Earnings
Announcement
4Q17

Lisbon, 12 March 2018

- Continued RGU growth reinforcing market shares across the board and driving solid growth in operating revenues.
- Profitability and earnings expanding with operating leverage, cost efficiency and financial discipline;
- Significant investment in core business enablers to ensure long term competitiveness and differentiation;
- Full year FCF generation supportive of attractive and sustainable shareholder remuneration.

Table 1.

4Q17 Highlights	4Q16	4Q17	4Q17 / 4Q16	2016	2017	2017 / 2016
Financial Highlights						
Operating Revenues	390.9	399.3	2.2%	1,515.0	1,561.8	3.1%
Telco Revenues	371.6	381.4	2.7%	1,442.5	1,487.2	3.1%
EBITDA	125.0	129.1	3.3%	556.7	580.6	4.3%
EBITDA Margin	32.0%	32.3%	0.4pp	36.7%	37.2%	0.4pp
Net Income Before Associates & Non-Controlling Interests	9.5	10.5	11.2%	95.9	101.3	5.6%
Net Income	12.0	18.6	55.3%	90.4	124.1	37.3%
EBITDA - Total CAPEX	24.9	12.1	(51.6%)	164.1	200.1	21.9%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	5.9	(2.6)	n.a.	54.1	133.4	146.6%
Operational Highlights (EoP)						
Homes Passed	3,763.9	4,084.2	8.5%	3,763.9	4,084.2	8.5%
Total RGUs	9,076.8	9,411.7	3.7%	9,076.8	9,411.7	3.7%
Mobile	4,455.7	4,672.9	4.9%	4,455.7	4,672.9	4.9%
Pay TV	1,600.6	1,616.6	1.0%	1,600.6	1,616.6	1.0%
Fixed Voice	1,724.7	1,758.2	1.9%	1,724.7	1,758.2	1.9%
Broadband	1,264.6	1,333.1	5.4%	1,264.6	1,333.1	5.4%
Convergent RGUs	3,387.2	3,650.6	7.8%	3,387.2	3,650.6	7.8%
Convergent Customers	680.2	721.4	6.1%	680.2	721.4	6.1%
Convergent Customers as % of Fixed Access Customers	45.8%	47.4%	1.6pp	45.8%	47.4%	1.6pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	43.5	43.8	0.7%	43.3	44.3	2.4%

Operational Review

RGU growth reinforcing market shares across the board and driving solid growth in operating revenues

We continued to grow in all our core services in 2017, posting total RGU growth of 46 thousand to a total of 9.412 million services, +3.7% than in 4Q16.

Pay TV provides the platform for upselling additional fixed and mobile services and in a highly competitive and invested market, we differentiate our value proposition as the ultimate entertainment provider in Portugal, leveraging our strength in telecoms, cinema exhibition and audiovisual distribution. The success of our convergent offers is still the key driver of growth, with almost half of our customers subscribing to fixed and mobile convergent bundles by the end of 2017. Our convergent customer base increased in 4Q17 by a further 2.9 thousand households with 47.4% of our fixed access customer base now taking their telecom services in bundled fixed and mobile offers. According to the most recently available data published by ANACOM for 3Q17, we also lead the market in bundled services with a share of close to 40%.

Our Pay TV subscriber base grew by 1% yoy to 1.617 million subscribers, with an additional 0.8 thousand net adds in 4Q17. On top of the slowdown in commercial activity of the past quarters, market wide remedies imposed in June by the regulator around price increase communication procedures led to additional pressure on net adds in the last months of the year. Of total Pay TV net adds, fixed access subscribers grew by 4.4 thousand in 4Q17, whereas the number of households receiving services over DTH fell by 3.5 thousand, due primarily to fixed NGN rollout becoming available in more new geographies. Our own footprint grew by 8.5% in 2017 to 4.084 million households, all of which capable of delivering next generation speeds. Broadband and Fixed Voice RGUs grew a further 5.4% and 1.9% yoy respectively with penetration of the base now standing at 78.1% and 87.4%.

Also driven by the wave of convergent take-up, we have achieved very strong growth in mobile RGUs with our total share of subscribers growing to 25% according to the latest market share data, significantly narrowing the gap to the second player. Although less representative in numbers, on a stand-alone mobile basis the youth segment has been a strategic bet for us given the relevance of this category as trend setters in the fast developing and technologically sophisticated entertainment landscape of today and as the decision makers of tomorrow. We have achieved unprecedented growth in this arena through highly targeted and relevant offers tailored for the youth segment through our “WTF” brand. At the end of 4Q17 we had 4.673 million mobile subscribers, up 4.9% yoy, with net adds of 29.2 thousand in the quarter, the majority of which, 20 thousand, subscribing to post-paid tariffs.

Growth in residential RGUs and the price increase implemented at the end of 2016 were supportive of yoy ARPU growth to 43.8 euros per fixed access household in 4Q17, albeit the pace of growth has decelerated with the already high level of service penetration in the market.

Differentiating through exciting content and customer experience

Entertainment is at the heart of our value proposition and helps take us closer to the day to day lives of customers. Conscious of the rapidly changing trends in how and where people watch TV and alternative media, we aim to deliver the best content and viewing experience with a highly differentiated positioning, leveraging our unique combination of telco, audiovisuals and cinema assets. We have repeatedly been at the forefront of innovation and in 2017 our "UMA" multi-platform TV interface was once again voted the best in Portugal by consumers. Our choices on the content front are led by our key brand territories, namely football, music, movies and series and children's content. An example of our innovative formats targeting the movie territory was the launch of the Star Wars pop-up channel, before the premiere of "The Last Jedi", the most recent film in the saga, which was broadcast exclusively for NOS customers during a six week period. In addition to 24 hours broadcasting of earlier Star Wars movies, documentaries, interviews, edited scenes and backstage images, we also offered a number of exclusive benefits for NOS cinema card holders at our IMAX, 4DX and 3D theatres plus a 40% discount for Star Wars movies rented over the NOS videoclub, therefore leveraging our broader cinema and audiovisuals asset base. The initiative was a huge success further reinforcing our leading position in entertainment.

Also exclusive to NOS, in October we announced the launch of YouTube inside UMA, again setting the pace of what is most innovative and ground breaking in TV experience. We were the first operator in Portugal to offer the YouTube native app in HTML 5 for TV. Our customers are now able to watch their favourite YouTube videos on their TV screens, benefitting from all their favourite features in Ultra HD 4K quality. Exclusive to NOS, the YouTube TV app can also sync smartphones with the TV, to be used as a remote control and to manage navigation in the app and customers can log on to their YouTube account on TV, accessing each user profile's favourite content and playlists.

A real alternative for Portuguese businesses

On the B2B front we continue to reinforce our position in the corporate market with some of the largest accounts in Portugal having migrated all or part of their telecom, data and IT spend to us. We have been particularly successful in the demanding financial services sector with many of the leading banking groups using NOS as their main telecom provider. During the latter half of the year we increased both the number of major accounts in our portfolio and extended the term of existing contracts, evidence of the satisfaction and trust of our clients in the quality and reliability of the services we provide. Our strategy for the large corporate market is built on three pillars: protection of existing revenues and accounts whilst expanding the base and penetration of IT and data services; investment in technological assets, to enable best in class delivery of telco and IT solution services; and innovation to tap alternative sources of growth. To capture the IT opportunity, we position ourselves as a partner for transformation for the companies we address, providing reliable and responsive telecom solutions and complementing them with value added services, which go beyond the realm of traditional telecommunications.

Conscious of the need to invest more in the technological assets required to support, in particular, the large corporate market, we launched a number of investment projects during 2017 to upgrade existing platforms and solutions, one of the most important being the deployment of 2 new data centres, one in the North of Portugal in Riba D'Ave and the other near Lisbon. We increased available capacity by approximately 1 thousand square metres (500 racks) to almost 4 thousand square metres in total and invested in next generation cloud management platforms to facilitate provisioning and self-service solutions.

In the SME segment we have focused our activity on stabilizing revenues and implementing a transformation of the business model to address the needs of each sub segment more efficiently and with best in class service levels. Core to the transformation process is a simplification of the range of products and services we provide whilst following a more segmented commercial approach. We are building the basic tools for the future with a strong focus on market relevant innovation and development, to help businesses optimize their communication and IT functions and a review of our customer experience and internal processes has identified clear opportunities for virtualization, driving better service levels and efficiency.

Investing to secure long term competitiveness

To meet the challenges of continued growth in traffic and guarantee service quality, a number of major network development projects are currently underway across both the mobile and fixed infrastructure.

The investment we are doing in our mobile network is designed primarily to increase capacity, network flexibility and efficiency, and to deliver the best possible quality of service. We are rearranging our network to a single RAN architecture replacing almost all existing radio equipment with the most modern technology to support a smooth 5G oriented evolution. The project entails the complete swap of our 2G, 3G and 4G radio equipment in the South of Portugal and an upgrade of our 3G and 4G equipment in the North of the country, whilst at the same time increasing capacity in both 2G and 4G. The project also involves extension of coverage with investment in additional close to 250 sites. By the end of 2018, we will have a fully 4.5G ready network in place, already able to deliver IoT and prepared for the evolution to mobile 1Gbps.

Our strategy for fixed is based on a two pronged approach of upgrading our HFC network to Docsis 3.1, to be completed by the end of 1Q18, and extension of our FttH footprint through both greenfield rollout and a dark fibre network swap with Vodafone as agreed in September 2017. Further splitting of our HFC cells to take fibre deeper into the network will be supportive of increased traffic and capacity demands on the mobile network. With these investments, by the end of 2018, we will have extended our NGN Gigabit coverage to 4.4 million households and by 2022, we will have extended FttH to 70% of our footprint, supporting ever increasing consumer demands for bandwidth and to preempt the need to relieve capacity from the mobile network in future.

In parallel, we are in the process of evolving our core network to all IP as a means of extending IP capillarity, which is particularly relevant for the enterprise market, to reduce latency and increase capacity by replacing a lot of microwaves with optic fiber, and to optimize network flexibility, management and costs. This transformation is becoming even more relevant with the progressive expansion of cloud based architectures, network virtualization and digitalization of key functions.

Cinema and Audiovisuals

As had been the case of 3Q17, 4Q17 was not a strong quarter for the Cinema and Audiovisuals division. NOS' Cinema ticket sales posted a yoy decrease of 5.1% to 2.199 million tickets in 4Q17, reflecting the negative performance of the market as a whole which declined by 5.4%[1], due to fewer blockbuster box office hits during the second half of the year. Average revenue per ticket improved by 2.5% yoy to 4.9 euros in 4Q17. Although the latter half of the year was weaker for the cinema business, full year 2017 achieved the best results ever in terms of number of tickets sold and box-office revenues, up by 3.9% and 4.7% respectively.

Table 2.

Operating Indicators ('000)	4Q16	3Q17	**4Q17**	4Q17 / 4Q16	4Q17 / 3Q17	2016	**2017**	2017 / 2016
Cinema [1]								
Revenue per Ticket (Euros)	4.8	4.7	4.9	2.5%	4.6%	4.7	4.8	0.8%
Tickets Sold	2,317.6	2,509.1	2,198.9	(5.1%)	(12.4%)	9,096.9	9,450.6	3.9%
Screens (units)	215	215	219	1.9%	1.9%	215	219	1.9%

(1) Portuguese Operations

The most successful films exhibited in 4Q17 were "Star Wars: The Last Jedi", "Coco", "Justice League", "Thor: Ragnarok" and "Murder on the Orient Express".

NOS' gross box-office revenues decreased by 2.8% in 4Q17, which compares with a 3.2% yoy decline for the market as a whole. NOS continues to maintain its leading market position, with a market share of 62.7% in terms of gross revenues in 4Q17. Cinema Exhibition revenues declined by 1.1% yoy in 4Q17 to 15.3 million euros.

This quarter we opened 10 new screens in 2 new locations (Loulé and Évora) and we upgraded our Cascais cinema with one IMAX screen. Due to a significant refurbishment of Oeiras Parque shopping centre we had to close our total 7 screens in Oeiras for 9 months, with plans to reopen 6 upgraded screens during 3Q18.

Revenues in the Audiovisuals division decreased by 7.9% yoy to 17.5 million euros in 4Q17 driven primarily by the weaker yoy performance in Cinema Distribution and Homevideo and despite a slight improvement in the rights management area. Of the top 10 cinema box-office hits in 4Q17, NOS distributed the top 4, "Star Wars: The Last Jedi", "Coco", "Justice League" and "Thor: Ragnarok", therefore maintaining its leadership position, despite a lower than usual market share of Cinema Distribution in the quarter.

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

The Consolidated Accounts have been subject to full audit for the Full Year 2017.

Consolidated Income Statement

Table 3.

Profit and Loss Statement (Millions of Euros)	4Q16	3Q17	**4Q17**	4Q17 / 4Q16	4Q17 / 3Q17	2016	**2017**	2017 / 2016
Operating Revenues	390.9	393.1	399.3	2.2%	1.6%	1,515.0	1,561.8	3.1%
Telco	371.6	374.0	381.4	2.7%	2.0%	1,442.5	1,487.2	3.1%
Consumer Revenues	226.8	236.1	231.7	2.2%	(1.8%)	894.8	932.4	4.2%
Business and Wholesale Revenues	104.9	108.4	115.4	10.0%	6.5%	415.0	437.2	5.3%
Equipment Sales	16.3	15.3	14.4	(11.8%)	(6.0%)	53.7	51.0	(5.0%)
Others and Eliminations	23.6	14.2	20.0	(15.5%)	40.1%	79.0	66.6	(15.6%)
Audiovisuals	19.0	17.3	17.5	(7.9%)	1.1%	71.6	71.8	0.3%
Cinema (1)	15.5	16.4	15.3	(1.1%)	(6.5%)	60.2	63.3	5.1%
Others and Eliminations	(15.3)	(14.6)	(15.0)	(1.8%)	2.4%	(59.3)	(60.5)	2.1%
Operating Costs Excluding D&A	(265.9)	(241.9)	(270.2)	1.6%	11.7%	(958.2)	(981.1)	2.4%
W&S	(24.4)	(23.2)	(23.1)	(5.2%)	(0.4%)	(93.1)	(89.2)	(4.2%)
Direct Costs	(122.9)	(118.9)	(133.7)	8.8%	12.5%	(457.8)	(492.7)	7.6%
Commercial Costs (2)	(31.2)	(25.8)	(30.2)	(3.2%)	16.9%	(104.6)	(96.6)	(7.6%)
Other Operating Costs	(87.5)	(74.0)	(83.2)	(4.9%)	12.5%	(302.7)	(302.6)	(0.0%)
EBITDA	125.0	151.2	129.1	3.3%	(14.6%)	556.7	580.6	4.3%
EBITDA Margin	32.0%	38.5%	32.3%	0.4pp	(6.1pp)	36.7%	37.2%	0.4pp
Telco	111.8	138.4	117.7	5.2%	(15.0%)	506.7	531.6	4.9%
EBITDA Margin	30.1%	37.0%	30.8%	0.7pp	(6.2pp)	35.1%	35.7%	0.6pp
Cinema Exhibition and Audiovisuals	13.1	12.8	11.4	(13.1%)	(11.0%)	50.1	49.0	(2.1%)
EBITDA Margin	42.9%	42.8%	38.5%	(4.4pp)	(4.4pp)	42.6%	40.7%	(1.9pp)
Depreciation and Amortization	(99.1)	(103.7)	(111.8)	12.9%	7.8%	(391.6)	(422.2)	7.8%
(Other Expenses) / Income	(10.9)	(3.8)	(4.0)	(63.8%)	2.6%	(22.4)	(15.7)	(30.1%)
Operating Profit (EBIT) (3)	15.0	43.7	13.3	(11.2%)	(69.5%)	142.8	142.8	(0.0%)
Share of results of associates and joint ventures	2.3	6.0	7.9	246.1%	32.2%	(5.9)	22.9	n.a.
(Financial Expenses) / Income	(5.8)	(6.5)	(5.7)	(2.2%)	(11.9%)	(24.6)	(24.0)	(2.5%)
Income Before Income Taxes	11.5	43.2	15.6	35.6%	(64.0%)	112.2	141.7	26.3%
Income Taxes	0.3	(9.7)	2.9	n.a.	(129.7%)	(22.2)	(17.5)	(21.4%)
Net Income Before Associates & Non-Controlling Interests	9.5	27.5	10.5	11.2%	(61.8%)	95.9	101.3	5.6%
Income From Continued Operations	11.8	33.5	18.5	57.0%	(44.9%)	90.0	124.2	38.0%
o.w. Attributable to Non-Controlling Interests	0.2	0.1	0.2	(32.6%)	42.7%	0.4	(0.1)	n.a.
Net Income	12.0	33.6	18.6	55.3%	(44.6%)	90.4	124.1	37.3%

(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.

Revenues

Consolidated Revenues grew by 2.2% yoy to 399.3 million euros reflecting a deceleration yoy due to the anticipated slowdown in RGU growth, regulatory intervention on price communication procedures as discussed last quarter and a weaker quarter for the cinema and audiovisuals business. Also, we are now facing a tougher yoy comparison since the price increase was implemented in December 2016.

Table 4.

Operating Revenues (YoY Change)	1Q17	2Q17	3Q17	**4Q17**	2017
Operating Revenues	2.9%	4.2%	3.2%	2.2%	3.1%
Telco	2.9%	3.1%	3.8%	2.7%	3.1%
Consumer Revenues	3.6%	5.4%	5.7%	2.2%	4.2%
Business and Wholesale Revenues	1.3%	5.9%	4.0%	10.0%	5.3%
Equipment Sales	(14.6%)	0.6%	7.3%	(11.8%)	(5.0%)
Others and Eliminations	17.7%	(34.3%)	(23.2%)	(15.5%)	(15.6%)
Audiovisuals	10.6%	13.1%	(11.4%)	(7.9%)	0.3%
Cinema	(2.1%)	38.6%	(5.3%)	(1.1%)	5.1%
Others and Eliminations	7.6%	15.4%	(10.2%)	(1.8%)	2.1%

Of the 2.2% growth in revenues from the Consumer segment, Residential revenues grew by 1.6% representing a slowdown in RGU growth mostly due to continued migration of satellite customers onto new NGN coverage geographies with all operators in the market still expanding footprint and to the market wide regulatory intervention on price communication procedures in June. As discussed in last quarter's announcement the latter had already led to an increase in churn mostly during 3Q17 and 4Q17, however the impact on customer revenues was felt primarily in 4Q17. Like for like comparison was also affected by the fact that we implemented a price increase in 4Q16 which was not the case in 4Q17. In the stand-alone mobile segment, revenues grew by 5.8% reflecting continued growth in subscribers and gains in market share, particularly in the youth segment with our WTF tariff plans and a supportive price environment for mobile services.

The strong growth in Business and Wholesale revenues in 4Q17 was explained almost entirely by the Wholesale segment performance with a number of relevant short term deals won in the low margin mass calling service segment and wholesale traffic segment. Business customer revenues were relatively flat yoy with a combination of positive yoy growth in Corporate Revenues offset by a decline in Mass Business revenues, the latter also being impacted by the regulatory intervention on price communication discussed above.

Equipment sales posted an 11.8% decline yoy to 14.4 million euros, led by slower commercial activity over the same period last year, with fewer handset based campaigns. "Others and Eliminations" which includes mostly revenues received from advertising revenue share on TV channels, and a number of other telecom related revenues, with the most relevant coming from judicial collections, fell by 15.5% yoy to 20 million euros.

Audiovisuals and Cinema revenues both posted a yoy decline in 4Q17 of 7.9% to 17.5 million euros and of 1.1% to 15.3 million euros respectively. Both businesses are highly dependent on the overall success of the box-office movies and there was a clear decline in ticket sales during 4Q17, as seen in the operating review above. The more material decline in Audiovisual revenues, as previously mentioned, is explained by a lower market share of films distributed in the quarter and by poor performance in Home DVD sales in 4Q17 which faced a particularly tough comparison with 4Q16 in view of the strong performance in that quarter.

OPEX

Table 5.

Operating Costs (YoY Change)	1Q17	2Q17	3Q17	**4Q17**	2017
Operating Costs Excluding D&A	2.1%	3.3%	2.6%	1.6%	2.4%
W&S	(6.9%)	(5.5%)	0.9%	(5.2%)	(4.2%)
Direct Costs	4.6%	14.4%	2.7%	8.8%	7.6%
Commercial Costs	(22.2%)	10.5%	(11.3%)	(3.2%)	(7.6%)
Other Operating Costs	9.8%	(12.6%)	8.9%	(4.9%)	(0.0%)

Growth of 1.6% in Consolidated OPEX to 270.2 million euros was 0.5pp below that of Operating Revenues leading to expansion in EBITDA margin to 32.3% in 4Q17. Telco EBITDA grew by 5.2% yoy to 117.7 million euros.

Direct costs are the biggest contributor to total OPEX, having increased 8.8% yoy to 133.7 million euros. The main driver of this increase were interconnection costs related with wholesale traffic and mass calling services which together grew by 11.9 million euros, an increase consistent with the strong growth in revenues from these businesses, as explained in the revenues section above. Excluding the impact of these interconnection costs, direct costs would have declined by around 1.2% yoy. Programming costs posted a small decline yoy mainly due to lower royalties with the cinema operation's slower activity in 4Q17. There was no material increase in premium sports yoy costs in 4Q17 as the most relevant impacts for 2017 had already passed through the accounts in previous quarters. Progressive savings are being achieved with third party network rentals as we continue to migrate more traffic onto our own infrastructure.

The 3.2% decline in commercial costs was led by lower COGS reflective of the lower equipment sales in the quarter and by a decline in sales commissions. These were partially offset by a pick-up in advertising costs due to a reinforced marketing presence in 4Q17.

Wages and Salaries posted a yoy decline of 5.2% in 4Q17 to 23.1 million euros.

Depreciation and Amortization increased by 12.9% yoy to 111.8 million euros. The major mobile investment project initiated in 2017 to modernize the network has led to significant impairments of existing equipment which in 4Q17 amounted to 20.6 million euros. This increase in D&A more than offset the gains in EBITDA, leading to a decline in Operating Profit (EBIT) of 11.2% yoy to 13.3 million euros in 4Q17.

Net Income posted a 55.3% increase in 4Q17 to 18.6 million euros with the decline in EBIT being mitigated by a 5.7 million euro increase in share of results of associates and joint ventures. As in previous quarters, this was mainly due to the improved performance at ZAP. During 4Q17, Angola was considered to be a hyperinflationary economy, leading to a restatement at the associates level in accordance to IAS 29, which had a positive impact on the 4Q17 contribution of ZAP of close to 3 million euros.

Lower net financial charges of 5.7 million euros reflect lower interest costs due to the decline in average cost of debt from 2.1% in 4Q16 to 1.9% in 4Q17. The negative tax provision in 4Q17 of 2.9 million euros is explained mainly by a lower municipal tax surcharge and the impact from tax incentives.

CAPEX

Table 6.

CAPEX (Millions of Euros)	4Q16	3Q17	**4Q17**	4Q17 / 4Q16	4Q17 / 3Q17	2016	**2017**	2017 / 2016
Telco	91.6	84.2	107.6	17.5%	27.8%	356.3	347.1	(2.6%)
o.w. Technical CAPEX	41.3	47.1	68.6	66.0%	45.5%	171.6	194.1	13.1%
% of Telco Revenues	11.1%	12.6%	18.0%	6.9pp	5.4pp	11.9%	13.1%	1.2pp
Baseline Telco	28.3	27.8	32.5	14.6%	16.9%	114.3	123.0	7.6%
Network Expansion / Substitution and Integration Projects and Others	13.0	19.4	36.1	178.2%	86.5%	57.3	71.1	24.1%
o.w. Customer Related CAPEX	50.3	37.0	39.0	(22.4%)	5.3%	184.7	153.0	(17.2%)
% of Telco Revenues	13.5%	9.9%	10.2%	(3.3pp)	0.3pp	12.8%	10.3%	(0.2pp)
Audiovisuals and Cinema Exhibition	8.4	6.6	9.4	11.8%	43.3%	36.4	33.5	(7.9%)
Total Group CAPEX	100.0	90.8	117.0	17.0%	28.9%	392.7	380.6	(3.1%)
% of Total Group Revenues	25.6%	23.1%	29.3%	3.7pp	6.2pp	25.9%	24.4%	(0.1pp)

Total Telecom CAPEX increased by 17.5% yoy in 4Q17 to 107.6 million euros as expected. With the new fully running execution of the mobile single RAN project, as well as the DOCSIS 3.1 project, our strategic decision to implement major network modernization projects during 2017 and 2018 is driving levels of technical CAPEX over total telecom revenues of close to 13%, with CAPEX during 2017 being more concentrated in 2H17.

Consistent with the lower volume of commercial activity and gross adds, customer related CAPEX fell by 22.4% yoy to 39 million euros representing 10.2% of telco revenues. Cumulative customer related CAPEX for the year fell by 31.7 million euros more than offsetting the 22.5 million euros increase in technical CAPEX and resulting in a 2.6% decline of total telecom CAPEX to 347.1 million euros.

Total Group CAPEX grew by 17% yoy to 117 million euros in 4Q17, 29.3% of Consolidated Revenues in 4Q17, an increase explained by the performance of telecom related CAPEX.

Cash Flow

Table 7.

Cash Flow (Millions of Euros)	4Q16	3Q17	**4Q17**	4Q17 / 4Q16	4Q17 / 3Q17	2016	**2017**	2017 / 2016
EBITDA	125.0	151.2	129.1	3.3%	(14.6%)	556.7	580.6	4.3%
Total CAPEX	(100.0)	(90.8)	(117.0)	17.0%	28.9%	(392.7)	(380.6)	(3.1%)
EBITDA - Total CAPEX	24.9	60.5	12.1	(51.6%)	(80.0%)	164.1	200.1	21.9%
% of Revenues	6.4%	15.4%	3.0%	(3.4pp)	(12.4pp)	10.8%	12.8%	2.0pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(2.4)	(4.5)	0.2	n.a.	n.a.	(42.1)	(25.1)	(40.3%)
Operating Cash Flow	22.5	56.0	12.3	(45.6%)	(78.1%)	122.0	174.9	43.4%
Long Term Contracts	(4.1)	(4.6)	(3.6)	(11.3%)	(20.7%)	(17.1)	(14.9)	(12.8%)
Cash Restructuring Payments	(4.1)	(2.5)	(2.0)	(50.0%)	(18.0%)	(15.8)	(15.8)	(0.4%)
Interest Paid	(3.4)	(6.3)	(3.1)	(9.8%)	(51.4%)	(18.9)	(21.0)	11.0%
Income Taxes Paid	(6.3)	(9.4)	(7.6)	22.0%	(18.7%)	(21.1)	(17.3)	(17.9%)
Disposals	1.3	0.6	1.0	n.a.	n.a.	5.0	27.0	n.a.
Other Cash Movements	(0.2)	(0.0)	0.5	n.a.	n.a.	0.0	0.5	n.a.
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	5.9	33.9	(2.6)	n.a.	n.a.	54.1	133.4	146.6%
Acquisition of Own Shares	0.0	0.0	0.0	n.a.	n.a.	(20.7)	0.0	(100.0%)
Dividends	0.0	0.0	0.0	n.a.	n.a.	(82.1)	(102.6)	25.0%
Free Cash Flow	5.9	33.9	(2.6)	n.a.	n.a.	(48.7)	30.8	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(4.0)	0.5	(3.1)	(22.0%)	n.a.	(15.2)	(4.0)	(73.9%)
Change in Net Financial Debt	(1.9)	(34.4)	5.7	n.a.	n.a.	63.9	(26.8)	n.a.

FCF in 4Q17 was negative by 2.6 million euros, explained almost entirely by the increase in CAPEX discussed above which more than offset the improvement in EBITDA and non cash items included in EBITDA-CAPEX and change in working capital.

As a result, Operating Cash Flow amounted to 12.3 million euros in 4Q17. The remaining cash flow items worth highlighting are the yoy saving in long term contract payments of 11.3% due to improved contract terms and of 50% in cash restructuring payments in the quarter to 2 million euros.

FCF in FY17 increased significantly to 133.4 million euros compared with 54.1 million euros the year before, reflecting the impact of the receival of 24.2 million euros from the financial settlement of the sale of the Optimus FttH network to Vodafone in 1Q17 and our strong FCF generation momentum, supporting our ability to deliver attractive and sustainable growth in shareholder remuneration.

Consolidated Balance Sheet

Table 8.

Balance Sheet (Millions of Euros)	2016	3Q17	**2017**	2017 / 2016
Non-current Assets	2,453.0	2,418.5	2,422.2	(1.3%)
Current Assets	529.6	526.5	544.9	2.9%
Total Assets	2,982.6	2,945.0	2,967.1	(0.5)%
Total Shareholders' Equity	1,053.1	1,060.2	1,086.4	3.2%
Non-current Liabilities	1,168.7	1,137.2	1,127.7	(3.5)%
Current Liabilities	760.8	747.7	753.0	(1.0)%
Total Liabilities	1,929.5	1,884.9	1,880.7	(2.5)%
Total Liabilities and Shareholders' Equity	2,982.6	2,945.0	2,967.1	(0.5)%

Capital Structure

At the end of FY17, Net Financial Debt stood at 1,085.5 million euros.

Total financial debt was 1,088.5 million euros, which was offset with a cash and short-term investment position on the balance sheet of 3.0 million euros. At the end of FY17, NOS also had 245 million euros of unissued commercial paper programmes. The all-in average cost of NOS' Net Financial Debt stood at 1.9% for 4Q17, down from 2.1% in 4Q16 and in line with 1.9% in 3Q17. For FY17, the all-in average cost of NOS' Net Financial Debt amounted to 2.0%.

During 2017 NOS executed four financing deals to refinance existing lines:

- In March, a new commercial paper program with a maximum amount of 75M Euros and maturing in 2021, with Banco Milllennium bcp;
- In June, a new commercial paper program with a maximum amount of 100M Euros, 50% of which amortized in 2021, and the remaining in 2023, with Banco Santander Totta; and
- In December, two new commercial paper programs of 25M Euros and 50M Euros maturing in 2022 and 2024, respectively, with Banco Millennium bcp.

Net Financial Gearing was 50.0% at the end of FY17 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 FY17 was 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 31 December 2017, the proportion of NOS' issued debt paying interest at a fixed rate is approximately 79%.

Table 9.

Net Financial Debt (Millions of Euros)	2016	3Q17	**2017**	2017 / 2016
Short Term	213.9	193.3	197.3	(7.8%)
Bank and Other Loans	196.4	177.5	183.6	(6.5%)
Financial Leases	17.5	15.8	13.7	(21.6%)
Medium and Long Term	900.7	888.5	891.2	(1.1%)
Bank and Other Loans	871.8	869.9	870.3	(0.2%)
Financial Leases	28.9	18.7	20.8	(28.0%)
Total Debt	1,114.6	1,081.8	1,088.5	(2.3%)
Cash and Short Term Investments	2.3	2.0	3.0	28.7%
Net Financial Debt	1,112.3	1,079.8	1,085.5	(2.4%)
Net Financial Gearing (1)	51.4%	50.5%	50.0%	(1.4pp)
Net Financial Debt / EBITDA	2.0x	1.9x	1.9x	n.a.

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

Shareholder Remuneration

Considering the strong financial structure with Net Financial Debt / EBITDA of 1.9x, the high level of FCF generated in 2017 of 133.4 million euros and the confidence in the ability to continue generating these strong levels of cash flow, the Board of NOS has approved the proposal of a 30 euro cent ordinary dividend per share, representing an increase of 50% from the dividend paid in the previous year. This proposal is subject to final approval at the General Shareholders' Meeting.

Reporting Changes

As from 1Q18, NOS' accounts will be reported applying the new IFRS 15 framework with regards mainly to the disclosure of revenues and costs related to contracts. Restated values for the corresponding comparative periods for FY17 will also be provided.

The main changes are as follows:

- Handset sales in Telecom bundles: revenues are no longer recognized according to the amount paid by the customer but according to the value received by the customer. As such, part of the contract revenue will be allocated to equipment sales implying higher revenues from equipment sales at the beginning, and lower monthly bill revenues over the period of the contract. The same principle applies to equipment leased to customers under commodate (free of charge), which will be considered part of the bundle, as an equipment sale and no longer as an operational lease, which implies an increase in OPEX, compensated by a decrease in D&A.

- Commissions and other contract acquisition costs: capitalization of acquisition costs is no longer limited to contracts with loyalty periods. As such, other costs and commissions previously expensed, will now also be capitalized.

The table below summarizes the main differences that result to 2017 accounts with the application of IFRS15:

	Before IFRS 15	Impact	Restated
Revenues	1,561.8	(3.1)	1,558.6
OPEX	981.1	2.1	983.2
EBITDA	580.6	(5.2)	575.4
Net Income	124.1	(2.0)	122.1
CAPEX	380.6	(3.4)	377.2

Appendix I

Table 10.

Operating Indicators ('000)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	**4Q17**
Telco [1]								
Aggregate Indicators								
Homes Passed	3,632.8	3,701.0	3,741.4	3,763.9	3,772.3	3,787.2	4,065.9	4,084.2
Total RGUs	8,595.1	8,746.4	8,941.5	9,076.8	9,155.2	9,254.3	9,365.7	9,411.7
Mobile	4,173.0	4,270.3	4,395.6	4,455.7	4,487.1	4,549.1	4,643.7	4,672.9
Pre-Paid	2,055.3	2,048.3	2,089.3	2,071.3	2,034.2	2,027.3	2,070.5	2,079.7
Post-Paid	2,117.8	2,222.0	2,306.3	2,384.4	2,452.8	2,521.8	2,573.2	2,593.2
Pay TV	1,561.5	1,574.4	1,586.1	1,600.6	1,608.4	1,613.3	1,615.7	1,616.6
Fixed Access [2]	1,229.7	1,240.0	1,250.8	1,265.6	1,276.2	1,282.4	1,287.8	1,292.2
DTH	331.8	334.4	335.4	335.0	332.3	331.0	327.9	324.4
Fixed Voice	1,647.9	1,665.0	1,692.1	1,724.7	1,738.0	1,751.1	1,752.9	1,758.2
Broadband	1,182.5	1,206.4	1,236.8	1,264.6	1,289.5	1,308.0	1,320.6	1,333.1
Others and Data	30.2	30.4	30.8	31.2	32.2	32.7	32.8	30.9
3,4&5P Subscribers (Fixed Access)	995.8	1,018.2	1,040.3	1,061.8	1,083.3	1,096.3	1,108.4	1,112.1
% 3,4&5P (Fixed Access)	81.0%	82.1%	83.2%	83.9%	84.9%	85.5%	86.1%	86.1%
Convergent RGUs	2,988.0	3,155.6	3,272.9	3,387.2	3,509.0	3,585.9	3,631.5	3,650.6
Convergent Customers	614.8	644.0	661.2	680.2	697.8	710.8	718.5	721.4
Fixed Convergent Customers as % of Fixed Access Customers	42.8%	44.4%	45.1%	45.8%	46.5%	47.1%	47.3%	47.4%
% Convergent Customers	39.4%	40.9%	41.7%	42.5%	43.4%	44.1%	44.5%	44.6%
Net Adds								
Homes Passed	32.7	68.2	40.4	22.5	8.3	14.9	278.7	18.2
Total RGUs	130.3	151.3	195.0	135.3	78.4	99.1	111.4	46.0
Mobile	50.0	97.3	125.3	60.0	31.4	62.0	94.6	29.2
Pre-Paid	(20.3)	(6.9)	41.0	(18.0)	(37.0)	(7.0)	43.2	9.2
Post-Paid	70.2	104.2	84.4	78.1	68.4	69.0	51.4	20.0
Pay TV	17.7	12.9	11.8	14.5	7.8	4.9	2.4	0.8
Fixed Access	14.3	10.3	10.7	14.8	10.6	6.2	5.5	4.4
DTH	3.4	2.5	1.0	(0.4)	(2.7)	(1.3)	(3.1)	(3.5)
Fixed Voice	24.6	17.0	27.1	32.6	13.3	13.1	1.8	5.3
Broadband	37.7	23.9	30.4	27.8	24.9	18.5	12.6	12.5
Others and Data	0.3	0.2	0.4	0.4	1.0	0.6	0.0	(1.9)
3,4&5P Subscribers (Fixed Access)	27.3	22.5	22.1	21.5	21.4	13.1	12.1	3.6
Convergent RGUs	134.3	167.5	117.3	114.3	121.8	76.9	45.6	19.1
Convergent Customers	23.9	29.2	17.2	19.0	17.6	13.0	7.7	2.9

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

Table 11.

Operating Indicators ('000)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	**4Q17**
Telco (1)								
Indicators per Segment								
Consumer								
Total RGUs	7,285.8	7,400.6	7,560.0	7,658.9	7,724.7	7,801.2	7,906.0	7,953.1
Pay TV	1,448.8	1,458.1	1,466.3	1,478.3	1,483.6	1,487.1	1,489.6	1,491.3
Fixed Access	1,144.9	1,152.1	1,160.0	1,172.0	1,180.1	1,185.0	1,189.5	1,193.6
DTH	303.9	306.0	306.2	306.3	303.5	302.1	300.2	297.7
Broadband	1,072.5	1,093.3	1,119.3	1,143.5	1,167.1	1,182.9	1,194.6	1,206.3
Fixed Voice	1,354.6	1,365.6	1,381.4	1,393.3	1,402.0	1,408.6	1,410.5	1,413.8
Mobile	3,409.9	3,483.7	3,593.0	3,643.8	3,671.8	3,722.6	3,811.3	3,841.6
ARPU / Unique Subscriber With Fixed Access (Euros)	43.7	43.1	42.8	43.5	44.5	44.4	44.6	43.8
Net Adds								
Total RGUs	105.3	114.8	159.3	98.9	65.8	76.5	104.9	47.0
Pay TV	13.3	9.2	8.2	12.0	5.3	3.5	2.5	1.7
Fixed Access	10.6	7.2	8.0	11.9	8.1	4.9	4.5	4.2
DTH	2.7	2.1	0.2	0.1	(2.8)	(1.4)	(2.0)	(2.5)
Broadband	33.3	20.8	26.0	24.2	23.6	15.7	11.7	11.7
Fixed Voice	17.7	11.0	15.8	11.9	8.8	6.6	1.9	3.3
Mobile	41.0	73.8	109.3	50.8	28.1	50.7	88.7	30.4
Business								
Total RGUs	1,309.3	1,345.8	1,381.5	1,417.9	1,430.5	1,453.1	1,459.7	1,458.6
Pay TV	112.7	116.3	119.9	122.3	124.8	126.2	126.1	125.2
Broadband	140.2	143.5	148.3	152.3	154.6	157.9	158.7	157.6
Fixed Voice	293.3	299.4	310.7	331.4	335.9	342.5	342.4	344.5
Mobile	763.1	786.6	802.7	811.9	815.2	826.5	832.5	831.3
ARPU per RGU (Euros)	16.8	16.4	16.0	15.8	15.7	15.7	15.5	15.2
Net Adds								
Total RGUs	25.0	36.5	35.7	36.4	12.6	22.6	6.6	(1.1)
Pay TV	4.4	3.6	3.6	2.4	2.5	1.4	(0.1)	(0.9)
Broadband	4.7	3.3	4.8	4.0	2.3	3.3	0.9	(1.1)
Fixed Voice	6.9	6.1	11.3	20.7	4.5	6.6	(0.1)	2.1
Mobile	9.0	23.5	16.1	9.2	3.3	11.3	6.0	(1.2)
Cinema (1)								
Revenue per Ticket (Euros)	4.8	4.7	4.7	4.8	4.8	4.7	4.7	4.9
Tickets Sold	2,400.3	1,715.6	2,663.4	2,317.6	2,296.4	2,446.3	2,509.1	2,198.9
Screens (units)	215	215	215	215	215	215	215	219

(1) Portuguese Operations

Appendix II

Table 12.

Profit and Loss Statement (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	**4Q17**	2017
Operating Revenues	370.3	372.8	381.0	390.9	1,515.0	381.0	388.4	393.1	399.3	1,561.8
Telco	352.5	357.9	360.4	371.6	1,442.5	362.9	368.8	374.0	381.4	1,487.2
Consumer Revenues	223.7	220.9	223.4	226.8	894.8	231.8	232.8	236.1	231.7	932.4
Business and Wholesale Revenues	100.3	105.6	104.2	104.9	415.0	101.6	111.8	108.4	115.4	437.2
Equipment Sales	12.7	10.5	14.3	16.3	53.7	10.8	10.5	15.3	14.4	51.0
Others and Eliminations	15.9	20.9	18.6	23.6	79.0	18.7	13.8	14.2	20.0	66.6
Audiovisuals	16.1	16.9	19.6	19.0	71.6	17.8	19.1	17.3	17.5	71.8
Cinema [1]	15.7	11.7	17.3	15.5	60.2	15.3	16.2	16.4	15.3	63.3
Others and Eliminations	(14.0)	(13.7)	(16.3)	(15.3)	(59.3)	(15.1)	(15.8)	(14.6)	(15.0)	(60.5)
Operating Costs Excluding D&A	(232.4)	(224.2)	(235.7)	(265.9)	(958.2)	(237.4)	(231.6)	(241.9)	(270.2)	(981.1)
W&S	(23.8)	(21.9)	(23.0)	(24.4)	(93.1)	(22.2)	(20.7)	(23.2)	(23.1)	(89.2)
Direct Costs	(108.8)	(110.4)	(115.7)	(122.9)	(457.8)	(113.8)	(126.3)	(118.9)	(133.7)	(492.7)
Commercial Costs [2]	(25.6)	(18.7)	(29.1)	(31.2)	(104.6)	(20.0)	(20.7)	(25.8)	(30.2)	(96.6)
Other Operating Costs	(74.1)	(73.2)	(68.0)	(87.5)	(302.7)	(81.4)	(64.0)	(74.0)	(83.2)	(302.6)
EBITDA	137.9	148.7	145.2	125.0	556.7	143.6	156.7	151.2	129.1	580.6
EBITDA Margin	37.2%	39.9%	38.1%	32.0%	36.7%	37.7%	40.4%	38.5%	32.3%	37.2%
Telco	125.8	137.6	131.4	111.8	506.7	131.2	144.4	138.4	117.7	531.6
EBITDA Margin	35.7%	38.4%	36.5%	30.1%	35.1%	36.2%	39.1%	37.0%	30.8%	35.7%
Cinema Exhibition and Audiovisuals	12.1	11.1	13.8	13.1	50.1	12.4	12.4	12.8	11.4	49.0
EBITDA Margin	41.5%	42.8%	43.2%	42.9%	42.6%	41.5%	39.9%	42.8%	38.5%	40.7%
Depreciation and Amortization	(95.3)	(98.5)	(98.7)	(99.1)	(391.6)	(103.3)	(103.4)	(103.7)	(111.8)	(422.2)
(Other Expenses) / Income	(2.4)	(3.6)	(5.5)	(10.9)	(22.4)	(3.4)	(4.5)	(3.8)	(4.0)	(15.7)
Operating Profit (EBIT) [3]	40.2	46.5	41.1	15.0	142.8	37.0	48.8	43.7	13.3	142.8
Share of results of associates and joint ventures	(6.4)	(3.3)	1.4	2.3	(5.9)	5.3	3.6	6.0	7.9	22.9
(Financial Expenses) / Income	(5.4)	(6.9)	(6.5)	(5.8)	(24.6)	(6.6)	(5.2)	(6.5)	(5.7)	(24.0)
Income Before Income Taxes	28.4	36.4	35.9	11.5	112.2	35.7	47.2	43.2	15.6	141.7
Income Taxes	(4.0)	(9.9)	(8.6)	0.3	(22.2)	(4.3)	(6.4)	(9.7)	2.9	(17.5)
Net Income Before Associates & Non-Controlling Interests	30.8	29.7	25.9	9.5	95.9	26.1	37.2	27.5	10.5	101.3
Income From Continued Operations	24.5	26.5	27.3	11.8	90.0	31.4	40.8	33.5	18.5	124.2
o.w. Attributable to Non-Controlling Interests	(0.0)	0.0	0.2	0.2	0.4	0.0	(0.4)	0.1	0.2	(0.1)
Net Income	24.4	26.5	27.5	12.0	90.4	31.4	40.4	33.6	18.6	124.1

(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.

Table 13.

CAPEX (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	**4Q17**	2017
Telco	84.9	92.7	87.0	91.6	356.3	77.7	77.6	84.2	107.6	347.1
o.w. Technical CAPEX	42.0	45.8	42.5	41.3	171.6	36.0	42.4	47.1	68.6	194.1
% of Telco Revenues	11.9%	12.8%	11.8%	11.1%	11.9%	9.9%	11.5%	12.6%	18.0%	13.1%
Baseline Telco	27.6	34.9	23.5	28.3	114.3	26.8	35.9	27.8	32.5	123.0
Network Expansion / Substitution and Integration Projects and Others	14.4	11.0	18.9	13.0	57.3	9.1	6.5	19.4	36.1	71.1
o.w. Customer Related CAPEX	42.9	46.9	44.6	50.3	184.7	41.7	35.2	37.0	39.0	153.0
% of Telco Revenues	12.2%	13.1%	12.4%	13.5%	12.8%	11.5%	9.5%	9.9%	10.2%	10.3%
Audiovisuals and Cinema Exhibition	10.2	8.2	9.5	8.4	36.4	9.4	8.1	6.6	9.4	33.5
Total Group CAPEX	95.1	101.0	96.6	100.0	392.7	87.1	85.7	90.8	117.0	380.6
% of Total Group Revenues	25.7%	27.1%	25.3%	25.6%	25.9%	22.9%	22.1%	23.1%	29.3%	24.4%

Table 14.

Cash Flow (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	**4Q17**	2017
EBITDA	137.9	148.7	145.2	125.0	556.7	143.6	156.7	151.2	129.1	580.6
Total CAPEX	(95.1)	(101.0)	(96.6)	(100.0)	(392.7)	(87.1)	(85.7)	(90.8)	(117.0)	(380.6)
EBITDA - Total CAPEX	42.8	47.7	48.7	24.9	164.1	56.5	71.1	60.5	12.1	200.1
% of Revenues	11.6%	12.8%	12.8%	6.4%	10.8%	14.8%	18.3%	15.4%	3.0%	12.8%
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(19.8)	(18.9)	(0.9)	(2.4)	(42.1)	(7.7)	(13.2)	(4.5)	0.2	(25.1)
Operating Cash Flow	22.9	28.8	47.7	22.5	122.0	48.8	57.9	56.0	12.3	174.9
Long Term Contracts	(3.8)	(4.4)	(4.7)	(4.1)	(17.1)	(2.9)	(3.8)	(4.6)	(3.6)	(14.9)
Cash Restructuring Payments	(3.4)	(2.3)	(6.0)	(4.1)	(15.8)	(5.3)	(5.9)	(2.5)	(2.0)	(15.8)
Interest Paid	(5.5)	(4.2)	(5.9)	(3.4)	(18.9)	(6.7)	(4.9)	(6.3)	(3.1)	(21.0)
Income Taxes Paid	(0.9)	(4.5)	(9.5)	(6.3)	(21.1)	(0.3)	(0.0)	(9.4)	(7.6)	(17.3)
Disposals	0.4	0.4	2.9	1.3	5.0	24.6	0.7	0.6	1.0	27.0
Other Cash Movements	0.0	0.4	(0.2)	(0.2)	0.0	(0.0)	0.0	(0.0)	0.5	0.5
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	9.7	14.1	24.3	5.9	54.1	58.2	43.9	33.9	(2.6)	133.4
Acquisition of Own Shares	(7.3)	(13.3)	0.0	0.0	(20.7)	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	(82.1)	0.0	0.0	(82.1)	0.0	(102.6)	0.0	0.0	(102.6)
Free Cash Flow	2.4	(81.3)	24.3	5.9	(48.7)	58.2	(58.7)	33.9	(2.6)	30.8
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(1.7)	(7.2)	(2.4)	(4.0)	(15.2)	0.8	(2.2)	0.5	(3.1)	(4.0)
Change in Net Financial Debt	(0.7)	88.5	(21.9)	(1.9)	63.9	(59.0)	60.9	(34.4)	5.7	(26.8)

Table 15.

Net Financial Debt (Millions of Euros)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	**4Q17**
Short Term	144.4	71.9	116.3	213.9	156.3	153.6	193.3	197.3
Bank and Other Loans	123.9	52.8	98.5	196.4	139.0	138.7	177.5	183.6
Financial Leases	20.5	19.1	17.8	17.5	17.3	15.0	15.8	13.7
Medium and Long Term	905.1	1,065.6	999.4	900.7	898.9	962.6	888.5	891.2
Bank and Other Loans	873.1	1,033.2	968.7	871.8	872.2	939.4	869.9	870.3
Financial Leases	32.1	32.4	30.7	28.9	26.6	23.2	18.7	20.8
Total Debt	1,049.5	1,137.5	1,115.8	1,114.6	1,055.1	1,116.3	1,081.8	1,088.5
Cash and Short Term Investments	1.8	1.3	1.5	2.3	1.8	2.0	2.0	3.0
Net Financial Debt	1,047.7	1,136.2	1,114.2	1,112.3	1,053.3	1,114.2	1,079.8	1,085.5
Net Financial Gearing [1]	49.2%	52.9%	51.7%	51.4%	49.2%	52.1%	50.5%	50.0%
Net Financial Debt / EBITDA	1.9x	2.1x	2.0x	2.0x	1.9x	2.0x	1.9x	1.9x

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

Table 16.

Financial Indicators YoY Change	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	**4Q17**	2017
Operating Revenues	7.6%	4.8%	3.5%	3.8%	4.9%	2.9%	4.2%	3.2%	2.2%	3.1%
Telco	7.6%	5.8%	3.7%	3.6%	5.1%	2.9%	3.1%	3.8%	2.7%	3.1%
Consumer Revenues	6.8%	4.0%	3.9%	4.4%	4.8%	3.6%	5.4%	5.7%	2.2%	4.2%
Business and Wholesale Revenues	8.8%	3.0%	0.3%	0.7%	3.0%	1.3%	5.9%	4.0%	10.0%	5.3%
Equipment Sales	52.0%	6.7%	8.3%	(2.5%)	11.8%	(14.6%)	0.6%	7.3%	(11.8%)	(5.0%)
Others and Eliminations	(10.9%)	55.0%	20.3%	14.6%	17.3%	17.7%	(34.3%)	(23.2%)	(15.5%)	(15.6%)
Audiovisuals	(3.2%)	(6.3%)	7.7%	3.2%	0.5%	10.6%	13.1%	(11.4%)	(7.9%)	0.3%
Cinema	13.8%	(9.2%)	2.3%	4.1%	2.9%	(2.1%)	38.6%	(5.3%)	(1.1%)	5.1%
Others and Eliminations	0.0%	2.1%	10.9%	(2.3%)	2.7%	7.6%	15.4%	(10.2%)	(1.8%)	2.1%
Operating Costs Excluding D&A	7.5%	3.1%	5.0%	5.0%	5.2%	2.1%	3.3%	2.6%	1.6%	2.4%
W&S	10.3%	7.9%	(1.8%)	2.5%	4.5%	(6.9%)	(5.5%)	0.9%	(5.2%)	(4.2%)
Direct Costs	7.5%	(0.3%)	7.4%	5.0%	4.8%	4.6%	14.4%	2.7%	8.8%	7.6%
Commercial Costs	20.8%	(2.3%)	3.1%	5.5%	6.6%	(22.2%)	10.5%	(11.3%)	(3.2%)	(7.6%)
Other Operating Costs	2.8%	8.8%	4.5%	5.6%	5.4%	9.8%	(12.6%)	8.9%	(4.9%)	(0.0%)
EBITDA	7.8%	7.3%	1.2%	1.4%	4.4%	4.2%	5.4%	4.1%	3.3%	4.3%
EBITDA Margin	0.1pp	1.0pp	(0.9pp)	(0.8pp)	(0.2pp)	0.5pp	0.5pp	0.3pp	0.4pp	0.4pp
Telco	7.6%	6.6%	1.3%	1.8%	4.4%	4.3%	4.9%	5.3%	5.2%	4.9%
EBITDA Margin	0.0pp	0.3pp	(0.9pp)	(0.5pp)	(0.3pp)	0.5pp	0.7pp	0.5pp	0.7pp	0.6pp
Cinema Exhibition and Audiovisuals	9.2%	17.0%	0.9%	(1.7%)	5.3%	2.8%	11.8%	(7.1%)	(13.1%)	(2.1%)
EBITDA Margin	1.0pp	7.7pp	(2.0pp)	(1.5pp)	1.1pp	0.0pp	(2.9pp)	(0.4pp)	(4.4pp)	(1.9pp)
Operating Profit (EBIT)	17.6%	9.7%	(16.7%)	(28.2%)	(2.7%)	(7.9%)	4.8%	6.4%	(11.2%)	(0.0%)
CAPEX	0.8%	(1.4%)	(1.4%)	(12.0%)	(3.8%)	(8.4%)	(15.1%)	(6.0%)	17.0%	(3.1%)
EBITDA - CAPEX	27.3%	32.0%	6.9%	160.6%	31.4%	32.0%	49.0%	24.3%	(51.6%)	21.9%
Operating Cash Flow	163.7%	n.a.	(20.2%)	(12.1%)	24.4%	112.9%	101.2%	17.3%	(45.6%)	43.4%
Free Cash Flow Before Dividends	n.a.	n.a.	(54.2%)	(55.5%)	30.5%	n.a.	210.9%	39.5%	(143.1%)	146.6%
Free Cash Flow	n.a.	(8.6%)	(50.4%)	(39.2%)	25.5%	n.a.	(27.8%)	39.5%	(143.1%)	n.a.

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Conference call and audio webcast scheduled for **14.00 (GMT)** on **12 March 2018**

Audio webcast available here

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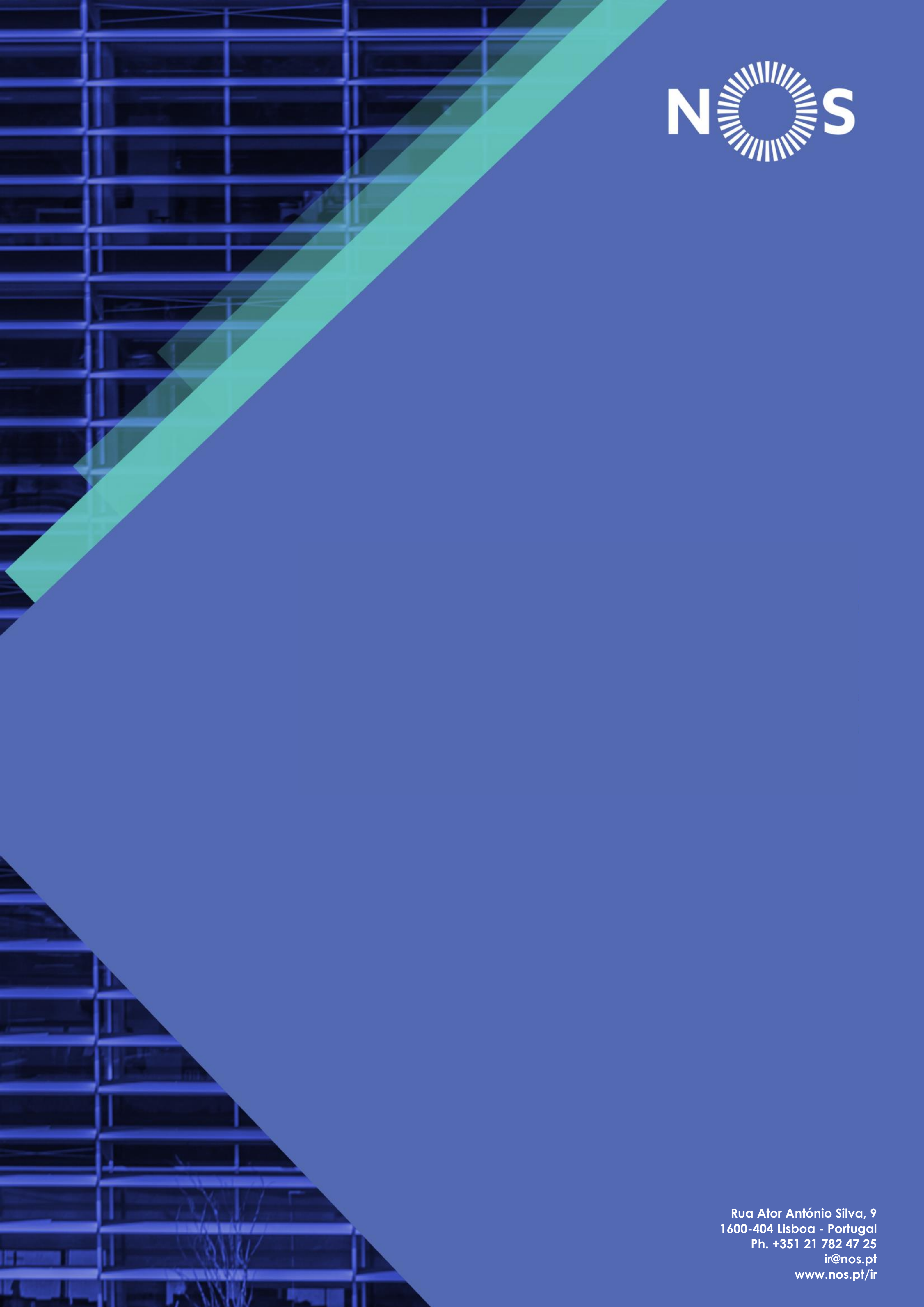

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