FIRST QUARTER 2013 EARNINGS ANNOUNCEMENT

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1Q13 HIGHLIGHTS

Table 1.

Highlights of 1Q13 Results	1Q12	1Q13	1Q12 / 1Q13
Operational ('000)			
RGUs (1)	3,381.0	**3,472.0**	2.7%
Basic Cable Subscribers	1,204.6	**1,209.1**	0.4%
Triple Play Customers	715.7	**781.5**	9.2%
% Triple Play Cable Customers	59.4%	**64.6%**	5.2pp
IRIS Subscribers	118.9	**284.4**	139.2%
Broadband Subscribers	748.6	**799.9**	6.9%
Fixed Voice Subscribers	921.4	**985.8**	7.0%
Financial (Millions of Euros)			
Operating Revenues	214.2	**214.3**	0.1%
EBITDA	79.7	**83.1**	4.4%
EBITDA Margin	37.2%	**38.8%**	1.6pp
Net Income	10.3	**11.6**	12.5%
CAPEX	29.6	**25.7**	(13.1%)
EBITDA - CAPEX	50.1	**57.4**	14.7%
Free Cash Flow	16.3	**15.6**	(4.0%)
Net Financial Debt	644.6	**589.7**	(8.5%)

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

- **Record take-up of IRIS subscribers to 285 thousand with net adds of 50 thousand in 1Q13**
- **IRIS voted the best TV product of the year by consumers and Timewarp the best new TV product in terms of marketing and innovation**

- **ZON voted the best TV, Broadband and Fixed Voice provider by ECSI (European Customer Satisfaction Index)**

- **Strengthened position in Business segment with major new corporate accounts being signed up**

- **Sequential growth in quarterly Revenues of core Pay TV, BB and Voice revenues, up by 0.9% over the previous quarter**

- **Highest ever quarterly EBITDA and EBITDA–CAPEX**

- **African JV recording very strong growth with 1Q13 Revenues up by 56% yoy**

1Q13 FINANCIAL HIGHLIGHTS

- Consolidated Revenues reached 214.3 million euros in 1Q13, an increase of 0.1% in comparison with 1Q12;
- Sequential quarterly growth of 0.9% in Pay TV, Broadband and Voice Revenues and posting a reduction in pace of yoy decline to -1.8% yoy;
- Growth of 55.8% yoy in ZAP Revenues to 33.4 million euros (100%);
- Best ever quarterly EBITDA of 83.1 million euros representing a consolidated EBITDA margin of 38.8%, and reaching 42.2% in the core Pay TV, Broadband and Voice business;
- Net Income increased by 12.5% yoy to 11.6 million euros;
- Continued strong momentum in FCF with EBITDA – CAPEX also reaching highest level ever of 57.4 million euros, +14.7% yoy, and Operating Cash Flow posting yoy growth of 42.9% to 53.4 million euros.

1Q13 OPERATIONAL HIGHLIGHTS

Domestic Pay TV, BB and Voice operations:

- Record net-adds in IRIS subscribers of 49.6 thousand reaching a total of 284.4 thousand, to 23.5% of the cable base. Unprecedented levels of customer recognition with Timewarp voted marketing and innovation product of the year by consumers;
- Triple Play customers grew by 9.2% yoy to 781.5 thousand subscribers representing 64.6% of the cable subscriber base, amongst the highest of the sector;
- Cable customers remained stable at 1,209 thousand in 1Q13 posting marginal 0.4% growth 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 6.9% yoy to 799.9 thousand at the end of 1Q13, an increase of 10 thousand in the last quarter and bringing the percentage of cable subscribers that take broadband services up to 66.2%;
- Voice subscribers grew a further 9.4 thousand in 1Q13 to 985.8 thousand taking penetration of the cable base to 79.9%;
- Blended ARPU posted a sequential quarterly increase of 2.7% in 1Q13 to 34.9 euros, and just 0.4% down in comparison with 1Q12.

International

- ZAP continues to post significant growth in Angola and Mozambique. Total Revenues grew by 55.8% in 1Q13 to 33.4 million euros, for 100% of the business.

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OPERATING REVIEW 1Q13

Table 2.

Business Indicators ('000)	1Q12	1Q13	1Q13 / 1Q12
Pay TV, Broadband and Voice [1]			
Homes Passed	3,187.4	**3,257.3**	2.2%
RGUs [2]	3,381.0	**3,472.0**	2.7%
Cable RGUs per Subscriber (units) [3]	2.37	**2.46**	4.0%
Basic Subscribers [4]	1,586.8	**1,559.0**	(1.8%)
o.w. Cable Subscribers	1,204.6	**1,209.1**	0.4%
IRIS Subscribers	118.9	**284.4**	139.2%
% IRIS Cable Subscribers	9.9%	**23.5%**	13.7pp
Triple Play Customers	715.7	**781.5**	9.2%
% Triple Play Cable Customers	59.4%	**64.6%**	5.2pp
o.w. DTH Subscribers	382.2	**349.9**	(8.4%)
Broadband Subscribers	748.6	**799.9**	6.9%
Fixed Voice Subscribers	921.4	**985.8**	7.0%
Mobile Subscribers	124.1	**127.3**	2.5%
Blended ARPU (Euros)	35.0	**34.9**	(0.4%)
Cinema [1]			
Revenue per Ticket (Euros)	4.8	**4.6**	(4.1%)
Tickets Sold	1,724.9	**1,784.5**	3.5%
Screens (units)	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.

Award winning interface and services – The best offer and most satisfied customers

2013 has been an award winning period for ZON, with widespread recognition from customers and industry peers. In 2013, consumers voted IRIS the best Triple Play service of the year and Timewarp the best new TV product in terms of innovation and marketing. Customer feedback has been overwhelmingly positive and 1Q13 became another record quarter in terms of customer take up, with IRIS net adds of 49.6 thousand to 284.4 thousand, already 24% of the cable base.

ECSI Portugal (European Customer Satisfaction Index) ranked ZON the best triple play provider in Portugal. For the past three years in a row, consumers have voted ZON the best Pay TV operator and this year, ranked ZON #1 in all three services – Pay TV, BB and Voice. ZON achieved a score of 7.78 in Pay TV, 7.43 in Fixed Internet and 7.61 in Fixed Voice which compares with an average for other operators of 7.23, 7.15 and 7.39 respectively for each service. Aware that customer service is a key driver of satisfaction and retention, these results are proof of the work undertaken to improve operational excellence and continuously innovate in terms of products and service offers.

In addition, ZON Online was voted the best TV on the move service at Industry awards TV Connect. ZON Online was launched in 2011 and enables IRIS customers to access the features from their ZON IRIS box at home, over a number of different devices such as PC, iPad and iPhone, becoming an extension of the award winning IRIS interface for mobile devices. The ZON Online platform, which replicates the IRIS interface over laptops and tablets, was extended to smartphones, with the launch of its iPhone app in May last year. It has also become a major incentive for customers to upgrade to the IRIS bundle.

Continuously striving to provide the best content for subscribers, ZON launched a number of new channels recently, some of which exclusive to ZON, namely Globo, Disney Junior and +TVI. Globo is a partnership between ZON and the Brazilian Media company Globo and this exclusive channel to ZON, aggregates a diversified line-up of series, soap-operas, and Brazilian movies amongst other general entertainment shows. +TVI is produced by the Media Capital Group (owner of the leading FTA channel in Portugal, TVI) and targets a young adult audience with a strong bias towards national and TVI produced content, and includes a number of interactive functionalities. Canal Q was launched on the ZON network in March, bringing together national entertainment and comedy shows, starring some of the most well-known and popular comedians in Portugal and also serving as a launch-pad for bright new talent.

284.4 thousand IRIS customers – record net adds in 1Q13 of 49.6 thousand

IRIS is the best Triple Play value proposition in the market, with its innovative, unique features and design and leading broadband speeds for the entire cable base. IRIS is the umbrella brand for all ZON's communication and the launch of Timewarp in 3Q12, has sealed ZON's position as the most innovative player in the Pay TV market.

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 IRIS Triple Play bundles, which provide a much richer Triple Play experience.

ZON's flat-rate product offers cover all main segments of the market, from higher-end IRIS to lower-end basic TV and voice services, thereby helping families and companies to better manage their monthly bill whilst maintaining an excellent level of service.

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 new pricing point has proven to be a very successful offer to attract customers to upgrade to IRIS.

RGUs up by 2.7% yoy with very resilient cable base

The total number of RGUs grew by 2.7% yoy to 3,472.0 thousand with cable subscribers on average subscribing to 2.46 services. Basic cable subscribers remained stable at 1,209.1 thousand, (+0.4% yoy) however the single play DTH subscriber base posted a decline of 8.4% to 349.9 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.

The main area of pressure, although less so than in previous quarters, continues to be premium channel subscription, of which the most important package is premium sports. Given the discretionary nature of subscription to these channels, customers looking to save on their monthly bill are prone to disconnect premium add-on channels whilst preserving the value of their monthly flat-rate Triple Play bundle. The number of customers subscribing to Triple Play offers continues to grow, reaching 781.5 thousand in 1Q13, 64.6% of the cable base.

Broadband and Fixed Voice – solid net adds in 1Q13

Broadband and Fixed Voice subscribers continued to post solid yoy performance growing by 6.9% yoy to 799.9 thousand and by 7% to 985.8 thousand respectively. At the end of 1Q13, 66.2% of ZON's cable subscribers now take Broadband and 79.9% Fixed Voice services, in addition to the Pay TV offer.

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. In 2013, ZON launched a new smartphone app which, once downloaded from the APP Store, automatically identifies available ZON@FON hotspots, both in Portugal and abroad, providing a very simple and effortless login process.

Growth in Corporate and SME segment

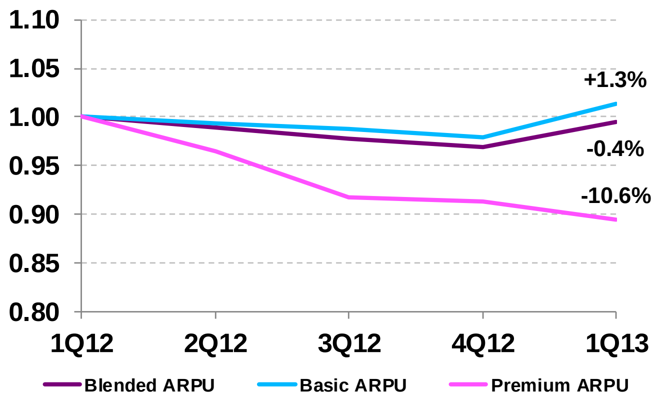
ZON has been making relevant progress in the business segment in recent months. Having strengthened its technical offering and commercial team, ZON is now better positioned to tender for relevant contracts in the Public and Corporate sector, combining a differentiated proposition for integrated telecommunications services at very competitive costs. ZON closed an important contract in 1Q13 with one of the largest retail banks in Portugal, present both in continental Portugal and in the Madeira and Azores Islands. This deal contributes to establishing ZON's reputation as a competitive provider of telecommunications services for the corporate sector, leveraging on the capillarity and sophistication of its network.

In 1Q13, ZON launched a partnership programme to develop a wide retail network of distribution partners for the SME and SoHo markets and further reinforcing its position as the leading provider of TV and telecommunications services for the hotel industry in Portugal, ZON also won a significant number of contracts in 1Q13 for new 5 star hotel openings.

Sequential improvement in Blended ARPU

Blended ARPU posted a 2.7% qoq increase in 1Q13 to 34.9 euros and was just 0.4% lower yoy, representing an inflexion in the trend of the past quarters. Although premium channel subscriptions, primarily the premium sports package, still weigh down on quarterly ARPU trends, the negative impact was more than offset by the price increase which came into effect in January, leading to the very positive inflexion in quarter on quarter ARPU trends.

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



Cinemas and Audiovisuals

In 1Q13, ZON's Portuguese Cinema ticket sales increased by 3.5% to close to 1.8 million tickets, with the average revenue per ticket sold decreasing by 4.1% from 4.8 to 4.6 euros. Total Cinema revenues increased marginally by 0.2% yoy in 1Q13. The comparison with 1Q12 in terms of tickets sold was more favourable in 1Q13 due to the fact that the Easter holiday period fell in March in 2013, whereas it fell partially in April in 2012.

Revenues were also affected by comparatively lower 3D movie ticket sales. Revenues from the sale of 3D movie tickets represented close to 15% of total box-office sales in 1Q13, whereas they had represented around 21% in 1Q12 and 23% in 1Q11, which shows customers are choosing the lower-cost 2D alternatives more than in the past.

In 1Q13, ZON once again outperformed the market as a whole. As previously mentioned, the number of tickets sold by ZON during 1Q13 increased by 3.5%. As a whole, the market experienced a drop in tickets sold of 8.9% in 1Q13, according to recently published data from the Portuguese Institute for Cinema and Audiovisuals, ICA. ZON's share of tickets sold therefore increased yoy to 62.1% in 1Q13.

As regards Cinema gross revenues performance, ZON's relative performance was also stronger in comparison with the market as a whole, posting a 0.7% decrease in 1Q13 whilst the total market's gross revenues decreased by 10.8%. The most successful films shown in 1Q13 were "The Impossible", "Django Unchained", "The Croods", "Les Misérables" and "Lincoln".

In 1Q13, revenues in the Audiovisuals division were stable at 17.1 million euros (+0.1% growth). 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.

As regards movie distribution in 1Q13, of the top 10 movies, ZON Lusomundo distributed 4, “The Impossible”, “Les Misérables”, “Silver Linings Playbook” and “Jack Reacher”. According to data from ICA, ZON’s gross revenues in terms of Cinema Distribution increased by 8.1% in 1Q13, while the market as a whole experienced a decrease of 10.8%. ZON’s market share of gross revenues in 1Q13 therefore stood at 55.8%.

International Growth - Africa

ZAP continues to exceed all expectations in terms of operational growth, with 100% of consolidated quarterly revenues and EBITDA in 1Q13 already at 33 million euros and 10 million euros respectively, generating a 29.9% EBITDA margin in this quarter. ZON’s share of revenues from its international operations amounted to 10 million euros and of EBITDA to 3 million euros, already representing an interesting contribution to consolidated numbers. The drivers behind this strong financial performance are the continued very strong quarterly pace of subscriber growth and support in ARPU levels.

ZAP is consistently one of the leading brands in Angola, and ranks #4 in terms of top of mind brand awareness in the most recent marketing surveys.

ZAP has been increasing its distribution network significantly in past months and is present in 10 of the largest Angolan provinces. ZAP also has a network of almost 1,000 distribution agents and 200 door-to-door sales people, ensuring a very strong representation across the whole country.

Equally important is ZAP’s continuous focus on improving its channel offer and the high proportion of Portuguese speaking and local content and, in 1Q13, ZAP further enhanced its channel line-up with the launch of a number of new channels, namely Bola TV, +TVI, ZAP Viva and the Fight Network.

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CONSOLIDATED INCOME STATEMENT

Table 3.

Profit and Loss Statement (Millions of Euros)	1Q12	1Q13	1Q13 / 1Q12
Operating Revenues	214.2	**214.3**	0.1%
Pay TV, Broadband and Voice	191.9	**188.4**	(1.8%)
Audiovisuals	17.1	**17.1**	0.1%
Cinema	11.8	**11.8**	0.2%
International	6.4	**10.0**	55.8%
Others and Eliminations	(13.0)	**(13.0)**	0.0%
Operating Costs Excluding D&A	(134.5)	**(131.2)**	(2.5%)
W&S	(14.3)	**(13.3)**	(6.5%)
Direct Costs	(58.4)	**(59.6)**	2.0%
Commercial Costs (1)	(16.2)	**(14.3)**	(11.5%)
Other Operating Costs	(45.7)	**(43.9)**	(3.8%)
EBITDA (2)	79.7	**83.1**	4.4%
EBITDA Margin	37.2%	**38.8%**	1.6pp
Pay TV, Broadband and Voice	75.3	**79.5**	5.6%
EBITDA Margin	39.2%	**42.2%**	3.0pp
Audiovisuals and Cinema Exhibition	4.2	**0.7**	(84.5%)
EBITDA Margin	14.6%	**2.3%**	(12.3pp)
International	0.2	**3.0**	n.a.
EBITDA Margin	2.6%	**29.9%**	27.2pp
Depreciation and Amortization	(55.9)	**(54.6)**	(2.3%)
Income From Operations (3)	23.7	**28.5**	20.1%
(Other Expenses) / Income	(0.1)	**(0.1)**	88.2%
Operating Profit (EBIT) (4)	23.7	**28.4**	19.9%
(Financial Expenses) / Income	(8.3)	**(12.3)**	46.9%
Income Before Income Taxes	15.3	**16.1**	5.2%
Income Taxes	(4.6)	**(4.3)**	(7.4%)
Income From Continued Operations	10.7	**11.8**	10.7%
o.w. Attributable to Non-Controlling Interests	(0.3)	**(0.2)**	(42.5%)
Net Income	10.3	**11.6**	12.5%

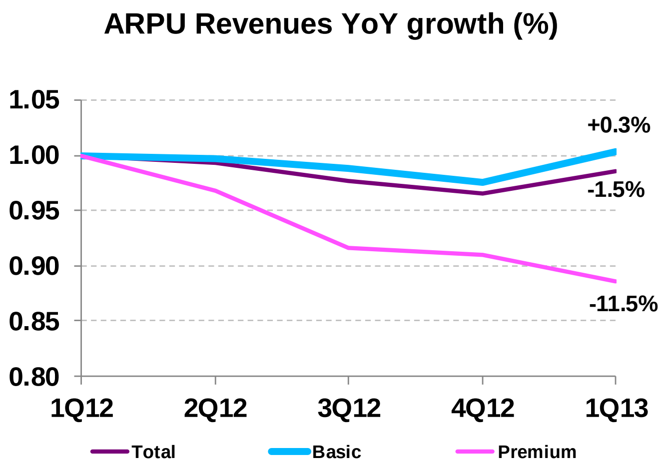
(1) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(2) EBITDA = Income From Operations + Depreciation and Amortization.
(3) Income From Operations = Income Before Financials and Income Taxes + work force reduction programme costs ± impairment of goodwill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

3.1 Operating Revenues

Consolidated Operating Revenues reached 214.3 million euros in 1Q13, 0.1% higher than in 1Q12.

Core Pay TV, BB and Voice Revenues showed an encouraging improvement in yoy trend, declining just 1.8% compared with 3.6% and 3.2% in 4Q12 and 3Q12 respectively. This was led by the inflation based price increase implemented in January, which was accommodated by customers and generated residual attrition on subscriber numbers. The price increase helped to offset the continuing pressure felt from premium channel subscription revenues, albeit the pace of quarterly decline in these revenues did reveal a deceleration in 1Q13.

The chart below reflects the stability felt in basic flat-rate ARPU revenues and the decelerating pace of decline in premium revenues. Excluding the effect of premium revenues, ARPU revenues would have posted slight growth of 0.3%.



Revenues from the Audiovisuals business were stable yoy at 17.1 million euros reflecting a solid performance in VoD and film distribution. Cinema exhibition revenues also remained stable yoy resulting from a mix of higher ticket sales and lower average revenue per ticket, due to a lower proportion of 3D movie sales and with spectators tending to spend less on beverages and snacks. This quarter was also positively impacted by the Easter holiday period as referred before.

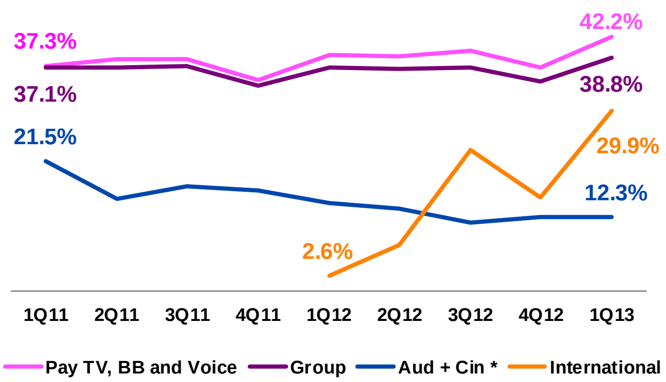
ZON's 30% stake in its international Pay TV operation in Angola and Mozambique rendered revenues of 10 million euros in 1Q13, an increase of 55.8% yoy. The business continues to develop extremely well, with continued strong expansion of the subscriber base every month whilst maintaining a healthy level of ARPU.

3.2 EBITDA

Consolidated EBITDA grew by 4.4% in 1Q13 to 83.1 million euros generating an EBITDA margin of 38.8%, representing the best quarterly result ever.

Core Pay TV, BB and Voice EBITDA reached 79.5 million euros in 1Q13, representing a yoy increase of 5.6% and an EBITDA margin of 42.2%, the best quarterly level 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.

EBITDA Margins (%)



* Adjusted for the one-off provision of 2.9 million euros in 1Q13

The African JV – "ZAP" (30%) posted EBITDA in 1Q13 of 3 million euros representing an EBITDA margin of 29.9%, 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 a lower EBITDA of 0.7 million euros in 1Q13 affected by both the challenging operating momentum the market is facing and further impacted by a one-off provision of 2.9 million euros in the Audiovisuals business to reflect the bankruptcy filing in 1Q13 of a major cinema exhibitor. Adjusting for this effect, the EBITDA of the Audiovisuals and Cinema businesses would still have decreased by approximately 16% yoy.

3.3 Consolidated Operating Costs

Consolidated Operating Costs fell by 2.5% to 131.2 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.

The African operation, 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 5 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 3% yoy.

Wages and Salaries fell to 13.3 million euros in 1Q13. Where possible ZON is making 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% to 59.6 million euros mainly due to an increase in the level of traffic and capacity related costs and some increased cost of programming due to the launch of some new exclusive channels and higher operating activity in comparison with 1Q12. However sequential quarterly trends reflect a decline of 6% in Direct Operating costs as a result of the efforts in recent quarters to achieve savings in these areas.

Commercial Costs recorded an 11.5% decline yoy to 14.3 million euros, explained by a continued decrease in the level of commissions and marketing costs led by cost saving initiatives and a progressively less aggressive competitive environment.

Other Operating Costs reduced by 3.8% to 43.9 million euros with continued cost discipline driving savings in areas such as support services, maintenance and repairs and other SGA.

3.4 Net Income

Net Income increased 12.5% yoy to 11.6 million euros and by 82% compared with 4Q12.

Depreciation and Amortization posted a yoy decline of 2.3% to 54.6 million euros however in line with the previous quarter.

Net Financial Expenses were higher in 1Q13 at 12.3 million euros compared with 8.3 million euros in 1Q12, although just 6.2% higher than in 4Q12. 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.

Income Taxes amounted to 4.3 million euros, representing an effective P&L tax rate of 27% which is slightly less than the normal corporate tax rate of around 29% due to the fact that the African operation does not generate corporate tax.

4
CAPEX AND CASH FLOW

4.1 CAPEX

Table 4.

CAPEX (Millions of Euros)	1Q12	1Q13	1Q13 / 1Q12
Pay TV, Broadband and Voice Infrastructure	19.2	**12.2**	(36.6%)
Terminal Equipment	9.1	**9.6**	5.8%
Other	1.3	**1.9**	50.0%
"Baseline" CAPEX	29.6	**23.7**	(19.8%)
Non-Recurrent CAPEX	0.0	**2.0**	n.a.
Total CAPEX	29.6	**25.7**	(13.1%)

CAPEX in 1Q13 was 25.7 million euros, down 13.1% compared with 1Q12 and has now reached normalized levels of close to 14% 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. Non-Recurrent CAPEX in the quarter of 2 million euros was due 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 12%.

Table 5.

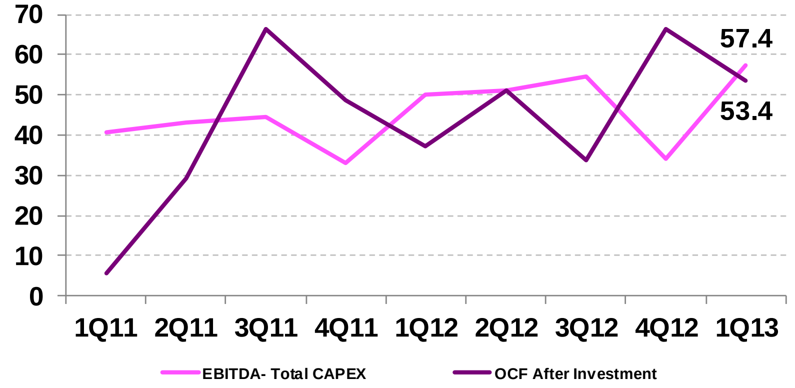
Cash Flow (Millions of Euros)	1Q12	1Q13	1Q13 / 1Q12
EBITDA	79.7	**83.1**	4.4%
CAPEX	(29.6)	**(25.7)**	(13.1%)
Baseline CAPEX	(29.6)	**(23.7)**	(19.8%)
Non-Recurrent CAPEX	0.0	**(2.0)**	n.a.
EBITDA - CAPEX	50.1	**57.4**	14.7%
Non-Cash Items Included in EBITDA-CAPEX(1) and Change in Working Capital	(12.7)	**(4.0)**	(68.2%)
Operating Cash Flow After Investment	37.4	**53.4**	42.9%
Long Term Contracts	(12.9)	**(24.9)**	93.4%
Net Interest Paid and Other Financial Charges	(7.5)	**(10.2)**	35.5%
Income Taxes Paid	(2.4)	**(1.5)**	(38.8%)
Other Cash Movements	1.7	**(1.2)**	n.a.
Free Cash-Flow	16.3	**15.6**	(4.0%)

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

4.2 Operating Cash Flow

EBITDA-CAPEX increased by 14.7% in 1Q13 to 57.4 million euros, a record quarterly level due to the very strong EBITDA performance and the more normalized levels of CAPEX, thus consolidating the strong cash flow momentum of the past quarters as can be seen in the chart below. Operating Cash Flow after Investment grew by 42.9% yoy from 37.4 million euros in 1Q12 to 53.4 million euros in 1Q13.

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



4.3 Free Cash Flow

Total FCF in 1Q13 amounted to 15.6 million euros, 4% less than in 1Q12. The main reason for the decline was that, as a result of the renegotiation of the Portuguese football league contract until the end of the 2015/2016 season (as announced in 4Q12), an upfront payment was made at the SportTV level which had an impact of 20 million euros at the ZON consolidated level. Half of this payment will be offset in 4Q13 with the first quarterly payment under the new contract and the rest over the remaining years of the contract. Adjusting for this one-off payment, FCF would have been 35.6 million euros.

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CONSOLIDATED BALANCE SHEET

Table 6.

Balance Sheet (Millions of Euros)	2012	1Q13
Current Assets	542.3	**602.4**
Cash and Equivalents	308.3	**332.4**
Accounts Receivable, Net	172.4	**191.1**
Inventories, Net	44.3	**37.9**
Taxes Receivable	4.7	**3.9**
Prepaid Expenses and Other Current Assets	12.6	**37.1**
Non-current Assets	1,068.7	**1,024.8**
Investments in Group Companies	0.2	**0.1**
Intangible Assets, Net	319.2	**303.1**
Fixed Assets, Net	632.0	**620.5**
Deferred Taxes	48.1	**47.2**
Other Non-current Assets	69.1	**53.8**
Total Assets	1,611.0	**1,627.2**
Current Liabilities	651.8	**658.7**
Short Term Debt	363.3	**372.1**
Accounts Payable	214.1	**198.8**
Accrued Expenses	51.6	**53.8**
Deferred Income	9.5	**11.4**
Taxes Payable	12.8	**22.6**
Current Provisions and Other Liabilities	0.5	**0.0**
Non-current Liabilities	739.9	**737.6**
Medium and Long Term Debt	721.2	**720.3**
Non-current Provisions and Other Liabilities	18.7	**17.3**
Total Liabilities	1,391.7	**1,396.3**
Equity Before Non-Controlling Interests	209.8	**221.5**
Share Capital	3.1	**3.1**
Own Shares	(0.9)	**(1.3)**
Reserves, Retained Earnings and Other	171.6	**208.1**
Net Income	36.0	**11.6**
Non-Controlling Interests	9.4	**9.4**
Total Shareholders' Equity	219.2	**230.9**
Total Liabilities and Shareholders' Equity	1,611.0	**1,627.2**

5.1 Capital Structure

At the end of 1Q13, **Net Financial Debt** stood at 589.7 million euros, a decrease of 15.2 million euros compared with FY12.

ZON Multimedia is fully financed until the end of 2014 and the average maturity of Net Financial Debt is now 1.7 years.

The total interest rate hedging operations in place at the end of 1Q13 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 78%.

Total financial debt at the end of 1Q13 amounted to 967.9 million euros, which was offset with a cash and short-term investments position on the balance sheet of 378.2 million euros. The all-in average cost of ZON's Net Financial Debt was 5.55% for 1Q13.

Net Financial Gearing decreased to 71.9% at the end of 1Q13 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	1Q13	1Q13 / 2012
Short Term	342.2	**349.7**	2.2%
Bank and Other Loans	334.8	**342.0**	2.1%
Financial Leases	7.3	**7.7**	4.9%
Medium and Long Term	615.8	**618.2**	0.4%
Bank Loans	607.5	**610.8**	0.5%
Financial Leases	8.3	**7.4**	(11.0%)
Total Debt	958.0	**967.9**	1.0%
Cash, Short Term Investments and Intercompany Loans	353.0	**378.2**	7.1%
Net Financial Debt	605.0	**589.7**	(2.5%)
Net Financial Gearing [(1)]	73.4%	**71.9%**	(1.5pp)
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 development

On **7 March** the shareholders of ZON Multimedia met in an Extraordinary General Meeting and approved, with 98.9% of the votes issued, the merger project involving the incorporation of OPTIMUS into ZON and pursuant to which all the assets and liabilities of OPTIMUS will be transferred to ZON.

Subsequently, on 19 April, the Portuguese Securities Commission's approved the waiver of the obligation of the proposing shareholders of ZON and OPTIMUS to launch a mandatory tender offer for ZON Multimédia.

As such, effective implementation of the merger is now pending non-opposition 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 exceed 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.

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APPENDIX

7.1 APPENDIX I

Table 8.

Business Indicators ('000)	1Q12	2Q12	3Q12	4Q12	1Q13
Pay TV, Broadband and Voice [1]					
Homes Passed	3,187.4	3,204.5	3,224.5	3,243.2	**3,257.3**
Basic Subscribers [2]	1,586.8	1,586.3	1,574.4	1,570.1	**1,559.0**
of which					
Fixed Broadband	748.6	751.5	766.2	790.0	**799.9**
Fixed Voice	921.4	947.0	960.2	976.4	**985.8**
Mobile [3]	124.1	129.4	138.0	130.5	**127.3**
Cable Subscribers	1,204.6	1,210.8	1,204.3	1,209.6	**1,209.1**
IRIS Subscribers	118.9	161.5	193.0	234.8	**284.4**
Triple Play Customers	715.7	730.9	751.7	772.6	**781.5**
% Triple Play Cable Customers	59.4%	60.4%	62.4%	63.9%	**64.6%**
Double Play Customers	219.1	212.8	200.7	200.1	**203.1**
% Double Play Cable Customers	18.2%	17.6%	16.7%	16.5%	**16.8%**
Single Play Customers	269.8	267.2	251.9	236.9	**224.5**
% Single Play Cable Customers	22.4%	22.1%	20.9%	19.6%	**18.6%**
DTH Subscribers	382.2	375.5	370.1	360.5	**349.9**
Premium Sports and Movies Penetration [4]	40.8%	40.2%	41.3%	39.4%	**38.0%**
RGUs [5]	3,381.0	3,414.1	3,438.7	3,467.0	**3,472.0**
Cable RGUs per Subscriber (units) [6]	2.37	2.39	2.42	2.45	**2.46**
Blended ARPU (Euros)	35.0	34.7	34.3	34.0	**34.9**
Net Additions					
Triple Play Customers	7.0	15.2	20.8	20.9	**8.9**
Basic Subscribers	19.8	(0.5)	(11.9)	(4.3)	**(11.1)**
Cable Subscribers	26.2	6.3	(6.6)	5.4	**(0.6)**
DTH Subscribers	(6.5)	(6.7)	(5.3)	(9.7)	**(10.6)**
Fixed Broadband	9.4	2.8	14.7	23.8	**10.0**
Fixed Voice	37.5	25.6	13.2	16.2	**9.4**
Mobile	(0.8)	5.2	8.6	(7.5)	**(3.2)**
RGUs	65.8	33.1	24.6	28.3	**5.0**
Cinema [1]					
Revenue per Ticket (Euros)	4.8	4.9	4.9	4.7	**4.6**
Tickets Sold	1,724.9	1,714.1	2,383.2	1,992.4	**1,784.5**
Screens (units)	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) Includes Sports, Movies and other Premium channels with relevant scale and Subscription VoD services.
(5) Total RGUs reported reflect the sum of Pay TV, Fixed Broadband, Fixed Voice and Mobile services.
(6) Cable RGUs per Subscriber correspond to the sum of Cable Pay TV, Broadband and Voice Subscribers, divided by the number of Cable Pay TV Customers.

7.2 APPENDIX II

Table 9.

Profit and Loss Statement (Millions of Euros)	1Q12	2Q12	3Q12	4Q12	2012	1Q13
Operating Revenues	214.2	214.4	215.3	214.7	858.6	**214.3**
Pay TV, Broadband and Voice	191.9	191.0	185.4	186.8	755.0	**188.4**
Audiovisuals	17.1	17.6	15.7	19.6	70.0	**17.1**
Cinema	11.8	11.9	16.2	13.0	52.8	**11.8**
International	6.4	7.3	9.1	8.8	31.6	**10.0**
Others and Eliminations	(13.0)	(13.3)	(11.1)	(13.4)	(50.8)	**(13.0)**
Operating Costs Excluding D&A	(134.5)	(135.6)	(135.6)	(140.0)	(545.7)	**(131.2)**
W&S	(14.3)	(15.1)	(14.9)	(15.5)	(59.8)	**(13.3)**
Direct Costs	(58.4)	(59.3)	(62.3)	(63.4)	(243.4)	**(59.6)**
Commercial Costs (1)	(16.2)	(17.0)	(16.2)	(16.7)	(66.0)	**(14.3)**
Other Operating Costs	(45.7)	(44.1)	(42.2)	(44.5)	(176.5)	**(43.9)**
EBITDA (2)	79.7	78.8	79.7	74.7	312.9	**83.1**
EBITDA Margin	37.2%	36.8%	37.0%	34.8%	36.4%	**38.8%**
Pay TV, Broadband and Voice	75.3	74.2	74.0	69.3	292.8	**79.5**
EBITDA Margin	39.2%	38.9%	39.9%	37.1%	38.8%	**42.2%**
Audiovisuals and Cinema Exhibition	4.2	4.0	3.6	4.0	15.9	**0.7**
EBITDA Margin	14.6%	13.7%	11.3%	12.2%	12.9%	**2.3%**
International	0.2	0.6	2.1	1.4	4.3	**3.0**
EBITDA Margin	2.6%	7.8%	23.5%	15.6%	13.5%	**29.9%**
Depreciation and Amortization	(55.9)	(51.5)	(52.6)	(54.5)	(214.6)	**(54.6)**
Income From Operations (3)	23.7	27.3	27.1	20.2	98.3	**28.5**
(Other Expenses) / Income	(0.1)	(0.9)	0.4	(0.4)	(1.0)	**(0.1)**
Operating Profit (EBIT) (4)	23.7	26.5	27.5	19.7	97.3	**28.4**
(Financial Expenses) / Income	(8.3)	(10.7)	(11.9)	(11.5)	(42.4)	**(12.3)**
Income Before Income Taxes	15.3	15.8	15.6	8.2	54.9	**16.1**
Income Taxes	(4.6)	(5.8)	(5.8)	(1.8)	(18.0)	**(4.3)**
Income From Continued Operations	10.7	10.0	9.8	6.4	36.9	**11.8**
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.3)	(0.2)	(0.0)	(0.9)	**(0.2)**
Net Income	10.3	9.7	9.6	6.4	36.0	**11.6**
Baseline CAPEX	29.6	27.7	25.2	40.6	123.1	**23.7**
Total CAPEX	29.6	27.7	25.2	40.6	123.1	**25.7**
Free Cash Flow	16.3	33.6	9.9	46.7	106.5	**15.6**
Net Financial Debt	644.6	660.4	650.5	605.0	605.0	**589.7**

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

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