



Earnings Announcement 2Q21

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2Q21 HIGHLIGHTS

- The second quarter recorded continued solid operating performance in Telco and the reopening of Cinemas as of 19 April 2021.
- Total RGUs grew by 98.1 thousand in 2Q21, with NOS reaching 10.0 million services for the first time.
- Post-paid mobile subscriptions showed very strong growth of 72.3 thousand in 2Q21, compared with 48.4 thousand in 2Q20, while Pre-paid posted net adds of 20.5 thousand. Total mobile net adds of 92.8 thousand thus reflected a strong commercial dynamic across all segments.
- An additional 8.1 thousand Convergent+Integrated customers by the end of 2Q21, taking the penetration of the fixed customer base to 63.3%. Convergent+Integrated RGUs grew by 58.6 thousand in the quarter to 5.061 million services.
- Fixed Pay TV net adds improved to 7.0 thousand, in comparison with +1.0 thousand last quarter and +3.4 thousand in 2Q20.
- Continued strong pace of product and service innovation in B2C, improving service quality and customer experience, with a clear focus on connectivity.
- Strategic partnerships and the launch of innovative IT, data and cloud solutions continue to drive growth in B2B, as NOS positions itself as the partner of choice for Portuguese companies and public entities in their path toward digital transformation.
- Our best-in-class network reinforcement and response during the confinement periods kept our customers connected and able to pursue their professional, educational and entertainment needs, and we continue to provide very high levels of service quality and availability. In April 2021, NOS was distinguished by Ookla as having the best mobile network coverage in Portugal during 2H20.
- Consolidated Revenues increased by 6.2% yoy, the first quarter of growth since 4Q19. Telco Revenues accelerated to 5.3% yoy growth.
- Cinema theatres reopened on 19 April with encouraging performance, although still far from pre-pandemic levels of attendance.
- Total investment of 104.1 million euros reflects continued FttH deployment with 69.8 thousand new greenfield addressable homes during 2Q21, and preparation of the mobile network for 5G launch as and when frequencies are attributed.
- 5G spectrum auction still ongoing after more than 132 days, and over 900 rounds, with limited visibility on timing due to the flawed nature of the framework.

Table 1.

2Q21 Highlights	2Q20	2Q21	2Q21 / 2Q20	1H20	1H21	1H21 / 1H20
Operating Highlights						
Homes Passed	4,689.9	4,986.1	6.3%	4,689.9	4,986.1	6.3%
% FttH	35.0%	46.0%	11.1pp	35.0%	46.0%	11.1pp
Total RGUs	9,747.4	10,000.2	2.6%	9,747.4	10,000.2	2.6%
Pay TV RGUs	1,634.6	1,639.5	0.3%	1,634.6	1,639.5	0.3%
Convergent + Integrated Customers	957.5	993.8	3.8%	957.5	993.8	3.8%
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	61.6%	63.3%	1.7pp	61.6%	63.3%	1.7pp
Mobile RGUs	4,869.9	5,084.9	4.4%	4,869.9	5,084.9	4.4%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	42.4	44.3	4.4%	42.4	43.9	3.5%
Financial Highlights						
Consolidated Revenues	321.3	341.0	6.2%	666.6	678.5	1.8%
Consolidated EBITDA	157.9	154.4	(2.2%)	310.6	306.6	(1.3%)
Consolidated EBITDA Margin	49.1%	45.3%	(3.9pp)	46.6%	45.2%	(1.4pp)
Consolidated EBITDA - Consolidated CAPEX Excluding Leasings & Other Contractual Rights	74.3	50.3	(32.4%)	138.8	106.5	(23.3%)
Telco Revenues	319.9	336.7	5.3%	652.8	672.4	3.0%
Telco EBITDA	152.6	144.9	(5.0%)	294.4	288.4	(2.0%)
Telco EBITDA Margin	47.7%	43.0%	(4.7pp)	45.1%	42.9%	(2.2pp)
Telco EBITDA - Telco CAPEX Excluding Leasings & Other Contractual Rights	73.2	43.7	(40.2%)	133.2	94.0	(29.4%)

OPERATING REVIEW

Strong Telco operating performance. Cinemas reopened on 19 April.

We continued to improve customer experience and keep our customers connected whilst working and studying from home, providing the most attractive entertainment propositions, upgrading to best in class terminal equipment and maintaining a relentless pace of product and service innovation.

Despite pandemic restrictions, 2Q21 was marked by a progressive deconfinement and reopening of the economy and benefitted from the return of our cinema theatres on 19 April (closed since 15 January), with encouraging attendance although still short of pre-pandemic levels.

- Total RGUs grew by 98.1 thousand in 2Q21 to 10.0 million services. Mobile subscriptions increased by 92.8 thousand in comparison to the end of 1Q21, reaching 5.085 million mobile subscriptions in total. Pre-Paid net adds returned to positive territory with 20.5 thousand net adds, whereas Post-Paid customers accelerated growth with 72.3 thousand net adds in the quarter. This healthy performance was driven by a strong commercial dynamic across all segments, also helped by the reopening of major retail outlets with progressive deconfinement throughout the quarter.
- Fixed Pay TV subscribers posted net adds of 7.0 thousand. Fixed Broadband subscribers grew by 4.7 thousand, in line with previous quarterly performance.
- The penetration of Convergent+Integrated subscribers within the fixed base continues to grow quarter after quarter, reaching 63.3% at the end of 2Q21. These 993.8 thousand customers subscribe to 5.061 million services, an additional 58.6 thousand RGUs during this quarter.
- Our FttH network rollout continues at a strong pace. This quarter, 186 thousand new addressable FttH homes were added, of which 70 thousand were greenfield. NGN fixed coverage has therefore reached 4.986 million homes, of which 2.295 million (46.0%) are covered with FttH.
- With a focus on connectivity, in May NOS launched the first Wi-Fi 6 Router in Portugal, enabling ultrafast speeds and up to 100 simultaneous connections, meeting even the most demanding usage profiles. This is also a more sustainable and environmentally responsible equipment, being the first to be manufactured

100% out of recycled plastics, enabling a 50% reduction in CO2 emissions and with clear energy consumption benefits, through significant extension of Wi-Fi connected devices' battery life. NOS also renewed its "Power Wi-Fi" offer, in partnership with Plume. The new Super Extenders increase coverage two-fold and enable speeds of up to 500 Mbps. By using Adaptive Wi-Fi, with AI algorithms to optimize network performance, the quality of connection is adapted to each device and each user's consumption patterns. "Power Wi-Fi" is now available from 6 euros per month.

- NOS was distinguished by Ookla, a global leader in testing, data and analysis for fixed and mobile broadband, as Best Mobile Coverage in 2H20. With thousands of users having taken the Ookla Speedtest, results of NOS' customer scans pointed to 99.9% availability and 93.1% of 4G availability. NOS reached a coverage score of 699 points, well ahead of domestic competitors. VoLTE and VoWi-Fi technologies have been extended to almost all consumer segment mobile customers with compatible devices, benefitting from calls with HD quality, no delays in call set-up and improved smartphone battery management.
- Responding to the needs of increasingly digital consumers, particularly relevant during the pandemic, we launched a 2-hour home delivery of smartphone and other device purchases made on our digital platforms, providing convenience, speed and safety for the customer. Following our launch of the first 100% digital telco brand in Portugal, "WOO" was recognized by customers as "Product of the Year" in January 2021. To boost digital conversion, a new website was launched and new payment methods are now accepted, evolving from the previous "credit card only" policy. Mindful of the interest that the younger generation takes in wellbeing and healthy nutrition, our mobile youth brand, WTF, signed a very relevant partnership with Prozis, the biggest sports nutrition store in Europe. All WTF subscribers can now enjoy a 10% discount in purchases at Prozis once a month, along with other benefits.
- Further enhancing customer loyalty and contributing to a sense of global purpose, NOS and EDP Comercial signed a commercial partnership offering benefits designed to promote more sustainable customer behavior, a strategic priority for both companies. Through this offer, NOS' convergent customers can double their mobile data allowance, while benefitting from 100% green energy and additional discounts of up to 2% on their energy bill.
- In B2B, our positioning as the partner of choice for digital transformation of Portuguese companies and public institutions continues to drive uptake of our innovative data and IT services, with particular focus on cloud and "as a service"

solutions, as well as project consultancy. Developed in partnership with NOS, Albufeira launched its Smart City project in June. Residents can report incidents over a dedicated platform, and, in conjunction with analysis of data collated from sensors and monitoring devices across the city, municipal services can trigger an action for immediate problem resolution or to prevent them occurring. Albufeira is thus able to manage the city's main functionalities and infrastructures in an integrated fashion, as is already happening in other Portuguese municipalities, such as Lagoa, Moita or Vila Nova de Famalicão, where residents are already enjoying the benefits of sophisticated and efficient smart city solutions implemented by NOS, positioning us as the most able partner for municipal digital transformation. We also launched an innovative analytics tool, "Analytics Pro", aimed at companies or municipalities. This solution analyses the mobility dynamics of a group of people, providing insights about several variables, such as population count, movements by time block, concentration of people by location, age groups, or density of visitors, among others. All information is aggregated and treated by NOS, enabling new approaches for territorial or corporate management, through an intuitive and interactive dashboard, while safeguarding citizen privacy.

- In 2Q21, NOS continued its strategy to strengthen its significant network of partnerships in the B2B space. Alongside Sonae Financial Services, we launched "TPA Pro", an automatic payment terminal solution for receiving payments with all credit and debit cards. TPA Pro also provides solutions for scheduling customer visits or managing customer loyalty and payment plans – a true ally in the digital transformation of Portuguese businesses. Furthermore, in this quarter NOS also completed its certification in Cisco's Advanced Data Center Architecture Specialization, providing advanced expertise in converged infrastructure, multicloud hybrid computing, application or infrastructure as a service, and analytics.
- The provision of cloud services continues to be increasingly relevant for NOS and its customers, as a key enabler of digital transformation. As such, in partnership with Portuguese data storage start-up Vawlt, we launched "NOS Multicloud Storage", a solution aimed at simplifying data storage for companies of all sizes, based on the three main suppliers of public cloud: Microsoft Azure, Google Cloud and Amazon Web Services. Using an innovative, dedicated software developed by Vawlt, customers can simply and safely access a file storage service through a single interface and login, without the need for specific expertise in cloud technology on the customer's part.

- In May, NOS and Grupo Luz Saúde presented Portugal's first 5G hospital, Hospital da Luz Lisboa, an all-important first step towards the hospital of the future. This pioneering partnership will boost technological advancements in healthcare and medical research. Virtual and augmented reality, sensoring, monitorization and robotics are some of 5G's applications in the context of the healthcare industry. In April, we launched Portugal's first 5G football stadium in partnership with Benfica, enabling increased network capacity, greater speeds, and a much more immersive experience, through technologies such as virtual or augmented reality. The Benfica – FC Porto match held in May was also the first game in Portugal to be broadcast using 5G technology.
- Following the launch in partnership with Amazon Web Services of the NOS | AWS 5G Accelerator programme, aimed at start-ups to encourage the entrepreneurial and innovation ecosystem surrounding 5G, with the first place being awarded to KIT-AR, for the development of a solution using new technologies, such as augmented reality and artificial intelligence to reduce the likelihood of errors and drive continuous improvement in industrial processes. Through this project, we continue to reinforce our standing at the forefront of technological innovation, through leadership and reputational standing as a partner for digital transformation.
- Our best in class fixed and mobile network reinforcement and response has coped with the enormous increase in traffic in comparison to pre-pandemic levels. Together with customer premise equipment offering enhancement and replacement, this has meant very high levels of service quality and availability, positively impacting customer satisfaction.
- Aligned with our strategic ambition to achieve unequivocal leadership in 5G and, notwithstanding the ongoing spectrum auction, we have already begun 5G deployment to speed up coverage targets and to be ready for commercial launch once frequencies are attributed. Our mobile network infrastructure sharing agreement signed in 2020 is a strategic axis for sustainable technological evolution to 5G and the first RAN sharing sites are already up and running.

Media and Entertainment

- After closing on 15 January due to restrictions related with the pandemic, cinemas were finally reopened on 19 April, albeit with a 50% limit on capacity. While still far from pre-pandemic levels of attendance, with 552 thousand tickets sold in 2Q21, performance has so far surpassed the 3Q20 reopening numbers.
- Revenue per ticket of 5.4 euros remains impacted by the restriction on food and beverage sale and consumption within theatres. Total Cinema Exhibition Revenues in 2Q21 reached 3.6 million euros. Due to significant efforts to contain costs, we were able to reduce the negative impact of the pandemic on profitability.
- The most successful movies exhibited in 2Q21 were "F9: The Fast Saga", "The Conjuring: The Devil Made Me Do It", "Cruella", "A Quiet Place 2" and "Raya and The Last Dragon".
- Total revenues from the Audiovisuals division grew by 19.9% yoy to 10.7 million euros, with the yoy comparison reflecting the absence of cinema distribution revenues in 2Q20, and the relatively steady performance of other revenue streams.

Table 2.

Operating Indicators ('000)	2Q20	2Q21	2Q21 / 2Q20	1H20	1H21	1H21 / 1H20
Cinema ⁽¹⁾						
Revenue per Ticket (Euros)	-	5.4	n.a.	5.2	5.4	2.7%
Tickets Sold - NOS	0.0	551.8	n.a.	1,526.6	567.7	(62.8%)
Tickets Sold - Total Portuguese Market ⁽²⁾	16.8	856.0	n.a.	2,568.5	881.3	(65.7%)
Screens (units)	208	208	0.0%	208	208	0.0%

⁽¹⁾ Portuguese Operations

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

We continue to make progress delivering our sustainability goals

- We continue to make progress in key areas of our ESG strategy and have further reinforced our commitment to deliver publicly stated goals to the achievement of United Nations SDGs and Global Compact Principles. In March NOS became a founding member of “Digital With Purpose”, an international movement led by GeSI integrating more than 40 leading technology companies worldwide. DWP is dedicated to accelerating positive impact through use of technology through 5 “digital impact themes”: Climate Action, Circular Economy, Supply Chain, Digital Inclusion and Digital Trust. All signatories will be evaluated and certified annually, attesting their performance in comparison to the DWP scorecard currently in the final stages of development. NOS also reinforced its pledge to contribute towards a green and digital transformation of the EU, becoming a signatory of the European Green Digital Coalition (EGDC), whereby technological companies from various European Union Member States are committing to actions that reduce their greenhouse gas emissions at a pace that is compatible with limiting global warming to 1.5°C, with the goal of reaching net zero carbon emissions, or carbon neutrality by 2040. NOS is the only Portuguese company that is part of this coalition, which was officially recognized on Digital Day 2021, an initiative promoted by the European Commission and by the Portuguese European Council Presidency.
- On 1 July, we announced the issuance of three sustainability linked loan facilities in total of 150 million euros, thus strengthening the tie between our ESG performance and cost of funding and reflecting the importance we attribute to delivering on our sustainability strategy. Of the three facilities issued, one is linked to the evolution of our CDP rating (currently A- “Leadership”) and the other two to achieving a 50% reduction in our own operation’s carbon footprint (scope 1 and 2 emissions), by 2025 in comparison to 2015, and to achieving 65% consumption of renewable electricity by 2025. Further details of these lines are provided in the capital structure section further ahead in this report.

FINANCIAL PERFORMANCE

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

Table 3.

Profit and Loss Statement (Millions of Euros)	2Q20	2Q21	2Q21 / 2Q20	1H20	1H21	1H21 / 1H20
Operating Revenues	321.3	341.0	6.2%	666.6	678.5	1.8%
Telco	319.9	336.7	5.3%	652.8	672.4	3.0%
Consumer Revenues	236.3	246.4	4.3%	480.2	489.9	2.0%
Business Revenues	66.9	72.9	8.9%	138.9	146.2	5.2%
Wholesale and Others	16.6	17.4	4.8%	33.6	36.3	8.0%
Audiovisuals & Cinema ⁽¹⁾	8.9	13.4	49.2%	30.7	23.1	(24.9%)
Others and Eliminations	(7.6)	(9.1)	19.9%	(16.9)	(17.0)	0.9%
Operating Costs Excluding D&A	(163.4)	(186.6)	14.2%	(356.0)	(371.9)	4.4%
Direct Costs	(78.2)	(101.6)	29.8%	(175.9)	(201.2)	14.4%
Non-Direct Costs ⁽²⁾	(85.1)	(85.0)	(0.1%)	(180.1)	(170.7)	(5.3%)
EBITDA ⁽³⁾	157.9	154.4	(2.2%)	310.6	306.6	(1.3%)
EBITDA Margin	49.1%	45.3%	(3.9pp)	46.6%	45.2%	(1.4pp)
Telco	152.6	144.9	(5.0%)	294.4	288.4	(2.0%)
EBITDA Margin	47.7%	43.0%	(4.7pp)	45.1%	42.9%	(2.2pp)
Cinema Exhibition and Audiovisuals	5.3	9.5	80.6%	16.2	18.2	12.3%
EBITDA Margin	58.8%	71.2%	12.4pp	52.6%	78.8%	26.1pp
Depreciation and Amortization	(101.2)	(103.4)	2.2%	(201.7)	(204.8)	1.6%
(Other Expenses) / Income	(3.8)	(1.7)	(55.9%)	(49.5)	(6.0)	(87.9%)
Operating Profit (EBIT) ⁽⁴⁾	52.9	49.3	(6.7%)	59.4	95.8	61.2%
Share of profits (losses) of associates and joint ventures	(0.9)	(0.5)	n.a.	(9.8)	2.3	n.a.
(Financial Expenses) / Income	(5.6)	(8.7)	55.6%	(11.3)	(17.9)	58.3%
Leases Financial Expenses	(1.6)	(6.4)	301.5%	(3.2)	(13.0)	307.8%
Funding & Other Financial Expenses	(4.0)	(2.2)	(43.7%)	(8.1)	(4.9)	(39.5%)
Income Before Income Taxes	46.4	40.2	(13.4%)	38.4	80.2	109.2%
Income Taxes	(7.5)	3.0	(140.4%)	(10.3)	(6.5)	(36.7%)
Net Income Before Associates & Non-Controlling Interests	39.9	43.7	9.6%	37.8	71.4	88.8%
Income From Continued Operations	38.9	43.2	11.0%	28.0	73.7	162.8%
o.w. Attributable to Non-Controlling Interests	0.2	(0.1)	(193.4%)	0.5	(0.2)	(130.9%)
Discontinued Operations	6.3	0.0	(100.0%)	6.4	0.0	(100.0%)
Net Income	45.3	43.3	(4.4%)	35.0	73.9	111.2%

⁽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

Total Revenues amounted to 341.0 million euros in 2Q21, reflecting an acceleration in the pace of yoy growth of our core telco revenues to 5.3%, which compares with +0.8% yoy in 1Q21 and +1.0% in 4Q20. The yearly comparison is helped by the fact that premium sports channel billing was suspended during the months of April and May last year, due to the absence of live sports events in that period. Also our roaming revenues lapped in 2Q21, posting yoy growth in the quarter. Excluding premium sports and roaming, Telecom revenues grew by 2.0% yoy.

B2C revenues growth accelerated to 4.3% yoy, with good performance from all revenue streams, including Fixed Residential, Personal and Equipment Sales, and more than compensating for the structural decline in legacy DTH revenues. B2B revenues grew by 8.9% yoy in 2Q21 to 72.9 million euros, reflecting mostly the positive trends in IT and data solutions, as previously discussed, with strong revenue growth in all subsegments, particularly in larger-sized companies. Wholesale & Other revenues posted growth of 4.8%, due to good performance in Wholesale and the slight recovery in roaming.

Cinema theatres were finally reopened on 19 April and, given that they had been closed throughout most of 2Q20, our Media and Entertainment (M&E) revenues posted significant growth of 49.2% to 13.4 million euros. Growth in revenues from our Audiovisuals division was impacted by the yoy pick-up in cinema activity and relatively steady trends in other revenue lines.

As a result of the strong yoy growth in all main operating divisions, Consolidated Revenues increased by 6.2% yoy to 341.0 million euros, with 2Q21 representing the first quarter of Consolidated Revenue growth since 4Q19.

OPEX, EBITDA and Net Results

Total OPEX in 2Q21 increased by 14.2% yoy to 186.6 million euros, reflecting higher Direct Costs of 101.6 million euros (+29.8% yoy) and Non-Direct Costs amounting to 85.0 million euros (-0.1%). The significant yoy increase in Direct Costs in 2Q21 was due to an abnormally low level of direct costs in 2Q20, due to the substantial decrease in costs of premium sports reflecting the suspension of billing of these channels during 2 out of the 3 months (April and May 2020). The yoy comparison is also impacted by the closure of cinemas throughout 2Q20.

Non-Direct Costs were stable yoy with higher commercial and customer related costs offset by a decline in other operating costs, driven by the continuous efficiency improvement measures, namely in supplies and external services and in the cinema business.

As a result of the non-recurrent drop in programming costs booked in the same quarter last year, Telco EBITDA decreased by 5.0% to 144.9 million euros. Adjusting for the impact of premium sports and roaming, Telco EBITDA should have grown by 2.2%. However, Group EBITDA declined less, 2.2%, to 154.4 million euros in 2Q21, reflecting the 80.6% recovery in the level of Cinema Exhibition and Audiovisuals EBITDA to 9.5 million euros.

EBIT declined by 6.7% yoy to 49.3 million euros, primarily reflecting the decline in EBITDA, a yoy increase in D&A of 2.2 million euros to 103.4 million euros and a reduction in Other Expenses of 2.1 million euros, to 1.7 million euros in 2Q21. Contribution from Associated Companies improved from a negative result of 0.9 million euros in 2Q20 to -0.5 million euros in 2Q21, with improved performance at ZAP.

Financial Expenses ex financial leases decreased by 43.7% to 2.2 million euros, which compares with 4.0 million euros in 2Q20. Total Financial expenses of 8.7 million euros are not directly comparable to the 5.6 million euros recorded in 2Q20, given the increase in interest from financial leases as from the end of 3Q20 due to the sale of NOS Towering. The capital component of leases is reflected in D&A. Provisions for income tax improved from negative 7.5 million euros in 2Q20 to positive 3.0 million euros in 2Q21, explained mainly by the decline in EBT and by tax incentives booked in this quarter.

Net Income posted a decline of 2.0 million euros, from 45.3 million euros in 2Q20 to 43.3 million euros in 2Q21.

CAPEX

Table 4.

CAPEX (Millions of Euros) ⁽¹⁾	2Q20	2Q21	2Q21 / 2Q20	1H20	1H21	1H21 / 1H20
Total CAPEX Excluding Leasing Contracts & Other Contractual Rights	83.5	104.1	24.7%	171.8	200.1	16.5%
Telco	79.4	101.2	27.3%	161.3	194.4	20.5%
% of Telco Revenues	24.8%	30.0%	5.2pp	24.7%	28.9%	4.2pp
o.w. Technical CAPEX	48.0	65.4	36.2%	96.5	114.4	18.6%
% of Telco Revenues	15.0%	19.4%	4.4pp	14.8%	17.0%	2.2pp
Baseline Telco	39.8	34.0	(14.6%)	69.6	72.6	4.3%
Network Expansion / Substitution and Integration Projects and Others	8.2	31.4	283.0%	26.9	41.8	55.6%
o.w. Customer Related CAPEX	31.4	35.8	13.8%	64.8	80.0	23.4%
% of Telco Revenues	9.8%	10.6%	0.8pp	9.9%	11.9%	2.0pp
Audiovisuals and Cinema Exhibition	4.1	3.0	(27.2%)	10.5	5.7	(45.7%)
Leasing Contracts & Other Contractual Rights	12.9	9.8	(23.6%)	24.1	12.7	(47.3%)
Total Group CAPEX	96.4	114.0	18.2%	195.9	212.8	8.6%

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

Telco CAPEX increased by 27.3% to 101.2 million euros, with both Technical and Customer Related CAPEX growing in comparison to 2Q20. Technical Telco CAPEX was the main contributor to the increase in Telco CAPEX, with the significant yoy and qoq growth of Network Expansion CAPEX due to the fixed and mobile network rollout and upgrade programmes underway, more than offsetting the 14.6% decline in Baseline CAPEX. Customer Related CAPEX amounted to 35.8 million euros, lower than the previous quarters although higher than the exceptionally low level recorded in 2Q20 due to the confinement driven slowdown in commercial activity.

Audiovisuals and Cinema CAPEX continued to decline significantly yoy, with a decrease of 27.2% to 3.0 million euros reflecting an optimization of content mix in the Audiovisuals division and the fact that all Cinema upgrade and modernization investments have been put on hold for the time being.

Cash Flow

Table 5.

Cash Flow (Millions of Euros)	2Q20	2Q21	2Q21 / 2Q20	1H20	1H21	1H21 / 1H20
EBITDA	157.9	154.4	(2.2%)	310.6	306.6	(1.3%)
Total CAPEX Excluding Leasings & Other Contractual Rights	(83.5)	(104.1)	24.7%	(171.8)	(200.1)	16.5%
EBITDA - Total CAPEX Excluding Leasings & Other Contractual Rights	74.3	50.3	(32.4%)	138.8	106.5	(23.3%)
% of Revenues	23.1%	14.7%	(8.4pp)	20.8%	15.7%	(5.1pp)
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	5.0	9.3	87.3%	0.4	6.1	n.a.
Leasings (Capital & Interest) ⁽¹⁾	(16.9)	(24.3)	43.9%	(32.5)	(45.4)	39.9%
Operating Cash Flow	62.4	35.2	(43.5%)	106.8	67.2	(37.1%)
Interest Paid	(5.3)	(4.4)	(16.7%)	(7.9)	(7.9)	(0.3%)
Income Taxes Paid	(0.3)	0.1	n.a.	(3.9)	(1.4)	(64.3%)
Disposals	0.1	1.0	n.a.	0.1	1.2	n.a.
Other Cash Movements ⁽²⁾	(3.3)	(1.9)	(41.2%)	(6.9)	(7.9)	14.0%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	53.5	29.9	(44.0%)	88.1	51.1	(42.0%)
Financial Investments	1.8	0.2	(89.2%)	1.8	0.4	(77.5%)
Acquisition of Own Shares	(2.9)	0.0	(100.0%)	(2.9)	(2.1)	(28.0%)
Dividends	0.0	(142.4)	n.a.	0.0	(142.4)	n.a.
Free Cash Flow	52.5	(112.2)	n.a.	87.1	(92.9)	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	0.2	0.6	156.0%	(2.8)	(0.1)	(97.5%)
Change in Net Financial Debt	(52.7)	111.6	n.a.	(84.2)	93.0	n.a.

⁽¹⁾ Includes Long Term Contracts.

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

EBITDA-CAPEX declined by 32.4% in 2Q21 to 50.3 million euros, as a result of the previously discussed reduction in EBITDA and growth in CAPEX. Non-Cash Items and Changes in Working Capital improved by 4.3 million euros yoy, and, as anticipated, Leasings related charges increased yoy due to the sale of NOS Towering at the end of 3Q20, reaching 24.3 million euros. Combining these effects, Operating Cash Flow posted a 43.5% decline to 35.2 million euros in 2Q21.

Free Cash Flow Before Dividends reached 29.9 million euros in 2Q21, a 44.0% decline in comparison to 2Q20.

Consolidated Balance Sheet

Table 6.

Balance Sheet (Millions of Euros)	1H20	2020	1H21	1H21 / 1H20
Non-current Assets	2,405.9	2,557.5	2,565.0	6.6%
Current Assets	444.0	615.2	486.1	9.5%
Total Assets	2,971.4	3,172.6	3,051.1	2.7%
Total Shareholders' Equity	901.9	956.2	889.2	(1.4)%
Non-current Liabilities	1,109.0	1,487.8	1,347.5	21.5%
Current Liabilities	902.8	728.6	814.5	(9.8)%
Total Liabilities	2,069.5	2,216.4	2,162.0	4.5%
Total Liabilities and Shareholders' Equity	2,971.4	3,172.6	3,051.1	2.7%

Capital Structure and Funding

At the end of 1H21, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,446.5 million euros. Net Financial Debt stood at 895.0 million euros with a cash and short-term investment position on the balance sheet of 29.4 million euros.

At the end of 1H21, NOS also had 295.5 million euros in unissued commercial paper programmes.

Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.8x. 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 1.4% for 2Q21, which compares with 1.3% in 2Q20. For 1H21, NOS' all-in average cost of debt stood at 1.5%.

The average maturity of debt at the end of 1H21 was 2.6 years. Taking into account loans issued at a fixed rate and interest rate hedging operations in place, as at 30 June 2021, the proportion of NOS' issued debt paying interest at a fixed rate was approximately 100%.

In 2Q21, NOS has secured 150 million euros of sustainability linked loans, with a bullet maturity in 2026, with Millennium bcp, BBVA and Banco BPI. With these transactions, NOS tangibly links a portion of its cost of debt to its performance in Sustainability, strengthening and reflecting its strategic relevance and the commitment, at all levels of the Organization, to reach best-in-class targets in ESG indicators (Environmental, Social and Corporate Governance).

Table 7.

Net Financial Debt (Millions of Euros)	1H20	2020	1H21	1H21 / 1H20
Short Term	134.8	100.8	187.3	39.0%
Medium and Long Term	891.6	854.5	737.1	(17.3%)
Total Debt	1,026.4	955.3	924.4	(9.9%)
Cash and Short Term Investments	17.1	153.3	29.4	72.5%
Net Financial Debt ⁽¹⁾	1,009.4	802.0	895.0	(11.3%)
Net Financial Debt / EBITDA after lease payments (last 4 quarters) ⁽²⁾	1.8x	1.5x	1.8x	n.a.
Leasings and Long Term Contracts	210.8	575.3	551.5	161.7%
Net Debt	1,220.2	1,377.4	1,446.5	18.6%
Net Debt / EBITDA	2.0x	2.3x	2.4x	n.a.
Net Financial Gearing ⁽³⁾	57.7%	59.2%	62.1%	4.4pp

(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	2Q21
Telco ⁽¹⁾						
Homes Passed	4,639.5	4,689.9	4,796.0	4,806.7	4,916.3	4,986.1
Total RGUs	9,695.3	9,747.4	9,871.8	9,919.1	9,902.2	10,000.2
o.w. Consumer RGUs	8,212.6	8,243.8	8,351.9	8,390.8	8,370.4	8,459.8
o.w. Business RGUs	1,482.7	1,503.7	1,520.0	1,528.3	1,531.7	1,540.4
Mobile	4,847.1	4,869.9	4,972.0	5,007.8	4,992.1	5,084.9
Pre-Paid	1,983.2	1,957.7	1,998.1	1,991.7	1,937.0	1,957.5
Post-Paid	2,863.9	2,912.2	2,973.9	3,016.1	3,055.1	3,127.3
Pay TV Fixed Access ⁽²⁾	1,347.8	1,351.2	1,360.2	1,362.7	1,363.8	1,370.8
Pay TV DTH	283.7	283.4	282.2	279.7	275.7	268.7
Fixed Voice	1,756.7	1,766.7	1,769.3	1,774.2	1,770.9	1,770.4
Broadband	1,424.5	1,439.8	1,451.5	1,457.6	1,461.8	1,466.5
Others and Data	35.5	36.4	36.5	37.2	38.0	39.0
3,4&5P Subscribers (Fixed Access)	1,206.3	1,213.5	1,224.9	1,230.4	1,236.0	1,247.7
% 3,4&5P (Fixed Access)	89.5%	89.8%	90.1%	90.3%	90.6%	91.0%
Convergent + Integrated RGUs	4,754.6	4,823.9	4,890.7	4,956.0	5,002.0	5,060.5
Convergent + Integrated Customers	942.3	957.5	967.6	976.7	985.8	993.8
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	60.8%	61.6%	62.0%	62.4%	62.9%	63.3%
% Convergent + Integrated Customers	57.8%	58.6%	58.9%	59.5%	60.1%	60.6%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.4	42.4	43.5	44.3	43.6	44.3
Net Adds						
Homes Passed	27.0	50.4	106.1	10.7	109.5	69.8
Total RGUs	19.2	52.1	124.4	47.3	(16.9)	98.1
o.w. Consumer RGUs	19.2	31.2	108.1	38.9	(20.3)	89.4
o.w. Business RGUs	(0.0)	21.0	16.3	8.3	3.4	8.7
Mobile	(4.0)	22.8	102.1	35.7	(15.7)	92.8
Pre-Paid	(25.0)	(25.5)	40.4	(6.5)	(54.7)	20.5
Post-Paid	21.0	48.4	61.7	42.2	39.0	72.3
Pay TV Fixed Access	3.1	3.4	9.0	2.5	1.0	7.0
Pay TV DTH	1.1	(0.2)	(1.2)	(2.6)	(4.0)	(7.0)
Fixed Voice	8.0	10.0	2.6	4.8	(3.3)	(0.5)
Broadband	10.2	15.3	11.8	6.1	4.2	4.7
Others and Data	0.7	0.8	0.1	0.7	0.8	1.0
3,4&5P Subscribers (Fixed Access)	5.7	7.3	11.4	5.5	5.5	11.8
Convergent + Integrated RGUs	50.1	69.3	66.8	65.3	45.9	58.6
Convergent + Integrated Customers	11.6	15.2	10.1	9.1	9.0	8.1

(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	2Q21
Operating Revenues	345.4	321.3	346.9	354.3	1,367.9	337.4	341.0
Telco	332.9	319.9	342.7	350.2	1,345.7	335.7	336.7
Consumer Revenues	244.0	236.3	248.3	253.4	981.9	243.5	246.4
Business Revenues	71.9	66.9	70.7	79.5	289.1	73.2	72.9
Wholesale and Others	17.0	16.6	23.7	17.3	74.7	18.9	17.4
Audiovisuals & Cinema ⁽¹⁾	21.8	8.9	11.1	11.9	53.8	9.7	13.4
Others and Eliminations	(9.3)	(7.6)	(6.9)	(7.9)	(31.6)	(8.0)	(9.1)
Operating Costs Excluding D&A	(192.7)	(163.4)	(186.4)	(222.3)	(764.7)	(185.3)	(186.6)
Direct Costs	(97.7)	(78.2)	(99.0)	(115.2)	(390.1)	(99.6)	(101.6)
Non-Direct Costs ⁽²⁾	(95.0)	(85.1)	(87.4)	(107.1)	(374.6)	(85.6)	(85.0)
EBITDA ⁽³⁾	152.7	157.9	160.6	132.0	603.2	152.2	154.4
EBITDA Margin	44.2%	49.1%	46.3%	37.3%	44.1%	45.1%	45.3%
Telco	141.8	152.6	155.5	123.7	573.6	143.5	144.9
EBITDA Margin	42.6%	47.7%	45.4%	35.3%	42.6%	42.8%	43.0%
Cinema Exhibition and Audiovisuals	10.9	5.3	5.1	8.3	29.6	8.7	9.5
EBITDA Margin	50.1%	58.8%	46.0%	69.9%	55.1%	89.1%	71.2%
Depreciation and Amortization	(100.5)	(101.2)	(103.6)	(104.6)	(409.8)	(101.4)	(103.4)
(Other Expenses) / Income	(45.7)	(3.8)	(4.3)	(2.2)	(56.0)	(4.3)	(1.7)
Operating Profit (EBIT) ⁽⁴⁾	6.5	52.9	52.7	25.2	137.3	46.4	49.3
Share of profits (losses) of associates and joint ventures	(8.8)	(0.9)	0.6	0.0	(9.1)	2.8	(0.5)
(Financial Expenses) / Income	(5.7)	(5.6)	(5.3)	(10.1)	(26.6)	(9.2)	(8.7)
Leases Financial Expenses	(1.6)	(1.6)	(1.6)	(6.7)	(11.5)	(6.5)	(6.4)
Funding & Other Financial Expenses	(4.1)	(4.0)	(3.7)	(3.4)	(15.2)	(2.7)	(2.2)
Income Before Income Taxes	(8.0)	46.4	48.1	15.2	101.6	40.1	40.2
Income Taxes	(2.9)	(7.5)	(4.0)	(2.1)	(16.3)	(9.5)	3.0
Net Income Before Associates & Non-Controlling Interests	(2.0)	39.9	43.5	13.1	94.3	27.7	43.7
Income From Continued Operations	(10.9)	38.9	44.1	13.1	85.2	30.5	43.2
o.w. Attributable to Non-Controlling Interests	0.4	0.2	0.0	(0.2)	0.4	(0.0)	(0.1)
Discontinued Operations	0.1	6.3	0.0	0.0	6.4	0.0	0.0
Net Income	(10.4)	45.3	44.1	12.9	92.0	30.5	43.3

⁽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	2Q21
Total CAPEX Excluding Leasing Contracts & Other Contractual Rights	88.2	83.5	97.8	115.4	384.9	96.0	104.1
Telco	81.8	79.4	92.0	110.8	364.1	93.2	101.2
% of Telco Revenues	24.6%	24.8%	26.9%	31.6%	27.1%	27.8%	30.0%
o.w. Technical CAPEX	48.5	48.0	51.6	66.2	214.2	49.0	65.4
% of Telco Revenues	14.6%	15.0%	15.0%	18.9%	15.9%	14.6%	19.4%
Baseline Telco	29.8	39.8	32.4	37.7	139.7	38.6	34.0
Projects and Others	18.7	8.2	19.2	28.5	74.5	10.4	31.4
o.w. Customer Related CAPEX	33.4	31.4	40.5	44.6	149.9	44.2	35.8
% of Telco Revenues	10.0%	9.8%	11.8%	12.7%	11.1%	13.2%	10.6%
Audiovisuals and Cinema Exhibition	6.4	4.1	5.8	4.6	20.8	2.7	3.0
Leasing Contracts & Other Contractual Rights	11.3	12.9	11.3	59.1	94.5	2.9	9.8
Total Group CAPEX	99.5	96.4	109.1	174.5	479.4	98.8	114.0

⁽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	2Q21
EBITDA	152.7	157.9	160.6	132.0	603.2	152.2	154.4
Total CAPEX Excluding Leasings & Other Contractual Rights	(88.2)	(83.5)	(97.8)	(115.4)	(384.9)	(96.0)	(104.1)
EBITDA - Total CAPEX Excluding Leasings & Other Contractual Rights	64.5	74.3	62.8	16.6	218.3	56.2	50.3
% of Revenues	18.7%	23.1%	18.1%	4.7%	16.0%	16.7%	14.7%
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(4.5)	5.0	(15.1)	(0.4)	(15.1)	(3.2)	9.3
Leasings (Capital & Interest) ⁽¹⁾	(15.6)	(16.9)	(16.8)	(26.4)	(75.7)	(21.1)	(24.3)
Operating Cash Flow	44.4	62.4	30.8	(10.1)	127.5	31.9	35.2
Interest Paid	(2.6)	(5.3)	(2.9)	(1.0)	(11.8)	(3.5)	(4.4)
Income Taxes Paid	(3.6)	(0.3)	(16.7)	(13.2)	(33.9)	(1.5)	0.1
Disposals	0.0	0.1	374.2	0.1	374.4	0.2	1.0
Other Cash Movements ⁽²⁾	(3.6)	(3.3)	(3.3)	(0.8)	(11.0)	(5.9)	(1.9)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	34.6	53.5	382.1	(24.9)	445.3	21.2	29.9
Financial Investments	0.0	1.8	0.3	0.2	2.3	0.2	0.2
Acquisition of Own Shares	0.0	(2.9)	(0.5)	(2.4)	(5.7)	(2.1)	0.0
Dividends	0.0	0.0	(142.5)	0.0	(142.5)	0.0	(142.4)
Free Cash Flow	34.6	52.5	239.4	(27.2)	299.3	19.3	(112.2)
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(3.1)	0.2	(1.5)	(3.4)	(7.7)	(0.7)	0.6
Change in Net Financial Debt	(31.5)	(52.7)	(237.9)	30.6	(291.6)	(18.7)	111.6

⁽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	2Q21
Short Term	23.1	134.8	97.2	100.8	249.6	187.3
Medium and Long Term	1,104.4	891.6	854.6	854.5	705.0	737.1
Total Debt	1,127.5	1,026.4	951.8	955.3	954.6	924.4
Cash and Short Term Investments	65.4	17.1	180.3	153.3	171.2	29.4
Net Financial Debt ⁽¹⁾	1,062.1	1,009.4	771.5	802.0	783.4	895.0
Net Financial Debt / EBITDA after lease payments (last 4 quarters) ⁽²⁾	1.9x	1.8x	1.4x	1.5x	1.5x	1.8x
Leasings and Long Term Contracts	249.0	210.8	576.4	575.3	560.4	551.5
Net Debt	1,311.1	1,220.2	1,347.9	1,377.4	1,343.8	1,446.5
Net Debt / EBITDA	2.1x	2.0x	2.2x	2.3x	2.2x	2.4x
Net Financial Gearing ⁽³⁾	56.8%	57.7%	59.0%	59.2%	57.8%	62.1%

(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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Conf. Call – 22 July – 12:00pm	Webcast – 22 July – 12:00pm
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