

ZON MULTIMÉDIA
SERVIÇOS DE TELECOMUNICAÇÕES E MULTIMÉDIA SGPS, SA

**CONSOLIDATED MANAGEMENT REPORT
FIRST QUARTER 2010**

ZON
MULTIMEDIA

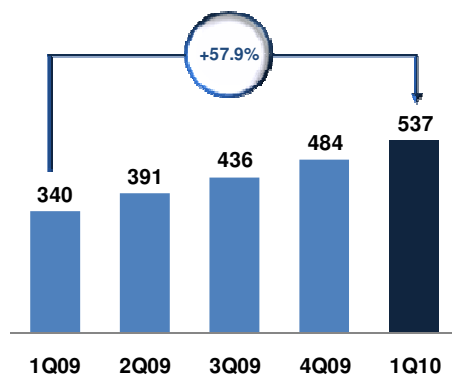
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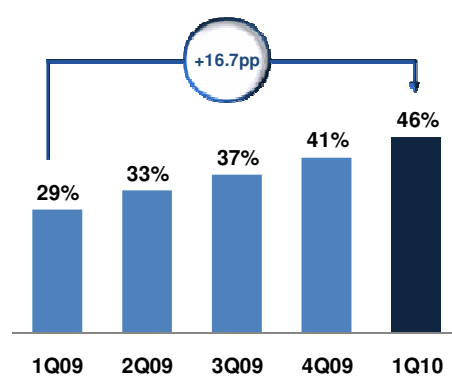
1. ZON in Numbers

Business Indicators (in thousands):

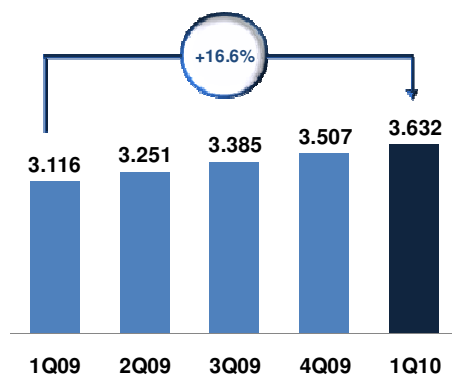
Triple Play Subscribers:
(%):



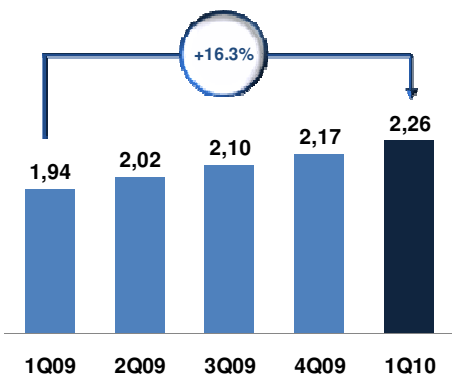
Triple Play Penetration in Cable Customer Base



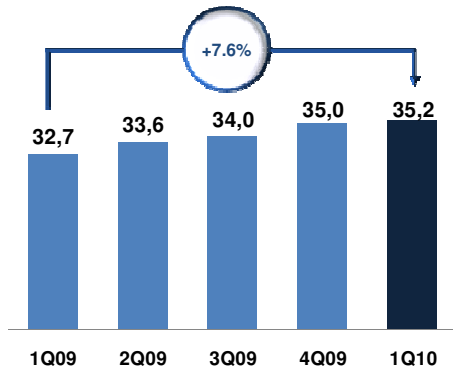
RGUs:



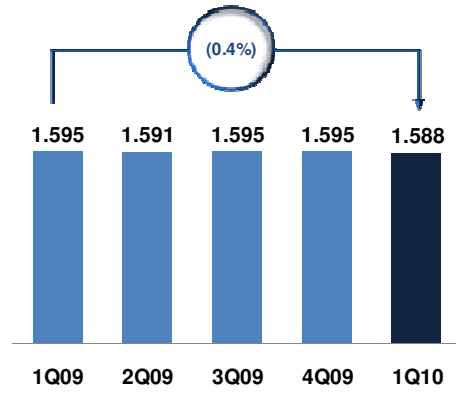
RGUs per Subscriber (units):



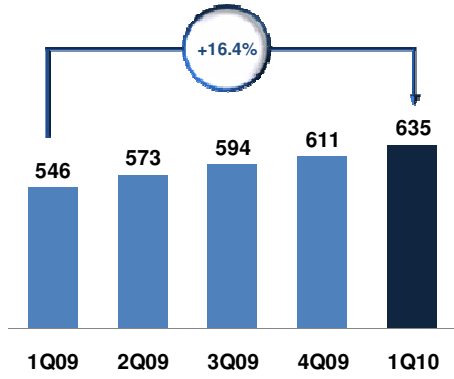
Blended ARPU (Euros):



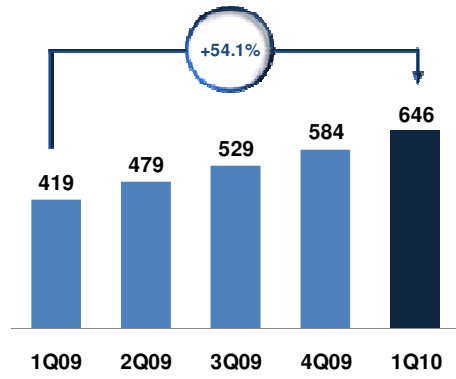
Basic Subscribers:



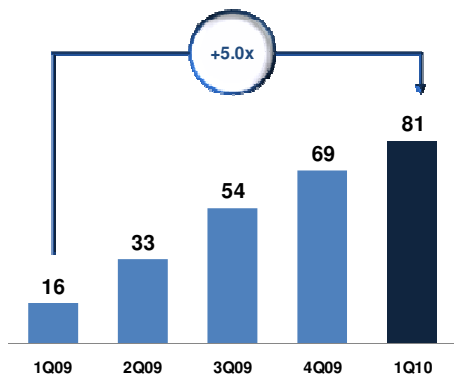
BroadBand Subscribers:



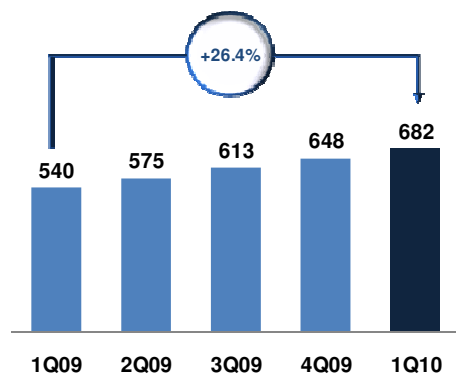
Voice Subscribers:



Mobile:

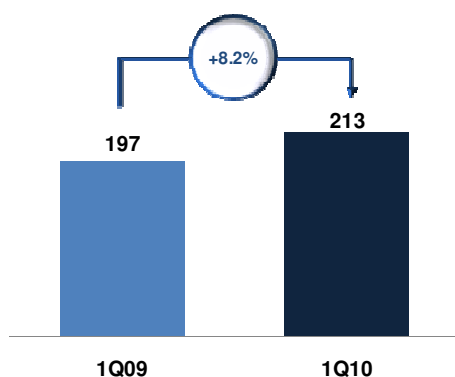


Digital "Funtastic" Subscribers:

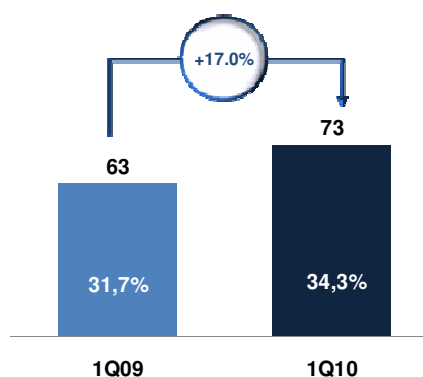


Financial Indicators (in millions of Euros):

Operating Revenues*:

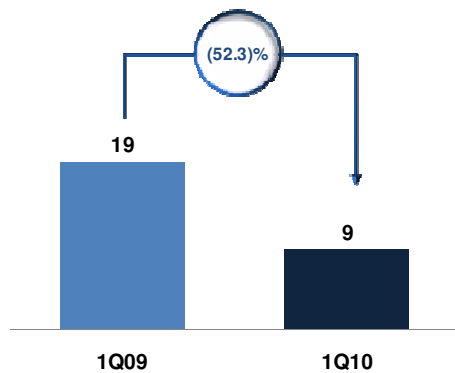


EBITDA* (EBITDA margin as % of Revenues):

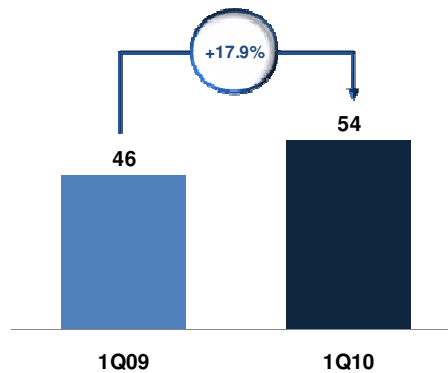


* Adjustments have been made to 2009 operating revenues and cost lines to reflect the impact of the renegotiation, in 1Q09, of the SIC content contract, whereby ZON is no longer responsible for the wholesale of the SIC Pay TV channels to other operators and the fact that as from January 2010 ZON no longer received a share of the advertising revenues from SIC Pay TV channels. The cumulative pro-forma adjustments made in 1Q09 resulted in a reduction in revenues of 4.1 million euros, in costs of 2.5 million euros and in EBITDA of 1.6 million euros.

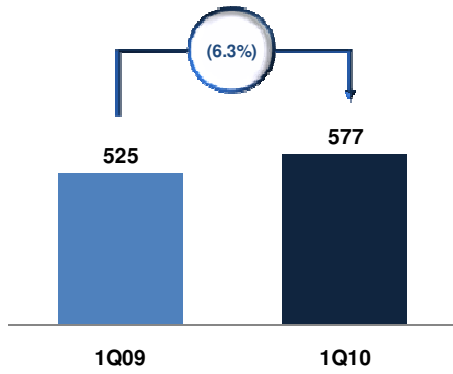
Net Income:



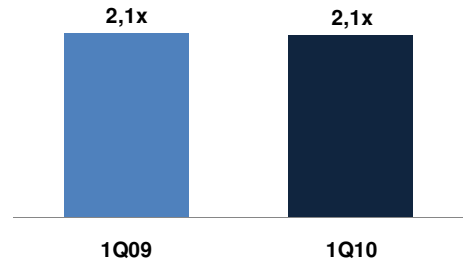
CAPEX:



Net Financial Debt:



Net Financial Debt / EBITDA [x]:



2. Highlights – First Quarter 2010

Strong y.o.y. growth in Revenues and EBITDA

- Consolidated Revenues grew by 8.2% in 1Q10 to 213.5 million euros compared with 197.4 million euros in 1Q09;
- Very positive quarterly trend in EBITDA reaching 73.3 million euros in 1Q10, up 17% from 1Q09 and 13% from 4Q09. EBITDA margin increased 2.6 p.p. y.o.y. to 34.3% and by 4.2 p.p. when compared with the previous quarter.

Adjusted Net Income grew by 28.8% y.o.y. to 9.3 million euros

- Excluding the impact of the sale of a 40% stake in Lisboa TV, which generated a pre-tax capital gain of 16.9 million euros in 1Q09, Net Income increased by 28.8% in 1Q10 to 9.3 million euros compared with an Adjusted Net Income of 7.2 million euros in 1Q09;

Over 45% penetration of Triple Play Services driving strong ARPU performance

- 536.7 thousand customers now subscribe to Triple Play bundles, 45.6% of ZON's cable customers (+57.9% y.o.y.);
- RGUs continued to record impressive growth of 16.6%, reaching 3.632 million at the end of 1Q10 and bringing the average number of services sold per subscriber up to 2.26;
- Blended ARPU increased to 35.2 euro (+7.6% y.o.y), supported by the strong take-up of new services and Triple Play penetration;

Continued momentum in broadband and voice services, with voice penetration surpassing that of Internet for the first time.

- Net Growth in Broadband of 24.7 thousand in 1Q10 to 635.4 thousand (+16.4% y.o.y), with penetration of the cable base reaching 54%;
- Net Growth in Voice services of 62.0 thousand in 1Q10, bringing the total number of subscribers to 646.1 thousand and with penetration of the cable base reaching 54.3%, overtaking Broadband penetration for the first time;

Eurodocsis 3.0 Upgrade of ZON's HFC network almost complete

- Around 2.8 million homes now covered with Eurodocsis 3.0 by the end of 1Q10, thus enabling ZON to provide next generation speeds from 50 Mbps to 200 Mbps to around 90% of its cable footprint.

Highlights of 1Q10 Results	1Q09	1Q10	1Q10 / 1Q09	4Q09	1Q10 / 4Q09
Operational ('000)					
Triple Play Customers	339.9	536.7	57.9%	484.4	10.8%
Triple Play Penetration (%)	28.9%	45.6%	16.7pp	41.0%	4.6pp
Blended ARPU (Euros)	32.7	35.2	7.6%	35.0	0.5%
RGUs ⁽¹⁾	3,116.4	3,632.5	16.6%	3,506.5	3.6%
Basic Subscribers	1,595.4	1,588.4	(0.4%)	1,594.8	(0.4%)
Fixed Broadband	546.1	635.4	16.4%	610.7	4.1%
Fixed Voice	419.4	646.1	54.1%	584.1	10.6%
Mobile	16.0	80.5	n.a.	68.9	16.9%
Financial (Millions of Euros)					
Operating Revenues ⁽²⁾	197.4	213.5	8.2%	215.4	(0.9%)
Pay TV, Broadband and Voice ⁽²⁾	177.7	192.7	8.4%	191.1	0.8%
EBITDA ⁽²⁾	62.6	73.3	17.0%	64.9	13.0%
EBITDA Margin ⁽²⁾	31.7%	34.3%	2.6pp	30.1%	4.2pp
Net Income	19.5	9.3	(52.3%)	3.1	202.7%
Adjusted Net Income ⁽³⁾	7.2	9.3	28.8%	3.1	202.7%
CAPEX	45.7	53.9	17.9%	69.6	(22.6%)

(1) Revenue Generating Units correspond to the sum of Pay TV basic customers, plus "Funtastic" Digital, Fixed Broadband, Fixed Voice and Mobile customers.

(2) Adjustments have been made to 2009 operating revenue and cost lines to reflect the impact of the renegotiation, in 1Q09, of the SIC content contract, whereby ZON is no longer responsible for the wholesale of the SIC Pay TV channels to other operators and the fact that as from January 2010, ZON no longer received a share of the advertising revenues from SIC Pay TV channels. The cumulative pro-forma adjustments made in 1Q09 resulted in a reduction in revenues of 4.1 million euros, in costs of 2.5 million euros and in EBITDA of 1.6 million euros, and an increase of 1.6 million euros in Other Expenses / (Income), thus not affecting Net Income.

(3) Adjusted Net Income is adjusted for the impact of the pre-tax capital gain of 16.9 million euros due to the sale in 1Q09 of a 40% stake in Lisboa TV.

3. Governing Bodies

As at the date of this report, 11 May 2010, the Governing Bodies of ZON had the following composition:

Board of Directors

Chairman	Daniel Proença de Carvalho
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Executive Committee

Chairman	Rodrigo Jorge de Araújo Costa
Members	José Pedro Faria Pereira da Costa Luis Miguel Gonçalves Lopes Duarte Maria de Almeida e Vasconcelos Calheiros
Non-executive Members	Fernando Fortuny Martorell António Domingues Luis João Bordallo da Silva László Istvan Hubay Cebrian Norberto Emílio Sequeira da Rosa Jorge Telmo Maria Freire Cardoso Joaquim Francisco Alves Ferreira de Oliveira João Manuel Matos Borges de Oliveira Mário Filipe Moreira Leite da Silva António da R.S. Henriques da Silva

Audit Committee

Chairman	Vitor Fernando da Conceição Gonçalves
Members	Nuno João Francisco Soares de Oliveira Sílverio Marques Paulo Cardoso Correia da Mota Pinto

Officials of the General Meeting of Shareholders

President	Júlio de Castro Caldas
Secretary	Maria Fernanda Carqueija Alves de Ribeirinho Beato

Statutory Auditor

In Office	Oliveira, Reis & Associados, SROC, Lda., represented by José Vieira dos Reis
Alternate	Fernando Marques Oliveira

4. Management Report

4.1. Business Review

Business Indicators ('000)	1Q09	1Q10	1Q10 / 1Q09	4Q09	1Q10 / 4Q09
Pay TV, Broadband and Voice					
Homes Passed	3,057.8	3,144.0	2.8%	3,116.8	0.9%
Triple Play Customers	339.9	536.7	57.9%	484.4	10.8%
% Triple Play Cable Customers	28.9%	45.6%	16.7pp	41.0%	4.6pp
Basic Subscribers ⁽¹⁾ of which	1,595.4	1,588.4	(0.4%)	1,594.8	(0.4%)
Digital "Funtastic"	539.6	682.0	26.4%	648.1	5.2%
Premium Pay TV	835.3	898.8	7.6%	901.5	(0.3%)
Fixed Broadband	546.1	635.4	16.4%	610.7	4.1%
Fixed Voice	419.4	646.1	54.1%	584.1	10.6%
Mobile ⁽²⁾	16.0	80.5	n.a.	68.9	16.9%
RGUs ⁽³⁾	3,116.4	3,632.5	16.6%	3,506.5	3.6%
RGUs per Subscriber (units)	1.94	2.26	16.3%	2.17	4.1%
Blended ARPU (Euros)	32.7	35.2	7.6%	35.0	0.5%
Net Additions					
Triple Play Customers	64.5	52.3	(18.9%)	48.5	7.9%
Basic Subscribers	(18.2)	(6.4)	n.a.	0.1	n.a.
Digital "Funtastic"	43.7	34.0	(22.3%)	35.0	(2.8%)
Premium Pay TV	(1.9)	(2.7)	n.a.	(13.3)	n.a.
Fixed Broadband	27.0	24.7	(8.5%)	16.3	52.0%
Fixed Voice	72.8	62.0	(14.8%)	54.9	12.9%
Mobile	8.8	11.7	32.7%	15.0	(22.0%)
RGUs	134.2	126.0	(6.1%)	121.3	3.9%
Cinema Exhibition					
Revenue per Ticket (Euros)	4.3	4.6	7.1%	4.5	1.6%
Tickets Sold	1,950.1	2,471.6	26.7%	2,300.1	7.5%
Screens (units)	213	213	0.0%	213	0.0%

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

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

(3) Revenue Generating Units correspond to the sum of Pay TV basic customers, plus "Funtastic" Digital, Fixed Broadband, Fixed Voice and Mobile customers.

ZON continues to lead the Triple Play market

By the end of 1Q10, ZON had 536.7 thousand Triple Play customers, representing an increase of 196.8 thousand customers since 1Q09. Measured as a percentage of ZON's cable base, 45.6% of customers were subscribing to Pay TV, Broadband and Voice bundled offers, compared with 28.9% in 1Q09 and just 9.8% in 1Q08. RGU net adds in 1Q10 were 126 thousand, bringing total RGUs to 3.632 million. Each customer at the end of the quarter was subscribing to an average of 2.26 services, which compares with just 1.94 a year before.

This continued enthusiasm with ZON bundled offers demonstrates that customers clearly recognize the superior value of ZON's leading HD TV content offers, innovative next generation broadband solutions and the attractiveness of voice services.

Leadership in Pay TV

ZON is the leading Pay TV operator in Portugal with 1.588 million subscribers and representing an estimated 64% share of the Pay TV market. The most recent data disclosed by the regulator and operators show that the market continues to grow and penetration of first homes now stands close to 61%.

Of ZON's total Pay TV customer base, 1.176 million are cable subscribers that can receive multiple services over the same network. The remaining 412 thousand are satellite based customers that primarily subscribe to Single Play services.

High definition content remains a key differentiating factor of ZON's offer. ZON has by far the most extensive HD channel offer in the market, currently with 13 HD channels in the programming grid, compared with 11 from the next comparable offer in the market. Significant focus is placed on communicating the superior image and sound quality of the ZON HD experience in all its marketing campaigns. During the quarter, ZON further reinforced its offer by establishing partnerships with the generalist FTA channels to simultaneously broadcast a number of UEFA Champions League and UEFA Europa League football matches in both HD and SD.

In addition, further exploiting the superior technological capabilities and coverage of its HFC network, ZON launched a dedicated "true 3D" channel in 1Q10, putting itself at the forefront of TV innovation worldwide. The channel may be viewed by anyone with a 3D enabled television set at home living within the ZON cable footprint. The technology used is "True 3D" thereby enabling spectators to enjoy a seamless 3D experience, similar to that experienced in cinema theatres.

To address a market segment that currently does not subscribe to Pay TV services, in 1Q10 ZON launched an entry-level pay TV offer with 15 channels, for 9.99 euro/month, targeting consumers within the ZON cable footprint. Advertising of the new offer is highly focused, vehicled through mid-morning TV chat shows whereby a friendly ZON entertainment specialist, "Dr ON" explains the features of the offer. The entry-level TV offer was complemented later in the quarter with the launch of entry-level Double and Triple Play offers priced at respectively 14.98 euros (TV + Voice) and 24.98 euros.

The number of customers that subscribe to ZON's higher-end digital Pay TV offer "Funtastic" continues to increase every quarter. By the end of 1Q10, ZON had 682 thousand customers representing 43% of the total customer base and up 26.4% from 1Q09.

In line with ZON's strategic focus on delivering high value content, ZON launched a new premium subscription channel in 1Q10 targeting specific interest groups, "Sport TV Golf", a channel that will broadcast all the relevant golf events, namely US PGA, European PGA, and the Ryder Cup. As regards

more sophisticated video and programming functionalities, usage is progressively increasing with the roll-out of HD ZON boxes. By the end of 1Q10, 663 thousand ZON Boxes were installed at customer premises, of which more than half without a PVR. Usage of the videoclub continues to increase as customers become more familiar with the service, although revenues still represent a relatively small proportion of Pay TV revenues. In terms of VoD content, ZON's catalogue was marked by some very successful launches during the quarter. In late March, ZON included "The Twilight Saga: New Moon" in its catalogue on the same day as the DVD was launched in retail outlets and also in March launched "The Hurt Locker", just 4 days after the Oscar ceremony.

635.4 thousand Broadband customers with 54% penetration

Broadband subscribers increased by 24.7 thousand in 1Q10, taking penetration as a percentage of the cable base up to 54%. The proportion of customers subscribing to high bandwidth next generation offers is growing. Just 3 quarters after wideband products became available, 12% of Broadband customers, almost 80 thousand subscribers are taking Broadband services of between 50 and 200 Mbps. ZON leads the market in terms of Next Generation Broadband connections with a 64% market share according to data available at the end of 2009.

Further innovating in terms of high speed residential broadband connections, in 1Q10, ZON launched "ZON HUB", a leading-edge gateway for voice and broadband connections of up to 200 Mbps, enabling high speed wireless connection all around the house. The gateway also has PBX-like features which may easily be adapted to meet the needs of small enterprises.

Fixed voice penetration overtakes broadband for the first time, 646.1 thousand customers in just over 2 years

By the end of 1Q10, ZON had 646.1 thousand fixed voice customers, representing an increase of 226.7 thousand customers since 1Q09 and of 62 thousand customers in 1Q10. Voice customers now represent 54.3% of the cable customer base, overtaking the 54% penetration rate of broadband services. Importantly, ZON is the only major operator to have increased its number of fixed voice customers, in a market that only posted growth due to ZON.

The technological advantages and flexibility of ZON's network in comparison with its main competitors have made it the uncontested innovator in fixed voice functionalities. ZON launched a number of new features placing it on a par with leading international benchmarks, and far ahead of domestic competitors. Amongst the most innovative new features launched are voice-mail to email, follow-me (call redirection to up to 3 telephone numbers), automatic redial, waiting call number view, and selective call-blocking. In addition to the attractiveness of the available features, ZON's success in Fixed Voice has been achieved on the back of a very clear value proposition for the consumer, with simple, flat-rate phone tariffs on top of bundles with TV and Broadband packages, designed to meet the needs of various user groups. ZON is the most competitive operator in terms of tariff plans and is the only operator to offer unlimited international fixed calls within its tariff plans, to 30 countries worldwide, appealing to a very significant number of families that communicate regularly with international destinations.

In terms of mobile subscribers, the number of customers continues to increase reaching 80.5 thousand subscribers by the end of 1Q10, compared with 16 thousand at the end of 1Q09 with much of the growth being driven by mobile broadband connections. ZON is also able to provide Triple Play bundles to subscribers in satellite covered areas, due to the launch of a homezone product at the end of 2009.

Continued growth in ARPU led by increasing Triple Play penetration

Blended ARPU posted another quarter of strong y.o.y. growth of 7.6% to 35.2 euros in 1Q10. Multiple-play cable ARPU posted even higher growth of 11% y.o.y. which more than offset the decline in ARPU generated by satellite customers of 6.5%. In 1Q10, ZON announced an average price increase of between 2-3% across the board, in individual services and packages, which became effective as from May 1, 2010.

Upgrade of network to Eurodocis 3.0 almost complete

The upgrade of ZON's network to Next Generation speeds has been almost completed having reached 2.8 million households by the end of 1Q10, around 90% of the cable footprint. With this coverage, ZON is able to provide broadband speeds of up to 200Mbps.

In addition to upgrades to the access network, cell-splitting, and measures taken to optimize management of its transmission network such as the agreement signed with REFER in 4Q09 to hire backbone capacity under a contract valid for 12 years, further investments will be made over the next quarters to reduce network costs and increase operational flexibility. ZON has already started to roll-out own infrastructure to relocate some of its hubs to own sites. This is a trend that is set to continue throughout 2010, leading to some additional one-off CAPEX but that will be more than offset by a significant increase in operational flexibility and Cash Flow improvement going forward.

Audiovisuals and Cinemas

ZON's cinema business recorded a particularly strong performance in 1Q10, posting a 26.7% increase in the number of tickets sold, in comparison with 1Q09 and growth in the average revenue per ticket sold of 7.1%. In 1Q10, 2.47 million spectators went to ZON Lusomundo Cinemas, representing a 53.4% share of the total market according to data provided by ICA (the Portuguese cinema institute). ZON has been at the forefront of technological innovation over the past quarters, be it through digitalization of its cinema screens, be it through the roll-out of 3D projection technology and is targeting to have an average of two 3D projection screens in each of its 30 cinema complexes by the end of 2010. At the end of 1Q10, of 213 screens in total, 138 had already been digitalized and 39 already had digital 3D projection systems, with official data for the end of 2009 showing that ZON had a 77% share of all digital screens in Portugal. ZON Lusomundo Cinemas today is at the leading-edge of technological developments in movie exhibition worldwide, and clearly at the forefront of its European peer group.

The focus on digitalizing the network and thus dramatically improving the image and sound quality of the movies projected, whilst at the same time achieving a significant improvement in operational management and flexibility, has enabled ZON to take advantage of the surge in blockbuster 3D content being launched by major studios, amongst which "Avatar" and "Alice in Wonderland". Both of these had an important impact on 1Q10 numbers, in addition to other major box-office hits such as "It's Complicated" and "Up in the Air".

On the Audiovisuals front, 1Q10 was also a very good quarter for revenues of the cinema distribution business as it was responsible for distributing many of the blockbuster movies that premiered such as "Alice in Wonderland", "The Princess and the Frog", "How to Train your Dragon", "It's Complicated" and "Shutter Island". Lusomundo is the leading cinema distributor in Portugal with a share of 46.7% of

Revenues. In total, 24 movies were launched in 1Q10, 3 of which from Walt Disney, 4 from Paramount, 2 from Universal, and the remainder from various independent producers. Importantly, ZON distributed 4 of the top 5 movies in terms of box-office sales. In terms of DVD sales, within a still challenging market environment, ZON achieved an important increase in market share of both revenues and unit sales to 40.8% and 29.8% respectively, due primarily to its important share of distribution of blockbuster movies and top catalogues from 3 major studios: Disney, Paramount, Warner and from independent studios, including the OSCAR 2010 winner – “The Hurt Locker” – which ZON launched on DVD the week before the awards and for VoD the week after. Revenues from distribution for VoD more than doubled in 1Q10 compared with the previous year and, for the first time, largely surpassed those of DVD sales for rental stores. At the end of 1Q10, ZON Lusomundo released “The Twilight Saga: New Moon” simultaneously on DVD, Blu-Ray and VoD, supported by a strong marketing campaign. The results were extremely positive with excellent growth recorded in sales for all segments when compared with the first movie of the “Twilight” saga.

As regards own channels, a strong performance was recorded in terms of audience in 1Q10 with total audience for the Dreamia channels (a JV with Chello Media for the production of two movie and series channels – Hollywood and MOV and two children’s channels – Panda and Panda Biggs) increasing to 5.8% of share at the end of 1Q10, compared with 4.4% in 1Q09. In fact, focusing just on the children’s channels, Panda and Panda Biggs are clear market leaders with a 68% share of total children’s channel audience in 1Q10, which represent 13.5% of total cable audience.

4.2. Consolidated Financial Review

Profit and Loss Statement (Millions of Euros)	1Q09	1Q10	1Q10 / 1Q09	4Q09	1Q10 / 4Q09
Operating Revenues	201.5	213.5	6.0%	217.5	(1.8%)
Pay TV, Broadband and Voice	181.8	192.7	6.0%	193.2	(0.2%)
Audiovisuals	14.3	15.5	8.8%	18.5	(15.8%)
Cinema	12.6	15.7	24.3%	15.1	3.9%
Others and Eliminations	(7.2)	(10.4)	44.7%	(9.2)	12.6%
Operating Costs Excluding D&A	137.2	140.2	2.1%	151.5	(7.5%)
W&S	14.6	14.3	(1.6%)	16.0	(10.5%)
Direct Costs	56.2	61.6	9.6%	64.9	(5.1%)
Commercial Costs ⁽¹⁾	18.7	16.7	(10.4%)	22.2	(24.7%)
Other Operating Costs	47.8	47.5	(0.6%)	48.3	(1.6%)
EBITDA ⁽²⁾	64.3	73.3	14.1%	66.0	11.1%
EBITDA Margin	31.9%	34.3%	2.4pp	30.3%	4.0pp
Depreciation and Amortization	46.0	53.1	15.4%	53.2	(0.2%)
Income From Operations ⁽³⁾	18.3	20.3	10.7%	12.8	58.2%
Other Expenses / (Income)	(0.1)	0.0	n.a.	0.1	(96.4%)
Operating Profit (EBIT) ⁽⁴⁾	18.4	20.2	10.3%	12.7	59.7%
Financial Expenses (Income)	(8.7)	8.1	n.a.	7.8	4.4%
Income Before Income Taxes	27.1	12.1	(55.2%)	4.9	148.1%
Income Taxes	(7.0)	(2.4)	n.a.	(1.7)	44.6%
Income From Continued Operations	20.0	9.7	(51.5%)	3.2	201.5%
o.w. Attributable to Minority Shareholders	(0.5)	(0.4)	n.a.	(0.1)	176.3%
Net Income	19.5	9.3	(52.3%)	3.1	202.7%

(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

In order to make comparisons with previous periods, the 2009 figures presented below were adjusted to better explain the ongoing performance. Therefore, adjustments have been made to 2009 operating revenue and cost lines to reflect the impact of the renegotiation, in 1Q09, of the SIC content contract, whereby ZON is no longer responsible for the wholesale of the SIC Pay TV channels to other operators and the fact that as from January 2010, ZON no longer received a share of the advertising revenues from SIC Pay TV channels. The cumulative pro-forma adjustments made in 1Q09 resulted in a reduction

in revenues of 4.1 million euros, in costs of 2.5 million euros and in EBITDA of 1.6 million euros, and an increase of 1.6 million euros in Other Expenses / (Income), thus not affecting Net Income.

As such, all comparisons and explanations were based on the 2009 pro-forma figures you will find on the table “Profit and Loss Statement – Pro-Forma”, below.

Above, you may find the table “Profit and Loss Statement”, which presents 2009 numbers without any sort of adjustment.

Profit and Loss Statement - Pro-Forma (Millions of Euros)	1Q09	1Q10	1Q10 / 1Q09	4Q09	1Q10 / 4Q09
Operating Revenues	197.4	213.5	8.2%	215.4	(0.9%)
Pay TV, Broadband and Voice	177.7	192.7	8.4%	191.1	0.8%
Audiovisuals	14.3	15.5	8.8%	18.5	(15.8%)
Cinema	12.6	15.7	24.3%	15.1	3.9%
Others and Eliminations	(7.2)	(10.4)	44.7%	(9.2)	12.6%
Operating Costs Excluding D&A	134.8	140.2	4.0%	150.5	(6.9%)
W&S	14.6	14.3	(1.6%)	16.0	(10.5%)
Direct Costs	53.7	61.6	14.7%	64.0	(3.7%)
Commercial Costs ⁽¹⁾	18.7	16.7	(10.4%)	22.2	(24.7%)
Other Operating Costs	47.8	47.5	(0.6%)	48.3	(1.6%)
EBITDA ⁽²⁾	62.6	73.3	17.0%	64.9	13.0%
EBITDA Margin	31.7%	34.3%	2.6pp	30.1%	4.2pp
Depreciation and Amortization	46.0	53.1	15.4%	53.2	(0.2%)
Income From Operations ⁽³⁾	16.7	20.3	21.5%	11.7	73.2%
Other Expenses / (Income)	(1.7)	0.0	n.a.	(1.0)	(100.4%)
Operating Profit (EBIT) ⁽⁴⁾	18.4	20.2	10.3%	12.7	59.7%
Financial Expenses (Income)	(8.7)	8.1	n.a.	7.8	4.4%
Income Before Income Taxes	27.1	12.1	(55.2%)	4.9	148.1%
Income Taxes	(7.0)	(2.4)	n.a.	(1.7)	44.6%
Income From Continued Operations	20.0	9.7	(51.5%)	3.2	201.5%
o.w. Attributable to Minority Shareholders	(0.5)	(0.4)	n.a.	(0.1)	176.3%
Net Income	19.5	9.3	(52.3%)	3.1	202.7%
Adjusted Net Income	7.2	9.3	28.8%	3.1	202.7%

Note: Adjustments have been made to 2009 operating revenue and cost lines to reflect the impact of the renegotiation, in 1Q09, of the SIC content contract, whereby ZON is no longer responsible for the wholesale of the SIC Pay TV channels to other operators and the fact that as from January 2010, ZON no longer received a share of the advertising revenues from SIC Pay TV channels. The cumulative pro-forma adjustments made in 1Q09 resulted in a reduction in revenues of 4.1 million euros, in costs of 2.5 million euros and in EBITDA of 1.6 million euros, and an increase of 1.6 million euros in Other Expenses / (Income), thus not affecting Net Income.

(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

(4) EBIT = Income Before Financials and Income Taxes

(5) Adjusted Net Income is adjusted for the impact of the pre-tax capital gain of 16.9 million euros due to the sale in 1Q09 of a 40% stake in Lisboa TV.

Operating Revenues

Operating Revenues posted an 8.2% y.o.y. increase in 1Q10, on a comparable basis, to 213.5 million euros. The increase in Consolidated Revenues was led primarily by the 8.4% increase in core Pay TV, Broadband and Voice revenues to 192.7 million euros due to a combination of the 16.7 p.p. growth in Triple Play penetration, the 16.6% increase in RGUs and the 7.6% increase in blended ARPU.

The Cinema and Audiovisuals businesses also posted a significant improvement in 1Q10, increasing y.o.y. 24.3% to 15.7 million euros and 8.8% to 15.5 million euros respectively. The growth in these business lines was very much driven by the hype around new 3D movies and the significant number of blockbuster releases that occurred during 1Q10.

EBITDA

EBITDA increased by 17% on a comparable basis in 1Q10 to 73.3 million euros, generating a 34.3% margin as a percentage of revenues, compared with 31.7% in 1Q09. Quarterly trends in EBITDA margin are very positive, reflected in a 4.2 pp increase in 1Q10 compared with 4Q09, as a result of a strict cost discipline and focus on profitable growth.

Consolidated Operating Costs

Wages and Salaries remained relatively flat in 1Q10 compared with 1Q09, posting a marginal decrease of 1.6% to 14.3 million euros. The reduction was primarily due to the synergies from integrating TV Tel and ParfiteL Operations that are being implemented, resulting in a lower average FTE headcount (-87 employees).

Direct Costs increased 14.7% in 1Q10 to 61.6 million euros, led primarily by a combination of higher fixed and mobile traffic interconnection charges and telecom capacity requirements due to the significantly higher volume of traffic on the network, higher programming costs related with the introduction of new channels such as TVI24 and some of the new HD channels. In addition, at the Audiovisuals and Cinemas divisions, the higher level of operating activity led to an increase in royalties to be paid to movie producers.

Commercial Costs fell by 10.4% in 1Q10 to 16.7 million euros due to a y.o.y. decline in COGS and in Commissions. The reduction in COGS is mostly due to the fact that in 1Q10 a higher proportion of terminal equipment was rented to customers rather than sold. The lower level of Commissions is the result primarily of a better sales channel mix whereby the weight of the more expensive door-to-door sales channel was reduced.

Other Operating Costs remained flat y.o.y. at 47.5 million euros, compared with 47.8 million euros in 1Q09, a clear sign of the focus on controlling G&A costs.

Net Income

Net Income was 9.3 million euros in 1Q10, which represented y.o.y. growth of 28.8% adjusted for the impact of a pre-tax capital gain of 16.9 million euros in 1Q09, due to the sale in February 2009 of ZON's 40% stake in Lisboa TV, owner of SIC Notícias, the leading Portuguese news channel.

Depreciation and Amortization in 1Q10 increased 15.4% y.o.y. to 53.1 million euros as a result of a combination of higher operational investment in customer terminal equipment and depreciation of long-term content contracts, reflecting a trend already witnessed in previous quarters. In comparison with 4Q09, this cost item remained almost flat.

Net Financial Expenses in 1Q10 amounted to 8.1 million euros, compared with Net Financial Income of 8.7 million euros in 1Q09. The aggregate result is not directly comparable due to the capital gain recorded in 1Q09 from the sale of ZON's stake in Lisboa TV, as explained above.

Net interest charges fell by 29.7% y.o.y. to 5.7 million euros driven by a reduction in the average level of gross debt over the period and to the generally lower interest rate environment.

Income Taxes amounted to 2.4 million euros in 1Q10, significantly less than the 7 million euros recorded in 1Q09 which was impacted by the tax on the capital gain as described above.

CAPEX

CAPEX (Millions of Euros)	1Q09	1Q10	1Q10 / 1Q09	4Q09	1Q10 / 4Q09
Pay TV, Broadband and Voice Infrastructure	17.7	20.3	14.9%	22.0	(7.5%)
Terminal Equipment	23.3	27.9	20.0%	34.0	(17.9%)
Other	3.9	1.8	(52.6%)	7.4	(75.3%)
"Baseline" CAPEX	44.8	50.1	11.7%	63.4	(21.0%)
Long Term Contracts	0.6	1.0	60.0%	6.2	(83.5%)
Other Non-Recurrent Items	0.3	2.8	n.a.	0.0	n.a.
Total CAPEX	45.7	53.9	17.9%	69.6	(22.6%)

Total CAPEX in 1Q10 was 53.9 million euros. Although 17.9% higher than in 1Q09, this level of total CAPEX represents a decline of 22.6% when compared with the previous quarter.

Baseline CAPEX grew 11.7% in 1Q10 when compared with 1Q09 and fell by 21% against 4Q09, a reduction explained primarily by lower investment in terminal equipment which is capitalized and then depreciated over their average lifetime. Investment in terminal equipment came down in comparison with the previous quarter due to a combination of the higher proportion of less expensive non PVR set-top boxes installed and a more representative level of refurbished equipment being injected back into the logistic chain.

Cash Flow (Millions of Euros)	1Q09	1Q10	1Q10 / 1Q09	4Q09	1Q10 / 4Q09
EBITDA minus CAPEX	18.6	19.5	4.8%	(3.6)	n.a.
Adjustment made to EBITDA	1.6	0.0	n.a.	1.1	(100.0%)
Non-Cash Items Included in EBITDA minus CAPEX ⁽¹⁾	3.5	4.5	27.6%	14.8	(69.7%)
Change in Working Capital	18.2	(22.6)	(224.5%)	22.2	(201.7%)
Operating Cash-Flow	40.3	1.3	(96.7%)	33.5	(96.0%)
Net Interest Paid	(0.4)	(2.3)	n.a.	(9.8)	n.a.
Income Taxes Paid	(0.9)	(0.3)	n.a.	(0.9)	n.a.
Long Term Contracts	(14.8)	(39.8)	169.1%	(16.9)	134.7%
Sale / (Acquisition) of Own Shares	0.0	72.7	n.a.	0.0	n.a.
Dividends	2.2	(0.1)	(105.3%)	0.0	n.a.
Disposals	6.7	6.7	0.0%	0.0	n.a.
Other Cash Movements	(5.4)	0.4	n.a.	0.1	n.a.
Free Cash-Flow	27.6	38.6	39.8%	6.0	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.

Note: Adjustments have been made to 2009 operating revenue and cost lines to reflect the impact of the renegotiation, in 1Q09, of the SIC content contract, whereby ZON is no longer responsible for the wholesale of the SIC Pay TV channels to other operators and the fact that as from January 2010, ZON no longer received a share of the advertising revenues from SIC Pay TV channels. The cumulative pro-forma adjustments made in 1Q09 resulted in a reduction in revenues of 4.1 million euros, in costs of 2.5 million euros and in EBITDA of 1.6 million euros, and an increase of 1.6 million euros in Other Expenses / (Income), thus not affecting Net Income.

Operating Cash Flow

Operating Cash Flow amounted to 1.3 million euros in 1Q10. Although EBITDA minus CAPEX contributed positively with 19.5 million euros, working capital increased by 22.6 million euros. Almost the entire increase in working capital is explained by an increase in VAT of approximately 21.8 million euros, during the quarter related with non-recurrent items. This VAT will be recovered in full over the coming quarters.

Free Cash Flow

Free Cash Flow increased by 39.8% in 1Q10 to 38.6 million euros. The main impacts on FCF in the quarter were the operating results discussed above combined with a net inflow of 72.7 million euros related with the sale of own shares to Kento (explained in FY09 Earnings Announcement) and an outflow of 39.8 million euros for long-term contracts, the majority of which a front-ended payment related with the Sport TV extension of the Portuguese football broadcasting rights for a further year, thus locking in the contract until the end of 2013.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	2009	1Q10
Current Assets	436.4	457.3
Cash and Equivalents	177.0	221.9
Accounts Receivable, Net	185.0	166.9
Inventories, Net	39.9	29.1
Taxes Receivable	21.6	23.5
Prepaid Expenses and Other Current Assets	13.0	15.9
Non-current Assets	1,042.8	1,062.8
Investments in Group Companies	1.3	1.0
Intangible Assets, Net	353.8	335.1
Fixed Assets, Net	554.6	571.7
Deferred Taxes	47.9	48.6
Other Non-current Assets	85.3	106.4
Total Assets	1,479.2	1,520.1
Current Liabilities	544.5	440.3
Short Term Debt	246.5	161.4
Accounts Payable	175.9	160.5
Accrued Expenses	74.7	81.1
Deferred Income	3.7	5.3
Taxes Payable	29.8	16.2
Current Provisions and Other Liabilities	13.9	15.8
Non-current Liabilities	745.0	810.6
Medium and Long Term Debt	722.7	781.8
Non-current Provisions and Other Liabilities	22.3	28.8
Total Liabilities	1,289.5	1,250.9
Equity Before Minority Interests	180.4	260.2
Share Capital	3.1	3.1
Own Shares	(87.2)	0.1
Reserves, Retained Earnings and Other	220.5	247.7
Net Income	44.0	9.3
Minority Interests	9.2	8.9
Total Shareholders' Equity	189.7	269.1
Total Liabilities and Shareholders' Equity	1,479.2	1,520.1

Capital Structure

At 31 March 2010, **Net Financial Debt** stood at 577.2 million euros, representing a decrease of 6.3% in comparison with the end of 2009 as a result of the positive FCF of 38.6 million euros recorded in 1Q10.

ZON's gross bank debt is represented primarily by commercial paper lines, by the loan from the European Investment Bank described in previous announcements and by bond issues secured in 2009. The equity swap agreements in place at the end of 2009 amounting to 84 million euros were unwound with the completion of the sale of own shares to Kento in 1Q10.

The commercial paper lines are all negotiated at floating interest rates. To protect against future interest rate fluctuations, ZON has negotiated interest rate hedging operations of 519 million euros (approximately 89.9% of total Net Financial Debt) with maturities between 2 and 3 years. The hedging operations are booked at fair value on the Balance Sheet.

With these funds in place, ZON today has a very solid debt position, under very good financial terms. The funds from the European Investment Bank loan and the bond issues were drawn down in 4Q09, thereby increasing significantly the average maturity of ZON's financial debt and eliminating any foreseeable re-financing needs until mid 2011.

ZON's total Net Financial Debt has an average maturity of 2.36 years with an all-in average cost of around 3.4%.

Net Financial Gearing reduced to 68.2% compared with 76.5% at the end of 2009, and **Net Financial Debt / EBITDA** (last 4 quarters) stands at 2.1x, well below the average of ZON's peer group. Total Net Debt of 720 million euros also includes commitments with Long Term contracts also recorded as liabilities on the Balance Sheet, of which the most relevant are long-term telecom, transponder and content contracts.

Net Financial Debt (Millions of Euros)	2009	1Q10	1Q10 / 2009
Short Term	218.2	128.7	(41.0%)
Bank and Other Loans	212.8	124.7	(41.4%)
Financial Leases	5.4	4.0	(26.2%)
Medium and Long Term	609.2	671.8	10.3%
Bank Loans	596.5	658.2	10.3%
Financial Leases	12.7	13.5	6.6%
Total Debt	827.5	800.5	(3.3%)
Cash, Short Term Investments and Intercompany Loans	211.6	223.2	5.5%
Net Financial Debt	615.8	577.2	(6.3%)
Net Financial Gearing ⁽¹⁾	76.5%	68.2%	(8.3pp)
Net Financial Debt / EBITDA	2.4x	2.1x	n.a.

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

International Growth - Angola

After the launch of the W7 satellite in 4Q09, ZAP's commercial offers were announced in 1Q10. The service is entirely digital and ZAP has started to sell two main tariff plans: "Max" offering around 50 channels for approximately 30 USD a month and "Premium" offering around 80 channels for approximately 60 USD a month, with key focus placed on the strength of the number of Portuguese speaking channels, HD content and innovative digital box features. When a new customer subscribes to the ZAP service, an upfront payment is made for the satellite dish, set-top box equipment and to cover the installation cost. Monthly fees are pre-paid at any of ZAP's distribution points and agents.

Starting with the beginning of the coming football season in August 2010, ZAP has secured the exclusive distribution of Sport TV Africa that will include the exclusive rights of the Portuguese Football League (Liga Sagres), and other key Portuguese sports competitions.

Further developments will be given out in the coming quarters relating to the evolution of sales activities. ZON will hold a 30% equity stake in this operation in Angola, and its results will be consolidated proportionally.

5. Consolidated Financial Statements

ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

Consolidated Statement of Comprehensive Income for the quarters ended on 31 March 2010 and 2009

(Amounts stated in euros)

	Notes	31-03-2010 (Unaudited) (a)	31-03-2009 (Unaudited) (a)
REVENUES:			
Services rendered		203 789 477	192 627 508
Sales		8 673 275	7 604 677
Other operating revenues		1 029 366	1 269 895
	4	213 492 118	201 502 080
COSTS, EXPENSES, LOSSES AND INCOME:			
Wages and salaries		14 327 977	14 564 588
Direct costs		61 577 770	56 183 317
Costs of products sold		2 248 740	3 130 208
Marketing and advertising		5 292 837	4 434 854
Support services		17 663 953	15 918 092
Supplies and external services		33 590 883	37 594 889
Other operational costs		211 397	618 588
Taxes		649 187	1 030 646
Provisions and adjustments		4 608 931	3 754 632
Depreciation and amortization	5	50 382 442	44 319 876
Impairment of assets		2 683 829	1 661 802
Restructuring costs		-	18 000
Losses/(gains) on sale of assets, net		(117 193)	(177 374)
Other losses/(gains), net		121 588	85 187
		193 242 341	183 137 306
Income before financial results and taxes		20 249 777	18 364 774
Financial costs	6	5 696 718	8 099 494
Net foreign exchange losses/(gains), net		(141 860)	412 422
Net losses/(gains) on financial assets, net		3 471	-
Equity in earnings of affiliated companies, net	7	948 416	(17 535 100)
Net other financial expenses/(income)		1 635 396	336 740
		8 142 141	(8 686 445)
Income before taxes		12 107 636	27 051 219
Income taxes	8	2 403 163	7 036 324
Net consolidated income		9 704 473	20 014 895
Attributable to:			
Minority interests		412 100	543 605
Zon Multimédia Group shareholders		9 292 373	19 471 290
Earnings per share			
Basic	9	0,03	0,07
Diluted	9	0,03	0,07

(a) Only the annual accounts are audited.

The annex is an integral part of the consolidated statement of comprehensive income for the quarter ended on 31 March 2010.

Accountant

The Board of Directors

ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

Consolidated Statement of Comprehensive Income for the quarters ended on 31 March 2010 and 2009

(Amounts stated in euros)

	31-03-2010	31-03-2009
	(Unaudit) (a)	(Unaudit) (a)
Net income	9 704 473	20 014 895
Share incentive scheme	1 576 469	-
Fair value of interest rate swap (Note 14)	(4 197 248)	-
Currency translation differences	48 644	(84 954)
Other movements	34 258	(189 831)
Other comprehensive income	(2 537 877)	(274 785)
Total comprehensive income for the period	7 166 596	19 740 110
Attributable to:		
Share owners of the company	6 754 496	19 196 505
Minority interests	412 100	543 605
	7 166 596	19 740 110

(a) Only the annual accounts are audited.

The annex is an integral part of the consolidated statement of comprehensive income for the quarter ended on 31 March 2010.

Accountant

The Board of Directors

ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

Consolidated Statement of Financial Position at 31 March 2010 and 31 December 2009

(Amounts stated in euros)

	Notes	31-03-2010	31-12-2009
Assets			
Current assets:			
Cash and cash equivalents	10	221 884 146	176 988 410
Accounts receivable - trade		117 090 898	114 003 190
Accounts receivable - other		49 788 410	70 962 521
Inventories		29 070 460	39 906 212
Taxes receivable		23 537 058	21 553 864
Non-current assets held-for-sale		678 218	-
Prepaid expenses		18 114 593	12 990 976
Total current assets		460 163 783	436 405 173
Non-current assets:			
Accounts receivable - other		80 628 221	62 407 027
Investments in participated companies		985 992	1 274 970
Available-for-sale financial assets		21 777 351	21 777 351
Intangible assets		335 127 940	353 759 291
Tangible assets		571 711 055	554 572 281
Investment property		170 038	-
Deferred income tax assets	8	48 552 919	47 913 336
Other non-current assets		949 423	1 073 855
Total non-current assets		1 059 902 939	1 042 778 111
Total assets		1 520 066 722	1 479 183 284
Liabilities			
Current liabilities:			
Borrowings	11	161 426 333	246 539 399
Accounts payable-trade		120 084 592	138 271 322
Accounts payable-other		40 425 168	37 638 158
Accrued expenses		81 145 407	74 734 297
Deferred income		5 264 027	3 734 642
Taxes payable		16 142 537	29 757 711
Provisions for other liabilities and charges	12	15 198 269	13 883 093
Other liabilities		601 543	-
Total current liabilities		440 287 876	544 558 622
Non-current liabilities:			
Borrowings	11	781 813 815	722 717 780
Accounts payable-other		8 930 579	7 240 829
Deferred income		3 343 875	3 476 745
Provisions for other liabilities and charges	12	5 476 075	4 446 323
Deferred income tax liabilities	8	5 745 778	6 075 949
Derivative financial instruments	14	5 336 728	1 032 109
Total non-current liabilities		810 646 850	744 989 735
Total liabilities		1 250 934 726	1 289 548 357
Shareholder's equity			
Share capital	13.1	3 090 968	3 090 968
Treasury shares	13.2	60 633	(87 236 629)
Legal reserve		3 556 300	3 556 300
Other reserves	13.3	182 260 927	197 195 421
Retained earnings		71 213 366	63 779 018
Equity before minority interests		260 182 194	180 385 078
Minority interests		8 949 802	9 249 849
Total equity		269 131 996	189 634 927
Total liabilities and shareholder's equity		1 520 066 722	1 479 183 284

The annex is an integral part of the consolidated statement of financial position as at 31 March 2010.

Accountant

The Board of Directors

ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

Consolidated Statement of Changes in Shareholders' Equity for the quarters ended on 31 March 2010 and 2009

(Amounts stated in euros)

	Notes	Share capital	Capital issued premium	Treasury shares	Legal reserve	Other reserves	Accumulated earnings	Minority interests	Total
Balance as at 1 January 2009		3 090 968	(5 503 856)	(84 129 767)	3 556 300	191 236 711	74 466 874	9 030 717	191 747 947
Dividends attributed to minority interests		-	-	-	-	-	-	(1 430 818)	(1 430 818)
Distribution of treasury shares	13.3	-	1 033 629	1 249	-	(521 486)	-	-	513 392
Comprehensive income for the period		-	-	-	-	(274 785)	19 471 290	543 605	19 740 110
Consolidation differences		-	-	-	-	-	7 365	(9 263)	(1 898)
Balance as at 31 March 2009		3 090 968	(4 470 227)	(84 128 518)	3 556 300	190 440 440	93 945 529	8 134 241	210 568 733
Balance as at 1 January 2010		3 090 968	(87 096 566)	(140 064)	3 556 300	197 195 421	63 779 018	9 249 849	189 634 926
Dividends attributed to minority interests		-	-	-	-	-	-	(714 864)	(714 864)
Undistributed profit		-	-	-	-	(20 648)	20 648	-	-
Acquisition of treasury shares		-	(1 475 627)	(3 722)	-	-	-	-	(1 479 350)
Distribution of treasury shares	13.3	-	1 875 014	3 659	-	-	(1 878 673)	-	-
Sale of treasury shares	13.3	-	2 771 245	3 994	-	(659 700)	-	-	2 115 539
Sale of treasury shares - Equity swap	13.3	-	83 986 630	136 071	-	(11 970 731)	-	-	72 151 970
Comprehensive income for the period		-	-	-	-	(2 537 877)	9 292 373	412 100	7 166 596
Consolidation differences		-	-	-	-	254 462	-	2 717	257 179
Balance as at 31 March 2010		3 090 968	60 696	(63)	3 556 300	182 260 927	71 213 366	8 949 802	269 131 996

The annex is an integral part of the consolidated statement of changes in shareholders' equity for the quarter ended on 31 March 2010.

Accountant

The Board of Directors

ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

Consolidated Statement of Cash Flows for the quarters ended on 31 March 2010 and 2009

(Amounts stated in euros)

	Notes	31-03-2010 (Unaudited) (a)	31-03-2009 (Unaudited) (a)
OPERATING ACTIVITIES			
Collections from clients		251 513 118	251 893 232
Payments to suppliers		(200 140 316)	(140 686 441)
Payments to employees		(12 835 799)	(14 546 588)
Payments relating to income taxes		(359 321)	(470 649)
Payments relating to indirect taxes and other		(16 420 073)	(12 197 756)
Cash flow from operating activities (1)		<u>21 757 609</u>	<u>83 991 798</u>
INVESTING ACTIVITIES			
Cash receipts resulting from			
Financial investments		6 666 666	6 666 666
Tangible fixed assets		1 512 240	45 822
Loans granted		33 300 000	14 750 000
Interest and related income		2 648 697	793 177
Dividends		-	1 883 388
		<u>44 127 603</u>	<u>24 139 053</u>
Payments resulting from			
Tangible fixed assets		(53 049 514)	(41 724 125)
Intangible assets		(1 040 009)	(2 068 360)
		<u>(54 089 523)</u>	<u>(43 792 484)</u>
Cash flow from investing activities (2)		<u>(9 961 920)</u>	<u>(19 653 432)</u>
FINANCING ACTIVITIES			
Cash receipts resulting from			
Loans obtained		297 916 667	4 250 000
Distribution of treasury shares		74 196 999	1 034 878
Subsidies		-	45 724
		<u>372 113 666</u>	<u>5 330 603</u>
Payments resulting from			
Loans obtained		(322 751 868)	(43 510 000)
Lease rentals (principal)		(7 410 065)	(13 917 809)
Interest and related expenses		(7 396 296)	(9 229 410)
Dividends		(113 322)	(477 639)
Acquisition of treasury shares		(1 479 349)	-
		<u>(339 150 900)</u>	<u>(67 134 858)</u>
Cash flow from financing activities (3)		<u>32 962 766</u>	<u>(61 804 255)</u>
Change in cash and cash equivalents (4)=(1)+(2)+(3)		44 758 455	2 534 111
Effect of exchange differences		137 281	11 718
Cash and cash equivalents at the beginning of the period		176 988 410	63 439 713
Changes in the consolidated scope		-	(500)
Cash and cash equivalents at the end of the period	10	<u>221 884 146</u>	<u>65 985 042</u>

(a) Only the annual accounts are audited.

The annex is an integral part of the consolidated cash flow statement for the quarter ended on 31 March 2010.

Accountant

The Board of Directors

ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

Notes to the Consolidated Financial Statements at 31 March 2010

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ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

Notes to the Interim Consolidated Financial Statements at 31 March 2010

(Amounts stated in euros)

1. Introductory Note

ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. (“ZON Multimédia” or “the Company”) was set up by Portugal Telecom, SGPS, S.A. (“Portugal Telecom”) on 15 July 1999 with the purpose of developing its strategy for the multimedia business.

During the 2007 financial year, Portugal Telecom proceeded with the spin-off of ZON Multimédia, with the distribution of its shares in this company to its shareholders, which thus became fully independent from Portugal Telecom.

The multimedia business operated by ZON Multimédia and the subsidiaries comprising its portfolio of companies (“ZON Group” or “Group”) include cable and satellite television services, voice and internet access services, video production and sale, advertising on Pay TV channels, cinema exhibition and distribution, and the production of channels for its Pay TV platform.

ZON Multimédia shares are listed on the Euronext – Lisbon market.

The cable and satellite television service is supplied by ZON TV Cabo Portugal, S.A. (“ZON TV Cabo Portugal”) and its subsidiaries. The activities of these companies include: a) television signal cable and satellite distribution; b) the operation of electronic communications services, including data and multimedia communication services in general; c) IP voice services (“VOIP” – Voice over IP); d) virtual mobile operator (MNVO); and e) the provision of consultancy and similar services directly or indirectly related to the above mentioned activities and services. The business of ZON TV Cabo and its subsidiaries is regulated by Law 5/2004 (Electronic Communications Law), which establishes the legal regime governing electronic communications networks and services.

ZON Conteúdos – Actividade de Televisão e de Produção de Conteúdos, S.A. (“ZON Conteúdos”) manages the television and content production business. Currently, it produces the movie and television series channels which are distributed, among others, on the channels of ZON TV Cabo and its subsidiaries, and also manages the advertising space on some of those channels.

ZON Lusomundo Audiovisuais, S.A. (“ZON LM Audiovisuais”) and ZON Lusomundo Cinemas, S.A. (“ZON LM Cinemas”) and their subsidiaries operate in the audiovisual sector, which includes video production and sale, cinema distribution and exhibition, and the acquisition/negotiation of Pay TV and VOD (video on demand) rights.

The notes in these Notes to the Interim Consolidated Financial Statements follow the order in which the items are shown in the consolidated financial statements.

The consolidated financial statements for the quarter ended on 31 March 2010 were approved by the Board of Directors and their issue authorised on 11 May 2010.

2. Accounting Policies

The consolidated financial statements were prepared on a going concern basis from the accounting books and records of the companies included in the consolidation (Annex I.1), using the historical cost convention, adjusted where applicable by the valuation of financial assets and liabilities (including derivatives) at fair value.

The accounting policies adopted, including the financial risk management policies, are consistent with those used in the preparation of the financial statements for the financial year ended on 31 December 2009.

2.1. Principles of presentation

The consolidated financial statements of ZON Multimédia were prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS"), as adopted in the European Union on 1 January 2010, and in accordance with IAS 34 - Interim Financial Reporting.

3. Judgments and estimates

During the quarter ended on 31 March 2010, no significant changes occurred in the accounting estimates compared with those used in preparing the financial information for the year ended on 31 December 2009, nor were any material errors relating to previous financial years recognised.

4. Segment Reporting

4.1. Main report format – Business segments

At 31 December 2009 the ZON Group was organised into three business segments: “Pay TV, broadband and voice”, “Audiovisuals” and “Others”. In 2010 all the companies in the “Others” segment were allocated to the other segments, with the result that the March 2009 amounts have been restated for comparative purposes.

The business segments are as follows:

- ▶ Pay TV, broadband and voice relates to the supply of TV, Internet and voice (fixed and mobile) services and includes the following companies: ZON Multimédia, ZON Televisão por Cabo, SGPS, S.A. (“ZON Televisão por Cabo”), ZON TV Cabo Portugal, ZON TV Cabo Açoreana, S.A. (“ZON TV Cabo Açoreana”), ZON TV Cabo Madeirense, S.A. (“ZON TV Cabo Madeirense”), ZON Conteúdos, ZON Lusomundo TV, Lda. (“ZON Lusomundo TV”), Teliz Holding B.V. (“Teliz”) and the joint venture in Sport TV – Portugal, S.A. (“Sport TV”).
- ▶ Audiovisuals relates to the supply of cinematographic, video and audio and other content distribution and production services, and includes the following companies: ZON Audiovisuais, SGPS, S.A. (“ZON Audiovisuais SGPS”), ZON Cinemas, SGPS, S.A. (“ZON Cinemas SGPS”), ZON LM Audiovisuais, ZON LM Cinemas, Lusomundo Moçambique, Lda. (“Lusomundo Moçambique”), Lusomundo España, SL (“Lusomundo España”), Grafilme – Sociedade Impressora de Legendas, Lda. (“Grafilme”), Lusomundo Imobiliária 2, S.A. (“Lusomundo Imobiliária 2”), Lusomundo Sociedade de Investimentos Imobiliários, SGPS, S.A. (“Lusomundo SII”) and Empracine – Empresa Promotora de Actividades Cinematográficas, Lda. (“Empracine”).

The results by segment for the quarters ended on 31 March 2010 and 2009 are shown below:

	Pay TV, broadband and voice	Audiovisuals	Group
	31-03-2010	31-03-2010	31-03-2010
Total segment revenue	193 649 943	28 585 971	222 235 913
Inter-segment revenue	(3 133 678)	(5 610 117)	(8 743 795)
Sales and services rendered	190 516 265	22 975 854	213 492 118
Operational income by segment	17 544 599	2 705 178	20 249 777
Net interest expense and other	6 789 104	401 150	7 190 254
Gains in financial assets	-	3 471	3 471
Share of profit/(loss) from associates	982 430	(34 014)	948 416
Income before taxes	9 773 065	2 334 571	12 107 636
Income tax expense	1 708 810	694 353	2 403 163
Net income	8 064 255	1 640 218	9 704 473
Other costs:			
Depreciation, amortisation and impairment	51 447 607	1 618 664	53 066 271
Provisions and adjustments	4 282 971	325 960	4 608 931
Costs / (revenues) non-recurrent	12 790	(8 395)	4 395

	Pay TV, broadband and voice	Audiovisuals	Group
	31-03-2009	31-03-2009	31-03-2009
Total segment revenue	182 616 522	24 897 878	207 514 400
Inter-segment revenue	(947 021)	(5 065 299)	(6 012 320)
Sales and services rendered	181 669 501	19 832 579	201 502 080
Operational income by segment	16 824 630	1 540 144	18 364 774
Net interest expense and other	8 169 495	679 160	8 848 655
Gains in financial assets	-	-	-
Share of profit/(loss) from associates	(17 514 518)	(20 582)	(17 535 100)
Income before taxes	26 169 653	881 566	27 051 219
Income tax expense	6 644 415	391 909	7 036 324
Net income	19 525 238	489 657	20 014 895
Other costs:			
Depreciation, amortisation and impairment	44 531 799	1 449 879	45 981 678
Provisions and adjustments	3 680 951	73 681	3 754 632
Costs / (revenues) non-recurrent	(97 645)	5 458	(92 187)

Inter-segment transactions are effected on market terms and conditions in a comparable way to transactions effected with third parties.

Assets and liabilities by segment, and investments in fixed assets at 31 March 2010 are shown below:

	Pay TV, broadband and voice	Audiovisuals	Eliminations	Not allocated	Group
Assets	1 428 215 881	126 943 007	(107 291 299)	71 213 140	1 519 080 730
Investment in associated companies and joint ventures	34 759	951 233	-	-	985 992
Total assets	1 428 250 640	127 894 240	(107 291 299)	71 213 140	1 520 066 722
Liabilities	309 149 068	96 555 141	(107 291 299)	952 521 816	1 250 934 726
Investment in tangible assets	51 707 949	162 186	-	-	51 870 135
Investment in intangible assets	1 989 701	-	-	-	1 989 701

The assets and liabilities not allocated to segments are reconciled with total assets and liabilities as follows:

	Assets	Liabilities
Not allocated:		
Deferred tax (Note 8)	48 552 919	5 745 778
Income tax expense	34 614	3 535 890
Borrowings - current (Note 11)	-	161 426 333
Borrowings - non current (Note 11)	-	781 813 815
Available-for-sale financial assets	21 777 351	-
Non-current assets held-for-sale	678 218	-
Investment property	170 038	-
	71 213 140	952 521 816

Assets and liabilities by segment, and investments in fixed assets for the year ended on 31 December 2009 financial are shown below:

	Pay TV, broadband and voice	Audiovisuals	Eliminations	Not allocated	Group
Assets	1 376 209 764	117 789 663	(86 108 885)	70 017 772	1 477 908 314
Investment in associated companies and joint ventures	59 464	1 215 506	-	-	1 274 970
Total assets	1 376 269 228	119 005 169	(86 108 885)	70 017 772	1 479 183 284
Liabilities	300 414 932	98 283 495	(86 108 885)	976 958 815	1 289 548 357
Investment in tangible assets	196 246 144	6 368 409	-	-	202 614 553
Investment in intangible assets	10 676 410	3 736	-	-	10 680 146

The assets and liabilities not allocated to segments are reconciled with total assets and liabilities as follows:

	Assets	Liabilities
Not allocated:		
Deferred tax (Note 8)	47 913 336	6 075 949
Income tax expense	327 086	1 625 687
Borrowings - current (Note 11)	-	246 539 399
Borrowings - non current (Note 11)	-	722 717 780
Available-for-sale financial assets	21 777 351	-
	70 017 772	976 958 815

5. Depreciation and amortisation

Depreciation and amortisation in the quarters ended on 31 March 2010 and 2009 are composed as follows:

	<u>2010</u>	<u>2009</u>
Intangible assets:		
Industrial property and other rights	19 146 619	18 235 419
Other intangible assets	450 630	308 835
	<u>19 597 249</u>	<u>18 544 254</u>
Tangible assets:		
Buildings and other constructions	970 433	1 024 964
Basic equipment	24 629 425	19 146 556
Transportation equipment	467 335	418 786
Tools and dies	4 487	6 932
Administrative equipment	3 976 909	4 509 258
Other tangible assets	736 604	669 126
	<u>30 785 193</u>	<u>25 775 622</u>
	<u>50 382 442</u>	<u>44 319 876</u>

6. Finance costs and Other net financial charges

In the quarters ended on 31 March 2010 and 2009, finance costs were composed as follows:

	<u>2010</u>	<u>2009</u>
Interest expense:		
Borrowings	5 414 827	7 261 461
Finance leases	1 431 561	1 595 198
Other	154 036	36 012
	<u>7 000 424</u>	<u>8 892 671</u>
Interest earned	(1 303 706)	(793 177)
	<u>5 696 718</u>	<u>8 099 494</u>

The variation in interest expense is mainly attributable to the reduction in the Euribor rate, which averaged 4% and 1% in the first quarters of 2009 and 2010, respectively.

The increase in interest earned was mainly attributable to the increase in fixed term investments (see Note 10).

7. Losses/(gains) in associated companies

In the quarters ended on 31 March 2010 and 2009, gains in associated companies were composed as follows:

	<u>2010</u>	<u>2009</u>
Equity accounting:		
Lisboa TV	-	(581 571)
Distodo	(34 014)	(20 582)
Upstar	(11 349)	-
Finstar i)	<u>993 779</u>	<u>-</u>
	948 416	(602 153)
Gain on sale of Lisboa TV ii)	<u>-</u>	<u>(16 932 947)</u>
	<u>948 416</u>	<u>(17 535 100)</u>

- i) 30% financial shareholding in Finstar - Sociedade de Investimentos e Participações, S.A. (held by Teliz Holding BV).
- ii) In 2009, a gain was realised on the disposal by ZON Conteúdos of 40% of the shareholding in Lisboa TV.

8. Income tax expense

ZON Multimédia and its associated companies are subject to IRC - Corporate Income Tax at the rate of 25% (20% in the case of ZON TV Cabo Madeirense and 17.5% in the case of ZON TV Cabo Açoreana), plus local tax at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 26.5%. In the calculation of taxable income, to which the above tax rate applies, amounts which are not fiscally allowable are added to and subtracted from the book results. These differences between book income and taxable income may be temporary or permanent.

ZON Multimédia is taxed in accordance with the special taxation regime for groups of companies (RETGS), which covers companies in which it directly or indirectly holds at least 90% of their share capital and which fulfil the requirements of Article 63 of the IRC Code.

The companies which are included in the RETGS are:

- ▶ ZON Multimédia
- ▶ ZON Lusomundo TV
- ▶ Empracine
- ▶ Lusomundo SII
- ▶ ZON Cinemas SGPS
- ▶ ZON Audiovisuais SGPS
- ▶ ZON TV Cabo
- ▶ ZON Televisão por cabo
- ▶ Lusomundo Imobiliária 2
- ▶ ZON LM Audiovisuais
- ▶ ZON LM Cinemas

► ZON Conteúdos

In accordance with current legislation, tax declarations are subject to review and correction by the tax authorities for a period of four years (five years in the case of Social Security; ten years in the case of contribution rates and contributions relating to financial years prior to 2001), except where tax losses have occurred, tax benefits have been obtained or inspections, appeals or disputes are in progress, in which cases, depending on the circumstances, the periods are extended or suspended.

The Board of Directors of ZON Multimédia, based on information from its tax advisers, believes that any revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 31 March 2010, except for the situations which were the subject of provisions.

1) Deferred tax

ZON Multimédia and its subsidiaries have reported deferred tax relating to temporary differences between the taxable basis and the book amounts of assets and liabilities, and tax losses carried forward at the balance sheet date.

The movements in assets and liabilities due to deferred tax in the quarters ended on 31 March 2010 and 2009 were as follows:

	31-12-2009	Result (see note 8 b))	Equity	Other movements	31-03-2010
		Deferred taxes of the period	Deferred taxes of the period		
Deferred income tax assets:					
Provisions and adjustments:					
Doubtful accounts receivable	6 638 511	(36 319)	-	876 985	7 479 177
Inventories	1 454 932	(213 592)	-	-	1 241 340
Other provisions and adjustments	15 761 044	876 584	593 923	(489 643)	16 741 908
Intergroup gains	23 240 500	(581 013)	-	(387 342)	22 272 145
Tax losses carried forward	818 349	-	-	-	818 349
	<u>47 913 336</u>	<u>45 660</u>	<u>593 923</u>	<u>-</u>	<u>48 552 919</u>
Deferred income tax liabilities:					
Revaluation of fixed assets	6 075 949	(330 171)	-	-	5 745 778
Net deferred tax	<u>41 837 387</u>	<u>375 831</u>	<u>593 923</u>	<u>-</u>	<u>42 807 141</u>

	31-12-2008	Result (see note 8 b))		31-03-2009
		Deferred taxes of the period	Use of tax losses	
Deferred income tax assets:				
Provisions and adjustments:				
Doubtful accounts receivable	6 738 439	92 141	-	6 830 580
Inventories	1 336 914	112 577	-	1 449 491
Other	12 780 610	249 378	-	13 029 988
Tax losses carried forward	<u>36 798 910</u>	<u>410 945</u>	<u>(7 008 007)</u>	<u>30 201 848</u>
	<u>57 654 873</u>	<u>865 041</u>	<u>(7 008 007)</u>	<u>51 511 907</u>
Deferred income tax liabilities:				
Revaluation of fixed assets	6 984 447	(371 094)	-	6 613 353
Net deferred tax	<u>50 670 426</u>	<u>1 236 135</u>	<u>(7 008 007)</u>	<u>44 898 554</u>

The revaluation of fixed assets at 31 March 2010 includes approximately 5.732 million euros (2009: 6.594 million euros) of deferred tax liabilities resulting from the difference on the acquisition at fair value of the

assets (client portfolio and network) of TVTel and of the companies of the Parfitel Group (Bragatel, Pluricanal Leiria and Pluricanal Santarém).

Deferred tax assets have been recognised where it is probable that taxable profits will occur in future that may be used to absorb tax losses or deductible tax differences. This assessment was based on the business plans of the companies of the Group, which are regularly revised and updated.

Under the terms of current legislation in Portugal, tax losses may be carried forward for a period of six years after their occurrence and may be deducted from taxable profits generated during that period.

At 31 March 2010 and 31 December 2009, ZON Multimédia's tax losses carried forward, totalling 3.273 million euros, expire in 2014. This amount derives from the companies acquired in 2008 and the subject of mergers in 2009.

The Company reported deferred income tax assets and requested permission from the Tax Authorities to use them in the tax consolidation.

2) Tax rate reconciliation

In the quarters ended on 31 March 2010 and 2009, the reconciliation between the nominal and effective rates of tax is as follows:

	2010	2009
Income before taxes	12 107 636	27 051 219
Statutory tax rate	26,5%	26,5%
Estimated tax	<u>3 208 524</u>	<u>7 168 573</u>
Permanent differences i)	(426 428)	980 298
Deferred tax assets created before the integration for consolidated purpose ii)	-	(1 207 489)
Differences in tax rate of the Açores and Madeira	(173 598)	(194 255)
Estimated corporate tax corrections	677 311	117 968
Fiscal benefits iii)	(1 107 903)	-
Others	225 257	171 229
Income tax	<u>2 403 163</u>	<u>7 036 324</u>
Effective Income tax rate for the period	<u>19,8%</u>	<u>26,0%</u>
Income tax	2 778 994	1 264 452
Deferred tax	(375 831)	5 771 872
	<u>2 403 163</u>	<u>7 036 324</u>

i) At 31 March 2010 and 2009 the permanent differences were composed as follows:

	2010	2009
Financial costs not accepted for fiscal purposes	827 089	1 307 296
Provisions	1 476 174	381 553
Depreciations and amortizations	724 404	2 889 004
Equity method (Note 7)	(948 417)	(602 153)
Other	(3 688 413)	(276 463)
	<u>(1 609 163)</u>	<u>3 699 237</u>
	26,5%	26,5%
	<u>(426 428)</u>	<u>980 298</u>

ii) In 2009 this amount corresponded to the use of tax losses which had not been recognised as deferred tax in previous financial years.

iii) The reduction in tax results from the application by TV Cabo of the SIFIDE (Business Research and Development Incentives System) tax benefit introduced by Law 40/2005 of 3 August. This figure corresponds to the estimated amount of the tax benefit calculated for the years 2006 to 2010 which is expected to be deducted from taxable income in 2010.

The variation in effective tax rate is mainly due to the fact that: i) in 2009 the gain realised on the disposal of the shareholding in Lisboa TV was taxed on the total amount (an impact of approximately 2.337 million euros); ii) in 2010, 50% of the loss made on the disposal of Kento Holding Limited own shares was deducted (an impact of approximately 1.673 million euros).

9. Earnings per share

Earnings per share for the quarters ended on 31 March 2010 and 2009 were calculated taking into account the following amounts:

	<u>31-03-2010</u>	<u>31-03-2009</u>
Net income attributable to equity holders of the parent	9 292 373	19 471 290
Weighted average number of ordinary shares in issue	304 599 491	294 857 236
Basic earnings per share	0,03	0,07
Diluted earnings per share	0,03	0,07

At 31 March 2010 and 2009, as there were no diluting effects on the net earnings per share, the diluted earnings per share is equal to the basic earnings per share.

10. Cash and cash equivalents

In the quarters ended on 31 March 2010 and 2009, this item was composed as follows:

	<u>31-03-2010</u>	<u>31-12-2009</u>
Cash	1 756 617	2 372 992
Deposits	10 892 170	24 948 642
Term deposits i)	<u>209 235 359</u>	<u>149 666 776</u>
	<u><u>221 884 146</u></u>	<u><u>176 988 410</u></u>

- iv) At 31 March 2010, term deposits relate to short-term investments maturing in April 2010 (approximately 42 million euros), May 2010 (66 million euros) and July 2010 (101 million euros), which bear interest at normal market rates.

11. Borrowings and loans

At 31 March 2010 and 31 December 2009, the details of bank loans obtained were as follows:

	<u>31-03-2010</u>		<u>31-12-2009</u>	
	Current	Non Current	Current	Non Current
Bank loans:				
National bank loans	14 705 078	61 540 209	15 000 500	-
Foreign bank loans	-	96 685 754	-	96 535 106
Commercial paper	110 000 000	430 000 000	113 712 500	430 000 000
Bond issue	-	70 000 000	-	70 000 000
Equity swaps over own shares	-	-	84 122 701	-
Other loans:				
Financial Leases - capacity and contents utilisation rights	32 706 427	110 058 772	28 294 473	113 489 761
Financial Leases - other	4 014 828	13 529 080	5 409 224	12 692 913
	<u><u>161 426 333</u></u>	<u><u>781 813 815</u></u>	<u><u>246 539 399</u></u>	<u><u>722 717 780</u></u>

11.1. Internal loans

At 31 March 2010, the current and non-current parcels relate to the Group's share of the loans contracted by Sport TV totalling 3 500 000 and 72 745 288 euros, maturing in 2010 and 2013 respectively.

11.2. Foreign loans

In September 2009 ZON Multimédia and ZON TV Cabo signed a Next Generation Network Project Finance Contract totalling 100 000 000 euros with the European Investment Bank. This contract matures in September 2015 and is intended for investments relating to the implementation of the next generation network.

Then amount of 3.314 million euros was deducted from this finance, corresponding to the benefit associated with the fact that the loan is at a subsidised rate, constituting an investment subsidy, and is therefore stated as deferred income.

11.3. Debenture loans

Between October and November 2009, ZON Multimédia issued bonds for private and direct placement totalling 70 000 000 euros via two banks. Both bonds have maturities of 3 years, half-yearly interest payments and repayment at par at the end of the contracts.

11.4. Commercial paper

The Company has borrowings of 540 000 000 euros in the form of commercial paper contracted with nine banks, corresponding to nine programmes. All the issues to date have payment scheduled for 2010 and bear interest at market rates. Of these, the Company has contracted five grouped commercial paper programmes with maturities of over 1 year, totalling 475 000 000 euros (issues of which total 430 000 000 euros at 31 March 2010). In view of the fact that the Company has the capacity to unilaterally renew the current issues on or before the programmes' maturity dates and that they are underwritten by the organiser, the amount concerned, although having current maturity, has been classified as non-current for the purposes of presentation in the statement of financial position. The remaining programmes have been classified as current.

11.5. Equity Swaps on own shares

On 4 February 2010, the two equity swap programmes were settled, under which ZON acquired 13,607,079 shares, representing 4.4% of the share capital, for the amount of 84 122 701 million euros (see Note 13.3).

11.6. Finance Leases

At 31 March 2010 and 31 December 2009, the item "Financial leasing – Capacity and Content Utilisation Rights", relates to contracts entered into by ZON TV Cabo for the exclusive acquisition of satellite capacity, the acquisition of distribution network capacity utilisation rights and the acquisition by Sport TV of royalty and broadcasting rights for the professional football matches of the Liga Sagres and Liga Vitalis.

Finance Leases

	<u>31-03-2010</u>	<u>31-12-2009</u>
Financial leases - payments:		
Until 1 year	45 822 446	38 498 705
Between 1 and 5 years	106 141 640	94 281 995
Over 5 years	<u>44 217 327</u>	<u>48 166 187</u>
	196 181 413	180 946 887
Future financial costs	<u>(35 872 308)</u>	<u>(21 060 515)</u>
Present value of finance lease liabilities	<u><u>160 309 106</u></u>	<u><u>159 886 372</u></u>
	<u>31-03-2010</u>	<u>31-12-2009</u>
The present value of the finance lease liabilities:		
Until 1 year	36 721 255	33 703 698
Between 1 and 5 years	83 259 962	80 807 747
Over 5 years	<u>40 327 889</u>	<u>45 374 927</u>
	<u><u>160 309 106</u></u>	<u><u>159 886 372</u></u>

All bank loans obtained and finance leases contracted are negotiated at variable short term interest rates, with the result that their book value is similar to their fair value.

The maturity of the loans obtained is as follows:

	<u>31-03-2010</u>			<u>31-12-2009</u>		
	<u>Until 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Until 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>
National bank loans	14 705 078	61 540 209	-	15 000 500	-	-
Foreign bank loans	-	-	96 685 754	-	-	96 535 106
Commercial paper	110 000 000	430 000 000	-	113 712 500	430 000 000	-
Bond issue	-	70 000 000	-	-	70 000 000	-
Equity swaps over own shares	-	-	-	84 122 701	-	-
Financial Leases	<u>36 721 255</u>	<u>83 259 962</u>	<u>40 327 889</u>	<u>33 703 698</u>	<u>80 807 747</u>	<u>45 374 927</u>
	<u><u>161 426 333</u></u>	<u><u>644 800 172</u></u>	<u><u>137 013 643</u></u>	<u><u>246 539 399</u></u>	<u><u>580 807 747</u></u>	<u><u>141 910 033</u></u>

12. Provisions for other risks and contingencies

At 31 March 2010 and 31 December 2009, the breakdown of provisions between current and non-current is as follows:

	<u>31-03-2010</u>	<u>31-12-2009</u>
Current provision		
Taxes	579 064	579 064
Litigation	137 000	137 000
Other	<u>14 482 205</u>	<u>13 167 029</u>
	<u>15 198 269</u>	<u>13 883 093</u>
Non-current provision		
Other	<u>5 476 075</u>	<u>4 446 323</u>
	<u>20 674 344</u>	<u>18 329 416</u>

The balance on the item "Provisions for other risks and contingencies" at 31 March 2010 and 31 December 2009 is composed as follows:

	<u>31-03-2010</u>	<u>31-12-2009</u>
Contingencies - other	11 181 762	10 248 967
Asset retirement obligation	4 483 338	4 446 323
Investments in participated companies	992 737	-
Other risks	<u>3 300 443</u>	<u>2 918 061</u>
	<u>19 958 280</u>	<u>17 613 352</u>

13.Shareholder's equity

13.1. Share capital

At 31 March 2010, the share capital of ZON Multimédia was 3 090 968 euros, represented by 309,096,828 registered book-entry shares with a nominal value of 1 Euro cent per share.

The main shareholders at 31 March 2010 are:

Shareholder	2010		2009	
	NO.Of Shares	% Voting Rights	NO.Of Shares	% Voting Rights
Caixa Geral de Depósitos, SA	36 188 622	11,71%	53 799 405	17,41%
Kento Holding Limited i)	30 909 683	10,00%	-	-
Banco BPI, SA	28 106 494	9,09%	28 106 494	9,09%
Telefónica, SA	16 879 406	5,46%	16 879 406	5,46%
Espírito Santo Irmãos, SGPS, SA ii)	15 455 000	5,00%	15 455 000	5,00%
Cofina, SGPS, SA	15 190 000	4,91%	15 190 000	4,91%
Joaquim Alves Ferreira de Oliveira iii)	14 955 684	4,84%	14 955 684	4,84%
Fundação José Berardo iv)	13 408 982	4,34%	13 408 982	4,34%
Ongoing Strategy Investments, SGPS, SA v)	9 762 452	3,16%	9 762 452	3,16%
Banco Espírito Santo, SA	9 020 171	2,92%	9 020 171	2,92%
Cinveste, SGPS, SA	8 707 136	2,82%	17 882 962	5,79%
Grupo Visabeira, SGPS, SA vi)	6 641 930	2,15%	6 641 930	2,15%
SGC, SGPS, SA vii)	6 182 000	2,00%	6 182 000	2,00%
ESAF - Espírito Santo Fundos de Investimento Mobiliário, SA	6 088 616	1,97%	6 088 616	1,97%
BES Vida - Companhia de Seguros, S. A.	5 721 695	1,85%	5 721 695	1,85%
Credit Suisse Group AG	5 649 670	1,83%	6 210 905	2,01%
Metalgest - Sociedade de Gestão, SGPS, SA	3 985 488	1,29%	3 985 488	1,29%
ZON Multimédia (Own Shares)	6 373	0,00%	14 006 437	4,53%
Total	232 859 402	75,34%	243 297 627	78,72%

- v) Under the terms of Article 20, paragraph 1 b) and Article 21 of the Securities Code, the above qualifying shareholding is attributable to Isabel José dos Santos, in her capacity as a shareholder of Kento Holding Limited.
- vi) The voting rights corresponding to Espírito Santo Irmãos, SGPS, SA are attributable to Espírito Santo Industrial, SA, Espírito Santo Resources Limited, and Espírito Santo Internacional, SA, companies that control Espírito Santo Irmãos in that order.
- vii) The position of the Fundação José Berardo is reciprocally attributed to Metalgest - Sociedade de Gestão, SGPS, S.A.
- viii) 3.71% of the voting rights are attributable to Joaquim Francisco Alves Ferreira de Oliveira, as he controls GRIPCOM, SGPS, SA, and to Controlinveste International S.A.R.L., which own, respectively, 2.24% and 1.46% of the share capital of ZON Multimédia.
- ix) 99.99% of Ongoing is held by Isabel Maria Alves Rocha dos Santos, to whom its voting rights are therefore attributed.
- x) Visabeira Investimentos Financeiros, SGPS, SA holds 0.99% of the share capital and voting rights in ZON Multimédia, with 1.16% being directly held by Grupo Visabeira, SGPS, SA. Visabeira Investimentos Financeiros, SGPS, SA is 100% owned by Visabeira Estudos e Investimentos, SA, which is 100% owned by Visabeira Serviços, SGPS, SA, which in turn is owned by Grupo Visabeira, SGPS, SA. 74.0104% of the latter is held by Fernando Campos Nunes.
- xi) The shareholding of SGC, SGPS, SA is attributed to its majority shareholder, Dr. João Pereira Coutinho.

13.2. Own shares

Company law regarding own shares requires the establishment of a free reserve in an amount equal to the purchase price of such shares, which becomes frozen until the shares are disposed of. In addition, the applicable accounting rules determine that the gains or losses on the disposal of own shares are stated in reserves.

At 31 March 2009, there were 14,188,826 own shares, representing 4.59% of the share capital, of which 13,607,079 shares were stated as resulting from equity swap contracts and the remaining 581,747 shares were not covered by equity swap contracts.

At 31 March 2010 there were 6,373 own shares, representing 0.00204% of the share capital.

Movements in the periods ended on 31 March 2010 and 2009 were as follows:

	<u>Quantity</u>	<u>Value</u>
Balance as at 1 January 2009	14 313 730	89 633 623
Distribution of treasury shares	<u>(124 904)</u>	<u>(1 034 878)</u>
Balance as at 31 March 2009	<u>14 188 826</u>	<u>88 598 745</u>
Balance as at 1 January 2010	14 006 437	87 236 630
Acquisition of treasury shares	372 238	1 479 350
Sale of treasury shares	(14 006 437)	(86 897 940)
Distribution of treasury shares	<u>(365 865)</u>	<u>(1 878 673)</u>
Balance as at 31 March 2010	<u>6 373</u>	<u>(60 633)</u>

13.3. Reserves

Legal reserve

Company law and ZON Multimédia's Articles of Association establish that at least 5% of the Company's annual net profit must be used to build up the legal reserve until it corresponds to 20% of the share capital. This reserve cannot be distributed except in the event of liquidation of the company, but it may be used to absorb losses after all other reserves have been exhausted, or for incorporation in the share capital.

Other reserves

Movements in the periods ended on 31 March 2010 and 2009 and the composition of "Other reserves" are as follows:

	<u>Free reserves</u>	<u>Other reserves</u>	<u>Total</u>
Balance as at 1 January 2009	149.037.491	42.199.220	191.236.711
Distribution of treasury shares	1.034.878	(1.556.364)	(521.486)
Other	-	(274.785)	(274.785)
Balance as at 31 March 2009	<u>150.072.369</u>	<u>40.368.071</u>	<u>190.440.440</u>
	<u>Free reserves</u>	<u>Other reserves</u>	<u>Total</u>
Balance as at 1 January 2010	151.434.485	45.760.936	197.195.421
Distribution of treasury shares	1.878.673	(1.878.673)	-
Acquisition of treasury shares	1.479.350	(1.479.350)	-
Sale of treasury shares i)	(2.775.239)	(9.855.193)	(12.630.431)
Undistributed profit	-	(20.648)	(20.648)
Share plan (Note 17)	-	134.625	134.625
Share plan - deferred tax	-	253.998	253.998
Derivative financial instruments (see note 14)	-	(4.197.248)	(4.197.248)
Other	-	1.525.210	1.525.210
Balance as at 31 March 2010	<u>152.017.269</u>	<u>30.243.658</u>	<u>182.260.927</u>

- xii) On 29 January 2010 the General Meeting of Shareholders of ZON Multimédia approved the sale of 14,006,437 own shares, representing 4.53% of the Company's share capital to Kento Holding Limited at a unit price of € 5.30 per share, giving a total price of 74 196 999 euros. These shares were registered for the amount of 86 897 940 euros (see Note 13.2), generating a gain of 12 630 431 euros, net of selling commissions.

14. Derivative Financial Instruments

14.1. Exchange rate derivatives

Exchange rate risk is mainly related to exposure resulting from payments made to certain producers of audiovisual content for the Pay TV and audiovisual businesses. Business transactions between the ZON Group and these producers are mainly denominated in US dollars.

Depending on the balance of accounts payable resulting from transactions in a currency different from the Group's operating currency, the ZON Group may contract financial instruments, namely short-term foreign currency futures, in order to hedge the risk associated with these balances. At the date of the statement of financial position there were foreign currency forwards open for 16.831 million dollars (12.2009: 8.126 million dollars), the fair value of which is approximately 293 thousand euros (12.2009: 83 thousand dollars)

14.2. Interest rate derivatives

At 31 March 2010, ZON had contracted seven interest rate swaps totalling 518 750 thousand Euros, six with maturity dates at two years and one at three years, to hedge future interest payments on commercial paper issues. The fair value of the interest rate swaps, totalling -4 197 thousand Euros, is stated on the balance sheet as a contra entry in shareholders' equity, and the amount of 1 139 thousand Euros, relating to interest payable on this financial instrument, is stated in results.

	31-03-2010				
	Asset			Liability	
	Nocional	Current	Non Current	Current	Non Current
Derivative Financial instruments					
Interest rate swaps	518 750 000	-	-	-	5 336 728
	<u>518 750 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5 336 728</u>

At 31 December 2009, the 1 032 thousand euros stated in liabilities included approximately 856 thousand euros relating to the fair value and 175 thousand euros relating to interest on past periods.

	31-12-2009				
	Asset			Liability	
	Nocional	Current	Non Current	Current	Non Current
Derivative Financial instruments					
Interest rate swaps	480 000 000	-	-	-	1 032 109
	<u>480 000 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 032 109</u>

15. Guarantees and financial commitments

15.1. Guarantees

At 31 March 2010 and 2009, the Group had furnished sureties, guarantees and comfort letters in favour of third parties corresponding to the following situations:

	31-03-2010	31-12-2009
Bank guarantees given to other entities:		
Suppliers i)	8 620 637	7 019 560
Tax authorities ii)	22 691 949	20 088 473
Financial institutions iii)	100 000 000	-
Other iv)	7 981 024	7 958 354
	<u>139 293 610</u>	<u>35 066 387</u>
Promissories		
Sport TV v)	<u>-</u>	<u>15 000 000</u>

- xiii) At 31 March 2010, this amount mainly includes 4 714 746 euros relating to bank guarantees furnished to cinema lessors.
- xiv) At 31 March 2010, this amount relates to guarantees sought by the Tax Authorities in connection with tax proceedings contested by the Company and its associates.
- xv) At 31 March 2010, this amount relates mainly to guarantees furnished by ZON Multimédia in connection with the loan from the EIB.
- xvi) At 31 March 2010, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings.
- xvii) At 31 December 2009 there was a promissory note by Sport TV relating to bank finance, which was settled in 2010.

The following guarantees were furnished in connection with the finance obtained by Sport TV totalling 155 million euros: a security financial collateral arrangement in respect of the shares and new shares held by ZON Conteúdos and Sportinveste, SGPS, S.A., a mortgage on the Sport TV building, a lien on rights arising from Sport TV contracts, 5 promissory notes and assignment of credits in guarantee.

15.2. Other undertakings

On 21 November 2008, the Competition Authority approved the acquisition by ZON TV Cabo of exclusive control of TVTel, Bragatel, Pluricanal Leiria and Pluricanal Santarém, subject to a series of undertakings, of which the following are the most significant:

- a) A commitment to encourage the entrance of a competitor in cable television distribution by means of the disposal of a series of network cells and customers in geographical areas where the overlap between the ZON network and that of the acquired companies is most significant;
- b) An undertaking to vacate the areas in secondary and tertiary network infrastructures by removing or selling integrated cables in network cells that are not included in the above undertaking, or that have not been disposed of under the terms of the above undertaking;

- c) A commitment to provide a wholesale national coverage satellite television offer through which any third party can offer Pay TV services nationwide via satellite platforms without the need for network infrastructures.

The EIB loan totalling 100 million euros with a maturity of 6 years is intended exclusively to finance the new generation network investment project. This amount may not in any circumstances exceed 50% of the total cost of the project.

16. Legal actions

16.1. Municipal Wayleave Tax (TMDP) Proceedings

In February 2004, pursuant to Article 13 of the Authorisation Directive (Directive 2002/20/EC of 7 June), Law 5/2004 of 10 February (Electronic Communications Law), established in its Article 106 the Municipal Wayleave Tax (TMDP), as consideration for the "rights and costs of the installation, passage and crossing, in a determined area, of the public and private municipal domain" by the systems, equipment and other resources of companies offering electric communications networks and services to the public. The TMDP charge is levied on "each invoice issued by the companies offering electric communications networks and services to the public at a fixed location to all end clients within the respective municipality", and is calculated on a maximum percentage of 0.25% of the amount of each invoice. Some municipalities, despite approving the TMDP, have continued to collect Occupancy Taxes, while others have opted to maintain the latter taxes rather than approving the TMDP. In the light of legal advice on the matter, the Group is of the view that the TMDP is the only tax that should be collected as consideration for the above mentioned rights, namely the right of installation, for which reason it has challenged the public highway Occupancy Taxes charged to it by municipalities, since it deems such taxes illegal. It should be added that a decision has already been made by some municipalities in connection with an internal appeal, which have either subscribed to the Group's interpretation or decided that they may only opt for one tax or the other, accepting that it is not possible to levy both the TMDP and the public highway Occupancy Tax. Meanwhile, various judicial judgments have been issued on the substantive issue that uphold the position and understanding of ZON TV Cabo, with the result that there are good prospects that this issue will be definitively resolved in favour of ZON TV Cabo in the majority of the Courts.

16.2. Legal actions with regulators

ZON Multimédia and TV Cabo Portugal were the object of a Notification for alleged prohibited practices, under the terms of Article 4 of Law 18/2003 of 11 June, arising from alleged preference and exclusivity clauses in the "Partnership Agreement" signed between ZON Multimédia, ZON TV Cabo Portugal and SIC – Sociedade Independente da Comunicação, S.A. (SIC), on 27 June 2000 in connection with a concentration subject to prior notification relating to the acquisition of Lisboa TV – Informação e Multimédia, S.A. by SIC. Following this Notification, in August 2006 the Competition Authority decided to impose a fine of 2.5 million euros on ZON Multimédia and ZON TV Cabo. ZON Multimédia and ZON TV Cabo Portugal contested the decision in the Lisbon Commercial Court on 8 September 2006. Following this challenge, the Commercial Court, in its judgment of 10 August 2007, declared the administrative offence proceedings partially extinct in relation to the alleged preference clause due to the expiry of the limitation period. The

entire proceedings were declared null and void with effect from 1 September 2005, including the Competition Authority's decision of 8 August 2006. Appeals were lodged against this judgment in the Lisbon Appeal Court by the Competition Authority, ZON Multimédia and TV Cabo Portugal. The Lisbon Appeal Court upheld the decision of the Lisbon Commercial Court. At present, it is not known whether the Competition Authority will re-open proceedings and whether it will decide to impose some sort of fine on ZON Multimédia or ZON TV Cabo. ZON Multimédia believes, based on information from its legal advisers, that these proceedings will not result in any materially relevant impact which could affect its financial statements as at 31 March 2010.

In a decision on 5 January 2009, the Competition Authority ordered the suspension for three months of the promotional offer of Lusomundo cinema tickets to ZON TV Cabo customers linked to the MyZonCard. This suspension period elapsed without being renewed or extended, with the result that it has expired. ZON appealed to the Courts against the suspension decision, and the outcome of the proceedings is awaited.

Regarding the substantive issue, there has as yet been no decision by the Competition Authority.

ZON submitted a bid, via a company to be set up, in a public tender for the licensing of a nationwide freeview general programme service, to be broadcast via terrestrial Hertzian channels. The Regulator of Social Communication decided on 23 June 2009 to disqualify ZON's bid, along with that of another bidder, a decision against which ZON has legally appealed. The outcome of these proceedings is awaited.

By decision on 1 September 2009, the Competition Authority ("AdC") fined ZON Multimédia and ZON TV Cabo Portugal € 8 046 243, corresponding to 2% of turnover in 2003 for the alleged commission of the administrative offence of "abuse of dominant position" in a case which also involves Portugal Telecom, SGPS and PT Comunicações, SA and which relates to events that occurred while ZON Multimédia and ZON TV Cabo Portugal were part of the Portugal Telecom Group.

ZON Multimédia and ZON TV Cabo Portugal appealed to the Courts against the decision. As that appeal has been lodged, there is no need to pay the fine until there is a final court ruling on the legality of the AdC's decision.

On 8 July 2009, ZON TV Cabo was notified by the AdC in connection with administrative offence proceedings relating to the ZON triple-play offer, requesting ZON TV CABO to comment on the content of the notification, which it did in good time.

The case is still under investigation by the AdC; should it conclude that an infringement has occurred, it may levy a fine not exceeding 10% of the company's turnover in last year of infringement.

16.3. Tax authorities

During the course of the 2005 financial year, certain companies of the ZON Group were the subject of a tax inspection for the 2002 financial year. Following this inspection, ZON Multimédia, as the controlling company of the Tax Group, was notified of the corrections made to the Group's tax losses by the Tax

Inspection Service. The Company considered that the corrections were unfounded, and in June 2007 lodged an internal appeal against the corrections.

Additionally, during the course of the 2007 financial year, ZON Multimédia was the subject of a tax inspection for the 2004 and 2005 financial years. Following this inspection, ZON Multimédia was notified to pay 97 308 euros and 408 748 euros, corresponding to the corrections made by the Tax Inspection Service to the 2004 and 2005 financial years, respectively. The Company considered that the corrections were unfounded, and contested the amounts mentioned.

Also during the course of the 2007 financial year, ZON TV Cabo was the subject of a tax inspection for the 2004 and 2005 financial years. Following this inspection, ZON TV Cabo was notified of the corrections made by the Tax Inspection Service regarding Stamp Duty and Corporate Income Tax for those financial years. However, as it disagreed with the corrections made by the Tax Inspection Service, ZON TV Cabo did not pay the corrected values, and has lodged an internal appeal against them. Additionally, ZON TV Cabo has been notified of the corresponding Tax Execution Processes. Due to the fact that there are Internal Appeals pending on these matters, ZON TV Cabo has provided a bank guarantee for the amount of 13 256 994 euros, to suspend those Execution Processes.

In relation to these proceedings, ZON TV Cabo was notified during 2009 of the partial annulment of the corrected amounts, and is legally contesting the remaining amounts.

During the course of the 2008 financial year, ZON TV Cabo Portugal was the subject of a tax inspection for the 2006 financial year. Following this inspection, ZON TV Cabo Portugal was notified to pay 1 875 152 euros, corresponding to corrections made by the Tax Inspection Service to the 2006 financial year. ZON TV Cabo considered that the corrections were unfounded, and in January 2009 lodged an internal appeal against the amounts mentioned.

It should also be mentioned that during the course of that inspection other corrections were made to the Tax Group's taxable income for the financial years mentioned, specifically to the amounts of the tax losses carried forward. ZON Multimédia considers that the corrections are unfounded.

During the course of the 2009 financial year, ZON TV Cabo Portugal was the subject of a tax inspection for the 2007 financial year. Following this inspection, ZON TV Cabo Portugal was notified to pay 1 870 884 euros, corresponding to corrections made by the Tax Inspection Service to the 2007 financial year. ZON TV Cabo considered that the corrections were unfounded, and in November 2009 lodged an internal appeal against the amounts mentioned.

Also during the course of the 2009 financial year, ZON Multimédia was the subject of tax inspections for the 2006 and 2007 financial years.

Following those inspections, ZON Multimédia, as the controlling company of the Tax Group, was notified of corrections made by the Tax Inspectorate to the Group's tax loss. The Company considered that the corrections were unfounded, and is contesting the amounts mentioned.

The Board of Directors of ZON Multimédia, based on information from their tax advisers, believes that these and any other revisions and corrections to the tax declarations for the period under review, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 31 March 2010, except for the situations which were the subject of provisions.

16.4. Actions brought by PT against ZON TV Cabo Madeirense and ZON TV Cabo Açoreana

PT brought an action in Funchal Judicial Court (Criminal and Civil Circuits, 2nd Section, Case no. 35/10.5CFUN) against ZON TV Cabo Madeirense, claiming payment of 1 608 464 euros, plus accrued interest until the date of full settlement, for the alleged use of ducts, supply of the MID service, supply of video and audio channels, the operation, maintenance and management costs of the Madeira/Porto Santo submarine cable and the use of two fibre optic circuits.

ZON TV Cabo Madeirense contested the action, in particular the prices concerned, the services and PT's legitimacy in respect of the ducts. The outcome of the proceedings is awaited.

PT brought an action in Ponta Delgada Judicial Court (1st Judicature, Case no. 97/10.5TBPDL) against ZON TV Cabo Açoreana, claiming payment of 924 641 euros, plus accrued interest until the date of full settlement, for the alleged use of ducts and masts, supply of the MID service and supply of video and audio channels.

ZON TV Cabo Açoreana contested the action, in particular the prices concerned, the services and PT's legitimacy in respect of the ducts and masts. The outcome of the proceedings is awaited.

17. Share incentive scheme

The Share Incentive Scheme approved by the General Meeting of Shareholders on 27 April 2008 for the period 2008/2009, with the aim of promoting employee loyalty, aligning employees' interests with the Company's objectives and creating more favourable conditions for the recruitment of staff of high strategic value, has been implemented in accordance with the principles approved by both the General Meeting and the Board of Directors.

This incentives plan comprises a Standard Plan and a Senior Executive Plan. The Standard Plan is aimed at eligible members selected by the responsible bodies, regardless of the roles they perform. In this plan the vesting period for the assigned shares is five years, starting twelve months after the period to which the respective assignment relates, at a rate of 20% per annum. The Senior Executive Plan is aimed at eligible members classed as Senior Executives, also selected by the responsible bodies. Vesting requires annual authorisation from the Board of Directors.

The maximum number of shares assigned each year to these plans is approved by the Board of Directors and depends exclusively on fulfilment of the performance objectives established for ZON and on the assessment of individual performance.

Under the Share Plans approved in 2008 and 2009, the number of shares vested in 2010 was 369,193 shares.

In addition, the Group recognised liabilities in respect of the 2008 and 2009 Plans, which extend until 2013, totalling 3 677 147 euros – 1 950 854 euros in 2008, 1 591 669 euros in 2009 and 134 625 euros in 2010 (see Note 13.3).

18.Subsequent events

As at the date of issue of the consolidated financial statements for the quarter ended on 31 March 2010 there are no subsequent events to report.

ANNEX I

- 1) Companies included in the consolidation

- 2) Associated companies

- 3) Jointly controlled companies

- 4) Companies recorded at cost

ANNEXED TABLES

1) Companies included in the consolidation

Company	Head Office	Activity	Percentage of Ownership		
			Direct 31.03.2010	Effective 31.03.2010	Effective 31.12.2009
ZON Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, ZON Televisão por Cabo, SGPS, S.A.	Lisbon	Management of investments in the multimedia business			
	Lisbon	Management of investment in television by cable market.	TV Cabo Portugal (100%)	100,00%	100,00%
ZON TV Cabo Portugal, S.A.	Lisbon	Distribution of television by cable and satellite, conception, realization, production and broadcasting of television and programs, operation of telecommunications services.	ZON Multimédia (100%)	100,00%	100,00%
ZON Conteúdos - Actividade de Televisão e de Produção de Conteúdos, S.A.	Lisbon	Production and sale of television programs and advertising management.	ZON Televisão Por Cabo (100%)	100,00%	100,00%
ZON TV Cabo Açoreana, S.A.	Ponta Delgada	Distribution of television signals by cable and satellite in the Azores area.	TV Cabo Portugal (83,82%)	83,82%	83,82%
ZON TV Cabo Madeirense, S.A.	Funchal	Distribution of television signals by cable and satellite in the Madeira area.	TV Cabo Portugal (77,95%)	77,95%	77,95%
ZON Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	ZON Multimédia (100%)	100,00%	100,00%
ZON Lusomundo Cinemas, S.A.	Lisbon	Cinematic exhibition.	ZON Multimédia (100%)	100,00%	100,00%
Lusomundo Moçambique, Lda.	Maputo	Cinematic exhibition.	ZON LM Cinemas (100%)	100,00%	100,00%
Lusomundo España, SL	Madrid	Management of investments relating to activities in Spain in the audiovisuals business.	ZON Multimédia (100%)	100,00%	100,00%
Grafilme - Sociedade Impressora de Legendas, Lda.	Lisbon	Providing services on audiovisual subtitling.	Lusomundo Audiovisuais (55,56%)	55,56%	55,56%
ZON Lusomundo TV, Lda. (a)	Lisbon	Movies distribution.	ZON Audiovisuais SGPS S.A. (100%)	100,00%	100,00%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate.	ZON Multimédia (99,87%)	99,87%	99,87%
Empracine - Empresa Promotora de Actividades Cinematográficas, Lda.	Lisbon	Developing activities on movies exhibition.	Lusomundo SII (100%)	99,87%	99,87%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate.	Lusomundo SII (99,80%)	99,68%	99,68%
Teliz Holding B.V.	Amstelveen	Management of investment	ZON Multimédia (100%)	100,00%	100,00%
ZON Audiovisuais, SGPS S.A.	Lisbon	Management of investment	ZON Multimédia (100%)	100,00%	100,00%
ZON Cinemas, SGPS S.A.	Lisbon	Management of investment	Lusomundo Cinemas (100%)	100,00%	100,00%

(a) The company changed its name. It was previously known as Lusomundo Editores, Lda.;

2) Associated companies

Company	Head Office	Activity	Direct	Effective	Effective
			31.03.2010	31.03.2010	31.12.2009
Distodo - Distribuição e Logística, Lda. ("Distodo")	Lisbon	Stocking, sale and distribution of audiovisual material.	Lusomundo Audiovisuais (50,00%)	50,00%	50,00%
Canal 20 TV, S.A.	Madrid	Distribution of televised products	ZON Multimédia (50,00%)	50,00%	50,00%
Pluricanal Gondomar - Televisão por Cabo, S.A. (a)	Gondomar	Distribution of television by cable and satellite, operation of telecommunications services.	ZON TVCabo (100%)	100,00%	100,00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communication services, production, commercialization and distribution of contents	ZON Multimédia (30%)	30,00%	100,00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by cable and satellite, conception, realization, production and broadcasting of television and programs, operation of telecommunications	Teliz Holding B.V. (30%)	30,00%	30,00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV (100%)	50,00%	50,00%
Dreamia Holding B.V.	Amsterdam	Management of investment	ZON Audiovisuais SGPS (50%)	50,00%	50,00%

(a) This company was excluded from the full consolidation perimeter in view of ZON Multimédia's intention to wind up the company, as it is no longer trading.

3) Jointly controlled companies

Company	Head Office	Activity	Percentage of Ownership		
			Direct	Effective	Effective
			31.03.2010	31.03.2010	31.12.2009
Sport TV Portugal	Lisbon	Conception, production, realization and commercialization of sports programs for telebroadcasting, purchase and resale of the rights to broadcast sports programs for television and provision of publicity services	ZON Conteúdos (50,00%)	50,00%	50,00%

4) Companies recorded at cost

Company	Head Office	Activity	Percentage of Ownership		
			Direct	Effective	Effective
			31.03.2010	31.03.2010	31.12.2009
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	ZON Multimédia (30,00%)	30,00%	30,00%
Filmes Mundáfrica, SARL (a)	Luanda	Cinematic exhibition	ZON Multimédia (23,91%)	23,91%	23,91%
Gesgráfica - Projectos Gráficos, Lda. (a)	Porto	Graphic production	Empresa Recreios Artísticos (20,00%)	18,36%	18,36%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	ZON Multimédia (15,78%)	15,76%	15,76%
Caixanet - Telecomunicações e Telemática, S.A.	Lisbon	Telecommunication services	ZON Multimédia (5,00%)	5,00%	5,00%
Apor - Agência para a Modernização do Porto	Porto	Development of modernizing projects in Oporto	ZON Multimédia (3,30%)	2,04%	2,04%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisbon	Insurance services	ZON Multimédia (0,06%)	0,06%	0,06%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisbon	Insurance services	ZON Multimédia (0,04%)	0,04%	0,04%

(a) The financial investments in these companies are fully provisioned.