



Earnings

Announcement

3Q19

19

Lisbon, 6 November 2019

3Q19

- Acceleration in RGU growth in 3Q19 driven by seasonal pick-up in mobile subscribers, increased traction in Pay TV services and increased penetration of integrated and convergent offers with greater focus on more flexible “pick & mix” offers;
- Increase in yoy consolidated revenue growth led by solid telco performance and record quarter for Cinema exhibition;
- Technological investment projects on track, mobile upgrade and fixed access deployment positively impacting operating service quality;
- Strong FCF generation in the quarter of 44.4 million euros, although declining versus 3Q18 due to non-recurrent impact of legal settlement in same quarter last year.

Table 1.

3Q19 Highlights	3Q18	3Q19	3Q19 / 3Q18	9M18	9M19	9M19 / 9M18
Financial Highlights						
Operating Revenues	395.0	403.4	2.1%	1,167.3	1,185.2	1.5%
Telco Revenues	376.2	380.4	1.1%	1,116.1	1,128.0	1.1%
EBITDA	167.7	173.4	3.4%	491.7	505.3	2.8%
EBITDA Margin	42.5%	43.0%	0.5pp	42.1%	42.6%	0.5pp
Telco	153.4	157.7	2.8%	450.9	463.3	2.8%
EBITDA Margin	40.8%	41.5%	0.7pp	40.4%	41.1%	0.7pp
Net Income Before Associates & Non-Controlling Interests	43.9	46.9	6.8%	129.0	135.6	5.1%
EBITDA - Total CAPEX Excluding Leasings	67.5	81.2	20.2%	212.2	230.7	8.7%
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	88.2	44.4	(49.7%)	180.1	144.4	(19.9%)

Operational highlights

Core service growth picked up in 3Q19 led by a seasonal recovery in mobile with 39.7 thousand net adds and by stronger take up in Pay TV with net growth of 14.2 thousand Pay TV subscribers, with Fixed access growth more than offsetting the continued decline in DTH subscribers. Fixed broadband services grew in line with the Pay TV base consistent with the fact that they tend to be sold on top of Pay TV offers.

In late May, NOS launched a new residential value proposition focusing on more flexible offers for fixed and mobile services. The commercial focus is progressively detracting from relatively rigid convergent bundles and moving towards more "pick & mix" like solutions that enable customers to subscribe to bundles whilst retaining flexibility to add or subtract services as a function of specific usage profiles and without having to disrupt the base tariff plan. To reflect this change in operating momentum, we have adapted our KPI reporting from simply "convergent" customers to "convergent and integrated", customers who are invoiced for fixed and mobile services on the same monthly bill. At the end of 3Q19, 914.8 thousand customers were subscribing to converged and integrated offers, representing 59.1% of the fixed customer base with the revised commercial positioning having given a boost to fixed and mobile service take-up. Campaigns for the consumer segment have also placed strong emphasis on the advantages of increasing the number of mobile cards within an account as a means of driving a more than proportionate increase in mobile data allowances. These marketing shifts are designed to encourage customers to upgrade services, receiving more value for money on a like for like basis whilst driving progressive growth in monthly revenues.

In comparison with 3Q18, total premium channel subscriptions remained flat however they posted growth of 6% in comparison to the previous quarter driven by a boost in sports channel subscriptions with the start of the football season. Premium sport subscriptions are starting to show tenuous signs of recovery versus previous quarters however yoy revenue from premium channels still posted negative growth due to the less favourable mix with increased weight of lower priced channels.

Fixed residential ARPU was flat yoy and qoq at 44.1 euros per customer. However, this reflects a combination of more positive underlying trends in basic services which were mitigated by regulatory effects and the still negative yoy performance of premium revenues. Basic customer revenue ARPU grew by 1.3% yoy, reflecting upselling and index-based price events which helped to offset the yoy decline in premium channel revenues per sub as well as the negative impact to discretionary traffic revenues resulting from the regulatory imposition of international call caps within Europe as from May 2019.

Important customer service and transactional APPs were launched during 3Q19, designed to fundamentally improve customer experience, service take-up and **general operating efficiency**. The new "NOS Cinemas" App, launched in July, enables customers to acquire tickets directly over their mobile devices using easy payment methods such as "MBWay" or "Pay Pal", **seamlessly browse movies on show at their favourite theatres**, send tickets to friends or buy popcorn and other bar products in advance of the session. The two service APPs, for NOS and WTF customers (our stand-alone mobile brand for the teenage/young adult segment), represent key milestones in our digitalization programme and provide insights to better understanding and leveraging customer preferences and usage profiles and a platform to develop more targeted and effective digital marketing initiatives. Over the NOS APP, customers can actively manage their tariff plans, data allowances and consumption and general account settings, make payments at any time and always have their NOS

Cinema card at hand. In addition to tariff and data allowance management and consumption, the WTF APP also includes several additional features that are appealing to the target segment such as management of UBER and UBER Eats vouchers and NOS Cinema Vouchers, amongst others. All the APPs are proving a big success, with ratings on digital stores ranging from 4.5 to 4.7 and consistently listing amongst the top 20 downloads since respective launches.

Within the B2B segment, operating performance was positive with yoy growth in the number of client accounts managed across the main segments and importantly posting some growth in average revenue per account, reflecting the effort being made to compensate the generalized decline in traditional telco revenues with new data and IT driven services. Wholesale activity was very positive primarily due to a seasonal pick-up in voice and data traffic and to structural growth in revenues from network sharing arrangements in place.

Our FttH deployment programme is going according to plan and as a result, total fixed NGN coverage increased by 79 thousand households in 3Q19 to 4.6 million households, of which 31% were FttH, up from 29% last quarter and 22% in 3Q18. NGN coverage is delivered over our legacy Docsis 3.1 and FttH networks, new FttH build and wholesaled FttH network within the context of the sharing agreement with Vodafone and finally through wholesale access from dst, a regional FttH provider.

Modernization of our mobile infrastructure with the upgrade to a 5G ready single RAN architecture is now complete and network performance and customer satisfaction levels are already reflecting this important investment. We continuously evaluate opportunities for further improvement in the quality and reach of our networks, whilst approaching investments in a technologically rational and cost-effective manner, as is the case of our FttH sharing deal that is currently being deployed.

Cinema and Audiovisuals

Table 2.

Operating Indicators ('000)	3Q18	3Q19	3Q19 / 3Q18	9M18	9M19	9M19 / 9M18
Cinema ⁽¹⁾						
Revenue per Ticket (Euros)	4.9	5.2	7.3%	4.9	5.2	6.1%
Tickets Sold - NOS	2,378.2	2,764.0	16.2%	6,346.9	6,860.9	8.1%
Tickets Sold - Total Portuguese Market ⁽²⁾	3,918.5	4,744.7	21.1%	10,538.5	11,471.4	8.9%
Screens (units)	212	218	2.8%	212	218	2.8%

⁽¹⁾ Portuguese Operations

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

NOS' Cinema business posted the best quarter ever in terms of ticket sales with a yoy improvement of 16.2% to 2.764 million in 3Q19, also reflecting the positive performance of the market as a whole^[1]. This record performance was due to an improved line-up of box office hits in comparison with 3Q18 and also with previous quarters. Although trends in Portugal tend to follow those of other western European and anglo-saxon markets, 3Q19 was significantly stronger in Portugal with the exhibition of very popular and more family centric animated films and super-hero franchises. **The top films exhibited in 3Q19 were "The Lion King", "Spider-Man: Far From Home", "Toy Story 4", "Once Upon a Time... in Hollywood" and "Variações".** Average revenue per ticket improved by 7.3% yoy to 5.2 euros in 3Q19. NOS' gross box-office revenues increased by 16.5% in 3Q19 as NOS continues to lead the market with a 59.5% share of gross revenues.

In the Audiovisuals arena, NOS distributed 7 of the top 10 cinema box-office hits in 3Q19, "The Lion King", "Toy Story 4", "Fast & Furious Presents: Hobbs & Shaw", "Variações", "IT Chapter 2", "Angel Has Fallen" and "Ibiza", maintaining its clear leadership status in this market.

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

Consolidated Income Statement

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

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

Consolidated Financial Statements

Table 3.

Profit and Loss Statement (Millions of Euros)	3Q18	3Q19	3Q19 / 3Q18	9M18	9M19	9M19 / 9M18
Operating Revenues	395.0	403.4	2.1%	1,167.3	1,185.2	1.5%
Telco	376.2	380.4	1.1%	1,116.1	1,128.0	1.1%
Consumer Revenues	245.9	246.6	0.3%	727.5	729.5	0.3%
Business and Wholesale Revenues	109.0	115.0	5.5%	332.0	340.5	2.6%
Others and Eliminations	21.3	18.8	(11.7%)	56.7	58.0	2.3%
Audiovisuals & Cinema ⁽¹⁾	29.0	33.6	15.6%	81.7	88.4	8.3%
Others and Eliminations	(10.2)	(10.5)	2.6%	(30.5)	(31.2)	2.4%
Operating Costs Excluding D&A	(227.3)	(230.0)	1.2%	(675.6)	(679.8)	0.6%
Direct Costs	(130.8)	(133.4)	2.0%	(393.4)	(399.0)	1.4%
Non-Direct Costs ⁽²⁾	(96.4)	(96.6)	0.2%	(282.2)	(280.8)	(0.5%)
EBITDA ⁽³⁾	167.7	173.4	3.4%	491.7	505.3	2.8%
EBITDA Margin	42.5%	43.0%	0.5pp	42.1%	42.6%	0.5pp
Telco	153.4	157.7	2.8%	450.9	463.3	2.8%
EBITDA Margin	40.8%	41.5%	0.7pp	40.4%	41.1%	0.7pp
Cinema Exhibition and Audiovisuals	14.3	15.7	9.6%	40.8	42.0	2.9%
EBITDA Margin	49.3%	46.7%	(2.6pp)	50.0%	47.5%	(2.5pp)
Depreciation and Amortization	(103.2)	(97.5)	(5.5%)	(319.8)	(298.0)	(6.8%)
(Other Expenses) / Income	(3.5)	(6.9)	96.1%	4.1	(14.0)	n.a.
Operating Profit (EBIT) ⁽⁴⁾	61.0	69.0	13.1%	176.0	193.4	9.9%
Share of results of associates and joint ventures	1.3	1.0	(21.1%)	(4.5)	2.3	n.a.
(Financial Expenses) / Income	(7.2)	(6.8)	(4.7%)	(24.1)	(19.2)	(20.3%)
Income Before Income Taxes	55.1	63.2	14.6%	147.5	176.5	19.7%
Income Taxes	(9.9)	(15.3)	53.5%	(22.9)	(38.6)	68.4%
Net Income Before Associates & Non-Controlling Interests	43.9	46.9	6.8%	129.0	135.6	5.1%
Income From Continued Operations	45.2	47.9	6.1%	124.5	137.9	10.7%
o.w. Attributable to Non-Controlling Interests	0.1	(0.0)	n.a.	0.6	0.2	(60.9%)
Net Income	45.3	47.9	5.7%	125.1	138.1	10.4%

(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.

3Q19 Financial Highlights

Revenues

In 3Q19, Consolidated Revenue growth accelerated to 2.1% yoy to 403.4 million euros, with growth in core telco revenues of 1.1% to 380.4 million euros and continued strong recovery in the audiovisuals and cinema businesses, leading to a record quarter in revenues, posting 15.6% yoy growth to 33.6 million euros.

Within the telco division, Consumer revenues grew by 0.3% yoy to 246.6 million euros, with Customer Revenues growing 0.1%, reflecting a combination of 1.9% growth in fixed residential Customer revenues, continued decline in DTH Customer revenues of more than 11% yoy, and strong growth in Personal (stand-alone mobile) Customer revenues of 4.5%.

Business and Wholesale Revenues posted yoy growth of 5.5% to 115 million euros with growth of 1.2% in Business Customer Revenues and 14.8% in Wholesale revenues, which was partially offset by lower Equipment and other sales in the quarter. As mentioned above in the operating discussion, the very good performance in Wholesale was due to a strong pick-up in voice and data traffic and, to a lesser degree, to structural growth in revenues from network sharing.

Total Customer Revenues were negatively impacted by the lower yoy level of premium sports channel revenues as discussed above, (down yoy by 9.3% and by 2.3% qoq) and by the regulatory imposition of tariff caps on international calls within Europe, which came into force in May 2019. Operator revenues yoy comparisons were no longer impacted by the MTR cuts of July 2018 and posted a marginal decline of just 1.3% in 3Q19.

The strong quarter for Audiovisuals and Cinemas led to growth of revenues of 15.6%, with Cinema exhibition revenues growing by 21.3% yoy to 20.2 million euros and Audiovisuals revenues by 11.1% to 18.2 million euros, the latter influenced by the underlying trends in cinema going.

OPEX

Total OPEX grew by 1.2% to 230 million euros reflecting growth of 2% in direct costs to 133.4 million euros and of 0.2% in non-direct costs to 96.6 million euros. Consolidated EBITDA grew by 3.4%, above the pace of revenues, to 173.4 million euros and representing an increase in Group EBITDA margin of 0.5 pp to 43%. Telco EBITDA grew by 2.8% to 157.7 million euros representing a 41.5% EBITDA margin (up 0.7pp yoy) and Audiovisuals and Cinema by 9.6% to 15.7 million euros, representing a margin of 46.7% (down 2.6pp yoy).

Direct costs yoy performance was impacted by the higher volume of wholesale traffic driving an increase in interconnect costs, by increased Corporate IT project costs and higher movie royalties with the strong box office sales. Costs of goods sold fell in 3Q19 led by improved average margins on equipment sold and partially offsetting increases in other direct cost lines. Transformational cost efficiency programmes are helping to compensate for structural inflation in non-direct cost items such as salaries, energy, maintenance and leased line costs driven by larger network and traffic demands amongst others. Commercial costs were up yoy as a result of higher concentration of advertising campaigns, as was also the case last quarter.

Depreciation and Amortization declined by 5.5% yoy in 3Q19 to 97.5 million euros mainly due to a significantly lower level of network imparities when compared with those recorded in 3Q18 as a result of the single RAN modernization project underway. This reduction was partially mitigated by a downward revision of average economic life of network assets to 8 years.

Net Results increased by 5.7% to 47.9 million euros. Net financial expenses posted a positive yoy performance with the various refinancing deals closed in previous quarters driving a significantly lower average cost of debt, as explained ahead in the capital structure section. The average provision for taxes in the quarter amounted to 15.3 million euros, primarily due to the higher level of pre-tax results reflected in EBT growth of 14.6% to 63.2 million euros and a higher effective tax rate due to a timing differential when recognizing deferred taxes related to fiscal benefits.

CAPEX

Table 4.

CAPEX (Millions of Euros) ⁽¹⁾	3Q18	3Q19	3Q19 / 3Q18	9M18	9M19	9M19 / 9M18
Total CAPEX Excluding Leasing Contracts	100.2	92.2	(8.0%)	279.6	274.7	(1.7%)
Telco	92.5	83.6	(9.7%)	258.7	254.8	(1.5%)
% of Telco Revenues	24.6%	22.0%	(2.6pp)	23.2%	22.6%	(0.6pp)
o.w. Technical CAPEX	50.6	47.5	(6.1%)	150.8	150.5	(0.2%)
% of Telco Revenues	13.4%	12.5%	(1.0pp)	13.5%	13.3%	(0.2pp)
Baseline Telco	26.6	30.6	15.0%	92.6	101.8	10.0%
Network Expansion / Substitution and Integration Projects and Others	23.9	16.9	(29.5%)	58.2	48.6	(16.5%)
o.w. Customer Related CAPEX	41.9	36.1	(14.0%)	107.8	104.4	(3.2%)
% of Telco Revenues	11.1%	9.5%	(1.7pp)	9.7%	9.3%	(0.4pp)
Audiovisuals and Cinema Exhibition	7.7	8.7	12.4%	20.9	19.8	(5.0%)
Leasing Contracts	9.6	11.2	16.3%	33.2	36.3	9.5%
Total Group CAPEX	109.9	103.4	(5.8%)	312.7	311.0	(0.6%)

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

Total CAPEX of 92.2 million euros (excluding leasing contracts) was 8.0% lower yoy in 3Q19, representing 22.9% as a proportion of Consolidated Revenues, compared with 25.4% in 3Q18. With the implementation of IFRS16 as from 2019, the level of operational leasing contracts is now isolated in the chart above to provide a better proxy of cash CAPEX for the period and to reduce quarterly volatility resulting from operating lease capitalization under the new accounting rules.

Total Telco CAPEX posted a 9.7% decrease to 83.6 million euros (22.0% of Telco Revenues). Technical Telco investments were 6.1% lower in 3Q19 reflecting a phasing slowdown in network deployment and upgrades. As a percentage of Telco Sales, Technical Telco CAPEX amounted to 12.5% in 3Q19.

Audiovisuals and Cinema CAPEX increased by 12.4% yoy to 8.7 million euros due to the increased level of rights distribution activity in the quarter.

Cash Flow

Table 5.

Cash Flow (Millions of Euros)	3Q18	3Q19	3Q19 / 3Q18	9M18	9M19	9M19 / 9M18
EBITDA	167.7	173.4	3.4%	491.7	505.3	2.8%
Total CAPEX Excluding Leasings	(100.2)	(92.2)	(8.0%)	(279.6)	(274.7)	(1.7%)
EBITDA - Total CAPEX Excluding Leasings	67.5	81.2	20.2%	212.2	230.7	8.7%
% of Revenues	17.1%	20.1%	3.0pp	18.2%	19.5%	1.3pp
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	13.8	(6.3)	n.a.	2.6	(10.0)	n.a.
Leasings (Capital & Interest) ⁽¹⁾	(15.7)	(16.9)	7.4%	(45.0)	(48.5)	7.7%
Operating Cash Flow	65.6	57.9	(11.7%)	169.8	172.2	1.4%
Interest Paid	(3.1)	(3.0)	(4.6%)	(12.3)	(11.8)	(3.9%)
Income Taxes Paid	1.4	(7.6)	n.a.	3.9	(8.8)	n.a.
Disposals	0.7	0.5	(26.2%)	0.8	1.4	65.1%
Other Cash Movements ⁽²⁾	23.6	(3.4)	n.a.	18.0	(8.6)	n.a.
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	88.2	44.4	(49.7%)	180.1	144.4	(19.9%)
Acquisition of Own Shares	0.0	0.0	n.a.	(3.1)	(3.5)	14.5%
Dividends	0.0	0.0	n.a.	(153.9)	(179.6)	16.7%
Free Cash Flow	88.2	44.4	(49.7%)	23.1	(38.8)	n.a.
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(4.2)	(3.4)	(20.6%)	(9.6)	(7.6)	(21.0%)
Change in Net Financial Debt	(83.9)	(41.0)	(51.1%)	(13.5)	46.4	n.a.

⁽¹⁾ Includes Long Term Contracts.

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

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

Free Cash Flow Before Dividends decreased by 49.7% to 44.4 million euros in 3Q19 due to the positive impact in 3Q18, of a non-recurrent inflow related with the receival of a legal settlement in favour of NOS, regarding a pending regulatory dispute over operator terminator rate charges.

EBITDA-CAPEX excluding the impact of leases, increased by 20.2% to 81.2 million euros, while the level of investment in working capital and non-cash adjustments in EBITDA-CAPEX amounted to 6.3 million euros, which compares with a positive amount of 13.8 million euros in 3Q18, explained primarily by the contribution of trade balance payments with ZAP during the quarter and outstanding operator balances related with the aforementioned pending legal dispute. The cash impact of leasing contracts, relating to both components of capital amortization and interest charges, was 16.9 million euros in 3Q19, up from 15.7 million euros in 3Q18. Combining these effects, Operating Cash Flow decreased by 11.7% to 57.9 million euros in 3Q19. Cash Taxes amounted to 7.6 million euros in 3Q19, which compares with a positive value of 1.4 million euros in 3Q18 due to a corporate tax refund last year related to excess advance payments made.

Consolidated Balance Sheet

Table 6.

Balance Sheet (Millions of Euros)	9M18	2018	9M19	9M19 / 9M18
Non-current Assets	2,534.5	2,528.7	2,521.6	(0.5%)
Current Assets	532.3	530.1	569.3	6.9%
Total Assets	3,066.8	3,058.8	3,090.8	0.8%
Total Shareholders' Equity	1,039.4	1,053.6	1,011.7	(2.7%)
Non-current Liabilities	1,230.6	1,164.2	1,265.9	2.9%
Current Liabilities	796.8	841.0	813.3	2.1%
Total Liabilities	2,027.4	2,005.2	2,079.1	2.6%
Total Liabilities and Shareholders' Equity	3,066.8	3,058.8	3,090.8	0.8%

Capital Structure and Funding

At the end of 9M19, Total Net Debt, including Leasings and Long-Term Contracts (according to IFRS16) amounted to 1,329.1 million euros. Total Debt stood at 1,120.4 million euros and was offset with a cash and short-term investment position on the balance sheet of 31.2 million euros. At the end of 9M19, NOS also had 275 million euros in unissued commercial paper programmes.

The all-in average cost of debt stood at 1.4% for 3Q19 which compares with 1.7% in 3Q18. Net Financial Debt / EBITDA After Lease Payments (last 4 quarters) now stands at 1.9x, below the 2.0x of 1H19, which reflected the 35 euro cents per share dividend payment in 2Q19. NOS targets a leverage ratio in the range of 2x Net Financial Debt / EBITDA after lease payments, which represents a solid and conservative capital structure that NOS is committed to maintain.

The average maturity of debt at the end of 9M19 was 3.1 years. Taking into account loans issued at a fixed rate, interest rate hedging operations in place and the negative interest rate environment, as at 30 September 2019, the proportion of **NOS'** issued debt paying interest at a fixed rate was approximately 96%.

During 3Q19 Fitch Ratings affirmed NOS' Long Term Issuer Default Rating at "BBB" with a Stable Outlook. Maintaining its investment grade long term issuer credit rating with Fitch enables NOS to reinforce the conditions to further diversify its sources of funding, extend average debt maturity and continue to reduce the already low average cost of debt.

Table 7.

Net Financial Debt (Millions of Euros)	9M18	2018	9M19	9M19 / 9M18
Short Term	164.2	219.7	171.6	4.5%
Medium and Long Term	875.7	825.4	948.8	8.3%
Total Debt	1,040.0	1,045.1	1,120.4	7.7%
Cash and Short Term Investments	2.5	2.2	31.2	n.a.
Net Financial Debt ⁽¹⁾	1,037.5	1,042.9	1,089.3	5.0%
Net Financial Debt / EBITDA after lease payments (last 4 quarters) ⁽²⁾	1.8x	1.9x	1.9x	n.a.
Leasings and Long Term Contracts	253.9	252.4	239.8	(5.5%)
Net Debt	1,291.4	1,295.2	1,329.1	2.9%
Net Debt / EBITDA	2.1x	2.1x	2.1x	n.a.
Net Financial Gearing ⁽³⁾	55.6%	55.3%	59.0%	3.4pp

(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).

Subsequent Events

During October 2019, a gradual and significant currency devaluation, of approximately 26% versus the Euro occurred, which led to currency exchange losses being booked in October 2019, by the companies in which NOS has a minority stake in Angola, which it consolidates through the equity method. These losses will **impact the "Share of Results of Associates and Joint Ventures" line in NOS' consolidated accounts in approximately 5 million euros in the month of October 2019.**

Appendix I

Table 8.

Operating Indicators ('000)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Telco ⁽¹⁾							
Homes Passed	4,108.5	4,174.8	4,277.4	4,427.5	4,482.5	4,530.2	4,608.9
Total RGUs	9,440.6	9,483.4	9,548.9	9,580.4	9,556.5	9,583.8	9,652.9
o.w. Consumer RGUs	7,960.7	7,994.9	8,055.6	8,078.3	8,044.3	8,069.2	8,138.0
o.w. Business RGUs	1,479.9	1,488.5	1,493.3	1,502.1	1,512.2	1,514.6	1,514.9
Mobile	4,700.0	4,722.6	4,761.3	4,767.7	4,749.5	4,769.1	4,808.8
Pre-Paid	2,057.7	2,050.7	2,051.1	2,029.3	1,995.0	1,994.0	2,013.1
Post-Paid	2,642.4	2,671.9	2,710.2	2,738.4	2,754.5	2,775.1	2,795.6
Pay TV Fixed Access ⁽²⁾	1,295.0	1,301.8	1,312.5	1,324.5	1,326.3	1,329.7	1,347.2
Pay TV DTH	319.6	314.8	309.2	298.8	290.5	287.4	284.1
Fixed Voice	1,755.0	1,759.2	1,765.6	1,774.3	1,771.5	1,771.2	1,773.4
Broadband	1,339.7	1,353.7	1,369.4	1,383.4	1,386.8	1,393.8	1,406.3
Others and Data	31.1	31.2	31.0	31.7	31.8	32.6	33.0
3,4&5P Subscribers (Fixed Access)	1,120.4	1,132.0	1,147.3	1,163.2	1,169.9	1,176.9	1,195.7
% 3,4&5P (Fixed Access)	86.5%	87.0%	87.4%	87.8%	88.2%	88.5%	88.7%
Convergent + Integrated RGUs	4,293.4	4,361.2	4,432.8	4,482.8	4,521.0	4,574.9	4,622.1
Convergent + Integrated Customers	855.2	868.0	880.4	889.8	896.1	907.2	914.8
Fixed Convergent + Integrated Customers as % of Fixed Access Customers	55.9%	56.7%	57.4%	57.9%	58.5%	59.2%	59.1%
% Convergent + Integrated Customers	53.0%	53.7%	54.3%	54.8%	55.4%	56.1%	56.1%
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	44.2	44.3	44.1	43.9	44.1	44.2	44.1
Net Adds							
Homes Passed	14.5	66.3	102.6	150.1	55.0	47.7	78.7
Total RGUs	40.6	42.8	65.6	31.5	(24.0)	27.3	69.1
o.w. Consumer RGUs	14.2	34.2	60.7	22.7	(34.0)	24.9	68.8
o.w. Business RGUs	26.4	8.6	4.8	8.8	10.0	2.4	0.3
Mobile	30.0	22.6	38.7	6.4	(18.2)	19.6	39.7
Pre-Paid	(22.0)	(6.9)	0.4	(21.8)	(34.3)	(1.0)	19.1
Post-Paid	52.0	29.5	38.3	28.2	16.1	20.6	20.5
Pay TV Fixed Access	2.8	6.8	10.6	12.1	1.8	3.4	17.5
Pay TV DTH	(4.7)	(4.8)	(5.6)	(10.4)	(8.4)	(3.0)	(3.3)
Fixed Voice	2.2	4.2	6.4	8.7	(2.8)	(0.4)	2.3
Broadband	10.1	13.9	15.7	14.0	3.4	7.0	12.5
Others and Data	0.3	0.1	(0.2)	0.7	0.1	0.8	0.4
3,4&5P Subscribers (Fixed Access)	8.3	11.6	15.3	15.9	6.6	7.0	18.8
Convergent + Integrated RGUs	-	67.8	71.6	49.9	38.2	53.9	47.2
Convergent + Integrated Customers	-	12.8	12.4	9.4	6.3	11.1	7.6

(1) Portuguese Operations.

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

Appendix II

Table 9.

Profit and Loss Statement (Millions of Euros)	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19
Operating Revenues	383.0	389.3	395.0	408.9	1,576.2	385.3	396.4	403.4
Telco	365.7	374.2	376.2	389.8	1,505.9	369.8	377.8	380.4
Consumer Revenues	240.4	241.2	245.9	245.5	973.0	241.1	241.9	246.6
Business and Wholesale Revenues	108.9	114.0	109.0	127.6	459.6	112.7	112.7	115.0
Others and Eliminations	16.3	19.1	21.3	16.7	73.4	15.9	23.2	18.8
Audiovisuals & Cinema ⁽¹⁾	27.2	25.5	29.0	29.8	111.5	25.8	29.1	33.6
Others and Eliminations	(9.8)	(10.5)	(10.2)	(10.8)	(41.3)	(10.3)	(10.5)	(10.5)
Operating Costs Excluding D&A	(225.6)	(222.7)	(227.3)	(276.3)	(951.9)	(224.6)	(225.2)	(230.0)
Direct Costs	(128.2)	(134.4)	(130.8)	(152.7)	(546.1)	(129.4)	(136.2)	(133.4)
Non-Direct Costs ⁽²⁾	(97.4)	(88.3)	(96.4)	(123.6)	(405.7)	(95.2)	(89.0)	(96.6)
EBITDA ⁽³⁾	157.4	166.6	167.7	132.6	624.3	160.7	171.2	173.4
EBITDA Margin	41.1%	42.8%	42.5%	32.4%	39.6%	41.7%	43.2%	43.0%
Telco	143.6	153.8	153.4	118.3	569.2	147.4	158.2	157.7
EBITDA Margin	39.3%	41.1%	40.8%	30.4%	37.8%	39.9%	41.9%	41.5%
Cinema Exhibition and Audiovisuals	13.7	12.8	14.3	14.3	55.1	13.3	13.0	15.7
EBITDA Margin	50.6%	50.1%	49.3%	47.8%	49.4%	51.6%	44.8%	46.7%
Depreciation and Amortization	(114.2)	(102.4)	(103.2)	(101.6)	(421.4)	(97.3)	(103.1)	(97.5)
(Other Expenses) / Income	12.1	(4.5)	(3.5)	(5.1)	(1.0)	(3.3)	(3.8)	(6.9)
Operating Profit (EBIT) ⁽⁴⁾	55.3	59.7	61.0	25.9	201.9	60.1	64.3	69.0
Share of results of associates and joint ventures	(6.3)	0.6	1.3	(2.0)	(6.4)	0.2	1.1	1.0
(Financial Expenses) / Income	(8.2)	(8.7)	(7.2)	(6.6)	(30.7)	(6.4)	(5.9)	(6.8)
Income Before Income Taxes	40.7	51.6	55.1	17.3	164.8	53.9	59.4	63.2
Income Taxes	(6.0)	(7.0)	(9.9)	(4.5)	(27.5)	(11.5)	(11.9)	(15.3)
Net Income Before Associates & Non-Controlling Interests	41.0	44.1	43.9	14.7	143.7	42.2	46.5	46.9
Income From Continued Operations	34.7	44.6	45.2	12.8	137.3	42.4	47.6	47.9
o.w. Attributable to Non-Controlling Interests	0.3	0.2	0.1	(0.1)	0.5	0.1	0.2	(0.0)
Net Income	34.9	44.9	45.3	12.7	137.8	42.5	47.7	47.9

(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⁾	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19
Total CAPEX Excluding Leasing Contracts	87.6	91.7	100.2	94.3	373.8	87.3	95.2	92.2
Telco	80.8	85.4	92.5	87.0	345.6	81.7	89.5	83.6
% of Telco Revenues	22.1%	22.8%	24.6%	22.3%	23.0%	22.1%	23.7%	22.0%
o.w. Technical CAPEX	48.6	51.7	50.6	48.7	199.6	44.9	58.1	47.5
% of Telco Revenues	13.3%	13.8%	13.4%	12.5%	13.3%	12.1%	15.4%	12.5%
Baseline Telco	30.4	35.6	26.6	26.1	118.7	32.8	38.5	30.6
Projects and Others	18.2	16.0	23.9	22.6	80.8	12.1	19.6	16.9
o.w. Customer Related CAPEX	32.2	33.7	41.9	38.3	146.1	36.8	31.4	36.1
% of Telco Revenues	8.8%	9.0%	11.1%	9.8%	9.7%	10.0%	8.3%	9.5%
Audiovisuals and Cinema Exhibition	6.8	6.3	7.7	7.3	28.2	5.5	5.6	8.7
Leasing Contracts	11.5	12.1	9.6	16.8	49.9	3.7	21.4	11.2
Total Group CAPEX	99.1	103.7	109.9	111.1	423.8	91.0	116.5	103.4

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

Table 11.

Cash Flow (Millions of Euros)	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19
EBITDA	157.4	166.6	167.7	132.6	624.3	160.7	171.2	173.4
Total CAPEX Excluding Leasings	(87.6)	(91.7)	(100.2)	(94.3)	(373.8)	(87.3)	(95.2)	(92.2)
EBITDA - Total CAPEX Excluding Leasings	69.7	74.9	67.5	38.3	250.5	73.5	76.1	81.2
% of Revenues	18.2%	19.2%	17.1%	9.4%	15.9%	19.1%	19.2%	20.1%
Non-Cash Items Included in EBITDA - CAPEX and Change in Working Capital	(13.5)	2.2	13.8	(10.6)	(8.0)	(8.3)	4.7	(6.3)
Leasings (Capital & Interest) ⁽¹⁾	(13.7)	(15.5)	(15.7)	(16.2)	(61.3)	(16.0)	(15.6)	(16.9)
Operating Cash Flow	42.5	61.6	65.6	11.4	181.2	49.1	65.2	57.9
Interest Paid	(5.3)	(3.8)	(3.1)	(2.8)	(15.1)	(3.0)	(5.9)	(3.0)
Income Taxes Paid	3.3	(0.9)	1.4	(7.4)	(3.6)	(0.4)	(0.7)	(7.6)
Disposals	0.2	(0.0)	0.7	0.4	1.3	0.4	0.4	0.5
Other Cash Movements ⁽²⁾	(2.7)	(2.9)	23.6	(1.4)	16.6	(3.3)	(1.9)	(3.4)
Total Free Cash-Flow Before Dividends, Financial Investments and Own Shares Acquisition	38.0	54.0	88.2	0.3	180.4	42.9	57.1	44.4
Acquisition of Own Shares	(3.1)	0.0	0.0	0.0	(3.1)	0.0	(3.5)	0.0
Dividends	0.0	(153.9)	0.0	0.0	(153.9)	0.0	(179.6)	0.0
Free Cash Flow	34.9	(99.9)	88.2	0.3	23.4	42.9	(126.0)	44.4
Debt Variation Through Financial Leasing, Accruals & Deferrals & Others	(1.7)	(3.7)	(4.2)	(5.7)	(15.3)	(3.4)	(0.8)	(3.4)
Change in Net Financial Debt	(33.2)	103.7	(83.9)	5.4	(8.1)	(39.5)	126.9	(41.0)

(1) Includes Long Term Contracts.

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

Table 12.

Net Financial Debt (Millions of Euros)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Short Term	99.3	199.2	164.2	219.7	180.3	248.0	171.6
Medium and Long Term	920.8	925.4	875.7	825.4	826.1	893.6	948.8
Total Debt	1,020.1	1,124.5	1,040.0	1,045.1	1,006.4	1,141.6	1,120.4
Cash and Short Term Investments	2.3	3.1	2.5	2.2	3.0	11.3	31.2
Net Financial Debt ⁽¹⁾	1,017.7	1,121.4	1,037.5	1,042.9	1,003.4	1,130.3	1,089.3
Net Financial Debt / EBITDA after lease payments (last 4 quarters) ⁽²⁾	1.8x	2.0x	1.8x	1.9x	1.8x	2.0x	1.9x
Leasings and Long Term Contracts	264.0	259.9	253.9	252.4	240.6	245.8	239.8
Net Debt	1,281.7	1,381.3	1,291.4	1,295.2	1,244.0	1,376.1	1,329.1
Net Debt / EBITDA	2.1x	2.2x	2.1x	2.1x	2.0x	2.2x	2.1x
Net Financial Gearing ⁽³⁾	53.9%	58.3%	55.6%	55.3%	53.3%	59.0%	59.0%

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

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

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

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