



Earnings Announcement



FY15 Highlights

Table 1.

FY15 Highlights	4Q14	4Q15	4Q15 / 4Q14	2014	2015	2015 / 2014
Operational Highlights						
Total RGUs (Net Adds)	165.3	186.5	12.8%	397.5	833.3	109.6%
Convergent RGUs (Net Adds)	365.5	188.8	(48.4%)	1,640.8	1,000.4	(39.0%)
Mobile (Net Adds)	107.4	98.0	(8.8%)	399.8	479.9	20.0%
Pay TV (Net Adds)	7.1	21.9	205.9%	(41.3)	67.1	n.a.
IRIS Subscribers (Net Adds)	60.4	39.9	(33.9%)	256.0	171.5	(33.0%)
Convergent RGUs	1,853.3	2,853.7	54.0%	1,853.3	2,853.7	54.0%
Convergent Customers	384.6	590.8	53.6%	384.6	590.8	53.6%
Convergent Customers as % of Fixed Access Customers	29.2%	41.9%	12.7pp	29.2%	41.9%	12.7pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	39.8	42.9	7.8%	38.2	42.3	10.8%
Financial Highlights						
Operating Revenues	353.8	376.4	6.4%	1,383.9	1,444.3	4.4%
Telco Revenues	335.8	358.7	6.8%	1,321.8	1,372.3	3.8%
EBITDA	113.5	123.3	8.6%	510.5	533.1	4.4%
EBITDA Margin	32.1%	32.7%	0.7pp	36.9%	36.9%	0.0pp
Net Income	12.3	9.2	(25.1%)	74.7	82.7	10.7%

Competitive position reinforced in 2015 with very strong operating growth across all services and relevant markets and improving financial trends, supported by increased commercial and network investment

Highlights 2015

Record year of growth across all services

- RGU growth of 10.9% to 8.44 million;
- Market leadership in Pay TV reinforced with subscriber growth of 4.5% yoy to 1.54 million subscribers;
- 13.2% growth in mobile base led by convergence and by recovery of stand-alone mobile services;
- 42% of fixed customers with convergent services, 590.8 thousand, just 2 years after launch;
- Residential ARPU increase of 10.8% yoy to 42.3 euros;
- Successful rollout of FttH to new geographies taking NGN coverage to 3.6 million households;
- Continued growth of share in large corporate accounts positively impacting revenues;
- 18.7% growth in total business RGUs to 1.26 million;
- Record year for the movie industry with ticket sales up by 21.6% yoy.

Acceleration in yoy financial trends led by intense momentum in the core telco business and further enhanced by the strong performance of audiovisuals and cinema

- Operating revenues increased by 4.4% yoy to 1,444 million euros in FY15 with material acceleration throughout the year to 6.4% in 4Q15, up from 2.0%, 3.2% and 5.8% yoy in 1Q15, 2Q15 and 3Q15 respectively;
- Core telco revenues posted growth of 3.8% yoy to 1,372 million euros and the extraordinarily positive year for the movie and TV rights industry led to yoy growth of 22% and 19.3% in audiovisuals and cinema revenues respectively;
- EBITDA grew by 4.4% yoy to 533.1 million for FY15 demonstrating similar acceleration in yoy trends throughout the year with core telco EBITDA up 2.8% yoy and audiovisuals and cinema EBITDA up by 25.4% yoy;
- Total CAPEX amounted to 408.3 million euros, up by 9% yoy on the back of higher telco growth related investment;
- Proposal to pay a 16 euro cent dividend per share, +14.3% over last year and representing a 99.6% payout ratio.

1 - FY15 Consolidated Results

1.1 Consumer market share growth led by strong take up of convergent services and network expansion

Total RGU's grew by 10.9% yoy to 8.44 million services at the end of 2015 led by the strength of NOS' convergent value proposition. The number of customers subscribing to convergent offers increased by 53.6% to 590.8 thousand representing 2.85 million convergent services, an average of 4.83 services per household. By the end of 4Q15, 41.9% of the fixed customer base were subscribing to convergent bundles and 38.3% of all Pay TV customers.

1.2 Market leadership reinforced in Pay TV with yoy growth of 4.5% to 1.54 million subscribers

Pay TV net adds accelerated throughout 2015 with a total of 67.1 thousand new subscribers in 2015, having turned positive for the first time at the end of 4Q14. Growth occurred in both the fixed access and DTH customer base, with fixed access customers growing by 48.8 thousand net adds and the DTH base by 18.3 thousand. In 4Q15, Pay TV net adds were 21.9 thousand having grown from 7.1 thousand in 4Q14.

NOS' pay TV base has been growing consistently as a result of the success of NOS' convergent offers and due to the network expansion program. Importantly, churn levels have been recording a material reduction on the back of more effective retention activity and loyalty programmes.

Customers clearly perceive the service quality and brand reputation that NOS has successfully built upon since the merger at the end of 2013 and subsequent brand launch in May 2014. Public recognition was received in November 2015 when NOS was voted the leading operator providing all Pay TV, broadband, fixed voice and mobile services by an independent market survey from GfK and according to the latest data published by Marktest, NOS was the operator that posted the most market share growth in convergent services, increasing by more than 8 pp in the last 4 quarters to 40.7%.

During the course of 2015, NOS started to introduce an increasingly larger digital element to its convergent bundles, adding more generous data allowances and enabling sharing of data between users. This reinforced digital focus has differentiated NOS from offers in the market and led to a surge in take-up of mobile internet services within 5P bundles which now represent close to 10% of the convergent customer base. An example of this is the ability to include NOS' stand-alone mobile tariff plans designed specifically for the youth market, within the convergent family bill. On return to school NOS' digital positioning was further reinforced with the launch of an offer appealing to younger segments of the market whereby a promotional 3 month subscription to NPlay (NOS' subscription VOD service) together with a 1GB data plan were included in a new convergent offer "NOS Digital", making NOS the first player in the market to provide a 1GB offer for the consumer market. Conscious that take-up of mobile data usage is driven by smartphone penetration, at the end of the year NOS included a 200 euro voucher for new subscribers to convergent bundles to purchase high-end smartphones. One of the additional benefits of driving the digital component of convergent offers has been the ability to shift communication away from the concept of saving towards a message of higher value and sophistication, helping to maximize the value captured with new customers taking convergent offers and to help drive higher out-of-bundle consumption patterns.

Fixed broadband and voice customers also posted material growth in 2015 of 151.8 thousand and 124.6 thousand respectively, led by the strong performance of the pay TV base, cross selling activity and convergent take-up, over both the fixed and DTH networks and growth in the business segment. Of NOS' fixed pay TV customer base, 70% take broadband services and 81% take fixed voice, with fixed 3,4&5P penetration standing at 79.7%.

Growth in convergence has been key to drive NOS' increase in mobile market share since the merger, which grew by 10.2pp to 25% (Source: Marktest). In total, NOS' mobile subscribers grew by 13.2% in 2015 to 4.12 million, of which over a million are within convergent bundles. Net subscriber adds in 2015 were 479.9 thousand, up from 399.8

thousand in 2014 and from negative 61.7 thousand in 2013. The share of mobile subscribers with post-paid tariff plans rose by 29.4% during 2015 and now represents almost half of the customer base, 49.7%, compared with 43.4% at YE2014 and with just 30.6% at YE2013. Quarterly trends in net adds reflect seasonality with the peak quarter for mobile take-up falling in the third quarter with the holiday period.

The positive trends recorded in mobile were also due to the recovery in the stand-alone mobile base which returned to growth in 2015. NOS introduced a new approach to this segment with a structural shift in offers concentrated around an offer for the youth market "WTF", a new pre-paid all-net tariff plan including a data allowance and a change in mobile internet packages whereby NOS introduced significantly higher data allowances in its tariff plans and revised all data top-ups. These initiatives led to a significant increase in the number of mobile data internet users with smartphone penetration growing to 62% across the overall mobile base. Within the youth segment, the WTF brand continued to post very impressive growth due to regular innovation with appealing new features for the teenage segment being included such as free cinema tickets and new apps. On the mobile internet front, offers were developed to position them as complementary to fixed internet offers for lighter users, to increase hotspot usage and to drive massified take-up of 4G devices.

Innovation is a key priority for NOS and 2015 was a year of plenty in terms of launches of award winning new features and product developments, reinforcing NOS' position as the leading pay TV operator in the market offering the best value for money. For the fourth year running, NOS was awarded first prize for "Product of the Year", this time in the TV Experience category, by ECSI (National Customer Satisfaction Index), for its launch of the NOS IRIS companion app which enables customers to discover and view content with a more streamlined and personalized filtering of the enormous amount of titles available for consumption. The app has embedded a smart search and recommendation functionality and once chosen, content can be "flicked" onto the big screen at the touch of a button. NOS also won the ECSI award for "Leading Company" in the television market for the fifth year running.

IRIS, the default TV interface for all NOS' convergent offers, underwent a number of significant improvements during the year. With the launch of IRIS versions 4.0 and 4.1, access to the most used and relevant features of the platform were made easier and more intuitive. With the NPVR (network personal video recorder) customers can access their recording from the network using any STB (set-top-box) within the household and any device. It is a truly multiplatform architecture with unlimited simultaneous recording capabilities with the added advantage that recordings are never lost, even if the customer's terminal equipment breaks down.

In June NOS became the first operator to offer 4K Ultra HD content on two of its channels, which will become a more relevant video format as the take up of enabled TV sets increases in the market – penetration of the 4K 3840x2160 pixel TV sets in Portugal is starting to take off with the majority of higher-end TV sets sold already being 4K enabled. With this new technology, an approximation to cinema image format, images become clearer, more detailed and with better colour and light, and are very close to the maximum definition that the human eye can absorb.

On 9 September NOS pioneered an in-house video-on-demand subscription service, "N Play" offering the service for free for a promotional three month period. The service is available to all IRIS customers within their TV set top box, computer and tablet, replicating the IRIS ecosystem for all devices. It is a subscription based content library that enables customers to access a broad array of movies and series that are refreshed on a monthly basis.

Towards the end of the year NOS launched a revamped version of the IRIS Online platform, which although close to the TV IRIS experience, was specifically designed for use on tablets and smartphones. Second screens are becoming more and more relevant vehicles for content consumption capable of truly personalized experiences. With the new launch, IRIS' 7 day automatic recording functionality, Timewarp, was transported to the online world, making on-demand and multi-device access to a huge variety of content limitless. Evidence of NOS' ability to develop and implement innovative solutions, the new IRIS Online was developed internally by NOS, making future upgrades and developments more flexible and scalable.

Delivering the best and most relevant content to its customers is core to NOS' strategy to lead the Pay TV market. New channels were included in the grid during the course of the year, of which it is worth highlighting TVI Reality (exclusive to NOS) in October and then CMTV already in January 2016, which occupy respectively the #10 and 9 positions in terms of audience market share. At the end of the year, NOS signed a number of long-term contracts with 10 out of the 18 "Liga NOS" (first division) football clubs, including two of the top three clubs, entitling it to full broadcasting rights (national and international, TV and all other platforms) for the respective home matches. All the contracts signed come into effect in the 2018/2019 season with the exception of the Benfica contract which starts in the 2016/2017 season.

1.4 – Positive contribution of large corporate accounts and solid RGU growth in Mass Business

NOS made stellar progress in capturing market share in the large corporate market since the merger, and revenues have demonstrated material growth particularly driven by accounts won in the latter half of 2014 and early months of 2015. Typically there is a lag between the moment a new account is won and the moment it starts to generate revenues given the time needed to install the services, which is typically a function of the size and complexity of the account. NOS' competitive positioning in this segment was significantly enhanced as a result of the merger, with its increased technological and IT capabilities, network integration and capillarity and reinforced skill set. Delivery has been 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.

The Mass Business segment (SoHos and SMEs) continues to post material growth in RGUs consolidating the reversal in long term trends and is now also starting to grow in number of unique accounts. The negative yoy trends in revenues is beginning to reduce due to the fact that volume growth in services and accounts is getting close to compensating for the like-for-like decline in revenues per account, consequence of the still challenging pricing environment in this segment.

1.5 - Residential Fixed ARPU growth of 10.8% due to increased RGU penetration per household

Average revenues per household continue to grow as a result of the continued growth in convergent bundles and cross-selling of services to the residential customer base. Residential Fixed ARPU increased by 10.8% yoy to 42.3 euros, with ARPU reaching 42.9 euros in 4Q15.

ARPU per RGU in the business segment continued to post a negative trend yoy due essentially to the continued impact of backbook repricing in the Mass Business segment, albeit declining at a lower pace than before.

Table 2.

Operating Indicators ('000)	4Q14	3Q15	4Q15	4Q15 / 4Q14	4Q15 / 3Q15	2014	2015	2015 / 2014
Telco ⁽¹⁾								
Aggregate Indicators								
Homes Passed	3,325.7	3,543.5	3,600.1	8.2%	1.6%	3,325.7	3,600.1	8.2%
Total RGUs	7,610.5	8,257.3	8,443.8	10.9%	2.3%	7,610.5	8,443.8	10.9%
Mobile	3,643.2	4,025.1	4,123.1	13.2%	2.4%	3,643.2	4,123.1	13.2%
Pre-Paid	2,061.2	2,065.7	2,075.5	0.7%	0.5%	2,061.2	2,075.5	0.7%
Post-Paid	1,582.0	1,959.4	2,047.5	29.4%	4.5%	1,582.0	2,047.5	29.4%
ARPU / Mobile Subscriber (Euros)	9.1	9.2	8.8	(2.6%)	(3.5%)	9.3	9.0	(3.3%)
Pay TV	1,476.8	1,522.0	1,543.8	4.5%	1.4%	1,476.8	1,543.8	4.5%
Fixed Access ⁽²⁾	1,166.6	1,198.1	1,215.3	4.2%	1.4%	1,166.6	1,215.3	4.2%
DTH	310.2	323.9	328.5	5.9%	1.4%	310.2	328.5	5.9%
Fixed Voice	1,477.6	1,575.3	1,602.3	8.4%	1.7%	1,477.6	1,602.3	8.4%
Broadband	993.0	1,105.7	1,144.7	15.3%	3.5%	993.0	1,144.7	15.3%
Others and Data	20.0	29.2	29.9	49.8%	2.6%	20.0	29.9	49.8%
3,4&5P Subscribers (Fixed Access)	851.6	936.7	968.4	13.7%	3.4%	851.6	968.4	13.7%
% 3,4&5P (Fixed Access)	73.0%	78.2%	79.7%	6.7pp	1.5pp	73.0%	79.7%	6.7pp
Convergent RGUs	1,853.3	2,665.0	2,853.7	54.0%	7.1%	1,853.3	2,853.7	54.0%
Convergent Customers	384.6	555.6	590.8	53.6%	6.3%	384.6	590.8	53.6%
Fixed Convergent Customers as % of Fixed Access Customers	29.2%	40.2%	41.9%	12.7pp	1.6pp	29.2%	41.9%	12.7pp
% Convergent Customers	26.0%	36.5%	38.3%	12.2pp	1.8pp	26.0%	38.3%	12.2pp
IRIS Subscribers	693.6	825.1	865.0	24.7%	4.8%	693.6	865.0	24.7%
IRIS as % of 3,4&5P Subscribers (Fixed Access)	81.4%	88.1%	89.3%	7.9pp	1.2pp	81.4%	89.3%	7.9pp
Net Adds								
Homes Passed	73.4	75.5	56.6	(22.9%)	(25.1%)	83.9	274.4	227.0%
Total RGUs	165.3	247.1	186.5	12.8%	(24.5%)	397.5	833.3	109.6%
Mobile	107.4	163.9	98.0	(8.8%)	(40.2%)	399.8	479.9	20.0%
Pre-Paid	(24.0)	35.6	9.9	n.a.	(72.3%)	(189.8)	14.3	n.a.
Post-Paid	131.5	128.3	88.1	(33.0%)	(31.3%)	589.6	465.5	(21.0%)
Pay TV	7.1	19.5	21.9	205.9%	12.0%	(41.3)	67.1	n.a.
Fixed Access ⁽²⁾	0.4	14.6	17.2	n.a.	18.3%	(37.2)	48.8	n.a.
DTH	6.7	5.0	4.6	(31.0%)	(6.4%)	(4.0)	18.3	n.a.
Fixed Voice	13.1	22.3	27.0	106.3%	20.8%	(37.3)	124.6	n.a.
Broadband	35.6	38.8	39.0	9.5%	0.5%	70.8	151.8	114.3%
Others and Data	2.0	2.5	0.8	(63.0%)	(70.1%)	5.4	9.9	84.0%
3,4&5P Subscribers (Fixed Access)	22.0	31.9	31.7	43.8%	(0.6%)	44.6	116.8	161.5%
Convergent RGUs	365.5	221.7	188.8	(48.4%)	(14.9%)	1,640.8	1,000.4	(39.0%)
Convergent Customers	81.3	45.8	35.2	(56.7%)	(23.2%)	339.4	206.2	(39.2%)
IRIS Subscribers	60.4	41.0	39.9	(33.9%)	(2.6%)	256.0	171.5	(33.0%)

(1) Portuguese Operations

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

Table 3.

Operating Indicators ('000)	4Q14	3Q15	4Q15	4Q15 / 4Q14	4Q15 / 3Q15	2014	2015	2015 / 2014
Telco ⁽¹⁾								
Indicators per Segment								
Consumer								
Total RGUs	6,546.0	7,032.7	7,180.4	9.7%	2.1%	6,546.0	7,180.4	9.7%
Unique Subscribers With Fixed Access ⁽²⁾	1,106.6	1,125.8	1,137.2	2.8%	1.0%	1,106.6	1,137.2	2.8%
Pay TV	1,391.3	1,418.5	1,435.6	3.2%	1.2%	1,391.3	1,435.6	3.2%
Fixed Access	1,102.6	1,121.4	1,134.3	2.9%	1.2%	1,102.6	1,134.3	2.9%
DTH	288.7	297.2	301.3	4.3%	1.4%	288.7	301.3	4.3%
IRIS Subscribers	668.4	791.9	828.4	24.0%	4.6%	668.4	828.4	24.0%
Broadband	903.8	1,004.8	1,039.2	15.0%	3.4%	903.8	1,039.2	15.0%
Fixed Voice	1,276.6	1,318.4	1,336.7	4.7%	1.4%	1,276.6	1,336.7	4.7%
Mobile	2,974.3	3,291.0	3,368.9	13.3%	2.4%	2,974.3	3,368.9	13.3%
% 1P (Fixed Access)	11.4%	8.3%	7.6%	(3.8pp)	(0.7pp)	11.4%	7.6%	(3.8pp)
% 2P (Fixed Access)	16.3%	14.2%	13.4%	(2.9pp)	(0.8pp)	16.3%	13.4%	(2.9pp)
% 3,4&5P (Fixed Access)	72.3%	77.5%	79.0%	6.7pp	1.5pp	72.3%	79.0%	6.7pp
ARPU / Unique Subscriber With Fixed Access (Euros)	39.8	42.3	42.9	7.8%	1.6%	38.2	42.3	10.8%
Net Adds								
Total RGUs	145.4	193.0	147.7	1.6%	(23.5%)	314.8	634.4	101.5%
Unique Subscribers With Fixed Access	(0.7)	11.9	11.4	n.a.	(4.5%)	(71.7)	30.6	n.a.
Pay TV	3.7	14.0	17.1	n.a.	21.8%	(57.8)	44.3	n.a.
Fixed Access	0.2	10.7	13.0	n.a.	21.0%	(46.7)	31.8	n.a.
DTH	3.5	3.3	4.1	17.6%	24.1%	(11.1)	12.6	n.a.
IRIS Subscribers	57.3	38.1	36.6	(36.1%)	(4.0%)	243.4	160.1	(34.2%)
Broadband	33.2	34.9	34.4	3.4%	(1.5%)	58.2	135.4	132.7%
Fixed Voice	11.0	11.6	18.4	66.9%	57.7%	(43.2)	60.1	n.a.
Mobile	97.4	132.4	77.9	(20.1%)	(41.2%)	357.6	394.6	10.4%
Business								
Total RGUs	1,064.5	1,224.5	1,263.4	18.7%	3.2%	1,064.5	1,263.4	18.7%
Pay TV	85.4	103.4	108.2	26.7%	4.6%	85.4	108.2	26.7%
IRIS Subscribers	25.2	33.3	36.6	45.1%	9.9%	25.2	36.6	45.1%
Broadband	109.2	130.1	135.5	24.1%	4.2%	109.2	135.5	24.1%
Fixed Voice	201.0	257.0	265.5	32.1%	3.3%	201.0	265.5	32.1%
Mobile	668.9	734.1	754.1	12.7%	2.7%	668.9	754.1	12.7%
ARPU per RGU (Euros)	19.1	17.7	17.0	(10.7%)	(3.8%)	19.7	18.1	(8.3%)
Net Adds								
Total RGUs	19.9	54.0	38.8	95.3%	(28.1%)	82.7	198.8	140.5%
Pay TV	3.4	5.5	4.8	40.0%	(12.9%)	16.6	22.8	37.5%
IRIS Subscribers	3.2	2.8	3.3	4.7%	17.3%	12.5	11.4	(9.4%)
Broadband	4.4	6.5	5.4	22.2%	(16.6%)	18.0	26.3	46.0%
Fixed Voice	2.1	10.7	8.6	n.a.	(19.4%)	5.9	64.5	n.a.
Mobile	10.0	31.4	20.1	100.8%	(36.1%)	42.2	85.2	101.7%

(1) Portuguese Operations

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

1.6 – Cinemas and Audiovisuals

Table 4.

Operating Indicators ('000)	4Q14	3Q15	4Q15	4Q15 / 4Q14	4Q15 / 3Q15	2014	2015	2015 / 2014
Cinema ⁽¹⁾								
Revenue per Ticket (Euros)	4.7	4.6	4.8	1.8%	4.8%	4.7	4.7	(0.7%)
Tickets Sold	2,080.8	2,676.8	2,190.6	5.3%	(18.2%)	7,277.5	8,852.3	21.6%
Screens (units)	214	215	215	0.5%	0.0%	214	215	0.5%

(1) Portuguese Operations

2015 was the best year for the movie industry since 2010, with gross box office revenues increasing by 19.4% yoy and the number of spectators increasing by 20.1% yoy (according to market data from ICA¹). NOS outperformed the market on both fronts with respectively gross box-office sales and spectator growth of 20.8% and 21.6% yoy. In its audiovisuals division, NOS also performed ahead of the market, distributing 9 out of the 10 best selling movies in Portugal in 2015 and having launched more than 150 films (compared with 155 in 2014). The quarterly trend was consistently very strong all year albeit 3Q15 represented a peak for cinema exhibition and distribution.

Focusing on 4Q15, NOS' Cinema ticket sales posted a yoy increase of 5.3% to 2.191 million tickets, which compares with an increase in total market ticket sales of 6.3%. It is worth noting that the comparison with 4Q14 ticket sales is harder due to the fact that this was the best quarter of 2014 and was the only one where both NOS (6.8%) and the market (6.2%) were able to post growth yoy.

The most successful films shown in 4Q15 were "007: Spectre", "Star Wars: The Force Awakens", "The Hunger Games: Mockingjay - Part 2", "O Leão da Estrela" and "The Good Dinosaur".

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 11 quarters of operation, this premium cinema experience continues to prove very successful.

Average revenue per ticket sold posted a yoy improvement of 1.8% to 4.8 euros in 4Q15.

NOS' gross box-office revenues increased by 7.0% in 4Q15, which compares with 7.1% for the market as a whole, as NOS continues to maintain its leading market position, with a market share of 61.9% in terms of gross revenues in 4Q15. Total Cinema Exhibition revenues improved by 6.4% yoy in 4Q15 to 14.9 million euros.

Revenues in the Audiovisuals division improved by 14.6% yoy, to 18.4 million euros in 4Q15. Revenues were driven primarily by the improved performance in Cinema Distribution. Of the top 10 cinema box-office hits in 4Q15, NOS distributed 5 (including the top 2 movies), "007: Spectre", "Star Wars: The Force Awakens", "O Leão da Estrela", "The Good Dinosaur" and "The Intern", therefore maintaining its leading position.

¹ Source: ICA – Portuguese Institute For Cinema and Audiovisuals

1.7 – ZAP

ZAP is a reference operator in Angola and Mozambique, with continued success of its commercial operations. Currently its commercial footprint is present in all the Angolan and Mozambican provinces through own stores and authorized agents, enabling the population of 50 million people in these countries to have access to ZAP's services.

Following the launch of "ZAP Fibra", a TV and internet bundle based on an FTTH solution, in the first quarter of 2015, ZAP is now engaged in growing its FTTH subscribers and increasing the footprint of its network. In December a new Hub was built, allowing the network to expand to the city centre of Luanda.

During this quarter ZAP launched, in the Angolan market, a channel dedicated to the Spanish Football League "ZAP La Liga". Along with programmes with highlights and previews of each match day, this channel airs the live matches of the current season and also the best moments of past ones.

The operational performance of ZAP remains very solid however the challenging macroeconomic backdrop driven by the worldwide decline in oil prices has been the cause of a material currency devaluation, with the kwanza down by 31.2% against the USD and 18.2% against the euro (YE15 vs YE14). The financial implications for ZAP have been a strong decline in operating margin due to the fact that a number of contracts are priced in USD and Euros, difficulties felt in payments to suppliers as a consequence of limitations placed on foreign currency payments by the Central Angolan Bank. As such, the financial contribution of ZAP to NOS results has declined significantly as explained in the financial review ahead.

2 - Consolidated Financial Statements

2.1 – Consolidated Income Statement

The consolidated accounts for FY15 have been subject to full audit for Full Year 2015.

Table 5.

Profit and Loss Statement (Millions of Euros)	4Q14	3Q15	4Q15	4Q15 / 4Q14	4Q15 / 3Q15	2014	2015	2015 / 2014
Operating Revenues	353.8	367.9	376.4	6.4%	2.3%	1,383.9	1,444.3	4.4%
Telco	335.8	347.6	358.7	6.8%	3.2%	1,321.8	1,372.3	3.8%
Consumer Revenues	205.2	215.0	217.1	5.8%	1.0%	820.0	855.5	4.3%
Business and Wholesale Revenues	99.6	104.0	104.0	4.4%	(0.0%)	393.8	402.7	2.3%
Equipment Sales	12.4	13.2	16.7	34.6%	27.1%	41.9	48.0	14.6%
Others and Eliminations	18.6	15.4	20.9	12.6%	35.9%	66.0	66.0	(0.0%)
Audiovisuals	16.1	18.2	18.4	14.6%	1.5%	58.5	71.3	22.0%
Cinema ⁽¹⁾	14.0	16.9	14.9	6.4%	(12.0%)	49.0	58.4	19.3%
Others and Eliminations	(12.0)	(14.7)	(15.6)	29.8%	6.2%	(45.3)	(57.7)	27.5%
Operating Costs Excluding D&A	(240.3)	(224.5)	(253.2)	5.4%	12.8%	(873.5)	(911.2)	4.3%
W&S	(24.1)	(23.4)	(23.8)	(1.5%)	1.5%	(85.3)	(89.1)	4.5%
Direct Costs	(110.7)	(107.8)	(117.0)	5.7%	8.5%	(407.6)	(436.7)	7.1%
Commercial Costs ⁽²⁾	(29.9)	(28.2)	(29.5)	(1.2%)	4.6%	(106.1)	(98.1)	(7.5%)
Other Operating Costs	(75.6)	(65.1)	(82.9)	9.6%	27.4%	(274.5)	(287.2)	4.6%
EBITDA	113.5	143.5	123.3	8.6%	(14.1%)	510.5	533.1	4.4%
EBITDA Margin	32.1%	39.0%	32.7%	0.7pp	(6.2pp)	36.9%	36.9%	0.0pp
Telco	103.4	129.8	109.9	6.2%	(15.3%)	472.5	485.5	2.8%
EBITDA Margin	30.8%	37.3%	30.6%	(0.2pp)	(6.7pp)	35.7%	35.4%	(0.4pp)
Cinema Exhibition and Audiovisuals	10.1	13.7	13.4	32.6%	(2.4%)	37.9	47.6	25.4%
EBITDA Margin	36.5%	45.2%	44.4%	7.9pp	(0.7pp)	38.8%	41.5%	2.7pp
Share of results of associates and joint ventures	2.3	(2.9)	(1.4)	n.a.	(53.1%)	13.9	3.6	(74.3%)
Depreciation and Amortization	(87.7)	(89.3)	(98.8)	12.7%	10.6%	(339.3)	(366.4)	8.0%
(Other Expenses) / Income	(3.9)	(4.9)	(3.6)	(7.5%)	(26.5%)	(37.6)	(19.9)	(47.0%)
Operating Profit (EBIT) ⁽³⁾	24.3	46.4	19.5	(19.5%)	(57.9%)	147.5	150.4	1.9%
(Financial Expenses) / Income	(11.0)	(7.1)	(6.0)	(45.1%)	(14.8%)	(55.2)	(35.7)	(35.3%)
Income Before Income Taxes	13.3	39.3	13.5	1.6%	(65.6%)	92.3	114.6	24.2%
Income Taxes	(1.1)	(13.1)	(4.4)	n.a.	(66.3%)	(17.2)	(32.1)	87.1%
Income From Continued Operations	12.2	26.2	9.1	(25.6%)	(65.3%)	75.1	82.5	9.9%
o.w. Attributable to Non-Controlling Interests	0.0	(0.0)	0.1	140.6%	n.a.	(0.4)	0.2	n.a.
Net Income	12.3	26.2	9.2	(25.1%)	(64.9%)	74.7	82.7	10.7%

(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.

2.2 - Operating Revenues

Consolidated Operating Revenues grew in 2015 by 4.4% yoy to 1.44 billion euros with progressive increases in yoy quarterly rates going from 2.0% in 1Q15 to 6.4% in 4Q15.

Similar trends were recorded in **core telco revenues** which grew by 3.8% yoy to 1.37 billion euros in FY15, with quarterly positive progression starting at 1.3% in 1Q15 and increasing to 6.8% in 4Q15. NOS is the only operator in the market to have grown revenues in 2015 and as such has significantly reinforced its market share of telecom revenues, a key strategic driver.

Consumer telco revenues recorded a 4.3% increase yoy to 856 million euros reflecting the combination of very positive yoy growth in residential revenues of 9.2% yoy on the back of strong convergence take-up. This more than offset the negative yoy trend in personal revenues which declined due to the combination of lower yoy average stand-alone mobile subscribers and to the higher proportion of lower monthly bill pre-paid subscribers in the personal segment mix. Consumer revenues posted the same quarterly progression in yoy trends, with growth in 4Q15 reaching 5.8% yoy, up from 5.4% in 3Q15, supported by the increasingly positive growth in residential revenues and the slowdown in negative yoy growth of the personal segment.

Business telco revenues grew by 2.3% yoy to 402.7 million euros with yoy growth in 4Q15 of 4.4%. The main driver of the yoy growth was customer revenues generated by large corporate accounts acquired mid 2014 and early 2015, which increased 20.4% yoy and helped to compensate the negative yoy FY15 performance of the mass business segment (SoHos and SMEs) which declined by 7.8%. In 4Q15 these subsegments of the business market respectively posted yoy growth of 14.5% and negative 2.9%. The revenue trend in mass business is encouraging with a reducing pace of decline having come from negative 9.8% in 1Q15. Wholesale revenues were relatively flat yoy with all lines performing well yoy with the exception of MCS (mass calling services) which due to regulatory restrictions put a drag on overall wholesale revenues' growth in the year.

Audiovisual and **Cinema** revenues both recorded an extraordinarily positive year in terms of revenue growth due to the previously discussed surge in movie going. FY2015 growth in Cinema revenues amounted to 19.3% and in Audiovisuals to 22.0% with figures for the 4Q15 of 6.4% and 14.6% respectively. Although still very positive, the 4Q15 reflected a clear slowdown, as had been expected, in yoy performance as a result of a more normal movie slate in comparison with previous quarters, in particular when compared with 3Q15.

Revenues from ZAP, the African Pay TV joint venture continued to grow significantly, with NOS' 30% stake in revenues posting a 21.7% yoy increase to 75.4 million euros in FY2015 and of 15% yoy in 4Q15. As explained in the operational review, ZAP continues to record good growth however the challenging macroeconomic situation resulting from the fall in oil prices is leading to a general deterioration in business activity.

2.3 – EBITDA

Consolidated EBITDA grew by 4.4% yoy to 533.1 million euros representing an EBITDA margin for the year of 36.9% in line with FY2014. EBITDA quarterly performance tracked the trends in revenues with yoy growth moving from negative 1.5% in 1Q15 to 8.6% in 4Q15. The telco business recorded a 2.8% yoy growth in FY2015 with progression in quarterly rates to 6.2% compared with negative 2.9% in 1Q15.

Audiovisuals and Cinema were strong contributors to consolidated EBITDA growth with EBITDA up by 25.4% in FY2015 to 47.6 million euros and by 32.6% in 4Q15.

The EBITDA of NOS' 30% stake in ZAP declined by 12.8% yoy to 19.7 million euros representing an EBITDA margin of 26% compared with 37% in the previous year. The decline accelerated as the year went on, driving EBITDA margin down from 42% in 1Q15 to 12% in 4Q15. Operating Costs at ZAP were negatively impacted by the fact that a significant proportion of supplier contracts are USD based, thus putting pressure on margins.

2.4 – Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs grew by 4.3% yoy to 911.2 million euros impacted by the intense commercial activity related costs and focus on growth. Although integration projects are being implemented according to expectations and delivering important savings in key areas of operations, the most material projects have yet to be concluded, namely in the systems areas. Most of these are set to come on stream toward the end of 2016 with most of the impact occurring in the following year. Operating costs in 4Q15 grew by 5.4% to 253.2 million euros, up by 12.8% qoq due to the seasonal year end build up.

Wages and Salaries posted a 4.5% yoy increase due primarily to a yoy increase in average headcount of 114 FTE to 2.5 thousand impacted by the acquisition of NOS Sistemas (previously Mainroad) in September 2014 and by increased recruitment in telco operations to support the growth momentum of the business. Staffing of the Cinema Exhibition business also posted an increase yoy due to the much higher level of activity.

Direct Costs grew by 7.1% yoy to 436.7 million euros for which the two main contributors were programming costs and royalties, up by 10.3% yoy, and interconnection and telecom costs, up by 8.2% yoy. Due to the very strong growth in the cinema and audiovisuals business, royalty costs paid to the major studios increased by almost 90% in comparison with the previous year and thus explain a significant proportion of the growth in direct costs. Interconnection costs were also much higher year on year as a result of the significant increase in mobile customers who are subscribing to all-net mobile tariffs included in convergent tariff plans, thus driving higher termination costs from increased volumes of calls made to other operator networks. Trends in 4Q15 also showed an increase in direct costs of 5.7% with the primary driver of the increase also being explained by an increase in programming costs.

Commercial Costs declined by 7.5% yoy to 98.1 million euros due to the lower volume of non-customer acquisition and retention related commissions, on the back of lower levels of churn, and due to a yoy reduction in recurrent advertising and publicity related costs. In 4Q15 the yoy decline in commercial costs was lower by 1.2% given the significantly higher volume of cost of goods sold, up by 13% yoy, as a result of the focus on increasing smartphone penetration. Recurrent marketing and publicity spend in the telco business was also higher in 4Q15 by 6.2%, in the build up to the Christmas season.

Other Operating Costs increased by 4.6% yoy to 287.2 million euros in FY2015 with the main drivers of the increase being support services, maintenance, supplies and higher provisions and due to the inclusion of NOS Sistemas (previously Mainroad) from 30 September 2014. Cost items like customer care and maintenance and repairs are intricately connected to the level of operating activity, namely the fact that NOS has a much larger customer base yoy. Other items such as energy and maintenance costs have grown to accompany the increased network activity and deployment of the cable/FTTH network.

2.5 – Net Income

Net Income increased by 10.7% yoy to 82.7 million euros in FY2015, compared with 74.7 million euros in 2014.

NOS' Share of Associates and Joint Ventures declined significantly to 3.6 million euros in FY15, down from 13.9 million euros in 2014 the primary cause of which the reduction in the contribution of the 30% stake in ZAP. Net Income

contribution from ZAP reduced by 49% yoy to 8.3 million euros, as a result of the aforementioned currency devaluation in Angola driving lower operating margins, with EBITDA down by 12.8% yoy, and due to the negative below EBITDA charge of the foreign exchange impact on USD trade accounts, in the amount of 3.4 million euros. Sport TV's contribution to Net income also declined by 65% to negative 5.1 million euros due to non-recurrent charges in the second half of the year.

Depreciation and Amortization increased by 8% yoy to 366.4 million euros due in great part to the higher level of investment in both network assets and customer related costs.

Other Expenses* of 19.9 million euros in FY15 relate to non-recurrent costs, with merger related integration costs representing 15.7 million euros of this amount.

Net Financial Expenses fell by 35.3% in FY15 to 35.7 million euros as a result of the lower average cost of new debt contracted. This item demonstrated significant improvement along the course of the year, reaching 6 million euros in 4Q15 compared with 11 million euros in 4Q14, a reduction achieved due to savings arising from lower funding costs on refinancing activity. Further details on funding developments are presented in the capital structure section below.

Income Tax provision amounted to 32.1 million euros in FY15 representing 28% as a percentage of Income before Income Taxes, up from 18.6% in FY14. The higher rate is explained primarily by the lower contribution of associate companies to net results, which deteriorated progressively throughout the year as explained above.

* 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)	4Q14	3Q15	4Q15	4Q15 / 4Q14	4Q15 / 3Q15	2014	2015	2015 / 2014
Telco	75.5	67.6	69.1	(8.4%)	2.3%	243.8	258.5	6.0%
Infrastructure	34.0	31.8	26.1	(23.4%)	(18.0%)	94.6	109.8	16.1%
Customer Related CAPEX	36.6	34.4	34.9	(4.6%)	1.4%	135.6	136.1	0.3%
Other	4.9	1.4	8.2	67.4%	493.1%	13.6	12.7	(6.8%)
Audiovisuals and Cinema Exhibition	7.7	9.5	10.6	37.7%	11.5%	32.0	38.8	21.3%
Recurrent CAPEX	83.2	77.1	79.7	(4.1%)	3.5%	275.8	297.3	7.8%
Non-Recurrent CAPEX	59.4	20.9	34.0	(42.8%)	62.6%	98.6	111.0	12.5%
Total CAPEX	142.5	97.9	113.7	(20.2%)	16.1%	374.4	408.3	9.0%

Total **CAPEX** increased by 9% in 2015 to 408.3 million euros, this having been a peak year in terms of non-recurrent investments related with additional network rollout, exceptionally strong commercial activity driving customer acquisition costs and still some integration related investments. As a percentage of revenues, recurrent CAPEX related with the telco business amounted to 18.8% of telco revenues, compared with a similar figure of 18.4% in 2014. Audiovisuals and Cinema CAPEX of 38.8 million euros is related mostly with the capitalization of certain movie rights in the Audiovisuals division and posted a significant increase in 2015 of 21.3% due to the larger number of films distributed. As a percentage of revenues, total CAPEX amounted to 28.3% in FY15, compared with 27.1% in FY14.

3.2 – Cash Flow

Table 7.

Cash Flow (Millions of Euros)	4Q14	3Q15	4Q15	4Q15 / 4Q14	4Q15 / 3Q15	2014	2015	2015 / 2014
EBITDA	113.5	143.5	123.3	8.6%	(14.1%)	510.5	533.1	4.4%
Recurrent CAPEX	(83.2)	(77.1)	(79.7)	(4.1%)	3.5%	(275.8)	(297.3)	7.8%
EBITDA - Recurrent CAPEX	30.3	66.4	43.5	43.4%	(34.4%)	234.7	235.8	0.5%
Non-Cash Items Included in EBITDA - Recurrent CAPEX ⁽¹⁾ and Change in Working Capital	22.0	6.0	2.0	(91.1%)	(67.3%)	(31.4)	(57.4)	82.6%
Operating Cash Flow After Investment	52.3	72.4	45.5	(13.0%)	(37.2%)	203.3	178.4	(12.2%)
Long Term Contracts	(6.8)	(5.5)	(4.0)	(40.9%)	(26.6%)	(18.4)	(17.9)	(3.1%)
Net Interest Paid and Other Financial Charges	(10.6)	(5.8)	(2.7)	(74.9%)	(54.2%)	(46.6)	(24.2)	(48.0%)
Income Taxes Paid	(1.1)	(2.1)	(1.5)	32.5%	(31.0%)	8.2	(5.4)	n.a.
Other Cash Movements	0.3	(0.7)	0.2	(40.8%)	n.a.	1.2	(0.1)	n.a.
Recurrent Free Cash-Flow	34.1	58.2	37.5	10.1%	(35.6%)	147.7	130.8	(11.4%)
Taxes Paid	(1.2)	3.0	0.0	n.a.	(99.4%)	(1.2)	1.2	n.a.
Disposals	0.0	2.2	1.7	n.a.	(22.5%)	0.0	3.9	n.a.
Non-Recurrent CAPEX	(19.1)	(16.7)	(23.4)	22.6%	40.5%	(54.8)	(88.4)	61.3%
Cash Restructuring Payments	(10.0)	(4.4)	(6.1)	(39.1%)	37.7%	(30.0)	(20.7)	(31.1%)
FCM Receivables	0.0	6.5	0.0	n.a.	(100.0%)	0.0	6.5	n.a.
Other	1.1	0.0	0.0	(100.0%)	n.a.	1.1	0.0	(100.0%)
Free Cash Flow Before Dividends & Financial Acquisitions	4.9	49.0	9.8	99.8%	(80.1%)	62.8	33.4	(46.8%)
Foreign Currency Debt Exchange Effect	0.0	0.0	0.0	(100.0%)	n.a.	0.1	(0.0)	n.a.
Acquisitions of Financial Investments	0.0	0.0	0.0	n.a.	n.a.	(14.0)	0.0	(100.0%)
New Companies' Net Debt	0.0	0.0	0.0	n.a.	n.a.	0.6	0.0	(100.0%)
Dividends	0.0	0.0	0.0	n.a.	n.a.	(62.0)	(72.2)	16.4%
Total Free Cash Flow	4.9	49.0	9.8	98.8%	(80.1%)	(12.5)	(38.8)	211.6%
Debt Variation Through Accruals & Deferrals & Others	(31.2)	1.1	(7.5)	(76.0%)	n.a.	(29.8)	(24.0)	(19.2%)
Change in Net Financial Debt	(26.3)	50.1	2.3	n.a.	(95.5%)	(42.2)	(62.9)	48.9%

⁽¹⁾ This caption includes non-cash provisions included in EBITDA.

EBITDA-Recurrent CAPEX in 2015 was 235.8 million euros, almost flat in comparison with 2014 with the strong revenue growth being diluted by higher activity related costs. Adjusting for non-cash items included in EBITDA-CAPEX and Change in Working Capital, Recurrent Operating Cash Flow after Investment amounted to 178.4 million euros. These non-cash items include working capital investment of 44 million euros which is related primarily with yoy volatility in CAPEX phasing and with increased receivables accounts with ZAP due to restrictions on foreign currency flows imposed by the Angolan Central Bank.

Recurrent FCF was 130.8 million euros in 2015, down 11.4% yoy explained by the aforementioned decline in OCF after investment and increased tax payments, which were partially offset by a 48% reduction in cash interest payments from 46.6 million euros in 2014 to 24.2 million euros in 2015. As explained above, very material savings were achieved in financial charges due to the successful refinancing of a number of facilities in 2015 and under better financial terms.

Non-recurrent cash impacts on CAPEX and OPEX in FY15 amounted to 88.4 million euros and 20.7 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 amounted to 33.4 million euros in FY2015. Adjusted for interest accruals and deferrals on debt variations, net financial debt increased by 62.9 million euros in FY15. Most of this impact relates to the accounting of financial leasing contracts related to large corporate accounts.

4 - Consolidated Balance Sheet

Table 8.

Balance Sheet (Millions of Euros)	2014	2015
Non-current Assets	2,488.0	2,510.1
Fixed Assets, Net	1,141.8	1,167.5
Intangible Assets, Net	1,164.2	1,178.6
Investments in Group Companies	31.5	29.9
Deferred Taxes	141.1	122.5
Other Non-current Assets	9.3	11.6
Current Assets	468.0	466.4
Inventories, Net	33.0	30.5
Accounts Receivable, Net	359.2	359.0
Taxes Receivable	5.0	2.2
Cash and Equivalents	21.1	9.9
Prepaid Expenses and Other Current Assets	49.7	64.7
Total Assets	2,955.9	2,976.5
Equity Before Non-Controlling Interests	1,050.3	1,054.1
Share Capital	5.2	5.2
Issue Premium	854.2	854.2
Own Shares	(11.8)	(10.6)
Reserves, Retained Earnings and Other	128.0	122.6
Net Income	74.7	82.7
Non-Controlling Interests	9.8	9.4
Total Shareholders' Equity	1,060.1	1,063.5
Non-current Liabilities	793.8	1,150.7
Medium and Long Term Debt	616.5	979.4
Non-current Provisions and Other Liabilities	177.3	171.3
Current Liabilities	1,102.0	762.2
Short Term Debt	503.5	178.0
Accounts Payable	391.7	356.2
Accrued Expenses	163.2	175.9
Deferred Income	29.1	28.8
Taxes Payable	14.6	23.3
Current Provisions and Other Liabilities	0.0	0.0
Total Liabilities	1,895.8	1,913.0
Total Liabilities and Shareholders' Equity	2,955.9	2,976.5

4.1 – Capital Structure

At the end of FY2015, Net Financial Debt stood at 1,048.4 million euros.

Total financial debt was 1,058.3 million euros, which was offset with a cash and short-term investment position on the balance sheet of 9.9 million euros. At the end of FY15, NOS also had 270 million euros of non-issued commercial paper programmes. The all-in average cost of NOS' Net Financial Debt stood at 3.0% for FY15, down from 4.83% in FY14 and reducing throughout the year to 2.48% in 4Q15.

In line with its global funding strategy, during 2015, NOS executed a series of financing deals that contributed very favorably to extend maturities, diversify debt sources and reduce significantly the all-in cost of NOS' Net Financial Debt.

Net Financial Gearing was 49.6% at the end of 2015 and Net Financial Debt / EBITDA (last 4 quarters) now stands at 2.0x. The average maturity of NOS' Net Financial Debt at the end of 2015 was 3.6 years.

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 55%.

Table 9.

Net Financial Debt (Millions of Euros)	2014	2015	2015 / 2014
Short Term	483.9	160.0	(66.9%)
Bank and Other Loans	468.6	141.7	(69.8%)
Financial Leases	15.2	18.3	19.9%
Medium and Long Term	522.7	898.3	71.9%
Bank and Other Loans	493.8	862.6	74.7%
Financial Leases	28.9	35.8	23.6%
Total Debt	1,006.6	1,058.3	5.1%
Cash and Short Term Investments	21.1	9.9	(52.8%)
Net Financial Debt	985.5	1,048.4	6.4%
Net Financial Gearing ⁽¹⁾	48.2%	49.6%	1.5pp
Net Financial Debt / EBITDA	1.9x	2.0x	n.a.

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

5 - Subsequent Events

On 26 February, Vodafone exercised their call option to purchase Optimus' FTTH network located in the metropolitan areas of Lisbon and Oporto. The purchase price will be the book value of the network, net of amortization, as per the announcement on the Competition Authority's non-opposition to the merger between ZON and Optimus, of 26 August 2013.

6 – Shareholder Remuneration

The Board of NOS has approved the proposal of a 16 euro cent ordinary dividend per share, representing a payout ratio of 99.6% and an increase of 14.3% from the dividend paid in the previous year. This proposal is subject to final approval of the General Shareholders' Meeting.

7 - Appendix

7.1 – Appendix I

Table 10.

Operating Indicators ('000)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Telco ⁽¹⁾								
Aggregate Indicators								
Homes Passed	3,255.5	3,243.2	3,252.4	3,325.7	3,393.0	3,468.0	3,543.5	3,600.1
Total RGUs	7,215.2	7,295.6	7,445.2	7,610.5	7,761.8	8,010.2	8,257.3	8,443.8
Mobile	3,288.4	3,397.1	3,535.8	3,643.2	3,730.4	3,861.2	4,025.1	4,123.1
Pre-Paid	2,155.0	2,109.2	2,085.2	2,061.2	2,025.0	2,030.1	2,065.7	2,075.5
Post-Paid	1,133.4	1,287.9	1,450.5	1,582.0	1,705.4	1,831.1	1,959.4	2,047.5
ARPU / Mobile Subscriber (Euros)	9.0	9.2	9.7	9.1	8.8	9.2	9.2	8.8
Pay TV	1,493.3	1,474.3	1,469.6	1,476.8	1,488.6	1,502.5	1,522.0	1,543.8
Fixed Access ⁽²⁾	1,189.4	1,172.3	1,166.1	1,166.6	1,174.0	1,183.6	1,198.1	1,215.3
DTH	303.9	302.1	303.5	310.2	314.6	318.9	323.9	328.5
Fixed Voice	1,491.3	1,472.5	1,464.6	1,477.6	1,493.4	1,553.0	1,575.3	1,602.3
Broadband	927.0	934.5	957.3	993.0	1,027.3	1,066.9	1,105.7	1,144.7
Others and Data	15.2	17.2	17.9	20.0	22.0	26.6	29.2	29.9
3,4&5P Subscribers (Fixed Access)	808.8	810.6	829.6	851.6	878.1	904.9	936.7	968.4
% 3,4&5P (Fixed Access)	68.0%	69.1%	71.1%	73.0%	74.8%	76.5%	78.2%	79.7%
Convergent RGUs	555.8	1,007.7	1,487.7	1,853.3	2,194.5	2,443.2	2,665.0	2,853.7
Convergent Customers	115.4	201.7	303.3	384.6	456.8	509.8	555.6	590.8
Fixed Convergent Customers as % of Fixed Access Customers	9.7%	16.5%	23.8%	29.2%	34.0%	37.5%	40.2%	41.9%
% Convergent Customers	7.7%	13.7%	20.6%	26.0%	30.7%	33.9%	36.5%	38.3%
IRIS Subscribers	498.6	561.3	633.2	693.6	742.6	784.2	825.1	865.0
IRIS as % of 3,4&5P Subscribers (Fixed Access)	61.6%	69.2%	76.3%	81.4%	84.6%	86.7%	88.1%	89.3%
Net Adds								
Homes Passed	13.7	(12.3)	9.1	73.4	67.3	75.0	75.5	56.6
Total RGUs	2.2	80.3	149.6	165.3	151.3	248.4	247.1	186.5
Mobile	45.0	108.7	138.7	107.4	87.2	130.8	163.9	98.0
Pre-Paid	(96.0)	(45.8)	(24.0)	(24.0)	(36.2)	5.1	35.6	9.9
Post-Paid	141.0	154.5	162.6	131.5	123.4	125.7	128.3	88.1
Pay TV	(24.7)	(19.0)	(4.7)	7.1	11.9	13.9	19.5	21.9
Fixed Access	(14.4)	(17.1)	(6.1)	0.4	7.4	9.6	14.6	17.2
DTH	(10.3)	(1.9)	1.4	6.7	4.5	4.3	5.0	4.6
Fixed Voice	(23.7)	(18.8)	(7.9)	13.1	15.8	59.6	22.3	27.0
Broadband	4.9	7.5	22.8	35.6	34.4	39.5	38.8	39.0
Others and Data	0.7	1.9	0.8	2.0	2.0	4.6	2.5	0.8
3,4&5P Subscribers (Fixed Access)	1.8	1.8	19.0	22.0	26.4	26.8	31.9	31.7
Convergent RGUs	343.4	451.9	480.0	365.5	341.3	248.7	221.7	188.8
Convergent Customers	70.1	86.3	101.6	81.3	72.2	53.0	45.8	35.2
IRIS Subscribers	61.0	62.7	71.9	60.4	49.0	41.6	41.0	39.9

(1) Portuguese Operations

(2) 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	3Q15	4Q15
Telco ⁽¹⁾								
Indicators per Segment								
Consumer								
Total RGUs	6,207.2	6,266.0	6,400.6	6,546.0	6,671.8	6,839.7	7,032.7	7,180.4
Unique Subscribers With Fixed Access ⁽²⁾	1,153.6	1,120.8	1,107.3	1,106.6	1,108.7	1,113.9	1,125.8	1,137.2
Pay TV	1,422.3	1,398.4	1,387.6	1,391.3	1,396.0	1,404.5	1,418.5	1,435.6
Fixed Access	1,132.6	1,112.1	1,102.3	1,102.6	1,105.2	1,110.6	1,121.4	1,134.3
DTH	289.7	286.3	285.2	288.7	290.9	293.9	297.2	301.3
# IRIS Subscribers	483.6	543.0	611.1	668.4	715.0	753.7	791.9	828.4
Broadband	848.7	852.2	870.5	903.8	935.5	969.9	1,004.8	1,039.2
Fixed Voice	1,294.1	1,274.5	1,265.6	1,276.6	1,290.4	1,306.7	1,318.4	1,336.7
Mobile	2,642.1	2,741.0	2,876.8	2,974.3	3,050.0	3,158.6	3,291.0	3,368.9
% 1P (Fixed Access)	14.2%	13.4%	12.5%	11.4%	10.2%	9.2%	8.3%	7.6%
% 2P (Fixed Access)	18.2%	17.9%	17.1%	16.3%	15.8%	15.1%	14.2%	13.4%
% 3,4&5P (Fixed Access)	67.6%	68.7%	70.4%	72.3%	74.1%	75.7%	77.5%	79.0%
ARPU / Unique Subscriber With Fixed Access (Euros)	37.1	37.7	38.4	39.8	41.5	42.3	42.3	42.9
Net Adds								
Total RGUs	(24.0)	58.8	134.5	145.4	125.9	167.9	193.0	147.7
Unique Subscribers With Fixed Access	(24.7)	(32.8)	(13.5)	(0.7)	2.1	5.2	11.9	11.4
Pay TV	(26.8)	(23.9)	(10.8)	3.7	4.7	8.5	14.0	17.1
Fixed Access	(16.7)	(20.5)	(9.8)	0.2	2.6	5.5	10.7	13.0
DTH	(10.2)	(3.4)	(1.0)	3.5	2.1	3.0	3.3	4.1
IRIS Subscribers	58.6	59.4	68.2	57.3	46.6	38.7	38.1	36.6
Broadband	3.2	3.5	18.3	33.2	31.7	34.4	34.9	34.4
Fixed Voice	(25.6)	(19.7)	(8.8)	11.0	13.8	16.3	11.6	18.4
Mobile	25.4	98.9	135.9	97.4	75.7	108.6	132.4	77.9
Business								
Total RGUs	1,008.0	1,029.5	1,044.7	1,064.5	1,090.0	1,170.5	1,224.5	1,263.4
Pay TV	71.0	75.9	82.0	85.4	92.6	98.0	103.4	108.2
IRIS Subscribers	15.0	18.3	22.1	25.2	27.7	30.5	33.3	36.6
Broadband	93.6	99.5	104.8	109.2	113.9	123.6	130.1	135.5
Fixed Voice	197.1	198.0	198.9	201.0	203.1	246.3	257.0	265.5
Mobile	646.4	656.1	658.9	668.9	680.4	702.6	734.1	754.1
ARPU per RGU (Euros)	20.5	20.0	19.0	19.1	19.1	18.6	17.7	17.0
Net Adds								
Total RGUs	26.1	21.6	15.1	19.9	25.4	80.5	54.0	38.8
Pay TV	2.1	4.9	6.1	3.4	7.2	5.4	5.5	4.8
IRIS Subscribers	2.3	3.3	3.8	3.2	2.4	2.8	2.8	3.3
Broadband	2.4	5.9	5.3	4.4	4.7	9.7	6.5	5.4
Fixed Voice	2.0	0.9	0.9	2.1	2.1	43.2	10.7	8.6
Mobile	19.7	9.8	2.8	10.0	11.5	22.2	31.4	20.1
Cinema ⁽¹⁾								
Revenue per Ticket (Euros)	4.7	4.7	4.7	4.7	4.6	4.7	4.6	4.8
Tickets Sold	1,595.7	1,676.6	1,924.4	2,080.8	1,981.4	2,003.6	2,676.8	2,190.6
Screens (units)	209	209	214	214	214	215	215	215

(1) Portuguese Operations

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

7.2 – Appendix II

Table 12.

Profit and Loss Statement (Millions of Euros)	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Operating Revenues	337.3	345.0	347.8	353.8	1,383.9	344.1	355.9	367.9	376.4	1,444.3
Telco	323.5	330.2	332.3	335.8	1,321.8	327.7	338.3	347.6	358.7	1,372.3
Consumer Revenues	207.2	203.7	204.0	205.2	820.0	210.2	213.3	215.0	217.1	855.5
Business and Wholesale Revenues	97.3	97.8	99.1	99.6	393.8	92.3	102.4	104.0	104.0	402.7
Equipment Sales	8.2	9.0	12.3	12.4	41.9	8.3	9.8	13.2	16.7	48.0
Others and Eliminations	10.8	19.7	17.0	18.6	66.0	16.9	12.9	15.4	20.9	66.0
Audiovisuals	14.2	14.2	14.0	16.1	58.5	16.7	18.0	18.2	18.4	71.3
Cinema ⁽¹⁾	10.7	11.4	12.8	14.0	49.0	13.8	12.9	16.9	14.9	58.4
Others and Eliminations	(11.0)	(10.9)	(11.3)	(12.0)	(45.3)	(14.0)	(13.4)	(14.7)	(15.6)	(57.7)
Operating Costs Excluding D&A	(207.5)	(211.3)	(214.4)	(240.3)	(873.5)	(216.2)	(217.4)	(224.5)	(253.2)	(911.2)
W&S	(21.0)	(18.7)	(21.4)	(24.1)	(85.3)	(21.6)	(20.3)	(23.4)	(23.8)	(89.1)
Direct Costs	(96.7)	(100.5)	(99.7)	(110.7)	(407.6)	(101.2)	(110.7)	(107.8)	(117.0)	(436.7)
Commercial Costs ⁽²⁾	(22.7)	(21.8)	(31.7)	(29.9)	(106.1)	(21.2)	(19.2)	(28.2)	(29.5)	(98.1)
Other Operating Costs	(67.0)	(70.4)	(61.6)	(75.6)	(274.5)	(72.1)	(67.2)	(65.1)	(82.9)	(287.2)
EBITDA	129.9	133.6	133.4	113.5	510.5	127.9	138.5	143.5	123.3	533.1
EBITDA Margin	38.5%	38.7%	38.4%	32.1%	36.9%	37.2%	38.9%	39.0%	32.7%	36.9%
Telco	120.4	124.9	123.8	103.4	472.5	116.9	129.0	129.8	109.9	485.5
EBITDA Margin	37.2%	37.8%	37.3%	30.8%	35.7%	35.7%	38.1%	37.3%	30.6%	35.4%
Cinema Exhibition and Audiovisuals	9.5	8.8	9.6	10.1	37.9	11.0	9.5	13.7	13.4	47.6
EBITDA Margin	42.4%	37.4%	39.5%	36.5%	38.8%	40.4%	35.1%	45.2%	44.4%	41.5%
Share of results of associates and joint ventures	4.9	2.7	4.0	2.3	13.9	7.3	0.5	(2.9)	(1.4)	3.6
Depreciation and Amortization	(83.9)	(86.2)	(81.5)	(87.7)	(339.3)	(87.7)	(90.7)	(89.3)	(98.8)	(366.4)
(Other Expenses) / Income	(2.8)	(12.6)	(18.3)	(3.9)	(37.6)	(6.1)	(5.4)	(4.9)	(3.6)	(19.9)
Operating Profit (EBIT) ⁽³⁾	48.1	37.5	37.6	24.3	147.5	41.5	43.0	46.4	19.5	150.4
(Financial Expenses) / Income	(15.2)	(14.2)	(14.9)	(11.0)	(55.2)	(11.8)	(10.8)	(7.1)	(6.0)	(35.7)
Income Before Income Taxes	32.9	23.3	22.8	13.3	92.3	29.7	32.2	39.3	13.5	114.6
Income Taxes	(7.3)	(4.8)	(4.0)	(1.1)	(17.2)	(6.5)	(8.2)	(13.1)	(4.4)	(32.1)
Income From Continued Operations	25.6	18.5	18.8	12.2	75.1	23.2	23.9	26.2	9.1	82.5
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.1)	0.0	0.0	(0.4)	0.0	0.1	(0.0)	0.1	0.2
Net Income	25.3	18.4	18.8	12.3	74.7	23.2	24.1	26.2	9.2	82.7
Recurrent CAPEX	(52.7)	(71.8)	(68.0)	(83.2)	(275.8)	(68.2)	(72.3)	(77.1)	(79.7)	(297.3)
Total CAPEX	(56.7)	(88.6)	(86.6)	(142.5)	(374.4)	(94.3)	(102.4)	(97.9)	(113.7)	(408.3)
EBITDA - Recurrent CAPEX	77.1	61.8	65.4	30.3	234.7	59.7	66.2	66.4	43.5	235.8
Non-Cash Items Included in EBITDA - Recurrent CAPEX ⁽⁴⁾ and Change in Working Capital	(35.7)	(10.1)	(7.6)	22.0	(31.4)	(26.9)	(38.5)	6.0	2.0	(57.4)
Operating Cash Flow After Investment	41.4	51.7	57.9	52.3	203.3	32.8	27.7	72.4	45.5	178.4
Long Term Contracts	(3.9)	(4.2)	(3.5)	(6.8)	(18.4)	(4.1)	(4.3)	(5.5)	(4.0)	(17.9)
Net Interest Paid and Other Financial Charges	(13.8)	(15.4)	(6.7)	(10.6)	(46.6)	(5.3)	(10.4)	(5.8)	(2.7)	(24.2)
Income Taxes Paid	(1.1)	(0.3)	10.8	(1.1)	8.2	(1.3)	(0.6)	(2.1)	(1.5)	(5.4)
Other Cash Movements	0.1	0.5	0.3	0.3	1.2	0.2	0.3	(0.7)	0.2	(0.1)
Recurrent Free Cash Flow	22.6	32.3	58.8	34.1	147.7	22.3	12.7	58.2	37.5	130.8
Net Financial Debt	927.2	971.2	959.3	985.5	985.5	1,001.2	1,100.7	1,050.6	1,048.4	1,048.4

(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.

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Enquiries

Chief Financial Officer: José Pedro Pereira da Costa

Phone: (+351) 21 799 88 19

Analysts/Investors: Maria João Carrapato

Phone: (+351) 21 782 47 25 / E-mail: ir@nos.pt

Press: Isabel Borgas / Irene Luis

Phone: (+351) 21 782 48 07 / E-mail: comunicacao.corporativa@nos.pt

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Conference ID: **54082787**

Portugal Dial-in: +351 800 812 040

Standard International Dial-In: +44 (0) 1452 555 566

UK Dial-in: +44 (0) 800 694 02 57

US Dial-in: +1 866 966 94 39

Encore Replay Access #: **54082787**

International Encore Dial In: +44 1452 550 000

