2012 FIRST QUARTER EARNINGS ANNOUNCEMENT

ZON MULTIMEDIA

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1Q12 HIGHLIGHTS

- Very resilient core Triple Play business, despite tough macroeconomic headwinds
- Efforts to contains costs and cut CAPEX are clear in solid quarterly financial performance
- New growth options beginning to deliver results, namely the Angolan JV, "ZAP"

Table 1.

Highlights of 1Q12 Results	1Q11	1Q12	1Q12 / 1Q11
Operational ('000)			
RGUs [(1)]	3,181.3	**3,381.0**	6.3%
Triple Play Customers	666.0	**715.7**	7.5%
Pay TV Net Adds	(17.1)	**19.8**	n.a.
Broadband Net Adds	14.4	**9.4**	(34.6%)
Fixed Voice Net Adds	29.9	**37.5**	25.4%
Blended ARPU (Euros)	35.8	**35.0**	(2.2%)
Financial (Millions of Euros)			
Operating Revenues	214.1	**214.2**	0.0%
Pay TV, Broadband and Voice	195.6	**191.9**	(1.9%)
EBITDA	79.5	**79.7**	0.2%
EBITDA Margin	37.1%	**37.2%**	0.1pp
Net Income	10.2	**10.3**	1.7%
CAPEX	38.8	**29.6**	(23.7%)
Free Cash Flow	(2.0)	**16.3**	n.a.

(1) Total RGUs reported reflect the sum of Pay TV, Broadband, Fixed Voice and Mobile subscribers.

OPERATIONAL HIGHLIGHTS

- Another quarter of strong RGU growth with net adds of 65.8 thousand in 1Q12, nearly twice the amount of 1Q11 and up 12.4% from 4Q11;
- RGU momentum led by strong Pay TV and Fixed Voice net adds:
  - Pay TV subscribers grew by 19.8 thousand, an increase explained by an additional 26.2 thousand cable customers, partially offset by a decline in the DTH base of 6.5 thousand subscribers;
  - Strong growth in cable Pay TV led by good take-up of entry level Pay TV and Voice bundles targeting customers impacted by the analogue switch-off;
  - Voice customers grew by 37.5 thousand subscribers, significantly more than the 29.9 thousand recorded in 1Q11 and close to the levels of 4Q11;
  - Additional Broadband customers of 9.4 thousand in 1Q12, taking the total customer base to 749 thousand.
- Triple Play customers increased 7.5% y.o.y. in 1Q12 to 715.7 thousand with penetration of Triple Play services reducing slightly to 59.4% due to the very strong growth in the cable subscriber base with mostly Dual Play bundles;
- Take-up of entry level bundles, in addition to still constrained performance of premium channel revenues, led to some dilution in blended ARPU to 35 euros in 1Q12;
- Weakness felt in the Cinema business with sector wide decline in box-office sales.

FINANCIAL HIGHLIGHTS

- Consolidated Revenues remained flat at 214.2 million euros compared with 1Q11, with the pace of yoy decline of core Triple Play business slowing to 1.9%;
- Solid consolidated EBITDA performance with growth of 0.2% due to the strong margin improvement offsetting the revenue decline in the Triple Play business enabling 3.0% EBITDA growth in this segment, supported by tight cost management;
- Proportionate consolidation of international operations of “ZAP” for the first time in 1Q12;
- After just 18 months of commercial operations, ZAP reported EBITDA breakeven in 1Q12;
- Continued strong performance in FCF. EBITDA – CAPEX grew by 23.0% yoy to 50.1 million euros and FCF increased to 16.3 million euros compared with negative 2.0 million euros in 1Q11;
- Net Income posted growth of 1.7% yoy to 10.3 million euros.

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OPERATING REVIEW 1Q12

Table 2.

Business Indicators ('000)	1Q11	1Q12	1Q12 / 1Q11
Pay TV, Broadband and Voice			
Homes Passed [(1)]	3,206.9	**3,187.4**	(0.6%)
RGUs [(2)]	3,181.3	**3,381.0**	6.3%
Cable RGUs per Subscriber (units) [(3)]	2.29	**2.37**	3.4%
Basic Subscribers [(4)]	1,554.4	**1,586.8**	2.1%
o.w. Cable Subscribers	1,155.5	**1,204.6**	4.2%
Triple Play Customers	666.0	**715.7**	7.5%
% Triple Play Cable Customers	57.6%	**59.4%**	1.8pp
o.w. DTH Subscribers	398.9	**382.2**	(4.2%)
Broadband Subscribers	704.7	**748.6**	6.2%
Fixed Voice Subscribers	807.5	**921.4**	14.1%
Mobile Subscribers	114.7	**124.1**	8.2%
Blended ARPU (Euros)	35.8	**35.0**	(2.2%)
Cinema			
Revenue per Ticket (Euros)	4.7	**4.8**	2.1%
Tickets Sold	2,016.5	**1,724.9**	(14.5%)
Screens (units)	217	**210**	(3.2%)

(1) The number of homes passed was corrected in 3Q11, consisting of a database cleanup of around 86.5 thousand homes. Data for the previous quarters was not restated.

(2) Total RGUs reported reflect the sum of Pay TV, Broadband, Fixed Voice and Mobile subscribers.

(3) Cable RGUs per Subscriber correspond to the sum of Cable Pay TV, Broadband and Voice Subscribers, divided by the number of Cable Pay TV Customers.

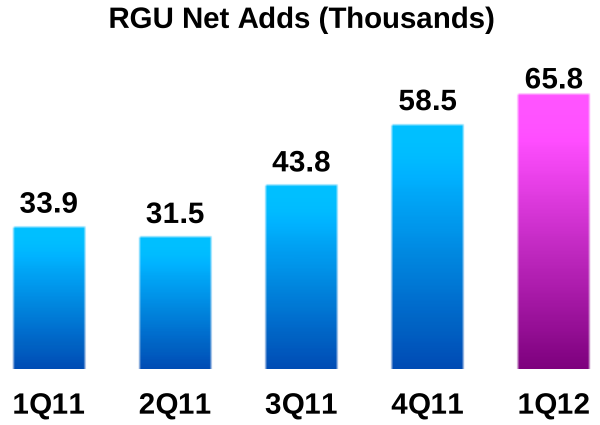
(4) These figures are related to the total number of Pay TV basic customers, including the cable and satellite platforms. ZON Multimedia offers several basic services, based on different technologies, directed to different market segments (residential, real estate and corporate), with a distinct geographical scope (mainland Portugal and the Azores and Madeira islands) and with a variable number of channels.

As in previous quarters, ZON's core Triple Play business continues to show resilience to the economically challenging environment in Portugal. Basic entertainment and communications services are core to Portuguese households and, although subscribers are showing more prudence in taking more discretionary add-on types of services such as premium channel subscriptions, they are retaining their core Triple Play bundles.

In addition, the analogue switch-off in Portugal in 4Q11 and over the first months of 2012 provided an opportunity to increase the penetration of our services, with a significant number of homes choosing to take entry level Dual Play bundles of basic TV and Fixed Voice, and in some cases Triple Play solutions, instead of migrating to DTT.

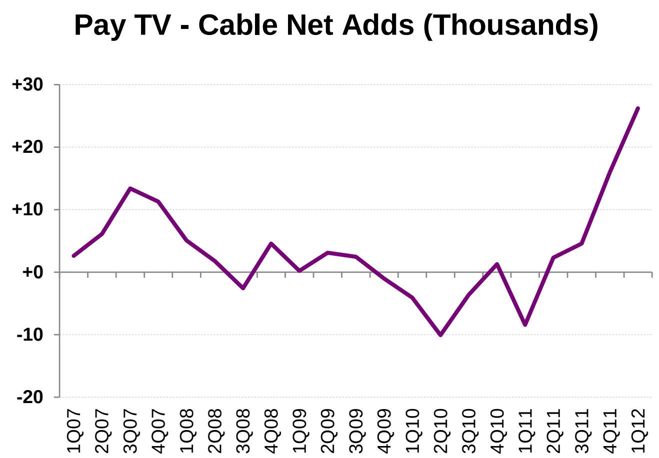
Strong RGU growth, + 66 thousand services in 1Q12

In 1Q12, ZON recorded another very good quarter in terms of RGU growth with 65.8 thousand net adds, led particularly by continued improvement in Pay TV take-up and strength in growth of voice services. Broadband service net adds were in line with those of previous quarters.



Record growth in cable base, +26 thousand subscribers in 1Q12

The Pay TV subscriber base increased by 19.8 thousand customers in 1Q12, the largest increase since 2007, reflecting a combination of two different realities – record net growth in the cable subscriber base of 26.2 thousand customers, partially offset by a decline in the DTH subscriber base of 6.5 thousand.



An important part of the increase in the cable subscriber base was driven by the success of ZON's entry level offer targeting customers affected by the analogue switch-off during the end of 2011 and the first months of 2012. At the end of 2011, ZON developed a very compelling offer whereby customers could continue to receive their existing 4 FTA channels, with multi-room distribution, over the cable signal plus unlimited fixed voice for just 9.99 euros a month. For those interested in taking broadband, an entry level Triple Play offer was also launched, including 6 Mbps Internet, for 24.99 euros. Of the customers taking these services, around 75% are taking Dual Play offers, and the remainder Triple Play.

Around 120 thousand IRIS customers, 10% of cable base

At the other extreme of the customer mix, take-up of our high-end IRIS bundles remains very encouraging with around 120 thousand subscribers at the end of 1Q12, 10% of the cable customer base. Growth in IRIS customers accelerated even further during the last weeks of 1Q12 with the launch of a very successful campaign giving all IRIS customers broadband speeds of 100 Mbps for life, a campaign launched to match an offer launched by our main competitor in February.

One of the most innovative features of the IRIS interface is the Restart TV functionality. Usage of this feature has rocketed, increasing four-fold in the last 6 months as customers become more and more familiar with it. At its essence lies the ability of ZON to make available, on demand, a unicast video stream to individual customers, allowing them to watch broadcasting programmes from the beginning. At the end of 1Q12, the service was already being offered for the 50 most popular channels.

ZON Online #1 in Portuguese App store

ZON Online, the application that replicates the IRIS user interface for computers, tablets and smartphones, is in strong demand. As a measure of the interest shown by customers, the ZON Online "App" available for download on the Portuguese ITunes store ranked #1 for three weeks in a row.

Continued growth in Broadband and Fixed Voice

ZON had another good quarter of growth in broadband with net adds of 9.4 thousand, taking total penetration of the cable base to 62.1%, 749 thousand customers. Of these, 53% take services higher than 20 Mbps and 32% take offers with speeds equal to or greater than 30 Mbps. ZON's free WiFi network, ZON@Fon, is a key differentiating factor from other operators, with over 524 thousand WiFi hotspots around Portugal and very high coverage density in the main urban centres, providing almost seamless online connectivity whilst on the go.

Growth in Fixed Voice services continues to be very healthy with net adds of 37.5 thousand subscribers in 1Q12, compared with 29.9 thousand in 1Q11 and 39.9 thousand in 4Q11. Many of the additional customers are subscribers to the entry level bundles offers described above. Total voice customers are now 921.4 thousand, 74.9% of the cable customer base. ZON has launched a new, innovative feature for its Fixed Voice customers, the ZON Phone application, which allows them to use their smartphones to make calls using their home phone number and tariffs, wherever they are. This feature is also proving to be a success, and adds to the value proposition of ZON's Fixed Voice offer.

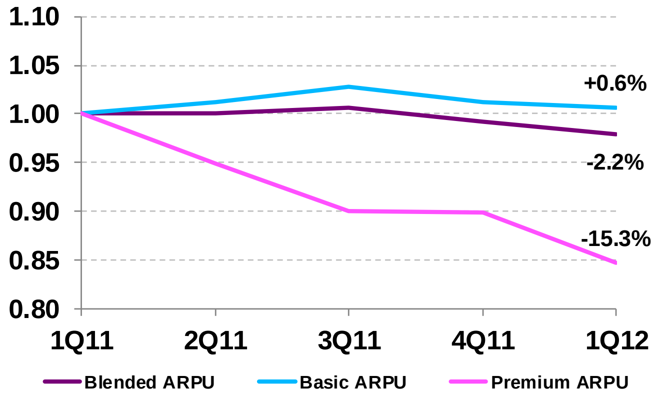
716 thousand Triple Play customers

Triple Play customers across ZON's customer base grew to 715.7 thousand in 1Q12, up 7.5% yoy. As a result of the strong increase in the cable customer base explained above, which was significantly higher than the number of net adds in Triple Play bundles, the penetration of Triple Play customers as a percentage of the cable base was clawed back slightly to 59.4%. However the percentage of Dual Play customers grew in the quarter by an additional 2.5 percentage points.

ARPU dilution due to entry level offers and premium revenue slowdown

Premium channel revenues continue to perform below the levels of the previous year thus impacting Blended ARPU levels. Adjusting for the effect of lower discretionary premium channel revenues, basic ARPU continued to show resilience with a yoy increase of 0.6%, also supported by the price increase which took place in January 2012. In addition, with the success of the entry level Dual and Triple Play bundles during the last months, Blended ARPU suffered some dilution to 35 euros in 1Q12. If we were to adjust for the impact of entry level bundles, ARPU of basic services would have grown around 2.4% in line with growth in 4Q11.

Basic, Premium and Blended ARPU evolution (1Q11 = Base 1)



Audiovisuals and Cinemas

1Q12 represented a y.o.y. decrease of 14.5% in terms of Cinema tickets sold. However, this represented a slightly better performance than the remainder of the market. As a whole, the market experienced a drop in tickets sold of 14.9%, according to recently published data from the Portuguese Institute For Cinema and Audiovisuals, ICA. ZON's share of tickets sold stood at 55.1% during 1Q12. In addition to the difficult macroeconomic environment, cinema box-office sales were negatively impacted by the increase in VAT on ticket sales from 6% to 13%, which came into effect as from the beginning of 2012. Revenues were also affected by comparatively lower 3D movie releases and subsequently box-office sales which represented just 4% of cinema attendance in 1Q12, compared to 20% in 1Q11.

In the first quarter of 2012, revenue per ticket climbed 2.1% to 4.8 euros from 4.7 euros in 1Q11. This performance is supported by ZON's leading position in innovation, with unparalleled levels of digitalization and penetration of 3D projection technology (83 out of a total of 210 screens) in the Portuguese market.

As regards Cinema gross revenues performance, ZON's relative performance was also stronger in comparison with the rest of the market, posting a 7.0% decrease in 1Q12 whilst the total market's gross revenues fell by 9.0%. As a result, ZON's market share of gross revenues by the end of March had remained relatively stable in 1Q12 at 56.0%. The most successful films shown in 1Q12 were "Sherlock Holmes: A Game of Shadows", "The Descendants"; "The Muppets"; "Hugo", and "The Iron Lady".

Revenues in the Audiovisuals division grew slightly y.o.y. in 1Q12 by 0.5% to 17.1 million euros.

ZON Audiovisuais maintained its leading position in the distribution of movies for cinema exhibition, VoD distribution and sale of homevideo content in Portugal. Of the top 10 films shown in cinemas in 1Q12, ZON Lusomundo distributed 4 of them, the most successful films being “The Muppets”, “Hugo”, “Mission: Impossible – Ghost Protocol”, and “Safe House”. According to ICA, ZON’s share of gross revenues in terms of cinema distribution in 1Q12 stood at 46.0%. In the 1Q12 ZON Audiovisuais also established new distribution agreements with Universal for homevideo and with Metro Goldwyn Mayer Studios for both theatrical and homevideo distribution.

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CONSOLIDATED INCOME STATEMENT

As from 1Q12, ZON's 30% stake in its Angolan Pay TV joint-venture is being consolidated proportionately. Previously the operation was being consolidated through the equity method in financial results.

Table 3.

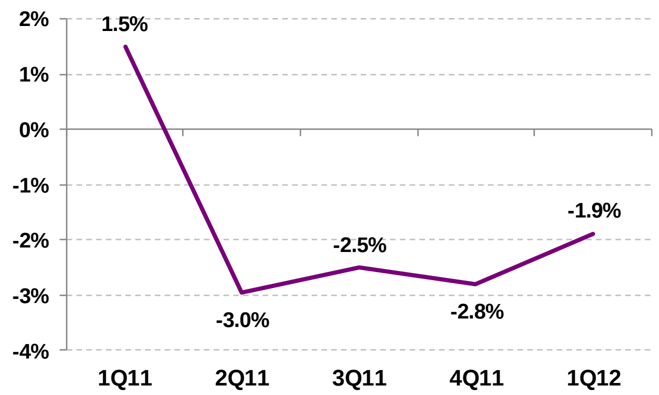
Profit and Loss Statement (Millions of Euros)	1Q11	1Q12	1Q12 / 1Q11
Operating Revenues	214.1	**214.2**	0.0%
Pay TV, Broadband and Voice	195.6	**191.9**	(1.9%)
Audiovisuals	17.1	**17.1**	0.5%
Cinema	13.6	**11.8**	(13.7%)
International	0.0	**6.4**	n.a.
Others and Eliminations	(12.1)	**(13.0)**	7.4%
Operating Costs Excluding D&A	(134.6)	**(134.5)**	(0.1%)
W&S	(14.7)	**(14.3)**	(3.1%)
Direct Costs	(61.1)	**(58.4)**	(4.3%)
Commercial Costs (1)	(15.2)	**(16.2)**	6.1%
Other Operating Costs	(43.6)	**(45.7)**	4.8%
EBITDA (2)	79.5	**79.7**	0.2%
Pay TV, Broadband and Voice	73.4	**75.5**	3.0%
Audiovisuals and Cinema Exhibition	6.1	**4.0**	(35.5%)
International	0.0	**0.2**	n.a.
EBITDA Margin	37.1%	**37.2%**	0.1pp
Depreciation and Amortization	(55.6)	**(55.9)**	0.7%
Income From Operations (3)	24.0	**23.7**	(1.0%)
(Other Expenses) / Income	0.3	**(0.1)**	(123.4%)
Operating Profit (EBIT) (4)	24.3	**23.7**	(2.5%)
(Financial Expenses) / Income	(10.3)	**(8.3)**	(19.1%)
Income Before Income Taxes	14.0	**15.3**	9.7%
Income Taxes	(3.6)	**(4.6)**	29.3%
Income From Continued Operations	10.4	**10.7**	3.0%
o.w. Attributable to Non-Controlling Interests	(0.2)	**(0.3)**	58.6%
Net Income	10.2	**10.3**	1.7%

(1) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(2) EBITDA = Income From Operations + Depreciation and Amortization.
(3) 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.
(4) EBIT = Income Before Financials and Income Taxes.

3.1 Operating Revenues

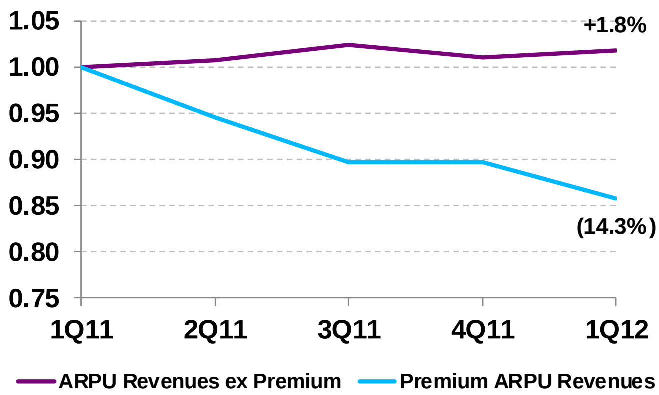
Consolidated Operating Revenues were flat yoy at 214.2 million euros in 1Q12. Core Pay TV, BB and Voice revenues posted a 1.9% yoy decline to 191.9 million euros, reflecting a slowdown in the pace of revenue decline in comparison with previous quarters.

Pay TV, Broadband and Voice Revenue YoY growth (%)



As in the past few quarters, subscription to premium channels remains at lower levels than in 2011. In 1Q12, premium channel revenues recorded a yoy decline of 14.3% in comparison with 1Q11. Adjusting for the impact of the pressure from premium revenues, ARPU revenues from basic services increased by 1.8%, reflecting the resilient nature of ZON's core services. Premium channel revenues represented 15% of ARPU revenues in 1Q12.

ARPU Revenues YoY growth (%)



Revenues from the Audiovisuals business of 17.1 million euros were relatively flat yoy (+0.5%). However, as regards ZON's cinema exhibition operation, revenues recorded a poor performance in 1Q12, with a 13.7% decline yoy. This reduction was similar to the performance of the overall market led by the significant decline in box-office revenues.

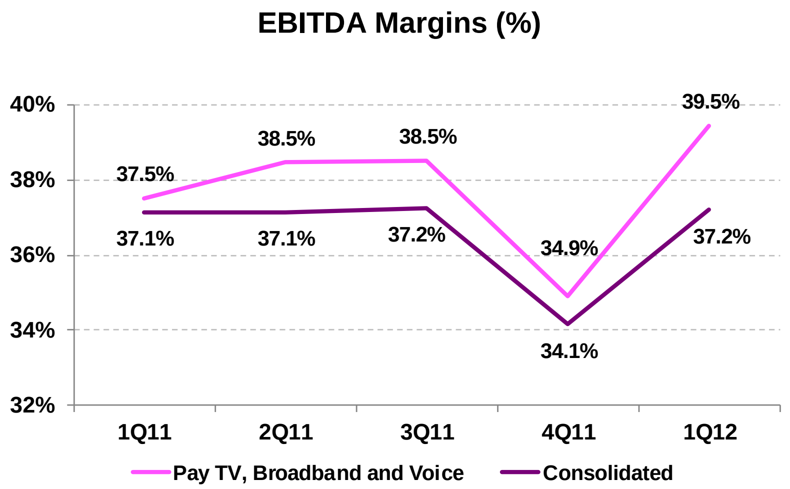
As yet, it is not clear how much of the decline is explained by a comparatively smaller offer of blockbuster movies in 1Q12, when compared to 1Q11, and how much is explained by the increase in the VAT rate over cinema tickets from 6% to 13% together with the challenging economic environment. ZON is monitoring this area closely and is adjusting the business structure to accommodate the significant shifts in market demand.

For the first time, ZON's 30% stake in its international Pay TV operation in Angola was proportionately consolidated. As such, ZON's proportion of the revenues generated by the Angolan operation was 6.4 million euros in 1Q12.

3.2 EBITDA

Consolidated EBITDA grew by 0.2% in 1Q12 to 79.7 million euros, generating an EBITDA margin of 37.2%.

Core Pay TV, BB and Voice EBITDA reached 75.5 million euros in 1Q12, representing an increase of 3% yoy. EBITDA margin, measured as a percentage of revenues, increased by 1.9 percentage points to 39.5%.



Consolidated Group margin is lower than the margin generated by the core Triple Play business as a result of the combination with the lower margin cinema and audiovisuals businesses and as from 1Q12, due to the consolidation of the Angolan operation. In 1Q12, the cinema and audiovisuals businesses posted a particularly weak performance and margin contribution reduced significantly thereby causing an additional drag on consolidated margin. Consolidation of ZAP's EBITDA has little impact on consolidated EBITDA as it just reached EBITDA breakeven in 1Q12, a relevant achievement after only 18 months of operation.

The ability to deliver further increases in operating profitability, in particular at the core Pay TV, BB and Voice division, is due to the continued focus on cost control and efficiency and, to some extent, a more mature market environment.

3.3 Consolidated Operating Costs

Consolidated Operating Costs remained flat yoy at 134.5 million euros in 1Q12, however they are not directly comparable due to the consolidation of the Angolan operation as from 1Q12. Excluding the impact of the Angolan operation, total operating costs would have fallen by around 3.9% to 129.3 million euros.

Wages and Salaries fell by 3.1% in 1Q12 to 14.3 million euros when compared with 1Q11. Excluding the effect of the proportionate consolidation of the Angolan operation as from 1Q12, Wages and Salaries 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 declined by 4.3% to 58.4 million euros, driven mainly by a reduction in Programming Costs of 6.6%, due to the lower level of premium channel subscriptions, as well as some renegotiations of content contracts. Excluding the impact of the consolidation of the Angolan Operation, like for like direct costs would have fallen by 5.5%.

Commercial Costs were up 6.1% to 16.2 million euros yoy, an increase explained almost entirely by the increase in COGS due to the fact that set top boxes at the ZAP operation are sold to customers, rather than rented as they are in the Portuguese operation, and therefore are expensed in the period they are sold. 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 recorded a 4.8% increase yoy to 45.7 million euros in comparison with 1Q11, resulting of a combination of consolidation of costs from the Angolan Operation and relatively stable other operating costs, albeit important savings were achieved in several General and Administrative areas, namely customer service, maintenance and repairs, mainly as a result of the implementation of a number of efficiency improvement measures at the contact center level. Excluding the impact of the consolidation of the Angolan Operation, like for like Other Operating Costs would have grown by 2.6% yoy.

3.4 Net Income

Net Income was 10.3 million euros in 1Q12, 1.7% higher than in 1Q11.

Depreciation and Amortization were 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 Financial Expenses improved by 19.1% yoy in 1Q12 to 8.3 million euros, however the two figures are not directly comparable given the change in consolidation method of the Angolan operation expressed at the beginning of this section. Net interest costs remained flat at 6 million euros in 1Q12. 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 in 1Q12 were 4.6 million euros representing an effective P&L tax rate of 30% due to the higher corporate tax rate applied to companies surpassing pre-defined thresholds in terms of taxable income as a result of the austerity measures for 2012 and 2013, under the current Adjustment Program. In ZON´s case, the company was generally affected by an increase of 0.5 pp to 29.5%.

4
CAPEX AND CASH FLOW

4.1 CAPEX

Table 4.

CAPEX (Millions of Euros)	1Q11	1Q12	1Q12 / 1Q11
Pay TV, Broadband and Voice Infrastructure	19.1	**18.9**	(1.2%)
Terminal Equipment	15.1	**9.1**	(39.8%)
Other	1.7	**1.6**	(2.7%)
"Baseline" CAPEX	35.9	**29.6**	(17.5%)
Non-Recurrent CAPEX	2.9	**0.0**	(100.0%)
Total CAPEX	38.8	**29.6**	(23.7%)

Quarterly CAPEX is now consistently at much lower levels than in previous years. All major investment projects and network upgrades have been completed. In 1Q12, CAPEX was 29.6 million euros, down 23.7% from 1Q11 and 45.1% in comparison to 1Q10. Of the CAPEX done in 1Q12, 9.1 million euros was related to terminal equipment, compared to 15.1 million euros in 1Q11, a decline explained by the lower commercial activity and subsequent need for customer CAPEX and by the success of the equipment refurbishment process. Measured as a percentage of Pay TV, BB and Voice revenues, CAPEX represented 15.4%, in line with the levels of other cable and telecom operators already at a run rate level of investment.

Excluding the impact of the consolidation of the Angolan Operation, Total CAPEX would have been reduced by 24.3% in comparison with 1Q11.

Total CAPEX (Millions of Euros)

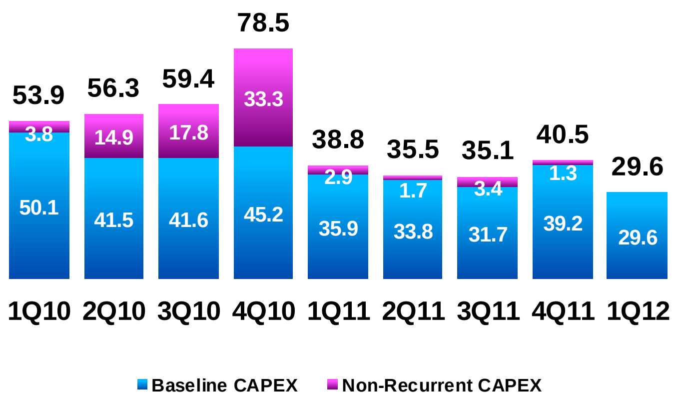


Table 5.

Cash Flow (Millions of Euros)	1Q11	1Q12	1Q12 / 1Q11
EBITDA	79.5	**79.7**	0.2%
CAPEX	(38.8)	**(29.6)**	(23.7%)
Baseline CAPEX	(35.9)	**(29.6)**	(17.5%)
Non-Recurrent CAPEX	(2.9)	**0.0**	(100.0%)
Non-Cash Items Included in EBITDA-CAPEX(1) and Change in Working Capital	(35.0)	**(12.7)**	(63.7%)
Operating Cash Flow After Investment	5.7	**37.4**	n.a.
Long Term Contracts	(14.2)	**(12.9)**	(9.0%)
Net Interest Paid and Other Financial Charges	1.9	**(7.5)**	n.a.
Income Taxes Paid	(0.7)	**(2.4)**	253.6%
Disposals	6.7	**0.8**	(88.0%)
Other Cash Movements	(1.5)	**0.9**	(163.1%)
Free Cash-Flow	(2.0)	**16.3**	n.a.

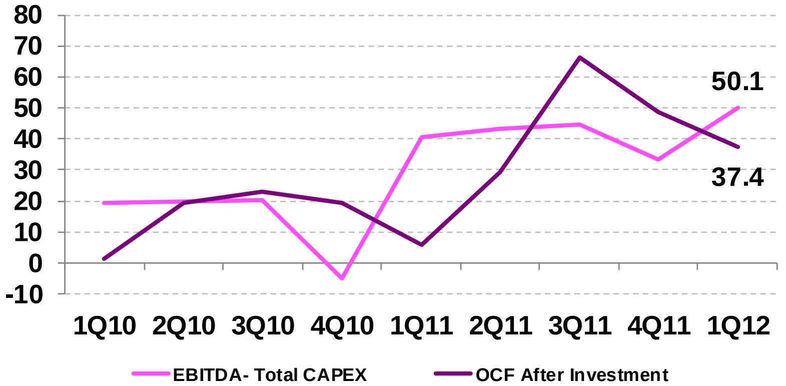
(1) This caption includes non-cash provisions included in EBITDA and non-cash CAPEX related to the upfront capitalization of long term contracts.

4.2 Operating Cash Flow

EBITDA-CAPEX increased by 23.0% in 1Q12 to 50.1 million euros primarily as a result of the aforementioned reduction in CAPEX and the stable yoy performance of EBITDA.

Operating Cash Flow after Investment recorded a very strong increase yoy from 5.7 million euros in 1Q11 to 37.4 million euros in 1Q12. In 1Q11, Net Working Capital investment was higher than usual due to the winding down of a peak in CAPEX in the latter part of 2010. Therefore Operating Cash Flow performance in 1Q12, in addition to the 9.4 million euros increase in EBITDA-CAPEX, reflects a significant yoy decrease in investment in working capital.

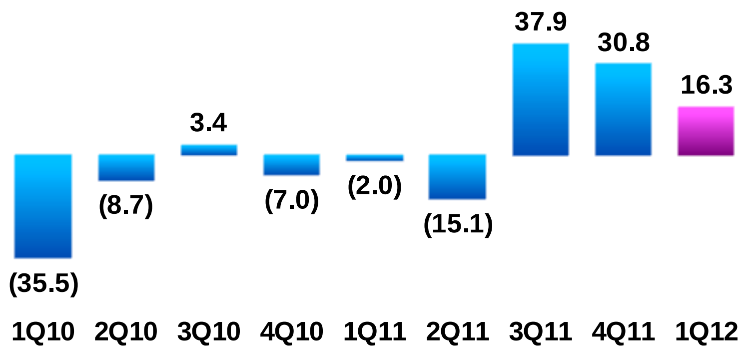
EBITDA - Total CAPEX and OCF After Investment (Millions of Euros)



4.3 Free Cash Flow

Total FCF in 1Q12 increased to 16.3 million euros, compared with negative 2.0 million euros in 1Q11. In addition to the strong operating FCF momentum discussed above, the main items affecting FCF performance were a 9% decrease in Long Term Contract payments and Net interest paid and other financial charges of 7.5 million euros.

Free Cash Flow (Millions of Euros)



5
CONSOLIDATED BALANCE SHEET

Table 6.

Balance Sheet (Millions of Euros)	2011	1Q12
Current Assets	708.9	**684.1**
Cash and Equivalents	407.4	**391.2**
Accounts Receivable, Net	237.8	**229.1**
Inventories, Net	46.7	**45.0**
Taxes Receivable	5.1	**5.3**
Prepaid Expenses and Other Current Assets	11.9	**13.6**
Non-current Assets	1,076.7	**1,065.5**
Investments in Group Companies	0.5	**0.4**
Intangible Assets, Net	314.7	**302.2**
Fixed Assets, Net	647.1	**644.9**
Deferred Taxes	49.9	**49.7**
Other Non-current Assets	64.5	**68.3**
Total Assets	1,785.6	**1,749.6**
Current Liabilities	789.1	**778.6**
Short Term Debt	500.0	**500.6**
Accounts Payable	207.1	**197.3**
Accrued Expenses	56.5	**56.4**
Deferred Income	3.8	**6.9**
Taxes Payable	17.2	**17.2**
Current Provisions and Other Liabilities	4.6	**0.2**
Non-current Liabilities	761.5	**726.2**
Medium and Long Term Debt	729.4	**707.4**
Non-current Provisions and Other Liabilities	32.1	**18.8**
Total Liabilities	1,550.6	**1,504.8**
Equity Before Minority Interests	225.0	**234.5**
Share Capital	3.1	**3.1**
Own Shares	(0.6)	**(0.3)**
Reserves, Retained Earnings and Other	188.3	**221.4**
Net Income	34.2	**10.3**
Non-Controlling Interests	10.0	**10.3**
Total Shareholders' Equity	235.0	**244.8**
Total Liabilities and Shareholders' Equity	1,785.6	**1,749.6**

5.1 Capital Structure

At the end of March 2012, **Net Financial Debt** stood at 644.6 million euros, an increase of 7.1 million compared with FY11. The increase in Net Debt in the quarter is due to the positive FCF generation of 16.3 million euros previously explained, which was offset by the proportional consolidation of the Net Debt of the International business of 23.4 million euros, which took place in 1Q12.

As mentioned in the previous Earnings Announcement, in 3Q11 ZON had negotiated further interest rate hedging operations in the amount of 257.5 million euros (157.5 million euros of which came into effect in December 2011). As such, the total of interest rate hedging operations in place at the end of 1Q12 was 407.5 million euros, approximately 63% of the total Net Financial Debt.

Total financial debt at the end of 1Q12 amounted to 1,092.1 million euros which was offset with a cash and short term investments position on the balance sheet of 447.5 million euros. The all-in average cost of ZON's Net Financial Debt was 4.24% for 1Q12.

In February 2012, ZON announced that it had secured a fully underwritten Commercial Paper Program with Caixa Geral de Depósitos of 100 million euros maturing in 2015. The new facility has replaced an existing similar Commercial Paper Program of 125 million euros that was set to mature during 2012. The negotiation of this new credit facility has further improved the stability of ZON's capital structure, extending the average maturity of ZON's Net Financial Debt. This, together with a significantly improved cash-flow profile, places ZON in a very comfortable position with no additional projected refinancing needs until the end of 2013. With the new facility in place, the average maturity of ZON's financial debt is 2.27 years.

Net Financial Gearing decreased to 72.5% at the end of 1Q12 compared with 73.1% at the end of 2011, and **Net Financial Debt / EBITDA** (last 4 quarters) stands at 2.1x. Total Net Debt of 761.3 million euros also includes commitments with Long Term Contracts recorded as liabilities on the Balance Sheet, of which the most relevant are long-term transponder, telecoms and content contracts.

Table 7.

Net Financial Debt (Millions of Euros)	2011	1Q12	1Q12 / 2011
Short Term	467.4	**472.1**	1.0%
Bank and Other Loans	462.4	**465.5**	0.7%
Financial Leases	5.0	**6.6**	31.7%
Medium and Long Term	640.4	**620.1**	(3.2%)
Bank Loans	628.6	**609.8**	(3.0%)
Financial Leases	11.7	**10.3**	(12.2%)
Total Debt	1,107.8	**1,092.1**	(1.4%)
Cash, Short Term Investments and Intercompany Loans	470.3	**447.5**	(4.8%)
Net Financial Debt	637.5	**644.6**	1.1%
Net Financial Gearing (1)	73.1%	**72.5%**	(0.6pp)
Net Financial Debt / EBITDA	2.0x	**2.1x**	n.a.

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

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INTERNATIONAL GROWTH – ANGOLA

“ZAP”, ZON’s Pay TV Joint Venture in Angola and Mozambique, continued to record very strong operational performance, well above expectations in terms of subscriber growth.

Backed by a very strong distribution and sales network, ZAP continued its successful marketing strategy, transforming ZAP into one of the most recognized brands in the territories where it is present. As in 2011, ZAP continues to be one of the top 5 advertisers in Angola, alongside Angola’s largest companies.

Product wise, ZAP introduced several new channels in this quarter, with special mention to the new premium HD sports channel (Sport TV África 2) and the lifestyle channel TLC.

As from 1Q12, ZON started to proportionately consolidate its 30% stake in ZAP. In 1Q12, ZAP generated 21.3 million euros of revenues (contributing 6.4 million to ZON consolidated revenues) and, despite the customer acquisition costs associated with ZAP’s exceptional operational performance, the company achieved EBITDA *breakeven*. The company’s contribution to ZON’s Net Income is still negative, but coming down from (2.8) million euros in 1Q11 to (1.3) million euros in 1Q12.

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APPENDIX

7.1 APPENDIX I

Table 8.

Business Indicators ('000)	1Q11	2Q11	3Q11	4Q11	1Q12
Pay TV, Broadband and Voice					
Homes Passed [1]	3,206.9	3,223.3	3,151.0	3,152.6	**3,187.4**
Basic Subscribers [2]	1,554.4	1,552.8	1,554.2	1,567.1	**1,586.8**
of which					
Fixed Broadband	704.7	714.8	725.0	739.2	**748.6**
Fixed Voice	807.5	826.8	844.0	883.9	**921.4**
Mobile [3]	114.7	118.4	133.4	125.0	**124.1**
Cable Subscribers	1,155.5	1,157.8	1,162.4	1,178.4	**1,204.6**
Triple Play Customers	666.0	678.5	688.8	708.7	**715.7**
% Triple Play Cable Customers	57.6%	58.6%	59.3%	60.1%	**59.4%**
Double Play Customers	160.7	163.7	169.3	184.6	**219.1**
% Double Play Cable Customers	13.9%	14.1%	14.6%	15.7%	**18.2%**
Single Play Customers	328.8	315.6	304.2	285.1	**269.8**
% Single Play Cable Customers	28.5%	27.3%	26.2%	24.2%	**22.4%**
DTH Subscribers	398.9	395.0	391.9	388.7	**382.2**
Premium Sports and Movies Penetration [4]	44.1%	41.6%	42.9%	41.9%	**40.8%**
RGUs [5]	3,181.3	3,212.8	3,256.6	3,315.1	**3,381.0**
Cable RGUs per Subscriber (units) [6]	2.29	2.31	2.33	2.36	**2.37**
Blended ARPU (Euros)	35.8	35.8	36.0	35.5	**35.0**
Net Additions					
Triple Play Customers	23.8	12.5	10.3	19.9	**7.0**
Basic Subscribers	(17.1)	(1.6)	1.4	12.8	**19.8**
Cable Subscribers	(8.4)	2.3	4.6	16.0	**26.2**
DTH Subscribers	(8.7)	(3.9)	(3.1)	(3.2)	**(6.5)**
Fixed Broadband	14.4	10.1	10.2	14.2	**9.4**
Fixed Voice	29.9	19.3	17.3	39.9	**37.5**
Mobile	6.8	3.7	15.0	(8.4)	**(0.8)**
RGUs	33.9	31.5	43.8	58.5	**65.8**
Cinema					
Revenue per Ticket (Euros)	4.7	4.9	5.1	4.8	**4.8**
Tickets Sold	2,016.5	2,093.6	2,371.7	2,260.4	**1,724.9**
Screens (units)	217	217	217	217	**210**

(1) The number of homes passed was corrected in 3Q11, consisting of a database cleanup of around 86.5 thousand homes. Data for the previous quarters was not restated.

(2) These figures are related to the total number of Pay TV basic customers, including the cable and satellite platforms. ZON Multimedia offers several basic services, based on different technologies, directed to different market segments (residential, real estate and corporate), with a distinct geographical scope (mainland Portugal and the Azores and Madeira islands) and with a variable number of channels.

(3) Mobile subscribers include Mobile Voice and Mobile Broadband.

(4) Includes Sports, Movies and other Premium channels with relevant scale and Subscription VoD services.

(5) Total RGUs reported reflect the sum of Pay TV, Broadband, Fixed Voice and Mobile services.

(6) Cable RGUs per Subscriber correspond to the sum of Cable Pay TV, Broadband and Voice Subscribers, divided by the number of Cable Pay TV Customers.

7.2 APPENDIX II

Table 9.

Profit and Loss Statement (Millions of Euros)	1Q11	2Q11	3Q11	4Q11	1Q12
Operating Revenues	214.1	211.5	213.7	215.6	**214.2**
Pay TV, Broadband and Voice	195.6	191.6	191.4	193.8	**191.9**
Audiovisuals	17.1	17.7	17.6	20.1	**17.1**
Cinema	13.6	14.4	16.5	14.7	**11.8**
International	0.0	0.0	0.0	0.0	**6.4**
Others and Eliminations	(12.1)	(12.2)	(11.9)	(12.9)	**(13.0)**
Operating Costs Excluding D&A	(134.6)	(132.9)	(134.1)	(142.0)	**(134.5)**
W&S	(14.7)	(14.4)	(15.3)	(14.9)	**(14.3)**
Direct Costs	(61.1)	(60.9)	(61.2)	(60.8)	**(58.4)**
Commercial Costs (1)	(15.2)	(12.1)	(13.1)	(21.6)	**(16.2)**
Other Operating Costs	(43.6)	(45.5)	(44.5)	(44.7)	**(45.7)**
EBITDA (2)	79.5	78.5	79.6	73.6	**79.7**
Pay TV, Broadband and Voice	73.4	73.7	73.7	67.6	**75.5**
Audiovisuals and Cinema Exhibition	6.1	4.8	5.8	6.0	**4.0**
International	0.0	0.0	0.0	0.0	**0.2**
EBITDA Margin	37.1%	37.1%	37.2%	34.1%	**37.2%**
Depreciation and Amortization	(55.6)	(53.3)	(55.5)	(53.3)	**(55.9)**
Income From Operations (3)	24.0	25.3	24.1	20.3	**23.7**
(Other Expenses) / Income	0.3	(0.9)	(0.4)	0.0	**(0.1)**
Operating Profit (EBIT) (4)	24.3	24.3	23.7	20.3	**23.7**
(Financial Expenses) / Income	(10.3)	(10.5)	(10.5)	(11.8)	**(8.3)**
Income Before Income Taxes	14.0	13.9	13.3	8.5	**15.3**
Income Taxes	(3.6)	(4.6)	(3.9)	(2.7)	**(4.6)**
Income From Continued Operations	10.4	9.2	9.3	5.9	**10.7**
o.w. Attributable to Non-Controlling Interests	(0.2)	(0.0)	(0.2)	(0.2)	**(0.3)**
Net Income	10.2	9.2	9.1	5.7	**10.3**
Baseline CAPEX	35.9	33.8	31.7	39.2	**29.6**
Total CAPEX	38.8	35.5	35.1	40.5	**29.6**
Free Cash Flow	(2.0)	(15.1)	37.9	30.8	**16.3**
Net Financial Debt	641.7	706.8	668.3	637.5	**644.6**

(1) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold;
(2) EBITDA = Income From Operations + Depreciation and Amortization;
(3) 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;

(4) EBIT = Income Before Financials and Income Taxes .

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