SECOND QUARTER 2013 EARNINGS ANNOUNCEMENT

1
2Q13 HIGHLIGHTS

Table 1.

Highlights of 2Q13 Results	2Q12	2Q13	2Q13 / 2Q12	1H12	1H13	1H13 / 1H12
Operational ('000)						
RGUs (1)	3,414.1	**3,478.5**	1.9%	3,414.1	**3,478.5**	1.9%
Basic Subscribers	1,586.3	**1,543.3**	(2.7%)	1,586.3	**1,543.3**	(2.7%)
Triple Play Customers	730.9	**786.1**	7.6%	730.9	**786.1**	7.6%
% Triple Play Cable Customers	60.4%	**65.3%**	5.0pp	60.4%	**65.3%**	5.0pp
IRIS Subscribers	161.5	**338.7**	109.7%	161.5	**338.7**	109.7%
Broadband Subscribers	751.5	**805.3**	7.2%	751.5	**805.3**	7.2%
Fixed Voice Subscribers	947.0	**989.8**	4.5%	947.0	**989.8**	4.5%
Financial (Millions of Euros)						
Operating Revenues	214.4	**210.7**	(1.7%)	428.6	**425.0**	(0.8%)
EBITDA	78.8	**80.4**	2.0%	158.5	**163.6**	3.2%
EBITDA Margin	36.8%	**38.2%**	1.4pp	37.0%	**38.5%**	1.5pp
Net Income	9.7	**12.7**	31.3%	20.0	**24.4**	21.6%
CAPEX	27.7	**30.1**	8.6%	57.3	**55.8**	(2.6%)
EBITDA - CAPEX	51.1	**50.3**	(1.5%)	101.2	**107.8**	6.5%
Free Cash Flow	33.6	**21.6**	(35.8%)	49.9	**37.2**	(25.5%)
Net Financial Debt	660.4	**605.2**	(8.4%)	660.4	**605.2**	(8.4%)

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

- **Another record quarter for IRIS with 54 thousand net adds with 43% of Triple Play customers now subscribing to the best TV product in the market as voted by consumers**
- **Successful Launch of IRIS 4+**
- **Agreement reached to distribute Benfica TV as a premium channel since July**

- **ZAP continues to see very strong growth with 2Q13 Revenues up by 51.6% yoy and EBITDA margin of 29.6%**

- **Cost discipline and focus on efficiency leads to a 2% increase in EBITDA to 80.4 million euros more than compensating a decline of 1.7% in Consolidated Revenues**
- **FCF generation of 21.6 million euros, with continued strong momentum of EBITDA-CAPEX at 50.3 million euros**

2Q13 FINANCIAL HIGHLIGHTS

- Consolidated Revenues reached 210.7 million euros in 2Q13, representing a decline of 1.7% yoy driven primarily by continued pressure on revenues from premium channels; Growth of 51.6% yoy in ZAP Revenues to 11 million euros (30%);
- Strong quarterly EBITDA of 80.4 million euros representing a consolidated EBITDA margin of 38.2%, up 1.4pp yoy, and reaching 40.4% in the core Pay TV, Broadband and Voice business and ZAP EBITDA margin of 29.6% compared with just 7.8% in 2Q12;
- Net Income growth of 31.3% yoy to 12.7 million euros;
- Continued strong momentum in FCF with EBITDA – CAPEX reaching 50.3 million euros;
- Net Financial Debt down by 8.4% yoy to 605.2 million euros, representing a Net Financial Debt / EBITDA multiple of 1.9x.

2Q13 OPERATIONAL HIGHLIGHTS

- Another very strong quarter in terms of IRIS with net adds of 54 thousand in 2Q13. Total IRIS subscribers reached 338.7 thousand, 43% of the Triple Play base;
- Triple Play penetration reached 65.3% of the cable base with 786 thousand subscribers taking TV, BB and Voice services, representing an increase of 5pp in comparison with 2Q12;
- Successful launch of IRIS 4+, a competitive and flexible Quadruple Play offer;
- Continued pressure in premium channel revenues led to a 1.3% decline in Blended ARPU however basic flat-fee ARPU posted a 0.6% increase, supported by increasing base of high-end IRIS bundles and the price increase implemented at the beginning of the year;
- Cable customers declined to 1,203 thousand in 2Q13 posting marginal 0.6% decline yoy, a reflection of the fact that Triple Play services have become a central part of household consumption and in spite of the austerity measures affecting consumer sentiment in general;
- Broadband subscribers grew by 7.2% yoy to 805.3 thousand at the end of 2Q13, bringing the percentage of cable subscribers that take broadband services up to 66.9% and Voice subscribers grew to 989.8 thousand in 2Q13 taking penetration of the cable base to 80.7%;
- Agreement reached to distribute Benfica TV as a premium sports channel as from July;
- Recovery in Cinema ticket sales in June driving a yoy increase of 2.6% to 1,758.3 thousand.

2
OPERATING REVIEW 2Q13

Table 2.

Business Indicators ('000)	2Q12	2Q13	2Q13 / 2Q12	1H12	1H13	1H13 / 1H12
Pay TV, Broadband and Voice [(1)]						
Homes Passed	3,204.5	**3,270.9**	2.1%	3,204.5	**3,270.9**	2.1%
RGUs [(2)]	3,414.1	**3,478.5**	1.9%	3,414.1	**3,478.5**	1.9%
Cable RGUs per Subscriber (units) [(3)]	2.39	**2.48**	3.9%	2.39	**2.48**	3.9%
Basic Subscribers [(4)]	1,586.3	**1,543.3**	(2.7%)	1,586.3	**1,543.3**	(2.7%)
o.w. Cable Subscribers	1,210.8	**1,203.3**	(0.6%)	1,210.8	**1,203.3**	(0.6%)
IRIS Subscribers	161.5	**338.7**	109.7%	161.5	**338.7**	109.7%
% IRIS Triple Play Subscribers	22.1%	**43.1%**	21.0pp	22.1%	**43.1%**	21.0pp
Triple Play Customers	730.9	**786.1**	7.6%	730.9	**786.1**	7.6%
% Triple Play Cable Customers	60.4%	**65.3%**	5.0pp	60.4%	**65.3%**	5.0pp
o.w. DTH Subscribers	375.5	**340.0**	(9.4%)	375.5	**340.0**	(9.4%)
Broadband Subscribers	751.5	**805.3**	7.2%	751.5	**805.3**	7.2%
Fixed Voice Subscribers	947.0	**989.8**	4.5%	947.0	**989.8**	4.5%
Mobile Subscribers	129.4	**140.1**	8.3%	129.4	**140.1**	8.3%
Blended ARPU (Euros)	34.7	**34.2**	(1.3%)	34.9	**34.5**	(1.0%)
Cinema [(1)]						
Revenue per Ticket (Euros)	4.9	**4.7**	(4.1%)	4.8	**4.6**	(4.1%)
Tickets Sold	1,714.1	**1,758.3**	2.6%	3,439.0	**3,542.8**	3.0%
Screens (units)	210	**210**	0.0%	210	**210**	0.0%

(1) Portuguese Operations
(2) Total RGUs reported reflect the sum of Pay TV, Fixed Broadband, Fixed Voice and Mobile subscribers.
(3) Cable RGUs per Subscriber correspond to the sum of Cable Pay TV, Broadband and Voice Subscribers, divided by the number of Cable Pay TV Customers.
(4) These figures are related to the total number of Pay TV basic customers, including the cable and satellite platforms. ZON Multimedia offers several basic services, based on different technologies, directed to different market segments (residential, real estate and corporate), with a distinct geographical scope (mainland Portugal and the Azores and Madeira islands) and with a variable number of channels.

Another good operational quarter for ZON, despite the tough economic situation in Portugal, households are holding on to their home entertainment and communication services and many are choosing to upgrade to higher-end, more sophisticated Triple and Quadruple bundles, which provide a much richer and flexible value proposition.

Another quarter of record Net Adds for IRIS

Following a very strong 1Q13 for IRIS, uptake of these high-end Triple Play bundles remained very strong with 54 thousand net adds in 2Q13, taking the total number of IRIS subscribers up to 338.7 thousand, 43% of Triple Play customers. Importantly, nearly all new Triple Play customers are joining as IRIS customers and experiencing the best Triple Play service of the year as voted by consumers.

IRIS has accumulated a number of awards as the best TV interface with widespread recognition from customers and industry peers. IRIS was voted the best new TV product in terms of innovation and marketing.

In a move to extend the target market of the IRIS interface, at the beginning of the year, ZON launched a new entry level IRIS bundle for €44.99, which provides subscribers with all the interactivity and functionalities of the IRIS interface however with fewer channels - 116 compared with 149 for higher end IRIS bundles - and with lower internet speeds of 30 Mbps compared with 100 Mbps for all other IRIS bundles. This entry level IRIS bundle continues to be very successful in attracting customers to upgrade to IRIS.

Launch of Quad Play services with IRIS 4+

Mid 2Q13, ZON launched IRIS 4+, a quad play offer combining mobile services with the award winning IRIS interface and Triple Play services. Consumers may now subscribe to bundled mobile and fixed Triple Play services at a competitive offer of 69.99 euros that includes 149 channels, 100 Mbps fixed broadband, unlimited fixed voice and a mobile SIM card. ZON positioned the offer as a more flexible solution than other offers available in the market due to the need to subscribe to only one mobile card. The IRIS 4+ mobile leg was launched over the MVNO agreement that ZON currently has with Vodafone in order to secure a faster time to market of ZON's quad play solution. This implies that the economics of the offer are more challenging than if it had been launched already within the context of the merger with Optimus that is currently being analysed by the Competition Authority.

The best channel line-up

Continuously striving to provide the best content for subscribers, since the beginning of 2Q13, ZON increased its programming offer with new channels such as Benfica TV, and 24Kitchen HD. As a result, ZON now has 190 channels in its line-up, 46 of which HD and 41 sold as premium add-on subscriptions.

"Benfica TV" was a relevant addition to the channel offering as it will broadcast the 15 Portuguese League matches that Benfica plays at home, and the exclusive of the English Premier League matches. In addition, it will include other sports content related with Benfica teams and competitions as well as general sport information and related programming, namely the Brazilian Football League, Greek Football League and US Major League Soccer. "Benfica TV" will be available in SD and HD and distributed on a non-exclusive basis as a premium, add-on subscription channel that holds significant interest for all sports fans and for Benfica fans in particular.

"24Kitchen" HD, the most recent launch in Portugal by FOX International Channels (FIC), is a dedicated cooking channel with a line-up of shows from some of the most renowned international and Portuguese chefs - Anthony Bourdain, Jamie Olivier, Donna Hay, Ljubomir Stanisic and Rodrigo Meneses. A "24 Kitchen" App was launched simultaneously on the App store and Google Play, featuring daily recipes for healthy meals, video tutorials and interactive shopping lists.

RGUs up by 1.9% yoy to 3,478.5 thousand

The total number of RGUs grew by 1.9% yoy to 3,478.5 thousand with cable customers on average subscribing to 2.48 services. The cable base witnessed a decline of 5.8 thousand subscribers on the back of a slowdown in commercial activity in the build-up to the summer break and also due to the number of public holidays in 2Q13. The weak economic and market environment is leading to higher levels of inertia from consumers and more effort is having to be placed on "push" door-to-door sales channels, which is also leading to higher levels of commercial costs.

The single play DTH base continued to post a negative yoy performance with net adds of -9.9 thousand in 2Q13, taking the total DTH base to 340 thousand. In the regions where ZON does not have cable coverage, it is only able to provide pure pay TV services and thus, is more exposed to price based competition and to the availability of alternative Double or Triple Play technologies.

Premium channel subscription remains under pressure on the back of the very challenging consumer environment and the additional seasonal disconnections in 2Q with the end of the football season.

Broadband and Fixed Voice continuing to grow

Broadband and Fixed Voice subscribers continued to post solid yoy performance although lower than in previous periods due to the aforementioned slowdown in market activity. Broadband subscribers grew by 7.2% yoy to 805.3 thousand and Fixed Voice subscribers grew by 4.5% to 989.8 thousand, respectively achieving a 66.9% and 80.7% penetration of the cable base.

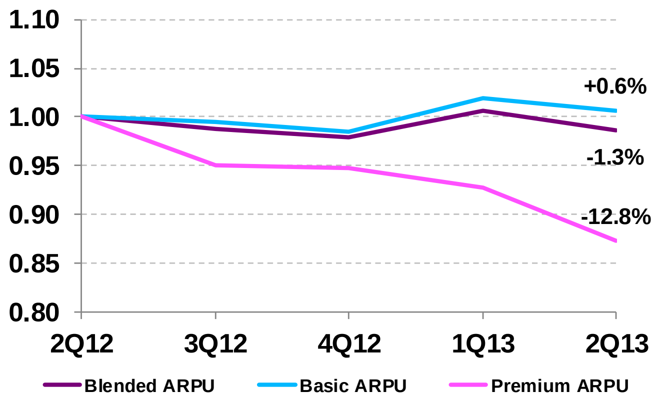
ZON has a clear network and technological advantage on this front given that it is able to provide speeds of up to 360 Mbps to the 3.2 million homes passed by its HFC footprint, by far the largest Next Generation Network coverage in Portugal. An additional and very compelling argument to be a ZON broadband customer is the free access to the largest WiFi network in Portugal with over 500 thousand hotspots, ZON@FON, in addition to 7 million hotspots worldwide through the partnerships between FON and other international operators, provides. The network has very high coverage density in the main urban centres, providing almost seamless online connectivity whilst on the go.

Basic ARPU growth of 0.6%

Basic ARPU recorded yoy growth of 0.6% supported by the improving mix of customers with more IRIS Triple and Quadruple Play customers and the price increase implemented at the beginning of the year.

However Blended ARPU posted a 1.3% yoy decline in 2Q13 to 34.2 euros due to the increased disconnections of premium add-on channels, namely sports, due to the end of the football season.

Basic, Premium and Blended ARPU Evolution (2Q12 = Base 1)



Cinemas and Audiovisuals

2Q13 got off to a relatively weak start in cinema ticket sales with April down by 41% due to the lack of blockbuster movies. However June turned out to be a very strong month with the launch of a number of more popular hits leading ZON's Portuguese Cinema ticket sales in 2Q13 to increase by 2.6% to 1.758 million tickets. Average revenue per ticket decreased by 4.1% from 4.9 to 4.7 euros yoy although posted sequential qoq growth of 1.5%. Total Cinema revenues increased by 1.5% yoy in 2Q13.

Revenues were also affected by comparatively lower 3D movie ticket sales. Revenues from the sale of 3D movie tickets represented close to 11% of ZON's ticket sales in 2Q13, whereas they had represented around 19% in 2Q12 and 29% in 2Q11, which shows customers are choosing the lower-cost 2D alternatives more than in the past.

The number of tickets sold by ZON increased by 2.6% during 2Q13 compared to a decline in total market ticket sales of 10.9% in 2Q13[1], however the numbers for the total market should be adjusted to reflect the closure of the Socorama/Castello Lopes network which used to operate 66 screens across 11 multiplexers. Adjusting for this effect, total market ticket sales, decreased by 2.1%.

As regards Cinema gross ticket revenues, ZON's relative performance was also stronger in comparison with the market as a whole, posting a 1.6% decrease in 2Q13 whilst the total market's gross revenues decreased by 13.1%. The most successful films shown in 2Q13 were "Fast & Furious 6", "The Hangover Part III", "Iron Man 3", "Now You See Me" and "Oblivion".

On June 20, ZON Lusomundo opened the first IMAX® DMR - Digital 3D screen in Lisbon, showing a 3D re-edition of the box office hit, "Jurassic Park", made exclusively for IMAX® theatres. The 400 seat theatre was sold out for many of its showings, proof of the success that this premium cinema experience has achieved with movie goers. An additional screen is likely to opened in the North of Portugal over the coming year.

From an operational point of view, the cinema business continues to dedicate a lot of effort to optimizing cost structure and implementing more efficient and cheaper processes such as the drive for online and automatic ticket sales and with particular focus on headcount reduction and general contract renegotiations.

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

From a revenue perspective, incentive plans have been implemented to stimulate bar sales which have allowed for some progression in quarterly revenue per ticket and despite the aforementioned reduction in sales of more expensive 3D movie tickets.

In 2Q13, revenues in the Audiovisuals division dropped by 3.6% to 17.0 million euros. ZON Audiovisuais maintained its leading position in the distribution of movies for cinema exhibition, content and VoD distribution and sale of homevideo content in Portugal, however the decline in box-office sales in particular, had a negative impact on ZON Audiovisuais' movie distribution business.

Of the top 10 box-office hits in 2Q13, ZON Lusomundo distributed 8, "Fast & Furious 6", "Iron Man 3", "Now You See Me", "Oblivion", "Monsters University", "World War Z", "Olympus Has Fallen" and "Paulette". According to data from ICA, ZON's gross revenues in terms of Cinema Distribution increased by 0.7% in 2Q13, while the market as a whole experienced a decrease of 13.1%. ZON's market share of gross revenues in 2Q13 therefore stood at 68.6%.

International Growth – Africa

ZAP continues to exceed all expectations in terms of operational growth, with 100% of consolidated quarterly revenues and EBITDA in 2Q13 already at 36.7 million euros and 10.9 million euros respectively, generating a 29.6% EBITDA margin in this quarter. ZON's share of revenues from its international operations amounted to 11 million euros and of EBITDA to 3.3 million euros, already representing an interesting contribution to consolidated numbers. The drivers behind this strong financial performance are the continued strong quarterly pace of subscriber growth and good ARPU levels.

ZAP is one of the leading brands in Angola, being consistently among the brands with the highest top of mind brand awareness, mainly due to the ZAP's advertising strategy focused on strong media campaigns developed locally to the tastes of the Angolan market.

In terms of relevant content, ZAP will also be including Benfica TV in its channel line-up, leveraging the agreement reached in Portugal for ZON to distribute the channel.

ZAP has been increasing its distribution network significantly in past months and is now present in most of the largest Angolan provinces. ZAP also has a very large network of distribution agents and door-to-door sales people, ensuring a very strong representation across the whole country.

3
CONSOLIDATED INCOME STATEMENT

Table 3.

Profit and Loss Statement (Millions of Euros)	2Q12	2Q13	2Q13 / 2Q12	1H12	1H13	1H13 / 1H12
Operating Revenues	214.4	**210.7**	(1.7%)	428.6	**425.0**	(0.8%)
Pay TV, Broadband and Voice	191.0	**183.7**	(3.8%)	382.8	**372.1**	(2.8%)
Audiovisuals	17.6	**17.0**	(3.6%)	34.7	**34.1**	(1.8%)
Cinema (1)	11.9	**12.1**	1.5%	23.7	**23.9**	0.8%
International	7.3	**11.0**	51.6%	13.7	**21.0**	53.5%
Others and Eliminations	(13.3)	**(13.0)**	(2.0%)	(26.3)	**(26.1)**	(1.0%)
Operating Costs Excluding D&A	(135.6)	**(130.2)**	(3.9%)	(270.1)	**(261.4)**	(3.2%)
W&S	(15.1)	**(13.7)**	(9.7%)	(29.4)	**(27.0)**	(8.2%)
Direct Costs	(59.3)	**(60.7)**	2.3%	(117.7)	**(120.3)**	2.2%
Commercial Costs (2)	(17.0)	**(14.0)**	(17.6%)	(33.2)	**(28.3)**	(14.6%)
Other Operating Costs	(44.1)	**(41.9)**	(5.1%)	(89.8)	**(85.8)**	(4.4%)
EBITDA (3)	78.8	**80.4**	2.0%	158.5	**163.6**	3.2%
EBITDA Margin	36.8%	**38.2%**	1.4pp	37.0%	**38.5%**	1.5pp
Pay TV, Broadband and Voice	74.2	**74.2**	(0.0%)	149.5	**153.7**	2.8%
EBITDA Margin	38.9%	**40.4%**	1.5pp	39.0%	**41.3%**	2.3pp
Audiovisuals and Cinema Exhibition	4.0	**3.0**	(26.4%)	8.3	**3.6**	(56.3%)
EBITDA Margin	13.7%	**10.3%**	(3.5pp)	14.2%	**6.2%**	(7.9pp)
International	0.6	**3.3**	n.a.	0.7	**6.2**	n.a.
EBITDA Margin	7.8%	**29.6%**	21.8pp	5.4%	**29.7%**	24.4pp
Depreciation and Amortization	(51.5)	**(49.0)**	(4.9%)	(107.5)	**(103.6)**	(3.6%)
Income From Operations (4)	27.3	**31.4**	15.1%	51.0	**59.9**	17.4%
(Other Expenses) / Income	(0.9)	**0.6**	(175.2%)	(0.9)	**0.5**	(154.4%)
Operating Profit (EBIT) (5)	26.5	**32.1**	21.2%	50.1	**60.5**	20.6%
(Financial Expenses) / Income	(10.7)	**(13.3)**	24.4%	(19.0)	**(25.5)**	34.3%
Income Before Income Taxes	15.8	**18.8**	19.0%	31.1	**34.9**	12.2%
Income Taxes	(5.8)	**(5.9)**	1.4%	(10.5)	**(10.2)**	(2.5%)
Income From Continued Operations	10.0	**12.9**	29.4%	20.7	**24.7**	19.7%
o.w. Attributable to Non-Controlling Interests	(0.3)	**(0.2)**	(40.8%)	(0.6)	**(0.4)**	(41.7%)
Net Income	9.7	**12.7**	31.3%	20.0	**24.4**	21.6%

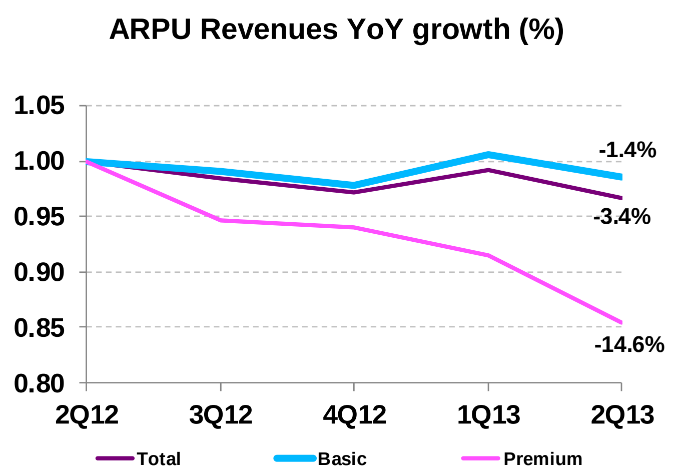
(1) Includes operations in Mozambique.
(2) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(3) EBITDA = Income From Operations + Depreciation and Amortization.
(4) Income From Operations = Income Before Financials and Income Taxes + work force reduction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

3.1 Operating Revenues

Consolidated Operating Revenues reached 210.7 million euros in 2Q13, a decline of 1.7% in comparison with 2Q12.

Core Pay TV, BB and Voice Revenues declined by 3.8% yoy to 183.7 million euros. This was mainly led by the 14.6% decline of Premium ARPU Revenues, due to the lower average number of Basic Subscribers during the quarter and the increased seasonal disconnection with the end of the football season. These effects were partially offset by the inflation based price increase implemented in January and by the improving mix of customers, with the increase in the penetration of IRIS Triple and Quadruple Play customers.

The chart below reflects the slight decline felt in basic flat-rate ARPU revenues and the acceleration in the pace of decline of premium revenues. Excluding the effect of premium revenues, ARPU revenues would have posted slight decrease of 1.4%.



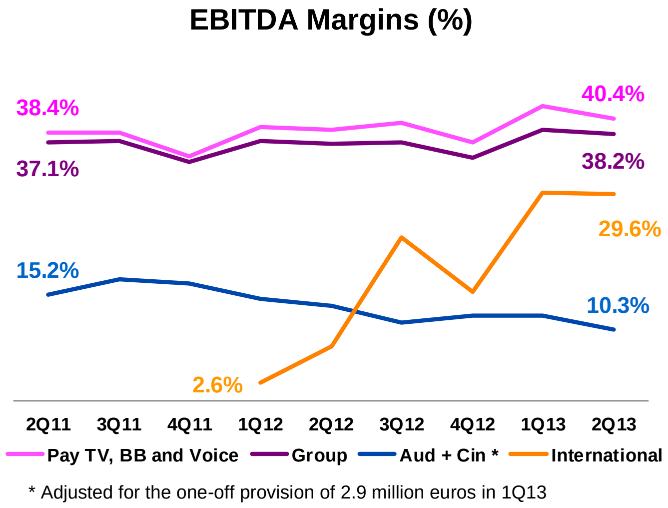
Revenues from the Audiovisuals business declined by 3.6% yoy to 17.0 million euros, however they remained flat over the previous quarter. Cinema Exhibition revenue trends improved, with yoy growth of 1.5% to 12.1 million euros, which compares with 11.9 million euros in 2Q12 and with 11.8 million euros in 1Q13. This performance was possible due to the fact that the top 3 films in 1H13, "Fast & Furious 6", "The Hangover Part III" and "The Croods" premiered in 2Q13 or already at the end of 1Q13, and despite the fact that Easter fell in 1Q13, whereas in 2012 it was partially in April.

ZON's 30% stake in ZAP, its international Pay TV operation in Angola and Mozambique, rendered revenues of 11 million euros in 2Q13, an increase of 51.6% yoy. The business continues to develop extremely well, with continued strong expansion of the subscriber base every month whilst maintaining a healthy level of ARPU.

3.2 EBITDA

Consolidated EBITDA grew by 2.0% in 2Q13 to 80.4 million euros generating an EBITDA margin of 38.2%, representing growth of 1.4pp in margin in comparison with 2Q12.

Core Pay TV, BB and Voice EBITDA remained stable at 74.2 million euros in 2Q13, representing an EBITDA margin of 40.4%, a level which represents a drop on the previous quarter but is still the second best quarter ever. Continued cost saving and efficiency measures, the aforementioned price increase and a progressively more mature market environment all contributed to this significant increase in operating profitability in 2013.



ZAP (30%) posted EBITDA in 2Q13 of 3.3 million euros representing an EBITDA margin of 29.6%, and reflecting the very rapidly growing quarterly profitability of an operation that reached EBITDA breakeven just one year earlier. The Audiovisuals and Cinema business generated EBITDA of 3.0 million euros in 2Q13, a decline of 26.4% yoy, affected by the challenging operating momentum the market is facing.

3.3 Consolidated Operating Costs

Consolidated Operating Costs fell by 3.9% to 130.2 million euros, a reflection of the group wide effort to contain and adjust the cost structure to the challenging macroeconomic environment. Important savings were achieved in practically all relevant cost items.

ZAP was consolidated proportionately as from 1Q12. Given that it was still at a very early stage of development, the increase in the cost structure during the past 6 quarters has been significant, to accommodate the very significant operational growth. As such, excluding the consolidation of ZAP, consolidated operating costs would have declined by 4.9% yoy.

Wages and Salaries fell to 13.7 million euros in 2Q13. Where possible ZON continues to make efforts to accommodate normal staff attrition levels without hiring. In the cinema business in particular, the number of employees per multiplex has been adjusted down, along with the implementation of other cost and efficiency measures.

Direct Costs increased by 2.3% to 60.7 million euros mainly due to a higher cost of movie royalties in the cinema and audiovisuals operation and to the increasing cost base of ZAP.

Commercial Costs recorded a 17.6% decline yoy to 14.0 million euros, explained by a continued decrease in the level of commissions and marketing costs led by cost saving initiatives and to lower cost of goods sold on the back of slower commercial activity and subsequently lower gross adds.

Other Operating Costs reduced by 5.1% to 41.9 million euros with continued strong cost discipline driving savings in areas such as support services, maintenance and repairs and other SGA.

3.4 Net Income

Net Income increased 31.3% yoy to 12.7 million euros and by 9.5% compared with 1Q13.

Depreciation and Amortization posted a yoy decline of 4.9% to 49 million euros.

Net Financial Expenses were 24.4% higher in 2Q13 at 13.3 million euros compared with 10.7 million euros in 2Q12, although just 8.4% higher than in 1Q13. The yoy increase is a result of a progressively higher average cost of interest as some of ZON's older and less expensive financing lines matured and with the entrance of the new retail bonds issued in June 2012. This effect is partially compensated by the lower average level of consolidated debt. This aggregate was also impacted by one - off effects relating to an impairment charge of the audiovisuals and cinema fund "FICA" of around 0.5 million euros.

Income Taxes amounted to 5.9 million euros in 2Q13, representing an effective P&L tax rate for 1H13 of around 29%.

4
CAPEX AND CASH FLOW

4.1 CAPEX

Table 4.

CAPEX (Millions of Euros)	2Q12	2Q13	2Q13 / 2Q12	1H12	1H13	1H13 / 1H12
Pay TV, Broadband and Voice Infrastructure	17.4	**18.6**	6.8%	36.6	**30.8**	(16.0%)
Terminal Equipment	8.0	**8.9**	12.0%	17.0	**18.5**	8.7%
Other	2.4	**1.6**	(33.8%)	3.7	**3.5**	(4.3%)
"Baseline" CAPEX	27.7	**29.1**	4.8%	57.3	**52.8**	(7.9%)
Non-Recurrent CAPEX	0.0	**1.0**	n.a.	0.0	**3.0**	n.a.
Total CAPEX	27.7	**30.1**	8.6%	57.3	**55.8**	(2.6%)

CAPEX in 2Q13 was 30.1 million euros, up 8.6% compared with 2Q12. Despite this increase, it has remained at normalized levels of close to 16% of core Pay TV, Broadband and Voice revenues. These run rate levels reflect necessary network and maintenance investment and still accommodate some growth related CAPEX. Part of the increase in CAPEX in this quarter is due to Non-Recurrent CAPEX of 1 million euros related to the replacement of some customer premise set-top-boxes required by ZON's upgrade to MPEG4 compression standards in its DTH business, following the closing of the new transponder contract already announced in 4Q12 and that will generate significant future savings. As a percentage of Total Operating Revenues, CAPEX amounted to 14.3%.

Table 5.

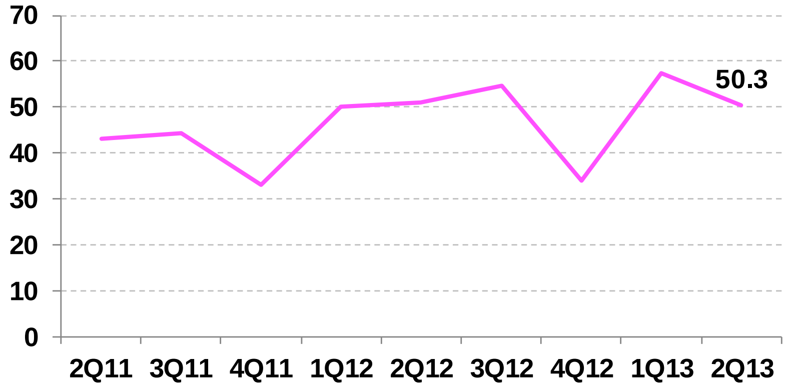
Cash Flow (Millions of Euros)	2Q12	2Q13	2Q13 / 2Q12	1H12	1H13	1H13 / 1H12
EBITDA	78.8	**80.4**	2.0%	158.5	**163.6**	3.2%
CAPEX	(27.7)	**(30.1)**	8.6%	(57.3)	**(55.8)**	(2.6%)
Baseline CAPEX	(27.7)	**(29.1)**	4.8%	(57.3)	**(52.8)**	(7.9%)
Non-Recurrent CAPEX	0.0	**(1.0)**	n.a.	0.0	**(3.0)**	n.a.
EBITDA - CAPEX	51.1	**50.3**	(1.5%)	101.2	**107.8**	6.5%
Non-Cash Items Included in EBITDA-CAPEX(1) and Change in Working Capital	0.0	**(9.7)**	n.a.	(12.7)	**(13.7)**	8.5%
Operating Cash Flow After Investment	51.1	**40.6**	(20.6%)	88.5	**94.0**	6.2%
Long Term Contracts	(5.4)	**(7.0)**	30.1%	(18.2)	**(31.9)**	74.8%
Net Interest Paid and Other Financial Charges	(8.8)	**(11.0)**	26.1%	(16.3)	**(21.3)**	30.4%
Income Taxes Paid	(2.4)	**(2.8)**	15.9%	(4.8)	**(4.3)**	(11.0%)
Other Cash Movements	(1.0)	**1.8**	n.a.	0.7	**0.6**	(17.6%)
Free Cash-Flow	33.6	**21.6**	(35.8%)	49.9	**37.2**	(25.5%)

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

4.2 Operating Cash Flow

EBITDA-CAPEX decreased marginally by 1.5% in 2Q13 to 50.3 million euros, due to the combination of the solid EBITDA performance and slightly higher levels of CAPEX, consolidating the strong cash flow momentum of the past quarters as can be seen in the chart below. Adjusting for the non-recurrent CAPEX in 2Q13 of 1 million euros related primarily with replacement of set-top-boxes for the DTH base, EBITDA-CAPEX improved marginally yoy to 51.3 million euros. Operating Cash Flow after Investment decreased by 20.6% yoy from 51.1 million euros in 2Q12 to 40.6 million euros in 2Q13, due to some seasonal volatility in working capital which should be partially reversed during the rest of the year.

EBITDA - Total CAPEX (Millions of Euros)



4.3 Free Cash Flow

Total FCF in 2Q13 amounted to 21.6 million euros, 35.8% less than in 2Q12 influenced by the decrease in OCF due to a negative investment in Working Capital, which is to be partially reverted in the last two quarters of 2013, as mentioned above.

5
CONSOLIDATED BALANCE SHEET

Table 6.

Balance Sheet (Millions of Euros)	2012	1H13
Current Assets	542.3	**366.6**
Cash and Equivalents	308.3	**126.9**
Accounts Receivable, Net	172.4	**189.5**
Inventories, Net	44.3	**34.1**
Taxes Receivable	4.7	**2.9**
Prepaid Expenses and Other Current Assets	12.6	**13.2**
Non-current Assets	1,068.7	**1,005.1**
Investments in Group Companies	0.2	**0.1**
Intangible Assets, Net	319.2	**286.3**
Fixed Assets, Net	632.0	**618.6**
Deferred Taxes	48.1	**46.4**
Other Non-current Assets	69.1	**53.8**
Total Assets	1,611.0	**1,371.7**
Current Liabilities	651.8	**427.8**
Short Term Debt	363.3	**148.0**
Accounts Payable	214.1	**192.9**
Accrued Expenses	51.6	**53.3**
Deferred Income	9.5	**11.3**
Taxes Payable	12.8	**22.2**
Current Provisions and Other Liabilities	0.5	**0.1**
Non-current Liabilities	739.9	**736.8**
Medium and Long Term Debt	721.2	**720.3**
Non-current Provisions and Other Liabilities	18.7	**16.5**
Total Liabilities	1,391.7	**1,164.6**
Equity Before Non-Controlling Interests	209.8	**197.6**
Share Capital	3.1	**3.1**
Own Shares	(0.9)	**(1.2)**
Reserves, Retained Earnings and Other	171.6	**171.3**
Net Income	36.0	**24.4**
Non-Controlling Interests	9.4	**9.5**
Total Shareholders' Equity	219.2	**207.1**
Total Liabilities and Shareholders' Equity	1,611.0	**1,371.7**

5.1 Capital Structure

At the end of 2Q13, **Net Financial Debt** stood at 605.2 million euros, a small increase of 0.2 million euros compared with the end of 2012.

ZON Multimedia is fully financed until the end of 2014 and the average maturity of Net Financial Debt is now 1.68 years.

The total interest rate hedging operations in place at the end of 2Q13 amounted to 257.5 million euros. Taking into account the bonds issued in June 2012 - 200 million euros bearing interest at a fixed rate of 6.85% - the proportion of ZON's Net Financial Debt that is protected against variations in interest rates is 76%.

Total financial debt at the end of 2Q13 amounted to 748.5 million euros, which was offset with a cash and short-term investments position on the balance sheet of 143.3 million euros. The all-in average cost of ZON's Net Financial Debt was 5.67% for 1H13.

The change in Net Financial Debt in 2Q13 is explained by the aforementioned FCF generation of 21.6 million euros deducted of the 2012 dividend payment of 37 million euros.

Net Financial Gearing increased to 74.5% at the end of 1H13 compared with 73.4% at the end of 2012, and **Net Financial Debt / EBITDA** (last 4 quarters) stands at 1.9x.

Table 7.

Net Financial Debt (Millions of Euros)	2012	1H13	1H13 / 2012
Short Term	342.2	**128.1**	(62.5%)
Bank and Other Loans	334.8	**120.6**	(64.0%)
Financial Leases	7.3	**7.5**	2.2%
Medium and Long Term	615.8	**620.4**	0.7%
Bank and Other Loans	607.5	**613.8**	1.0%
Financial Leases	8.3	**6.6**	(20.6%)
Total Debt	958.0	**748.5**	(21.9%)
Cash, Short Term Investments and Intercompany Loans	353.0	**143.3**	(59.4%)
Net Financial Debt	605.0	**605.2**	0.0%
Net Financial Gearing (1)	73.4%	**74.5%**	1.1pp
Net Financial Debt / EBITDA	1.9x	**1.9x**	n.a.

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

6
CORPORATE DEVELOPMENTS

6.1 Proposal to merge ZON Multimédia SGPS with OPTIMUS SGPS – latest developments

Within the ongoing analysis by the Portuguese Competition Authority of the merger project involving the incorporation of OPTIMUS into ZON, on 2 July, ZON was informed by its shareholders Kento Holding Limited and Unitel International Holdings, B.V. that a proposal of commitments had been sent to the Competition Authority by the proponents of the merger, with a view to meet the competition concerns raised in the analysis of the aforementioned operation. The Competition Authority then submitted these commitments to the relevant counterparties with a deadline to receive their comments by 11 July 2013.

As such, effective implementation of the merger is now pending a final deliberation from the Portuguese Competition Authority and fulfillment of the remaining administrative and corporate formalities.

The Merger Project is based on an exchange ratio that grants ZON a value corresponding to 1.5 times the value of OPTIMUS. Pursuant to the Merger, ZON will increase its share capital and, as a consequence thereof, issue and grant to the shareholders of OPTIMUS new shares representing 40% of the share capital of ZON resulting from the aforementioned increase. By virtue of the present Merger transaction, ZON will adopt “ZON OPTIMUS, SGPS, S.A.” as its corporate name, or any other to be approved by the National Registrar of Legal Entities.

The Boards of Directors of the two companies believe in the significant opportunity and value creation that the projected Merger will bring to the Portuguese market as it will create an operator with a very relevant presence in the Portuguese telecoms landscape, across all market segments, which will be more efficient, competitive and innovative. Based on FY2012 figures, combined Revenues are close to 1.6 billion euros, and market share is close to 26% of the total Portuguese Telecoms market. New, sustainable growth opportunities will arise from the combination of these companies, thanks to the greater scale, efficiency, reinforced financial strength and pooling of knowledge and experience. The new Group will also be better positioned to address relevant growth opportunities in convergence, cross-selling, and in the combined expertise of each of the companies.

The full details of the aforementioned deliberations and the respective merger proposal may be found on the ZON institutional website on www.zon.pt/ir.

6.2 ZON best in class in terms of Corporate Governance – AAA rating

According to the 2012 survey published by the Portuguese Catholic University which is requested every year by the AEM (Portuguese Association of Listed Companies), ZON ranks among the best in terms of Corporate Governance out of a total of 43 listed companies.

ZON achieved a score of 9,988.77 (out of a maximum of 10,000) keeping its AAA rating from the previous year and well above the average of 9,219 for the full universe and of 9,337 for the PSI20 index constituents. This result achieved is recognition of ZON’s consistent and transparent approach to Corporate Governance and to its relationship with all shareholders alike.

7
APPENDIX

7.1 APPENDIX I

Table 8.

Business Indicators ('000)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
Pay TV, Broadband and Voice [1]						
Homes Passed	3,187.4	3,204.5	3,224.5	3,243.2	3,257.3	**3,270.9**
Basic Subscribers [2]	1,586.8	1,586.3	1,574.4	1,570.1	1,559.0	**1,543.3**
of which						
Fixed Broadband	748.6	751.5	766.2	790.0	799.9	**805.3**
Fixed Voice	921.4	947.0	960.2	976.4	985.8	**989.8**
Mobile [3]	124.1	129.4	138.0	130.5	127.3	**140.1**
Cable Subscribers	1,204.6	1,210.8	1,204.3	1,209.6	1,209.1	**1,203.3**
IRIS Subscribers	118.9	161.5	193.0	234.8	284.4	**338.7**
Triple Play Customers	715.7	730.9	751.7	772.6	781.5	**786.1**
% Triple Play Cable Customers	59.4%	60.4%	62.4%	63.9%	64.6%	**65.3%**
Double Play Customers	219.1	212.8	200.7	200.1	203.1	**204.5**
% Double Play Cable Customers	18.2%	17.6%	16.7%	16.5%	16.8%	**17.0%**
Single Play Customers	269.8	267.2	251.9	236.9	224.5	**212.7**
% Single Play Cable Customers	22.4%	22.1%	20.9%	19.6%	18.6%	**17.7%**
DTH Subscribers	382.2	375.5	370.1	360.5	349.9	**340.0**
RGUs [4]	3,381.0	3,414.1	3,438.7	3,467.0	3,472.0	**3,478.5**
Cable RGUs per Subscriber (units) [5]	2.37	2.39	2.42	2.45	2.46	**2.48**
Blended ARPU (Euros)	35.0	34.7	34.3	34.0	34.9	**34.2**
Net Additions						
Triple Play Customers	7.0	15.2	20.8	20.9	8.9	**4.6**
Basic Subscribers	19.8	(0.5)	(11.9)	(4.3)	(11.1)	**(15.7)**
Cable Subscribers	26.2	6.3	(6.6)	5.4	(0.6)	**(5.8)**
IRIS Subscribers	21.9	42.6	31.4	41.8	49.6	**54.3**
DTH Subscribers	(6.5)	(6.7)	(5.3)	(9.7)	(10.6)	**(9.9)**
Fixed Broadband	9.4	2.8	14.7	23.8	10.0	**5.4**
Fixed Voice	37.5	25.6	13.2	16.2	9.4	**4.0**
Mobile	(0.8)	5.2	8.6	(7.5)	(3.2)	**12.8**
RGUs	65.8	33.1	24.6	28.3	5.0	**6.5**
Cinema [1]						
Revenue per Ticket (Euros)	4.8	4.9	4.9	4.7	4.6	**4.7**
Tickets Sold	1,724.9	1,714.1	2,383.2	1,992.4	1,784.5	**1,758.3**
Screens (units)	210	210	210	210	210	**210**

(1) Portuguese operations.

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

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

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

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

7.2 APPENDIX II

Table 9.

Profit and Loss Statement (Millions of Euros)	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13
Operating Revenues	214.2	214.4	215.3	214.7	858.6	214.3	**210.7**
Pay TV, Broadband and Voice	191.9	191.0	185.4	186.8	755.0	188.4	**183.7**
Audiovisuals	17.1	17.6	15.7	19.6	70.0	17.1	**17.0**
Cinema (1)	11.8	11.9	16.2	13.0	52.8	11.8	**12.1**
International	6.4	7.3	9.1	8.8	31.6	10.0	**11.0**
Others and Eliminations	(13.0)	(13.3)	(11.1)	(13.4)	(50.8)	(13.0)	**(13.0)**
Operating Costs Excluding D&A	(134.5)	(135.6)	(135.6)	(140.0)	(545.7)	(131.2)	**(130.2)**
W&S	(14.3)	(15.1)	(14.9)	(15.5)	(59.8)	(13.3)	**(13.7)**
Direct Costs	(58.4)	(59.3)	(62.3)	(63.4)	(243.4)	(59.6)	**(60.7)**
Commercial Costs (2)	(16.2)	(17.0)	(16.2)	(16.7)	(66.0)	(14.3)	**(14.0)**
Other Operating Costs	(45.7)	(44.1)	(42.2)	(44.5)	(176.5)	(43.9)	**(41.9)**
EBITDA (3)	79.7	78.8	79.7	74.7	312.9	83.1	**80.4**
EBITDA Margin	37.2%	36.8%	37.0%	34.8%	36.4%	38.8%	**38.2%**
Pay TV, Broadband and Voice	75.3	74.2	74.0	69.3	292.8	79.5	**74.2**
EBITDA Margin	39.2%	38.9%	39.9%	37.1%	38.8%	42.2%	**40.4%**
Audiovisuals and Cinema Exhibition	4.2	4.0	3.6	4.0	15.9	0.6	**3.0**
EBITDA Margin	14.6%	13.7%	11.3%	12.2%	12.9%	2.2%	**10.3%**
International	0.2	0.6	2.1	1.4	4.3	3.0	**3.3**
EBITDA Margin	2.6%	7.8%	23.5%	15.6%	13.5%	29.9%	**29.6%**
Depreciation and Amortization	(55.9)	(51.5)	(52.6)	(54.5)	(214.6)	(54.6)	**(49.0)**
Income From Operations (4)	23.7	27.3	27.1	20.2	98.3	28.5	**31.4**
(Other Expenses) / Income	(0.1)	(0.9)	0.4	(0.4)	(1.0)	(0.1)	**0.6**
Operating Profit (EBIT) (5)	23.7	26.5	27.5	19.7	97.3	28.4	**32.1**
(Financial Expenses) / Income	(8.3)	(10.7)	(11.9)	(11.5)	(42.4)	(12.3)	**(13.3)**
Income Before Income Taxes	15.3	15.8	15.6	8.2	54.9	16.1	**18.8**
Income Taxes	(4.6)	(5.8)	(5.8)	(1.8)	(18.0)	(4.3)	**(5.9)**
Income From Continued Operations	10.7	10.0	9.8	6.4	36.9	11.8	**12.9**
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.3)	(0.2)	(0.0)	(0.9)	(0.2)	**(0.2)**
Net Income	10.3	9.7	9.6	6.4	36.0	11.6	**12.7**
Baseline CAPEX	29.6	27.7	25.2	40.6	123.1	23.7	**29.1**
Total CAPEX	29.6	27.7	25.2	40.6	123.1	25.7	**30.1**
EBITDA - CAPEX	50.1	51.1	54.5	34.1	189.8	57.4	**50.3**
Non-Cash Items Included in EBITDA-CAPEX(6) and Change in Working Capital	(12.7)	0.0	(20.6)	32.3	(1.1)	(4.0)	**(9.7)**
Operating Cash Flow After Investment	37.4	51.1	33.9	66.4	188.7	53.4	**40.6**
Long Term Contracts	(12.9)	(5.4)	(6.2)	(6.4)	(30.8)	(24.9)	**(7.0)**
Net Interest Paid and Other Financial Charges	(7.5)	(8.8)	(9.9)	(9.5)	(35.8)	(10.2)	**(11.0)**
Income Taxes Paid	(2.4)	(2.4)	(8.4)	(3.7)	(17.0)	(1.5)	**(2.8)**
Free Cash Flow	16.3	33.6	9.9	46.7	106.5	15.6	**21.6**
Net Financial Debt	644.6	660.4	650.5	605.0	605.0	589.7	**605.2**

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

8
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9
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