FY13
EARNINGS
ANNOUNCEMENT

ZON OPTIMUS®

FY13 Highlights

Table 1.

2013 Highlights	2012	2013	2013 / 2012
Financial Highlights			
Operating Revenues	1,473.7	1,426.8	(3.2%)
EBITDA	541.4	536.6	(0.9%)
EBITDA Margin	36.7%	37.6%	0.9pp
(Other Expenses) / Income	(1.6)	(60.9)	n.a.
Net Income	114.3	63.4	(44.5%)
Recurrent Free Cash Flow	133.3	147.6	10.7%

- New organizational structure in place since the end of the year and restructuring process initiated and well underway;
- Very high customer enthusiasm for convergent offer with ZON4i reaching 300 thousand RGUs just 3 months after launch;
- EBITDA was almost flat yoy at 536.6 million euros, representing an EBITDA margin of 37.6%, an increase of 0.9 p.p. in comparison with the previous year;
- Net Income impacted by non-recurrent costs, primarily driven by the merger, which in total amounted to 60.9 million euros in FY13;
- Very positive performance in Recurrent FCF which grew by 10.7% yoy to 147.6 million euros.

1

4Q13 Consolidated Results

The 4Q13 was the first full quarter of operations after the merger was completed at the end of August and led by the new management team as from October 1. It was marked by significant internal reorganization to reflect a new integrated company, driven by a convergent strategy and built around 2 main segments: Consumer and Business.

ZON OPTIMUS has a significant opportunity for growth ahead, across all market segments, leveraging a unique set of assets and skills in what is a particularly sophisticated and competitive telecom environment. With the implementation of the new structure, key areas of business and operational restructuring are now underway and on track to achieving the synergy targets.

2

Convergence is driving market dynamics

Over the past years, growth in the residential segment was focused on growing in the triple play arena, upselling additional services to Pay TV subscribers, a strategy that was further reinforced in 2011 with the launch of IRIS, an award winning interface that leads in terms of innovation worldwide through its advanced functionalities.

By the time of the merger, triple play penetration of the customer base was already over 60%, and the focus began to shift to convergent mobile and fixed solutions for the household. At the end of October 2013, ZON OPTIMUS launched its first integrated communications and entertainment service in Portugal – ZON4i.

ZON4i combines more and better television programming with 116 channels; fixed Internet which gives the highest speed and most extensive coverage with 100 Mbps to all 3.2 million households covered by ZON OPTIMUS' next generation cable network; an unlimited national and international fixed voice service which also includes free use of the ZON Phone app enabling use of a landline number on mobile devices, benefiting from normal landline tariffs and integrated billing; free access to the largest network of WiFi hotspots giving instant access to 600 thousand hotspots in Portugal and over 12 million worldwide; unlimited mobile phone use, offering the best 4G solutions available, for up to four users, mobile Internet with free 200 MB per SIM card which accommodates a flexible top-up facility for those who occasionally go over their data limit; priority access to the largest network of cinemas in Portugal, through myZONcard, that also gives one free ticket for every cinema ticket purchased. ZON4i is priced at €79.99 with two mobile users, and can be adjusted to suit usage profile and requirements.

After just a few months since launch, ZON OPTIMUS has already reached 300 thousand convergent RGUs, with over 85% of Mobile convergent RGUs being new to ZON OPTIMUS and an average of 2.1 SIM cards per unique customer.

These results confirm that customers have been waiting for the merger to happen to be able to benefit from this strong fixed and mobile value proposition combining the best TV interface in the market, IRIS, the highest broadband speeds with the best network coverage and unlimited all-net mobile services.

ZON4i primarily focuses on upselling convergent solutions to the existing fixed customer base and almost 90% of convergent subscribers were already ZON fixed customers. Of these, almost 89% were triple play customers and more than half previous IRIS customers. To date, the convergent offers provided by ZON OPTIMUS include 2 unlimited mobile tariffs plus a 3rd and 4th SIM card for an additional 7.5 euros each.

At the end of last year, a mobile handset campaign was launched for new convergent subscribers designed to reduce the resistance caused by network blocked mobile phones. The campaign included flagship high-end devices sold in instalments through the monthly bill and exceeded initial expectations, particularly over the Christmas period.

Leading innovation in cloud based TV

In 2013, ZON OPTIMUS' next generation, multi-screen TV offer, IRIS, became the default offer for our new triple and quad play packages, leading to significant growth in IRIS subscribers to 438 thousand, over 54% of the 3&4P base.

Maintaining the pace of innovation that has characterized IRIS since launch, in the last quarter ZON OPTIMUS launched its Network-DVR offer enabling set-top boxes without a hard drive to record, pause live TV and rewind live content. Not only does the feature fully replicate the experience of a local recorder but it also expands the experience by allowing for unlimited simultaneous recording of programmes and sharing of recorded programmes over all the STBs in the household.

With this development ZON OPTIMUS has become the first pay-TV operator to initiate the commercial fade-out of DVR centric STBs, generating in the process a much superior user experience. These STBs are significantly less expensive and much more reliable given they have fewer mechanical components.

The launch of the Network-DVR represents the latest development in a technological strategy designed to offer the most advanced video services from the cloud leveraging on ZON OPTIMUS' world class access, transport and video delivery networks.

IRIS continues to be the driver of our product strategy, with continuous releases and upgrades always exceeding user expectations. As a result of the merger the natural extension of our technological and product development strategy is to further connect the TV experience to the mobile ecosystem, thus exploiting the opportunity of ZON OPTIMUS' strong position as a fixed and mobile player. The importance and success of our TV interface is core to our strategy to lead the market in convergence given that choice of operator is anchored on the Pay TV provider.

IRIS has accumulated a number of awards as the best TV interface with widespread recognition from customers and industry peers. IRIS was voted "Product of the Year" in Portugal for the second consecutive year and IRIS' OTT apps were also recognized internationally having won the "Best TV on the Move Service" award at London's TV Connect conference.

Mobile driven by All-Net tariffs

ZON OPTIMUS continues to focus its marketing efforts for the personal segment on tariffs that provide easy and unlimited plans without any kind of network restrictions. The two main families of all-net tariffs are SMART and LIGA, both launched during 2013. SMART is directed at the high-end segment of the market as a post-paid plan that enables customers to communicate to all networks with an almost unlimited monthly allowance and without the hassle of having to remember to top-up. All SMART tariffs include at least 1 Gb of data, providing an excellent 3G and 4G experience. LIGA addresses the need to provide more affordable all-net access to more segments of the market at a very appealing 9.99 euros / month price point. This offer has led to a significant increase in the proportion of pre-paid customers with a fixed monthly recharge.

With the increasing importance of convergent offers, the proportion of mobile SIM cards included in residential post-paid offers has increased, helping to offset seasonal reduction in mobile subscribers in the last quarter of the year as well as the one-off impact of some customer loss during the migration process of previous ZON MVNO customers onto the OPTIMUS mobile network.

Reinforced position in Corporate, SME and SoHo

The Business segment is one of the core strategic growth segments for ZON OPTIMUS. The combined share of close to 17% for the Business operation has significant potential to increase. Due to the merger, ZON OPTIMUS now stands stronger as a technologically superior and fully integrated fixed and mobile operator, capable of offering relevant and competitive integrated and convergent telecommunications and data services for the enterprise segments in Portugal. The deep coverage, capillarity and high capacity of ZON OPTIMUS' network are core differentiating factors for this segment.

With a new, integrated team in place, ZON OPTIMUS is already making significant inroads in important Corporate accounts and tender processes under way. ZON OPTIMUS is already addressing the market as a single entity, capable of providing tailor made solutions for the largest corporate and public sector customers, and reaching out to SME and SoHo companies with specific solutions adapted to usage profile and geographic spread, leveraging the best national NGN Fixed and Mobile footprint.

Evidence of the reinforced competitive position and value of its integrated solution, ZON OPTIMUS won one of the five major retail bank accounts for telecom services in 4Q13, which is an important contribution not only on a stand-alone basis, but also to consolidate market recognition of the high quality, sophistication, reliability and competitiveness of ZON OPTIMUS' integrated data and communications services for the Corporate market.

Table 2.

Operating Indicators ('000)	4Q12	4Q13	4Q13 / 4Q12	2012	2013	2013 / 2012
Telco [1]						
Aggregate Indicators						
Homes Passed	3,185.6	3,241.8	1.8%	3,185.6	3,241.8	1.8%
Total RGUs	7,356.9	7,213.0	(2.0%)	7,356.9	7,213.0	(2.0%)
Mobile	3,305.1	3,243.4	(1.9%)	3,305.1	3,243.4	(1.9%)
Pre-Paid	2,408.4	2,251.0	(6.5%)	2,408.4	2,251.0	(6.5%)
Post-Paid	896.7	992.4	10.7%	896.7	992.4	10.7%
ARPU / Mobile Subscriber (Euros)	9.9	9.2	(7.1%)	10.6	9.6	(9.3%)
Pay TV	1,593.6	1,518.0	(4.7%)	1,593.6	1,518.0	(4.7%)
Fixed Access [2]	1,237.5	1,203.8	(2.7%)	1,237.5	1,203.8	(2.7%)
DTH	356.1	314.2	(11.8%)	356.1	314.2	(11.8%)
Fixed Voice	1,557.8	1,514.9	(2.8%)	1,557.8	1,514.9	(2.8%)
Broadband	887.8	922.1	3.9%	887.8	922.1	3.9%
Others and Data	12.7	14.6	14.9%	12.7	14.6	14.9%
IRIS Subscribers	234.8	437.6	86.3%	234.8	437.6	86.3%
% 3&4P IRIS Subscribers	29.7%	54.3%	24.6pp	29.7%	54.3%	24.6pp
Net Adds						
Homes Passed	18.7	13.3	(28.7%)	90.6	56.3	(37.9%)
Total RGUs	21.0	(40.6)	n.a.	39.3	(143.9)	n.a.
Mobile	10.6	5.4	(48.5%)	(26.8)	(61.7)	130.4%
Pre-Paid	6.8	(53.0)	n.a.	(1.6)	(157.4)	n.a.
Post-Paid	3.8	58.4	n.a.	(25.2)	95.7	n.a.
Pay TV	(4.9)	(28.2)	n.a.	2.3	(75.6)	n.a.
Fixed Access [2]	4.8	(16.0)	n.a.	32.2	(33.7)	n.a.
DTH	(9.7)	(12.2)	26.4%	(30.0)	(41.9)	39.8%
Fixed Voice	(4.8)	(24.0)	n.a.	28.7	(42.8)	n.a.
Broadband	19.4	5.8	(70.1%)	33.4	34.4	2.9%
Others and Data	0.6	0.4	(37.7%)	1.8	1.9	6.8%
IRIS Subscribers	41.8	47.3	13.1%	137.8	202.8	47.1%

(1) Portuguese Operations
(2) Fixed Access Subscribers include customers served by the HFC, FTTH and ULL networks.

New operational segmentation

As a result of the merger and business reorganization, ZON OPTIMUS' operational reporting has also been adapted to reflect the new integrated reality, moving away from the previous stand-alone, technology-based segmentation.

As from this quarter, all operating indicators are presented on a combined ZON OPTIMUS basis and aggregated according to the respective customer segment. A new reporting indicator – Unique Subscribers with Fixed Access – was created to reflect the total number of unique customers that receive fixed services over a fixed access infrastructure be it HFC, and to a lesser extent, FTTH or ULL.

This metric represents the basis for calculating average revenues per household and is the most appropriate means of evaluating the evolution in revenues for the residential segment.

Table 3.

Operating Indicators ('000)	4Q12	4Q13	4Q13 / 4Q12	2012	2013	2013 / 2012
Telco [1]						
Indicators per Segment						
Consumer						
Unique Subscribers With Fixed Access [2]	1,229.4	1,183.3	(3.8%)	1,229.4	1,183.3	(3.8%)
Pay TV	1,528.6	1,455.6	(4.8%)	1,528.6	1,455.6	(4.8%)
Fixed Access	1,187.0	1,154.3	(2.8%)	1,187.0	1,154.3	(2.8%)
DTH	341.6	301.3	(11.8%)	341.6	301.3	(11.8%)
IRIS Subscribers	228.2	426.2	86.8%	228.2	426.2	86.8%
Broadband	815.9	849.9	4.2%	815.9	849.9	4.2%
Fixed Voice	1,368.6	1,324.2	(3.2%)	1,368.6	1,324.2	(3.2%)
Mobile	2,704.7	2,606.0	(3.6%)	2,704.7	2,606.0	(3.6%)
% 1P	19.0%	14.8%	(4.2pp)	19.0%	14.8%	(4.2pp)
% 2P	17.4%	18.6%	1.2pp	17.4%	18.6%	1.2pp
% 3P&4P	63.6%	66.6%	3.0pp	63.6%	66.6%	3.0pp
ARPU / Unique Subscriber With Fixed Access (Euros)	n.a.	37.4	n.a.	n.a.	37.4	n.a.
Net Adds						
Unique Subscribers With Fixed Access	(0.4)	(19.1)	n.a.	7.0	(46.1)	n.a.
Pay TV	(4.9)	(27.4)	n.a.	3.2	(73.0)	n.a.
Fixed Access	4.2	(15.6)	n.a.	29.9	(32.8)	n.a.
DTH	(9.2)	(11.8)	28.5%	(26.6)	(40.3)	51.1%
IRIS Subscribers	40.1	45.8	14.2%	133.1	198.0	48.8%
Broadband	19.3	5.2	n.a.	33.0	34.0	3.1%
Fixed Voice	(5.6)	(23.2)	n.a.	23.3	(44.4)	n.a.
Mobile	(6.8)	(9.5)	40.2%	(56.5)	(98.7)	74.8%
Business						
Total RGUs	939.1	977.3	4.1%	939.1	977.3	4.1%
Pay TV	65.0	62.4	(4.0%)	65.0	62.4	(4.0%)
IRIS Subscribers	6.6	11.4	71.7%	6.6	11.4	71.7%
Broadband	84.5	86.8	2.6%	84.5	86.8	2.6%
Fixed Voice	189.2	190.7	0.8%	189.2	190.7	0.8%
Mobile	600.4	637.4	6.2%	600.4	637.4	6.2%
ARPU per RGU (Euros)	n.a.	26.0	n.a.	n.a.	26.5	n.a.
Net Adds						
Total RGUs	19.0	14.3	(24.9%)	36.2	38.2	5.4%
Pay TV	0.0	(0.8)	n.a.	(1.0)	(2.6)	172.3%
IRIS Subscribers	1.7	1.5	(12.9%)	4.7	4.8	1.1%
Broadband	0.7	1.0	32.3%	2.2	2.2	3.2%
Fixed Voice	0.9	(0.8)	n.a.	5.3	1.5	(71.0%)
Mobile	17.3	14.9	(13.9%)	29.7	37.0	24.7%

(1) Portuguese Operations
(2) Fixed Access Subscribers include customers served by the HFC, FTTH and ULL networks.

One-off impact of regulatory measures and customer migration

Fixed access Pay TV customers posted a decline of 16 thousand in 4Q13, a reduction caused primarily by one-off effects specific to the merger and integration process underway. Due to remedies imposed by the Competition Authority upon approval of the merger, ZON OPTIMUS was forced to release OPTIMUS FTTH subscribers of their loyalty contracts, and was restricted from addressing them with commercial offers until the merger became effective, providing a relevant opportunity for competitors to target these customers. In addition, ULL fixed access customers are progressively being migrated onto own HFC infrastructure however, in some situations, they are outside current network footprint and therefore churn levels in this customer base are higher than normal. Adjusting for these two effects, which amounted to approximately 7 thousand subscribers, Pay TV fixed access customers would have posted negative net adds of 9 thousand, close to the levels reflected in previous quarters. Fixed Voice and Broadband customers were equally impacted by the above mentioned one-off effects. Additional pressure in fixed subscribers was caused by a decline in the number of subscribers to OPTIMUS Home, the landline tariff plan supported over the mobile network.

The DTH Pay TV base fell by 12.2 thousand – a level similar to the trend of previous quarters and explained mainly by the relative network disadvantage that ZON OPTIMUS has in areas without HFC coverage.

Consumer mobile RGUs' performance was much better than in previous quarters on the back of strong consumer enthusiasm with convergent bundles, driven by the launch of ZON4i in October which also contributed significantly to the 58.4 thousand net increase in post-paid mobile subscribers in the quarter. Of the growth recorded in Residential mobile cards, over 85% are new RGUs to ZON OPTIMUS, a strong indication of the convergent growth opportunity. This more than offset the negative effect of some attrition felt in the migration process of customers from the ZON MVNO onto the OPTIMUS mobile network. In addition the economic environment is still a source of pressure on mobile consumption and in particular on the level of pre-paid subscriptions.

Changing the way customers watch TV – 438 thousand subscribe to IRIS

This was another quarter of very strong growth for our flagship TV offer, IRIS with an additional 47.3 thousand subscribers, representing 54% of the 3&4P customer base. In total, we now have 438 thousand IRIS subscribers, equipped to access this award winning service where leading edge design and usability have made non-linear viewing a key differentiating factor from our competitors. IRIS is at the centre of our convergence growth strategy as a decisive anchor for securing leadership in Pay TV, a key lever to reinforce competitive position in the residential market.

Support in Fixed residential ARPU led by increase of convergent penetration

New average revenue metrics have been created to better represent performance in the fixed access multiple service and convergent household. In 4Q13, fixed residential ARPU amounted to 37.4 euros, growing 0.8% qoq supported by the continued upsell of IRIS bundles and the increasing weight of convergent offers with higher ARPUs.

On track for full integration of the best and most extensive NGN fixed and mobile network in Portugal

ZON OPTIMUS' transport network is currently composed of two optic fibre networks with various fibre rings. These connect the data centres, hubs, head ends and base stations and nodes which host the platforms and equipment that support the large range of complex and sophisticated services provided by the company. The full integration of the combined network assets of ZON OPTIMUS is well on track to creating a single, converged, nationwide network, with significant synergy and increased efficiency potential. A single network is being created with greater coverage, availability and capacity with lower operational costs. In terms of access network, ZON OPTIMUS owns a Next Generation fixed and mobile network, both with nationwide coverage. The fixed infrastructure is based on Point-to-Point, FTTH and HFC technology supported by optic fibre and coaxial cable. Due to its very high capacity and capillarity, the network is well equipped to serve both residential and business customers. ZON OPTIMUS has a clear network and technological advantage given that it is able to provide speeds of up to 360 Mbps to the 3.2 million homes passed by its HFC/FTTH footprint, by far the largest fixed Next Generation Network coverage in Portugal.

We are well ahead in deploying our 4G network over the 800Mhz and 1,800Mhz bands and have already reached 90% population coverage, over 50% of which can benefit from speeds of up to 150Mbps. 4G is a key driver of future leadership in mobile data, as well as for the continued development of even more sophisticated convergent fixed-mobile solutions and to efficiently take our network architecture into a fully integrated and autonomous all-IP future.

The strength, sophistication and reach of our network is a unique asset to lever our growth strategy in both the Consumer and Business segments, with full technological integration representing the biggest milestone for the development of consumer relevant convergent services in the near future.

Cinemas and Audiovisuals

Table 4.

Operating Indicators ('000)	4Q12	4Q13	4Q13 / 4Q12	2012	2013	2013 / 2012
Cinema (1)						
Revenue per Ticket (Euros)	4.7	4.7	(0.1%)	4.8	4.7	(2.9%)
Tickets Sold	1,992.4	1,948.3	(2.2%)	7,814.6	7,904.7	1.2%
Screens (units)	210	209	(0.5%)	210	209	(0.5%)

(1) Portuguese Operations

In 4Q13, ZON OPTIMUS' Portuguese Cinema ticket sales posted a slight decline, of 2.2% to 1.948 million tickets which compares with a decline in total market ticket sales of 7.4%[1]. The most successful films shown in 4Q13 were "Frozen", "*7 Pecados Rurais*", "The Hobbit: The Desolation of Smaug", "The Hunger Games: Catching Fire" and "Thor: The Dark World".

[1] Source ICA – Portuguese Institute for Cinema and Audiovisuals

4Q13 was the second full quarter since ZON OPTIMUS opened the first IMAX® DMR - Digital 3D screen in Lisbon. This premium cinema experience is proving very successful, having again achieved around 40 thousand spectators in this quarter.

Average revenue per ticket sold was steady, with a marginal yoy decrease of 0.1%, remaining at 4.7 euros. Sales of 3D movie tickets were slightly lower yoy in 4Q13, representing close to 12.2% of ZON OPTIMUS' ticket sales which compares with 12.3% in 4Q12, whereas they had represented around 18% in 4Q11, which is due to the lower number of movies in 3D and to customers choosing more lower-cost 2D alternatives than in the past.

Total Cinema revenues increased by 2.0% yoy in 4Q13, mainly driven by the improved performance of advertising revenues, in comparison with 4Q12.

As regards Cinema gross ticket revenues, ZON OPTIMUS' relative performance was also stronger in comparison with the market as a whole, posting a 2.3% decrease in 4Q13 whilst the total market's gross revenues decreased by 8.1%. This performance has meant that ZON OPTIMUS continues to maintain its leading market position, with a market share of 61.3% in terms of gross revenues in 4Q13.

In 4Q13, revenues in the Audiovisuals division improved by 1.4% to 17.4 million euros. ZON OPTIMUS maintained its leading position in the distribution of movies for cinema exhibition, content and VoD distribution and sale of home video content in Portugal, despite not relying anymore on the Dreamworks Animation film catalogue rights in 2013.

Of the top 10 box-office hits in 4Q13, ZON OPTIMUS distributed 6, "Frozen", "*7 Pecados Rurais*", "The Hobbit: The Desolation of Smaug", "Thor: The Dark World", "Free Birds" and "Escape Plan", maintaining its strong leading position with a 63.5% market share in terms of gross revenues.

ZAP

ZAP continues to perform above all expectations in terms of subscribers, revenues and profitability. ZAP is one of the leading players in the local Angolan and Mozambique Pay TV markets, supported by a very innovative service offer, tailor made for the various segments in the market and supported by the cultural and linguistic proximity with Portugal and operational synergies with ZON OPTIMUS.

ZAP offers 3 DTH based Pay TV packages: ZAP Mini (around 50 channels), ZAP Max (around 100 channels), and ZAP Premium (around 130 channels) priced at approximately 15 USD, 30 USD and 60 USD. The channel offering has been reinforced continuously since launch and during the past year, some very relevant channels for these markets were included, such as Benfica TV, A Bola TV, +Novelas, TVI Ficção and Afromusic Angola, further reinforcing ZAP's differentiation strategy through Portuguese speaking and key exclusive content. Further innovating in the local Pay TV markets, ZAP launched Pay per view ZAP Cinemas, enabling access to the best and most up to date movies just a few months after exhibition in cinemas and a new low cost HD set top box, providing a significantly upgraded viewing experience. ZAP's commercial network continued to expand in Angola and the operation has the most extensive coverage of the Angola and Mozambique territories in terms of own stores, authorized agents and door-to-door salespeople.

3

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Table 5.

Pro-Forma Profit and Loss Statement* (Millions of Euros)	4Q12	4Q13	4Q13 / 4Q12	2012	2013	2013 / 2012
Operating Revenues [(1)]	370.0	356.3	(3.7%)	1,473.7	1,426.8	(3.2%)
Telco	352.1	337.3	(4.2%)	1,405.3	1,358.7	(3.3%)
Audiovisuals	17.1	17.4	1.4%	60.4	60.6	0.5%
Cinema [(2)]	13.0	13.2	2.0%	52.8	52.9	0.1%
Others and Eliminations	(12.2)	(11.6)	(4.3%)	(44.8)	(45.4)	1.4%
Operating Costs Excluding D&A	(242.1)	(238.0)	(1.7%)	(932.4)	(890.3)	(4.5%)
W&S	(26.1)	(25.2)	(3.6%)	(101.4)	(96.6)	(4.7%)
Direct Costs	(106.9)	(105.0)	(1.7%)	(412.0)	(410.9)	(0.3%)
Commercial Costs [(3)]	(35.1)	(33.2)	(5.3%)	(113.9)	(99.4)	(12.8%)
Other Operating Costs	(74.1)	(74.6)	0.7%	(305.1)	(283.3)	(7.1%)
EBITDA [(4)]	127.9	118.3	(7.5%)	541.4	536.6	(0.9%)
EBITDA Margin	34.6%	33.2%	(1.4pp)	36.7%	37.6%	0.9pp
Telco	117.0	107.4	(8.2%)	502.3	499.4	(0.6%)
EBITDA Margin	33.2%	31.8%	(1.4pp)	35.7%	36.8%	1.0pp
Cinema Exhibition and Audiovisuals	10.9	10.9	(0.0%)	39.0	37.2	(4.7%)
EBITDA Margin	40.9%	39.3%	(1.6pp)	38.4%	36.1%	(2.3pp)
Depreciation and Amortization	(89.0)	(83.6)	(6.1%)	(343.5)	(336.2)	(2.1%)
Income From Operations [(5)]	38.8	34.6	(10.8%)	197.9	200.4	1.3%
(Other Expenses) / Income	(0.8)	(26.8)	n.a.	(1.6)	(60.9)	n.a.
Operating Profit (EBIT) [(6)]	38.1	7.9	(79.3%)	196.3	139.5	(28.9%)
(Financial Expenses) / Income	(17.0)	(13.5)	(20.4%)	(59.0)	(66.4)	12.6%
Equity in Earnings of Affiliate Companies, Net	(1.1)	1.5	n.a.	(2.1)	3.9	n.a.
Income Before Income Taxes	20.0	(4.1)	(120.6%)	135.2	76.9	(43.1%)
Income Taxes	1.6	(9.1)	n.a.	(20.1)	(13.1)	(34.9%)
Income From Continued Operations	21.5	(13.2)	(161.3%)	115.1	63.9	(44.5%)
o.w. Attributable to Non-Controlling Interests	(0.0)	0.1	n.a.	(0.9)	(0.4)	(48.4%)
Net Income	21.5	(13.1)	n.a.	114.3	63.4	(44.5%)

(1) Accounting of revenues from special services sold to operators was changed in 4Q13 to reflect net revenues. This change was restated in prior periods.
(2) Includes operations in Mozambique.
(3) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(4) EBITDA = Income From Operations + Depreciation and Amortization.
(5) Income From Operations = Income Before Financials and Income Taxes + work force reduction programme costs ± impairment of goodwill ± Losses/Gains on disposal of fixed assets ± Other costs/income.
(6) EBIT = Income Before Financials and Income Taxes.

* The merger by incorporation of OPTIMUS into ZON that led to the creation of ZON OPTIMUS was completed on 27 August 2013. As from this quarter, ZON OPTIMUS' statutory financial statements at 31 December 2013 reflect the financial consolidation of 12 months of ZON and 4 months of OPTIMUS. Resulting primarily from the merger, in 3Q13 a number of accounting policies, practices and estimates have had to be aligned. The primary changes to accounting policies, with the correspondent restatement of the prior period accounts were the capitalization of customer acquisition costs at ZON in order to align with OPTIMUS' policy also followed by other telecom operators and capitalization of certain movie rights in the audiovisuals division following IAS 38, which were restated since 1Q12 in the statutory accounts. In addition and in anticipation of the mandatory implementation of IFRS 11 as from 1Q14, whereby joint ventures may no longer be consolidated proportionately, ZON OPTIMUS has proceeded to deconsolidate the three joint ventures in which it holds stakes, ZAP (30%), Sport TV (50%) and Dreamia (50%) and has restated prior period financial statements to reflect their recognition through the equity method. To facilitate comparison between current and prior period results for the new ZON OPTIMUS, the current pro-forma consolidated financial statements have been prepared, reflecting not only the statutory accounts restatement due to the changes to accounting policies, but also the consolidation of 12 months of OPTIMUS' results. The financial statements reflect the impact, since September 2013, in depreciation and amortization of the provisional calculation of the fair value of OPTIMUS' assets and liabilities which was used for the purposes of purchase price allocation resulting from the consolidation of OPTIMUS. The present financial review is based on these pro-forma financial statements. Appendix III to this report includes the statutory income statement for ZON OPTIMUS.

3.1 Operating Revenues

Consolidated Operating Revenues reached 356.3 million euros in 4Q13, a decline of 3.7% in comparison with 4Q12. Adding back the contribution from the 30% stake in ZAP, Consolidated revenues posted a decline of 2.4% to 369.8 million euros.

Combined Revenues for the Telco business declined by 4.2% to 337.3 million euros, a decline led by the one-off merger related effects as explained in the operational review and also due to some increase in price-based competition. As a result of these two effects, the largest component of Telco Revenues, Customer Revenues, posted a 3.8% reduction to 265 million euros. Although still down 11.9% yoy revenues from premium channel subscriptions achieved a marginal increase in comparison with the previous quarter, reflecting the apparent stabilization of the premium channel subscriber base.

Table 6.

Telco Revenues (Millions of Euros)	1Q13	2Q13	3Q13	4Q13	2013
Telco	336.6	341.9	342.9	337.3	1,358.7
Consumer Revenues	222.4	218.6	217.0	212.1	870.1
Business Revenues	92.6	98.0	100.5	97.4	388.6
Equipment Sales	6.0	8.5	8.9	11.1	34.6
Others and Eliminations	15.5	16.8	16.5	16.7	65.5

As explained above in the operational review, the company is now organized around two main business segments, Consumer and Business and reflected in the Revenue breakdown. Equipment sales are also isolated as they are common to all segments. This financial segregation of revenues is only available on a quarterly basis as from 2013 therefore year on year comparisons will be only be possible as from 1Q14.

Revenues from the Audiovisuals business grew by 1.4% yoy to 17.4 million euros and Cinema Exhibition revenue trends posted a yoy increase of 2.0% to 13.2 million euros. This improvement was the result of higher advertising revenues in 4Q13 in comparison with 4Q12.

ZON OPTIMUS' 30% stake in ZAP, its international Pay TV operation in Angola and Mozambique, continued to post good growth in revenues. Operations are still performing very well with growth in the subscriber base and stable ARPU levels. Contribution to Consolidated Revenues grew yoy by 53% to 13.5 million euros in 4Q13 reflecting continued strong operational momentum.

3.2 EBITDA

Proforma Consolidated EBITDA fell by 7.5% in 4Q13 to 118.3 million euros generating an EBITDA margin of 33.2%. Including the contribution from ZON OPTIMUS' 30% stake in ZAP, Consolidated EBITDA would have posted a lower decline of 5.1%. Telco EBITDA fell by 8.2% in 4Q13 to 107.4 million euros and EBITDA from the Audiovisuals and Cinema operations remained stable yoy at 10.9 million euros, representing an EBITDA margin of 39.3%.

3.3 Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs fell by 1.7% to 238 million euros, however this reduction was not enough to offset the yoy decline in operating revenues. In comparison with the previous quarter, Operating Costs increased by 7.4% as a result primarily of increased commercial and marketing activity which always tends to be seasonally higher in the last quarter of the year.

Wages and Salaries fell by 3.6% to 25.2 million euros in 4Q13 as a result mainly of a lower average level of headcount at the telco division in comparison with 4Q12. Optimization measures post merger are ongoing and more material savings in wages and salaries will only materialize during the course of 2014.

Direct Costs fell by 1.7% to 105 million euros mainly due to a yoy reduction in programming costs of 6%. This decline was due primarily to lower premium channel costs due to the lower average number of subscribers yoy and also due to savings already achieved with the merger, namely the integration of previous OPTIMUS Pay TV and fixed customers onto the ZON OPTIMUS fixed network, thus reducing the level of regulated access costs. These savings were partially offset with increased traffic costs due to the greater level of mass calling services and increased payments related with advertising revenue sharing models in place.

Commercial Costs fell by 5.3% in 4Q13 to 33.2 million euros although were seasonally higher in 4Q13 in comparison to the rest of the year. The last quarter is always a period of strong commercial activity which was further exacerbated by the intense competitive dynamic of the market. Cost of products sold represented a larger proportion of operating costs due to seasonally higher mobile handset costs in the pre-Christmas campaign period.

Other Operating Costs increased 0.7% yoy to 74.6 million euros with no material changes in yearly comparison between main contributors to this item, namely Support Services, Maintenance and Repairs and Supplies and External Services.

3.4 Net Income

Net Income was negative by 13.1 million euros in 4Q13 due primarily to non-recurrent expenses in the period which amounted to 26.8 million euros.

Depreciation and Amortization posted a yoy decline of 6.1% to 83.6 million euros although were in line with the level of the previous quarter.

Other Expenses* of 26.8 million euros in 4Q13 incorporate a combination of merger related costs resulting from the merger of approximately 9 million euros that reflect primarily the cash out and provisions for curtailment costs, and the balance relates to one-off non-cash accounting adjustments such as the impairment of some technical and IT equipment and platforms that have become obsolete through the integration process.

Net Financial Expenses were 20.4% lower in 4Q13 at 13.5 million euros compared with 17 million euros in 4Q12, and were 25.8% lower than 3Q13. The yoy decline is a result of a combination of the lower average level of gross debt and the lower average cost of the new debt contracted in 4Q13.

Equity in affiliate companies recorded a very positive improvement in contribution to 1.5 million euros compared with a loss of 1.1 million in 4Q12, as a result of the continuing strong growth in ZAP operating and financial results.

Income Tax provision amounted to 9.1 million euros in 4Q13 due primarily to an adjustment in deferred tax assets resulting from the approval for 2014 of a reduction in Statutory Corporate tax rate by 2pp, leading to an additional non-cash charge of 10.9 million euros. Adjusting for this effect, Income tax provision in the quarter would have been aligned with Earnings before Tax performance.

4

CAPEX AND CASH FLOW

4.1 CAPEX

Table 7.

Pro-Forma CAPEX (Millions of Euros)	4Q12	4Q13	4Q13 / 4Q12	2012	2013	2013 / 2012
Telco	72.9	69.0	(5.4%)	267.8	231.4	(13.6%)
Infrastructure	38.8	30.8	(20.6%)	133.0	98.2	(26.1%)
Customer Related CAPEX	30.1	35.2	17.0%	124.6	124.4	(0.1%)
Other	4.0	3.0	(25.6%)	10.2	8.7	(14.5%)
Audiovisuals and Cinema Exhibition	7.8	8.1	3.2%	29.4	30.0	1.7%
Recurrent CAPEX	80.7	77.1	(4.5%)	297.2	261.4	(12.1%)
Non-Recurrent CAPEX	0.0	3.6	n.a.	0.0	8.1	n.a.
Total CAPEX	80.7	80.7	(0.1%)	297.2	269.5	(9.3%)

* In accordance with IAS 1, the caption "Other expenses" reflects material and unusual expenses that should be disclosed separately from usual line items, to avoid distortion of the financial information from regular operations, namely restructuring costs resulting from the merger (including curtailment costs) as well as one-off non-cash items that result from alignment of estimates between the two companies.

Telco CAPEX in 4Q13 amounted to 69 million euros, down by 5.4% yoy and representing 20.5% of Telco Operating Revenues. This is explained almost entirely by a reduction in network related CAPEX due to lower LTE deployment in comparison with previous years. Customer related CAPEX posted an increase of 17.0% to 35.2 million euros due to a higher level of commercial activity and investment in customer premise equipment.

Audiovisuals and Cinemas recorded CAPEX of 8.1 million euros in 4Q13, up 3.2% yoy and reflecting primarily the capitalization of certain movie rights in the Audiovisuals division.

Total CAPEX of 80.7 million euros was in line with the amount recorded in 4Q12 and represented 22.6% of Total Operating Revenues. It is important to note that CAPEX is seasonally higher in the last quarter of the year and that the average CAPEX level for the full year was significantly lower at 18.9% of total Operating Revenues. Telco CAPEX as a percentage of Telco Revenues in FY13 represented 17%.

4.2 Operating Free Cash Flow

Table 8.

Pro-Forma Cash Flow (Millions of Euros)	4Q12	4Q13	4Q13 / 4Q12	2012	2013	2013 / 2012
EBITDA	127.9	118.3	(7.5%)	541.4	536.6	(0.9%)
Recurrent CAPEX	(80.7)	(77.1)	(4.5%)	(297.2)	(261.4)	(12.1%)
EBITDA - Recurrent CAPEX	47.2	41.2	(12.7%)	244.1	275.2	12.7%
Non-Cash Items Included in EBITDA - Recurrent CAPEX[1] and Change in Working Capital	20.8	36.5	75.9%	(25.3)	(29.6)	17.1%
Operating Cash Flow After Investment	67.9	77.7	14.4%	218.9	245.6	12.2%
Long Term Contracts	(6.1)	(5.4)	(11.2%)	(22.6)	(23.7)	4.7%
Net Interest Paid and Other Financial Charges	(20.4)	(18.0)	(11.5%)	(50.4)	(59.2)	17.6%
Income Taxes Paid	(4.2)	(7.1)	69.4%	(13.4)	(18.2)	36.3%
Other Cash Movements	0.9	2.5	162.3%	0.8	3.2	295.3%
Recurrent Free Cash-Flow	38.2	49.6	29.9%	133.3	147.6	10.7%
LTE Payments	0.0	(22.0)	n.a.	(83.0)	(28.0)	(66.2%)
Taxes Paid	0.0	(7.7)	n.a.	0.0	(7.7)	n.a.
Non-Recurrent CAPEX	0.0	(3.6)	n.a.	0.0	(8.1)	n.a.
Cash Restructuring Payments	0.0	(5.0)	n.a.	0.0	(11.5)	n.a.
Free Cash Flow Before Dividends	38.2	11.3	(70.4%)	50.3	92.3	83.5%
Foreign Currency Debt Exchange Effect	(0.1)	(0.0)	(32.6%)	0.1	(0.1)	n.a.
Dividends Paid	(34.8)	0.0	(100.0%)	(149.3)	(62.0)	(58.5%)
Total Free Cash Flow	3.3	11.3	242.8%	(99.0)	30.3	(130.6%)
Debt Variation Through Accruals & Deferrals & Others [2]	6.2	6.2	(0.8%)	(0.4)	0.7	n.a.
Change in Net Financial Debt	9.5	17.5	83.2%	(99.4)	31.0	n.a.

(1) This caption includes non-cash provisions included in EBITDA.
(2) Accruals of interest payments were reclassified to below Total Free Cash Flow in 4Q13 and prior period cash flow statements were restated to adjust for this reclassification.

Operating Cash Flow after Investment increased by 14.4% to 77.7 million euros given the significant improvement in Working Capital performance in the quarter as predicted in previous quarters. The Full Year performance of this aggregate provides a better metric as it smoothes out quarterly fluctuations in working capital investment and seasonal patterns in CAPEX. In FY13, Operating Cash Flow after Investment increased by 12.2% to 245.6 million euros.

4.3 Total Free Cash Flow

Recurrent FCF increased by 29.9% in 4Q13 to 49.6 million euros, reflecting the good performance of all underlying and recurrent operating and investment cash flows. On a Full Year analysis, recurrent FCF increased by 10.7% to 147.6 million euros led by the strong performance in Operating Cash Flow after Investment.

A decision to pay down the remaining outstanding LTE license payments was made in 4Q13 due to beneficial financial terms provided by the regulator and amounted to a cash outflow of 22 million euros.

An additional 7.7 million advance cash tax payment was made in 4Q13 taking advantage of a new tax regime which allows for a more favourable treatment of discrepancies under dispute with the tax authorities, partially provisioned on the balance sheet. This tax payment in no way changes the legal position defended by ZON OPTIMUS, and was driven by the very favourable financial conditions provided by the tax authorities to encourage upfront payment whilst retaining the right to contest the basis for taxation.

Finally, there was an additional 5 million euros cash out relating to the restructuring/merger process.

Notwithstanding these non recurrent items, Free Cash Flow before Dividends was still 11.3 million euros in this quarter.

5

PRO FORMA CONSOLIDATED BALANCE SHEET

Table 9.

Pro-Forma Balance Sheet (Millions of Euros)	2012	2013
Current Assets	704.3	454.8
Cash and Equivalents	306.6	74.4
Accounts Receivable, Net	326.3	309.6
Inventories, Net	43.2	32.6
Taxes Receivable	2.7	11.8
Prepaid Expenses and Other Current Assets	25.4	26.4
Non-current Assets	2,532.6	2,434.5
Investments in Group Companies	36.8	31.6
Intangible Assets, Net	1,121.8	1,111.1
Fixed Assets, Net	1,164.5	1,096.8
Deferred Taxes	162.3	165.4
Other Non-current Assets	47.3	29.5
Total Assets	3,236.9	2,889.3
Current Liabilities	1,005.5	762.2
Short Term Debt	424.1	213.4
Accounts Payable	372.7	367.6
Accrued Expenses	166.3	129.9
Deferred Income	23.2	25.5
Taxes Payable	18.8	23.0
Current Provisions and Other Liabilities	0.5	2.8
Non-current Liabilities	1,181.4	1,066.9
Medium and Long Term Debt	1,044.4	928.2
Non-current Provisions and Other Liabilities	137.0	138.6
Total Liabilities	2,186.9	1,829.1
Equity Before Non-Controlling Interests	1,040.6	1,050.6
Share Capital	5.2	5.2
Issue Premium	854.2	854.2
Own Shares	(0.9)	(2.0)
Reserves, Retained Earnings and Other	67.9	129.8
Net Income	114.3	63.4
Non-Controlling Interests	9.4	9.6
Total Shareholders' Equity	1,050.0	1,060.2
Total Liabilities and Shareholders' Equity	3,236.9	2,889.3

5.1 Capital Structure

At the end of FY13, Net Financial Debt stood at 939.7 million euros, representing a decline of 3.2% in comparison with the end of 2012 and of 1.8% in comparison with end of 9M13.

ZON OPTIMUS is now financed until 1Q15 and the average maturity of its Net Financial Debt is now 2 years.

The total interest rate hedging operations in place at the end of FY13 amounted to 257.5 million euros. Taking into account the retail bonds issued in June 2012 - 200 million euros bearing interest at a fixed rate of 6.85% - the proportion of ZON OPTIMUS' Net Financial Debt that is protected against variations in interest rates is 49%.

Total financial debt at the end of FY13 amounted to 1,017.7 million euros, which was offset with a cash and short-term investments position on the balance sheet of 78.0 million euros. The all-in average cost of ZON OPTIMUS' Net Financial Debt was 5.27% at the end of 4Q13 and 5.58% for FY13.

The changes in Net Financial Debt of 17.5 million euros in 4Q13 and of 31.0 million euros in FY13 are fully explained on Table 8 of the above Free Cash Flow section of this Earnings Announcement.

Net Financial Gearing reduced to 47.0% at the end of 2013 compared with 48.0% at the end of 2012, and Net Financial Debt / EBITDA (last 4 quarters) stands at 1.8x.

Table 10.

Pro-Forma Net Financial Debt (Millions of Euros)	2012	2013	2013 / 2012
Short Term	404.6	196.0	(51.6%)
Bank and Other Loans	395.0	187.5	(52.5%)
Financial Leases	9.6	8.6	(10.7%)
Medium and Long Term	927.7	821.7	(11.4%)
Bank and Other Loans	916.6	811.5	(11.5%)
Financial Leases	11.1	10.1	(8.4%)
Total Debt	1,332.3	1,017.7	(23.6%)
Cash, Short Term Investments and Intercompany Loans	361.6	78.0	(78.4%)
Net Financial Debt	970.7	939.7	(3.2%)
Net Financial Gearing (1)	48.0%	47.0%	(1.1pp)
Net Financial Debt / EBITDA	1.8x	1.8x	n.a.

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

6
APPENDIX

6.1 Appendix I

Table 11.

Operating Indicators ('000)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Telco [1]								
Aggregate Indicators								
Homes Passed	3,129.8	3,146.9	3,166.9	3,185.6	3,199.7	3,213.3	3,228.5	3,241.8
Total RGUs	7,342.8	7,319.9	7,336.0	7,356.9	7,295.4	7,240.9	7,253.7	7,213.0
Mobile	3,306.7	3,278.5	3,294.5	3,305.1	3,261.1	3,203.5	3,237.9	3,243.4
Pre-Paid	2,406.4	2,381.9	2,401.6	2,408.4	2,356.1	2,284.2	2,304.0	2,251.0
Post-Paid	900.3	896.6	892.9	896.7	905.1	919.3	934.0	992.4
ARPU / Mobile Subscriber (Euros)	10.9	10.8	11.0	9.9	9.6	9.8	10.0	9.2
Pay TV	1,612.3	1,610.2	1,598.5	1,593.6	1,583.0	1,569.1	1,546.2	1,518.0
Fixed Access [2]	1,232.7	1,239.2	1,232.7	1,237.5	1,237.4	1,233.5	1,219.8	1,203.8
DTH	379.6	371.0	365.8	356.1	345.6	335.7	326.4	314.2
Fixed Voice	1,553.9	1,562.2	1,562.5	1,557.8	1,542.6	1,549.3	1,539.0	1,514.9
Broadband	859.4	857.4	868.3	887.8	895.6	905.2	916.3	922.1
Others and Data	10.6	11.6	12.1	12.7	13.2	13.7	14.2	14.6
IRIS Subscribers	118.9	161.5	193.0	234.8	284.5	338.7	390.3	437.6
% 3&4P IRIS Subscribers	16.1%	21.5%	24.7%	29.7%	35.6%	42.0%	48.2%	54.3%
Net Adds								
Homes Passed	34.8	17.1	20.0	18.7	14.1	13.6	15.2	13.3
Total RGUs	25.2	(22.9)	16.1	21.0	(61.5)	(54.5)	12.7	(40.6)
Mobile	(25.1)	(28.3)	16.0	10.6	(43.9)	(57.6)	34.4	5.4
Pre-Paid	(3.6)	(24.6)	19.7	6.8	(52.3)	(71.9)	19.8	(53.0)
Post-Paid	(21.5)	(3.7)	(3.7)	3.8	8.4	14.3	14.6	58.4
Pay TV	20.9	(2.0)	(11.7)	(4.9)	(10.7)	(13.8)	(22.9)	(28.2)
Fixed Access	27.4	6.5	(6.5)	4.8	(0.1)	(3.9)	(13.7)	(16.0)
DTH	(6.5)	(8.6)	(5.2)	(9.7)	(10.5)	(9.9)	(9.2)	(12.2)
Fixed Voice	24.7	8.3	0.4	(4.8)	(15.2)	6.8	(10.4)	(24.0)
Broadband	5.0	(2.0)	10.9	19.4	7.8	9.7	11.1	5.8
Others and Data	(0.3)	1.1	0.4	0.6	0.5	0.5	0.5	0.4
IRIS Subscribers	21.9	42.6	31.4	41.8	49.7	54.2	51.6	47.3

(1) Portuguese Operations
(2) Fixed Access Subscribers include customers served by the HFC, FTTH and ULL networks.

Table 12.

Operating Indicators ('000)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Telco [1]								
Indicators per Segment								
Consumer								
Unique Subscribers With Fixed Access [2]	1,241.4	1,241.0	1,229.7	1,229.4	1,225.4	1,218.9	1,202.4	1,183.3
Pay TV	1,545.8	1,545.1	1,533.5	1,528.6	1,517.9	1,505.1	1,483.0	1,455.6
Fixed Access	1,183.5	1,189.3	1,182.8	1,187.0	1,186.4	1,183.3	1,169.9	1,154.3
DTH	362.3	355.8	350.7	341.6	331.5	321.8	313.1	301.3
# IRIS Subscribers	115.6	157.1	188.1	228.2	276.6	329.6	380.4	426.2
Broadband	787.1	785.2	796.6	815.9	823.2	833.3	844.7	849.9
Fixed Voice	1,366.2	1,373.3	1,374.3	1,368.6	1,351.1	1,356.9	1,347.4	1,324.2
Mobile	2,730.6	2,695.3	2,711.5	2,704.7	2,647.1	2,587.2	2,615.5	2,606.0
% 1P	22.4%	21.6%	20.3%	19.0%	17.9%	16.9%	15.5%	14.8%
% 2P	17.8%	18.2%	16.6%	17.4%	17.9%	18.1%	18.4%	18.6%
% 3P&4P	59.8%	60.2%	63.1%	63.6%	64.3%	65.0%	66.1%	66.6%
ARPU / Unique Subscriber With Fixed Access (Euros)	n.a.	n.a.	n.a.	n.a.	37.6	37.2	37.1	37.4
Net Adds								
Unique Subscribers With Fixed Access	19.1	(0.4)	(11.3)	(0.4)	(3.9)	(6.5)	(16.5)	(19.1)
Pay TV	20.5	(0.8)	(11.6)	(4.9)	(10.7)	(12.8)	(22.1)	(27.4)
Fixed Access	26.3	5.8	(6.5)	4.2	(0.6)	(3.2)	(13.4)	(15.6)
DTH	(5.9)	(6.5)	(5.1)	(9.2)	(10.1)	(9.7)	(8.7)	(11.8)
IRIS Subscribers	20.5	41.5	31.0	40.1	48.4	52.9	50.9	45.8
Broadband	4.2	(1.9)	11.4	19.3	7.3	10.2	11.4	5.2
Fixed Voice	20.9	7.1	1.0	(5.6)	(17.6)	5.8	(9.4)	(23.2)
Mobile	(30.5)	(35.3)	16.2	(6.8)	(57.6)	(59.9)	28.3	(9.5)
Business								
Total RGUs	913.1	921.1	920.1	939.1	956.2	958.5	963.0	977.3
Pay TV	66.4	65.2	65.0	65.0	65.1	64.1	63.2	62.4
IRIS Subscribers	3.3	4.5	4.9	6.6	7.9	9.1	9.9	11.4
Broadband	82.9	83.9	83.8	84.5	85.6	85.6	85.8	86.8
Fixed Voice	187.7	188.9	188.3	189.2	191.5	192.5	191.5	190.7
Mobile	576.1	583.2	583.0	600.4	614.1	616.4	622.5	637.4
ARPU per RGU (Euros)	n.a.	n.a.	n.a.	n.a.	26.6	26.5	26.7	26.0
Net Adds								
Total RGUs	10.2	7.9	(0.9)	19.0	17.1	2.3	4.5	14.3
Pay TV	0.4	(1.3)	(0.2)	0.0	0.0	(1.0)	(0.8)	(0.8)
IRIS Subscribers	1.4	1.1	0.4	1.7	1.2	1.2	0.8	1.5
Broadband	0.5	1.0	(0.1)	0.7	1.0	0.0	0.2	1.0
Fixed Voice	3.8	1.2	(0.6)	0.9	2.3	1.0	(1.0)	(0.8)
Mobile	5.4	7.0	(0.1)	17.3	13.7	2.3	6.1	14.9
Cinema [1]								
Revenue per Ticket (Euros)	4.8	4.9	4.9	4.7	4.6	4.7	4.7	4.7
Tickets Sold	1,724.9	1,714.1	2,383.2	1,992.4	1,784.5	1,758.3	2,413.5	1,948.3
Screens (units)	210	210	210	210	210	210	209	209

(1) Portuguese Operations
(2) Fixed Access Subscribers include customers served by the HFC, FTTH and ULL networks.

6.2 Appendix II

Table 13.

Pro-Forma Profit and Loss Statement* (Millions of Euros)	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
Operating Revenues [1]	366.4	367.5	369.8	370.0	1,473.7	351.9	357.1	361.6	356.3	1,426.8
Telco	351.4	352.2	349.7	352.1	1,405.3	336.6	341.9	342.9	337.3	1,358.7
Audiovisuals	14.8	15.1	13.3	17.1	60.4	14.9	14.4	14.0	17.4	60.6
Cinema [2]	11.8	11.9	16.2	13.0	52.8	11.8	12.1	15.8	13.2	52.9
Others and Eliminations	(11.6)	(11.7)	(9.4)	(12.2)	(44.8)	(11.4)	(11.4)	(11.0)	(11.6)	(45.4)
Operating Costs Excluding D&A	(231.4)	(231.1)	(227.7)	(242.1)	(932.4)	(213.8)	(216.7)	(221.7)	(238.0)	(890.3)
W&S	(25.5)	(24.8)	(25.0)	(26.1)	(101.4)	(23.3)	(23.7)	(24.5)	(25.2)	(96.6)
Direct Costs	(101.9)	(103.2)	(100.0)	(106.9)	(412.0)	(97.7)	(101.8)	(106.4)	(105.0)	(410.9)
Commercial Costs [3]	(23.8)	(25.1)	(29.9)	(35.1)	(113.9)	(19.3)	(22.9)	(24.0)	(33.2)	(99.4)
Other Operating Costs	(80.3)	(78.0)	(72.7)	(74.1)	(305.1)	(73.6)	(68.3)	(66.8)	(74.6)	(283.3)
EBITDA [4]	135.1	136.4	142.1	127.9	541.4	138.0	140.3	139.9	118.3	536.6
EBITDA Margin	36.9%	37.1%	38.4%	34.6%	36.7%	39.2%	39.3%	38.7%	33.2%	37.6%
Telco	125.1	128.0	132.2	117.0	502.3	131.1	131.5	129.4	107.4	499.4
EBITDA Margin	35.6%	36.3%	37.8%	33.2%	35.7%	38.9%	38.5%	37.7%	31.8%	36.8%
Cinema Exhibition and Audiovisuals	9.9	8.4	9.8	10.9	39.0	7.0	8.8	10.5	10.9	37.2
EBITDA Margin	40.1%	34.2%	38.1%	40.9%	38.4%	28.6%	37.3%	39.0%	39.3%	36.1%
Depreciation and Amortization	(87.1)	(81.8)	(85.5)	(89.0)	(343.5)	(87.1)	(82.0)	(83.5)	(83.6)	(336.2)
Income From Operations [5]	47.9	54.6	56.5	38.8	197.9	51.0	58.3	56.5	34.6	200.4
(Other Expenses) / Income	(0.4)	(0.4)	(0.1)	(0.8)	(1.6)	(0.3)	(1.0)	(32.8)	(26.8)	(60.9)
Operating Profit (EBIT) [6]	47.6	54.2	56.5	38.1	196.3	50.7	57.3	23.6	7.9	139.5
(Financial Expenses) / Income	(11.2)	(16.5)	(14.3)	(17.0)	(59.0)	(16.7)	(17.9)	(18.3)	(13.5)	(66.4)
Equity in Earnings of Affiliate Companies, Net	(0.0)	0.7	(1.7)	(1.1)	(2.1)	1.3	0.4	0.7	1.5	3.9
Income Before Income Taxes	36.3	38.4	40.5	20.0	135.2	35.3	39.7	6.1	(4.1)	76.9
Income Taxes	(8.0)	(8.0)	(5.7)	1.6	(20.1)	(7.6)	(9.0)	12.5	(9.1)	(13.1)
Income From Continued Operations	28.3	30.5	34.9	21.5	115.1	27.7	30.7	18.6	(13.2)	63.9
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.3)	(0.2)	(0.0)	(0.9)	(0.2)	(0.2)	(0.2)	0.1	(0.4)
Net Income	27.9	30.2	34.6	21.5	114.3	27.5	30.6	18.4	(13.1)	63.4
Recurrent CAPEX	66.6	72.0	77.9	80.7	297.2	58.6	65.6	60.1	77.1	261.4
Total CAPEX	66.6	72.0	77.9	80.7	297.2	60.5	66.7	61.6	80.7	269.5
EBITDA - Recurrent CAPEX	68.5	64.4	64.1	47.2	244.1	79.4	74.7	79.8	41.2	275.2
Non-Cash Items Included in EBITDA - Recurrent CAPEX[7] and Change in Working Capital	(39.9)	0.8	(7.0)	20.8	(25.3)	(34.6)	(26.6)	(4.9)	36.5	(29.6)
Operating Cash Flow After Investment	28.6	65.2	57.2	67.9	218.9	44.8	48.1	74.9	77.7	245.6
Long Term Contracts	(4.9)	(5.1)	(6.4)	(6.1)	(22.6)	(5.4)	(6.2)	(6.7)	(5.4)	(23.7)
Net Interest Paid and Other Financial Charges	(3.9)	(21.3)	(4.8)	(20.4)	(50.4)	(6.5)	(17.7)	(17.0)	(18.0)	(59.2)
Income Taxes Paid	(2.5)	(2.2)	(4.5)	(4.2)	(13.4)	(1.4)	(2.2)	(7.5)	(7.1)	(18.2)
Other Cash Movements	0.3	(0.5)	0.1	0.9	0.8	(0.0)	(0.6)	1.3	2.5	3.2
Recurrent Free Cash Flow [8]	17.6	36.0	41.5	38.2	133.3	31.4	21.4	45.1	49.6	147.6
Net Financial Debt	943.8	1,014.0	980.2	970.7	970.7	955.3	995.8	957.2	939.7	939.7

(1) Accounting of revenues from special services sold to operators was changed in 4Q13 to reflect net revenues. This change was restated in prior periods.
(2) Includes operations in Mozambique.
(3) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(4) EBITDA = Income From Operations + Depreciation and Amortization.
(5) Income From Operations = Income Before Financials and Income Taxes + work force reduction programme costs + impairment of goodwill ± Losses/Gains on disposal of fixed assets ± Other costs/income.
(6) EBIT = Income Before Financials and Income Taxes.
(7) This caption includes non-cash provisions included in EBITDA.
(8) Accruals of interest payments were reclassified to below Total Free Cash Flow in 4Q13 and prior period cash flow statements were restated to adjust for this reclassification.
* The merger by incorporation of OPTIMUS into ZON that led to the creation of ZON OPTIMUS was completed on 27 August 2013. As from this quarter, ZON OPTIMUS' statutory financial statements at 31 December 2013 reflect the financial consolidation of 12 months of ZON and 4 months of OPTIMUS. Resulting primarily from the merger, in 3Q13 a number of accounting policies, practices and estimates have had to be aligned. The primary changes to accounting policies, with the correspondent restatement of the prior period accounts were the capitalization of customer acquisition costs at ZON in order to align with OPTIMUS' policy also followed by other telecom operators and capitalization of certain movie rights in the audiovisuals division following IAS 38, which were restated since 1Q12 in the statutory accounts. In addition and in anticipation of the mandatory implementation of IFRS 11 as from 1Q14, whereby joint ventures may no longer be consolidated proportionately, ZON OPTIMUS has proceeded to deconsolidate the three joint ventures in which it holds stakes, ZAP (30%), Sport TV (50%) and Dreamia (50%) and has restated prior period financial statements to reflect their recognition through the equity method. To facilitate comparison between current and prior period results for the new ZON OPTIMUS, the current pro-forma consolidated financial statements have been prepared, reflecting not only the statutory accounts restatement due to the changes to accounting policies, but also the consolidation of 12 months of OPTIMUS' results. The financial statements reflect the impact, since September 2013, in depreciation and amortization of the provisional calculation of the fair value of OPTIMUS' assets and liabilities which was used for the purposes of purchase price allocation resulting from the consolidation of OPTIMUS. The present financial review is based on these pro-forma financial statements. Appendix III to this report includes the statutory income statement for ZON OPTIMUS.

6.3 Appendix III

Table 14.

Statutory Profit and Loss Statement (Millions of Euros)	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
Operating Revenues	196.2	196.9	197.4	196.6	787.1	194.4	190.4	251.6	353.9	990.3
Telco	181.1	181.5	177.2	178.6	718.5	179.0	175.2	232.8	334.9	922.0
Audiovisuals	14.8	15.1	13.3	17.1	60.4	14.9	14.4	14.0	17.4	60.6
Cinema [1]	11.8	11.9	16.2	13.0	52.8	11.8	12.1	15.8	13.2	52.9
Others and Eliminations	(11.5)	(11.6)	(9.3)	(12.1)	(44.5)	(11.3)	(11.3)	(11.0)	(11.6)	(45.3)
Operating Costs Excluding D&A	(119.5)	(122.1)	(117.7)	(122.1)	(481.4)	(115.0)	(113.1)	(150.3)	(235.6)	(614.1)
W&S	(12.9)	(13.9)	(13.5)	(14.1)	(54.4)	(11.9)	(12.3)	(16.9)	(25.2)	(66.2)
Direct Costs	(55.3)	(57.0)	(55.3)	(57.0)	(224.6)	(53.9)	(54.0)	(75.2)	(102.7)	(285.8)
Commercial Costs [2]	(7.1)	(8.4)	(7.9)	(8.5)	(31.9)	(7.0)	(6.6)	(10.9)	(33.2)	(57.8)
Other Operating Costs	(44.3)	(42.8)	(41.0)	(42.5)	(170.5)	(42.2)	(40.2)	(47.3)	(74.6)	(204.3)
EBITDA [3]	76.7	74.9	79.7	74.5	305.7	79.3	77.3	101.3	118.3	376.2
EBITDA Margin	39.1%	38.0%	40.4%	37.9%	38.8%	40.8%	40.6%	40.3%	33.4%	38.0%
Depreciation and Amortization	(53.5)	(47.6)	(51.1)	(51.9)	(204.1)	(52.6)	(47.0)	(59.8)	(83.6)	(243.1)
Income From Operations [4]	23.2	27.2	28.6	22.5	101.6	26.7	30.4	41.4	34.6	133.1
(Other Expenses) / Income	(0.0)	(0.8)	0.4	(0.4)	(0.9)	(0.1)	0.6	(32.3)	(26.8)	(58.5)
Operating Profit (EBIT) [5]	23.2	26.4	29.0	22.1	100.7	26.6	31.0	9.2	7.9	74.6
(Financial Expenses) / Income	(7.5)	(9.3)	(12.7)	(11.5)	(41.0)	(9.5)	(11.8)	(13.6)	(12.0)	(46.9)
Income Before Income Taxes	15.6	17.1	16.3	10.6	59.7	17.0	19.2	(4.5)	(4.1)	27.7
Income Taxes	(4.4)	(6.4)	(6.0)	(2.5)	(19.3)	(4.5)	(6.1)	3.3	(9.1)	(16.4)
Income From Continued Operations	11.2	10.7	10.3	8.2	40.4	12.5	13.2	(1.2)	(13.2)	11.3
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.3)	(0.2)	(0.0)	(0.9)	(0.2)	(0.2)	(0.2)	0.1	(0.4)
Net Income	10.8	10.4	10.1	8.2	39.5	12.3	13.0	(1.4)	(13.1)	10.8

(1) Includes operations in Mozambique.
(2) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(3) EBITDA = Income From Operations + Depreciation and Amortization.
(4) Income From Operations = Income Before Financials and Income Taxes + work force reduction programme costs + impairment of goodwill ± Losses/Gains on disposal of fixed assets ± Other costs/income.
(5) EBIT = Income Before Financials and Income Taxes.

6.4 Appendix IV

Table 15.

Balance Sheet (Millions of Euros)	2012	2013
Current Assets	476.1	454.8
Cash and Equivalents	273.2	74.4
Accounts Receivable, Net	158.0	309.6
Inventories, Net	31.6	32.6
Taxes Receivable	2.6	11.8
Prepaid Expenses and Other Current Assets	10.8	26.4
Non-current Assets	1,074.5	2,434.5
Investments in Group Companies	36.8	31.6
Intangible Assets, Net	323.6	1,111.1
Fixed Assets, Net	618.2	1,096.8
Deferred Taxes	52.2	165.4
Other Non-current Assets	43.7	29.5
Total Assets	1,550.6	2,889.3
Current Liabilities	574.3	762.2
Short Term Debt	295.3	213.4
Accounts Payable	210.5	367.6
Accrued Expenses	50.3	129.9
Deferred Income	5.2	25.5
Taxes Payable	12.5	23.0
Current Provisions and Other Liabilities	0.5	2.8
Non-current Liabilities	756.9	1,066.9
Medium and Long Term Debt	712.0	928.2
Non-current Provisions and Other Liabilities	44.9	138.6
Total Liabilities	1,331.2	1,829.1
Equity Before Non-Controlling Interests	210.0	1,050.6
Share Capital	3.1	5.2
Issue Premium	0.0	854.2
Own Shares	(0.9)	(2.0)
Reserves, Retained Earnings and Other	168.3	182.4
Net Income	39.5	10.8
Non-Controlling Interests	9.4	9.6
Total Shareholders' Equity	219.4	1,060.2
Total Liabilities and Shareholders' Equity	1,550.6	2,889.3

Note: Balance Sheet prepared considering the results corresponding to the consolidation of 12 months of ZON and 4 months of OPTIMUS. The merger of ZON and OPTIMUS implied a capital increase of 206,064,552 new shares, issued at market close on the merger registry date, 27 August 2013. The nominal value of the shares is 0.01 euros each, and as such, a share issue premium of 854 million euros was generated. Goodwill of 404 million euros was recorded as a result of the fair value calculation of OPTIMUS' assets and liabilities, and may be revised over the 12 months following the merger.

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