FIRST NINE MONTHS 2012 EARNINGS ANNOUNCEMENT

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3Q12 HIGHLIGHTS

Table 1.

Highlights of 3Q12 Results	3Q11	3Q12	3Q12 / 3Q11	9M11	9M12	9M12 / 9M11
Operational ('000)						
RGUs (1)	3,256.6	**3,438.7**	5.6%	3,256.6	**3,438.7**	5.6%
Basic Subscribers	1,554.2	**1,574.4**	1.3%	1,554.2	**1,574.4**	1.3%
Triple Play Customers	688.8	**751.7**	9.1%	688.8	**751.7**	9.1%
% Triple Play Cable Customers	59.3%	**62.4%**	3.2pp	59.3%	**62.4%**	3.2pp
IRIS Subscribers	65.0	**193.0**	197.1%	65.0	**193.0**	197.1%
Broadband Subscribers	725.0	**766.2**	5.7%	725.0	**766.2**	5.7%
Fixed Voice Subscribers	844.0	**960.2**	13.8%	844.0	**960.2**	13.8%
Financial (Millions of Euros)						
Operating Revenues	213.7	**215.3**	0.8%	639.2	**643.9**	0.7%
EBITDA	79.6	**79.7**	0.2%	237.6	**238.2**	0.3%
EBITDA Margin	37.2%	**37.0%**	(0.2pp)	37.2%	**37.0%**	(0.2pp)
Net Income	9.1	**9.6**	5.1%	28.5	**29.6**	3.9%
CAPEX	35.1	**25.2**	(28.1%)	109.3	**82.5**	(24.5%)
EBITDA - CAPEX	44.5	**54.5**	22.6%	128.3	**155.7**	21.4%
Net Financial Debt	668.3	**650.5**	(2.7%)	668.3	**650.5**	(2.7%)

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

3Q12 FINANCIAL HIGHLIGHTS

- Growth in Consolidated Revenues of 0.8% yoy to 215.3 million euros, supported by continuing growth from international operations in Africa which more than offset slightly weaker revenue performance in domestic operations;
- Revenues at ZAP continue to record very strong qoq growth, reaching 9.1 million euros in 3Q12, compared with 7.3 million in 2Q12 (30%);
- Consolidated EBITDA increased by 0.2% in 3Q12 to 79.7 million euros, representing a consolidated margin of 37% and of 39.9% for the core Pay TV, BB and Voice business;
- Net Income grew by 5.1% to 9.6 million euros yoy;
- EBITDA–CAPEX grew by 22.6% yoy to 54.5 million euros in 3Q12, due to the steady performance of EBITDA and a 28.1% reduction in CAPEX.

3Q12 OPERATIONAL HIGHLIGHTS

Domestic Pay TV, BB and Voice operations:

- Triple Play customers grew 9.1% yoy to 751.7 thousand subscribers representing 62.4% of the cable subscriber base;
- Penetration of high-end IRIS Triple Play bundles continued to grow to 193.0 thousand customers, increasing by 31.4 thousand in 3Q12, supported by the worldwide launch of the "Timewarp" functionality over the IRIS platform, enabling customers to browse and view the programming guide of the previous 7 days. In just 3 weeks of launch, the vast majority of IRIS subscribers have already used the functionality and over a quarter of the IRIS subscriber base use the service on a daily basis;
- Pay TV subscribers posted a yoy increase of 1.3% to 1,574.4 thousand, of which 1,204.3 thousand are cable customers. Some weakness was felt in 3Q12 on the back of the tough austerity measures being implemented in Portugal;
- Broadband subscribers grew by 14.7 thousand in 3Q12 to 766.2 thousand, now representing 63.6% of the cable base and Fixed Voice subscribers grew by 13.2 thousand to 960.2 thousand, 77.9% of the cable customer base;
- Blended ARPU excluding the effect of lower premium add-on channel subscriptions, decreased by 3% yoy impacted by the ARPU from lower-end offers, whereas total blended ARPU fell by 4.8% to 34.3 euros.

Cinema Exhibition and Audiovisuals:

- Sale of cinema tickets recovered slightly in 3Q12 to levels in line with 3Q11 although revenue per ticket fell by 3.9% to 4.9 euros. Families are clearly saving in areas that represent discretionary spend in their domestic expenses;
- Revenues from the Audiovisuals business were negatively affected by the reduction in the level of films and other content usually sold on to FTA channels that are undergoing strong cut backs in programming costs.

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OPERATING REVIEW 3Q12

Table 2.

Business Indicators ('000)	3Q11	3Q12	3Q12 / 3Q11	9M11	9M12	9M12 / 9M11
Pay TV, Broadband and Voice [1]						
Homes Passed [2]	3,151.0	**3,224.5**	2.3%	3,151.0	**3,224.5**	2.3%
RGUs [3]	3,256.6	**3,438.7**	5.6%	3,256.6	**3,438.7**	5.6%
Cable RGUs per Subscriber (units) [4]	2.33	**2.42**	3.8%	2.33	**2.42**	3.8%
Basic Subscribers [5]	1,554.2	**1,574.4**	1.3%	1,554.2	**1,574.4**	1.3%
o.w. Cable Subscribers	1,162.4	**1,204.3**	3.6%	1,162.4	**1,204.3**	3.6%
Triple Play Customers	688.8	**751.7**	9.1%	688.8	**751.7**	9.1%
% Triple Play Cable Customers	59.3%	**62.4%**	3.2pp	59.3%	**62.4%**	3.2pp
o.w. DTH Subscribers	391.9	**370.1**	(5.5%)	391.9	**370.1**	(5.5%)
Broadband Subscribers	725.0	**766.2**	5.7%	725.0	**766.2**	5.7%
Fixed Voice Subscribers	844.0	**960.2**	13.8%	844.0	**960.2**	13.8%
Mobile Subscribers	133.4	**138.0**	3.4%	133.4	**138.0**	3.4%
Blended ARPU (Euros)	36.0	**34.3**	(4.8%)	35.8	**34.7**	(3.2%)
Cinema [1]						
Revenue per Ticket (Euros)	5.1	**4.9**	(3.9%)	4.9	**4.9**	(1.1%)
Tickets Sold	2,371.7	**2,383.2**	0.5%	6,481.7	**5,822.1**	(10.2%)
Screens (units)	217	**210**	(3.2%)	217	**210**	(3.2%)

(1) Portuguese Operations
(2) The number of homes passed was corrected in 3Q11, consisting of a database cleanup of around 86.5 thousand homes. Data for the previous quarters was not restated.
(3) Total RGUs reported reflect the sum of Pay TV, Broadband, Fixed Voice and Mobile subscribers.
(4) 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.
(5) 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.

The core Triple Play business remains very resilient to the general macroeconomic strain. Customers are retaining their core Triple Play bundles however efforts to manage monthly spend are still being felt, with the disconnection of more discretionary services such as add-on premium channel subscriptions. Triple Play customers grew to 751.7 thousand in 3Q12, up 9.1% yoy with the penetration of Triple Play customers as a percentage of the cable base increasing again to 62.4%. The proportion of customers taking two services, TV+BB or TV+Voice increased by 2.1 percentage points yoy to 16.7%. Despite the challenging backdrop, subscribers are still proving very receptive to the superior IRIS value proposition. With a number of exciting new functionalities, IRIS has a clear competitive edge in the market.

Leading innovation worldwide with Timewarp
193 thousand IRIS customers, 16% of the cable base

In September ZON launched a world premier of an innovative functionality, Timewarp, for its high-end bundles “IRIS”, a network PVR service that enables customers to browse and view the content of the last 7 days, which has been recorded in a central data server, based on user selection.

Timewarp is greatly enhancing the way customers watch TV with a huge choice of entertainment alternatives that can be filtered according to preferences such as genre, programme name, actor, day of the week, and channel, amongst others. At the start of the year, the launch of Restart TV for IRIS had already proved to be a huge success with utilization levels of 76%, a feature that allows customers to restart any programme ended in the previous 2 hours without the need for pre-recording.

The continued consumer enthusiasm with our IRIS service is related to both the very appealing combination of a superior user experience and design of the IRIS TV platform, a minimum of 100 Mbps Broadband speeds and unlimited Fixed Voice calls and to the continuous innovation of the features offered. The IRIS user interface continues to be expanded and fine-tuned based on user feedback. It now offers an even faster navigation experience and both a vertical and a horizontal electronic programming guide. Innovative features also launched over the past months include full integration of Facebook with the user interface enabling customers to share likes, recommendations, view opinions, make status posts, amongst others, all within the IRIS interface, without accessing an external app. 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. It has also become a major incentive for customers to upgrade to the IRIS bundle.

With all these developments and continuous focus in improving customer service, ZON is at the forefront of customer and technological innovation in the sector.

By the end of 3Q12, IRIS subscribers had already reached 193 thousand, representing an increase of 31.4 thousand in the quarter. Importantly, IRIS customers take Triple Play bundles with prices starting at 49.99 euros.

+24.6 thousand RGU net adds in 3Q12

ZON recorded another good quarter in terms of RGU growth with 24.6 thousand net adds, reaching a total of 3,439 thousand services, representing 2.42 services per cable customer. The Pay TV subscriber base increased by 1.3% yoy to 1,574.4 thousand and the cable customer base grew by 3.6% yoy to 1,204.3 thousand customers. Net adds in 3Q12 were slightly weaker, representing a sequential decline of 0.8% in Pay TV subscribers.

Continued growth in Broadband - Access to over 500 thousand WiFi hotspots in Portugal, 7 million hotspots worldwide

The Broadband subscriber base grew by 5.7% yoy to 766.2 thousand representing penetration of 63.6% of the cable base. Uptake of high-end broadband speeds continued to grow, with around 38% taking speeds of 30 Mbps or more. 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 all of the 3.2 million homes passed by its HFC footprint, by far the largest Next Generation Network coverage in Portugal.

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 an additional and very compelling argument to be a ZON broadband customer.

The network has very high coverage density in the main urban centres, providing almost seamless online connectivity whilst on the go. Usage of this service has increased dramatically over the past year, with minutes of use growing yoy by 5.7x to 1,188 million minutes.

Growth in Fixed Voice Services yoy of 13.8% to 960.2 thousand

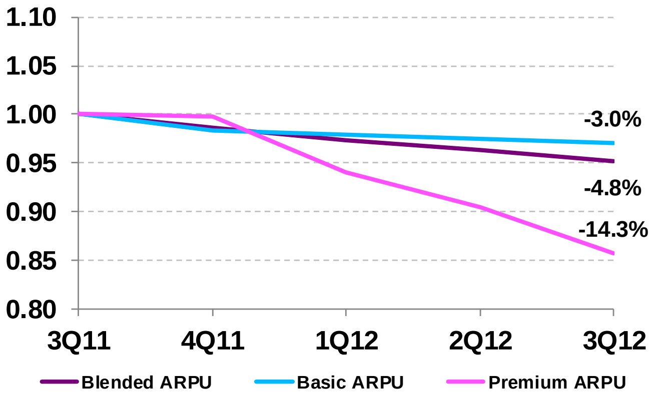
Fixed Voice services grew an additional 13.2 thousand to 960.2 thousand subscribers, representing a yoy increase in the base of 13.8%. Of the cable customer base, 77.9% now subscribe to Fixed Voice services, up from 70.7% in 3Q11. Taking flat fee bundles which include unlimited fixed voice calls to Portugal and to 50 destinations worldwide, is a particularly efficient choice for customers trying to better manage their telecom spend. Equally, the ZON Phone application is another excellent value proposition that enables customers to use their smartphones to make calls with their home phone number and tariffs, wherever they are, as long as they have access to a WiFi connection – another important advantage of having free access to the ZON@FON network as explained above.

Resilience of Basic Triple Play ARPU

Adjusting for the effect of lower discretionary premium channel revenues, basic flat fee ARPU continued to show some resilience with a yoy decrease of 3%, a combination of the stability of Triple Play services and growth in RGUs, the increase in high-end IRIS bundles and dilution from entry level bundles. Excluding the impact of these lower-end offers, basic ARPU would have decreased by 0.9%.

Blended ARPU continued to be affected by pressure on premium channel revenues, and also by the dilution effect of entry level bundles, posting a decline of 4.8% yoy to 34.3 euros.

Basic, Premium and Blended ARPU evolution (3Q11 = Base 1)



Cinemas and Audiovisuals

In 3Q12, ZON's Cinema ticket sales grew by 0.5%, however the average revenue per ticket sold fell by 3.9% from 5.1 to 4.9 euros. Total Cinema revenues declined by 2.1% yoy in 3Q12. In addition to the difficult macroeconomic environment, cinema box-office sales were negatively impacted by the increase in VAT on Cinema ticket sales from 6% to 13%, which came into effect as from the beginning of 2012.

Revenues were also affected by comparatively lower 3D movie ticket sales. Revenues from the sale of 3D movie tickets represented close to 18% of total box-office sales in 9M12, whereas they had represented around 28% in 9M11, which shows customers are choosing the lower-cost 2D alternatives more than in the past.

In 3Q12, ZON once again outperformed the remainder of the market. As previously mentioned, ZON was able to marginally increase its number of tickets sold during 3Q12 by 0.5%. As a whole, the market experienced a drop in tickets sold of 3.2% in 3Q12, according to recently published data from the Portuguese Institute for Cinema and Audiovisuals, ICA. ZON's share of tickets sold therefore increased to 57.7% during 3Q12.

As regards Cinema gross revenues performance, ZON's relative performance was also stronger in comparison with the rest of the market, posting a 2.9% increase in 3Q12 whilst the total market's gross revenues increased only marginally, by 0.4%. The most successful films shown in 9M12 were "Madagascar 3: Europe's Most Wanted", "Ice Age: Continental Drift", "Brave", "American Reunion", and "Ted".

In 3Q12, revenues in the Audiovisuals division declined yoy by 10.7% from 17.6 million euros to 15.7 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. Despite the improvement in its share of cinema exhibition revenues in the market, ZON Audiovisuais continued to be affected by the decline in revenues from the sale of content rights to FTA channels that, due to the significantly lower level of advertising activity, continue to cut back on the number of films exhibited in their programming grid.

As regards movie distribution in 9M12, from the top 10 movies, ZON Lusomundo distributed 7, "Madagascar 3: Europe's Most Wanted", "Brave", "American Reunion", "Ted", "The Avengers", "The Expendables 2" and "The Dictator". According to data from ICA, ZON's gross revenues in terms of Cinema Distribution increased by 36.7% in 3Q12, while the market as a whole experienced a marginal increase of 0.4%. Reflecting this outperformance, ZON's share of gross revenues in terms of Cinema Distribution in 3Q12 stood at 63.6% and at 57.1% during the whole of 9M12.

International Growth - Africa

ZAP continues to exceed all expectations in terms of operational growth, with quarterly revenues and EBITDA already at 30.4 million euros and 7.1 million euros respectively, for 100% of the operation. Quarterly pace of growth remains very strong and ZAP has already conquered a very relevant position in the market. The success of the operation is explained by high brand recognition and a very strong distribution network, with 13 own stores, over 700 other points of sale and a door-to-door sales force of 200 sales people.

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CONSOLIDATED INCOME STATEMENT

As from 1Q12, ZON's 30% stake in its Angolan Pay TV joint-venture is being consolidated proportionately. Previously the operation was being consolidated through the equity method in financial results.

Table 3.

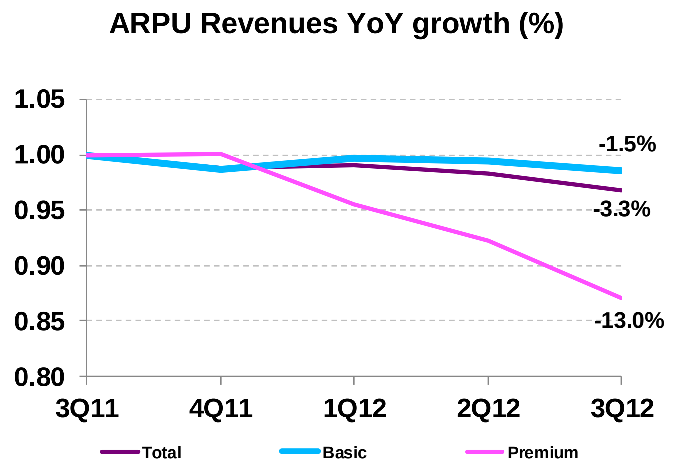
Profit and Loss Statement (Millions of Euros)	3Q11	3Q12	3Q12 / 3Q11	9M11	9M12	9M12 / 9M11
Operating Revenues	213.7	**215.3**	0.8%	639.2	**643.9**	0.7%
Pay TV, Broadband and Voice	191.4	**185.4**	(3.2%)	578.6	**568.2**	(1.8%)
Audiovisuals	17.6	**15.7**	(10.7%)	52.3	**50.4**	(3.7%)
Cinema	16.5	**16.2**	(2.1%)	44.5	**39.9**	(10.5%)
International	0.0	**9.1**	n.a.	0.0	**22.8**	n.a.
Others and Eliminations	(11.9)	**(11.1)**	(7.0%)	(36.3)	**(37.4)**	3.2%
Operating Costs Excluding D&A	(134.1)	**(135.6)**	1.1%	(401.6)	**(405.7)**	1.0%
W&S	(15.3)	**(14.9)**	(2.4%)	(44.4)	**(44.3)**	(0.2%)
Direct Costs	(61.2)	**(62.3)**	1.8%	(183.1)	**(180.0)**	(1.7%)
Commercial Costs (1)	(13.1)	**(16.2)**	23.1%	(40.5)	**(49.3)**	21.8%
Other Operating Costs	(44.5)	**(42.2)**	(5.1%)	(133.6)	**(132.0)**	(1.2%)
EBITDA (2)	79.6	**79.7**	0.2%	237.6	**238.2**	0.3%
EBITDA Margin	37.2%	**37.0%**	(0.2pp)	37.2%	**37.0%**	(0.2pp)
Pay TV, Broadband and Voice	73.6	**74.0**	0.6%	220.1	**223.6**	1.6%
EBITDA Margin	38.4%	**39.9%**	1.5pp	38.0%	**39.3%**	1.3pp
Audiovisuals and Cinema Exhibition	6.0	**3.6**	(40.4%)	17.5	**11.8**	(32.8%)
EBITDA Margin	17.6%	**11.2%**	(6.4pp)	18.1%	**13.0%**	(5.0pp)
International	0.0	**2.1**	n.a.	0.0	**2.9**	n.a.
EBITDA Margin	n.a.	**23.5%**	n.a.	n.a.	**12.6%**	n.a.
Depreciation and Amortization	(55.5)	**(52.6)**	(5.1%)	(164.3)	**(160.1)**	(2.6%)
Income From Operations (3)	24.1	**27.1**	12.4%	73.3	**78.2**	6.6%
(Other Expenses) / Income	(0.4)	**0.4**	n.a.	(1.0)	**(0.6)**	(43.1%)
Operating Profit (EBIT) (4)	23.7	**27.5**	15.7%	72.3	**77.6**	7.3%
(Financial Expenses) / Income	(10.5)	**(11.9)**	13.4%	(31.2)	**(30.9)**	(1.1%)
Income Before Income Taxes	13.3	**15.6**	17.6%	41.1	**46.7**	13.6%
Income Taxes	(3.9)	**(5.8)**	46.8%	(12.1)	**(16.2)**	33.6%
Income From Continued Operations	9.3	**9.8**	5.3%	29.0	**30.5**	5.3%
o.w. Attributable to Non-Controlling Interests	(0.2)	**(0.2)**	13.4%	(0.4)	**(0.9)**	95.8%
Net Income	9.1	**9.6**	5.1%	28.5	**29.6**	3.9%

(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.

3.1 Operating Revenues

Consolidated Operating Revenues increased in 3Q12 yoy by 0.8% to 215.3 million euros.

Within core Pay TV, BB and Voice Revenues in the domestic market, the main source of downward pressure continued to come from negative yoy growth in premium revenues, down by 13% yoy. Excluding the effect of premium ARPU revenues, Core Pay TV, BB and Voice Revenues fell by 1.5%.



In terms of Non-ARPU revenues, market-wide lower levels of premium channel subscriptions had an impact on the contribution of ZON's 50% stake in Sport TV. A decline of Advertising revenues was also felt, due to macroeconomic pressures which continue to be felt on this market as a whole.

Revenues from the Audiovisuals business fell by 10.7% yoy, mainly driven by the decline in revenues from the sale of content rights to FTA channels that, due to the significantly lower level of advertising activity, continue to cut back on the costs of their programming grid.

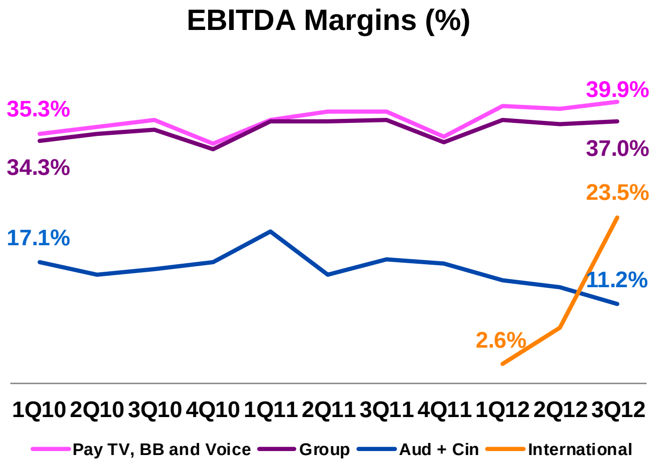
Cinema exhibition revenues declined by 2.1% yoy in 3Q12, a marked recovery in trend in comparison with 2Q12, explained by the improvement in attendance already described above and which was offset by the decline in the average revenue per ticket sold. The harsh consumer environment is taking its toll on cinema-going as a form of entertainment, together with the increase in VAT at the beginning of the year. Despite this, ZON continues to outperform the market as a whole and as such, has been able to continue to increase its market share in terms of tickets sold and gross revenues.

ZON's 30% stake in its international Pay TV operation in Angola and Mozambique rendered revenues of 9.1 million euros in 3Q12, up from 7.3 million euros in 2Q12 and 6.4 million euros in 1Q12. 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 0.2% in 3Q12 to 79.7 million euros, generating an EBITDA margin of 37.0%.

Core Pay TV, BB and Voice EBITDA reached 74.0 million euros in 3Q12, representing a yoy increase of 0.6% and an EBITDA margin of 39.9%.



The African JV – "ZAP" posted a very strong improvement in EBITDA margin to 23.5%, 2.1 million euros in 3Q12, up from 2.6% in 1Q12 and 7.8% in 2Q12. This operational improvement is possible with the significant growth in subscriber base over the past quarter thus diluting OPEX.

Although positive, the Audiovisuals and Cinema business generated a lower EBITDA Margin in 3Q12 of 11.2%, down 6.4pp from 17.6% in 3Q11, to 3.6 million euros and therefore contributed to a dilution in consolidated margin.

3.3 Consolidated Operating Costs

Consolidated Operating Costs increased by 1.1% yoy to 135.6 million euros, however the figures are not directly comparable to 3Q11 due to the consolidation of the African operation as from 1Q12. Excluding the impact of the African operation, total operating costs would have fallen by around 3.1% to 129.9 million euros.

Wages and Salaries decreased by 2.4% in 3Q12 to 14.9 million euros when compared with 3Q11, despite the proportionate consolidation of the operation of ZAP as from 1Q12. Excluding this effect, Wages and Salaries like for like would have decreased by 6.7%. The decline in personnel costs within the domestic businesses is explained mostly by a reduction in the average number of employees of 5.4%, 87 FTEs, which occurred mostly within the cinema division on the back of the weaker operating environment as discussed earlier in this report, and of an ongoing process of optimization of the number of employees per multiplex.

Direct Costs increased by 1.8% to 62.3 million euros. Excluding the impact of the consolidation of the African Operation, like for like direct costs would have remained flat, due to a combination of higher Programming costs related to the UEFA Euro 2012, higher royalty fees paid for Cinema Distribution on the back of a stronger 3Q12 and lower telecom costs due to efforts to optimize the use of telecom infrastructure.

Commercial Costs were up 23.1% yoy to 16.2 million euros, an increase explained mostly by the increase in COGS (Cost of Goods Sold) due to the fact that set top boxes at the ZAP operation are sold to customers, rather than rented as they are in the Portuguese operation, and therefore are expensed in the period they are sold. Excluding the impact of the African Operation, commercial costs would have decreased by 0.8%.

Other Operating Costs recorded a 5.1% decline yoy to 42.2 million euros in comparison with 3Q11. Excluding the costs from consolidation of the African JV, other operating costs fell by 7% yoy. Some relevant savings were achieved in core areas of the domestic business such as support services, as a result of the implementation of a number of efficiency improvement measures at the contact center level, maintenance and repairs and other SGA.

3.4 Net Income

Net Income was 9.6 million euros in 3Q12, 5.1% higher than in 3Q11.

Depreciation and Amortization was somewhat lower at 52.6 million euros, compared with 55.5 million euros in 3Q11. However, D&A is still at a relatively high level due to the accelerated CAPEX cycle in 2008-2010.

Net Financial Expenses increased by 13.4% to 11.9 million euros in 3Q12 when compared to 3Q11. However, the two figures are not directly comparable given the change in consolidation method of the African operation expressed at the beginning of this section. Net Interest costs and other financial charges registered an increase of 41% led by a combination of higher average cost of debt and financing charges as a result of refinancing secured. In 3Q11 ZON had a negative contribution from the consolidation of the African Operation of 2.0 million euros, which does not appear in this line anymore. For comparative purposes, the equivalent impact for 3Q12 was a positive contribution at the EBT level of 0.7 million euros, with 3Q12 thus representing the first quarter of break even at the Net Income level for the African Operation.

Income Taxes in 3Q12 were 5.8 million euros representing an effective P&L tax rate of 36.9%, above the general corporate tax rate of 29.5% due to a few one-off corrections in 3Q12. The accumulated tax rate for 9M12 is 34.7%, in line with expectations for the effective tax rate for FY12.

4
CAPEX AND CASH FLOW

4.1 CAPEX

Table 4.

CAPEX (Millions of Euros)	3Q11	3Q12	3Q12 / 3Q11	9M11	9M12	9M12 / 9M11
Pay TV, Broadband and Voice Infrastructure	19.9	**15.9**	(20.4%)	58.2	**52.5**	(9.8%)
Terminal Equipment	10.3	**6.6**	(35.8%)	37.9	**23.7**	(37.6%)
Other	1.4	**2.7**	90.9%	5.2	**6.4**	21.9%
"Baseline" CAPEX	31.6	**25.2**	(20.3%)	101.3	**82.5**	(18.5%)
Non-Recurrent CAPEX	3.4	**0.0**	(100.0%)	8.0	**0.0**	(100.0%)
Total CAPEX	35.1	**25.2**	(28.1%)	109.3	**82.5**	(24.5%)

In line with the trend of previous quarters, CAPEX is consistently at lower levels than in previous years. In 3Q12, CAPEX amounted to 25.2 million euros, down 28.1% from 3Q11. Terminal equipment still represented 26% of total CAPEX in 3Q12, 6.6 million euros, albeit much lower than levels recorded in previous years, and down sequentially from 2Q12. The decline is due to a combination of lower commercial activity and the subsequent need for customer CAPEX and to the success of the equipment refurbishment process.

Total CAPEX represented 13.6% of Pay TV, BB and Voice revenues, similar to the run-rate investment level of the sector, reflecting necessary maintenance investments and still some growth related investment.

Excluding the impact of the consolidation of the African Operation, Total CAPEX would have been 29.9% lower than in 3Q11.

Total CAPEX (Millions of Euros)

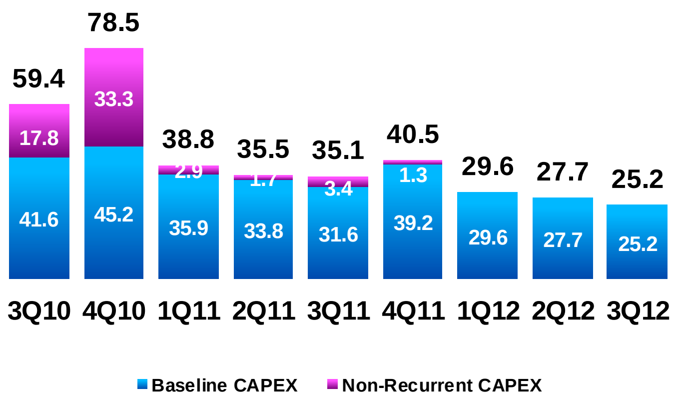


Table 5.

Cash Flow (Millions of Euros)	3Q11	3Q12	3Q12 / 3Q11	9M11	9M12	9M12 / 9M11
EBITDA	79.6	**79.7**	0.2%	237.6	**238.2**	0.3%
CAPEX	(35.1)	**(25.2)**	(28.1%)	(109.3)	**(82.5)**	(24.5%)
Baseline CAPEX	(31.6)	**(25.2)**	(20.3%)	(101.3)	**(82.5)**	(18.5%)
Non-Recurrent CAPEX	(3.4)	**0.0**	(100.0%)	(8.0)	**0.0**	(100.0%)
EBITDA - CAPEX	44.5	**54.5**	22.6%	128.3	**155.7**	21.4%
Non-Cash Items Included in EBITDA-CAPEX(1) and Change in Working Capital	22.0	**(20.6)**	n.a.	(26.9)	**(33.3)**	23.9%
Operating Cash Flow After Investment	66.5	**33.9**	(49.1%)	101.4	**122.4**	20.7%
Long Term Contracts	(13.3)	**(6.2)**	(53.8%)	(55.1)	**(24.4)**	(55.7%)
Net Interest Paid and Other Financial Charges	(7.5)	**(9.9)**	32.8%	(17.7)	**(26.2)**	48.3%
Income Taxes Paid	(8.1)	**(8.4)**	3.8%	(12.6)	**(13.2)**	4.7%
Disposals	0.0	**0.0**	n.a.	6.7	**0.8**	(88.0%)
Other Cash Movements	0.3	**0.5**	102.6%	(1.9)	**0.5**	n.a.
Free Cash-Flow	37.9	**9.9**	(73.8%)	20.7	**59.8**	188.4%

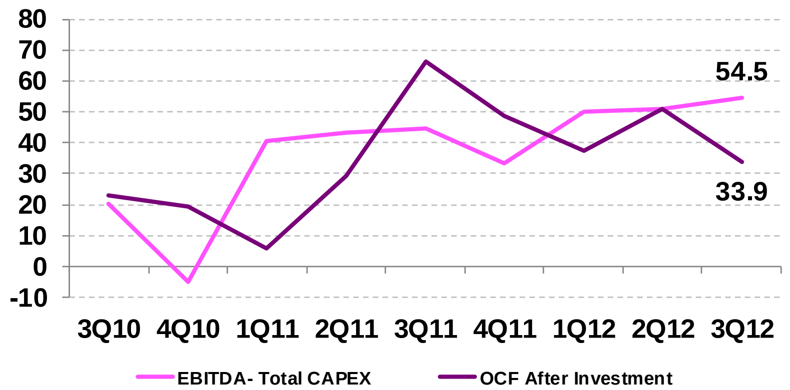
(1) This caption includes non-cash provisions included in EBITDA and non-cash CAPEX related to the upfront capitalization of long term contracts.

4.2 Operating Cash Flow

EBITDA-CAPEX increased by 22.6% in 3Q12 to 54.5 million euros primarily as a result of the aforementioned reduction in CAPEX and the stable yoy performance of EBITDA.

Operating Cash Flow after Investment recorded a decrease of 49.1% yoy from 66.5 million euros in 3Q11 to 33.9 million euros in 3Q12. In 3Q12, Net Working Capital investment and other EBITDA non-cash adjustments amounted to 20.6 million euros, therefore impacting performance at the Operating Cash Flow level, and offsetting the strong improvement in EBITDA-CAPEX. This negative impact of Net Working Capital on Operating Cash Flow should be substantially reverted in 4Q12.

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



4.3 Free Cash Flow

Total FCF in 3Q12 represented 9.9 million euros, which compares with the 37.9 million euros posted in 3Q11, mainly as a consequence of the above mentioned investment in Working Capital. In addition to this, the main item affecting FCF performance was a 53.8% decrease in Long Term Contract payments (-7.2 million euros in comparison to 3Q11).

5
CONSOLIDATED BALANCE SHEET

Table 6.

Balance Sheet (Millions of Euros)	2011	9M12
Current Assets	708.9	**573.3**
Cash and Equivalents	407.4	**324.5**
Accounts Receivable, Net	237.8	**176.9**
Inventories, Net	46.7	**51.2**
Taxes Receivable	5.1	**4.3**
Prepaid Expenses and Other Current Assets	11.9	**16.4**
Non-current Assets	1,076.7	**1,065.0**
Investments in Group Companies	0.5	**0.2**
Intangible Assets, Net	314.7	**309.3**
Fixed Assets, Net	647.1	**629.8**
Deferred Taxes	49.9	**50.2**
Other Non-current Assets	64.5	**75.5**
Total Assets	1,785.6	**1,638.3**
Current Liabilities	789.1	**712.9**
Short Term Debt	500.0	**443.0**
Accounts Payable	207.1	**177.9**
Accrued Expenses	56.5	**60.2**
Deferred Income	3.8	**7.8**
Taxes Payable	17.2	**24.0**
Current Provisions and Other Liabilities	4.6	**0.0**
Non-current Liabilities	761.5	**712.4**
Medium and Long Term Debt	729.4	**691.9**
Non-current Provisions and Other Liabilities	32.1	**20.5**
Total Liabilities	1,550.6	**1,425.3**
Equity Before Non-Controlling Interests	225.0	**202.5**
Share Capital	3.1	**3.1**
Own Shares	(0.6)	**(0.9)**
Reserves, Retained Earnings and Other	188.3	**170.7**
Net Income	34.2	**29.6**
Non-Controlling Interests	10.0	**10.5**
Total Shareholders' Equity	235.0	**213.0**
Total Liabilities and Shareholders' Equity	1,785.6	**1,638.3**

5.1 Capital Structure

At the end of September 2012, **Net Financial Debt** stood at 650.5 million euros, a decrease of 9.9 million compared with 1H12.

ZON Multimedia is fully financed until the end of 2014. The average maturity of its Net Financial Debt is now 2.01 years.

The total interest rate hedging operations in place at the end of 3Q12 amounted to 257.5 million euros. Taking into account the bonds issued in June - 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 70%.

Total financial debt at the end of 9M12 amounted to 1,031.9 million euros, which was offset with a cash and short-term investments position on the balance sheet of 381.4 million euros. The all-in average cost of ZON's Net Financial Debt was 4.87% for 9M12.

Net Financial Gearing decreased to 75.3% at the end of 3Q12 compared with 76.4% at the end of 1H12, and **Net Financial Debt / EBITDA** (last 4 quarters) stands at 2.1x.

Table 7.

Net Financial Debt (Millions of Euros)	2011	9M12	9M12 / 2011
Short Term	467.4	**419.7**	(10.2%)
Bank and Other Loans	462.4	**413.2**	(10.6%)
Financial Leases	5.0	**6.5**	30.7%
Medium and Long Term	640.4	**612.2**	(4.4%)
Bank Loans	628.6	**602.7**	(4.1%)
Financial Leases	11.7	**9.4**	(19.6%)
Total Debt	1,107.8	**1,031.9**	(6.9%)
Cash, Short Term Investments and Intercompany Loans	470.3	**381.4**	(18.9%)
Net Financial Debt	637.5	**650.5**	2.0%
Net Financial Gearing (1)	73.1%	**75.3%**	2.3pp
Net Financial Debt / EBITDA	2.0x	**2.1x**	n.a.

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

6. APPENDIX

6.1 APPENDIX I

Table 8.

Business Indicators ('000)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12
Pay TV, Broadband and Voice (1)							
Homes Passed (2)	3,206.9	3,223.3	3,151.0	3,152.6	3,187.4	3,204.5	**3,224.5**
Basic Subscribers (3)	1,554.4	1,552.8	1,554.2	1,567.1	1,586.8	1,586.3	**1,574.4**
of which							
Fixed Broadband	704.7	714.8	725.0	739.2	748.6	751.5	**766.2**
Fixed Voice	807.5	826.8	844.0	883.9	921.4	947.0	**960.2**
Mobile (4)	114.7	118.4	133.4	125.0	124.1	129.4	**138.0**
Cable Subscribers	1,155.5	1,157.8	1,162.4	1,178.4	1,204.6	1,210.8	**1,204.3**
Triple Play Customers	666.0	678.5	688.8	708.7	715.7	730.9	**751.7**
% Triple Play Cable Customers	57.6%	58.6%	59.3%	60.1%	59.4%	60.4%	**62.4%**
Double Play Customers	160.7	163.7	169.3	184.6	219.1	212.8	**200.7**
% Double Play Cable Customers	13.9%	14.1%	14.6%	15.7%	18.2%	17.6%	**16.7%**
Single Play Customers	328.8	315.6	304.2	285.1	269.8	267.2	**251.9**
% Single Play Cable Customers	28.5%	27.3%	26.2%	24.2%	22.4%	22.1%	**20.9%**
DTH Subscribers	398.9	395.0	391.9	388.7	382.2	375.5	**370.1**
Premium Sports and Movies Penetration (5)	44.1%	41.6%	42.9%	41.9%	40.8%	40.2%	**41.3%**
RGUs (6)	3,181.3	3,212.8	3,256.6	3,315.1	3,381.0	3,414.1	**3,438.7**
Cable RGUs per Subscriber (units) (7)	2.29	2.31	2.33	2.36	2.37	2.39	**2.42**
Blended ARPU (Euros)	35.8	35.8	36.0	35.5	35.0	34.7	**34.3**
Net Additions							
Triple Play Customers	23.8	12.5	10.3	19.9	7.0	15.2	**20.8**
Basic Subscribers	(17.1)	(1.6)	1.4	12.8	19.8	(0.5)	**(11.9)**
Cable Subscribers	(8.4)	2.3	4.6	16.0	26.2	6.3	**(6.6)**
DTH Subscribers	(8.7)	(3.9)	(3.1)	(3.2)	(6.5)	(6.7)	**(5.3)**
Fixed Broadband	14.4	10.1	10.2	14.2	9.4	2.8	**14.7**
Fixed Voice	29.9	19.3	17.3	39.9	37.5	25.6	**13.2**
Mobile	6.8	3.7	15.0	(8.4)	(0.8)	5.2	**8.6**
RGUs	33.9	31.5	43.8	58.5	65.8	33.1	**24.6**
Cinema (1)							
Revenue per Ticket (Euros)	4.7	4.9	5.1	4.8	4.8	4.9	**4.9**
Tickets Sold	2,016.5	2,093.6	2,371.7	2,260.4	1,724.9	1,714.1	**2,383.2**
Screens (units)	217	217	217	217	210	210	**210**

(1) Portuguese operations.
(2) The number of homes passed was corrected in 3Q11, consisting of a database cleanup of around 86.5 thousand homes. Data for the previous quarters was not restated.
(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.
(4) Mobile subscribers include Mobile Voice and Mobile Broadband.
(5) Includes Sports, Movies and other Premium channels with relevant scale and Subscription VoD services.
(6) Total RGUs reported reflect the sum of Pay TV, Broadband, Fixed Voice and Mobile services.
(7) 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.

6.2 APPENDIX II

Profit and Loss Statement (Millions of Euros)	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	9M12
Operating Revenues	214.1	211.5	213.7	215.6	854.8	214.2	214.4	**215.3**	643.9
Pay TV, Broadband and Voice	195.6	191.6	191.4	193.8	772.4	191.9	191.0	**185.4**	568.2
Audiovisuals	17.1	17.7	17.6	20.1	72.4	17.1	17.6	**15.7**	50.4
Cinema	13.6	14.4	16.5	14.7	59.2	11.8	11.9	**16.2**	39.9
International	0.0	0.0	0.0	0.0	0.0	6.4	7.3	**9.1**	22.8
Others and Eliminations	(12.1)	(12.2)	(11.9)	(12.9)	(49.2)	(13.0)	(13.3)	**(11.1)**	(37.4)
Operating Costs Excluding D&A	(134.6)	(132.9)	(134.1)	(142.0)	(543.6)	(134.5)	(135.6)	**(135.6)**	(405.7)
W&S	(14.7)	(14.4)	(15.3)	(14.9)	(59.3)	(14.3)	(15.1)	**(14.9)**	(44.3)
Direct Costs	(61.1)	(60.9)	(61.2)	(60.8)	(243.9)	(58.4)	(59.3)	**(62.3)**	(180.0)
Commercial Costs [(1)]	(15.2)	(12.1)	(13.1)	(21.6)	(62.1)	(16.2)	(17.0)	**(16.2)**	(49.3)
Other Operating Costs	(43.6)	(45.5)	(44.5)	(44.7)	(178.3)	(45.7)	(44.1)	**(42.2)**	(132.0)
EBITDA [(2)]	79.5	78.5	79.6	73.6	311.2	79.7	78.8	**79.7**	238.2
EBITDA Margin	37.1%	37.1%	37.2%	34.1%	36.4%	37.2%	36.8%	**37.0%**	37.0%
Pay TV, Broadband and Voice	72.9	73.6	73.6	67.7	287.8	75.5	74.3	**74.0**	223.8
EBITDA Margin	37.3%	38.4%	38.4%	35.0%	37.3%	39.4%	38.9%	**39.9%**	39.4%
Audiovisuals and Cinema Exhibition	6.6	4.9	6.0	5.9	23.4	4.2	4.0	**3.6**	11.8
EBITDA Margin	21.5%	15.3%	17.6%	16.9%	17.7%	14.5%	13.6%	**11.2%**	13.0%
International	0.0	0.0	0.0	0.0	0.0	0.2	0.6	**2.1**	2.9
EBITDA Margin	n.a.	n.a.	n.a.	n.a.	n.a.	2.6%	7.8%	**23.5%**	12.6%
Depreciation and Amortization	(55.6)	(53.3)	(55.5)	(53.3)	(217.6)	(55.9)	(51.5)	**(52.6)**	(160.1)
Income From Operations [(3)]	24.0	25.3	24.1	20.3	93.6	23.7	27.3	**27.1**	78.2
(Other Expenses) / Income	0.3	(0.9)	(0.4)	0.0	(1.0)	(0.1)	(0.9)	**0.4**	(0.6)
Operating Profit (EBIT) [(4)]	24.3	24.3	23.7	20.3	92.7	23.7	26.5	**27.5**	77.6
(Financial Expenses) / Income	(10.3)	(10.5)	(10.5)	(11.8)	(43.0)	(8.3)	(10.7)	**(11.9)**	(30.9)
Income Before Income Taxes	14.0	13.9	13.3	8.5	49.6	15.3	15.8	**15.6**	46.7
Income Taxes	(3.6)	(4.6)	(3.9)	(2.7)	(14.8)	(4.6)	(5.8)	**(5.8)**	(16.2)
Income From Continued Operations	10.4	9.2	9.3	5.9	34.8	10.7	10.0	**9.8**	30.5
o.w. Attributable to Non-Controlling Interests	(0.2)	(0.0)	(0.2)	(0.2)	(0.6)	(0.3)	(0.3)	**(0.2)**	(0.9)
Net Income	10.2	9.2	9.1	5.7	34.2	10.3	9.7	**9.6**	29.6
Baseline CAPEX	35.9	33.8	31.6	39.2	140.5	29.6	27.7	**25.2**	82.5
Total CAPEX	38.8	35.5	35.1	40.5	149.9	29.6	27.7	**25.2**	82.5
Free Cash Flow	(2.0)	(15.1)	37.9	30.8	51.6	16.3	33.6	**9.9**	59.8
Net Financial Debt	641.7	706.8	668.3	637.5	637.5	644.6	660.4	**650.5**	650.5

(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 .

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