

2Q20 Results Conference Call

23 July 2020



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Highlights 2Q20

- All main financial and operational impacts of the pandemic previously highlighted persisted in 2Q20, to a greater extent, given they lasted almost the entire quarter;
- Resilient performance of core telecom operations, with commercial activity starting to pick-up with the deconfinement from mid-May;
- Cinema exhibition and distribution contributed with no revenues this quarter, cinemas reopened on 2 July; Stable performance of remaining Audiovisuals revenue lines;
- Technological investments were lower yoy, due to phasing of deployment plans which remain on track within the context of the FttH network rollout and phasing of mobile upgrade investment; Customer Related CAPEX was stable yoy reflecting a pickup in sales and retention activity with gradual deconfinement from mid-May;
- Robust FCF generation of 53.5 million euros, falling less than EBITDA due to yoy savings in CAPEX;
- Debt reduction due to postponement of dividend distribution to 3Q20, sustaining solid capital structure with 1.8x Net Financial Debt / EBITDA AL;



1. Excluding Leasings. 2. Including Leasings.



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- I. Solid telco operating performance
- II. COVID 19 Impact – gradual deconfinement
- III. Resilient financial performance

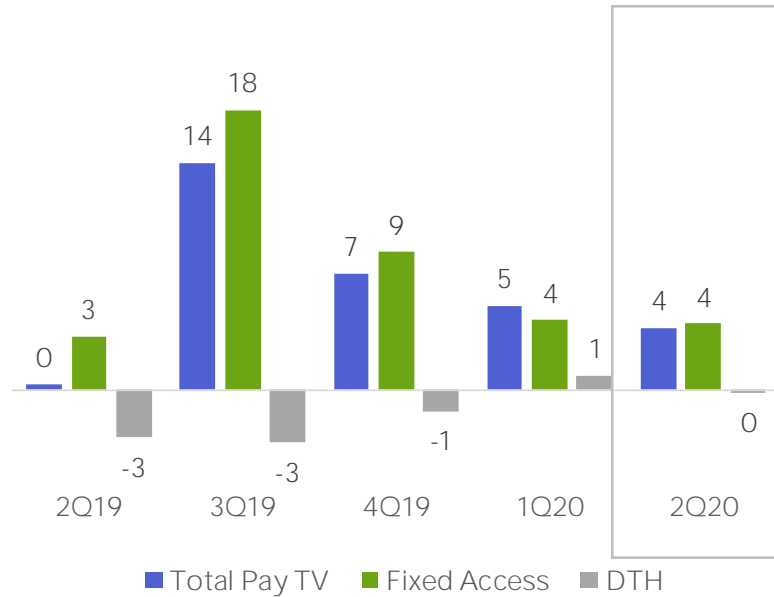


Solid telco operating performance

Solid performance in Fixed Pay TV, yoy improvements in Fixed BB and Voice; Good growth in post-paid mobile subscribers

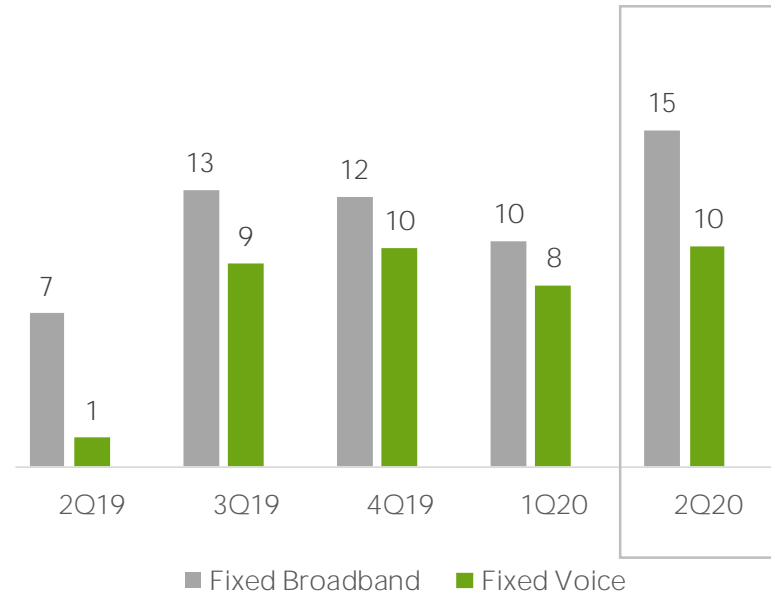
Fixed Access Pay TV – Net Adds

[Thousands]



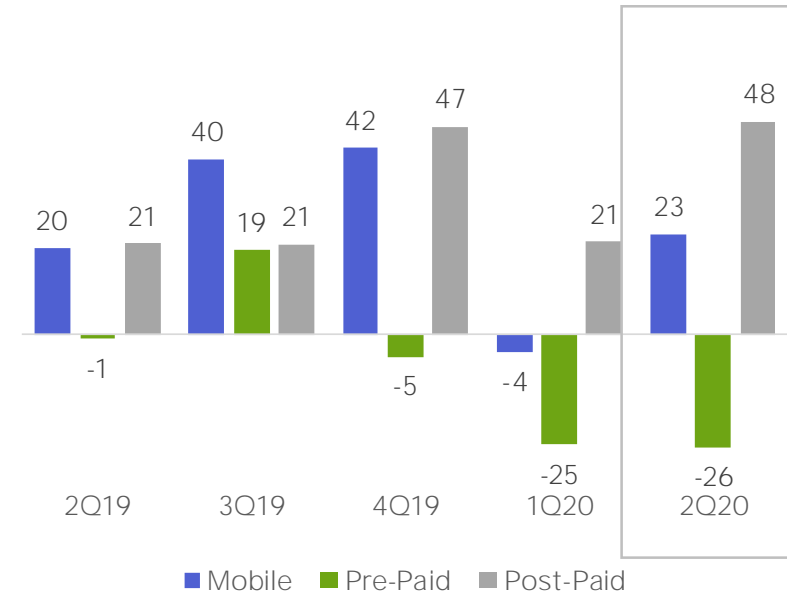
Fixed BB and Fixed Voice – Net Adds

[Thousands]



Mobile – Net Adds

[Thousands]

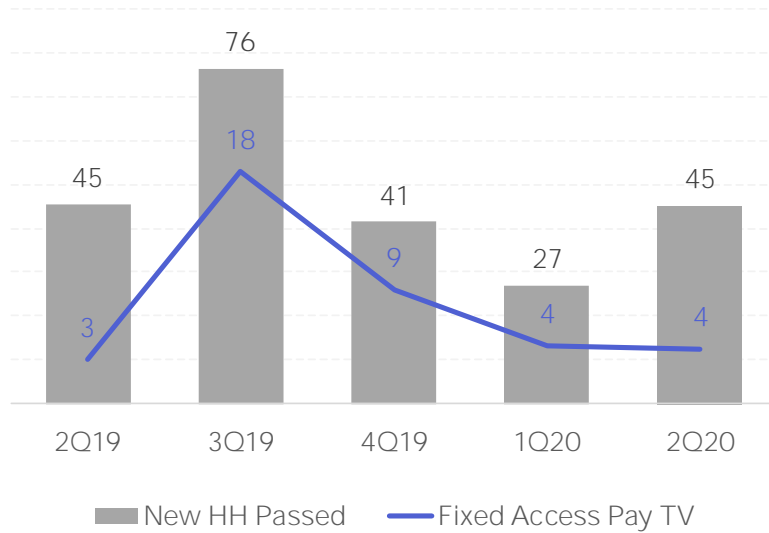




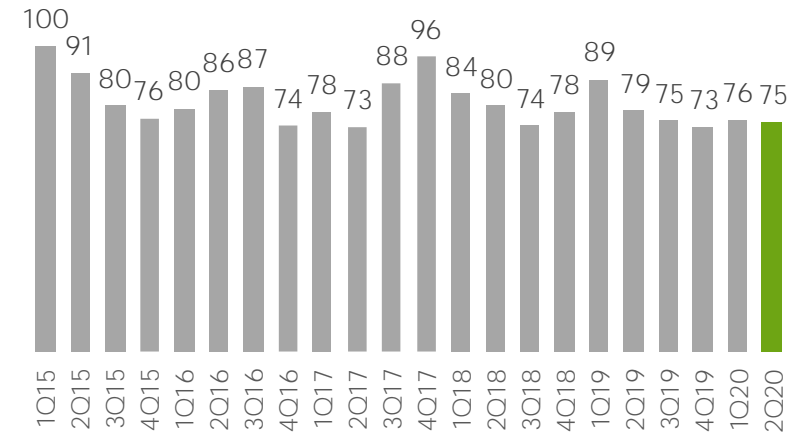
Solid telco operating performance

Pay TV growth continues to be supported by network expansion and lower yoy churn

NOS network expansion / Fixed Pay TV Net Adds [Thousands]



Fixed Residential Churn [Rebased, 1Q15 = 100]

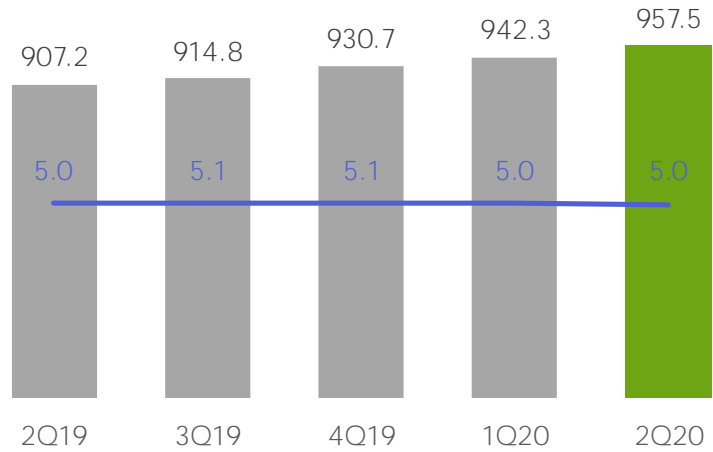




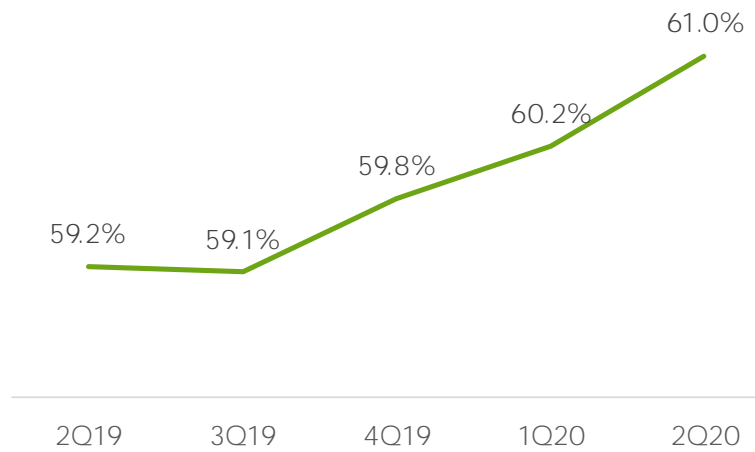
Solid telco operating performance

Acceleration of Convergent + Integrated customer growth trend; ARPU under pressure mainly from premium sports revenues

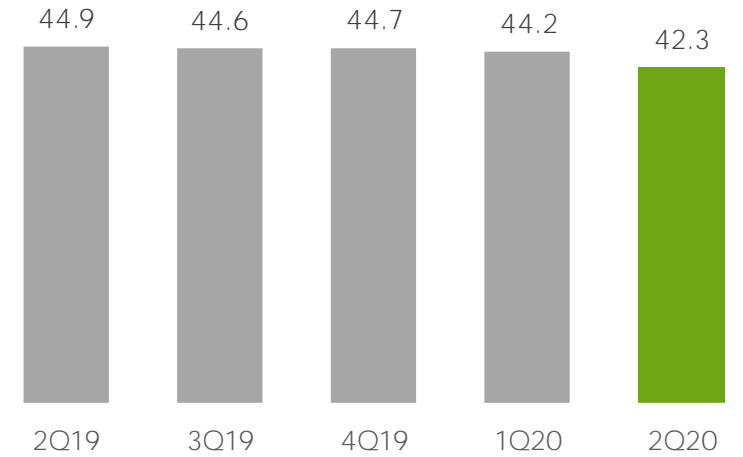
Convergent+Integrated Subscribers, RGUs per Sub
[Thousands, Unit]



Convergent+Integrated Penetration of Fixed Access Subscribers
[%]



Fixed Residential ARPU
[Euros]





New B2C offers – innovation, segmentation and reinforced equipment and additional services campaigns; **“WOO”, the app for customers who only want Broadband**

“Era WOO que faltava”



- **“WOO”** : a new brand with a 100% digital and disruptive value proposition addressing an emerging segment: Digital Champions;
- Everything is done through the **“WOO”** app: customers can subscribe in less than 3 minutes and manage their services exclusively through an app (no stores, call centres, etc);
- Offer centred on broadband (fixed and mobile) without TV and a new approach to managing the customer relationship

Digital adults are an increasingly relevant segment:

- 25-44, urban, digital is their natural habitat
- Heavy users of streaming services who do not value traditional TV
- Preference for online shopping and financial management

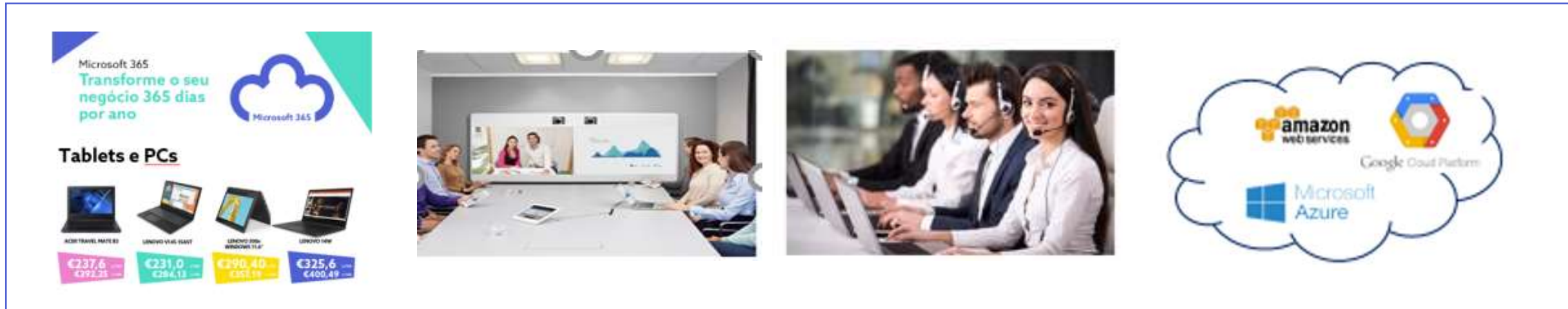
Accelerating **NOS’ digital** transformation and learning process

Digital Ways of working, digital customer experience design, customer behaviour, formats and digital marketing strategies



Solid telco operating performance

B2B: Focus on partnership and proximity, ensuring agile and resilient response



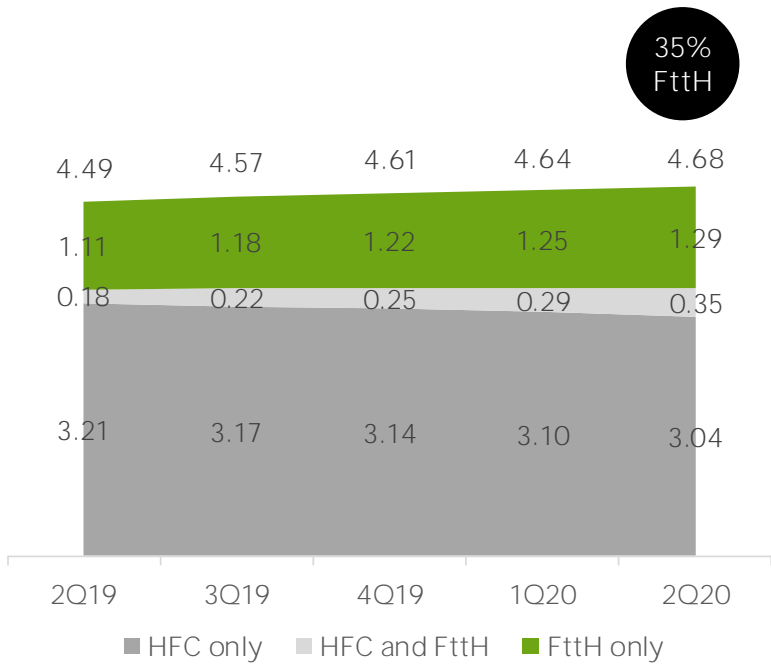
- Negative revenue impact from contract renegotiation due to **clients' complete shutdown of activities**, partially offset by provision of more data and IT managed services;
- Opportunity for transformation helping clients deal with the challenges of going remote and moving to digital platforms and new sources of revenues from equipment sales;
- Launch of a digital first, agile development programme targeting the SME segments, with 9 main service offerings in the IT and security arena;
- Strategic partnerships signed with key cloud platforms in recent months, Google, AWS and Azure, positioning NOS as a preferred, specialist partner for hybrid cloud solutions.



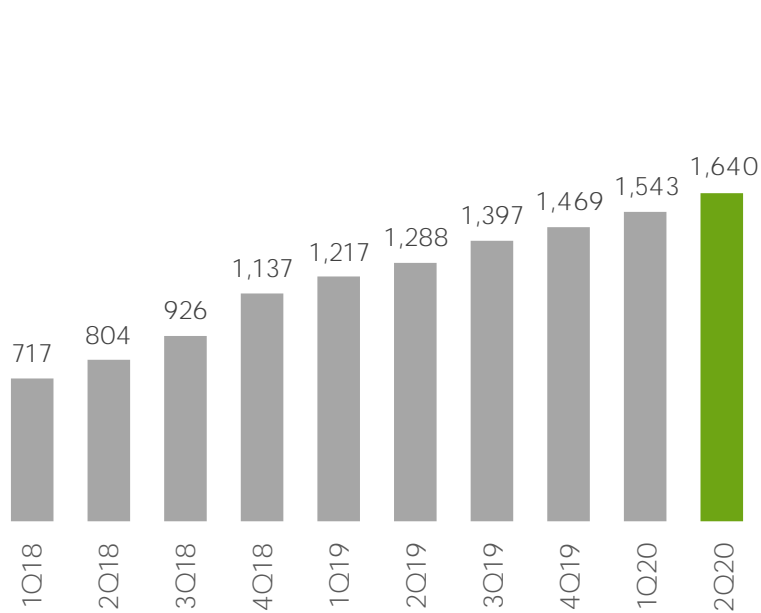
Solid telco operating performance

FttH deployment on track and best in class technological response to increased traffic volumes

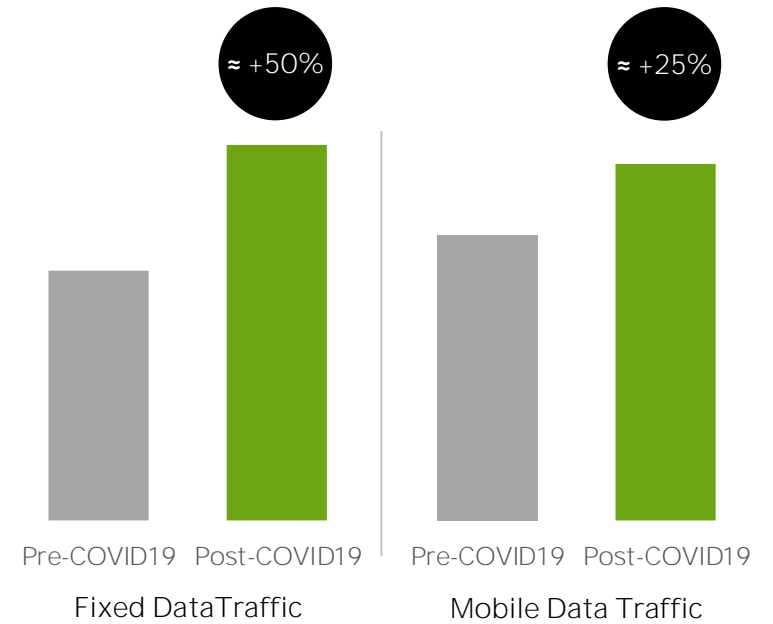
Total Network Coverage [Millions of Homes, including brownfield]



Homes Passed with FttH [K Homes, including brownfield]



Traffic Evolution [%]





Tower Sale and Mobile Network Sharing

NOS TOWERING

Competition Authority non-opposition, formalities of closure underway

- Competition Authority announced non-opposition to agreement to sell “**NOS TOWERING**” to Cellnex on 7 July;
- Final closing dependent on internal formalities
- Once completed, NOS will be able to move ahead with technological optimization initiatives and expansion of our state-of-the-art mobile network;
- 2,000 sites with agreement for additional 400 in 6 years;
- Potential value of 550 million euros, with upfront payment of approximately 375 million euros;
- OCF impact of 22 million euros in Year 1;
- EV/OCF ~17x (2k sites) and ~25x (full perimeter).

MOBILE NETWORK SHARING

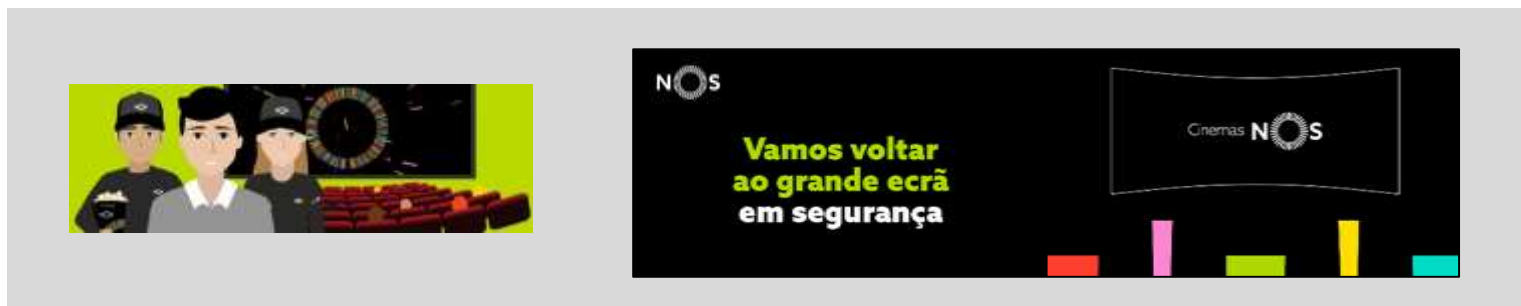
Ongoing exclusive negotiations with Vodafone

- For a mobile network sharing agreement;
- To enhance investment efficiency;
- To achieve larger and faster coverage of the national territory;
- Deliver a reinforced service with more benefits for customers;
- Significant contribution to the economic and digital development of the country;
- Each operator will maintain exclusive strategic control of their networks and independence in the definition and provision of customer service.



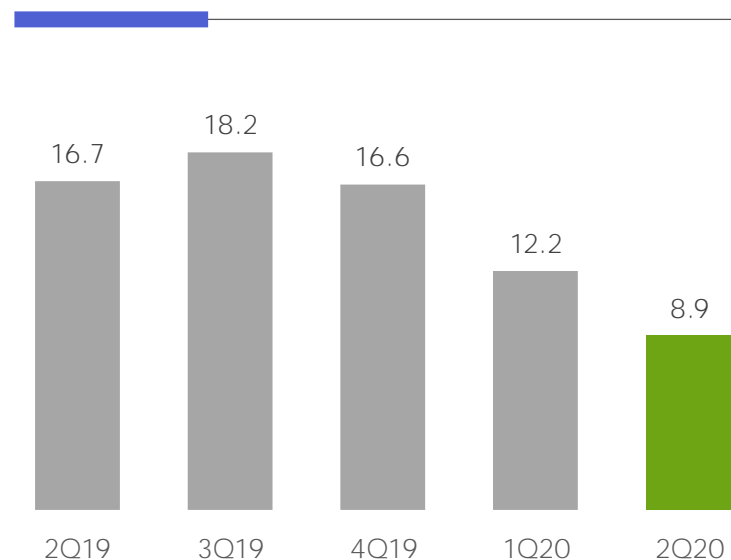
Solid telco operating performance

Cinemas closed throughout 2Q20, opening on 2 July. Good performance in non-Cinema Distribution Audiovisuals revenues



- Reinforced health and safety and social distancing measures implemented in preparation for 2 July reopening;
- Online ticket and bar sales encouraged through the NOS Cinemas App;
- Implementation of cost cutting measures – rental reduction and decrease of temporary headcount;
- Sales set for slow recovery given social distancing restrictions and continued delays in high box-office sales premieres such as Top Gun, Minions, Soul, Wonderwoman and **Hitman's Wife's Bodyguard**, originally set for 3Q20;

NOS Audiovisuals Revenues [Millions of Euros]



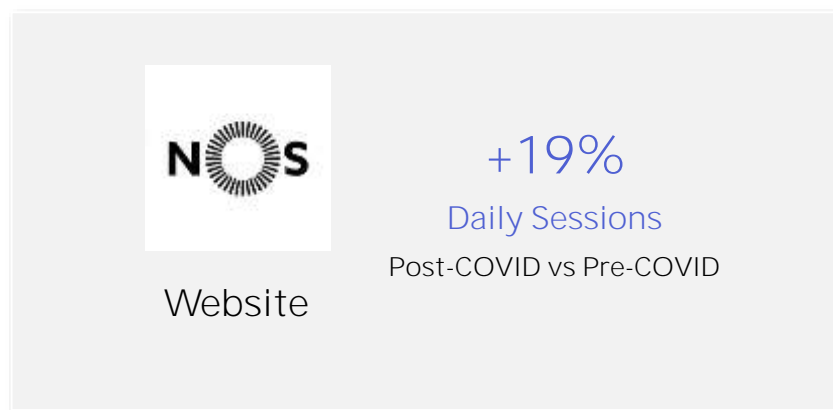
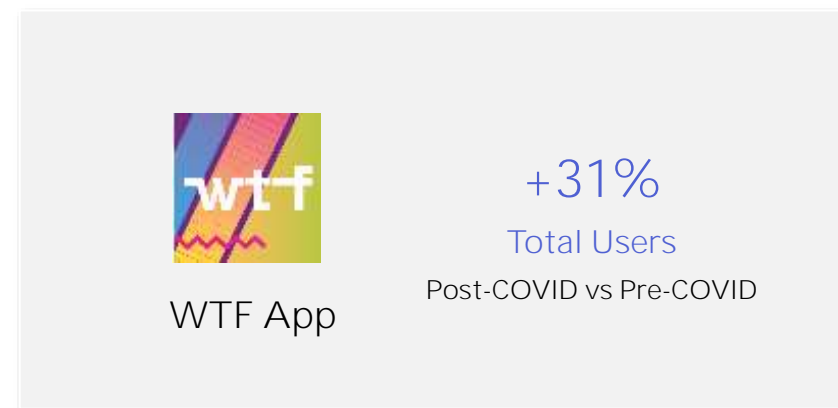
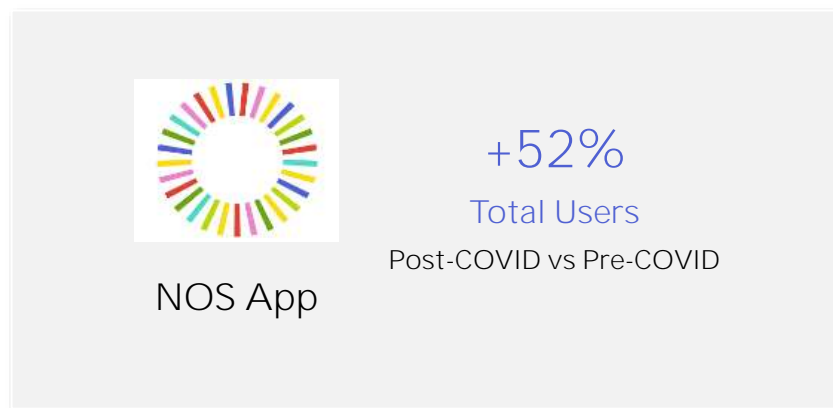


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- I. Solid telco operating performance
- II. COVID 19 Impact – gradual deconfinement
- III. Resilient telco financial performance

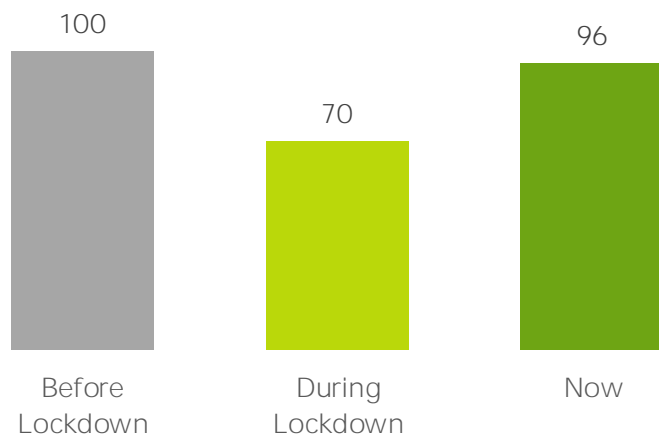


Strong growth in the adoption of digital platforms, leveraging on transformation programme developments

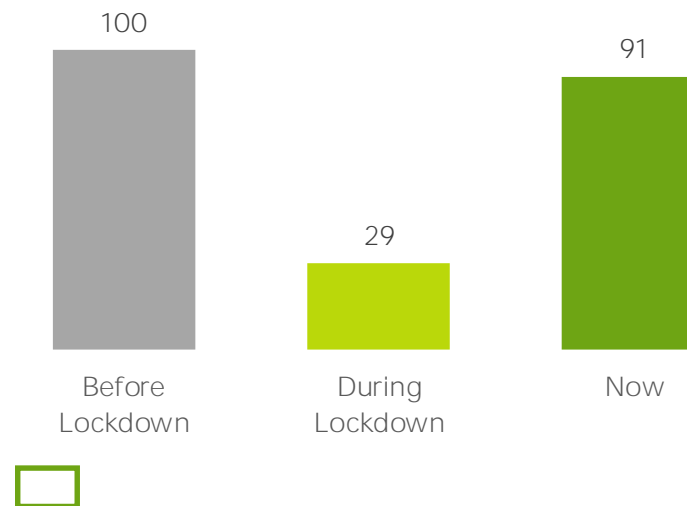


Store reopening almost complete and traffic recovering gradually

Stores Open [Before Lockdown, Base 100]



Store Traffic [Before Lockdown, Base 100]





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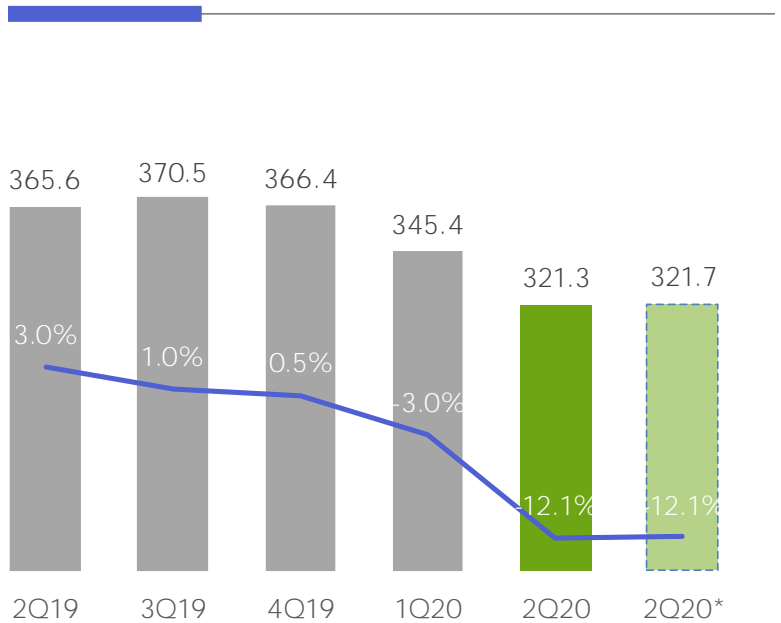
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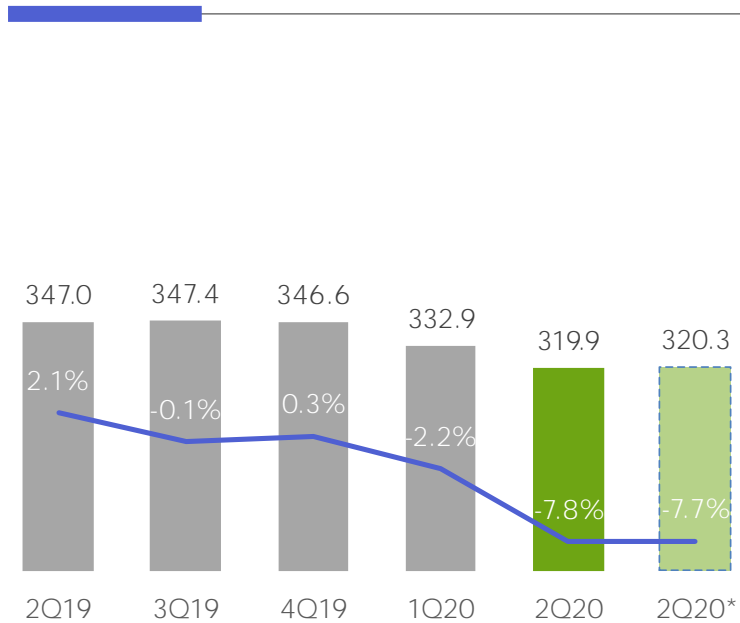
Resilient financial performance

Revenue decline in Telco driven by premium sports channels, roaming and lower DTH subscribers yoy; Cinemas were closed for the entire quarter in 2Q20.

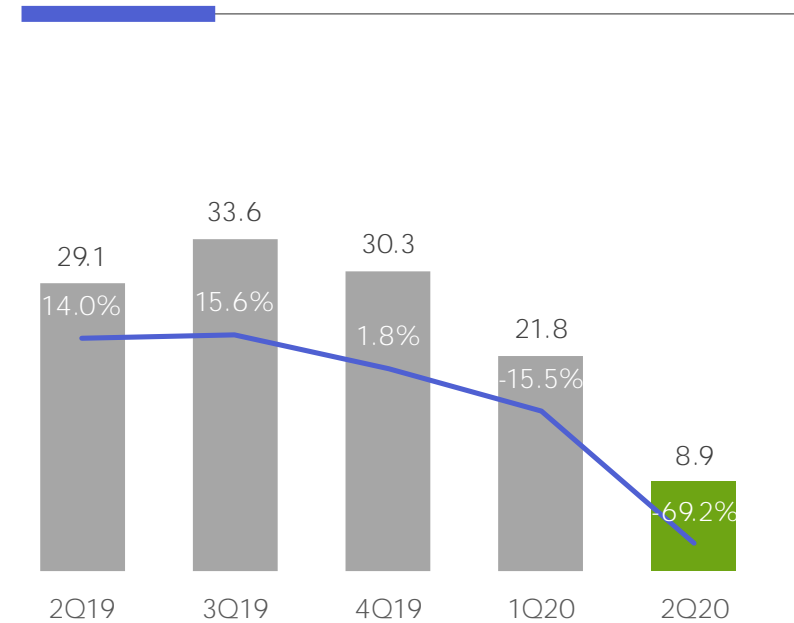
Consolidated Revenues and YoY Change [Millions of Euros, %]



Telco Revenues and YoY Change [Millions of Euros, %]



AV & Cinema Revenues and YoY Change [Millions of Euros, %]



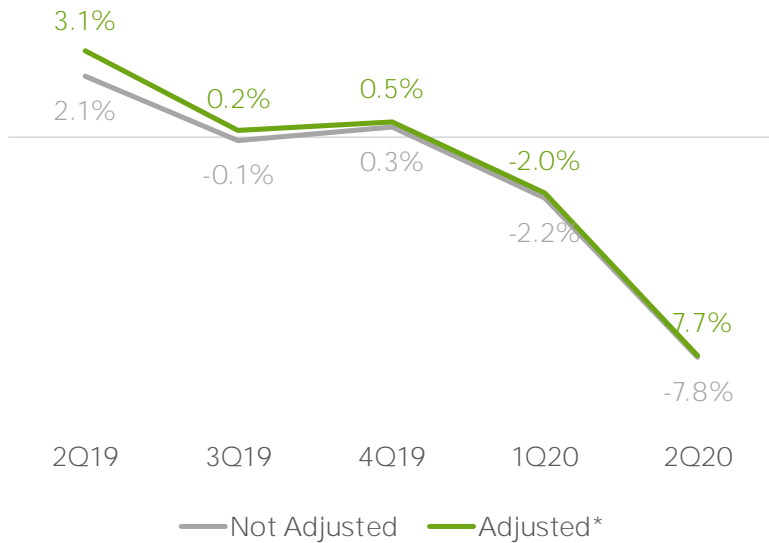
* Revenues adjusted for the regulatory imposition of international call caps within Europe.



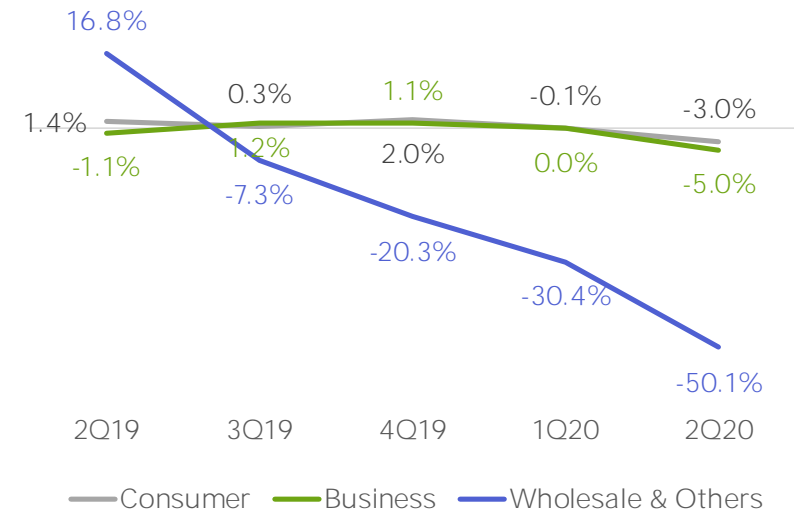
Resilient financial performance

Relative resilience in Consumer and B2B, while Wholesale & Others were impacted by roaming and mass calling services decline in the context of the COVID-19 pandemic

Telco Revenue Growth [%]



Consumer, Business, Wholesale & Others YoY Change [%]



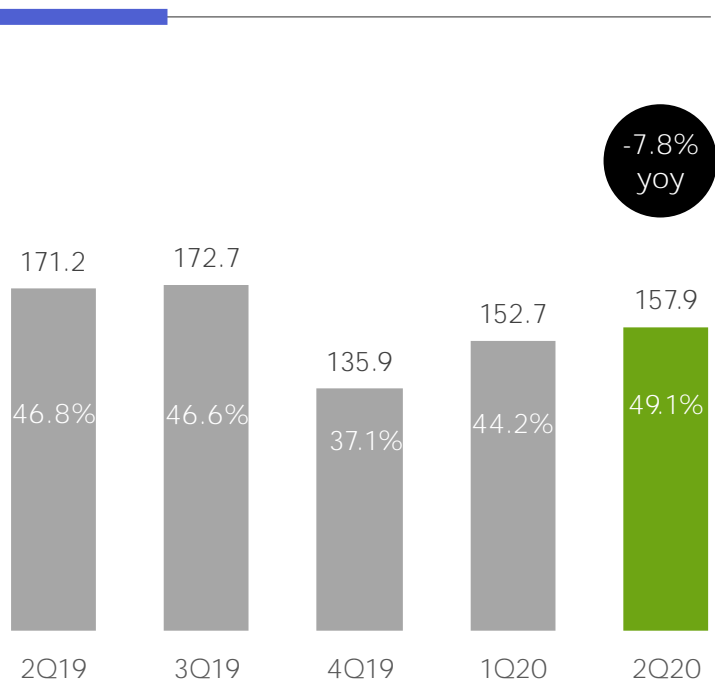
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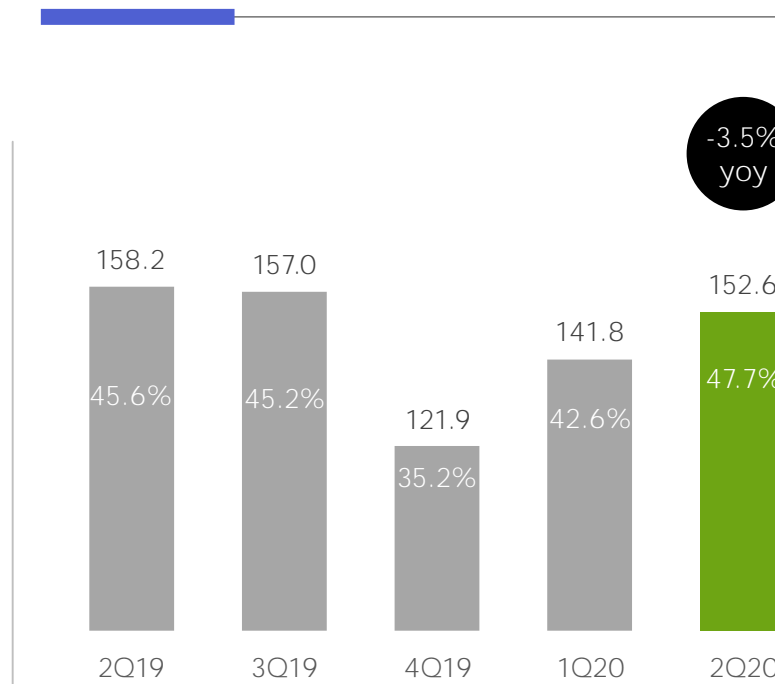
Resilient financial performance

COVID-19 impact felt at the EBITDA level, despite declining less than Revenues in both Telco and Cinema & Audiovisuals

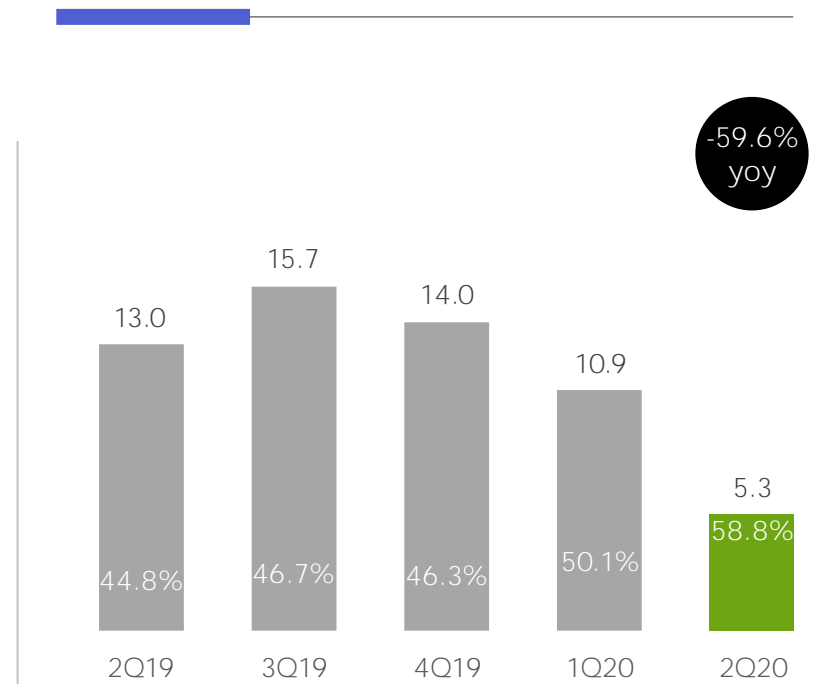
Consolidated EBITDA, EBITDA Margin [Millions of Euros, %]



Telco EBITDA, EBITDA Margin [Millions of Euros, %]



AV & Cinema EBITDA, EBITDA Margin [Millions of Euros, %]

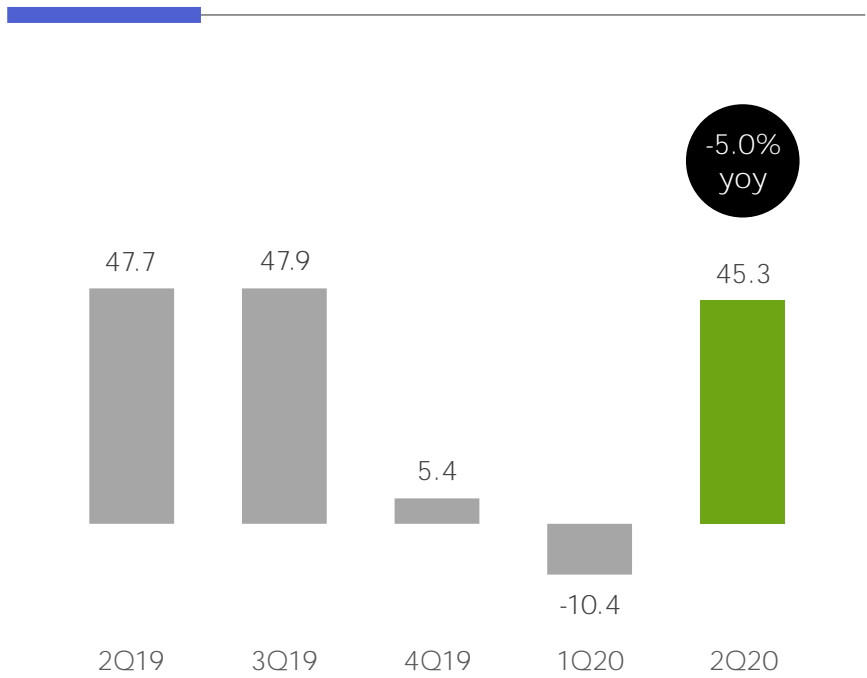




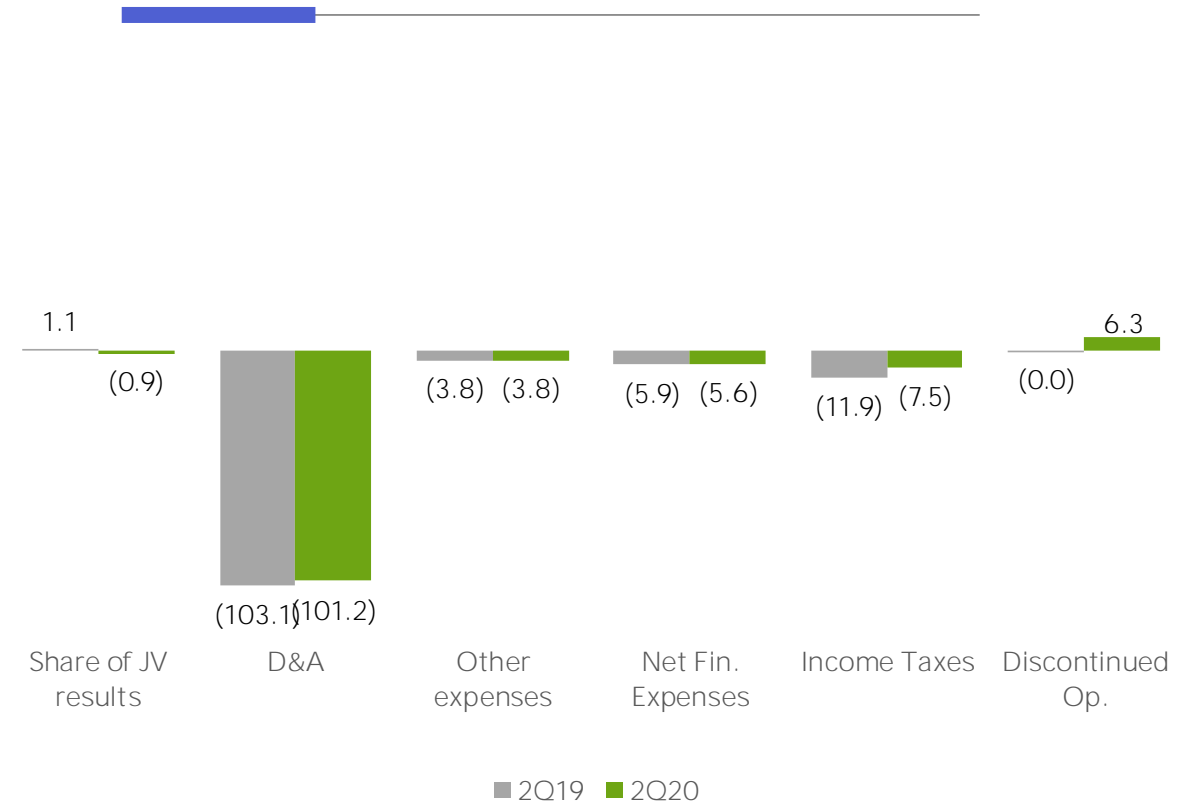
Resilient financial performance

Net Income decline due to COVID-19 impact at the EBITDA level

Consolidated Net Income [Millions of Euros]



Cost breakdown below EBITDA [Millions of Euros]

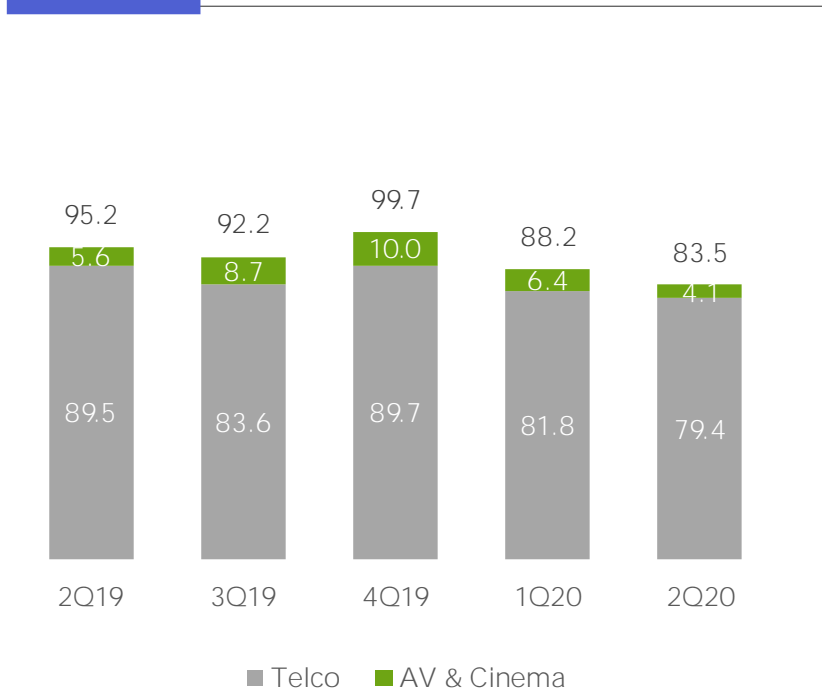




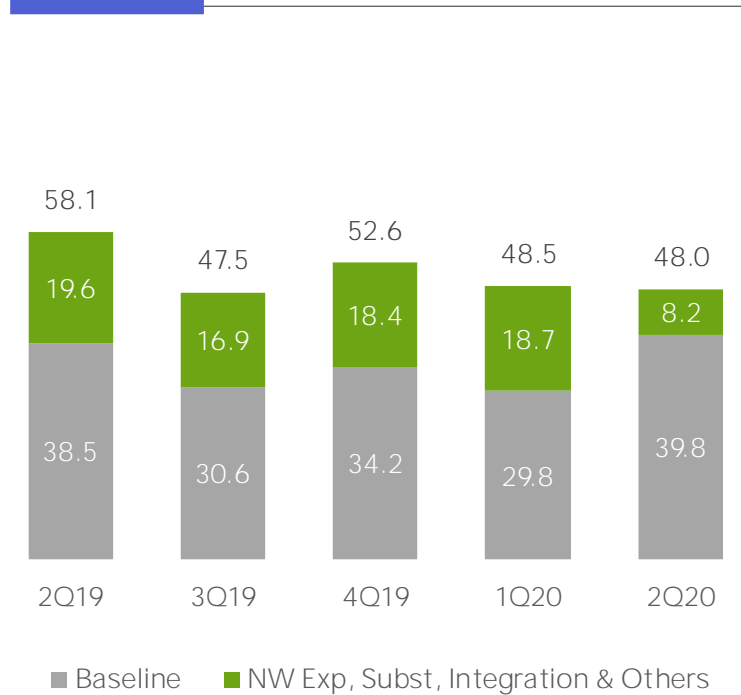
Resilient financial performance

Customer CAPEX stable yoy with pick-up in commercial activity as from mid-May; Decline in Technical CAPEX due to completion of Single RAN upgrade and pending 5G visibility

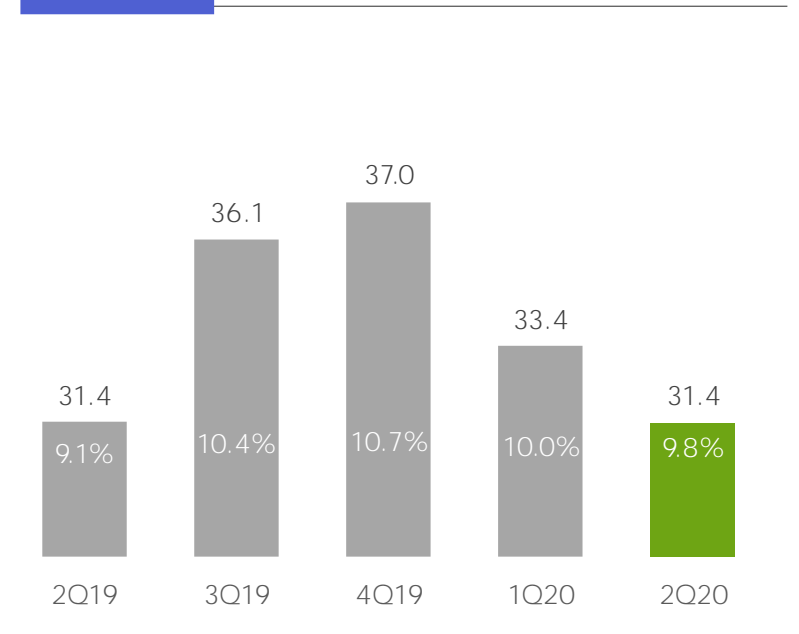
Total, Telco and AV & Cinema CAPEX Excl. Leasing Contracts [Millions of Euros]



Technical CAPEX [Millions of Euros]



Customer CAPEX, % of Telco Revenues [Millions of Euros, %]

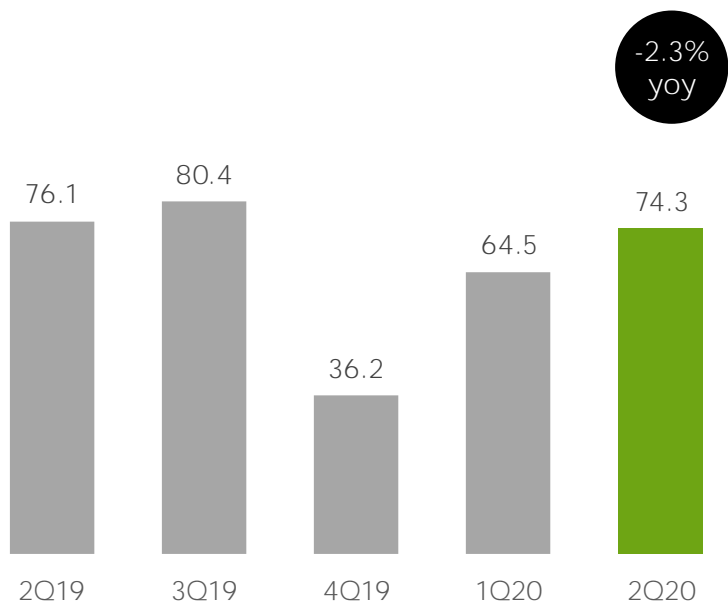




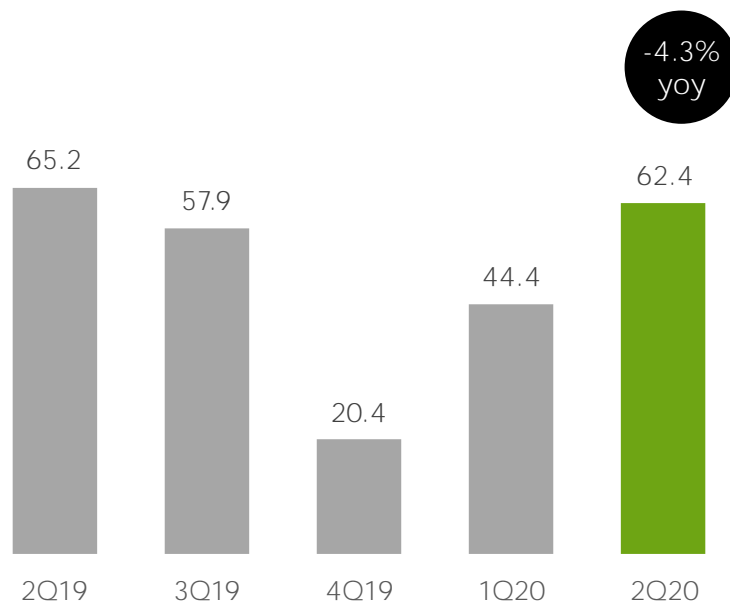
Resilient financial performance

FCF declining less than EBITDA due to lower CAPEX yoy

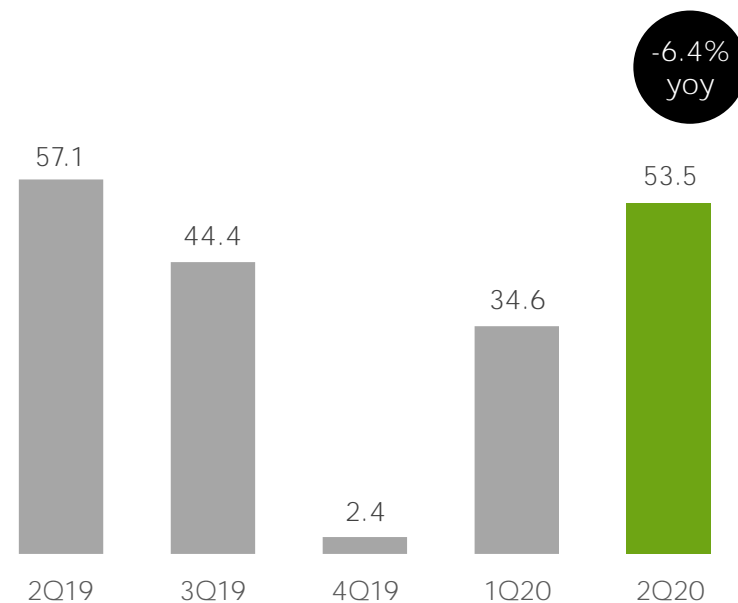
EBITDA – Total CAPEX Excl. Leasings [Millions of Euros]



Operating Cash Flow* [Millions of Euros]



Free Cash Flow [Millions of Euros]



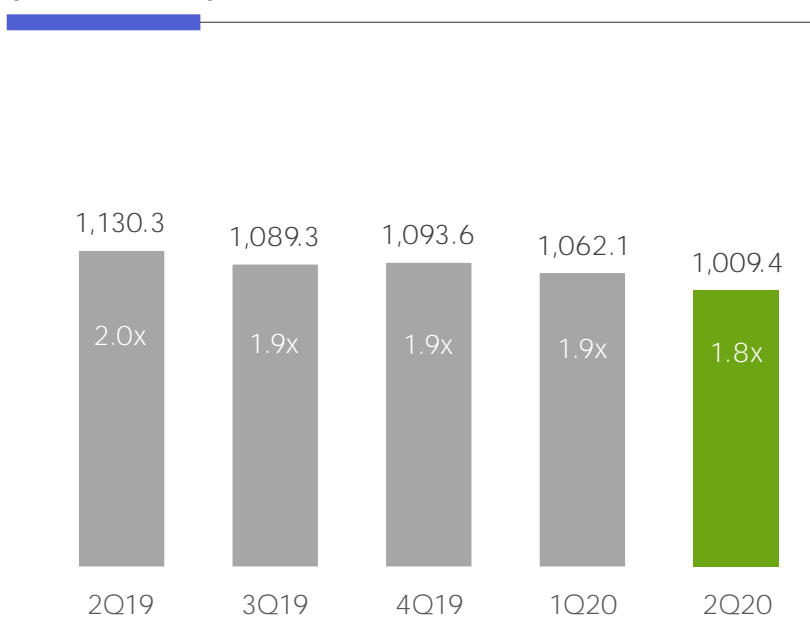
* After lease payments.



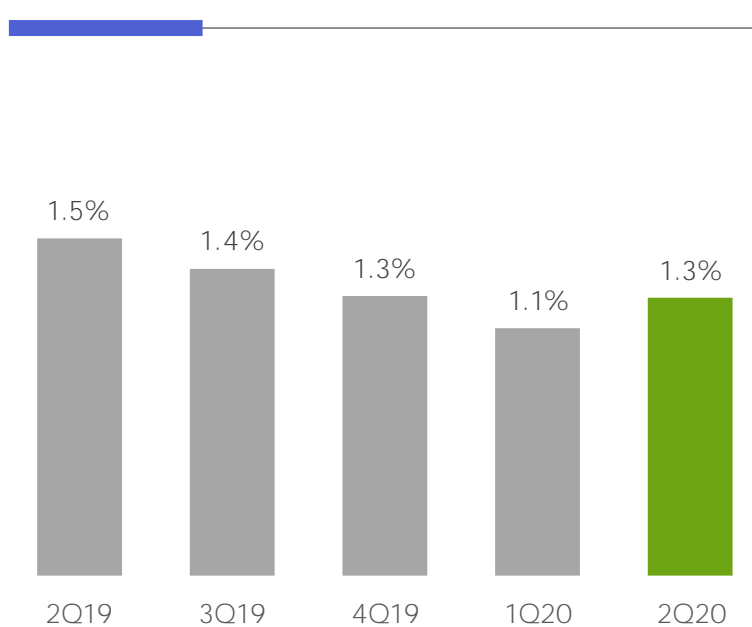
Resilient financial performance

Solid capital structure with leverage ratio now at 1.8x, average cost of debt remains low. BS to strengthen further with cash-in from Tower sale.

Net Financial Debt, Net Financial Debt/EBITDA After Leases
[Millions of Euros, X]



Average Cost of Debt [%]



1,009.4 million Euros

Net Financial Debt

1,220.2 million Euros

Net Debt Including Leases

1.8x

Net Financial Debt / EBITDA After Leases

488.1 million Euros

Cash and Liquidity Position*

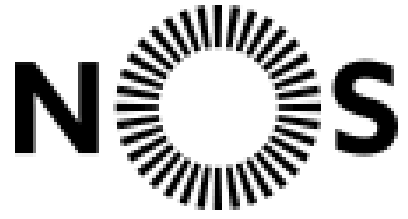
2.7 years

Total Average Maturity

1.3%

NOS' Average Cost of Debt

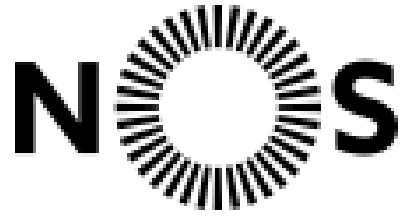
* Includes non-issued financing lines.



Q&A

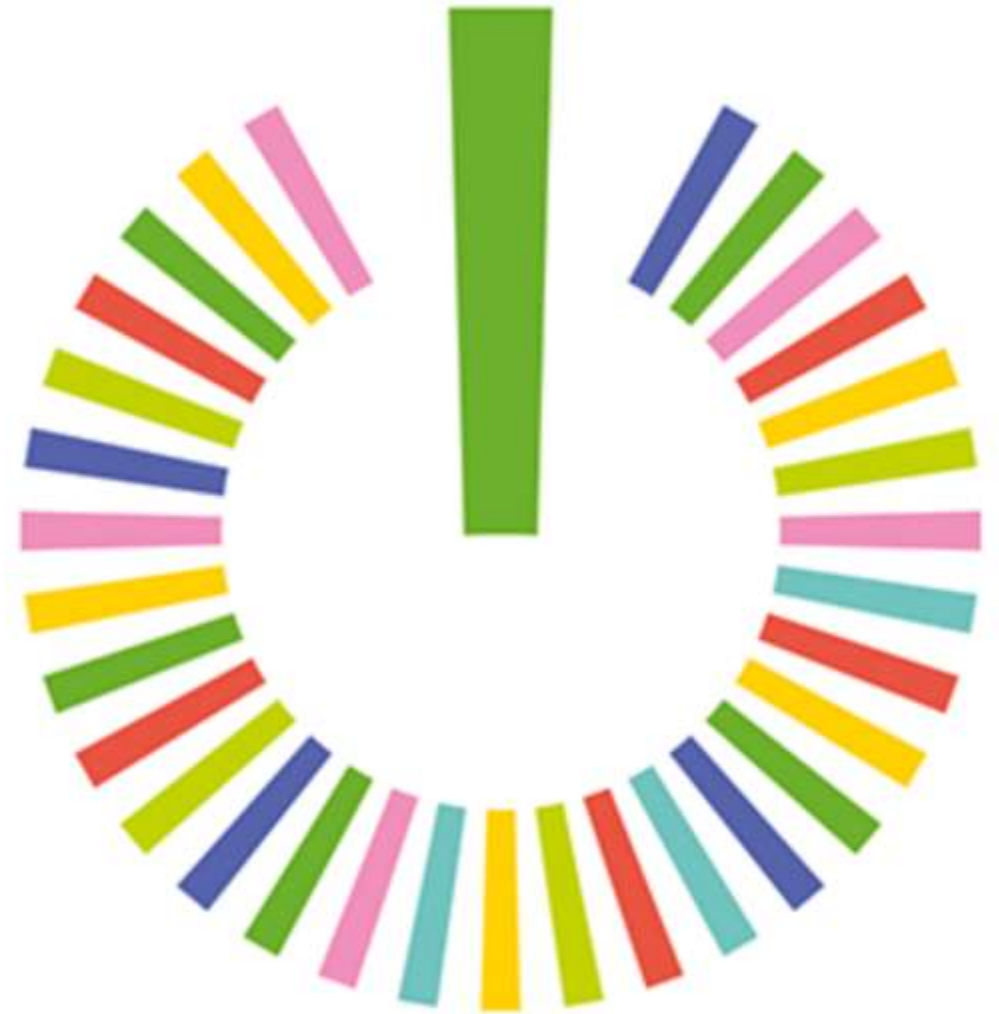


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