

1Q12 RESULTS PRESENTATION

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1Q12 Highlights



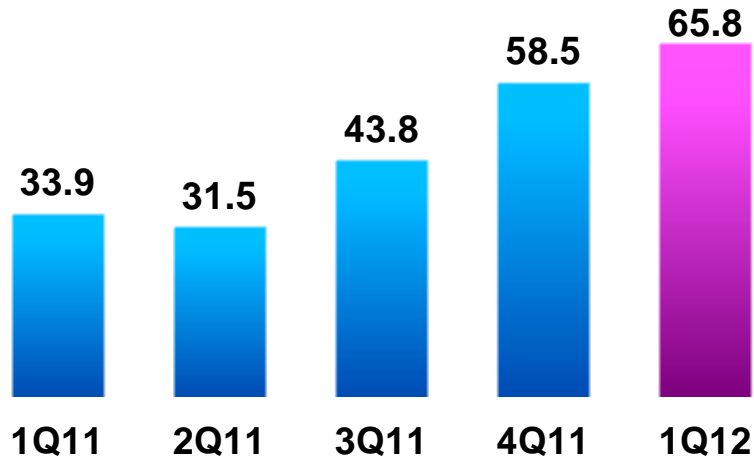
- ✓ **Very resilient core Triple Play business despite tough macro headwinds**
- ✓ **Efforts to contain costs and CAPEX are evident in solid financial performance**
- ✓ **New growth options beginning to show interesting results**

Very encouraging RGU growth



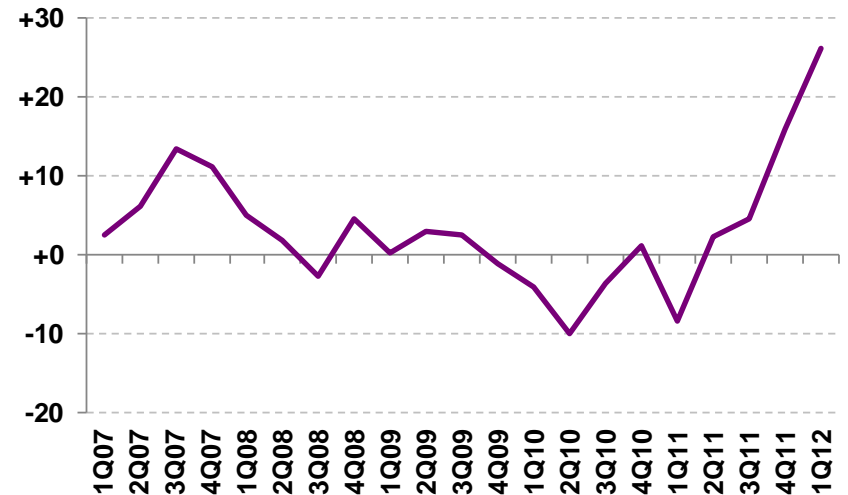
RGU Net Adds

[Thousands]



Pay TV – Cable Net Adds

[Thousands]

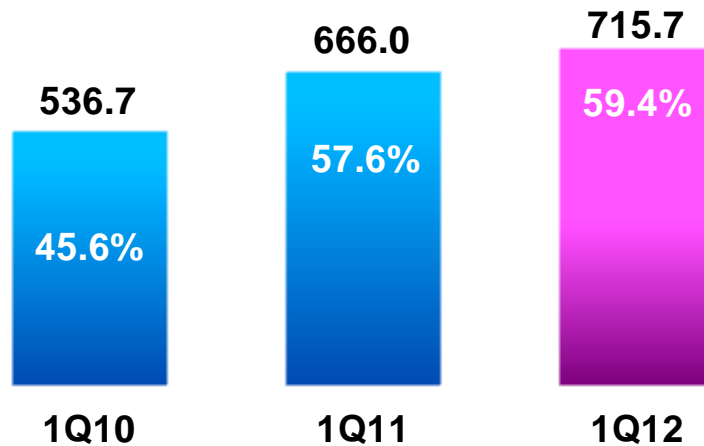


✓ Strongest quarter since 2010 in RGU growth with 65.8 thousand net adds

✓ Record growth in cable with 26 thousand net adds

Good take-up of high-end IRIS bundles and entry-level offers

Triple Play Customers
[Thousands]



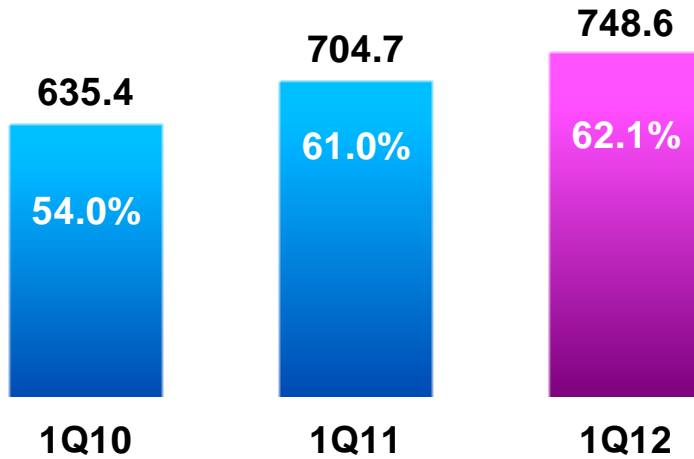
- ✓ 716 thousand Triple Play customers, up 7.5% yoy
- ✓ 120 thousand IRIS customers, 10% of cable customer base
- ✓ Strong take-up of entry-level bundles with analogue switch-off

Robust net additions in Broadband and Fixed Voice



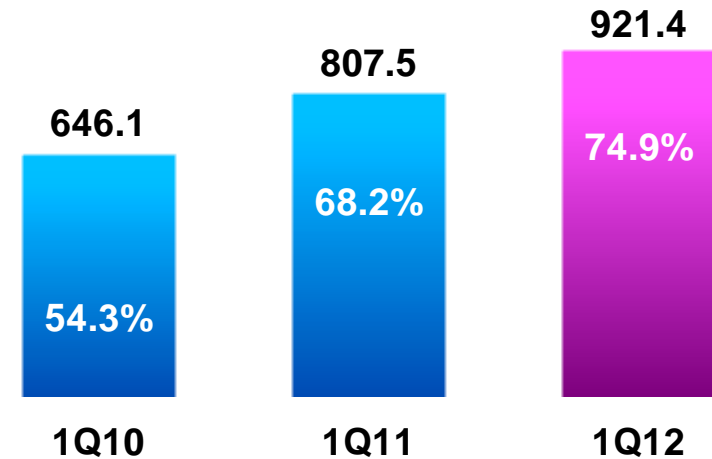
Broadband Subscribers

[Thousands, % of Penetration of Cable Base]



Fixed Voice Subscribers

[Thousands; % of Penetration of Cable Base]



- ✓ Broadband Net Adds of 9.4 thousand to 749 thousand subs
- ✓ 62.1% penetration of customer base
- ✓ 53% offers greater than 20 Mbps and 32% higher or equal to 30 Mbps
- ✓ ZON Online #1 in Portuguese App store

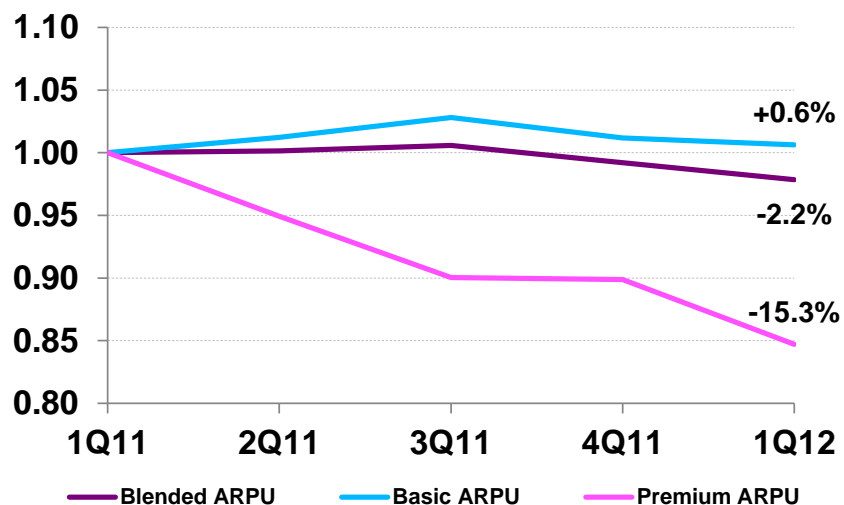
- ✓ Fixed Voice Net Adds of 37.5 thousand to 921.4 thousand subs
- ✓ 74.9% penetration of customer base
- ✓ Huge success of new fixed voice app for free fixed line calls out of the home

Resilience of Basic ARPU



Basic, Premium and Blended ARPU

[1Q11 = Base 1]

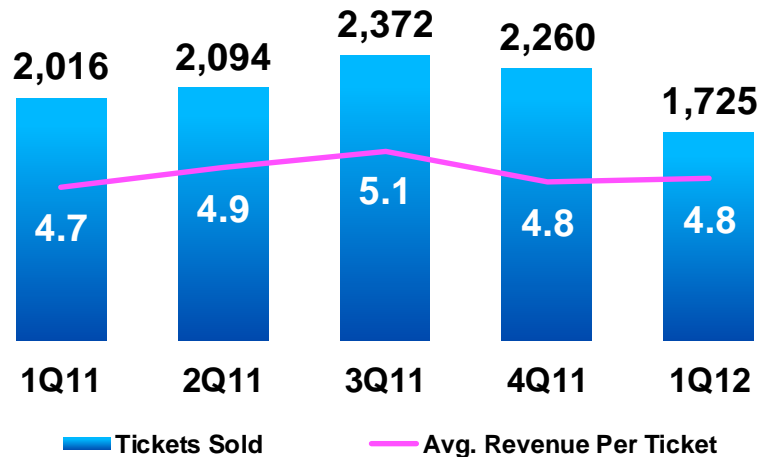


- ✓ Basic ARPU from core TV, BB and Voice services increased 0.6% yoy
- ✓ Adjusting for the impact of entry level offers, basic ARPU would have increased by 2.4%.
- ✓ Success of lower ARPU, entry level, offers and continued pressure from discretionary premium ARPU (-15.3%) led to decline in Blended ARPU of 2.2%

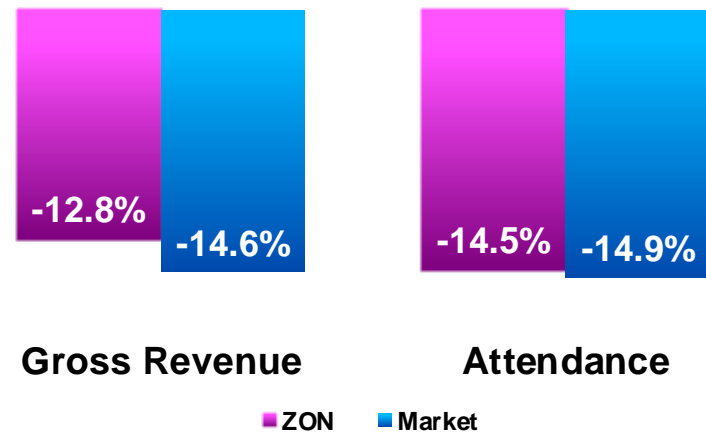
Cinema Exhibition: Outperforming the market in a tough year



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



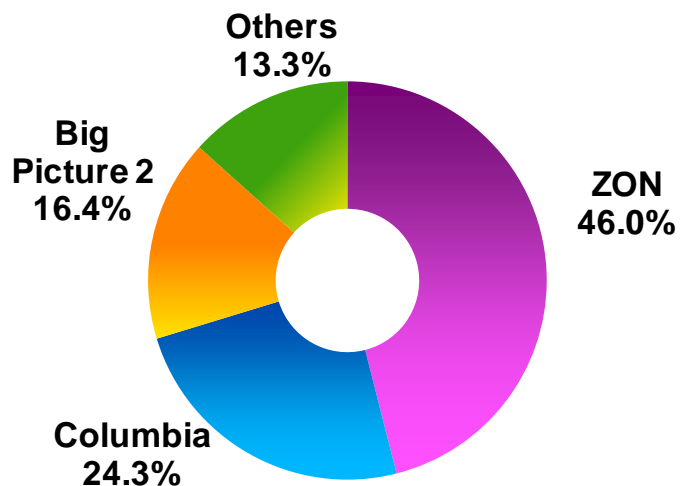
1Q12 Performance of Gross Revenues and Attendance
[%]



- ✓ Average revenue per ticket: + 2.1% in 1Q12
- ✓ Cinema Exhibition gross revenues were down 12.8% in 1Q12, with the market as a whole falling by 14.6% yoy

Audiovisuals: Maintaining clear leadership

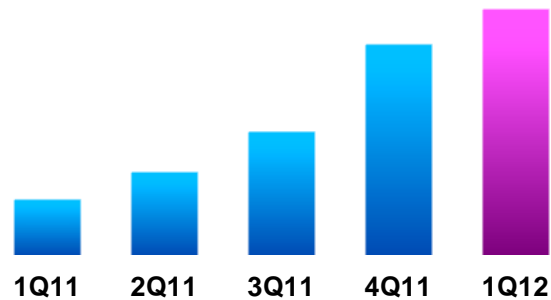
Cinema Distribution gross revenues market share 1Q12
[%]



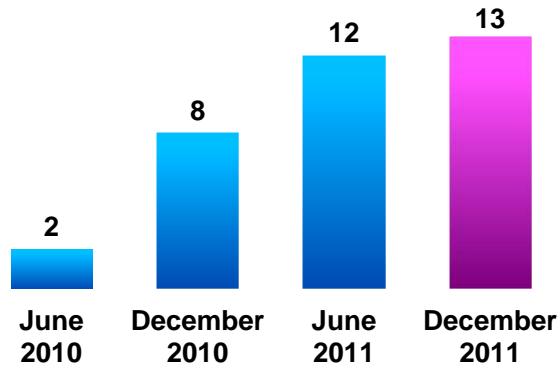
- ✓ ZON distributed 4 of the Top 10 movies shown in cinemas in Portugal in 1Q12
- ✓ 46% market share of cinema distribution gross revenues
- ✓ New distribution agreements established with Universal for home video and with MGM Studios for both theatrical and home video distribution

ZAP – posting good results in Angola

ZAP Subscribers
[Thousands]



ZAP Stores



Very strong operational performance

EBITDA breakeven reached in 1Q12

Growing distribution network

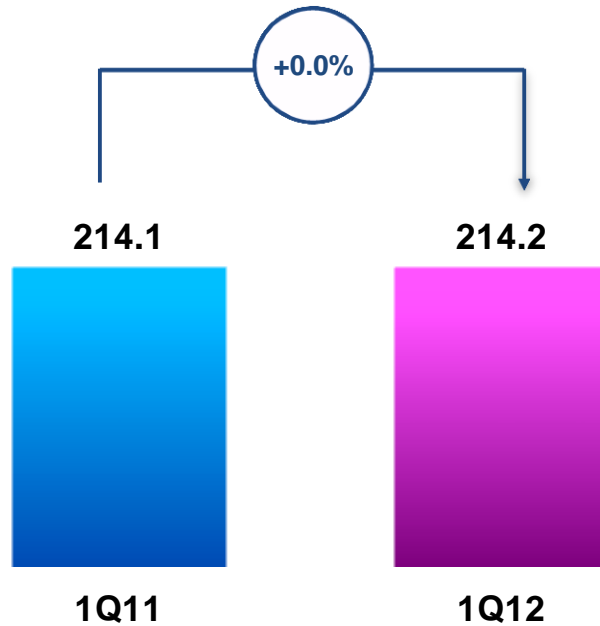
- ✓ 13 own stores
- ✓ Over 500 agents / points of sale
- ✓ Door-to-door sales force of 200 people in Angola

ZAP – the most recognized brand in the market

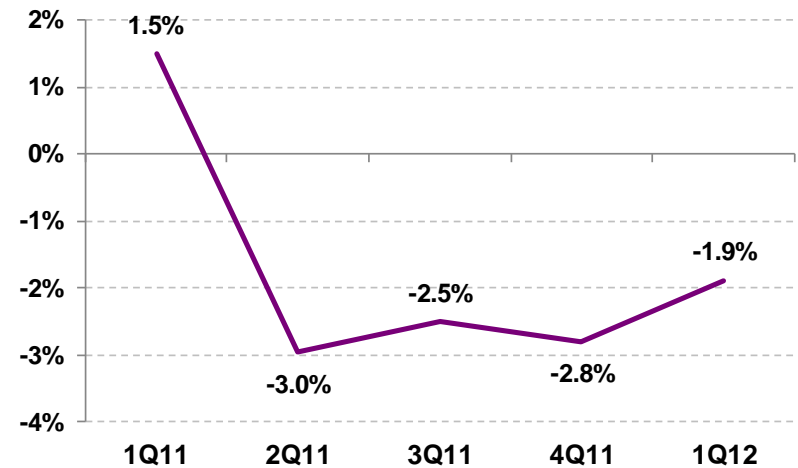
Strong focus on Portuguese Language content

Solid revenue performance

Consolidated Operating Revenues
[Millions of Euros]



Yoy change in Pay TV, BB and Voice Revenues
[%]

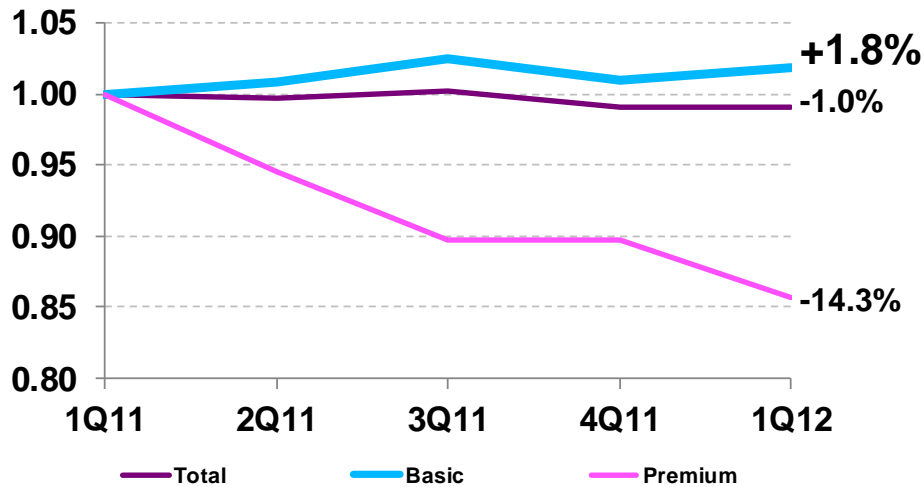


- ✓ Flat consolidated revenue performance yoy
- ✓ Proportionate consolidation of Angola JV in 1Q12 (6.4 million euros)
- ✓ Slowdown in pace of decline of Triple Play revenues

Growth in underlying core ARPU revenues

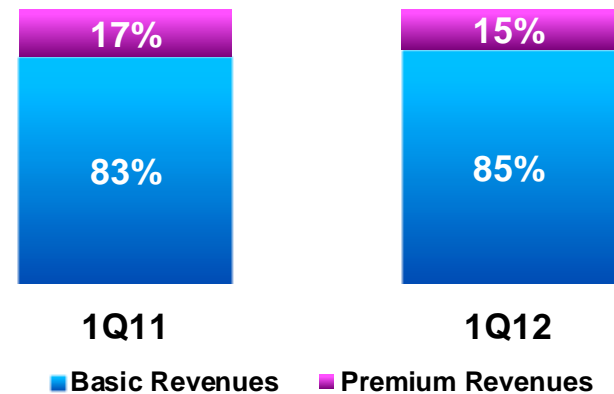
ARPU Revenues Growth

[1Q11 = Base 1]



ARPU Revenues split

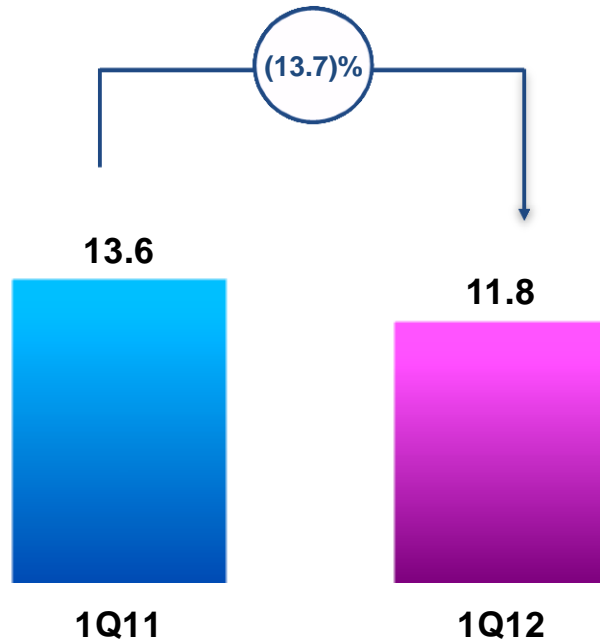
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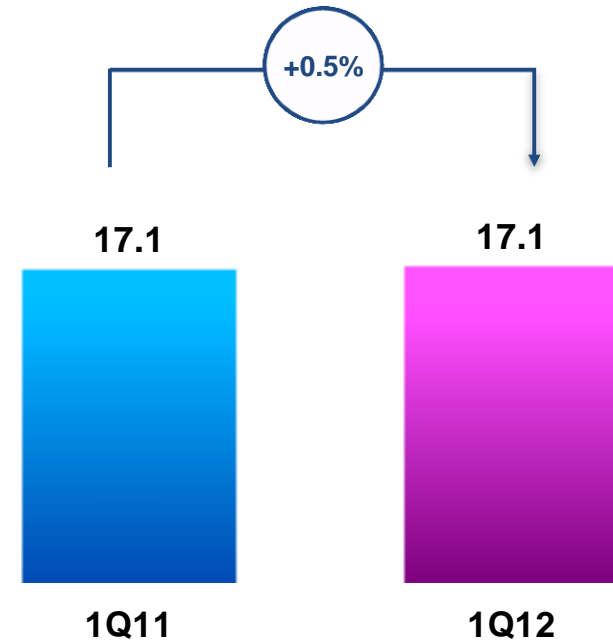
- ✓ Basic ARPU revenue growth of 1.8%
- ✓ Premium revenues down 14.3% yoy putting pressure on total revenues
- ✓ Premium revenues now represent 15% of ARPU revenues down from 17% in 1Q11

Solid Audiovisuals revenues; pressure on Cinema revenues

Cinema Revenues
[Millions of Euros]



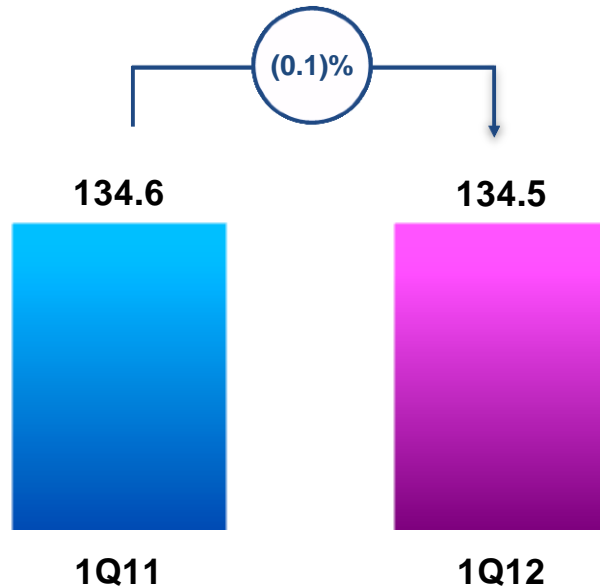
Audiovisuals Revenues
[Millions of Euros]



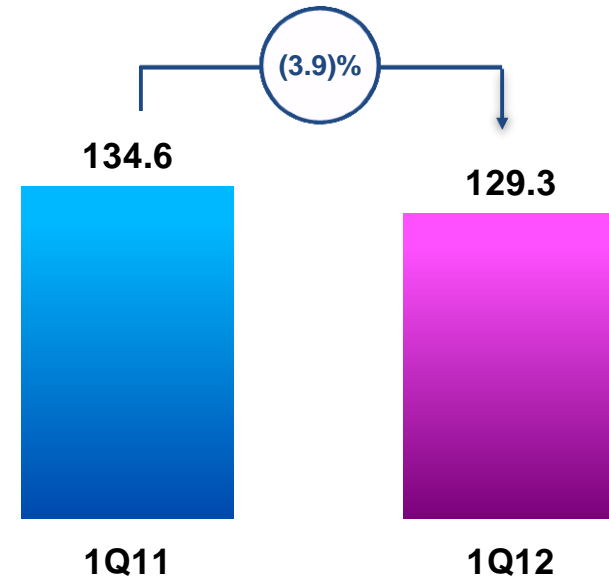
- ✓ Cinema revenues affected by combination of:
 - Macro pressure and consumer environment
 - VAT increase (6% to 13%) on cinema tickets
 - Fewer blockbuster and 3D movies

Costs savings materializing

Consolidated Operating Costs
[Millions of Euros]



Consolidated Operating Costs Excluding Angolan Operation
[Millions of Euros]

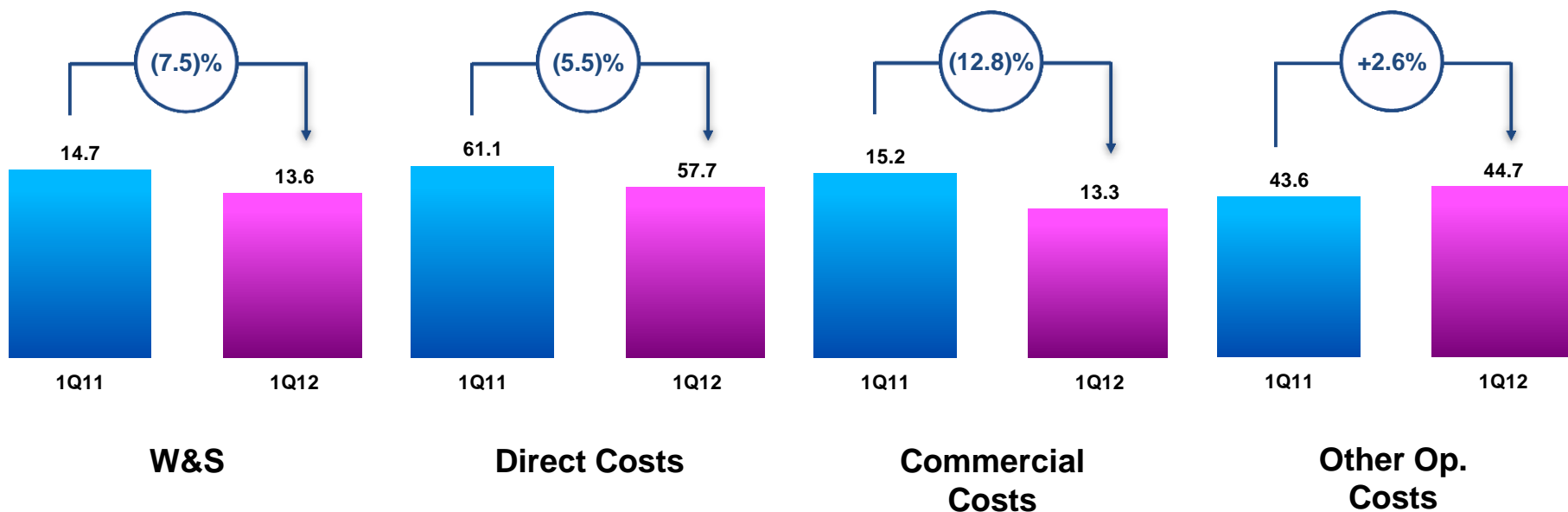


- ✓ Excluding proportionate consolidation of Angolan JV, OPEX fell by 3.9% to 129.3 million euros

Cost savings materializing



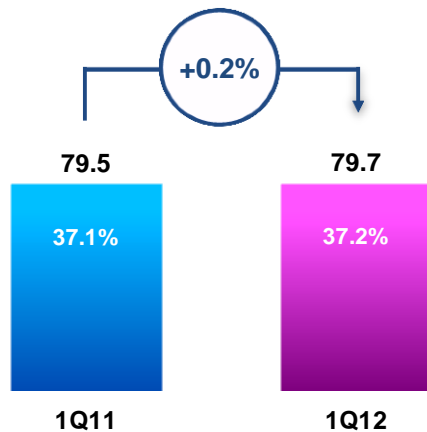
Operating Costs excluding Angolan Operation [Millions of Euros]



Operating Costs ex Angola (millions of euros)	1Q12	Δ %	Drivers
W&S	13.6	(7.5%)	Excluding the effect of the proportionate consolidation of the Angolan JV as from 1Q12, W&S like for like would have fallen by 7.5% reflecting a one-off effect and the effort in the Portuguese operation to contain the level of costs and headcount
Direct Costs	57.7	(5.5%)	Excl. the impact of the consolidation of the Angolan JV, like for like direct costs would have fallen by 5.5%, driven by a reduction in Programming Costs of 6.6%, due to the lower level of premium subscriptions, as well as the renegotiations of content contracts
Commercial Costs	13.3	(12.8%)	Excluding the impact of the Angolan Operation commercial costs would have fallen by 12.8%, mainly due to a decrease in the level of COGS, commissions and marketing costs
Other Operating Costs	44.7	2.6%	Excluding the impact of the consolidation of the Angolan Operation, like for like Other Operating Costs would have grown by 2.6% albeit important savings were achieved in several General and Administrative areas, namely customer service, maintenance and repairs

Strong improvement in EBITDA margin

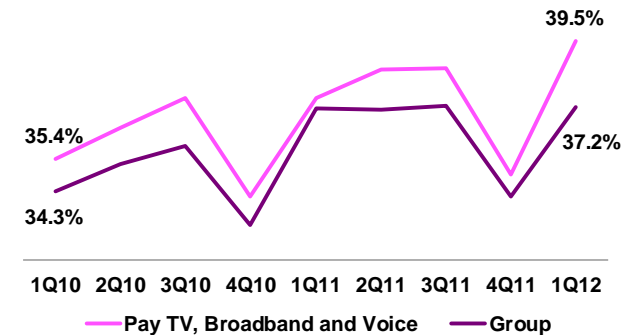
Group EBITDA, EBITDA Margin
[Millions of Euros, %]



Pay TV, Broadband and Voice EBITDA and EBITDA Margin [Millions of Euros, %]



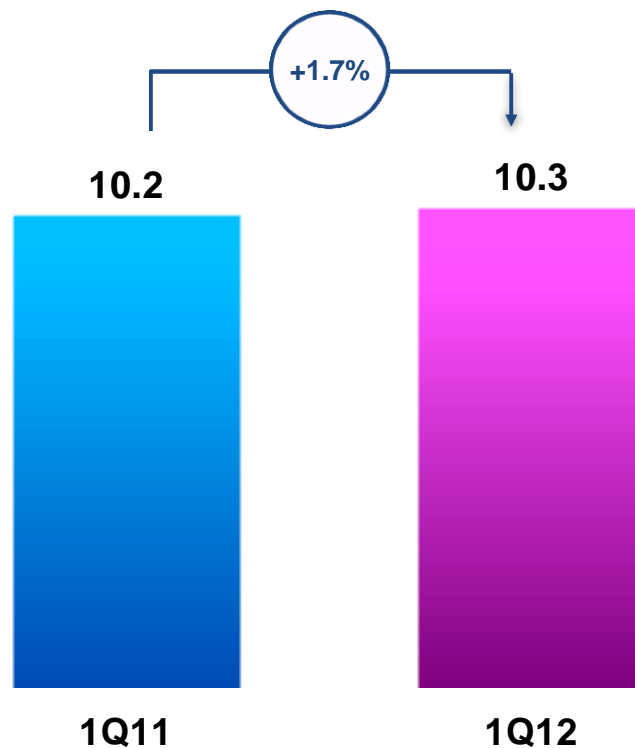
EBITDA Margin
[%]



- ✓ Core Pay TV, Broadband and Voice margin grew by 2pp yoy to 39.5%
- ✓ Group Margin remained relatively flat due to lower contribution from other domestic businesses and consolidation of Angolan JV

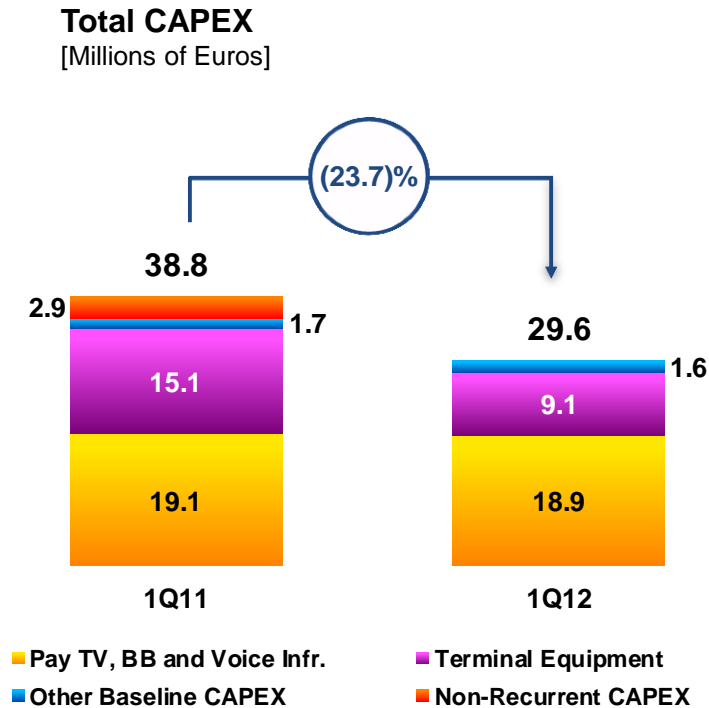
Net Income Growth

Net Income
[Millions of Euros]

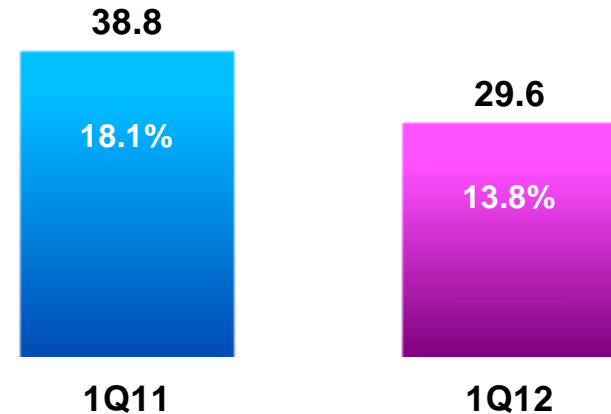


(millions of euros)	1Q12	Δ %	Drivers
D&A	(55.9)	0.7%	D&A in line with the levels recorded in 1Q11 amounting to 55.9 million euros. D&A is still relatively high due to the significant accelerated CAPEX cycle of the 2008-2010 period Net interest costs remained flat at 6 million euros in 1Q12.
Net Financial Expenses	(8.3)	(19.1%)	In 1Q11 ZON had a negative contribution from the consolidation of the Angolan Operation of 2.8 million euros, which does not appear in this line anymore. For comparative purposes, the equivalent impact for 1Q12 was a negative contribution at the EBT level of 1.3 million euros, therefore reducing considerably the negative impact from 2011
Income Taxes	(4.6)	29.3%	Effective P&L tax rate of 30% due to the higher corporate tax rate applied to companies surpassing pre-defined taxable income thresholds as a result of austerity measures for 2012/2013. In ZON's case, the company was generally affected by an increase of 0.5 pp to 29.5%.

Continued reduction of CAPEX to more normalized levels as forecast



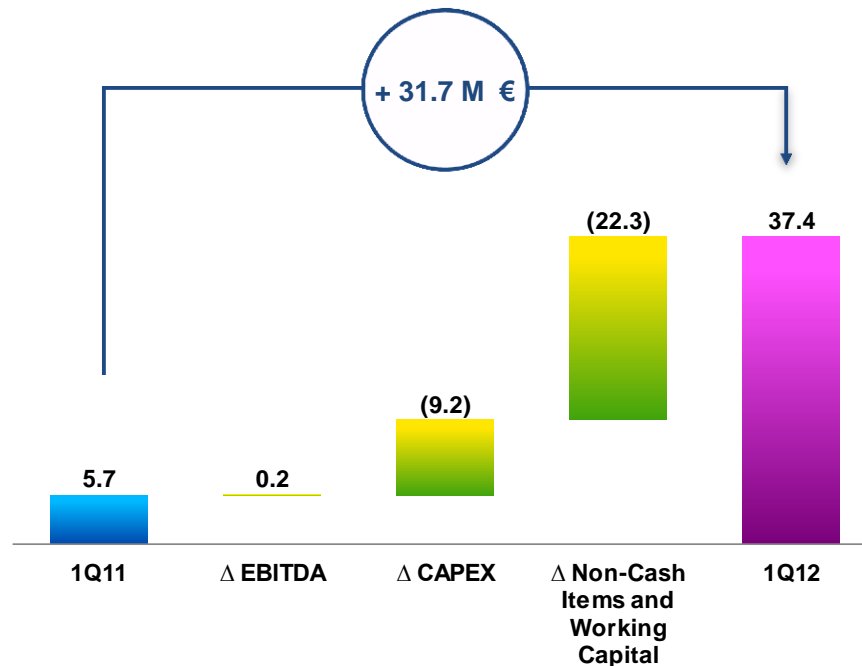
Total CAPEX, Total CAPEX / Operating Revenues [Millions of Euros, %]



- ✓ CAPEX levels significantly down on previous years as forecast, with the conclusion of major investment programmes regarding the network upgrade and the roll-out of next generation customer equipment
- ✓ CAPEX as percentage of total revenues at 13.8% in 1Q12, and at 15.4% as percentage of Triple Play revenues

Strong improvement in OCF

Operating Cash Flow After Investment
[Millions of Euros]

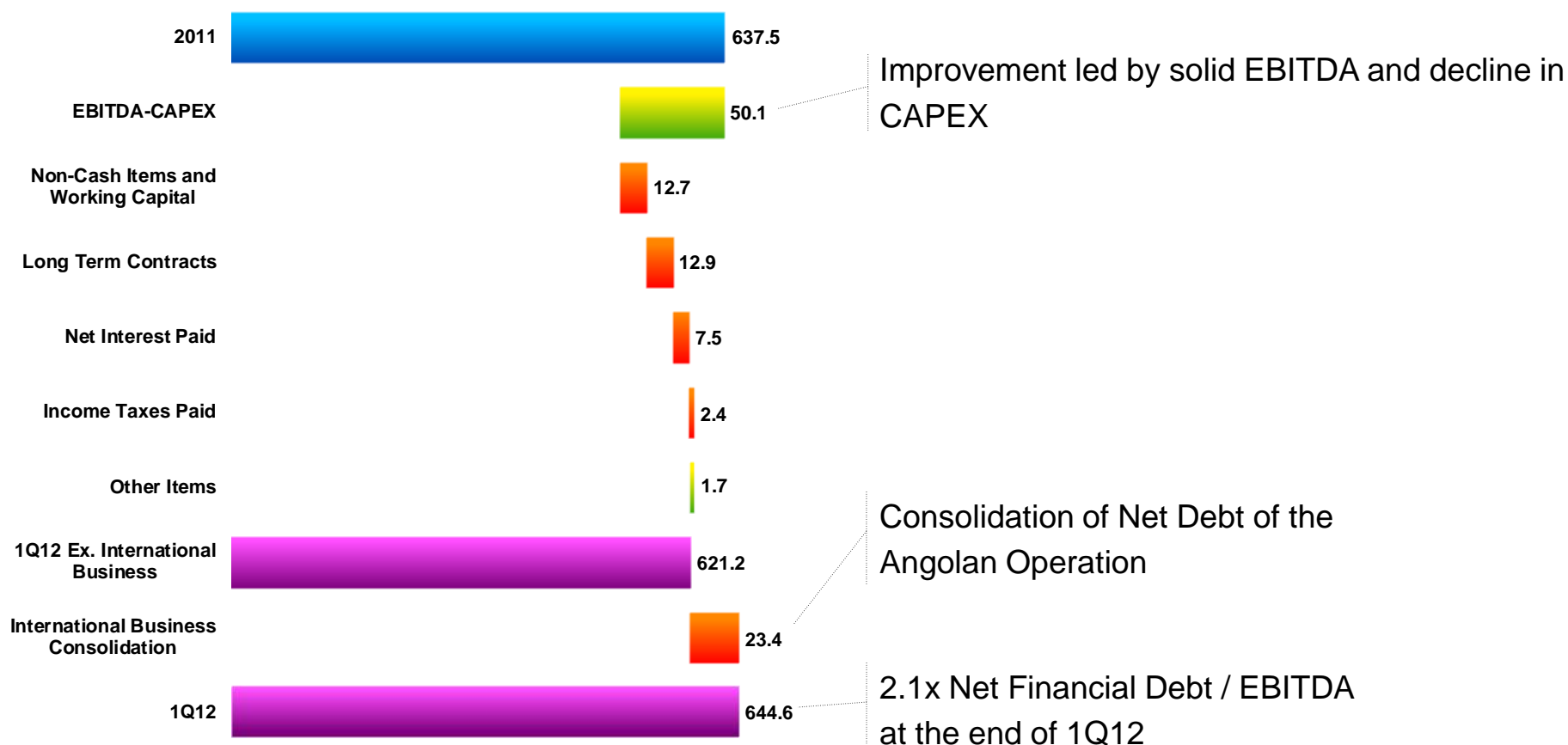


- ✓ Strong improvement in OCF led by solid EBITDA performance, decline in CAPEX, and lower Working Capital investment when compared with 1Q11

Solid Capital Structure, 2.1x Net Financial Debt / EBITDA

Change in Net Financial Debt

[Millions of Euros]



Wrap-up



- ✓ Despite the difficult macroeconomic environment, ZON continues to post good results in its domestic businesses
- ✓ Good operational performance of the core Triple Play business with good growth in cable base
- ✓ Despite slowdown of Premium subscriptions, optimization of cost structure has enabled continued EBITDA growth
- ✓ Strong FCF with very strong quarterly Cash Flow momentum
- ✓ Excellent results of the Angolan business, on track for EBITDA positive contribution in 2012

Appendix

Financial Highlights

Operational Highlights

Financial Highlights

(Millions of Euros)	1Q11	1Q12	Δ y.o.y.
Operating Revenues	214.1	214.2	0.0%
Pay TV, Broadband and Voice	195.6	191.9	(1.9%)
Audiovisuals	17.1	17.1	0.5%
Cinema Exhibition	13.6	11.8	(13.7%)
International	-	6.4	n.a.
Other	(12.1)	(13.0)	7.4%
EBITDA	79.5	79.7	0.2%
Income from Operations	24.0	23.7	(1.0%)
Net Income	10.2	10.3	1.7%
CAPEX	38.8	29.6	(23.7%)
EBITDA minus CAPEX	40.7	50.1	23.0%
Net Financial Debt	641.7	644.6	0.5%
EBITDA margin (%)	37.1%	37.2%	0.1pp
CAPEX as % of Revenues	18.1%	13.8%	(4.3pp)
Net Financial Debt / EBITDA [x]	2.1x	2.1x	n.a.

Operational Highlights

	1Q11	1Q12	Δ y.o.y.		
Pay TV, Broadband and Voice	Homes Passed ('000)	3,207	3,187	(0.6%)	
	RGUs ('000)	3,181	3,381	6.3%	
	Triple Play Customers	666	716	7.5%	
	Basic Subscribers	1,554	1,587	2.1%	
	Fixed Broadband	705	749	6.2%	
	Fixed Voice	807	921	14.1%	
	Mobile	115	124	8.2%	
	Blended ARPU (€)	35.8	35.0	(2.2%)	
	Cinema Exhibition	Revenues per ticket (€)	4.7	4.8	2.1%
		Tickets sold ('000)	2,016	1,725	(14.5%)

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