



# Earnings

## **Announcement**

1Q17

# 1Q17 Highlights

RGU growth in a mature market, accompanied by solid revenue and strong FCF performance.

- + 78.5 thousand RGU net adds: + 7.9 thousand pay TV; +13.3 thousand fixed voice; + 24.9 thousand fixed broadband; +31.4 thousand mobile
- + 2.9% growth in Consolidated Revenues; 381.0 million euros
- +4.2% growth in Consolidated EBITDA; 143.6 million euros
- Net Income + 28.7% yoy; 31.4 million euros
- Free Cash Flow 58.2 million euros
- Consolidated CAPEX -8.4%; 87.1 million euros

## Miguel Almeida, CEO

"Our results reflect consistent strategic execution, with operational performance driving solid free cash flow growth in a mature market environment.

We continue to invest in the development and innovation of our network and services, key to sustaining our competitive strength and ability to generate value and attractive shareholder returns, whilst concentrating on transformational projects that drive operational efficiency. Our market is one of the most highly invested and sophisticated of our sector, with consumer trends and the pace of technological development dictating an inevitable need to continuously upgrade and innovate our products, network capabilities and ultimately end to end customer experience.

With the strength of our unique asset base, the quality and experience of our team, and our ambition to be at the forefront of our sector, I am confident we have a winning strategy to further strengthen our position as the leading entertainment and communications provider in Portugal and create value for all our stakeholders."

Table 1.

1Q17 Highlights	1Q16	1Q17	1Q17 / 1Q16
<b>Financial Highlights</b>			
Operating Revenues	370.3	381.0	2.9%
Telco Revenues	352.5	362.9	2.9%
EBITDA	137.9	143.6	4.2%
EBITDA Margin	37.2%	37.7%	0.5pp
Net Income Before Associates & Non-Controlling Interests	30.8	26.1	(15.5%)
Net Income	24.4	31.4	28.7%
EBITDA - Total CAPEX	42.8	56.5	32.0%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	9.7	58.2	n.a.
<b>Operational Highlights (EoP)</b>			
Total RGUs	8,595.1	9,155.2	6.5%
Mobile	4,173.0	4,487.1	7.5%
Pay TV	1,561.5	1,608.5	3.0%
Fixed Voice	1,647.9	1,738.0	5.5%
Broadband	1,182.5	1,289.5	9.1%
Convergent RGUs	2,988.0	3,498.1	17.1%
Convergent Customers	614.8	697.5	13.5%
Convergent Customers as % of Fixed Access Customers	42.8%	46.5%	3.7pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	43.7	44.7	2.2%
<b>Operational Highlights (Net Adds)</b>			
Total RGUs	130.3	78.5	(39.8%)
Mobile	50.0	31.4	(37.2%)
Pay TV	17.7	7.9	(55.4%)
Fixed Voice	24.6	13.3	(46.1%)
Broadband	37.7	24.9	(34.0%)
Convergent RGUs	134.3	110.9	(17.4%)
Convergent Customers	23.9	17.3	(27.7%)

## 1. 1Q17 Consolidated Results

NOS continued to grow its Pay TV customer base throughout 1Q17, with Net Adds of 7.9 thousand subscribers to 1.608 million subscribers of which almost 80% over fixed access networks. Growth in the residential Pay TV base and B2B accounts is fueling fixed Internet and voice services which grew by 24.9 thousand and 13.3 thousand services, respectively, in 1Q17. Although quarterly net growth has slowed versus last year, this was to be expected given the advanced level of penetration of residential triple and quad play services in our fixed customer base, which stood at 38.3% and 38.1% respectively. Convergent bundles are still an important element of RGU growth, with total convergent RGUs reaching 3.498 million at the end of 1Q17, up by 17.1% compared with 1Q16. Convergent subscribers, in total 697 thousand, represented 43.4% of total Pay TV households, an additional 4pp over 1Q16. Measured as a percentage of fixed access customers, convergent households already represented 46.5%.

Growth in convergence and B2B services are the main drivers of mobile RGU growth with a further 31.4 thousand mobile net additions in 1Q17. The number of subscribers using smartphones continues to expand, driving ever increasing demand for speed and data. At the end of 1Q17, 71% of NOS' active mobile voice handsets were using

smartphones, of which 54% were 4G enabled. Monthly average data usage on smartphones has grown by 87% to 1,476MB and by 79% to 1,861MB for 4G enabled devices.

On the innovation front, UMA, NOS' innovative TV interface launched mid last year is starting to gain importance as the pioneer interface for high-end quad play bundles, with features such as voice controlled remote, advanced search functionalities and NOS' cloud sharing service, amongst others, acting as key differentiators versus other offers. During 1Q17 the UMA interface was extended to existing IRIS set top boxes for UMA subscribing households, providing a UMA multiroom experience without the need to upgrade all STBs in the household. Also in the quarter, an N Play campaign was aired, aimed at highlighting how easily subscribers can view the thousands of films and series available at their own pace, achieving a big success with a 19% increase in the number of subscribers and a 148% yoy increase in viewership. A new NOS WiFi App was launched in 1Q17 allowing for simplified, user-friendly wifi hotspot access and representing a differentiating feature for NOS customers who can connect over any one of the more than 1 million hotspots available around the country.

In terms of residential revenues, fixed access ARPU grew by 2.2% yoy to 44.7 euros, reflecting the continued RGU growth per account and the annual price increase implemented at the end of 2016.

The B2B segment continued to record solid yoy RGU growth of 9.3% in 1Q17 reaching 1.431 million services. NOS' focus is to provide the business segment with 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 increasing the share of telecommunications spend within existing accounts.

Average revenues per RGU in the business segment posted a yoy decline of 6.7% in 1Q17 to 15.7 euros, reflecting the decreasing marginal value of RGUs added. RGU growth is more than offsetting average revenue declines, translating into overall growth in B2B customer revenues. Total Business and wholesale revenues grew less than customer revenues due to weaker performance of wholesale revenues driven by the decline in revenues generated by low margin mass calling services.

Continued growth in RGUs is translating into reinforced share in NOS' core markets. According to the most recent data published by the regulator for the end of 2016, NOS' share of mobile subscribers was 24.3%, 2.7 pp greater than last year. Share of fixed internet and voice services grew by 1.0pp and 1.9pp to 37.4% and 34.7%, respectively whilst pay TV market share remained relatively stable at 43.5%. In all cases with the exception of Pay TV, NOS RGU growth was more than that of the overall market. In mobile, NOS grew by 8.1% whereas the market grew just 1.7%. In fixed Internet NOS grew by 10.5% versus market growth of 7.4% and in Fixed Voice NOS grew by 6.2% versus market growth of 2.2%. In Pay TV, NOS grew its service base by 3.7% compared with total market growth of 4.1%<sup>1</sup>.

The primary source of RGU growth for NOS is the network expansion project that NOS initiated in 2014, together with marginal growth in the HFC footprint. By the end of 1Q17 NOS covered a total of 3.772 million households with its fixed network, of which 445 thousand with FttH and the remaining 3.328 million with its Docsis 3.0 HFC network. Since the launch of the new network expansion plan, NOS has taken FttH to well over 400 thousand households and customer penetration in these new geographies already stands at 23%, increasing from 22% at the end of 4Q16 and 18% at the end of 1Q16.

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<sup>1</sup> Source: NOS and ANACOM data.



## Cinemas and Audiovisuals

Table 2.

Operating Indicators ('000)	1Q16	4Q16	1Q17	1Q17 / 1Q16	1Q17 / 4Q16
<b>Cinema <sup>(1)</sup></b>					
Revenue per Ticket (Euros)	4.8	4.8	4.8	1.0%	0.6%
Tickets Sold	2,400.3	2,317.6	2,296.4	(4.3%)	(0.9%)
Screens (units)	215	215	215	0.0%	0.0%

(1) Portuguese Operations

NOS' Cinema ticket sales posted a yoy decline of 4.3% to 2.296 million tickets in 1Q17, slightly below the performance of the market as a whole which declined by 3.4%<sup>[1]</sup>. The comparison to 1Q16 is influenced by the fact that the Easter holiday period fell on the first quarter in 2016 whereas in 2017 it will be reflected in 2Q17 numbers. Average revenue per ticket posted a yoy increase of 1.0% to 4.8 euros in 1Q17.

The most successful films exhibited in 1Q17 were "Fifty Shades Darker", "Beauty and the Beast", "La La Land", "Logan" and "Assassin's Creed".

NOS' gross box-office revenues declined by 3.3% in 1Q17, which compares with a 2.2% yoy decline for the market as a whole. NOS continues to maintain its leading market position, with a market share of 60.7% in terms of gross revenues in 1Q17. Cinema Exhibition revenues declined by 2.1% yoy in 1Q17 to 15.3 million euros.

Revenues in the Audiovisuals division increased by 10.6% yoy to 17.8 million euros in 1Q17. This improvement in revenues was driven primarily by the positive yoy performance in Cinema Distribution and rights and television management, partially offset by a decline in the Homevideo area. Of the top 10 cinema box-office hits in 1Q17, NOS distributed 7, "Fifty Shades Darker", "Beauty and the Beast", "Silence", "XXX: The Return of Xander Cage", "The Great Wall", "The Lego Batman Movie", and "Sing", therefore maintaining its leading position.

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

## 2. Consolidated Financial Statements

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

### Consolidated Income Statement

Table 3.

<b>Profit and Loss Statement</b> (Millions of Euros)	1Q16	4Q16	1Q17	1Q17 / 1Q16	1Q17 / 4Q16
Operating Revenues	370.3	390.9	381.0	2.9%	(2.5%)
Telco	352.5	371.6	362.9	2.9%	(2.3%)
Consumer Revenues	223.7	226.7	232.2	3.8%	2.4%
Business and Wholesale Revenues	100.3	104.9	101.4	1.1%	(3.3%)
Equipment Sales	12.7	16.3	10.8	(14.6%)	(33.6%)
Others and Eliminations	15.8	23.7	18.5	16.9%	(21.8%)
Audiovisuals	16.1	19.0	17.8	10.6%	(6.4%)
Cinema <sup>(1)</sup>	15.7	15.5	15.3	(2.1%)	(1.0%)
Others and Eliminations	(14.0)	(15.3)	(15.1)	7.6%	(1.0%)
Operating Costs Excluding D&A	(232.4)	(265.9)	(237.4)	2.1%	(10.7%)
W&S	(23.8)	(24.4)	(22.2)	(6.9%)	(9.0%)
Direct Costs	(108.8)	(122.9)	(113.8)	4.6%	(7.4%)
Commercial Costs <sup>(2)</sup>	(25.6)	(31.2)	(20.0)	(22.2%)	(35.9%)
Other Operating Costs	(74.1)	(87.5)	(81.4)	9.8%	(6.9%)
EBITDA	137.9	125.0	143.6	4.2%	14.9%
EBITDA Margin	37.2%	32.0%	37.7%	0.5pp	5.7pp
Telco	125.8	111.8	131.2	4.3%	17.3%
EBITDA Margin	35.7%	30.1%	36.2%	0.5pp	6.1pp
Cinema Exhibition and Audiovisuals	12.1	13.1	12.4	2.8%	(5.8%)
EBITDA Margin	41.5%	42.9%	41.5%	0.0pp	(1.4pp)
Depreciation and Amortization	(95.3)	(99.1)	(103.3)	8.4%	4.3%
(Other Expenses) / Income	(2.4)	(10.9)	(3.4)	38.0%	(69.3%)
Operating Profit (EBIT) <sup>(3)</sup>	40.2	15.0	37.0	(7.9%)	146.1%
Share of results of associates and joint ventures	(6.4)	2.3	5.3	n.a.	132.9%
(Financial Expenses) / Income	(5.4)	(5.8)	(6.6)	23.2%	13.4%
Income Before Income Taxes	28.4	11.5	35.7	25.6%	210.7%
Income Taxes	(4.0)	0.3	(4.3)	8.5%	n.a.
Net Income Before Associates & Non-Controlling Interests	30.8	9.5	26.1	(15.5%)	175.2%
Income From Continued Operations	24.5	11.8	31.4	28.4%	166.9%
o.w. Attributable to Non-Controlling Interests	(0.0)	0.2	0.0	n.a.	(84.6%)
Net Income	24.4	12.0	31.4	28.7%	162.1%

(1) Includes operations in Mozambique.

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

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

## Operating Revenues and EBITDA

Consolidated Operating Revenues grew by 2.9% yoy to 381 million euros, with telco revenues growing by 2.9%, Audiovisuals by 10.6% and Cinema revenues down by 2.1%. Pace of yoy growth is slowing, as predicted, due to lower volume of quarterly RGU net adds, reflecting already quite high levels of service penetration.

Consumer Revenues grew by 3.8% in 1Q17 to 232.2 million euros, reflecting a combination of higher growth in Residential revenues driven by continued take-up of convergent bundles and still some yoy decline in stand-alone personal revenues due to continued customer migration from individual mobile tariff plans to multiple RGU convergent bundles. Business and Wholesale Revenues grew by 1.1% to 101.4 million euros. Excluding Wholesale revenues, Business revenues grew by 2.4%, driven by strong RGU performance and acquisition of new accounts. The decline in Wholesale Revenues was due to the significant decline in Mass Calling Service revenues, which in 1Q17 represented just 2% of Business and Wholesale Revenues.

Regulation is having an impact on yoy revenue comparisons given the implementation of the termination glide path over the past quarters. Although lower MTR have a positive impact overall for NOS' profitability, due to the like for like reduction of the termination imbalance with other operators, the impact on yoy operator revenue comparison is relevant. Adjusting for MTR cuts, Telco revenues would have grown by 3.8% yoy. In addition, midway through 1Q17, and as a result of the implementation of a remedy imposed at the time of the merger, NOS sold Optimus' FttH network to Vodafone, and consequently has ceased to receive a wholesale revenue stream.

The Audiovisuals division recorded a very strong quarter of yoy revenue growth of 10.6% to 17.8 million euros, explained by the fact that NOS recovered share of the audiovisual distribution market to normal levels yoy, thus driving a more favourable comparison. Cinema exhibition revenues were lower yoy by 2.1% at 15.3 million euros, resulting mostly from the fact that the Easter holiday period took place during the first quarter in 2016 whereas in 2017 it will be reflected in 2Q17.

## Operating Costs

Total Operating Costs increased by 2.1% to 237.4 million euros in 1Q17, representing 62.3% of Total Revenues, down 0.5 p.p. in comparison with 1Q16, despite the significant yoy increase in premium sports content costs.

Excluding Direct Costs, Operating Costs were flat yoy reflecting operating leverage from topline growth and efficiencies being achieved already across the board.

The 6.9% decline in 1Q17 Wages and Salaries is explained essentially by differences in employee variable remuneration.

Increased programming costs were the main driver of the 4.6% increase in direct costs, as a result of more expensive premium sports content and the revision of the Sport TV distribution model as from the start of the new football season in 2H16. All other major direct cost aggregates posted declines yoy. Lower termination rates were an important contributor to a yoy decline in traffic related costs, despite increased volumes.

Commercial costs were 22.2% lower in 1Q17 as a result of lower commercial activity driving less equipment related costs, which still represented around half of this cost aggregate, and also due to lower marketing spend, some of which will be recovered throughout the year.

The 9.8% yoy increase in other operating costs in 1Q17 is explained mostly by a yoy increase in maintenance and repairs related costs due to the significantly higher network and service demands related with running a larger client base and network and by an increase in provisions which were also up in 1Q17 yoy, related with an increase in the provision for fiscal and legal contingencies.

Consolidated EBITDA posted yoy growth of 4.2% to 143.6 million euros, growing 1.3 pp above topline growth, despite the aforementioned increase in premium sports content costs as from 2H16. Consolidated EBITDA margin grew by 0.5 pp to 37.7%.

Telco EBITDA recorded similar growth of 4.3% to 131.2 million euros representing an EBITDA margin as a percentage of revenues of 36.2%, up 0.5 pp over 1Q16. Audiovisuals and Cinemas EBITDA grew by 2.8% yoy to 12.4 million euros, representing an EBITDA margin of 41.5%, an increase supported by the improvement in revenues within the audiovisuals division.

## **Net Income**

Net Income grew by 28.7% in 1Q17 to 31.4 million euros.

In addition to the EBITDA changes already discussed, the most material contribution to the yoy variation was an increase in NOS' share of Associates and Joint Ventures which grew to 5.3 million euros in 1Q17 compared with negative 6.4 million euros in 1Q16. This 11.7 million euro improvement in quarterly contribution is the result of a combination of the better exchange rate environment at ZAP and of the change to the distribution model in 2H16 in Sport TV driving more positive financial results. The increase in Depreciations and Amortizations is explained, as in previous quarters, primarily by the large investments made in network assets and customer acquisition costs. Net funding costs were slightly lower in 1Q17 by 4% reflecting the continued yoy decline in average cost of debt to 2.1% from 2.4% in 1Q16 and the stability in the level of gross debt. Total Net Financial Expenses increased yoy due to a higher than normal positive effect in 1Q16 related to interest collected on customer receivables.

Income Tax provision amounted to 4.3 million euros representing an effective tax rate of 12.1%. The volatility in quarterly tax rate varies due to a combination 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 4.

CAPEX (Millions of Euros)	1Q16	4Q16	1Q17	1Q17 / 1Q16	1Q17 / 4Q16
Telco	84.9	91.6	77.7	(8.5%)	(15.2%)
o.w. Technical CAPEX	42.0	41.3	36.0	(14.3%)	(13.0%)
% of Telco Revenues	11.9%	11.1%	9.9%	(2.0pp)	(1.2pp)
Baseline Telco	27.6	28.3	26.8	(2.7%)	(5.3%)
Network Expansion / Substitution and Integration Projects and Others	14.4	13.0	9.1	(36.5%)	(29.7%)
o.w. Customer Related CAPEX	42.9	50.3	41.7	(2.8%)	(17.0%)
% of Telco Revenues	12.2%	13.5%	11.5%	(0.7pp)	(2.0pp)
Audiovisuals and Cinema Exhibition	10.2	8.4	9.4	(7.6%)	11.8%
Total Group CAPEX	95.1	100.0	87.1	(8.4%)	(12.9%)
% of Total Group Revenues	25.7%	25.6%	22.9%	(2.8pp)	(2.7pp)

Total Group CAPEX declined by 8.4% yoy to 87.1 million euros in 1Q17, representing 22.9% of Consolidated Revenues.

Telco CAPEX fell by 8.5% to 77.7 million euros, representing 21.4% of Telco Revenues, down from 24.1% in 1Q16. The main reduction in telco CAPEX occurred in technical CAPEX which fell by 14.3% to 36.0 million euros. As a percentage of telco revenues, technical CAPEX was 9.9% in 1Q17 versus 11.9% in 1Q16.

Technical CAPEX includes network expansion, upgrade and integration related investments such as continued FttH rollout (close to 6 thousand new households activated in 1Q17), mobile investments to meet additional coverage and capacity requirements resulting from the license renewal process in 2016, and IT investment projects, namely the development of a new CRM system and integration related projects.

Customer Acquisition CAPEX of 41.7 million euros, down 2.8% yoy, represented 11.5% of telco revenues, compared with 12.2% in 1Q16. The decline in Customer Related CAPEX is a result of the lower level of commercial activity driving a lower level of gross adds in 1Q17.

## Cash Flow

Table 5.

<b>Cash Flow</b> (Millions of Euros)	1Q16	4Q16	<b>1Q17</b>	1Q17 / 1Q16	1Q17 / 4Q16
EBITDA	137.9	125.0	<b>143.6</b>	4.2%	14.9%
Total CAPEX	(95.1)	(100.0)	<b>(87.1)</b>	(8.4%)	(12.9%)
EBITDA - Total CAPEX	42.8	24.9	<b>56.5</b>	32.0%	126.4%
% of Revenues	11.6%	6.4%	<b>14.8%</b>	3.3pp	8.4pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(19.8)	(2.4)	<b>(7.7)</b>	(61.4%)	219.5%
Operating Cash Flow	22.9	22.5	<b>48.8</b>	112.9%	116.5%
Long Term Contracts	(3.8)	(4.1)	<b>(2.9)</b>	(23.5%)	(27.9%)
Cash Restructuring Payments	(3.4)	(4.1)	<b>(5.3)</b>	54.8%	31.3%
Interest Paid	(5.5)	(3.4)	<b>(6.7)</b>	22.4%	97.6%
Income Taxes Paid	(0.9)	(6.3)	<b>(0.3)</b>	(65.3%)	(95.2%)
Disposals	0.4	1.3	<b>24.6</b>	n.a.	n.a.
Other Cash Movements	0.0	(0.2)	<b>(0.0)</b>	(100.0%)	(100.0%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	9.7	5.9	<b>58.2</b>	n.a.	n.a.
Acquisition of Own Shares	(7.3)	0.0	<b>0.0</b>	(100.0%)	n.a.
Free Cash Flow	2.4	5.9	<b>58.2</b>	n.a.	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(1.7)	(4.0)	<b>0.8</b>	n.a.	n.a.
Change in Net Financial Debt	(0.7)	(1.9)	<b>(59.0)</b>	n.a.	n.a.

EBITDA – CAPEX increased by 32.0% to 56.5 million euros in 1Q17, representing 14.8% as a percentage of revenues, led by the 4.2% increase in EBITDA and 8.4% decline in CAPEX yoy, as discussed previously. As a result of the increase in EBITDA-CAPEX and lower investment in working capital and non-cash items yoy, Operating Cash Flow grew by 25.9 million euros in 1Q17 to 48.8 million euros, more than double the level recorded in 1Q16.

Total FCF before dividends, financial investments and own shares acquisitions was 58.2 million euros in 1Q17, significantly higher than the 9.7 million euros generated in 1Q16. The 48.4 million euro increase is a result primarily of the growth in Operating Cash Flow and to the receipt of 24.2 million euros from the financial settlement of the sale of the Optimus FttH network to Vodafone. Other cash movements to highlight are the reduction in long term contract payments of close to 1 million euros, an increase in payments related with restructuring programmes of 1.9 million euros and in interest payments of 1.2 million euros.

## 4. Consolidated Balance Sheet

Table 6.

<b>Balance Sheet</b> (Millions of Euros)	2016	<b>1Q17</b>
Non-current Assets	2,453.0	2,440.0
Current Assets	529.6	482.3
Total Assets	2,982.6	2,922.3
Total Shareholders' Equity	1,053.1	1,086.5
Non-current Liabilities	1,168.7	1,163.3
Current Liabilities	760.8	672.5
Total Liabilities	1,929.5	1,835.8
Total Liabilities and Shareholders' Equity	2,982.6	2,922.3

### Capital Structure

At the end of 1Q17, Net Financial Debt stood at 1,053.3 million euros.

Total financial debt was 1,055.1 million euros, which was offset with a cash and short-term investment position on the balance sheet of 1.8 million euros. At the end of 1Q17, NOS also had 270 million euros of unissued commercial paper programmes. The all-in average cost of NOS' Net Financial Debt stood at 2.1% for 1Q17, down from 2.4% in 1Q16 and in line with 2.1% in 4Q16.

In March, NOS has negotiated a new commercial paper program to refinance existing lines, with a maximum amount of 75M Euros and maturing in 2021, with Millennium bcp.

Net Financial Gearing was 49.2% at the end of 1Q17 and Net Financial Debt / EBITDA (last 4 quarters) now stands at 1.9x. The average maturity of NOS' Net Financial Debt at the end of 1Q17 was 3.0 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 March 2017, the proportion of NOS' issued debt paying interest at a fixed rate is approximately 72%.

Table 7.

<b>Net Financial Debt</b> (Millions of Euros)	2016	<b>1Q17</b>	1Q17 / 2016
Short Term	213.9	156.3	(26.9%)
Bank and Other Loans	196.4	139.0	(29.2%)
Financial Leases	17.5	17.3	(1.2%)
Medium and Long Term	900.7	898.9	(0.2%)
Bank and Other Loans	871.8	872.2	0.1%
Financial Leases	28.9	26.6	(8.1%)
Total Debt	1,114.6	1,055.1	(5.3%)
Cash and Short Term Investments	2.3	1.8	(22.1%)
Net Financial Debt	1,112.3	1,053.3	(5.3%)
Net Financial Gearing <sup>(1)</sup>	51.4%	49.2%	(2.1pp)
Net Financial Debt / EBITDA	2.0x	1.9x	n.a.

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

# Appendix I

Table 8.

Operating Indicators ('000)	1Q16	2Q16	3Q16	4Q16	1Q17
<b>Telco <sup>(1)</sup></b>					
<b>Aggregate Indicators</b>					
Homes Passed	3,632.8	3,701.0	3,741.4	3,763.9	3,772.3
Total RGUs	8,595.1	8,746.4	8,941.5	9,076.8	9,155.2
Mobile	4,173.0	4,270.3	4,395.6	4,455.7	4,487.1
Pre-Paid	2,055.3	2,048.3	2,089.3	2,071.3	2,034.2
Post-Paid	2,117.8	2,222.0	2,306.3	2,384.4	2,452.8
ARPU / Mobile Subscriber (Euros)	8.5	8.5	8.8	8.4	8.4
Pay TV	1,561.5	1,574.4	1,586.1	1,600.6	1,608.5
Fixed Access <sup>(2)</sup>	1,229.7	1,240.0	1,250.8	1,265.6	1,276.2
DTH	331.8	334.4	335.4	335.0	332.3
Fixed Voice	1,647.9	1,665.0	1,692.1	1,724.7	1,738.0
Broadband	1,182.5	1,206.4	1,236.8	1,264.6	1,289.5
Others and Data	30.2	30.4	30.8	31.2	32.2
3,4&5P Subscribers (Fixed Access)	995.8	1,018.2	1,040.3	1,061.8	1,084.1
% 3,4&5P (Fixed Access)	81.0%	82.1%	83.2%	83.9%	85.0%
Convergent RGUs	2,988.0	3,155.6	3,272.9	3,387.2	3,498.1
Convergent Customers	614.8	644.0	661.2	680.2	697.5
Fixed Convergent Customers as % of Fixed Access Customers	42.8%	44.4%	45.1%	45.8%	46.5%
% Convergent Customers	39.4%	40.9%	41.7%	42.5%	43.4%
IRIS & UMA Subscribers	899.6	927.3	955.1	982.6	1,007.4
IRIS & UMA as % of 3,4&5P Subscribers (Fixed Access)	90.3%	91.1%	91.8%	92.5%	92.9%
<b>Net Adds</b>					
Homes Passed	32.7	68.2	40.4	22.5	8.3
Total RGUs	130.3	151.3	195.0	135.3	78.5
Mobile	50.0	97.3	125.3	60.0	31.4
Pre-Paid	(20.3)	(6.9)	41.0	(18.0)	(37.0)
Post-Paid	70.2	104.2	84.4	78.1	68.4
Pay TV	17.7	12.9	11.8	14.5	7.9
Fixed Access	14.3	10.3	10.7	14.8	10.6
DTH	3.4	2.5	1.0	(0.4)	(2.7)
Fixed Voice	24.6	17.0	27.1	32.6	13.3
Broadband	37.7	23.9	30.4	27.8	24.9
Others and Data	0.3	0.2	0.4	0.4	1.0
3,4&5P Subscribers (Fixed Access)	27.3	22.5	22.1	21.5	22.3
Convergent RGUs	134.3	167.5	117.3	114.3	110.9
Convergent Customers	23.9	29.2	17.2	19.0	17.3
IRIS & UMA Subscribers	34.5	27.7	27.8	27.5	24.8

(1) Portuguese Operations

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

Table 9.

Operating Indicators ('000)	1Q16	2Q16	3Q16	4Q16	1Q17
<b>Telco <sup>(1)</sup></b>					
<b>Indicators per Segment</b>					
<b>Consumer</b>					
Total RGUs	7,285.8	7,400.6	7,560.0	7,658.9	7,724.7
Pay TV	1,448.8	1,458.1	1,466.3	1,478.3	1,483.7
Fixed Access	1,144.9	1,152.1	1,160.0	1,172.0	1,180.1
DTH	303.9	306.0	306.2	306.3	303.6
IRIS & UMA Subscribers	859.0	883.3	908.6	933.3	955.7
Broadband	1,072.5	1,093.3	1,119.3	1,143.5	1,167.1
Fixed Voice	1,354.6	1,365.6	1,381.4	1,393.3	1,402.0
Mobile	3,409.9	3,483.7	3,593.0	3,643.8	3,671.8
% 1P (Fixed Access)	6.9%	6.4%	5.7%	5.4%	5.1%
% 2P (Fixed Access)	12.8%	12.0%	11.8%	11.2%	10.5%
% 3,4&5P (Fixed Access)	80.3%	81.5%	82.5%	83.5%	84.4%
ARPU / Unique Subscriber With Fixed Access (Euros)	43.7	43.1	42.8	43.5	44.7
<b>Net Adds</b>					
Total RGUs	105.3	114.8	159.3	98.9	65.8
Pay TV	13.3	9.2	8.2	12.0	5.3
Fixed Access	10.6	7.2	8.0	11.9	8.1
DTH	2.7	2.1	0.2	0.1	(2.8)
IRIS & UMA Subscribers	30.6	24.3	25.3	24.8	22.4
Broadband	33.3	20.8	26.0	24.2	23.6
Fixed Voice	17.7	11.0	15.8	11.9	8.8
Mobile	41.0	73.8	109.3	50.8	28.1
<b>Business</b>					
Total RGUs	1,309.3	1,345.8	1,381.5	1,417.9	1,430.5
Pay TV	112.7	116.3	119.9	122.3	124.8
IRIS & UMA Subscribers	40.6	44.1	46.6	49.2	51.7
Broadband	140.2	143.5	148.3	152.3	154.6
Fixed Voice	293.3	299.4	310.7	331.4	335.9
Mobile	763.1	786.6	802.7	811.9	815.2
ARPU per RGU (Euros)	16.8	16.4	16.0	15.9	15.7
<b>Net Adds</b>					
Total RGUs	25.0	36.5	35.7	36.4	12.7
Pay TV	4.4	3.6	3.6	2.4	2.5
IRIS & UMA Subscribers	4.0	3.5	2.5	2.7	2.4
Broadband	4.7	3.3	4.8	4.0	2.3
Fixed Voice	6.9	6.1	11.3	20.7	4.5
Mobile	9.0	23.5	16.1	9.2	3.3
<b>Cinema <sup>(1)</sup></b>					
Revenue per Ticket (Euros)	4.8	4.7	4.7	4.8	4.8
Tickets Sold	2,400.3	1,715.6	2,663.4	2,317.6	2,296.4
Screens (units)	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 customers.



## Appendix II

Table 10.

<b>Profit and Loss Statement</b> (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	2016	<b>1Q17</b>
Operating Revenues	370.3	372.8	381.0	390.9	1,515.0	381.0
Telco	352.5	357.9	360.4	371.6	1,442.5	362.9
Consumer Revenues	223.7	220.9	223.4	226.7	894.8	232.2
Business and Wholesale Revenues	100.3	105.6	104.2	104.9	414.9	101.4
Equipment Sales	12.7	10.5	14.3	16.3	53.7	10.8
Others and Eliminations	15.8	20.9	18.6	23.7	79.0	18.5
Audiovisuals	16.1	16.9	19.6	19.0	71.6	17.8
Cinema <sup>(1)</sup>	15.7	11.7	17.3	15.5	60.2	15.3
Others and Eliminations	(14.0)	(13.7)	(16.3)	(15.3)	(59.3)	(15.1)
Operating Costs Excluding D&A	(232.4)	(224.2)	(235.7)	(265.9)	(958.2)	(237.4)
W&S	(23.8)	(21.9)	(23.0)	(24.4)	(93.1)	(22.2)
Direct Costs	(108.8)	(110.4)	(115.7)	(122.9)	(457.8)	(113.8)
Commercial Costs <sup>(2)</sup>	(25.6)	(18.7)	(29.1)	(31.2)	(104.6)	(20.0)
Other Operating Costs	(74.1)	(73.2)	(68.0)	(87.5)	(302.7)	(81.4)
EBITDA	137.9	148.7	145.2	125.0	556.7	143.6
EBITDA Margin	37.2%	39.9%	38.1%	32.0%	36.9%	37.7%
Telco	125.8	137.6	131.4	111.8	506.7	131.2
EBITDA Margin	35.7%	38.4%	36.5%	30.1%	35.4%	36.2%
Cinema Exhibition and Audiovisuals	12.1	11.1	13.8	13.1	50.1	12.4
EBITDA Margin	41.5%	42.8%	43.2%	42.9%	41.5%	41.5%
Depreciation and Amortization	(95.3)	(98.5)	(98.7)	(99.1)	(391.6)	(103.3)
(Other Expenses) / Income	(2.4)	(3.6)	(5.5)	(10.9)	(22.4)	(3.4)
Operating Profit (EBIT) <sup>(3)</sup>	40.2	46.5	41.1	15.0	142.8	37.0
Share of results of associates and joint ventures	(6.4)	(3.3)	1.4	2.3	(5.9)	5.3
(Financial Expenses) / Income	(5.4)	(6.9)	(6.5)	(5.8)	(24.6)	(6.6)
Income Before Income Taxes	28.4	36.4	35.9	11.5	112.2	35.7
Income Taxes	(4.0)	(9.9)	(8.6)	0.3	(22.2)	(4.3)
Net Income Before Associates & Non-Controlling Interests	30.8	29.7	25.9	9.5	95.9	26.1
Income From Continued Operations	24.5	26.5	27.3	11.8	90.0	31.4
o.w. Attributable to Non-Controlling Interests	(0.0)	0.0	0.2	0.2	0.4	0.0
Net Income	24.4	26.5	27.5	12.0	90.4	31.4

(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.

Table 11.

<b>CAPEX</b> (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	2016	<b>1Q17</b>
Telco	84.9	92.7	87.0	91.6	356.3	77.7
o.w. Technical CAPEX	42.0	45.8	42.5	41.3	171.6	36.0
% of Telco Revenues	11.9%	12.8%	11.8%	11.1%	11.9%	9.9%
Baseline Telco	27.6	34.9	30.0	28.3	120.8	26.8
Network Expansion / Substitution and Integration Projects and Others	14.4	11.0	12.4	13.0	50.8	9.1
o.w. Customer Related CAPEX	42.9	46.9	44.6	50.3	184.7	41.7
% of Telco Revenues	12.2%	13.1%	12.4%	13.5%	12.8%	11.5%
Audiovisuals and Cinema Exhibition	10.2	8.2	9.5	8.4	36.4	9.4
Total Group CAPEX	95.1	101.0	96.6	100.0	392.7	87.1
% of Total Group Revenues	25.7%	27.1%	25.3%	25.6%	25.9%	22.9%

Table 12.

<b>Cash Flow</b> (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	2016	<b>1Q17</b>
EBITDA	137.9	148.7	145.2	125.0	556.7	143.6
Total CAPEX	(95.1)	(101.0)	(96.6)	(100.0)	(392.7)	(87.1)
EBITDA - Total CAPEX	42.8	47.7	48.7	24.9	164.1	56.5
% of Revenues	11.6%	12.8%	12.8%	6.4%	10.8%	14.8%
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(19.8)	(18.9)	(0.9)	(2.4)	(42.1)	(7.7)
Operating Cash Flow	22.9	28.8	47.7	22.5	122.0	48.8
Long Term Contracts	(3.8)	(4.4)	(4.7)	(4.1)	(17.1)	(2.9)
Cash Restructuring Payments	(3.4)	(2.3)	(6.0)	(4.1)	(15.8)	(5.3)
Interest Paid	(5.5)	(4.2)	(5.9)	(3.4)	(18.9)	(6.7)
Income Taxes Paid	(0.9)	(4.5)	(9.5)	(6.3)	(21.1)	(0.3)
Disposals	0.4	0.4	2.9	1.3	5.0	24.6
Other Cash Movements	0.0	0.4	(0.2)	(0.2)	0.0	(0.0)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	9.7	14.1	24.3	5.9	54.1	58.2
Acquisition of Own Shares	(7.3)	(13.3)	0.0	0.0	(20.7)	0.0
Free Cash Flow	2.4	(81.3)	24.3	5.9	(48.7)	58.2
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(1.7)	(7.2)	(2.4)	(4.0)	(15.2)	0.8
Change in Net Financial Debt	(0.7)	88.5	(21.9)	(1.9)	63.9	(59.0)

Table 13.

<b>Net Financial Debt</b> (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	<b>1Q17</b>
Short Term	144.4	71.9	116.3	213.9	156.3
Bank and Other Loans	123.9	52.8	98.5	196.4	139.0
Financial Leases	20.5	19.1	17.8	17.5	17.3
Medium and Long Term	905.1	1,065.6	999.4	900.7	898.9
Bank and Other Loans	873.1	1,033.2	968.7	871.8	872.2
Financial Leases	32.1	32.4	30.7	28.9	26.6
Total Debt	1,049.5	1,137.5	1,115.8	1,114.6	1,055.1
Cash and Short Term Investments	1.8	1.3	1.5	2.3	1.8
Net Financial Debt	1,047.7	1,136.2	1,114.2	1,112.3	1,053.3
Net Financial Gearing <sup>(1)</sup>	49.2%	52.9%	51.7%	51.4%	49.2%
Net Financial Debt / EBITDA	1.9x	2.1x	2.0x	2.0x	1.9x

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

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