Earnings Announcement

1Q21

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1Q21 HIGHLIGHTS

- Telco operating performance remained on track in a quarter marred by full lockdown from January through to March, therefore not directly comparable to 1Q20.
- Total RGUs declined by 16.9 thousand in 1Q21 however still grew 2.1% yoy to 9.902 million.
- Post-paid mobile services posted strong growth of 39 thousand in 1Q21, compared with 21 thousand in 1Q20. The first quarter tends to have cyclically lower pre-paid mobile net-adds, however this was exacerbated in 1Q21 by the confinement measures in place at major retail outlets.
- Increased momentum of new B2C digital formats and innovative customer solutions reflected in a number of pioneering launches in the Portuguese market such as self-installation CPEs and E sim cards.
- B2B growth driven by uptake of data and IT with particular focus on cloud-based and "as- a-service" solutions, project consultancy and equipment sales, leveraging strategic partnerships.
- Continuous growth of B2B managed services revenue, specifically on the Corporate segment.
- Best in class network response supporting exponential growth in fixed data traffic which has grown by 70% and in mobile data of 45%, compared with pre-pandemic levels.
- Telco Revenues sustained return to growth of 0.8% yoy to 335.7 million euros, allowing for 1.2% yoy growth in EBITDA.
- Cinema activity was non-existent during 1Q21 due to lockdown measures, inevitably impacting consolidated revenues evolution, still cost reduction supported an almost flat EBITDA performance at the Group level;
- Total investment of 96.0 million euros reflects continued FttH deployment, and preparation of mobile network for 5G launch as and when frequencies are attributed.
- Long term power purchase agreement (PPA) signed with EDP sets us on course to source approximately 40% of our energy requirements with certified "green" electricity by 2023, moving us closer to our 2030 target of 85%.
- 5G spectrum auction still ongoing after more than three months, with limited visibility on timing due to unprecedented regulatory framework.

Table 1.

1Q21 Highlights	1Q20	1Q21	1Q21 / 1Q20
Operating Highlights			
Homes Passed	4,639.5	4,913.2	5.9%
% FttH	33.2%	42.9%	9.6pp
Total RGUs	9,695.3	9,902.2	2.1%
Pay TV RGUs	1,631.5	1,639.4	0.5%
Convergent + Integrated Customers	942.3	985.8	4.6%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	60.8%	62.9%	2.2pp
Mobile RGUs	4,847.1	4,992.1	3.0%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.4	43.7	(1.5%)
Financial Highlights			
Telco Revenues	332.9	335.7	0.8%
Telco EBITDA	141.8	143.5	1.2%
Telco EBITDA Margin	42.6%	42.8%	0.2pp
Telco EBITDA - Telco CAPEX Excluding Leasings & Other Contractual Rights	60.0	50.3	(16.2%)

OPERATING REVIEW

Telco operating performance healthy.
Cinemas closed all quarter.

Management in a pandemic context has become the new norm with new ways of working and delivering customer services proving able to sustain solid levels of commercial activity and productivity. The services we provide are a proven lifeline that enables our customers to pursue their professional, educational, social and entertainment activities and our main priority is to ensure they are delivered with the best, most innovative and technologically relevant service levels and customer experience. This real-life social experiment puts our network and support systems to the test every day due to exponential growth in data usage and content demand. However the investments that we have made in infrastructure and technology over recent years, and continue to make with extensive fixed and mobile NGN deployment, technological evolution, capacity upgrades and digital transformation, ensure we are able to provide best in class service quality whilst maintaining a relentless pace of product and service innovation.

- In 1Q21 we recorded an RGU decline of 16.9 thousand, explained mostly by pre-paid mobile performance.

- Post-paid mobile services grew by 39.0 thousand (compared with 21.0 thousand in 1Q20), reflecting increased take up of mobile within converged fixed and mobile contracts. Our mobile subscriber numbers reported do not include the mobile broadband cards attributed within the Government-led school support scheme, "E-Escolas", due to their non-recurrent nature.

- Pre-paid mobile net adds, although usually negative in the first quarter, suffered the additional impact of confinement measures in main retail outlets during lockdown. Pre-paid net adds were negative by 54.7 thousand (compared with negative 25.0 thousand in 1Q20).

- Customers subscribing to convergent fixed and mobile offers grew a further 4.6% yoy to 985.8 thousand, representing almost 63% of our base of fixed access customers. On average, a convergent household subscribes to 2.2 mobile services, with total convergent RGUs reaching more than 5 million by the end of the quarter.

- Pay TV and video content play a key role in our market given the high-quality and extent of the channel line-up and significant array of interactive and on-demand features embedded in our bundled offers. By the end of 1Q21, we had 1.639 million customers subscribing to our NOS TV offers, 83% of which over next generation fixed access technology and the remainder over legacy satellite in areas where we have not extended fixed coverage to date. The magnitude of our pay TV subscriptions are consistent with the more than 93% penetration reported by the regulator for FY20, and clear reflection of the importance of these services for Portuguese consumers.

- Mobile innovation is a core part of our strategy in the build-up of our goal to lead in 5G. Immediate, immersive and more interactive than ever, 5G is set to radically change customer experience, with 100 times faster speeds, less than 5 milliseconds latency and 1000 times greater capacity, capable of connecting everyone and everything. Continuous innovation and pioneering launches establish the technological stage and solutions for NOS to lead the wave of mobile disruption set to accelerate with the commercial launch of 5G networks.

- Following the pioneering launch of Smart Number, in partnership with Apple and Samsung, a multi-SIM service exclusive at NOS in Portugal with a 100% digital solution, which allows for autonomous and transparent smartwatch connectivity using the same telephone number as the smartphone, and following the launch of a number of B2C IoT tariff plans supported by NB-IoT preparing NOS Customers for a world with everything connected, we continued to drive differentiation of our mobile offer delivering several 5G pioneering initiatives in Portugal.

- As part of our strategy to lead in 5G, and to demonstrate the full potential of this radical new technology for the consumer market, we have entered exclusive partnerships with a number of internationally renowned companies leading 5G technological solutions to bring the very best entertainment experience to our customers. We are actively promoting immersive B2C entertainment 5G experiences with live demos across our nationwide base of stores, focused on the main benefits of this game changing mobile technology. Already available in NOS stores to trial are cloud gaming experiences with "Blacknut" (http://blacknut.com);Virtual Reality concerts with "MelodyVR" (https://melodyvr.com/); Augmented Reality image clipping tool with "ClipDrop" (https://clipdrop.co/.) and Augmented Realty Video Creator with "LeoAR" (https://leoapp.com/).

- At the end of March we launched in Portugal the first 5G ready hotspot – Zyxel NR2101 – which combines the ultra-high speeds and ultra-low latency of 5G technology, over the latest WiFi6 protocol, enabling speeds of more than 1Gbps.

- Providing the most innovative equipment to NOS' customers is core to our market positioning by ensuring they can experience our telecom services to their fullest. A sequence of sale and promotion of devices was accelerated in 1Q21 with thematic days such as Easter, Father's Day, Valentine's Day and our Special "N" Day focusing on offering 5G enabled smartphones to our customers under the most competitive conditions and aligned with our strategy to lead 5G in Portugal. Additionally and due to the specific circumstances of the pandemic we partnered with Microsoft and Sony to extend our connected devices portfolio to Microsoft Surface Laptops and PlayStation gaming consoles which played a critical role during extensive lock-down period in Portugal.

- Conscious of our environmental responsibilities, in 1Q21 we launched a new range of reconditioned iphones – "Garantidos NOS". The handsets are sold with a two-year guarantee period at very attractive prices and customers can opt for paying in instalments, thus making top of the range devices more easily available to all pockets. NOS Guaranteed phones are a more sustainable option, promoting the circular economy by reducing electronic pollution and incentivizing re-use of equipment. The devices go through a very demanding technical assurance process and look and feel like new, with minimal signs of previous usage.

- Following a strategy of continuous improvement in customer experience, by providing Plug & Play solutions, we increased a number of services that enable experience upgrade and became the only operator to enable self-installation of Pay TV and internet services. Having already launched a self-upgrade of set-top-boxes to UMA or to Apple TV and self-installation of in-home WiFi enhancing solution, in 1Q21, we extended this self-installation feature to upgrade customer routers. With the launch of our self-install Giga Router, customers are able to activate their internet services without the visit of a technician, which is particularly appreciated given social distancing rules.

- We announced the inclusion of new Video APPS in our UMA user interface namely "Amazon Prime" with Ultra HD 4K video quality and a 7 day free-trial; "TVCine +" our in-house movies and series channels on-demand service; "metrological" and "homefitness" with interactive classes livestreamed in Full HD, thus reinforcing our positioning as the leading aggregator of own and complementary platforms over a unique ecosystem facilitating customer content selection and providing a seamless multi-device experience. We also launched a new release of our Apple TV offer including picture in picture and channel purchase optionality.

- In our B2B division we continue to pursue initiatives that reinforce our position as the partner of choice for digital transformation of Portuguese companies, be they large corporations and public institutions or small and mid-sized businesses. Demand remains strong for tools and platforms to facilitate digital transformation processes, that also bring new challenges to organizations on the cybersecurity and business continuity contexts, accelerated by digitalization and migration to the cloud projects. VPN'S, multifactor authentication solutions and new perimeter security systems are amongst the most sought-after offers, alongside sharing, secure warehousing, data recovery solutions with cloud based, remote control and monitorization.

- During 1Q21 we entered into a number of strategic protocols and agreements with key players operating in the telco-IT ecosystem, such as the partnership with the Kaizen Institute to provide 5G digital consultancy and innovation services, driving gains in efficiency and competitiveness for Portuguese companies. This new partnership ecosystems are an integral part of our 5G strategy on the B2B segment, already supporting pilot projects within several pioneering companies.

- In February we joined forces with Microsoft to develop three dimensions to drive improvement in ways of working and living supported by Microsoft technology: Co-creation and shared innovation, particularly in 5G, development of a cloud first strategy and development of integrated solutions for the B2B market. We are committed to actively contributing to digitalization in Portugal and this partnership represents another important milestone in our strategy of the lives of our customers through our technological expertise and asset base.

- Together with AWS (Amazon Web Services), and with the support of "Startup Lisboa", we launched our 5G Accelerator programme, to encourage start-up and entrepreneurs to submit projects with new ideas and business models supported by 5G technology. The programme supports development of an innovative and entrepreneurial ecosystem able to drive digital transformation business opportunities and the most innovative projects may be selected for investment by NOS' 5G fund.

- On our path to reinventing Telco, we also signed an important partnership with Lleida.Net to commercialize electronic delivery registration services, "Registered SMS" and "Registered SMS Contract", which provide legally valid proof of delivery, thus increasing speed of delivery, dematerialization of administrative requirements and increased operational efficiency and lower costs. With this partnership, we become the first Portuguese operator to be included in the National Security Office's (GNS) National Trust List as a Delegated Registration Authority, recognition of our standing as a reference and trusted operator for electronic transactions.

Progress in delivering our sustainability goals

- The quarter was also marked by a number of initiatives that reinforced our publicly stated goals for environmental, social and ethical sustainability and our commitment to the United Nations SDGs and Global Compact Principles.

- We renewed an important nationwide protocol for digital and social inclusion with one of the main voluntary service organizations in Portugal, the União das Misericórdias Portuguesas (UMP), to provide a broad range of mobile and fixed electronic connectivity and related digital services to the almost 390 homes and facilities across the country and to deploy innovative technological projects namely as regards domestic support and monitoring systems for the elderly and more vulnerable populations.

- Conscious of the under-representation of women in STEM related careers, we have recently joined the "Portuguese Women in Tech Association" (PWIT) with a view to encourage projects that promote gender diversity in all professions.

- NOS was the only Portuguese founding member of the "European Green Digital Coalition", signed on 19 March, and in which, along with other leading international telecommunication and IT companies we committed to the common goal of reducing carbon emissions by 75% until 2030 and to reach carbon neutrality (net-zero) by 2040, at a pace compatible with limiting global warming to 1.5ºC.

- Contributing to our environmental and biodiversity protection ambitions, we entered a voluntary reforestation project to offset currently non-avoidable own fleet emissions, with an estimated 100ha to be planted a year. This reforestation offset project will run in parallel with companywide electrification and energy efficiency projects targeting structural, long term reduction in total emissions. In addition to the environmental benefits, the NOS forest will also provide a platform for implementing voluntary and social responsibility initiatives in the coming years, raising key stakeholder awareness to the importance of effective environmental action.

- Major progress was made towards our renewable energy goals with the signature in April ´21 of a long-term power purchase agreement (PPA) with EDP which will guarantee 62 GWh per year of renewable energy. A new wind farm will be deployed over the next couple of years and by 2023 we will be able to source approximately 40% of our energy requirements with certified "green" electricity, a major step towards reaching our 2030 target of 85% and we will be able to run our entire 5G network on certified renewable energy.

- Our 2020 Full Year Management Report and the sustainability section of our website presents our environmental, social, and governance strategy and policies in full detail, along with our public commitments and targets for leading performance indicators.

Media and Entertainment

- Our cinema operation was closed throughout the full quarter. Management focus remained on containing costs and preparing for the re-opening of theatres which took place on 19 April, in tandem with the progressive deconfinement programme established by the government. The absence of cinema distribution naturally impacted revenues in our audiovisuals division with other revenue lines, namely TV and movie rights, posting revenues similar to the previous quarter.

Table 2.

Operating Indicators ('000)	1Q20	**1Q21**	1Q21 / 1Q20
Cinema [1]			
Revenue per Ticket (Euros)	5.2	5.5	5.1%
Tickets Sold - NOS	1,526.6	15.9	(99.0%)
Screens (units)	219	208	(5.0%)

(1) Portuguese Operations

FINANCIAL PERFORMANCE

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

Table 3.

Profit and Loss Statement (Millions of Euros)	1Q20	**1Q21**	1Q21 / 1Q20
Operating Revenues	345.4	337.4	(2.3%)
Telco	332.9	335.7	0.8%
Consumer Revenues	244.0	243.9	(0.0%)
Business Revenues	71.9	74.1	3.0%
Wholesale and Others	17.0	17.7	3.7%
Audiovisuals & Cinema (1)	21.8	9.7	(55.4%)
Others and Eliminations	(9.3)	(8.0)	(14.5%)
Operating Costs Excluding D&A	(192.7)	(185.3)	(3.8%)
Direct Costs	(97.7)	(99.6)	2.0%
Non-Direct Costs (2)	(95.0)	(85.6)	(9.9%)
EBITDA (3)	152.7	152.2	(0.4%)
EBITDA Margin	44.2%	45.1%	0.9pp
Telco	141.8	143.5	1.2%
EBITDA Margin	42.6%	42.8%	0.2pp
Cinema Exhibition and Audiovisuals	10.9	8.7	(20.6%)
EBITDA Margin	50.1%	89.1%	39.0pp
Depreciation and Amortization	(100.5)	(101.4)	0.9%
(Other Expenses) / Income	(45.7)	(4.3)	(90.6%)
Operating Profit (EBIT) (4)	6.5	46.4	n.a.
Share of profits (losses) of associates and joint ventures	(8.8)	2.8	n.a.
(Financial Expenses) / Income	(5.7)	(9.2)	60.9%
Leases Financial Expenses	(1.6)	(6.5)	314.3%
Funding & Other Financial Expenses	(4.1)	(2.7)	(35.5%)
Income Before Income Taxes	(8.0)	40.1	n.a.
Income Taxes	(2.9)	(9.5)	234.6%
Net Income Before Associates & Non-Controlling Interests	(2.0)	27.7	n.a.
Income From Continued Operations	(10.9)	30.5	n.a.
o.w. Attributable to Non-Controlling Interests	0.4	(0.0)	n.a.
Discontinued Operations	0.1	0.0	(100.0%)
Net Income	(10.4)	30.5	n.a.

(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.

Revenues

Core telecom business recorded solid growth in revenues of 0.8% to 335.7 million euros, demonstrating the resilience of our services throughout the pandemic. Yearly comparisons are still impacted by the fall in roaming revenues (first lockdown was implemented on 18 March 2020) with adjusted like for like growth in telco revenues amounting to 1.6%. Revenues in our B2C division were flat at 243.9 million euros. Adjusting for the impact of roaming, B2C revenues increased by 0.3%, with growth in the Personal segment and Equipment sales, accompanied by a steady performance in the Fixed Residential segment, offsetting a decline in DTH. Our B2B accounts continue to reflect encouraging take-up of data and IT solutions, in particular cloud migration, "as-a-service" solutions, and project-based services which involve a significant proportion of equipment revenues. Unadjusted B2B revenues grew by 3.0% to 74.1 million euros. Ex roaming, B2B revenues increased by 4.3%. WS & Other revenues posted a 3.7% growth, primarily due to an improved performance in Wholesale and mass calling services, and despite being impacted by the overall decline in roaming revenues.

Given the closure of cinema theatres since 15 January, revenues from exhibition were almost zero, therefore driving a 55.4% decline in Media and Entertainment (M&E) revenues. In the Audiovisuals division, revenues from non-cinema distribution were up 6.4% yoy, demonstrating the resilience of other entertainment platforms throughout the pandemic. Cinemas re-opened on 19 April, as per the national progressive deconfinement programme.

The solid performance in telco revenues was offset by the negative impact of cinemas and, as a result, Consolidated revenues fell by 2.3% yoy to 337.4 million euros, improving from a decline of 3.3% in 4Q20.

OPEX, EBITDA and Net Results

Total OPEX fell by 3.8% in 1Q21 to 185.3 million euros combining a fall in non-direct costs of 9.9% to 85.6 million euros and higher direct costs of 99.6 million euros, by 2%. Direct cost growth primarily reflects the sale of more terminal equipment with a higher average cost and to more equipment installed within implementation of B2B projects and IT solutions, which were partially offset by lower interconnection costs and royalties at our Media & Entertainment division. Non-direct costs were lower in the quarter led by lower marketing and publicity costs, maintenance and repair costs and some cost savings in external supplies and services as a result of the closure of cinema theatres.

Telco EBITDA increased by 1.2% to 143.5 million euros, consolidating the positive trend of the previous quarter and reinforcing the operational resilience of the underlying business. Consolidated EBITDA posted a marginal yoy decline of 0.4%, a clear improvement over the previous quarter's decline of 2.9%, explained by the less negative yoy decline in EBITDA in our M&E operation which fell by 20.6% yoy to 8.7 million euros (-40.7% in 4Q20).

EBIT in 1Q21 recorded a significant improvement yoy due to the higher level of non-recurrent items in 1Q20, the majority of which related to the reinforcement of operating provisions for customer bad debt, onerous contracts and personal protective equipment. It has not been necessary to further reinforce this provision.

Net financial expenses amounted to 9.2 million euros, an increase of 60.9%. The figure for 1Q21 is not directly comparable with 1Q20 given the increase in interest from financial leases as from the end of 3Q20 related to the sale of NOS Towering. The capital component of leases is reflected in D&A.

Contribution from Associated Companies improved from a negative result of 8.8 million euros in 1Q20 to a positive one of 2.8 million euros in 1Q21, led mainly by the improved performance of ZAP in the quarter, benefitting from a favourable appreciation of the local currency in this quarter and from the fact that 1Q20 was marked by a negative contribution from Sport TV due to impairments recorded in the quarter and at ZAP due to provisions booked.

Provisions for taxes increased from 2.9 million euros in 1Q20 to 9.5 million euros in 1Q21 mainly due to the significant increase in Income Before Income Taxes, related to the abovementioned reinforcement of operating provisions which took place in 1Q20 and, to a smaller extent, to fiscal incentives, also in 1Q20.

CAPEX

Table 4.

CAPEX (Millions of Euros) [1]	1Q20	**1Q21**	1Q21 / 1Q20
Total CAPEX Excluding Leasing Contracts & Other Contractual Rights	88.2	96.0	8.7%
Telco	81.8	93.2	13.9%
% of Telco Revenues	24.6%	27.8%	3.2pp
o.w. Technical CAPEX	48.5	49.0	1.2%
% of Telco Revenues	14.6%	14.6%	0.0pp
Baseline Telco	29.8	38.6	29.6%
Network Expansion / Substitution and Integration Projects and Others	18.7	10.4	(44.3%)
o.w. Customer Related CAPEX	33.4	44.2	32.5%
% of Telco Revenues	10.0%	13.2%	3.1pp
Audiovisuals and Cinema Exhibition	6.4	2.7	(57.4%)
Leasing Contracts & Other Contractual Rights	11.3	2.9	(74.4%)
Total Group CAPEX	99.5	98.8	(0.7%)

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

Total CAPEX amounted to 96.0 million euros in 1Q21, an increase of 8.7% in comparison with 1Q20.

Telco CAPEX increased by 13.9% to 93.2 million euros, with Technical CAPEX relatively stable at 49.0 million euros and Customer Related CAPEX growing by 32.5% in comparison with 1Q20 to 44.2 million euros.

Technical Baseline CAPEX grew yoy however remained in line with previous quarters. Network expansion CAPEX was lower in the quarter at 10.4 million euros.

The increase in Customer Related CAPEX was led by a high level of commercial activity and an increased proportion of higher end premium equipment being installed on customer premises such as our Giga router, next generation UMA boxes and Apple TV. Customer Related CAPEX was relatively stable when compared to the previous quarter.

As in previous quarters, Audiovisuals and Cinema CAPEX declined significantly by 57.4% to 2.7 million euros, due to increased efficiency in the Audiovisuals division and of upgrade and modernization investments being put on hold, in Cinemas.

Cash Flow

Table 5.

Cash Flow (Millions of Euros)	1Q20	**1Q21**	1Q21 / 1Q20
EBITDA	152.7	152.2	(0.4%)
Total CAPEX Excluding Leasings & Other Contractual Rights	(88.2)	(96.0)	8.7%
EBITDA - Total CAPEX Excluding Leasings & Other Contractual Rights	64.5	56.2	(12.8%)
% of Revenues	18.7%	16.7%	(2.0pp)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(4.5)	(3.2)	(29.7%)
Leasings (Capital & Interest) (1)	(15.6)	(21.1)	35.5%
Operating Cash Flow	44.4	31.9	(28.1%)
Interest Paid	(2.6)	(3.5)	33.3%
Income Taxes Paid	(3.6)	(1.5)	(58.4%)
Disposals	0.0	0.2	n.a.
Other Cash Movements (2)	(3.6)	(5.9)	64.9%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	34.6	21.2	(38.8%)
Financial Investments	0.0	0.2	n.a.
Acquisition of Own Shares	0.0	(2.1)	n.a.
Dividends	0.0	0.0	n.a.
Free Cash Flow	34.6	19.3	(44.1%)
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(3.1)	(0.7)	(78.0%)
Change in Net Financial Debt	(31.5)	(18.7)	(40.8%)

(1) Includes Long Term Contracts.
(2) Includes Cash Restructuring Payments and Other Cash Movements.

EBITDA was nearly flat in comparison to 1Q20, with CAPEX increasing by 8.7% to 96.0 million euros, as previously discussed. As such, EBITDA-CAPEX declined by 12.8% to 56.2 million euros. As expected, payments related to Leases increased in 1Q21 in comparison to 1Q20, after the completion of our deal with Cellnex at the end of 3Q20. Lease payments therefore increased by 35.5% to 21.1 million euros. As a result of these movements, Operating Cash Flow declined by 28.1% to 31.9 million euros in 1Q21.

Interest Paid increased by 0.9 million euros to 3.5 million euros, while Income Taxes Paid declined by 2.1 million euros to 1.5 million euros.

Free Cash Flow Before Dividends reached 21.2 million euros in 1Q21, a 38.8% decline in comparison to 1Q20, with most of this decline reflecting the above mentioned yoy increases in CAPEX and Lease payments.

Consolidated Balance Sheet

Table 6.

Balance Sheet (Millions of Euros)	1Q20	2020	**1Q21**	1Q21 / 1Q20
Non-current Assets	2,533.1	2,557.5	2,555.8	0.9%
Current Assets	520.2	615.2	628.8	20.9%
Total Assets	3,085.7	3,172.6	3,184.6	3.2%
Total Shareholders' Equity	1,002.4	956.2	987.8	(1.5)%
Non-current Liabilities	1,412.3	1,487.8	1,320.4	(6.5)%
Current Liabilities	640.8	728.6	876.5	36.8%
Total Liabilities	2,083.3	2,216.4	2,196.8	5.5%
Total Liabilities and Shareholders' Equity	3,085.7	3,172.6	3,184.6	3.2%

Capital Structure and Funding

At the end of 1Q21, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,343.8 million euros. Net Financial Debt stood at 783.4 million euros with a cash and short-term investment position on the balance sheet of 171.2 million euros.

At the end of 1Q21, NOS also had 325 million euros in unissued commercial paper programmes.

Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.5x. 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 all-in average cost of debt stood at 1.6% for 1Q21, which compares with 1.1% in 1Q20. All-in Average Cost of Debt for the 1Q21 was in line with the previous quarter due to the excess cash position held after closing of the tower sale transaction with Cellnex.

The average maturity of debt at the end of 1Q21 was 2.3 years. Taking into account loans issued at a fixed rate and interest rate hedging operations in place, as at 31 March 2021, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 100%.

Table 7.

Net Financial Debt (Millions of Euros)	1Q20	2020	**1Q21**	1Q21 / 1Q20
Short Term	23.1	100.8	249.6	982.0%
Medium and Long Term	1,104.4	854.5	705.0	(36.2%)
Total Debt	1,127.5	955.3	954.6	(15.3%)
Cash and Short Term Investments	65.4	153.3	171.2	161.8%
Net Financial Debt (1)	1,062.1	802.0	783.4	(26.2%)
Net Financial Debt / EBITDA after lease payments (last 4 quarters) (2)	1.9x	1.5x	1.5x	n.a.
Leasings and Long Term Contracts	249.0	575.3	560.4	125.0%
Net Debt	1,311.1	1,377.4	1,343.8	2.5%
Net Debt / EBITDA	2.1x	2.3x	2.2x	n.a.
Net Financial Gearing (3)	56.8%	59.2%	57.8%	1.0pp

(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).

APPENDIX I

Table 8.

Operating Indicators ('000)	1Q20	2Q20	3Q20	4Q20	**1Q21**
Telco [1]					
Homes Passed	4,639.5	4,689.9	4,796.0	4,806.7	4,913.2
Total RGUs	9,695.3	9,747.4	9,871.8	9,919.1	9,902.2
o.w. Consumer RGUs	8,212.6	8,243.8	8,351.9	8,390.8	8,370.4
o.w. Business RGUs	1,482.7	1,503.7	1,520.0	1,528.3	1,531.7
Mobile	4,847.1	4,869.9	4,972.0	5,007.8	4,992.1
Pre-Paid	1,983.2	1,957.7	1,998.1	1,991.7	1,937.0
Post-Paid	2,863.9	2,912.2	2,973.9	3,016.1	3,055.1
Pay TV Fixed Access [2]	1,347.8	1,351.2	1,360.2	1,362.7	1,363.8
Pay TV DTH	283.7	283.4	282.2	279.7	275.7
Fixed Voice	1,756.7	1,766.7	1,769.3	1,774.2	1,770.9
Broadband	1,424.5	1,439.8	1,451.5	1,457.6	1,461.8
Others and Data	35.5	36.4	36.5	37.2	38.0
3,4&5P Subscribers (Fixed Access)	1,206.3	1,213.5	1,224.9	1,230.4	1,236.0
% 3,4&5P (Fixed Access)	89.5%	89.8%	90.1%	90.3%	90.6%
Convergent + Integrated RGUs	4,754.6	4,823.9	4,890.7	4,956.0	5,002.0
Convergent + Integrated Customers	942.3	957.5	967.6	976.7	985.8
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	60.8%	61.6%	62.0%	62.4%	62.9%
% Convergent + Integrated Customers	57.8%	58.6%	58.9%	59.5%	60.1%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.4	42.4	43.5	44.3	43.7
Net Adds					
Homes Passed	27.0	50.4	106.1	10.7	106.5
Total RGUs	19.2	52.1	124.4	47.3	(16.9)
o.w. Consumer RGUs	19.2	31.2	108.1	38.9	(20.3)
o.w. Business RGUs	(0.0)	21.0	16.3	8.3	3.4
Mobile	(4.0)	22.8	102.1	35.7	(15.7)
Pre-Paid	(25.0)	(25.5)	40.4	(6.5)	(54.7)
Post-Paid	21.0	48.4	61.7	42.2	39.0
Pay TV Fixed Access	3.1	3.4	9.0	2.5	1.0
Pay TV DTH	1.1	(0.2)	(1.2)	(2.6)	(4.0)
Fixed Voice	8.0	10.0	2.6	4.8	(3.3)
Broadband	10.2	15.3	11.8	6.1	4.2
Others and Data	0.7	0.8	0.1	0.7	0.8
3,4&5P Subscribers (Fixed Access)	5.7	7.3	11.4	5.5	5.5
Convergent + Integrated RGUs	50.1	69.3	66.8	65.3	45.9
Convergent + Integrated Customers	11.6	15.2	10.1	9.1	9.0

(1) Portuguese Operations.

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

Note: In 1Q21, 4Q20 Post-Paid mobile subscribers have been restated to adjust for the subsidized mobile broadband plans, E-Escolas, which are now not included in numbers reported.

APPENDIX II

Table 9.

Profit and Loss Statement (Millions of Euros)	1Q20	2Q20	3Q20	4Q20	2020	**1Q21**
Operating Revenues	345.4	321.3	346.9	354.3	1,367.9	337.4
Telco	332.9	319.9	342.7	350.2	1,345.7	335.7
Consumer Revenues	244.0	236.3	248.3	253.4	981.9	243.9
Business Revenues	71.9	66.9	70.6	79.3	288.7	74.1
Wholesale and Others	17.0	16.7	23.8	17.6	75.1	17.7
Audiovisuals & Cinema (1)	21.8	8.9	11.1	11.9	53.8	9.7
Others and Eliminations	(9.3)	(7.6)	(6.9)	(7.9)	(31.6)	(8.0)
Operating Costs Excluding D&A	(192.7)	(163.4)	(186.4)	(222.3)	(764.7)	(185.3)
Direct Costs	(97.7)	(78.2)	(99.0)	(115.2)	(390.1)	(99.6)
Non-Direct Costs (2)	(95.0)	(85.1)	(87.4)	(107.1)	(374.6)	(85.6)
EBITDA (3)	152.7	157.9	160.6	132.0	603.2	152.2
EBITDA Margin	44.2%	49.1%	46.3%	37.3%	44.1%	45.1%
Telco	141.8	152.6	155.5	123.7	573.6	143.5
EBITDA Margin	42.6%	47.7%	45.4%	35.3%	42.6%	42.8%
Cinema Exhibition and Audiovisuals	10.9	5.3	5.1	8.3	29.6	8.7
EBITDA Margin	50.1%	58.8%	46.0%	69.9%	55.1%	89.1%
Depreciation and Amortization	(100.5)	(101.2)	(103.6)	(104.6)	(409.8)	(101.4)
(Other Expenses) / Income	(45.7)	(3.8)	(4.3)	(2.2)	(56.0)	(4.3)
Operating Profit (EBIT) (4)	6.5	52.9	52.7	25.2	137.3	46.4
Share of profits (losses) of associates and joint ventures	(8.8)	(0.9)	0.6	0.0	(9.1)	2.8
(Financial Expenses) / Income	(5.7)	(5.6)	(5.3)	(10.1)	(26.6)	(9.2)
Leases Financial Expenses	(1.6)	(1.6)	(1.6)	(6.7)	(11.5)	(6.5)
Funding & Other Financial Expenses	(4.1)	(4.0)	(3.7)	(3.4)	(15.2)	(2.7)
Income Before Income Taxes	(8.0)	46.4	48.1	15.2	101.6	40.1
Income Taxes	(2.9)	(7.5)	(4.0)	(2.1)	(16.3)	(9.5)
Net Income Before Associates & Non-Controlling Interests	(2.0)	39.9	43.5	13.1	94.3	27.7
Income From Continued Operations	(10.9)	38.9	44.1	13.1	85.2	30.5
o.w. Attributable to Non-Controlling Interests	0.4	0.2	0.0	(0.2)	0.4	(0.0)
Discontinued Operations	0.1	6.3	0.0	0.0	6.4	0.0
Net Income	(10.4)	45.3	44.1	12.9	92.0	30.5

(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) [1]	1Q20	2Q20	3Q20	4Q20	2020	**1Q21**
Total CAPEX Excluding Leasing Contracts & Other Contractual Rights	88.2	83.5	97.8	115.4	384.9	96.0
Telco	81.8	79.4	92.0	110.8	364.1	93.2
% of Telco Revenues	24.6%	24.8%	26.9%	31.6%	27.1%	27.8%
o.w. Technical CAPEX	48.5	48.0	51.6	66.2	214.2	49.0
% of Telco Revenues	14.6%	15.0%	15.0%	18.9%	15.9%	14.6%
Baseline Telco	29.8	39.8	32.4	37.7	139.7	38.6
Projects and Others	18.7	8.2	19.2	28.5	74.5	10.4
o.w. Customer Related CAPEX	33.4	31.4	40.5	44.6	149.9	44.2
% of Telco Revenues	10.0%	9.8%	11.8%	12.7%	11.1%	13.2%
Audiovisuals and Cinema Exhibition	6.4	4.1	5.8	4.6	20.8	2.7
Leasing Contracts & Other Contractual Rights	11.3	12.9	11.3	59.1	94.5	2.4
Total Group CAPEX	99.5	96.4	109.1	174.5	479.4	98.8

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

Table 11.

Cash Flow (Millions of Euros)	1Q20	2Q20	3Q20	4Q20	2020	**1Q21**
EBITDA	152.7	157.9	160.6	132.0	603.2	152.2
Total CAPEX Excluding Leasings & Other Contractual Rights	(88.2)	(83.5)	(97.8)	(115.4)	(384.9)	(96.0)
EBITDA - Total CAPEX Excluding Leasings & Other Contractual Rights	64.5	74.3	62.8	16.6	218.3	56.2
% of Revenues	18.7%	23.1%	18.1%	4.7%	16.0%	16.7%
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(4.5)	5.0	(15.1)	(0.4)	(15.1)	(3.2)
Leasings (Capital & Interest) (1)	(15.6)	(16.9)	(16.8)	(26.4)	(75.7)	(21.1)
Operating Cash Flow	44.4	62.4	30.8	(10.1)	127.5	31.9
Interest Paid	(2.6)	(5.3)	(2.9)	(1.0)	(11.8)	(3.5)
Income Taxes Paid	(3.6)	(0.3)	(16.7)	(13.2)	(33.9)	(1.5)
Disposals	0.0	0.1	374.2	0.1	374.4	0.2
Other Cash Movements (2)	(3.6)	(3.3)	(3.3)	(0.8)	(11.0)	(5.9)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	34.6	53.5	382.1	(24.9)	445.3	21.2
Financial Investments	0.0	1.8	0.3	0.2	2.3	0.2
Acquisition of Own Shares	0.0	(2.9)	(0.5)	(2.4)	(5.7)	(2.1)
Dividends	0.0	0.0	(142.5)	0.0	(142.5)	0.0
Free Cash Flow	34.6	52.5	239.4	(27.2)	299.3	19.3
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(3.1)	0.2	(1.5)	(3.4)	(7.7)	(0.7)
Change in Net Financial Debt	(31.5)	(52.7)	(237.9)	30.6	(291.6)	(18.7)

(1) Includes Long Term Contracts.
(2) Includes Cash Restructuring Payments and Other Cash Movements.

Table 12.

Net Financial Debt (Millions of Euros)	1Q20	2Q20	3Q20	4Q20	**1Q21**
Short Term	23.1	134.8	97.2	100.8	249.6
Medium and Long Term	1,104.4	891.6	854.6	854.5	705.0
Total Debt	1,127.5	1,026.4	951.8	955.3	954.6
Cash and Short Term Investments	65.4	17.1	180.3	153.3	171.2
Net Financial Debt (1)	1,062.1	1,009.4	771.5	802.0	783.4
Net Financial Debt / EBITDA after lease payments (last 4 quarters) (2)	1.9x	1.8x	1.4x	1.5x	1.5x
Leasings and Long Term Contracts	249.0	210.8	576.4	575.3	560.4
Net Debt	1,311.1	1,220.2	1,347.9	1,377.4	1,343.8
Net Debt / EBITDA	2.1x	2.0x	2.2x	2.3x	2.2x
Net Financial Gearing (3)	56.8%	57.7%	59.0%	59.2%	57.8%

(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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