

ZON MULTIMEDIA

FULL YEAR 2008
RESULTS
ANNOUNCEMENT



WIDEBAND

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1. Key Highlights of FY08 Results

Lisbon, Portugal, 4 March 2009: pursuant to the operating update disclosed on 4 February 2009, today ZON announces its results for the Full Year 2008.

Operating Revenues +8.5% to €776.6 million

EBITDA +11% to €244.5 million

EBIT +35% to €100 million

Net Income (2.8)% to €47.9 million

Record growth in Broadband and Voice

Over 23% Triple Play cable customers YE08

Over 100 thousand ZON boxes installed

Blended ARPU grew by 4.2% to 32 euros

Table 1.
Key Financial Highlights (Millions of Euros)

	2007	2008	2008 / 2007
Operating Revenues	715.7	776.6	8.5%
EBITDA ⁽¹⁾	220.2	244.5	11.0%
EBITDA margin	30.8%	31.5%	0.7pp
Operating Profit (EBIT) ⁽²⁾	74.1	100.0	35.0%
Net Income	49.3	47.9	(2.8%)
Earnings Per Share (Euro Cents)	15.96	16.26	1.9%
"Baseline" CAPEX	99.4	145.5	46.4%
Net Financial Debt	23.5	552.5	n.a.

Note: the 2008 accounts include consolidation of acquisitions of TVTel and Parftel operations as from November 2008. Figures for 2007 as restated.

(1) EBITDA = Income From Operations + Depreciation and Amortization;

(2) EBIT = Income Before Financials and Income Taxes

- **Operating Revenues increased to 776.6 million euros in FY08**, representing y.o.y. growth of 8.5% with acceleration in 4Q08 to 9.6% y.o.y.;
- **EBITDA increased to 244.5 million euros in FY08**, representing y.o.y growth of 11% with acceleration in 4Q08 to 18.3% y.o.y.
- **EBITDA margin was 31.5%** compared with 30.8% in FY07;

- **Net Income recorded a marginal decline of (2.8)% to 47.9 million euros.**
- **EPS increase of 1.9% in 2008** to 16.26 eurocents per share, compared with 15.96 in 2007;
- **Baseline CAPEX of 145.5 million euros in FY08**, representing 18.7% of operating revenues, compared with 99.4 million euros in FY07;
- **Net Financial Debt** at the end of FY08 was **552.5 million euros (2.3x Net Financial Debt / EBITDA)**;

Table 2.
Key Operational Highlights ('000)

	2007	2008	2008 / 2007
Net Additions			
RGUs ⁽¹⁾	300.5	421.4	40.2%
Basic Subscribers ^{(2) (3)}	67.0	(22.0)	(132.8%)
Digital Extended Basic	111.7	113.8	1.9%
Broadband Internet	38.3	78.8	105.6%
Fixed Voice	83.5	243.6	191.8%
Mobile Voice	0.0	7.2	n.a.
End-of-Period			
RGUs	2,412.9	2,834.3	17.5%
Basic Subscribers	1,547.1	1,525.1	(1.4%)
Digital Extended Basic	382.1	495.8	29.8%
Broadband Internet	400.2	479.0	19.7%
Fixed Voice	83.5	327.1	291.8%
Mobile Voice	0.0	7.2	n.a.
Blended ARPU	30.8	32.0	4.2%
% Triple Play Cable Customers	6%	23%	16.4 pp

(1) Revenue Generating Units correspond to the sum of Pay TV basic customers, plus Pay TV extended basic customers, plus broadband internet customers, plus fixed and mobile voice customers.

(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 hotels), with a distinct geographical scope (mainland Portugal and the Azores and Madeira islands) and with a variable number of channels;

(3) These figures include products in temporary promotions, such as "Try and Buy" promotions;

Note: These figures do not include the acquisitions of TVTel and Parfite! Operations.

- **421.4 thousand RGU net adds**, an increase of 40.2% compared with 2007;
- **250 thousand customers subscribe to 3P services – over 23% of cable customers**, therefore enabling ZON to become the Triple Play leader in Portugal;
- **ARPU growth of 4.2% to 32 euros** led by the successful commercial focus on increasing RGU/subscriber and 3P penetration;



- **(22) thousand net adds in Pay TV**, with growth in cable customers being offset by a decline in satellite customers during the year;
- **113.8 thousand new digital extended basic subscribers in 2008** leading to 32.5% penetration of our digital service “Funtastic”, up from 24.7% in FY07;
- **Record growth in Broadband with net adds of 78.8 thousand in FY08, best of the last 5 years;**
- Remarkable growth in voice services **with 243.6 thousand net adds in FY08** and acceleration in growth throughout the year with **net adds of 73.2 thousand in 4Q08;**

Message from Rodrigo Costa, CEO

Our team will always remember 2008 as a very challenging and rewarding year.

As you may see in this report, last year we achieved impressive growth in several product segments in addition to important progress in operational efficiency.

The birth of “ZON”, in January 2008, represented the launch not only of a new brand name but of a new identity, a new approach to doing business and a structural shift to focus on our customers.

When we first presented our strategic outlook for ZON at the start of the year, we established 3 strategic objectives:

- Lead in Triple Play
- Deliver Excellence in Customer Service and Operational Efficiency
- Capture New Growth Opportunities

We also established a commitment to achieve these goals based on a few simple pillars; Business and Product Innovation, Corporate Governance according to high standards of Transparency and Ethics, HR policies that align personal development and reward with shareholder objectives.

The results we are presenting today are evidence that we pursued the right options and that these enabled us to deliver in line with best expectations.

ZON is today the leading triple play operator in the Portuguese market. We already provide integrated entertainment and communication services to over 23% of our cable customers (from 6% a year before), whose enthusiasm for our products and services is reflected in the accelerating growth momentum of our ZON3 triple play bundles, broadband and voice services.

Our superior value proposition enables cable customers to view HD content on multiple TV sets whilst maintaining internet speeds of up to 100 Mbps with unlimited traffic and flat rate voice plans. In just 8 months since launch, we have installed over 100 thousand HD-PVR ZON Boxes and the uptake of digital services is accelerating.

ZON's commercial success has been supported by a dramatic turnaround in customer service quality. We embraced a number of core organizational projects in this arena, amongst which the migration of all back-office processes to a single telephone and software platform, consolidation of



call-centres into three main locations and certification of customer installation procedures and service provider agreements. In addition, we are spending considerably more time and effort scrutinizing how we run the business, how efficient our operations are and where we have room to improve. The growth we are reporting in operating profitability and productivity (EBITDA growth of 11%) is again a clear reflection of our drive for continuous improvement.

Beyond the growth we are delivering in our core operations, we launched our MVNO ZON Mobile with voice services and will be launching mobile broadband and *homezoning* offers over the coming months. After receiving regulatory approval, we successfully concluded the acquisition of four regional cable companies during the course of 2008 (TVTel – 2008 and Parfitel operations 2007 /2008).

A technologically superior network is at the core of our operational success. Today we reach almost 3 million homes in Portugal with a hybrid fibre and coaxial network, which already provides full coverage with 30 Mbps speeds and is going to be fully upgraded to 100 Mbps until the end of this year. In effect, ZON is already operating and providing commercial offers over a Next Generation Network to 270 thousand households in Lisbon and Porto.

In our Cinema network and Content businesses we also maintain a positive momentum. We continue to expand our activities supported by our long standing reputation and experience, derived from several decades of industry presence, and we are proud to boast recognition from our international partners such as Paramount, Disney and Universal. In 2009, we were nominated the best European Distributor by Cartoon Movie, one of the most prestigious rewards in the industry.

Since the spin off in late 2007, the telecommunications and TV distribution business in Portugal has undergone a significant change, becoming markedly more competitive and innovative. With our 2008 results we were able to demonstrate that not only are we well equipped to meet the challenges of new competition, but that we have become an important contender in areas of business where we had little or no presence until 2008.

I would like to extend my thanks to the entire ZON team without whom we would be unable to aspire and achieve the results we are announcing today. In January 2009, employees gave the most significant show of hands possible with an unprecedented level of respondents to the first ZON Employee Survey: 90% answered the survey, conveying a clear message of enthusiasm, motivation and relentless commitment to succeed.

We are entering 2009 against a very challenging economic backdrop. To date, ZON has proven to have a particularly resilient business as it appears that people tend to resort to more home based and less expensive sources of entertainment and communication as a means of better managing their domestic budgets. As such, our prospects for operational growth remain positive and we expect to increase our workforce by an additional 70 employees in 2009. Our financial performance is set to reflect this operational growth, and will depend closely on how the macroeconomic environment and competitive dynamics in the market will develop during the year. On a final note, I would like to highlight that we continue to seek interesting opportunities to leverage our business expertise and core assets internationally. We focus in particular on Portuguese speaking African countries, due to both the linguistic and cultural proximity and we will strive to implement developments on this front in the near future.

Although operating in a more challenging environment, our commitment to the success of ZON remains unchanged. We know we are on the right track and past experience gives us confidence that we are well positioned to deliver even better results in the future.

2. Business Review

Table 3.
Business Indicators ('000)

	4Q07	4Q08	4Q08 / 4Q07	2007	2008	2008 / 2007
Pay TV, Broadband and Voice						
Homes Passed	2,752.8	2,844.0	3.3%	2,752.8	2,844.0	3.3%
Basic Subscribers ^{(1) (2)}	1,547.1	1,525.1	(1.4%)	1,547.1	1,525.1	(1.4%)
of which						
Digital Extended Basic	382.1	495.8	29.8%	382.1	495.8	29.8%
Premium Pay TV	840.6	829.9	(1.3%)	840.6	829.9	(1.3%)
Broadband Internet	400.2	479.0	19.7%	400.2	479.0	19.7%
Fixed Voice	83.5	327.1	291.8%	83.5	327.1	291.8%
Mobile Voice	0.0	7.2	n.a.	0.0	7.2	n.a.
RGUs ⁽³⁾ (units)	2,412.9	2,834.3	17.5%	2,412.9	2,834.3	17.5%
RGUs ⁽³⁾ per Subscriber (units)	1.56	1.85	18.7%	1.56	1.85	18.7%
Triple Play Customers	68.7	250.1	264.2%	68.7	250.1	264.2%
Blended ARPU	31.0	32.7	5.6%	30.8	32.0	4.2%
Net Additions						
Basic Subscribers	26.3	(14.0)	(153.1%)	67.0	(22.0)	(132.8%)
Digital Extended Basic	25.7	50.0	94.2%	111.7	113.8	1.9%
Premium Pay TV	37.8	(4.9)	(113.1%)	60.6	(10.7)	(117.7%)
Broadband Internet	12.9	28.0	117.1%	38.3	78.8	105.6%
Fixed Voice	29.6	73.2	146.9%	83.5	243.6	191.8%
Mobile Voice	0.0	7.2	n.a.	0.0	7.2	n.a.
RGUs	94.6	144.4	52.7%	300.5	421.4	40.2%
Triple Play Customers	20.3	56.7	179.0%	68.7	181.4	164.2%
Cinema Exhibition						
Revenue per Ticket (Euros)	4.0	4.2	3.1%	4.0	4.1	3.4%
Tickets Sold	2,092.9	2,234.8	6.8%	8,193.4	8,289.0	1.2%
Screens (units)	204.0	213.0	4.4%	204.0	213.0	4.4%

(1) 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 hotels), with a distinct geographical scope (mainland Portugal and the Azores and Madeira islands) and with a variable number of channels;

(2) These figures include products in temporary promotions, such as "Try and Buy" promotions;

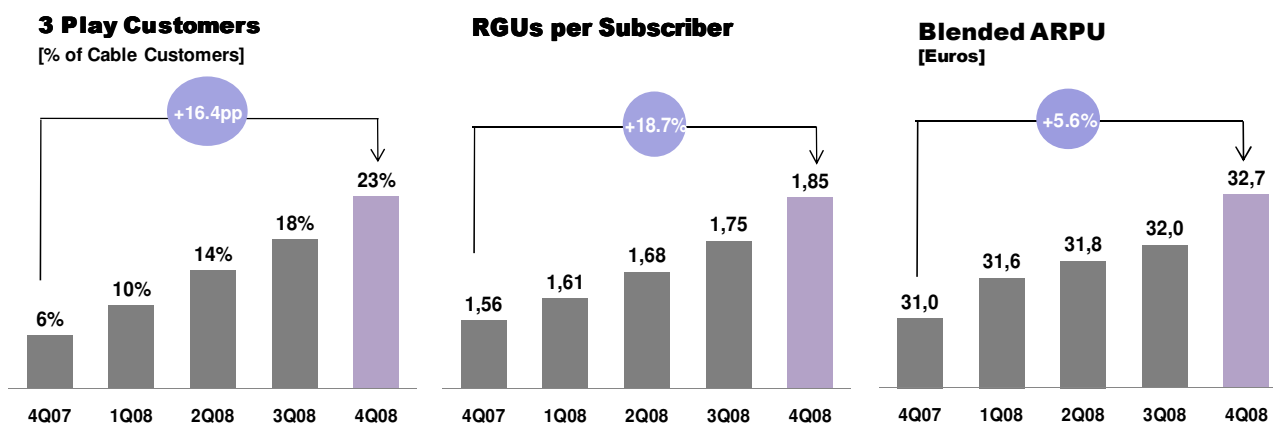
(3) Revenue Generating Units correspond to the sum of Pay TV basic customers, plus Pay TV extended basic customers, plus broadband internet customers, plus fixed and mobile voice customers.

Note: These figures do not include the acquisitions of TVTel and Parfite! Operations.

Delivering on strategy:

I. To Lead in Triple Play

ZON posted the strongest like-for-like operational growth of the past 5 years in 2008, strengthening its position as the **leading triple play provider in Portugal**:



2008 was a remarkable year in terms of commercial activity and today ZON is clearly the leading provider of triple play services in Portugal. The strong operational success of the past quarters has been led by a commercial strategy to upsell additional services to the Pay TV customer base. By the end of 2008, the number of customers that subscribed to all three services, TV, Broadband and Voice, represented more than 23% of ZON's cable customer base compared with just 6% at the end of FY07, and those that subscribed to more than one service were over 53%, compared with 38% in FY07.

The launch of ZON3 bundles in May 2008 was an immediate success, driving quarterly net-adds of Broadband and Voice to record levels. ZON3 bundles provide customers with a true multi-room, HD TV experience with over 90 channels, a minimum of 8 Mbps broadband speed and unlimited broadband and voice traffic for close to €50 per month. Over the past year, ZON has consistently positioned itself at the forefront of innovation, with initiatives like the roll-out of the new generation ZON Box in May 2008, the launch of HD channels, and continuous upgrades to internet speeds for all tariff plans, making ZON the broadband operator with the highest speeds in the market. ZON has the richest range of HD channels in the Portuguese market, six launched to date: Sport TV HD, MOV HD, TVCine4 HD, National Geographic HD, Disney Cinemagic HD and Eurosport HD with many more in the pipeline to be launched over coming quarters, taking advantage of ZON's superior HD broadcasting capacity.

Total RGUs increased by 421.4 thousand in FY08 to 2.834 million (+17.5% year-on-year). By the end of 2008, customers subscribed to an average of 1.85 services, compared with 1.56 in FY07.

The significant growth in triple play penetration in our cable base, increased digitalization and the installation of ZON Boxes means that ZON is positioned to capture a higher proportion of consumer telecom and media spend, whilst still helping customers to be more efficient managing their domestic budgets through uptake of bundled products and services.

ARPU posted a very significant improvement over the year, as a result of the successful strategy to increase the number of services subscribed by each customer, combined with the uptake of new features and functionalities. Blended ARPU increased by 4% to 32 euros in FY08, compared with 30.8 euros in FY07 and the quarterly trend reflects consistent growth, going from 31.0 euros in 4Q07 to 32.7 in 4Q08, representing growth of 5.6%.

Basic TV subscribers were 1.525 million at the end of December, representing a decline of 1% year-on-year. Net adds of (22) thousand in FY08 reflect a combination of continued growth in cable customers and a reduction in satellite customers. The number of customers who subscribe to ZON's digital extended package increased by 113.8 thousand customers in FY08, to 496 thousand subscribers and by the end of 2008, 91 thousand ZON boxes had been installed at customer premises (100 thousand by mid January 2009), a clear reflection of how ZON customers have warmed to exciting new TV features and functionalities such as High Definition channels, personal video recording and the new electronic programming guide;

ZON was the broadband operator that captured the most growth in the Portuguese market in 2008 with net adds of 78.8 thousand, the highest level of the past 5 years and clearly surpassing targets. By the end of 2008, ZON had 479 thousand Broadband customers (43.5% penetration of cable customers), increasing its share from 26.5% at the end of 2007 to 28.9% at the end of 2008. On 7 January 2009, ZON once again reinforced its lead in broadband speeds with the launch of ZON NET WIDEBAND, a high speed Internet access service providing 100 Mbps download speed, 4 Mbps upload speed and unlimited traffic. The service is supported by a hybrid optic and coaxial fibre network, based on EURODOCSIS 3.0.

Already in January 2009, ZON launched "ZON Videoclube", a true video-on-demand service that allows customers to choose between one thousand blockbuster and classic movies, series, concerts, documentaries and children's shows at very competitive prices.

By the end of 2008, ZON had 327 thousand voice subscribers (29.7% penetration of cable customers), only 12 months after the launch of the mass market number portability campaign, representing net adds of 243.6 thousand subscribers during 2008, again clearly exceeding targets. Having recently launched "ZON Mobile", as yet still a pure mobile voice service based on an MVNO agreement with Vodafone, customer take-up is increasing steadily, reaching over 7 thousand customers at the end of 2008. Mobile broadband and homezoning services will be launched during the course of 1H09.

Delivering on strategy:

II. Deliver Excellence in Customer Service and Operational Efficiency

ZON's commercial and operational success is being supported by a continuing drive to improve overall organizational efficiency, affecting both front and back-office structures and processes. During 2008, amongst some of the key areas of focus were the improvement in customer service through roll-out of a unified inbound telephone platform, consolidation of all call-centre and back-office functions into three locations, certification of service providers, training programmes for internal and outsourced sales forces and deployment of more self-care functionalities through ZON's commercial website.

The progressive roll-out of better systems and processes is equipping ZON with a more solid platform to accommodate continued strong growth in operations, technical excellence and business innovation, whilst customer service and satisfaction remain the top priority across all levels of the company. A single call-centre number (16990) was implemented, and throughout

2008 indicators have shown that ZON is on the right track – for instance, the rate of problems solved with a single phone call doubled, from 44% to 88%.

Finally, the ZON brand, which is only a little over a year old, has distinguished itself in a study conducted by GfK. The study shows that the “ZON TVCabo” brand clearly leads with a remarkable 86% top-of-mind awareness in TV Services and 57% in triple-play bundles. As regards brand attributes, 71% of Pay TV and 66% of Broadband customers inquired believe ZON “cares about its customers”; 73% of Pay TV and 69% of Broadband customers inquired were happy with the quality of the services provided by ZON.

Delivering on strategy:

III. Capture New Growth Opportunities

In November 2008, the Portuguese Competition Authority approved the acquisition by ZON of two regional cable companies, ParfiteL operations and TVTel, acquisitions which had been originally announced in August 2007 and January 2008 respectively.

These companies’ operational and financial results were consolidated as from November 2008. The following table presents both ZON stand-alone operational highlights at the end of 2008, (the basis of the preceding operational review) and total operational highlights for ZON, including the companies acquired.

With these two acquisitions ZON reinforces its leadership in the Pay TV market, adding a net total of 66 thousand customers in 2008, strengthening its position as the #2 player in Broadband with over 500 thousand customers and accelerating market share growth in Voice.

Full operational integration of ParfiteL and TVTel is underway, thereby allowing ZON to extend its broader commercial services and functionalities. Furthermore, integration of systems and networks will enable ZON to extract a significant level of synergies, some of which already to be reflected in 2009.

Table 4.
Impact of Acquisitions on Key Operational Indicators ('000)

	4Q08 ZON	Contribution of Acquisitions	4Q08 Total
RGUs	2.834,3	147,9	2.982,2
Basic Subscribers	1.525,1	88,5	1.613,5
Digital Extended Basic	495,8	0,0	495,8
Broadband Internet	479,0	40,0	519,0
Fixed Voice	327,1	19,4	346,6
Mobile Voice	7,2	0,0	7,2

Supported by a State-of-the-Art Network

As well as accelerating geographic coverage, ZON is further investing to improve bandwidth and efficiency with the deployment of EURODOCSIS 3.0 and cell-splitting, an upgrade that has enabled ZON to be the first operator to launch a 100 Mega broadband offer.

During 2008, ZON initiated roll-out of EURODOCSIS 3.0, which enables delivery of ultra-broadband speeds and is already available to 270 thousand households in Lisbon and Oporto. Nationwide coverage will be reached by the end of 2009, meaning close to 3.0 million homes passed will be eligible to have WIDEBAND. The launch of WIDEBAND positions ZON as the clear technological leader for Internet access in Portugal and amongst the first operators worldwide to launch next generation commercial Internet services.

The number of homes passed recorded a net increase of 91.2 thousand bringing the total to 2,844 thousand homes.

Cinema Exhibition and Audiovisuals

ZON Lusomundo Cinemas stands at the forefront of innovation amongst cinema operators both in Portugal and worldwide. With 213 screens across the country, ZON has been progressively investing to upgrade to digital and 3D technology and by the end of 2008, 23 screens were digital of which 21 were 3D enabled. In addition, ZON pioneered the launch in Portugal of single, integrated box-office and merchandising sales points at each theatre, therefore leading to an important reduction in staff and real estate costs.

Key operational indicators at the cinema business reflect an increase of 1.2% in the total number of tickets sold to 8.289 thousand in 2008 however, more importantly, each ticket sold generated an additional 3.4% in average revenues per ticket, to 4.1 euros per ticket.

At Christmas time, ZON launched a unique customer retention programme which rewards its most loyal Pay TV customers with “myZONcard”. This card entitles customers that have been subscribers for at least one year, to receive a free cinema ticket with every ticket purchased and with a limit of up to 8 films a month, 52 films a year. The initiative was made possible through the use of ZON Lusomundo’s market-leading network of cinema screens and is designed to show customers how much their loyalty is valued.

The Audiovisuals division continued to strengthen its leading market position in Portugal, once again ensuring an important share in the distribution and sale of top box-office and award-winning movies in 2008, amongst which “Mamma Mia”, “Madagascar 2” or “Kung Fu Panda”. ZON Lusomundo’s position in the audiovisuals segment is determined by the success of long standing relationships with international major and independent movie studios allied with an outstanding marketing track-record. During the summer months, ZON once again demonstrated its strong marketing capabilities with the launch of the record breaking box-office hit, “Mamma Mia”. Rather than launching “Mamma Mia” in major urban cinema theatres, ZON took “Mamma Mia” out on roadshow to suburban and interior towns of Portugal, during late August and early September. The initiative was a huge success and helped to build even more hype around the “city” launch held a few days later in September.

3. Consolidated Income Statement

Table 5.
Profit and Loss Statement (Millions of Euros)

	4Q07	4Q08	4Q08 / 4Q07	2007	2008	2008 / 2007
Operating Revenues	188.1	206.2	9.6%	715.7	776.6	8.5%
Pay TV, Broadband and Voice	163.2	180.1	10.3%	629.5	688.2	9.3%
Audiovisuals	18.4	19.1	4.0%	61.8	63.7	3.0%
Cinema	12.3	13.3	8.0%	46.2	49.2	6.6%
Others and Eliminations	(5.8)	(6.3)	8.7%	(21.9)	(24.6)	12.4%
Operating Costs Excluding D&A	138.9	148.0	6.5%	495.5	532.1	7.4%
W&S	14.1	16.7	18.6%	44.3	52.7	19.1%
Direct Costs	58.7	61.6	5.0%	221.9	239.2	7.8%
Commercial Costs ⁽¹⁾	20.6	26.3	27.9%	61.0	69.1	13.3%
Other Operating Costs	45.5	43.3	(4.8%)	168.3	171.1	1.7%
EBITDA ⁽²⁾	49.2	58.2	18.3%	220.2	244.5	11.0%
EBITDA margin	26.2%	28.2%	2.1pp	30.8%	31.5%	0.7pp
Depreciation and Amortization	40.6	48.4	19.0%	122.1	140.4	15.0%
Income From Operations ⁽³⁾	8.6	9.9	14.9%	98.1	104.0	6.0%
Other Expenses / (Income)	16.4	3.3	(79.9%)	24.1	4.1	(83.1%)
Operating Profit (EBIT) ⁽⁴⁾	(7.8)	6.6	(184.1%)	74.1	100.0	35.0%
Financial Expenses (Income)	(1.5)	8.5	n.a.	3.7	25.9	n.a.
Income Before Income Taxes	(6.3)	(1.9)	(70.4%)	70.4	74.1	5.2%
Income Taxes	4.0	(0.5)	(112.1%)	(18.3)	(22.5)	23.2%
Income From Continued Operations	(2.4)	(2.4)	(0.1%)	52.1	51.6	(1.1%)
o.w. Attributable to Minority Shareholders	(0.4)	(0.6)	33.7%	(2.8)	(3.6)	28.4%
Net Income	(2.8)	(2.9)	n.a.	49.3	47.9	(2.8%)

Note: the 2008 accounts include consolidation of acquisitions of TVTel and Paritel operations as from November 2008; Figures for 2007 as restated.

(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 Revenues grew by 8.5% in FY08 to 776.6 million euros, accelerating in 4Q08 to 9.6% y.o.y. growth. Pay TV, Broadband and Voice Revenues increased by 9.3% in 2008, supported by strong RGU growth, continuing ARPU increases and wholesale of content and channels to other operators, also accelerating in 4Q08 to 10.3% y.o.y. growth.

Audiovisuals and Cinemas increased revenues by 3% and 6.6% to 63.7 million euros and 49.2 million euros respectively, supported by stronger DVD sales and a higher share of distribution and exhibition of blockbuster movies than in 2007.

3.2 – EBITDA

EBITDA reached 244.5 million euros in FY08, up 11% from 220.2 million euros in FY07 and representing a 31.5% EBITDA margin. EBITDA in 4Q08 increased 18.3% y.o.y to 58.2 million euros. ZON has been implementing a number of cost efficiency projects that have already enabled significant savings in areas such as network, IT, customer care and G&A. In particular, it is worth highlighting the implementation of the new call centres and the internalization of personnel and administrative functions that were outsourced until 30 June 2008 which generated significant savings. However, total operating costs are increasing on the back of significantly higher commercial activity, although at a lower pace of growth than revenues. This is illustrated by the average monthly Costs per RGU, which decreased by 7.3% in 2008, to 14.1 euros from 15.2 euros.

3.3 – Consolidated Operating Costs

Wages and salaries were 52.7 million euros in FY08, 19.1% higher than in FY07 led primarily by the previously explained internalization of functions (namely personnel and administrative functions), that in the past had been outsourced and the organizational changes resulting post spin-off process. During 2008, ZON had an average of 1,545 employees (618 at ZON Lusomundo Cinemas), compared with an average of 1,405 in 2007 (583 at ZON Lusomundo Cinemas). In addition, charges related to the first tranche of the recently implemented employee share plan were recorded in 4Q08, amounting to 2 million euros.

Direct Costs increased by 7.8% to 239.2 million euros in FY08, the most relevant item being programming costs which grew 12.2% y.o.y. to 175.2 million euros due to the increased cost of premium sport and movie content and the addition of a number of new channels (Caça e Pesca, SportTV HD, Disney Cinemagic, MOV HD, TVCine4 HD, among others). Other Direct Costs decreased by 2.7% to 63.9 million euros.

Commercial Costs amounted to 69.1 million euros, up 13.3% from 2007 led by the higher commercial activity affecting commissions paid and the level of marketing and publicity.

Other Operating Costs recorded an increase of 1.7% to 171.1 million euros, reflecting a lower pace of growth than total Operating Costs. Within this cost item the most significant changes were felt in terms of Supplies and External Services mostly due to the increase in customer activations and customer care related costs (+16.3% to 77.3 million euros), and Provisions (+8.4% to 13.3 million euros) mainly as a consequence of the higher number of RGU's (+17.5%). A reduction was felt in terms of maintenance and repair costs, of 17.5% to 19.9 million euros in 2008, led by improved operational efficiencies and contract renegotiations with key service providers.

3.4 – Net Income

Net Income was 47.9 million euros in FY08, representing a 2.8% decrease in comparison with 2007.

Depreciation and Amortization in FY08 was 140.4 million euros, 15.0% higher than the depreciation charges recorded in FY07 as a result of the depreciation of higher operational

investments during the year, namely customer terminal equipment CAPEX, and of long-term contracts. In addition, a pre-tax impairment charge of 2.7 million euros was recorded in 4Q08 representing the estimated value of the impairment resulting from the duplicated cable networks from the acquisitions of TVTel and Parfitel's operations.

Other Expenses in FY08 amounted to 4.1 million euros, related primarily to costs with the integration of TVTel and Parfitel operations, and to recognition of costs related with the "e-escolinhas" government-led programme. This compares with 24.1 million euros in FY07 which resulted mainly from the recognition of a provision for spin-off related costs of approximately 15 million euros in 4Q07.

Net Financial Expenses in FY08 increased to 25.9 million euros, compared with 3.7 million euros in FY07. The change reflects a combination of: (i) an increase in net interest charges of 11 million euros due to the higher level of average gross debt and the more expensive interest rate environment; (ii) losses on financial assets in FY08 of 4.2 million euros were mainly explained by TVTel and Parfitel's operations cumulative negative Net Income of approximately 4 million euros which was recorded as Financial Assets prior to the approval of the acquisitions obtained in November 2008; (iii) booking in 2007 of financial gain upon unwinding of an equity swap of 2.2 million euros.

Income Taxes were 22.5 million euros in FY08, an increase of 23.2% in comparison with FY07, representing 30.4% of Net Income before Taxes.

Net Income attributable to minority shareholders amounted to 3.6 million euros; an increase of 28.4% compared with FY07, and includes mostly earnings attributable to minority shareholders in Cabo TV Madeirense, S.A., Cabo TV Açoreana, S.A. and PRO Share.

4. CAPEX and Cash Flow

4.1 CAPEX

Table 6.
CAPEX (Millions of Euros)

	4Q07	4Q08	4Q08 / 4Q07	2007	2008	2008 / 2007
Pay TV, Broadband and Voice Infrastructure	23,6	26,2	10,8%	68,5	76,0	11,0%
Terminal Equipment	3,8	18,0	376,2%	14,3	53,1	271,2%
Other	7,8	4,8	(38,7%)	16,6	16,4	(1,4%)
"Baseline" CAPEX	35,2	49,0	39,1%	99,4	145,5	46,4%
Long Term Contracts	29,0	0,0	n.a.	28,9	0,4	n.a.
Other Non-Recurrent Items	21,7	4,2	n.a.	21,7	14,9	n.a.
Total CAPEX	85,8	53,2	(38,0%)	150,0	160,8	7,2%

Baseline CAPEX in FY08 was 145.5 million euros, 18.7% of Operating Revenues, representing an increase of 46.4% in relation to FY07, explained by significantly higher investment in terminal

equipment, namely the new ZON boxes which are capitalized and depreciated over the average lifetime of Triple Play terminal equipment to accompany growth in subscriber numbers. This CAPEX is customer driven, variable investment and subsequently may be adjusted to reflect the level of commercial activity. Other Non Recurrent Items in Total CAPEX relate primarily to the acquisition in 2Q08 of an ERP system from SAP, including licenses and developments that amounted to 7.5 million euros and in 4Q08 to the investments made to re-locate call-centres in Lisbon and Oporto.

Table 7.
Cash Flow (Millions of Euros)

	4Q07	4Q08	4Q08 / 4Q07	2007	2008	2008 / 2007
EBITDA minus CAPEX	(36.6)	5.0	(113.8%)	70.2	83.6	19.0%
Non-Cash Items Included in EBITDA minus CAPEX ⁽¹⁾	27.5	0.8	(97.1%)	36.2	10.2	(71.9%)
Change in Working Capital	72.0	5.8	(91.9%)	50.6	(59.0)	n.a.
Operating Cash-Flow	63.0	11.7	(81.4%)	157.0	34.8	(77.9%)
Net Interest Paid	0.6	(16.6)	n.a.	(4.0)	(20.6)	n.a.
Income Taxes Paid	(1.1)	(2.7)	n.a.	(3.5)	(6.1)	71.0%
Equity Swap Financial Settlements	0.0	0.0	n.a.	2.2	0.0	(100.0%)
Long Term Contracts	(10.9)	(29.4)	170.7%	(45.1)	(119.9)	166.0%
Acquisitions of Financial Investments	0.0	(115.7)	n.a.	0.0	(148.2)	n.a.
Acquisition of Own Shares	0.0	(6.3)	n.a.	0.0	(89.6)	n.a.
Dividends	0.0	0.0	n.a.	(95.3)	(153.2)	60.7%
Other Cash Movements	0.0	(3.5)	n.a.	(4.2)	2.7	(164.5%)
Free Cash-Flow	51.6	(162.5)	n.a.	7.0	(500.1)	n.a.

(1) This caption includes non-cash provisions included in EBITDA.

4.2 - Operating Cash Flow

EBITDA – CAPEX increased by 19% in 2008 to 83.6 million euros and adjusting for non-cash items included in CAPEX, EBITDA – Cash CAPEX was 93.8 million euros. After working capital variations, Operating Cash Flow was 34.8 million euros in 2008, down from 157 million euros in 2007, due primarily to a reversal of a negative working capital variation of 72 million euros in 4Q07 related primarily with the spin-off process. Working capital variations tend to be offset over longer timeframes as is the case of the last 24 months, with total investment in working capital of 8.5 million euros.

4.3 - Free Cash Flow

Free Cash Flow was negative by 500.1 million euros in 2008 explained by: (i) dividend payments of 153.2 million euros; (ii) acquisitions of four regional cable operations, TV Tel and Parfitel operations and of 6.21 % of TVCabo Madeira for 4.1 million euros, with total cash outflows amounting to 148.2 million euros; (iii) cash payments of 119.9 million euros related to long-term contracts recorded on the balance sheet for telecom, transponder and content contracts; (iv) acquisition of own shares within the share buyback programme amounting to 89.6 million euros and (v) interest payments of 20.6 million euros in 2008 driven by higher average gross debt levels and a higher interest rate environment. It is important to note that effective cash taxes paid are lower than the income tax booked on the P&L due to the fact that ZON Multimedia subsidiaries

have tax loss carry forwards. The balance of tax loss carry forwards outstanding at the end of 2008 was approximately 148 million euros.

5. Consolidated Balance Sheet

Table 8.
Balance Sheet (Millions of Euros)

	2007	2008
Current Assets	250,7	295,6
Cash and Equivalents	66,9	63,4
Accounts Receivable, Net	108,6	162,8
Inventories, Net	29,9	31,3
Taxes Receivable	11,8	25,2
Prepaid Expenses and Other Current Assets	33,6	12,9
Non-current Assets	735,3	1.027,5
Investments in Group Companies	18,5	6,0
Intangible Assets, Net	259,7	372,8
Fixed Assets, Net	347,7	468,0
Deferred Taxes	76,5	57,7
Other Non-current Assets	32,9	123,0
Total Assets	986,1	1.323,1
Current Liabilities	440,1	597,4
Short Term Debt	124,5	317,1
Accounts Payable	230,2	181,1
Accrued Expenses	53,9	67,7
Deferred Income	6,3	5,0
Taxes Payable	10,9	14,3
Current Provisions and Other Liabilities	14,3	12,4
Non-current Liabilities	160,6	533,9
Medium and Long Term Debt	139,5	510,1
Non-current Provisions and Other Liabilities	21,2	23,8
Total Liabilities	600,7	1.131,3
Equity Before Minority Interests	375,7	182,7
Share Capital	3,1	3,1
Own Shares	0,0	(89,6)
Reserves, Retained Earnings and Other	323,3	221,3
Net Income	49,3	47,9
Minority Interests	9,6	9,0
Total Shareholders' Equity	385,3	191,7
Total Liabilities and Shareholders' Equity	986,1	1.323,1

5.1 – Capital Structure

At 31 December, 2008, Net Financial Debt was 552.5 million euros, representing an increase of 529 million euros during the year, of which 500.1 million euros is explained in the Free Cash Flow section above (table 7). With the acquisition of TVTel and the operations of Paritel, ZON consolidated the Net Debt of these companies, thereby increasing Consolidated Net Debt by an additional 28.9 million euros at the end of 2008. Financial debt is represented primarily by commercial paper with maturities ranging between 1, 2, 4 and 5 years and by equity swap agreements (amounting to 84.1 million euros) used to fund the share buyback programme, which amounted to 89.6 million euros. Of the existing commercial paper facilities, 200 million euros were renegotiated in October 2008, subsequently increasing the average maturity of net financial debt.

Net Gearing (Net Financial Debt / Net Financial Debt + Shareholders' Equity) at the end of FY08 was 74.2% and Net Financial Debt / EBITDA reached 2.3x. Total Net Debt also incorporates commitments with long term contracts recorded as liabilities on the Balance Sheet, the most relevant of which are long-term telecom, transponder and content contracts.

Table 9.
Net Financial Debt (Millions of Euros)

	2007	2008	2008 / 2007
Short Term	85.1	287.0	237.5%
Bank and Other Loans	84.5	282.6	234.5%
Financial Leases	0.6	4.5	n.a.
Medium and Long Term	5.4	389.4	n.a.
Bank Loans	3.5	385.9	n.a.
Financial Leases	1.9	3.5	89.0%
Total Debt	90.4	676.4	n.a.
Cash, Short Term Investments and Intercompany Loans	66.9	123.9	85.2%
Net Financial Debt	23.5	552.5	n.a.
Net Financial Gearing ⁽¹⁾	5.8%	74.2%	n.a.
Net Financial Debt / EBITDA	0.1x	2.3x	n.a.

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

6. Shareholder Remuneration

Share buyback programme: In March, ZON started to buy own shares within the previously announced share buyback programme. By the end of December 2008, ZON had purchased a total 14,313,730 shares, representing 4.63% of its share capital, of which 13,607,079 shares were acquired under equity swap agreements established with financial institutions. As such, at 31 December, ZON's total share capital was represented by 309,096,828 shares, and the total number of shares representing ZON's voting rights amounted to 294,783,098 shares. Detailed announcements are regularly posted regarding the programme and may be found on our website at www.zon.pt/ir.

Dividends: The Board of ZON has approved the proposal of a 16 euro cent ordinary dividend, per share, representing close to 100% payout ratio, clearly at premium to its peer group. This proposal is subject to final approval of the General Assembly to be held on 28 April 2009.

7. Disclaimer

Except for historic information contained herein, this document contains certain forward-looking information and statements on [the results of operations or its economic and financial conditions] which are not guarantees of future performance. The Forward-looking statements herein included are subject to a number of factors, risks and uncertainties that could cause the assumptions and beliefs upon which the forward-looking statements were based to substantially differ from the expectations predicted herein. These factors, risks and uncertainties include, but are not limited to, [the continuous and increasing demand of the company's services by its clients, the technological outcome, the effects of competition, the telecommunications' sector conditions, the changes in regulation, and the economic conditions]. The forward-looking information and statements are naturally based on management's current and reasonable expectations or beliefs only as of the date they were made. ZON Multimedia does not undertake any obligation to update any forward-looking information or statements included in this document or to provide reasons why actual results may differ from the plan, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. This document is not an offer to sell or a solicitation of an offer to buy any securities. ZON Multimedia is exempt from filing periodic reports with the United States Securities and Exchange Commission ("SEC") pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, as amended. The SEC file number for ZON Multimedia's exemption is No. 82-5059. Under this exemption, ZON Multimedia is required to post on its website English language translations, versions or summaries of certain information that it has made or is required to make public in Portugal, has filed or is required to file with the regulated market eurolist by euronext Lisbon or has distributed or is required to distribute to its security holders."

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