

ZON MULTIMÉDIA
SERVIÇOS DE TELECOMUNICAÇÕES E MULTIMÉDIA SGPS, SA

**CONSOLIDATED MANAGEMENT REPORT
FIRST NINE MONTHS 2010**



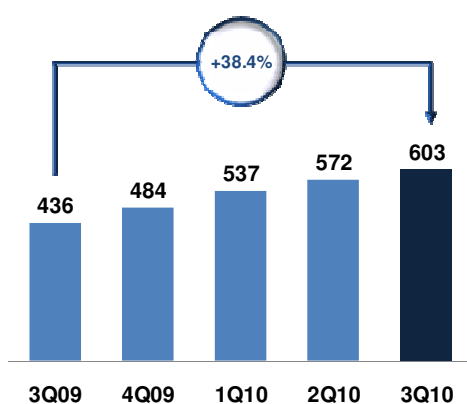
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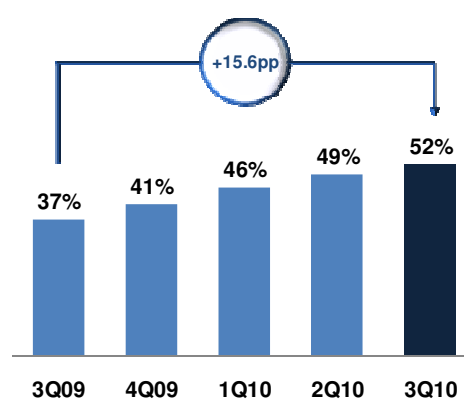
1. ZON in Numbers

Business Indicators (in thousands):

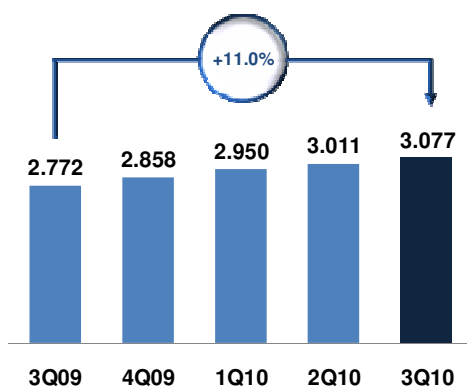
Triple Play Subscribers:



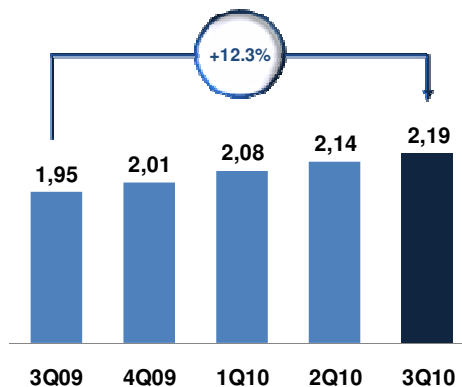
Triple Play Penetration in Cable Customer Base (%):



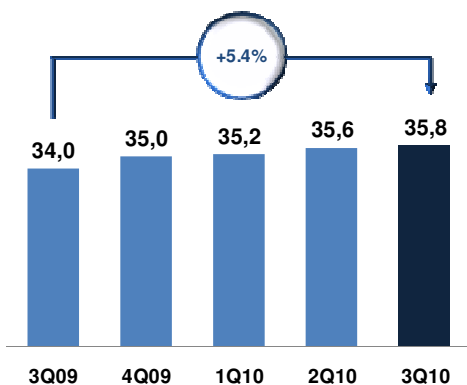
RGUs:



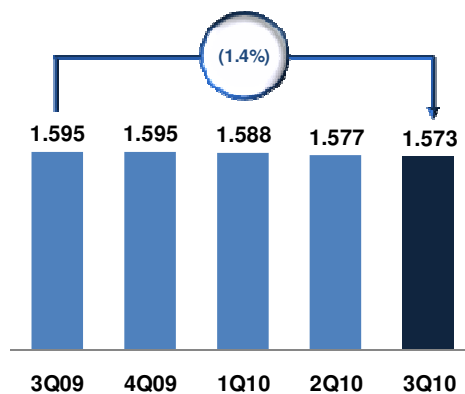
Cable RGUs per Subscriber (units):



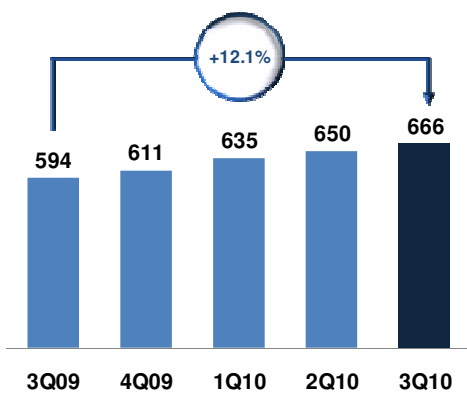
Blended ARPU (Euros):



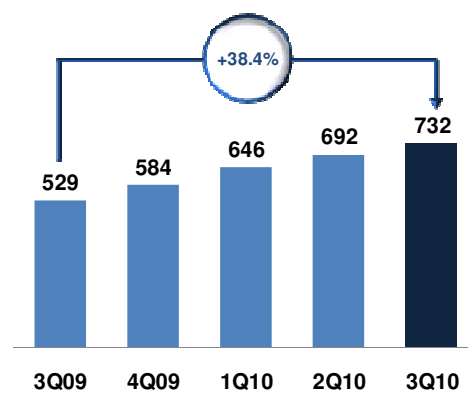
Basic Subscribers:



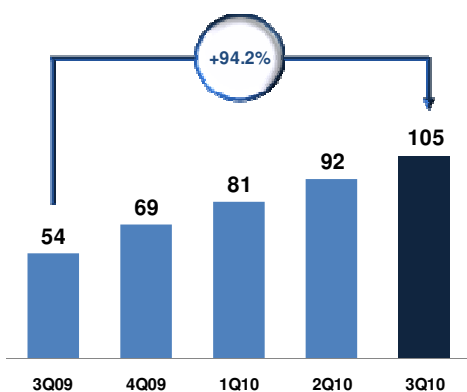
BroadBand Subscribers:



Voice Subscribers:

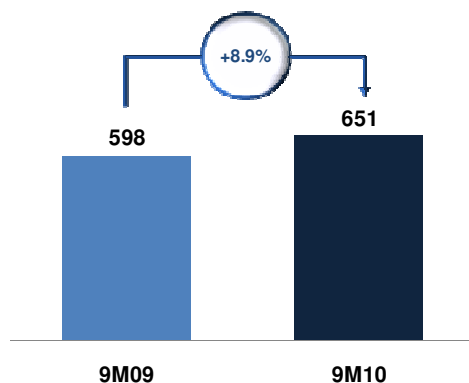


Mobile:

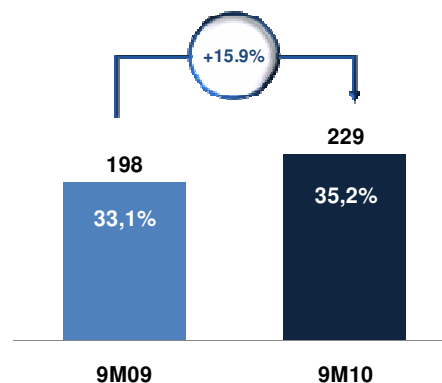


Financial Indicators (in millions of Euros):

Operating Revenues*:

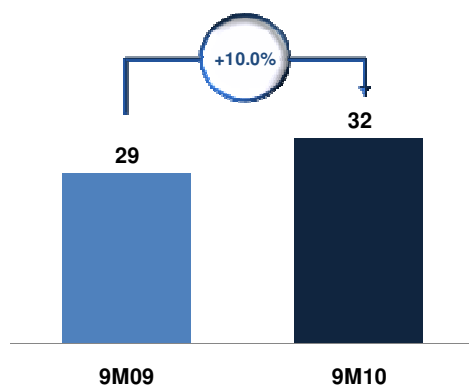


EBITDA*(EBITDA margin as % of Revenues):

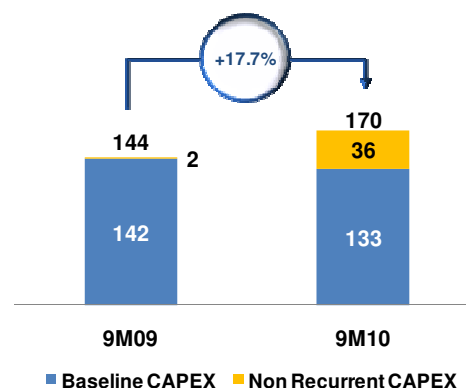


* As in previous quarters, in order to make comparisons with previous periods, the 2009 figures presented above were adjusted to better explain ongoing performance. Therefore, adjustments have been made to 2009 operating revenue and cost lines to reflect the impact of the renegotiation, in 1Q09, of the 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 9M09 resulted in a reduction in revenues of 7.7 million euros, in costs of 4.4 million euros and in EBITDA of 3.3 million euros, and an increase of 3.3 million euros in Other Expenses / (Income), thus not affecting Net Income.

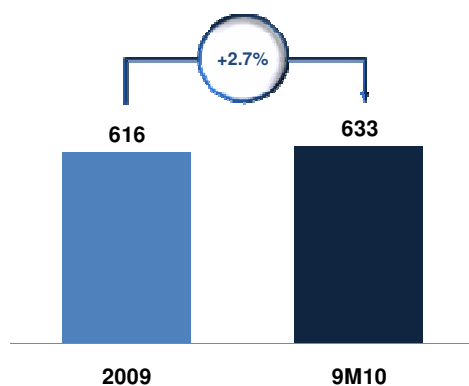
Adjusted Net Income**:



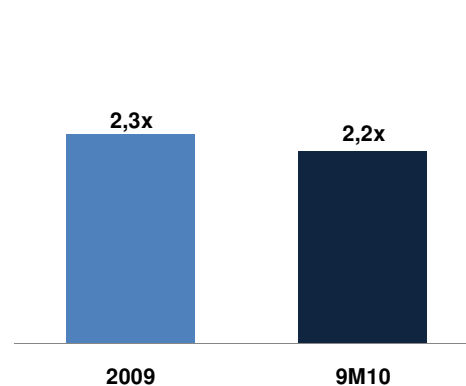
CAPEX:



Net Financial Debt:



Net Financial Debt / EBITDA [x]:



** 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 LisboaTV.

2. Highlights – First Nine Months 2010

Highlights of 9M10 Results	9M09	9M10	9M09 / 9M10
Operational ('000)			
Triple Play Customers	435.9	603.5	38.4%
Triple Play Penetration (%)	36.9%	51.9%	15.0pp
RGUs (1)	2772.2	3076.5	11.0%
Blended ARPU (Euros)	33.4	35.6	6.4%
Financial (Millions of Euros)			
Operating Revenues (2)	597.9	651.3	8.9%
EBITDA (2)	197.7	229.1	15.9%
EBITDA Margin (2)	33.1%	35.2%	2.1pp
Adjusted Net Income (3)	28.7	31.6	10.0%

(1) As from this quarter, total RGUs have been restated to present a comparable aggregate with its cable peer group. As such, total RGUs reported reflect the sum of Pay TV, Broadband, Fixed Voice and Mobile subscribers.

(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 9M09 resulted in a reduction in revenues of 7.7 million euros, in costs of 4.4 million euros and in EBITDA of 3.3 million euros, and an increase of 3.3 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.

ONE OF THE HIGHEST LEVELS OF TURNOVER AND EBITDA GROWTH OF THE SECTOR

- Operating Revenue growth of 8.9% y.o.y. to 651.3 million euros
- EBITDA growth of 15.9% to 229.1 million euros, generating a margin of 35.2% of Revenues, up 2.1 p.p. y.o.y.
- Adjusted Net Income growth of 10% to 31.6 million euros

CONTINUING ROBUST OPERATING PERFORMANCE

- RGU growth of 11% y.o.y.
- 51.9% of the cable base now subscribe to Triple Play bundles, 15.2% to Double Play bundles
- Focus on up selling and value of customer base, resulting in ARPU growth of 6.4% to 35.6 euros
- Continued resilience of Basic subscriber base

STRONG NETWORK CAPEX PROGRAMME REACHING A PEAK IN 2010

- Level of Recurrent CAPEX posting sequential quarter on quarter declines with already high penetration of HD set-top boxes and completion of Eurodocsis 3.0 upgrade;
- Non-Recurrent network investment, “ZON-IN”, to be completed almost entirely in 2010

POSITIVE FCF MOMENTUM ON THE BACK OF NEAR TERM COMPLETION OF ACCELERATED INVESTMENT PROGRAMME

3. Governing Bodies

As at the date of this report, 22 November 2010, the Governing Bodies of ZON had the following composition:

Board of Directors

Chairman of the Board of Directors	Daniel Proença de Carvalho
Chairman of the Executive Committee	Rodrigo Jorge de Araújo Costa
Members of the Executive Committee	José Pedro Faria Pereira da Costa Luis Miguel Gonçalves Lopes Duarte Maria de Almeida e Vasconcelos Calheiros
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
Chairman of the Audit Committee	Vitor Fernando da Conceição Gonçalves
Members of the Audit Committee	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)	3Q09	3Q10	3Q10 / 3Q09	9M09	9M10	9M10 / 9M09
Pay TV, Broadband and Voice						
Homes Passed	3,082.8	3,166.5	2.7%	3,082.8	3,166.5	2.7%
RGUs (1)	2,772.2	3,076.5	11.0%	2,772.2	3,076.5	11.0%
Cable RGUs per Subscriber (units) (2)	1.95	2.19	12.3%	1.95	2.19	12.3%
Basic Subscribers (3)	1,594.7	1,573.1	(1.4%)	1,594.7	1,573.1	(1.4%)
o.w. Cable Subscribers	1,181.5	1,162.7	(1.6%)	1,181.5	1,162.7	(1.6%)
Triple Play Customers	435.9	603.5	38.4%	435.9	603.5	38.4%
% Triple Play Cable Customers	36.9%	51.9%	15.0pp	36.9%	51.9%	15.0pp
o.w. DTH Subscribers	413.2	410.4	(0.7%)	413.2	410.4	(0.7%)
Broadband Subscribers	594.4	666.4	12.1%	594.4	666.4	12.1%
Fixed Voice Subscribers	529.2	732.3	38.4%	529.2	732.3	38.4%
Mobile Subscribers	53.9	104.7	94.2%	53.9	104.7	94.2%
Blended ARPU (Euros)	34.0	35.8	5.4%	33.4	35.6	6.4%

Cinema Exhibition

Revenue per Ticket (Euros)	4.6	4.8	5.2%	4.4	4.7	6.1%
Tickets Sold	2,228.6	2,670.0	19.8%	5,908.3	6,858.2	16.1%
Screens (units)	213	213	0.0%	213	213	0.0%

(1) As from this quarter, total RGUs have been restated to present a comparable aggregate with its cable peer group. As such, total RGUs reported reflect the sum of Pay TV, Broadband, Fixed Voice and Mobile subscribers.

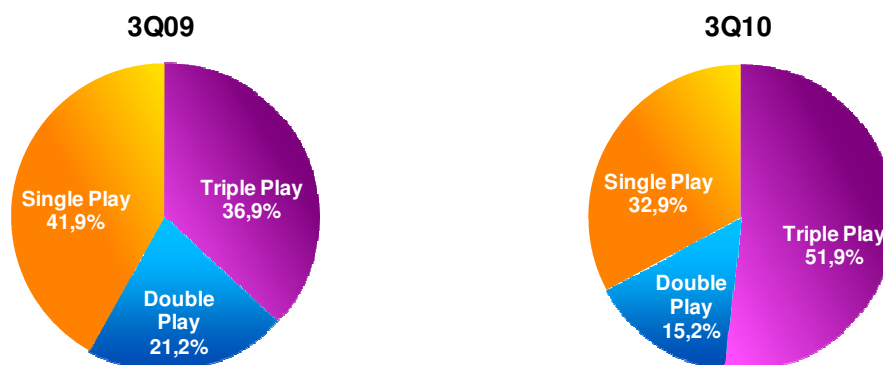
(2) Cable RGUs per Subscriber correspond to the sum of Cable Pay TV, Broadband and Voice Subscribers, divided by the number of Cable Pay TV Customers.

(3) 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.

More than half of ZON's cable customers take Triple Play bundles – 51.9%

Triple Play penetration continues to grow quarter on quarter, reaching 51.9% at the end of 9M10 – 603.5 thousand customers - and representing growth of 2.9 p.p. in the quarter. ZON is one of the leading Triple Play providers across the European cable landscape and clearly the operator that is posting the strongest pace of growth in bundled services. At the end of 9M10, total RGUs amounted to 3.077 million representing growth of 11% compared with 9M09 and an additional 2.2% in 3Q10. As such, RGUs per cable subscriber increased to 2.19, from 1.95 in 9M09.

Cable Customer Breakdown by Profile (%)



The market environment remains competitive and, over recent months, promotional activity has picked up with a number of campaigns targeting acquisition of new customers until the end of the year. Despite the competitive environment, namely promotional activity from the #2 player in the market, ZON has managed to defend its basic subscriber base through continued product and marketing innovation and technological leadership in core services.

Triple Play penetration driving strong ARPU performance

The growth in the average number of services taken by each subscriber is proving a solid driver of revenue growth reflected in the quarter on quarter increase in ARPU. In 3Q10, ARPU reached 35.8 euros, up 5.4% from 3Q09 and up 0.5% in comparison with the previous quarter.

Protection of the Pay TV leadership accompanied by strong growth in digital services

ZON continues to sustain its effective leadership in Pay TV with a customer base of 1.573 million subscribers, posting a marginal decline of 3.8 thousand in comparison with the previous quarter, thus proving its resilience to both the competition in 3Q10 and to the challenging macroeconomic situation.

The best HD content in the market

HD remains at the heart of ZON's content strategy – in 3Q10, ZON further reinforced its unchallenged leadership in HD content with the launch of two more HD channels, “Fashion TV HD” and “Sport TV Liga Inglesa HD” (English Premier League), bringing the total number of HD channels up to 17, significantly ahead of other offers in the market.

Strong growth in digital service penetration

Digitalization of the Pay TV customer base has been an area of particular focus for management as it enables ZON to provide a more interesting and interactive TV viewing experience, translating into higher levels of customer satisfaction. By the end of 9M10, the proportion of the subscriber base that was receiving digital services was 80.9%, representing an increase of 13.4pp from 9M09. The pace of deployment of additional HD set top boxes, “ZON Boxes”, is declining quarter on quarter, due to the fact that penetration is already quite high therefore growth is inevitably slowing down. The

number of HD digital set top boxes installed increased by 72.8 thousand, in 3Q10, compared with 125.1 thousand ZON Boxes in 3Q09 and with 79.9 thousand boxes in 2Q10. The total number of ZON Boxes already installed was 815.6 thousand at the end of 3Q10, 70% of the digital subscriber base, albeit a small proportion of these customers had more than one box installed. Of the total ZON Boxes installed as of 9M10, more than half were non PVR devices.

The largest NGN operator in Portugal – 60% market share

At the end of 3Q10, 666.4 thousand customers were subscribing to broadband services from ZON taking penetration of the cable base up to 57.3%. Due to ZON's superior network coverage with NGN capabilities, take-up of ultra broadband speeds by ZON customers is the highest of the market, with 113 thousand subscribing to "ZON Fibra" offers by the end of 3Q10, already more than 16% of ZON's total Broadband subscriber base. According to the most up to date information from the regulator for the 1H10, ZON has an implied nationwide share of NGN Internet connections of around 60%, more than all other operators put together.

ZON recently announced that it had reached over 200 thousand hotspots in Portugal through its ZON@FON WiFi service, making Portugal one of the countries with the best free WiFi coverage in Europe and providing ZON customers with access to the largest WiFi community in the world with over 2 million hotspots through FON partners. This network is created by a huge WiFi community supported by own users. The network in Portugal is exclusive to ZON Internet customers that have compatible equipment, namely the "ZON Hub" router and as a result, increases the value proposition of ZON's Internet service.

A study published by ANACOM in November brought additional recognition of ZON's leadership status in Broadband technology. The study identifies ZON as the leading Broadband operator in Portugal in terms of real Internet speeds. According to the independent study conducted by ANACOM in partnership with Qmetrics and Ericsson, to determine the "Quality of Internet speeds" in Portugal, ZON is the operator that delivers the closest to maximum rated speeds – 80.6% of the maximum download speed and 84% of the maximum upload speed, by far the best result amongst all other operators.

Continued growth in Fixed Voice

ZON's Fixed Voice customer base continues to post impressive growth, with an additional 40.3 thousand customers in 3Q10, taking the total number of voice customers to 732.3 thousand and representing penetration of the cable base of 63.0%. ZON has been the only Fixed Voice operator to be posting relevant growth in the Portuguese market – during the first half of the year the total market grew by 116 thousand customers, of which 108 thousand were ZON customers. ZON is the second largest Fixed Voice player in the Portuguese Market since 4Q09.

Mobile showing robust trends

ZON's mobile operation is showing positive results with almost 105 thousand customers at the end of 3Q10, nearly double the number of subscribers at the end of 3Q09 with the greatest growth coming from mobile broadband. Our mobile service appeals to customers due to a very attractive offer if already a ZON Triple Play customer, however they are viewed as a mobility complement.

Best Results ever in Customer Service and Distribution Channels

Over the past 3 years, ZON has dedicated significant time, effort and resources to improve the global levels of customer service and satisfaction. We are now reaping the rewards of this investment, on many fronts. Important independent recognition of the improving standards of customer service was

achieved in September with ANACOM's publication of a report on the level of complaints recorded per operator and in which ZON stands out as having one of the best global performances of the sector and far ahead of its largest competitor in terms of Pay TV and Broadband, and at a par in terms of Fixed Voice complaints. DECO (the Portuguese Consumer Association) also recently announced that ZON was the operator with the least number of complaints recorded, relative to the size of the customer base, and when compared with its direct competitors.

In July, ZON announced that it been certified by the APCC (The Portuguese Call Centre Association), an association which monitors that the highest standards of execution and operational control are being employed in call centres. ZON's certification was achieved at all levels of its call centre activity – inbound, outbound and after-sales calls.

ZON is also making material progress in optimizing its distribution channels. The number of own shops has now stabilized at 45 and now represents a significantly higher proportion of the sales mix, as is the case of the “service to sales” channel, whereby, when a problem placed by a customer to the ZON support line is successfully resolved, the operator then takes the opportunity to promote other ZON services. In contrast, more expensive channels, such as door-to-door sales, are beginning to represent a lower proportion of sales and as this sales force is almost entirely outsourced, albeit under ZON's direct supervision and management, it can therefore be scaled back to adjust the cost structure.

Importantly, this transformation in sales mix, together with the greater efficiency and lower level of complaints are translating into important and sustainable declines in operating costs.

Major CAPEX projects to peak in 2010 – migration of primary network almost complete and network GPON ready

ZON has been making significant investments over the past two years to position its network at the forefront of next generation technology. The investment to upgrade the entire network with Eurodocsis 3.0 is now complete and 2.8 million homes are already able to receive broadband speeds of up to 200 Mbps, and technical pilots of 400 Mbps are already being rolled out.

Another important driver of network upgrade has been the investment in cell splitting, a process whereby the capacity available in each cell is multiplied by taking fibre connections closer to the end customer, thus reducing the number of households connected in each cell. The choice to split a cell is taken depending on the level of broadband traffic and penetration of next generation services in a particular cell, and is therefore only done if there are a sufficiently relevant number of high traffic users generating higher levels of ARPU. This success-driven approach to network investment is an important advantage of ZON's HFC network infrastructure in comparison with other technologies which typically have to make very heavy upfront investments and then wait for customers to subscribe to their services.

Finally, ZON's network investments over the past year have been impacted by a number of non-recurrent projects, namely investment in an own data centre (until now leased from the incumbent operator), which took place mostly in 1Q10 and 2Q10, and “ZON-IN”, a project to ensure network independence from the incumbent operator through migration of hubs onto own infrastructure, and roll-out of fibre in the primary network. The time to completion of this project accelerated significantly during 2Q10 and 3Q10 and, as such, by the end of the year, the majority of the project will have been completed. Over 1.8 thousand kms of fibre cable have been deployed with this project, with an average of 96 fibres per cable, and therefore almost 175 thousand kms of optic fibre. Whilst deploying this extensive and capillary optic network, additional capacity was deployed at a very low marginal cost which will also enable ZON to become a reseller of connectivity for the business and wholesale markets. The upfront investment required to develop this project will be more than recovered in the next 3-4 years with the improvement in operational flexibility and the reduction in yearly payments related with

telecom infrastructure costs, currently contracted from the incumbent operator, in addition to the revenue upside from reselling connectivity.

In conclusion, by the end of this year, ZON will have almost completed the investment in an upgraded, GPON-ready, and independent infrastructure covering almost 80% of all first households in Portugal and with more than enough capacity and scalability to accommodate the continuing broadband growth requirements of the foreseeable future.

Audiovisuals and Cinemas

ZON's cinema exhibition business continues to post record results, with the number of tickets sold in 3Q10 reaching 2.67 million, an increase of 19.8% compared with 3Q09 and of 56% when compared to the previous quarter.

Total Cinema Revenues grew by 24.5% to 18.5 million euros in 3Q10 led by the afore mentioned growth in tickets sales and by the higher average revenue per ticket sold of 4.8 euros compared with 4.6 in 3Q09.

This record performance is supported by positive growth in the overall market however ZON has grown more than the remaining operators due to its leading position in terms of technological innovation. Almost all of ZON's 213 cinema screens are digitalized and 66 screens have 3D projection systems - at least two 3D screens per multiplexer - putting ZON at a significant advantage to its main competitors given the increasing number of movies being produced in 3D, and spectator enthusiasm for this format. The number of tickets sold for 3D movies in 3Q10 represented 31% of tickets sold overall. This generates an additional revenue uplift given that a 3D movie commands a premium ticket price when compared to a movie in standard digital format – 39% of box-office revenues came from 3D movies in 3Q10.

The most successful movies in 3Q10 were, "Shrek Forever After", "Twilight Saga: The Eclipse", "Toy Story 3", "Inception" and "The Expendables".

The Audiovisuals business also posted extremely positive growth in revenues of 24.6% to 20.1 million euros in 3Q10 led by a particularly strong performance of the movie distribution business, which helped to more than compensate a decline in revenues from DVD distribution, a structural trend felt across the market in general. ZON's share of movie distribution has also had a solid performance given that it was responsible for distributing many of the blockbuster movies that premiered in the period. Of the top 10 blockbuster films premiered in 3Q10, ZON Lusomundo distributed 5 of them, and of the top 10 in 9M10, ZON Lusomundo distributed 9. The most successful films distributed in 3Q10 were "Shrek Forever After", "Toy Story 3", "The Last Airbender", "The Sorcerer's Apprentice" and "The Expendables".

At Dreamia, ZON's 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), the first nine months of 2010 have been marked by a strong performance in terms of audience shares. The Dreamia channels have increased their share to 5.3% of the total at the end of 9M10, which compares with 4.9% at the end of 9M09. The children's channels continue to clearly lead their market segment, with 58.3% share of total children's channel audience in 9M10, which in turn represents 13.9% of total cable audience.

4.2. Consolidated Financial Review

Profit and Loss Statement (Millions of Euros)	3Q09	3Q10	3Q10 / 3Q09	9M09	9M10	9M10 / 9M09
Operating Revenues	205.0	221.6	8.1%	605.6	651.3	7.5%
Pay TV, Broadband and Voice	183.5	196.3	7.0%	546.3	586.6	7.4%
Audiovisuals	16.1	20.1	24.6%	43.5	54.6	25.4%
Cinema	14.9	18.5	24.5%	39.3	46.2	17.7%
Others and Eliminations	(9.5)	(13.3)	40.1%	(23.5)	(36.1)	53.9%
Operating Costs Excluding D&A	134.8	142.1	5.4%	404.6	422.2	4.4%
W&S	14.8	13.9	(5.9%)	42.2	42.7	1.2%
Direct Costs	58.0	64.0	10.3%	167.9	187.9	11.9%
Commercial Costs ⁽¹⁾	19.3	17.8	(7.4%)	58.3	52.4	(10.1%)
Other Operating Costs	42.7	46.3	8.5%	136.1	139.2	2.3%
EBITDA ⁽²⁾	70.2	79.5	13.2%	201.0	229.1	13.9%
EBITDA Margin	34.3%	35.9%	1.6pp	33.2%	35.2%	2.0pp
Depreciation and Amortization	49.6	55.4	11.8%	135.4	160.6	18.7%
Income From Operations ⁽³⁾	20.6	24.1	16.7%	65.6	68.4	4.2%
Other Expenses / (Income)	(0.0)	0.6	(3735.0%)	1.6	1.1	(33.0%)
Operating Profit (EBIT) ⁽⁴⁾	20.7	23.5	13.5%	64.1	67.4	5.1%
Financial Expenses (Income)	7.1	10.4	45.6%	7.1	26.6	273.0%
Income Before Income Taxes	13.5	13.1	(3.4%)	56.9	40.8	(28.4%)
Income Taxes	(1.2)	(4.1)	235.6%	(14.5)	(8.0)	(44.9%)
Income From Continued Operations	12.3	9.0	(26.9%)	42.5	32.8	(22.7%)
o.w. Attributable to Minority Shareholders	(0.4)	(0.4)	(15.9%)	(1.5)	(1.3)	(16.9%)
Net Income	11.9	8.6	(27.3%)	41.0	31.6	(22.9%)

(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

As in previous quarters, in order to make comparisons with previous periods, the 2009 figures presented above were adjusted to better explain 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 9M09 resulted in a reduction in revenues of 7.7 million euros, in costs of 4.4 million euros and in EBITDA of 3.3 million euros, and an increase of 3.3 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)	3Q09	3Q10	3Q10 / 3Q09	9M09	9M10	9M10 / 9M09
Operating Revenues	203.1	221.6	9.1%	597.9	651.3	8.9%
Pay TV, Broadband and Voice	181.6	196.3	8.1%	538.6	586.6	8.9%
Audiovisuals	16.1	20.1	24.6%	43.5	54.6	25.4%
Cinema	14.9	18.5	24.5%	39.3	46.2	17.7%
Others and Eliminations	(9.5)	(13.3)	40.1%	(23.5)	(36.1)	53.9%
Operating Costs Excluding D&A	133.8	142.1	6.2%	400.2	422.2	5.5%
W&S	14.8	13.9	(5.9%)	42.2	42.7	1.2%
Direct Costs	57.1	64.0	12.2%	163.5	187.9	14.9%
Commercial Costs ⁽¹⁾	19.3	17.8	(7.4%)	58.3	52.4	(10.1%)
Other Operating Costs	42.7	46.3	8.5%	136.1	139.2	2.3%
EBITDA ⁽²⁾	69.3	79.5	14.7%	197.7	229.1	15.9%
EBITDA Margin	34.1%	35.9%	1.8pp	33.1%	35.2%	2.1pp
Depreciation and Amortization	49.6	55.4	11.8%	135.4	160.6	18.7%
Income From Operations ⁽³⁾	19.7	24.1	22.1%	62.3	68.4	9.8%
Other Expenses / (Income)	(0.9)	0.6	n.a.	(1.7)	1.1	n.a.
Operating Profit (EBIT) ⁽⁴⁾	20.7	23.5	13.5%	64.1	67.4	5.1%
Financial Expenses (Income)	7.1	10.4	45.6%	7.1	26.6	n.a.
Income Before Income Taxes	13.5	13.1	(3.4%)	56.9	40.8	(28.4%)
Income Taxes	(1.2)	(4.1)	235.6%	(14.5)	(8.0)	(44.9%)
Income From Continued Operations	12.3	9.0	(26.9%)	42.5	32.8	(22.7%)
o.w. Attributable to Minority Shareholders	(0.4)	(0.4)	(15.9%)	(1.5)	(1.3)	(16.9%)
Net Income	11.9	8.6	(27.3%)	41.0	31.6	(22.9%)
Adjusted Net Income ⁽⁵⁾	11.9	8.6	(27.3%)	28.7	31.6	10.0%

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 9M09 resulted in a reduction in revenues of 7.7 million euros, in costs of 4.4 million euros and in EBITDA of 3.3 million euros, and an increase of 3.3 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 fixed assets ± Other costs/income.

(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

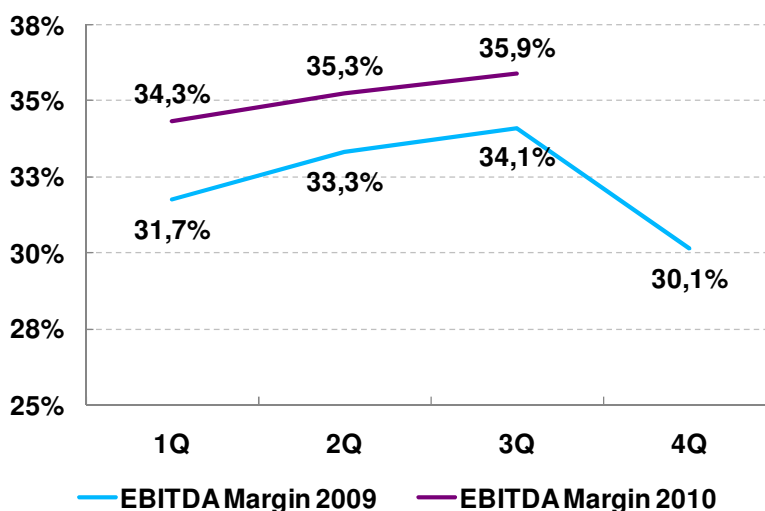
Operating Revenues grew by 9.1% in 3Q10 to 221.6 million euros compared with 3Q09, led by an 8.1% increase in core Pay TV, BB and Voice Revenues to 196.3 million euros, a 24.6% increase in Audiovisuals and a 24.5% increase in Cinema revenues. The increase in Triple Play revenues is the result of continued growth in penetration of multiple service offers with Triple Play penetration reaching 51.9%, compared with 36.9% in 3Q09, an 11% increase in RGUs and a 5.4% increase in ARPU in 3Q10 when compared with 3Q09. The Cinema and Audiovisuals business saw strong improvement in Revenues led by the much higher level of tickets sold, the increasing weight of premium 3D movie tickets and ZON's strong market position in terms of movie distribution and exhibition.

Operating Revenues in 9M10 posted an accumulated increase of 8.9% to 651.3 million euros, comprised of an 8.9% increase in Triple Play revenues, a 25.4% increase in Audiovisuals and a 17.7% increase in Cinema revenues.

EBITDA

EBITDA increased in 3Q10 by 14.7% on a comparable basis to 79.5 million euros, representing a 35.9% margin as a percentage of revenues, compared with 34.1% in 3Q09. EBITDA margin has been posting very positive quarterly trends, up between 1.8 and 2.6 pp from the same quarters in 2009. ZON has been able to deliver continued improvements in EBITDA margins every quarter due to the strong growth in Revenues discussed above and continued efforts to improve operating efficiency and achieve savings in the global cost structure.

EBITDA Margins



Consolidated Operating Costs

Wages and Salaries fell by 5.9% in 3Q10 compared with 3Q09, and by 4.3% compared with the previous quarter. However, the decline compared with 2Q10 was mostly due to the accounting of the new employee share plans. For the full 9M10, wages and salaries were 42.7 million euros, representing a slight increase explained by marginal salary increases at lower ends of the salary scale and a reduction in headcount at our cinema business which was possible due to the digitalization process of all our theatres.

Direct Costs increased 12.2% in 3Q10 to 64 million euros, and by 2.9% compared with 2Q10. The cost areas that most contributed to the increase y.o.y. were the slightly higher level of programming costs due to the introduction of a number of new TV channels and, most significantly, to the increased operating activity in the cinema and audiovisuals area of the business which dictated a higher level of royalty charges payable to producers. Direct costs related with interconnection fees also had a relevant contribution to the y.o.y. change as a result of the increasing levels of voice traffic and also charges associated with the MVNO.

Commercial Costs posted a good performance in 3Q10 with a 7.4% reduction to 17.8 million euros. Almost all the cost drivers within this item fell in comparison with 3Q09, however the most relevant contribution was felt in sales commissions related costs. A lot of focus is being placed on optimizing the weight of the different sales channels, namely by increasing the importance of reactive distribution channels such as inbound telemarketing and of sales through own stores and reducing the weight of more expensive door-to-door sales channels. Accumulated commercial costs in 9M10 were 52.4 million euros, down by 10.1% from 9M09, the primary drivers of the reduction being lower commissions paid.

Other Operating Costs posted a y.o.y. increase of 8.5% to 46.3 million euros, and of just 2.3% in comparison with 2Q10. The increase in comparison with 3Q09 is driven mainly by a 1.8 million euro

increase in support service costs, which was due to the increased level of activity related with reverse logistics (as a result of the efforts to increase the proportion of equipment that is reinjected into the distribution network), and increased capacity of call-centres. An analysis of recent q.o.q. trends of this cost item shows that it has been relatively stable.

Net Income

Net Income was 8.6 million euros in 3Q10, compared with 11.9 million euros in 3Q09. In 9M10, Net Income adjusted for the sale in February 2009 of ZON's 40% stake in Lisboa TV, increased by 10% to 31.6 million euros. The decline in 3Q10 is the result primarily of an increase in net financial expenses, as explained below.

Depreciation and Amortization recorded a significant increase in 3Q10 to 55.4 million euros in comparison with 3Q09, as a result of the accelerated roll-out of terminal equipment over the past two years which appears as CAPEX and is now flowing through the P&L as depreciation. Although depreciation of this item remains at high levels (roughly 34% of depreciation in 9M10), additional investment in terminal equipment is now coming down on a quarterly basis.

Net Financial Expenses in 3Q10 amounted to 10.4 million euros, compared with 7.1 million euros in 3Q09. Net Interest charges in the quarter were 6.9 million euros. The increase in Net Financial expenses in 3Q10 was mainly due to the equity consolidation of ZON's stake in its' Angolan operation, "ZAP", still in a start-up phase, which represented a negative contribution of 3.1 million euros in 3Q10 and cumulative impact in 9M10 of 5.4 million euros. This negative Net Income impact is to be expected until the business starts to breakeven. Albeit, this does not represent an equivalent cash outflow, as can be seen from the cash flow table (Table 5.). This is a greenfield operation which represented so far an immaterial equity investment.

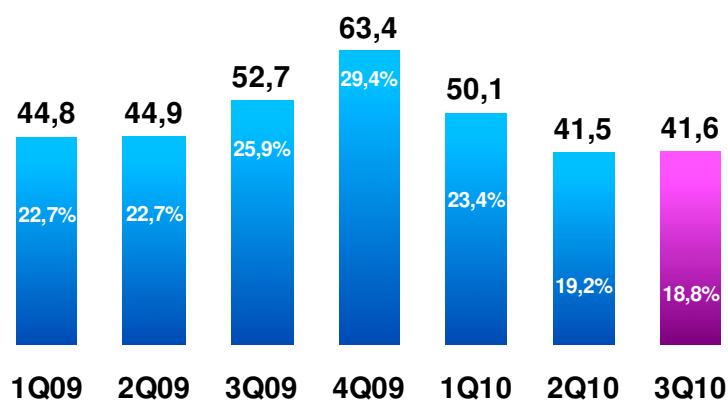
Income Taxes amounted to 4.1 million euros in 3Q10, representing an important increase when compared to 3Q09 and to the previous quarter. In the previous quarter income tax charges had been positively impacted by the increase in corporate tax rate on deferred taxes and by tax benefits for research and development and Next Generation Networks, and therefore are not comparable. In 3Q10 the effective income tax rate was negatively affected by the impact of the consolidation of the Angolan operation, which is not tax deductible.

CAPEX

CAPEX (Millions of Euros)	3Q09	3Q10	3Q10 / 3Q09	9M09	9M10	9M10 / 9M09
Pay TV, Broadband and Voice Infrastructure	25.8	23.3	(9.8%)	66.5	64.7	(2.7%)
Terminal Equipment	24.5	14.9	(39.2%)	68.6	59.5	(13.2%)
Other	2.4	3.5	42.4%	7.2	8.9	22.9%
"Baseline" CAPEX	52.7	41.6	(21.0%)	142.4	133.1	(6.5%)
Long Term Contracts	0.0	2.8	n.a.	0.6	4.9	n.a.
Other Non-Recurrent Items	0.7	15.0	n.a.	1.0	31.6	n.a.
Total CAPEX	53.4	59.4	11.2%	144.0	169.6	17.7%

Total CAPEX in 3Q10 was 41.6 million euros, down 21% in comparison with 3Q09 reflecting a sequential decline quarter on quarter. The main CAPEX item coming down is the level of investment in terminal equipment which was 15 million euros in 3Q10 compared with 24.5 million euros in 3Q09 and 16.8 million euros in 2Q10. The reduction in terminal equipment CAPEX is due to (i) the fact that the level of HD set top penetration is already quite high and (ii) the successful refurbishment and reinjection of terminal equipment into the distribution chain which is translating into very encouraging CAPEX savings. Infrastructure investment in the core Pay TV, BB and Voice business of 64.7 million euros is related with the Eurodocsis 3.0 investments done mostly in the earlier part of the year and to continued cell splitting.

Baseline CAPEX (Millions of Euros)
Baseline CAPEX / Revenues (%)



The higher total CAPEX figure in 9M10 of 169.6 million euros, is the result of significant **Non-Recurrent CAPEX** related with front-ended network investments, namely a new data centre which became operational in 2Q10 and the “ZON-IN” project in which ZON is investing to ensure network independence by deploying own fibre along the primary network and relocating hubs onto own infrastructure. This upfront investment is projected to be close to completion by the end of 2010 and will replace almost entirely the current cash costs associated with the telecom infrastructure contract with the incumbent operator which is scheduled to expire in December 2010. The total investment in “ZON-IN” will be approximately 40-45 million euros and will create significant annual savings on the long term telecom contract lease payments. Pay back on the project is expected in 3-4 years. The lease contract will be maintained for residual parts of our network going forward.

Cash Flow (Millions of Euros)	3Q09	3Q10	3Q10 / 3Q09	9M09	9M10	9M10 / 9M09
EBITDA	70.2	79.5	13.2%	201.0	229.1	13.9%
CAPEX	(53.4)	(59.4)	11.2%	(144.0)	(169.6)	17.7%
Baseline CAPEX	52.7	41.6	(21.0%)	142.4	133.1	(6.5%)
Non-Recurrent CAPEX	0.7	17.8	n.a.	1.6	36.5	n.a.
Non-Cash Items Included in EBITDA minus CAPEX ⁽¹⁾	2.6	9.2	247.4%	10.2	14.7	44.6%
Change in Working Capital	14.5	(6.5)	n.a.	(37.7)	(30.6)	(19.0%)
Operating Cash-Flow	33.9	22.8	(32.8%)	29.4	43.6	48.2%
Long Term Contracts	(13.5)	(12.6)	(6.9%)	(38.4)	(66.6)	n.a.
Net Interest Paid	(2.2)	(1.1)	(49.8%)	(17.0)	(13.9)	(18.4%)
Income Taxes Paid	(1.1)	(5.5)	n.a.	(3.3)	(8.7)	160.5%
Disposals	0.0	0.0	n.a.	6.7	6.7	(0.0%)
Other Cash Movements	(0.0)	(0.1)	n.a.	(1.2)	(0.4)	(64.4%)
Free Cash-Flow	16.9	3.5	n.a.	(23.8)	(39.2)	n.a.

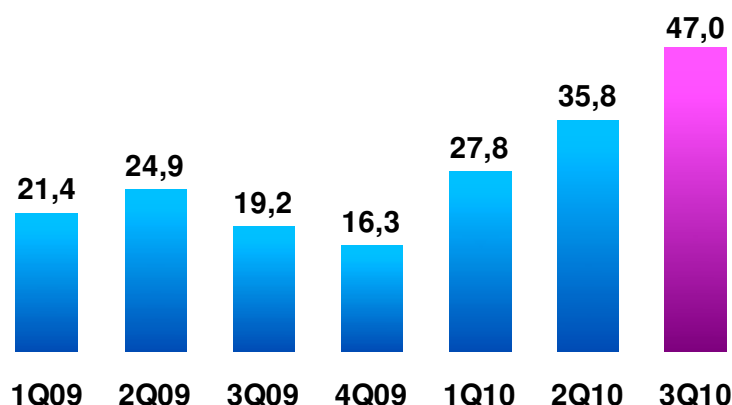
(1) This caption includes non-cash provisions included in EBITDA and non-cash CAPEX related to the upfront capitalization of long term contracts.

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 9M09 resulted in a reduction in revenues of 7.7 million euros, in costs of 4.4 million euros and in EBITDA of 3.3 million euros, and an increase of 3.3 million euros in Other Expenses / (Income), thus not affecting Net Income.

Operating Cash Flow

Operating Cash Flow was impacted by a mix of contrasting effects. On one hand, EBITDA was 14.7% higher than in 3Q10 at 79.5 million euros and Recurrent CAPEX fell by 21% to 41.6 million euros, thus generating EBITDA – Baseline CAPEX (including Non-Cash Items) of 47.0 million euros, 145% higher than in 3Q09.

EBITDA – Baseline CAPEX (Millions of Euros)



However, Operating Cash Flow was negatively affected by the impact of (i) the previously discussed non-recurrent investments in the “ZON-IN” project and Data Centre and by (ii) an increase in investment in Working Capital in 3Q10 caused by a peak in inventory levels of terminal equipment as a result of the substantial increase in the refurbishment of used equipment, due to the higher than expected success of this initiative. The higher levels of inventories will decrease over time to more normalized levels.

Free Cash Flow

Cumulative **FCF** in 9M10 was negatively impacted by an increase in payments for long terms contracts to 66 million euros, the majority of which a front-ended payment related with the Sport TV extension of the Portuguese Football League rights for a further year, thus locking in the contract until the end of the 2012-2013 season.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	2009	9M10
Current Assets	436.4	359.9
Cash and Equivalents	177.0	93.2
Accounts Receivable, Net	185.0	190.2
Inventories, Net	39.9	54.0
Taxes Receivable	21.6	2.7
Prepaid Expenses and Other Current Assets	13.0	19.8
Non-current Assets	1,042.8	1,103.5
Investments in Group Companies	1.3	1.3
Intangible Assets, Net	353.8	352.4
Fixed Assets, Net	554.6	611.7
Deferred Taxes	47.9	50.8
Other Non-current Assets	85.3	87.4
Total Assets	1,479.2	1,463.4
Current Liabilities	544.5	395.7
Short Term Debt	246.5	113.4
Accounts Payable	175.9	176.2
Accrued Expenses	74.7	79.8
Deferred Income	3.7	4.7
Taxes Payable	29.8	11.1
Current Provisions and Other Liabilities	13.9	10.5
Non-current Liabilities	745.0	823.0
Medium and Long Term Debt	722.7	792.3
Non-current Provisions and Other Liabilities	22.3	30.7
Total Liabilities	1,289.5	1,218.8
Equity Before Minority Interests	180.4	234.8
Share Capital	3.1	3.1
Own Shares	(87.2)	(0.0)
Reserves, Retained Earnings and Other	220.5	200.2
Net Income	44.0	31.6
Minority Interests	9.2	9.8
Total Shareholders' Equity	189.7	244.6
Total Liabilities and Shareholders' Equity	1,479.2	1,463.4

Capital Structure

At the end of September 2010, **Net Financial Debt** stood at 632.6 million euros, a decrease of 0.5% in comparison with the end of 2Q10.

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 and 2010.

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 514.3 million euros (approximately 81.3% 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. Already in October, ZON secured a new bond issue in the amount of 133 million euros with a 4-year maturity, on very favourable terms, thereby significantly increasing the average maturity of ZON's financial debt and pushing forward any foreseeable re-financing needs until mid-2012.

At the end of 9M10, ZON's total Net Financial Debt has an average maturity of 2.16 years with an all-in average cost of around 3.45%.

Net Financial Gearing reduced to 72.1% compared with 76.5% at the end of 2009, and **Net Financial Debt / EBITDA** (last 4 quarters) stands at 2.2x, well below the average of ZON's peer group of cable companies. Total Net Debt of 746.9 million euros also includes commitments with Long Term contracts 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	1H10	1H10 / 2009
Short Term	218.2	49.0	(77.6%)
Bank and Other Loans	212.8	44.8	(79.0%)
Financial Leases	5.4	4.2	(22.0%)
Medium and Long Term	609.2	714.6	17.3%
Bank Loans	596.5	701.2	17.5%
Financial Leases	12.7	13.4	5.7%
Total Debt	827.5	763.6	(7.7%)
Cash, Short Term Investments and Intercompany Loans	211.6	127.9	(39.6%)
Net Financial Debt	615.8	635.7	3.2%
Net Financial Gearing ⁽¹⁾	76.5%	72.9%	(3.5pp)
Net Financial Debt / EBITDA	2.3x	2.2x	n.a.

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

International Growth - Angola

ZON's Pay TV joint venture in Angola began to record a marked development in terms of commercial activity primarily stimulated by the launch, in mid-August, of Sport TV Africa that includes the exclusive rights of the Portuguese Football League (Liga ZON Sagres), and other key Portuguese sports competitions exclusively on the "ZAP" network.

In parallel ZAP has been able to secure a very strong content offering in other areas, having close to 100 TV Channels already available, with a clear predominance in Portuguese language channels. With this content offer, ZAP is building a position as the content leader in Angola.

A lot of focus is still being placed on increasing the distribution and retail network and deployment of own stores, with close to 150 Points of Sale already deployed, and early results in terms of customer take-up are proving very encouraging.

5. Consolidated Financial Statements

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

Consolidated Statement of Comprehensive Income for the nine and three month periods ended on 30 September 2010 and 2009

(Amounts stated in euros)

	Notes	30-09-2010 (Unaudited) (a)	3rd Quarter 10 (Unaudited) (a)	30-09-2009 (Unaudited) (a)	3rd Quarter 09 (Unaudited) (a)
REVENUES:					
Services rendered		624 030 437	212 699 897	577 334 120	194 692 508
Sales		23 914 235	7 883 141	24 613 837	9 343 221
Other operating revenues		3 342 268	1 031 508	3 632 595	960 861
	6	651 286 940	221 614 546	605 580 552	204 996 590
COSTS, EXPENSES, LOSSES AND INCOME:					
Wages and salaries		42 727 320	13 888 974	42 224 938	14 758 730
Direct costs	7	187 889 916	64 045 472	167 900 965	58 044 330
Costs of products sold		9 964 181	4 290 529	12 753 971	4 224 882
Marketing and advertising		15 909 260	4 456 940	16 488 377	6 105 618
Support services		52 653 156	17 245 420	46 470 078	15 471 664
Supplies and external services		103 683 839	35 459 688	104 266 017	32 110 835
Other operational costs		450 164	(42 157)	137 340	(227 617)
Taxes		1 231 863	(795 444)	2 262 501	844 409
Provisions and adjustments	8 and 19	7 726 601	3 558 508	12 049 023	3 443 498
Depreciation and amortization	16 and 17	159 985 078	53 792 122	131 596 462	45 635 187
Impairment of assets	16 and 17	653 101	1 632 239	3 790 806	3 942 097
Restructuring costs		682 500	(37 500)	1 200 224	308 740
Losses/(gains) on sale of assets, net		110 228	617 961	225 692	(251 084)
Other losses/(gains), net		265 548	44 467	154 207	(74 848)
		583 932 755	198 157 220	541 520 602	184 336 440
Income before financial results and taxes		67 354 185	23 457 326	64 059 950	20 660 150
Financial costs	9	17 196 238	5 636 054	20 359 470	5 698 029
Net foreign exchange losses/(gains), net		(98 199)	297 586	183 066	29 949
Net losses/(gains) on financial assets, net		9 741	3 470	68 851	-
Equity in earnings of affiliated companies, net	10	5 432 131	3 192 404	(16 934 023)	20 151
Net other financial expenses/(income)	9	4 018 918	1 276 273	3 443 791	1 398 426
		26 558 829	10 405 787	7 121 155	7 146 555
Income before taxes		40 795 356	13 051 539	56 938 796	13 513 596
Income taxes	11	7 970 951	4 050 356	14 458 091	1 206 849
Net consolidated income		32 824 405	9 001 183	42 480 705	12 306 747
Attributable to:					
Minority interests		1 257 794	365 708	1 513 374	434 821
Zon Multimédia Group shareholders		31 566 611	8 635 475	40 967 331	11 871 926
Earnings per share					
Basic	13	0,10	0,03	0,14	0,04
Diluted	13	0,10	0,03	0,14	0,04

(a) Only the half-year and year-end accounts are audited.

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the nine month period ended on 30 September 2010.

Accountant

The Board of Directors

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

Consolidated Statement of Comprehensive Income for the nine month periods ended on 30 September 2010 and 2009

(Amounts stated in euros)

	30-09-2010	30-09-2009
	(Unaudit) (a)	(Unaudit) (a)
Net income	32 824 405	42.480.705
Share incentive scheme	2 139 278	(44.261)
Fair value of interest rate swap (Note 21)	(2 757 079)	(857.600)
Fair value of exchange rate forward (Note 21)	(725 401)	-
Currency translation differences	81 340	203.679
Other movements	39 577	(26.894)
Other comprehensive income	(1 222 285)	(725.076)
Total comprehensive income for the period	31 602 120	41.755.629
Attributable to:		
Share owners of the company	30 344 326	40.242.255
Minority interests	1 257 794	1.513.374
	31 602 120	41.755.629

(a) Only the half-year and year-end accounts are audited.

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the nine month period ended on 30 September 2010.

Accountant

The Board of Directors

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

Consolidated Statement of Financial Position at 30 September 2010 and 31 December 2009

(Amounts stated in euros)

	Notes	30-09-2010	31-12-2009
Assets			
Current assets:			
Cash and cash equivalents	14	93 224 484	176 988 410
Accounts receivable - trade		118 837 026	114 003 190
Accounts receivable - other		71 326 889	70 962 521
Inventories		53 969 856	39 906 212
Taxes receivable	15	2 732 396	21 553 864
Non-current assets held-for-sale		678 218	-
Prepaid expenses		19 129 108	12 990 976
Total current assets		359 897 977	436 405 173
Non-current assets:			
Accounts receivable - other		64 528 061	62 407 027
Investments in participated companies		1 254 314	1 274 970
Available-for-sale financial assets		21 777 351	21 777 351
Intangible assets	16	352 397 693	353 759 291
Tangible assets	17	611 699 137	554 572 281
Investment property		163 096	-
Deferred income tax assets	11	50 770 041	47 913 336
Other non-current assets		884 830	1 073 855
Total non-current assets		1 103 474 523	1 042 778 111
Total assets		1 463 372 500	1 479 183 284
Liabilities			
Current liabilities:			
Borrowings	18	113 410 920	246 539 399
Accounts payable-trade		119 489 789	138 271 322
Accounts payable-other		56 692 250	37 638 158
Accrued expenses		79 794 616	74 734 297
Deferred income		4 740 445	3 734 642
Taxes payable	15	11 124 592	29 757 711
Provisions for other liabilities and charges	19	10 475 505	13 883 093
Total current liabilities		395 728 117	544 558 622
Non-current liabilities:			
Borrowings	18	792 293 735	722 717 780
Accounts payable-other		6 544 043	7 240 829
Accrued expenses		30 919	-
Deferred income		3 078 135	3 476 745
Provisions for other liabilities and charges	19	10 020 964	4 446 323
Deferred income tax liabilities	11	5 607 237	6 075 949
Derivative financial instruments	21	5 446 039	1 032 109
Total non-current liabilities		823 021 072	744 989 735
Total liabilities		1 218 749 189	1 289 548 357
Shareholder's equity			
Share capital	20.1	3 090 968	3 090 968
Treasury shares	20.2	(17 305)	(87 236 629)
Legal reserve	20.3	3 556 300	3 556 300
Other reserves	20.3	151 847 135	197 195 421
Retained earnings		76 350 717	63 779 018
Equity before minority interests		234 827 815	180 385 078
Minority interests		9 795 496	9 249 849
Total equity		244 623 311	189 634 927
Total liabilities and shareholder's equity		1 463 372 500	1 479 183 284

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 30 September 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 nine month periods ended on 30 September 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	(5 503 855)	(84 129 768)	3 556 300	191 236 711	74 466 874	9 030 717	191 747 946
Dividends attributed to minority interests		-	-	-	-	-	-	(1 430 818)	(1 430 818)
Dividends attributed		-	-	-	-	-	(47 217 369)	-	(47 217 369)
Undistributed profit		-	-	-	-	5 068 714	(5 068 714)	-	-
Distribution of treasury shares	20.3	-	2 950 282	3 072	-	(1 662 760)	-	-	1 290 593
Comprehensive income for the period		-	-	-	-	(725 080)	40 967 330	1 513 374	41 755 624
Consolidation differences		-	-	-	-	1 913	7 219	(22 135)	(13 003)
Balance as at 30 June 2009		3 090 968	(2 553 573)	(84 126 696)	3 556 300	193 919 498	63 155 340	9 091 138	186 132 973
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)
Dividends attributed		-	-	-	-	(10 123 224)	(39 332 268)	-	(49 455 492)
Undistributed profit		-	-	-	-	(22 259 040)	22 259 040	-	-
Acquisition of treasury shares		-	(1 681 179)	(4 386)	-	-	-	-	(1 685 565)
Distribution of treasury shares	20.3	-	1 917 616	4 067	-	-	(1 921 683)	-	-
Sale of treasury shares	20.3	-	2 771 245	4 257	-	(669 292)	-	-	2 106 210
Sale of treasury shares - Equity swap	20.3	-	84 071 634	136 071	-	(11 069 897)	-	-	73 137 808
Comprehensive income for the period		-	-	-	-	(1 222 285)	31 566 611	1 257 794	31 602 120
Consolidation differences		-	-	-	-	(4 548)	-	2 716	(1 832)
Balance as at 30 June 2010		3 090 968	(17 250)	(55)	3 556 300	151 847 135	76 350 717	9 795 496	244 623 311

The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the nine month period ended on 30 September 2010.

Accountant

The Board of Directors

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

Consolidated Statement of Cash Flows for the nine month periods ended on 30 September 2010 and 2009

(Amounts stated in euros)

	Notes	30-09-2010	30-09-2009
OPERATING ACTIVITIES			
Collections from clients		768 360 389	722 048 254
Payments to suppliers		(509 667 911)	(431 838 432)
Payments to employees		(43 892 072)	(41 580 656)
Payments relating to income taxes		(8 713 925)	(2 784 897)
Payments relating to indirect taxes and other		10 821 780	(13 361 611)
Cash flow from operating activities (1)		<u>216 908 261</u>	<u>232 482 658</u>
INVESTING ACTIVITIES			
Cash receipts resulting from			
Financial investments		6 666 666	6 666 666
Tangible fixed assets		1 676 147	375 850
Loans granted		33 300 000	18 900 000
Interest and related income		4 879 886	1 844 217
Dividends		298 956	2 156 224
		<u>46 821 654</u>	<u>29 942 957</u>
Payments resulting from			
Tangible fixed assets		(145 947 503)	(154 334 728)
Intangible assets		(19 264 138)	(5 144 513)
		<u>(165 299 993)</u>	<u>(159 675 012)</u>
Cash flow from investing activities (2)		<u>(118 478 339)</u>	<u>(129 732 055)</u>
FINANCING ACTIVITIES			
Cash receipts resulting from			
Loans obtained		892 916 667	1 616 698 500
Distribution of treasury shares		74 314 757	-
		<u>967 231 424</u>	<u>1 616 698 500</u>
Payments resulting from			
Loans obtained		(1 020 251 869)	(1 608 798 500)
Lease rentals (principal)		(66 540 290)	(35 663 006)
Interest and related expenses		(25 114 279)	(25 499 288)
Dividends		(50 177 166)	(49 083 613)
Acquisition of treasury shares		(1 600 296)	-
		<u>(1 163 683 900)</u>	<u>(1 719 044 407)</u>
Cash flow from financing activities (3)		<u>(196 452 476)</u>	<u>(102 345 908)</u>
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(98 022 554)	404 695
Effect of exchange differences		222 542	189 030
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	14	<u>79 188 398</u>	<u>64 032 938</u>

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the nine month period ended on 30 September 2010.

Accountant

The Board of Directors

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

Notes to the Interim Consolidated Financial Statements at 30 September 2010

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

Notes to the Interim Consolidated Financial Statements at 30 September 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 through the distribution of its shares in this company to its shareholders, which then became fully independent from Portugal Telecom.

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

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”) and its associated companies. 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 (MVNO); 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 associated companies 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”), ZON Lusomundo TV, Lda (“ZON Lusomundo TV”), Sport TV Portugal, S.A. (“Sport TV”) and Dreamia – Serviços de Televisão, S.A. (“Dreamia SA”) operate the television and content production business and currently produce movie, television series, sports and children’s channels which are distributed to other operators by ZON TV Cabo and its associated companies. ZON Conteúdos also manages the advertising space on Pay TV channels and in the cinemas of ZON Lusomundo Cinemas, S.A. (“ZON LM Cinemas”).

ZON Lusomundo Audiovisuais, S.A. (“ZON LM Audiovisuais”) and 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 nine month period ended on 30 September 2010 were approved by the Board of Directors and their publication authorised on 22 November 2010.

2. Accounting Policies

The consolidated financial statements were prepared on a going concern basis from the accounting 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.

In 2010 the ZON Group started to apply IAS 40 – Investment Property.

Investment property mainly includes buildings held to generate rents rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. These are initially valued at cost; subsequently, the standard allows companies to choose between: i) the fair value model and ii) the depreciated cost model (less any accumulated impairment losses).

The Group opted for the cost model for the valuation of investment property since use of the fair value model would not have resulted in material differences. An investment property is eliminated from the balance sheet on disposal or when the investment property is taken permanently out of use and no financial benefit is expected from its disposal.

3. Judgements and estimates

During the nine month period ended on 30 September 2010, no significant changes occurred in the accounting estimates compared with those used in the preparation of the financial statements for the year ended on 31 December 2009, nor were any material errors relating to previous financial years recognised.

4. Changes in the consolidation perimeter

In 2009 the following changes took place in the consolidation perimeter which have an impact on the consolidated statement of comprehensive income: i) liquidation of ZON Serviços de Gestão Partilhados, S.A. (“ZON Serviços”); ii) acquisition of 100% of the Dutch company Teliz Holding B.V. (“Teliz”), which owns 30% of the Angolan company FINSTAR – Sociedade de Investimentos e Participações, S.A. (“FINSTAR”); iii) formation of ZON Cinemas, SGPS, S.A. (“ZON Cinemas SGPS”); iv) formation of ZON Audiovisuais, SGPS, S.A. (“ZON Audiovisuais SGPS”).

In 2010, two new companies were included in the consolidation perimeter: Dreamia Holding BV (“Dreamia BV”), 50% owned by ZON Audiovisuais SGPS, and Dreamia SA, 100% owned by Dreamia BV (see Annex I c)).

The impact on the statement of comprehensive income and on the financial position at 30 September 2010 is shown below:

Statement of Comprehensive Income	Dreamia BV	Dreamia SA	Zon Serviços	Teliz	Zon Audiovisuais	Zon Cinemas SGPS	Total
Revenue	60.433	5.000.553	-	-	-	-	5.060.986
Costs	(571.699)	(2.930.325)	390	12.377	(3.199)	(3.199)	(3.495.653)
Operating income/(loss)	(511.266)	2.070.228	390	12.377	(3.199)	(3.199)	1.565.333
Financial results	(28.732)	18.336	825	(5.451.942)	28.840	(87)	(5.432.759)
Other	-	-	(193)	-	-	-	(193)
Income before taxes	(539.998)	2.088.565	1.022	(5.439.565)	25.642	(3.286)	(3.867.619)
Income taxes	-	-	120	-	(11.523)	-	(11.403)
Net income	(539.998)	2.088.565	1.142	(5.439.565)	14.119	(3.286)	(3.879.022)
Statement of Financial Position							
Asset	6.915	5.936.204					
Liability	1.281.731	1.800.764					
	(1.274.816)	4.135.440					

The companies Teliz, ZON Audiovisuais SGPS and ZON Cinemas SGPS were already included in the consolidation perimeter at 31 December 2009, with the result that no impact on the financial position is shown. ZON Serviços was wound up in 2009, with the result that no impact on the financial position is shown.

5. Segment Reporting

5.1. Main report format – Business segments

At 30 September 2009 the ZON Group was organised into three business segments: “Pay TV, broadband and voice”, “Audiovisuais” and “Others”. In 2010 all the companies in the “Others” segment were allocated to the other segments, with the result that the September 2009 amounts have been restated for comparative purposes.

The business segments are as follows:

- ▶ Pay TV, broadband and voice relates mainly to the supply of TV, Internet (fixed and mobile) 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, Teliz Holding B.V. and the Sport TV joint venture.
- ▶ Audiovisuais relates to the supply of video production services and video sales, cinema distribution and cinema exhibition services and the acquisition/negotiation of Pay TV and VOD (video-on-demand) rights and includes the following companies: ZON Audiovisuais, SGPS, S.A., ZON Cinemas, SGPS, S.A., 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”), Empracine – Empresa Promotora de Atividades Cinematográficas, Lda. (“Empracine”) and the joint venture in Dreamia BV and Dreamia SA.

The results by segment for the nine and three month periods ended on 30 September 2010 and 2009 are shown below:

	Pay TV, broadband and voice		Audiovisuals		Group	
	9M10	3rd Quarter	9M10	3rd Quarter	9M10	3rd Quarter
Total segment revenue	589 463 161	197 547 310	91 819 894	34 504 152	681 283 055	232 051 463
Inter-segment revenue	(11 876 209)	(4 321 109)	(18 119 906)	(6 115 809)	(29 996 115)	(10 436 917)
Sales and services rendered	577 586 952	193 226 202	73 699 988	28 388 344	651 286 940	221 614 546
Operational income by segment	59 750 861	20 812 718	7 603 324	2 644 609	67 354 185	23 457 327
Net interest expense and other	19 469 844	6 507 708	1 647 113	702 205	21 116 957	7 209 913
Gains in financial assets	(670)	-	10 412	3 471	9 741	3 471
Share of profit/(loss) from associates	5 492 506	3 201 336	(60 375)	(8 934)	5 432 131	3 192 404
Income before taxes	34 789 182	11 103 673	6 006 174	1 947 865	40 795 356	13 051 539
Income tax expense	6 288 479	3 480 481	1 682 472	569 875	7 970 951	4 050 356
Net income	28 500 703	7 623 193	4 323 703	1 377 991	32 824 405	9 001 183
Other costs:						
Depreciation, amortisation and impairment	155 268 389	53 123 387	5 369 790	2 300 974	160 638 179	55 424 361
Provisions and adjustments	6 490 333	2 809 808	1 236 268	748 701	7 726 601	3 558 508
Costs / (revenues) non-recurrent	793 675	615 495	264 601	9 434	1 058 276	624 929

	Pay TV, broadband and voice		Audiovisuals		Group	
	9M09	3rd Quarter	9M09	3rd Quarter	9M09	3rd Quarter
Total segment revenue	548 835 375	184 385 251	76 620 848	28 678 962	625 456 223	213 064 213
Inter-segment revenue	(2 920 325)	(970 947)	(16 955 346)	(7 096 676)	(19 875 671)	(8 067 623)
Sales and services rendered	545 915 050	183 414 304	59 665 502	21 582 286	605 580 552	204 996 590
Operational income by segment	59 360 808	17 227 480	4 699 142	3 432 670	64 059 950	20 660 150
Net interest expense and other	22 702 034	6 778 273	1 284 292	348 130	23 986 326	7 126 403
Gains in financial assets	68 851	-	-	-	68 851	-
Share of profit/(loss) from associates	(16 885 778)	4 082	(48 245)	16 069	(16 934 024)	20 151
Income before taxes	53 475 701	10 445 125	3 463 095	3 068 471	56 938 797	13 513 596
Income tax expense	13 497 550	372 254	960 541	834 593	14 458 091	1 206 849
Net income	39 978 151	10 072 871	2 502 554	2 233 876	42 480 705	12 306 747
Other costs:						
Depreciation, amortisation and impairment	130 859 332	48 021 122	4 527 936	1 556 162	135 387 268	49 577 284
Provisions and adjustments	11 447 695	3 954 724	601 328	(511 226)	12 049 023	3 443 498
Costs / (revenues) non-recurrent	1 345 287	(194 884)	234 836	177 693	1 580 123	(17 191)

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 30 September 2010 are shown below:

	Pay TV, broadband and voice	Audiovisuals	Eliminations	Not allocated	Group
Assets	1 364 990 183	137 274 648	(113 587 244)	73 440 599	1 462 118 186
Investment in associated companies and joint ven	285 719	968 595	-	-	1 254 314
Total assets	1 365 275 902	138 243 243	(113 587 244)	73 440 599	1 463 372 500
Liabilities	315 177 300	103 003 839	(113 587 244)	914 155 294	1 218 749 189
Investment in tangible assets	157 194 101	3 202 414	-	-	160 396 515
Investment in intangible assets	9 178 998	3 332	-	-	9 182 330

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

	Assets	Liabilities
<u>Not allocated:</u>		
Deferred tax (Note 11)	50 770 041	5 607 237
Income tax expense (Note 15)	51 893	2 843 402
Borrowings - current (Note 18)	-	113 410 920
Borrowings - non current (Note 18)	-	792 293 735
Available-for-sale financial assets	21 777 351	-
Non-current assets held-for-sale	678 218	-
Investment property	163 096	-
	73 440 599	914 155 294

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

	Pay TV, broadband and voice	Audiovisuals	Eliminations	Not allocated	Group
Assets	1 713 592 629	117 789 663	(423 491 750)	70 017 772	1 477 908 314
Investment in associated companies and joi	59 464	1 215 506	-	-	1 274 970
Total assets	1 713 652 093	119 005 169	(423 491 750)	70 017 772	1 479 183 284
Liabilities	637 797 797	98 283 495	(423 491 751)	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

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

	Activos	Passivos
<u>Não alocados:</u>		
Impostos diferidos (Nota 11)	47.913.336	6.075.949
Imposto corrente (Nota 15)	327.085	1.625.687
Empréstimos - correntes (Nota 18)	-	246.539.399
Empréstimos - não correntes (Nota 18)	-	722.717.780
Activos disponíveis para venda	21.777.351	-
	70.017.772	976.958.815

6. Operating Revenue

Consolidated operating revenue in the nine and three month periods ended on 30 September 2010 and 2009 is broken down as follows:

	9M10	3rd Quarter	9M09	3rd Quarter
Services rendered				
Pay TV, Broadband and voice i)	568.415.467	190.363.475	536.329.494	179.673.901
Cinema exhibition ii)	32.416.855	13.177.952	27.937.761	10.654.912
Audiovisuals iii)	23.198.115	9.158.470	13.066.865	4.363.695
	624.030.437	212.699.897	577.334.120	194.692.508
Sales				
Pay TV, Broadband and voice iv)	6.460.327	2.001.598	7.569.768	3.190.070
Cinema exhibition v)	8.930.988	3.744.766	7.242.559	2.893.651
Audiovisuals vi)	8.522.920	2.136.777	9.801.510	3.259.500
	23.914.235	7.883.141	24.613.837	9.343.221
Other operating revenues				
Pay TV, Broadband and voice	2.711.158	861.128	2.015.789	550.333
Cinema exhibition	141.538	24.047	194.216	22.181
Audiovisuals	489.573	146.333	1.422.590	388.347
	3.342.268	1.031.508	3.632.595	960.861
	651.286.940	221.614.546	605.580.552	204.996.590

These operating revenues are shown net of IC eliminations.

- i) This item mainly includes revenue relating to: (a) subscriptions to basic and premium Pay TV services (cable and satellite); (b) broadband Internet access services (Netcabo); (c) IP voice service (VOIP – Voice over Internet); (d) rental of terminal equipment, including set top boxes (Pay TV); (e) MVNO; and (f) advertising on Pay TV channels.
- ii) This item mainly includes box office revenue at the cinemas of ZON LM Cinemas.
- iii) This item mainly includes revenue relating to film distribution to other cinema exhibitors in Portugal and the production and sale of audiovisual content.
- iv) This item mainly includes revenue relating to the sale of terminal equipment, including set top boxes (Pay TV), telephones and MVNO equipment.
- v) This item mainly includes sales of bar products by ZON LM Cinemas.
- vi) This item mainly includes DVD sales.

7. Direct costs of services

In the nine and three month periods ended on 30 September 2010 and 2009, this item was composed as follows:

	9M10	3rd Quarter	9M09	3rd Quarter
Programming and exhibition costs i)	141.989.961	48.597.954	129.999.988	43.513.399
Telecommunications costs ii)	33.322.561	10.833.933	25.966.866	9.720.882
Shared advertising revenues iii)	8.930.526	2.892.707	8.795.228	3.659.607
Others	3.646.868	1.720.878	3.138.882	1.150.441
	<u>187.889.916</u>	<u>64.045.472</u>	<u>167.900.965</u>	<u>58.044.330</u>

- i) Content costs include the costs of programming, exhibition rights, copies of films and the commercialisation of TV channels.
- ii) The variation in telecommunications costs is mainly attributable to the growth in MVNO subscribers and ducts leasing (ORAC) associated with the acquired companies and the expansion of the network.
- iii) Revenues from advertising on Pay TV channels are shared with content producers on the basis of the contractual terms agreed with those entities. This cost item corresponds to the proportion of those revenues attributable to content providers.

8. Provisions and adjustments

	9M10	3rd Quarter	9M09	3rd Quarter
Provisions for other liabilities and charges (see note 19)	(3.179.933)	639.505	2.010.286	515.148
Provision for impairment of trade receivable	10.960.533	2.983.209	10.030.686	2.926.811
Provision for impairment of other receivable	(51.797)	(63.985)	12.454	650
Debts recovery	(2.202)	(219)	(4.403)	889
	<u>7.726.601</u>	<u>3.558.510</u>	<u>12.049.023</u>	<u>3.443.498</u>

9. Finance costs and other net financial charges

In the nine and three month periods ended on 30 September 2010 and 2009, finance costs were composed as follows:

	9M10	3rd Quarter	9M09	3rd Quarter
Interest expense:				
Borrowings	16 222 628	5 389 173	17 051 920	4 152 666
Finance leases	4 008 728	1 075 998	4 577 199	1 537 445
Other	363 587	113 233	574 567	449 458
	<u>20 594 942</u>	<u>6 578 404</u>	<u>22 203 687</u>	<u>6 139 569</u>
Interest earned	(3 398 704)	(942 350)	(1 844 217)	(441 540)
	<u>17 196 238</u>	<u>5 636 054</u>	<u>20 359 470</u>	<u>5 698 029</u>
Other financial costs:				
Comissions and guarantees	5 635 009	1 929 200	3 342 309	1 300 999
Prompt payment discount	3 157	924	11 044	2 394
Other	583 133	173 273	88 222	37 400
	<u>6 221 299</u>	<u>2 103 397</u>	<u>3 441 575</u>	<u>1 340 793</u>
Other financial income:				
Prompt payment discount	-	-	2 216	57 634
Other	(2 202 381)	(827 124)	-	-
	<u>4 018 918</u>	<u>1 276 273</u>	<u>3 443 791</u>	<u>1 398 426</u>

The decrease in interest expense is mainly attributable to the reduction in the average financing cost and in the average level of debt.

The increase in interest earned was mainly attributable to the average increase in fixed term investments, which totalled approximately 14 million euros and 137 million euros in 2009 and 2010 respectively.

10. Losses/(gains) in associated companies

In the nine and three month periods ended on 30 September 2010 and 2009, this item was composed as follows:

	9M10	3rd Quarter	9M09	3rd Quarter
Equity accounting:				
Lisboa TV	-	-	(581 571)	-
Distodo	(60 375)	(8 933)	(47 017)	17 298
Canal 20 TV	1 843	447	5 676	817
Upstar	(17 572)	3 339	3 323	3 323
Finstar i)	5 451 926	3 141 241	-	-
Mstar ii)	56 308	56 308	-	-
	<u>5 432 130</u>	<u>3 192 404</u>	<u>(620 875)</u>	<u>20 151</u>
Gain on sale of Lisboa TV ii)	-	-	(16 313 148)	-
	<u>5 432 130</u>	<u>3 192 404</u>	<u>(16 934 023)</u>	<u>20 151</u>

- iv) 30% financial shareholding in Finstar - Sociedade de Investimentos e Participações, S.A. (held by Teliz Holding BV).

- v) The company MSTAR, SA (100% owned by ZON Multimédia, ZON TV Cabo and ZON Televisão por Cabo SGPS) was formed in the third quarter of 2010. It is not consolidated by the full consolidation method since it is not material.
- vi) In 2009, a gain was realised on the disposal by ZON Conteúdos of 40% of the shareholding in Lisboa TV.

11. 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 municipal surcharge at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 26.5%. With the introduction of the austerity measures in Law 12-A/2010 of 30 September, the latter tax was increased by 2.5% on that part of a company's taxable profit in excess of 2 million euros. 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 the 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 covered by the RETGS are:

- ▶ ZON Multimédia
- ▶ ZON Lusomundo TV
- ▶ Empracine
- ▶ Lusomundo SII
- ▶ ZON Cinemas SGPS
- ▶ ZON Audiovisuais SGPS
- ▶ ZON TV Cabo
- ▶ ZON Televisão por cabo SGPS
- ▶ 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 contributions relating to financial years prior to 2001), except where tax losses have occurred or tax benefits have been obtained or inspections, appeals or disputes are in progress, in which case, 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 30 September 2010, except for the situations which were the subject of provisions.

2) Deferred tax

ZON Multimédia and its associated companies 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 date of the statement of financial position.

The movements in deferred income tax assets and liabilities in the nine months ended on 30 September 2010 and 2009 were as follows:

	Result (see note 11 b))			Equity		30-09-2010
	31-12-2009	Deferred taxes of the period	Changes in the income tax rate	Deferred taxes of the period	Other movements	
Deferred income tax assets:						
Provisions and adjustments:						
Doubtful accounts receivable	6 638 511	146 138	476 088	-	876 985	8 137 722
Inventories	1 454 932	(32 210)	86 214	-	-	1 508 936
Other provisions and adjustments	15 761 044	2 014 461	1 315 129	593 922	(489 643)	19 194 913
Intergroup gains	23 240 500	(1 743 037)	-	-	(387 342)	21 110 121
Tax losses carried forward	818 349	-	-	-	-	818 349
	<u>47 913 336</u>	<u>385 352</u>	<u>1 877 431</u>	<u>593 922</u>	<u>-</u>	<u>50 770 041</u>
Deferred income tax liabilities:						
Revaluation of fixed assets	6 075 949	(951 093)	482 381	-	-	5 607 237
Net deferred tax	<u>41 837 387</u>	<u>1 336 445</u>	<u>1 395 050</u>	<u>593 922</u>	<u>-</u>	<u>45 162 804</u>

	Result (see note 11 b))			Equity		30-09-2009
	31-12-2008	Deferred taxes of the period	Use of tax losses	Deferred taxes of the period	Other movements	
Deferred income tax assets:						
Provisions and adjustments:						
Doubtful accounts receivable	6 738 439	(100 666)	-	-	397 846	7 035 619
Inventories	1 336 914	152 069	-	-	-	1 488 983
Other	12 780 610	1 635 090	2 406	15 959	(317 416)	14 116 649
Tax losses carried forward	36 798 910	238 930	(13 758 407)	-	(80 430)	23 199 003
	<u>57 654 873</u>	<u>1 925 423</u>	<u>(13 756 001)</u>	<u>15 959</u>	<u>-</u>	<u>45 840 254</u>
Deferred income tax liabilities:						
Revaluation of fixed assets	6 984 447	(1 113 284)	-	-	-	5 871 163
Net deferred tax	<u>50 670 426</u>	<u>3 038 707</u>	<u>(13 756 001)</u>	<u>15 959</u>	<u>-</u>	<u>39 969 091</u>

The revaluation of fixed assets at 30 September 2010 includes approximately 5.596 million euros (2009: 6.224 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 were 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 Group's companies, which are regularly revised and updated.

Under the terms of current legislation in Portugal, tax losses may be carried forward for a period of four years after they occur (six years for tax losses generated up to 2009) and may be deducted from taxable profits generated during that period.

At 30 September 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.

3) Tax rate reconciliation

In the nine month periods ended on 30 September 2010 and 2009, the reconciliation between the nominal rates and the effective tax rate is as follows:

	9M10	9M09
Income before taxes	40 795 356	56 938 796
Statutory tax rate	26,5%	26,5%
Estimated tax	<u>10 810 769</u>	<u>15 088 781</u>
Permanent differences i)	1 220 743	(131 750)
Differences in tax rate of the Açores and Madeira	(536 628)	(575 686)
Estimated corporate tax corrections	158 064	33 763
Fiscal benefits ii)	(3 545 498)	-
Changes in the income tax rate iii)	(637 577)	-
Others	501 079	42 983
Income tax	<u>7 970 951</u>	<u>14 458 091</u>
Effective Income tax rate for the period	<u>19,5%</u>	<u>25,4%</u>
Income tax	10 702 446	3 740 798
Deferred tax	<u>(2 731 495)</u>	<u>10 717 293</u>
	<u>7 970 951</u>	<u>14 458 091</u>

vii) At 30 September 2010 and 2009 the permanent differences were composed as follows:

	<u>9M10</u>	<u>9M09</u>
Financial costs not accepted for fiscal purposes	460 106	2 846 297
Provisions	(2 660 173)	2 036 415
Depreciations and amortizations	1 558 334	2 155 874
Equity method (Note 10)	5 432 131	(620 875)
Other	(183 820)	(6 914 884)
	<u>4 606 578</u>	<u>(497 172)</u>
	<u>26,5%</u>	<u>26,5%</u>
	<u>1 220 743</u>	<u>(131 750)</u>

viii) The reduction in tax results from the application by ZON TV Cabo of the SIFIDE (Business Research and Development Incentives System) tax benefit introduced by Law 40/2005 of 3 August and of the RFAI (Investment Tax Incentive Regime) introduced by Law 10/2009 of 10 March. This figure corresponds to the amount of the tax benefit calculated for the years 2006 to 2010 to be deducted from taxable income in 2010.

ix) Application of the new tax rate of 2.5% for the state surcharge, which had an impact of 1.395 million euros on the revision of the amounts of deferred tax assets and liabilities and a negative impact on current tax.

The decrease in the effective rate of tax is mainly due to: i) effect of Finstar Equity method; ii) deductions from taxable income relating to SIFIDE and RFAI; iii) the income from the reduction in the provision for miscellaneous contingencies (see note 19); and iv) the application of the IRC surcharge. All these effects are compensated by the gain realised on the disposal of the shareholding in Lisboa TV, on 2009, that was taxed on 50% of the amount;

12.Dividends

The General Meeting of Shareholders held on 19 April 2010 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.16 euros, totalling 49 455 492 euros, relating to the net profit for the year ended on 31 December 2009 of 39 332 268 euros plus free reserves totalling 10 123 224 euros.

Up to June 2010, dividends totalling 714 865 euros (2009: 1 430 818 euros) were also paid to minority shareholders of the companies ZON TV Cabo Madeirense, ZON TV Cabo Açoreana and Grafilme.

The General Meeting of Shareholders held on 28 April 2009 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.16 euros, totalling 49 455 492 euros, relating to the net profit for the year ended on 31 December 2008 of 46 749 904 Euros plus retained earnings totalling 2 705 588 Euros. The dividend attributable to own shares, totalling 2 238 123 Euros, was transferred to retained earnings.

13.Earnings per share

Earnings per share for the nine and three month periods ended on 30 September 2010 and 2009 were calculated taking into account the following amounts:

	<u>9M10</u>	<u>2nd Quarter</u>	<u>9M09</u>	<u>2nd Quarter</u>
Net income attributable to equity holders of the parent	31 566 611	8 635 475	40 967 331	11 871 926
Weighted average number of ordinary shares in issue	307 860 230	309 490 687	294 971 756	295 090 391
Basic earnings per share	0,10	0,03	0,14	0,04
Diluted earnings per share	0,10	0,03	0,14	0,04

Since, in the nine and three month periods ended on 30 September 2010 and 2009, there are no diluting effects on the earnings per share, the diluted earnings per share is equal to the basic earnings per share.

14.Cash and cash equivalents

At 30 September 2010 and 31 December 2009, this item was composed as follows:

	<u>30-09-2010</u>	<u>31-12-2009</u>
Cash	1 182 410	2 372 992
Deposits	9 634 821	24 948 642
Term deposits i)	<u>82 407 253</u>	<u>149 666 776</u>
	<u>93 224 484</u>	<u>176 988 410</u>

- x) At 30 September 2010, term deposits had short-term maturities, with approximately 32 million euros maturing in October 2010 and the balance in December 2010. The term deposits bear interest at normal market rates.

The difference in the amount of cash and cash equivalents in the consolidated financial statement and the cashflow statement is the bank overdraft of 14.036 million euros.

15. Taxes payable and receivable

At 30 September 2010 and 31 December 2009, this item was composed as follows:

	30-09-2010		31-12-2009	
	Receivable	Payable	Receivable	Payable
Value-added tax	2 469 995	6 197 598	19 704 896	25 806 325
Income taxes	51 893	2 843 402	327 086	1 625 687
Social Security contributions	-	925 527	-	963 502
Personnel income tax withholdings	-	1 054 743	-	1 143 063
Taxes in foreign countries	-	6 856	-	7 879
Other	210 508	96 466	1 521 882	211 255
	<u>2 732 396</u>	<u>11 124 592</u>	<u>21 553 864</u>	<u>29 757 711</u>

At 30 September 2010, the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	30-09-2010	31-12-2009
Receivable taxes	51 893	327 086
Payable taxes	(2 843 402)	(1 625 687)
	<u>(2 791 509)</u>	<u>(1 298 601)</u>
Current income taxes estimative i)	(11 344 424)	(7 515 070)
Payments on account	6 446 197	4 007 227
Withholding income taxes	2 054 825	1 882 156
Income tax receivable	51 893	327 086
	<u>(11 344 424)</u>	<u>(7 515 070)</u>

xi) The amount relating to the estimated current tax on income was recorded as a contra entry in the following items:

	30-09-2010	31-12-2009
Income taxes (Note 11)	(10 702 446)	(7 403 836)
Other	(641 978)	(111 234)
	<u>(11 344 424)</u>	<u>(7 515 070)</u>

16. Intangible assets

In the first nine months of 2010, the movements in acquisition costs and accumulated amortisation in this item were as follows:

	31-12-2009	Increases	Foreign currency translation adjustments	Other	30-09-2010
Cost:					
Industrial property and other rights	417.783.360	57.629.382	(1.627)	(868.696)	474.542.419
Goodwill	175.497.342	-	-	-	175.497.342
Other intangible assets	5.191.442	1.464.577	-	-	6.656.019
Intangible assets in-progress	338.493	4.859	-	-	343.352
	<u>598.810.637</u>	<u>59.098.818</u>	<u>(1.627)</u>	<u>(868.696)</u>	<u>657.039.132</u>
Accumulated amortization:					
Industrial property and other rights	242.961.135	57.984.561	(1.393)	80.167	301.024.470
Other intangible assets	2.090.211	1.526.758	-	-	3.616.969
	<u>245.051.346</u>	<u>59.511.319</u>	<u>(1.393)</u>	<u>80.167</u>	<u>304.641.439</u>
	<u>353.759.291</u>	<u>(412.501)</u>	<u>(234)</u>	<u>(948.863)</u>	<u>352.397.693</u>

At 30 September 2010, the item "Industrial property and other rights" mainly comprises a net amount of 93.627 million euros (104.807 million euros at 31 December 2009) relating to exclusive satellite capacity acquisition contracts between ZON TV Cabo Portugal and Hispasat, which are recorded as finance leases.

The balance mainly relates to i) contracts for the acquisition of exclusive distribution network capacity utilisation rights; ii) the contract entered into with PPTV - PUBLICIDADE DE PORTUGAL E TELEVISAO, S.A. for the acquisition of broadcasting rights for the professional football matches of the Liga Sagres and the Liga Vitalis. This contract relates to the broadcasting rights for four football seasons, but only the amount which relates to the 2010/2011 season is recorded in "Intangible Assets", as the rights are being depreciated over the entire length of the football season.

At 30 September 2010 and 31 December 2009, Goodwill relating to controlled companies was distributed as follows:

	30-09-2010	31-12-2009
TVTEL	78.334.505	78.334.505
ZON LM Audiovisuais	52.164.339	52.164.339
ZON LM Cinemas	24.436.167	24.436.167
Bragatel	10.198.608	10.198.608
Pluricanal Santarém	5.065.438	5.065.438
ZON TV Cabo Madeirense	3.928.957	3.928.957
Pluricanal Leiria	1.361.828	1.361.828
Teliz	7.500	7.500
	<u>175.497.342</u>	<u>175.497.342</u>

In 2009 impairment tests were performed based on assessments of the current use value and in accordance with the discounted cash flow method. The amounts in these assessments are based on the historical performances and

forecast growth of the businesses and their markets, incorporated in medium to long term plans approved by the Board. These estimates are based on the following assumptions:

	Pay TV, broadband and voice	ZON LM Audiovisuais	ZON LM Cinemas
Discount rate	8,0%	8,0%	8,0%
Assessment period	8 years	8 years	3 years
EBITDA* growth	9,80%	1,00%	2,30%
Perpetuity Growth rate	2,0%	2,0%	2,0%

* EBITDA = Operating Income + Depreciation and Amortisation

The number of years specified in the impairment tests depend on the degree of maturity of the various businesses and markets, and were determined on the basis of the most appropriate criterion for the valuation of each cash-generating unit. Where the forecast market growth, revenue and cash flow are higher than the perpetuity growth rate after 2014, the assessments are performed for periods longer than 5 years, which is normal market practice in valuing telecommunications and Pay TV businesses.

17. Tangible assets

In the first nine months of 2010, the movements in acquisition costs and accumulated depreciation in this item were as follows:

	31-12-2009	Increases	Impairment	Foreign currency translation	Transfers, write-off and other	30-09-2010
Cost						
Land	2 547 666	-	-	-	(453 673)	2 093 993
Buildings and other constructions	53 454 397	1 032 189	-	(20 738)	(1 101 410)	53 364 438
Basic equipment	1 000 279 349	141 683 158	-	(1 638)	(1 496 732)	1 140 464 137
Transportation equipment	9 902 859	2 105 730	-	(216)	(1 161 321)	10 847 052
Tools and dies	351 122	982	-	(184)	(120)	351 800
Administrative equipment	122 632 659	7 907 932	-	(3 627)	150 230	130 687 194
Other tangible assets	26 863 343	1 470 656	-	-	150 474	28 484 473
Tangible assets in-progress	14 641 795	6 195 869	-	-	(3 623 833)	17 213 831
	<u>1 230 673 190</u>	<u>160 396 516</u>	<u>-</u>	<u>(26 403)</u>	<u>(7 536 385)</u>	<u>1 383 506 918</u>
Accumulated depreciation						
Buildings and other constructions	24 653 495	2 947 959	-	(4 453)	(759 904)	26 837 097
Basic equipment	547 360 871	80 937 788	653 101	(1 159)	(2 785 328)	626 165 273
Transportation equipment	5 317 641	1 581 904	-	(217)	(1 088 352)	5 810 976
Tools and dies	321 791	12 622	-	(180)	(90)	334 143
Administrative equipment	75 455 346	12 408 138	-	(3 147)	(775 683)	87 084 654
Other tangible assets	22 991 765	2 585 348	-	-	(1 475)	25 575 638
	<u>676 100 909</u>	<u>100 473 759</u>	<u>653 101</u>	<u>(9 156)</u>	<u>(5 410 832)</u>	<u>771 807 781</u>
	<u>554 572 281</u>	<u>59 922 757</u>	<u>(653 101)</u>	<u>(17 247)</u>	<u>(2 125 553)</u>	<u>611 699 137</u>

The 653 thousand euros of impairment increases relate mainly to equipment (set-top boxes and other customer terminal equipment) which is not generating revenue because of deactivation of the service by the customer.

Tangible assets also include basic equipment related to customer networks and distribution networks installed on third party property or in the public domain, representing a net value of 416 million euros (2009: 361 million euros). This equipment includes network terminal equipment involving a total investment in 2010 of 66 million euros (2009: 111 million euros), and which had a net value of 221 million euros at the end of the period.

18. Borrowings and loans

At 30 September 2010 and 31 December 2009, the details of loans obtained were as follows:

	30-09-2010		31-12-2009	
	Current	Non Current	Current	Non Current
Bank loans:				
Internal loans	11 345 208	55 853 713	15 000 500	-
Bank overdrafts	14 036 086	-	-	-
Foreign loans	-	96 987 050	-	96 535 106
Commercial paper	30 000 000	450 000 000	113 712 500	430 000 000
Debenture loan	-	70 000 000	-	70 000 000
Equity swaps over own shares	-	-	84 122 701	-
Other loans:	-	-	-	-
Financial Leases - capacity and contents utilisation rights	52 382 953	104 299 754	28 070 670	111 893 152
Financial Leases - other	5 646 673	15 153 218	5 633 028	14 289 522
	<u>113 410 920</u>	<u>792 293 735</u>	<u>246 539 399</u>	<u>722 717 780</u>

18.1. Internal loans

At 30 September 2010, the current and non-current parcels relate to the Group's share of the loans contracted by Sport TV totalling 68.500 million euros (12.000 million euros current and 56.500 million euros non-current), maturing in 2013.

18.2. Bank overdrafts

At 30 September 2010, there were approximately 14.036 million euros in bank overdrafts. The contracted overdraft limit is 72.000 million euros.

18.3. 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.

The amount of 3.013 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.

18.4. Commercial paper

The Company has borrowings of 480.000 million euros in the form of commercial paper contracted with eight banks, corresponding to six programmes. All the issues to date have payment scheduled for 2010 and bear interest at

market rates. Of these, the Company has contracted four grouped commercial paper programmes with maturities of over 1 year, totalling 400.000 million euros (issues of which totalled 375.000 million euros at 30 September 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, is classified as non-current for the purposes of presentation in the statement of financial position. The remaining programmes are classified as current.

18.5. Debenture loans

The bonds issued by ZON Multimédia in October and November 2009 totalling 70 000 000 euros, with a maturity of 3 years, half-yearly interest payments and repayment at par at the end of the contracts, issued via two banks, were admitted to trading on the Euronext Lisbon market.

On 23 August, 40 000 registered book-entry bonds with a nominal unit value of 1000 euros representing the "ZON 2009/2012" debenture loan, totalling 40 000 000 euros, were admitted to trading.

On 20 September, 600 registered book-entry bonds with a unit value of 50 000 euros representing the "ZON 2009/2012" debenture loan, totalling 30 000 000 euros, were admitted to trading.

18.6. 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 84.123 million euros (see Note 20.3).

18.7. Finance Leases

At 30 September 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 of broadcasting rights for the professional football matches of the Liga Sagres and Liga Orangina.

Finance Leases

	30-09-2010	31-12-2009
Financial leases - payments:		
Until 1 year	63 007 661	38 498 705
Between 1 and 5 years	99 393 778	94 281 995
Over 5 years	34 515 124	48 166 187
	<u>196 916 563</u>	<u>180 946 887</u>
Future financial costs	(19 433 965)	(21 060 515)
Present value of finance lease liabilities	<u>177 482 598</u>	<u>159 886 372</u>
	30-09-2010	31-12-2009
The present value of the finance lease liabilities:		
Until 1 year	58 029 626	33 703 698
Between 1 and 5 years	86 941 181	80 807 747
Over 5 years	32 511 791	45 374 927
	<u>177 482 598</u>	<u>159 886 372</u>

All bank loans obtained and finance leases contracted are negotiated at variable short term interest rates and their book value is therefore broadly similar to their fair value.

The maturities of the loans obtained are as follows:

	30-09-2010			31-12-2009		
	Until 1 year	Between 1 and 5 years	Over 5 years	Until 1 year	Between 1 and 5 years	Over 5 years
Internal loans	11 345 208	55 853 713	-	15 000 500	-	-
Bank overdrafts	14 036 086	-	-	-	-	-
Foreign loans	-	96 987 050	-	-	-	96 535 106
Commercial paper	30 000 000	450 000 000	-	113 712 500	430 000 000	-
Debenture loan	-	70 000 000	-	-	70 000 000	-
Equity swaps over own shares	-	-	-	84 122 701	-	-
Financial Leases	<u>58 029 626</u>	<u>86 941 181</u>	<u>32 511 791</u>	<u>33 703 698</u>	<u>80 807 747</u>	<u>45 374 927</u>
	<u>113 410 920</u>	<u>759 781 944</u>	<u>32 511 791</u>	<u>246 539 399</u>	<u>580 807 747</u>	<u>141 910 033</u>

Of the above loans obtained (excluding finance leases and equity swaps), in addition to being subject to the Group complying with its operating, legal and fiscal obligations, 73.9% are subject to cross-default clauses, 93% to pari passu clauses, 59.13% to change of control clauses and retention of control of the subsidiary ZON TV Cabo, and 93% to negative pledge clauses.

In addition, approximately 43.48% and 26.1% of the total loans obtained require that consolidated net financial debt does not exceed 3 times and 4 times consolidated EBITDA, respectively, and approximately 17.39% of the total loans obtained require that net interest does not exceed 20% of consolidated EBITDA.

19. Provisions for other risks and contingencies

At 30 September 2010 and 31 December 2009, the breakdown of provisions between current and non-current was as follows:

	<u>30-09-2010</u>	<u>31-12-2009</u>
Current provision		
Taxes	563 074	579 064
Litigation	137 000	137 000
Other	9 775 431	13 167 029
	<u>10 475 505</u>	<u>13 883 093</u>
Non-current provision		
Other	10 020 964	4 446 323
	<u>10 020 964</u>	<u>4 446 323</u>
	<u>20 496 469</u>	<u>18 329 416</u>

During the first nine months of 2010, the movements in provisions were as follows:

	<u>31-12-2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Other</u>	<u>30-09-2010</u>
Taxes	579 064	-	(15 990)	-	563 074
Legal actions	137 000	-	-	-	137 000
Other risks	17 613 353	9 763 940	(6 879 823)	(701 075)	19 796 395
	<u>18 329 417</u>	<u>9 763 940</u>	<u>(6 895 813)</u>	<u>(701 075)</u>	<u>20 496 469</u>

The net movements in the first nine months of 2010 in "Provisions for other risks and contingencies" are composed as follows:

	<u>2010</u>
Taxes	(15 990)
Other liabilities and charges	(3 163 943)
Provisions (see Note 8)	<u>(3 179 933)</u>
Interest paid	113 438
Investments in participated companies	5 461 203
Other	473 419
	<u>6 048 060</u>
Provision for other liabilities and charges	<u>2 868 127</u>

The balance in the item "Provisions for other risks and contingencies" at 30 September 2010 and 31 December 2009 is composed as follows:

	<u>30-09-2010</u>	<u>31-12-2009</u>
Contingencies - other i)	6 096 667	10 248 967
Asset retirement obligation	4 559 761	4 446 323
Investments in participated companies ii)	5 461 203	-
Other risks	<u>3 678 764</u>	<u>2 918 064</u>
	<u><u>19 796 395</u></u>	<u><u>17 613 353</u></u>

- xii) The amount shown under "Contingencies - other" relates to provisions for risks and contingencies relating to miscellaneous events/disputes, mainly of a fiscal nature with the exception of income taxes, the settlement of which could result in outflows of cash.
- xiii) Amount resulting from the application of the equity method to FINSTAR (see Note 10).

20. Shareholder's equity

20.1. Share capital

At 30 September 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 30 September 2010 and 2009 are:

Shareholder	2010		2009	
	NO.Of Shares	% Voting Rights	NO.Of Shares	% Voting Rights
Caixa Geral de Depósitos, SA	36 326 470	11,75%	54 079 610	17,50%
Kento Holding Limited i)	30 909 683	10,00%	-	-
Banco BPI, SA	24 386 293	7,89%	27 642 554	8,94%
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)	10 649 750	3,45%	9 762 452	3,16%
Cinveste, SGPS, SA	8 707 136	2,82%	17 882 962	5,79%
Banco Espírito Santo, SA	7 414 390	2,40%	9 020 171	2,92%
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	2,10%
BES Vida - Companhia de Seguros, S. A.	5 721 695	1,85%	6 707 220	2,17%
Credit Suisse Group AG	5 649 670	1,83%	n/a	-
Metalgest - Sociedade de Gestão, SGPS, SA iv)	3 985 488	1,29%	3 985 488	1,29%
ZON Multimédia (Own Shares)	5 486	0,00%	14 006 437	4,53%
Total	228 557 679	73,94%	237 888 512	77,10%

- xiv) 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.

- xv) 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.
- xvi) 4.84% of the voting rights are attributable to Joaquim Francisco Alves Ferreira de Oliveira, as he controls GRIPCOM, SGPS, SA, and to Controlinveste International SARL, which own, respectively, 2.26% and 2.58% of the share capital of ZON Multimédia.
- xvii) The position of the Fundação José Berardo is reciprocally attributed to Metalgest - Sociedade de Gestão, SGPS, S.A.
- xviii) The voting rights of Ongoing Strategy Investments, SGPS, SA are attributable to RS Holding, SGPS, SA, which owns 50.01% of Ongoing Strategy Investments. 99.9% of RS Holding, SGPS, SA is owned by Isabel Maria Alves Rocha dos Santos, to whom its voting rights are therefore attributed.
- xix) 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.
- xx) The shareholding of SGC, SGPS, SA is attributed to its majority shareholder, Dr. João Pereira Coutinho.

20.2. 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 gains or losses on the disposal of own shares are stated in reserves.

At 30 September 2009, there were 14 006 437 own shares, representing 4.53% of the share capital, of which 13 607 079 shares were stated as resulting from equity swap contracts and the remaining 399 358 shares were not covered by equity swap contracts.

At 30 September 2010 there were 5486 own shares, representing 0.00177% of the share capital.

Movements in the nine month periods ended on 30 September 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	(307 293)	(2 953 355)
Balance as at 30 June 2009	<u>14 006 437</u>	<u>86 680 269</u>
Balance as at 1 January 2010	14 006 370	87 236 630
Acquisition of treasury shares	438 566	1 685 565
Sale of treasury shares	(14 032 765)	(86 983 207)
Distribution of treasury shares	(406 685)	(1 921 683)
Balance as at 30 June 2010	<u>5 486</u>	<u>17 305</u>

20.3. 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 nine month periods ended on 30 September 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	2 953 354	(4 616 115)	(1 662 761)
Undistributed profit	-	5 068 714	5 068 714
Share plan	-	(60 225)	(60 225)
Share plan - deferred tax	-	15 959	15 959
Derivative financial instruments (see note 21)	-	(857 600)	(857 600)
Other	-	178 700	178 700
Balance as at 30 September 2010	<u>151 990 845</u>	<u>41 928 653</u>	<u>193 919 498</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	1 921 683	(1 921 683)	-
Acquisition of treasury shares	(1 685 565)	1 685 565	-
Sale of treasury shares i)	2 860 506	(14 599 695)	(11 739 189)
Dividends (see Note 12)	(10 123 224)	-	(10 123 224)
Undistributed profit	-	(22 259 040)	(22 259 040)
Share plan	-	2 139 278	2 139 278
Derivative financial instruments - interest rate derivatives (Note 21)	-	(2 757 079)	(2 757 079)
Derivative financial instruments - exchange rate derivatives (Note 21)	-	(725 401)	(725 401)
Other	-	116 369	116 369
Balance as at 30 September 2010	<u>144 407 885</u>	<u>7 439 250</u>	<u>151 847 135</u>

- xxi) 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 euros 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 20.2).

21. Derivative financial instruments

21.1. Exchange rate derivatives

Exchange rate risk is mainly related to exposure resulting from payments made to certain producers of audiovisual content and equipment for the Pay TV business. 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 denominated 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 11.703 million dollars (31 December 2009: 8.126 million dollars), the fair value of which corresponds to approximately -725 000 euros (31 December 2009: -83 000 euros) which is stated in assets as a contra entry in shareholder's equity.

21.2. Interest rate derivatives

At 30 September 2010, ZON had contracted seven interest rate swaps (four contracted by ZON Multimédia and three by SportTV) totalling 514.250 million euros. These interest rate swaps mature in two years from the reference date. The fair value of the interest rate swaps, totalling -4.721 million euros, is stated in liabilities as a contra entry in shareholders' equity (3.613 million euros), and in results (1.107 million euros, relating to accrued interest payable on this financial instrument).

At 31 December 2009, the 1.032 million euros stated in liabilities included approximately 856 thousand euros relating to the fair value and 175 thousand euros relating to accrued interest.

	30-09-2010				
	Nocional	Asset		Liability	
		Current	Non Current	Current	Non Current
Derivative Financial instruments					
Interest rate swaps	514 250 000	-	-	-	4 720 638
Exchange rate forward	8 574 930				725 401
	<u>522 824 930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5 446 039</u>

	31-12-2009				
	Nocional	Asset		Liability	
		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>

22. Guarantees and financial undertakings

22.1. Guarantees

At 30 September 2010 and 31 December 2009, the Group had furnished sureties, guarantees and comfort letters in favour of third parties corresponding to the following situations:

	30-09-2010	31-12-2009
Bank guarantees given to other entities:		
Suppliers i)	8 844 355	7 019 560
Tax authorities ii)	22 720 596	20 088 473
Financial institutions iii)	100 000 000	-
Other iv)	8 127 068	7 958 354
	<u>139 692 019</u>	<u>35 066 387</u>
Promissories Sport TV v)	-	15 000 000

- xxii) At 30 September 2010, this amount mainly comprises 4 724 435 euros relating to bank guarantees furnished to cinema lessors.
- xxiii) At 30 September 2010, this amount relates to guarantees sought by the Tax Authorities in connection with tax proceedings contested by the Company and its associated companies.
- xxiv) At 30 September 2010, this amount relates mainly to guarantees furnished by ZON Multimédia in connection with the loan from the EIB.
- xxv) At 30 September 2010, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings.
- xxvi) At 31 December 2009 there was a promissory note by Sport TV relating to bank finance, which was redeemed in 2010.

The following guarantees were furnished in connection with the finance obtained by Sport TV totalling 137 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.

22.2. Operating leases

The rentals due on operating leases have the following maturities:

	30-09-2010		
	Less than 1 year	Between 1 and 5 years	More than 5 years
Vehicles	175.403	172.912	0
Equipment	133.768	144.452	0
Stores, movie theatre and other buildings	21.311.068	69.270.738	57.460.038
	<u>21.620.239</u>	<u>69.588.102</u>	<u>57.460.038</u>

22.3. Other undertakings

At 30 September 2010 there were orders pending for the purchase of equipment totalling 40 million euros.

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) 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 previous undertaking, or that have not been disposed of under the terms of the previous undertaking;
- b) An undertaking to provide a wholesale national coverage satellite television offer by means of 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 next generation network investment project. This amount may not in any circumstances exceed 50% of the total cost of the project.

23. Related Parties

23.1. Summary list of Related Parties

Detailed summary of Related Parties as at 30 September 2010:

Related Parties

Caixa Geral de Depósitos, SA
Kento Holding Limited
Banco BPI, SA
Telefónica, SA
Espírito Santo Irmãos, SGPS, SA
Cofina, SGPS, SA
Joaquim Alves Ferreira de Oliveira
Fundação José Berardo
Ongoing Strategy Investments, SGPS, SA
Banco Espírito Santo, SA
Cinveste, SGPS, SA
Grupo Visabeira, SGPS, SA
SGC, SGPS, SA
ESAF - Espírito Santo Fundos de Investimento Mobiliário, SA
BES Vida - Companhia de Seguros, SA
Credit Suisse Group AG
Metalgest - Sociedade de Gestão, SGPS, SA
Sport TV
Dreamia Holding BV
Dreamia - Serviços de Televisão, SA
Upstar Comunicações SA
FINSTAR - Sociedade de Investimentos e Participações, SA
ZON II - Serviços de Televisão SA
Distodo, Lda
MSTAR, SA
Fundo Investimento para Cinema e Audiovisual
Canal 20 TV
Gesgráfica - Projectos Gráficos, Lda
Caixanet – Telecomunicações e Telemática, SA
Apor - Agência para a Modernização do Porto
Lusitânia Vida - Companhia de Seguros, SA
Lusitânia - Companhia de Seguros, SA
Turismo da Samba (Tusal), SARL
Filmes Mundáfrica, SARL
Companhia de Pesca e Comércio de Angola (Cosal), SARL

23.2. Balances and transactions between related parties

- a) Transactions and balances between ZON Multimédia and companies of the ZON Group were eliminated in the consolidation process and are not the subject of disclosure in this Note.

The balances at 30 September 2010 and at 31 December 2009 and transactions in the nine months ended on 30 September 2010 and 30 September 2009 between the ZON Multimédia Group and its associated companies, joint ventures and other related parties were as follows:

2010:

Balances	Accounts receivable - trade	Accounts receivable - other	Accounts payable - trade	Accounts payable - other	Accruals and deferred assets	Accruals and deferred liabilities
Caixa Geral de Depósitos	-	450	-	28 769	479 299	914 413
Banco Espírito Santo	-	-	-	7 610 416	1 726 110	8 966
Banco BPI	-	296	-	1 283 867	140 767	605 244
Metalgest	-	451 487	-	-	-	-
Sport TV	-	-	4 011 705	-	45 000	2 719 421
Dreamia Holding BV	159 201	675 000	-	-	9 781	-
Dreamia SA	1 959 638	507 922	63 197	-	182	-
Upstar Comunicações	1 905 038	20 549 269	-	-	-	1 293 288
Finstar	2 799 881	-	-	-	-	-
Distodo	675	-	45 894	45 894	-	-
Fundo Investimento para Cinema e Audiovisual	-	-	-	17 212 414	-	-
MSTAR	-	200 000	-	-	315	-
	<u>6 824 433</u>	<u>22 384 424</u>	<u>4 120 796</u>	<u>26 181 360</u>	<u>2 401 454</u>	<u>5 541 332</u>

Balances	Loan obtained	Other financial applications	Derivatives assets	Derivative Liabilities
Caixa Geral de Depósitos	148 519 447	-	-	1 801 733
Banco Espírito Santo	173 519 447	75 400 000	-	809 092
Banco BPI	40 000 000	307 000	-	687 860
	<u>362 038 894</u>	<u>75 707 000</u>	<u>-</u>	<u>3 298 685</u>

Transactions	Sales and services rendered	Expenses and services obtained	Interest income	Interest expenses
Caixa Geral de Depósitos	18 424	21 665	7 364	6 442 493
Banco Espírito Santo	2 228	-	1 940 918	4 842 284
Banco BPI	1 134	693 450	5 268	2 800 771
Sport TV	-	29 474 426	90 937	-
Dreamia Holding BV	124 928	-	28 933	-
Dreamia SA	1 672 418	8 000	-	-
Upstar Comunicações	2 220 401	-	-	-
Distodo	1 673	865 139	-	-
Fundo Investimento para Cinema e Audiovisual	-	-	-	302 271
Canal 20 TV, SA	-	3 343	-	-
MSTAR	-	-	315	-
	<u>4 041 206</u>	<u>31 066 023</u>	<u>2 073 735</u>	<u>14 387 819</u>

2009:

Balances	Accounts receivable - trade	Accounts receivable - other	Accounts payable - trade	Accounts payable - other	Loans obtained	Other financial applications	Accruals and deferred assets	Accruals and deferred liabilities
Banco Espírito Santo	-	-	-	-	130.000.000	133.670.776	2.356.457	350.000
Caixa Geral de Depósitos	-	-	-	115.912	125.000.000	8.817.254	694.361	222.427
Banco BPI	-	147	-	178.700	90.000.000	4.943.000	223.556	376.922
Fundação Coleção Berardo	-	-	-	75.000	-	-	-	-
Sport TV	353.725	33.300.000	4.059.239	-	-	-	-	2.787.423
Distodo	669	-	378.055	-	-	-	-	-
Fundo Investimento para Cinema e Audiovisual	-	-	-	16.910.144	-	-	-	-
Canal 20 TV, SA	-	-	3.807	-	-	-	-	-
Dreamia BV	30.241	1.400.000	-	1.143.958	-	-	-	-
Dreamia SA	1.538.897	93.889	-	-	-	-	-	-
Expemet	-	2.950	-	-	-	-	-	-
Pluricanal Gondomar	-	2.500	-	-	-	-	-	-
Upslar Comunicações	-	3.873.067	-	-	-	-	-	-
	<u>1.923.532</u>	<u>38.672.554</u>	<u>4.441.102</u>	<u>18.423.713</u>	<u>345.000.000</u>	<u>147.431.030</u>	<u>3.274.374</u>	<u>3.796.772</u>

Transactions	Sales and services rendered	Expenses and services obtained	Interest income	Interest expenses
Banco Espírito Santo	1.376	12.431	176.754	5.350.937
Caixa Geral de Depósitos	30.636	22.417	6.458	5.139.516
Banco BPI	1.107	879.436	41.688	2.332.623
Lisboa TV	89.200	4.174.414	-	-
Sport TV	452	30.184.041	1.094.360	-
Distodo	1.859	1.251.495	-	-
SGPICE, SA	146	-	-	-
Fundo Investimento para Cinema e Audiovisual	-	-	-	548.435
Canal 20 TV, SA	-	3.645	-	-
Empresa Recreios Artísticos	85	-	-	3.215
	<u>124.862</u>	<u>36.527.878</u>	<u>1.319.259</u>	<u>13.374.726</u>

The Company regularly performs transactions and enters into contracts with various companies within the ZON Group. Such transactions were performed on normal market terms for similar transactions, as part of the current business of the contracting companies.

The Company also regularly performs transactions and enters into financial contracts with various credit institutions which hold qualifying shareholdings in the Company. However, these are performed on normal market terms for similar transactions, as part of the current business of the contracting companies.

- b) The remuneration paid to the directors of ZON Multimédia, SGPS in the nine month periods ended on 30 September 2010 and 2009 was as follows:

	30-09-2010			30-09-2009		
	Fixed Remuneration	Bonus	Share-based compensation plans	Fixed Remuneration	Bonus	Share-based compensation plans
Executive management	1.325.010	900.000	693.264	1.325.010	1.247.254	758.903
Non executive management	577.796	-	-	559.057	-	-
	<u>1.902.806</u>	<u>900.000</u>	<u>693.264</u>	<u>1.884.067</u>	<u>1.247.254</u>	<u>758.903</u>

The remuneration paid to senior executives of the Group in the half years ended on 30 June 2010 and 2009 was as follows:

	30-09-2010	30-09-2009
Fixed Remunerations	4.839.892	4.964.995
Bonus	1.191.286	1.519.353
Share-based compensation plans	410.314	676.113
	<u>6.441.492</u>	<u>7.160.460</u>

The average number of senior executives of the Group is 38 (2009:40).

All remuneration and bonuses are short term. The share incentive scheme includes a medium and long term amount of 109 thousand euros.

23.3. Joint ventures

The ZON Group has a 50% interest in the following joint ventures: Sport TV, whose business is the television broadcasting of the Sport TV channels; Dreamia BV, a holding company; and Dreamia SA, whose business is the television broadcasting of the Hollywood, Panda and Panda Biggs channels.

As a result of the consolidation of the above subsidiaries by the proportional method, the following amounts were included in the consolidated statements of financial position at 30 September 2010 and 31 December 2009, and in the consolidated statements of comprehensive income for the nine month periods ended on 30 September 2010 and 2009.

	30-09-2010			31-12-2009		
	Company (a)	Eliminations (b)	Contribution (c)	Company (a)	Eliminations(b)	Contribution (c)
Current assets	56 929 118	(7 571 747)	49 357 371	25 812 066	(6 863 881)	18 948 185
Non-current assets	91 571 413	(1 412 023)	90 159 391	70 123 354	-	70 123 354
Tangible assets	8 419 506	-	8 419 506	8 521 963	-	8 521 963
Intangible assets	41 769 628	-	41 769 628	25 781 140	-	25 781 140
Deferred tax assets	10 361	-	10 361	258 017	-	258 017
Accounts receivable - trade	39 959 895	-	39 959 895	35 562 233	-	35 562 233
Accounts receivable - other	1 387 023	(1 387 023)	-	-	-	-
Financial assets	25 000	(25 000)	-	-	-	-
Total assets	148 500 531	(8 983 770)	139 516 761	95 935 420	(6 863 881)	89 071 539

Current liabilities	60 048 188	(2 994 478)	57 053 710	55 832 039	(16 954 718)	38 877 321
Non-current liabilities	59 595 232	(2 094 053)	57 501 180	16 749 575	(16 700 000)	49 575
Loans obtained	56 795 262	-	56 795 262	49 576	-	49 576
Accounts payable - other	2 736 782	(2 061 782)	675 000	16 700 000	(16 700 000)	0
Total liabilities	119 643 421	(5 088 532)	114 554 890	72 581 614	(33 654 718)	38 926 896

	30-09-2010			30-09-2009		
	Company (a)	Eliminations(b)	Contribution (c)	Company (a)	Eliminations(b)	Contribution (c)
Total revenue	63 737 657	(30 199 970)	33 537 686	55 134 015	(30 184 041)	24 949 974
Total expense	58 256 514	(2 331 318)	55 925 196	46 979 901	(1 093 907)	45 885 994
Net income	5 481 142	(27 868 652)	(22 387 510)	8 154 114	(29 090 134)	(20 936 020)

- 50% of the individual accounts of the companies at the stated date;
- Inter-company eliminations;
- Amounts included in the consolidated statements of financial position at 30 September 2010 and 31 December 2009 and in the consolidated statements of comprehensive income for the nine month periods ended on 30 September 2010 and 2009 as a result of consolidation by the proportional method.

24. Legal actions

24.1. 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 public electronic communications networks and services. The TMDP charge is levied on "each invoice issued by the companies offering public electronic communications networks and services at a fixed location to all end clients within the respective municipality", and is calculated as 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 internal appeals, 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 by the majority of municipalities.

With the entry into force of Decree-Law 123/2009, this matter has been resolved for the future. This law clearly states (in line with ZON's interpretation of the previous legislation) that the TMDP is payable for the use and usufruct of property in the public or private municipal domain which involves the construction or installation, by companies that offer public electronic communications networks and services, of infrastructures for housing electronic communications in accordance with the terms of the Electronic Communications Law, and that no other taxes, official fees or consideration is due.

24.2. 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 a "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 on ZON Multimédia and ZON TV Cabo of 2.5 million euros. 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 impacts which could affect its financial statements as at 30 September 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.

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. ZON has applied for judicial review of the decision. The outcome of these proceedings is awaited.

By decision notified on 1 September 2009, the Competition Authority ("AdC") fined ZON Multimédia and ZON TV Cabo Portugal 8 046 243 euros, 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 have applied for judicial review of the decision. As that application 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.

ICP-ANACOM instituted regulatory infringement proceedings against ZON TV Cabo Portugal, as it did against the majority of Portuguese electronic communications operators, for infringement of the portability regulations. At 30 September 2010, the period allowed for ZON TV Cabo to submit objections had not yet expired. There is no forecast date for the finalisation of the proceedings.

On 6 April 2010, ZON TV Cabo Portugal, ZON TV Cabo Açoreana and ZON TV Cabo Madeirense brought an action for judicial review of ICP-ANACOM's decision to charge 1 086 705 euros, 41 966 euros and 55 161 euros, respectively, by way of Electronic Communications Services Networks Supplier's Annual Fee, and seeking reimbursement of the amounts paid in connection with the enforcement proceedings. This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. The scheme is being introduced gradually: 1/3rd in the first year, 2/3rds in the second year and 100% in the third year. ZON TV Cabo Portugal, ZON TV Cabo Açoreana and ZON TV Cabo Madeirense claim, in addition to defects of unconstitutionality and illegality, that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and revenues from television content should be excluded.

24.3. 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 (IRC) 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 was notified of the corresponding Tax Execution Proceedings. 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 proceedings.

In relation to those 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.

During the course of the 2009 financial year, ZON Multimédia was the subject of a tax inspection for the 2006 and 2007 financial years. Following that 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 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 financial years in the period under review, as well as any other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 30 September 2010, except for those situations which have been the subject of provisions.

24.4. 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 legal capacity 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 legal capacity in respect of the ducts and masts. The outcome of the proceedings is awaited.

25. Share Incentive Scheme

The Share Incentive Schemes approved by the General Meetings of Shareholders on 27 April 2008 and 19 April 2010 with the aim of promoting employee loyalty, aligning their interests with the Company's objectives and creating more favourable conditions for the recruitment of staff of high strategic value, have been implemented in accordance with the principles approved by both the General Meeting and the Board of Directors.

These incentives plans comprise 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. The Senior Executive Plan, approved in the current year General Meeting, is different from the one in use by changing the vesting period to three years after the share attribution.

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 366,712 shares.

In addition, the Group recognised liabilities in respect of the 2008, 2009 and 2010 Plans, which extend until 2014, totalling 4 591 859 euros – 1 950 854 euros in 2008, 1 591 669 euros in 2009 and 1 049 336 euros in 2010.

In addition, in the first half of 2010 ZON implemented the Share Savings Plan, also established in the By-Law approved by the General Meeting of Shareholders. This plan is aimed at all staff, who may subscribe to it without the need for any prior assessment. Employees who meet the internal criteria may invest up to 10% of their annual salary in this plan, up to a maximum of € 7 500 per annum, with the benefit of purchasing shares at a 10% discount.

Under the Share Savings Plan launched in 2009, ZON employees bought 26,328 shares.

26.Subsequent events

On the 12th of November 2010, the process related with the promotional campaign regarding Lusomundo cinema tickets to ZON TV Cabo customers linked to the MyZonCard, was archived by Competition Authority.

ANNEX I

4) Companies included in the consolidation by the full consolidation method

5) Associated companies

6) Jointly controlled companies

7) Companies stated at cost

ANNEXED TABLES

8) Companies included in the consolidation by the full consolidation method

Company	Head Office	Activity	Percentage of Ownership		
			Direct	Effective	Effective
			30.09.2010	30.09.2010	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	ZON Multimédia (100%)	100,00%	100,00%
ZON Conteúdos - Actividade de Televisão e de Produção de Conteúdos, ZON TV Cabo Açoreana, S.A.	Lisbon	Production and sale of television programs and advertising management.	ZON Televisão Por Cabo (100%)	100,00%	100,00%
	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 LMCinemas (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.	Lisbon	Movies distribution.	ZON Audiovisuais SGPS S.A. (100%)	100,00%	100,00%
	Lisbon	Management of Real Estate.	ZON Multimédia (99,87%)	99,87%	99,87%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA Empracine - Empresa Promotora de Actividades Cinematográficas, Lda. Lusomundo Imobiliária 2, S.A.	Lisbon	Developing activities on movies exhibition.	Lusomundo SII (100%)	99,87%	99,87%
	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	ZON LMCinemas (100%)	100,00%	100,00%

9) Associated companies

Company	Head Office	Activity	Percentage of Ownership		
			Direct	Effective	Effective
			30.09.2010	30.09.2010	31.12.2009
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 services.	Teliz Holding B.V. (30%)	30,00%	30,00%
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%
ZON II - Serviços de Televisão S.A. (b)	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	ZON Multimédia (100,00%)	100,00%	-
MSTAR, SA (b)	Maputo	Distribution of television by cable and satellite, conception, realization, production and broadcasting of television and programs, operation of telecommunications services.	ZON Multimédia (100,00%)	100,00%	-

(a) Companies wound up during the first quarter of 2010.

(b) Companies incorporated in 2010 and which are not material at this date.

10) Jointly controlled companies

Company	Head Office	Activity	Percentage of Ownership		
			Direct	Effective	Effective
			30.09.2010	30.09.2010	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%
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%

11) Companies stated at cost

Company	Head Office	Activity	Percentage of Ownership		
			Direct	Effective	Effective
			30.09.2010	30.09.2010	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%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	ZON Multimédia (15,76%)	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 (2,04%)	2,04%	2,04%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisbon	Insurance services	ZON Multimédia (0,03%)	0,03%	0,03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisbon	Insurance services	ZON Multimédia (0,04%)	0,04%	0,04%

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