities. And, at NOS, we are committed to building this path.

NOS 5G will make beaches safer

Tested in a real environment in Matosinhos, NOS demonstrated, in collaboration with CEiiA - Engineering and Development Center, the potential of 5G, namely in terms of response time (latency) and bandwidth (speed), applied to the surveillance of beaches and coastal areas, through the transmission of 4G 360º high definition video.

With this initiative, we highlighted the difference that the new generation of mobile communications represents in terms of response time in an emergency environment, specifically in video surveillance and rescue in beach areas.

The first Portuguese 5G city is NOS

We made Matosinhos the first national city with a 5G network 100% operational and available, on a pilot project basis, to the municipality, companies and research centres, for the development of use cases leveraged in this technology. This was another step to position ourselves at the forefront in the implementation of this new technology and to assume a leading role in innovation associated with smart cities and the development of societies 5.0.

Enhance capabilities

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Due to the nature of the sector in which we operate, we are committed to enhancing the capabilities of those who need it most, thus contributing to the construction of a more inclusive society, promoting access to new technologies, regardless of age, capabilities, language, culture and technological literacy of each individual.

2019 was marked by initiatives both in the social and environmental sphere, as well as in the cultural sphere.

In partnership with the private sector, public sector and third sector organizations, we develop projects in terms of information and communication technologies, with an impact on these organizations as well as on their target audiences.

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

The program makes it possible to shorten distances through the intelligent use of new technologies, while contributing to education and combating info-exclusion, and promoting the responsible and correct use of the equipment it makes available to such a special audience.

Through a partnership with SIC Esperança, in 2019 we donated around one hundred desktops and accessories to five educational establishments, impacting a universe of more than 100 students in the 5th and 6th grades. This initiative aimed to contribute materially to the teaching conditions of these children and, equally, to enhance the equity of opportunities.

In 2019, we continued partners of MUDA, a national movement promoted by various companies, universities and associations, and by the Portuguese State, which aims to encourage the participation of the Portuguese in the digital space, contributing to a more advanced, inclusive and participatory country.

Also, within the scope of our social and environmental responsibility policy, we donated more than a thousand plastic storage boxes to Entrajuda, in order to enhance the circularity of resources and strengthen the social solidarity network. Through this action, we avoided around three tons of plastic waste and gave new life to the hundreds of boxes, of ample durability and resistance, that were standing in our warehouses.

"Partilha & Recicla" (Share & Recycle) was the motto of the campaign launched by NOS Lusomundo that aimed to encourage children to donate their special toys, with which they no longer play. This campaign, inspired by the animated film Toy Story 4, had the participation of 50 cinemas, from north to south of the country, and Madeira Island. Our employees were also invited to participate, and collection boxes were made available for this purpose at our facilities. In total, around 8,112 units were collected, which were distributed to 19 institutions in Portugal and Mozambique.

As part of our support for the National Cinema Plan, we provided, free of charge, a set of cinemas in Braga, Coimbra, Lisbon, Paços de Ferreira, Rio Tinto, Vila Real and Viseu to around 1828 students and 156 teachers. This initiative, whose dynamism is in charge of the Directorate-General for Education, the Institute of Cinema and Audio-visual and the "Cinemateca Portuguesa-Museu do Cinema", aims to disseminate cinematography to young people and combine cinema with school program content.

Finally, we once again demonstrated our support for Portuguese Cinema in Portugal with the promotion of the "Encontros do Cinema Português" (Encounters of Portuguese Cinema) initiative, in this 4th edition, through the presentation of 42 national production projects in one of the NOS Alvaláxia cinemas.

Annex

Annex I – GRI Table

GENERAL CONTENT				
Indicator/Response	**Location**	**UNGC Principles**	**SDG**	**Legal Correspondence**
GRI 102: 2016 STANDARD- General Contents				
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. 6 and 7			
102-3 Headquarters Location Rua Actor António Silva, nº9, Campo Grande, 1600-404 Lisboa				
102-4 Operations location	RG, p. 6			
102-5 Type and legal nature of property	DFC, p. 80			
102-6 Markets Served	RG, pp. 6 and 8			
102-7 Organization size	RG, p. 6 DnF, pp. 29 to 31, 37			
102-8 Information about Employees and other workers Total number of workers by type of contract, by gender	DnF, p. 47	6	5, 8	

		2017	2018	2019
Permanent employees	Men	1082	1088	1095
	Women	776	738	723
	Subtotal	**1858**	**1826**	**1818**
Temporary employees	Men	50	51	42
	Women	39	42	49
	Subtotal	**89**	**93**	**91**
Total Employees		**1947**	**1919**	**1909**

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
Total number of workers by type of employment, by gender				

		2017	2018	2019
Full-time	Men	1132	1139	1137
	Women	815	780	772
	Subtotal	1947	1919	1909
Part-time	Men	0	0	0
	Women	0	0	0
	Subtotal	0	0	0
Total Employees		1947	1919	1909

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

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
102-9 Supplier Chain	DnF, pp. 31, 37 to 38		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 has signed several external initiatives, namely the United Nations Global Compact, since 2014, and the Charter of Principles of BCSD Portugal. During 2019, are highlighted the subscriptions to the United Nations Business Ambition for 1.5ºC Letter of Commitment and the WBCSD's CEO's Guide on Human Rights.	DnF, p. 26			
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, p. 5			CSC | Article 508-G, Number 2, Paragraph a)
102-15 Main impacts, risks and opportunities	DnF, p. 28			
Ethics and Integrity				
102-16 Values, principles, standards and norms of conduct	DnF, pp. 26, 32 to 35	10	16	
102-17 Mechanisms to clarify doubts and report alleged irregularities on ethical issues	DnF, pp. 32 to 35	10	16	
Governance				

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
102-18 Governance Structure	RGS, p. 154			
102-21 Stakeholder consultation on economic, environmental and social issues	DnF, pp. 29 to 31			DL89 | Introduction, 5th Paragraph
102-22 Composition of the highest governance body and its committees	RGS, p. 154			CVM | Article 245-A, Number 4, Paragraph r)
102-24 Appointment and choice of the highest governance body	RGS, p. 154			CVM | Article 245-A, Number 4, Paragraph r)
Involvement with Stakeholders				
102-40 List of stakeholder groups	DnF, p. 29		17	
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, p. 29		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. 29		17	DL89 | Introduction, 5th Paragraph
102-44 Main issues and concerns identified	DnF, pp. 29 to 31		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.	DFC, p. 80			
102-46 Definition of report content and limits of the topics	DnF, pp. 25, 29 to 31			
102-47 List of material topics	DnF, p. 31			
102-48 Reformulation of information In the reporting period, the 2018 data traffic value was revised. Consequently, the ratio of energy consumption per data traffic, for that same year, was reformulated (compared to the previous year).				
102-49 Changes in reporting There were no changes in reporting.				
102-50 Period covered by the report January 1st, 2019 to December 31st, 2019				
102-51 Date of most recent previous report Annual Report 2018				
102-52 Publishing cycle Annual periodicity				
102-53 Contacts for questions about the report	DnF, p. 25			
102-54 Declaration of compliance with the GRI Standards	DnF, p. 25			
102-55 GRI index This table				
102-56 External verification	DnF, p. 79			

SPECIFIC CONTENT

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
GRI 200: 2016 STANDARD- Economic Performance				
Economic Performance				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			
103-2 The management approach and its components	DnF, p. 29 DFC, p. 80			
103-3 Evaluation of the management approach	DFC, p. 80			
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. 29		8	
201-4 Financial benefits received by the government The support received from the State through fiscal incentives was approximately 6 million euros.				
Purchasing Practices				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			
103-2 The management approach and its components	DnF, pp. 37 to 38			
103-3 Evaluation of the management approach	DnF, pp. 37 to 38			
204-1 Proportion of expenses with local suppliers | | National | International | | Year 2019 | 83,3% | 16,7% | See Methodological Notes	DnF, p. 37		8, 12, 16, 17	
Anti-corruption				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 32 to 35			
103-3 Evaluation of the management approach	DnF, pp. 32 to 35			CSC | Article 508-G, Number 2, Paragraph c)
205-2 Communication and training in anti-corruption policies and procedures.	DnF, pp. 32 to 35	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	
Unfair competition				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			
103-2 The management approach and its components	DnF, pp. 32 to 36			
103-3 Evaluation of the management approach	DnF, pp. 32 to 36			
206-1 Legal actions for unfair competition, antitrust and monopoly practices In the reporting period there is no record of such occurrences.			16	
GRI 300: 2016 STANDART- Environmental Performance				
Energy				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 53 to 56			
103-3 Evaluation of the management approach	DnF, pp. 53 to 56			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. 54 to 55	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. 54 to 55	8	7, 9, 12, 13	
302-4 Energy consumption reduction Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, pp. 54 to 55	8, 9	7, 12, 13	
Water				
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. 59			CSC | Article 508-G, Number 2
303-3 Recycled and reused water Scope: Excludes NOS Azores and NOS Madeira	DnF, p. 59			

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
Biodiversity				
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. 59			CSC | Article 508-G, Number 2
Emissions				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 55 to 56			
103-3 Evaluation of the management approach	DnF, pp. 55 to 56			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, pp. 55 to 56	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, pp. 55 to 56	7, 8	7, 12, 13	
305-3 Other indirect GHG emissions (Scope 3) Scope: Excludes NOS Azores and NOS Madeira See Methodological Notes	DnF, pp. 55 to 56	7, 8	12, 13	
Effluent and Waste				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 57 to 58			
103-3 Evaluation of the management approach	DnF, pp. 57 to 58			CSC | Article 508-G, Number 2, Paragraph c)
306-2 Waste by type and treatment method Scope: Excludes NOS Azores and NOS Madeira	DnF, p. 57	7, 8	12	CSC | Article 508-G, Number 2, Paragraph e)
Environmental Compliance				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 33 to 34			

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
103-3 Evaluation of the management approach	DnF, pp. 33 to 34			CSC | Article 508-G, Number 2, Paragraph c)
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.		8	16	CSC | Article 508-G, Number 2, Paragraph e)
GRI 400: 2016 STANDART- Social Performance				
Employment				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 46 to 52			
103-3 Evaluation of the management approach	DnF, pp. 46 to 52			CSC | Article 508-G, Number 2, Paragraph c)
401-1 Hiring new employees and employee turnover	DnF, p. 47	6	5, 8	CSC | Article 508-G, Number 2, Paragraph e)

Year 2019	Total number of entries	Total number of exits
<30 years old	109	63
30-50 years old	78	119
>50 years old	0	11
Female	86	92
Male	101	101
Total	**187**	**193**

Year 2019	Admission rate	Net Replacement Rate
<30 years old	5,7%	2,4%
30-50 years old	4,1%	-2,1%
>50 years old	0,0%	0,6%
Female	4,5%	-0,3%
Male	5,3%	0,0%
Total	**10%**	**-0,3%**

Scope: All employees except cinema workers, internships and government bodies.
See Methodological Notes

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
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 bodies.			8	

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
401-3 Parental leave		3, 6	5, 8	

Rates	Women	Men	Total
Return	93,3%	100%	96,8%
Retention	97,6%	92,5%	94,4%

Scope: All employees except cinema workers, internships contracts and government agencies.
See Methodological Notes

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
Health and Safety at Work				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, p. 52			
103-3 Evaluation of the management approach	DnF, pp. 46 to 52			CSC | Article 508-G, Number 2, Paragraph c)
403-2 Types and rates of injuries, occupational diseases, days lost, absenteeism and number of work-related deaths			8	CSC | Article 508-G, Number 2, Paragraph e)

	Frequency Rate	Absenteeism Rate	Lost Days Rate	No. of Occupational Diseases
Year 2019	3,93	1,4%	58,95	0

Scope: All employees except cinema workers, internships contracts and government bodies.

See Methodological Notes

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
Training and Education				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 46 to 51			
103-3 Evaluation of the management approach	DnF, pp. 46 to 51			CSC | Article 508-G, Number 2, Paragraph c)

<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>2019</th></tr>
<tr><td rowspan="3">Technicians</td><td>Men</td><td>25,4</td></tr>
<tr><td>Women</td><td>21,1</td></tr>
<tr><td>Total</td><td>23,5</td></tr>
<tr><td rowspan="3">Managers</td><td>Men</td><td>26,6</td></tr>
<tr><td>Women</td><td>31,8</td></tr>
<tr><td>Total</td><td>28,2</td></tr>
<tr><td rowspan="3">Directors</td><td>Men</td><td>16,9</td></tr>
<tr><td>Women</td><td>14,4</td></tr>
<tr><td>Total</td><td>16,2</td></tr>
</table>

Scope: All employees except cinema workers, internships contracts and government bodies.

See Methodological Notes</td><td>DnF, p. 51</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>2019</th></tr>
<tr><td rowspan="3">Technicians</td><td>Men</td><td>99%</td></tr>
<tr><td>Women</td><td>94%</td></tr>
<tr><td>Total</td><td>98%</td></tr>
<tr><td rowspan="3">Managers</td><td>Men</td><td>100%</td></tr>
<tr><td>Women</td><td>100%</td></tr>
<tr><td>Total</td><td>100%</td></tr>
<tr><td rowspan="3">Directors</td><td>Men</td><td>98%</td></tr>
<tr><td>Women</td><td>94%</td></tr>
<tr><td>Total</td><td>96%</td></tr>
</table>

Scope: All employees covered by the performance evaluation model. The performance evaluation process is mandatory for all employees, with the following exceptions: a) employees with less than 3 months of seniority; b) employees with a long absence period during the year.</td><td>DnF, pp. 49 to 51</td><td>6</td><td>5, 8</td><td></td></tr>
</table>

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
Diversity				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 47 to 48			
103-3 Evaluation of the management approach	DnF, pp. 46 to 48			CSC | Article 508-G, Number 2, Paragraph c)
405-1 Diversity in governance bodies and employees	DnF, pp. 46 to 48	6	5, 8	CSC | Article 508-G, Number 2, Paragraph e)

Category	Gender		Age		
	Men	Women	<30	30 - 50	>50
Technician	842	646	192	1170	126
Manager	257	110	6	304	57
Director	38	16	0	41	13
Governing bodies	17	5	0	12	10

Scope: All employees except cinema workers and internships contracts.

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
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.		6	5, 8	
Non-Discrimination / Freedom of Association and Collective Bargaining / Child Labour / Forced or Slave Labour				
Management Approach The topics are non-material for NOS. Our response ensures a better alignment with the DL89.				
406-1 Incidents of discrimination and corrective measures taken No incidents of discrimination were recorded.		1, 6	5, 8, 16	CSC | Article 508-G, Number 2
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. Additionally, it subscribes to several external initiatives that promote human rights.	DnF, pp. 26, 30, 33 to 34	3, 4, 5	8,16	CSC | Article 508-G, Number 2
Local Communities				
Management Approach The topic is non-material for NOS.				
413-1 Operations with local community involvement, impact assessments and development programs	DnF, pp. 60 to 63			CSC | Article 508-G, Number 2

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
Suppliers Social Assessment				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 32, 37 to 38			
103-3 Evaluation of the management approach	DnF, pp. 37 to 38			CSC | Article 508-G, Number 2, Paragraph c)
414-1 New suppliers selected based on social criteria The assessment for the year 2019 will take place during the first quarter of 2020. For the second consecutive year it will include criteria for Ethics, Environment and Health and Safety at Work.		1, 2, 3, 4, 5, 6	8, 12, 16, 17	CSC | Article 508-G, Number 2, Paragraph e)
Public Policies				
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. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 33 to 34, 39 to 45			
103-3 Evaluation of the management approach	DnF, pp. 33 to 34, 39 to 45			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)
Information/Labelling of Products and Services				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 33 to 34, 39 a 45			
103-3 Evaluation of the management approach	DnF, pp. 33 to 34, 39 a 45			CSC | Article 508-G, Number 2, Paragraph c)
417-2 Incidents of non-compliance related to information/labelling of products and services In the reporting period there is no record of such occurrences.			16	CSC | Article 508-G, Number 2, Paragraph e)

Indicator/Response	Location	UNGC Principles	SDG	Legal Correspondence
417-3 Incidents of non-compliance related to marketing communications In the reporting period there was a recorded an occurrence of this nature, which resulted in a fine of € 250.			16	
Customer Privacy				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 32 to 34, 36			
103-3 Evaluation of the management approach	DnF, pp. 32 to 34, 36			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 were 3 recorded complaints regarding costumer privacy breach and loss of customer data.				CSC | Article 508-G, Number 2, Paragraph e)
Socioeconomic Compliance				
Management Approach				
103-1 Explanation of the material topic and its boundary	DnF, pp. 29 to 31			CSC | Article 508-G, Number 2, Paragraph b)
103-2 The management approach and its components	DnF, pp. 33 to 34			
103-3 Evaluation of the management approach	DnF, pp. 33 to 34			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 there was a recorded an occurrence of this nature, which resulted in a fine of 100.000 euros.			16	CSC | Article 508-G, Number 2, Paragraph e)

Subtitle:
DFC – 2019 Consolidated Financial Statements
DnF – 2019 Non-Financial Statements
UNGC principles - United Nations Global Compact
SDG - Sustainable Development Goals
RG – 2019 Annual Report
RGS – 2019 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 28

ANNEX II – Methodological Notes

201-1 Direct economic value generated and distributed

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 purchasing 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 workdays.

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.

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.

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 workdays 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

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 (M/F): 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 of electricity on mobile network sites and solar thermal energy in buildings).

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 (CO_2), methane (CH_4), nitrous oxide (N_2O), and fluorinated gases (hydrofluorocarbons - HFCs; Perfluorocarbons - PFCs, Sulphur hexafluoride - SF_6; nitrogen trifluoride - NF_3).The results are converted to equivalent carbon dioxide (CO_2e) 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 conversion factor specific to the carbon content of electricity supplied by the supplier during the reporting year, calculated based on the most recent information available to date (quarterly breakdown by primary energy source and emission factors by technology published by the regulatory authority for application in 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 activities of third parties in the NOS value chain, upstream and downstream of own activities. Among the sources of emissions classified in the 15 categories defined by "The GHG Protocol", the following are currently accounted: emissions of energy consumed that are not accounted for in scope 1 or 2 (category 3); treatment of waste generated in operations (category 5); missions by employees, in third-party vehicles (category 6); travel from home to work by employees - commuting (category 7); energy consumption in NOS equipment installed on shared sites owned by other operators (category 8); and energy consumption in the NOS store network operated by third parties, under franchising (category 14).

Emissions of energy consumed, not accounted for in scope 1 and 2 – Upstream emissions in the life cycle of fossil fuels (extraction, refining and transport) and electricity (extraction, refining and transport of fuel used in thermal production and losses in transport and distribution) consumed. Calculated based on consumption accounted for in scope 1 and 2 and the application of representative conversion factors, based on the latest edition of emission factors published by the UK Department for Environment Food and Rural Affairs.

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).

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).

Commuting – Emissions calculated on the basis of distances and means of transport, assessed through an 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.

Energy consumption on third party shared sites – Emissions calculated based on average consumption by type of installed equipment, determined through information on equivalent equipment on the NOS network.

Energy consumption in stores managed by third parties under franchising – Emissions calculated based on average unit consumption (kWh/m2) by store type, determined through information from equivalent stores of the NOS own network.

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.

ANNEX III - Declaration of External Verification

Building a better working world

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

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

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 2019", relating to the sustainability activities carried out from 1 January 2019 to 31 December 2019.

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 2019;
   - 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, 20th February 2020

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 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	31-12-2018 REPORTED	31-12-2018 RESTATED	31-12-2019
ASSETS				
NON - CURRENT ASSETS				
Tangible assets	8	1,053,663	1,026,355	1,034,813
Investment property		659	659	653
Intangible assets	9	1,064,878	1,019,256	1,014,066
Contract costs	10	162,948	162,948	163,101
Rights of use	11	-	200,483	218,383
Investments in jointly controlled companies and associated companies	12	19,585	19,585	18,244
Accounts receivable - other	13	7,334	4,529	4,064
Tax receivable	14	149	149	149
Other financial assets non-current		204	204	439
Deferred income tax assets	15	85,641	94,404	80,428
Derivative financial instruments	20	112	112	-
TOTAL NON - CURRENT ASSETS		2,395,174	2,528,684	2,534,342
CURRENT ASSETS:				
Inventories	16	38,885	38,885	34,081
Accounts receivable - trade	17	382,100	382,100	361,712
Contract assets	18	57,022	57,022	68,059
Accounts receivable - other	13	9,418	9,164	28,128
Tax receivable	14	1,246	1,246	4,631
Prepaid expenses	19	38,844	38,844	43,954
Non-current assets held-for-sale		600	600	450
Derivative financial instruments	20	73	73	-
Cash and cash equivalents	21	2,182	2,182	12,819
TOTAL CURRENT ASSETS		530,370	530,116	553,834
TOTAL ASSETS		2,925,543	3,058,800	3,088,176
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	(12,132)	(12,132)	(14,655)
Legal reserve	22.4	1,030	1,030	1,030
Other reserves and accumulated earnings	22.4	86,909	60,276	16,041
Net Income		141,405	137,770	143,494
EQUITY BEFORE NON - CONTROLLING INTERESTS		1,076,582	1,046,315	1,005,281
Non-controlling interests	23	7,301	7,296	7,042
TOTAL EQUITY		1,083,883	1,053,611	1,012,322
LIABILITIES				
NON - CURRENT LIABILITIES				
Borrowings	24	888,918	1,014,364	1,216,847
Provisions	25	128,815	128,815	94,959
Accounts payable	29	9,723	9,723	3,855
Accrued expenses	26	688	688	667
Deferred income	27	5,521	5,521	5,123
Derivative financial instruments	20	-	-	265
Deferred income tax liabilities	15	5,968	5,123	11,626
TOTAL NON - CURRENT LIABILITIES		1,039,632	1,164,233	1,333,343
CURRENT LIABILITIES:				
Borrowings	24	244,134	283,061	143,281
Accounts payable - trade	28	254,950	254,950	259,499
Accounts payable - other	29	38,226	38,226	33,835
Tax payable	14	33,783	33,783	68,202
Accrued expenses	26	197,052	197,052	203,726
Deferred income	27	32,671	32,671	33,834
Derivative financial instruments	20	1,211	1,211	135
TOTAL CURRENT LIABILITIES		802,028	840,955	742,511
TOTAL LIABILITIES		1,841,661	2,005,189	2,075,854
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		2,925,543	3,058,800	3,088,176

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 31 December 2019.

The Chief Accountant The Board of Directors

Consolidated statement of income by nature

for the financial years ended on 31 December 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	4º QUARTER 18 REPORTED	12M 18 REPORTED	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
REVENUES:							
Services rendered		377.427	1.464.349	377.427	1.464.349	380.227	1.485.935
Sales		26.382	87.682	26.382	87.682	28.063	89.141
Other operating revenues		5.069	24.130	5.069	24.130	5.758	24.155
	30	408.878	1.576.161	408.878	1.576.161	414.048	1.599.230
COSTS, LOSSES AND GAINS:							
Wages and salaries	31	22.497	82.703	22.497	82.703	22.793	85.176
Direct costs	32	143.847	516.141	141.821	509.699	145.402	524.058
Costs of products sold	33	18.045	62.660	18.045	62.660	21.983	64.228
Marketing and advertising		14.145	35.774	14.145	35.774	15.655	37.216
Support services	34	21.920	84.582	21.878	84.426	22.519	82.335
Supplies and external services	34	33.086	147.919	32.595	121.973	29.843	112.863
Other operating losses / (gains)		167	751	167	751	123	516
Taxes		8.764	34.123	8.764	34.123	8.354	32.844
Provisions and adjustments	35	16.365	19.745	16.364	19.745	11.654	18.934
Depreciation, amortisation and impairment losses	8, 9,10, and 37	92.890	390.001	101.598	421.435	123.344	421.318
Reestructuring costs	38	2.110	10.684	2.110	10.684	713	7.732
Losses / (gains) on sale of assets, net		(210)	(496)	(210)	(496)	98	(547)
Other losses / (gains) non recurrent net	39	3.194	(9.199)	3.194	(9.199)	3.093	10.726
		376.818	1.375.387	382.968	1.374.277	405.572	1.397.399
INCOME BEFORE FINANCIAL RESULTS AND TAXES		32.058	200.773	25.910	201.884	8.476	201.831
Net losses / (gains) of affiliated companies	12 and 36	1.990	6.441	1.990	6.441	3.318	1.022
Financial costs	40	3.931	16.594	5.939	25.019	4.212	20.661
Net foreign exchange losses / (gains)		(190)	(152)	(190)	(152)	175	139
Net losses / (gains) on financial assets		(132)	(132)	(132)	(132)	151	142
Net other financial expenses / (income)	40	1.136	7.845	1.002	5.956	1.059	3.826
		6.734	30.595	8.609	37.132	8.914	25.790
INCOME BEFORE TAXES		25.324	170.178	17.301	164.752	(438)	176.041
Income taxes	15	6.825	29.276	4.543	27.479	(5.820)	32.798
NET CONSOLIDATED INCOME		18.499	140.902	12.759	137.274	5.381	143.243
ATTRIBUTABLE TO:							
NOS Group Shareholders		18.404	141.405	12.663	137.770	5.401	143.494
Non-controlling interests	23	94	(504)	95	(497)	(20)	(251)
EARNINGS PER SHARES							
Basic - euros	41	0,04	0,28	0,02	0,27	0,01	0,28
Diluted - euros	41	0,04	0,28	0,02	0,27	0,01	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 2019.

The Chief Accountant The Board of Directors

Consolidated statement of comprehensive income

for the financial years ended on 31 December 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	4º QUARTER 18 REPORTED	12M 18 REPORTED	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
NET CONSOLIDATED INCOME		18,499	140,902	12,759	137,274	5,381	143,243
OTHER INCOME							
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:							
Accounting for equity method	12	470	(10,501)	470	(10,501)	(2,055)	(2,127)
Fair value of interest rate swap	20	374	1,242	374	1,242	92	1,173
Deferred income tax - interest rate swap	20	(84)	(279)	(84)	(279)	(21)	(264)
Fair value of equity swaps	20	16	(10)	16	(10)	(77)	(558)
Deferred income tax - equity swap	20	(4)	2	(4)	2	18	126
Currency translation differences and others		22	(1,192)	22	(1,193)	(276)	(419)
INCOME RECOGNISED DIRECTLY IN EQUITY		794	(10,738)	794	(10,739)	(2,319)	(2,069)
TOTAL COMPREHENSIVE INCOME		19,293	130,164	13,553	126,535	3,062	141,174
ATTRIBUTABLE TO:							
NOS Group Shareholders		19,199	130,668	13,458	127,032	3,082	141,425
Non-controlling interests		94	(504)	95	(497)	(20)	(251)
		19,293	130,164	10,731	126,535	3,062	141,174

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 2019.

The Chief Accountant The Board of Directors

Consolidated statement of changes in shareholders' equity

for the financial years ended on 31 December 2018 and 2019

(Amounts stated in thousands of euros)

		ATTRIBUTABLE TO NOS GROUP SHAREHOLDERS							
	NOTES	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME	NON - CONTROLLING INTERESTS	TOTAL
BALANCE AS AT 1 JANUARY 2018 (RESTATED AT 31 DECEMBER 2018)		5,152	854,219	(12,681)	1,030	129,504	122,083	7,807	1,107,113
Effect of adoption of IFRS 16 (Note 2.1)		-	-	-	-	(30,969)	4,337	(11)	(26,643)
BALANCE AS AT 1 JANUARY 2018 (RESTATED AT 31 MARCH 2019)		5,152	854,219	(12,681)	1,030	98,534	126,420	7,796	1,080,470
Result appropriation									
Transfers to reserves		-	-	-	-	126,420	(126,420)	-	-
Dividends paid		-	-	-	-	(153,923)	-	-	(153,923)
Aquisition of own shares	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		-	-	-	-	3,544	-	(3)	3,541
Comprehensive Income		-	-	-	-	(10,738)	137,770	(497)	126,535
BALANCE AS AT 31 DECEMBER 2018 (RESTATED IFRS 16)		5,152	854,219	(12,132)	1,030	60,276	137,770	7,296	1,053,611
BALANCE AS AT 1 JANUARY 2019 (REPORTED)		5,152	854,219	(12,132)	1,030	86,909	141,405	7,301	1,083,883
Effect of adoption of IFRS 16 (Note 2.1)		-	-	-	-	(26,633)	(3,635)	(6)	(30,274)
BALANCE AS AT 1 JANUARY 2019 (RESTATED)		5,152	854,219	(12,132)	1,030	60,276	137,770	7,296	1,053,611
Result appropriation									
Transfers to reserves		-	-	-	-	137,770	(137,770)	-	-
Dividends paid		-	-	-	-	(179,607)	-	-	(179,607)
Aquisition of own shares	22.3	-	-	(6,710)	-	-	-	-	(6,710)
Distribution of own shares - share incentive scheme	22.3	-	-	3,849	-	(3,849)	-	-	-
Distribuition of own shares - other remunerations	22.3	-	-	338	-	(69)	-	-	268
Share Plan - costs incurred in the period and others	44	-	-	-	-	3,589	-	(3)	3,586
Comprehensive Income		-	-	-	-	(2,069)	143,494	(251)	141,174
BALANCE AS AT 31 DECEMBER 2019		5,152	854,219	(14,655)	1,030	16,041	143,494	7,042	1,012,322

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 2019.

The Chief Accountant The Board of Directors

Consolidated statement of cash flows

for the financial years ended on 31 December 2018 and 2019

(Amounts stated in thousands of euros)

	NOTES	12M 18 REPORTED	12M 18 RESTATED	12M 19
OPERATING ACTIVITIES				
Collections from clients		1,858,085	1,858,085	1,860,390
Payments to suppliers		(1,003,078)	(956,707)	(1,015,155)
Payments to employees		(109,752)	(109,752)	(109,959)
Receipts / (Payments) relating to income taxes		(3,564)	(3,564)	(18,902)
Other cash receipts / (payments) related with operating activities		(83,058)	(83,058)	(49,766)
CASH FLOW FROM OPERATING ACTIVITIES (1)		658,633	705,004	666,608
INVESTING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Financial investments	43.1	45	45	91
Tangible assets		1,715	1,715	1,758
Intangible assets		11	11	13
Interest and related income		5,188	5,188	3,447
		6,959	6,959	5,309
PAYMENTS RESULTING FROM				
Financial investments	43.2	(25)	(25)	(200)
Tangible assets		(260,502)	(260,502)	(243,367)
Intangible assets and contract costs		(191,619)	(191,619)	(194,693)
		(452,146)	(452,146)	(438,260)
CASH FLOW FROM INVESTING ACTIVITIES (2)		(445,187)	(445,187)	(432,951)
FINANCING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Borrowings		442,599	442,599	423,000
		442,599	442,599	423,000
PAYMENTS RESULTING FROM				
Borrowings		(429,333)	(429,333)	(352,833)
Lease rentals (principal)		(23,596)	(61,542)	(69,458)
Interest and related expenses		(25,081)	(33,506)	(27,009)
Dividends	22.4	(153,923)	(153,923)	(179,607)
Aquisition of own shares	22.3	(3,096)	(3,096)	(6,710)
		(635,029)	(681,400)	(635,617)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(192,430)	(238,801)	(212,617)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		21,016	21,016	21,040
Effect of exchange differences		5	5	15
Cash and cash equivalents at the beginning of the year		(38,775)	(38,775)	(17,754)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(17,754)	(17,754)	3,301
Cash and cash equivalents	21	2,182	2,182	12,819
Bank overdrafts	24	(19,936)	(19,936)	(9,518)
		(17,754)	(17,754)	3,301

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 2019.

The Chief Accountant The Board of Directors

Notes to the consolidated financial statements as at 31 December 2019

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

1. Introductory Note

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

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

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

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

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

NOS shares are listed on the Euronext Lisbon market. The shareholders' structure of the Group as at 31 December 2019 is shown in Note 22.

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

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

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

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

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

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

The consolidated financial statements for the financial year ended on 31 December 2019 were approved by the Board of Directors and their issue authorised on 20 February 2020.

These are also subject to approval by the General Meeting of Shareholders in a accordance with a commercial legislation in force 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 2019.

The consolidated financial statements are presented in euros as this is the main currency of the Group's operations and all amounts are presented in thousands of euros, except when referred to the financial statements of subsidiaries located abroad were converted into euros in accordance with the accounting policies described in Note 2.3.20.

The consolidated financial statements were prepared on a going concern basis from the ledgers and accounting records of the companies included in the consolidation (Annex A)), using the historical cost convention, adjusted when necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value (Note 2.3.23).

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

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

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

Changes in accounting policies and disclosures

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

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

- Improvements to International Financial Reporting Standards (2015-2017 cycle) that is effective for periods beginning on or after 1 January 2019. The improvements involve the review of the IFRS 3 Business combination - interest previously held in a joint operation, IFRS 11 Joint arrangements - interest previously held in a joint operation, IAS 12 Income taxes – consequences for income tax resulting from payments for financial instruments, which are classified as equity instruments and IAS 23 Borrowing costs - borrowing costs eligible for capitalisation.

Material impacts on the consolidated financial statements of the group of the application of these standards and amendments are not estimated, except for IFRS 16 and IFRIC 23.

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.This standard establishes the form of recognition, presentation and disclosure of leases, defining a single model of recognition.

Transition

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

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

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

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

Leases

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

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

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

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

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

At the start date of the lease, the lessee recognises the responsibility related to the lease payments (the lease liability) and the asset that represents the right to use the underlying asset during the lease period (the right of use or "ROU"). The rental period is determined taking into account the lessor and lessee's options for ending and renewal of the contract, if any. In the contracts entered into by NOS, the renewal options are not used when they depend on the acceptance of the locator and lessee.

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

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

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

From the application of IFRS 16, there was no need to reinforce the provision for dismantling assets.

Financial impacts

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

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

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

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

At 31 December 2017:

	31-12-2017 REPORTED	IFRS 16	31-12-2017 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	1,043,939	(39,917)	1,004,022
Intangible assets	1,253,398	(54,073)	1,199,325
Rights of use	-	204,920	204,920
Accounts receivable - other	-	-	-
Deferred income tax assets	107,700	7,811	115,511
Other assets	44,306	-	44,306
TOTAL NON - CURRENT ASSETS	2,449,343	118,741	2,568,084
CURRENT ASSETS			
Accounts receivable - trade	10,366	-	10,366
Other assets	550,840	-	550,840
TOTAL CURRENT ASSETS	561,206	-	561,206
TOTAL ASSETS	3,010,549	118,741	3,129,290
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	846,690	-	846,690
Reserves and accumulated earnings	134,873	(30,969)	103,904
Net Income	122,083	4,337	126,420
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,103,646	(26,632)	1,077,014
Non-controlling interests	7,822	(11)	7,811
TOTAL EQUITY	1,111,468	(26,643)	1,084,825
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	954,658	121,828	1,076,486
Accrued expenses	8,767	(8,139)	628
Other liabilities	182,635	-	182,635
TOTAL NON - CURRENT LIABILITIES	1,146,060	113,689	1,259,749
Borrowings	210,136	32,435	242,571
Accrued expenses	213,564	(740)	212,824
Other liabilities	329,321	-	329,321
TOTAL CURRENT LIABILITIES	753,021	31,695	784,716
TOTAL LIABILITIES	1,899,081	145,384	2,044,465
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,010,549	118,741	3,129,290

At 31 December 2018:

	31-12-2018 REPORTED	IFRS 16	31-12-2018 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Tangible assets	1,053,663	(27,308)	1,026,355
Intangible assets	1,064,878	(45,622)	1,019,256
Rights of use	-	200,483	200,483
Accounts receivable - other	7,334	(2,805)	4,529
Deferred income tax assets	85,641	8,763	94,404
Other assets	183,658	-	183,658
TOTAL NON - CURRENT ASSETS	2,395,174	133,510	2,528,684
CURRENT ASSETS			
Accounts receivable - other	9,418	(254)	9,164
Other assets	520,952	-	520,952
TOTAL CURRENT ASSETS	530,370	(254)	530,116
TOTAL ASSETS	2,925,543	133,257	3,058,800
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	847,239	-	847,239
Reserves and accumulated earnings	87,939	(26,633)	61,306
Net Income	141,405	(3,635)	137,770
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,076,582	(30,267)	1,046,315
Non-controlling interests	7,301	(6)	7,296
TOTAL EQUITY	1,083,883	(30,273)	1,053,611
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	888,918	125,446	1,014,364
Deferred income tax liabilities	5,968	(845)	5,123
Other liabilities	144,746	-	144,746
TOTAL NON - CURRENT LIABILITIES	1,039,632	124,601	1,164,233
Borrowings	244,134	38,927	283,061
Accrued expenses	-	-	-
Other liabilities	557,894	-	557,894
TOTAL CURRENT LIABILITIES	802,028	38,927	840,955
TOTAL LIABILITIES	1,841,660	163,529	2,005,189
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,925,543	133,257	3,058,800

The impacts of the application of IFRS 16 in the Consolidated Statement of Income by nature are presented in the table below:

The financial year ended on 31 December 2019

	12M 18 REPORTED	IFRS 16	12M 18 RESTATED
REVENUES:	1,576,161	-	1,576,161
COSTS, LOSSES AND GAINS:			
Direct costs	516,142	(6,443)	509,699
Support services	84,582	(156)	84,426
Supplies and external services	147,919	(25,946)	121,973
Depreciation, amortisation and impairment losses	390,001	31,434	421,435
Other costs, losses and gains	236,743	-	236,743
	1,375,387	(1,110)	1,374,277
INCOME BEFORE FINANCIAL RESULTS AND TAXES	200,774	1,110	201,884
Financial costs	16,594	8,425	25,019
Net other financial expenses / (income)	7,845	(1,889)	5,956
Other financial results	6,156	-	6,156
	30,595	6,537	37,132
INCOME BEFORE TAXES	170,178	(5,426)	164,752
Income taxes	29,276	(1,797)	27,479
NET CONSOLIDATED INCOME	140,902	(3,628)	137,274
ATTRIBUTABLE TO:			
NOS Group Shareholders	141,405	(3,635)	137,770
Non-controlling interests	(504)	7	(497)
EARNINGS PER SHARES			
Basic - euros	0.28	(0.01)	0.27
Diluted - euros	0.28	(0.01)	0.27

The impacts calculated above are lower than those presented and disclosed in the note of minimum operating lease payments (note 41.2 of the 2018 Report and Accounts). This difference results, essentially, from contracts with leased circuits, for which the criteria of IFRS 16 are not met, to be considered as a lease, namely because it is not a physically distinct asset (in accordance with the liberalization imposed by the regulator, the leased circuits can be used by other operators).

The impacts of the adoption of IFRS 16 in the Consolidated statement of cash flows are equivalent to the reclassification of suppliers' payments to:

- payments regarding lease rentals, in the amount of 37.9 million euros; and
- payments regarding interest and related expenses, in the amount of 8.4 million euros.

There were no impacts with the adoption of IFRS 16 in the Consolidated statement of comprehensive income.

Impacts of IFRIC 23 - Uncertainties in the treatment of income taxes

Following the new interpretation on IAS 12 - Income tax, NOS reassessed all its contingencies and tax disputes, taking into account the provisions of IFRIC 23, with no changes to the estimates previously made by management, except for the reclassification from Provisions (Notes 14 and 25) to Taxes payable, in the amount of 43.4 million euros.

The following standards, interpretations, amendments, and revisions, endorsed by the European Union, with mandatory application in future financial years 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.

- Update of the interest rate reference (issued on 26 September 2019, to be applied for annual periods beginning on or after 1 January 2020). The purpose of this update is to change the standards of financial instruments provided in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.
- Improvements to international financial reporting standards (issued on 29 March 2018, to be applied for annual periods beginning on or after 1 January 2020). These improvements involve reviewing various standards.

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

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

- IFRS 3 (amendment), "Business Combinations" (effective for periods beginning on or after 1 January 2020). The intent of the amendment to the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets.
- IFRS 17 (new), "Insurance Contracts" (effective for periods beginning on or after 1 January 2021). The general objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts between entities that issue them globally.

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

2.2. Bases of consolidation

Controlled companies

Controlled companies were consolidated by the full consolidation method. Control is deemed to exist when the Group is exposed or has rights, because of their involvement, to a variable return of the entity's activities, and has capacity to affect this return through the power over the entity. Namely, when the Company directly or indirectly holds a majority of the voting rights at a General Meeting of Shareholders or has the power to determine the financial and operating policies. In situations where the Company has, in substance, control of other entities created for a specific purpose, although it does not directly hold equity in them, such entities are consolidated by the full consolidation method. The entities in these situations are listed in Annex A).

The interest of third parties in the equity and net profit of such companies' income presented separately in the consolidated statement of financial position and in the consolidated statement, respectively, under the item "Non-controlling Interests" (Note 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.

Holdings in entities without significant influence

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

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

Balances and transactions between group companies

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

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

2.3. Accounting policies

2.3.1. Segment reporting

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

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

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

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

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

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:

	2018 (YEARS)	2019 (YEARS)
Buildings and other constructions	2 - 50	2 - 50
Technical equipment:		
Network Installations and equipment	7 - 40	7 - 40
Terminal equipment	2 - 8	2 - 8
Other technical equipment	1 - 16	1 - 16
Transportation equipment	3 - 4	3 - 4
Administrative equipment	2 - 10	2 - 10
Other tangible assets	4 - 8	4 - 8

In the financial year ended on 31 December 2019, the useful lives practiced in mobile network equipment were revised and changed, prospectively, from 16 to 8 years.

2.3.4. Intangible assets

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

Intangible assets consist mainly of goodwill, telecom and software licenses, content utilisation rights and other contractual rights.

Goodwill

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

Goodwill is recorded as an asset and included in "Intangible assets" (Note 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 12) 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:

- Telecom licenses;
- Software licenses;
- Content utilisation rights;
- Other contractual rights.

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

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

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

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

Intangible assets in-progress

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

Amortisation

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

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

	2018 (YEARS)	2019 (YEARS)
Telecom licences	30 - 33	30 - 33
Software licences	1 - 8	1 - 8
Content utilization rights	Period of the contract	Period of the contract
Other	1 - 8	1 - 8

2.3.5. Contract costs

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

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

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

The costs of attracting customers are essentially:

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

The costs associated with fulfilling the contracts are essentially:

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

2.3.6. Impairment of non-current assets, excluding goodwill

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

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

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

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

2.3.7. Financial assets

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

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

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

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

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

Financial assets at fair value through profit and loss

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

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

Financial assets at fair value through other comprehensive income

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

Financial assets measured at amortised cost

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

Cash and cash equivalents

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

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

2.3.8. Financial liabilities and equity instruments

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

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

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

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

2.3.9. Impairment of financial assets

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

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

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

2.3.10. Derivative financial instruments

Initial and subsequent recognition

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

In terms of hedge accounting, hedges are classified as:

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

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

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

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

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

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

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

In the financial year ended on 31 December 2019, the Group did not make any changes in the recognition method.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a Group's commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.3.11. Inventories

Inventories, which mainly include mobile phones, customer terminal equipment, DVDs, and content broadcasting rights, are valued at the lower of their cost or net realisable value.

The acquisition cost includes the invoice price, freight, and insurance costs, using the weighted average cost as the method of costing goods sold.

Inventories are adjusted for technological obsolescence, as well as for the difference between the purchase cost and the net realisable value, whichever is the lower, and this reduction is recognised directly in the income statement.

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

The differences between the cost and the corresponding net realisable value of inventories, when this is less than the cost, are recorded as operating costs in "Cost of goods sold".

Inventories in transit, since they are not available for consumption or sale, are separated out from other inventories and are valued at their specific acquisition cost.

The signing of contracts related with sports content originates rights that are initially classified as contractual commitments.

The content broadcasting rights are recorded in the consolidated statement of financial position, as Inventories, in the event of the nonexistence of full right over the way of exploration of the asset, by the respective value of cost or net realisable value, whenever it is lower, when programmatic content has been received and is available for exhibition or use, according to contractual conditions, without any production or change, given that the necessary conditions for the organization of each sports competition are present, which occurs in the homologation date of the participating teams in the competition that is being held in the sports season to be initiated, by the organizing entity. The stated rights are recognised in the income statement in "Direct costs: Exhibition costs", on a systematic basis given the pattern of economic benefits obtained through their commercial exploration.

Due to the agreement between the three national operators of reciprocal availability, for several sports seasons "collaborative arrangement", of sports content (national and international) owned by them, (Note 42), NOS considered the recognition of the costs, excluding those divided by the remaining operators, on a systematic basis, given the pattern of economic benefits obtained through their commercial exploration.

2.3.12. Subsidies

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

Operating subsidies, mainly for employee training, are recognised in the statement of 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.

2.3.13. Provisions and contingent liabilities

Provisions are recognised when: (i) there is a present obligation arising from past events and it is likely that in settling that obligation, the expenditure of internal resources will be necessary; and (ii) the amount or value of such obligation can be reasonably estimated. When one of the above conditions is not met, the Group discloses the events as a contingent liability unless the likelihood of an outflow of funds resulting from this contingency is remote, in which case they are not disclosed.

Provisions for legal procedures taking place against the Group are made in accordance with the risk assessments carried out by the Group and by their legal advisers, based on success rates.

Provisions for restructuring are only recognised when the Group has a detailed, formal plan, which identify the main features of the restructuring programme, and after these facts have been reported to the entities involved.

Provisions for dismantling costs, removal of assets and restoration of the site are recognised when the assets are installed, in line with the best estimates available at that date. The amount of the provisioned liability reflects the effects of the passage of time and the corresponding financial indexing is recognised in results as a financial cost.

Obligations that result from onerous contracts are registered and measured as provisions. There is an onerous contract when the Company is an integral part of the provisions of an agreement contract, which entail costs that cannot be avoided and exceed the economic benefits derived from the agreement.

Provisions for potential future operating losses are not covered.

Contingent liabilities are not recognised in the financial statements, unless the exception provided under IFRS 3 business combination, and are disclosed whenever there is a good chance to shed resources including economic benefits. Contingent assets are not recognised in the financial statements, being disclosed when there is a likelihood of a future influx of financial resources.

Provisions are reviewed and brought up to date at the date of the statement of financial position to reflect the best estimate at that time of the obligation concerned.

2.3.14. Rights of use and Leases

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

At the beginning of each contract, it is evaluated and identified if it is or contains a lease. This assessment involves an exercise of judgement as to whether each contract depends on a specific asset if NOS obtains substantially all the economic benefits from the use of that asset and whether NOS has the right to control the use of the asset.

All contracts that constitute a lease are accounted for based on the on-balance model in a similar way with the treatment that IAS 17 establishes for financial leases.

At the commencement date of the lease, NOS recognises the liability related to lease payments (lease liability) and the asset representing the right to use the underlying asset during the lease period (the right of use or "ROU").

The cost of interest on the lease liability and the depreciation of the ROU are recognised separately.

Lease liability is remeasured at the occurrence of certain events (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). This remeasurement of the lease liability is recognised as an adjustment in the ROU.

2.3.14.1. Rights of use of assets

The Group recognises the right to use the assets at the start date of the lease (that is, the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, deducted from accumulated depreciation and impairment losses and adjusted for any new measurement of lease liabilities. The cost of the ROU of the assets includes the recognised amount of the lease liability, any direct costs incurred initially and payments already made prior to the initial rental date, less any incentives received.

Unless it is reasonably certain that the Group obtains ownership of the leased asset at the end of the lease term, the recognised right of use of the assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the term of the lease.

Rights of use are subject to impairment.

2.3.14.2. Liabilities with leases

At the start date of the lease, the Group recognises the liabilities measured at the present value of the future payments to be made until the end of the lease.

Lease payments include fixed payments (including fixed payments on the substance), deducted of any incentives to be received, variable payments, dependent on an index or rate, and expected amounts to be paid under residual value guarantees. The lease payments also include the exercise price of a call option if it is reasonably certain that the Group will exercise the option, and penalties for termination of the lease if it is reasonably certain that the Group will terminate the lease.

Variable payments that do not depend on an index or a rate are recognised as an expense in the period in which the event giving rise to them occurs.

To calculate the present value of the lease payments, the Group uses the incremental loan rate at the start date of the lease if the implied interest rate is not readily determinable.

After the start date of the lease, the value of the lease liability is increased to reflect the increase in interest and reduces by the payments made. In addition, the book value of the lease liability is remeasured if there is a change, such as a change in the lease term, fixed payments or the purchase decision of the underlying asset.

2.3.15. Income tax

NOS is covered by the special tax regime for groups of companies, which covers all the companies in which it directly or indirectly owns at least 75% of the share capital and which simultaneously are resident in Portugal and subject to Corporate Income Tax (IRC).

The remaining subsidiaries not covered by the special tax regime for groups of companies are taxed individually based on their respective taxable incomes and the applicable tax rates.

Income tax is stated in accordance with the IAS 12 criteria. In calculating the cost relating to income tax for the period, in addition to current tax, allowance is also made for the effect of deferred tax calculated in accordance with the liability method, taking into account the temporary differences resulting from the difference between the tax basis of assets and liabilities and their values as stated in the consolidated financial statements, and the tax losses carried forward at the date of the statement of financial position. The deferred income tax assets and liabilities were calculated based on the tax legislation currently in force or of legislation already published for future application.

As stipulated in the above standard, deferred income tax assets are recognised only when there is reasonable assurance that these may be used to reduce future taxable profit, or when there are deferred income tax liabilities whose reversal is expected to occur in the same period in which the deferred income tax assets are reversed. At the end of each period an assessment is made of deferred income tax assets, and these are adjusted in line with the likelihood of their future use.

The amount of tax to be included, either in current tax or in deferred tax resulting from transactions or events recognised in equity accounts, is recorded directly under those items and does not affect the results for the period.

In a business combination, the deferred tax benefits acquired are recognised as follows:

a) The deferred tax benefits acquired recognised in the measurement period of one year after the date of merger and that result from new information about facts and circumstances that existed at the date of acquisition are recorded against the goodwill-carrying amount related to the acquisition. If the goodwill-carrying amount is null, any remaining deferred tax benefits are recognised in the income statement.

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

2.3.16. Share-based payments

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

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

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

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

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

2.3.17. Equity

Legal reserve

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

Share premium reserves

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

Reserves for plans of medium term incentive

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

Hedging reserves

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

Own shares reserves

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

Own shares

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

Retained results

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

2.3.18. Revenue

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

i) Revenues of Communications Services:

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

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

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

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

iii) Film showings and distribution: Distribution revenue pertains to the distribution of films to film exhibitors not distributed by the Group, that are included in the film showings, whilst income from film showings mostly derive from cinema ticket sales and the product sales in the bars; 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 in each call or recharge, that might be exchanged, over a limited period, for discounts in equipment purchase. In each reporting period, NOS recognises the current liability with discounts to be awarded in the future. This responsibility is calculated based on the amount of points awarded and not yet used, discounted from the estimate of points that will not be used (based on the history of use) and valued based on the offer available at each time for the use of points (specific catalog).

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

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

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

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

(i) When the gross inflows from economic benefits do not result in equity increases to the Group, i.e., the amount charged to the customer is equal to the amount delivered to the partner. This situation is applicable to the revenue obtained by the invoicing special services operators, in these cases the amounts charged on account of the capital are not revenue; and,

(ii) When the counterpart is not a "customer" but a partner who shares the risks and benefits of developing a product or services in order for it to be commercialised. Thus, a counterpart of a contract will not be a customer if, for instance, the counterpart has hired from NOS to participate in an activity or process in which the parties in the contract share the risks and benefits instead of obtaining the Group's ordinary activities result. These cases are designated collaborative arrangements. This situation is applicable to revenues from operators affected by the reciprocal availability agreement regarding broadcasting rights of sports content.

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

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

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

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

2.3.19. 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).

2.3.20. Assets, liabilities and transactions in foreign currencies

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

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

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

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

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

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

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

- The monetary assets and liabilities are not amended because they are already updated to the current unit at the financial statements date;

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

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

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

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

	Basis 100	CPI	Converted CPI (Basis 100 Year 2010)
dec/10	Year 2010	100.0	100.0
dec/11	Year 2010	111.4	111.4
dec/12	Year 2011	109.0	121.4
dec/13	Year 2014	93.0	130.8
dec/14	Year 2014	100.0	140.5
dec/15	Year 2014	114.3	160.6
dec/16	Year 2014	162.2	227.9
dec/17	Year 2014	204.8	287.8
dec/18	Year 2014	241.1	338.8
set/19	Year 2014	270.2	379.7

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

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

At 31 December 2018 and 2019, assets and liabilities expressed in foreign currencies were converted into euros using the following exchange rates of such currencies against the euro, as published by the Bank of Portugal:

	31-12-2018	31-12-2019
US Dollar	1.1450	1.1234
Angolan Kwanza	353.0155	536.2617
British Pound	0.8945	0.8508
Mozambican Metical	70.2400	68.700
Canadian Dollar	1.5605	1.4598
Swiss Franc	1.1269	1.0854
Real	4.4440	4.5157

In the financial years ended at 31 December 2018 and 2019, the income statements of subsidiaries expressed in foreign currencies were converted to euros at the average exchange rates of the currencies of their countries of origin against the euro, with the exception of cases of affiliated companies that are in a hyperinflationary economy, such as Angola, which exchange rate used is at the end of the period. The average exchange rates used are as follows:

	12M 18	12M 19
US Dollar	1.1810	1.1108
Angolan Kwanza	303.6658	414.9982
Mozambican Metical	71.2933	69.4925

2.3.21. Financial charges and borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accruals principle, except in the case of loans incurred (whether these are generic or specific) for the acquisition, construction or production of an asset that takes a substantial period (over one year) to be ready for use, which are capitalised in the acquisition cost of that asset.

2.3.22. Investment property

Investment property mainly includes buildings held to generate rents rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. These are measured initially at cost.

Subsequently, the Group uses the cost model for the valuation of investment property since use of the fair value model would not result in material differences.

An investment property is eliminated from the statement of financial position on disposal or when the investment property is taken permanently out of use and no financial benefit is expected from its disposal.

2.3.23. Fair value measurement

The Group measures part of the financial assets, such as financial assets available for sale, and some of its non-financial assets, such as investment properties, at fair value on the date of the financial statements.

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

- On the main market of the assets and liabilities, or

- In the absence of a primary market, it is assumed that the transaction occurs in the most advantageous market. This is what maximises the amount that would be received for selling asset or minimises the amount that would be paid to transfer the liability, after considering transaction costs and transport costs.

Since different entities and businesses within a single entity can have access to different markets, the main or most advantageous market for the same asset or liability can vary from one entity to another, or even between businesses within the same entity, but it is assumed that they are accessible to the Group.

The fair value measurement uses assumptions that market participant's use in defining price of the asset or liability, assuming that market participants would use the asset to maximise its value.

The Group uses valuation techniques appropriate to the circumstances whenever there is information to measure the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or of which disclosure is mandatory, are rated on a fair value hierarchy, which ranks data in three levels to be used in the measurement at fair value, and detailed below:

Level 1 – Listed and unadjusted market prices, in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - valuation techniques using inputs that aren't quoted, but which are directly or indirectly observable;

Level 3 - valuation techniques using inputs not based on observable market data, based on unobservable inputs.

The fair value measurement is classified in the same fair value hierarchy level at the lowest level of input, which is significant to the measurement as a whole.

2.3.24. Assets and liabilities offsetting

Financial assets and liabilities are offset and presented at the net amount when, and only when, the Group has the right to offset the recognised amounts and intends to settle for the net amount.

2.3.25. Employee benefits

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

a) Termination of employment. The benefits for termination of employment are due for payment when there is cessation of employment before the normal retirement date or when an employee voluntarily accepts to leave in exchange of these benefits. The Group recognises these benefits when it can be shown to be committed to a termination of current employees according to a detailed formal plan for termination and there is no realistic possibility of withdrawal or these benefits are granted to encourage voluntary redundancy. When the benefits of cessation of employment are due more than 12 months after the balance sheet date, they are updated to their present value.

b) Holiday, holiday allowances, and bonuses. According to the labour law, employees are entitled to 22 days annual leave, as well as one month of holiday allowances, rights acquired in the year preceding payment. These liabilities of the Group are recorded when incurred, independently of the moment of payment, and are reflected under the item "Accounts payable and other".

c) Labour Compensation Fund (FCT) and the Labour Compensation Guarantee Fund (FGCT). Based on the publication of Law No. 70/2013 and subsequent regulation by Order No. 294-A / 2013, entered into force on 1 October the Labour Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labour (FGCT). In this context, companies that hire a new employee are required to deduct a percentage of the respective salary for these two new funds (0.925% to 0.075% and the FCT for FGCT), in order to ensure, in the future, the partial payment the compensation for dismissal. Considering the characteristics of each Fund, the following is considered:

- The monthly deliveries to FGCT, made by the employer are recognised as expense in the period to which they relate.

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

2.3.26. Statement of cash flows

The statement of cash flows is prepared in accordance with the direct method. The Group classifies under "Cash and cash equivalents" the assets with maturities of less than three months and for which the risk of change in value is negligible. For purposes of the statement of cash flows, the balance of cash and cash equivalents also include bank overdrafts included in the statement of financial position under "Borrowings".

The statement of cash flows is divided into operating, investing, and financing activities.

Operating activities include cash received from customers and payments to suppliers, staff and others related to operating activities. Under "Other cash receipts / (payments) related with operating activity" includes the amount received and subsequent payments related to assignments without recourse, coordinated by the Banco Comercial Português and Caixa Geral de Depósitos, and these operations do not involve any change in the accounting treatment of the underlying receivables or in the relationship with their clients.

The cash flows included in investing activities include acquisitions and disposals of investments in subsidiaries and cash received and payments arising from the purchase and sale of tangible and intangible assets, amongst others.

Financing activities include cash received and payments relating to borrowings, the payment of interest and similar costs, finance leases, the purchase and sale of own shares and the payment of dividends.

2.3.27. Subsequent events

Events occurring after the date of the statement of financial position, which provide additional information about conditions that existed at that date, are considered in the preparation of financial statements for the year.

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

3. Judgements and estimates

3.1. Relevant accounting estimates

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

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

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

Entities included in the consolidation perimeter

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

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

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

Impairment of non-current assets, excluding goodwill

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

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

Impairment of goodwill

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

Intangible and tangible assets

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

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

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

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

Rights of use

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

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

Provisions

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

Deferred income tax assets

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

Expected credit losses

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

Fair value of financial assets and liabilities

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

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

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

3.2. Errors, estimates, and changes to accounting policies

During the financial years ended on 31 December 2018 and 2019, errors, estimates and changes in material accounting policies relating to prior years were not recognised, in addition to the application of IFRS 16 (Note 2.1).

4. 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 13 and 17). 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 classification of a customer as being in default takes into account the particularity of each customer, business / segment and values involved. In the residential segment, the main segment, NOS has as a restriction measure for non-compliance, the blocking of services provided after 50 days of maturity without receipt.

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.

With a regular frequency, doubtful debts, in arrears for more than 24 months and with total impairment loss recorded, are derecognised, after the extinction or frustration of all the collection procedures considered adequate for credit recovery.

The table below shows the Group's maximum exposure to credit risk at 31 December 2018 and 2019, 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.

	31-12-2018 RESTATED	31-12-2019
Accounts receivable trade - current i)	320,677	296,958
Accounts receivable other - non-current (Note 13)	4,529	4,064
Accounts receivable other - current (Note 13)	3,464	3,576
Cash and cash equivalents ii)	1,438	11,962
TOTAL FINANCIAL ASSETS	330,108	316,560

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 2018 and 2019, the balances receivable from customers by age were as follows:

	31-12-2018 RESTATED	31-12-2019
Not overdue	136,581	115,170
0 to 90 days	60,491	59,731
90 to 180 days	19,859	17,779
180 to 360 days	27,333	26,350
Over 360 days	216,237	232,056
ACCOUNTS RECEIVABLE	460500	451,086
Not overdue	(3,939)	(2,950)
0 to 90 days	(6,682)	(7,563)
90 to 180 days	(6,579)	(6,904)
180 to 360 days	(13,769)	(11,678)
Over 360 days	(108,852)	(125,031)
Expected credit losses	(139,822)	(154,128)
TOTAL ACCOUNTS RECEIVABLE	320,678	296,958

Credit risk is monitored on an ongoing basis and can be summarized as follows:

- regular customers are analysed 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 analysed 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) Cash and cash equivalents

At 31 December 2018 and 2019, 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:

	31-12-2018 RESTATED	31-12-2019
A	18	574
A-	-	1
BBB+	1	1
BBB	797	30
BBB-	193	462
BB	-	114
BB-	262	-
B+	1	1
CCC+	-	10,771
without rating	166	8
TOTAL	1,438	11,962

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 468 million euros is being used, including 5 million euros issued under non-underwriting programs. The commercial paper programmes have a total amount of 665 million euros, corresponding to eleven programmes, with four banks, including 590 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 575 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 55 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 88% to ownership clauses.

In addition, approximately 15% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 8% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, and approximately 12% 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.

	31-12-2018 RESTATED				31-12-2019			
	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	152,487	507,688	-	660,175	2,334	573,221	-	575,555
- Commercial Paper	29,732	215,002	49,998	294,732	55,648	362,949	50,000	468,597
- Foreign Loans	17,504	52,710	-	70,214	17,121	35,649	-	52,770
- Bank overdrafts	19,936	-	-	19,936	9,518	-	-	9,518
- Financial Leases	63,402	131,849	57,118	252,368	58,660	136,823	58,205	253,688
Accounts payable - trade	254,950	-	-	254,950	259,499	-	-	259,499
Accounts payable - other	47,949	-	-	47,949	37,690	-	-	37,690
Derivatives of financial instruments	1,211	-	-	1,211	135	265	-	400
TOTAL	587,171	907,249	107,116	1,601,535	440,605	1,108,907	108,205	1,657,717

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 two in Angola, Finstar and ZAP Media, 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.

A sensitivity analysis was performed using a strengthening or weakening by 10% of the functional currencies of the various financial investments at 31 December 2019. The amount of the investments would decrease by 761 thousand euros or increase by 952 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 2018 and 2019, based on the amounts of the Group's financial assets and liabilities in the statement of financial position (amounts stated in local currency):

	31-12-2018 RESTATED			
	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)

	31-12-2019			
	US DOLLAR	BRITISH POUND	KWANZA	MOZAMBIQUE METICAL
ASSETS				
Account receivable - trade	7,294	-	-	2,303
Account receivable - other	-	1	465,300	996
Tax receivable	-	-	-	-
Cash and cash equivalents	-	-	-	76,690
TOTAL ASSETS	7,294	1	465,300	79,989
LIABILITIES				
Borrowings	-	-	-	-
Account payable - trade	7,412	170	-	59,195
Account payable - other	10	55	-	90
Tax payable	-	-	-	7,412
TOTAL LIABILITIES	7,422	225	-	66,697
NET	(128)	(225)	465,300	13,292

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 2019 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 decreased by 72 thousand euros (2018: increased 369 thousand euros) or increased by 88 thousand euros (2018: decreased by 451 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 55 million euros, the bond loan of 300 million euros, the commercial paper issue of 75 million euros and 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 2019 would have resulted in an increase or decrease in annual profit before tax of approximately 1 million euros (2018: 1.1 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 nearly 0 euros (2018: over 319 thousand euros and down 320 thousand euros) at 31 December 2019. The impacts of the sensitivity analysis are practically null because the market rates are negative and the loan and interest rate swap have a floor of 0%.

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.

	31-12-2018 RESTATED	31-12-2019
Total gross debt (Note 23)	1,297,425	1,360,128
Cash and cash equivalents (Note 21)	(2,182)	(12,819)
TOTAL NET DEBT	1,295,243	1,347,309
EBITDA	624,308	641,060
Total net debt/EBITDA*	2.07	2.10

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

Estimated fair value

The table below shows the financial assets and liabilities of the Group valued at fair value at 31 December 2018 and 2019, as the levels of the fair value hierarchy:

	31-12-2018 RESTATED			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS				
Available-for-sale financial assets	-	-	204	204
Derivative financial instruments - interest rate 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

	31-12-2019			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS				
Available-for-sale financial assets	-	-	439	439
	-	-	439	439
LIABILITIES				
Derivative financial instruments - equity swap (Note 18)	-	346	-	346
Derivative financial instruments - interest rate swap (Note 20)	-	38	-	38
Derivative financial instruments - exchange rate forward (Note 18)	-	16	-	16
	-	400	-	400

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

The changes in the consolidation perimeter, during the financial years ended on 31 December 2018 and 2019, were:

1) On 1 June 2018, the company Canal 20 T.V., SA was liquidated and dissolved. It didn't generate any impact on the consolidated financial statements.
2) During the financial year ended on 31 December 2019, the spin-off project of NOS Comunicações, SA took place, creating three new entities, NOS International Carrier Services, SA, NOS Wholesale, SA and NOS Corporate Center, SA, companies to which the assets assigned to the Voice and SMS, Data and roaming and Shared services businesses were transferred, respectively. The spin-off did not have any impact on the consolidated financial statements.
3) Additionally, during the financial year ended on 31 December 2019, Grupo NOS subscribed 100% of the capital of the NOS 5G Fund and 4.2% of the TechTransfer Fund, in the amount of 10 million euros and 200 thousand euros, respectively.

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, NOS Internacional SGPS, NOS Corporate Center, NOS Wholesale and NOS International Carrier Services.

- Audiovisual – the supply of video production services and sales, cinema exhibition and distribution and the acquisition/negotiation of Pay TV and VOD (video-on-demand) rights and includes the following companies: NOS Audiovisuais, NOS Cinemas, Lusomundo Moçambique, Lda ("Lusomundo Moçambique"), Lusomundo Imobiliária 2, S.A. ("Lusomundo Imobiliária 2"), Lusomundo Sociedade de Investimentos Imobiliários, SGPS, S.A. ("Lusomundo SII"), Empracine – Empresa Promotora de Atividades Cinematográficas, Lda ("Empracine") and NOS Audio SGPS.

Assets and liabilities by segment at 31 December 2018 and 2019 are shown below:

	31-12-2018 RESTATED			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,015,150	11,205	-	1,026,355
Intangible assets	925,339	93,917	-	1,019,256
Contract costs	162,948	-	-	162,948
Rights of use	182,213	18,270	-	200,483
Investments in jointly controlled companies and associated companies	45,706	38,690	(64,811)	19,585
Accounts receivable - other	1,747	22,732	(19,950)	4,529
Deferred income tax assets	79,493	14,911	-	94,404
Other non-current assets	434	690	-	1,124
TOTAL NON - CURRENT ASSETS	2,413,030	200,415	(84,761)	2,528,684
CURRENT ASSETS:				
Inventories	37,815	1,070	-	38,885
Account receivables	570,533	55,464	(177,711)	448,286
Prepaid expenses	36,898	2,227	(281)	38,844
Other current assets	1,476	525	(82)	1,919
Cash and cash equivalents	1,172	1,010	-	2,182
TOTAL CURRENT ASSETS	647,894	60,296	(178,074)	530,116
TOTAL ASSETS	3,060,924	260,711	(262,835)	3,058,800
SHAREHOLDER'S EQUITY				
Share capital	5,152	29,799	(29,799)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(12,132)	-	-	(12,132)
Legal reserve	1,030	87	(87)	1,030
Other reserves and accumulated earnings	115,266	(30,036)	(24,954)	60,276
Net income	110,570	36,716	(9,516)	137,770
EQUITY BEFORE NON - CONTROLLING INTERESTS	1,074,105	36,566	(64,356)	1,046,315
Non-controlling interests	7,296	-	-	7,296
TOTAL EQUITY	1,081,401	36,566	(64,356)	1,053,611
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,011,341	22,974	(19,951)	1,014,364
Provisions	121,600	7,215	-	128,815
Accrued expenses	688	-	-	688
Other non-current liabilities	15,244	-	-	15,244
Deferred income tax liabilities	4,668	455	-	5,123
TOTAL NON - CURRENT LIABILITIES	1,153,540	30,644	(19,951)	1,164,233
CURRENT LIABILITIES:				
Borrowings	293,847	141,108	(151,894)	283,061
Accounts payable	289,534	25,660	(22,018)	293,176
Tax payable	31,124	2,742	(83)	33,783
Accrued expenses	181,933	19,374	(4,255)	197,052
Other current liabilities	29,545	4,616	(279)	33,882
TOTAL CURRENT LIABILITIES	825,983	193,500	(178,529)	840,955
TOTAL LIABILITIES	1,979,523	224,145	(198,479)	2,005,189
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	3,060,924	260,711	(262,835)	3,058,800

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

The results by segment and investments in tangible and intangible assets, contract costs and rights of use for the financial years ended on 31 December 2018 and 2019 are shown below:

12M 18 RESTATED	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 18 RESTATED	12M 18 RESTATED
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	142,774	517,737	7,806	26,821	(8,760)	(34,859)	141,820	509,699
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	20,867	83,038	161	1,887	850	(499)	21,878	84,426
Supplies and external services	30,262	112,851	2,729	10,584	(395)	(1,462)	32,596	121,973
Other operating losses / (gains)	153	664	14	87	-	-	167	751
Taxes	8,813	34,068	(49)	55	-	-	8,764	34,123
Provisions and adjustments	16,246	19,609	119	136	-	-	16,365	19,745
	270,628	938,323	15,863	57,923	(10,213)	(44,392)	276,278	951,854
EBITDA	119,210	567,620	14,587	56,687	(1,197)	-	132,600	624,307
Depreciation, amortisation and impairment losses	93,134	384,355	8,464	37,080	-	-	101,598	421,435
Other losses / (gains), net	4909	440	185	549	-	-	5,094	989
INCOME BEFORE FINANCIAL RESULTS AND TAXES	21,167	182,825	5,938	19,058	(1,197)	-	25,908	201,883
Net losses / (gains) of affiliated companies	1,727	6,369	190	(1)	73	73	1,990	6,441
Financial costs	5,330	21,983	609	3,036	-	-	5,939	25,019
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)	(11,042)	9,444	(131)	(132)
Net other financial expenses / (income)	992	6,005	11	(49)	-	-	1,003	5,956
	39,793	48,955	(20,214)	(21,341)	(10,969)	9,517	8,610	37,131
INCOME BEFORE TAXES	(18,626)	133,870	26,152	40,399	9,772	(9,517)	17,298	164,752
Income taxes	3,030	23,795	1,513	3,684	-	-	4,543	27,479
NET INCOME	(21,655)	110,075	24,639	36,715	9,772	(9,517)	12,756	137,274
CAPEX	100,124	391,932	10,937	31,836	-	-	111,061	423,768
EBITDA - CAPEX	19,087	175,688	3,650	24,851	(1,197)	-	21,540	200,539

EBITDA = Operational Result + Depreciation, amortisation and impairment losses + Restructuring costs + Losses / (gains) on sale of assets + Other losses / (gains) non-recurrent
CAPEX = Increases in tangible and intangible assets, contract costs and rights of use

	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	4º QUARTER 19	12M 19	4º QUARTER 19	12M 19	4º QUARTER 19	12M 19	4º QUARTER 19	12M 19
REVENUES:								
Services rendered	364,427	1,426,528	26,030	102,718	(10,230)	(43,311)	380,227	1,485,935
Sales	23,444	71,607	4,680	17,739	(61)	(205)	28,063	89,141
Other operating revenues	5,156	24,141	564	1,504	38	(1,490)	5,758	24,155
	393,027	1,522,275	31,274	121,961	(10,253)	(45,006)	414,048	1,599,230
COSTS, LOSSES AND GAINS:								
Wages and salaries	19,783	74,259	3,010	10,917	-	-	22,793	85,176
Direct costs	145,812	525,425	8,044	33,059	(8,454)	(34,426)	145,402	524,058
Costs of products sold	21,787	63,824	204	433	(8)	(29)	21,983	64,228
Marketing and advertising	16,061	38,282	1,963	7,336	(2,369)	(8,402)	15,655	37,216
Support services	20,134	80,159	1,428	2,722	957	(546)	22,519	82,335
Supplies and external services	27,476	103,881	2,745	10,585	(378)	(1,603)	29,843	112,863
Other operating losses / (gains)	103	462	20	54	-	-	123	516
Taxes	8,304	32,706	49	138	1	-	8,354	32,844
Provisions and adjustments	11,678	19,049	(24)	(115)	-	-	11,654	18,934
	271,138	938,047	17,439	65,129	(10,251)	(45,006)	278,326	958,170
EBITDA	121,887	584,228	13,835	56,832	-	-	135,722	641,060
Depreciation, amortisation and impairment losses	112,984	385,376	10,360	35,942	-	-	123,344	421,318
Other losses / (gains), net	3,632	17,569	271	342	-	-	3,903	17,911
INCOME BEFORE FINANCIAL RESULTS AND TAXES	5,271	181,283	3,204	20,548	-	-	8,475	201,831
Net losses / (gains) of affiliated companies	2,852	786	466	236	-	-	3,318	1,022
Financial costs	3,180	18,253	1,032	2,408	-	-	4,212	20,661
Net foreign exchange losses / (gains)	69	169	106	(30)	-	-	175	139
Net losses / (gains) on financial assets	151	(6,557)	(3,900)	(5,624)	3,900	12,323	151	142
Net other financial expenses / (income)	1,050	3,781	9	45	-	-	1,059	3,826
	7,302	16,432	(2,287)	(2,965)	3,900	12,323	8,915	25,790
INCOME BEFORE TAXES	(2,029)	164,851	5,491	23,513	(3,900)	(12,323)	(438)	176,041
Income taxes	(6,157)	29,210	337	3,588	-	-	(5,820)	32,798
NET INCOME	4,127	135,641	5,154	19,925	(3,900)	(12,323)	5,381	143,243
CAPEX	103,934	390,350	29,323	53,859	-	-	133,257	444,209
EBITDA - CAPEX	17,954	193,878	(15,488)	2,973	-	-	2,465	196,851

EBITDA = Operational Result + Depreciation, amortisation and impairment losses + Restructuring costs + Losses / (gains) on sale of assets + Other losses / (gains) non-recurrent
CAPEX = Increases in tangible and intangible assets, contract costs and rights of use

Transactions between segments are performed on market terms and conditions in a comparable way to transactions performed with third parties.

At 31 December 2019, fully consolidated foreign companies represent 1% of assets (at 31 December 2018: 1%) and their turnover is less than 1% of consolidated turnover. In addition, in the financial year ended on 31 December 2019, the turnover of companies based in Portugal, with foreign entities, amounted to 179.3 million euros (2018: 176.8 million euros).

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:

31-12-2018 RESTATED	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	204	-	-	204	-	204
Derivative financial instruments (Note 20)	-	185	-	185	-	185
Accounts receivable - trade (Note 17)	382,100	-	-	382,100	-	382,100
Accounts receivable - other (Note 13)	7,993	-	-	7,993	5,700	13,693
Cash and cash equivalents (Note 21)	2,182	-	-	2,182	-	2,182
TOTAL FINANCIAL ASSETS	392,479	185	-	392,664	5,700	398,364
LIABILITIES						
Borrowings (Note 24)	-	-	1,297,425	1,297,425	-	1,297,425
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	1,797,937	1,799,148	127	1,799,275

31-12-2019	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS						
Available-for-sale financial assets	439	-	-	439	-	439
Accounts receivable - trade (Note 17)	361,711	-	-	361,711	-	361,711
Accounts receivable - other (Note 13)	7,640	-	-	7,640	24,552	32,192
Cash and cash equivalents (Note 21)	12,819	-	-	12,819	-	12,819
TOTAL FINANCIAL ASSETS	382,609	-	-	382,609	24,552	407,161
LIABILITIES						
Borrowings (Note 24)	-	-	1,360,127	1,360,127	-	1,360,127
Derivative financial instruments (Note 20)	-	400	-	400	-	400
Accounts payable - trade (Note 28)	-	-	259,501	259,501	-	259,501
Accounts payable - other (Note 29)	-	-	37,577	37,577	112	37,689
Accrued expenses (Note 26)	-	-	204,393	204,393	-	204,393
TOTAL FINANCIAL LIABILITIES	-	400	1,861,598	1,861,998	112	1,862,110

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

In the financial years ended on 31 December 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2018 RESTATED
ACQUISITION COST					
Lands	955	-	(118)	1	838
Buildings and other constructions	378,899	2,518	(3,307)	10,060	388,170
Basic equipment	2,218,817	46,224	(124,113)	137,695	2,278,623
Transportation equipment	567	-	-	-	567
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
	2,889,436	208,305	(129,471)	(11,823)	2,956,447
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Lands	37	-	-	(37)	-
Buildings and other constructions	208,016	11,006	(2,772)	(2,428)	213,822
Basic equipment	1,459,884	159,028	(124,397)	(1,410)	1,493,105
Transportation equipment	329	3	(14)	198	516
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	470	(67)	398	41,905
	1,885,415	175,976	(128,980)	(2,319)	1,930,092
	1,004,022	32,328	(491)	(9,504)	1,026,355

The net amount of "Transfers and Others" predominantly corresponds to the transfer of assets to "Intangible assets" (Note 9).

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Land	838	-	-	-	838
Buildings and other constructions	388,170	5,014	(393)	11,643	404,434
Basic equipment	2,278,623	43,987	(91,161)	224,667	2,456,116
Transportation equipment	567	-	60	(119)	508
Tools and dies	1,406	-	4	77	1,487
Administrative equipment	189,070	2,347	(3,007)	1,582	189,992
Other tangible assets	42,553	240	(29)	361	43,125
Tangible assets in-progress	55,220	133,945	-	(149,591)	39,574
	2,956,447	185,533	(94,526)	88,620	3,136,074
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	213,822	10,540	(821)	(715)	222,826
Basic equipment	1,493,105	163,173	(90,362)	88,808	1,654,724
Transportation equipment	516	2	(60)	46	504
Tools and dies	1,316	56	(4)	1	1,369
Administrative equipment	179,428	2,511	(2,940)	236	179,235
Other tangible assets	41,905	728	(29)	(1)	42,603
	1,930,092	177,010	(94,216)	88,375	2,101,261
	1,026,355	8,523	(310)	245	1,034,813

At 31 December 2019, the tangible assets net value is composed mainly by basic equipment, namely:

i) Network and telecommunications infrastructure (fibre optic network and cabling, network equipment, and other equipment) in the amount of 704.7 million euros (31 December 2018: 660 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 96.7 million euros (31 December 2018: 126 million euros).

Tangible and intangible assets include interests and other financial expenses incurred directly related to the construction of certain tangible or intangible assets in progress. At 31 December 2019, total net value of these costs amounted to 13.7 million euros (31 December 2018: 14.5 million euros). The amount of interest capitalised in the periods ended on 31 December 2019 amounted to 1 million euros (31 December 2018: 1.3 million euros).

At 31 December 2018 and 2019, the value of commitments to third parties relating to investments to make was as follows:

	31-12-2018 RESTATED	31-12-2019
Network investments	71.646	63.005
Information systems investments	4.900	6.526
	76.546	69.531

During the financial year ended on 31 December 2019, 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 8.5% and a perpetual growth rate of 1.7% 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

In the financial years ended on 31 December 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2018 RESTATED
ACQUISITION COST					
Industrial property and other rights	1,450,947	4,809	(183)	65,807	1,521,380
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	43,533	65,470	-	(58,792)	50,211
	2,135,880	70,279	(183)	7,015	2,212,991
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,102,786	87,971	(190)	745	1,191,312
Other intangible assets	4,566	-	-	(2,143)	2,423
	1,107,352	87,971	(190)	(1,398)	1,193,735
	1,028,528	(17,692)	7	8,413	1,019,256

The amount of "Transfers and Others" corresponds, mainly, to the transfer of assets from "Tangible assets" (Note 8).

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Industrial property and other rights	1,521,380	14,913	(44)	97,797	1,634,046
Goodwill	641,400	-	-	-	641,400
Intangible assets in-progress	50,211	71,435	-	(98,445)	23,201
	2,212,991	86,348	(44)	(648)	2,298,647
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	1,191,312	89,719	(134)	938	1,281,835
Intangible assets in-progress	2,423	-	-	323	2,746
	1,193,735	89,719	(134)	1,261	1,284,581
	1,019,256	(3,371)	90	(1,909)	1,014,066

At 31 December 2019, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 110.5 million euros (31 December 2018: 118.7 million euros) mainly related to the investment, net of amortisation, made in the development of the UMTS network by NOS SA, including: (i) 35.0 million euros (31 December 2018: 37.6 million euros) related to the license, (ii) 11.7 million euros (31 December 2018: 12.6 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 3.6 million euros (31 December 2018: 3.9 million euros) related to the Share Capital of "Fundação para as Comunicações Móveis",

established in 2007, under an agreement entered with "Ministério das Obras Públicas, Transportes e Comunicações" and the three mobile telecommunication operators in Portugal; (iv) 51.2 million euros (31 December 2018: 55 million euros) related with the programme "Initiatives E"; and (v) the net amount of 6.1 million euros (31 December 2018: 6.5 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(2) A net amount of 82.7 million euros (31 December 2018: 86.5 million euros) corresponding to the current value of future payments related with the acquisition of rights of use for frequencies (spectrum) bands of 800 MHz, 1800 MHz, 2600 MHz, which will be used to develop 4th generation services (LTE - Long Term Evolution) and a net amount of 2.9 million euros (31 December 2018: 3.0 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(3) A net amount of 15.7 million euros (31 December 2018: 17.1 million euros) corresponding to the future rights to use movies and series.

Increases in the financial year ended on 31 December 2019 correspond mainly to movies and series rights of use, for an amount of 24.5 million euros, and software acquisition and development, for an amount of 46.6 million euros.

At 31 December 2018 and 2019, Intangible assets in-progress was composed as follows (amounts stated in thousands of euros):

	31-12-2018 RESTATED	31-12-2019
Nature		
Development of information systems (i)	39,280	11,945
Rights to use films and series (ii)	4,777	4,106
Others	3,731	4,404
	47,788	20,455

(i) Developments of information systems: costs with external companies and own work capitalised, related to projects for the development of information systems, both for the telecommunications network and for internal business and administrative systems, not yet concluded nor in operation.

(ii) Rights to use films and series: rights to use films and series related to films and series whose exploitation has not yet started.

Impairment tests on goodwill

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

	31-12-2018 RESTATED	31-12-2019
Telco	564,799	564,799
Audiovisuals	76,601	76,601
	641,400	641,400

In 2019, 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)	5.9%	8.2%	8.5%
Assessment period	5 years	5 years	5 years
EBITDA* Growth	2.6%	-0.7%	1.6%
Perpetuity growth rate	1.7%	1.7%	1.7%

* EBITDA = Operational result + Depreciation, amortisation and impairment losses + Integration costs + Losses/(gains) with assets sale + Other costs (gains) non-recurrent (CAGR – average 5 years)

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

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

Sensitivity analyses were performed on variations in discount rates of approximately 10%, from which no impairments resulted.

Sensitivity analyses were also performed for a perpetuity growth rate of 0%, from which no impairments also resulted.

10. Contract costs

In the financial years ended on 31 December 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2018 RESTATED
ACQUISITION COST				
Cost of attracting customers	376,149	61,513	(75,021)	362,641
Costs of fulfilling customer contracts	152,290	33,743	(33,979)	152,054
	528,439	95,256	(109,001)	514,694
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	-	-	-	-
Cost of attracting customers	264,378	71,355	(75,021)	260,712
Costs of fulfilling customer contracts	93,264	31,750	(33,979)	91,035
	357,642	103,105	(109,001)	351,746
	170,797	(7,849)	-	162,948

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2019
ACQUISITION COST				
Cost of attracting customers	362,641	64,878	-	427,519
Costs of fulfilling customer contracts	152,054	37,540	-	189,594
	514,694	102,419	-	617,113
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	-	-	-	-
Cost of attracting customers	260,712	66,939	-	327,650
Costs of fulfilling customer contracts	91,035	35,327	-	126,362
	351,746	102,266	-	454,012
	162,948	153	-	163,101

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

11. Rights of use

In the financial years ended on 31 December 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2018 RESTATED
ACQUISITION COST				
Telecommunications towers and rooftops	143,058	17,458	(38,502)	122,014
Movie theatres	103,575	3,537	(22,296)	84,816
Transponders	91,541	854	-	92,395
Equipments	79,221	21,553	(1,629)	99,145
Buildings	71,868	4,205	(10,791)	65,282
Fiber optic rental	34,582	-	(425)	34,157
Stores	21,579	563	(7,374)	14,768
Others	33,980	1,758	(13,448)	22,290
	579,404	49,928	(94,465)	534,867
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	111,096	9,020	(38,502)	81,614
Movie theatres	84,392	5,230	(22,296)	67,326
Transponders	43,459	7,400	-	50,859
Equipments	37,421	17,573	(1,629)	53,365
Buildings	45,496	5,697	(17,390)	33,803
Fiber optic rental	21,941	2,755	-	24,696
Stores	14,910	2,123	(7,374)	9,659
Others	15,769	4,583	(7,291)	13,061
	374,484	54,381	(94,482)	334,383
	204,920	(4,453)	16	200,483

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	31-12-2019
ACQUISITION COST				
Telecommunications towers and rooftops	122,014	15,628	1,368	139,010
Movie theatres	84,816	23,865	-	108,681
Transponders	92,395	(488)	-	91,907
Equipments	99,145	18,928	491	118,564
Buildings	65,282	6,666	(3,345)	68,603
Fiber optic rental	34,157	-	(1,092)	33,065
Stores	14,768	2,923	147	17,838
Others	22,290	2,386	6,648	31,324
	534,867	69,909	4,217	608,993
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Telecommunications towers and rooftops	81,614	10,257	1,366	93,237
Movie theatres	67,326	6,467	(1,700)	72,093
Transponders	50,859	5,812	-	56,671
Equipments	53,365	15,918	(192)	69,091
Buildings	33,803	6,293	4,947	45,043
Fiber optic rental	24,696	3,070	(1,092)	26,674
Stores	9,659	2,169	147	11,975
Others	13,061	2,332	432	15,825
	334,384	52,318	3,908	390,610
	200,483	17,591	309	218,383

The caption "Rights of Use" refers to assets associated with lease contracts, resulting from the application of IFRS 16 on January 1, 2019. These assets are amortized according to the duration of the respective agreement.

12. Investments in jointly controlled companies and associated companies

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

	31-12-2018 RESTATED	31-12-2019
INVESTMENTS - EQUITY METHOD		
Sport TV	5,436	4,544
Dreamia	3,634	3,369
Finstar*	9,465	8,635
Mstar	564	1,151
Upstar	361	391
Big Picture 2 Films	125	154
ASSETS	19,585	18,244

Movements in "Investments in jointly controlled companies and associated companies" in the financial years ended on 31 December 2018 and 2019 were as follows:

	12M 18 RESTATED	12M 19
AS AT JANUARY 1	36,706	19,585
Gains / (losses) of exercise (Note 36)	(6,619)	786
Changes in equity i)	(10,501)	(2,127)
AS AT SEPTEMBER 30	19,585	18,244

i) Amounts related to changes in equity of the companies registered by the equity method of consolidation are mainly related to foreign exchange impacts of the investment in currencies other than euro and impact of Angola's consideration as a hyperinflationary economy (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 2018 and 2019, is as follows:

31-12-2018							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	161,779	140,034	21,745	188,100	2,973	25.00%	743
Dreamia	15,553	8,286	7,267	2,118	(48)	50.00%	(24)
Finstar***	196,896	165,345	31,551	254,280	(28,029)	30.00%	(8,409)
Mstar	8,008	6,128	1,880	22,082	3,253	30.00%	976
Upstar	139,979	138,777	1,202	73,911	274	30.00%	82
Canal 20 TV, S.A. **	-	-	-	-	-	50.00%	(12)
Big Picture 2 Films	3,552	2,926	626	9,393	126	20.00%	25
	525,767	461,496	64,271	549,884	(21,451)		(6,618)

* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.
** Company dissolved
*** Consolidated of Finstar, ZAP Media, ZAP Cinemas and ZAP Publishing

31-12-2019							
ENTITY	ASSETS	LIABILITIES	EQUITY	REVENUE	NET INCOME	% HELD	GAIN/(LOSS) ATTRIBUTED TO THE GROUP
Sport TV*	184,333	166,158	18,175	199,021	(3,570)	25.00%	(893)
Dreamia	14,384	7,646	6,738	2,309	(529)	50.00%	(265)
Finstar**	183,058	154,273	28,785	161,522	4,388	30.00%	1,316
Mstar	13,002	9,165	3,837	24,767	1,893	30.00%	568
Upstar	79,057	77,754	1,303	32,908	101	30.00%	30
Big Picture 2 Films	2,653	1,883	770	6,397	144	20.00%	29
	476,487	416,879	59,608	426,923	2,426		786

* The equity is adjusted, against liabilities, totalling 10.2 million euros resulting from supplementary payments rendered by other two shareholders which are above the held percentage.
** Consolidated of Finstar and ZAP Media

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

In 31 December 2019, the assets, liabilities and results of jointly controlled companies Finstar and ZAP Media (Finstar Group) are:

31-12-2019							
ENTITY	NON - CURRENT ASSETS	CURRENT ASSETS	NON - CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY	REVENUE	NET INCOME
Finstar	27,112	108,784	-	119,015	27,112	227,545	6,225
ZAP Media	19,944	7,623	-	26,871	19,944	26,708	(2,991)
	47,056	116,406	-	145,887	47,056	254,252	3,234

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

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

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

13. Accounts receivable – other

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

	31-12-2018 RESTATED		31-12-2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Accounts receivables i)	3,708	5,252	5,608	5,032
Advances of suppliers	5,700	-	24,552	-
	9,408	5,252	30,160	5,032
Impairment of other receivable	(244)	(723)	(2,032)	(968)
	9,164	4,529	28,128	4,064

i) At 31 December 2019, the amount of accounts receivable corresponds mainly to dividends short-term loans, medium and long-term loans from Group and interests' receivable, to associated companies.

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

	12M 18 RESTATED	12M 19
AS AT JANUARY 1	1,500	967
Increases (Note 35)	83	550
Utilizations, transfers and others	(616)	1,483
AS AT DECEMBER 31	967	3,000

14. Taxes payable and receivable

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

	31-12-2018 RESTATED		31-12-2019	
	RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE
NON CURRENT				
Debt regularization	149	-	149	-
	149	-	149	-
CURRENT				
Value-added tax	826	18,606	4,211	19,102
Income taxes	-	11,295	-	43,428
Personnel income tax witholdings	-	1,787	-	3,597
Social Security contributions	-	1,831	-	1,913
Others	420	264	420	162
	1,246	33,783	4,631	68,202
	1,395	33,783	4,780	68,202

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

	31-12-2018 RESTATED	31-12-2019
Estimated current tax on income	(31,733)	(25,969)
Tax processes (Note 2.1)	-	(43,402)
Payments on account	18,967	20,593
Withholding income taxes	785	4,096
Others	686	1,254
	(11,295)	(43,428)

In the financial year ended on 31 December 2019, the item "Tax processes" includes liabilities, reclassified from the provisions caption, in the amount of 43.4 million euros (Notes 2.1 and 25) related to ongoing tax processes, of which highlight:

i) Future credits transferred: for the financial year ended at 31 December 2010, NOS SA was notified of the Report of Tax Inspection, when it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of 20 million euros in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that year, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year for 5 years). NOS SA challenged the decisions regarding the 2009 to 2013 fiscal year and will appeal for the judicial review in due time the decision regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavourably, in March 2014. The company has appealed;

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

15. Income tax expense

NOS and its subsidiaries are subject to IRC - Corporate Income Tax - at the rate of 21% on taxable amount (taxable profit less eventual tax losses subject to deduction), plus IRC surcharge at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 22.5%. Additionally, following the introduction of austerity measures approved by Law 66-B/2012 of 31 December, and respective addendum published by Law 2/2014 of 16 January, this rate was raised by 3% and will be applied to the company's taxable profit between 1.5 million euros and 7.5 million euros, by 5% to the company's taxable profit which exceeds 7.5 million euros, and by 9% to the company's taxable profit above 35 million euros.

In the calculation of taxable income, amounts, which are not fiscally allowable, are added to or subtracted from the book results. These differences between accounting income and taxable income may be of a temporary or permanent nature.

NOS is taxed in accordance with the Special Regime for Taxation of Corporate Groups, which covers the companies in which it directly or indirectly holds at least 75% of their share capital and which fulfil the requirements of Article 69 of the IRC Code.

The companies covered by the Special Regime for Taxation of Corporate Groups in 2019 are:

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária
- Lusomundo SII
- NOS Açores
- NOS Audiovisuais
- NOS Audiovisuais SGPS
- NOS Cinemas
- NOS Comunicações SA
- NOS Inovação
- NOS Internacional SGPS
- NOS Lusomundo TV
- NOS Madeira
- NOSPUB
- NOS Sistemas
- NOS Technology
- NOS Towering
- Per-mar
- Sontária

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

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 31 December 2019.

A) Deferred tax

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

The movements in deferred tax assets and liabilities for the financial years ended on 31 December 2018 and 2019 were as follows:

	31-12-2017 RESTATED	DEFERRED TAXES OF THE PERIOD		31-12-2018 RESTATED
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	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
Assets recognised under application of IFRS 16 (Note 2.1)	7,811	952	-	8,763
Derivatives	557	(42)	(277)	238
	117,165	(22,484)	(277)	94,404
DEFERRED INCOME TAX ASSETS				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	4,851	(2,005)	-	2,846
Derivatives	-	7	-	7
Liabilities recognised under application of IFRS 15	18,383	(18,383)	-	-
Others	2,289	(19)	-	2,270
	25,523	(20,400)	-	5,123
NET DEFERRED TAX	91,642	(2,084)	(277)	89,281

	31-12-2018 RESTATED	DEFERRED TAXES OF THE PERIOD		31-12-2019
		INCOME (NOTE B)	EQUITY	
DEFERRED INCOME TAX ASSETS				
Impairment of other receivable	4,796	(3,325)	-	1,471
Inventories	1,610	261	-	1,871
Other provision and adjustments	51.956	(131)	-	51,825
Intragroup gains	22,098	(2,007)	-	20,091
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	4,943	137	-	5,080
Assets recognised under application of IFRS 16 (Note 2.1)	8,763	(8,763)	-	-
Derivatives	238	(10)	(138)	90
	94,404	(13,838)	(138)	80,428
DEFERRED INCOME TAX LIABILITIES				
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	2,846	(47)	-	2,799
Derivatives	7	(7)	-	-
Intra-group leases	-	6,324	-	6,324
Others	2,270	233	-	2,503
	5,123	6,503	-	11,626
NET DEFERRED TAX	89,281	(20,341)	(138)	68,802

At 31 December 2019, the deferred tax assets related to the other provisions and adjustments are mainly due: i) Impairments and acceleration of amortisations beyond the acceptable fiscally and other adjustments in fixed tangible assets and intangible assets, amounted to 40.3 million euros (31 December 2018: 40.9 million euros; and ii) Other provisions amounted to 11.5 million euros (31 December 2018: 9.6 million euros).

At 31 December 2019, the deferred tax liability is related to the revaluation of assets relates mainly to lease agreements between Group companies and the appreciation of telecommunications licenses, and other assets at the merger of Group companies.

At 31 December 2019, deferred tax assets were not recognised for an amount of 1.4 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 2019, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (2018: 21%). In the case of temporary differences, the rate used was 22.5% (2018: 22.5%) increased to a maximum of 6.99% (2018: 5.13%) of state surcharge when the taxation of temporary differences in the estimated period of application of the state surcharge was perceived as likely. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grants such tax benefits.

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

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

B) Effective tax rate reconciliation

In the financial years ended on 31 December 2018 and 2019, the reconciliation between the nominal and effective rates of tax was as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
Income before taxes	17,301	164,752	(439)	176,041
Statutory tax rate	22.5%	22.5%	22.5%	22.5%
ESTIMATED TAX	3,893	37,069	(99)	39,609
Permanent differences i)	755	918	973	880
Differences in tax rate of group companies	96	(1,131)	(68)	(1,181)
Record of deferred taxes	119	(3,743)	52	(1,796)
Tax benefits ii)	-	(11,398)	-	(8,263)
State surcharge	(3,049)	6,339	(7,549)	872
Autonomous taxation	254	828	260	808
Others	2,475	(1,403)	611	1,869
INCOME TAXES	4,543	27,479	(5,820)	32,798
Effective Income tax rate	26.3%	16.7%	1325.7%	18.6%
Income tax	(8,106)	25,395	803	12,457
Deferred tax	12,649	2,084	(6,623)	20,341
	4,543	27,479	(5,820)	32,798

i) At 31 December 2018 and 2019, the permanent differences were composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
Equity method (Note 36)	1,990	6,441	3,318	1,022
Others	1,365	(2,362)	1,006	2,890
	3,355	4,079	4,324	3,912
	22.5%	22.5%	22.5%	22.5%
	755	918	973	880

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 and following different dates for the submission and approval of the applications, tax incentives for the RFAI and SIFIDE of 2016 and 2017 were recognised, while in the financial year ended on 31 December 2019, only the RFAI and SIFIDE of 2018 were recognised.

iii) During the financial year ended on 31 December 2019, the change in the rate used to record deferred taxes resulted in a gain, amounting 3.4 million euros, in the income statement.

16. Inventories

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

	31-12-2018 RESTATED	31-12-2019
INVENTORIES		
Telco	43,485	39,476
Audiovisuals	1,568	1,278
	45,053	40,754
IMPAIRMENT OF INVENTORIES		
Telco	(5,670)	(6,083)
Audiovisuals	(498)	(590)
	(6,168)	(6,673)
	38,885	34,081

The movements occurred in impairment adjustments were as follows:

	12M 18 RESTATED	12M 19
AS AT JANUARY 1	8,961	6,167
Increase and decrease - Cost of products sold (Note 33)	(129)	2,337
Utilizations / Others	(2,665)	(1,831)
AS AT DECEMBER 31	6,167	6,673

17. Accounts receivable – trade

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

	31-12-2018 RESTATED	31-12-2019
Trade receivables	460,499	451,086
Unbilled revenues i)	61,423	64,754
	521,922	515,840
Impairment of trade receivable	(139,822)	(154,128)
	382,100	361,712

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 18 RESTATED	12M 19
AS AT JANUARY 1	145,492	139,822
Increases and decreases (Note 35)	20,228	18,954
Penalties - i)	14,092	19,297
Utilizations / Others	(39,990)	(23,945)
AS AT DECEMBER 31	139,822	154,128

i) Penalties correspond to the estimated amount of uncollectible invoiced penalties recognised in the financial year, deducted from revenue, as described in Note 45.6.

18. Contract assets

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

	31-12-2018 RESTATED	31-12-2019
Contract assets	57,022	68,059
	57,022	68,059

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

19. Prepaid Expenses

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

	31-12-2018 RESTATED	31-12-2019
Programming costs i)	16,364	22,232
Costs of litigation procedure activity ii)	8,465	6,686
Insurance	1,276	824
Advertising	708	183
Others iii)	12,031	14,029
	38,844	43,954

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

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

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

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

2. Expenses to be recognised with insurance: amounts charged by insurance companies for periodic policies and that refer to the following months.

20. Derivative financial instruments

Interest rate derivatives

At 31 December 2019, NOS had contracted two interest rate swaps totalling 150 million euros (31 December 2018: 250 million euros) whose swap maturities expire in 2022. The fair value of interest rate swaps, in the negative amount of 38 thousands euros (31 December 2018: negative amount of 1.2 million euros), was recorded in liabilities, against shareholder's equity.

Own shares derivatives

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

Exchange rate derivatives

At the date of the statement of the financial position there were foreign currency forwards open for 5,085 thousand euros (31 December 2018: 2,525 thousand euros), whose fair value amounts to a negative net amount of 16 thousand euros (2018: gain of about 32 thousand euros).

		31-12-2018 RESTATED			
		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	-

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

Movements during the financial years ended on 31 December 2018 and 2019 were as follows:

	31-12-2017 RESTATED	RESULT	EQUITY	31-12-2018 RESTATED
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)

	31-12-2018 RESTATED	RESULT	EQUITY	31-12-2019
Fair value interest rate swaps	(1,211)	-	1,173	(38)
Fair value exchange rate forward	32	(48)	-	(16)
Fair value equity swaps	153	59	(558)	(346)
DERIVATIVES	(1,026)	11	615	(400)
Deferred income tax liabilities	(7)	7	-	-
Deferred income tax assets	238	(10)	(138)	90
DEFERRED INCOME TAX	231	(3)	(138)	90
	(795)	8	477	(310)

21. Cash and cash equivalents

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

	31-12-2018 RESTATED	31-12-2019
Cash	744	857
Current deposits i)	1,425	11,962
Term deposits ii)	13	-
	2,182	12,819

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

ii) At 31 December 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 2018 and 2019, the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1 euro cent per share.

The main shareholders as of 31 December 2018 and 2019 are:

	31-12-2018 RESTATED		31-12-2019	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Blackrock, Inc	11,562,497	2.24%	-	-
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	10,891,068	2.11%
TOTAL	302,147,579	58.65%	290,585,082	56.41%

(1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of company, calculated in accordance with Article 20 of the Securities Code, is attributable to ZOPT SGPS S.A., Sonaecom SGPS S.A. and the following entities:

a. Kento Holding Limited and Unitel International Holdings B.V., as well as Isabel dos Santos, being (i) Kento Holding Limited and Unitel International Holdings, B.V., companies directly and indirectly controlled by Isabel dos Santos, and (ii) ZOPT SGPS S.A., a jointly controlled company by its shareholders Kento Holding Limited, Unitel International Holdings B.V. and Sonaecom SGPS S.A., under the shareholder agreement signed between them; and,

b. Entities in a control relationship with Sonaecom SGPS S.A., namely, SONTEL, BV and SONAE, SGPS, S.A, companies directly and indirectly controlled by Efanor Investimentos, SGPS, S.A., also due of such control and of the shareholder agreement mentioned in a.

22.2. Capital issued premium

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

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 2019 there were 2,595,541 own shares, representing 0.5038% of share capital (31 December 2018: 2,069,356 own shares, representing 0.4017% of the share capital).

Movements in the financial years ended on 31 December 2018 and 2019 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2018	2,040,234	12,681
Acquisition of own shares	650,000	3,096
Distribution of own shares - share incentive scheme	(603,228)	(3,542)
Distribution of own shares - other remunerations	(17,650)	(103)
BALANCE AS AT 31 DECEMBER 2018	2,069,356	12,132
BALANCE AS AT 1 JANUARY 2019	2,069,356	12,132
Acquisition of own shares	1,240,500	6,710
Distribution of own shares - share incentive scheme	(656,624)	(3,849)
Distribution of own shares - other remunerations	(57,691)	(338)
BALANCE AS AT 31 DECEMBER 2019	2,595,541	14,655

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 2019, NOS had reserves, which by their nature are considered distributable for an amount of approximately 144.6 million euros, not including the net income.

Dividends

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

	DIVIDENDS
Dividends	154.548
Dividends of own shares	(625)
DIVIDENDS PAID	153.923

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

	DIVIDENDS
Dividends	180.306
Dividends of own shares	(699)
DIVIDENDS PAID	179.607

23. Non-controlling interests

The movements of the non-controlling interests occurred during the financial years ended on 31 December 2018 and 2019 and the results attributable to non-controlling interests for the year are as follows:

	31-12-2017 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	31-12-2018 RESTATED
NOS Madeira	5,882	(220)	(2)	5,660
NOS Açores	1,914	(277)	(1)	1,636
	7,796	(497)	(3)	7,296

	31-12-2018 RESTATED	ATTRIBUTABLE PROFITS	OTHERS	31-12-2019
NOS Madeira	5,660	(156)	(2)	5,502
NOS Açores	1,636	(95)	(1)	1,540
	7,296	(251)	(3)	7,042

24. Borrowings

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

	31-12-2018 RESTATED		31-12-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
LOANS - NOMINAL VALUE	217,769	830,000	82,851	1,024,667
Debenture loan	150,000	510,000	-	575,000
Commercial paper	29,500	265,000	55,000	413,000
Foreign loans	18,333	55,000	18,333	36,667
Bank overdrafts	19,936	-	9,518	-
LOANS - ACCRUALS AND DEFERRALS	1,890	(4,602)	1,770	(2,848)
LOANS - AMORTISED COST	219,659	825,398	84,621	1,021,819
LEASES	63,402	188,966	58,660	195,028
	283,061	1,014,364	143,281	1,216,847

During the financial year ended on 31 December 2019, the average cost of debt of the used lines was approximately 1.5% (2018: 1.8%).

At 31 December 2019, there is no default in terms of capital, interest, conditions for redemption on loans payable or other commitments.

24.1. Debenture loans

At 31 December 2018 and 2019, NOS has a total amount of 660 million euros and 575 million euros of bonds issued, respectively, with maturity after one year:

i) A private placement in the amount of 150 million euros organised by BPI bank and Caixa - Banco de Investimento in March 2015 maturing in March 2022. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

ii) A bond issue for an amount of 300 million euros in May 2018, whose maturity occurs in May 2023. The issue bears interest at a fix rate and it is paid annually.

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

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

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

At 31 December 2019, an amount of 555 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 2019, the Company has borrowings of 468 million euros in the form of commercial paper, including 5 million euros as issued under non-underwriten programs. The total amount contracted, under underwriting securities, is of 665 million euros, corresponding to thirteen programmes, with six banks, 590 million euros of which bear interest at market rates and 75 million euros are issued in fixed rate. Commercial paper programmes with maturities over one-year totalling 413 million euros are classified as non-current, since the Company can renew unilaterally current issues on or before the programmes' maturity dates and because they are underwritten by the organiser. As such, this amount, although having a current maturity, it was classified as non-current for presentation purposes in the financial position statement.

At 31 December 2019 an amount of 597 thousand euros, corresponding to interest and commissions, was added 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 2019, the amount in borrowings corresponds to 55 million euros.

At 31 December 2019, an amount of 2,330 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan with BEI is at a subsidised rate.

All bank borrowings contracted (apart from BEI loan of 55 million euros, from public issuance of bonds of 300 million euros from a commercial paper program of 75 million euros issued in fixed rate, besides finance leases) are negotiated at variable short-term interest rates and their book value is therefore broadly similar to their fair value.

24.4. Leases

At 31 December 2018 and 2019, the leases refer mainly to rental agreements for telecommunications towers, movie theaters, equipment, shops and vehicles, exclusive acquisition of satellite capacity and rights to use distribution network capacity.

Leases – payments

	31-12-2018 RESTATED	31-12-2019
Until 1 year	73,908	65,160
Between 1 and 5 years	153,032	149,804
Over 5 years	62,443	62,146
	289,383	277,110
Future financial costs (lease)	(37,015)	(23,422)
PRESENT VALUE OF LEASE LIABILITIES	252,368	253,688

Leases – present value

	31-12-2018 RESTATED	31-12-2019
Until 1 year	63,402	58,660
Between 1 and 5 years	131,849	136,823
Over 5 years	57,118	58,205
	252,368	253,688

The maturities of the loans obtained are as follows:

	31-12-2018 RESTATED			31-12-2019		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	152,487	507,688	-	2,334	573,221	-
Commercial paper	29,732	215,002	49,998	55,648	362,949	50,000
Foreign loans	17,504	52,710	-	17,121	35,649	-
Bank overdrafts	19,936	-	-	9,518	-	-
Leases	63,402	131,849	57,118	58,660	136,823	58,205
	283,061	907,249	107,115	143,281	1,108,642	108,205

25. Provisions

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

	31-12-2018 RESTATED	31-12-2019
Litigation and other - i)	58,369	30,263
Dismantling and removal of assets - ii)	34,626	39,032
Contingent liabilities - iii)	32,055	23,827
Contingencies - other - iv)	3,765	1,837
	128,815	94,959

i) At 31 December 209, the amount under the item "Litigation and other" corresponds to provisions to cover the legal and tax claims in-progress.

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

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

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

Therefore:

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

- In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, related to NOS, SA, NOS Madeira and NOS Açores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes. The guarantees that have been accepted by ANACOM.

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

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

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

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

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

During the financial year ended on 31 December 2018, movements in provisions were as follows:

	31-12-2017 RESTATED	INCREASES	DECREASES	OTHERS	31-12-2018 RESTATED
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, increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer to the reassessment of several tax and legal contingencies.

The movement recorded in "Others" in the amount of 13.0 million euros, refers mainly to the reversal of the reclassification of cost estimates in respect of which it was not possible to estimate with great reliability the moment of the implementation of the expenditure, in the amount of 13.9 million euros.

During the financial year ended on 31 December 2019, movements in provisions, were as follows:

	31-12-2018 RESTATED	INCREASES	DECREASES	OTHERS	31-12-2019
Litigation and other	58,369	14,763	(6,999)	(35,870)	30,263
Dismantling and removal of assets	34,626	40	(783)	5,149	39,032
Contingent liabilities	32,055	-	(695)	(7,533)	23,827
Contingencies - other	3,765	5,233	(1,921)	(5,240)	1,837
	128,815	20,036	(10,398)	(43,494)	94,959

During the financial year ended on 31 December 2019, the increases refer mainly to provisions for legal claims plus interests and charges and the reductions refer, predominantly, to the reassessment of several legal contingencies.

At the financial year ended on 31 December 2019, the movement recorded under "Others" corresponds mainly to the reclassification of tax contingencies to Tax payable (Note 14), amounting 43.4 million euros (Note 2.1)

The net movements for the financial years ended on 31 December 2018 and 2019 reflected in the income statement under Provisions were as follows:

	12M 18 RESTATED	12M 19
Provisions and adjustments (Note 34)	(613)	(599)
Financial investments (Note 11)	(425)	-
Other losses / (gains) non-recurrent (Note 37)	10,161	7,195
Interests - dismantling	352	(743)
Other interests	(902)	3,785
INCREASES AND DECREASES IN PROVISIONS	8,573	9,638

26. Accrued expenses

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

	31-12-2018 RESTATED	31-12-2019
NON-CURRENT		
Others	688	667
	688	667
CURRENT		
Invoices to be issued by operators i)	62,041	73,113
Vacation pay and bonuses	24,460	25,545
Investments in tangible and intangible assets	26,541	20,046
Content and film rights	11,370	13,313
Professional services	12,113	10,703
Advertising	15,144	14,916
Programming services	12,293	11,058
Costs of litigation procedure activity	7,852	8,614
Comissions	5,376	6,198
Energy and water	5,807	4,660
Maintenance and repair	2,409	1,788
Other accrued expenses	11,645	13,772
	197,052	203,726

i) 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 2018 and 2019, this item was composed as follows:

	31-12-2018 RESTATED		31-12-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Advanced billing i)	32,261	-	33,436	-
Investment subsidy ii)	410	5,521	398	5,123
	32,671	5,521	33,834	5,123

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

ii) Deferred income related to the implicit subsidy when the BEI loans were obtained at interest rates below market value (Note 24).

28. Accounts payable - trade

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

	31-12-2018 RESTATED	31-12-2019
Suppliers current account	252,644	257,824
Invoices in reception and conference	2,306	1,675
	254,950	259,499

29. Accounts payable - other

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

	31-12-2018 RESTATED	31-12-2019
NON-CURRENT		
Assignment of receivables without recourse i)	9,723	3,855
	9,723	3,855
CURRENT		
Fixed assets suppliers	27,006	27,689
Assignment of receivables without recourse i)	10,093	4,865
Advances from customers	127	112
Others	1,000	1,169
	38,226	33,835
	47,949	37,690

i) NOS Comunicações, SA materialised a credit assignment transaction, that was coordinated by Banco Comercial Português and Caixa Geral de Depósitos, which it ceded future credits, amounting 63.9 million euros, to be generated by a portfolio of Corporate customers. In the financial year ended on 31 December 2019, the balance amounts to 8.7 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 2018 and 2019, were as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
SERVICES RENDERED:				
Communications service revenues (i)	348.815	1.361.315	349.816	1.374.170
Revenue distribution and cinematographic exhibition (ii)	13.352	48.160	13.917	54.216
Advertising revenue (iii)	7.908	24.178	8.595	24.792
Production and distribution of content and channels (iv)	6.514	27.586	7.284	29.767
Others	838	3.110	615	2.990
	377427	1464349	380.227	1.485.935
SALES:				
Telco v)	21.499	70.521	23.437	71.579
Audiovisuals and cinema exhibition vi)	4.883	17.161	4.627	17.562
	26.382	87.682	28.063	89.141
OTHER OPERATING REVENUES:				
Telco	4.931	23.106	5.375	23.365
Audiovisuals and cinema exhibition	138	1.024	383	790
	5.069	24.130	5.758	24.155
	408.878	1.576.161	414.048	1.599.230

These operating revenues are shown net of inter-company eliminations.

i) This item mainly includes revenue relating to: (a) basic channel subscription packages that can be sold in a bundle with fixed broadband/fixed voice services; (b) premium channel subscription packages and S-VOD; (c) terminal equipment rental; (d) consumption of content (VOD); (e) traffic and mobile and fixed voice termination; (f) service activation; (g) mobile broadband access; and (h) other additional services (ex: firewall, antivirus) and services rendered related to datacentre management and consulting services in IT.

ii) This item mainly includes (a) box office revenue at the NOS Cinemas, and (b) revenue relating to film distribution to other cinema exhibitors in Portugal.

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

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

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

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

31. Wages and salaries

In the financial years ended on 31 December 2018 and 2019, this item was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
Remuneration	16,122	62,544	16,388	63,460
Social taxes	4,257	16,777	4,395	17,000
Social benefits	372	1,807	454	1,906
Other	1,746	1,575	1,556	2,810
	22,497	82,703	22,793	85,176

In the financial years ended on 31 December 2018 and 2019, the average number of employees of the companies included in the consolidation was 2,492 and 2,474, respectively. At 31 December 2019, the number of employees of the companies included in the consolidation was 2,543 employees.

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

32. Direct costs

In the financial years ended on 31 December 2018 and 2019, this item was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
Exhibition costs	58,342	212,278	56,570	215,788
Traffic costs	62,373	223,267	66,098	221,367
Capacity costs	11,968	44,693	12,256	47,989
Costs related to corporate customers services	3,326	10,623	7,778	26,110
Shared advertising revenues	4,845	15,206	2,700	12,804
Others	968	3,632	-	-
	141,822	509,699	145,402	524,058

33. Cost of products sold

In the financial years ended on 31 December 2018 and 2019, this item was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
Costs of products sold	18,115	62,789	21,533	61,891
Increases / (decreases) in inventories impairments (Note 16)	(70)	(129)	449	2,337
	18,045	62,660	21,983	64,228

34. Support services and supplies and external services

In the financial years ended on 31 December 2018 and 2019, this item was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
SUPPORT SERVICES:				
Administrative support and others	10.153	38.771	10.519	37.331
Call centers and customer support	7.565	30.441	8.485	31.547
Information systems	4.159	15.213	3.515	13.457
	21.878	84.426	22.519	82.335
SUPPLIES AND EXTERNAL SERVICES:				
Maintenance and repair	11.417	44.902	9.992	40.281
Electricity	7.261	23.972	5.627	22.421
Professional services	3.241	12.199	3.259	11.922
Installation and removal of terminal equipment	1.087	3.708	853	3.574
Communications	1.664	7.091	1.161	5.578
Travel and accommodation	1.236	4.318	1.334	4.668
Fees	1.672	4.594	1.520	3.627
Other supplies and external services	5.017	21.189	6.097	20.792
	32.595	121.973	29.843	112.863

35. Provisions and adjustments

In the financial years ended on 31 December 2018 and 2019, these items were composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
Provisions (Note 25)	675	(613)	3,863	(599)
Impairment of account receivables - trade (Note 17)	15,761	20,228	7,521	18,954
Impairment of account receivables - others (Note 13)	(79)	83	251	550
Others	7	47	19	29
	16,364	19,745	11,654	18,934

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

In the financial years ended on 31 December 2018 and 2019, this item was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
EQUITY METHOD (NOTE 12)				
Sport TV	718	(743)	49	893
Dreamia	207	24	481	265
Finstar	1,444	8,409	716	(1,316)
Mstar	(366)	(976)	257	(568)
Upstar	10	(82)	(2)	(30)
Others	(17)	(13)	(15)	(29)
	1,996	6,619	1,486	(786)
OTHERS	(6)	(178)	1,832	1,808
	1,990	6,441	3,318	1,022

During the financial year ended on 31 December 2018, the Kwanza recorded an exceptional devaluation against the Euro of approximately 36%, which generated the recognition of exchange losses in Finstar, losses that impact this item in approximately, 12 million euros.

Additionally, during the financial year ended on 31 December 2018, losses related to amounts receivable from Finstar in the amount of 1.8 million euros were recognised in "Others".

37. Depreciation, amortisation and impairment losses

In the financial years ended on 31 December 2018 and 2019, this item was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
TANGIBLE ASSETS				
Buildings and other constructions	2,670	11,006	3,406	10,540
Basic equipment	43,657	159,028	51,301	163,173
Transportation equipment	(410)	3	-	2
Tools and dies	11	38	14	56
Administrative equipment	1,319	5,431	(726)	2,511
Other tangible assets	377	470	178	728
	47,624	175,976	54,173	177,010
INTANGIBLE ASSETS				
Industrial property and other rights	(5,847)			
	(5,847)			
CONTRACT COSTS				
Contract costs	50,786	103,105	26,619	102,266
	50,786	103,105	26,619	102,266
RIGHTS OF USE				
Rights of use	9,035	54,381	12,084	52,318
	9,035	54,381	12,084	52,318
INVESTMENT PROPERTY				
Investment property	-	2	3	5
	-	2	3	5
	101,598	421,435	123,344	421,318

During the financial year of 2018, following the modernisation project of the NOS mobile network, impairment losses were recognised for an approximate amount of 35 million euros.

In the financial year of 2019, impairment losses of approximately 34 million euros were recognised, related to terminal equipment placed with customers, network equipment and discontinued software.

38. Financing costs

In the financial years ended on 31 December 2018 and 2019, this item was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
FINANCING COSTS:				
Borrowings	1,986	5,412	340	3,399
Finance leases	70	3,967	271	2,902
Derivatives	54	1,305	102	1,431
	2,110	10,684	713	7,732

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

In the financial years ended on 31 December 2018 and 2019, the other non-recurring costs / (gains) was composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
GAINS:				
Default interests - offsetting of credits i)	-	(27,318)	-	-
	-	(27,318)	-	-
COSTS:				
Provisions and costs with lawsuits	-	12,529	-	4,164
Others	3,194	5,590	3,093	6,562
	3,194	18,119	3,093	10,726
TOTAL	3,194	(9,199)	3,093	10,726

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

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

In the financial years ended on 31 December 2018 and 2019, financing costs and other financial expenses / (income) were composed as follows:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
FINANCING COSTS:				
INTEREST EXPENSE:				
Borrowings	3,839	13,824	2,867	12,918
Finance leases	3,011	12,834	1,626	8,469
Derivatives	407	1,624	90	1,241
Others	660	1,819	(442)	1,459
	7,917	30,101	4,140	24,087
INTEREST EARNED	(1,978)	(5,082)	71	(3,426)
	5,939	25,019	4,212	20,661
NET OTHER FINANCIAL EXPENSES / (INCOME):				
Comissions and guarantees	644	4,856	751	2,954
Others	358	1,100	309	872
	1,002	5,956	1,059	3,826

Interest earned mainly corresponds to default interests charged to customers.

41. Net earnings per share

Earnings per share for the financial years ended on 31 December 2018 and 2019 were calculated as follow:

	4º QUARTER 18 RESTATED	12M 18 RESTATED	4º QUARTER 19	12M 19
Consolidated net income attributable to shareholders	12,663	137,770	5,401	143,494
Number of ordinary shares outstanding during the period (weighted average)	513,092,024	513,090,991	512,975,073	513,163,142
Basic earnings per share - euros	0.02	0.27	0.01	0.28
Diluted earnings per share - euros	0.02	0.27	0.01	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.

42. Guarantees and financial undertakings

42.1. Guarantees

At 31 December 2018 and 2019, the Group had furnished sureties, guarantees, and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2018 RESTATED	31-12-2019
Tax authorities i)	13,382	26,852
Others ii)	9,878	10,515
	23,260	37,367

i) At 31 December 2018 and 2019, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 45).

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

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

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

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

42.2. Other undertakings

Covenants

Of the loans obtained, in addition to being subject to the Group complying with its operating, legal and fiscal obligations, 100% are subject to cross-default, Pari Passu and Negative Pledge clauses and 88% to ownership clauses.

In addition, approximately 15% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, approximately 8% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA, approximately 5% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA and approximately 12% require that the consolidated net financial debt does not exceed 5 times consolidated EBITDA.

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

Assignment agreements football broadcast rights

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

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

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

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

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

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

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

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

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

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

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

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

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

The estimated cash flows are estimated as follows:

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

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

Network sharing contract with Vodafone

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

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

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

43. 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:

43.1. Cash receipts resulting from financial investments

This item was composed as follows:

	12M 18 RESTATED	12M 19
Liquidation of Caixanet	-	91
Liquidation of APOR	45	-
	91	91

43.2. Cash payments resulting from financial investments

This item was composed as follows:

	12M 18 RESTATED	12M 19
Tech Transfer Fund	-	200
Association for Collaborative Laboratory in Digital Transformation - DTX	25	-
	25	200

43.3. Earnings per share

This item was composed as follows:

	12M 18 RESTATED	12M 19
NOS SGPS	153,923	179,607
	153,923	179,607

43.4. Borrowings

This item presents, by net value, the reimbursements, and respective monthly issue renewals of commercial paper programs.

44. Related parties

44.1. Balances and transactions between related parties

Transactions and balances between NOS and companies of the NOS Group were eliminated in the consolidation process and are not subject to disclosure in this note.

The balances at 31 December 2018 and 31 December 2019 and transactions in the financial years ended on 31 December 2018 and 2019 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Balances at 31 December 2018

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES
ASSOCIATED COMPANIES	18.394	19.200	-
Big Picture 2 Films	26	450	-
Sport TV	18.368	18.750	-
JOINTLY CONTROLLED COMPANIES	18.082	3.394	2.782
Dreamia Holding BV	58	-	2.782
Dreamia SA	2.727	2.127	-
Finstar	7.850	19	-
Mstar	1	-	-
Upstar	7.015	1.108	-
ZAP Cinemas	24	15	-
ZAP Media	407	125	-
OTHER RELATED PARTIES	15.078	12.000	-
Banco BIC Português, S.A.	288	(0)	
Centro Colombo	134	11	-
Digitmarket	273	301	-
EFACEC Engenharia e Sistemas	26	936	-
EFACEC Serviços Corporativos	251	-	-
Itrust - Cyber Security and Intellig. , S.A.	209	383	-
MDS Corretor de Seguros, SA	174	(0)	-
Modelo Continente Hipermercados	1.027	58	-
Norteshopping	118	7	-
SC - Sociedade de Consultoria, SA	255	-	-
Sierra Portugal	752	20	-
Sonae Arauco Portugal, S.A.	184	-	-
Sonae Center II	928	-	-
UNITEL S.a.r.l.	3.116	3.500	-
UNITEL T+ Telecomunicações, S.A.	4.617	4.600	
We Do Consulting-Sist. de Informação	307	1.761	-
Worten - Equipamento para o Lar	1.028	198	-
Other related parties	1.391	226	-
	51.554	34.594	2.782

Transactions in the financial year ended on 31 December 2018

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
ASSOCIATED COMPANIES	2.049	80.265	0	-
Big Picture 2 Films	48	5.018	-	-
Sport TV	2.001	75.247	0	-
JOINTLY CONTROLLED COMPANIES	15.261	(226)	134	-
Dreamia Holding BV	13	-	134	-
Dreamia SA	3.491	(226)	0	-
Finstar	910	-	-	-
Mstar	34	-	-	-
Upstar	10.538	-	-	-
ZAP Cinemas	10	-	-	-
ZAP Media	265	-	-	-
OTHER RELATED PARTIES	27.915	28.663	0	101
Arrábidashopping	15	101	(0)	-
Banco BIC Português, S.A.	1.415	0	-	-
Cascaishopping	16	828	-	-
Centro Colombo	24	1.843	0	-
Centro Vasco da Gama	18	1.015	-	-
Continente Hipermercados, S.A.	293	86	(0)	-
Digitmarket	283	5.854	(0)	0
EFACEC Energia - Máq. Eq.	119	74	-	-
EFACEC Engenharia e Sistemas	100	1.858	-	-
EFACEC Serviços Corporativos	835	-	-	-
Gaiashopping	30	408	-	-
Itrust - Cyber Security and Intellig	30	1.374	-	-
Maiashopping	16	168	0	-
MDS Corretor de Seguros, SA	159	-	-	-
Modalfa-Comércio e Serviços,SA	3.867	(5)	-	-
Modelo - Dist.de Mat. de Construção,S.A.	139	-	-	-
Modelo Continente Hipermercados	525	50	-	-
Norteshopping	21	1.438	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	-	-	-	-
Público-Comunicação Social,SA	141	19	-	-
RACE-Refrig. & Air Condit.Engineering,SA	146	13	-	-
Rio Sul - Centro Comercial, SA	10	129	-	-
Saphety Level - Trusted Services	102	355	-	-
SC - Sociedade de Consultoria, SA	1.269	-	-	-
SDSR - Sports Division SR, S.A.	268	-	-	-
SFS - Serviços de Gestão e Marketing	-	387	-	-
Sierra Portugal	1.109	-	-	-
Solinca HF	108	-	-	-
Sonae Arauco Deutschland AG	124	-	-	-
Sonae Arauco Portugal, S.A.	3.340	233	-	-
Sonae Center II	364	-	-	-
Sonae Financial Services, S.A.	30	31	-	100
Sonae.com,SGPS,SA	111	-	-	-
Sonaecom - Serviços Partilhados, S.A	3.699	46	-	-
Spinveste - Promoção Imobiliária, SA	-	232	-	-
Troiaverde-Expl.Hoteleira Imob.,SA	126	-	-	-
UNITEL S.a.r.l.	2.225	1.820	-	-
UNITEL STP	24	82	-	-
UNITEL T+ Telecomunicações, S.A.	1.062	1.212	-	-
We Do Consulting-Sist. de Informação	460	6.669	-	-
Worten - Equipamento para o Lar	3.667	1.761	0	0
Worten España Distribución, SL	122	-	-	-
Other related parties	1.505	584	-	1
	45.225	108.702	134	101

Balances at 31 December 2019

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	BORROWINGS
ASSOCIATED COMPANIES	23.780	45.026	-
Big Picture 2 Films	41	625	-
Sport TV	23.739	44.401	-
JOINTLY CONTROLLED COMPANIES	18.029	3.834	2.923
Dreamia Holding BV	-	-	2.923
Dreamia SA	2.623	2.465	-
Finstar	7.654	10	-
Mstar	14	-	-
Upstar	7.066	1.217	-
ZAP Media	672	142	-
OTHER RELATED PARTIES	10.014	8.734	-
Banco BIC Português, S.A.	372	0	-
Centro Colombo- Centro Comercial, S.A.	140	7	-
Digitmarket-Sistemas de Informação,SA	273	222	-
EFACEC Engenharia e Sistemas	21	1.388	-
EFACEC Serviços Corporativos	480	-	-
ITRUST - Cyber Security and Intellig.,SA	317	510	-
Maiashopping- Centro Comercial, S.A.	293	1	-
MDS Corretor de Seguros, SA	107	(0)	-
Modelo Continente Hipermercados,SA	704	81	-
Norteshopping-Centro Comercial, S.A.	121	6	-
Olivedesportos - Publicidade, Televisão e Media	-	3.792	-
RACE-Refrig. & Air Condit.Engineering,SA	99	321	-
SC - Sociedade de Consultoria, SA	171	-	-
Sierra Portugal, SA	510	(5)	-
Sonae MC – Serviços Partilhados, SA	682	-	-
UNITEL S.a.r.l.	2.468	1.564	-
UNITEL T+ Telecomunicações, S.A.	179	290	-
Worten-Equipamento para o Lar,SA	1.679	540	-
Other related parties	1.398	18	-
	51.823	57.594	2.923

Transactions in financial year ended on 31 December 2019

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
ASSOCIATED COMPANIES	2.051	81.116	-	-
Big Picture 2 Films	115	3.963	-	-
Sport TV	1.936	77.153	-	-
JOINTLY CONTROLLED COMPANIES	16.609	(305)	141	-
Dreamia Holding BV	59	-	141	-
Dreamia SA	3.744	(305)	-	-
Finstar	9.955	-	-	-
MSTAR	35	-	-	-
Upstar	2.551	-	-	-
ZAP Media	265	-	-	-
OTHER RELATED PARTIES	25.212	28.499	1	60
Adira - Metal Forming Solutions, S.A.	125	-	-	-
Arrábidashopping - Centro Comercial, SA	14	101	(0)	-
Banco BIC Português, S.A.	1.804	-	1	-
Cascaishopping Centro Comercial, SA	15	843	-	-
Centro Colombo Centro Comercial, SA	17	2.039	-	-
Centro Vasco da Gama Centro Comercial,SA	15	1.090	-	-
Continente Hipermercados, SA	312	52	0	-
Digitmarket-Sistemas de Informação,SA	190	5.656	0	-
EFACEC Energia - Máq. Eq.	185	91	-	-
EFACEC Engenharia e Sistemas	110	2.999	-	-
EFACEC Serviços Corporativos	1.353	-	-	-
Gaiashopping I Centro Comercial, SA	22	408	-	-
Insco Insular de Hipermercados, S.A.	213	41	-	-
Maiashopping Centro Comercial, SA	14	243	0	-
MDS - Corretor de Seguros, SA	588	71	-	-
Modalfa - Comércio e Serviços, SA	157	-	-	-
Modelo - Dist.de Mat. de Construção,S.A.	136	0	-	-
Modelo Continente Hipermercados, SA	3.541	167	-	-
Norteshopping Centro Comercial, SA	17	1.405	-	-
Olivedesportos - Publicidade, Televisão e Media	26	3.088	-	-
Pharmacontinente - Saúde e Higiene, SA	192	-	-	-
Público - Comunicação Social, SA	129	44	-	-
RACE-Refrigeration & Air Condit.Engen.SA	214	416	-	-
Rio Sul - Centro Comercial, SA	10	129	-	-
S21SEC Portug-Cyber Security Services,SA	45	1.952	-	-
SC - Sociedade de Consultoria, SA	1.066	-	-	-
SDSR - Sports Division SR, S.A.	220	-	-	-
SFS, Gestão e Consultoria, S.A.	5	422	-	-
Sierra Portugal, SA	2.656	140	-	-
Solinca - Health & Fitness, SA	412	-	-	-
Sonae Arauco Portugal, S.A.	430	-	-	-
Sonae MC - Serviços Partilhados, SA	3.144	1	-	-
Sonaecom - Serviços Partilhados, S.A	124	-	-	-
Spinveste - Promoção Imobiliária, SA	-	211	-	-
Tableros Tradema,S.L.	172	-	-	-
Troiaresort-Investimentos Turísticos, SA	110	-	-	-
UNITEL S.a.r.l.	2.032	455	-	-
UNITEL T+ Telecomunicações, S.A.	495	871	-	-
We Do Consulting-Sist. de Informação (*)	306	3.491	-	-
Worten - Equipamento para o Lar, SA	2.811	1.409	0	-
Other related parties	1.787	663	-	60
	43.872	109.310	142	60

The Company regularly performs transactions and signs contracts with several parties within the NOS Group. Such transactions were performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

Due to the large number of low value related parties' balances and transactions, it was grouped in the heading "Other related parties" the balances and transactions with entities whose amounts are less than 100 thousand euros.

44.2. Remuneration of key management members

Remuneration paid to managers, other key members of NOS Management (Managers) for the financial years ended on 31 December 2018 and 2019 were as follows:

	12M 18 RESTATED	12M 19
Compensation	2,880	3,120
Profits sharing / Bonus	1,213	1,285
Share plans and Saving Plan Shares	1,213	1,285
	5,306	5,690

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 corresponds to the amount to be allocated in 2020 on the performance of 2019 (awarded in 2019, on the performance in 2018). The average number of key members of management in 2019 is 17 (16 in 2018).

The Corporate Governance Report includes detailed information on the NOS remuneration policy.

The Company considers Leaders members of the Board of Directors.

44.3. Fees and auditors' services

Information concerning fees and services rendered by auditors is described on note 47 of the Corporate Governance Report.

45. Legal actions and contingent assets and liabilities

45.1. Legal actions with regulators

- NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019) as Electronic Communications Services Networks Supplier, and furthermore the refund of the amounts that meanwhile were paid within the scope of the mentioned acts of settlement was requested. The settlements for the year 2018 were impugned in the first semester of 2019. The settlements of the year 2019 will be impugned until the final of first semester of 2020.

The settlement amounts are, respectively, as follows:

- NOS SA: 2009: 1,861 thousand euros, 2010: 3,808 thousand euros, 2011: 6,049 thousand euros, 2012: 6,283 thousand euros, 2013: 7,270 thousand euros, 2014: 7,426 thousand euros, 2015: 7,253 thousand euros, 2016: 8,242 thousand euros, 2017: 9,099 thousand euros, 2018: 10,303 thousand euros and 2019: 10,169 thousand euros;
- NOS Açores: 2009: 29 thousand euros, 2010: 60 thousand euros, 2011: 95 thousand euros, 2012: 95 thousand euros, 2013: 104 thousand euros, 2014: 107 thousand euros, 2015: 98 thousand euros, 2016: 105 thousand euros, 2017: 104 thousand euros, 2018: 111 thousand euros and 2019: 107 thousand euros;
- NOS Madeira: 2009: 40 thousand euros, 2010: 83 thousand euros, 2011: 130 thousand euros, 2012: 132 thousand euros, 2013: 149 thousand euros, 2014:165 thousand euros, 2015: 161 thousand euros, 2016: 177 thousand euros, 2017: 187 thousand euros, 2018: 205 thousand euros and 2019: 195 thousand euros.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. NOS SA, NOS Açores and NOS Madeira claim, namely: i) addition to defects of unconstitutionality and illegality, related to the inclusion in the cost accounting of ANACOM of the provisions made by the latter, due to judicial proceedings against the latter (including these appeals of the activity rate) and ii) that only revenues from the electronic communications business *per se*, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

Four sentences on the matter were given, i.e. in December 2012, in September 2017, in April 2018 and in May 2018, respectively, within the scope of the contestation of the annual rate of 2009, 2010 (NOS Comunicações) and 2012 (Ex-ZON and also Ex-Optimus). The first judgment ruled in favour of the respective contestation, only based on lack of prior hearing, but ordered ANACOM to pay interest. ANACOM submitted an appeal concerning that decision, but the Court of Appeal declined it by decision in July 2013. The three remain decisions judge also, in turn, ruled in favour of the respective contestations, but, this time for fundamental reasons, annulled the contested act by unlawfulness with the legal consequences, namely imposing the refund of the tax that was paid but still not refunded to NOS and ordering ANACOM to pay compensatory interest. These decisions were the subject of an appeal from ANACOM to the Tribunal Central Administrativo – Sul (Central Administrative Court – South), where it is pending.

The remaining proceedings are awaiting trial and/or decision.

- During the first quarter of 2017, NOS was notified by ANACOM of the initiation of an infraction process related to communications of prices update at the end of 2016. On this date, it is impossible to determine what the scope of the infraction proceedings is to be.

45.2. Tax authorities

During the course of the 2003 to 2019 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2017 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 28.8 million euros, added interest, and charges. These settlement notes, which totally were contested, are the respective lawsuits in progress.

Based on the advice obtained from the process representatives and tax consultants, the Board of Directors maintains the belief in a favourable outcome, which is why these proceedings are maintained in court. However, in accordance with the principle of prudence, an assessment of the group's level of exposure to these proceedings is made periodically, in the light of the evolution of case law, and consequently the provisions recorded for this purpose are adjusted. The Group provided the bank guarantees demanded by the tax authorities, in connection with these proceedings, as stated in Note 42.

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

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

- MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and September 2013 and May 2016) and three to NOS Madeira (March and September 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

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

  At the beginning of July 2018, NOS, SA was notified of the filing by MEO of a lawsuit concerning portability compensations in which MEO claims from NOS the right, in this respect, to approximately 26.8 million euros intending to proceed with the special judicial notification sent to the NOS in July 2015, as mentioned above. NOS challenged the lawsuit during the month of October 2018 and, in September 2019, a judgement was handed down by the Court of First Instance, which upheld the prescription exception invoked by NOS SA, absolving it from the request made by MEO. MEO appealed against this decision to the Court of Appeal, so the deadline for NOS to lodge its administrative infractions is ongoing.

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

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

45.4. Action brought by DECO

In March 2018, NOS was notified of a lawsuit brought by DECO against NOS, MEO and NOWO, in which a declaration of nullity of the obligation to pay the price increases imposed on customers at the end of 2016 is requested. In April and May 2018, the operators, including NOS, lodged a defence. The action's value has been fixed at EUR 60,000. By order of October 2018, the Local Civil Court declared itself incompetent to hear the case, whereas the Central Civil Court of the same Court had jurisdiction to hear the case. Referring the case to the Central Court, a prior hearing was scheduled for October 8, 2019, which was then cancelled due to the judge declaring himself unable to hear the case. The Board of Directors is convinced that the arguments used by the author are not justified, which is why it is believed that the outcome of the proceeding should not result in significant impacts for the Group's financial statements. Further terms of the proceedings are awaited.

45.5. Interconnection tariffs

At 31 December 2019, accounts receivable and accounts payable include 37,139,253 euros and 43,475,093 euros, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the non-definition of interconnection tariffs of 2001. In what concerns to that dispute with MEO, the result was totally favourable to NOS S.A., having already become final.

45.6. Contractual penalties

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

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

From 1 January 2015, revenue from penalties is recognised considering an estimated collectability rate considering the Group's collection history. The penalties invoiced are recorded as accounts receivable and the uncollectible calculated values of these amounts are recorded as impairment by deducting the revenue recognised at the time of invoicing (Note 17).

46. 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 2019, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan 2017	856,299
Plan 2018	866,098
Plan 2019	739,162

During the financial year ended on 31 December 2019, the movements that occurred in the plans are detailed as follows:

	NOS PLAN 2016	NOS PLAN 2017	NOS PLAN 2018	NOS PLAN 2019	TOTAL
BALANCE AS AT 31 DECEMBER 2018:	729,519	836,519	844,391	-	2,410,429
MOVEMENTS IN THE PERIOD:					
Awarded	-	-	-	702,577	702,577
Vested	(599,677)	(26,325)	(23,478)	(7,144)	(656,624)
Cancelled / elapsed / corrected (1)	(129,842)	46,105	45,185	43,729	5,177
BALANCE AS AT 31 DECEMBER 2019	-	856,299	866,098	739,162	2,461,559

(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 2019, the outstanding responsibility related to these plans is 6,334 thousand euros and is recorded in Reserves, for an amount of 4,891 thousand euros, for plans liquidated in shares and in Accrued expenses, for an amount of 1,443 thousand euros, for plans liquidated in cash.

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

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at 31 December 2018	1,270	5,225	6,496
Costs of plans vested in the period	(642)	(3,920)	(4,562)
Costs incured in the period and others	815	3,586	4,401
TOTAL COST OF THE PLANS	1,443	4,891	6,334

47. Subsequent events

On 23 January, Jorge Brito Pereira (Chairman of the Board of Directors), Paula Oliveira and Mário Leite da Silva (Members of the Board of Directors) resigned from their positions.

On 27 January, Ângelo Paupério, Member of the Board of Directors, was nominated Chairman of the Board of Directors.

On 4 February, NOS announced to the market that a Letter of Intent was signed between NOS and Vodafone Portugal, framing the negotiation principles for a mobile network sharing agreement of assets that are currently held or will be held by the aforementioned Parties.

NOS' purpose is to enhance the efficiency of its investments and achieve larger and faster coverage of the national territory, thus delivering a reinforced service with more benefits for its customers. NOS believes this agreement will also be a significant contribution to the economic and digital development of the country.

The proposed agreement does not imply spectrum sharing and parties will maintain exclusive strategic control of their networks, thus ensuring independence in the definition and provision of services to their respective customers.

The parties will negotiate on an exclusive basis with a view to reaching a definitive agreement in June 2020.

On 13 February, S&P Global Ratings affirmed NOS' Long Term Issuer Default Rating at "BBB-" with a Stable Outlook. Maintaining its investment grade long term issuer credit rating with S&P enables NOS to reinforce the conditions to further diversify its sources of funding, extend average debt maturity and continue to reduce the already low average cost of debt.

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

48. Annexes

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

COMPANY	HEADQUARTERS	PRINCIPAL ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2018	DIRECT 31-12-2019	EFFECTIVE 31-12-2019
NOS, SGPS, S.A. (Holding)	Lisbon	Management of investments	-	-	-	-
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Movies exhibition	Lusomundo SII	100%	100%	100%
Fundo de Capital de Risco NOS 5G (a)	Lisbon	Invest and support the development of companies that aim to commercialize technologies and products that result from scientific and technological research	NOS	-	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda.	Maputo	Movies exhibition and commercialization of other public events	NOS Cinemas	100%	100%	100%
NOS Sistemas, S.A. ('NOS Sistemas')	Lisbon	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Sistemas España, S.L.	Madrid	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Açores Comunicações, S.A.	Ponta Delgada	Distribution of television by cable and satellite and operation of telecommunications services in the Azores area	NOS SA	84%	84%	84%
NOS Audiovisuais, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Property, S.A. (b)	Luxembourg	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic comunications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Corporate Center, S.A. (c)	Lisbon	Service rendered of business support and management and administration consultancy services, including accounting, logistics, administrative, financial, tax, human resources services and any other services that are subsequent or related to previous activities. The company may also perform any other services. activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraph, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	-	100%	100%
NOS Inovação, S.A.	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	100%	100%	100%
NOS International Carrier Services, S.A. (c)	Lisbon	Service rendered and exploitation of electronic communications, namely, service rendered of national and international voice and SMS traffic transport services, as well as associated support signaling. The company may also perform any other activities that are complementary, subsidiary or ancillary. referred to in the preceding paragraph, directly or through participation in any other forms of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	-	100%	100%
NOS Internacional, SGPS, S.A.	Lisbon	Management of social participations in other companies as an indirect form of economic activity	NOS	100%	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais SGPS	100%	100%	100%
NOS Lusomundo Cinemas , S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS	100%	100%	100%
NOS TECHNOLOGY – Concepção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis')	Matosinhos	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services	NOS SA	100%	100%	100%
NOS TOWERING – Gestão de Torres de Telecomunicações, S.A. ('Be Towering')	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS SA	100%	100%	100%
NOS Wholesale, S.A. (c)	Lisbon	Trade, service rendered and exploitation of wholesale offerings of national and international electronic communications services and related services, namely information and communication technology services Rendering of consulting services and support to contract management in roaming business. The organization of the material and human resources necessary for the commercialization, promotion and operation of electronic communications networks and circuits. The company may also perform any other activities that are complementary, subsidiary or ancillary to those referred to in the preceding paragraphs, directly or through participation in any other form of association, temporary or permanent, with other companies and / or other entities governed by public or private law.	NOS SA	-	100%	100%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Lisbon	Purchase, sale, renting and operation of property and commercial establishments	NOS SA	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Lisbon	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS SA	100%	100%	100%
Teliz Holding B.V.	Amsterdam	Management of group financing activities	NOS	100%	100%	100%

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

B) Associated companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2018	DIRECT 31-12-2019	EFFECTIVE 31-12-2019
Big Picture 2 Films, S.A.	Oeiras	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	20.00%	20.00%	20.00%
Big Picture Films, S.L.	Madrid	Distribution and commercialization of movies	Big Picture 2 Films, S.A.	20.00%	100.00%	20.00%
Sport TV Portugal, S.A.	Lisbon	Conception, production, realization and commercialization of sports programs for telebroadcasting, purchase and resale of the rights to broadcast sports programs for television and provision of publicity services	NOS	25.00%	25.00%	25.00%

C) Jointly controlled companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2018	DIRECT 31-12-2019	EFFECTIVE 31-12-2019
Dreamia Holding B.V.	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV	50.00%	100.00%	50.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA	Maputo	Distribution of television by satellite, operation of telecommunications services	NOS	30.00%	30.00%	30.00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communications services provider, production, commercialization, broadcasting and distribution of audiovisual contents	NOS	30.00%	30.00%	30.00%
ZAP Media S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Cinemas, S.A. (a)	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	-	-
ZAP Publishing, S.A. (a)	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	ZAP Media	30.00%	-	-

(a) Companies liquidated and dissolved in December 2019

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

E) Companies in which NOS does not have significant influence

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE 31-12-2018	DIRECT 31-12-2019	EFFECTIVE 31-12-2019
Associação Laboratório Colaborativo em Transformação Digital - DTX	Guimarães	Applied research in the different areas associated with digital transformation to encourage cooperation between R&D units, educational institutions and the productive sector	NOS Inovação, S.A.	4.92%	4.92%	4.92%
Fundo TechTransfer	Lisbon	Investing and supporting the development of companies that aim to commercialise technologies and products resulting from scientific and technological research	NOS Inovação, S.A.	-	4.20%	4.20%
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Ango	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Lusitânia Vida - Companhia de Seguros, S.	Lisbon	Insurance services	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("L	Lisbon	Insurance services	NOS	0.02%	0.02%	0.02%

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

Individual Financial Statements

Statement of financial position

at 31 December 2018 and 2019

(Amounts stated in euros)

	NOTES	31-12-2018 REPORTED	31-12-2018 RESTATED	31-12-2019
ASSETS				
NON - CURRENT ASSETS				
Tangible assets	6	150,801	150,801	154,794
Intangible assets	7	453,892,314	453,892,314	453,891,170
Rights of use	8	-	157,369	299,059
Financial investments in group companies	9	868,379,508	868,379,508	885,385,448
Accounts receivable	5 and 10	90,495,931	90,495,931	1,167,038,102
Available-for-sale financial assets	5 and 12	12,951	12,951	12,951
Deferred income tax assets	13	1,350,450	1,351,658	1,766,221
Derivative financial instruments	5 and 21	111,901	111,901	-
TOTAL NON - CURRENT ASSETS		1,414,393,856	1,414,552,433	2,508,547,745
CURRENT ASSETS:				
Accounts receivable	5 and 10	1,082,233,434	1,082,233,434	115,909,628
Prepaid expenses	14	69,732	69,732	74,461
Derivative financial instruments	5 and 21	41,271	41,271	-
Cash and cash equivalents	5 and 15	456,716	456,716	1,263,109
TOTAL CURRENT ASSETS		1,082,801,153	1,082,801,153	117,247,198
TOTAL ASSETS		2,497,195,009	2,497,353,586	2,625,794,943
SHAREHOLDER'S EQUITY				
Share capital	16.1	5,151,614	5,151,614	5,151,614
Capital issued premium	16.2	854,218,633	854,218,633	854,218,633
Own shares	16.3	(12,132,263)	(12,132,263)	(14,654,691)
Legal reserve	16.4	1,030,323	1,030,323	1,030,323
Other reserves and accumulated earnings	16.5	202,224,888	202,217,324	310,956,004
Net income		288,199,520	288,202,923	297,101,344
TOTAL EQUITY		1,338,692,715	1,338,688,554	1,453,803,227
LIABILITIES				
NON - CURRENT LIABILITIES				
Borrowings	5 and 17	825,397,627	825,466,716	1,022,013,963
Provisions	18	2,154,690	2,154,690	342,418
Accrued expenses	5 and 19	1,142,624	1,142,624	1,121,890
Deferred income	20	5,520,566	5,520,566	5,123,375
Derivative financial instruments	5 and 21	-	-	264,980
TOTAL NON - CURRENT LIABILITIES		834,215,507	834,284,596	1,028,866,626
CURRENT LIABILITIES:				
Borrowings	5 and 17	214,680,298	214,773,947	76,739,330
Accounts payable	5 and 22	92,717,405	92,717,405	57,238,351
Tax payable	11	12,785,869	12,785,869	5,615,683
Accrued expenses	5 and 19	2,481,164	2,481,164	3,013,864
Deferred income	20	410,874	410,874	399,309
Derivative financial instruments	5 and 21	1,211,177	1,211,177	118,553
TOTAL CURRENT LIABILITIES		324,286,787	324,380,436	143,125,090
TOTAL LIABILITIES		1,158,502,294	1,158,665,032	1,171,991,716
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		2,497,195,009	2,497,353,586	2,625,794,943

The Notes to the Financial Statements form an integral part of the statement of financial position as at 31 December 2019.

The Chief Accountant The Board of Directors

Statement of income by nature

for the financial years ended on 31 December 2018 and 2019

(Amounts stated in euros)

	NOTES	12M 18 REPORTED	12M 18 RESTATED	12M 19
REVENUES:				
Services rendered	23	6,249,460	6,249,460	14,808,879
Other operating revenues	24	318,498	318,498	43,270
		6,567,958	6,567,958	14,852,149
COSTS, LOSSES AND GAINS:				
Wages and salaries	25	5,727,560	5,727,560	6,460,010
Marketing and advertising		24,940	24,940	18,015
Support services	26	796,154	796,154	930,174
Supplies and external services	26	708,911	570,807	759,922
Other operating losses / (gains)	27	39,307	39,307	38,267
Taxes		70,873	70,873	51,202
Provisions and adjustments	18	(106,143)	(106,143)	(293,156)
Depreciation, amortisation and impairment losses	6, 7 and 8	4,373	131,734	137,657
Reestructuring costs		-	-	115,714
Losses / (gains) on sale of assets net		(610)	(610)	-
Other losses / (gains) non recurrent net	28	15,188	15,188	15,301
		7,280,553	7,269,810	8,233,106
INCOME BEFORE FINANCIAL RESULTS AND TAXES		(712,595)	(701,852)	6,619,043
Financial costs	29	(1,325,033)	(1,318,661)	(12,708,379)
Net foreign exchange losses / (gains)		11	11	(86)
Net losses / (gains) of affiliated companies	30	(292,341,042)	(292,341,042)	(284,395,629)
Net other financial expenses / (income)	29	5,509,768	5,509,768	2,874,489
		(288,156,296)	(288,149,924)	(294,229,605)
INCOME BEFORE TAXES		287,443,701	287,448,072	300,848,648
Income taxes	13	(755,819)	(754,851)	3,747,304
NET INCOME		288,199,520	288,202,923	297,101,344
EARNINGS PER SHARES				
Basic - euros	16.6	0.56	0.56	0.58
Diluted - euros	16.6	0.56	0.56	0.58

The Notes to the Financial Statements form an integral part of the statement of income by nature for the year ended on 31 December 2019.

The Chief Accountant The Board of Directors

Statement of comprehensive income

for the financial years ended on 31 December 2018 and 2019

(Amounts stated in euros)

	NOTES	12M 18 REPORTED	12M 18 RESTATED	12M 19
NET INCOME		288,199,520	288,202,923	297,101,344
OTHER INCOME				
ITENS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT:				
Fair value of derivative financial investments	21	955,056	955,056	476,398
OTHER COMPREHENSIVE INCOME		955,056	955,056	476,398
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		289,154,576	289,157,979	297,577,742

The Notes to the Financial Statements form an integral part of the statement of comprehensive income for the year ended on 31 December 2019.

The Chief Accountant The Board of Directors

Statement of changes in shareholders' equity

for the financial years ended on 31 December 2018 and 2019

(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 2018 (REPORTED)		5,151,614	854,218,633	(12,681,291)	1,030,323	258,656,515	96,556,032	1,202,931,826
Effect of adoption of IFRS 16 (Note 2.1)		-	-	-	-	(7,623)	59	(7,564)
BALANCE AS AT JANUARY 2018 (RESTATED)		5,151,614	854,218,633	(12,681,291)	1,030,323	258,648,892	96,556,091	1,202,924,262
Result appropriation								
Transfered to reserves		-	-	-	-	96,556,091	(96,556,091)	-
Dividends paid	16.4	-	-	-	-	(153,923,228)	-	(153,923,228)
Acquisition of own shares	16.3	-	-	(3,096,380)	-	-	-	(3,096,380)
Distribuition of own shares - share incentive scheme	16.3	-	-	3,541,929	-	(3,541,929)	-	-
Distribuition of own shares - other remunerations	16.3	-	-	103,479	-	(19,642)	-	83,837
Share Plan - Costs incurred in the year and others		-	-	-	-	3,542,084	-	3,542,084
Comprehensive income for the year		-	-	-	-	955,056	288,202,923	289,157,979
BALANCE AS AT DECEMBER 2018 (RESTATED IFRS 16)		5,151,614	854,218,633	(12,132,263)	1,030,323	202,217,324	288,202,923	1,338,688,554
BALANCE AS AT DECEMBER 2018 (REPORTED)		5,151,614	854,218,633	(12,132,263)	1,030,323	202,224,888	288,199,520	1,338,692,715
Effect of adoption of IFRS 16 (Note 2.1)		-	-	-	-	(7,564)	3,403	(4,161)
BALANCE AS AT JANUARY 2019 (RESTATED)		5,151,614	854,218,633	(12,132,263)	1,030,323	202,217,324	288,202,923	1,338,688,554
Result appropriation								
Transfered to reserves		-	-	-	-	288,202,923	(288,202,923)	-
Dividends paid	16.4	-	-	-	-	(179,607,193)	-	(179,607,193)
Acquisition of own shares	16.3	-	-	(6,709,800)	-	-	-	(6,709,800)
Distribuition of own shares - share incentive scheme	16.3	-	-	3,849,140	-	(3,849,140)	-	-
Distribuition of own shares - other remunerations	16.3	-	-	338,232	-	(69,527)	-	268,705
Share Plan - Costs incurred in the year and others	34	-	-	-	-	3,585,219	-	3,585,219
Comprehensive income for the year		-	-	-	-	476,398	297,101,344	297,577,742
BALANCE AS AT DECEMBER 2019		5,151,614	854,218,633	(14,654,691)	1,030,323	310,956,004	297,101,344	1,453,803,227

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 2019.

The Chief Accountant The Board of Directors

Statement of cash flows

for the financial years ended on 31 December 2018 and 2019

(Amounts stated in euros)

	NOTES	2018 REPORTED	2018 RESTATED	2019
OPERATING ACTIVITIES				
Collections from clients		9,437,363	9,437,363	6,262,616
Payments to suppliers		(2,798,554)	(2,660,450)	(1,975,889)
Payments to employees		(5,590,483)	(5,590,483)	(5,867,821)
Receipts / (payments) relating to income taxes		2,685,337	2,685,337	(2,490,470)
Other cash receipts / (payments) related with operating activities		4,519,524	4,519,524	1,533,770
CASH FLOW FROM OPERATING ACTIVITIES (1)		8,253,187	8,391,291	(2,537,794)
INVESTING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Financial investments	9	621,698,957	621,698,957	191,164
Tangible assets		610	610	-
Loans granted		455,887,558	455,887,558	-
Interest and related income		20,250,217	20,250,217	26,370,167
Dividends		84,759,140	84,759,140	313,137,636
		1,182,596,482	1,182,596,482	339,698,967
PAYMENTS RESULTING FROM				
Financial investments	9	(228,840,000)	(228,840,000)	(45,847,500)
Tangible assets		(3,737)	(3,737)	(9,301)
Loans granted		(778,147,271)	(778,147,271)	(109,178,596)
		(1,006,991,008)	(1,006,991,008)	(155,035,397)
CASH FLOW FROM INVESTING ACTIVITIES (2)		175,605,474	175,605,474	184,663,570
FINANCING ACTIVITIES				
CASH RECEIPTS RESULTING FROM				
Borrowings		442,599,000	442,599,000	423,000,000
		442,599,000	442,599,000	423,000,000
PAYMENTS RESULTING FROM				
Borrowings		(435,744,208)	(435,744,208)	(387,711,059)
Lease rentals (principal)		-	(131,732)	(135,924)
Interest and related expense		(19,665,319)	(19,671,691)	(16,728,662)
Dividends	16.4	(153,923,228)	(153,923,228)	(179,607,193)
Aquisition of own shares	16.3	(3,096,380)	(3,096,380)	(6,709,800)
		(612,429,135)	(612,567,239)	(590,892,638)
CASH FLOW FROM FINANCING ACTIVITIES (3)		(169,830,135)	(169,968,239)	(167,892,638)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		14,028,526	14,028,526	14,233,138
Cash and cash equivalents at the beginning of the year		(28,529,353)	(28,529,353)	(14,500,827)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(14,500,827)	(14,500,827)	(267,689)
Cash and cash equivalents	15	456,716	456,716	1,263,109
Bank overdrafts	17	(14,957,542)	(14,957,542)	(1,530,798)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(14,500,827)	(14,500,827)	(267,689)

The Notes to the Financial Statements form an integral part of the statement of cash flows for the year ended on 31 December 2019.

The Chief Accountant The Board of Directors

Notes to the financial statements at 31 December 2019

(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 2019 is shown in Note 16.

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 asset increase of 462,381 thousand euros and in a net income and shareholder's equity reduction of 153,607 thousand euros and 441,481 thousands euros, respectively.

The financial statements for the financial year ended on 31 December 2019 were approved by the Board of Directors and their issue authorised on 20 February 2020.

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 2019.

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 2019 are as follow:

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

Material impacts on the Company's financial statements of the application of these standards and amendments are not estimated, except for IFRS 16 and IFRIC 23.

Estimated impacts of IFRS 16 – Leases

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

Transition

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

i) complete retrospective application: it implies the restatement of all comparative's 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 adopted the new standard on the effective date requested (1 January 2019), using the full retrospective method.

Leases

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

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

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

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

The standard allows two exceptions to this model: (1) low value leases and (2) short term leases (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 recognises the responsibility related to the lease payments (the lease liability) and the asset that represents the right to use the underlying asset during the lease period (the right of use or "ROU"). The rental period is determined considering the ending and renewal options of the lessor and lessee, if any. In the contracts entered by NOS, the renewal options are not considered when they depend on the acceptance of the lessor and lessee.

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

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

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

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

Financial impacts

The application of IFRS 16 impacted the leasing contracts of buildings and vehicles. Additionally, the application of IFRS 16, implicated a corresponding adjustment on taxes. The impacts of the application of IFRS 16 in the Company's financial position statements are presented in the tables below:

At 31 December 2017

	31-12-2017 REPORTED	IFRS 16	31-12-2017 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Rights of use	-	269,699	269,699
Deferred income tax assets	1,677,875	2,196	1,680,071
Other assets	2,041,346,621	-	2,041,346,621
TOTAL NON - CURRENT ASSETS	2,043,024,496	271,895	2,043,296,391
CURRENT ASSETS			
TOTAL CURRENT ASSETS	312,355,834	-	312,355,834
TOTAL ASSETS	2,355,380,330	271,895	2,355,652,225
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	846,688,956	-	846,688,956
Other reserves and accumulated earnings	259,686,838	(7,623)	259,679,215
Net Income	96,556,032	59	96,556,091
TOTAL EQUITY	1,202,931,826	(7,564)	1,202,924,262
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	870,340,798	163,840	870,504,638
Other liabilities	9,338,093	-	9,338,093
TOTAL NON - CURRENT LIABILITIES	879,678,891	163,840	879,842,731
Borrowings	170,523,609	115,619	170,639,228
Other liabilities	102,246,004	-	102,246,004
TOTAL CURRENT LIABILITIES	272,769,613	115,619	272,885,232
TOTAL LIABILITIES	1,152,448,504	279,459	1,152,727,963
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,355,380,330	271,895	2,355,652,225

At 31 December 2018

	31-12-2018 REPORTED	IFRS 16	31-12-2018 RESTATED
ASSETS			
NON - CURRENT ASSETS			
Rights of use	-	157,369	157,369
Deferred income tax assets	1,350,450	1,208	1,351,658
Other assets	1,413,043,406	-	1,413,043,406
TOTAL NON - CURRENT ASSETS	1,414,393,856	158,577	1,414,552,433
CURRENT ASSETS			
TOTAL CURRENT ASSETS	1,082,801,153	-	1,082,801,153
TOTAL ASSETS	2,497,195,009	158,577	2,497,353,586
SHAREHOLDER'S EQUITY			
Share capital issued, premium and own shares	847,237,984	-	847,237,984
Other reserves and accumulated earnings	203,255,211	(7,564)	203,247,647
Net Income	288,199,520	3,403	288,202,923
TOTAL EQUITY	1,338,692,715	(4,161)	1,338,688,554
LIABILITIES			
NON - CURRENT LIABILITIES			
Borrowings	825,397,627	69,089	825,466,716
Other liabilities	8,817,880	-	8,817,880
TOTAL NON - CURRENT LIABILITIES	834,215,507	69,089	834,284,596
Borrowings	214,680,298	93,649	214,773,947
Other liabilities	109,606,489	-	109,606,489
TOTAL CURRENT LIABILITIES	324,286,787	93,649	324,380,436
TOTAL LIABILITIES	1,158,502,294	162,738	1,158,665,032
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	2,497,195,009	158,577	2,497,353,586

The impacts of the application of IFRS 16 in the Company's Statement of Income by nature are presented in the table below:

The year ended at 31 December 2018

	2018 REPORTED	IFRS 16	2018 RESTATED
REVENUES:	6,567,958	-	6,567,958
COSTS, LOSSES AND GAINS:			
Supplies and external services	708,911	(138,104)	570,807
Depreciation, amortisation and impairment losses	4,373	127,361	131,734
Other costs, losses and gains	6,567,269	-	6,567,269
	7,280,553	(10,743)	7,269,810
INCOME BEFORE FINANCIAL RESULTS AND TAXES	(712,595)	10,743	(701,852)
Financial costs	(1,325,033)	6,372	(1,318,661)
Other financial results	(286,831,263)	-	(286,831,263)
	(288,156,296)	6,372	(288,149,924)
INCOME BEFORE TAXES	287,443,701	4,371	287,448,072
Income taxes	(755,819)	968	(754,851)
NET CONSOLIDATED INCOME	288,199,520	3,403	288,202,923
EARNINGS PER SHARES			
Basic - euros	0.56	-	0.56
Diluted - euros	0.56	-	0.56

The impacts of the adoption of IFRS 16 in the Company's statement of cash flows are equivalent to the reclassification of suppliers' payments to:

- payments regarding Lease rentals, in the amount of 132 thousands euros; and
- payments regarding Interest and related expenses, in the amount of 6 thousands euros.

There were no impacts with the adoption of IFRS 16 in the Company's statement of comprehensive income.

Impacts of IFRIC 23 - Uncertainties in the treatment of income taxes

According to the new interpretation on IAS 12 - Income tax, NOS reevaluated all its contingencies and tax disputes, according to IFRIC 23. From this procedure no changes of the estimates previously made by management resulted, except for the reclassification of these balances from Provisions (Note 18) to Taxes payable, in the amount of 1.5 million euros.

The following standards, interpretations, amendments, and revisions, with mandatory application in future financial years have 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.
- Update of the interest rate reference (issued on 26 September 2019, to be applied for annual periods beginning on or after 1 January 2020). The purpose of this update is to change the standards of financial instruments provided in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.
- Improvements to international financial reporting standards (issued on 29 March 2018, to be applied for annual periods beginning on or after 1 January 2020). These improvements involve reviewing various standards.

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

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

- 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.

The Company has been evaluating the impact of these amendments. It will apply this standard once it becomes effective or when earlier application is permitted. No material impacts are estimated on the Company's financial statements from the application of these standards and amendments.

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 2018 and 31 December 2019, assets and liabilities expressed in foreign currencies were converted into euros using the following exchange rates of such currencies against the euro, as published by the Bank of Portugal:

CURRENCY	31-12-2018	31-12-2019
US Dollar	1.145	1.123

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	2018 (YEARS)	2019 (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:

	2018 (YEARS)	2019 (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.

Impairment losses on investments in Group companies are calculated by determining the use value of the investments, except for the investments in Angola, in which case impairment losses are calculated using fair value less costs to sell.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets less costs to sell particularly in the Angolan subsidiaries (fair value less costs to sell including a discount / risk premium resulting from uncertainties related to these companies), imply a high level of judgment from the Board of Directors regarding the identification and assessment of the different impairment indicators and expected cash flows.

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

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 Company 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.

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

2.11. 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 below:

Fair value hedges

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

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

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

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

Cash flow hedges

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

The 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 2019, 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. Rights of use and Leases

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

At the beginning of each contract, it is evaluated and identified if it is or contains a lease. This assessment involves an exercise of judgment as to whether each contract depends on a specific asset, if the NOS obtains substantially all the economic benefits from the use of that asset and whether the NOS has the right to control the use of the asset.

All contracts that constitute a lease are accounted for on the basis of the on-balance model in a similar way with the treatment that IAS 17 establishes for financial leases.

At the commencement date of the lease, NOS recognises the liability related to lease payments (lease liability) and the asset representing the right to use the underlying asset during the lease period (the right of use or "ROU").

The cost of interest on the lease liability and the depreciation of the ROU are recognised separately.

Lease liabilities are remeasured at the occurrence of certain events (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). This remeasurement of the lease liability is recognised as an adjustment in the ROU.

2.14.1. Rights of use of assets

The Company recognises the right to use the assets at the start date of the lease (that is, the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, deducted from accumulated depreciation and impairment losses and adjusted for any new measurement of lease liabilities. The cost of the ROU of the assets includes the recognised amount of the lease liability, any direct costs incurred initially and payments already made prior to the initial rental date, less any incentives received. When IFRS 16 was implemented, during the computation of the values of rights of use, the potential impact of the costs of dismantling and removal of the assets wasn't considered, since they were already registered as fixed assets.

Unless it is reasonably certain that the Company obtains ownership of the leased asset at the end of the lease term, the recognised right of use of the assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the term of the lease.

Rights of use are subject to impairment.

2.14.2. Liabilities with leases

At the start date of the lease, the Company recognises the liabilities measured at the present value of the future payments to be made until the end of the lease.

Lease payments include fixed payments (including fixed payments on the substance), deducted of any incentives to be received, variable payments, dependent on an index or rate, and expected amounts to be paid under residual value guarantees. The lease payments also include the exercise price of a call option if it is reasonably certain that the Company will exercise the option, and penalties for termination of the lease if it is reasonably certain that the Company will terminate the lease.

Variable payments that do not depend on an index or a rate are recognised as an expense in the period in which the event giving rise to them occurs.

To calculate the present value of the lease payments, the Company uses the incremental loan rate at the start date of the lease if the implied interest rate is not readily determinable.

After the start date of the lease, the value of the lease liability is increased to reflect the increase in interest and reduces by the payments made. In addition, the book value of the lease liability is remeasured if there is a change, such as a change in the lease term, fixed payments or the purchase decision of the underlying asset.

2.15. 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 Company's 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 accrual's 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 and borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accruals principle, except in the case of loans incurred (whether these are generic or specific) for the acquisition, construction or production of an asset that takes a substantial period (over one year) to be ready for use, which are capitalised in the acquisition cost of that asset.

2.20.1. Fair value measurement

The Company 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 Company.

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 Company 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.

2.21. 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. Judgements and estimates

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:

3.1. Relevant accounting estimates

3.1.1. 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.

3.1.2. 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.

3.1.3. 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.

3.1.4. 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.

3.1.5. 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.

3.2. Misstatement, estimates and changes to accounting policies

During the financial years ended on 31 December 2018 and 2019, no material misstatements relating to previous years were recognised.

4. Risk management

4.1. 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.

4.2. Exchange rate risk

Exchange rate risk is mainly related to exposure resulting from payments made to foreign suppliers mainly denominated in US dollars.

Depending on the balance of accounts payable resulting from transactions in a currency different from the Company'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.

At 31 December 2018 and 2019, balances payable to suppliers in currencies other than the Euro are not material.

4.3. 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 2019 would have resulted in an increase or decrease in annual profit before tax of approximately 1 million euros (2018: 1.1 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 approximately 0 euros (2018: over 319 thousand euros and down 320 thousand euros, respectively) at 31 December 2019. The impacts of the sensibility analysis are near zero because market interest rates are negative and there is a floor of 0% on the loan and on the swap contracts.

Additional disclosures are made in the consolidated financial statements of NOS.

4.4. 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.

4.5. 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.

4.6 Capital risk management

At 31 December 2019, NOS holds financial assets and liabilities valued at fair value, namely Equity Swap derivatives and interest rate swap derivatives (Note 21) and the Teliz financial investment, that holds investments in Angolan companies (Note 9).

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.

The calculation of the fair value of interest rate swaps derivatives was based on the estimate of discounted future cash flows (Level 2).

The calculation of the fair value of the financial investment in Teliz (using the market approach) was based on the calculation of the implicit multiple of Finstar and ZAP Media's Ebitda Enterprise Value / EBITDA (Level 2).

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:

31-12-2018 (RESTATED)	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS / LIABILITIES	NON FINANCIAL ASSETS / LIABILITIES	TOTAL
ASSETS						
Accounts receivable - non current (Note 10)	90,495,931	-	-	90,495,931	-	90,495,931
Available-for-sale financial assets (Note 12)	12,951	-	-	12,951	-	12,951
Accounts receivable - current (Note 10)	1,082,216,492	-	-	1,082,216,492	16,942	1,082,233,434
Derivative financial instruments (Note 21)	-	153,172	-	153,172	-	153,172
Cash and cash equivalents (Note 15)	456,716	-	-	456,716	-	456,716
TOTAL FINANCIAL ASSETS	1,173,182,090	153,172	-	1,173,335,262	16,942	1,173,352,204
LIABILITIES						
Borrowings - non current (Note 17)	-	-	825,466,716	825,466,716	-	825,466,716
Accrued expenses - non current (Note 19)	-	-	1,142,624	1,142,624	-	1,142,624
Borrowings - current (Note 17)	-	-	214,773,947	214,773,947	-	214,773,947
Accounts payable - current (Note 22)	-	-	92,717,405	92,717,405	-	92,717,405
Accrued expenses - current (Note 19)	-	-	2,481,164	2,481,164	-	2,481,164
Derivative financial instruments (Note 21)	-	1,211,177	-	1,211,177	-	1,211,177
TOTAL FINANCIAL LIABILITIES	-	1,211,177	1,136,581,856	1,137,793,033	-	1,137,793,033

31-12-2019	FINANCIAL ASSETS	DERIVATIVES	FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS / LIABILITIES	NON FINANCIAL ASSETS / LIABILITIES	TOTAL
ASSETS						
Accounts receivable - non current (Note 10)	1,167,038,102	-	-	1,167,038,102	-	1,167,038,102
Available-for-sale financial assets (Note 12)	12,951	-	-	12,951	-	12,951
Accounts receivable - current (Note 10)	115,899,471	-	-	115,899,471	10,157	115,909,628
Derivative financial instruments (Note 21)	-	-	-	-	-	-
Cash and cash equivalents (Note 15)	1,263,109	-	-	1,263,109	-	1,263,109
TOTAL FINANCIAL ASSETS	1,284,213,633	-	-	1,284,213,633	10,157	1,284,223,790
LIABILITIES						
Borrowings - non current (Note 17)	-	-	1,022,013,963	1,022,013,963	-	1,022,013,963
Accrued expenses - non current (Note 19)	-	-	1,121,890	1,121,890	-	1,121,890
Borrowings - current (Note 17)	-	-	76,739,330	76,739,330	-	76,739,330
Accounts payable - current (Note 22)	-	-	57,238,351	57,238,351	-	57,238,351
Accrued expenses - current (Note 19)	-	-	3,013,864	3,013,864	-	3,013,864
Derivative financial instruments (Note 21)	-	383,533	-	383,533	-	383,533
TOTAL FINANCIAL LIABILITIES	-	383,533	1,160,127,398	1,160,510,931	-	1,160,510,931

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 2018 and 2019, the movements in acquisition costs and accumulated depreciation in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2018 RESTATED
ACQUISITION COST					
Buildings and other constructions	253.332	-	-	-	253.332
Basic equipment	226.972	-	-	-	226.972
Transportation equipment	32.607	-	(32.607)	-	-
Tools and dies	7.965	-	-	-	7.965
Administrative equipment	2.418.689	-	(12.973)	-	2.405.716
Other tangible assets	293.592	-	-	-	293.592
Tangible assets in-progress	1.064	6.605	-	-	7.669
	3.234.222	6.605	(45.580)	-	3.195.247
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	253.332	-	-	-	253.332
Basic equipment	226.972	-	-	-	226.972
Transportation equipment	32.607	-	(32.607)	-	-
Tools and dies	7.965	-	-	-	7.965
Administrative equipment	2.413.873	3.229	(12.973)	-	2.404.129
Other tangible assets	152.048	-	-	-	152.048
	3.086.797	3.229	(45.580)	-	3.044.446
	147.425	3.376	-	-	150.801

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Buildings and other constructions	253.332	-	-	-	253.332
Basic equipment	226.972	-	-	476	227.448
Tools and dies	7.965	-	-	-	7.965
Administrative equipment	2.405.716	3.739	-	12.414	2.421.869
Other tangible assets	293.592	-	-	-	293.592
Tangible assets in-progress	7.669	5.221	-	(12.890)	-
	3.195.247	8.959	-	-	3.204.206
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Buildings and other constructions	253.332	-	-	-	253.332
Basic equipment	226.972	55	-	-	227.027
Tools and dies	7.965	-	-	-	7.965
Administrative equipment	2.404.129	4.911	-	-	2.409.040
Other tangible assets	152.048	-	-	-	152.048
	3.044.446	4.966	-	-	3.049.412
	150.801	3.993	-	-	154.794

7. Intangible assets

During the years ended at 31 December 2018 and 2019, the movements in acquisition costs and accumulated amortisation and impairment losses in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2018 RESTATED
ACQUISITION COST					
Industrial property and other rights	5,538,531	-	-	-	5,538,531
Goodwill	453,888,879	-	-	-	453,888,879
Software	461,345	-	-	-	461,345
	459,888,755	-	-	-	459,888,755
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	5,533,951	1,144	-	-	5,535,095
Software	461,345	-	-	-	461,345
	5,995,297	1,144	-	-	5,996,441
	453,893,458	(1,144)	-	-	453,892,314

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Industrial property and other rights	5,538,531	-	-	-	5,538,531
Goodwill	453,888,879	-	-	-	453,888,879
Software	461,345	-	-	-	461,345
	459,888,755	-	-	-	459,888,755
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Industrial property and other rights	5,535,095	1,145	-	-	5,536,240
Software	461,345	-	-	-	461,345
	5,996,441	1,145	-	-	5,997,585
	453,892,314	(1,145)	-	-	453,891,170

Goodwill

At 31 December 2018 and 2019, 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 2019, 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)	6.2%
Assessment Period	5 years
EBITDA* Growth	2.37%
Perpetuity Growth Rate	1.7%

* 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. Rights of use

During the years ended at 31 December 2018 and 2019, the movements in this item were as follows:

	31-12-2017 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2018 RESTATED
ACQUISITION COST					
Buildings	46,691	16,045	-	-	62,736
Vehicles	532,973	-	-	(1,078)	531,895
	579,664	16,045	-	(1,078)	594,631
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Buildings	33,721	15,644	-	-	49,365
Vehicles	276,244	111,717	-	(64)	387,897
	309,965	127,361	-	(64)	437,262
	269,699	(111,316)	-	(1,014)	157,369

	31-12-2018 RESTATED	INCREASES	DISPOSALS AND WRITE-OFFS	TRANSFERS AND OTHERS	31-12-2019
ACQUISITION COST					
Buildings	62,736	49,740	-	(46,691)	65,785
Vehicles	531,895	223,495	-	-	755,391
	594,631	273,235	-	(46,691)	821,176
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Buildings	49,365	17,515	-	(46,691)	20,189
Vehicles	387,897	114,031	-	-	501,928
	437,262	131,546	-	(46,691)	522,117
	157,369	141,689	-	-	299,059

The caption "Rights of Use" refers to assets associated with lease contracts, resulting from the application of IFRS 16, on January 1, 2019. These assets are amortised according to the duration of the respective agreement.

9. Investments in subsidiaries and associated companies

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

	INVESTMENTS	SUPPLEMENTARY CAPITAL	2018 RESTATED	INVESTMENTS	SUPPLEMENTARY CAPITAL	2019
NOS Comunicações	496.761.600	-	496.761.600	496.761.600	-	496.761.600
NOSPUB	218.475.000	-	218.475.000	220.750.000	-	220.750.000
Teliz	76.465.000	410.000	76.875.000	51.900.000	-	51.900.000
NOS Inovação	29.367.153	-	29.367.153	31.417.153	-	31.417.153
NOS Cinemas	23.601.270	-	23.601.270	25.876.270	-	25.876.270
NOS Audiovisuais SGPS	6.050.000	-	6.050.000	13.007.500	20.000.000	33.007.500
Mstar	5.518.502	-	5.518.502	5.518.502	-	5.518.502
NOS Property	5.000.000	-	5.000.000	7.000.000	-	7.000.000
Sport Tv	1.300.000	4.666.560	5.966.560	-	2.250.000	2.250.000
NOS Lusomundo SII	437.895	250.000	687.895	437.895	150.000	587.895
NOS Internacional SGPS	50.000	-	50.000	50.000	-	50.000
Upstar	26.528	-	26.528	26.528	-	26.528
NOS International Carrier Services	-	-	-	3.105.000	-	3.105.000
NOS Wholesale	-	-	-	2.335.000	-	2.335.000
NOS Corporate Center	-	-	-	2.050.000	-	2.050.000
Fundo NOS 5G	-	-	-	2.750.000	-	2.750.000
	863.052.949	5.326.560	868.379.508	862.985.449	22.400.000	885.385.448

During the years ended at 31 December 2018 and 2019, the movement in "Financial Investments" of NOS was as follows:

	INVESTMENTS	SUPPLEMENTARY CAPITAL	TOTAL
BALANCE AS AT 1 JANUARY 2018 (RESTATED)	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 30)	(1.200.000)	-	(1.200.000)
BALANCE AS AT 31 DECEMBER 2018 (RESTATED)	863.052.949	5.326.560	868.379.508
BALANCE AS AT 1 JANUARY 2019	863.052.949	5.326.560	868.379.508
Increases	25.847.500	20.000.000	45.847.500
Decreases	-	(100.000)	(100.000)
Impairments (Note 30)	(25.915.000)	(2.826.560)	(28.741.560)
BALANCE AS AT 31 DECEMBER 2019	862.985.449	22.400.000	885.385.448

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 to 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.

During the year ended on 31 December 2019, the movements in the caption were as follows:

i) NOS Inovação: increase of share capital by 2 million euros;

ii) NOS Audiovisuais SGPS: increase of share capital by 7 million euros; and additionally, increase of supplementary capital by 20 million euros;

iii) NOS Publicidade: increase of share capital by 2.3 million euros;

iv) NOS Cinemas: increase of share capital by 2.3 million euros;

v) NOS Property: increase of share capital by 2 million euros;

vi) Constitution of 3 new entities, through the spin-off of NOS Comunicações, S.A., on 1 August 2019:

a. NOS International Carrier Services, S.A. (Voice and SMS business) with a share capital of 3.1 million euros;

b. NOS Wholesale, S.A. (Data and roaming) with a share capital of 335 thousand euros; and

c. NOS Corporate Center, S.A. (Shared services) with a share capital of 50 thousand euros;

The spin-off did not have any impact on the Company's financial statements.

vii) NOS Wholesale: increase in share capital by 2 million euros;

viii) NOS Corporate Center: increase of share capital by 2 million euros;

ix) NOS Comunicações: increase of share capital by 3.5 million euros;

x) Constitution of "Fundo NOS 5G": venture capital fund to boost and structure innovation and the emergence of new technologies, namely 5G. Subscribed capital of 2.75 million euros.

Assets, liabilities and shareholder's equity, income and statutory results of subsidiaries and associated companies at 31 December 2019 are as follows:

	ASSETS	LIABILITIES	SHAREHOLDER'S EQUITY	TOTAL INCOME	TOTAL EXPENSES	NET INCOME	% HELD
NOS Comunicações	2.973.789.470	2.300.821.576	672.967.894	1.392.850.667	(1.318.059.066)	74.791.601	100%
NOSPUB	29.811.316	14.605.434	15.205.883	27.035.084	(20.304.950)	6.730.134	100%
Teliz Holding B.V	900.592	6.991	893.601	-	(489.279)	(489.279)	100%
NOS Inovação	44.343.880	9.840.528	34.503.352	24.435.204	(21.591.550)	2.843.654	100%
NOS Lusomundo Cin	76.350.598	66.016.788	10.333.810	71.346.711	(61.596.884)	9.749.827	100%
NOS Audiovisuais SG	138.241.008	79.500.741	58.740.268	-	25.731.678	25.731.678	100%
Mstar	13.002.326	9.164.888	3.837.438	24.766.514	(22.873.546)	1.892.968	30%
NOS Property	21.496.948	5.867.712	15.629.237	27.450.891	(18.858.560)	8.592.331	100%
Sport TV	184.332.827	166.158.298	18.174.529	199.020.653	(202.590.894)	(3.570.241)	25%
NOS Lusomundo SII	2.490.809	246.737	2.244.072	-	(15.078)	(15.078)	100%
NOS Internacional SG	2.003.931	1.957.541	46.391	-	(3.188)	(3.188)	100%
Upstar	79.056.944	77.753.652	1.303.292	32.907.953	(32.807.398)	100.555	30%
NOS International Ca	44.125.331	40.038.972	4.086.359	75.813.332	(74.847.246)	966.086	100%
NOS Wholesale	9.231.847	2.916.177	6.315.670	7.164.226	(6.148.507)	1.015.719	100%
NOS Corporate Cent	49.810.865	46.983.966	2.826.900	12.084.088	(11.947.326)	136.762	100%
Fundo NOS 5G	10.000.000	-	10.000.000	-	-	-	27,5%

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.

Additional disclosures regarding Telco and Audiovisuals segments are made in the consolidated financial statements of NOS SGPS.

As a consequence of the recent seizure of Mrs. Isabel dos Santos' assets, in particular of the shares held by her in Finstar and ZAP Media (where she holds 70% of the capital), NOS performed an impairment test, in a scenario of disposal of the financial participation (Level 2 of the fair value hierarchy of IFRS 13).

In the year ended December 31, 2019, the assets, liabilities and results of these companies jointly controlled by NOS (through investment in Teliz), are:

	31-12-2019						
Entity	NON - CURRENT ASSETS	CURRENT ASSETS	NON - CURRENT LIABILITIES	CURRENT LIABILITIES	SHAREHOLDER'S EQUITY	REVENUES	NET INCOME
Finistar	27.112	108.784	-	119.015	27.112	227.545	6.225
ZAP Media	19.944	7.623	-	26.871	19.944	26.708	(2.991)
	47.056	116.406	-	145.887	47.056	254.252	3.234

On this test, the NOS Group obtained the implicit multiple of Finstar and ZAP Media's Enterprise Value / EBITDA through the average of:

(i) the multiples of the transactions of the Telco sector in Africa, from 2015 to 2020;

(ii) the market multiples of African listed companies of the Telco sector;

(iii) the multiple of a transaction performed in the Telco sector, in Angola, at February 2020.

Additionally, the average of the multiples presented above were adjusted by -25%, in order to reflect the valuation loss in the scenario of a disposal, as described above. The impairment test, performed under the previously mentioned conditions, resulted in an impairment of the Teliz investment of 25 million euros.

Additionally, as a reinforcement of the impairment test described above, the Group performed extra impairment tests to Teliz's financial investment (which holds several financial investments in Angola) and Mstar (Mozambique), which are valued in Kwanzas and Meticais (local currencies) respectively, considering the most conservative business plans (internal valuation by discounted cash flows method, compared with valuation estimates made by research analysts), as a result of the conditions described above, approved by NOS' Executive Committee, for a period of five years, which considers an average revenue growth rate (in local currencies) for the period of 11,6% (Angola) and 5,7% (Mozambique). The revenue growth rates reflect: (i) the best estimate for growth of the customer base, reflecting prudent expectations about new customers growth and churn rates; and (ii) an annual price growth that represents, for the period of 2020 to 2024, between 50% and 75% of the inflation rate, as observed on the previous years.

The business plans also consider a perpetual growth rate of 6% (Angola) and 5.5% (Mozambique) and a perpetual discount rate ("WACC") of 14.7% (Angola) and 16.7% (Mozambique). The discount rate for the period of 2020 to 2024 varies between 24.9% and 14.7% (at 2024) for Angola, and 19.5% and 16.7% (at 2024) for Mozambique, in line with the most prudent inflation rate forecasts (source: International Monetary Fund (IMF)).

Additionally, it must be considered that the present uncertain economic conditions of these markets, namely in the exchange market, the limits to the transfer of currency, and the legal constraints regarding the investments, especially in Angola, increase the level of variability of the assumptions of the model, which can have a significant impact on the estimates considered, namely related with the inflation rate and its impact on the ability to reflect it on the evolution of prices.

The Company prepared sensitivity analyses to the fluctuations of the discount rate (+-1 percentage point) and perpetual growth rate (+-1 percentage point). Additionally, the Company prepared sensitivity analyses to the fluctuations of the inflation rate and to its capacity to reflect the referred fluctuations on prices (simulation of several scenarios, with price repercussions between 50% and 100% of the inflation rate).

Additionally, the Company forecast growth for the customer base of 1.5% and 0.6%, in Finstar and Zap Media respectively. Fluctuations of 1 percentage point for each variable were considered.

It is Board of Directors' belief that no additional impairment should be registered. Additionally, material consequences to the operational management of the companies are not expected, nor to NOS, besides the restrictions on dividend distribution.

The Company has several controls in place regarding the financial reporting process of affiliated, jointly controlled and associated companies. The balances and transactions included in the reported financial statements are subjected to financial audits, when legally required. For the remaining companies, where financial audit is not legally required, specific review procedures are performed by the Company.

10. Accounts receivable

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

	2018 RESTATED		2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Related parties i)	1,080,070,830	90,000,000	112,454,636	1,166,510,000
Advances to suppliers	16,942	-	10,157	-
Accrued income - interests i)	1,500,894	-	3,258,521	-
Others	644,768	495,931	186,314	528,102
	1,082,233,434	90,495,931	115,909,628	1,167,038,102

i) At 31 December 2018 and 2019, 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 32). At the end of the year 2019, these short-term loans and supplies, bear interest at the rate of 1.54% and 2.29%, respectively.

11. Taxes payable and receivable

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

	2018 RESTATED		2019	
	DEBIT BALANCES	CREDIT BALANCES	DEBIT BALANCES	CREDIT BALANCES
Income taxes	-	12,395,740	-	5,147,208
Personnel income tax witholdings	-	84,973	-	93,893
Value-added tax	-	227,946	-	293,676
Social Security contributions	-	77,210	-	80,906
	-	12,785,869	-	5,615,683

At 31 December 2018 and 2019, the amounts receivable and payable in respect of income tax were as follows:

	2018 RESTATED	2019
Current income taxes estimative	(30.908.645)	(23.688.784)
Tax contingencies (Note 2.1)	-	(1.507.782)
Payments on account	17.552.554	18.786.357
Witholding income taxes	433.158	661.567
Income tax receivable	527.193	601.434
INCOME TAX (PAYABLE) / RECEIVABLE	(12.395.740)	(5.147.208)

The current income taxes estimative includes the Company and its subsidiaries' taxes estimates, included in the Consolidated Tax Group, where NOS SGPS is the parent company.

12. Available-for-sale financial assets

At 31 December 2018 and 2019, the item "Available-for-sale financial assets", in the amount of 12,951 euros, corresponds to equity investments of low value.

13. 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 2019 are:

- NOS SGPS (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
- 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 2019.

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 2018 and 2019 were as follows:

	31-12-2017 RESTATED	NET INCOME FOR THE YEAR	SHAREHOLDER'S EQUITY	31-12-2018 RESTATED
DEFERRED INCOME TAX ASSETS:				
Derivatives (Note 21)	549,688	(34,362)	(277,274)	238,052
Share plans	405,617	5,369	-	410,986
Assets recognised under application of IFRS 16 (Note 2.1)	2,196	(988)	-	1,208
Other provisions and adjustments	722,570	(21,157)	-	701,412
	1,680,071	(51,138)	(277,274)	1,351,658

	31-12-2018 RESTATED	NET INCOME FOR THE YEAR	SHAREHOLDER'S EQUITY	31-12-2019
DEFERRED INCOME TAX ASSETS:				
Derivatives (Note 21)	238,052	(13,447)	(138,309)	86,296
Share plans	410,986	56,117	-	467,103
Assets recognised under application of IFRS 16 (Note 2.1)	1,208	(1,208)	-	-
Other provisions and adjustments	701,412	511,410	-	1,212,822
	1,351,658	552,872	(138,309)	1,766,221

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 2018 and 2019, 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 2018 and 2019, the reconciliation between the nominal and effective rates of tax was as follows:

	2018 RESTATED	2019
Income before taxes	287,448,072	300,848,648
Statutory tax rate	22.50%	22.50%
Estimated tax	64,675,816	67,690,946
Permanent differences (i)	(65,761,824)	(63,982,933)
Taxes from previous year	18,089	(580,701)
State surtax	-	626,521
Autonomous taxation	15,702	14,668
Other adjustments	297,366	(21,197)
INCOME TAXES	(754,851)	3,747,304
Effective income tax rate	-0.3%	1.2%
Income tax	(805,001)	4,300,176
Deferred tax	50,150	(552,872)
	(754,851)	3,747,304

(i) At 31 December 2018 and 2019, the permanent differences were composed as follows:

	2018 RESTATED	2019
Dividends received (Note 30)	(71,959,141)	(313,137,636)
Disposals of investments in subsidiaries (Note 30)	(221,509,488)	-
Impairment on Financial Investments (Note 9)	1,200,000	28,741,560
Others	(6,143)	27,486
	(292,274,772)	(284,368,590)
	22.50%	22.50%
	(65,761,824)	(63,982,933)

14. Prepaid expenses

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

	2018 RESTATED	2019
Insurances	42,641	43,986
Employees	2,834	3,173
Other prepaid expenses	24,257	27,302
	69,732	74,461

15. Cash and cash equivalents

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

	2018 RESTATED	2019
Cash	4,272	3,956
Deposits	452,444	1,259,153
	456,716	1,263,109

16. Shareholder's equity

16.1. Share capital

At 31 December 2018 and 2019, the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1 Euro cent per share.

The main shareholders at 31 December 2018 and 2019 are:

	31-12-2018 RESTATED		31-12-2019	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	268,644,537	52.15%	268,644,537	52.15%
Blackrock, Inc	11,562,497	2.24%	-	-
MFS Investment Management	11,049,477	2.14%	11,049,477	2.14%
Norges Bank	10,891,068	2.11%	10,891,068	2.11%
TOTAL	302,147,579	58.65%	290,585,082	56.41%

(1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of company, 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.

16.2. 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.

16.3. 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 2019, there were 2,595,541 own shares, representing 0.5038% of the share capital (31 December 2018: 2,069,356 own shares, representing 0.4017% of the share capital).

Movements in the years ended at 31 December 2018 and 2019 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2018 (RESTATED)	2,040,234	12,681,291
Acquisition of own shares	650,000	3,096,380
Distribution of own shares - share incentive scheme (Note 34)	(603,228)	(3,541,929)
Distribution of own shares - other remunerations	(17,650)	(103,479)
BALANCE AS AT 31 DECEMBER 2018 (RESTATED)	2,069,356	12,132,263
BALANCE AS AT 1 JANUARY 2019	2,069,356	12,132,263
Acquisition of own shares	1,240,500	6,709,800
Distribution of own shares - share incentive scheme (Note 34)	(656,624)	(3,849,140)
Distribution of own shares - other remunerations	(57,691)	(338,232)
BALANCE AS AT 31 DECEMBER 2019	2,595,541	14,654,691

16.4. 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 2019, NOS had reserves, which by their nature are considered distributable for an amount of approximately 144.6 million euros, not including net income.

16.5. Dividends

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

	2018
Dividends	154,548,414
Dividends of own shares	(625,186)
	153,923,228

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

	2019
Dividends	180,306,483
Dividends of own shares	(699,290)
	179,607,193

16.6. Net earnings per share

Earnings per share for the years ended on 31 December 2018 and 2019 were calculated as follows:

	2018 RESTATED	2019
Net income/ (Loss) for the year	288,202,923	297,101,344
Number of ordinary shares outstanding during the year (weighted average)	513,090,991	513,163,142
Basic earnings per share	0.56	0.58
Diluted earnings per share	0.56	0.58

During the year ended on 31 December 2018 and 2019, there were no diluting effects on net earnings per share, so the diluted earnings per share are equal to the basic earnings per share.

17. Borrowings

At 31 December 2018 and 2019, the detail of borrowings is as follows:

	31-12-2018 RESTATED		31-12-2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
LOANS - NOMINAL VALUE	212,790,875	830,000,000	74,864,131	1,024,666,667
Debenture loan	150,000,000	510,000,000	-	575,000,000
Commercial paper	29,500,000	265,000,000	55,000,000	413,000,000
Foreign loans	18,333,333	55,000,000	18,333,333	36,666,667
Bank Overdrafts	14,957,542	-	1,530,798	-
LOANS - ACCRUALS AND DEFERRALS	1,889,423	(4,602,373)	1,769,886	(2,847,439)
LOANS - AMORTISED COST	214,680,298	825,397,627	76,634,017	1,021,819,228
LEASES	93,649	69,089	105,313	194,735
	214,773,947	825,466,716	76,739,330	1,022,013,963

During the year ended at 31 December 2019, the average cost of debt of the used credit lines was approximately 1.50% (1.80% in 2018).

17.1. Debenture loans

At 31 December 2018, the Company had 660 million euros bonds issued, with maturity after one year.

At 31 December 2019, the Company have 575 million euros bonds issued with maturity after one year:

i) A private placement in the amount of 150 million euros organised by BPI Bank and Caixa - Banco de Investimento in March 2015 and maturing in March 2022. The loan bears interest at variable rates, indexed to Euribor and paid semi-annually.

ii) A bond issue for an amount of 300 million euros in May 2018, whose maturity occurs in May 2023. The issue bears interest at a fix rate and it is paid annually.

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

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

v) A bond loan in the amount 25 million euros organized by MedioBanca in July 2019 and maturing in July 2024. The loan bears interest at fix rate and paid annually.

At 31 December 2019, the value of these loans was deducted from the net amount of 554 thousand euros, corresponding to the respective interest and fees, recorded in the item "Loans - accruals and deferrals".

17.2. Commercial paper

At 31 December 2019, the Company has borrowings of 468 million euros in the form of commercial paper, of which 5 million euros issued without underwriting securities. The total amount contracted, under underwriting securities, is of 665 million euros, corresponding to thirteen programmes, with six banks, of which 590 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 413 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 2019 an amount of 598 thousand euros, corresponding to interest and commissions, was added to this amount, and recorded in the item "Loans - accruals and deferrals".

17.3. 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 2019, the amount in borrowings totalizes 55 million euros.

At 31 December 2019, an amount of 2,230 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 55 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:

	2018 RESTATED			2019		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	152,487,218	507,687,565	-	2,333,370	573,221,025	-
Commercial paper	29,731,392	215,002,182	49,997,818	55,648,859	362,949,286	50,000,000
Foreign loans	17,504,146	52,710,062	-	17,120,990	35,648,917	-
Bank overdrafts	14,957,542	-	-	1,530,798	-	-
Leases	93,649	69,089	-	105,313	194,735	-
	214,773,947	775,468,898	49,997,818	76,739,330	972,013,963	50,000,000

18. Provisions

During the years ended at 31 December 2018 and 2019, the movements recorded in provisions are as follows:

	31-12-2017 RESTATED	INCREASES	REDUCTION	OTHERS	31-12-2018 RESTATED
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

	31-12-2018 RESTATED	INCREASES	REDUCTION	OTHERS	31-12-2019
Litigation and others	3,200	-	-	-	3,200
Contingencies - Other	2,151,490	97,093	(401,582)	(1,507,782)	339,218
	2,154,690	97,093	(401,582)	(1,507,782)	342,418

Net movements for the years ended at 31 December 2018 and 2019, reflected in the income statement, under Provisions were as follows:

	2018 RESTATED	2019
Provisions and adjustments	(106,143)	(293,156)
Interests and others	240,849	(11,333)
INCREASES AND DECREASES	134,706	(304,489)

19. Accrued expenses

At 31 December 2018 and 2019, this item was as follow:

	2018 RESTATED		2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Wages and salaries	1,668,126	-	1,869,388	-
Supplies and external services	230,392	-	368,086	-
Share Plan	582,646	687,738	776,390	667,003
Others	-	454,886	-	454,886
	2,481,164	1,142,624	3,013,864	1,121,890

20. Deferred income

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

	2018 RESTATED		2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Investment grant i)	408,756	5,520,566	397,191	5,123,375
Others	2,118	-	2,118	-
	410,874	5,520,566	399,309	5,123,375

i) Deferred income related to the implicit subsidy calculated when the EIB loans were obtained at interest rates below market value (Note 17.3).

21. Derivative financial instruments

Interest Rate Swaps

At 31 December 2019, NOS had contracted two interest rate swaps totalling of 150 million euros (31 December 2018: 250 million euros), whose maturities expire in 2022. The fair value of interest rate swaps, in the negative amount of 38 thousand euros (31 December 2018: negative amount of 1.2 million euros) was recorded in liabilities, against shareholder's equity.

Equity Swaps

At 31 December 2019, NOS had contracted four equity swaps totalling of 2,640 thousand euros (31 December 2018: 2,641 thousand euros), maturing in March 2020, 2021 and 2022 to cover the delivery of share plans in cash.

	2018 RESTATED				
	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	-

	2019				
	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON CURRENT	CURRENT	NON CURRENT
DERIVATIVES					
Interest rate swaps	150,000,000	-	-	-	38,000
Equity Swaps	2,640,250	-	-	118,553	226,980
	152,640,250	-	-	118,553	264,980

Movements during the year ended on 31 December 2018 and 2019 were as follows:

	31-12-2017 RESTATED	INCOME	EQUITY	31-12-2018 RESTATED
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 13)	549,688	(34,362)	(277,274)	238,052
DEFERRED INCOME TAX	549,688	(34,362)	(277,274)	238,052
	(1,893,366)	118,357	955,056	(819,953)

	31-12-2018 RESTATED	INCOME	EQUITY	31-12-2019
Fair value interest rate swaps	(1,211,177)	-	1,173,177	(38,000)
Equity swaps	153,172	59,765	(558,470)	(345,533)
DERIVATIVES	(1,058,005)	59,765	614,707	(383,533)
Deferred income tax assets (Note 13)	238,052	(13,447)	(138,309)	86,296
DEFERRED INCOME TAX	238,052	(13,447)	(138,309)	86,296
	(819,953)	46,318	476,398	(297,237)

22. Accounts payable

At 31 December 2018 and 2019, the amounts that are payable correspond predominantly to loans and interests obtained from group companies (Note 32). At the end of 2019, these loans matured at the interest rate of 0.01%.

23. Services rendered

At 31 December 2018 and 2019, this caption corresponds to management services provided to NOS group companies (Note 32).

24. Other operating revenues

At 31 December 2018 and 2019, this caption comprises the following:

	2018 RESTATED	2019
Guarantee	244,291	-
Others	74,207	43,270
	318,498	43,270

25. Personnel Costs

In the years ended on 31 December 2018 and 2019, this item was composed as follows:

	2018 RESTATED	2019
Remunerations	4,897,904	5,570,779
Social taxes	735,528	785,797
Social benefits	87,573	101,568
Others	6,555	1,866
	5,727,560	6,460,010

In the years ended on 31 December 2018 and 2019, the average number of employees of the Company was 6. At 31 December 2018 the number of employees of the Company amounted to 6.

26. Supplies and external services

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

	2018 RESTATED	2019
Support services	796,154	930,174
Specialised works	318,074	491,912
Travelling costs	99,452	96,541
Insurances	86,690	77,854
Fuels	32,817	26,024
Maintenance and repairs	9,944	14,419
Communications	15,266	13,641
Litigation and notaries	633	4,709
Cleaning, hygiene and comfort	32	1,639
Other supplies and external services	7,899	33,183
	1,366,961	1,690,096

27. Other operational losses / (gains)

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

	2018 RESTATED	2019
Contributions	39,307	38,310
Others	-	(43)
	39,307	38,267

28. Other losses / (gains) non-recurring

This caption in the years ended at 31 December 2018 and 2019 is as follows:

	2018 RESTATED	2019
Donations	15,000	15,000
Fines and penalties	188	301
	15,188	15,301

29. Financial costs / (revenues) and other financial expenses / (income)

During the years ended at 31 December 2018 and 2019, financial costs / (revenues) and other financial expenses / (income), were as follows:

	2018 RESTATED	2019
FINANCIAL COSTS / (REVENUES)		
INTEREST EXPENSES		
Debenture loans	10,249,662	9,104,158
Commercial paper	3,299,895	2,746,663
Related parties (Note 32)	49,953	10,697
Derivatives	1,623,556	1,240,759
Bank loans	1,523,260	2,060,090
Finance leases	6,373	2,795
Others	52,864	49,447
	16,805,563	15,214,609
INTEREST EARNED		
Related parties (Note 32)	(18,121,417)	(27,922,988)
Bank deposits	(2,807)	-
	(18,124,224)	(27,922,988)
	(1,318,661)	(12,708,379)
NET OTHER FINANCIAL EXPENSES / (INCOME)		
Comissions on bank loans	979,642	(39,822)
Comissions on debenture loans	2,253,693	1,277,755
Comissions on commercial paper	1,575,929	1,730,575
Bank services	71,219	29,421
Others	629,285	(123,440)
	5,509,768	2,874,489

The decrease of interest expenses and interest earned results predominantly from the reduction in the average rates of financing (Note 17).

30. Losses / (gains) of affiliated companies

During the years ended at 31 December 2018 and 2019, this caption was as follows:

	2018 RESTATED	2019
DIVIDENDS RECEIVED		
NOS Comunicações	(22,847,819)	(293,932,420)
NOS Publicidade	-	(3,841,772)
NOS Property	(2,087,554)	(6,473,225)
NOS Cinemas	(6,431,352)	(6,682,075)
NOS Inovação	(1,699,184)	(2,189,491)
NOS Audiovisuais SGPS	-	(18,323)
NOS Audiovisuais	(10,704,329)	-
NOS Towering	(6,822,480)	-
NOS Technology	(20,990,560)	-
Sontária	(285,874)	-
Per-Mar	(89,282)	-
Others	(707)	(330)
	(71,959,141)	(313,137,636)
DISPOSALS OF INVESTMENTS IN SUBSIDIARIES (NOTE 9)		
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 9)	1,200,000	28,741,560
Others	(72,413)	447
	1,127,587	28,742,007
	(292,341,042)	(284,395,629)

In the year ended on 31 December 2019, impairment losses refer mainly to the investment in Teliz (Note 9).

31. Guarantees and financial undertakings

31.1. Guarantees

At 31 December 2018 and 2019, the Company had furnished guarantees in favour of third parties corresponding to the following situations:

	2018 RESTATED	2019
GUARANTEES IN FAVOUR OF:		
Tax authorities i)	4,068,039	19,685,469
Others	2,955	2,955
	4,070,994	19,688,424

i) At 31 December 2018 and 2019, 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.

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 14.1 million euros.

31.2. 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 88% to ownership clauses.

In addition, approximately 15% of the total loans obtained require that the net financial debt does not exceed 3 times EBITDA, about 8% of the total loans obtained that the net financial debt does not exceed 3.5 times EBITDA , about 5% require that the net financial debt does not exceed to 4 times EBITDA and about 12% 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.

32. Related parties

At 31 December 2018 and 2019, the balances with companies of NOS Group were as follows:

Balances with related parties – 2018

	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	LOANS	BORROWINGS
SUBSIDIARIES	1.083.967.167	2.250.819	90.000.000	91.733.279
Lusomundo Imobiliária 2	(9.756)	71	-	357.955
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	924.451.281	750.996	90.000.000	-
NOS Inovação	9.588.930	-	-	-
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	457.391	-	14.869.577
NOS Sistemas	4.788.372	-	-	-
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
Other subsidiaries	35.143	11.316	-	80.796
ASSOCIATED COMPANIES	4.645	-	-	-
JOINTLY CONTROLLED COMPANIES	3.611	2.118	-	-
OTHER RELATED PARTIES	243	779	-	-
	1.083.975.665	2.253.716	90.000.000	91.733.279

Transactions with related parties – 2018

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
SUBSIDIARIES	5.165.282	(240.678)	18.106.463	(35.000)
NOS Audiovisuais	178.029	(90)	1.458.326	-
NOS Cinemas	196.368	(4.155)	-	(5.597)
NOS Comunicações	4.021.401	(226.526)	6.232.780	-
NOS Inovação	89.533	(212)	198.392	-
NOS Madeira	103.935	(479)	-	(5.175)
NOS Technology	164.955	(6.392)	7.761.627	-
NOS Towering	51.223	(24)	2.226.776	-
Other subsidiaries	359.838	(2.800)	228.563	(24.227)
ASSOCIATED COMPANIES	25.759	-	-	-
OTHER RELATED PARTIES	-	1.373	-	-
	5.191.041	(239.306)	18.106.463	(35.000)

Balances with related parties – 2019

	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	LOANS	BORROWINGS
SUBSIDIARIES	116.163.564	1.005.483	1.166.510.000	57.588.699
Lusomundo SII	(6.434)	-	-	240.572
NOS Açores Comunicações	5.157.609	-	-	-
NOS Audiovisuais	9.222.007	-	-	-
NOS Audiovisuais SGPS	(47.570)	-	80.000.000	743.193
NOS Cinemas	664.345	-	-	12.921.290
NOS Comunicações	63.753.220	53.771	1.086.510.000	-
NOS Corporate Center	675.177	481.490	-	2.758.395
NOS Inovação	3.898.005	-	-	-
NOS Internacional SGPS	1.952.270	-	-	0
NOS International Carrier Services	42.017	66	-	3.091.933
NOS Lusomundo TV	788.154	-	-	3.220.389
NOS Madeira Comunicações	(237.458)	-	-	3.801.085
NOS Property	198.244	107	-	10.162.303
NOS PUB	2.847.353	454.886	-	16.259.768
NOS Sistemas	4.075.237	-	-	-
NOS Technology	21.528.689	13.997	-	-
NOS Towering	1.538.453	1.166	-	-
NOS Wholesale	73.710	-	-	3.692.824
Per-Mar	(465)	-	-	256.226
Sontária	8.469	-	-	440.721
Other subsidiaries	32.533			
JOINTLY CONTROLLED COMPANIES	3.851	2.118	-	-
OTHER RELATED PARTIES	487	501	-	-
	116.167.902	1.008.103	1.166.510.000	57.588.699

Transactions with related parties - 2019

	SERVICES RENDERED	SUPPLIES AND EXTERNAL SERVICES	INTEREST GAINS	INTEREST LOSSES
SUBSIDIARIES	14.425.095	1.010.291	28.188.034	(10.979)
NOS Audiovisuais	640.865	(53)	275.996	-
NOS Audiovisuais SGPS	(153)	-	1.844.937	(1)
NOS Cinemas	504.730	932	-	(2.256)
NOS Comunicações	8.225.912	452.522	25.476.941	-
NOS Corporate Center	35.039	579.811	-	(264)
NOS Inovação	434.156	(54)	55.370	-
NOS Lusomundo TV	219.592	(105)	6.049	(1.784)
NOS Property	222.455	(2.581)	(1.123)	(740)
NOS PUB	191.099	-	-	(3.240)
NOS Sistemas	103.538	(18)	31.351	-
NOS Technology	2.892.976	(19.019)	350.378	(535)
NOS Towering	733.510	-	69.160	(140)
Other subsidiaries	221.375	(1.146)	78.975	(2.018)
JOINTLY CONTROLLED COMPANIES	-	(26)	-	-
OTHER RELATED PARTIES	-	5.405	-	(373)
	14.425.095	1.015.669	28.188.034	(11.352)

The Company regularly performs transactions and signs contracts with several parties within the NOS Group. Such transactions were performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

Due to the large number of low value related parties' balances and transactions, it was grouped in the heading "Other related parties" the balances and transactions with entities whose amounts are less than 100 thousand euros.

33. Remuneration earned by management

The remuneration earned by management of NOS, for the years ended at December 2018 and 2019 were as follows:

	2018 RESTATED	2019
Fixed remunerations	2,880,000	3,119,809
Profit Sharing / Bonus	1,213,300	1,285,032
Share-based compensation plans	1,213,300	1,285,032
	5,306,600	5,689,873

The amounts presented in the table were calculated on an accrual's 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 2020 related to 2019 performance (and assigned in 2019 related to the 2018 performance). The average number of members' key of management in 2019 is 17 (16 in 2018). The Corporate Governance Report includes detailed information about NOS' remuneration policy.

The Company considered as Directors the members of the Board of Directors.

34. 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 2019, the unvested plans are:

	NUMBER OF SHARES
NOS PLAN	
Plan - 2017	856,299
Plan - 2018	866,098
Plan - 2019	739,162

During the year ended on 31 December 2019, the movements that occurred in the plans are detailed as follows:

Movement in number of unvested shares

	PLAN 2016	PLAN 2017	PLAN 2018	PLAN 2019	TOTAL
BALANCE AS AT 31 DECEMBER 2018	729,519	836,519	844,391	-	2,410,429
MOVEMENTS IN THE PERIOD:					
Awarded	-	-	-	702,577	702,577
Vested	(599,677)	(26,325)	(23,478)	(7,144)	(656,624)
Cancelled / elapsed / corrected (1)	(129,842)	46,105	45,185	43,729	5,177
BALANCE AS AT 31 DECEMBER 2019	-	856,299	866,098	739,162	2,461,559

(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 2019, the outstanding responsibility related to these plans is of 6,334 thousand euros, and is recorded in reserves, for an amount of 4,891 thousand euros, for the plans liquidated in shares, and in accrued expenses, for an amount of 1,443 thousand years, for the plans liquidated in cash.

The costs recognised in previous years and in 2019, and the respective responsibilities are as follows:

	ACCRUED EXPENSES	RESERVES	TOTAL
Costs recognised in previous years related to plans as at December 31, 2018	1,270,383	5,225,281	6,495,664
Plans of costs vested in the period	(642,389)	(3,919,728)	(4,562,117)
Costs recognised in the period*	815,399	3,585,219	4,400,618
TOTAL PLANS COSTS	1,443,393	4,890,772	6,334,165

*Include the costs recognised by the Company and subsidiaries

35. Legally required disclosures

The fees charged for the years ended on 31 December 2018 and 2019 by Statutory Auditor are detailed as follows:

	2018	2019
Statutory audit	25,520	25,520
AUDIT SERVICES	25,520	25,520
NON-AUDIT SERVICES	22,880	1,920
NON-AUDIT SERVICES REQUIRED BY LAW	65,000	21,000
TOTAL	113,400	48,440

36. Subsequent events

On 23 January, Jorge Brito Pereira (Chairman of the Board of Directors), Paula Oliveira and Mário Leite da Silva (Members of the Board of Directors) resigned from their positions.

On 27 January, Ângelo Paupério, Member of the Board of Directors, was nominated Chairman of the Board of Directors.

On 13 February, S&P Global Ratings affirmed NOS' Long Term Issuer Default Rating at "BBB-" with a Stable Outlook. Maintaining its investment grade long term issuer credit rating with S&P enables NOS to reinforce the conditions to further diversify its sources of funding, extend average debt maturity and continue to reduce the already low average cost of debt.

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 2019 (showing a total of 3,088,176 thousand euros and 2,625,795 thousand euros, respectively, a consolidated and individual total equity of 1,012,322 thousand euros and 1,453,803 thousand euros, respectively, including a consolidated net profit for the year attributable to the equity holders of the parent of 143,494 thousand euros and an individual net profit for the year of 297,101 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 2019, 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 2.3.18 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.	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 2.3.18 and 30 of the financial statements, particularly the disclosure of management judgments regarding the performance obligations included in the contracts with clients.

NOS, S.G.P.S., S.A.
Statutory and Auditors' Report
(Translation from the original document in Portuguese language
In case of doubt, the Portuguese version prevails)
31 December 2019

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 2019, the carrying amount of Goodwill is 641 million euros (2018: 641 million euros), representing 21% (2018: 22%) of the Group's total assets. Goodwill is allocated to Telco and Audiovisual segments. 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 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, 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 2.3.3, 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.	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 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.

4. Adoption of IFRS 16 - Leases

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
IFRS16 - Leases became effective in 2019. IFRS 16 requires a lessee to present all leases on the balance sheet based on a single recognition model (on-balance sheet model), similar to the treatment that IAS 17 - Leases provided finance leases. This change required management to make significant judgments and to implement additional internal control procedures. The comparative financial statements were restated considering the impacts of the retrospective application (full retrospective approach) of the new lease standard. The impacts of the retrospective application of the new lease standard and the inherent judgments are included in the Note 2.1 of the financial statements. As at December 31, 2019, the consolidated balance sheet amount of the Right of Use assets in the consolidated financial statements amounts to 218 million euros, which includes assets related to finance leases recognized under IAS 17. The Group's operating lease liabilities that are now recorded in Liabilities on the balance sheet relate mainly to lease contracts for communications towers, cinemas, equipment, stores and vehicles. This matter requires significant judgment by Management in determining assumptions such as the lease term, identification of the right to use and the execution of the renewal and termination options.	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: ► Understanding and evaluating the procedures performed by the Group related to the adoption of IFRS 16; ► Execution of specific audit procedures to evaluate the operational effectiveness of the controls identified as relevant, with emphasis on: i) identification of lease contracts; ii) separation of components of a contract; iii) recognition of the right of use and the respective lease liability; and iv) validation of key controls throughout the end-to-end process; ► Review of Management's assumptions, used in the evaluation of the lease contracts, including the assessment of assumptions such as the lease term; identification of right of use and assessment of renewal and termination options; ► Performance of detailed tests for a sample of contracts, to conclude on the accuracy of the data collected for each selected lease agreement; ► Obtaining the complete list of lease contracts and testing the completeness of the information used by Management; and ► Reperformance, for a sample of contracts, of the calculation of the Right of Use Asset and corresponding financial liability. Additionally, we assessed the adequacy of the applicable disclosures, included in Notes 2.1, 2.3.14, 3.1 and 11 to the financial statements, and the quantitative and qualitative impacts determined by Management with the application of IFRS 16 - Leases in comparative financial statements, taking into account the Group's decision to apply the standard retrospectively (full retrospective approach).

5. 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 45 - 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.

6. 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 154.1 million Euros as at 31 December 2019 (2018 - 139.8 million Euros), representing approximately 30% (2018: 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.	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 2.3.9, 4.1 and 17 of the financial statements, particularly the judgments defined by Management, regarding the calculation of expected credit losses resulting from trade receivables balances using a provision matrix.

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 2019, the carrying amounts of Goodwill and Financial investments are 454 million Euros (2018: 454 million Euros) and 885 million Euros (2018: 868 million Euros), respectively, representing 51% of the total assets in the individual financial statements (2018: 53%). This amount includes an impairment loss of 25 million Euros in the financial investment in Angola. 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. In addition, in the case of the financial investments indirectly held in two entities based in Angola, subjectivity is increased due to the existence of an uncertain economic context and, mainly, in view of the lawsuit filed by the Luanda Provincial Court against the main shareholder of these entities, resulting in the seizure of part of her assets in Angola, including her shares in these entities.	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. Regarding Goodwill, we focused specifically on the sensitivity analysis of the two cash-generating units test. Regarding the analysis of the recoverability of investment in Angola, we considered: (i) The economic conditions in Angola; (ii) the regulatory framework for the telecommunications sector in Angola; (iii) the review of the report of the external auditor, not belonging to the EY network, of the two entities including: i) the review of the working papers of that auditor; ii) journal entries testing for balances and transactions with related parties; and iii) other tests carried out with the assistance of internal experts in forensic audits; (iv) an opinion, prepared by a Law firm specially hired for this purpose, on the impacts relating to the entities of the legal proceedings involving its main shareholder; and (v) the analysis of the impairment test carried out by NOS, which consisted in determining the recoverable value by calculating the fair value less the costs of disposal ("Fair Value Less Costs of Disposal") of the investments, in which a discount was considered relating to the uncertainty of the current context, instead of determining the recoverable amount, as in previous years, by calculating its value in use (Value In Use). The analysis was carried out with the support of company valuations specialists. We verified that the disclosures included in Notes 7 and 9 of the financial statements reflect the results of the impairment tests carried out and the respective sensitivity analysis, taking into account variables such as the number of customers, price changes and discount rates; or, in the particular case of the financial investments in Angolan entities, the risk adjustment relating to the uncertainty of the current context. We confirmed that the remaining applicable disclosure requirements were met (IAS 36, IFRS 12 and IFRS 13).

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. On the 8th of May 2019, we were reappointed for a third mandate in the shareholders' general meeting, for the period between 2019 and 2021.
- 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 of the Group; 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, 20th February 2020

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, sub-paragraph 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 2019, 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, 20 February 2020

The Board of Directors

Angelo Paupério
(Chairman of the Board of Directors)

Miguel Almeida
(Chief Executive Officer)

José Pedro Pereira da Costa
(Vice President - CFO)

Ana Paula Marques
(Vice President – 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)

António Domingues
(Member of the Board of Directors)

António Lobão Teles
(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)

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 2019.

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 2019, which include the individual and consolidated financial position in 31 December 2019, 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 2019 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 2019 may be approved;

ii. The Individual and Consolidated Financial Statements for 2019 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, may be approved.

Lisbon, 20 February 2020

The Fiscal Board

José Pereira Alves

Paulo Mota Pinto

Patrícia Teixeira Lopes

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 commitment 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

Shareholder Structure

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 shareholder's 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 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. 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.

3. Treasury Stocks

At the end of 2018, NOS directly owned 2, 069,356 own shares.

During 2019, the following transactions took place, which are summarized in the table below:

DESCRIPTION	NUMBER OF SHARES
Initial balance	2069.356
Aquisition of share	1240.500
Distribution of shares - Share incentive scheme ans other remuneration	(714.315)
Final balance	**2 595 541**

Following the above-mentioned transactions, on 31 December 2019, NOS held 2,595,541 own shares, which corresponded to 0.504% of the share capital and of the voting rights.

Voting rights attached to own shares are suspended under the applicable law. 4.

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, 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.

The company does not consider that the aforementioned situations imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the Board of Directors, 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.

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 2019, as follows:

Shareholders	Number of Shares	% Share Capital and Voting Rights
ZOPT, SGPS, SA (1)	268 644 537	52,15%
MFS Investment Management	11 049 477	2,14%
Norges Bank	10 891 068	2,11%
Total Identified	290 585 082	56,41%

(1) According to paragraphs b) and c) of number 1 of article 20º and article 21º of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of 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:

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.

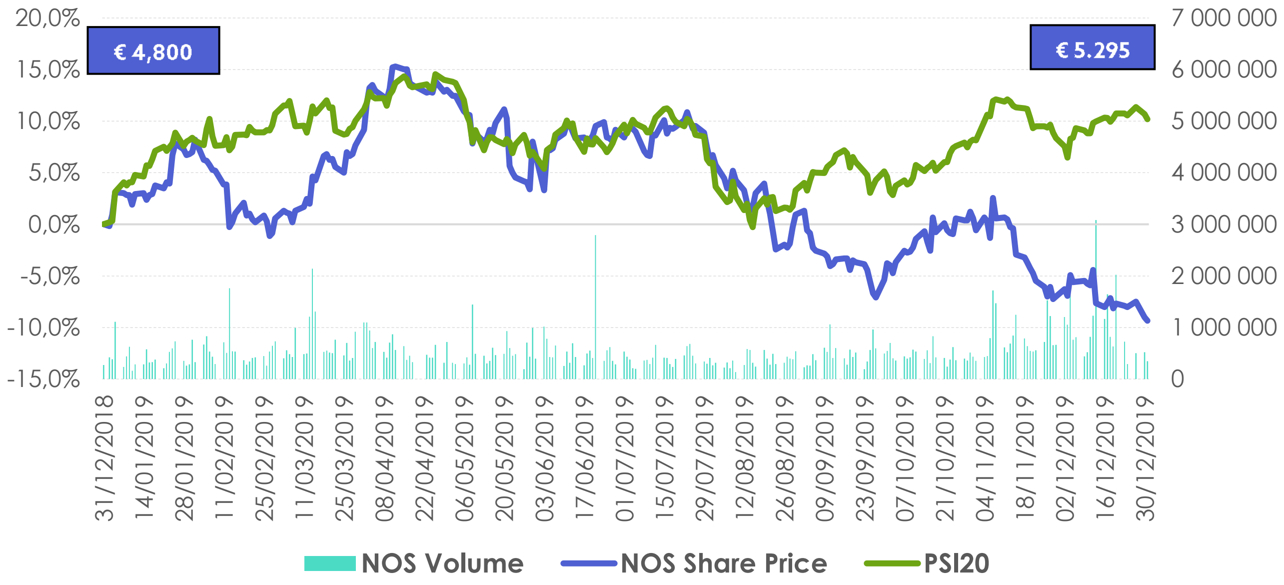
Note: The calculation of the voting rights percentage corresponding to each shareholder does not consider own shares held by the Company.

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 2019 at € 4.800, representing a decrease of almost 9.3% since the end of 2018, which is compared with valuation of the PSI 20 index of 10.2% 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.



PSI20 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
08/03/2019	Full Year 2018 Earnings Announcement
08/05/2019	General Shareholders Meeting
08/05/2019	First Quarter 2019 Earnings Announcement
24/05/2019	Dividend payment for the 2018 financial year
22/07/2019	First Half 2019 Earnings Announcement
06/11/2019	Third Quarter 2019 Earnings Announcement

During 2019, the share price of NOS reached a maximum of € 6.130 and a minimum of € 4.800.

In total, 146,240,198 NOS shares changed hands in 2019 on the Euronext Lisbon regulated market, which corresponds to an average volume of 573,491 shares per session – which means 0.11% of the issued shares.

The main Portuguese share index, the PSI20 showed during 2019 a valuation of 10.2%, and the Spanish index, IBEX 35, suffered an increase of 11.8% compared to the end of 2018. Other international indices presented, during the year 2019 negative performances, and the FTSE100 (United Kingdom) registered a increase of 12.1%. During 2019, CAC40 (France) and DAX (Germany) valued by 26.4% and 25.5%, respectively, while Dow Jones EuroStoxx 50 registered a improvement of 24.8%.

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 31-12-2018	2019 Transactions				Balance 31-12-2019
			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	54 009	18 051	-	5,655 €	29/03/2019	72 060
José Pedro Faria Pereira da Costa	Executive Member	130 272	15 018 -	- 15 018	5,655 € 5,680 €	29/03/2019 29/03/2019	130 272
Manuel Ramalho Eanes	Executive Member	0	10 512 -	- 10 512	5,655 € **	29/03/2019 01/04/2019	0
Ana Paula Garrido de Pina Marques	Executive Member	26 951	10 512	-	5,655 €	29/03/2019	37 463
Cônjuge		24 711	9 444	15 000	**	**	19 155
Luís Moutinho do Nascimento	Executive Member	80	-	-	-	-	80
Jorge Filipe Pinto Sequeira dos Santos Graça	Executive Member	0	13 560	13 560	5,655 €	29/03/2019	0
Ângelo Gabriel Ribeirinho dos Santos Paupério (1)	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268 644 537	-	-	-	-	268 644 537
António Domingues	Non-Executive Member	0	-	-	-	-	0
António Bernardo Aranha da Gama Lobo Xavier	Non-Executive Member	0	-	-	-	-	0
António Lobão Teles	Non-Executive Member	0	-	-	-	-	0
Catarina Eufémia Amorim da Luz Tavira Van-Dúnem	Non-Executive Member	0	-	-	-	-	0
João Pedro Magalhães da Silva Torres Dolores (2)	Non-Executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		268 644 537	-	-	-	-	268 644 537
Joaquim Francisco Alves Ferreira de Oliveira	Non-Executive Member	0	-	-	-	-	0
Maria Cláudia Teixeira de Azevedo (3)	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
Paula Oliveira	Non-Executive Member	0	-	-	-	-	0
José Pereira Alves	Chairman of the Fiscal Board	0	-	-	-	-	0
Paulo Cardoso Correia da Mota Pinto	Member of the Fiscal Board	0	-	-	-	-	0
Patrícia Andrea Bastos Teixeira Lopes Couto Viana	Member of the Fiscal Board	0	-	-	-	-	0
Ana Luísa Nabais Aniceto da Fonte	Substitute Member of the Fiscal Board	0	-	-	-	-	0
Ernst & Young Audit & Associados, SROC, S.A.	Statutory Auditor	0	-	-	-	-	0
Sandra e Sousa Amorim	Statutory Auditor	0	-	-	-	-	0
Pedro Jorge Pinto Monteiro da Silva e Paiva	Substitute Statutory Auditor	0	-	-	-	-	0

(1) Ângelo Gabriel Ribeirinho dos Santos Paupério is member of the Board of Directors of ZOPT, SGPS, S.A., which owned, on 31 December 2019 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) João Pedro Magalhães da Silva Torres Dolores is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 31 December 2019, 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..

(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 2019, 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 2019 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.

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

Note: Jorge Brito Pereira, Paula Oliveira and Mário Leite da Silva have resigned from their positions on 23 January 2020. Ângelo Paupério, Member of the Board of Directors, has been nominated Chairman of the Board of Directors on 27 January 2020.

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:

1. Pedro Canastra de Azevedo Maia (Chairman)
2. 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 third time on the Annual General Meeting of 08 May 2019 for the three-year period of 2019/2021.

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" - 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 2019, 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 deemed as a limit to the exercise of the voting right by the shareholders, as it does not follow the principle of *one share one vote,* especially bearing 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.

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.

The Company further notes that the raison d'être of this Recommendation (i.e. to fully enable shareholders to exercise their voting rights) is ensured by other mechanisms, such as postal voting, and by electronic means, with information on such possibilities promptly sent to shareholders and made available to the general public through the publication of a notice of meeting and other documents (including the ballot paper 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.

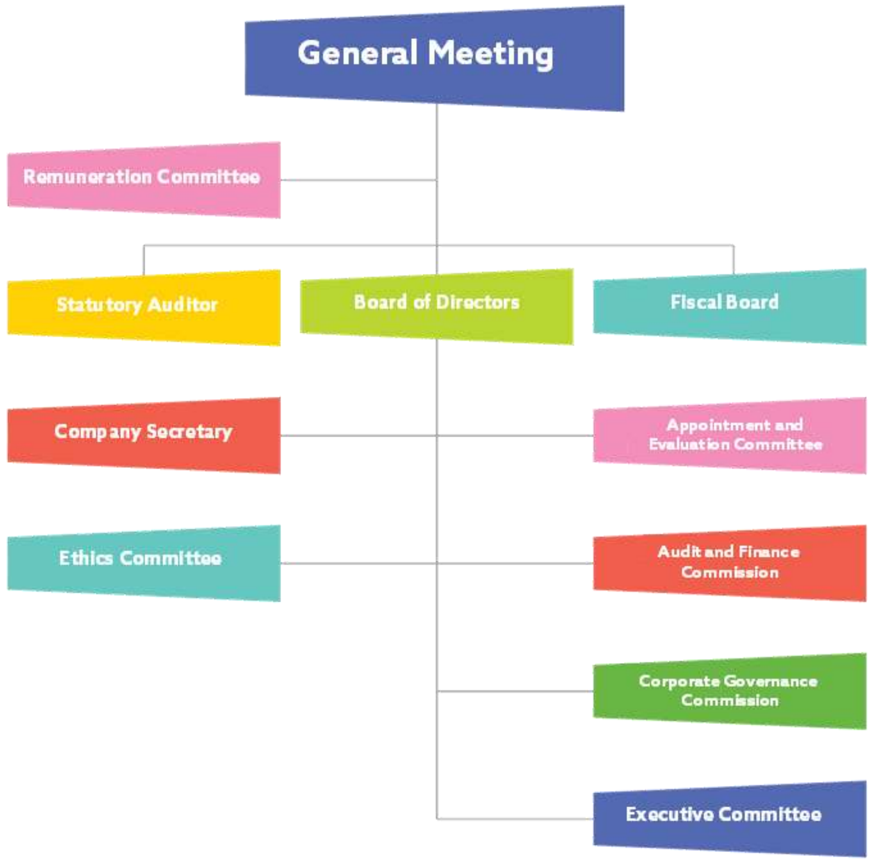
The General Meeting can run at a first meeting so long as shareholders representing more than 50% of the share capital are present or represented.

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 2019, the Company's secretary and alternate Company's secretary were:

Company Secretary – Sandra Martins Esteves Aires

Alternate Company Secretary- Cidália Maria Carneiro Teixeira Filipe

The Company Secretary has the following powers to:

1. Guarantee the formalities and conformity of the corporate acts;
2. Ensure that several corporate documents are updated and disclosed;
3. 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;
4. 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;
5. Manage the administrative support to the corporate bodies.

Furthermore, under the applicable law, the Company Secretary is also empowered to:

6. Act in the capacity of secretary in the meeting of the corporate bodies;
7. 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;
8. 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;
9. Send notices of meetings of the corporate bodies as required by law;
10. Certify signatures of the members of the corporate bodies included in the company's documents;
11. Certify all copies or transcriptions from the books of the Company or other archived documents as true, updated and complete;
12. 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;
13. 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;
14. 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;
15. Certify with the corresponding initials all the documentation submitted to the General Meeting and referred to in the corresponding minutes;
16. Promote the registration of corporate acts whenever required. 16.

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 of 08 May 2019, for the three-year period of 2019/2021, and Jorge Manuel de Brito Pereira[1] was appointed as Chairman of the said Board on 9 May 2019. However, he was replaced on 27 January 2020, by Ângelo Gabriel Ribeirinho dos Santos Paupério.

Currently, at 31 December 2019, the Board of Directors comprises 17 Directors, as follows:

	Board of Directors	Executive Committee	Non-executive Directors	First appointed and end of term of office
Jorge de Brito Pereira[1]	Chairman:	---	X	01/10/2013 31/12/2021
Miguel Almeida	Member:	Chairman:	---	01/10/2013 31/12/2021
José Pedro Pereira da Costa	Member:	Vice- Chairman	---	21/09/2007 31/12/2021
Ana Paula Marques	Member:	Vice- Chairman	---	01/10/2013 31/12/2021

[1] He resigned on 23 January, 2020.

	Board of Directors	Executive Committee	Non-executive Directors	First appointed and end of term of office
Manuel Ramalho Eanes	Member:	Member:	---	01/10/2013 31/12/2021
Jorge Graça	Member:	Member:	---	26/04/2016 31/12/2021
Luís Nascimento	Member:	Member:	---	29/06/2017 31/12/2021
Ângelo Paupério	Member:	---	X	01/10/2013 31/12/2021
António Lobo Xavier	Member:	---	X	01/10/2013 31/12/2021
António Domingues Member	Member:	---	X	01/09/2004 31/12/2021
Catarina Tavira Van-Dúnem	Member:	---	X	27/11/2012 31/12/2021
Joaquim Oliveira	Member:	---	X	31/01/2008 31/12/2021
Maria Cláudia Azevedo	Member:	---	X	01/10/2013 31/12/2021
Mário Leite da Silva[2]	Member:	---	X	19/04/2010 31/12/2021
João Dolores	Member:	---	X	26/04/2016 31/12/2021
Paula Oliveira[3]	Member:	---	X	08/05/2019 31/12/2021
António Lobão Teles	Member:	---	X	08/05/2019 31/12/2021

[2] He resigned on 23 January 2020.
[3] He resigned on 23 January 2020.

18. Distinction between executive and non-executive (and independent) directors

In line with the best practices and recommendations in the area of corporate governance, the Regulations of the Board of Directors, approved on 9 May, 2019, establish that the members of the Board of Directors who do not perform executive duties should always outnumber the members of the Executive Committee, in order to ensure the effective capacity for adequate supervision, monitoring and evaluation of the performance of the members of the Executive Committee.

Pursuant to article 17(1) of the Company's Articles of Association, NOS Board of Directors, approved on its meeting held on 09 May 2019, the incorporation of an Executive Committee currently composed by 6 members.

In order to maximise the pursuit of the Company's interests, and in line with the Regulations of the Board of Directors, the management body is composed of 11 non-executive members, a number significantly higher than the number of executive members. The Company understands that this number of non-executive directors is in effect suitable and that it ensures effective monitoring, oversight and assessment of the executive members of NOS, bearing in mind, especially, its size, shareholder structure and the size and complexity of the risks associated with its activity, as described in more detail in the paragraphs below.

Considering the above mentioned, and based on the Company's size and its shareholder structure, in line with the definition of independence under on the one hand CMVM Regulation 4/2013 and on the other hand Recommendation III.4 of the IPCG's Corporate Governance Code of 2018, the Company has no independent Directors among its non-executive Directors.

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. In particular, the Regulations of the Board of Directors, approved on 9 May 2019, establish that Directors who do not carry out executive duties must help the Board of Directors to define strategy (including the strategic plan), main policies (including risk policy), corporate structure and decisions that should be considered strategic for the Company due to their amount or risk, as well as in evaluating compliance, and as such they cannot be delegated to the Executive Committee.

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 made much easier, as the Chairman is empowered to coordinate the activities of the lead 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.

19. Board of Directors' Qualifications

a. Jorge Brito Pereira[1]: 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 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 NOS PUB Publicidade e Conteúdos S.A.;
- Chairman of the Board of Directors of NOS Audiovisuais SGPS S.A.;

[1] He resigned on 23 January, 2020 and was replaced on 27 January, 2020, in his functions as Chairman of the Board of Directors, by Ângelo Gabriel Ribeirinho dos Santos Paupério.

- Chairman of the Board of Directors of NOS Internacional SGPS S.A.;
- Chairman of the Board of Directors of NOS Corporate Center, S.A.;
- Chairman of the Board of Directors of NOS Wholesale, S.A.;
- Chairman of the Board of Directors of NOS Property, S.A.;
- Chairman of the Board of Directors of NOS International Carrier Services, 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 Committee

Qualifications:

- Degree in Business Management and Administration 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.;
- Member 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 NOS PUB Publicidade e Conteúdos S.A.;
- Member of the Board of Directors of NOS Comunicações 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 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, S.L.;
- 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 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.;
- Member of the Board of Directors of NOS Corporate Center, S.A.;

- Member of the Board of Directors of NOS Wholesale, S.A.;
- Member of the Board of Directors of NOS Property, S.A.;
- Member of the Board of Directors of NOS International Carrier Services, 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 Vice-Chairman of the Executive Committee

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 Corporate Center, S.A.;
- Member of the Board of Directors of NOS Wholesale, S.A.;
- Member of the Board of Directors of NOS Property, S.A.;
- Member of the Board of Directors of NOS International Carrier Services, 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 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 PUB 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 Director of NOS Madeira Comunicações, S.A.;
- Member of the Board of Director of NOS Açores 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 NOS PUB 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 S.L.;
- Member of the Board of Directors of NOS Corporate Center, S.A.;
- Member of the Board of Directors of NOS Wholesale, S.A.;
- Member of the Board of Directors of NOS Property, S.A.;
- Member of the Board of Directors of NOS International Carrier Services, S.A.;
- Manager of Lusomundo Moçambique, Lda;
- 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 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 NOS PUB 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.;
- Member of the Board of Directors of NOS Corporate Center, S.A.;
- Member of the Board of Directors of NOS Wholesale, S.A.;
- Member of the Board of Directors of NOS Property, S.A.;
- Member of the Board of Directors of NOS International Carrier Services, S.A.;
- 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.

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 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.;
- Member of the Board of Directors of NOS Corporate Center, S.A.;
- Member of the Board of Directors of NOS Wholesale, S.A.;
- Member of the Board of Directors of NOS Property, S.A.;
- Member of the Board of Directors of NOS International Carrier Services, 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[2]: Non-executive member

Qualifications:

- Degree in Civil Engineering from Universidade do Porto, Faculdade de Engenharia;
- Master in Companies Management – MBA (Porto Business School).

Professional experience:

- Chairwoman 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 Modelo Continente, SGPS, 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 Sonae Holdings, S.A.;
- Vice-Chairman of the Board of Directors of Iberian Sports Retail Group, S. L.;
- Member of the Board of Directors of Sonae, SGPS, S.A.;
- Member of the Board of Directors of Efanor Investimentos, 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 Board of Directors of Sonae FS, S.A.;
- Member of the Board of Directors of Fundação Manuel Cargaleiro;
- Member of the Board of Directors of SONAE CAPITAL, SGPS, S.A.;

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 Riopele, S.A.;

[2] Appointed Chairman of the Board of Directors on 27 January, 2020.

- 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.;
- 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.
- Chairman of the General Meeting of Mysticinvest – Holding, 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:

- General Coordination of the TV content production studios at ZAP.
- 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 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 what was then the Lusomundo Media Group (now Global Media Group), in which he currently holds 19.25%.

Main companies in which he holds positions:

- 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.;

l. Maria Cláudia Teixeira de Azevedo: Non-executive member

Qualifications:

- Degree in Management from Universidade Católica Portuguesa;
- MBA from INSEAD.

Professional experience:

- Member of the Board of Directors and the Executive Committee of Sonae, SGPS, S.A.;
- Member of the Board of Directors of Sonae MC, SGPS, S.A.;
- Member of the Board of Directors of Sonae Holdings, SA.;
- Member of the Board of Directors of Sonae Sierra, SGPS, S.A.;
- Member of the Board of Directors of Sonae FS, 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 Casa Agrícola de Ambrães, SA.;
- Member of the Board of Directors of Realejo – Sociedade Imobiliária, SA.;
- Member of the Board of Directors and the Executive Committee of Fundação Belmiro de Azevedo;
- 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.;

m. Mário Filipe Moreira Leite da Silva[3]: 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.;

[3] He resigned on 23 January, 2020.

- 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;

n. 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 Financial Officer at Sonae, SGPS, S.A.;
- Executive Director of Sontel BV;
- Executive Director of Sonae Investments BV;
- Executive Director of Sonae Holdings, S.A.;
- Executive Director of Sonae Corporate, S.A.;
- Executive Director of Sonaecom, SGPS, S.A.;
- Member of the Board of Directors of Sonae MC, SGPS, S.A.;
- Member of the Board of Directors of SFS Financial Services, IME, S.A.;
- Member of the Board of Directors of SFS – Gestão e Consultoria S.A.;
- Member of the Board of Directors of Sonae Sierra, SGPS, S.A.;
- Member of the Board of Directors of Sonae FS, 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..

o. 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.

p. Paula Oliveira[4]: Non-executive member

Qualifications:

- Graduated in "Human Resources Management and Work Psychology" from ISLA, with a post-graduate qualification in Management from the Universidade Católica (PAGAD).

Professional experience:

- 25 years of experience, with the last 10 dedicated to strategic entrepreneurship, and to supporting the development of new business in various industries in emerging and mature markets.
- Entrepreneur and businesswoman, she is the Senior Partner of SDO Consulting, founder and mentor of Fábrica Digital, founder and manager of Youcall Lda, founder and general manager of the OonDah Group.
- Her professional career began in consultancy-1994- in the oil sector, particularly the project to rehabilitate and boost the Angolan National Oil Institute (1999-2002), involving the management of a consortium of all the multinational oil companies operating in that country; later she was invited to participate in the launching team of the project to set up COCA COLA's factories in ANGOLA, where she took on the role of Director of Human Resources and Corporate Affairs for 5 years. In 2008, she assumed the position of executive administrator in the Espírito Santo Commerce -ESCOM group, where she managed and standardized the best Human Resources practices in the group's business, from Aviation to the mining sector.
- In the social field: She founded UCALL Academy, a project that reflects her various years in management and identification of young talent and their placement in the job market.
- Founder and Strategic Director of the JUNTOS social responsibility project, a project of deep involvement with communities, "sponsors" and "opinion leaders" that result in a healthy and sustainable impact in the long term.

q. António Lobão Teles: Non-executive member

Qualifications:

- Degree in Business Administration and Management
- Master in Finance at CATÓLICA-LISBON School of Business and Economics.

Professional experience:

[4] She resigned on 23 January, 2020.

- Executive Director of Fidequity - Serviços de Gestão, S.A.;
- Director of Sonangol E.P., Capital Markets and Corporate Finance;
- Subdirector of Banco BPI, M&A and Corporate Finance;
- Analyst at Banco BPI, Investment Banking;
- Business Development Analyst at Portugal Telecom, Wholesale International.

20. Relationship between Directors and Shareholders with a qualified shareholding over 2%

- Jorge Brito Pereira[5]: 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[6]: Member of the Board of Directors

Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2019, 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 Silva7: Member of the Board of Directors

Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2019, 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

Member of the Board of Directors of ZOPT, a company which shareholding, on 31 December 2019, 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.

[5] He resigned on 23 January, 2020.

[6] Appointed Chairman of the Board of Directors on 27 January, 2020.

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.

The members of the Board of Directors who do not perform executive functions (i) promote the adequate supervision and monitoring of the performance of the members of the Executive Committee, (ii) participate in the definition of the strategy, main policies, corporate structure and decisions that should be considered strategic for NOS, (iii) as well as in the evaluation of their compliance.

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 2019/2021, 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-opting and, if applicable, election of members of the corporate boards of the Company and its affiliates;
c) Requests to convene the General Meeting of Shareholders;
d) Approval of annual reports and accounts, to be submitted to the General Meeting of Shareholders for approval, together with biannual and quarterly reports and accounts and 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) Determination of the general goals and fundamental principles of the Company's policies, together with options considered strategic due to their amount, risk or specific characteristics;
g) Posting bonds or secured or personal guarantees;
h) Important extensions or reductions to the business or internal organization of the Company or Group;
i) Changing the Company's head offices and capital increases;
j) Approval of merger, demerger and transformation projects of the Company or which involve 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) Appointment of the Company's Secretary and his/her substitute;
l) Establishment of companies and subscription, acquisition, encumbrance and disposal of holdings when exceeding €2,500,000;
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);

[7] He resigned on 23 January, 2020.

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 fundamental policies of the Company and its subsidiaries;

b) Working with the Board of Directors and its committees, as needed for the fulfilment of their respective purposes;

c) Determining the internal organizational and operating norms of the Company and its subsidiaries, namely with regard to employee hiring, professional categories, remuneration and other bonuses;

d) Issuing binding instructions to companies in a group relationship comprised of complete control, and controlling these companies' implementation of the guidelines and policies laid out pursuant to the above sub-paragraphs;

e) Exercising disciplinary power, and deciding on applicable penalties for the Company's employees;

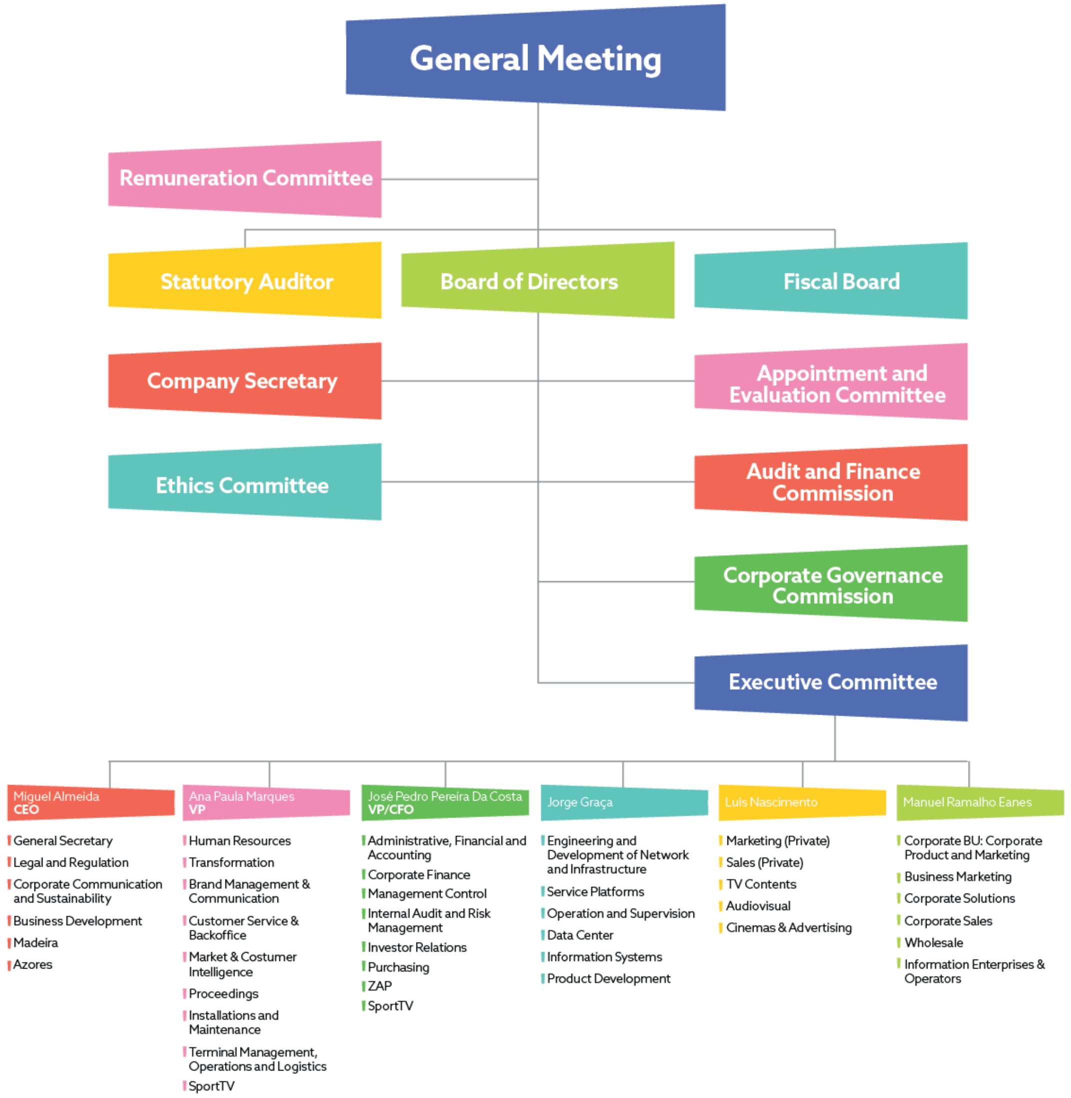
f) Deciding on the acquisition of treasury shares by the company, and or by any of its dependent companies, within the scope of NOS' variable remuneration policy, per the terms and conditions approved by the General Meeting of Shareholders.

The Board of Directors, when defining the functioning of the Executive Committee, specifically delegated to the Chairman of the Executive Committee, the following duties:

a) Coordinating 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 owning 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 reinforced 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.

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, at its meeting on 9 May 2019 approved its internal Regulations on organisation and functioning, 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 to the Regulations of the Company's Board of Directors, when exercising their duties and powers, the Directors shall obtain information from other bodies and employees (including minutes, supporting documentation, invitations and the archive of meetings) and clarifications particularly to evaluate the Company's performance, situation and perspectives, and request information at any time necessary or convenient to carry out their duties and to pursue the best interests of the company. They may also invite employees or advisers from the Company or from other Group Companies to participate in their meetings.

In accordance with the Regulations of the Company's Board of Directors, the Board of Directors shall also guarantee the flow of information, in a timely and suitable manner, starting with its notices and minutes, as is necessary for the exercise of the legal and statutory powers of each of the Company's other bodies and committees. They shall also establish mechanisms to guarantee, in an appropriate and rigorous manner, the production, processing and timely disclosure of information to the Company's corporate bodies, shareholders, investors and other stakeholders, and to financial analysts and the market in general.

Except under urgent circumstances, Directors who, individually or collectively, wish to access information within the scope of powers delegated to the Executive Committee may do so by requesting it directly from its Chairman, or through the Chairman of the Board of Directors.

The Board of Directors' meetings shall also be attended by the Company's Secretary or his/her substitute, who shall be responsible for organizing meeting materials, particularly ensuring the notification to all members of the Board of Directors, at least 5 days in advance of the notice of meeting, organizing 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.

The Regulations of the Board of Directors, approved on 9 May 2019, establish that whenever there is a potential or effective conflict of interest of a Director, on his/her own account, on behalf of a third party or as defined in the Company's Code of Ethics, this Director shall not participate in the corresponding decision-making process, without prejudice to the duty to provide information and clarifications requested, in particular:

a) The member should not receive information with regard to the matter (namely preparatory information sent before the meeting in which the matter will be discussed and voted on);

b) The Director must refrain from discussing the matter with other members of the Board of Directors;

c) The Director should not be present while the matter in question is being discussed and voted on.

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 2019, the current Board of Directors met 9 times, 6 times in person and 3 by electronic means. The presence of the members on the in-person meetings was as follows:

Attendances from 1 January to 8 May 2019

	Board of Directors	Executive Committee	Non-executive Directors	Attendance of meetings of the Board of Directors
Jorge de Brito Pereira	Chairman:	---	X	2 P
Miguel Almeida	Member:	Chairman:	---	2 P
José Pedro Pereira da Costa	Member:	Vice-Chairman	---	2 P
Ana Paula Marques	Member:	Vice-Chairman	---	2 P
Manuel Ramalho Eanes	Member:	Member:	---	2 P
Jorge Graça	Member:	Member:	---	2 P
Luís Nascimento	Member:	Member:	---	2 P
Ângelo Paupério	Member:	---	X	2 P

	Board of Directors	Executive Committee	Non-executive Directors	Attendance of meetings of the Board of Directors
António Lobo Xavier	Member:	---	X	2 P
António Domingues Member	Member:	---	X	2 P
Catarina Tavira Van- Dúnem	Member:	---	X	1P and 1 PR
Joaquim Oliveira	Member:	---	X	2 P
Lorena Fernandes [1]	Member:	---	X	1 P and 1 R
Maria Cláudia Azevedo	Member:	---	X	2
Mário Leite da Silva	Member:	---	X	1 P and 1 R
João Dolores	Member:	---	X	2 P

P – Present R – Represented A - Absent

1- The term of office ended on 31 December 2018 and remained in office until 8 May 2019.

Attendances from 8 May to 31 December 2019

	Board of Directors	Executive Committee	Non-executive Directors	Attendance of meetings of the Board of Directors
Jorge de Brito Pereira	Chairman:	---	X	7 P
Miguel Almeida	Member:	Chairman:	---	7 P
José Pedro Pereira da Costa	Member:	Vice-Chairman	---	7 P
Ana Paula Marques	Member:	Vice-Chairman	---	7 P
Manuel Ramalho Eanes	Member:	Member:	---	7 P
Jorge Graça	Member:	Member:	---	7 P
Luís Nascimento	Member:	Member:	---	7 P
Ângelo Paupério	Member:	---	X	7 P
António Lobo Xavier	Member:	---	X	5 P and 2 R
António Domingues Member	Member:	---	X	7 P
Catarina Tavira Van- Dúnem	Member:	---	X	5 P and 2 PR
Joaquim Oliveira	Member:	---	X	7 P
Maria Cláudia Azevedo	Member:	---	X	6 P and 1 R
Mário Leite da Silva	Member:	---	X	7 P
João Dolores	Member:	---	X	7 P
Paula Oliveira[1]	Member:	---	X	7 P
António Lobão Teles[2]	Member:	---	X	7 P

P – Present R – Represented A - Absent

1- Elected at the General Assembly of 8 May 2019, for the three-year period of 2019/2021.
2- Elected at the General Assembly of 8 May 2019, for the three-year period of 2019/2021.

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 Committee	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:	Vice-Chairman	---	3 P
Manuel Ramalho Eanes	Member:	Member:	---	3 P
Jorge Graça	Member:	Member:	---	3 P
Luís Nascimento	Member:	Member:	---	3 P
Ângelo Paupério	Member:	---	X	3 P
António Lobo Xavier	Member:	---	X	3 P
António Domingues Member	Member:	---	X	3 P
Catarina Tavira Van- Dúnem	Member:	---	X	3 P
Joaquim Oliveira	Member:	---	X	3 P
Maria Cláudia Azevedo	Member:	---	X	3 P
Mário Leite da Silva	Member:	---	X	3 P

	Board of Directors	Executive Committee	Non-executive Directors	Attendance to the Board of Directors meetings held by electronic means
João Dolores	Member:	---	X	3 P
Paula Oliveira	Member:	---	X	3 P
António Lobão Teles	Member:	---	X	3 P

P – Present A - Absent

Note: Video conferences were only held in the 2nd half of 2019.

The absences of the Directors, consecutive or not, were always duly justified and accepted by the Board of Directors. 24.

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 beginning of the new term of office corresponding to the three-year period 2019/2021, from 8 May 2019 to 31 December 2021, in its pursuit of the best corporate governance practices in view of the need for the Board of Directors to create the committees deemed necessary to ensure competent and independent evaluation of the performance of the executive Directors and of their own overall performance, as well as of the various existing committees, created the AEC, to which it delegated these functions, made up of a Chairman and two Members, who are:

Chairman:	Ângelo Paupério
Member:	Mário Leite da Silva[8]
Member:	Jorge Brito Pereira[9]

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.

[8] He resigned on 23 January, 2020.

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.

Furthermore, according to article 398 of the CSC, directors may not: (i) carry out any activity in competition with the Company or any company in a controlling or group relationship 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 where this agreement has been entered into less than one year before their appointment as director, or suspended where this agreement has been entered into more than one year before their 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, as set out in the Regulations, if the Board of Directors or the Director consider that there is a conflict of interest, the latter shall not participate in the discussion nor exercise their 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 2019/2021.

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.

a. The Corporate Governance Committee;

b. The Audit and Finance Committee;

c. The Appointment and Evaluation Committee; and

d. The Ethics Committee.

[9] He resigned on 23 January, 2020.

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 at 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, and are bound to the obligations of the latter, namely in respect to conflict of interest prevention, as described in paragraph 26 above, as expressly provided for in the internal regulations of the aforementioned committees and the regulations of the said Ethics Committee. 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 comprises a Chairman, two Vice-Chairmen and three members, whose professional profiles ensure they have the due reputation, competence, diversity of knowledge and experience to perform their duties.

Each member of the Executive Committee must act in accordance with due standards of care, professional diligence and loyalty, and the duties set out in the Regulations of the Board of Directors, particularly those relating to the flow of information, confidentiality and conflicts of interest, shall also apply to them.

According to the rules on the composition, operation and delegation of management powers to the Executive Committee approved on 9 May 2019, the members of the Executive Committee shall not perform executive management functions in companies in which the Company has no interest, without the prior consent of the Board of Directors.

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.

In addition, on 9 May 2019 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 shall determine the dates or frequency of its ordinary meetings and shall meet on an extraordinary basis whenever called by its Chairman, by one of its Vice-Chairmen or by two 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. Participation via videoconferencing and telephone conference shall also be permitted.

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 the minutes drawn up by the Secretary of the Company or the Alternate. They are then signed by all those in attendance at the meeting and sent to the NOS Fiscal Board.

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 sub-delegated, partially or in whole, 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 rules on the composition, operation and delegation of management powers to the Executive Committee) and the practices it follows, NOS has appropriate mechanisms to ensure the timely and adequate information flow (beginning with the relevant preparatory information, notices of meeting and minutes), necessary for 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.

Likewise, for the correct discharge of its duties, the Executive Committee may, in compliance with the applicable legal limits, have access to the documentation produced by the other Company bodies and committees, and may request any information and clarifications it deems necessary both from the members of such bodies and committees and from Company employees.

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.

29. Powers of Committees and of the Ethics Committee

Corporate Governance Committee

To reflect on the governance system, structure and practices adopted, verify its effectiveness and propose measures to the appropriate bodies with a view to improving them, the Board of Directors created a Corporate Governance Committee (CGC) for the three-year period of 2019/2021, made up on 31 December 2019 of a Chairman and two Members:

Chairman:	António Lobo Xavier
Member:	Jorge de Brito Pereira[10]
Member:	António Domingues

[10] He resigned on 23 January, 2020.

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, 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. The structure, powers and operation of corporate boards and internal committees, and their respective internal coordination;
   ii. Requirements with regard to qualifications, experience, incompatibilities and independence applicable to members of the managing and supervisory boards;
   iii. Efficient means for non-executive members of the managing board to perform their duties;
   iv. The exercising of voting rights, representation and equal treatment of shareholders;
   v. Preventing conflicts of interest;
   vi. the scheme applicable to executives, and their performance of executive duties at entities outside of the group;
   vii. Transparency of corporate governance, of information to be disclosed to the market and of the relationships with the investors and other Company stakeholders;
c. To maintain and supervise 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 the performance of its function of supervising corporate governance, rules of conduct and social responsibility, as well as in the way it ensures the adequate and timely flow of information necessary for the exercise of the legal and statutory powers of all the Company's bodies and committees, in particular its minutes and notices of meeting.
f. In conjunction with the Appointments and Assessment Committee, determining the criteria and requirements of the profile for new corporate board members suited to the position to be held which, in addition to individual attributes (such as expertise, independence, integrity, availability and experience), should also consider diversity requirements, with a particular emphasis on gender diversity, which may help to enhance the board's performance and balance its composition.

To exercise the powers referred to in the above paragraphs, the Corporate Governance Committee may, for the strict purpose of performing its duties and in compliance with applicable legal limits, access the documentation produced by the Company's other boards and committees, and may request any information or clarifications deemed necessary from the members of these boards and committees and from employees of the Company.

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 2019, the CGC, under its competences, had two meetings to analyse and approve the Corporate Governance Report for 2018, and to discuss the Ethics Committee Regulations. The resolutions taken are recorded in minutes signed by all the members of this committee taking part in each meeting.

In exercising their powers, the members of the Corporate Governance Committee shall also be subject to the duties provided for in the Regulations of the Board of Directors, particularly those related to confidentiality and conflicts of interest.

Audit and Finance Committee

The Board of Directors created an Audit and Finance Committee (AFC) for the three-year period of 2019/2021, made up of a Chairman and four Members which on 31 December 2019 comprised:

Chairman:	António Domingues Member
Member:	Mário Leite da Silva[11]
Member:	Ângelo Paupério
Member:	António Lobão Teles
Member:	João Torres 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 oversee the Company's risk management policy, in conjunction with the Fiscal Board, by monitoring risk control policies, identifying key risk indicators (KRI) and integrated risk assessment methodologies;
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;

[11] He resigned on 23 January, 2020.

q) to review and issue a prior opinion on transactions between the Company and holders of qualified shareholdings of 2% or more of voting rights ("Qualified Shareholders"), and/or entities with which they have any relationship pursuant to article 20 of the Securities Code (CVM), and persons or entities qualified as related parties ("Related Parties"), pursuant to Company regulations approved by the Board of Directors by proposal of the Fiscal Board.

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 2019, the AFC, under its competences, had 7 meetings and discussed among other matters:

- The (i) Management Report, Balance Sheet and Accounts, individual and consolidated, Corporate Governance Report, Consolidated Non-Financial Statements and (ii) Proposed Earnings Application, pertaining 2018;
- The refinancing strategy for 2019 and 2020 – Rating and DCM;
- The Finance Report; P&C Report; Funding Report; and IR Report;
- NOS Internal Audit Report;
- Conventional Return on Capital
- Transactions with Related Parties; and
- Financial Statements and Press Release of Earnings Announcement;

The Company considers that, as the AFC is comprised of one Chairman and four members, the efficient execution of its functions is assured and that this number is appropriate to the Company's size and to the complexity of the risks inherent to its business activity.

Appointment and Evaluation Committee

As in the aforementioned committees, for the three-year period of 2019/2021 the Board of Directors created the Appointment and Evaluation Committee (AEC), made up of a Chairman and two Members, appointed by the Board of Directors from among its members.

At 31 December 2019, the AEC had the following composition:

Chairman:	Ângelo Paupério
Member:	Jorge Brito Pereira[12]
Member:	Mário Leite da Silva[13]

In accordance with its regulations approved on 9 May 2019, it is the responsibility of the AEC to:

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 to support the Board of Directors, in the event of any vacancy on the Company's Board of Directors or Executive Committee, prepare a justified opinion, identifying persons with the profile most suited to filling this vacancy, bearing in mind the combination of qualifications, knowledge, expertise, professional experience, independence, integrity and availability required for the performance of the respective duties, together with diversity requirements, with a particular emphasis on gender diversity, which may help to enhance the Committee's performance and balance its composition;
c) Approve and make its terms of reference available, and foster, to the extent of its powers, transparent selection processes that include effective mechanisms to identify potential candidates, and ensure that those chosen as candidates possess the highest degree of merit, are best suited to the demands of the functions to be carried out, and shall encourage suitable diversity, including gender diversity, within the organisation.
d) Conduct the annual evaluation process of the members of the Executive Committee, ensuring further harmonization with the Board of Directors and the Remuneration Committee;
e) 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;
f) Prepare an overall performance evaluation report for the Board of Directors and its various specialized committees, bearing in mind compliance with the Company's strategic plan, budget, risk management and internal operation, and the contribution of each member of these boards for this purpose, together with the relationship between the Company's boards and committees;
g) 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 the scope of its activities, the AEC shall observe the long-term interests of shareholders, investors and the general public, and, to the extent of its powers, shall contribute towards achieving social responsibility and sustainability goals.

For the performance of the above tasks:

a. The Appointments and Assessment Committee shall request and weigh up all management information deemed necessary at any given time, with unrestricted access to documentation produced by the Company's other boards and committees, and may request any information considered necessary from them; and
b. may request any information deemed necessary from the Company's employees.

The AEC meets at least once a year, whenever it is convened by initiative of its Chairman or by any of its members. Decisions made and explanations of vote in meetings of the Appointments and Assessment Committee shall be recorded in meeting minutes, drawn up by the Company's Secretary or his/her substitute, which shall be signed by all Committee members in attendance at the meeting and disclosed to the Company's other boards and committees.

In preparation for the 2019 General Meeting, the Company ensured that the proposals for electing new members of the corporate bodies were accompanied by reasons as to whether their profile, knowledge and curriculum were appropriate to the function to be performed, taking into account the combination of qualifications, knowledge, professional skills and experience, independence, integrity and availability required for the performance of their duties, as well as the requirements of diversity, paying particular attention to gender.

Ethics Committee

The Board of Directors resolved, for the three-year period of 2019/2021, 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:	José Pereira Alves

Under the terms of the Ethics Committee Regulations, as approved on 10 October 2019, the Ethics Committee is responsible, inter alia, for:

[12] He resigned on 23 January, 2020.

[13] He resigned on 23 January, 2020.

- Receiving and responding to clarification requests and expressions of concern involving the Ethics Code, via an email created for this purpose;
- Analysing, discussing and evaluating clarification requests and expressions of concern vis-à-vis the Code of Ethics or its fulfilment which have been submitted to supervisors, to the Human Resources Department or to the dedicated email created for this purpose;
- Requesting that internal auditing investigate whatever is required at any given time, within the scope of its powers;
- Drawing up opinions on measures to be taken in the wake of these investigations;
- Promoting and monitoring the Code of Ethics' implementation, namely with regard to communication, awareness and training initiatives for employees, suppliers and partners with a view to strengthening 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;
- Drawing up and submitting annual activity reports to the Board of Directors;
- Answering questions with regard to matters addressed in the Code, including but not limited to clarifications on matters within the jurisdiction of the Fiscal Board under the Whistleblowing Regulations, or other legal powers of this board, as opposed to those under the jurisdiction of the Ethics Committee under the Code of Ethics;
- Drawing up an annual activity report to address the Company's commitments in the area of sustainability.

To exercise the powers referred to in the above paragraphs, the Ethics Committee may, for the strict purpose of performing its duties and in compliance with applicable legal limits, access the documentation produced by the Company's other boards and committees, and may request any information or clarifications deemed necessary from the members of these boards and committees and from employees of the Company.

The Ethics Committee is able to receive requests for clarification or concerns related with the Code of Ethics and its compliance, submitted 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 resolutions of the Ethics Committee are taken by a majority or, in the event of a tie, by the casting vote of its Chairman. Decisions made and explanations of vote in meetings of the Ethics Committee shall be recorded in meeting minutes, drawn up by the Internal Auditing Manager, which shall be signed by all Committee members in attendance at the meeting and disclosed to the Company's other boards and committees.

The Ethics Committee holds ordinary meetings once a year and extraordinary meetings whenever it is convened by its Chairman, or by any of its members and is assisted by the Internal Audit Director.

The Ethics Committee held three meetings during 2019. The main focus of these meetings was to: (i) assess the situations and documents submitted to this committee, including 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 2018.

In exercising their duties and powers, each member of the Ethics Committee must guide their actions by standards of care, professional diligence and loyalty, and must also be bound by the duties of confidentiality, particularly with regard to inside information. In the exercise of their duties and powers, they should comply with the rules to which the Company is subject in respect of the disclosure of information.

With a view to preventing conflicts of interest, Ethics Committee members shall notify the Chairman of the Committee, who shall then notify the remaining members, whenever there exists a potential or actual conflict of interest of a member, individually, with a third party, or as defined in the Company's Code of Ethics. Where the Ethics Committee or the member concerned concludes that a conflict of interest has been established, the member shall not participate in the respective decision-making process, without prejudice to the duty to provide information and clarification requested. In particular, they: (i) shall not receive information on such a topic (including preparatory information that is sent in advance of a meeting at which such an item will be discussed and voted upon); (ii) shall refrain from discussing the topic with other members; (iii) shall not be present at the discussion and vote on the topic in question.

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) Fiscal Board; and

b) 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 08 May 2019, the following members were elected as members of the Fiscal Board, for the three-year period of 2019/2021:

Chairman:	José Pereira Alves
Member:	Patrícia Teixeira Lopes

Member: Paulo Cardoso Correia Mota Pinto

Alternate: Ana Luísa Nabais Aniceto da Fonte

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, is 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 08 May 2019, the following were elected as full and alternate Statutory Auditors, for the three-year period of 2019/2021:

Permanent: Ernst & Young Audit & Associados, SROC, S.A. (ROC No. 178), represented by Sandra e Sousa Amorim (ROC No. 1213).

Substitute: Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC No. 1258)

32. Identification of independent members

In the light of the criteria laid down in article 414(5) of the CSC, the Fiscal Board is currently comprised of two independent members, José Pereira Alves e Patrícia Teixeira Lopes.

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:

José Pereira Alves

Qualifications

- Degree in Economics from Universidade do Porto, Faculty of Economics.

Professional experience

- He started his professional activity in 1984 as an audit officer at the international audit firm Coopers & Lybrand and was responsible for the implementation and control of several financial audits, analysis of internal control systems and accounting procedures.
- In 1990, after a professional qualification examination, he became a Chartered Accountant, registered on the official list of the then Chamber of Chartered Accountants and became an employee of the Audit Firm Boto, Amorim & Associados, SROC. In 1993, he became a partner of Bernardes, Sismeiro & Associados, SROC.
- On 1 January 1994 he became a partner in PricewaterhouseCoopers (PwC), and for over 22 years was responsible for the coordination of audit work and auditing of accounts for several groups, including Amorim, RAR, Salvador Caetano, Nors, Ibersol, TAP, CTT, Semapa and Jerónimo Martins.
- Between 2001 and 2003 he joined the Territory Leadership Team, PwC's management body in Portugal, taking responsibility for the areas of Learning & Development and Audit Methodology.
- From 1 July 2007 he joined PwC in Portugal as Territory Human Capital Partner, as well as being responsible for the area of Knowledge Management.
- Between 1 July 2011 and 30 June 2015, he assumed the leadership of PwC in Portugal, as Territory Senior Partner (President).
- On 30 June 2016 he ceased to be a member of PwC Portugal.
- Since February 2017 he has been Chairman of the Supervisory Board of Sonaegest - Sociedade Gestora de Fundos de Investimento, S.A.
- From March 2017 to December 2018 he was a Member of the Supervisory Board of Gestmin SGPS, S.A.
- Since June 2018 he has been a Member of the Supervisory Board of GMG - Grupo Manuel Gonçalves, SGPS, S.A.
- Since October 2018 he has been Chairman of The Supervisory Board of Fladgate Partnership, S.A.
- Since April 2019 he has been Chairman of the Supervisory Board of Galp Energia, SGPS, S.A.
- Since May 2019 he has been Chairman of the Supervisory Board of NOS, SGPS, S.A.
- He was responsible for the coordination of the Post-Graduate Qualification in Auditing at ISAG between 2000 and 2002.
- He was a faculty member on the MBA in Finance at the Faculty of Economics of Porto University between 2004 and 2008.
- He is a member of the Senior Board of the Portuguese Institute of Statutory Auditors.

Patrícia Teixeira Lopes

Qualifications:

- Ph.D. in Business Science from Universidade do Porto, Faculdade de Economia (FEP), 2007, Doctoral Thesis on: "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.

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.

Ana Luísa Nabais Aniceto da Fonte (Alternate)

Qualifications:

- She has a degree in Business Management and Administration from the Faculty of Economics and Management of the Universidade Católica Portuguesa.
- Advanced Training in Taxation by the Universidade Católica Portuguesa.
- Member of the Portuguese Institute of Statutory Auditors and the Portuguese Chartered Accountants Association.

Professional experience:

- She began her professional career as an auditor in 2001 at PricewaterhouseCoopers - PwC. In 2007, she joined the Mozambique office of Ernst & Young - EY where she assumed responsibilities for several audit and consulting projects, including the implementation of the International Financial Reporting Standards in the business sector. She has also provided support to various financial and non-financial sector entities in the implementation of these standards. In 2010 she returned to Portugal and, until 2016, worked at Grant Thornton's Porto office. She is currently a partner of the Audit Firm Ana Fonte & Associados.
- She is a member of the Supervisory Board of Sonae Indústria, SGPS, S.A. and of SDSR - Sports Division SR, S.A.
- She is a member of the Fiscal Board of the Sociedade Gestora dos Fundos de Pensões do Banco de Portugal, S.A. (Banco de Portugal's Pension Fund Managing Company);
- Representative of the Portuguese Institute of Statutory Auditors in the Young Professionals working group of Accountancy Europe.
- She is the assistant to the Director of the Northern Regional Services of the Portuguese Institute of Statutory Auditors.
- Since 2016, she has collaborated with the technical department of the Portuguese Institute of Statutory Auditors in the revision of regulations applicable to the profession.
- Since 2011 she has been teaching the audit modules of the Preparation Course for Chartered Accountants and she is also a trainer for several audit training sessions organised by the Portuguese Institute of Statutory Auditors as part of the continuous training of Chartered Accountants.
- In collaboration with the Portuguese Institute of Statutory Auditors, she is an audit trainer on the preparation course for Admission to the College of Certified Auditors of the Mozambican Order of Accountants and Auditors.
- She is a lecturer in auditing on the Degree in Management as well as on the Master's Degree in Auditing and Taxation at the Universidade Católica Portuguesa.

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 4 September 2019, which is available for consultation on the Company's website at 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 performing its duties pursuant to the law and articles of association, the Fiscal Board shall be specifically responsible for:

a) Overseeing the management of the Company, including an annual assessment of the Company's fulfilment of the strategic plan and budget, risk management, the internal operation of the Board of Directors and its committees, and the relationships between the Company's bodies and committees;

b) With regard to its powers granted by law, monitoring, assessing and giving its opinion on the risk policy and guidelines established by the managing board;
c) Ensuring that the law and the Articles of Association are observed;
d) Verifying the accuracy of the books, accounting records and their supporting documentation;
e) Verifying, when convenient and in the manner deemed appropriate, the extent of cash and stocks of any kind of goods or amounts belonging to the Company or received by the Company as a guarantee, deposit or other security;
f) Verifying the accuracy of accounting documents;
g) Verifying whether the accounting policies and valuing criteria adopted by the Company lead to the correct valuation of the assets and the results;
h) 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;
i) Calling the General Meeting of Shareholders, when its Chairman fails to do so as required;
j) Overseeing the process for the preparation, processing and timely disclosure of information, particularly financial information (including the suitability of accounting policies, estimates, judgements, relevant disclosures and their consistent application between years, in a duly documented and communicated manner), and giving recommendations or proposals to ensure their integrity;
k) Supervising the auditing of the Company's financial individual and consolidated statements, particularly their implementation, taking into account possible information, observations and conclusions of the CMVM;
l) 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;
m) Assessing the operating status and effectiveness of the risk management system, internal control system and internal auditing system, and overseeing their effectiveness, proposing any adjustments deemed necessary, and serving as the recipient of their reports to ensure that risks actually assumed by the Company are consistent with the goals laid out by the Board of Directors or by the Executive Committee;
n) Receiving notifications of irregularities ("whistleblowing") submitted by shareholders, Company employees or others, and informing the Company entity responsible for handling the reported irregularity;
o) Serving as the main spokesperson of the external auditor, statutory auditor or statutory auditing firm, and the first recipient of their respective reports, and being specifically responsible for proposing their remuneration and ensuring that suitable conditions exist within the company for the performance of these services;
p) Annually assessing the external auditor, statutory auditor or statutory auditing firm, and proposing, to the competent body, their dismissal or the termination of their service provision agreement whenever justified grounds exist for this purpose;
q) Selecting the statutory auditors or statutory auditing firm to be proposed to the General Meeting of Shareholders, with a justified recommendation on its preference for one of them, pursuant to article 16 of Regulation (EU) No 537/2014 of 16 April 2014;
r) Verifying and monitoring the independence of the statutory auditor, including the receipt of the formal written confirmations provided for in articles 63 and 78 of the bylaws of the Portuguese Statutory Auditor's Association (Ordem dos Revisores Oficiais de Contas) and, in particular, verifying the appropriateness and approving the provision of other services beyond auditing, pursuant to article 5 of Regulation (EU) No 537/2014 of 16 April 2014;
s) Issuing a prior opinion on significant business deals with qualified shareholders, with entities in any relationship with them pursuant to article 20 of the Portuguese Securities Code (CVM) or other related parties, pursuant to the terms of Company regulations, approved by the Board of Directors by proposal of the Fiscal Board;
t) Certifying whether the report published on the corporate governance structure and practices includes the items referred to in article 245- A of the Portuguese Securities Code (CVM);
u) Carrying out any other duties required by law or by the Articles of Association.

The Fiscal Board shall also be responsible for:

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 wholeness of the accounting documents, and other financial information for which the law determines the involvement of the Fiscal Board;
b) Notifying the managing board of the results of the legal certification of accounts, and explaining how it contributed towards completing the process of preparing and disclosing financial information, together with the role played by the Fiscal Board in this 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 announcements of the quarterly accounts, or to be submitted by the Company to any competent supervisory authority.
d) Giving its opinion on work plans and resources allocated to internal control areas, including control of compliance with norms applicable to the Company (compliance services) and internal auditing norms, and serving as the recipient of the reports prepared by these areas, at least when involving matters related to the rendering of the accounts, identifying and resolving conflicts of interest and detecting potential irregularities;

To carry out its duties, any member of the Fiscal Board may, individually or jointly:

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 meetings of the management, whenever deemed convenient.

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 of conscientious and impartial oversight, without using the information accessible to them as a result of their duties for their own personal advantage;
b) The duty to participate in meetings of the Board of Directors when summoned to do so by the Chairman of the Board of Directors, to participate in meetings of the Board of Directors in which the annual accounts and preliminary announcements of quarterly results are assessed, and to attend the General Meeting of Shareholders;
c) The duty to maintain confidentiality with regard to facts and information of which they become aware during their oversight activities, except when obliged to report criminal activities to the competent authorities, and to notify the first ensuing General Meeting of Shareholders of all irregularities and inaccuracies found and clarifications requested and obtained to this end;
d) The duty to notify the Company, with reasonable advance notice or, if unforeseeable, immediately, of any circumstance affecting their independence and impartiality, or resulting in legal incompatibility for the holding of their position;
e) The duty to promptly notify the Chairman of the Fiscal Board of facts which may constitute or give rise to a conflict between their interests and those of the company, pursuant to the terms of the following paragraph;

f) 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.

With a view to preventing conflicts of interest, Fiscal Board members shall notify the Chairman, who shall then notify the entire Board, whenever exists a potential or actual conflict of interests of a Fiscal Board member, individually or through third parties, with regard to any matter, as laid out in the Company's Code of Ethics.

Under the circumstances referred to in the above paragraph, if the Fiscal Board or the member in question concludes that a conflict of interests exists, even if it is a potential conflict of interests, the member in question shall not interfere in the respective decision-making process, notwithstanding the obligation to provide any information and clarifications requested, namely:

a. The member should not receive information with regard to the matter (namely preparatory information sent before the meeting in which the matter will be discussed and voted on);
b. The member should refrain from discussing the matter with other Fiscal Board members;
c. The member should not be present during the discussion and voting on the matter in question.

As part of verifying the adequacy of the process of preparing and disclosing financial information by the Board 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, through the Board Audit and Finance Committee, information necessary for the exercise of its activity, namely information regarding operational and financial changes in the company, changes in the composition of its portfolio, the terms of operations carried out and the content of the decisions taken (including the minutes, the supporting documentation for the decisions taken, the convening notices and the archive of Executive Committee meetings).

The Fiscal Board, whenever it deems it necessary, may request from the heads of the various departments, directors and other employees, the information or clarifications it requires for the performance of its functions, namely in the course of company operations or activities or on any of its businesses, for the purpose of evaluating the company's performance, situation and development prospects.

The Fiscal Board shall ensure the flow of information, in a prompt and adequate manner, from its meeting notices and minutes, as needed for the Company's remaining bodies and committees to exercise their powers under the law and articles of association. The Fiscal Board, whenever it deems necessary, shall request the following 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.

The Fiscal Board shall obtain, each year from the internal auditor, information on the internal auditing plan to be carried out and a periodic summary of its main findings, in addition to receiving internal auditing reports.

The Fiscal Board shall keep written records of irregularities addressed to it, taking the necessary appropriate measures with the management, internal auditing and/or external auditing, and shall use them to draw up its report, pursuant to the Company's Regulations, while safeguarding the confidentiality of information conveyed and the identity of the whistle-blower, whenever requested.

In the performance of its duties, the Fiscal Board shall be assisted by the General Secretary, Internal Control and Auditing and the Administrative and Finance Department, and may request from the Board of Directors, when deemed necessary for the performance of its duties, the involvement of one or more of its members with experience in the areas within its remit, to provide information and perform work with a view to justifying the respective analyses 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 in disagreement with decisions made shall state the reasons for their disagreement in the meeting minutes.

During the year of 2019, the Fiscal Board met 11 times in person and 2 times by be electronic means and all its members were present:

<u>Attendances from 1 January to 8 May 2019</u>

	Attendance at the meetings of the Audit Committee
Paulo Cardoso Correia da Mota Pinto	6P
Eugénio Luís Lopes Franco Ferreira[*1]	6P
Patrícia Teixeira Lopes	6P

P – Present.

*1 Mandate ended 31 December 2019

<u>Attendances from 8 May to 31 December 2019</u>

	Attendance at the meetings of the Audit Committee
José Pereira Alves	7P
Paulo Cardoso Correia da Mota Pinto	7P
Patrícia Teixeira Lopes	7P

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:

- Selecting the statutory auditors or statutory auditing firm to be proposed to the General Meeting of Shareholders, with a justified recommendation on its preference for one of them, pursuant to article 16 of Regulation (EU) No 537/2014 of 16 April 2014;
- 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 4 September 2019 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 the different audit services that cannot be carried out by the Statutory Auditor and the procedures to assure its independence. 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.

To this end, the engagement of audit services requires the appointment of the Statutory Auditor by the General Meeting of the Company, upon the proposal of the Fiscal Board duly substantiated to verify the independence of the proposed audit service providers, taking into account:

i. Economic and commercial relations with the Company.

ii. Independence policies and procedures adopted by audit service providers.

Unless a renewal is involved, the proposal of the Fiscal Board shall be drawn up following a selection procedure which respects the criteria laid down in Article 16(3) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014.

The Fiscal Board 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 by due cause. As part of the annual evaluation, the Fiscal Board shall take into account the following principles: (i) an auditor cannot audit their 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 their 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 safeguarding 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.

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 entity responsible for handling the irregularity reported;
- Issues a prior opinion on relevant business activities with qualifying shareholders, or entities with whom they are in any relationship, according to article 20 of the Portuguese Securities Code;
- Oversees and gives its opinion on the Company’s annual report and accounts, including its scope, preparation and disclosure, and the faithfulness and completeness of the accounting documents, together with other financial information requiring the Fiscal Board’s involvement pursuant to the law;
- 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.

Under the terms of the Regulations of the Fiscal Board approved on 4 September, 2019, the Fiscal Board is also required to give its opinion on the work plans and resources allocated to the internal control services, including the control of compliance with the standards applied to the company (compliance services) and internal audit. In particular, the internal committees responsible for internal control and compliance services shall submit reports to the Fiscal Board, at least in matters relating to accountability, 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 8 May 2019, the following were elected as full and alternate Statutory Auditors for the three-year period 2019/2021:

Permanent: Ernst & Young Audit & Associados, SROC, S.A. (ROC no. 178) represented by Sandra e Sousa Amorim (ROC no. 1213)

Substitute: Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC No. 1258)

40. Number of years working for the Company

The Statutory Auditor, full and alternate, was elected for the first time on the 23 April 2014 General Meeting, to complete the current term of office corresponding to the three-year period 2013/2015, and the alternate at the General Assembly of 8 May 2019.

Thus, new full and alternate Statutory Auditors began their functions in the Company in 2014, having consecutively served the Company for approximately 6 years.

41. Description of the services provided

On 31 December 2019, 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 2019, 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 Pedro Jorge Pinto Monteiro da Silva e Paiva (ROC no.1258).

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 6 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 assessment 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 above, on 4 September 2019, the Fiscal Board approved a new version of the Regulation for the Provision of Services by External Auditors that defines the regulations applicable 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.

However, services required by law from the External Auditor are included in the separate audit services, which should not be considered for the purposes of the limit on separate audit services provided by the External Auditor.

In 2019 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:

a) 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;
b) Services involving any participation in the management or decision-making of the audited entity;
c) Preparation and issuance of accounts and accounting records;
d) Wage processing services;
e) 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;
f) Evaluation services, including evaluations of actuarial services or litigation support services;
g) 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;
h) Services relating to the internal audit of the audited entity:
i) 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 account's reliability assurance, such as the issuance of 'comfort letters' relating to prospectuses issued by the entity audited;
j) The promotion, negotiation, or underwriting of shares in the audited entity;
k) 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 2019, 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	53%	155 728	58%	181.248	57%
Non-audit services	1 920	4%	102 900	38%	104.820	33%
Non-audit services required by law	21 000	43%	12 000	4%	33.000	10%
NOS	**48 440**	**100%**	**270 628**	**100%**	**319 068**	**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 2019, the non-auditing services represented 56% 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)), amendments 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 established internal mechanisms for detecting and preventing irregularities, which include the implementation of the Internal Control Manual and Fraud and Corruption Management procedures and, in general, its risk control system, better described in paragraphs 50 and following. NOS also 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 19 July 2019.

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 an ethical 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, officers 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 at 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.

Any evidence of irregularities should be reported in writing, marked as "confidential", and sent to the Fiscal Board, via letter to the postal address exclusively for this purpose (Apartado 14026 EC, 5 de Outubro, 1064-001 Lisbon), or via email to comunicar.irregularidades@nos.pt; the chosen reporting method shall be at the whistle-blower's discretion.

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.

Once recorded, reports shall undergo a preliminary analysis to certify their degree of credibility, the irregular nature of the conduct reported, the viability of the investigation and identities of the persons involved or persons requiring cross-checking or questioning due to their knowledge of relevant facts.

The report of the preliminary analysis shall conclude 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. In addition, the Fiscal Board may hire external auditors or other experts to assist in the investigation, when the specific nature of the matters in question so justify.

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:

I. . Entities	I. . Responsibilities
Board of Directors	Define the strategy and main policies of the Organisation. Decide on matters which should be regarded as strategic by virtue of their value, risk or particular characteristics. Supervise the internal control and risk management system within the Organisation, and delegate its creation and operation to the Executive Committee.
Executive Committee	Create and ensure the functioning of the Organisation's internal control and risk management system, using the powers delegated by the Board of Directors. Discuss and approve the risk assumption objectives, including risk acceptance levels, approve the NOS strategic plans and risk management policies in order to ensure that the risks effectively incurred are consistent with those objectives, and respect the strategies and policies established by the Board of Directors. Make proposals to the Board of Directors on matters pertaining to the Organisation's internal control and risk management which are considered strategic.
Areas	Implement the internal controls and risk management specific to each department of the NOS business units, as part of their responsibility for the Organisation's corporate or functional processes. Form specific risk management teams, such as risk committees or working teams, necessary for the development of certain risk management programmes. These may include an Executive Committee officer, a Steering Committee of Directors and various Pivots/Champions representing the business units.
Risk Management	Promote awareness, measurement and management of business risks that interfere with the achievement of objectives and the creation of value for the Organisation. Contribute with tools, methodologies, support and know-how for the different areas. Promote and monitor the implementation of programmes, projects and actions designed to bring risk levels closer to the acceptable limits established by the Company's management.
Internal Audit	Assess risk exposure and check the effectiveness of risk management, of the internal controls on business processes, and information and telecommunications systems. Propose measures to improve internal controls, to achieve more effective management of business and technological risks. Monitor changes in risk exposure associated with the main findings and non-conformities identified in the audits. Report to the Fiscal Board regarding these matters.
External Audit (Statutory Auditor)	Check the effectiveness and functioning of internal control mechanisms and report the weaknesses identified to the Fiscal Board. Audit the Company's accounts, issue the corresponding legal certification for the accounts and an audit report, as part of its public interest functions.
Fiscal Board	Evaluate the functioning of the internal control and risk management systems and the internal audit system, as the supervisory body with legal and statutory responsibility for these matters. Give an opinion on the work plan and the resources allocated to the Internal Audit services. Serve as the main spokesperson for the External Audit, be the first recipient of their reports, and be responsible for proposing remuneration and ensuring that suitable conditions exist within the company for the performance of these External Audit services. Annually assess the External Auditors and propose their dismissal or the termination of their service provision agreement to the competent body, whenever justified grounds exist for this purpose. Assess the degree of internal compliance and the performance of the risk management system, in particular as the recipient of: (i) the reports on the external audit's assessment of the internal control system (ii); the annual report on the Internal Control Manual prepared by the Organisation.
Audit and Finance Committee	As a specialised committee, advise the Board of Directors on certain matters, including those relating to the functions of External Audit, Internal Audit and Risk Management, thereby reinforcing, in a complementary manner, the monitoring of these matters which is carried out by the Fiscal Board.

As an integral part of the risk management system, the Company must have corporate management specialised in risk matters, the Internal Audit and Risk Management Department, which has the following mission and objectives:

- To contribute to the effective management of NOS business risks;
- To support the Company in achieving its objectives, adding value and improving the Company's operations, through a systematic and disciplined approach to assessing and helping to improve the effectiveness of risk management, internal control and Corporate Governance processes.

The Risk Management areas have the following scope of activity:

- Develop and propose Risk Management Policies for the Organization;
- Coordinate the Enterprise Risk Management (ERM) methodology;
- Coordinate the development and maintenance of the Information Security and Personal Data Protection (ISM) and Business Continuity (BCM) Programmes;

- Coordinate other cross-cutting programmes or projects to provide the organization with adapted processes and their internal controls to manage risks;
- Perform risk assessments and analyses, covering one or several NOS entities or certain key business processes;
- Review, assess and adapt the internal control manuals implemented in the main NOS businesses;
- Undertake 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";
- Carry out continuous risk monitoring, through the monitoring of corrections and improvements, as well as through key indicators in some business processes.

The Internal Audit areas have the following scope of activity:

- Perform assurance audits of processes and systems, compliance audits of the Internal Control Manual (functional and ICT controls), incident or complaint clearance audits, as well as some independent and objective consulting work;
- Carry out its duties under the Internal Audit Charter. These duties are governed by the guidelines of the Institute of Internal Auditors (IIA), including the establishment of internal auditing, the Code of Ethics and the International Standards for Internal Audit Professional Practice (IIA Standards);
- Develop and base the annual Internal Audit Plan on the Company's annual Action and Resource Plan and prioritise audit work, using a risk-based methodology that should integrate Enterprise Risk Management (ERM) results and should consider the roadmap for coverage of business processes, information and telecommunications systems, and legal obligations;
- For the Internal Audit Plan, take into account the contributions of the Executive Committee, other top management members, the Audit and Finance Committee and, separately, the Fiscal Board, which has the legal and statutory authority to pronounce on the work plan and resources allocated to the Internal Audit services.

In accordance with good international practices, the Internal Auditing and Risk Management teams have the majority of their staff certified in audit standards and in risk management methods, involving 25 certifications in total, including:

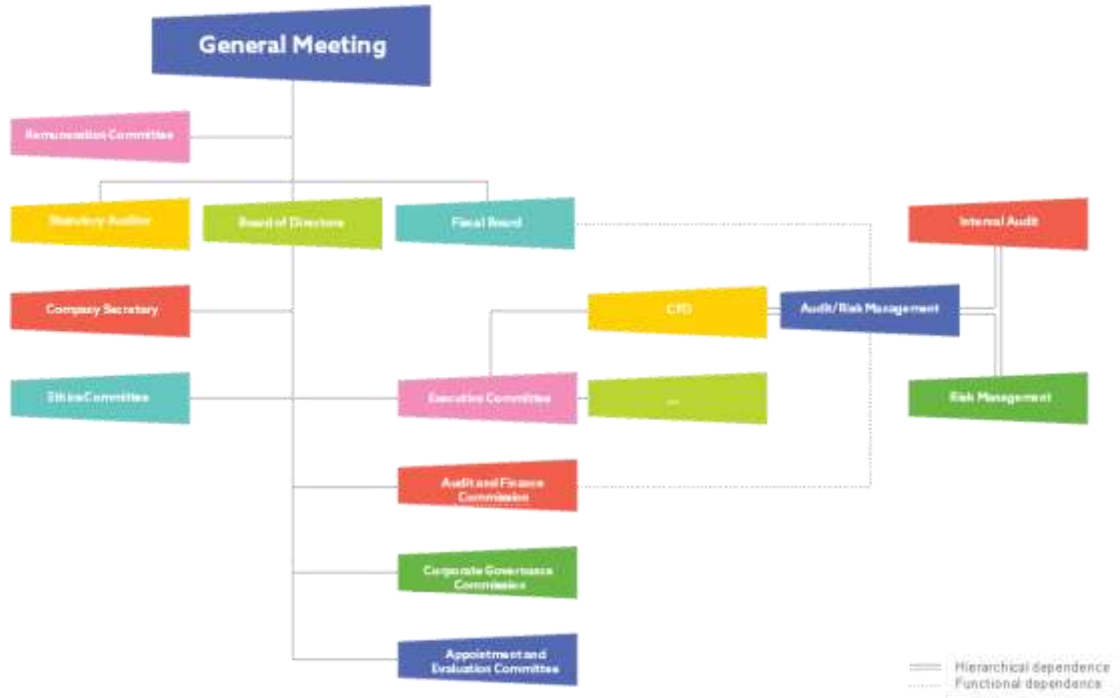
- Certified Internal Auditor (CIA)
- Certified in Control Self-Assessment (CCSA)
- Certified Information System Auditor (CISA)
- ISMS Lead Auditor (ISO 27001 LA)
- Lead Risk Manager (ISO 31000 LRM)
- Certified Continuity Manager (CCM)
- Associated Business Continuity Professional (ABCP)
- ISMS Lead Implementer (ISO 27001 LI)
- Certified in Risk and Information Systems Control (CRISC)
- ITIL Foundation (ITIL)
- COBIT 5 Foundations (COBIT)
- Project Management Professional (PMP)
- Certified Project Management Associate (CPMA)

51. Relationships with other bodies or committees

The hierarchical and functional relationships are as follows:

- Internal Auditing and the Risk Management report hierarchically to the NOS Executive Committee, specifically to the CFO (*Chief Financial Officer*).
- Internal Audit and Risk Management (in the Internal Control area) must functionally report to the NOS Fiscal Board which, as a supervisory body with legal and statutory responsibility for assessing the functioning of the internal control and risk management systems and the internal audit system, shall receive the respective reports and must give an opinion on the work plan and resources allocated to the Internal Audit services. The supervisory body shall evaluate the degree of internal compliance and the performance of the risk management system, in particular by receiving the reports on the External Audit evaluation of the internal control system. In addition, the supervisory body should also receive the annual report on the Internal Control Manual (including indicators on effectiveness, coverage, etc.) prepared by the Organization.
- Internal Auditing and the Risk Management (this in the Internal Control part) also report functionally to the NOS Audit and Finance Committee, as the specialised committee 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 monitors the NOS Ethics Committee in its capacity as the 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.
- Risk Management should coordinate the NOS Security & Privacy Team as the core team responsible for coordinating security, privacy and continuity programmes.

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 Company 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 (as part of the Company's strategic plans) and the correspondent budgets and forecasts, in the financial and operational components;
- The Administrative and Financial areas have a central responsibility in managing the risks relating to Financial Information, as described elsewhere in this Report;
- The Legal and Regulatory areas must keep abreast of changes in the applicable legal and regulatory framework and the corresponding risks, given the threats and opportunities they represent for the NOS competitive position in the business areas in which it operates;
- There must be areas dedicated to monitoring specific business communication risks, such as Enterprise Business Assurance teams (usage control, subscription fraud, consumption, content, etc.) and Network and Service Supervision (network and service availability, interruption incident management, etc.);
- The technological areas, including Networks and Information Systems, shall have indicators and alerts for service disruption and security incidents at the operational level;
- 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 various business areas must have internal controls that ensure not only the commitment of the areas to the risk management and internal control environment, but also permanent monitoring of the effectiveness and adequacy of these controls, as well as processes and indicators to monitor operations and KPIs.

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, as part of 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. More recently there have been improvements in the economic and market environment, mainly through output growth. However, the risk of market share (in customers and/or revenues) being affected may persist if the unemployment rate reverses its downward trend, impacting on the variability of private consumption, or if measures to curb public consumption are implemented. NOS has carefully monitored this risk and adopted strategies aiming to increase of clients and counter the drop in revenue visible in the Portuguese telecommunications market. NOS has also been paying attention to the identification of other opportunities, in conjunction with the competition and technological innovation risk response strategies that are described below.
- Competition – This risk is related to the potential reduction in the prices of products and services, reduction in market share, loss of customers, and the increasing difficulty of obtaining and retaining customers. Competition risk management has been carried out through strategies and actions oriented to the client and to products and services, which are described throughout the various sections of the Management Report and also in the Non-Financial Statements, in particular in the sections "Risk Management" and "Ensuring service excellence". NOS is also aware of the consolidation and acquisition moves of its competitors in the communications, content and entertainment industries.
- Technological Innovation – This risk is associated with the need for investment in increasingly competitive services (multimedia services, messaging services, multiplatform TV services, cloud services, infrastructure and information technology services, etc.), which are subject not only to accelerated changes in technology but also to the actions of the players which act outside of the traditional communications market, like the OTT (over-the-top players) Operators. Risk is also related to changes in mobile and fixed network infrastructures and technologies, covering key aspects such as coverage, capacity, speed, security and resilience, highlighting the challenges of technological developments associated with 5G networks. NOS has in place various initiatives on technological transformation which lay the foundation for long-term competitive differentiation. The Company has also been managing this risk through changes and by introducing technologies, services and innovative contents as described in various sections of the Management Report and also in the Non-Financial Statements, namely in the sections on "Risk Management" and "Promoting sustainable innovation".
- Business Interruption and Catastrophic Losses (Business Continuity Management) - Since NOS businesses 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 risks, NOS develops and maintains the BCM - Business Continuity Management programme, as well as other initiatives and actions as described in the Non-Financial Statements, namely in 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 cyber-security risks, NOS develops and maintains the ISM (Information Security Management) programme, as well as other initiatives and actions detailed in the Non-Financial Statements, namely in the "Risk Management" and "Information Security and Privacy" sections.
- Privacy (Personal Data Protection) - Privacy risks are becoming more important, and are mainly associated with changes in the legal requirements and regulations on personal data protection common to all sectors of activity, but particularly applicable to the protection of personal data, which is subject to specific regulations on security and privacy. To address these risks, NOS is developing and maintaining an ongoing programme of initiatives in order to implement Personal Data Protection processes and monitor and continually improve company compliance with the new General Data Protection Regulation and with other

regulations that have an impact on privacy. Some of the most important initiatives and actions are described under the Non-Financial Statements, namely in the "Risk Management" and "Security and Privacy" sections.

- Service Fraud (Management of Communications Fraud) - Customer or third-party fraud is a common risk in the communications sector. Perpetrators of fraud may take advantage of the potential vulnerabilities of the network's business process, the network or of the communications services. In view of this situation, NOS has 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 customer satisfaction, on the potential service disruption and on the Company's revenue. NOS has also joined initiatives run by the GSM Association (GSMA), namely the Fraud and Security Group (FASG).
- Revenue and Cost Assurance (Enterprise Business Assurance) - Electronic communications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenue and costs, from the viewpoint of revenue flows and platform integrity. Billing processes perform revenue controls, with regard to invoicing quality. NOS also has Business Assurance teams that apply processes to control revenue integrity (under-invoicing or over-invoicing) and processes for cost control and use of services to present a consistent chain of revenue and costs, from the moment the customer enters the provisioning systems, through the provision of the communications service and up to the moment 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 responsible 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. In relation to 2019, the final decision on the changes to MEO's reference offer for duct access (ORAC) and pole access (ORAP), the 10% reduction in Ethernet prices for CAM circuits (Azores-Madeira) and 6% reduction for inter-island connections, and the launch of the first public consultation on defining the frequency allocation procedure for 5G should all be highlighted. ANACOM is responsible for ensuring the disclosure and enforcement of community directives and regulations that are directly applicable to the sector. The entry into force of Regulation (EU) 2018/1971, which set maximum prices for making calls and sending written messages between fixed and mobile destinations in the European Union, was noteworthy in 2019. In addition, by the end of 2020, the European Electronic Communications Code, which brings together the four main European directives applicable to the sector into a single document (Framework Directive, Authorisation Directive, Access Directive and Universal Service Directive), should be transposed into national legislation. In addition, the sector regulator is responsible for ensuring operators comply 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) and the aforementioned Regulation (EU) 2018/1971 (which sets maximum prices for intra-EU communications). Further to the specific rules relating to the communications sector, NOS is also subject to horizontal legislation, and in this case may be subject to intervention by, amongst others, the Competition Authority (AdC) and the Portuguese Data Protection Authority (CNPD). 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

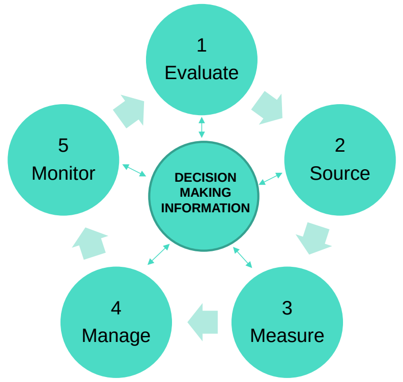
This section indicates the reference methodologies by which risks are managed, including their identification, evaluation, measurement and monitoring.

NOS has a Risk Management Policy that defines the methodologies, the entities involved and their responsibilities.

The methodologies adopted for risk management and internal control take into account the references provided by the bodies responsible for promoting control mechanisms in the markets, including the aforementioned principles and recommendations of the Corporate Governance Code, in alignment with the Companies Code. The methodologies also consider the applicable legal and regulatory requirements. In addition, for internal control aspects relating to ICT (Information and Communication Technologies) frameworks such as COBIT *(Control Objectives for Information and related Technology)* are considered.

The risk management and internal control processes at NOS shall be supported by a consistent and systematic methodology, based on international reference standards such as the *Enterprise Risk Management - Integrated Framework*, issued by COSO *(Committee of Sponsoring Organisations of the Treadway Commission)*.

The diagram below illustrates the main steps of the general NOS risk management methodology, based on the ERM methodology, which can be applied at NOS entity or business process level.



GENERAL RISK MANAGEMENT METHODOLOGY

In line with this general methodology, the management and control of risks are achieved using the main approaches and methods presented below:

CORPORATE RISK MANAGEMENT *ENTERPRISE RISK MANAGEMENT (ERM)*
Approach: This aims to align the risk management cycle with the NOS strategic planning cycle. It allows NOS businesses to prioritise and identify critical risks that may compromise their performance and objectives and take action to manage those risks. The approach provides for periodic risk monitoring and implementation of certain corrective actions.
Method: 1. Identify and evaluate risks that impact the business >> 2. Explore risks and their causes >> 3. Measure risks using indicators >> 4. Manage risk through actions >> 5. Monitor risks

CONTINUOUS MONITORING OF RISKS AND CONTROLS *CONTINUOUS MONITORING (CM)*
Approach: This allows the continuous review of business processes, ensuring in a preventive, proactive and dynamic way the maintenance of an acceptable level of risk and control. The Internal Control Manual systematises and references the controls, facilitating their dissemination and promoting their compliance by the various stakeholders in the Organisation.
Method: 1. Define processes, business cycles and data structure >> 2. Establish control design >> 3. Implement, disseminate and ensure the effectiveness of controls >> 4. Analyse and report status metrics of control implementation >> 5. Monitor action plans and update controls.

Corporate Risk Management

The NOS ERM methodology provides for periodic risk assessments (assessment of the prospects for change in the existing risk framework), allowing different areas of the Organisation to review and prioritise key corporate risks that may compromise their performance and objectives.

- NOS must classify and group risk types using a *Business Risk Model* (BRM). This BRM should incorporate a risk dictionary to identify, in a systematic way, the types of risks that may affect the Organisation (common language), to define and group risks into categories, and help identify their potential causes (risk drivers).
- To assess the risks, criteria for the probability of occurrence and estimated impact shall be applied on a uniform scale.
- The scope of risk assessments may cover one or more NOS entities or cover certain important business processes, for example NOS processes certified under ISO standards management systems.
- The risks are assessed by the appropriate stakeholders for the risk assessment in question, such as members of the Executive Committee, Business Unit Directors and/or area pivots (interlocutors).
- From the range of risks assessed, those that were given an inherent risk value above the risk acceptance level are subject to appropriate processes, initiatives and/or actions to address and mitigate these risks.
- In this Annual Report and Accounts (in the previous section), the Company identifies and describes the main economic, financial and legal risks that NOS businesses are subject to, as well as the corresponding strategies and actions adopted to manage them.

Continuous Monitoring of Risks and Controls

NOS is exposed to risks that are inherent to the business activities it carries out, namely economic, financial and legal risks. Internal Control address these risks by establishing and maintaining controls over the Organization's operations.

Internal Control is a process implemented by the various areas of the Organisation, as part of their responsibility for corporate or functional processes, with a view to providing a reasonable degree of confidence in meeting the following objectives:

- Compliance with established laws, regulations and standards
- Resource efficiency and effectiveness
- Reliability of operations
- Reliability of financial information

The primary support tool in this process is the Internal Control Manual (MCI) which comprises:

- The internal controls: (i) functional controls; (ii) ICT controls; (iii) controls linked to the requirements of ISO standards for certified management systems.
- The evidence that is essential for: (i) the truthfulness of the financial reporting; (ii) compliance and mitigation of the organisation's critical risks.

55. Main features of the internal control and risk management systems related to the disclosure of financial information

NOS recognises that, as with other listed companies with similar activities, it is potentially exposed to risks related to accounting and financial reporting processes. The Company is thus committed to maintaining an effective internal control environment, especially in these processes.

The Company ensures the quality and improvement of the most relevant processes for preparing and disclosing financial statements, in accordance with the accounting principles adopted and bearing in mind the objectives 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 at the corporate level of NOS and in the Group's subsidiary companies are distributed as follows:

- Entity Level Controls are defined in corporate terms, are 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 and applied to NOS subsidiaries, adapted to their specific characteristics, organisation and responsibility for processes.

Given this breakdown, controls relating to the collection of the information that serves as a basis for the preparation of the financial statements are generally located in the departments of each of the subsidiaries; controls related to the processing, registration and accounting archive of this information are located, at corporate level, in the Administrative and Financial 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 captured for processing and that there are no duplicate records;
    ii. *Accuracy*: to ensure that transactions are recorded correctly, including accounting in the period in which they occurred, with an adequate accrual basis;
    iii. *Validity*: this means that all transactions are *valid*, and obey two fundamental criteria: (i) they are appropriately approved in accordance with the delegation of powers and (ii) are related to the normal business of the Company, i.e. they are lawful;
    iv. *Restricted Access*: to ensure that there are appropriate restrictions on access to information, whether in electronic form or any other means of safeguarding assets.

In order to ensure that all those involved in the Company's financial reporting process are aware of the applicable regulations and the technical knowledge required to fulfil their responsibilities, Administrative and Financial Management must, for the most significant situations, prepare a set of documents on the policies and procedures implemented and how they relate to the IFRS (*International Financial Reporting Standards*), as well as addressing potential sources of risk that may materially affect accounting and financial reporting.

Among these potential sources of risk, we would like to highlight 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. For certain transactions with related parties there are value thresholds (defined and disclosed in the Corporate Governance Report) above which the prior opinion of the Fiscal Board must be requested.

NOS adopts various measures to help manage risks and to 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. Corrective action is also included on control procedures considered to be non-compliant as a result of the compliance assessment work carried out by the Internal Audit and External Audit;
- 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 attendance at specialised conferences and by holding roadshows both in Portugal and in the main international financial markets. It frequently meets investors who are visiting Portugal. In 2018, the main Investor Relations events were:

DATE	FORMAT	LOCATION
24/25 January	**Roadshow**	London
29 January	**Roadshow**	Milan
07 February	**Santander Iberian Conference**	Madrid
14 March	**Roadshow**	Lisbon
20 March	**Citigroup European and Emerging Telecoms Conference**	London
21 March	**Roadshow**	London
05 April	**ESN European Conference**	Paris
14 May	**Kepler Cheuvreux European Mid Cap Days**	Paris
16 May	**Roadshow**	London
28 May	**Roadshow**	Frankfurt
28 June	**Roadshow**	Madrid
04 September	**Barclays TMT Forum**	London
05 September	**Deutsche Bank TMT Conference**	London
06 September	**BPI Iberian Conference**	Porto
10 September	**BBVA Iberian Conference**	London
18 September	**Goldman Sachs Communacopia**	NY
25/26 September	**Roadshow**	Scandinavia
08 October	**Roadshow**	Madrid
12 November	**Roadshow**	Paris
13/14 November	**Morgan Stanley TMT Conference**	Barcelona
26 November	**Roadshow**	Geneva
27 November	**Roadshow**	Viena
05 December	**Roadshow**	Bilbao

The composition of the Investor Relations Department is the following:

Maria João Carrapato
Investor Relations Director
NOS 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 Actor António Silva, nº 9
1600 - 203 Lisbon (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 2019, 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 on internal changes 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:

- 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, Appointment and Evaluation Committee as well as the Ethics Committee);
- Identity of the members of the Company bodies;
- Investor Relations Department, including, identity of the representative 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 2019 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 Annual General Meeting, on 08 May 2019, a Remuneration Committee was appointed for the three-year period 2019/2021.

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 2019, 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 2019, the Remuneration Committee did not engage any services to support the performance of its duties.

The Remuneration Committee met 3 times in 2019, 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 Remuneration 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 a NOS General Meeting on 8 May 2019, in compliance with article 2 of Law no. 28/2009, of 19 June a general outline of which is given below.

In line with the best practices and recommendations on corporate governance, the Remuneration Committee was present at the aforementioned NOS General Meeting in order to provide information and clarification to the shareholders.

The Remuneration Committee statement also contains the number of shares granted and the main conditions for exercising rights.

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 defence 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 2019, 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.

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 deferred 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 Remuneration Committee, with regard to the executive members, limited 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 position of the year n+3 should be determined based on the accounting rules used in year n, to ensure comparability.

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 from 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 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.

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 2019, 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 remuneration

77. Remuneration of Directors

During the course of 2019, the Directors' remuneration was as follows:

NAME	FIXED REMUNERATION	COMPANY'S PROFIT SHARING	2019 TOTAL
EXECUTIVE DIRECTORS			
MIGUEL NUNO SANTOS ALMEIDA	617 080	325 863	942 943
JOSE PEDRO FARIA PEREIRA DA COSTA	435 520	228 269	663 789
ANA PAULA GARRIDO PINA MARQUES	377 600	202 244	579 844
JORGE FILIPE PINTO SEQUEIRA DOS SANTOS GRACA	306 560	163 206	469 766
LUIS MOUTINHO DO NASCIMENTO	327 600	176 219	503 819
MANUEL ANTONIO PORTUGAL RAMALHO EANES	356 560	189 231	545 791
NON-EXECUTIVE DIRECTORS			
ANGELO GABRIEL RIBEIRINHO SANTOS PAUPERIO	75 000	-	75 000
ANTONIO DOMINGUES	55 000	-	55 000
ANTONIO FREDERICO LOBAO FERREIRA CORREIA TELES	32 463	-	32 463
ANTONIO BERNARDO ARANHA GAMA LOBO XAVIER	60 000	-	60 000
CATARINA EUFEMIA AMORIM DA LUZ TAVIRA	50 791	-	50 791
JOAO PEDRO MAGALHAES DA SILVA TORRES DOLORES	55 000	-	55 000
JOAQUIM FRANCISCO ALVES FERREIRA DE OLIVEIRA	50 791	-	50 791
MARIA CLAUDIA TEIXEIRA AZEVEDO	50 791	-	50 791
JORGE MANUEL DE BRITO PEREIRA	140 000	-	140 000
MARIO FILIPE MOREIRA LEITE DA SILVA	75 000	-	75 000
PAULA CRISTINA FIDALGO CARVALHO DAS NEVES OLIVEIRA	37 259	-	37 259
LORENA SOLANGE FERNANDES DA SILVA FERNANDES	16 794	-	16 794
	3 119 809	**1 285 032**	**4 404 841**

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 2019, rights will be allocated under NOS 2020-2023 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 73.

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	79.803
JOSE PEDRO FARIA PEREIRA DA COSTA	55.902
ANA PAULA GARRIDO PINA MARQUES	49.529
JORGE FILIPE PINTO SEQUEIRA DOS SANTOS GRACA	39.969
LUIS MOUTINHO DO NASCIMENTO	43.155
MANUEL ANTONIO PORTUGAL RAMALHO EANES	46.342
	314.700

[1] The final number of rights to shares to be granted shall be determined on the basis of the average closing price, weighted by the respective volume of the shares in the 15 sessions preceding 31 March 2020.

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 2019 performance, including the Company's profit sharing or the payment of other components of the variable remuneration, are described in item 71.

80. Compensation to former Executive Directors

In 2019 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 2019, was as follows:

NAME	FIXED REMUNERATION
FISCAL BOARD	
JOSE PEREIRA ALVES	29 184
PAULO CARDOSO CORREIA DA MOTA PINTO	40 543
PATRICIA ANDREA BASTOS TEIXEIRA LOPES COUTO VIANA	30 000
EUGENIO LUIZ LOPES FRANCO FERREIRA	10 543
	110 270

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 2019, 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. Action Plans

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 employees, 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.

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 if the beneficiary is a member of NOS Executive Committee.

The period for the vesting of shares under this Plan is three years from the date of grant, i.e., their effective delivery, and consequent availability will only occur after three years have elapsed since the respective grant. For the executive members of the Board, the conditions of positive performance, as described in paragraph 71 above, must additionally be met for their appointment.

87. Share plans for 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, considering 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 2019, the plans that allow the delivery of shares are the following:

	NUMBER OF SHARES
NOS PLAN	
Plan 2017	856 299
Plan 2018	866 098
Plan 2019	739 162

During the financial year ended on 31 December 2019, the movements under the Plans are detailed as follows:

	NOS PLAN 2016	NOS PLAN 2017	NOS PLAN 2018	NOS PLAN 2019	TOTAL
BALANCE AS AT 31 DECEMBER 2018:	**729 519**	**836 519**	**844 391**	**-**	**2 410 429**
MOVEMENTS IN THE PERIOD:					
Awarded	-	-	-	702 577	702 577
Vested	(599 677)	(26 325)	(23 478)	(7 144)	(656 624)
Cancelled / elapsed / corrected (1)	(129 842)	46 105	45 185	43 729	5 177
BALANCE AS AT 31 DECEMBER 2019:	**-**	**856 299**	**866 098**	**739 162**	**2 461 559**

(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 2019, liabilities for these plans are 6,334 thousand euros and are recorded under Reserves, in the amount of 4,891 thousand euros, for the plans settled in shares, and in Accruals of Costs, in the amount of 1,443 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 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 2019 can be found in Note 44 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 whose value per transaction exceeds a particular level set forth in the Regulations and is 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 give notice that NOS shall adopt 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 following table presents: i) the IPGC Recommendations on Corporate Governance, in the version published in 2018; ii) the corresponding level of observance by NOS, as at 31 December 2019 and justification of recommendations not applicable or not adopted; and, also iii) reference to 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

As further detailed in the table below, NOS adopts all of the recommendations contained in the Corporate Governance Code applicable to it (including recommendations II.4. and III.9 (ii), through *explaining* that it considers equivalent to adoption), with the exception of recommendations I.2.1, III.1., III.4., V.2.1. and V.4.2. NOS understands that recommendations II.5, III.5, III.7, V.2.3 (iv) and (v), V.2.4. (i), V.3.4, V.4.3 and VII.2.4 mentioned in the Code do not apply to it, for the reasons also explained below.

3. Other information

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 consultation of the Code of Ethics of the Company, available at http://docs-institucional.nos.pt/Codigo-Etica/.

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.

Annex I - RGS 2019 Compliance Analysis

	CORPORATE GOVERNANCE CODE	AVALIAÇÃO	CGS REFERENCE / 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 companies			
I.1.	Company's relationship with investors and disclosure *Principle: Companies, in particular their directors, should treat shareholders and other investors equitably, 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, 22, 28, 29, 34, 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 their 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-making structures and ensure a maximum effectiveness of the functioning of their governing bodies and committees.*		
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.	Not Adopted	
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — specifically regulating the performance of their duties, their Chairmanship, frequency 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, 27, 29, 34 and 67
I.2.3.	The internal regulations of the managing body, the supervisory body and their respective committees should be disclosed, in full, on the company's website.	Adopted	Items 27 and 60-65
I.2.4.	The composition and 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 processing of those irregularities, while safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality is requested.	Adopted	Item 29, 34, 38 and 49
I.3.	*Relationships between the company bodies* *Principle: Members of the company's boards, especially directors, should, considering the duties of each of the boards, create 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 articles of association, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure that 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 perspectives for further developments of the company, including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing access to any other documents or people that may be requested for information.	Adopted	Items 21, 22, 28, 29 and 34
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 articles of association, of each of the remaining boards and committees.	Adopted	Item 22, 28, 29 and 34

	CORPORATE GOVERNANCE CODE	AVALIAÇÃO	CGS REFERENCE / COMMENTS
I.4.	*Conflicts of interest* *Principle: 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 on members of the company's boards and committees, to promptly inform 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	Item 23, 26, 27 and 34
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	Item 23, 26, 27 and 34
I.5.	*Related party transactions* *Principle: 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 management body shall define, with the prior and binding opinion of the supervisory body, the type, scope and minimum value, individual or aggregate, of the business with related parties that: (i) require the prior approval of the management body (ii) and those which, because they are of higher value, also require a prior favourable opinion from the supervisory body.	Adopted	Items 34 and 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	Items 90 and 91
c	SHAREHOLDERS AND GENERAL MEETINGS		
II.A	*Principle: 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	*Principle: The company should stimulate the personal participation of shareholders in general meetings, as a space for communication by the shareholders with the company's boards and committees and also for reflection about the company itself.*		
II.C	*Principle: 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, considering 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	Item 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.	Adopted (Explain equivalent)	Item 12 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. The Company further notes that the raison d'être of this Recommendation (i.e. to fully enable shareholders to exercise their voting rights) is ensured by other mechanisms, such as postal voting (commonly used), and by electronic means, with information on such

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			possibilities promptly sent to shareholders and made available to the general public through the publication of a notice of meeting and other documents (including the ballot paper and forms) on the Company's website. Thus, both the motivation and the alternative mechanisms described are considered equivalent to that expressly required.
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 The Company's Articles of Association do not set any limit on the number of votes that can be held or exercised by each shareholder.	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	*Principle: 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 encourage executive management to fully accomplish the corporate purpose, and this should be complemented by committees for areas that are central to corporate governance.*		
III.B	*Principle: 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 permanent oversight of the company's managing body, including from a preventive perspective, and monitor the company's activity, in particular, decisions of fundamental importance.*		
III.1.	Without prejudice to 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	Item 17, 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	Items 17 and 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: having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; 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; 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; 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;	Not Adopted	Item 18

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	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 having been a qualified holder or representative of a shareholder of qualifying holding.		
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	There are no directors under these conditions
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 18, 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.	Adopted	Items 34 and 38
III.9.	Companies should create specialised internal committees that are adequate to their size and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Adopted[2]	Items 27, 29 and 67
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 to 55
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	Item 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 receive 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	*Principle:* *As a way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information to 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	*Principle:* *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 should be taken into account in determining the number of executive directors.*		
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.	Adopted	Items 28 and 29
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	Items 18 and 21
IV.3.	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Adopted	Items 18, and 50 to 55
IV.4.	The supervisory body should organise itself internally and implement periodic control mechanisms and procedures in order to ensure that the risks effectively incurred by the Company are consistent with the objectives set by the management.	Adopted	Items 34, 38 and 50
V.	EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT		
V.1.	*Annual evaluation of performance* *Principle:* *The company should assess the performance of the executive board and 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.	Adopted	Items 24, 25, 29, 70, 71 and following

[2] As far as the Remuneration Committee is concerned, the recommendation is adopted by explaining equivalent to adoption, as further detailed in the respective sections of the Report.

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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, 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.	Adopted	Items 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	Considering the shareholding structure of the Company and the decision of the shareholders, this committee is composed of directors. NOS believes that as these are non-executive directors, the main reason for this recommendation - independence from the executive committee - is assured.
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	Items 24, 69 and following
V.2.3.	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, of 19 June, should also contain the following: 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; remunerations from companies that belong to the same group as the company; 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; information on the possibility to request the reimbursement of variable remuneration; 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; information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Adopted, except for (iv) and (v), where the recommendation should be considered N/A	Items 69 - 87 As regards points (iv) and (v), the statement is omitted, since there is no possibility of repayment of variable remuneration (without prejudice to the legal rights of NOS) and there has been no departure from the remuneration policy, it being understood that NOS need not issue a negative statement in such cases
V.2.4.	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the articles of association, 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 There is no pension scheme. Adopted	Items 76, 83 and 84
V.2.5.	In order to provide information or clarifications to shareholders, the chair or, in the event 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.	Adopted	Item 69
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 a 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:*		

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	that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company; *that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and* *that rewards performance.*		
V.3.1.	Considering 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, especially 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 Variable remuneration does not include these instruments
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.	Adopted	Item 83
V.4.	*Appointments* *__Principle:__ Regardless of the manner of appointment, the profile, the knowledge and the curriculum of the members of the company's governing bodies and 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.	Adopted	Item 29
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	NOS considers that its human resources department, in coordination with the Executive Committee, has the necessary powers to perform these functions with regard to managers who are not members of corporate bodies.
V.4.3.	This nomination committee includes a majority of nonexecutive, independent members.	N/A Not Adopted	NOS has not adopted a committee for the purposes of Recommendation V.4.2 and therefore Recommendation V.4.3 is not applicable to it in this way. As for the Nomination and Evaluation Committee, this recommendation is not adopted, as there are no independent directors who could serve on the committee.
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 for identifying potential candidates, and that those chosen for proposal are those who present the highest degree of merit, are best suited to the demands of the duties to be carried out, and will best promote, within the organisation, suitable diversity, including gender diversity.	N/A Not Adopted	NOS has not adopted a committee for the purposes of Recommendation V.4.2 and therefore Recommendation V.4.3 is not applicable to it in this way.
VI.	RISK MANAGEMENT		

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	Principle: 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	Items 18, 50 and following
VI.2.	Based on its risk policy, the Company shall establish a risk management system, identifying (i) the main risks to which it is subject in the conduct of its business, (ii) the probability of their occurrence and their impact, (iii) the instruments and measures to be adopted to mitigate them, (iv) the monitoring procedures for follow-up, and (v) the procedure for monitoring, periodic evaluation and adjustment of the system.	Adopted	Items 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	Items 50 et seq
VII.	FINANCIAL STATEMENTS AND ACCOUNTING		
VII.1	*Financial information* *Principle VII.A: The supervisory body shall, independently and diligently, ensure that the management body meets its responsibilities in choosing appropriate accounting policies and criteria and in establishing appropriate systems for financial reporting, risk management, internal control and internal audit.* *Principle VII.B: The supervisory body shall promote adequate coordination between the work of internal audit and statutory audit.*		
VII.1.1.	The internal regulation of the auditing body shall require that it oversees the adequacy of the process of preparing and disclosing financial information by the management body, including the adequacy of accounting policies, estimates, judgements, relevant disclosures and their consistent application between financial years, in a duly documented and reported manner.	Adopted	Item 34
VII.2	*Statutory audit of accounts and supervision* *Principle: 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: the criteria and the process of selection of the statutory auditor; the methodology of communication between the company and the statutory auditor; the monitoring procedures destined to ensure the independence of the statutory auditor; the services, besides those of accounting, which may not be provided by the statutory auditor.	Adopted	Items 34, 37 and 46
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.	N/A	In accordance with the assessment of the EMEA and interpretative note 1, paragraph 8
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.	N/A	In accordance with the assessment of the EMEA and interpretative note 1, paragraph 8

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