



# Earnings Announcement



# 2Q15 Highlights

Table 1.

2Q15 Highlights	2Q14	1Q15	2Q15	2Q15 / 2Q14	2Q15 / 1Q15
<b>Operational Highlights</b>					
Total RGUs (Net Adds)	80.3	151.3	248.4	209.2%	64.2%
Convergent RGUs (Net Adds)	451.9	341.3	248.7	(45.0%)	(27.1%)
Mobile (Net Adds)	108.7	87.2	130.8	20.4%	50.0%
Pay TV (Net Adds)	(19.0)	11.9	13.9	n.a.	16.8%
IRIS Subscribers (Net Adds)	62.7	49.0	41.6	(33.7%)	(15.3%)
Convergent RGUs	1,007.7	2,194.5	2,443.2	142.5%	11.3%
Convergent Customers	201.7	456.8	509.8	152.8%	11.6%
Convergent Customers as % of Fixed Access Customers	16.5%	34.0%	37.5%	21.0pp	3.5pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	37.7	41.5	42.3	12.2%	1.8%
<b>Financial Highlights</b>					
Operating Revenues	345.0	344.1	355.9	3.2%	3.4%
Telco Revenues	330.2	327.7	338.3	2.5%	3.3%
EBITDA	133.6	127.9	138.5	3.6%	8.3%
EBITDA Margin	38.7%	37.2%	38.9%	0.2pp	1.7pp
Net Income	18.4	23.2	24.1	30.7%	3.5%

## Strong growth across all core telco services, acceleration in positive yoy financial trends

- Higher yoy (+1.9%) Pay TV customer base for the first time since 4Q12: positive trend in Pay TV accelerating with another quarter of increasing net adds, +13.9 thousand, and driving a 1.9% yoy increase in the base to over 1.5 million subscribers;
- Over 37% of fixed access customers are subscribing to convergent bundles, compared with just 16% a year ago;
- Total convergent customers were already 510 thousand at the end of 2Q15, representing 2.44 million convergent RGUs;
- Strong growth in fixed broadband and voice services led by convergent bundle growth and cross-selling to the customer base;
- Mobile subscribers grew by almost 14% yoy to 3.86 million subscribers, posting net growth in both the post-paid and pre-paid base;
- Residential ARPU per unique subscriber with fixed access posted another quarter of strong yoy growth of 12.2% to 42.3 euros;

- The number of B2B RGUs increased by 13.7% yoy to 1.17 million reflecting growth in all services due to the large Corporate accounts won over the past quarters and the continued growth in market presence and services within the SoHo and SME segment;
- Another very strong quarter for the cinema and audiovisuals division which benefited from the strong industry-wide movie line-up and subsequent increase in ticket sales of close to 20% yoy;
- Acceleration in revenue trends with consolidated revenue growth of 3.2% to 355.9 million euros in 2Q15, driven primarily by the strong operating trends in the telecom segment and in the movie exhibition and distribution segment;
- Continued improvement of yoy EBITDA trends increasing from negative 1.5% yoy in 1Q15 to positive 3.6% in 2Q15 and with Telco EBITDA turning to positive yoy growth of 3.3%, representing a 38.1% margin as a percentage of telco revenues;
- Total CAPEX of 102.4 million euros in 2Q15, significantly higher yoy due to the still exceptionally high level of commercial growth and the additional network rollout, as planned.

# 1 - 2Q15 Consolidated Results

## 1.1 - Year on year growth in Pay TV subscribers to over 1.5 million

For the first time since 4Q12, the Pay TV base posted growth year-on-year, reversing a long-term trend of market share decline. In 2Q15, Pay TV subscribers were 1.9% higher than at the end of 2Q14, reflecting the continued strength of NOS' convergent value proposition and successful network expansion.

The positive trends of the past quarters in Pay TV have become even more pronounced with net adds of 13.9 thousand in 2Q15, accelerating from 11.9 thousand in 1Q15 and 7.1 thousand in 4Q14. Growth occurred in both the fixed access and DTH customer base, with fixed access recording net adds of 9.6 thousand.

Behind the very positive development of the subscriber base are the strong commercial activity and value proposition in addition to the increased focus and effectiveness of a much more proactive retention activity which in turn is driving materially lower levels of churn and higher levels of customer loyalty with over 70% of the fixed residential customer base within two year loyalty plans.

## 1.2 - Strong growth across all business lines, led by convergence take-up, cross-selling and B2B growth

In 2Q15, NOS recorded positive net adds in all core telecom services: Pay TV, fixed and DTH, Fixed Broadband and Voice and Mobile, pre-paid and post-paid. The main driver of the positive performance continues to be the convergent value proposition. By the end of 2Q15, NOS had 509.8 thousand customers subscribing to convergent bundles, 2.5x more than at the end of 2Q14 and already representing 34% of the total Pay TV base and of NOS' fixed access customers, 37% were convergent. Total convergent RGUs grew by 142.5% yoy to 2.44 million RGUs representing an average of 4.8 RGUs per unique customer. Growth in convergent services remains strong quarter on quarter albeit at a gradually slower pace than in the previous year due to the already high level of penetration of the base.

Over the past months, NOS has launched a number of more segmented convergent offers ranging from a low end Pay TV and mobile double play offer, NOS Dois, up to a high-end five service offer, NOS Cinco, that offers high-end Pay TV (156 channels), Broadband (100 Mbps), Mobile 4G Broadband (5GB), Fixed Voice and Mobile Voice and Data (standard 500 MB per SIM card). Results are proving very encouraging with a good proportion of mobile data sensitive customers subscribing to the higher-end NOS Quatro offer for 54.99 euros in order to benefit from the 500MB/1 GB data allowances per SIM card.

Fixed broadband and voice customers also posted material growth in 2Q15 of 39.5 thousand and 59.6 thousand respectively, significantly higher than in previous quarters, led by the strong performance of the pay TV base, cross selling activity and convergent take-up, over both the fixed and satellite networks and growth in the Corporate segment.

NOS' cutting edge TV interface "IRIS" continued to post very strong take-up with an additional 41.6 thousand customers in 2Q15, taking penetration of the fixed 3,4&5 play base up to almost 87%. With its client server architecture, IRIS provides a multidevice NOS ecosystem that also allows for more agile and flexible platform developments and upgrades than other solutions in the market. Being at the forefront of innovation in Pay TV is a core priority for NOS, in that it provides a strong competitive differentiator upon which to leverage growth in other core fixed and mobile telco services.

### **1.3 - Strong growth in mobile market share led by continued growth in convergent bundles and return to growth of personal mobile services**

The strong pace of growth in the mobile base continued throughout 2Q15, not only in the mostly convergent post-paid base but also in pre-paid subscribers which recorded positive net adds for the first time in 2 years.

Total mobile subscribers grew yoy by 13.7% to 3.86 million subscribers, with total net adds of 130.8 thousand in 2Q15, of which 125.7 thousand were post-paid and the remaining 5.1 thousand pre-paid subscribers. The growth in post paid subs related mostly to the continued take up of convergent bundles and growth in the business segment. The positive quarterly performance in the pre-paid segment resulted from a combination of lower migration to convergent products from within the NOS mobile customer base and due to the success of offers targeting niche segments of the stand-alone mobile market, namely the youth brand WTF which has been showing encouraging growth trends over the past quarters.

Overall, post-paid customers now represent 47% of the mobile customer base, up from just 38% at the end of 2Q14.

### **1.4 - Ramp-up of new Corporate account revenue stream with successful installation and service delivery on schedule**

Revenues from large Corporate accounts showed continued strong growth with the ramp-up in revenues for new accounts won over the past year. Successful installation and delivery was particularly noteworthy given the simultaneous scheduling and execution work required for most of these very technically sophisticated and demanding new institutional clients. Additional growth drivers are also materializing in the ICT segment, in areas such as datacentre management, information system outsourcing, cloud based services and application management. NOS' SoHo and SME segment is posting material growth in RGUs, consolidating a reversal in long term trends and is now also starting to grow in terms of number of unique accounts however yoy trends in revenues are still negative due to the still very challenging pricing environment in this segment which were not yet offset by the strong growth in volume.

Total RGUs in the Business segment continued to perform well, up by 13.7% yoy to 1.171 million, led by growth in Pay TV services of 29.1% to 98.0 thousand, of 24.2% in Fixed Broadband and Data services to 123.6 thousand, of 24.4% in fixed voice services to 246.3 thousand and of 7.1% in mobile services to 702.6 thousand, led by intense commercial effort and increased distribution capabilities.

### **1.5 - Residential ARPU continues to grow due to increased RGU penetration per household**

The continued growth in convergent bundles and cross-selling of services to the residential customer base, driving the increased average number of RGUs per household, are the primary drivers of the continued strength in ARPU for this segment which increased by 12.2% to 42.3 euros.

ARPU per RGU in the business segment continued to post a negative trend yoy due to the continued impact of backbook repricing in the SoHo and SME segment.

Table 2.

Operating Indicators ('000)	2Q14	1Q15	2Q15	2Q15 / 2Q14	2Q15 / 1Q15	1H14	1H15	1H15 / 1H14
<b>Telco <sup>(1)</sup></b>								
<b>Aggregate Indicators</b>								
Homes Passed	3,243.2	3,393.0	3,468.0	6.9%	2.2%	3,243.2	3,468.0	6.9%
Total RGUs	7,295.6	7,761.8	8,010.2	9.8%	3.2%	7,295.6	8,010.2	9.8%
Mobile	3,397.1	3,730.4	3,861.2	13.7%	3.5%	3,397.1	3,861.2	13.7%
Pre-Paid	2,109.2	2,025.0	2,030.1	(3.7%)	0.3%	2,109.2	2,030.1	(3.7%)
Post-Paid	1,287.9	1,705.4	1,831.1	42.2%	7.4%	1,287.9	1,831.1	42.2%
ARPU / Mobile Subscriber (Euros)	9.2	8.8	9.2	0.2%	4.6%	9.1	9.0	(0.9%)
Pay TV	1,474.3	1,488.6	1,502.5	1.9%	0.9%	1,474.3	1,502.5	1.9%
Fixed Access <sup>(2)</sup>	1,172.3	1,174.0	1,183.6	1.0%	0.8%	1,172.3	1,183.6	1.0%
DTH	302.1	314.6	318.9	5.6%	1.4%	302.1	318.9	5.6%
Fixed Voice	1,472.5	1,493.4	1,553.0	5.5%	4.0%	1,472.5	1,553.0	5.5%
Broadband	934.5	1,027.3	1,066.9	14.2%	3.8%	934.5	1,066.9	14.2%
Others and Data	17.2	22.0	26.6	55.0%	21.0%	17.2	26.6	55.0%
3,4&5P Subscribers (Fixed Access)	810.6	878.1	904.9	11.6%	3.0%	810.6	904.9	11.6%
% 3,4&5P (Fixed Access)	69.1%	74.8%	76.5%	7.3pp	1.7pp	69.1%	76.5%	7.3pp
Convergent RGUs	1,007.7	2,194.5	2,443.2	142.5%	11.3%	1,007.7	2,443.2	142.5%
Convergent Customers	201.7	456.8	509.8	152.8%	11.6%	201.7	509.8	152.8%
Fixed Convergent Customers as % of Fixed Access Customers	16.5%	34.0%	37.5%	21.0pp	3.5pp	16.5%	37.5%	21.0pp
% Convergent Customers	13.7%	30.7%	33.9%	20.3pp	3.2pp	13.7%	33.9%	20.3pp
IRIS Subscribers	561.3	742.6	784.2	39.7%	5.6%	561.3	784.2	39.7%
IRIS as % of 3,4&5P Subscribers (Fixed Access)	69.2%	84.6%	86.7%	17.4pp	2.1pp	69.2%	86.7%	17.4pp
<b>Net Adds</b>								
Homes Passed	(12.3)	67.3	75.0	n.a.	11.5%	1.4	142.3	n.a.
Total RGUs	80.3	151.3	248.4	209.2%	64.2%	82.5	399.7	n.a.
Mobile	108.7	87.2	130.8	20.4%	50.0%	153.7	218.0	41.8%
Pre-Paid	(45.8)	(36.2)	5.1	n.a.	(114.0%)	(141.8)	(31.1)	(78.1%)
Post-Paid	154.5	123.4	125.7	(18.6%)	1.9%	295.5	249.1	(15.7%)
Pay TV	(19.0)	11.9	13.9	n.a.	16.8%	(43.7)	25.7	n.a.
Fixed Access <sup>(2)</sup>	(17.1)	7.4	9.6	n.a.	29.2%	(31.5)	17.0	n.a.
DTH	(1.9)	4.5	4.3	n.a.	(3.8%)	(12.2)	8.7	n.a.
Fixed Voice	(18.8)	15.8	59.6	n.a.	276.6%	(42.5)	75.4	n.a.
Broadband	7.5	34.4	39.5	n.a.	15.1%	12.4	73.9	n.a.
Others and Data	1.9	2.0	4.6	138.7%	126.1%	2.6	6.7	155.1%
3,4&5P Subscribers (Fixed Access)	1.8	26.4	26.8	n.a.	1.2%	3.6	53.2	n.a.
Convergent RGUs	451.9	341.3	248.7	(45.0%)	(27.1%)	795.3	589.9	(25.8%)
Convergent Customers	86.3	72.2	53.0	(38.6%)	(26.6%)	156.4	125.2	(20.0%)
IRIS Subscribers	62.7	49.0	41.6	(33.7%)	(15.3%)	123.7	90.6	(26.7%)

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

Table 3.

Operating Indicators ('000)	2Q14	1Q15	2Q15	2Q15 / 2Q14	2Q15 / 1Q15	1H14	1H15	1H15 / 1H14
<b>Telco <sup>(1)</sup></b>								
<b>Indicators per Segment</b>								
<b>Consumer</b>								
Total RGUs	6,266.0	6,671.8	6,839.7	9.2%	2.5%	6,266.0	6,839.7	9.2%
Unique Subscribers With Fixed Access <sup>(2)</sup>	1,120.8	1,108.7	1,114.2	(0.6%)	0.5%	1,120.8	1,114.2	(0.6%)
Pay TV	1,398.4	1,396.0	1,404.5	0.4%	0.6%	1,398.4	1,404.5	0.4%
Fixed Access	1,112.1	1,105.2	1,110.6	(0.1%)	0.5%	1,112.1	1,110.6	(0.1%)
DTH	286.3	290.9	293.9	2.7%	1.0%	286.3	293.9	2.7%
IRIS Subscribers	543.0	715.0	753.7	38.8%	5.4%	543.0	753.7	38.8%
Broadband	852.2	935.5	969.9	13.8%	3.7%	852.2	969.9	13.8%
Fixed Voice	1,274.5	1,290.4	1,306.7	2.5%	1.3%	1,274.5	1,306.7	2.5%
Mobile	2,741.0	3,050.0	3,158.6	15.2%	3.6%	2,741.0	3,158.6	15.2%
% 1P (Fixed Access)	13.4%	10.2%	9.2%	(4.2pp)	(1.0pp)	13.4%	9.2%	(4.2pp)
% 2P (Fixed Access)	17.9%	15.8%	15.1%	(2.8pp)	(0.6pp)	17.9%	15.1%	(2.8pp)
% 3,4&5P (Fixed Access)	68.7%	74.1%	75.7%	7.0pp	1.6pp	68.7%	75.7%	7.0pp
ARPU / Unique Subscriber With Fixed Access (Euros)	37.7	41.5	42.3	12.2%	1.8%	37.4	42.0	12.2%
<b>Net Adds</b>								
Total RGUs	58.8	125.9	167.9	185.5%	33.4%	34.8	293.7	n.a.
Unique Subscribers With Fixed Access	(32.8)	2.1	5.5	n.a.	161.1%	(57.5)	7.6	n.a.
Pay TV	(23.9)	4.7	8.5	n.a.	80.5%	(50.7)	13.2	n.a.
Fixed Access	(20.5)	2.6	5.5	n.a.	113.7%	(37.2)	8.0	n.a.
DTH	(3.4)	2.1	3.0	n.a.	40.6%	(13.6)	5.1	n.a.
IRIS Subscribers	59.4	46.6	38.7	(34.8%)	(16.9%)	118.0	85.3	(27.7%)
Broadband	3.5	31.7	34.4	n.a.	8.6%	6.6	66.1	n.a.
Fixed Voice	(19.7)	13.8	16.3	n.a.	18.7%	(45.3)	30.1	n.a.
Mobile	98.9	75.7	108.6	9.8%	43.5%	124.3	184.3	48.3%
<b>Business</b>								
Total RGUs	1,029.5	1,090.0	1,170.5	13.7%	7.4%	1,029.5	1,170.5	13.7%
Pay TV	75.9	92.6	98.0	29.1%	5.8%	75.9	98.0	29.1%
IRIS Subscribers	18.3	27.7	30.5	66.5%	10.2%	18.3	30.5	66.5%
Broadband	99.5	113.9	123.6	24.2%	8.5%	99.5	123.6	24.2%
Fixed Voice	198.0	203.1	246.3	24.4%	21.3%	198.0	246.3	24.4%
Mobile	656.1	680.4	702.6	7.1%	3.3%	656.1	702.6	7.1%
ARPU per RGU (Euros)	20.0	19.1	18.6	(6.6%)	(2.4%)	20.3	18.8	(7.1%)
<b>Net Adds</b>								
Total RGUs	21.6	25.4	80.5	273.6%	216.7%	47.7	106.0	122.2%
Pay TV	4.9	7.2	5.4	9.0%	(24.9%)	7.0	12.5	78.1%
IRIS Subscribers	3.3	2.4	2.8	(14.5%)	16.0%	5.6	5.3	(6.6%)
Broadband	5.9	4.7	9.7	63.9%	106.7%	8.4	14.4	73.0%
Fixed Voice	0.9	2.1	43.2	n.a.	n.a.	2.9	45.3	n.a.
Mobile	9.8	11.5	22.2	127.0%	93.1%	29.4	33.7	14.4%

(1) Portuguese Operations

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

Note: During 4Q14, the criteria for segment allocation between consumer and business were revised and figures were adjusted accordingly.



## 1.6 – Cinemas and Audiovisuals

Table 4.

Operating Indicators ('000)	2Q14	1Q15	2Q15	2Q15 / 2Q14	2Q15 / 1Q15	1H14	1H15	1H15 / 1H14
<b>Cinema <sup>(1)</sup></b>								
Revenue per Ticket (Euros)	4.7	4.6	4.7	(1.1%)	0.6%	4.7	4.6	(0.9%)
Tickets Sold	1,676.6	1,981.4	2,003.6	19.5%	1.1%	3,272.3	3,984.9	21.8%
Screens (units)	209	214	215	2.9%	0.5%	209	215	2.9%

<sup>(1)</sup> Portuguese Operations

In 2Q15, NOS' Cinema ticket sales posted an increase of 19.5% to 2.004 million tickets, which represents a similar performance to the total market's ticket sales<sup>1</sup>.

The most successful films shown in 2Q15 were "Furious 7", "Avengers: Age of Ultron", "Jurassic World", "Inside Out" and "Mad Max: Fury Road".

NOS opened the first IMAX® DMR - Digital 3D screen in Lisbon in June 2013, with a second screen opening in Oporto in April 2015. Having now completed 2 years of operation, this premium cinema experience continues to prove very successful.

Average revenue per ticket sold posted a marginal yoy decline of 1.1% to 4.7 euros in 2Q15.

NOS' gross box-office revenues increased by 18.0% in 2Q15, and NOS continues to maintain its leading market position, with a market share of 62.8% in terms of gross revenues in 2Q15. Total Cinema Exhibition revenues improved by 13.0% yoy in 2Q15 to 12.9 million euros.

Revenues in the Audiovisuals division improved by 26.7% yoy, to 18 million euros in 2Q15. Revenues were driven primarily by the improved performance in Cinema Distribution and premium TV content, which more than offset the structural decline of the Homevideo market. Of the top 10 cinema box-office hits in 2Q15, NOS distributed 8 (including the top 5 movies), "Furious 7", "Avengers: Age of Ultron", "Jurassic World", "Inside Out", "Mad Max: Fury Road", "Tomorrowland", "The Water Diviner" and "Asterix and Obelix: Mansion of the Gods", therefore maintaining its leading position.

<sup>1</sup> Source: ICA – Portuguese Institute For Cinema and Audiovisuals

## 1.7 – ZAP

ZAP has become a reference operator in Angola and Mozambique, with continued success of its commercial operations. ZAP maintains its focus on continuing to expand its sales channels, increasing its presence in these territories. Therefore, in 2Q15 it has opened two new stores in Angola ("Benfica" and "Samba", both in Luanda) and one in Mozambique ("Alberto Lituly" in Maputo). In Mozambique ZAP is also expanding its commercial coverage through the "van selling" sales channel, which can reach the most distant regions.

Following the launch of "ZAP Fibra", a TV and internet bundle based on an FTTH solution, in the first quarter of this year, ZAP is now engaged in increasing the footprint of its FTTH network in Luanda, already covering some important areas of the city, namely Talatona, Nova Vida, Centralidade do Kilamba and Morro Bento.

ZAP continues to differentiate from its competition in these countries by improving its content line-up, in order to meet its customers' highest expectations. During this quarter, ZAP increased the coverage of Angolan sports events, broadcasting local matches of the Football, Handball and Basketball Leagues as well as an international swimming competition hosted in Luanda. ZAP also added TV Sucesso to its packages, a new generalist Mozambican channel that presents some of the most recognized Mozambican TV Stars, and a new feed of AXN, aimed at the Angolan and Mozambican markets with some of its content dubbed in Portuguese.

During this quarter ZAP also launched a strong marketing campaign preparing the introduction of the Globo channels in its packages, at the beginning of July 2015. Globo is one of the leading channels in terms of audience and will be distributed on an exclusive basis by ZAP.

# 2 - Consolidated Financial Statements

## 2.1 – Consolidated Income Statement

The consolidated accounts for 1H15 were subject to limited review.

Table 5.

<b>Profit and Loss Statement</b> (Millions of Euros)	2Q14	1Q15	<b>2Q15</b>	2Q15 / 2Q14	2Q15 / 1Q15	1H14	<b>1H15</b>	1H15 / 1H14
Operating Revenues	345.0	344.1	355.9	3.2%	3.4%	682.3	699.9	2.6%
Telco	330.2	327.7	338.3	2.5%	3.3%	653.7	666.0	1.9%
Consumer Revenues	203.7	210.2	213.3	4.7%	1.5%	410.9	423.4	3.1%
Business and Wholesale Revenues	97.8	92.3	102.4	4.7%	11.0%	195.1	194.7	(0.2%)
Equipment Sales	9.0	8.3	9.8	8.6%	17.5%	17.2	18.1	5.6%
Others and Eliminations	19.7	16.9	12.9	(34.7%)	(23.7%)	30.5	29.8	(2.4%)
Audiovisuals	14.2	16.7	18.0	26.7%	8.3%	28.4	34.7	22.2%
Cinema <sup>(1)</sup>	11.4	13.8	12.9	13.0%	(6.1%)	22.2	26.7	20.5%
Others and Eliminations	(10.9)	(14.0)	(13.5)	23.4%	(4.2%)	(21.9)	(27.5)	25.3%
Operating Costs Excluding D&A	(211.3)	(216.2)	(217.4)	2.9%	0.6%	(418.8)	(433.5)	3.5%
W&S	(18.7)	(21.6)	(20.3)	8.4%	(6.0%)	(39.8)	(41.9)	5.4%
Direct Costs	(100.5)	(101.2)	(110.7)	10.2%	9.3%	(197.2)	(211.9)	7.5%
Commercial Costs <sup>(2)</sup>	(21.8)	(21.2)	(19.2)	(12.0%)	(9.7%)	(44.5)	(40.4)	(9.3%)
Other Operating Costs	(70.4)	(72.1)	(67.2)	(4.5%)	(6.8%)	(137.3)	(139.3)	1.4%
EBITDA	133.6	127.9	138.5	3.6%	8.3%	263.5	266.4	1.1%
EBITDA Margin	38.7%	37.2%	38.9%	0.2pp	1.7pp	38.6%	38.1%	(0.6pp)
Telco	124.9	116.9	129.0	3.3%	10.3%	245.3	245.8	0.2%
EBITDA Margin	37.8%	35.7%	38.1%	0.3pp	2.4pp	37.5%	36.9%	(0.6pp)
Cinema Exhibition and Audiovisuals	8.8	11.0	9.5	8.6%	(13.7%)	18.3	20.6	12.6%
EBITDA Margin	37.4%	40.4%	35.3%	(2.1pp)	(5.2pp)	39.8%	37.9%	(1.9pp)
Share of results of associates and joint ventures	2.7	7.3	0.5	(80.0%)	(92.6%)	7.6	7.9	3.6%
EBITDA including results of associates and joint ventures	136.3	135.3	139.0	2.0%	2.8%	271.1	274.3	1.2%
Depreciation and Amortization	(86.2)	(87.7)	(90.7)	5.2%	3.4%	(170.1)	(178.4)	4.9%
(Other Expenses) / Income	(12.6)	(6.1)	(5.4)	(57.5%)	(11.9%)	(15.5)	(11.5)	(25.9%)
Operating Profit (EBIT) <sup>(3)</sup>	37.5	41.5	43.0	14.6%	3.6%	85.6	84.4	(1.3%)
(Financial Expenses) / Income	(14.2)	(11.8)	(10.8)	(23.7%)	(8.3%)	(29.4)	(22.6)	(23.0%)
Income Before Income Taxes	23.3	29.7	32.2	37.9%	8.3%	56.2	61.8	10.0%
Income Taxes	(4.8)	(6.5)	(8.2)	71.2%	27.1%	(12.1)	(14.7)	20.9%
Income From Continued Operations	18.5	23.2	23.9	29.3%	3.1%	44.1	47.2	7.0%
o.w. Attributable to Non-Controlling Interests	(0.1)	0.0	0.1	n.a.	n.a.	(0.4)	0.1	n.a.
Net Income	18.4	23.2	24.1	30.7%	3.5%	43.7	47.3	8.3%

<sup>(1)</sup> Includes operations in Mozambique.

<sup>(2)</sup> Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.

<sup>(3)</sup> EBIT = Income Before Financials and Income Taxes.

Note: During 4Q14, the criteria for segment allocation between consumer and business were revised and figures were adjusted accordingly.

## 2.2 - Operating Revenues

**Consolidated Operating Revenues** in 2Q15 posted a material sequential improvement in yoy trend with growth of 3.2%, accelerating from 2% in 1Q15 and negative 0.7% in 4Q14. Core Telco revenues posted a similar trend with yoy growth in 2Q15 of 2.5% up from negative 0.5% in 4Q14 and positive growth of 1.3% in 1Q15.

The growth in volume of RGUs, the yoy increase in the residential customer base and the continued growth in the Corporate segment are the main drivers of this strength, helping to offset the still negative yoy trends, in the personal and the SoHo and SME segment.

Within telecom revenues, Consumer revenues recorded a 4.7% increase yoy to 213.3 million euros reflecting the combination of very positive yoy growth in residential revenues of 7% which more than offset the negative yoy trend in personal revenues. Stand-alone personal services posted a negative revenue trend yoy due to the lower subscriber base with the migration to convergent bundles and to the higher proportion of lower monthly bill pre-paid subscribers in the personal segment mix.

In the Business segment, large Corporate accounts acquired over the past quarters started to make an important contribution to yoy customer revenue growth (+11% yoy) helping to compensate for the yoy negative revenue trends in the SoHo and SME market (-10% yoy) which is still impacted by the market repricing. Wholesale revenues contributed with yoy revenue growth (+7% yoy), less impacted than in the previous quarter by the volume decline in mass calling services.

The Audiovisuals and Cinema business continue to benefit from the very positive momentum felt in the industry worldwide due to the very strong line up of movies coming to the box-office. In 2Q15, Cinema exhibition revenues grew yoy by 13.0% and Audiovisuals grew by 26.7% yoy, also reflecting NOS' leading market position in this business.

Revenues from the Angolan Pay TV joint venture continued to grow significantly, with NOS' 30% stake in revenues posting a 23% yoy increase to 18 million euros.

## 2.3 – EBITDA

**Consolidated EBITDA** moved into positive yoy territory in 2Q15 with growth yoy of 3.6% to 138.5 million euros compared with negative 1.5% in 1Q15, negative 4% in 4Q14 and negative 4.8% in 2Q14. Consolidated EBITDA margin, as a percentage of Revenues, was 38.9%, up 0.2 pp versus 2Q14 and an increase of 1.7pp from 1Q15.

In turn, Telco EBITDA also posted positive yoy growth of 3.3% to 129.0 million euros compared with negative 2.9% in 1Q15 and negative 5.0% in 2Q14. EBITDA from the Audiovisuals and Cinema operations posted a yoy increase of 8.6% to 9.5 million euros representing a 35.3% margin as a percentage of Revenues. The EBITDA of NOS' 30% stake in ZAP grew by 21.5% to 6.5 million euros, representing 36% as a margin of Revenues.

## 2.4 – Consolidated Operating Costs Excluding D&A

**Consolidated Operating Costs** grew by 2.9% yoy to 217.4 million euros still impacted by the intense activity related costs due to the strong commercial operations and focus on growth. Integration projects are being implemented according to expectations and delivering important savings in key areas of operations. The most material projects currently underway are related to more complex, longer-term execution projects that are tied in directly with systems development and integration or that are dependent on systems and technical process implementation.

**Wages and Salaries** posted an 8.4% increase yoy to 20.3 million euros in 2Q15 due primarily to a yoy increase in headcount as a result of the acquisition of NOS Sistemas (previously Mainroad).

**Direct Costs** recorded a 10.2% increase to 110.7 million euros, an increase driven mostly by the very strong growth of almost 19% in activity based and wholesale traffic costs which represent close to 50% of this cost aggregate. The significant increase of the past quarters in mobile customers who are subscribing to all-net mobile tariffs included in convergent tariff plans, is driving higher termination costs from increased volume of calls made to other operator networks.

**Commercial Costs** declined by 12% yoy to 19.2 million euros due to a decline in the volume of non-customer acquisition and retention related commissions, on the back of lower levels of churn, and due to a yoy reduction in advertising and publicity related costs which in 2Q14 were impacted by the intense marketing activity surrounding the NOS merger and increased commercial and non brand launch related marketing push last year. A seasonal pick up in regular commercial advertising and publicity costs is to be expected in the latter half of the year.

**Other Operating Costs** fell by 4.5% yoy to 67.2 million euros and by 6.8% in comparison with the previous quarter. The main cost items in this aggregate, support services and supplies and external services posted similar levels to previous quarters with cost items like customer care and maintenance and repairs being affected by a larger customer base, and other items like energy costs being affected by the deployment of the cable/FTTH network. The main variation in this aggregate is explained by a reduction in the level of provisions in the quarter due to better performance metrics achieved on bad debt recovery.

## 2.5 – Net Income

**Net Income** was 24.1 million euros in 2Q15, compared with 18.4 million euros in 2Q14 and with 23.2 million euros in 1Q15 representing a material improvement in comparison with last year.

**NOS' Share of Associates and Joint Ventures** declined significantly to 0.5 million euros in 2Q15 (2.7 million euros in 2Q14 and 7.3 million euros in 1Q15) as a result primarily of the devaluation of the kwanza vs USD which negatively impacted ZAP's operating results due to costs contracted in USD and generated a negative financial charge below EBITDA due to the foreign exchange impact on USD trade accounts, in the amount of negative 2.8 million euros in 2Q15.

**Depreciation and Amortization** increased by 5.2% yoy to 90.7 million euros as a result of the higher level of investment in both network assets and customer related costs.

**Other Expenses\*** of 5.4 million euros in 2Q15 relate to non-recurrent costs, with merger related integration costs representing 4.6 million euros of this amount.

**Net Financial Expenses** fell by 23.7% to 10.8 million euros in 2Q15 compared with 14.2 million euros in 2Q14 as a result of the lower average cost of the new debt contracted in previous quarters. The section ahead on capital structure provides details of the significant savings arising from lower funding costs due to new facilities being contracted that are replacing lines contracted in previous years at significantly higher costs within the context of a less favourable macroeconomic environment. Net interest charges and other financial costs in 2Q15 were 7.5 million euros compared with 8.9 million euros in 2Q14.

**Income Tax provision** amounted to 8.2 million euros in 2Q15 representing 25.5% as a percentage of Income before Income Taxes, the higher rate being explained primarily due to the lower contribution of associate companies to net results.

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\* In accordance with IAS 1, the caption "Other expenses" reflects material and unusual expenses that should be disclosed separately from usual line items, to avoid distortion of the financial information from regular operations, namely restructuring costs resulting from the merger (including curtailment costs) as well as one-off non-cash items that result from alignment of estimates between the two companies.

# 3 - CAPEX and Cash Flow

## 3.1 – CAPEX

Table 6.

CAPEX (Millions of Euros)	2Q14	1Q15	2Q15	2Q15 / 2Q14	2Q15 / 1Q15	1H14	1H15	1H15 / 1H14
Telco	63.4	59.3	62.6	(1.4%)	5.6%	108.5	121.8	12.2%
Infrastructure	27.8	22.5	29.5	6.1%	31.4%	40.4	52.0	28.6%
Customer Related CAPEX	34.8	36.1	30.7	(11.8%)	(14.9%)	64.0	66.8	4.4%
Other	0.8	0.7	2.4	196.5%	229.3%	4.2	3.1	(26.5%)
Audiovisuals and Cinema Exhibition	8.4	9.0	9.8	16.2%	8.9%	16.0	18.7	16.8%
Recurrent CAPEX	71.8	68.2	72.3	0.7%	6.0%	124.6	140.5	12.8%
Non-Recurrent CAPEX	16.8	26.1	30.0	78.9%	15.1%	20.7	56.1	171.3%
Total CAPEX	88.6	94.3	102.4	15.5%	8.5%	145.3	196.7	35.4%

Total CAPEX increased yoy by 15.5% to 102.4 million euros and by 8.5% in comparison with the previous quarter. Recurrent CAPEX remained broadly stable in comparison with 2Q14, with a marginal yoy increase of 0.7%. The increase in non-recurrent CAPEX to 30.0 million euros is a result of the network coverage expansion programme underway, with an additional 75 thousand households covered in 2Q15 and of increased commercial investment.

Audiovisuals and Cinema CAPEX of 9.8 million euros is related mostly with the capitalization of certain movie rights in the Audiovisuals division.

As a percentage of revenues, total CAPEX amounted to 28.8% in 2Q15 and Telco recurrent CAPEX represented 18.5% of Telco Revenues.

## 3.2 – Cash Flow

Table 7.

Cash Flow (Millions of Euros)	2Q14	1Q15	2Q15	2Q15 / 2Q14	2Q15 / 1Q15	1H14	1H15	1H15 / 1H14
EBITDA	133.6	127.9	138.5	3.6%	8.3%	263.5	266.4	1.1%
Recurrent CAPEX	(71.8)	(68.2)	(72.3)	0.7%	6.0%	(124.6)	(140.5)	12.8%
EBITDA - Recurrent CAPEX	61.8	59.7	66.2	7.0%	10.8%	138.9	125.9	(9.4%)
Non-Cash Items Included in EBITDA - Recurrent CAPEX <sup>(1)</sup> and Change in Working Capital	(10.1)	(26.9)	(38.5)	n.a.	43.1%	(45.8)	(65.3)	42.5%
Operating Cash Flow After Investment	51.7	32.8	27.7	(46.4%)	(15.7%)	93.1	60.5	(35.0%)
Long Term Contracts	(4.2)	(4.1)	(4.3)	2.1%	3.2%	(8.1)	(8.4)	3.2%
Net Interest Paid and Other Financial Charges	(15.4)	(5.3)	(10.4)	(32.7%)	94.5%	(29.2)	(15.7)	(46.2%)
Income Taxes Paid	(0.3)	(1.3)	(0.6)	85.3%	(55.0%)	(1.4)	(1.8)	26.6%
Other Cash Movements	0.5	0.2	0.3	(53.1%)	13.9%	0.6	0.5	(23.7%)
Recurrent Free Cash-Flow	32.3	22.3	12.7	(60.5%)	(42.9%)	54.9	35.1	(36.1%)
Taxes Paid	0.0	(0.6)	(1.2)	n.a.	103.0%	0.0	(1.9)	n.a.
Non-Recurrent CAPEX	(16.8)	(24.1)	(24.2)	44.5%	0.4%	(17.2)	(48.4)	181.5%
Cash Restructuring Payments	(3.9)	(6.1)	(4.0)	3.5%	(34.5%)	(11.8)	(10.1)	(14.3%)
Other	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Free Cash Flow Before Dividends & Financial Acquisitions	11.6	(8.6)	(16.8)	n.a.	96.0%	25.9	(25.3)	n.a.
Foreign Currency Debt Exchange Effect	0.0	(0.0)	0.0	(100.0%)	(100.0%)	0.0	(0.0)	n.a.
Dividends	(62.0)	0.0	(72.2)	16.4%	n.a.	(62.0)	(72.2)	16.4%
Total Free Cash Flow	(50.4)	(8.6)	(89.0)	76.6%	n.a.	(36.1)	(97.5)	170.1%
Debt Variation Through Accruals & Deferrals & Others	4.7	(7.2)	(3.9)	n.a.	(45.9%)	6.6	(11.1)	n.a.
Change in Net Financial Debt	(45.7)	(15.8)	(92.9)	103.1%	n.a.	(29.5)	(108.7)	268.5%

<sup>(1)</sup> This caption includes non-cash provisions included in EBITDA.

**Operating Cash Flow after Investment** was 27.7 million euros in 2Q15 posting a decline yoy on the back of the aforementioned slight increase in recurrent CAPEX and to higher levels of working capital investment led by the increased commercial activity in comparison with 2Q14. The increase in the negative cash-flow impact of non-cash items included in EBITDA-Recurrent CAPEX and Change in Working Capital is almost entirely explained by the increase in working capital requirements led by the much higher operational activity and investment driving increased trade balances, which is to be partially reverted during 2H15.

**Recurrent FCF** declined in 2Q15 to 12.7 million euros due to the aforementioned increase in working capital which was partially offset by the lower level of interest paid and other financial charges which fell by 32.7% as a result of the lower average cost of debt due to the more favourable refinancing deals closed over the past quarters.

Non-recurrent cash impacts on CAPEX and OPEX in 2Q15 amounted to 24.2 million euros and 4.0 million euros, respectively, and were mainly related with cash payments within the context of the cable/FTTH network deployment and additional commercial activity as explained in the section on CAPEX and to integration related CAPEX and OPEX from the restructuring/merger process.

**Free Cash Flow before Dividends and Financial Acquisitions** was negative by 16.8 million euros in the quarter. Adjusted for interest accruals and deferrals on debt variations, net financial debt increased by 92.9 million euros in 2Q15. Most of this impact relates to the dividend payment of 72.2 million euros relating to 2014 results.



# 4 - Consolidated Balance Sheet

Table 8.

<b>Balance Sheet</b> (Millions of Euros)	<b>2014</b>	<b>1H15</b>
Current Assets	468.0	514.4
Cash and Equivalents	21.1	8.9
Accounts Receivable, Net	359.2	380.7
Inventories, Net	33.0	40.4
Taxes Receivable	5.0	7.9
Prepaid Expenses and Other Current Assets	49.7	76.5
Non-current Assets	2,488.0	2,501.0
Investments in Group Companies	31.5	34.6
Intangible Assets, Net	1,164.2	1,184.4
Fixed Assets, Net	1,141.8	1,138.1
Deferred Taxes	141.1	128.7
Other Non-current Assets	9.3	15.2
Total Assets	2,955.9	3,015.4
Current Liabilities	1,102.0	757.4
Short Term Debt	503.5	172.5
Accounts Payable	391.7	386.3
Accrued Expenses	163.2	149.1
Deferred Income	29.1	30.7
Taxes Payable	14.6	18.6
Current Provisions and Other Liabilities	0.0	0.2
Non-current Liabilities	793.8	1,222.5
Medium and Long Term Debt	616.5	1,042.7
Non-current Provisions and Other Liabilities	177.3	179.9
Total Liabilities	1,895.8	1,980.0
Equity Before Non-Controlling Interests	1,050.3	1,025.9
Share Capital	5.2	5.2
Issue Premium	854.2	854.2
Own Shares	(11.8)	(2.9)
Reserves, Retained Earnings and Other	128.0	122.2
Net Income	74.7	47.3
Non-Controlling Interests	9.8	9.5
Total Shareholders' Equity	1,060.1	1,035.4
Total Liabilities and Shareholders' Equity	2,955.9	3,015.4

## 4.1 – Capital Structure

At the end of 2Q15, Net Financial Debt stood at 1,092.1 million euros.

Total financial debt at the end of 2Q15 amounted to 1,109.6 million euros, which was offset with a cash and short-term investment position on the balance sheet of 17.5 million euros. At the end of 2Q15, NOS also had 135 million euros of non-issued commercial paper programs. The all-in average cost of NOS' Net Financial Debt posted a decline to 3.41% in 2Q15 (3.54% for 1H15), comparing with 3.70% in 1Q15, 4.19% in 4Q14 and with 4.83% in FY14.

In line with its global funding strategy to extend maturities, diversify debt sources and reduce cost of debt, during 1H15, NOS announced a series of deals that contributed very favorably to the funding strategy:

- In February NOS had already renegotiated two commercial paper programmes with Caixa Geral de Depósitos/Caixa BI and Novo Banco/BESI. The new lines represented together a reduction in contracted debt from 250 million euros to 175 million euros, an extension of maturities to 2018 and significantly more favorable financial terms;
- In March, NOS announced a private placement bond issue totaling 150 million euros, with a bullet maturity of 7 years, priced at 172 bps spread (plus Euribor 6 Months);
- In May and June, NOS negotiated with Banco Popular and BBVA 2 additional commercial paper programmes of 50 million euros each, both with a 5 year maturity, and also issued a 50 million euro Bond at a fixed rate of 126 bps (95 bps plus fixed swap rate) and a bullet maturity of 4 years. This placement was organized by Caixa Bank.

The new financing deals, together with the reimbursement of the 200M Euros Retail Bond in June (which was paying a 6.85% coupon), are expected to continue to materialize additional savings over the coming quarters.

Net Financial Gearing was 51.3% at the end of 2Q15 and Net Financial Debt / EBITDA (last 4 quarters) now stands at 2.1x. The average maturity of NOS' Net Financial Debt at the end of 2Q15 was 3.8 years, compared with 3.3 years at the end of 1Q15.

Taking into account the loans issued at a fixed rate and the interest rate hedging operations in place the proportion of NOS' issued debt that is protected against variations in interest rates is approximately 41%.

Table 9.

Net Financial Debt (Millions of Euros)	2014	1H15	1H15 / 2014
Short Term	483.9	157.0	(67.6%)
Bank and Other Loans	468.6	136.1	(71.0%)
Financial Leases	15.2	20.9	36.7%
Medium and Long Term	522.7	952.7	82.3%
Bank and Other Loans	493.8	926.7	87.7%
Financial Leases	28.9	26.0	(10.3%)
Total Debt	1,006.6	1,109.6	10.2%
Cash, Short Term Investments and Intercompany Loans	23.1	17.5	(24.4%)
Net Financial Debt	983.5	1,092.1	11.1%
Net Financial Gearing <sup>(1)</sup>	48.1%	51.3%	3.2pp
Net Financial Debt / EBITDA	1.9x	2.1x	n.a.

<sup>(1)</sup> Net Financial Gearing = Net Financial Debt / (Net Financial Debt + Total Shareholders' Equity).

# 5 - Appendix

## 5.1 – Appendix I

Table 10.

Operating Indicators ('000)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
<b>Telco <sup>(1)</sup></b>						
<b>Aggregate Indicators</b>						
Homes Passed	3,255.5	3,243.2	3,252.4	3,325.7	3,393.0	3,468.0
Total RGUs	7,215.2	7,295.6	7,445.2	7,610.5	7,761.8	8,010.2
Mobile	3,288.4	3,397.1	3,535.8	3,643.2	3,730.4	3,861.2
Pre-Paid	2,155.0	2,109.2	2,085.2	2,061.2	2,025.0	2,030.1
Post-Paid	1,133.4	1,287.9	1,450.5	1,582.0	1,705.4	1,831.1
ARPU / Mobile Subscriber (Euros)	9.0	9.2	9.7	9.1	8.8	9.2
Pay TV	1,493.3	1,474.3	1,469.6	1,476.8	1,488.6	1,502.5
Fixed Access <sup>(2)</sup>	1,189.4	1,172.3	1,166.1	1,166.6	1,174.0	1,183.6
DTH	303.9	302.1	303.5	310.2	314.6	318.9
Fixed Voice	1,491.3	1,472.5	1,464.6	1,477.6	1,493.4	1,553.0
Broadband	927.0	934.5	957.3	993.0	1,027.3	1,066.9
Others and Data	15.2	17.2	17.9	20.0	22.0	26.6
3,4&5P Subscribers (Fixed Access)	808.8	810.6	829.6	851.6	878.1	904.9
% 3,4&5P (Fixed Access)	68.0%	69.1%	71.1%	73.0%	74.8%	76.5%
Convergent RGUs	555.8	1,007.7	1,487.7	1,853.3	2,194.5	2,443.2
Convergent Customers	115.4	201.7	303.3	384.6	456.8	509.8
Fixed Convergent Customers as % of Fixed Access Customers	9.7%	16.5%	23.8%	29.2%	34.0%	37.5%
% Convergent Customers	7.7%	13.7%	20.6%	26.0%	30.7%	33.9%
IRIS Subscribers	498.6	561.3	633.2	693.6	742.6	784.2
IRIS as % of 3,4&5P Subscribers (Fixed Access)	61.6%	69.2%	76.3%	81.4%	84.6%	86.7%
<b>Net Adds</b>						
Homes Passed	13.7	(12.3)	9.1	73.4	67.3	75.0
Total RGUs	2.2	80.3	149.6	165.3	151.3	248.4
Mobile	45.0	108.7	138.7	107.4	87.2	130.8
Pre-Paid	(96.0)	(45.8)	(24.0)	(24.0)	(36.2)	5.1
Post-Paid	141.0	154.5	162.6	131.5	123.4	125.7
Pay TV	(24.7)	(19.0)	(4.7)	7.1	11.9	13.9
Fixed Access	(14.4)	(17.1)	(6.1)	0.4	7.4	9.6
DTH	(10.3)	(1.9)	1.4	6.7	4.5	4.3
Fixed Voice	(23.7)	(18.8)	(7.9)	13.1	15.8	59.6
Broadband	4.9	7.5	22.8	35.6	34.4	39.5
Others and Data	0.7	1.9	0.8	2.0	2.0	4.6
3,4&5P Subscribers (Fixed Access)	1.8	1.8	19.0	22.0	26.4	26.8
Convergent RGUs	343.4	451.9	480.0	365.5	341.3	248.7
Convergent Customers	70.1	86.3	101.6	81.3	72.2	53.0
IRIS Subscribers	61.0	62.7	71.9	60.4	49.0	41.6

<sup>(1)</sup> Portuguese Operations

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

Table 11.

Operating Indicators ('000)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
<b>Telco <sup>(1)</sup></b>						
<b>Indicators per Segment</b>						
<b>Consumer</b>						
Total RGUs	6,207.2	6,266.0	6,400.6	6,546.0	6,671.8	6,839.7
Unique Subscribers With Fixed Access <sup>(2)</sup>	1,153.6	1,120.8	1,107.3	1,106.6	1,108.7	1,114.2
Pay TV	1,422.3	1,398.4	1,387.6	1,391.3	1,396.0	1,404.5
Fixed Access	1,132.6	1,112.1	1,102.3	1,102.6	1,105.2	1,110.6
DTH	289.7	286.3	285.2	288.7	290.9	293.9
# IRIS Subscribers	483.6	543.0	611.1	668.4	715.0	753.7
Broadband	848.7	852.2	870.5	903.8	935.5	969.9
Fixed Voice	1,294.1	1,274.5	1,265.6	1,276.6	1,290.4	1,306.7
Mobile	2,642.1	2,741.0	2,876.8	2,974.3	3,050.0	3,158.6
% 1P (Fixed Access)	14.2%	13.4%	12.5%	11.4%	10.2%	9.2%
% 2P (Fixed Access)	18.2%	17.9%	17.1%	16.3%	15.8%	15.1%
% 3,4&5P (Fixed Access)	67.6%	68.7%	70.4%	72.3%	74.1%	75.7%
ARPU / Unique Subscriber With Fixed Access (Euros)	37.1	37.7	38.4	39.8	41.5	42.3
<b>Net Adds</b>						
Total RGUs	(24.0)	58.8	134.5	145.4	125.9	167.9
Unique Subscribers With Fixed Access	(24.7)	(32.8)	(13.5)	(0.7)	2.1	5.5
Pay TV	(26.8)	(23.9)	(10.8)	3.7	4.7	8.5
Fixed Access	(16.7)	(20.5)	(9.8)	0.2	2.6	5.5
DTH	(10.2)	(3.4)	(1.0)	3.5	2.1	3.0
IRIS Subscribers	58.6	59.4	68.2	57.3	46.6	38.7
Broadband	3.2	3.5	18.3	33.2	31.7	34.4
Fixed Voice	(25.6)	(19.7)	(8.8)	11.0	13.8	16.3
Mobile	25.4	98.9	135.9	97.4	75.7	108.6
<b>Business</b>						
Total RGUs	1,008.0	1,029.5	1,044.7	1,064.5	1,090.0	1,170.5
Pay TV	71.0	75.9	82.0	85.4	92.6	98.0
IRIS Subscribers	15.0	18.3	22.1	25.2	27.7	30.5
Broadband	93.6	99.5	104.8	109.2	113.9	123.6
Fixed Voice	197.1	198.0	198.9	201.0	203.1	246.3
Mobile	646.4	656.1	658.9	668.9	680.4	702.6
ARPU per RGU (Euros)	20.5	20.0	19.0	19.1	19.1	18.6
<b>Net Adds</b>						
Total RGUs	26.1	21.6	15.1	19.9	25.4	80.5
Pay TV	2.1	4.9	6.1	3.4	7.2	5.4
IRIS Subscribers	2.3	3.3	3.8	3.2	2.4	2.8
Broadband	2.4	5.9	5.3	4.4	4.7	9.7
Fixed Voice	2.0	0.9	0.9	2.1	2.1	43.2
Mobile	19.7	9.8	2.8	10.0	11.5	22.2
<b>Cinema <sup>(1)</sup></b>						
Revenue per Ticket (Euros)	4.7	4.7	4.7	4.7	4.6	4.7
Tickets Sold	1,595.7	1,676.6	1,924.4	2,080.8	1,981.4	2,003.6
Screens (units)	209	209	214	214	214	215

(1) Portuguese Operations

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

Note: During 4Q14, the criteria for segment allocation between consumer and business were revised and figures were adjusted accordingly.

## 5.2 – Appendix II

Table 12.

<b>Profit and Loss Statement</b> (Millions of Euros)	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15
Operating Revenues	337.3	345.0	347.8	353.8	1,383.9	344.1	355.9
Telco	323.5	330.2	332.3	335.8	1,321.8	327.7	338.3
Consumer Revenues	207.2	203.7	204.0	205.2	820.0	210.2	213.3
Business and Wholesale Revenues	97.3	97.8	99.1	99.6	393.8	92.3	102.4
Equipment Sales	8.2	9.0	12.3	12.4	41.9	8.3	9.8
Others and Eliminations	10.8	19.7	17.0	18.6	66.0	16.9	12.9
Audiovisuals	14.2	14.2	14.0	16.1	58.5	16.7	18.0
Cinema <sup>(1)</sup>	10.7	11.4	12.8	14.0	49.0	13.8	12.9
Others and Eliminations	(11.0)	(10.9)	(11.3)	(12.0)	(45.3)	(14.0)	(13.5)
Operating Costs Excluding D&A	(207.5)	(211.3)	(214.4)	(240.3)	(873.5)	(216.2)	(217.4)
W&S	(21.0)	(18.7)	(21.4)	(24.1)	(85.3)	(21.6)	(20.3)
Direct Costs	(96.7)	(100.5)	(99.7)	(110.7)	(407.6)	(101.2)	(110.7)
Commercial Costs <sup>(2)</sup>	(22.7)	(21.8)	(31.7)	(29.9)	(106.1)	(21.2)	(19.2)
Other Operating Costs	(67.0)	(70.4)	(61.6)	(75.6)	(274.5)	(72.1)	(67.2)
EBITDA	129.9	133.6	133.4	113.5	510.5	127.9	138.5
EBITDA Margin	38.5%	38.7%	38.4%	32.1%	36.9%	37.2%	38.9%
Telco	120.4	124.9	123.8	103.4	472.5	116.9	129.0
EBITDA Margin	37.2%	37.8%	37.3%	30.8%	35.7%	35.7%	38.1%
Cinema Exhibition and Audiovisuals	9.5	8.8	9.6	10.1	37.9	11.0	9.5
EBITDA Margin	42.4%	37.4%	39.5%	36.5%	38.8%	40.4%	35.3%
Share of results of associates and joint ventures	4.9	2.7	4.0	2.3	13.9	7.3	0.5
EBITDA including results of associates and joint ventures	134.8	136.3	137.5	115.8	524.4	135.3	139.0
Depreciation and Amortization	(83.9)	(86.2)	(81.5)	(87.7)	(339.3)	(87.7)	(90.7)
(Other Expenses) / Income	(2.8)	(12.6)	(18.3)	(3.9)	(37.6)	(6.1)	(5.4)
Operating Profit (EBIT) <sup>(3)</sup>	48.1	37.5	37.6	24.3	147.5	41.5	43.0
(Financial Expenses) / Income	(15.2)	(14.2)	(14.9)	(11.0)	(55.2)	(11.8)	(10.8)
Income Before Income Taxes	32.9	23.3	22.8	13.3	92.3	29.7	32.2
Income Taxes	(7.3)	(4.8)	(4.0)	(1.1)	(17.2)	(6.5)	(8.2)
Income From Continued Operations	25.6	18.5	18.8	12.2	75.1	23.2	23.9
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.1)	0.0	0.0	(0.4)	0.0	0.1
Net Income	25.3	18.4	18.8	12.3	74.7	23.2	24.1
Recurrent CAPEX	(52.7)	(71.8)	(68.0)	(83.2)	(275.8)	(68.2)	(72.3)
Total CAPEX	(56.7)	(88.6)	(86.6)	(142.5)	(374.4)	(94.3)	(102.4)
EBITDA - Recurrent CAPEX	77.1	61.8	65.4	30.3	234.7	59.7	66.2
Non-Cash Items Included in EBITDA - Recurrent CAPEX <sup>(4)</sup> and Change in Working Capital	(35.7)	(10.1)	(7.6)	22.0	(31.4)	(26.9)	(38.5)
Operating Cash Flow After Investment	41.4	51.7	57.9	52.3	203.3	32.8	27.7
Long Term Contracts	(3.9)	(4.2)	(3.5)	(6.8)	(18.4)	(4.1)	(4.3)
Net Interest Paid and Other Financial Charges	(13.8)	(15.4)	(6.7)	(10.6)	(46.6)	(5.3)	(10.4)
Income Taxes Paid	(1.1)	(0.3)	10.8	(1.1)	8.2	(1.3)	(0.6)
Other Cash Movements	0.1	0.5	0.3	0.3	1.2	0.2	0.3
Recurrent Free Cash Flow	22.6	32.3	58.8	34.1	147.7	22.3	12.7
Net Financial Debt	923.4	969.2	956.8	983.5	983.5	999.2	1,092.1

(1) Includes operations in Mozambique.

(2) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.

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

(4) This caption includes non-cash provisions included in EBITDA.

Note: During 4Q14, the criteria for segment allocation between consumer and business were revised and figures were adjusted accordingly.

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