

2Q13 RESULTS PRESENTATION

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2Q13 Highlights



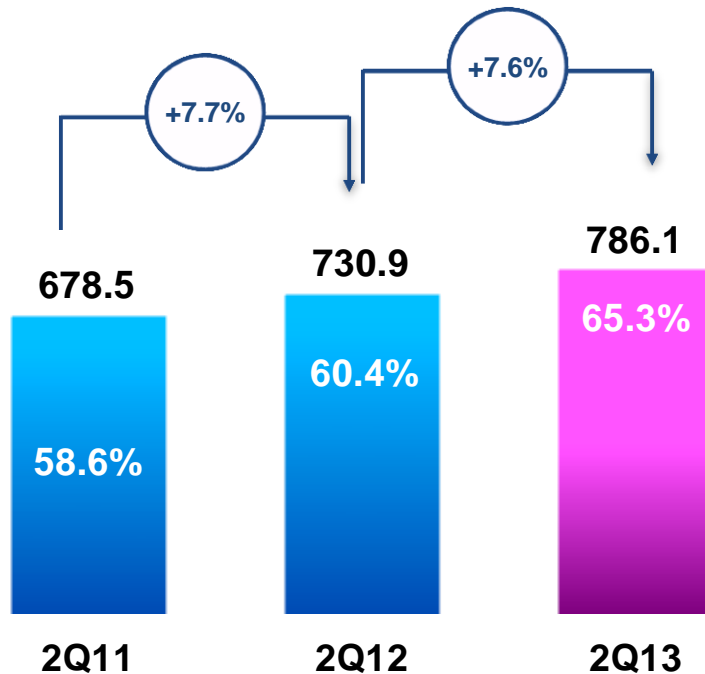
- ✓ **New record take up of IRIS, with net adds of 54 thousand in 2Q13, reaching 339 thousand subs, 43% penetration of the Triple Play customer base**
- ✓ **Quadruple Play bundle “IRIS 4+” launched in 2Q13**
- ✓ **Agreement reached in 2Q13 to distribute Benfica TV as a premium channel from July**
- ✓ **ZAP: very strong yoy revenue growth: +52% in 2Q13 to 11 million euros**
- ✓ **EBITDA growth to 80.4 million euros, more than offsetting the 1.7% decline in Operating Revenues, under pressure from premium channel revenues**
- ✓ **FCF generation of 21.6 million euros, with strong EBITDA-CAPEX performance of 50.3 million euros**

2Q13 Operating Review

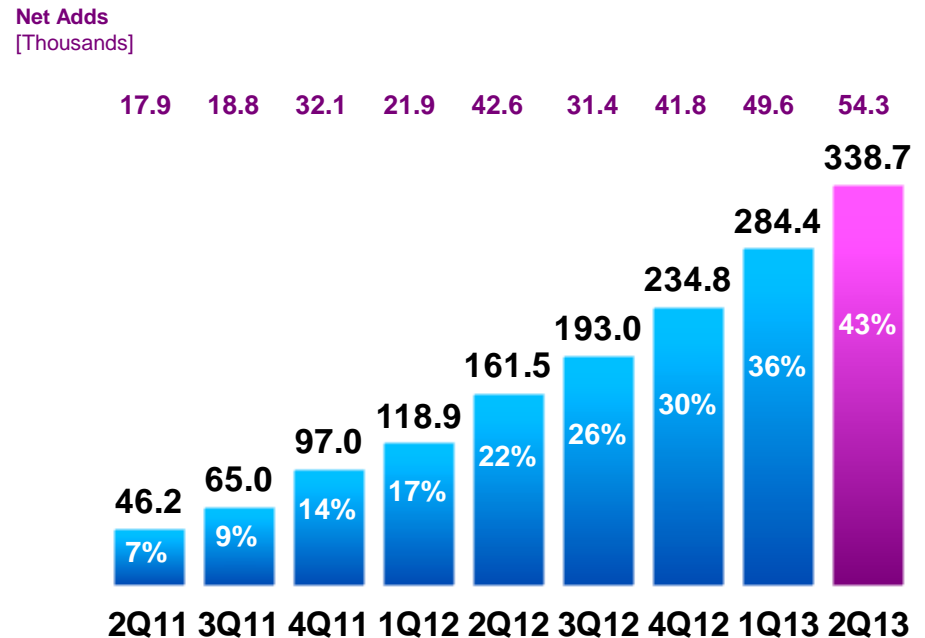
Record net-adds in IRIS, 65.3% Triple Play penetration



Triple Play Customers and Penetration of Cable Base [Thousands, %]

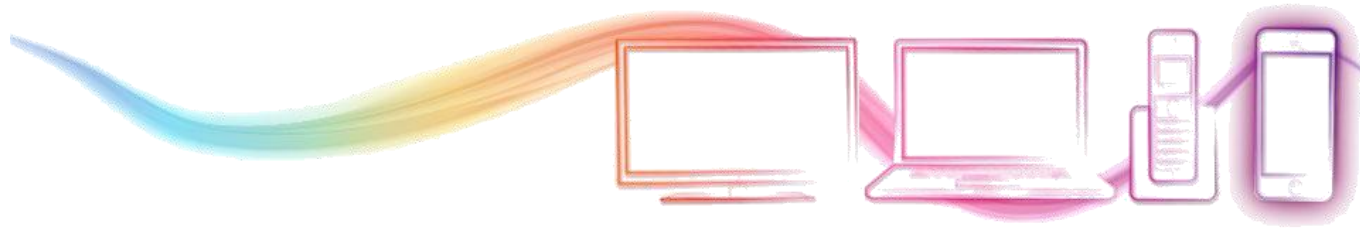


IRIS customers and Penetration of Triple Play Customer Base [Thousands, %]



- ✓ 54.3 thousand IRIS net-adds in 2Q13, the best quarter since launch. IRIS customers now represent 43% of the Triple Play base
- ✓ 4.6 thousand Triple Play net adds, to 786 thousand customers, up 7.6% yoy representing 65.3% of cable customers

IRIS 4+ Bundles



TV + NET + PHONE + MOBILE € 69.99 / MONTH

- ✓ Launch of the IRIS 4P offer in May with good levels of take-up
- ✓ The most flexible and competitive offer in the market:

 TV	 NET	 TELEFONE	 TELEMÓVEL	 MENSALIDADE
149 CHANNELS (Additional services included € 5)	100 MEGAS And free access to the ZON@Fon network	UNLIMITED In Portugal and to 50 international destinations	1 UNLIMITED SIM CARD Possibility to add a second or third unlimited card to the bundle for only €10 each	€ 69,99

New content – new channel launches

The logo for Benfica TV, featuring the word 'BENFICATV' in a bold, stylized font. The 'B' is red with a black outline, and the rest of the letters are black.

- ✓ Available in SD and HD versions
- ✓ 15 home matches played by Benfica in the Portuguese Football League
- ✓ Exclusive of the English Premier League, Brazilian Football League, Greek Football League and US Major League Soccer

The logo for 24Kitchen, featuring the number '24' in a large, green, stylized font with a leaf-like shape above the '4', followed by the word 'KITCHEN' in a smaller, green, sans-serif font.

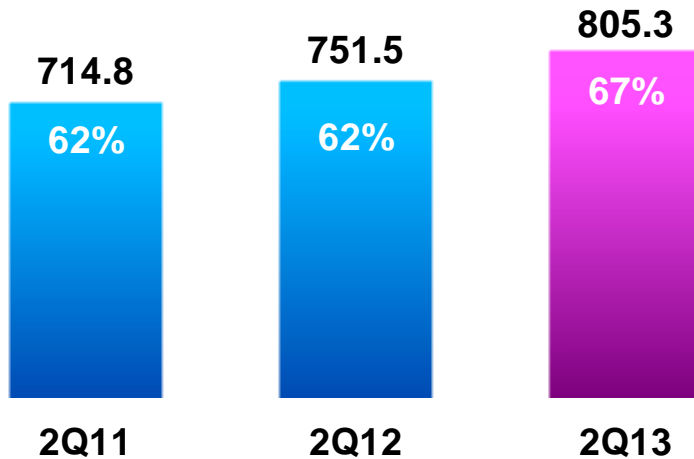
- ✓ Programmes from the most famous chefs, such as Anthony Bourdain, Jamie Oliver, Donna Hay, Ljubomir Stanisic and Rodrigo Meneses
- ✓ Simultaneous launch of the “24Kitchen” app, featuring daily recipes for healthy meals with video instructions and an interactive shopping list

Growing in Broadband and Fixed Voice



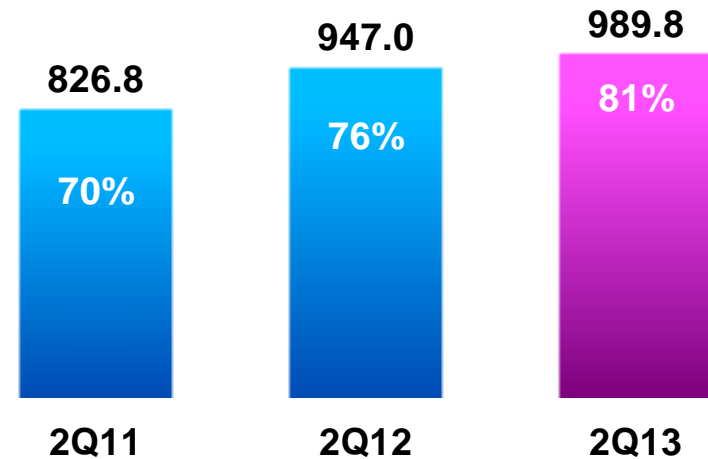
Broadband Subscribers

[Thousands, % of Penetration of Cable Base]



Fixed Voice Subscribers

[Thousands; % of Penetration of Cable Base]



- ✓ Broadband net adds of 5.4 thousand, bringing the total customer base to 805.3 thousand
- ✓ 67% penetration of cable base

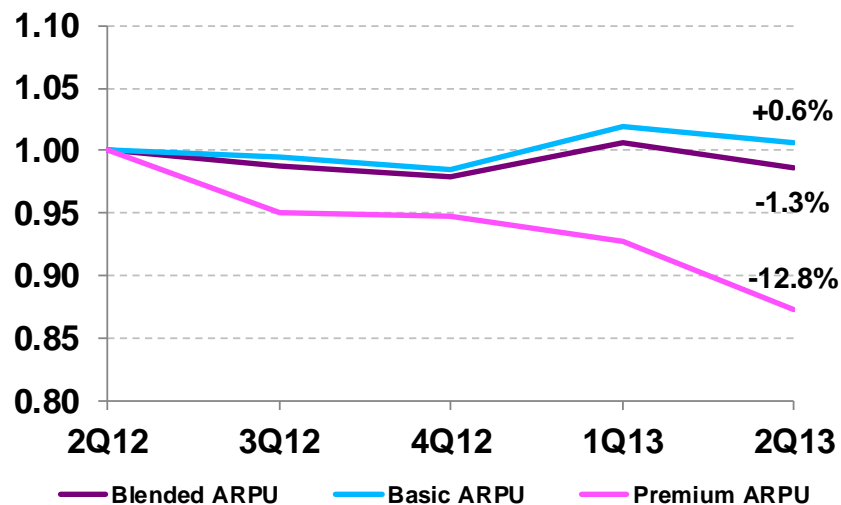
- ✓ Fixed Voice net adds of 4 thousand, bringing the total customer base to 989.8 thousand
- ✓ 81% penetration of cable customer base

Basic ARPU resilience



Basic, Premium and Blended ARPU

[2Q12 = Base 1]

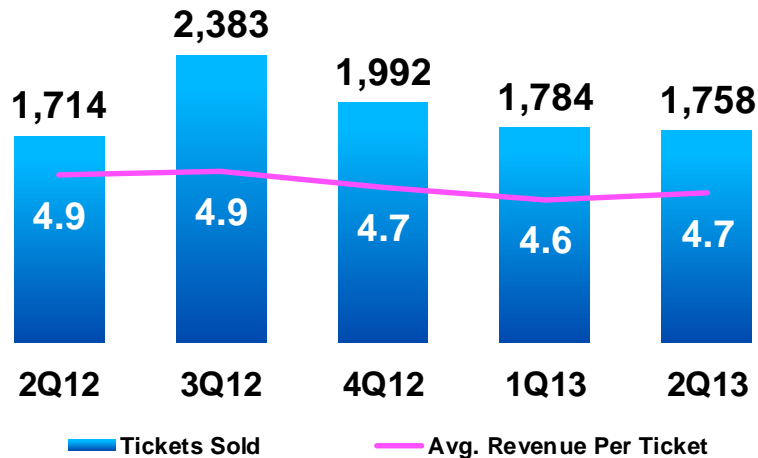


- ✓ Basic ARPU from core Pay TV, BB and Voice services increased 0.6% yoy, supported by the improving customer mix with more IRIS customers and by the price increase which took place in January
- ✓ Adjusting for the impact of entry level offers, basic ARPU would have grown by 2.1% yoy
- ✓ Premium channel subscriptions, primarily sports, still weighing negatively on ARPU, with the end of the football season

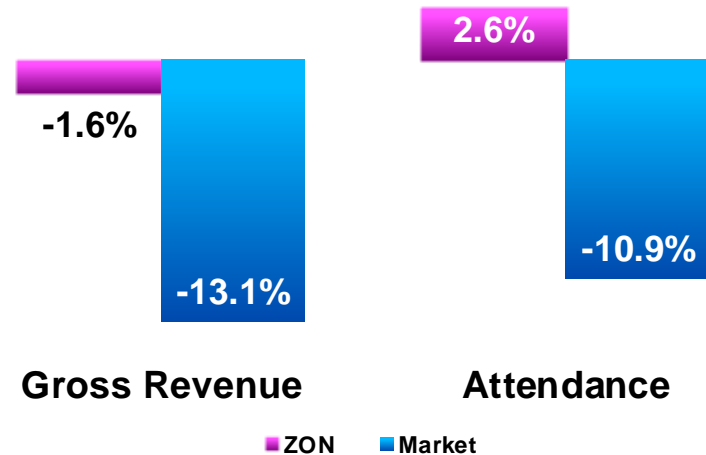
Cinema Exhibition: recovery in 2Q13



Cinema tickets sold and revenue per ticket
[Thousands, Euros]



2Q13 Performance of Gross Revenues and Attendance
[%]

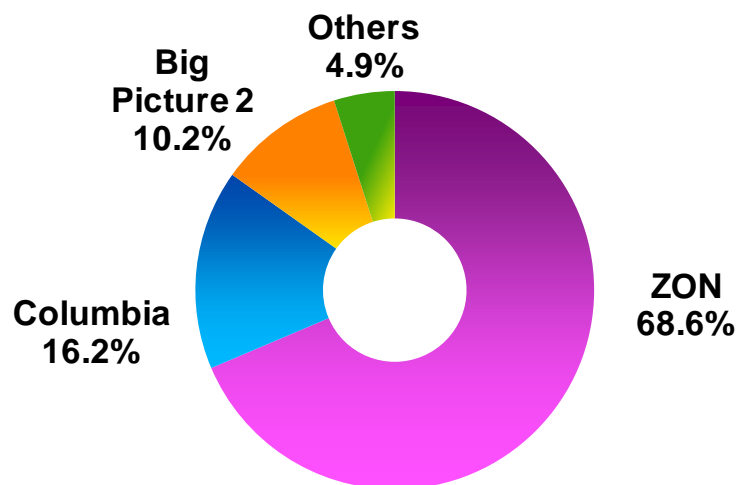


- ✓ Ticket sales increased yoy by 2.6% although average revenue per ticket fell 4.1% in 2Q13 mainly due to lower mix of 3D movies
- ✓ Cinema Exhibition gross revenues were down 1.6% in 2Q13, with the market as a whole declining by 13.1% yoy
- ✓ The comparison of ZON's performance with the market as a whole should be adjusted due to the closure of Socorama/Castello Lopes. Adjusted total market ticket sales fell by 2.1% yoy (vs. unadjusted drop of 10.9%) and adjusted gross revenue fell by 2.3% (vs. unadjusted drop of 13.1%)
- ✓ The first IMAX screen was opened on 20 June, with 400 seats. It was a great success with the re-edition of the box-office hit, "Jurassic Park", made exclusively for IMAX

ZON Audiovisuais: Reinforcing leadership in Cinema Distribution



Cinema Gross Revenues by Distributor - Market Share 2Q13
[%]



- ✓ Audiovisuals revenues remained stable and ZON maintained leading position
- ✓ ZON distributed 8 of the Top 10 movies shown in cinemas in Portugal in 2Q13
- ✓ 68.6% market share of cinema distribution gross revenues in 2Q13

ZAP – Strong performance



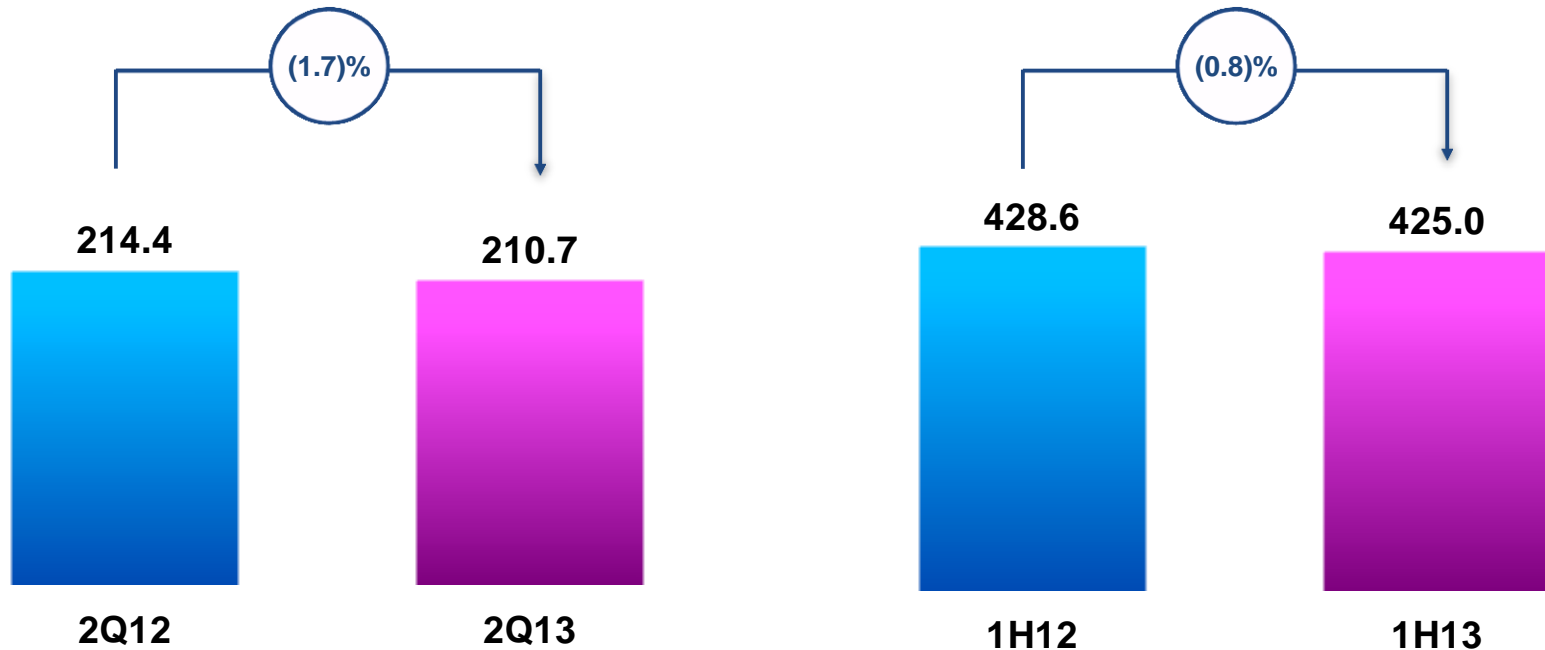
- ✓ ZAP continues to post a very positive performance in terms of customer growth
- ✓ Ranks as one of the leading brands in Angola, repeatedly one of the brands with the highest top of mind brand awareness
- ✓ Increased distribution network:
 - ✓ Present in most of the largest Angolan provinces
 - ✓ The largest network of distribution agents and door-to-door sales people
- ✓ New channels launched: Benfica TV

2Q13

Financial Performance

Solid revenue performance

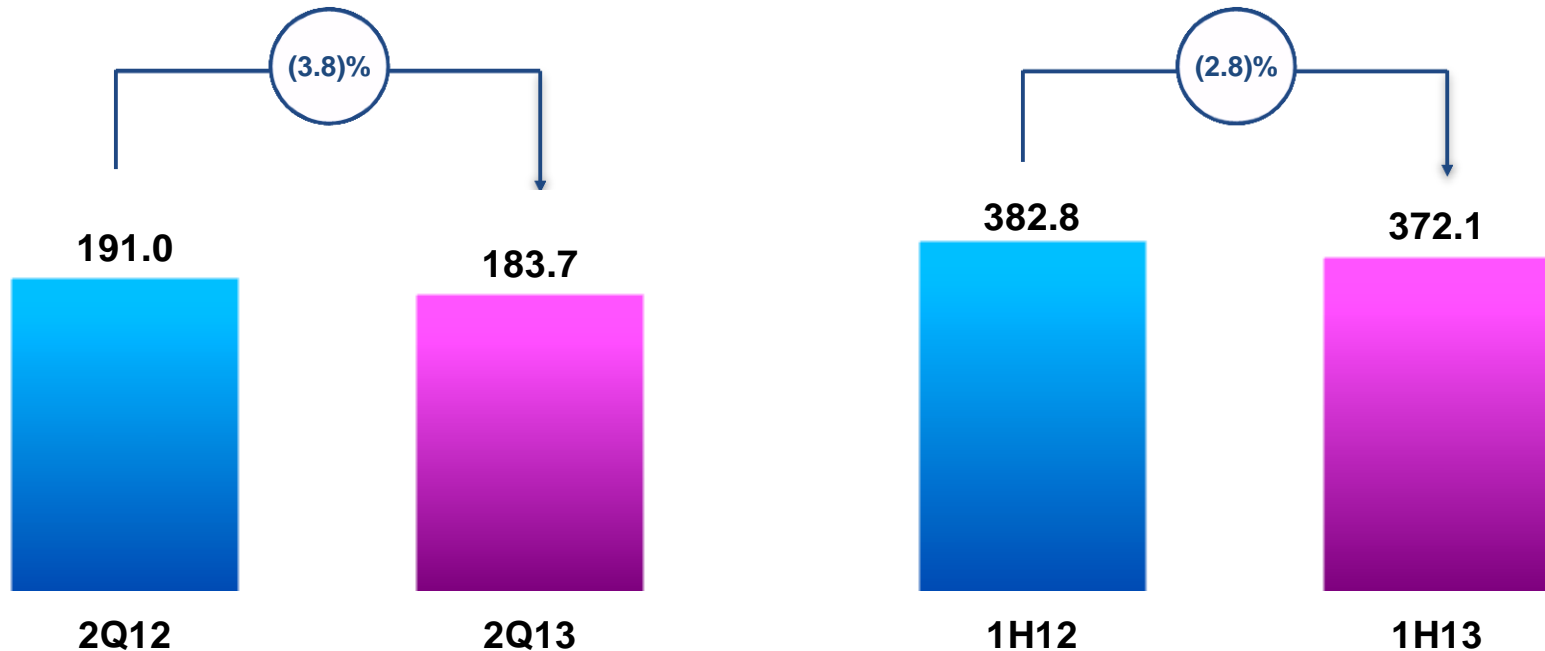
Consolidated Operating Revenues
[Millions of Euros]



- ✓ Resilient consolidated revenue performance yoy: -1.7% in 2Q13

Pay TV, Broadband and Voice revenues under pressure from premium channel subscriptions

Pay TV, Broadband & Voice Revenues
[Millions of Euros]



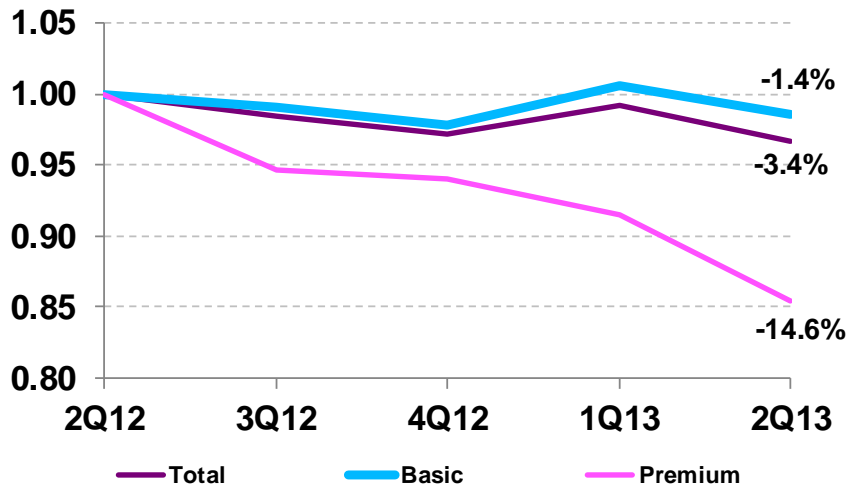
- ✓ 3.8% yoy decline of Pay TV, Broadband and Voice Revenues, under pressure from the increased level of SportTV disconnections, due to the end of the football season

ARPU revenue affected by premium channels



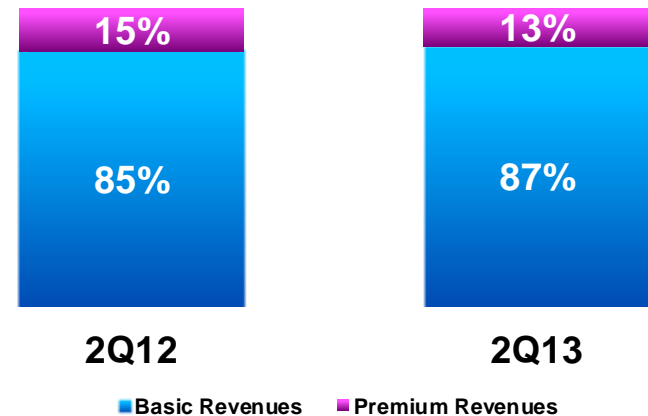
ARPU Revenue Growth

[2Q12 = Base 1]



ARPU Revenue split

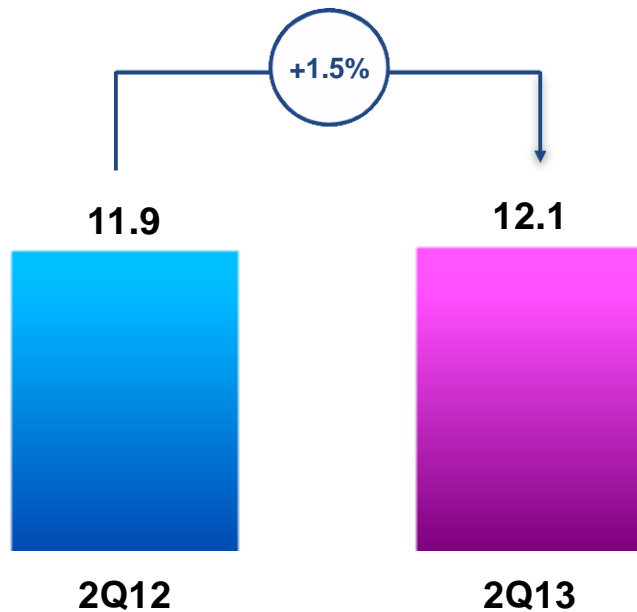
[%]



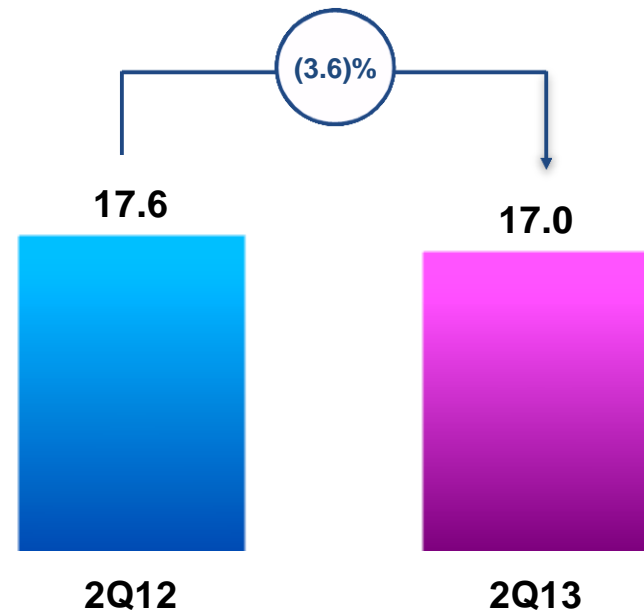
- ✓ Premium ARPU revenue decline of 14.6% in 2Q13, causing a drop of 3.4% yoy on total ARPU Revenues
- ✓ Basic ARPU revenues show great resilience to the challenging macroeconomic backdrop, declining only 1.4% yoy
- ✓ Basic ARPU revenues supported by the price increase in 1Q13 and by the resilience of the subscription of core services
- ✓ Continued pressure from premium channel subscription revenues, with an acceleration in the annual pace of decline in 2Q13 to -14.6% (which compares with -11.5% in 1Q13)

Audiovisuals and Cinema revenues: performance ahead of the market, despite challenging environment

Cinema Revenues
[Millions of Euros]



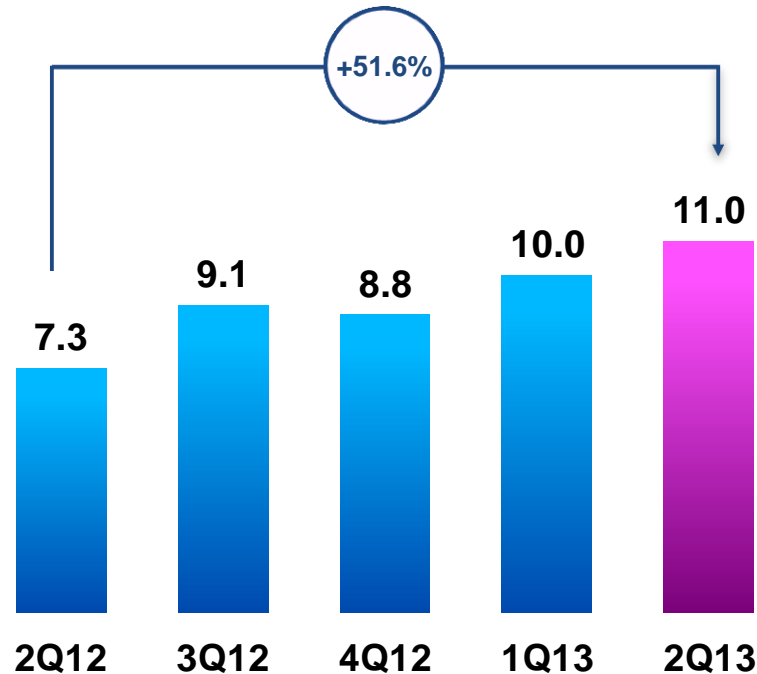
Audiovisuals Revenues
[Millions of Euros]



- ✓ Cinema Exhibition revenues grew 1.5% yoy to 12.1 million euros, due to an improvement in the number of tickets sold as from May
- ✓ Despite the market environment remaining very tough in this segment, ZON is posting better performance than the market as a whole, thus reinforcing its market share

ZAP already making relevant contribution

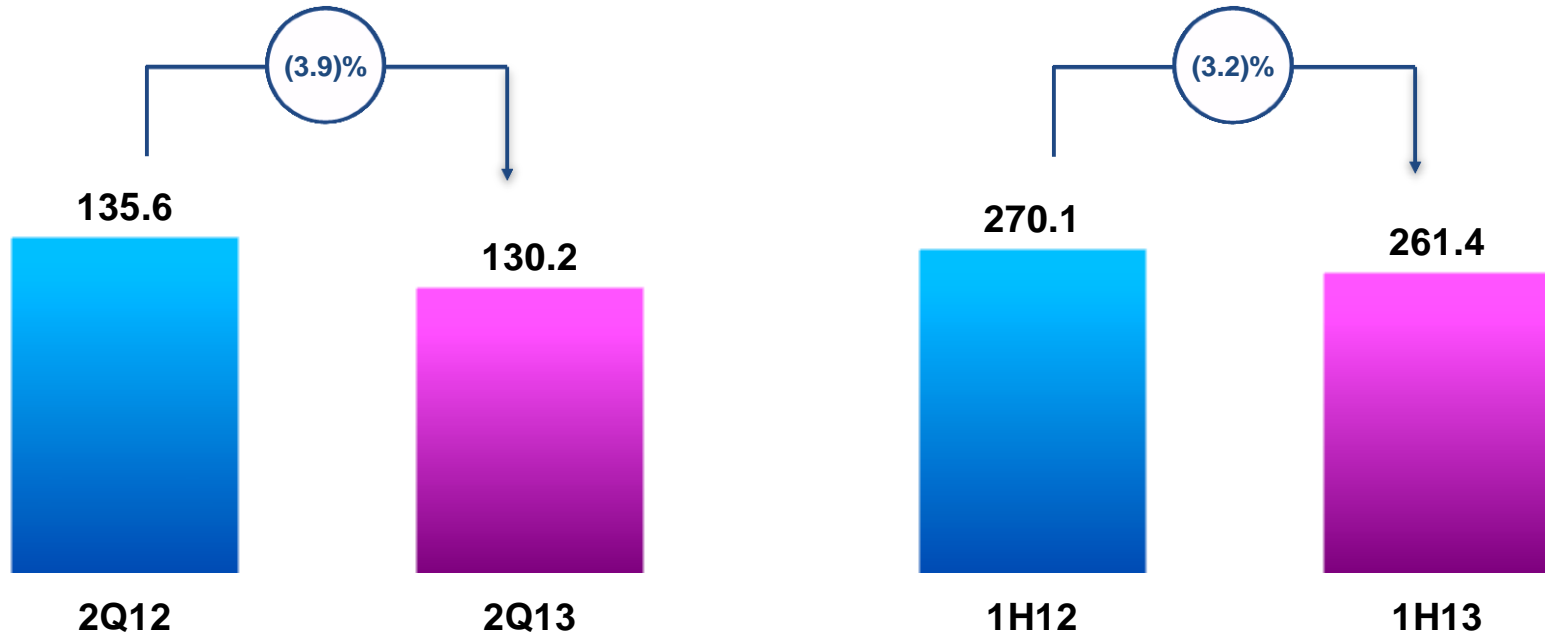
International Revenues (30% stake in ZAP)
[Millions of Euros]



- ✓ Revenues from ZAP in Angola in Mozambique grew by 51.6% to 36.7 million euros in 2Q13 (ZON's 30% stake represented 11 million euros)

Cost savings materializing

Consolidated Operating Costs [Millions of Euros]



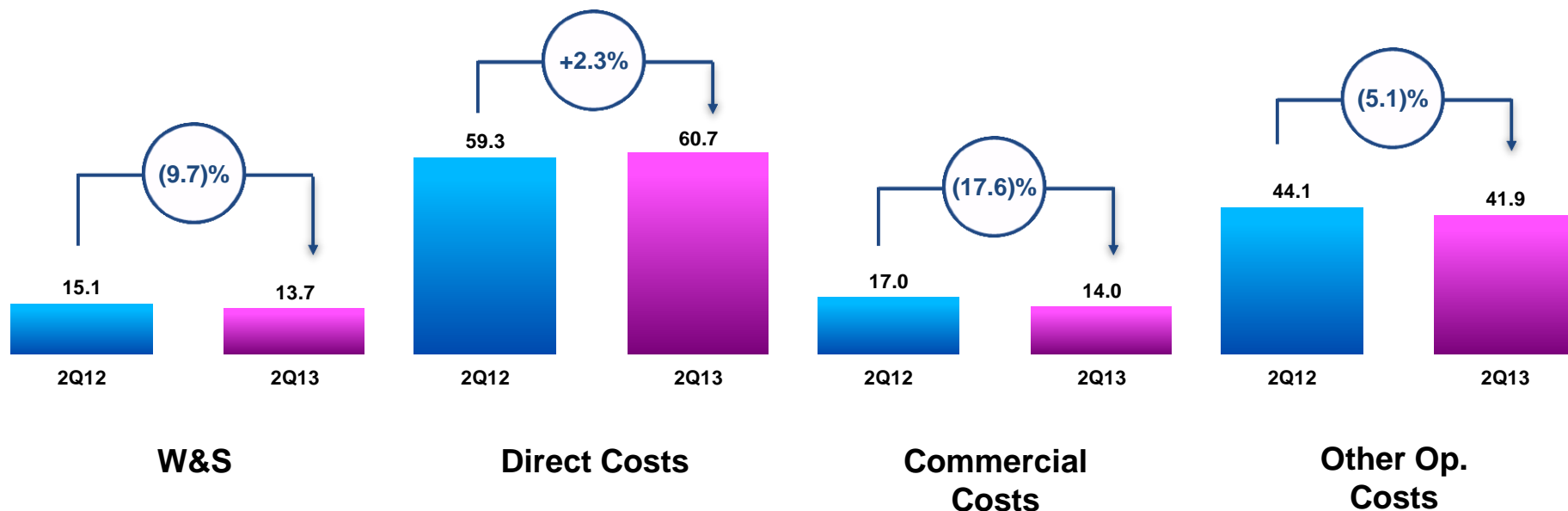
- ✓ Group-wide efforts to contain and adjust the cost structure to the challenging environment are delivering results
- ✓ OPEX fell by 3.9% to 130.2 million euros in 2Q13 with important savings being achieved in practically all relevant cost lines
- ✓ Excluding consolidation of ZAP, consolidated operating costs would have fallen further by 4.9%

Cost savings materializing



Operating Costs

[Millions of Euros]

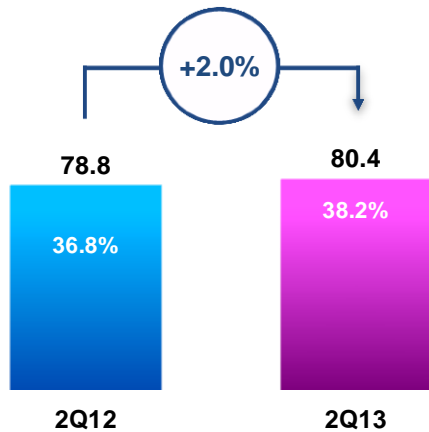


Operating Costs (millions of euros)	2Q13	Δ %	Drivers
W&S	13.7	(9.7%)	ZON is making efforts to accommodate normal staff attrition levels without hiring. In the cinema business in particular, the number of employees per multiplex has been adjusted down, along with the implementation of other cost and efficiency measures.
Direct Costs	60.7	2.3%	2.3% increase mainly due to higher royalties in the Cinema Exhibition and Audiovisuals businesses and to the increasing cost base of ZAP
Commercial Costs	14.0	(17.6%)	17.6% yoy reduction explained by a continued decrease in the level of commissions and marketing costs led by cost saving initiatives and to lower cost of goods sold on the back of slower commercial activity and subsequently lower gross adds
Other Operating Costs	41.9	(5.1%)	5.1% decrease thanks to continued strong cost discipline driving savings in areas such as support services, maintenance and repairs and other SGA

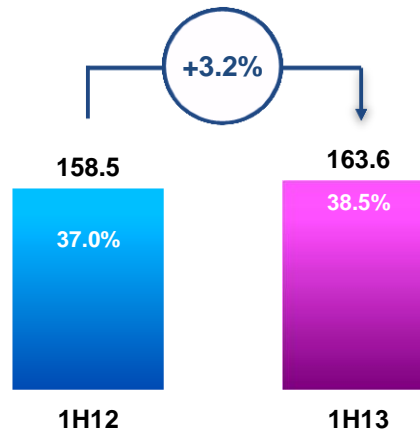
Strong EBITDA yoy performance



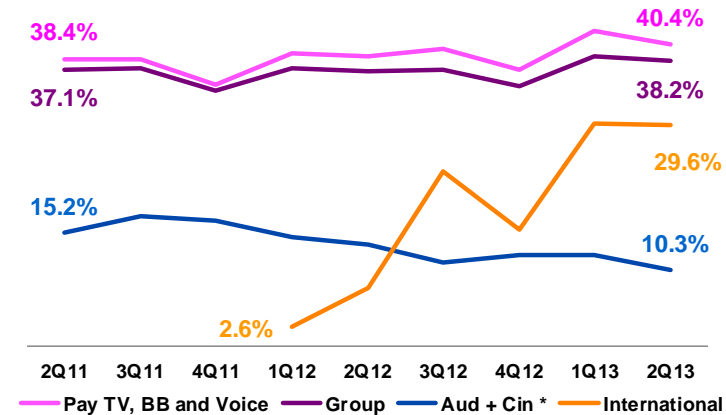
Group EBITDA, EBITDA Margin
[Millions of Euros, %]



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



EBITDA Margin
[%]



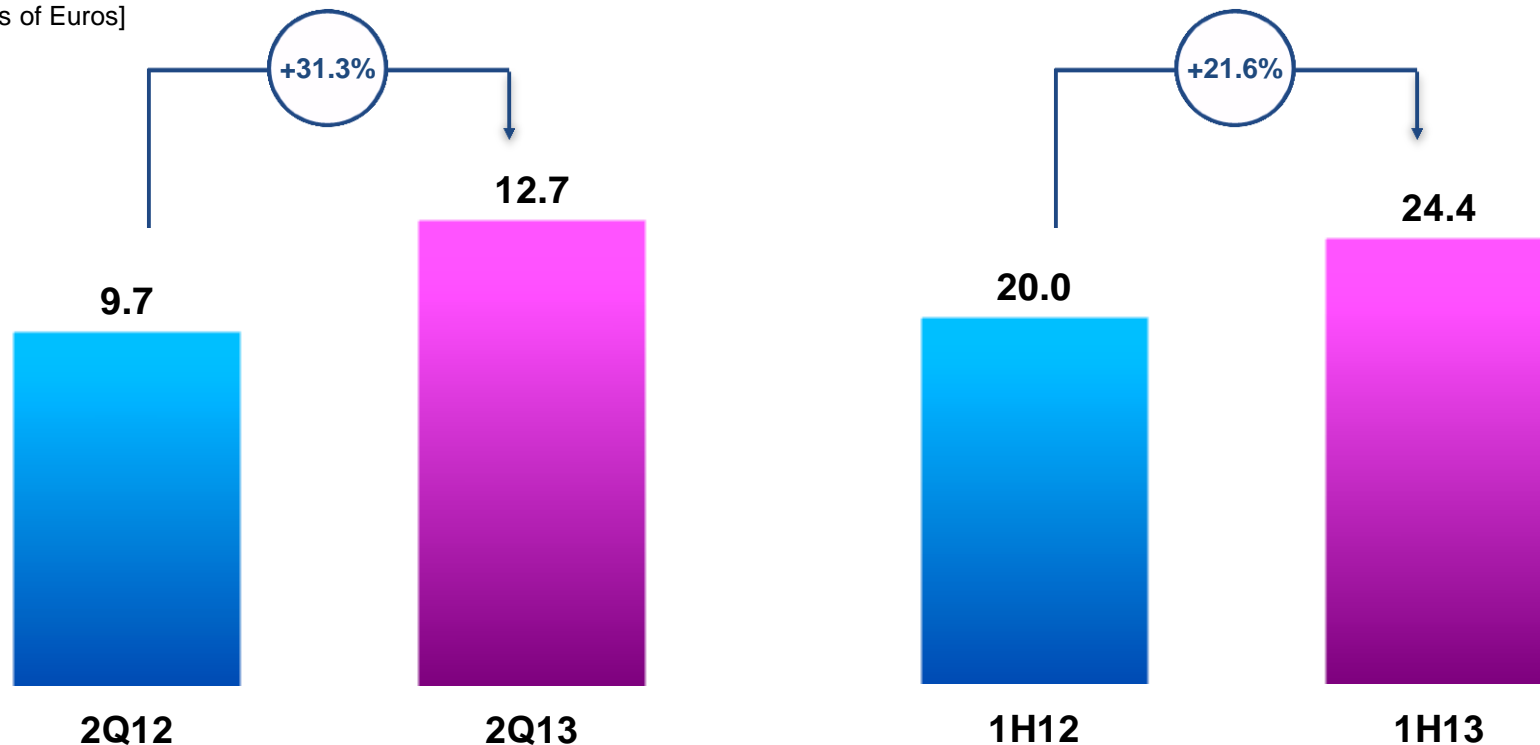
- ✓ Core Pay TV, Broadband and Voice margin grew by 1.5pp yoy to 40.4%, the second highest quarterly level and a reflection of the ability to contain costs and improve efficiency, despite the slowdown in operational activity
- ✓ Group Margin grew by 1.4pp despite dilution from the other lower margin domestic businesses. ZAP's EBITDA margin of 29.6% was already remarkable given that breakeven was achieved just one year ago

* Adjusted for 2.9 million euros one-off provision in 1Q13

Strong Net Income Growth of 31.3% yoy

Net Income

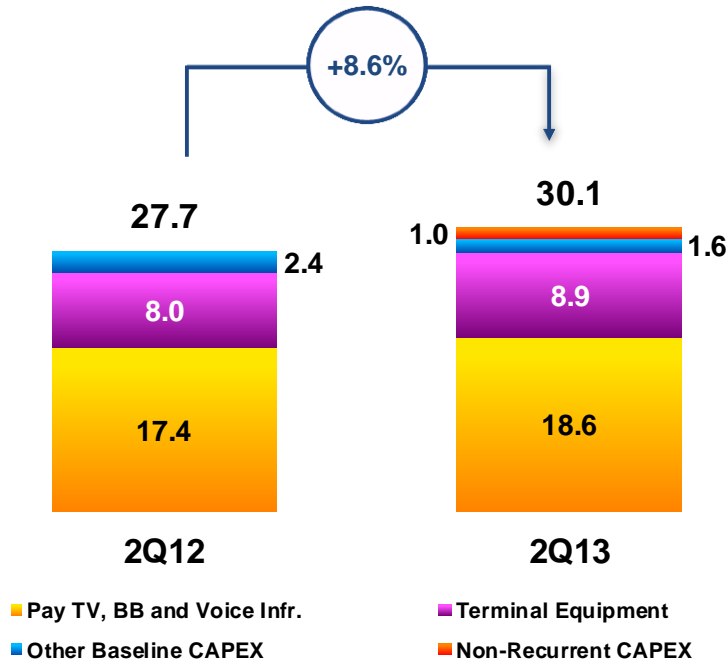
[Millions of Euros]



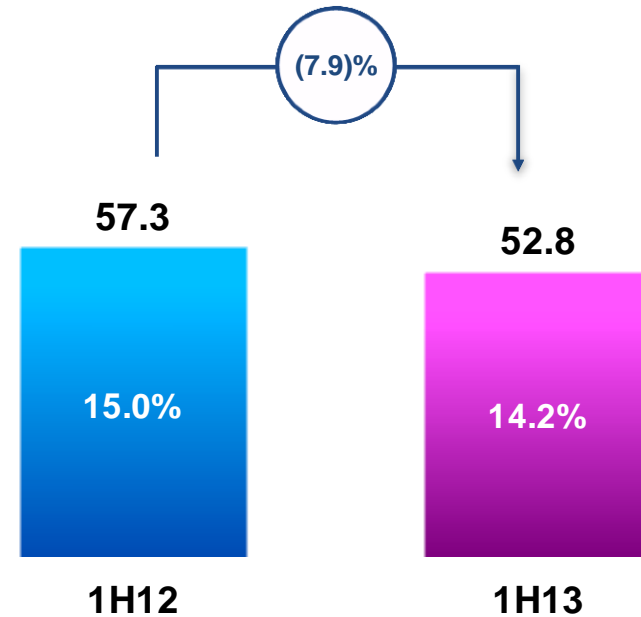
(millions of euros)	2Q13	Δ %	Drivers
D&A	49.0	(4.9)%	Yoy decline of 4.9% to 49.0 million euros
Net Financial Expenses	13.3	24.4%	Net Financial Expenses higher in 2Q13 at 13.3 million euros compared with 10.7 million euros in 2Q12, although just 8.4% higher than in 1Q13. The yoy increase is a result of a progressively higher average cost of interest as some of ZON's older and less expensive financing lines matured and with the entrance of the new retail bonds issued in June 2012. This effect is partially compensated by the lower average level of consolidated debt. This aggregate was also impacted by one - off effects relating to an impairment charge of the audiovisuals and cinema fund "FICA" of around 0.5 million euros
Income Taxes	5.9	1.4%	Income Taxes amounted to 5.9 million euros in 2Q13, representing an effective P&L tax rate for 1H13 of around 29%

Baseline CAPEX stable

Total CAPEX
[Millions of Euros]



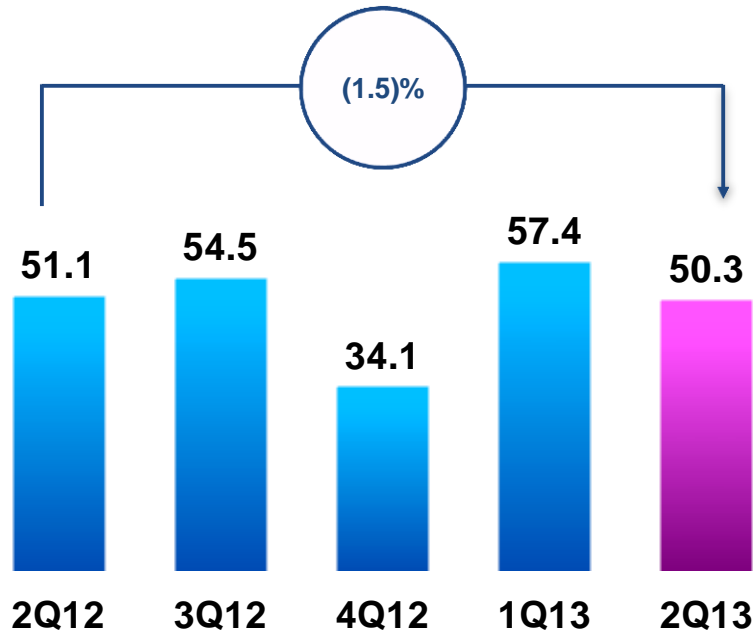
Baseline CAPEX, Baseline CAPEX / Pay TV, BB and Voice Revenues
[Millions of Euros, %]



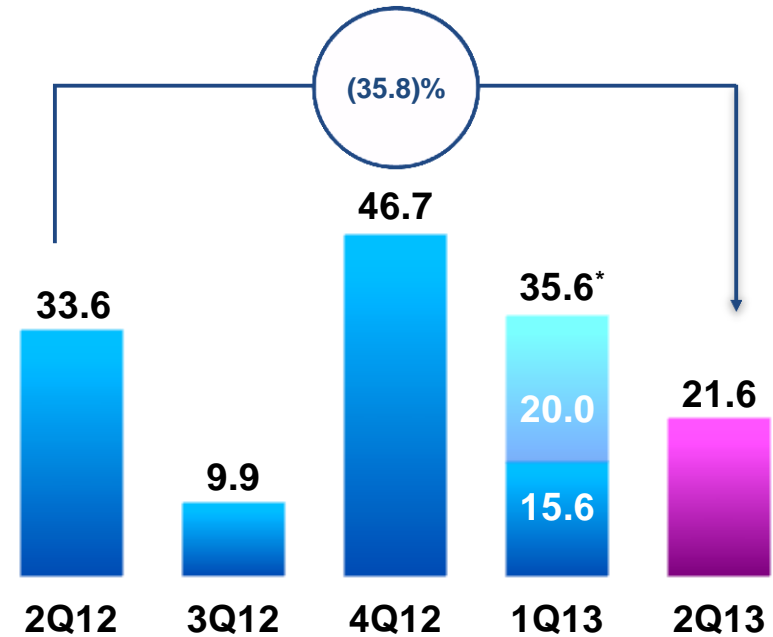
- ✓ CAPEX levels beginning to stabilize
- ✓ Baseline CAPEX / Pay TV, Broadband and Voice Revenues of 15.8% in 2Q13, including some customer and growth investment as well as Non Recurrent CAPEX due to the upgrade to the MPEG4 compression standard in the DTH business

Strong FCF generation cycle

EBITDA - CAPEX
[Millions of Euros]



Free Cash Flow
[Millions of Euros]

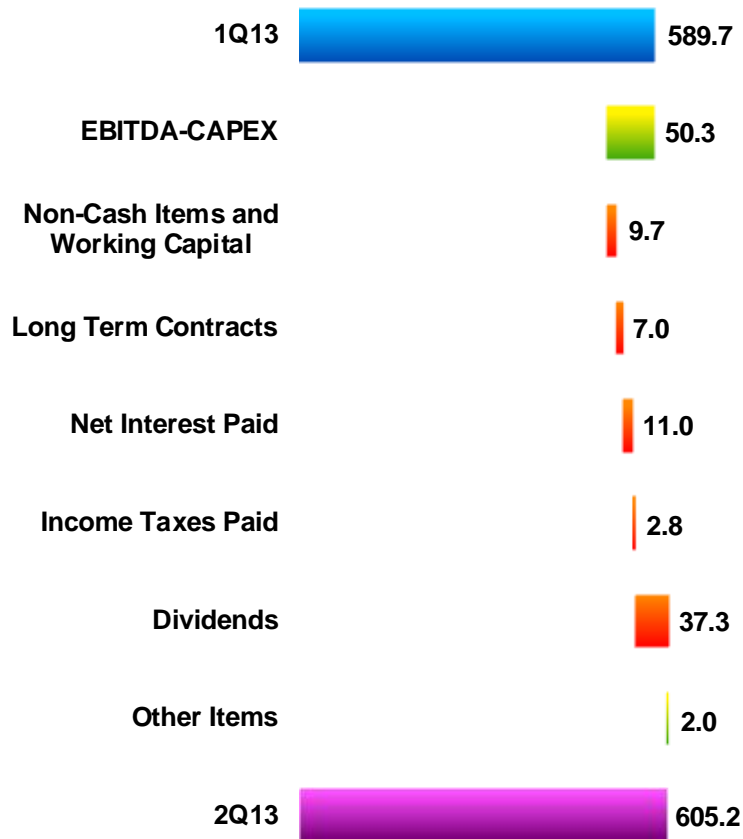


- ✓ Strong performance in EBITDA-CAPEX led by the continuously resilient level of EBITDA
- ✓ Free Cash Flow generation of 21.6 million euros

* Adjusted for the upfront payment of 20 million euros related to the renewal of the Portuguese Football League contract.

Solid Capital Structure, deleveraging to 1.9x Net Financial Debt / EBITDA

Change in Net Financial Debt [Millions of Euros]



- ✓ Net Financial Debt of 605.2 million euros at the end of 2Q13
- ✓ Net Financial Debt / EBITDA of 1.9x
- ✓ Average cost of debt of 5.67% in 1H13
- ✓ 1.68 years of average maturity

Wrap-up



- ✓ Good operational and financial performance
- ✓ Continued strong uptake of higher value added bundles with record levels of new IRIS customers
- ✓ Additional pressure on premium channel revenues offset by the improving customer mix, price increase, and efficient management of the cost structure
- ✓ ZAP: continued strong pace of growth
- ✓ Strong Operating Cash Flow momentum

Appendix

Financial Highlights

Operational Highlights

Financial Highlights



(Millions of Euros)	2Q12	2Q13	Δ y.o.y.	1H12	1H13	Δ y.o.y.
Operating Revenues	214.4	210.7	(1.7%)	428.6	425.0	(0.8%)
Pay TV, Broadband and Voice	191.0	183.7	(3.8%)	382.8	372.1	(2.8%)
Audiovisuals	17.6	17.0	(3.6%)	34.7	34.1	(1.8%)
Cinema Exhibition	11.9	12.1	1.5%	23.7	23.9	0.8%
International	7.3	11.0	51.6%	13.7	21.0	n.a.
Other	(13.3)	(13.0)	(2.0%)	(26.3)	(26.1)	(1.0%)
EBITDA	78.8	80.4	2.0%	158.5	163.6	3.2%
EBITDA Margin	36.8%	38.2%	1.4pp	37.0%	38.5%	1.5pp
Pay TV, Broadband and Voice	74.2	74.2	(0.0%)	149.5	153.7	2.8%
EBITDA Margin	38.9%	40.4%	1.5pp	39.0%	41.3%	2.3pp
Cinema and Audiovisuals	4.0	3.0	(26.4%)	8.3	3.6	(56.3%)
EBITDA Margin	13.7%	10.3%	(3.5)pp	14.2%	6.2%	(7.9)pp
International	0.6	3.3	n.a.	0.7	6.2	n.a.
EBITDA Margin	7.8%	29.6%	21.8pp	5.4%	29.7%	24.4pp
Income from Operations	27.3	31.4	15.1%	51.0	59.9	17.4%
Net Income	9.7	12.7	31.3%	20.0	24.4	21.6%
CAPEX	27.7	30.1	8.6%	57.3	55.8	(2.6%)
EBITDA minus CAPEX	51.1	50.3	(1.5%)	101.2	107.8	6.5%
Net Financial Debt	660.4	605.2	(8.4%)	660.4	605.2	(8.4%)
CAPEX as % of Revenues	12.9%	14.3%	1.4pp	13.4%	13.1%	(0.2)pp
Net Financial Debt / EBITDA [x]	2.1x	1.9x	n.a.	2.1x	1.9x	n.a.

Operational Highlights



	2Q12	2Q13	Δ y.o.y.	1H12	1H13	Δ y.o.y.	
Pay TV, Broadband and Voice	Homes Passed ('000)	3,204	3,271	2.1%	3,204	3,271	2.1%
	RGUs ('000)	3,414	3,479	1.9%	3,414	3,479	1.9%
	Triple Play Customers	731	786	7.6%	731	786	7.6%
	Basic Subscribers	1,586	1,543	(2.7%)	1,586	1,543	(2.7%)
	IRIS Subscribers	162	339	109.7%	162	339	109.7%
	Fixed Broadband	751	805	7.2%	751	805	7.2%
	Fixed Voice	947	990	4.5%	947	990	4.5%
	Mobile	129	140	8.3%	129	140	8.3%
	Blended ARPU (€)	34.7	34.2	(1.3%)	34.9	34.5	(1.0%)
	Cinema Exhibition	Revenues per ticket (€)	4.9	4.7	(4.1%)	4.8	4.6
Tickets sold ('000)		1,714	1,758	2.6%	3,439	3,543	3.0%

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