



Earnings **Announcement**

4Q16

4Q16 Highlights

Table 1.

4Q16 Highlights	4Q15	4Q16	4Q16 / 4Q15	2015	2016	2016 / 2015
Financial Highlights						
Operating Revenues	376.4	390.9	3.8%	1,444.3	1,515.0	4.9%
Telco Revenues	358.7	371.6	3.6%	1,372.3	1,442.5	5.1%
EBITDA	123.3	125.0	1.4%	533.1	556.7	4.4%
EBITDA Margin	32.7%	32.0%	(0.8pp)	36.9%	36.7%	(0.2pp)
Net Income Before Associates & Non-Controlling Interests	10.5	9.5	(9.6%)	78.9	95.9	21.6%
Net Income	9.2	12.0	30.5%	82.7	90.4	9.3%
Operational Highlights						
Total RGUs	8,464.8	9,076.8	7.2%	8,464.8	9,076.8	7.2%
Mobile	4,123.1	4,455.7	8.1%	4,123.1	4,455.7	8.1%
Pay TV	1,543.8	1,600.6	3.7%	1,543.8	1,600.6	3.7%
IRIS & UMA Subscribers	865.0	982.6	13.6%	865.0	982.6	13.6%
Convergent RGUs	2,853.7	3,387.2	18.7%	2,853.7	3,387.2	18.7%
Convergent Customers	590.8	680.2	15.1%	590.8	680.2	15.1%
Convergent Customers as % of Fixed Access Customers	41.9%	45.8%	3.9pp	41.9%	45.8%	3.9pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	42.6	43.5	2.1%	42.0	43.3	3.1%

Another quarter of good RGU growth supported by increased footprint and convergence, with total RGUs exceeding 9 million, +7.2% yoy

- Acceleration in Pay TV net adds in 4Q16 to 14.5 thousand, supported by the network expansion programme;
- Continued strong growth of fixed broadband and voice RGUs, with net adds of 27.8 thousand and 32.6 thousand RGUs respectively in 4Q16;
- Growth in mobile RGUs yoy of 8.1% to 4.456 million with net adds in 4Q16 of 60 thousand;
- Convergent customers grew to 680.2 thousand, adding 18.8 thousand convergent subscribers in 4Q16;
- Convergence at 45.8% as a percentage of the fixed customer base by the end of 4Q16, up 3.9 pp over 4Q15;
- By the end of 2016, NOS' fixed HFC network covered 3.764 million households, having extended its footprint to an additional 23.1 thousand households in 4Q16;
- Average subscriber penetration of new FttH build of close to 22% at the end of 2016 and average customer penetration of the total fixed network of 33.4%;
- Increase in Residential ARPU of 2.1% yoy to 43.5 euros and of 1.7% over the previous quarter;
- B2B RGUs grew by 10.4% yoy to 1.418 million and revenues consolidated the positive inflexion in yoy growth;

Consolidated Revenues continued to post strong yoy growth of 3.8% in 4Q16 with FY16 Revenue growth of 4.9%. Despite the impact of higher premium sports content costs, Consolidated EBITDA posted growth of 1.4% in 4Q16 and of 4.4% in FY16.

Driven by the good box office line-up, the Audiovisuals and Cinemas business performed ahead of the previous year which had already been exceptionally positive.

- Consolidated Revenues increased by 3.8% in 4Q16 to 390.9 million euros with core telco revenue growing by 3.6% yoy to 371.6 million euros and audiovisuals and cinema revenues growing by 3.2% and 4.1% yoy to 19 and 15.5 million euros, respectively;
- Consolidated EBITDA posted solid growth of 1.4%, to 125 million euros, although was impacted as from last quarter by the new sports content contracts driving higher programming costs; EBITDA represented 32% as a percentage of revenues, a marginal decline yoy;
- Net income grew by 30.5% yoy in 4Q16 to 12 million euros;
- Total Group CAPEX was 100 million euros in 4Q16, and Telco CAPEX 91.6 million euros, a yoy decline of 12% and 10.9% respectively reflecting some reduction in growth related CAPEX as anticipated.

1. 4Q16 Consolidated Results

Continued strong growth in RGUs led by additional coverage, growth in convergent bundles and in B2B accounts

Another quarter of solid growth across all services with total RGUs up by 135.3 thousand to 9.077 million services. Higher yoy levels of service penetration are naturally leading to progressively lower net adds yoy however NOS is still proving successful in growing its overall subscriber base primarily as a result of the network expansion of recent years, together with marginal growth in its legacy footprint.

Total Pay TV subscribers grew by a further 14.5 thousand in 4Q16, with 14.8 thousand net adds over fixed access networks. Pay TV is a key indicator of total RGU performance given that all other services in the residential segment are sold on top of Pay TV offers. Fixed broadband and voice RGUs increased by 27.8 thousand and 32.6 thousand in 4Q16 respectively, leading growth in penetration over the fixed base to 75% and 86% respectively.

42.5% of NOS' total subscriber base now take convergent bundles representing 680.2 thousand convergent subscribers, up by 18.8 thousand in 4Q16. Households are on average subscribing to close to 5 RGUs, representing a total of 3.39 million RGUs within convergent bundles. Convergent bundle penetration over the fixed access network stood at 45.8%, up by 3.9 pp over year end 2015. The volume of mobile RGUs continues to increase at a healthy pace led by the continued take up of convergent bundles and net adds in 4Q16 reached 60 thousand. The proportion of our active mobile customers with smartphones increased to 70% at the end of 2016, compared with just 62% at the end of 2015 and of these, 48% are 4G enabled. Monthly average data usage on smartphones has grown by 124% to 1,190 MB and by 107% to 1,522 MB for 4G enabled devices, clear indication of the importance consumers attribute to mobile data.

According to the most recent market share data posted by Anacom for the end of 3Q16 shows that NOS continues to sustain its leadership position in Pay TV with a share of 43.5% of subscribers and is still growing share in Broadband and Fixed voice which have increased yoy by 1.2pp to 37.2% and 1.5pp to 37.5% respectively. Market share growth in mobile is the most significant having increased a further 2.9pp yoy to 24.0%. A measure of the success of NOS' strategic focus on convergence, NOS' market share in 3, 4 and 5P bundles at the end of 3Q16 reached 39.8%, representing yoy growth of 1.3pp.

To be at the forefront of innovation in the market is an important strategic directive for NOS and the launch of the UMA TV interface during 2016 is proving an important differentiating factor. NOS has positioned UMA convergent bundles at a premium versus the now mainstream IRIS platform and is gradually and opportunistically upgrading higher ARPU subscribers. Distinctive features of the UMA platform are that it can be accessed over any consumer device, TV, laptop, mobile, or tablet and the user experience is consistent across the board. The bundles also put into practice true technological convergence with tariff plans that include unlimited traffic over NOS' mobile or fixed networks to access the UMA interface. UMA 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 sincronize shared content with other clouds and to share storage space with other members of the family.

Residential ARPU per fixed access household grew yoy by 2.1% to 43.5 euros in 4Q16 and by 3.1% in FY16 to 43.3 euros. The average pace of yoy quarterly growth has slowed down due to the incrementally lower growth in convergent RGUs which was the main driver of ARPU in the early days of convergent bundle take-up.

The Business segment is a core focus of NOS' strategy, providing full service solutions for the various subsegments, developing technological solutions supported by leading next generation network assets and service platforms and strong institutional partnerships wherever appropriate. Continuous and open product and service innovation and excellence in service delivery are the foundations upon which NOS differentiates itself in the market. Particularly in the Corporate segment NOS continues to win relevant new accounts although at a slower pace than in previous years. A priority is to continue to grow whilst protecting the value of the legacy base and on increasing the share of telecommunications spend within existing accounts. Average Revenue per business RGU declined by 6% to 15.8 euros, a lower yoy decline than in previous quarters although still reflecting some back-book repricing in the mass market segment and due to decreasing marginal value of RGUs added. Given the good RGU growth of 10.4% in the period, customer revenues overall are growing well, offsetting the revenue per RGU yoy decline.

In terms of network coverage, by the end of 2016 NOS had already reached a total of 3.764 million households, of which 438 thousand with FttH and the remaining 3.325 million with the legacy Docsis 3.0 HFC network. Since the new network rollout plan was initiated in 2014, NOS has rolled out FttH to over 400 thousand households and customer penetration in these new geographies already stands at 22%, this being the primary source of overall net Pay TV subscriber growth.

Table 2.

Operating Indicators ('000)	4Q15	3Q16	4Q16	4Q16 / 4Q15	4Q16 / 3Q16	2015	2016	2016 / 2015
Telco ⁽¹⁾								
Aggregate Indicators								
Homes Passed	3,600.1	3,740.8	3,763.9	4.6%	0.6%	3,600.1	3,763.9	4.6%
Total RGUs	8,464.8	8,941.5	9,076.8	7.2%	1.5%	8,464.8	9,076.8	7.2%
Mobile	4,123.1	4,395.6	4,455.7	8.1%	1.4%	4,123.1	4,455.7	8.1%
Pre-Paid	2,075.5	2,089.3	2,071.3	(0.2%)	(0.9%)	2,075.5	2,071.3	(0.2%)
Post-Paid	2,047.5	2,306.3	2,384.4	16.5%	3.4%	2,047.5	2,384.4	16.5%
ARPU / Mobile Subscriber (Euros)	8.6	8.7	8.6	0.6%	(1.0%)	8.9	8.6	(3.6%)
Pay TV	1,543.8	1,586.1	1,600.6	3.7%	0.9%	1,543.8	1,600.6	3.7%
Fixed Access ⁽²⁾	1,215.3	1,250.8	1,265.6	4.1%	1.2%	1,215.3	1,265.6	4.1%
DTH	328.5	335.4	335.0	2.0%	(0.1%)	328.5	335.0	2.0%
Fixed Voice	1,623.3	1,692.1	1,724.7	6.2%	1.9%	1,623.3	1,724.7	6.2%
Broadband	1,144.7	1,236.8	1,264.6	10.5%	2.2%	1,144.7	1,264.6	10.5%
Others and Data	29.9	30.8	31.2	4.2%	1.2%	29.9	31.2	4.2%
3,4&5P Subscribers (Fixed Access)	968.4	1,040.0	1,061.8	9.6%	2.1%	968.4	1,061.8	9.6%
% 3,4&5P (Fixed Access)	79.7%	83.1%	83.9%	4.2pp	0.8pp	79.7%	83.9%	4.2pp
Convergent RGUs	2,853.7	3,271.0	3,387.2	18.7%	3.6%	2,853.7	3,387.2	18.7%
Convergent Customers	590.8	661.4	680.2	15.1%	2.8%	590.8	680.2	15.1%
Fixed Convergent Customers as % of Fixed Access Customers	41.9%	45.2%	45.8%	3.9pp	0.6pp	41.9%	45.8%	3.9pp
% Convergent Customers	38.3%	41.7%	42.5%	4.2pp	0.8pp	38.3%	42.5%	4.2pp
IRIS & UMA Subscribers	865.0	955.1	982.6	13.6%	2.9%	865.0	982.6	13.6%
IRIS & UMA as % of 3,4&5P Subscribers (Fixed Access)	89.3%	91.8%	92.5%	3.2pp	0.7pp	89.3%	92.5%	3.2pp
Net Adds								
Homes Passed	56.6	39.8	23.1	(59.2%)	(42.0%)	274.4	163.8	(40.3%)
Total RGUs	188.2	195.1	135.3	(28.1%)	(30.7%)	839.3	611.9	(27.1%)
Mobile	98.0	125.3	60.0	(38.7%)	(52.1%)	479.9	332.6	(30.7%)
Pre-Paid	9.9	41.0	(18.0)	n.a.	n.a.	14.3	(4.3)	n.a.
Post-Paid	88.1	84.4	78.1	(11.4%)	(7.5%)	465.5	336.9	(27.6%)
Pay TV	21.8	11.8	14.5	(33.7%)	23.1%	67.1	56.8	(15.3%)
Fixed Access ⁽²⁾	17.2	10.7	14.8	(13.8%)	38.2%	48.8	50.3	3.1%
DTH	4.6	1.0	(0.4)	n.a.	n.a.	18.3	6.5	(64.3%)
Fixed Voice	28.6	27.1	32.6	13.8%	20.0%	130.6	101.4	(22.4%)
Broadband	39.0	30.4	27.8	(28.7%)	(8.5%)	151.8	119.9	(21.0%)
Others and Data	0.8	0.5	0.4	(49.3%)	(17.8%)	9.9	1.3	(87.3%)
3,4&5P Subscribers (Fixed Access)	31.7	21.7	21.9	(31.0%)	0.7%	116.8	93.4	(20.0%)
Convergent RGUs	188.8	114.2	116.2	(38.5%)	1.7%	1,000.4	533.5	(46.7%)
Convergent Customers	35.2	17.4	18.8	(46.7%)	7.7%	206.2	89.3	(56.7%)
IRIS & UMA Subscribers	39.9	27.8	27.5	(31.2%)	(1.3%)	171.5	117.6	(31.4%)

(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)	4Q15	3Q16	4Q16	4Q16 / 4Q15	4Q16 / 3Q16	2015	2016	2016 / 2015
Telco ⁽¹⁾								
Indicators per Segment								
Consumer								
Total RGUs	7,180.5	7,560.0	7,658.9	6.7%	1.3%	7,180.5	7,658.9	6.7%
Pay TV	1,435.6	1,466.3	1,478.3	3.0%	0.8%	1,435.6	1,478.3	3.0%
Fixed Access	1,134.3	1,160.0	1,172.0	3.3%	1.0%	1,134.3	1,172.0	3.3%
DTH	301.2	306.2	306.3	1.7%	0.0%	301.2	306.3	1.7%
IRIS & UMA Subscribers	828.4	908.6	933.3	12.7%	2.7%	828.4	933.3	12.7%
Broadband	1,039.2	1,119.3	1,143.5	10.0%	2.2%	1,039.2	1,143.5	10.0%
Fixed Voice	1,336.9	1,381.4	1,393.3	4.2%	0.9%	1,336.9	1,393.3	4.2%
Mobile	3,368.9	3,593.0	3,643.8	8.2%	1.4%	3,368.9	3,643.8	8.2%
% 1P (Fixed Access)	7.6%	5.8%	5.4%	(2.2pp)	(0.4pp)	7.6%	5.4%	(2.2pp)
% 2P (Fixed Access)	13.4%	11.8%	11.2%	(2.3pp)	(0.6pp)	13.4%	11.2%	(2.3pp)
% 3,4&5P (Fixed Access)	79.0%	82.5%	83.5%	4.5pp	1.0pp	79.0%	83.5%	4.5pp
ARPU / Unique Subscriber With Fixed Access (Euros)	42.6	42.8	43.5	2.1%	1.7%	42.0	43.3	3.1%
Net Adds								
Total RGUs	147.6	159.4	98.9	(33.0%)	(37.9%)	634.5	478.4	(24.6%)
Pay TV	17.0	8.2	12.0	(29.3%)	46.7%	44.2	42.7	(3.4%)
Fixed Access	13.0	8.0	11.9	(8.0%)	49.9%	31.8	37.6	18.5%
DTH	4.0	0.2	0.1	(97.7%)	(59.9%)	12.5	5.1	(59.1%)
IRIS & UMA Subscribers	36.6	25.3	24.8	(32.3%)	(2.0%)	160.1	104.9	(34.5%)
Broadband	34.4	26.1	24.2	(29.5%)	(7.1%)	135.4	104.4	(22.9%)
Fixed Voice	18.4	15.8	11.9	(35.4%)	(25.0%)	60.3	56.4	(6.4%)
Mobile	77.9	109.3	50.8	(34.8%)	(53.5%)	394.6	274.9	(30.4%)
Business								
Total RGUs	1,284.3	1,381.5	1,417.9	10.4%	2.6%	1,284.3	1,417.9	10.4%
Pay TV	108.2	119.9	122.3	13.0%	2.0%	108.2	122.3	13.0%
IRIS & UMA Subscribers	36.6	46.6	49.2	34.6%	5.7%	36.6	49.2	34.6%
Broadband	135.5	148.3	152.3	12.4%	2.7%	135.5	152.3	12.4%
Fixed Voice	286.4	310.7	331.4	15.7%	6.7%	286.4	331.4	15.7%
Mobile	754.1	802.7	811.9	7.7%	1.2%	754.1	811.9	7.7%
ARPU per RGU (Euros)	16.8	16.0	15.8	(6.0%)	(1.7%)	17.8	16.2	(8.6%)
Net Adds								
Total RGUs	40.5	35.7	36.4	(10.3%)	1.8%	204.7	133.5	(34.7%)
Pay TV	4.8	3.6	2.4	(49.3%)	(31.3%)	22.8	14.1	(38.4%)
IRIS & UMA Subscribers	3.3	2.5	2.7	(19.0%)	6.4%	11.4	12.7	11.3%
Broadband	5.4	4.8	4.0	(26.5%)	(17.3%)	26.3	16.8	(36.3%)
Fixed Voice	10.2	11.3	20.7	102.2%	83.1%	70.3	45.0	(36.0%)
Mobile	20.1	16.0	9.2	(54.0%)	(42.5%)	85.2	57.8	(32.2%)

(1) Portuguese Operations

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

Cinemas and Audiovisuals

Table 4.

Operating Indicators ('000)	4Q15	3Q16	4Q16	4Q16 / 4Q15	4Q16 / 3Q16	2015	2016	2016 / 2015
Cinema ⁽¹⁾								
Revenue per Ticket (Euros)	4.8	4.7	4.8	(0.6%)	2.0%	4.7	4.7	1.4%
Tickets Sold	2,190.6	2,663.4	2,317.6	5.8%	(13.0%)	8,852.3	9,096.9	2.8%
Screens (units)	215	215	215	0.0%	0.0%	215	215	0.0%

(1) Portuguese Operations

NOS' Cinema ticket sales posted yoy growth of 5.8% to 2,318 million tickets in 4Q16, slightly ahead of the performance of the market as a whole, which grew by 5.5%^[1]. In FY16, NOS' cinema ticket sales rose by 2.8% to 9,097 million tickets, whereas the market as a whole improved by 2.2%. Average revenue per ticket posted a yoy marginal decline of 0.6% to 4.8 euros in 4Q16.

The most successful films exhibited in 4Q16 were "Fantastic Beasts and Where to Find Them", "Sing", "Moana", "Inferno" and "Rogue One: A Star Wars Story".

NOS' gross box-office revenues improved by 6.9% in 4Q16, which compares with growth of 5.4% for the market as a whole, as NOS continues to maintain its leading market position, with a market share of 62.7% in terms of gross revenues in 4Q16. Cinema Exhibition revenues increased by 4.1% yoy in 4Q16 to 15.5 million euros. For FY16, NOS' Cinema Exhibition revenues increased by 2.9% to 60.2 million euros.

Revenues in the Audiovisuals division increased by 3.2% yoy to 19.0 million euros in 4Q16. This improvement in revenues was driven primarily by the performance in Cinema Distribution and VoD, partially offset by a decline in the Homevideo and rights and television management areas. Of the top 10 cinema box-office hits in 4Q16, NOS distributed 8, "Fantastic Beasts and Where to Find Them", "Sing", "Moana", "Rogue One: A Star Wars Story", "The Girl on the Train", "Doctor Strange", "Hacksaw Ridge" and "Allied", therefore maintaining its leading position.

^[1] Source: ICA – Portuguese Institute For Cinema and Audiovisuals

2. Consolidated Financial Statements

The consolidated accounts have been subject to full audit for Full Year 2016.

Consolidated Income Statement

Table 5.

Profit and Loss Statement (Millions of Euros)	4Q15	3Q16	4Q16	4Q16 / 4Q15	4Q16 / 3Q16	2015	2016	2016 / 2015
Operating Revenues	376.4	381.0	390.9	3.8%	2.6%	1,444.3	1,515.0	4.9%
Telco	358.7	360.4	371.6	3.6%	3.1%	1,372.3	1,442.5	5.1%
Consumer Revenues	217.1	223.4	226.6	4.4%	1.4%	855.5	894.4	4.5%
Business and Wholesale Revenues	104.0	104.1	104.5	0.5%	0.4%	402.7	414.5	2.9%
Equipment Sales	16.7	14.3	16.3	(2.5%)	14.3%	48.0	53.7	11.8%
Others and Eliminations	20.9	18.6	24.2	15.7%	29.8%	66.0	79.8	20.9%
Audiovisuals	18.4	19.6	19.0	3.2%	(2.7%)	71.3	71.6	0.5%
Cinema ⁽¹⁾	14.9	17.3	15.5	4.1%	(10.4%)	58.4	60.2	2.9%
Others and Eliminations	(15.6)	(16.3)	(15.3)	(2.3%)	(6.4%)	(57.7)	(59.3)	2.7%
Operating Costs Excluding D&A	(253.2)	(235.7)	(265.9)	5.0%	12.8%	(911.2)	(958.2)	5.2%
W&S	(23.8)	(23.0)	(24.4)	2.5%	6.0%	(89.1)	(93.1)	4.5%
Direct Costs	(117.0)	(115.7)	(122.9)	5.0%	6.2%	(436.7)	(457.8)	4.8%
Commercial Costs ⁽²⁾	(29.5)	(29.1)	(31.2)	5.5%	7.1%	(98.1)	(104.6)	6.6%
Other Operating Costs	(82.9)	(68.0)	(87.5)	5.6%	28.7%	(287.2)	(302.7)	5.4%
EBITDA	123.3	145.2	125.0	1.4%	(13.9%)	533.1	556.7	4.4%
EBITDA Margin	32.7%	38.1%	32.0%	(0.8pp)	(6.1pp)	36.9%	36.7%	(0.2pp)
Telco	109.9	131.4	111.8	1.8%	(14.9%)	485.5	506.7	4.4%
EBITDA Margin	30.6%	36.5%	30.1%	(0.5pp)	(6.4pp)	35.4%	35.1%	(0.3pp)
Cinema Exhibition and Audiovisuals	13.4	13.8	13.1	(1.7%)	(4.8%)	47.6	50.1	5.3%
EBITDA Margin	44.4%	43.2%	42.9%	(1.5pp)	(0.3pp)	41.5%	42.6%	1.1pp
Depreciation and Amortization	(98.8)	(98.7)	(99.1)	0.3%	0.4%	(366.4)	(391.6)	6.9%
(Other Expenses) / Income	(3.6)	(5.5)	(10.9)	204.1%	98.2%	(19.9)	(22.4)	12.5%
Operating Profit (EBIT) ⁽³⁾	20.9	41.1	15.0	(28.2%)	(63.4%)	146.8	142.8	(2.7%)
Share of results of associates and joint ventures	(1.4)	1.4	2.3	n.a.	63.1%	3.6	(5.9)	n.a.
(Financial Expenses) / Income	(6.0)	(6.5)	(5.8)	(3.4%)	(10.9%)	(35.7)	(24.6)	(31.1%)
Income Before Income Taxes	13.5	35.9	11.5	(14.9%)	(68.0%)	114.6	112.2	(2.1%)
Income Taxes	(4.4)	(8.6)	0.3	n.a.	(103.2%)	(32.1)	(22.2)	(30.8%)
Net Income Before Associates & Non-Controlling Interests	10.5	25.9	9.5	(9.6%)	(63.5%)	78.9	95.9	21.6%
Income From Continued Operations	9.1	27.3	11.8	29.3%	(57.0%)	82.5	90.0	9.1%
o.w. Attributable to Non-Controlling Interests	0.1	0.2	0.2	154.9%	40.6%	0.2	0.4	68.9%
Net Income	9.2	27.5	12.0	30.5%	(56.4%)	82.7	90.4	9.3%

⁽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.

Operating Revenues

Consolidated Operating Revenues grew by 3.8% yoy in 4Q16 representing a small uplift against the yoy growth recorded in the previous quarter of 3.5% and core Telco revenues increased by 3.6% in the quarter. Excluding the impact of regulated MTR cuts, Telco Revenues would have grown by 4.5% yoy in 4Q16.

Within Telco Revenues, the Consumer segment grew yoy by 4.4%, up from 3.8% in 3Q16, which resulted from a similar pace of quarterly growth in the residential segment of 5.2% in 4Q16 and of a material improvement in the pace of decline of stand-alone personal revenues which were almost flat yoy at negative 0.2% yoy, consolidating the improving trends of past quarters. Convergent customer revenues are the main driver of growth in the Consumer segment having grown by 15% yoy, and representing already more than 53% of residential customer revenues. Total Consumer revenues adjusted for the impact of MTR cuts on Operator revenues would have grown by 5.6% yoy.

Business and Wholesale Revenues grew by 0.5% yoy in 4Q16, with Corporate customer revenues up by 5.2% yoy and Mass Business revenues up by 3.4% in the same period. Wholesale Revenues recorded another quarter of negative yoy growth of 5.1% due to the continued decline of low margin mass calling service revenues, albeit recording a similar level of revenues to that recorded in 3Q16. Adjusting for the impact of MTR cuts on Operator Revenues within the segment, Business and Wholesale revenues would have grown by 1% yoy.

Equipment sales were marginally lower yoy by 2.5% in 4Q16 due to less inclusion of handsets in the Christmas campaigns when compared with 4Q15.

The audiovisuals and cinema division continues to deliver very sound revenue performance yoy, up by 3.2% and 4.1% respectively, reflecting a very good quarter in terms of box office hits and share of distribution at NOS. Improving levels of consumer confidence are also helping to sustain the higher levels of movie going.

EBITDA

Consolidated EBITDA posted yoy growth of 1.4% yoy in 4Q16 to 125 million euros, a small improvement in yoy growth versus 3Q16 and core Telco EBITDA grew at a sequential yoy rate of 1.8%, compared with 1.3% in 3Q16. Consolidated EBITDA margin was 32% and Telco EBITDA margin was 30.1%. Audiovisuals and Cinemas posted a yoy decline in EBITDA of 1.7% to 13.1 million euros in 4Q16, representing an EBITDA margin of 42.9%.

Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs increased by 5.0% yoy to 265.9 million euros in 4Q16.

Wages and Salaries in 4Q16 were 24.4 million euros, posting an increase of 2.5% yoy and 4.5% yoy in FY16 to 93.1 million euros. The average number of employees of the NOS Group in 4Q16 increased by 0.4% yoy, which together with a yearly salary increase and costs related with employee share plans, explain the overall rise in wage and salary costs.

Direct Costs grew by 5% yoy to 122.9 million euros in 4Q16. As in previous quarters, the main driver of the yoy 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 ensure 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 22% yoy in 4Q16 and by 14.3% yoy in FY16 due to the new club contracts that came into effect with the start of the 2016/2017 football season and due to the change in the cost structure of the Sport TV distribution model for all operators in the market that resulted from the need to introduce a more financially sustainable model.

Reduction in other relevant items in Direct Costs helped offset some of the increase in content costs, namely interconnection costs which fell by 4.2% in 4Q16 primarily a result of the regulated cuts in termination rates. The net impact of the MTR cuts is positive for NOS given that NOS is a net payer (revenues minus costs) of interconnection to the other operators in the market because of its lower market share. Although the quarterly net interconnection payment is still significant, around 2.3 million euros in 4Q16, 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, the mobile traffic imbalance between outgoing and incoming traffic has reduced. In 4Q16, NOS terminated only 26% more traffic on other networks than it was receiving compared with 48% in 4Q15 and 69% in 2014. Additional cost reduction was recorded due to the lower volume of mass calling services. Capacity costs also posted a material yoy decline of 8% yoy as a result of lower rental costs.

Commercial Costs increased 5.5% yoy to 31.2 million euros primarily led by the higher level of marketing and publicity costs in 4Q16 due to reinforced investment in ongoing brand advertising and awareness. This increase was partially offset by a decline in COGS which fell due to lower volume of handset sales over the Christmas campaign period.

Other Operating Costs increased 5.6% yoy to 87.5 million euros due to a higher level of provisions in the quarter.

Net Income

Net Income increased by 30.5% yoy to 12 million euros.

Depreciation and Amortization was relatively flat (+0.3%) yoy at 99.1 million euros in 4Q16 and in comparison with 3Q16 (+0.4%) with FY16 higher yoy by 6.9% due to the large investments made over the past quarters in network assets and customer acquisition costs.

NOS' Share of Associates and Joint Ventures was positive by 2.3 million euros compared to negative 1.4 million euros in 4Q15 and to positive 1.4 million euros in 3Q16. The favourable evolution of this aggregate is essentially due to increased contribution to net results of ZAP which was 890 thousand euros in 4Q16, up from 732 thousand euros in 4Q15 and from 70 thousand in 3Q16, and to the improved economic situation of Sport TV due to the change in distribution model and shareholder structure. NOS' stake in Sport TV reduced to 25% with the entrance of Portugal Telecom in the share capital in 1Q17. Sport TV's contribution to Net Results in 4Q16 was positive 1.395 million euros, compared with negative 1.702 million euros in 4Q15.

Other Expenses* of 10.9 million euros in 4Q16 relate to non-recurrent costs.

* 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.

Net Financial Expenses continued to deliver savings, having declined by 3.4% yoy to 5.8 million euros and by 10.9% in comparison with the previous quarter. FY16 financial expenses were down by 31.1% yoy reflecting the significantly improved average cost of debt after a number of facilities were refinanced over the course of 2015 and 2016. The section on Capital Structure ahead provides more detail of financial costs.

Income Tax provision amounted to 0.3 million euros in 4Q16 compared with negative 4.4 million euros in 4Q15. 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.

3. CAPEX and Cash Flow

CAPEX

Table 6.

CAPEX (Millions of Euros)	4Q15	3Q16	4Q16	4Q16 / 4Q15	4Q16 / 3Q16	2015	2016	2016 / 2015
Telco	102.8	87.0	91.6	(10.9%)	5.2%	368.6	356.3	(3.4%)
Baseline Telco	37.8	30.0	28.3	(25.1%)	(5.6%)	123.2	120.8	(1.9%)
Customer Related	46.3	44.6	50.3	8.6%	12.8%	195.6	184.7	(5.6%)
Network Expansion / Substitution and Integration Projects and Others	18.7	12.4	13.0	(30.5%)	4.2%	49.8	50.8	1.9%
Audiovisuals and Cinema Exhibition	10.9	9.5	8.4	(22.4%)	(11.5%)	39.6	36.4	(8.2%)
Total Group	113.7	96.6	100.0	(12.0%)	3.6%	408.3	392.7	(3.8%)

Total Group CAPEX declined by 12% yoy to 100 million euros in 4Q16, representing 25.6% of Consolidated Revenues.

Telco CAPEX was 91.6 million euros in 4Q16, 10.9% down on the previous year and representing 24.7% of Telco revenues whereas Baseline Telco CAPEX reduced by 25.1% yoy to 28.3 million euros, 7.6% of Telco revenues. The level of Network Expansion and Substitution CAPEX was substantially lower yoy by 30.5% at 13 million euros given that NOS is reaching the end of its FttH rollout programme, whereas the investment in Customer Related CAPEX increased by 8.6% yoy to 50.3 million euros in 4Q16.

Cash Flow

Table 7.

Cash Flow (Millions of Euros)	4Q15	3Q16	4Q16	4Q16 / 4Q15	4Q16 / 3Q16	2015	2016	2016 / 2015
EBITDA	123.3	145.2	125.0	1.4%	(13.9%)	533.1	556.7	4.4%
Total CAPEX	(113.7)	(96.6)	(100.0)	(12.0%)	3.6%	(408.3)	(392.7)	(3.8%)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	16.1	(0.9)	(2.4)	n.a.	155.0%	(26.8)	(42.1)	57.1%
Operating Cash Flow	25.7	47.7	22.5	(12.1%)	(52.8%)	98.0	122.0	24.4%
Long Term Contracts	(4.0)	(4.7)	(4.1)	1.6%	(13.4%)	(17.9)	(17.1)	(4.4%)
Cash Restructuring Payments	(6.1)	(6.0)	(4.1)	(33.5%)	(32.9%)	(20.7)	(15.8)	(23.3%)
Interest Paid	(2.7)	(5.9)	(3.4)	27.1%	(42.1%)	(24.2)	(18.9)	(21.9%)
Income Taxes Paid	(1.4)	(9.5)	(6.3)	n.a.	(34.1%)	(4.2)	(21.1)	n.a.
Disposals	1.7	2.9	1.3	(23.2%)	(54.2%)	3.9	5.0	27.6%
FCM Receivables	0.0	0.0	0.0	n.a.	n.a.	6.5	0.0	(100.0%)
Other Cash Movements	0.2	(0.2)	(0.2)	n.a.	(19.8%)	(0.1)	0.0	n.a.
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	13.3	24.3	5.9	(55.5%)	(75.6%)	41.5	54.1	30.5%
Acquisition of Own Shares	(3.6)	0.0	0.0	(100.0%)	n.a.	(8.1)	(20.7)	156.8%
Foreign Currency Debt Exchange Effect	0.0	0.0	0.0	n.a.	n.a.	(0.0)	0.0	n.a.
Dividends	0.0	0.0	0.0	n.a.	n.a.	(72.2)	(82.1)	13.7%
Free Cash Flow	9.8	24.3	5.9	(39.2%)	(75.6%)	(38.8)	(48.7)	25.5%
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(7.5)	(2.4)	(4.0)	(46.7%)	69.2%	(24.0)	(15.2)	(36.7%)
Change in Net Financial Debt	2.3	21.9	1.9	(14.8%)	(91.2%)	(62.9)	(63.9)	1.7%

Operating Cash Flow amounted to 22.5 million euros in 4Q16, down by 12.1% in comparison with 4Q15. EBITDA – CAPEX grew by 15.4 million euros to 24.9 million euros, however higher investment in working capital yoy of 2.4 million euros compared with positive 16.1 million euros in 4Q15 was the main driver of the yoy deterioration in Operating cash Flow. Working Capital items compare less favourably yoy in 4Q16, as was the case in 3Q16, 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 started 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 5.9 million euros, down 55.5% 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 6.3 million euros in 4Q16 compared with negative 1.4 million euros in 4Q15. 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	2016
Non-current Assets	2,510.1	2,453.0
Current Assets	466.4	529.6
Total Assets	2,976.5	2,982.6
Total Shareholders' Equity	1,063.5	1,053.1
Non-current Liabilities	1,150.7	1,168.7
Current Liabilities	762.2	760.8
Total Liabilities	1,913.0	1,929.5
Total Liabilities and Shareholders' Equity	2,976.5	2,982.6

Capital Structure

At the end of FY16, Net Financial Debt stood at 1,112.3 million euros.

Total financial debt was 1,114.6 million euros, which was offset with a cash and short-term investment position on the balance sheet of 2.3 million euros. At the end of FY16, NOS also had 195 million euros of unissued commercial paper programmes. The all-in average cost of NOS' Net Financial Debt stood at 2.1% for 4Q16, down from 2.5% in 4Q15 and from 2.2% in 3Q16. For FY16, the all-in average cost of NOS' Net Financial Debt amounted to 2.2%.

Net Financial Gearing was 51.4% at the end of FY16 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 FY16 was 3.15 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 31 December 2016, the proportion of NOS' issued debt paying interest at a fixed rate is approximately 69%.

Table 9.

Net Financial Debt (Millions of Euros)	2015	2016	2016 / 2015
Short Term	160.0	213.9	33.7%
Bank and Other Loans	141.7	196.4	38.6%
Financial Leases	18.3	17.5	(4.4%)
Medium and Long Term	898.3	900.7	0.3%
Bank and Other Loans	862.6	871.8	1.1%
Financial Leases	35.8	28.9	(19.1%)
Total Debt	1,058.3	1,114.6	5.3%
Cash and Short Term Investments	9.9	2.3	(76.8%)
Net Financial Debt	1,048.4	1,112.3	6.1%
Net Financial Gearing ⁽¹⁾	49.6%	51.4%	1.7pp
Net Financial Debt / EBITDA	2.0x	2.0x	n.a.

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

5. Subsequent Events

As announced on 26 February 2016, and as a consequence of the remedies imposed by the competition authority at the time of the merger in 2013, Vodafone exercised their call option to purchase Optimus' FTTH network located in the metropolitan areas of Lisbon and Oporto. The definitive purchase and sale contract of part of NOS' FTTH network to Vodafone, was signed on 31 January 2017. The sale price agreed, and received already in 2017, amounted to 24 million euros.

Also, on 24 February 2017, following the entrance of MEO in Sport TV's share capital, MEO, Vodafone, Olivedesportos and NOS now hold equal stakes of 25% of the share capital and voting rights.

6. Shareholder Remuneration

The Board of NOS has approved the proposal of a 20 euro cent ordinary dividend per share, representing a payout ratio of 114% and an increase of 25% from the dividend paid in the previous year. This proposal is subject to final approval of the General Shareholders' Meeting.

Appendix I

Table 10.

Operating Indicators ('000)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
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	3,763.9
Total RGUs	7,790.4	8,029.3	8,276.7	8,464.8	8,595.0	8,746.4	8,941.5	9,076.8
Mobile	3,730.4	3,861.2	4,025.1	4,123.1	4,173.0	4,270.3	4,395.6	4,455.7
Pre-Paid	2,025.0	2,030.1	2,065.7	2,075.5	2,055.2	2,048.3	2,089.3	2,071.3
Post-Paid	1,705.4	1,831.1	1,959.4	2,047.5	2,117.9	2,222.0	2,306.3	2,384.4
ARPU / Mobile Subscriber (Euros)	8.8	9.2	9.2	8.6	8.5	8.5	8.7	8.6
Pay TV	1,488.6	1,502.5	1,522.0	1,543.8	1,561.5	1,574.4	1,586.1	1,600.6
Fixed Access ⁽²⁾	1,174.0	1,183.6	1,198.1	1,215.3	1,229.7	1,240.0	1,250.8	1,265.6
DTH	314.6	318.9	323.9	328.5	331.8	334.4	335.4	335.0
Fixed Voice	1,522.0	1,572.1	1,594.7	1,623.3	1,647.9	1,665.0	1,692.1	1,724.7
Broadband	1,027.3	1,066.9	1,105.7	1,144.7	1,182.4	1,206.4	1,236.8	1,264.6
Others and Data	22.0	26.6	29.2	29.9	30.2	30.3	30.8	31.2
3,4&5P Subscribers (Fixed Access)	878.1	904.9	936.7	968.4	995.4	1,018.2	1,040.0	1,061.8
% 3,4&5P (Fixed Access)	74.8%	76.5%	78.2%	79.7%	80.9%	82.1%	83.1%	83.9%
Convergent RGUs	2,194.5	2,443.2	2,665.0	2,853.7	2,988.6	3,156.8	3,271.0	3,387.2
Convergent Customers	456.8	509.8	555.6	590.8	614.8	644.0	661.4	680.2
Fixed Convergent Customers as % of Fixed Access Customers	34.0%	37.5%	40.2%	41.9%	42.8%	44.4%	45.2%	45.8%
% Convergent Customers	30.7%	33.9%	36.5%	38.3%	39.4%	40.9%	41.7%	42.5%
IRIS & UMA Subscribers	742.6	784.2	825.1	865.0	899.6	927.3	955.1	982.6
IRIS & UMA as % of 3,4&5P Subscribers (Fixed Access)	84.6%	86.7%	88.1%	89.3%	90.4%	91.1%	91.8%	92.5%
Net Adds								
Homes Passed	67.3	75.0	75.5	56.6	32.7	68.2	39.8	23.1
Total RGUs	164.8	239.0	247.3	188.2	130.2	151.4	195.1	135.3
Mobile	87.2	130.8	163.9	98.0	50.0	97.3	125.3	60.0
Pre-Paid	(36.2)	5.1	35.6	9.9	(20.4)	(6.8)	41.0	(18.0)
Post-Paid	123.4	125.7	128.3	88.1	70.3	104.1	84.4	78.1
Pay TV	11.9	13.9	19.5	21.8	17.7	12.9	11.8	14.5
Fixed Access	7.4	9.6	14.6	17.2	14.3	10.3	10.7	14.8
DTH	4.5	4.3	5.0	4.6	3.4	2.5	1.0	(0.4)
Fixed Voice	29.3	50.1	22.6	28.6	24.5	17.1	27.1	32.6
Broadband	34.4	39.5	38.8	39.0	37.7	24.0	30.4	27.8
Others and Data	2.0	4.6	2.5	0.8	0.3	0.1	0.5	0.4
3,4&5P Subscribers (Fixed Access)	26.4	26.8	31.9	31.7	27.0	22.9	21.7	21.9
Convergent RGUs	341.3	248.7	221.7	188.8	134.8	168.2	114.2	116.2
Convergent Customers	72.2	53.0	45.8	35.2	23.9	29.2	17.4	18.8
IRIS & UMA Subscribers	49.0	41.6	41.0	39.9	34.5	27.7	27.8	27.5

⁽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	4Q16
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	7,658.9
Pay TV	1,396.0	1,404.5	1,418.5	1,435.6	1,448.8	1,458.1	1,466.3	1,478.3
Fixed Access	1,105.2	1,110.6	1,121.4	1,134.3	1,144.9	1,152.1	1,160.0	1,172.0
DTH	290.9	293.9	297.2	301.2	303.9	306.0	306.2	306.3
IRIS & UMA Subscribers	715.0	753.7	791.9	828.4	859.0	883.3	908.6	933.3
Broadband	935.5	969.9	1,004.8	1,039.2	1,072.4	1,093.2	1,119.3	1,143.5
Fixed Voice	1,290.4	1,306.7	1,318.5	1,336.9	1,354.5	1,365.6	1,381.4	1,393.3
Mobile	3,050.0	3,158.6	3,291.0	3,368.9	3,409.9	3,483.7	3,593.0	3,643.8
% 1P (Fixed Access)	10.2%	9.2%	8.3%	7.6%	7.0%	6.4%	5.8%	5.4%
% 2P (Fixed Access)	15.8%	15.1%	14.2%	13.4%	12.8%	12.0%	11.8%	11.2%
% 3,4&5P (Fixed Access)	74.1%	75.7%	77.5%	79.0%	80.3%	81.5%	82.5%	83.5%
ARPU / Unique Subscriber With Fixed Access (Euros)	41.4	42.0	42.0	42.6	43.7	43.0	42.8	43.5
Net Adds								
Total RGUs	125.9	167.9	193.2	147.6	105.2	114.9	159.4	98.9
Pay TV	4.7	8.5	14.0	17.0	13.3	9.2	8.2	12.0
Fixed Access	2.6	5.5	10.7	13.0	10.6	7.2	8.0	11.9
DTH	2.1	3.0	3.3	4.0	2.7	2.1	0.2	0.1
IRIS & UMA Subscribers	46.6	38.7	38.1	36.6	30.6	24.3	25.3	24.8
Broadband	31.7	34.4	34.9	34.4	33.3	20.8	26.1	24.2
Fixed Voice	13.8	16.3	11.8	18.4	17.7	11.1	15.8	11.9
Mobile	75.7	108.6	132.4	77.9	41.0	73.8	109.3	50.8
Business								
Total RGUs	1,118.5	1,189.5	1,243.8	1,284.3	1,309.3	1,345.8	1,381.5	1,417.9
Pay TV	92.6	98.0	103.4	108.2	112.7	116.3	119.9	122.3
IRIS & UMA Subscribers	27.7	30.5	33.3	36.6	40.6	44.1	46.6	49.2
Broadband	113.9	123.6	130.1	135.5	140.2	143.5	148.3	152.3
Fixed Voice	231.6	265.3	276.2	286.4	293.3	299.4	310.7	331.4
Mobile	680.4	702.6	734.1	754.1	763.1	786.6	802.7	811.9
ARPU per RGU (Euros)	18.7	18.3	17.4	16.8	16.7	16.4	16.0	15.8
Net Adds								
Total RGUs	38.9	71.0	54.3	40.5	25.0	36.5	35.7	36.4
Pay TV	7.2	5.4	5.5	4.8	4.4	3.6	3.6	2.4
IRIS & UMA Subscribers	2.4	2.8	2.8	3.3	4.0	3.5	2.5	2.7
Broadband	4.7	9.7	6.5	5.4	4.7	3.3	4.8	4.0
Fixed Voice	15.5	33.7	10.9	10.2	6.9	6.1	11.3	20.7
Mobile	11.5	22.2	31.4	20.1	9.0	23.5	16.0	9.2
Cinema ⁽¹⁾								
Revenue per Ticket (Euros)	4.6	4.7	4.6	4.8	4.8	4.7	4.7	4.8
Tickets Sold	1,981.4	2,003.6	2,676.8	2,190.6	2,400.3	1,715.5	2,663.4	2,317.6
Screens (units)	214	215	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	4Q16	2016
Operating Revenues	344.1	355.9	367.9	376.4	1,444.3	370.3	372.8	381.0	390.9	1,515.0
Telco	327.7	338.3	347.6	358.7	1,372.3	352.5	357.9	360.4	371.6	1,442.5
Consumer Revenues	210.2	213.3	215.0	217.1	855.5	223.6	220.8	223.4	226.6	894.4
Business and Wholesale Revenues	92.3	102.4	104.0	104.0	402.7	100.3	105.6	104.1	104.5	414.5
Equipment Sales	8.3	9.8	13.2	16.7	48.0	12.7	10.5	14.3	16.3	53.7
Others and Eliminations	16.9	12.9	15.4	20.9	66.0	15.9	21.1	18.6	24.2	79.8
Audiovisuals	16.7	18.0	18.2	18.4	71.3	16.1	16.9	19.6	19.0	71.6
Cinema ⁽¹⁾	13.8	12.9	16.9	14.9	58.4	15.7	11.7	17.3	15.5	60.2
Others and Eliminations	(14.0)	(13.4)	(14.7)	(15.6)	(57.7)	(14.0)	(13.7)	(16.3)	(15.3)	(59.3)
Operating Costs Excluding D&A	(216.2)	(217.4)	(224.5)	(253.2)	(911.2)	(232.4)	(224.2)	(235.7)	(265.9)	(958.2)
W&S	(21.6)	(20.3)	(23.4)	(23.8)	(89.1)	(23.8)	(21.9)	(23.0)	(24.4)	(93.1)
Direct Costs	(101.2)	(110.7)	(107.8)	(117.0)	(436.7)	(108.8)	(110.4)	(115.7)	(122.9)	(457.8)
Commercial Costs ⁽²⁾	(21.2)	(19.2)	(28.2)	(29.5)	(98.1)	(25.6)	(18.7)	(29.1)	(31.2)	(104.6)
Other Operating Costs	(72.1)	(67.2)	(65.1)	(82.9)	(287.2)	(74.1)	(73.2)	(68.0)	(87.5)	(302.7)
EBITDA	127.9	138.5	143.5	123.3	533.1	137.9	148.7	145.2	125.0	556.7
EBITDA Margin	37.2%	38.9%	39.0%	32.7%	36.9%	37.2%	39.9%	38.1%	32.0%	36.7%
Telco	116.9	129.0	129.8	109.9	485.5	125.8	137.6	131.4	111.8	506.7
EBITDA Margin	35.7%	38.1%	37.3%	30.6%	35.4%	35.7%	38.4%	36.5%	30.1%	35.1%
Cinema Exhibition and Audiovisuals	11.0	9.5	13.7	13.4	47.6	12.1	11.1	13.8	13.1	50.1
EBITDA Margin	40.4%	35.1%	45.2%	44.4%	41.5%	41.5%	42.8%	43.2%	42.9%	42.6%
Depreciation and Amortization	(87.7)	(90.7)	(89.3)	(98.8)	(366.4)	(95.3)	(98.5)	(98.7)	(99.1)	(391.6)
(Other Expenses) / Income	(6.1)	(5.4)	(4.9)	(3.6)	(19.9)	(2.4)	(3.6)	(5.5)	(10.9)	(22.4)
Operating Profit (EBIT) ⁽³⁾	34.1	42.4	49.3	20.9	146.8	40.2	46.5	41.1	15.0	142.8
Share of results of associates and joint ventures	7.3	0.5	(2.9)	(1.4)	3.6	(6.4)	(3.3)	1.4	2.3	(5.9)
(Financial Expenses) / Income	(11.8)	(10.8)	(7.1)	(6.0)	(35.7)	(5.4)	(6.9)	(6.5)	(5.8)	(24.6)
Income Before Income Taxes	29.7	32.2	39.3	13.5	114.6	28.4	36.4	35.9	11.5	112.2
Income Taxes	(6.5)	(8.2)	(13.1)	(4.4)	(32.1)	(4.0)	(9.9)	(8.6)	0.3	(22.2)
Net Income Before Associates & Non-Controlling Interests	15.9	23.4	29.2	10.5	78.9	30.8	29.7	25.9	9.5	95.9
Income From Continued Operations	23.2	23.9	26.2	9.1	82.5	24.5	26.5	27.3	11.8	90.0
o.w. Attributable to Non-Controlling Interests	0.0	0.1	(0.0)	0.1	0.2	(0.0)	0.0	0.2	0.2	0.4
Net Income	23.2	24.1	26.2	9.2	82.7	24.4	26.5	27.5	12.0	90.4
Telco CAPEX	84.8	92.6	88.4	102.8	368.6	84.9	92.7	87.0	91.6	356.3
Total Group CAPEX	94.3	102.4	97.9	113.7	408.3	95.1	101.0	96.6	100.0	392.7
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)	(2.4)	(42.1)
Operating Cash Flow	8.7	3.9	59.8	25.7	98.0	22.9	28.8	47.7	22.5	122.0
Long Term Contracts	(4.1)	(4.3)	(5.5)	(4.0)	(17.9)	(3.8)	(4.4)	(4.7)	(4.1)	(17.1)
Cash Restructuring Payments	(6.1)	(4.0)	(4.4)	(6.1)	(20.7)	(3.4)	(2.3)	(6.0)	(4.1)	(15.8)
Interest Paid	(5.3)	(10.4)	(5.8)	(2.7)	(24.2)	(5.5)	(4.2)	(5.9)	(3.4)	(18.9)
Income Taxes Paid	(1.9)	(1.8)	0.9	(1.4)	(4.2)	(0.9)	(4.5)	(9.5)	(6.3)	(21.1)
Disposals	0.2	0.4	1.7	1.7	3.9	0.4	0.4	2.9	1.3	5.0
FCM Receivables	0.0	0.0	6.5	0.0	6.5	0.0	0.0	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)	(0.2)	0.0
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	5.9	54.1
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	1,112.3	1,112.3

(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.

Disclaimer

This presentation contains forward looking information, including statements which constitute forward looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on the current beliefs and assumptions of our management and on information available to management only as of the date such statements were made. Forward-looking statements include: (a) information concerning strategy, possible or assumed future results of our operations, earnings, industry conditions, demand and pricing for our products and other aspects of our business, possible or future payment of dividends and share buyback program; and (b) statements that are preceded by, followed by or include the words "believes", "expects", "anticipates", "intends", "is confident", "plans", "estimates", "may", "might", "could", "would", and the negatives of such terms or similar expressions. These statements are not guarantees of future performance and are subject to factors, risks and uncertainties that could cause the assumptions and beliefs upon which the forwarding looking statements were based to substantially differ from the expectation predicted herein. These factors, risks and uncertainties include, but are not limited to, changes in demand for the company's services, technological changes, the effects of competition, telecommunications sector conditions, changes in regulation and economic conditions. Further, certain forward looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from the plans, strategy, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to provide reasons why actual results may differ. You are cautioned not to place undue reliance on any forward-looking statements. NOS is exempt from filing periodic reports with the United States Securities and Exchange Commission ("SEC") pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, as amended. Under this exemption, NOS is required to post on its website English language translations of certain information that it has made or is required to make public in Portugal, has filed or is required to file with the regulated market Eurolist by Euronext Lisbon or has distributed or is required to distribute to its security holders. This document is not an offer to sell or a solicitation of an offer to buy any securities.

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 scheduled for **14.00 (GMT)** on **03 March 2017**

Conference ID: **76684541**

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 #: **76684541**

International Encore Dial In: +44 1452 550 000

