



Earnings

Announcement

3Q16

3Q16 Highlights

Table 1.

3Q16 Highlights	3Q15	3Q16	3Q16 / 3Q15	9M15	9M16	9M16 / 9M15
Financial Highlights						
Operating Revenues	367.9	381.0	3.5%	1,067.9	1,124.1	5.3%
Telco Revenues	347.6	360.4	3.7%	1,013.6	1,070.9	5.6%
EBITDA	143.5	145.2	1.2%	409.8	431.8	5.3%
EBITDA Margin	39.0%	38.1%	(0.9pp)	38.4%	38.4%	0.0pp
Net Income Before Associates & Non-Controlling Interests	29.2	25.9	(11.1%)	68.4	86.5	26.4%
Net Income	26.2	27.5	4.8%	73.5	78.4	6.6%
Operational Highlights						
Total RGUs	8,276.7	8,941.5	8.0%	8,276.7	8,941.5	8.0%
Mobile	4,025.1	4,395.6	9.2%	4,025.1	4,395.6	9.2%
Pay TV	1,522.0	1,586.1	4.2%	1,522.0	1,586.1	4.2%
IRIS & UMA Subscribers	825.1	955.1	15.8%	825.1	955.1	15.8%
Convergent RGUs	2,665.0	3,271.0	22.7%	2,665.0	3,271.0	22.7%
Convergent Customers	555.6	661.4	19.0%	555.6	661.4	19.0%
Convergent Customers as % of Fixed Access Customers	40.2%	45.2%	4.9pp	40.2%	45.2%	4.9pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	42.0	42.8	2.0%	41.8	43.2	3.4%

Highlights 3Q16

Solid RGU growth supported by convergence and seasonal pick-up in mobile subscribers

- Total RGUs increased by 195.1 thousand in 3Q16 led by solid performance in all fixed services and seasonally stronger net adds in Mobile;
- Pay TV net adds posted a similar pace of growth to the previous quarter driven by continued expansion of the fixed footprint. Total Pay TV net adds were 11.8 thousand, of which 10.7 thousand in the fixed base led by the network expansion programme underway;
- Fixed voice and broadband RGUs grew by 27.1 thousand and 30.4 thousand respectively, tracking the continued expansion of the Pay TV base;
- Mobile RGUs recorded a seasonal pick-up in 3Q16 due to the holiday season with net adds of 125.3 thousand up from 50 thousand in 1Q16 and 97.3 thousand in 2Q16;
- Convergent customers grew to 661.4 thousand, with convergence as a percentage of the fixed customer base representing 45.2% by the end of 3Q16, an increase of 4.9 pp from 40.2% in 3Q15;
- In 3Q16, NOS extended its fixed footprint to an additional 39.8 thousand homes bringing total coverage to 3.741 million households; Average fixed network penetration stands at 33.4%, with penetration in new network build already at 20%;
- Residential ARPU grew by 2.0% yoy to 42.8 euros;
- The B2B segment posted net growth in RGUs of 35.7 thousand to 1.382 million, up by 11.1% yoy.

Revenue growth was well ahead of the market accompanied by solid performance in EBITDA, despite the impact of higher sports content costs in the quarter. The Audiovisuals and Cinemas business performed ahead of expectations led by a stronger movie slate over the summer months.

- Consolidated Revenues increased by 3.5% in 3Q16 to 381 million euros with core telco revenue growing by 3.7% yoy to 360.4 million euros and audiovisuals and cinema revenues growing by 7.7% and 2.3% yoy to 19.6 and 17.3 million euros, respectively;
- Consolidated EBITDA posted solid growth of 1.2%, although was impacted as from 3Q16 by the new sports content contracts driving higher programming costs; EBITDA amounted to 145.2 million euros in 3Q16 representing a 38.1% margin as a percentage of revenues;
- Net income grew by 4.8% yoy in 3Q16 to 27.5 million euros;
- Total Group CAPEX amounted to 96.6 million euros in 3Q16, and Telco CAPEX to 87.0 million euros.



1. 3Q16 Consolidated Results

1.1 Sustaining RGU and market share growth albeit slower due to higher service penetration

NOS presented another quarter of solid growth in all core telco services, with total RGUs up by 195.1 thousand to 8.941 million services, representing a significant pick up in comparison with previous quarters of the year due to the seasonally higher summer months for mobile.

The expansion of NOS' fixed footprint is supporting continued net growth in the Pay TV base which increased by 11.8 thousand subscribers in 3Q16, 10.7 thousand of which with fixed access services. Fixed Broadband and Voice services are progressively closing the gap to Pay TV services and in 3Q16, NOS added 30.4 thousand Broadband and 27.1 thousand fixed voice subscribers, bringing broadband and voice penetration over the fixed TV base to 74% and 85% respectively.

The number of households subscribing to convergent services grew by 17.4 thousand in 3Q16, bringing total convergent RGUs to 3.271 million by the end of the quarter, 661.4 thousand customers. The average number of RGUs per convergent household is 4.9, translating into a total of 1.318 million mobile RGUs included in convergent bundles. Penetration of fixed access households with convergent bundles reached 45.2% in 3Q16, compared with 40.2% in 3Q15 and representing an increase of 0.8pp over the previous quarter. Total convergent penetration as a percentage of the entire Pay TV base, including fixed access and satellite customers, amounted to 41.7% in 3Q16, up 5.2pp from 36.5% in 3Q15.

Mobile RGUs posted a very strong quarter with net adds growing to 125.3 thousand compared with 50 thousand in 1Q16 and 97.3 thousand in 2Q16, around 25 thousand of which relating to mobile broadband RGUs. July and August are always seasonally stronger months due to increased demand for mobility during the holiday period. Mobile data usage is a core part of consumer behaviour with mobile data traffic growing on the back of increased smartphone penetration already representing 68% of total voice handsets, up from 58% in 3Q15. Of the smartphones active on the network, 42% are 4G enabled and in terms of data usage, the monthly average on smartphones has grown by 88% to 1,116 MB and by 71% to 1,461 MB for 4G enabled devices.

Latest market share data posted by the regulator for end 2Q16 continues to show NOS reinforcing leadership in Pay TV with a share of 43.7% and growing share yoy in fixed broadband and voice by 1.5pp and 1.6pp respectively. In mobile services, NOS' market share now stands at 25.9%, an additional 2.0 pp versus 2Q15.

NOS' successful operational performance is supported by strong marketing initiatives and innovation. Having launched the new TV interface "UMA" earlier in the year, the platform was further enhanced with the launch of "NOS Share", an application which allows UMA TV customers to store content in the cloud and share it over any screen. The distinguishing element between "NOS Share" and other cloud based sharing platforms in the market is the ability for customers to share content such as photos, films and live content directly on their own TV screen or on that of their friends and families. Other key features include the possibility to create live events which can be shared in real time using TV livestreaming and to activate automatic upload of photos and videos from smartphones and tablets, to synchronize shared content with other clouds and to share storage space with other members of the family.

Average revenues per fixed access residential household continue to demonstrate solid performance led by additional RGU take-up. ARPU in 3Q16 reached 42.8 euros, up by 2.0% over 3Q15. In the B2B market, Average Revenue per RGU declined by 7.8% to 16.0 euros, due to continued backbook deflation and lower marginal revenues per new RGU. Although still negative, the trend has been improving throughout the year and compares with negative 11.1% in 1Q16 and negative 10.2% in 2Q16.

NOS has become a reference player in the Mass Business and Corporate segment in Portugal, providing integrated and innovative solutions to support businesses large and small. RGU growth continues strong with 35.7 thousand net adds in 3Q16 to 1.382 million. In the large corporate space, NOS has won a number of important new accounts albeit the pace of growth in 2016 is slowing over the previous year given that the relative size of accounts won is lower than that of the corporate accounts won in 2014 and 2015. NOS' objective for the Corporate segment is to continue to win its fair share of new accounts and new business in current customers tendering in the market albeit at a slower pace than before and protecting as much as possible the legacy value of the customer base and market. NOS' ambition is to be the preferred provider of integrated telco and IT services, maximizing share of wallet within its existing customer base and since the beginning of 2016, Telco and IT revenues generated from new business have grown by 40% and 25% respectively.

In terms of customer satisfaction, NOS continues to excel having been voted best in class yet again by ECSI Portugal 2016 – National Customer Satisfaction Index for Pay TV (6th year running) and fixed voice services (4th year running). Earlier in the year NOS had already received recognition as the “most trusted brand” in the Portuguese telecom sector by consumers in 1Q16. In June 2016, at the 2016 Contact Center World Awards for Europe, Africa and the Middle East, NOS received 3 gold medals for “Best Customer Service”, “Best Service to Sales”, and “Best Social Network Support” becoming the first company to receive the “Best Customer Service” award four times.

The network rollout plan is now almost complete with an additional 39.8 thousand households covered with FttH, bringing total network coverage to 3.741 million. Since the new build first started, penetration of new households covered now stands at 20% and is the main driver of continued growth in Pay TV subscribers. Also on the technological front, at the start of October, NOS entered into an important strategic partnership with Huawei to develop joint network and technological projects. This partnership will focus in particular on development of communication, data-centre and video infrastructures, including narrowband IoT, next generation Broadband and video networks, software defined networks (SDN), network functions virtualization (NFV) and integrated business solutions. The two companies have a long track record of working together with the first joint project dating back to 2005 when Huawei was chosen to develop the first 3G pilot in Portugal on the island of Madeira.

Table 2.

Operating Indicators ('000)	3Q15	2Q16	3Q16	3Q16 / 3Q15	3Q16 / 2Q16	9M15	9M16	9M16 / 9M15
Telco ⁽¹⁾								
Aggregate Indicators								
Homes Passed	3,543.5	3,701.0	3,740.8	5.6%	1.1%	3,543.5	3,740.8	5.6%
Total RGUs	8,276.7	8,746.4	8,941.5	8.0%	2.2%	8,276.7	8,941.5	8.0%
Mobile	4,025.1	4,270.3	4,395.6	9.2%	2.9%	4,025.1	4,395.6	9.2%
Pre-Paid	2,065.7	2,048.3	2,089.3	1.1%	2.0%	2,065.7	2,089.3	1.1%
Post-Paid	1,959.4	2,222.0	2,306.3	17.7%	3.8%	1,959.4	2,306.3	17.7%
ARPU / Mobile Subscriber (Euros)	9.2	8.5	8.7	(5.0%)	2.1%	8.9	8.6	(3.7%)
Pay TV	1,522.0	1,574.4	1,586.1	4.2%	0.7%	1,522.0	1,586.1	4.2%
Fixed Access ⁽²⁾	1,198.1	1,240.0	1,250.8	4.4%	0.9%	1,198.1	1,250.8	4.4%
DTH	323.9	334.4	335.4	3.6%	0.3%	323.9	335.4	3.6%
Fixed Voice	1,594.7	1,665.0	1,692.1	6.1%	1.6%	1,594.7	1,692.1	6.1%
Broadband	1,105.7	1,206.4	1,236.8	11.9%	2.5%	1,105.7	1,236.8	11.9%
Others and Data	29.2	30.3	30.8	5.6%	1.5%	29.2	30.8	5.6%
3,4&5P Subscribers (Fixed Access)	936.7	1,018.2	1,040.0	11.0%	2.1%	936.7	1,040.0	11.0%
% 3,4&5P (Fixed Access)	78.2%	82.1%	83.1%	5.0pp	1.0pp	78.2%	83.1%	5.0pp
Convergent RGUs	2,665.0	3,156.8	3,271.0	22.7%	3.6%	2,665.0	3,271.0	22.7%
Convergent Customers	555.6	644.0	661.4	19.0%	2.7%	555.6	661.4	19.0%
Fixed Convergent Customers as % of Fixed Access Customers	40.2%	44.4%	45.2%	4.9pp	0.8pp	40.2%	45.2%	4.9pp
% Convergent Customers	36.5%	40.9%	41.7%	5.2pp	0.8pp	36.5%	41.7%	5.2pp
IRIS & UMA Subscribers	825.1	927.3	955.1	15.8%	3.0%	825.1	955.1	15.8%
IRIS & UMA as % of 3,4&5P Subscribers (Fixed Access)	88.1%	91.1%	91.8%	3.8pp	0.8pp	88.1%	91.8%	3.8pp
Net Adds								
Homes Passed	75.5	68.2	39.8	(47.2%)	(41.6%)	217.8	140.7	(35.4%)
Total RGUs	247.3	151.4	195.1	(21.1%)	28.9%	651.1	476.6	(26.8%)
Mobile	163.9	97.3	125.3	(23.5%)	28.9%	381.9	272.6	(28.6%)
Pre-Paid	35.6	(6.8)	41.0	15.1%	n.a.	4.5	13.8	208.1%
Post-Paid	128.3	104.1	84.4	(34.2%)	(18.9%)	377.4	258.8	(31.4%)
Pay TV	19.5	12.9	11.8	(39.8%)	(8.8%)	45.2	42.3	(6.4%)
Fixed Access ⁽²⁾	14.6	10.3	10.7	(26.2%)	3.9%	31.5	35.4	12.3%
DTH	5.0	2.5	1.0	(79.6%)	(60.3%)	13.7	6.9	(49.5%)
Fixed Voice	22.6	17.1	27.1	20.3%	58.5%	102.0	68.8	(32.6%)
Broadband	38.8	24.0	30.4	(21.7%)	26.8%	112.8	92.1	(18.3%)
Others and Data	2.5	0.1	0.5	(81.6%)	264.1%	9.2	0.9	(90.5%)
3,4&5P Subscribers (Fixed Access)	31.9	22.9	21.7	(31.8%)	(5.0%)	85.1	71.5	(15.9%)
Convergent RGUs	221.7	168.2	114.2	(48.5%)	(32.1%)	811.7	417.3	(48.6%)
Convergent Customers	45.8	29.2	17.4	(61.9%)	(40.3%)	171.0	70.6	(58.7%)
IRIS & UMA Subscribers	41.0	27.7	27.8	(32.1%)	0.3%	131.6	90.1	(31.5%)

(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)	3Q15	2Q16	3Q16	3Q16 / 3Q15	3Q16 / 2Q16	9M15	9M16	9M16 / 9M15
Telco ⁽¹⁾								
Indicators per Segment								
Consumer								
Total RGUs	7,032.9	7,400.6	7,560.0	7.5%	2.2%	7,032.9	7,560.0	7.5%
Pay TV	1,418.5	1,458.1	1,466.3	3.4%	0.6%	1,418.5	1,466.3	3.4%
Fixed Access	1,121.4	1,152.1	1,160.0	3.4%	0.7%	1,121.4	1,160.0	3.4%
DTH	297.2	306.0	306.2	3.0%	0.1%	297.2	306.2	3.0%
IRIS & UMA Subscribers	791.9	883.3	908.6	14.7%	2.9%	791.9	908.6	14.7%
Broadband	1,004.8	1,093.2	1,119.3	11.4%	2.4%	1,004.8	1,119.3	11.4%
Fixed Voice	1,318.5	1,365.6	1,381.4	4.8%	1.2%	1,318.5	1,381.4	4.8%
Mobile	3,291.0	3,483.7	3,593.0	9.2%	3.1%	3,291.0	3,593.0	9.2%
% 1P (Fixed Access)	8.3%	6.4%	5.8%	(2.5pp)	(0.7pp)	8.3%	5.8%	(2.5pp)
% 2P (Fixed Access)	14.2%	12.0%	11.8%	(2.5pp)	(0.3pp)	14.2%	11.8%	(2.5pp)
% 3,4&5P (Fixed Access)	77.5%	81.5%	82.5%	5.0pp	0.9pp	77.5%	82.5%	5.0pp
ARPU / Unique Subscriber With Fixed Access (Euros)	42.0	43.0	42.8	2.0%	(0.4%)	41.8	43.2	3.4%
Net Adds								
Total RGUs	193.2	114.9	159.4	(17.5%)	38.7%	486.9	379.4	(22.1%)
Pay TV	14.0	9.2	8.2	(41.6%)	(11.3%)	27.2	30.7	12.9%
Fixed Access	10.7	7.2	8.0	(25.8%)	11.0%	18.8	25.7	36.9%
DTH	3.3	2.1	0.2	(92.8%)	(88.6%)	8.4	5.0	(40.6%)
IRIS & UMA Subscribers	38.1	24.3	25.3	(33.7%)	4.3%	123.5	80.1	(35.1%)
Broadband	34.9	20.8	26.1	(25.3%)	25.2%	101.0	80.2	(20.7%)
Fixed Voice	11.8	11.1	15.8	34.0%	43.1%	41.9	44.5	6.3%
Mobile	132.4	73.8	109.3	(17.5%)	48.2%	316.8	224.0	(29.3%)
Business								
Total RGUs	1,243.8	1,345.8	1,381.5	11.1%	2.7%	1,243.8	1,381.5	11.1%
Pay TV	103.4	116.3	119.9	15.9%	3.1%	103.4	119.9	15.9%
IRIS & UMA Subscribers	33.3	44.1	46.6	39.9%	5.7%	33.3	46.6	39.9%
Broadband	130.1	143.5	148.3	14.0%	3.3%	130.1	148.3	14.0%
Fixed Voice	276.2	299.4	310.7	12.5%	3.8%	276.2	310.7	12.5%
Mobile	734.1	786.6	802.7	9.3%	2.0%	734.1	802.7	9.3%
ARPU per RGU (Euros)	17.4	16.4	16.0	(7.8%)	(2.4%)	18.1	16.4	(9.3%)
Net Adds								
Total RGUs	54.3	36.5	35.7	(34.2%)	(2.1%)	164.1	97.2	(40.8%)
Pay TV	5.5	3.6	3.6	(35.1%)	(2.5%)	18.0	11.6	(35.5%)
IRIS & UMA Subscribers	2.8	3.5	2.5	(10.7%)	(27.9%)	8.1	10.0	23.7%
Broadband	6.5	3.3	4.8	(25.9%)	46.8%	20.9	12.8	(38.9%)
Fixed Voice	10.9	6.1	11.3	3.9%	86.4%	60.1	24.3	(59.6%)
Mobile	31.4	23.5	16.0	(49.0%)	(31.7%)	65.1	48.5	(25.5%)

(1) Portuguese Operations

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

1.2 – Cinemas and Audiovisuals

Table 4.

Operating Indicators ('000)	3Q15	2Q16	3Q16	3Q16 / 3Q15	3Q16 / 2Q16	9M15	9M16	9M16 / 9M15
Cinema ⁽¹⁾								
Revenue per Ticket (Euros)	4.6	4.7	4.7	2.1%	(0.3%)	4.6	4.7	2.0%
Tickets Sold	2,676.8	1,715.5	2,663.4	(0.5%)	55.2%	6,661.7	6,779.2	1.8%
Screens (units)	215	215	215	0.0%	0.0%	215	215	0.0%

(1) Portuguese Operations

NOS' Cinema ticket sales posted a marginal yoy decline of 0.5% to 2.663 million tickets in 3Q16, slightly better than the performance of the market as a whole, which declined by 1.0%¹. In 9M16, NOS' cinema ticket sales rose by 1.8% to 6.779 million tickets, whereas the market as a whole improved by 1.1%. Average revenue per ticket posted a yoy improvement of 2.1% to 4.7 euros in 3Q16.

The most successful films exhibited in 3Q16 were "The Secret Life of Pets", "Suicide Squad", "Finding Dory", "Ice Age: Collision Course" and "A Canção de Lisboa".

NOS' gross box-office revenues improved by 1.4% in 3Q16, which compares with a decline of 0.3% for the market as a whole, as NOS continues to maintain its leading market position, with a market share of 64.8% in terms of gross revenues in 3Q16. Total Cinema Exhibition revenues increased by 2.3% yoy in 3Q16 to 17.3 million euros. For 9M16, NOS' total Cinema Exhibition revenues increased by 2.5% to 44.7 million euros.

Revenues in the Audiovisuals division increased by 7.7% yoy to 19.6 million euros in 3Q16. This improvement in revenues was driven primarily by the performance in Cinema Distribution and rights and television management areas, partially offset by a decline in Homevideo. Of the top 10 cinema box-office hits in 3Q16, NOS distributed 9, "The Secret Life of Pets", "Suicide Squad", "Finding Dory", "A Canção de Lisboa", "Mechanic: Resurrection", "Jason Bourne", "Now you see Me 2", "The Legend of Tarzan" and "Sully", therefore maintaining its leading position, albeit with a smaller market share yoy.

¹ Source: ICA – Portuguese Institute For Cinema and Audiovisuals

2. Consolidated Financial Statements

The following Consolidated Financial Statements have been subject to limited review.

2.1 – Consolidated Income Statement

Table 5.

Profit and Loss Statement (Millions of Euros)	3Q15	2Q16	3Q16	3Q16 / 3Q15	3Q16 / 2Q16	9M15	9M16	9M16 / 9M15
Operating Revenues	367.9	372.8	381.0	3.5%	2.2%	1,067.9	1,124.1	5.3%
Telco	347.6	357.9	360.4	3.7%	0.7%	1,013.6	1,070.9	5.6%
Consumer Revenues	215.0	220.7	223.1	3.8%	1.1%	638.5	667.4	4.5%
Business and Wholesale Revenues	104.0	105.7	104.1	0.1%	(1.5%)	298.7	310.1	3.8%
Equipment Sales	13.2	10.5	14.3	8.3%	36.4%	31.3	37.4	19.5%
Others and Eliminations	15.4	21.0	18.9	23.1%	(10.0%)	45.1	56.0	24.1%
Audiovisuals	18.2	16.9	19.6	7.7%	15.7%	52.9	52.6	(0.5%)
Cinema ⁽¹⁾	16.9	11.7	17.3	2.3%	48.3%	43.6	44.7	2.5%
Others and Eliminations	(14.7)	(13.7)	(16.3)	10.9%	19.3%	(42.1)	(44.0)	4.5%
Operating Costs Excluding D&A	(224.5)	(224.2)	(235.7)	5.0%	5.2%	(658.0)	(692.3)	5.2%
W&S	(23.4)	(21.9)	(23.0)	(1.8%)	5.0%	(65.3)	(68.7)	5.2%
Direct Costs	(107.8)	(110.4)	(115.7)	7.4%	4.8%	(319.7)	(334.9)	4.7%
Commercial Costs ⁽²⁾	(28.2)	(18.7)	(29.1)	3.1%	55.4%	(68.6)	(73.5)	7.1%
Other Operating Costs	(65.1)	(73.2)	(68.0)	4.5%	(7.1%)	(204.4)	(215.3)	5.3%
EBITDA	143.5	148.7	145.2	1.2%	(2.3%)	409.8	431.8	5.3%
EBITDA Margin	39.0%	39.9%	38.1%	(0.9pp)	(1.8pp)	38.4%	38.4%	0.0pp
Telco	129.8	137.6	131.4	1.3%	(4.5%)	375.7	394.8	5.1%
EBITDA Margin	37.3%	38.4%	36.5%	(0.9pp)	(2.0pp)	37.1%	36.9%	(0.2pp)
Cinema Exhibition and Audiovisuals	13.7	11.1	13.8	0.9%	24.9%	34.2	36.9	8.0%
EBITDA Margin	45.2%	42.8%	43.2%	(2.0pp)	0.4pp	40.4%	42.5%	2.1pp
Depreciation and Amortization	(89.3)	(98.5)	(98.7)	10.5%	0.1%	(267.6)	(292.5)	9.3%
(Other Expenses) / Income	(4.9)	(3.6)	(5.5)	12.8%	53.7%	(16.3)	(11.5)	(29.6%)
Operating Profit (EBIT) ⁽³⁾	49.3	46.5	41.1	(16.7%)	(11.8%)	125.9	127.8	1.5%
Share of results of associates and joint ventures	(2.9)	(3.3)	1.4	n.a.	n.a.	5.0	(8.2)	n.a.
(Financial Expenses) / Income	(7.1)	(6.9)	(6.5)	(7.6%)	(4.8%)	(29.7)	(18.8)	(36.8%)
Income Before Income Taxes	39.3	36.4	35.9	(8.6%)	(1.3%)	101.1	100.7	(0.4%)
Income Taxes	(13.1)	(9.9)	(8.6)	(34.2%)	(13.4%)	(27.7)	(22.5)	(18.9%)
Net Income Before Associates & Non-Controlling Interests	29.2	29.7	25.9	(11.1%)	(12.9%)	68.4	86.5	26.4%
Income From Continued Operations	26.2	26.5	27.3	4.2%	3.3%	73.4	78.2	6.6%
o.w. Attributable to Non-Controlling Interests	(0.0)	0.0	0.2	n.a.	n.a.	0.1	0.2	11.4%
Net Income	26.2	26.5	27.5	4.8%	3.8%	73.5	78.4	6.6%

⁽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 by 3.5% yoy in 3Q16 significantly ahead of the overall Portuguese market.

Growth in core telco revenues was 3.7% in the quarter, reflecting a combination of 3.8% growth in the Consumer segment and a marginally positive yoy performance from the Business and Wholesale division. Other smaller contributors to revenues, "Equipment Sales" and "Other revenues" posted strong yoy growth of 8.3% and 22.4% respectively. Adjusted for the impact of MTR cuts, Telco Revenues would have grown 4.9% and Consumer Revenues would have grown by 5.5% - an additional 1.3pp and 1.7pp respectively. The impact of the MTR cut on Business and Wholesale Revenues is less significant – adjusted revenues would have grown 0.8%, an additional 0.6pp.

Within the Consumer division, revenues from the residential segment posted a yoy increase of 5.4% to 189.0 million euros, representing a marginal slowdown in yoy growth rate from 6.2% in 2Q16. Within the residential customer base, revenues from convergent services already represent more than 51%, compared with 45% in 3Q15. Reinforcing positive trends of previous quarters, the yoy pace of decline in the personal segment continues to slow, having registered a decline of 4.8% in 3Q16 compared with 14% in 3Q15 and with 9.9% in 2Q16 and thus posing less of a drag on overall consumer revenues. Contribution of operator revenues in the residential segment is negative yoy due to the cut in MTRs. Voice MTRs declined in mid-August 2015 from 1.27 cents to 0.83 cents per minute, with a further MTR decline in July 2016 to 0.81 cents and another slight decline expected for 2017. In April 2016 SMS MTRs declined, from 1.27 cents to 0.83 cents per SMS.

Business and Wholesale (B&W) revenues overall were just marginally positive yoy by 0.1%. The significantly lower pace of growth yoy is explained by a 4.6% reduction in wholesale revenues which represented 37% of B&W revenues in 3Q16. Customer revenues within this division grew by 3.4% yoy in 3Q16, which compares with 3.7% in the previous quarter, and importantly both the large corporate and mass business sub-segments are posting customer revenue growth of 2.8% and 4.0% respectively. In the case of the mass business segment, market repricing of previous periods has reduced significantly and volume growth is now driving positive revenue performance. The decline in revenues from the wholesale division is the result of a lower market share of mass calling services in the quarter and also to the fact that some gameshows are no longer being broadcast thus reducing the overall volume of MCS in the market. The impact of lower termination rates yoy is smaller in Business and Wholesale revenues, which would have grown by 0.8% yoy, excluding this impact.

The audiovisuals and cinema division posted surprisingly positive yoy performance with revenues in 3Q16 up by 7.7% and 2.3% respectively. The previous year had been an exceptionally strong year worldwide for the movie industry and trends in 2016 were set to revert to a more normal level, although still better than in 2014. However the movie slate in 3Q16 recorded better box-office results than anticipated and has thus brought accumulated 9M16 revenue trends almost in line with 9M15. The stronger performance in comparison with 2015 is also supported by higher levels of consumer confidence in Portugal.

2.3 – EBITDA

Consolidated EBITDA posted solid yoy growth of 1.2% yoy in 3Q16 to 145.2 million euros and core Telco EBITDA grew at a similar pace of 1.3% to 131.4 million euros representing an EBITDA margin of 36.5%. Audiovisuals and Cinemas posted a yoy increase in EBITDA of 0.9% to 13.8 million euros in 3Q16, representing an EBITDA margin of 43.2%.

2.4 – Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs increased by 5% yoy to 235.7 million euros and by 5.2% over 2Q16.

Wages and Salaries in 3Q16 posted a marginal yoy decline of 1.8% to 23 million euros due essentially to an adjustment in the quarter to bonus payments. In 9M16, costs with wages and salaries have increased by 5.2% reflecting increased average headcount to support the growth momentum of the telecom operation, a yearly increase in salaries and costs related with employee share plans.

Direct Costs grew by 7.4% in 3Q16 to 115.7 million euros and by 4.8% in comparison with 2Q16. The main driver of the increase is additional costs with programming resulting from the competitive bidding process for premium sports content that occurred in the last weeks of 2015 and into early 2016. In an effort to assure that all consumers were able to access all relevant sports content whichever operator platform they subscribe, all operators in the Portuguese market reached a sports content reciprocal sharing agreement for sports events broadcasting rights and distribution and broadcasting rights of sports and club channels with proportionate sharing of costs associated with this content. NOS' programming costs increased by over 31% yoy in 3Q16 in comparison with 3Q15 as a result of the new content costs related with club contracts that came into effect with the start of the new football season. The increased content costs are also related with a change in the cost structure of the Sport TV distribution model for all operators in the market and that resulted from the need to introduce a more financially sustainable model. Of the other items in Direct Costs, the main variation yoy arose in interconnection costs which fell by 6.9% primarily as a result of the regulated cuts in termination rates. The net impact of the MTR cuts is positive for NOS as NOS is a net payer (revenues minus costs) of interconnection to the other operators in the market given its smaller market share. Although the quarterly net interconnection payment is still significant, around 2.8 million euros, it is significantly less than if the MTR cuts had not been implemented. In addition, as a result of NOS' significant mobile market share growth of the past couple of years, its mobile traffic imbalance between outgoing and incoming traffic has significantly reduced. In 3Q16, NOS terminated only 35% more traffic on other networks than it was receiving. This compares with 56% in 3Q15 and 69% in 2014.

Commercial Costs increased 3.1% yoy to 29.1 million euros primarily as a result of higher cost of goods sold on the back of increased handset sales within convergent and personal mobile commercial offers. This increase was partially offset by a small decline in non customer acquisition related commissions. Recurrent marketing and publicity costs remained relatively flat yoy.

Other Operating Costs increased 4.5% yoy to 68 million euros with the increase resulting primarily from more costs with supplies and external services to support the strong operating activity.

2.5 – Net Income

Net Income increased by 4.8% yoy to 27.5 million euros.

Depreciation and Amortization was 10.5% higher in 3Q16 at 98.7 million euros, almost in line with the previous quarter. The yoy increase is essentially due to the higher level of investment in both network assets and customer related costs, as was the case with the previous quarters.

NOS' Share of Associates and Joint Ventures was positive by 1.4 million euros which compares with a negative contribution in 3Q15 of 2.9 million euros and with negative contributions throughout all of 2016. The improved result is essentially due to a combination of the less negative performance of NOS' 30% stake in ZAP which posted marginally positive contribution to net results of 70 thousand euros in 3Q16 supported by a more stable exchange rate environment in Angola, and due to the improved economics of Sport TV as a result of the change in distribution model and shareholder structure. NOS has reduced its stake in Sport TV to 33% with the entrance of Vodafone in the

share capital and is set to reduce to 25% with the announced entrance of PT in the share capital, a process which is currently under due diligence.

Other Expenses* of 5.5 million euros in 3Q16 relate to non-recurrent costs, explained almost entirely by merger related integration costs of 4.5 million euros.

Net Financial Expenses were 7.6% lower yoy at 6.5 million euros in 3Q16, reflecting the significantly improved average cost of debt after a number of lines were refinanced during 2015 and 1H16. Further details on financing are presented in the capital structure section below.

Income Tax provision amounted to 8.6 million euros in 3Q16 representing 24% as a percentage of Income before Income Taxes, compared with 27% in 2Q16 and 33% in 3Q15. P&L effective tax rate tends to vary from quarter to quarter depending on a number of factors of which the most relevant being accounting of deferred taxes and the contribution of the Share of Associates and Joint Ventures line.

* 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)	3Q15	2Q16	3Q16	3Q16 / 3Q15	3Q16 / 2Q16	9M15	9M16	9M16 / 9M15
Telco	88.4	92.7	87.0	(1.6%)	(6.1%)	265.8	264.7	(0.4%)
Baseline Telco	33.3	35.0	30.2	(9.5%)	(13.8%)	88.2	92.7	5.0%
Customer Related	48.6	46.8	44.4	(8.5%)	(5.0%)	146.4	134.2	(8.4%)
Network Expansion / Substitution and Integration Projects and Others	6.5	11.0	12.4	90.1%	13.3%	31.2	37.8	21.3%
Audiovisuals and Cinema Exhibition	9.5	8.2	9.5	0.2%	15.7%	28.8	27.9	(2.8%)
Total Group	97.9	101.0	96.6	(1.4%)	(4.3%)	294.6	292.6	(0.7%)

Total Group CAPEX declined marginally by 1.4% yoy to 96.6 million euros in 3Q16, representing 25.3% of Consolidated Revenues, down yoy from 26.6% in 3Q15.

Telco CAPEX was 87 million euros in 3Q16, 1.6% down on the previous year and 6.1% lower than the previous quarter. Baseline Telco CAPEX posted a material reduction of 9.5% yoy to 30.2 million euros, representing 8.4% as a percentage of Telco Revenues and Total Telco CAPEX was 24.2% of Telco Revenues, marginally less than in 3Q15 and 2Q16. The level of network expansion and substitution CAPEX will start to taper away to residual levels over coming months as the network rollout programme is completed.

Investment in customer success based CAPEX continues to decline and in 3Q16 was 8.5% lower yoy at 44.4 million euros and 5% lower than in 2Q16. This decline is consistent with the progressive slowdown in RGU growth which was to be expected given the relatively high levels of service penetration in the market and in NOS' customer base.

Audiovisuals and Cinema Exhibition CAPEX was 9.5 million euros, in line with the investment recorded in 3Q15, reflecting the capitalization of certain movie rights.

3.2 – Cash Flow

Table 7.

Cash Flow (Millions of Euros)	3Q15	2Q16	3Q16	3Q16 / 3Q15	3Q16 / 2Q16	9M15	9M16	9M16 / 9M15
EBITDA	143.5	148.7	145.2	1.2%	(2.3%)	409.8	431.8	5.3%
Total CAPEX	(97.9)	(101.0)	(96.6)	(1.4%)	(4.3%)	(294.6)	(292.6)	(0.7%)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	14.3	(18.9)	(0.9)	n.a.	(95.0%)	(42.9)	(39.7)	(7.4%)
Operating Cash Flow	59.8	28.8	47.7	(20.2%)	65.9%	72.4	99.4	37.4%
Long Term Contracts	(5.5)	(4.4)	(4.7)	(13.9%)	6.4%	(13.8)	(13.0)	(6.2%)
Cash Restructuring Payments	(4.4)	(2.3)	(6.0)	36.5%	161.9%	(14.6)	(11.8)	(19.1%)
Interest Paid	(5.8)	(4.2)	(5.9)	0.6%	39.5%	(21.6)	(15.5)	(28.0%)
Income Taxes Paid	0.9	(4.5)	(9.5)	n.a.	111.3%	(2.8)	(14.9)	n.a.
Disposals	1.7	0.4	2.9	73.2%	n.a.	2.2	3.7	66.9%
FCM Receivables	6.5	0.0	0.0	(100.0%)	n.a.	6.5	0.0	(100.0%)
Other Cash Movements	(0.2)	0.4	(0.2)	14.3%	n.a.	(0.3)	0.2	n.a.
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	53.1	14.1	24.3	(54.2%)	72.1%	28.1	48.2	71.2%
Acquisition of Own Shares	(4.1)	(13.3)	0.0	(100.0%)	(100.0%)	(4.5)	(20.7)	n.a.
Foreign Currency Debt Exchange Effect	0.0	0.0	0.0	n.a.	n.a.	(0.0)	0.0	n.a.
Dividends	0.0	(82.1)	0.0	n.a.	(100.0%)	(72.2)	(82.1)	13.7%
Free Cash Flow	49.0	(81.3)	24.3	(50.4%)	n.a.	(48.6)	(54.6)	12.5%
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	1.1	(7.2)	(2.4)	n.a.	(67.1%)	(16.6)	(11.2)	(32.2%)
Change in Net Financial Debt	50.1	(88.5)	21.9	(56.2%)	n.a.	(65.1)	(65.9)	1.2%

Operating Cash Flow was 47.7 million euros in 3Q16, down by 20.2% in comparison with 3Q15. Working Capital items compare less favourably in 3Q16 against 3Q15 mostly due to frontloaded payments made for premium sports content deals signed, in particular the new distribution contract of Sport TV. Cash payment in this contract is higher in the first half of the football season which starts in July and is then compensated in the latter half of the season and as such creates a phasing differential between cash and economic costs during the football season and the financial year.

Total FCF before dividends, financial investments and own shares acquisitions was 24.3 million euros, down 54.2% yoy due to the aforementioned increase in working capital investment. Other cash items had a relatively neutral impact on yoy FCF performance with the exception of cash taxes which were negative by 9.5 million euros in 3Q16 compared with 0.9 million euros positive in 3Q15. This change is explained by higher advance tax payments made in 2016 based on 2015 taxable income and by the fact that taxable income in 2015 was higher than advance payments made in 2015.

4. Consolidated Balance Sheet

Table 8.

Balance Sheet (Millions of Euros)	2015	9M16
Non-current Assets	2,510.1	2,452.1
Current Assets	466.4	567.0
Total Assets	2,976.5	3,019.2
Total Shareholders' Equity	1,063.5	1,039.4
Non-current Liabilities	1,150.7	1,276.1
Current Liabilities	762.2	703.7
Total Liabilities	1,913.0	1,979.8
Total Liabilities and Shareholders' Equity	2,976.5	3,019.2

4.1 – Capital Structure

At the end of 9M16, Net Financial Debt stood at 1,114.2 million euros.

Total financial debt was 1,115.8 million euros, which was offset with a cash and short-term investment position on the balance sheet of 1.5 million euros. At the end of 9M16, NOS also had 190 million euros of unissued commercial paper programmes. The all-in average cost of NOS' Net Financial Debt stood at 2.17% for 3Q16, down from 2.43% in 3Q15 and from 2.30% in 2Q16. For 9M16, the all-in average cost of NOS' Net Financial Debt amounted to 2.28%.

Net Financial Gearing was 49.7% at the end of 9M16 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 9M16 was 3.3 years.

Taking into account the loans issued at a fixed rate, the interest rate hedging operations in place, and the negative interest rate environment, as at 30 September 2016, the proportion of NOS' issued debt paying interest at a fixed rate is approximately 69%.

NOS is fully financed until the second half of 2017.

Table 9.

Net Financial Debt (Millions of Euros)	2015	9M16	9M16 / 2015
Short Term	160.0	116.3	(27.3%)
Bank and Other Loans	141.7	98.5	(30.5%)
Financial Leases	18.3	17.8	(2.5%)
Medium and Long Term	898.3	999.4	11.3%
Bank and Other Loans	862.6	968.7	12.3%
Financial Leases	35.8	30.7	(14.1%)
Total Debt	1,058.3	1,115.8	5.4%
Cash and Short Term Investments	9.9	1.5	(84.8%)
Net Financial Debt	1,048.4	1,114.2	6.3%
Net Financial Gearing ⁽¹⁾	49.6%	49.7%	0.1pp
Net Financial Debt / EBITDA	2.0x	2.0x	n.a.

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

Appendix

Appendix I

Table 10.

Operating Indicators ('000)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Telco ⁽¹⁾							
Aggregate Indicators							
Homes Passed	3,393.0	3,468.0	3,543.5	3,600.1	3,632.8	3,701.0	3,740.8
Total RGUs	7,790.4	8,029.3	8,276.7	8,464.8	8,595.0	8,746.4	8,941.5
Mobile	3,730.4	3,861.2	4,025.1	4,123.1	4,173.0	4,270.3	4,395.6
Pre-Paid	2,025.0	2,030.1	2,065.7	2,075.5	2,055.2	2,048.3	2,089.3
Post-Paid	1,705.4	1,831.1	1,959.4	2,047.5	2,117.9	2,222.0	2,306.3
ARPU / Mobile Subscriber (Euros)	8.8	9.2	9.2	8.6	8.5	8.5	8.7
Pay TV	1,488.6	1,502.5	1,522.0	1,543.8	1,561.5	1,574.4	1,586.1
Fixed Access ⁽²⁾	1,174.0	1,183.6	1,198.1	1,215.3	1,229.7	1,240.0	1,250.8
DTH	314.6	318.9	323.9	328.5	331.8	334.4	335.4
Fixed Voice	1,522.0	1,572.1	1,594.7	1,623.3	1,647.9	1,665.0	1,692.1
Broadband	1,027.3	1,066.9	1,105.7	1,144.7	1,182.4	1,206.4	1,236.8
Others and Data	22.0	26.6	29.2	29.9	30.2	30.3	30.8
3,4&5P Subscribers (Fixed Access)	878.1	904.9	936.7	968.4	995.4	1,018.2	1,040.0
% 3,4&5P (Fixed Access)	74.8%	76.5%	78.2%	79.7%	80.9%	82.1%	83.1%
Convergent RGUs	2,194.5	2,443.2	2,665.0	2,853.7	2,988.6	3,156.8	3,271.0
Convergent Customers	456.8	509.8	555.6	590.8	614.8	644.0	661.4
Fixed Convergent Customers as % of Fixed Access Customers	34.0%	37.5%	40.2%	41.9%	42.8%	44.4%	45.2%
% Convergent Customers	30.7%	33.9%	36.5%	38.3%	39.4%	40.9%	41.7%
IRIS & UMA Subscribers	742.6	784.2	825.1	865.0	899.6	927.3	955.1
IRIS & UMA as % of 3,4&5P Subscribers (Fixed Access)	84.6%	86.7%	88.1%	89.3%	90.4%	91.1%	91.8%
Net Adds							
Homes Passed	67.3	75.0	75.5	56.6	32.7	68.2	39.8
Total RGUs	164.8	239.0	247.3	188.2	130.2	151.4	195.1
Mobile	87.2	130.8	163.9	98.0	50.0	97.3	125.3
Pre-Paid	(36.2)	5.1	35.6	9.9	(20.4)	(6.8)	41.0
Post-Paid	123.4	125.7	128.3	88.1	70.3	104.1	84.4
Pay TV	11.9	13.9	19.5	21.8	17.7	12.9	11.8
Fixed Access	7.4	9.6	14.6	17.2	14.3	10.3	10.7
DTH	4.5	4.3	5.0	4.6	3.4	2.5	1.0
Fixed Voice	29.3	50.1	22.6	28.6	24.5	17.1	27.1
Broadband	34.4	39.5	38.8	39.0	37.7	24.0	30.4
Others and Data	2.0	4.6	2.5	0.8	0.3	0.1	0.5
3,4&5P Subscribers (Fixed Access)	26.4	26.8	31.9	31.7	27.0	22.9	21.7
Convergent RGUs	341.3	248.7	221.7	188.8	134.8	168.2	114.2
Convergent Customers	72.2	53.0	45.8	35.2	23.9	29.2	17.4
IRIS & UMA Subscribers	49.0	41.6	41.0	39.9	34.5	27.7	27.8

(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)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Telco ⁽¹⁾							
Indicators per Segment							
Consumer							
Total RGUs	6,671.8	6,839.7	7,032.9	7,180.5	7,285.7	7,400.6	7,560.0
Pay TV	1,396.0	1,404.5	1,418.5	1,435.6	1,448.8	1,458.1	1,466.3
Fixed Access	1,105.2	1,110.6	1,121.4	1,134.3	1,144.9	1,152.1	1,160.0
DTH	290.9	293.9	297.2	301.2	303.9	306.0	306.2
IRIS & UMA Subscribers	715.0	753.7	791.9	828.4	859.0	883.3	908.6
Broadband	935.5	969.9	1,004.8	1,039.2	1,072.4	1,093.2	1,119.3
Fixed Voice	1,290.4	1,306.7	1,318.5	1,336.9	1,354.5	1,365.6	1,381.4
Mobile	3,050.0	3,158.6	3,291.0	3,368.9	3,409.9	3,483.7	3,593.0
% 1P (Fixed Access)	10.2%	9.2%	8.3%	7.6%	7.0%	6.4%	5.8%
% 2P (Fixed Access)	15.8%	15.1%	14.2%	13.4%	12.8%	12.0%	11.8%
% 3,4&5P (Fixed Access)	74.1%	75.7%	77.5%	79.0%	80.3%	81.5%	82.5%
ARPU / Unique Subscriber With Fixed Access (Euros)	41.4	42.0	42.0	42.6	43.7	43.0	42.8
Net Adds							
Total RGUs	125.9	167.9	193.2	147.6	105.2	114.9	159.4
Pay TV	4.7	8.5	14.0	17.0	13.3	9.2	8.2
Fixed Access	2.6	5.5	10.7	13.0	10.6	7.2	8.0
DTH	2.1	3.0	3.3	4.0	2.7	2.1	0.2
IRIS & UMA Subscribers	46.6	38.7	38.1	36.6	30.6	24.3	25.3
Broadband	31.7	34.4	34.9	34.4	33.3	20.8	26.1
Fixed Voice	13.8	16.3	11.8	18.4	17.7	11.1	15.8
Mobile	75.7	108.6	132.4	77.9	41.0	73.8	109.3
Business							
Total RGUs	1,118.5	1,189.5	1,243.8	1,284.3	1,309.3	1,345.8	1,381.5
Pay TV	92.6	98.0	103.4	108.2	112.7	116.3	119.9
IRIS & UMA Subscribers	27.7	30.5	33.3	36.6	40.6	44.1	46.6
Broadband	113.9	123.6	130.1	135.5	140.2	143.5	148.3
Fixed Voice	231.6	265.3	276.2	286.4	293.3	299.4	310.7
Mobile	680.4	702.6	734.1	754.1	763.1	786.6	802.7
ARPU per RGU (Euros)	18.7	18.3	17.4	16.8	16.7	16.4	16.0
Net Adds							
Total RGUs	38.9	71.0	54.3	40.5	25.0	36.5	35.7
Pay TV	7.2	5.4	5.5	4.8	4.4	3.6	3.6
IRIS & UMA Subscribers	2.4	2.8	2.8	3.3	4.0	3.5	2.5
Broadband	4.7	9.7	6.5	5.4	4.7	3.3	4.8
Fixed Voice	15.5	33.7	10.9	10.2	6.9	6.1	11.3
Mobile	11.5	22.2	31.4	20.1	9.0	23.5	16.0
Cinema ⁽¹⁾							
Revenue per Ticket (Euros)	4.6	4.7	4.6	4.8	4.8	4.7	4.7
Tickets Sold	1,981.4	2,003.6	2,676.8	2,190.6	2,400.3	1,715.5	2,663.4
Screens (units)	214	215	215	215	215	215	215

(1) Portuguese Operations

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

Appendix II

Table 12.

Profit and Loss Statement (Millions of Euros)	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16
Operating Revenues	344.1	355.9	367.9	376.4	1,444.3	370.3	372.8	381.0
Telco	327.7	338.3	347.6	358.7	1,372.3	352.5	357.9	360.4
Consumer Revenues	210.2	213.3	215.0	217.1	855.5	223.5	220.7	223.1
Business and Wholesale Revenues	92.3	102.4	104.0	104.0	402.7	100.3	105.7	104.1
Equipment Sales	8.3	9.8	13.2	16.7	48.0	12.7	10.5	14.3
Others and Eliminations	16.9	12.9	15.4	20.9	66.0	16.1	21.0	18.9
Audiovisuals	16.7	18.0	18.2	18.4	71.3	16.1	16.9	19.6
Cinema ⁽¹⁾	13.8	12.9	16.9	14.9	58.4	15.7	11.7	17.3
Others and Eliminations	(14.0)	(13.4)	(14.7)	(15.6)	(57.7)	(14.0)	(13.7)	(16.3)
Operating Costs Excluding D&A	(216.2)	(217.4)	(224.5)	(253.2)	(911.2)	(232.4)	(224.2)	(235.7)
W&S	(21.6)	(20.3)	(23.4)	(23.8)	(89.1)	(23.8)	(21.9)	(23.0)
Direct Costs	(101.2)	(110.7)	(107.8)	(117.0)	(436.7)	(108.8)	(110.4)	(115.7)
Commercial Costs ⁽²⁾	(21.2)	(19.2)	(28.2)	(29.5)	(98.1)	(25.6)	(18.7)	(29.1)
Other Operating Costs	(72.1)	(67.2)	(65.1)	(82.9)	(287.2)	(74.1)	(73.2)	(68.0)
EBITDA	127.9	138.5	143.5	123.3	533.1	137.9	148.7	145.2
EBITDA Margin	37.2%	38.9%	39.0%	32.7%	36.9%	37.2%	39.9%	38.1%
Telco	116.9	129.0	129.8	109.9	485.5	125.8	137.6	131.4
EBITDA Margin	35.7%	38.1%	37.3%	30.6%	35.4%	35.7%	38.4%	36.5%
Cinema Exhibition and Audiovisuals	11.0	9.5	13.7	13.4	47.6	12.1	11.1	13.8
EBITDA Margin	40.4%	35.1%	45.2%	44.4%	41.5%	41.5%	42.8%	43.2%
Depreciation and Amortization	(87.7)	(90.7)	(89.3)	(98.8)	(366.4)	(95.3)	(98.5)	(98.7)
(Other Expenses) / Income	(6.1)	(5.4)	(4.9)	(3.6)	(19.9)	(2.4)	(3.6)	(5.5)
Operating Profit (EBIT) ⁽³⁾	34.1	42.4	49.3	20.9	146.8	40.2	46.5	41.1
Share of results of associates and joint ventures	7.3	0.5	(2.9)	(1.4)	3.6	(6.4)	(3.3)	1.4
(Financial Expenses) / Income	(11.8)	(10.8)	(7.1)	(6.0)	(35.7)	(5.4)	(6.9)	(6.5)
Income Before Income Taxes	29.7	32.2	39.3	13.5	114.6	28.4	36.4	35.9
Income Taxes	(6.5)	(8.2)	(13.1)	(4.4)	(32.1)	(4.0)	(9.9)	(8.6)
Net Income Before Associates & Non-Controlling Interests	15.9	23.4	29.2	10.5	78.9	30.8	29.7	25.9
Income From Continued Operations	23.2	23.9	26.2	9.1	82.5	24.5	26.5	27.3
o.w. Attributable to Non-Controlling Interests	0.0	0.1	(0.0)	0.1	0.2	(0.0)	0.0	0.2
Net Income	23.2	24.1	26.2	9.2	82.7	24.4	26.5	27.5
Telco CAPEX	84.8	92.6	88.4	102.8	368.6	84.9	92.7	87.0
Total Group CAPEX	94.3	102.4	97.9	113.7	408.3	95.1	101.0	96.6
Working Capital and Non-Cash Items included in EBITDA - CAPEX	(24.9)	(32.3)	14.3	16.1	(26.8)	(19.8)	(18.9)	(0.9)
Operating Cash Flow	8.7	3.9	59.8	25.7	98.0	22.9	28.8	47.7
Long Term Contracts	(4.1)	(4.3)	(5.5)	(4.0)	(17.9)	(3.8)	(4.4)	(4.7)
Cash Restructuring Payments	(6.1)	(4.0)	(4.4)	(6.1)	(20.7)	(3.4)	(2.3)	(6.0)
Interest Paid	(5.3)	(10.4)	(5.8)	(2.7)	(24.2)	(5.5)	(4.2)	(5.9)
Income Taxes Paid	(1.9)	(1.8)	0.9	(1.4)	(4.2)	(0.9)	(4.5)	(9.5)
Disposals	0.2	0.4	1.7	1.7	3.9	0.4	0.4	2.9
FCM Receivables	0.0	0.0	6.5	0.0	6.5	0.0	0.0	0.0
Other Cash Movements	0.0	(0.1)	(0.2)	0.2	(0.1)	0.0	0.4	(0.2)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	(8.6)	(16.4)	53.1	13.3	41.5	9.7	14.1	24.3
Net Financial Debt	1,001.2	1,100.7	1,050.6	1,048.4	1,048.4	1,047.7	1,136.2	1,114.2

(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.



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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

Conference Call

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Conference ID: 14388345

Standard International Dial-In: +44 (203) 009 57 10

UK Dial-in: +44 (0) 800 953 12 89

US Dial-in: +1 866 869 23 21

Encore Replay Access #: 14388345

International Encore Dial-In: +44 1452 550 000

