



# Earnings

## Announcement

### 2Q19

# 19

Lisbon, 22 July 2019

## 2Q19

- Sustained solid revenue performance in Telcos, with strong recovery in Cinemas & Audiovisuals;
- EBITDA expansion above Revenue growth driving margin expansion;
- Quarterly recovery in Telco and cinema KPIs;
- Higher CAPEX driven by transformational fixed and mobile network projects;
- Continued year on year FCF improvement.

Table 1.

2Q19 Highlights	2Q18	2Q19	2Q19 / 2Q18	1H18	1H19	1H19 / 1H18
Financial Highlights						
Operating Revenues	389.3	396.4	1.8%	772.3	781.7	1.2%
Telco Revenues	374.2	377.8	1.0%	739.9	747.6	1.0%
EBITDA	166.6	171.2	2.8%	324.0	331.9	2.5%
EBITDA Margin	42.8%	43.2%	0.4pp	41.9%	42.5%	0.5pp
Telco	153.8	158.2	2.8%	297.4	305.6	2.7%
EBITDA Margin	41.1%	41.9%	0.8pp	40.2%	40.9%	0.7pp
Net Income Before Associates & Non-Controlling Interests	44.1	46.5	5.5%	85.1	88.7	4.2%
Operating Cash Flow	61.6	65.2	5.8%	104.2	114.3	9.7%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	54.0	57.1	5.8%	92.0	100.0	8.7%

## Operational Review

Subscriber net adds improved quarter on quarter reflecting a more normalized level of churn along with a pick up in FttH services and lower DTH disconnections. Fixed access Pay TV net adds amounted to 3.4 thousand whereas DTH net disconnections were lower at 3 thousand in 2Q19. These improved trends were also present in Fixed BB and Voice which are typically sold on top of base TV services, with net adds of 6.9 thousand and - 0.6 thousand respectively in the quarter. Mobile KPIs also recovered from the seasonal dip at the start of the year with net adds of 19.6 thousand.

Convergent penetration is still growing although at a slower pace, reaching 50.9% by the end of the quarter. In addition to convergent offers, more customers are integrating add-on mobile SIMs with their monthly bills, supporting RGU penetration per subscriber.

Commercial efforts focus on delivering enhanced customer experience and a simpler and more flexible value proposition. In May, NOS launched a new, easy to combine family tariff structure whereby, upon addition of SIM cards to existing contracts, allowances for data, voice minutes and SMSs are automatically duplicated for all users in the account. With a view to boost the proportion of more efficient and less costly digital sales platforms, NOS is offering incentives exclusively for purchases made online, namely an extra 500MB of monthly data, videoclub rental vouchers and a smartwatch.

**Upgrades to NOS' high-end UMA TV interface** have picked up in recent quarters and now represent more than 15% of the fixed Pay TV base. UMA is an important differentiator of customer experience providing a more exciting and powerful on-demand and personalized entertainment experience, enabling interactive searches of the best HD content over a seamless multi-device, multi-technology interface.

Premium sports continued to underperform with channel subscriptions down by 7.2% yoy. Reflecting their discretionary and seasonal nature and the pernicious rise in content piracy across the sector, revenues from premium sports channels continue to post negative yoy performance.

Notwithstanding lower premium revenues and the negative yoy revenue impact of MTR cuts in July 2018, fixed residential ARPU was relatively stable yoy at 44.2 euros.

On the mobile front, NOS reinforced its positioning as leading innovator with the launch of the first eSIM in Portugal enabling NOS clients with compatible devices to test the new technology. In addition to the obvious efficiency and activation benefits of dematerializing SIM cards, other consumer relevant benefits are the possibility of having various eSIMs in each mobile device and activation of smaller devices such as smartwatches and fitness bands. The level of compatible device penetration in Portugal is still relatively low however this is set to follow an accelerated growth path given the very high level of mobile SIM penetration at almost 170%.

In B2B, operating performance remained on track with previous quarters, posting RGU and revenue growth in all segments. Notwithstanding the headwinds from MTR cuts in 2H18 and the pressure on premium channel sales, average customer revenues in all sub-segments posted encouraging trends offsetting a marginal decline in wholesale revenues.

Growth in ICT and data services is materializing in B2B with NOS reinforcing its innovative positioning during the quarter with the launch of a number of new projects, in association with both the public and private sector institutions. This is the result of a strategic focus on raising the share of non-traditional telco spend by focusing on integration and value added IT and data centre services, leveraging own platforms and asset base and in partnership with specialist providers to deliver the most appropriate solutions for each business. Overall experience is showing that the more NOS is able to integrate fixed, mobile and IT services and propose value added, transformational solutions to clients, the more they are willing to contract additional business.

As an example of new services, NOS launched a cloud-based solution for SAP Hana in partnership with Hewlett Packard Enterprises (HPE), facilitating mandatory **SAP customer migration**. With this **"as a service"** model, **"SAP HanaaaS"**, unique to the Portuguese market, NOS customers have access to unprecedented data processing capabilities to be more competitive managing business critical data in real time, with total cost and resource flexibility (pay as you use). The platform is easily scaleable and clients benefit from highly experienced 24/7 technical support.

In April, NOS became part of the first technological free zone in Portugal (ZLT). Together with CEiiA (Centre of Engineering and Product Development) NOS launched a nationwide pioneer platform to test 5G solutions in **Matosinhos in the North of Portugal**. **"WeShare by AYR"**, the first pilot to be launched in 2019, enables adoption of sustainable mobility solutions through CO2 emissions reduction. 5G is set to be a catalyst for industry and society transformation in Portugal, **and to enable the advent of "smart cities"**. Amongst some of the services already implemented within existing municipal partnerships, NOS has already deployed a number of solutions for facilities management, such as energy efficiency, intelligent lighting, waste and water grid telemanagement.

As regards our major technological projects underway, FttH network deployment continued throughout 2Q19 with coverage of an additional 42 thousand addressable households. Total NGN coverage had reached 4.525 million households by the end of June, combining legacy HFC coverage and new FttH coverage within the context of the sharing agreement and access to regional wholesale providers, namely DST. NOS is able to offer 1 Gbps download speeds across the entire footprint with fully Docsis 3.1 upgraded HFC technology in non-FttH locations. Total FttH coverage by the end of 2Q19 was 1.318 million households, representing 29% of total coverage.

The Single RAN mobile upgrade project is reaching conclusion with 97% of sites now modernized. Key network performance metrics are already showing marked improvement and impacting positively customer satisfaction levels. In modernized and optimized cells we have witnessed average reductions in refused call rates of close to 20%, up to around 35% in dropped call rates and average throughput has increased by more than 2x. In addition to the upgrade project, NOS is deploying additional sites to increment coverage and capacity, an investment that is set to continue through coming quarters. NOS has also been making targeted investments in high-density locations such as football stadiums and concert venues, increasing available data capacity by more than four times.

## Cinema and Audiovisuals

Table 2.

Operating Indicators ('000)	2Q18	2Q19	2Q19 / 2Q18	1H18	1H19	1H19 / 1H18
Cinema <sup>(1)</sup>						
Revenue per Ticket (Euros)	5.0	5.2	4.0%	4.9	5.2	5.4%
Tickets Sold - NOS	1,785.1	2,249.7	26.0%	3,968.6	4,096.8	3.2%
Tickets Sold - Total Portuguese Market <sup>(2)</sup>	2,899.6	3,582.4	23.5%	6,620.0	6,680.9	0.9%
Screens (units)	212	218	2.8%	212	218	2.8%

(1) Portuguese Operations

(2) Source: ICA - Portuguese Institute For Cinema and Audiovisuals

**NOS' Cinema ticket sales posted** a marked yoy improvement of 26.0% to 2.250 million in 2Q19, reflecting the positive performance of the market as a whole<sup>1</sup>, which grew by 23.5%, due to an improved line-up of box office hits in comparison with 2Q18 and also 1Q19, and to the fact that part of the Easter holidays fell in the first quarter in 2018. Average revenue per ticket improved by 4.0% yoy to 5.2 euros in 2Q19. The most successful films exhibited in **2Q19 were** "Avengers: Endgame", "Aladdin", "Dumbo", "The Secret Life of Pets 2" and "John Wick: Chapter 3 - Parabellum".

**NOS' gross box-office** revenues increased by 22.1% in 2Q19, compared with a 21.5% yoy improvement for the market as a whole. NOS continues to maintain its leading market position with a market share of 64.1% in terms of exhibition gross revenues.

In the Audiovisuals arena, NOS distributed 7 of the top 10 cinema box-office hits in 2Q19, "Avengers: Endgame", "Aladdin", "Dumbo", "The Secret Life of Pets 2", "Pokémon Detective Pikachu", "Shazam!" and "Wonder Park", therefore maintaining its leadership position in Cinema Distribution.

<sup>1</sup> Source: ICA - Portuguese Institute For Cinema and Audiovisuals

# Consolidated Income Statement

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

As from 1Q19, NOS' accounts are reported applying IFRS 16, primarily affecting the accounting of operating lease contracts. Restated values for the corresponding periods in 2018 are presented in this report and are the basis for all comparisons made.

## Consolidated Financial Statements

Table 3.

Profit and Loss Statement (Millions of Euros)	2Q18	2Q19	2Q19 / 2Q18	1H18	1H19	1H19 / 1H18
Operating Revenues	389.3	396.4	1.8%	772.3	781.7	1.2%
Telco	374.2	377.8	1.0%	739.9	747.6	1.0%
Consumer Revenues	241.2	242.0	0.3%	481.6	483.1	0.3%
Business and Wholesale Revenues	114.0	113.1	(0.8%)	222.9	225.8	1.3%
Others and Eliminations	19.0	22.8	19.7%	35.3	38.7	9.6%
Audiovisuals & Cinema <sup>(1)</sup>	25.5	29.1	14.0%	52.7	54.9	4.2%
Others and Eliminations	(10.5)	(10.5)	0.1%	(20.3)	(20.7)	2.3%
Operating Costs Excluding D&A	(222.7)	(225.2)	1.1%	(448.3)	(449.8)	0.3%
Direct Costs	(134.4)	(136.2)	1.3%	(262.6)	(265.6)	1.1%
Non-Direct Costs <sup>(2)</sup>	(88.3)	(89.0)	0.9%	(185.7)	(184.2)	(0.8%)
EBITDA <sup>(3)</sup>	166.6	171.2	2.8%	324.0	331.9	2.5%
EBITDA Margin	42.8%	43.2%	0.4pp	41.9%	42.5%	0.5pp
Telco	153.8	158.2	2.8%	297.4	305.6	2.7%
EBITDA Margin	41.1%	41.9%	0.8pp	40.2%	40.9%	0.7pp
Cinema Exhibition and Audiovisuals	12.8	13.0	1.8%	26.5	26.3	(0.8%)
EBITDA Margin	50.1%	44.8%	(5.4pp)	50.4%	48.0%	(2.4pp)
Depreciation and Amortization	(102.4)	(103.1)	0.7%	(216.6)	(200.5)	(7.5%)
(Other Expenses) / Income	(4.5)	(3.8)	(15.8%)	7.6	(7.1)	n.a.
Operating Profit (EBIT) <sup>(4)</sup>	59.7	64.3	7.7%	115.0	124.4	8.2%
Share of results of associates and joint ventures	0.6	1.1	85.8%	(5.7)	1.3	n.a.
(Financial Expenses) / Income	(8.7)	(5.9)	(31.5%)	(16.9)	(12.4)	(27.0%)
Income Before Income Taxes	51.6	59.4	15.1%	92.3	113.3	22.7%
Income Taxes	(7.0)	(11.9)	70.1%	(13.0)	(23.4)	79.7%
Net Income Before Associates & Non-Controlling Interests	44.1	46.5	5.5%	85.1	88.7	4.2%
Income From Continued Operations	44.6	47.6	6.6%	79.3	89.9	13.4%
o.w. Attributable to Non-Controlling Interests	0.2	0.2	(21.9%)	0.5	0.3	(46.2%)
Net Income	44.9	47.7	6.4%	79.8	90.2	13.0%

(1) Includes cinema operations in Mozambique.

(2) Non-Direct Costs include Commercial & Customer Related Costs and Operating & Structure Costs

(3) EBITDA = Operating Profit + Depreciation and Amortization + Integration Costs + Net Losses/Gains on Disposal of Assets + Other Non-Recurrent Losses/Gains

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

## 2Q19 Financial Highlights

### Revenues

Consolidated Revenues grew by 1.8% yoy to 396.4 million euros, with growth in core telco revenues of 1% to 377.8 million euros and a strong recovery in audiovisuals and cinema revenues, which grew 14.0% to 29.1 million euros.

Within the telco division, Consumer revenues grew by 0.3% yoy to 242.0 million euros, with Customer Revenues growing 0.7%, reflecting a combination of 2.5% growth in fixed residential Customer revenues, the continued decline in DTH Customer revenues of more than 10% yoy, due to the lower average customer base as explained in the operating discussion above, and the fact that Personal Customer revenues recorded another quarter of healthy growth of more than 5%, led by strong RGU performance in the stand-alone mobile segment. Business and Wholesale Revenues were marginally lower yoy at 113.1 million euros combining 3% growth in Customer revenues which was offset by lower Equipment sales and Wholesale revenues in the quarter. In both the Consumer and Business Division, lower Operator Revenues had a negative impact on yoy performance due to the impact of the MTR cut in July 2018 with total Operator Revenues down by around 18% yoy. Additional pressure on overall Customer Revenues came from the lower yoy level of premium sports channel subscription revenues as discussed above, which were down yoy by 10.1% in 2Q19 and a further 2.3% in comparison with the previous quarter.

The quarterly recovery in Audiovisuals and Cinemas was driven by the strong worldwide pick up in box office sales. Cinema exhibition revenues grew by 26% yoy to 16.7 million euros and Audiovisuals revenues by 8.5% to 16.7 million euros, influenced by the underlying trends in cinema going.

### OPEX

Total OPEX grew by 1.1% to 225.2 million euros, reflecting 1.3% growth in Direct costs to 136.2 million euros and 0.9% growth in non-Direct costs to 89 million euros. Cost discipline remains a core priority, helping to offset the mature market environment and slowdown in volume growth and driving EBITDA expansion of 2.8% yoy to 171.2 million euros, above growth in Revenues and representing a 43.2% margin as a proportion of Consolidated revenues. Telco EBITDA grew by 2.8% to 158.2 million euros representing a 41.9% margin of telco revenues and Audiovisuals and Cinema EBITDA posted yoy growth of 1.8% to 13 million euros, representing 44.8% of respective revenues.

The 1.3% increase in Direct Costs in 2Q19 was led essentially by an increase in Corporate IT project costs which was offset by lower traffic related costs due to the regulated cut in MTRs.

Non-direct costs posted growth of 0.9% to 89 million euros resulting from a number of opposite trends in the main costs aggregates, namely a decline in Commercial and Customer related costs, with particular focus on areas such as customer billing and finishing, and an increase in Operating and Structure Costs with the main impact related to an adjustment in provisions for bad debt in 2018.

Depreciation and Amortization posted a marginal increase of 0.7% to 103.1 million euros, with yoy comparisons no longer affected by the impairment of mobile network equipment recorded during 2017 and early 2018 within the context of the Single RAN mobile modernization project.

Consolidated Operating Profit (EBIT) was 7.7% higher yoy at 64.3 million euros due to the yoy increase in EBITDA and a 0.7 million euro decline in Other Expenses yoy.

Below EBIT, Share of Results of Associates and Joint Ventures posted significant yoy growth to 1.1 million euros, led by the yoy improvement of results at ZAP which more than offset a lower contribution from Sport TV. Financial Expenses also posted an improvement from 8.7 million euros in 2Q18 to 5.9 million euros in 2Q19 benefitting, as in previous quarters, primarily from a lower average cost of debt. The increase in tax provision in 2Q19 to 11.9 million euros was led by the higher level of Earnings before Tax and Associates and a higher effective tax rate due to a timing differential when recognizing deferred taxes. Combining all the effects, Net Income grew by 6.4% to 47.7 million euros.

## CAPEX

Table 4.

CAPEX (Millions of Euros) <sup>(1)</sup>	2Q18	2Q19	2Q19 / 2Q18	1H18	1H19	1H19 / 1H18
Total CAPEX Excluding Leasing Contracts	91.7	95.2	3.8%	179.3	182.4	1.7%
Telco	85.4	89.5	4.9%	166.1	171.3	3.1%
% of Telco Revenues	22.8%	23.7%	0.9pp	22.5%	22.9%	0.5pp
o.w. Technical CAPEX	51.7	58.1	12.4%	100.3	103.0	2.7%
% of Telco Revenues	13.8%	15.4%	1.6pp	13.6%	13.8%	0.2pp
Baseline Telco	35.6	38.5	8.0%	66.0	71.2	7.9%
Network Expansion / Substitution and Integration Projects and Others	16.0	19.6	22.2%	34.3	31.8	(7.4%)
o.w. Customer Related CAPEX	33.7	31.4	(6.7%)	65.9	68.3	3.6%
% of Telco Revenues	9.0%	8.3%	(0.7pp)	8.9%	9.1%	0.2pp
Audiovisuals and Cinema Exhibition	6.3	5.6	(10.9%)	13.2	11.2	(15.2%)
Leasing Contracts	12.1	21.4	77.3%	23.5	25.1	6.6%
Total Group CAPEX	103.7	116.5	12.3%	202.8	207.5	2.3%

<sup>(1)</sup> CAPEX = Increase in Tangible and Intangible Fixed Assets, Contract Costs and Rights of Use

Total CAPEX of 95.2 million euros (excluding leasing contracts) was 3.8% higher yoy in 2Q19, representing 24.0% as a proportion of Consolidated Revenues. With implementation of IFRS16 as from 2019, the level of operational leasing contracts is now isolated in the chart above to provide a better proxy of cash CAPEX for the period and to reduce quarterly volatility resulting from operating lease capitalization under the new accounting rules.

Total Telco CAPEX posted a 4.9% increase to 89.5 million euros (23.7% of Telco Revenues). Technical Telco investments were 12.4% higher in 2Q19 reflecting deployment of the main network expansion and upgrade projects underway.



Audiovisuals and Cinema CAPEX declined by 10.9% yoy to 5.6 million euros due primarily to a more efficient management of content slate in the quarter.

## Cash Flow

Table 5.

Cash Flow (Millions of Euros)	2Q18	2Q19	2Q19 / 2Q18	1H18	1H19	1H19 / 1H18
EBITDA	166.6	171.2	2.8%	324.0	331.9	2.5%
Total CAPEX Excluding Leasings	(91.7)	(95.2)	3.8%	(179.3)	(182.4)	1.7%
EBITDA - Total CAPEX Excluding Leasings	74.9	76.1	1.5%	144.7	149.5	3.4%
% of Revenues	19.2%	19.2%	(0.1pp)	18.7%	19.1%	0.4pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	2.2	4.7	108.9%	(11.2)	(3.7)	(67.4%)
Leasings (Capital & Interest) <sup>(1)</sup>	(15.5)	(15.6)	0.3%	(29.3)	(31.6)	7.8%
Operating Cash Flow	61.6	65.2	5.8%	104.2	114.3	9.7%
Interest Paid	(3.8)	(5.9)	53.2%	(9.2)	(8.8)	(3.7%)
Income Taxes Paid	(0.9)	(0.7)	(16.6%)	2.5	(1.1)	n.a.
Disposals	(0.0)	0.4	n.a.	0.1	0.9	487.0%
Other Cash Movements <sup>(2)</sup>	(2.9)	(1.9)	(35.3%)	(5.6)	(5.2)	(7.6%)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	54.0	57.1	5.8%	92.0	100.0	8.7%
Acquisition of Own Shares	0.0	(3.5)	n.a.	(3.1)	(3.5)	14.5%
Dividends	(153.9)	(179.6)	16.7%	(153.9)	(179.6)	16.7%
Free Cash Flow	(99.9)	(126.0)	26.1%	(65.0)	(83.2)	27.8%
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(3.7)	(0.8)	(77.3%)	(5.4)	(4.3)	(21.4%)
Change in Net Financial Debt	103.7	126.9	22.4%	70.5	87.4	24.1%

(1) Includes Long Term Contracts.

(2) Includes Cash Restructuring Payments and Other Cash Movements.

Presentation of some aggregates has changed since FY18 to accommodate introduction of the IFRS16 accounting standard and to facilitate yoy comparisons and understanding of cash flow trends.

EBITDA-CAPEX excluding the impact of leases, increased by 1.5% to 76.1 million euros, while the level of investment in working capital and non-cash adjustments in EBITDA-CAPEX amounted to 4.7 million euros. The cash impact of leasing contracts, relating to both components of capital amortization and interest charges, was 15.6 million euros in 2Q19, up from 15.5 million euros in 2Q18. Combining these effects, Operating Cash Flow increased by 5.8% to 65.2 million euros in 2Q19. Interest paid was seasonally higher at 5.9 million euros due essentially to first time payment of yearly interest on the public bond issued in May 2018 and despite of the lower average cost of debt yoy. Cash Taxes amounted to 0.7 million euros, down from 0.9 million euros in 2Q18.

As a result of the various cash movements in 2Q19 translated into growth in total FCF before dividends to 57.1 million euros. Final variation in net debt was impacted by the payment in the quarter of 179.6 million euros in dividends relating to distribution of 2018 results.

## Consolidated Balance Sheet

Table 6.

Balance Sheet (Millions of Euros)	1H18	2018	1H19	1H19 / 1H18
Non-current Assets	2,532.3	2,528.7	2,519.2	(0.5)%
Current Assets	589.8	530.1	543.5	(7.9)%
Total Assets	3,122.2	3,058.8	3,062.7	(1.9)%
Total Shareholders' Equity	996.3	1,053.6	963.0	(3.3)%
Non-current Liabilities	1,295.9	1,164.2	1,225.4	(5.4)%
Current Liabilities	830.0	841.0	874.3	5.3%
Total Liabilities	2,125.9	2,005.2	2,099.7	(1.2)%
Total Liabilities and Shareholders' Equity	3,122.2	3,058.8	3,062.7	(1.9)%

## Capital Structure and Funding

At the end of 1H19, Total Net Debt, including Leasings and Long Term Contracts (according to IFRS16) amounted to 1,376.1 million euros. Total Debt stood at 1,141.6 million euros, and was offset with a cash and short-term investment position on the balance sheet of 11.3 million euros. At the end of 1H19, NOS also had 230 million euros in unissued commercial paper programmes.

The all-in average cost of debt stood at 1.6% for 1H19, which compares with 2.0% in 1H18. Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 2.0x, above the 1.8x of 1Q19, reflecting the 35 euro cents per share dividend payment in the quarter. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that NOS is committed to maintain.

The average maturity of debt at the end of 1H19 was 3.1 years. Taking into account loans issued at a fixed rate, interest rate hedging operations in place and the negative interest rate environment, as at 30 June 2019, the **proportion of NOS' issued debt paying interest at a fixed rate was approximately 75%.**

During 2Q19 and up until the date of this Earnings Announcement, NOS executed seven financing operations:

- A Bond Issue, by private subscription, of 50 million euros with maturity in 2024 which was organized, launched, placed and guaranteed subscription by Banco BPI;
- A Commercial Paper Programme of up to 50 million euros with maturity in 2024, with Banco BPI;
- A Bond Issue, by private subscription, of 50 million euros with maturity in 2024, which was organized, launched, placed and guaranteed subscription by Caixa Geral de Depósitos and Caixa – Banco de Investimento;
- A Commercial Paper Programme of up to 50 million euros with maturity in 2024, with Caixa Geral de Depósitos and Caixa – Banco de Investimento;

- A Bond Issue, by private subscription, in the amount of 25 million euros with maturity in 2024, which was organized, launched, placed and guaranteed subscription by Mediobanca;
- A Commercial Paper Programme of up to 25 million euros with maturity in 2024, with Mediobanca;
- A Commercial Paper Programme of up to 100 million euros with maturity in 2026, with BBVA.

The purpose of these financing operations was to refinance all the lines maturing in 2019, as well as to implement a liability management exercise by extending maturities and reducing the cost of debt facilities maturing in 2020 and 2023. These operations have contributed positively to **NOS'** strategic funding objectives, namely regarding the diversification of financing sources, extension and management of average debt maturity and reduction of average cost of debt.

Table 7.

Net Financial Debt (Millions of Euros)	1H18	2018	1H19	1H19 / 1H18
Short Term	199.2	219.7	248.0	24.5%
Medium and Long Term	925.4	825.4	893.6	(3.4%)
Total Debt	1,124.5	1,045.1	1,141.6	1.5%
Cash and Short Term Investments	3.1	2.2	11.3	263.0%
Net Financial Debt <sup>(1)</sup>	1,121.4	1,042.9	1,130.3	0.8%
Net Financial Debt / EBITDA after lease payments (last 4 quarters) <sup>(2)</sup>	2.0x	1.9x	2.0x	n.a.
Leasings and Long Term Contracts	259.9	252.4	245.8	(5.4%)
Net Debt	1,381.3	1,295.2	1,376.1	(0.4%)
Net Debt / EBITDA	2.2x	2.1x	2.2x	n.a.
Net Financial Gearing <sup>(3)</sup>	58.3%	55.3%	59.0%	0.7pp

(1) Net Financial Debt = Borrowings - Leasings + Cash

(2) EBITDA After Lease Payments = EBITDA - Lease Cash Payments (Capital & Interest)

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

## Subsequent Events

On 12 July, NOS announced the signature of an MoU with dstelecom, S.A., establishing the terms and conditions for negotiating the construction and use of a new optic fibre network, with widespread national **coverage, that will enable NOS'** customers to access a new high speed fixed offer. The contract, signed between NOS and dstelecom, is for 20 years and covers between 900 thousand and 1.2 million households in Portugal, currently not covered and that are not included either in NOS' FttH rollout plans or encompassed by the network sharing agreement between NOS and Vodafone, and are independent of other FttH network roll-out plans which may already be underway or are being planned. With this agreement, NOS commits to use the network built by dstelecom on an exclusive basis and over and above any other existing or future fixed network in the referred geographies. The agreement foresees that an identical arrangement may be reached with another electronic communications provider, and that a non-discrimination agreement is reached between all parties. The final agreement will significantly increase the level of competitive fixed next generation network coverage in Portugal, providing citizens with the opportunity to choose freely between various operators and products and services in a much wider spanning area of the country.

## Appendix I

Table 8.

Operating Indicators ('000)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Telco <sup>(1)</sup>						
Homes Passed	4,108.5	4,174.8	4,277.4	4,427.5	4,482.4	4,524.6
Total RGUs	9,440.6	9,483.4	9,548.9	9,580.4	9,556.5	9,583.5
o.w. Consumer RGUs	7,960.7	7,994.9	8,055.6	8,078.3	8,044.3	8,068.9
o.w. Business RGUs	1,479.9	1,488.5	1,493.3	1,502.1	1,512.2	1,514.6
Mobile	4,700.0	4,722.6	4,761.3	4,767.7	4,749.5	4,769.1
Pre-Paid	2,057.7	2,050.7	2,051.1	2,029.3	1,995.0	1,994.0
Post-Paid	2,642.4	2,671.9	2,710.2	2,738.4	2,754.5	2,775.1
Pay TV Fixed Access <sup>(2)</sup>	1,295.0	1,301.8	1,312.5	1,324.5	1,326.3	1,329.7
Pay TV DTH	319.6	314.8	309.2	298.8	290.5	287.4
Fixed Voice	1,755.0	1,759.2	1,765.6	1,774.3	1,771.5	1,771.0
Broadband	1,339.7	1,353.7	1,369.4	1,383.4	1,386.8	1,393.8
Others and Data	31.1	31.2	31.0	31.7	31.8	32.6
3,4&5P Subscribers (Fixed Access)	1,120.4	1,132.0	1,147.3	1,163.2	1,169.9	1,176.9
% 3,4&5P (Fixed Access)	86.5%	87.0%	87.4%	87.8%	88.2%	88.5%
Convergent RGUs	3,753.5	3,812.1	3,867.7	3,897.7	3,916.6	3,927.0
Convergent Customers	737.5	749.4	760.1	767.0	770.0	773.1
Fixed Convergent Customers as % of Fixed Access Customers	48.5%	49.3%	49.9%	50.3%	50.7%	50.9%
% Convergent Customers	45.7%	46.4%	46.9%	47.2%	47.6%	47.8%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.2	44.3	44.1	43.9	44.1	44.2
Net Adds						
Homes Passed	14.5	66.3	102.6	150.1	55.0	42.2
Total RGUs	40.6	42.8	65.6	31.5	(24.0)	27.0
o.w. Consumer RGUs	14.2	34.2	60.7	22.7	(34.0)	24.6
o.w. Business RGUs	26.4	8.6	4.8	8.8	10.0	2.4
Mobile	30.0	22.6	38.7	6.4	(18.2)	19.6
Pre-Paid	(22.0)	(6.9)	0.4	(21.8)	(34.3)	(1.0)
Post-Paid	52.0	29.5	38.3	28.2	16.1	20.6
Pay TV Fixed Access	2.8	6.8	10.6	12.1	1.8	3.4
Pay TV DTH	(4.7)	(4.8)	(5.6)	(10.4)	(8.4)	(3.0)
Fixed Voice	2.2	4.2	6.4	8.7	(2.8)	(0.6)
Broadband	10.1	13.9	15.7	14.0	3.4	6.9
Others and Data	0.3	0.1	(0.2)	0.7	0.1	0.8
3,4&5P Subscribers (Fixed Access)	8.3	11.6	15.3	15.9	6.6	7.0
Convergent RGUs	102.9	58.6	55.7	30.0	18.9	10.3
Convergent Customers	16.0	12.0	10.6	6.9	3.0	3.1

(1) Portuguese Operations.

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

## Appendix II

Table 9.

Profit and Loss Statement (Millions of Euros)	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19
Operating Revenues	383.0	389.3	395.0	408.9	1,576.2	385.3	396.4
Telco	365.7	374.2	376.2	389.8	1,505.9	369.8	377.8
Consumer Revenues	240.4	241.2	245.9	245.5	973.1	241.1	242.0
Business and Wholesale Revenues	109.0	114.0	109.0	127.6	459.6	112.8	113.1
Others and Eliminations	16.3	19.0	21.3	16.7	73.3	15.9	22.8
Audiovisuals & Cinema <sup>(1)</sup>	27.2	25.5	29.0	29.8	111.5	25.8	29.1
Others and Eliminations	(9.8)	(10.5)	(10.2)	(10.8)	(41.3)	(10.3)	(10.5)
Operating Costs Excluding D&A	(225.6)	(222.7)	(227.3)	(276.3)	(951.9)	(224.6)	(225.2)
Direct Costs	(128.2)	(134.4)	(130.8)	(152.7)	(546.1)	(129.4)	(136.2)
Non-Direct Costs <sup>(2)</sup>	(97.4)	(88.3)	(96.4)	(123.6)	(405.7)	(95.2)	(89.0)
EBITDA <sup>(3)</sup>	157.4	166.6	167.7	132.6	624.3	160.7	171.2
EBITDA Margin	41.1%	42.8%	42.5%	32.4%	39.6%	41.7%	43.2%
Telco	143.6	153.8	153.4	118.3	569.2	147.4	158.2
EBITDA Margin	39.3%	41.1%	40.8%	30.4%	37.8%	39.9%	41.9%
Cinema Exhibition and Audiovisuals	13.7	12.8	14.3	14.3	55.1	13.3	13.0
EBITDA Margin	50.6%	50.1%	49.3%	47.8%	49.4%	51.6%	44.8%
Depreciation and Amortization	(114.2)	(102.4)	(103.2)	(101.6)	(421.4)	(97.3)	(103.1)
(Other Expenses) / Income	12.1	(4.5)	(3.5)	(5.1)	(1.0)	(3.3)	(3.8)
Operating Profit (EBIT) <sup>(4)</sup>	55.3	59.7	61.0	25.9	201.9	60.1	64.3
Share of results of associates and joint ventures	(6.3)	0.6	1.3	(2.0)	(6.4)	0.2	1.1
(Financial Expenses) / Income	(8.2)	(8.7)	(7.2)	(6.6)	(30.7)	(6.4)	(5.9)
Income Before Income Taxes	40.7	51.6	55.1	17.3	164.8	53.9	59.4
Income Taxes	(6.0)	(7.0)	(9.9)	(4.5)	(27.5)	(11.5)	(11.9)
Net Income Before Associates & Non-Controlling Interests	41.0	44.1	43.9	14.7	143.7	42.2	46.5
Income From Continued Operations	34.7	44.6	45.2	12.8	137.3	42.4	47.6
o.w. Attributable to Non-Controlling Interests	0.3	0.2	0.1	(0.1)	0.5	0.1	0.2
Net Income	34.9	44.9	45.3	12.7	137.8	42.5	47.7

(1) Includes cinema operations in Mozambique.

(2) Non-Direct Costs include Commercial & Customer Related Costs and Operating & Structure Costs.

(3) EBITDA = Operating Profit + Depreciation and Amortization + Integration Costs + Net Losses/Gains on Disposal of Assets + Other Non-Recurrent Losses/Gains.

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

Table 10.

CAPEX (Millions of Euros) <sup>(1)</sup>	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19
Total CAPEX Excluding Leasing Contracts	87.6	91.7	100.2	94.3	373.8	87.3	95.2
Telco	80.8	85.4	92.5	87.0	345.6	81.7	89.5
% of Telco Revenues	22.1%	22.8%	24.6%	22.3%	23.0%	22.1%	23.7%
o.w. Technical CAPEX	48.6	51.7	50.6	48.7	199.6	44.9	58.1
% of Telco Revenues	13.3%	13.8%	13.4%	12.5%	13.3%	12.1%	15.4%
Baseline Telco	30.4	35.6	26.6	26.1	118.7	32.8	38.5
Projects and Others	18.2	16.0	23.9	22.6	80.8	12.1	19.6
o.w. Customer Related CAPEX	32.2	33.7	41.9	38.3	146.1	36.8	31.4
% of Telco Revenues	8.8%	9.0%	11.1%	9.8%	9.7%	10.0%	8.3%
Audiovisuals and Cinema Exhibition	6.8	6.3	7.7	7.3	28.2	5.5	5.6
Leasing Contracts	11.5	12.1	9.6	16.8	49.9	3.7	21.4
Total Group CAPEX	99.1	103.7	109.9	111.1	423.8	91.0	116.5

(1) CAPEX = Increase in Tangible and Intangible Fixed Assets, Contract Costs and Rights of Use

Table 11.

Cash Flow (Millions of Euros)	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19
EBITDA	157.4	166.6	167.7	132.6	624.3	160.7	171.2
Total CAPEX Excluding Leasings	(87.6)	(91.7)	(100.2)	(94.3)	(373.8)	(87.3)	(95.2)
EBITDA - Total CAPEX Excluding Leasings	69.7	74.9	67.5	38.3	250.5	73.5	76.1
% of Revenues	18.2%	19.2%	17.1%	9.4%	15.9%	19.1%	19.2%
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(13.5)	2.2	13.8	(10.6)	(8.0)	(8.3)	4.7
Leasings (Capital & Interest) <sup>(1)</sup>	(13.7)	(15.5)	(15.7)	(16.2)	(61.3)	(16.0)	(15.6)
Operating Cash Flow	42.5	61.6	65.6	11.4	181.2	49.1	65.2
Interest Paid	(5.3)	(3.8)	(3.1)	(2.8)	(15.1)	(3.0)	(5.9)
Income Taxes Paid	3.3	(0.9)	1.4	(7.4)	(3.6)	(0.4)	(0.7)
Disposals	0.2	(0.0)	0.7	0.4	1.3	0.4	0.4
Other Cash Movements <sup>(2)</sup>	(2.7)	(2.9)	23.6	(1.4)	16.6	(3.3)	(1.9)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	38.0	54.0	88.2	0.3	180.4	42.9	57.1
Acquisition of Own Shares	(3.1)	0.0	0.0	0.0	(3.1)	0.0	(3.5)
Dividends	0.0	(153.9)	0.0	0.0	(153.9)	0.0	(179.6)
Free Cash Flow	34.9	(99.9)	88.2	0.3	23.4	42.9	(126.0)
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(1.7)	(3.7)	(4.2)	(5.7)	(15.3)	(3.4)	(0.8)
Change in Net Financial Debt	(33.2)	103.7	(83.9)	5.4	(8.1)	(39.5)	126.9

(1) Includes Long Term Contracts.

(2) Includes Cash Restructuring Payments and Other Cash Movements.

Table 12.

Net Financial Debt (Millions of Euros)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Short Term	99.3	199.2	164.2	219.7	180.3	248.0
Medium and Long Term	920.8	925.4	875.7	825.4	826.1	893.6
Total Debt	1,020.1	1,124.5	1,040.0	1,045.1	1,006.4	1,141.6
Cash and Short Term Investments	2.3	3.1	2.5	2.2	3.0	11.3
Net Financial Debt <sup>(1)</sup>	1,017.7	1,121.4	1,037.5	1,042.9	1,003.4	1,130.3
Net Financial Debt / EBITDA after lease payments (last 4 quarters) <sup>(2)</sup>	1.8x	2.0x	1.8x	1.9x	1.8x	2.0x
Leasings and Long Term Contracts	264.0	259.9	253.9	252.4	240.6	245.8
Net Debt	1,281.7	1,381.3	1,291.4	1,295.2	1,244.0	1,376.1
Net Debt / EBITDA	2.1x	2.2x	2.1x	2.1x	2.0x	2.2x
Net Financial Gearing <sup>(3)</sup>	53.9%	58.3%	55.6%	55.3%	53.3%	59.0%

(1) Net Financial Debt = Borrowings - Leasings + Cash

(2) EBITDA After Lease Payments = EBITDA - Lease Cash Payments (Capital & Interest)

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

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## Enquiries

Chief Financial Officer: José Pedro Pereira da Costa

Phone: (+351) 21 799 88 19

Analysts/Investors: Maria João Carrapato

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

Press: Isabel Borgas / Irene Luis

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

Conference call and audio webcast scheduled for 12.00 (Lisbon/London) on 23 July 2019

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Standard International: +44 (0) 203 0095710

Portugal Local: +351(0)308807203

Portugal Toll Free: 800783295

UK Local: +44(0)8444933857

UK Toll Free: 08003767425

US Local: +19177200178

US Toll Free: + 18668692321

REPLAY Dial in details:

*Available until 26/07/2019 17:30 BST*

Confirmation Code: 8627539

Standard International: +44 (0) 3333009785

US Local: +1 (917) 677-7532

US Toll Free: +1 (866) 331-1332

UK Local: +44 (0)8445718951

UK Toll Free: 08082380667



Rua Actor António Silva  
nº9, Campo Grande  
1600-404 Lisboa  
**[www.nos.pt/ir](http://www.nos.pt/ir)**