

EARNINGS
ANNOUNCEMENT
THIRD QUARTER
2013



ZON OPTIMUS®

Highlights

Table 1.

Highlights of 3Q13 Results	3Q12	3Q13	3Q13 / 3Q12	9M12	9M13	9M13 / 9M12
ZON OPTIMUS Combined Operating Highlights ('000)						
RGUs	7,349.6	7,266.3	(1.1%)	7,349.6	7,266.3	(1.1%)
TV Accesses	1,611.4	1,559.1	(3.2%)	1,611.4	1,559.1	(3.2%)
Fixed Broadband Accesses	869.1	917.1	5.5%	869.1	917.1	5.5%
Fixed Voice Accesses	1,152.8	1,177.3	2.1%	1,152.8	1,177.3	2.1%
Mobile Customers	3,704.3	3,598.6	(2.9%)	3,704.3	3,598.6	(2.9%)
Others and Data	12.1	14.2	17.6%	12.1	14.2	17.6%
IRIS Subscribers	193.0	390.3	102.2%	193.0	390.3	102.2%
Cable / FTTH 3&4P Customers	777.2	821.2	5.7%	777.2	821.2	5.7%
ZON OPTIMUS Combined Pro-Forma Financial Highlights (Millions of Euros)						
Operating Revenues Including 30% ZAP Contribution	382.4	377.3	(1.3%)	1,136.3	1,115.1	(1.9%)
EBITDA Including 30% ZAP Contribution	144.2	144.0	(0.1%)	416.4	428.6	2.9%
CAPEX	77.9	61.6	(21.0%)	216.5	188.8	(12.8%)
EBITDA - Recurrent CAPEX	64.1	79.8	24.4%	197.0	234.0	18.8%

- **Completion of Merger on 27 August and election of new Management team on 1 October;**
- **Creation of a larger, stronger and more competitive Telco group with a state-of-the-art NGN and 4G network and coverage in Portugal:**
 - 7.3 million RGUs
 - Pro-forma Consolidated Revenues of 1.1 billion euros in 9M13
 - Pro-forma Consolidated EBITDA margin over 38% in 3Q13 and 9M13
- **The integration project is well underway and on track to capture synergies. The launch of ZON4i on 22 October, the first integrated communications and entertainment offer by ZON OPTIMUS, only a few weeks after the merger was completed, is already a reflection of how the new teams are well integrated and working together as a single company.**
- **Continued strong operating and financial performance in 3Q13 with growth in convergent solutions, resilience in Telco revenues despite the still challenging macro environment and continuing focus on efficiency and cost control with margins in excess of 38%;**
- **Increase in Operating Cash Flow of 31.1% to 74.9 million euros and increase in Recurrent FCF to 46.1 million euros.**

Message from the CEO

“Today we are presenting a very solid set of results, which are supported by continued resilience in operational and revenue performance in our core businesses and reflect an improvement in profitability due to focus on efficiency and cost discipline at all levels of the company. Adjusting previous period results for the merger and comparing pro-forma numbers, Consolidated Revenues reached 377 million euros in the quarter, down just 1.3% in comparison with last year despite the recessionary environment in Portugal, and EBITDA margin improved yoy to 38.2%.

In 3Q13 the merger between ZON and OPTIMUS was concluded. More than just the simple sum of the two companies, ZON OPTIMUS will be a whole new company, with a new project and a renewed ambition. The new management team will leverage on the combination of assets, competencies and resources that come with the merger and the new shareholder structure, to reinforce competitive position in the domestic market.

To achieve that growth, ZON OPTIMUS will develop a new culture and vision that will unite us with an overriding ambition to think and act as leaders. The new company will be at the forefront of innovation, offering its customers the best and most advanced products and services with a superior customer experience. A state of the art technological infrastructure, superior brands and go-to-market strategy, will fuel this growth ambition.

The foundations of the future company have already been laid, with the full integration of both teams. We are now working on a significant number of streams, ranging from IT and Networks, to corporate center functions, with a roadmap that will lead us to a full and seamless integrated company, extracting the synergies and achieving benchmark efficiency. On the commercial front, an important milestone was already achieved on October 22, with the launch of ZON4i, our first convergent offer as a new company. This is just the first of many steps that will enable us to lead on this front.

We are confident that, despite the challenging market conditions, ZON OPTIMUS will soon create a new momentum and start delivering on its growth ambitions already in 2014.”

Miguel Almeida
CEO of ZON OPTIMUS

OPERATING REVIEW 3Q13

Table 2.

Business Indicators ('000)	3Q12	3Q13	3Q13 / 3Q12	9M12	9M13	9M13 / 9M12
ZON ⁽¹⁾						
Homes Passed	3,224.5	3,286.1	1.9%	3,224.5	3,286.1	1.9%
RGUs ⁽²⁾	3,438.7	3,485.7	1.4%	3,438.7	3,485.7	1.4%
Cable RGUs per Subscriber (units) ⁽³⁾	2.42	2.51	3.5%	2.42	2.51	3.5%
Basic Subscribers ⁽⁴⁾	1,574.4	1,522.6	(3.3%)	1,574.4	1,522.6	(3.3%)
o.w. Cable Subscribers	1,204.3	1,191.8	(1.0%)	1,204.3	1,191.8	(1.0%)
IRIS Subscribers	193.0	390.3	102.2%	193.0	390.3	102.2%
% IRIS 3&4P Subscribers	25.7%	49.2%	23.6pp	25.7%	49.2%	23.6pp
3&4P Customers	751.7	792.5	5.4%	751.7	792.5	5.4%
% 3&4P Cable Customers	62.4%	66.5%	4.1pp	62.4%	66.5%	4.1pp
o.w. DTH Subscribers	370.1	330.8	(10.6%)	370.1	330.8	(10.6%)
Fixed Broadband Subscribers	766.2	811.7	5.9%	766.2	811.7	5.9%
Fixed Voice Subscribers	960.2	995.4	3.7%	960.2	995.4	3.7%
Mobile Subscribers	138.0	156.0	13.1%	138.0	156.0	13.1%
Blended ARPU (Euros)	34.7	34.9	0.5%	35.1	35.0	(0.2%)
OPTIMUS Mobile						
Customers (EOP)	3,566.3	3,442.6	(3.5%)	3,566.3	3,442.6	(3.5%)
Pre-Paid Customers	2,367.3	2,315.6	(2.2%)	2,367.3	2,315.6	(2.2%)
Post-Paid Customers	1,199.0	1,127.0	(6.0%)	1,199.0	1,127.0	(6.0%)
Data as % of Service Revenues	33.5%	33.8%	0.4pp	33.3%	33.5%	0.1pp
Non SMS Data as % Data Revenues	76.3%	79.7%	3.4pp	76.4%	79.5%	3.1pp
Total #SMS/month/user	41.9	39.7	(5.3%)	41.5	39.3	(5.1%)
MOU (min.)	122.6	124.1	1.3%	122.7	122.6	(0.1%)
ARPU (euros)	11.7	10.8	(7.7%)	11.6	10.6	(8.2%)
Customer Monthly Bill	10.1	9.5	(6.3%)	10.1	9.6	(5.5%)
Interconnection	1.5	1.3	(17.5%)	1.5	1.1	(27.0%)
ARPM (Euros)	0.0951	0.0866	(8.9%)	0.0945	0.0868	(8.1%)
OPTIMUS Wireline						
Total Accesses (EOP)	344.6	338.0	(1.9%)	344.6	338.0	(1.9%)
Corporates and SMEs	156.9	159.0	1.4%	156.9	159.0	1.4%
PTSN/RDIS	113.2	114.9	1.5%	113.2	114.9	1.5%
Broadband	31.7	29.9	(5.5%)	31.7	29.9	(5.5%)
Other & Data	12.1	14.2	17.6%	12.1	14.2	17.6%
Residential	187.7	179.0	(4.7%)	187.7	179.0	(4.7%)
PTSN/RDIS	79.5	67.0	(15.7%)	79.5	67.0	(15.7%)
Broadband	71.2	75.4	5.9%	71.2	75.4	5.9%
TV	37.0	36.5	(1.3%)	37.0	36.5	(1.3%)
ARPU per access - Retail	20.9	20.5	(2.1%)	21.8	21.2	(2.9%)
Cinema ⁽¹⁾						
Revenue per Ticket (Euros)	4.9	4.7	(3.3%)	4.9	4.7	(3.8%)
Tickets Sold	2,383.2	2,413.5	1.3%	5,822.1	5,956.3	2.3%
Screens (units)	210	209	(0.5%)	210	209	(0.5%)

(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 OPTIMUS 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 very solid quarter for both ZON and OPTIMUS in their respective stand-alone operations and marked by the launch of ZON OPTIMUS' first integrated residential fixed and mobile offer, leveraging the assets and competences of the combined entity, only 3 weeks after the new organizational structure was put in place.

Operational focus remained very strong in parallel with the transformational corporate developments resulting from the the merger between ZON and OPTIMUS at the end of August.

ZON4i - the best integrated communications and entertainment service in Portugal

Just three weeks after the new management team of ZON OPTIMUS was elected, we launched the first integrated communications and entertainment service in Portugal – ZON4i.

ZON4i combines more and better television programming with 116 channels; fixed Internet which gives the highest speed and most extensive coverage with 100 Mbps to all 3.3 million households covered by ZON OPTIMUS' next generation cable network; an unlimited national and international fixed voice service which also includes free use of the ZON Phone app enabling use of a landline number on mobile devices, benefiting from normal landline tariffs and integrated billing; free access to the largest network of WiFi hotspots giving instant access to 600,000 hotspots in Portugal and over 12 million worldwide; unlimited mobile phone use, offering the best 4G solutions available, for up to four users, mobile Internet with free 200 MB per SIM card which accommodates a flexible top-up facility for those who occasionally go over their data limit; priority access to the largest network of cinemas in Portugal, through myZONcard, that also gives one free ticket for every cinema ticket purchased. ZON4i is priced at €79.99 and can be adjusted to suit usage profile and requirements.

Continuing to innovate with new features

We launched “Download to Own” in 3Q13, a feature allowing video content to be downloaded from the ZON videoclub over the PC and TV, to watch whenever and wherever is needed, with no expiry date and accessible for viewing offline. Freedom, ease of use and mobility are the main advantages of the service, which allows customers to create a unique personal video library in the cloud, which can be viewed over multiple platforms and independent of where the purchase was originated.

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.

Premium sports channel subscriptions revert trend

The negative trend of the past quarters in premium channel subscriptions was reverted in 3Q13 with a significant sequential reduction in the number of net disconnections of the premium sports package Sport TV influenced by the start of the football season, and a good uptake of the new Benfica TV premium channel, launched in July. “Benfica TV” was a relevant addition to the channel offering as it broadcasts in exclusive both the 15 Portuguese League matches that Benfica plays at home, and the English Premier League matches.

The total number of subscriptions to premium sports channels increased by close to 30% compared with the end of 2Q13, helping drive improvement in average revenues per subscriber in the quarter.

Addressing the youth mobile market with a new brand and value proposition

We launched a new brand in September - “WTF” - targeting the ever more important youth market. Traditionally, teenagers and young adults are extremely exposed to tribal tariff plans in which they are given unlimited calls and texts within their own “tribe” of contacts, creating a network effect which limits their freedom to make and receive calls and text messages to and from friends on other networks.

WTF is a completely innovative tariff which gives back freedom to contact anyone on any network on any platform, anytime. With a completely new brand and value proposition, WTF is creating a unique relationship with the target market set to progressively break the power of the network-effect by promoting unlimited use of the best communication APPS (What’s APP, Skype, etc) and the Internet (Google, Youtube, Facebook, etc) allowing youngsters to always stay connected using their smartphones, independent of what network they are using or even in which country they are in.

To accommodate the need to still use traditional communication formats, WTF also includes 500 credits for calls, over 8 hours of conversation. Take-up of the service is also supported by the fact that this specific target market has a proportionately higher penetration rate of smartphones than the average of the population – over 55% compared with around 37% respectively.

To establish a unique relationship the marketing campaign sought out key references and communication styles, namely through promotion of well known Youtube personalities who are followed closely online by thousands of youngsters.

All-net tariffs – more freedom, no network restrictions

Conscious of the adverse economic environment and its impacts on available income and spending habits, ZON OPTIMUS focused commercial efforts on providing relevant offers adapted to consumer usage requirements and the recognized need to save money. With the launch of “LIGA” in July, ZON OPTIMUS once again led a step change in the Portuguese market, promoting more straightforward, cheaper tariff plans without any kind of network constraints. LIGA is an all-net, flat-fee mobile tariff plan, designed for the lower end of the market, that gives just the right measure of usage at a very competitive price – 100 min / SMS / MMS for just 9.99 euros a month. In addition, subscribers don’t need to worry if they go over their monthly limits as the additional charge outside of the plan is one of the most competitive in the market. An add-on 200 MB data package is also available for 2.90 euro a month, providing a very attractive package at very competitive costs.

Reinforced position in the Corporate, SME and SoHo segments

As a result of the merger, ZON OPTIMUS now stands stronger as a technologically superior and fully integrated fixed and mobile operator, capable of offering relevant and competitive integrated and convergent telecommunications and data services for the enterprise segments in Portugal. The deep coverage, capillarity and high capacity of ZON OPTIMUS’ network are core differentiating factors for this segment.

With a new and fully integrated team, ZON OPTIMUS is already addressing the market as a single entity, capable of providing tailor made solutions for the largest corporate and public sector customers, and reaching out to SME and SoHo companies with specific solutions adapted to usage profile and geographic spread, leveraging the best national NGN Fixed and Mobile footprint.

Teams have already been set-up to address the Corporate, SME and SoHo segments of the market. As an example, an early initiative for the small to medium size segment was the launch of targeted quad play solutions for almost residential-like user profiles that require reliable and cost oriented communication and TV services. In the more demanding larger corporate segment, we have been growing consistently with integrated solutions for an ever more convergent customer base and have been able to deliver high quality, robust and complex voice and data communication services whilst also strengthening the extent of our existing and potential partnerships in this field.

7.3 million RGUs

The combined fixed and mobile businesses of ZON OPTIMUS together have 7.3 million RGUs, of which 3.6 million are mobile subscribers and close to 3.7 million fixed. With the completion of the merger and the implementation of the new organizational structure and strategy, the stand-alone operations are being integrated. An immediate example of this integration process is the migration of mobile customers from ZON, previously provisioned by an MVNO agreement with Vodafone, onto the OPTIMUS network.

IRIS packages still growing strong

IRIS continues to post very strong numbers with an additional 52 thousand new subscribers taking these high-end packages. In total, we now have 390 thousand IRIS subscribers, 49% of ZON's 3&4P base, equipped to access this award winning service where leading edge design and usability have made non-linear viewing a key differentiating factor from our competitors.

Initially with the launch of Restart TV in 2011 and then with the pioneering development in 2012 of Timewarp, a 7 day automatic recording feature for over 80 channels in the programming guide, non-linear viewing has become a mainstream experience. Usage statistics show how essential this platform has become, with over 14 thousand programmes available for viewing at any given time. Voted the most innovative TV service by consumers last year, 98% of IRIS customers have used this service at least once, and the large majority use the service every day.

ZON RGUs up by 1.4% to 3,485.7 thousand

In the Pay TV area underlying trends of previous quarters were maintained with relatively flat cable customer numbers and negative DTH.

The essential public services law imposed a change to the disconnection policy which was enforced upon all operators, whereby customers that do not pay one month's bill must be disconnected. In the past, ZON applied a two unpaid bill policy and therefore implementation of the new rule led to a one-off pick-up in churn at the start of the quarter. As a result basic subscriber net-adds were impacted by around ten thousand one-off disconnections mostly felt in the cable base.

Broadband and Fixed Voice subscribers continued to post solid yoy performance although lower than in previous periods. Broadband subscribers grew by 5.9% yoy to 811.7 thousand and Fixed Voice subscribers grew by 3.7% to 995.4 thousand, respectively achieving a 68% and 82% penetration of the cable base.

ZON's total number of RGUs grew by 1.4% yoy to 3,485.7 thousand with cable customers on average subscribing to 2.51 services.

Sequential quarterly increase in mobile subscribers at OPTIMUS

OPTIMUS' mobile subscriber base posted a qoq increase of 8 thousand subscribers in 3Q13 to 3,442.6 thousand impacted by seasonal improvement in the holiday months and revealing signs that the negative impact of the end of the e-schools initiative on subscriber disconnections witnessed in past quarters, is beginning to subside. Pre-paid customers remain the most significant of mobile subscribers at 67% of the base. Mobile data revenues represented 33.8% of service revenues, up 0.4pp compared with 3Q12 and 79.7% of data revenues were generated by non SMS data revenues, up by 3.4 pp yoy.

OPTIMUS' previous stand-alone residential and corporate wireline business posted a decline of 1.9% in accesses however this was a combination of a higher number of accesses in the enterprise segment (up by 1.4%) and a decline of 4.7% in the number of residential accesses.

Increase in ZON ARPU of 0.5%, supported by IRIS and premium channels

Despite the difficult macroeconomic environment in Portugal and increased price competition in particular from one of our competitors in the fixed residential market, the continued take-up of higher value fixed TV, Broadband and Voice IRIS bundles, together with initial signs of recovery in premium channel subscription, led to an increase in ARPU for ZON of 0.5% to 34.9 euros in 3Q13.

At OPTIMUS, mobile ARPU recorded a yoy decline of 7.7% to 10.8 euros however sequential quarterly ARPU actually remained flat in comparison with 2Q13, led by an increase in interconnection related ARPU revenues of 19% to 1.3 euros per subscriber due to higher roaming related revenues in the summer months.

The best and most extensive NGN fixed and mobile network in Portugal

ZON OPTIMUS has a clear network and technological advantage given that it is able to provide speeds of up to 360 Mbps to the 3.3 million homes passed by its HFC footprint, by far the largest Next Generation Network coverage in Portugal.

We are well ahead in deploying our 4G network over the 800Mhz and 1.800Mhz bands and have already reached 80% population coverage, over 50% of which can benefit from speeds of up to 150Mbps. 4G is a key driver of future leadership in mobile data, as well as for the continued development of even more sophisticated convergent fixed-mobile solutions and to efficiently take our network architecture into a fully integrated and autonomous all-IP future.

Recognition of ZON OPTIMUS' network capacity, reach and quality is the fact that in July, the three regional tenders to provide Universal Service were won by ZON and OPTIMUS, before the merger was completed, a service that was previously being provided by the incumbent.

Cinemas and Audiovisuals

In 3Q13, ZON OPTIMUS' Portuguese Cinema ticket sales posted a positive performance, increasing by 1.3% to 2.413 million tickets – the best quarter for 3 years - which compares with a decline in total market ticket sales of 10.5%¹. The most successful films shown in 3Q13 were “The Gilded Cage”, “Despicable Me 2”, “The Smurfs 2”, “Planes” and “Turbo”.

3Q13 was the first full quarter since ZON Lusomundo opened the first IMAX[®] DMR - Digital 3D screen in Lisbon. This premium cinema experience is proving very successful, having achieved around 40 thousand spectators in this quarter.

Despite the good performance in the number of tickets sold average revenue per ticket decreased by 3.3% from 4.9 to 4.7 euros yoy, albeit posting sequential qoq growth of 1.8%, affected by comparatively lower 3D movie ticket sales. Revenues from the sale of 3D movie tickets represented close to 10% of ZON OPTIMUS' ticket sales in 3Q13, whereas they had represented around 19% in 3Q12 and 36% in 3Q11, which is due to the lower number of movies in 3D and to customers choosing lower-cost 2D alternatives more than in the past.

Total Cinema revenues therefore decreased by 2.5% yoy in 3Q13, with the 3.3% decline in the average revenue per ticket more than offsetting the 1.3% improvement in the number of tickets sold.

As regards Cinema gross ticket revenues, ZON OPTIMUS' relative performance was also stronger in comparison with the market as a whole, posting a 2.1% decrease in 3Q13 whilst the total market's gross revenues decreased by 13.6%. This performance has meant that ZON Lusomundo continues to strengthen its market position, with a market share of 66% in terms of gross revenues in 3Q13.

In 3Q13, revenues in the Audiovisuals division improved by 5% to 14 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.

Of the top 10 box-office hits in 3Q13, ZON Lusomundo distributed 6, “The Gilded Cage”, “Despicable Me 2”, “Planes”, “The Butler”, “Monsters University” and “Now You See Me”, maintaining its strong leading position with a 58% market share in terms of gross revenues.

International Growth - Africa

During this quarter, ZAP continued to expand its distribution network and is now present in most of the Angolan Provinces through its own stores, ensuring a very strong representation across the whole country.

¹ Source ICA – Portuguese Institute for Cinema and Audiovisuals

ZAP also continues to strengthen its product and content offering. During this quarter ZAP launched the Benfica TV channel in Angola and Mozambique in exclusive. Benfica TV broadcasts all the live home matches of the main football team of SL Benfica in the Portuguese League and therefore it is a very relevant addition to the portfolio of sports channels.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

The merger by incorporation of OPTIMUS into ZON that led to the creation of ZON OPTIMUS was completed on 27 August 2013. As from this quarter, ZON OPTIMUS' statutory financial statements reflect the financial consolidation of 9 months of ZON and 1 month of OPTIMUS.

Resulting primarily from the merger, a number of accounting policies, practices and estimates have had to be aligned. The primary changes to accounting policies, with the correspondent restatement of the prior period accounts were the capitalization of customer acquisition costs at ZON in order to align with OPTIMUS' policy also followed by other telecom operators (EBITDA impact of +16.1 million euros in 9M12, +13.6 million euros in 9M13) and capitalization of certain movie rights in the audiovisuals division following IAS 38, which were restated since 1Q12 in the statutory accounts (EBITDA impact of +17.8 million euros in 9M12, +19.4 million euros in 9M13).

In addition and in anticipation of the mandatory implementation of IFRS 11 as from 1Q14, whereby joint ventures may no longer be consolidated proportionately, ZON OPTIMUS has proceeded to deconsolidate the three joint ventures in which it holds stakes, ZAP (30%), Sport TV (50%) and Dreamia (50%) and has restated prior period financial statements to reflect their recognition through the equity method (EBITDA impact of -40.9 million euros 9M12, -40.6 million euros in 9M13).

To facilitate comparison between current and prior period results for the new ZON OPTIMUS, the following pro-forma consolidated financial statements have been prepared, reflecting not only the statutory accounts restatement due to the changes to accounting policies, but also the consolidation of 9 months of OPTIMUS' results.

The financial statements reflect the impact in depreciation and amortization of the provisional calculation of the fair value of OPTIMUS' assets and liabilities which was used for the purposes of purchase price allocation resulting from the consolidation of OPTIMUS.

The following financial review is based on these pro-forma financial statements. Appendix III to this report includes the statutory income statement for ZON OPTIMUS.

CONSOLIDATED INCOME STATEMENT

Table 3.

Pro-Forma Profit and Loss Statement (Millions of Euros)	3Q12	3Q13	3Q13 / 3Q12	9M12	9M13	9M13 / 9M12
Operating Revenues	373.7	365.8	(2.1%)	1,114.9	1,083.9	(2.8%)
Telco	353.6	347.0	(1.9%)	1,064.3	1,034.7	(2.8%)
ZON Telco	180.2	177.3	(1.6%)	548.7	538.0	(1.9%)
OPTIMUS	175.4	172.7	(1.6%)	522.0	504.9	(3.3%)
Audiovisuals	13.3	14.0	5.0%	43.2	43.3	0.1%
Cinema ⁽¹⁾	16.2	15.8	(2.5%)	39.9	39.6	(0.5%)
Others and Eliminations	(11.3)	(13.9)	22.1%	(38.9)	(41.9)	7.9%
Operating Revenues Including 30% ZAP Contribution	382.4	377.3	(1.3%)	1,136.3	1,115.1	(1.9%)
Operating Costs Excluding D&A	(231.7)	(225.9)	(2.5%)	(701.4)	(665.6)	(5.1%)
W&S	(25.0)	(24.5)	(2.1%)	(75.2)	(71.5)	(5.0%)
Direct Costs	(104.0)	(110.6)	6.4%	(316.2)	(319.3)	1.0%
Commercial Costs ⁽²⁾	(29.9)	(24.0)	(19.9%)	(78.9)	(66.2)	(16.1%)
Other Operating Costs	(72.7)	(66.8)	(8.1%)	(231.0)	(208.7)	(9.7%)
EBITDA ⁽³⁾	142.1	139.9	(1.5%)	413.5	418.3	1.2%
EBITDA Margin	38.0%	38.3%	0.2pp	37.1%	38.6%	1.5pp
Telco	132.2	129.4	(2.1%)	385.3	392.0	1.7%
EBITDA Margin	37.4%	37.3%	(0.1pp)	36.2%	37.9%	1.7pp
Cinema Exhibition and Audiovisuals	9.8	10.5	6.9%	28.1	26.3	(6.6%)
EBITDA Margin	38.1%	39.0%	0.9pp	37.5%	35.1%	(2.4pp)
EBITDA Including 30% ZAP Contribution	144.2	144.0	(0.1%)	416.4	428.6	2.9%
EBITDA Margin Including 30% ZAP Contribution	37.7%	38.2%	0.5pp	36.6%	38.4%	1.8pp
Depreciation and Amortization	(85.5)	(83.5)	(2.4%)	(254.5)	(252.6)	(0.7%)
Income From Operations ⁽⁴⁾	56.5	56.5	(0.1%)	159.0	165.7	4.2%
(Other Expenses) / Income	(0.1)	(32.8)	n.a.	(0.8)	(34.1)	n.a.
Operating Profit (EBIT) ⁽⁵⁾	56.5	23.6	(58.1%)	158.2	131.6	(16.8%)
(Financial Expenses) / Income	(15.9)	(17.6)	10.3%	(43.0)	(50.6)	17.7%
Income Before Income Taxes	40.5	6.1	(85.0%)	115.3	81.1	(29.7%)
Income Taxes	(5.7)	12.5	n.a.	(21.7)	(4.0)	(81.6%)
Income From Continued Operations	34.9	18.6	(46.6%)	93.6	77.1	(17.7%)
o.w. Attributable to Non-Controlling Interests	(0.2)	(0.2)	(13.8%)	(0.9)	(0.6)	(33.8%)
Net Income	34.6	18.4	(46.8%)	92.7	76.5	(17.5%)

(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 365.8 million euros in 3Q13, a decline of 2.1% in comparison with 3Q12. Adding back the contribution from the 30% stake in ZAP, Consolidated revenues posted a slight decline of 1.3% to 377.3 million euros.

Combined Revenues for the Telco business declined by 1.9% to 347 million euros. ZON Telco Revenues posted a 1.6% yoy reduction to 177.3 million euros albeit reflecting an inflexion of the pace of decline in comparison with previous quarters. This was driven by an improvement in sequential quarterly performance of premium channel Revenues, and an improving mix of customers due to the increased penetration of higher value packages with IRIS. However these positive trends were somewhat dampened by increased promotional and retention activity in the quarter in response to the aggressive triple play pricing campaign initiated by one of our competitors. Basic ARPU revenues were relatively flat y.o.y. (-0.6%) and premium ARPU revenues posted a yoy decline of 15.2%, however monthly premium ARPU revenues started to improve with the increase in the average premium channel subscriptions throughout the quarter. At OPTIMUS, Revenues declined by 1.6% yoy to 172.7 million euros, again showing a sequential yoy improvement in comparison with previous quarters. Service Revenues fell by 2% yoy to 162 million euros, resulting from lower customer revenues, down 8.8% yoy due to the still challenging macro environment which was partially compensated by an almost 20% increase in Operator Revenues due to the seasonal boost in roaming in the summer months and a particularly good quarter for wholesale revenues and mass calling services.

Revenues from the Audiovisuals business grew by 5% yoy to 14 million euros also recording a sequential improvement in quarterly yoy trends. Cinema Exhibition revenue trends posted a yoy decline of 2.5% to 15.8 million euros. Despite the fact that the number of tickets sold was 1.3% higher y.o.y. average revenue per ticket fell by 3.3% due primarily to a decline in the proportion of 3D ticket sales. In contrast, when compared with 2Q13, cinema exhibition revenues increased significantly in 3Q13 by 30.5% led by the larger number of box office hits.

ZON OPTIMUS' 30% stake in ZAP, its international Pay TV operation in Angola and Mozambique, continued to post good growth in revenues and operations are still performing very well with growth in the subscriber base and stable ARPU levels.

3.2 EBITDA

Proforma Consolidated EBITDA fell by 1.5% in 3Q13 to 139.9 million euros generating an EBITDA margin of 38.3% and representing growth of 0.2pp in margin in comparison with 3Q12. Including the contribution from ZON OPTIMUS' 30% stake in ZAP, Consolidated EBITDA would have posted a marginal decline of 0.1%. Telco EBITDA fell by 2.1% in 3Q13 to 129.4 million euros and EBITDA from the Audiovisuals and Cinema operations grew by 6.9% to 10.5 million euros.

3.3 Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs fell by 2.5% to 225.9 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.

Wages and Salaries fell by 2.1% to 24.5 million euros in 3Q13 as a result mainly of a lower average level of headcount at the telco division in comparison with 3Q12. Where possible ZON OPTIMUS has made efforts to accommodate normal staff attrition levels and this average reduction in salary costs yoy does not yet reflect any material impact of ongoing restructuring measures post-merger.

Direct Costs increased by 6.4% to 110.6 million euros mainly due to increased traffic costs led by the higher yoy MVNO customer base at ZON, a higher level of traffic related costs from mass-calling services and an increase in wholesale activity in 3Q13.

Commercial Costs fell by 19.9% in 3Q13 to 24 million euros led mainly by an effort to contain marketing related costs and by a decline in handset equipment sales which is common in the summer months.

Other Operating Costs reduced by 8.1% to 66.8 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 amounted to 18.4 million euros in 3Q13. Despite the relatively stable yoy EBITDA performance, non-recurrent Other Expenses of 32.8 million euros related with restructuring costs and to the increase in non cash provisions fully explain the decline in Net Income.

Depreciation and Amortization posted a yoy decline of 2.4% to 83.5 million euros.

Other Expenses* incorporate restructuring costs resulting from the merger of approximately 16 million euros in 3Q13 and reflect primarily the cash out and provisions for curtailment costs as well as some other restructuring related charges. The remaining costs are related with one-off non-cash increase in provisions in 3Q13 that result from alignment of estimates between the two companies.

Net Financial Expenses were 10.3% higher in 3Q13 at 17.6 million euros compared with 15.9 million euros in 3Q12, although in line with the amount recorded in 2Q13. The yoy increase is a result of a progressively higher average cost of interest as some of the 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 a gain of 12.5 million euros in 3Q13 compared with a charge of 5.7 million euros in 3Q12, due primarily to (i) a reduction in EBT of 85% to 6.1 million euros; (ii) recognition of incremental deferred tax assets generated by application of state tax surcharge (approximately 4%) and (iii) recognition of deferred tax assets on investment related tax benefits. The last two impacts are non recurrent and exceptional in nature.

* In accordance with IAS 1, the caption "Other expenses" reflects material and unusual expenses that should be disclosed separately from usual line items, to avoid distortion of the financial information from regular operations, namely restructuring costs resulting from the merger (including curtailment costs) as well as one-off non-cash items that result from alignment of estimates between the two companies.

CAPEX AND CASH FLOW

4.1 CAPEX

Table 4.

Pro-Forma CAPEX (Millions of Euros)	3Q12	3Q13	3Q13 / 3Q12	9M12	9M13	9M13 / 9M12
Telecoms	69.6	53.2	(23.6%)	194.9	162.4	(16.7%)
Infrastructure	39.4	22.6	(42.6%)	94.2	67.5	(28.4%)
Customer Related CAPEX	27.4	28.7	4.8%	94.5	89.2	(5.5%)
Other	2.8	1.9	(33.6%)	6.2	5.7	(7.2%)
Audiovisuals and Cinema Exhibition	8.3	6.9	(16.4%)	21.6	21.9	1.2%
Recurrent CAPEX	77.9	60.1	(22.8%)	216.5	184.3	(14.9%)
Non-Recurrent CAPEX	0.0	1.5	n.a.	0.0	4.5	n.a.
Total CAPEX	77.9	61.6	(21.0%)	216.5	188.8	(12.8%)

Telco CAPEX reduced by 23.6% yoy to 53.2 million euros in 3Q13 representing 15.3% of Telco Operating Revenues. This is explained almost entirely by a reduction in network related CAPEX due to lower LTE deployment in comparison with previous years.

The increase in Telco customer related CAPEX was due to a slightly higher level of investment in customer premise equipment driven by the continued increase in penetration of triple play IRIS services.

Audiovisuals and Cinemas recorded CAPEX of 6.9 million euros in 3Q13, reflecting the capitalization as from this quarter and restated to 1Q12, of certain movie rights in the Audiovisuals division.

Total CAPEX declined by 21.0% in 3Q13 to 61.6 million euros representing 16.8% of Total Operating Revenues.

4.2 Operating Free Cash Flow

Table 5.

Pro-Forma Cash Flow (Millions of Euros)	3Q12	3Q13	3Q13 / 3Q12	9M12	9M13	9M13 / 9M12
EBITDA	142.1	139.9	(1.5%)	413.5	418.3	1.2%
Recurrent CAPEX	(77.9)	(60.1)	(22.8%)	(216.5)	(184.3)	(14.9%)
EBITDA - Recurrent CAPEX	64.1	79.8	24.4%	197.0	234.0	18.8%
Non-Cash Items Included in EBITDA - Recurrent CAPEX ⁽¹⁾ and Change in Working Capital	(7.0)	(4.9)	(29.8%)	(46.0)	(66.1)	43.6%
Operating Cash Flow After Investment	57.2	74.9	31.1%	150.9	167.8	11.2%
Long Term Contracts	(6.4)	(6.7)	4.2%	(16.5)	(18.2)	10.6%
Net Interest Paid and Other Financial Charges	(12.4)	(15.9)	28.2%	(36.6)	(46.7)	27.5%
Income Taxes Paid	(4.5)	(7.5)	66.9%	(9.2)	(11.1)	21.2%
Other Cash Movements	0.1	1.3	n.a.	(0.1)	0.7	n.a.
Recurrent Free Cash-Flow	33.9	46.1	36.0%	88.5	92.4	4.5%
LTE Payments	0.0	0.0	n.a.	(83.0)	(6.0)	(92.8%)
Non-Recurrent CAPEX	0.0	(1.5)	n.a.	0.0	(4.5)	n.a.
Cash Restructuring Payments	0.0	(6.0)	n.a.	0.0	(6.5)	n.a.
Total Free Cash Flow	33.9	38.6	14.1%	5.5	75.5	n.a.

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

EBITDA – Recurrent CAPEX increased by 24.4% to 79.8 million euros in 3Q13 as a result of the solid performance in EBITDA and the 22.8% decline in Recurrent CAPEX.

Operating Cash Flow After Investment recorded an increase of 31.1% to 74.9 million euros in 3Q13 and of 11.2% in 9M13. For the YTD period, non-cash items in EBITDA – Recurrent CAPEX and Change in Working Capital reflect the impact of an outflow at OPTIMUS in January 2013 related with 2012 ICP-Anacom fees representing around 12 million euros that under normal circumstances would have occurred in 2012.

4.3 Total Free Cash Flow

Recurrent FCF increased by 36% in 3Q13 to 46.1 million euros and to 92.4 million euros in 9M13, reflecting the continued good FCF momentum in the business. Additional non-recurrent cash outflows occurred in the period as a result of the ongoing restructuring cash payments due to the merger process, to part of the remaining payments related with the LTE licence and to some non-recurrent CAPEX from set-top-box substitution due to the migration to MPEG4 compression technology in the DTH operation, as explained in previous reporting periods.

PRO FORMA CONSOLIDATED BALANCE SHEET

Table 6.

Pro-Forma Balance Sheet (Millions of Euros)	2012	9M13
Current Assets	704.3	453.9
Cash and Equivalents	306.6	57.6
Accounts Receivable, Net	326.3	329.1
Inventories, Net	43.2	33.9
Taxes Receivable	2.7	1.9
Prepaid Expenses and Other Current Assets	25.4	31.4
Non-current Assets	2,532.6	2,446.2
Investments in Group Companies	36.8	34.4
Intangible Assets, Net	1,121.8	1,096.3
Fixed Assets, Net	1,164.5	1,127.6
Deferred Taxes	162.3	164.2
Other Non-current Assets	47.3	23.7
Total Assets	3,236.9	2,900.1
Current Liabilities	1,005.5	635.3
Short Term Debt	424.1	85.0
Accounts Payable	372.7	313.0
Accrued Expenses	166.3	183.9
Deferred Income	23.2	27.9
Taxes Payable	18.8	22.5
Current Provisions and Other Liabilities	0.5	3.0
Non-current Liabilities	1,181.4	1,191.6
Medium and Long Term Debt	1,044.4	1,064.4
Non-current Provisions and Other Liabilities	137.0	127.3
Total Liabilities	2,186.9	1,826.9
Equity Before Non-Controlling Interests	1,040.6	1,063.5
Share Capital	5.2	5.2
Issue Premium	854.2	854.2
Own Shares	(0.9)	(0.9)
Reserves, Retained Earnings and Other	67.9	128.5
Net Income	114.3	76.5
Non-Controlling Interests	9.4	9.7
Total Shareholders' Equity	1,050.0	1,073.2
Total Liabilities and Shareholders' Equity	3,236.9	2,900.1

5.1 Capital Structure

At the end of 3Q13, **Net Financial Debt** stood at 957.2 million euros, representing a decline of 1.4% in comparison with the end of 2012 and of 3.9% in comparison with end of 1H13.

At the time of the merger, OPTIMUS' Net Financial Debt was mainly comprised of shareholder loans which were repaid using (i) credit facilities pushed down from Sonaecom to ZON OPTIMUS, (ii) liquidity position available at ZON and (iii) two new commercial paper lines with 4-year maturity, therefore increasing the average maturity of ZON OPTIMUS' Net Financial Debt to 1.9 years. ZON OPTIMUS is now financed until 1H15.

The total interest rate hedging operations in place at the end of 3Q13 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 OPTIMUS' Net Financial Debt that is protected against variations in interest rates is 48%.

Total financial debt at the end of 3Q13 amounted to 1,021.3 million euros, which was offset with a cash and short-term investments position on the balance sheet of 64.1 million euros. The all-in average cost of ZON OPTIMUS' Net Financial Debt at the end of 3Q13 was 5.15%. Pro-forma cost of debt for 9M13 was 5.61%.

The change in Net Financial Debt in 3Q13 is explained by the aforementioned FCF generation of 38.6 million euros. The change in Net Financial Debt in 9M13 is explained by FCF generation of 75.5 million euros deducted of the 2012 dividend payment of 62 million euros.

Net Financial Gearing reduced to 47.1% at the end of 3Q13 compared with 48.0% at the end of 2012, and **Net Financial Debt / EBITDA** (last 4 quarters) stands at 1.7x.

Table 7.

Pro-Forma Net Financial Debt (Millions of Euros)	2012	9M13	9M13 / 2012
Short Term	404.6	68.1	(83.2%)
Bank and Other Loans	395.0	58.3	(85.2%)
Financial Leases	9.6	9.9	2.8%
Medium and Long Term	927.7	953.2	2.8%
Bank and Other Loans	916.6	943.6	2.9%
Financial Leases	11.1	9.6	(13.5%)
Total Debt	1,332.3	1,021.3	(23.3%)
Cash, Short Term Investments and Intercompany Loans	361.6	64.1	(82.3%)
Net Financial Debt	970.7	957.2	(1.4%)
Net Financial Gearing ⁽¹⁾	48.0%	47.1%	(0.9pp)
Net Financial Debt / EBITDA	1.8x	1.7x	n.a.

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

CORPORATE DEVELOPMENTS

6.1 Completion of merger on 27 August and election of new Management team

On 26 August, the Competition Authority announced their non-opposition to the merger process between ZON and OPTIMUS and, on 27 August, all legal and administrative procedures were implemented to conclude the process.

Subsequently, on 1 October, the new management team and governing bodies were elected at an extraordinary shareholder meeting. All relevant information on the structure, composition and biographies of the new team may be found on ZON OPTIMUS' institutional website at www.zonoptimus.pt/ir.

APPENDIX

7.1 Appendix I

Table 8.

Business Indicators ('000)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
ZON ⁽¹⁾							
Homes Passed	3,187.4	3,204.5	3,224.5	3,243.2	3,257.3	3,270.9	3,286.1
Basic Subscribers ⁽²⁾	1,586.8	1,586.3	1,574.4	1,570.1	1,559.0	1,543.3	1,522.6
of which							
Fixed Broadband	748.6	751.5	766.2	790.0	799.9	805.3	811.7
Fixed Voice	921.4	947.0	960.2	976.4	985.8	989.8	995.4
Mobile ⁽³⁾	124.1	129.4	138.0	130.5	127.3	140.1	156.0
Cable Subscribers	1,204.6	1,210.8	1,204.3	1,209.6	1,209.1	1,203.3	1,191.8
IRIS Subscribers	118.9	161.5	193.0	234.8	284.4	338.7	390.3
3&4P Customers	715.7	730.9	751.7	772.6	781.5	786.1	792.5
% 3&4P Cable Customers	59.4%	60.4%	62.4%	63.9%	64.6%	65.3%	66.5%
Double Play Customers	219.1	212.8	200.7	200.1	203.1	204.5	204.9
% Double Play Cable Customers	18.2%	17.6%	16.7%	16.5%	16.8%	17.0%	17.2%
Single Play Customers	269.8	267.2	251.9	236.9	224.5	212.7	194.4
% Single Play Cable Customers	22.4%	22.1%	20.9%	19.6%	18.6%	17.7%	16.3%
DTH Subscribers	382.2	375.5	370.1	360.5	349.9	340.0	330.8
RGUs ⁽⁴⁾	3,381.0	3,414.1	3,438.7	3,467.0	3,472.0	3,478.5	3,485.7
Cable RGUs per Subscriber (units) ⁽⁵⁾	2.37	2.39	2.42	2.45	2.46	2.48	2.51
Blended ARPU (Euros)	35.4	35.1	34.7	34.4	35.4	34.7	34.9
OPTIMUS Mobile							
Customers (EOP)	3,609.9	3,565.0	3,566.3	3,568.6	3,507.1	3,434.6	3,442.6
Pre-Paid Customers	2,398.5	2,364.3	2,367.3	2,379.5	2,328.4	2,283.7	2,315.6
Post-Paid Customers	1,211.3	1,200.6	1,199.0	1,189.1	1,178.7	1,150.9	1,127.0
Data as % of Service Revenues	32.4%	34.2%	33.5%	33.5%	32.8%	33.9%	33.8%
Non SMS Data as % Data Revenues	76.4%	76.6%	76.3%	75.9%	79.2%	79.5%	79.7%
Total #SMS/month/user	40.6	41.9	41.9	42.2	39.2	39.1	39.7
MOU (min.)	122.2	123.4	122.6	124.5	120.7	122.9	124.1
ARPU (euros)	11.6	11.5	11.7	10.8	10.4	10.8	10.8
Customer Monthly Bill	10.2	10.1	10.1	9.6	9.5	9.7	9.5
Interconnection	1.4	1.4	1.5	1.1	0.9	1.1	1.3
ARPM (euros)	0.0951	0.0934	0.0951	0.0864	0.0863	0.0876	0.0866
OPTIMUS Wireline							
Total Accesses (EOP)	364.0	354.4	344.6	334.9	330.0	339.3	338.0
Corporates and SMEs	155.2	155.1	156.9	158.5	157.6	160.3	159.0
PTSN/RDIS	111.1	111.0	113.2	114.8	113.9	116.5	114.9
Broadband	33.5	32.5	31.7	31.0	30.5	30.0	29.9
Other & Data	10.6	11.6	12.1	12.7	13.2	13.7	14.2
Residential	208.7	199.3	187.7	176.5	172.4	179.0	179.0
PTSN/RDIS	94.1	88.1	79.5	72.5	69.6	69.6	67.0
Broadband	78.0	74.2	71.2	67.5	65.9	70.7	75.4
TV	36.6	36.9	37.0	36.4	36.8	38.8	36.5
ARPU per access - Retail	22.1	22.4	20.9	21.0	21.4	21.6	20.5
Cinema ⁽¹⁾							
Revenue per Ticket (Euros)	4.8	4.9	4.9	4.7	4.6	4.7	4.7
Tickets Sold	1,724.9	1,714.1	2,383.2	1,992.4	1,784.5	1,758.3	2,413.5
Screens (units)	210	210	210	210	210	210	209

(1) Portuguese operations.

(2) These figures are related to the total number of Pay TV basic customers, including the cable and satellite platforms. ZON OPTIMUS 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.

Pro-Forma Profit and Loss Statement (Millions of Euros)	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13
Operating Revenues	369.8	371.3	373.7	373.8	1,488.7	356.8	361.3	365.8
Telco	354.7	356.0	353.6	355.8	1,420.2	341.5	346.1	347.0
ZON Telco	184.0	184.5	180.2	181.4	730.1	182.4	178.3	177.3
OPTIMUS	172.8	173.7	175.4	177.2	699.2	161.5	170.7	172.7
Audiovisuals	14.8	15.1	13.3	17.1	60.4	14.9	14.4	14.0
Cinema ⁽¹⁾	11.8	11.9	16.2	13.0	52.8	11.8	12.1	15.8
Others and Eliminations	(13.6)	(13.9)	(11.3)	(14.9)	(53.8)	(13.7)	(14.3)	(13.9)
Operating Revenues Including 30% ZAP Contribution	375.8	378.1	382.4	381.9	1,518.2	366.2	371.7	377.3
Operating Costs Excluding D&A	(234.8)	(234.9)	(231.7)	(245.9)	(947.3)	(218.8)	(220.9)	(225.9)
W&S	(25.5)	(24.8)	(25.0)	(26.1)	(101.4)	(23.3)	(23.7)	(24.5)
Direct Costs	(105.3)	(107.0)	(104.0)	(110.7)	(426.9)	(102.6)	(106.1)	(110.6)
Commercial Costs ⁽²⁾	(23.8)	(25.1)	(29.9)	(35.1)	(113.9)	(19.3)	(22.9)	(24.0)
Other Operating Costs	(80.3)	(78.0)	(72.7)	(74.1)	(305.1)	(73.6)	(68.3)	(66.8)
EBITDA ⁽³⁾	135.1	136.4	142.1	127.9	541.4	138.0	140.3	139.9
EBITDA Margin	36.5%	36.7%	38.0%	34.2%	36.4%	38.7%	38.8%	38.3%
Telco	125.1	128.0	132.2	117.0	502.3	131.1	131.5	129.4
EBITDA Margin	35.3%	36.0%	37.4%	32.9%	35.4%	38.4%	38.0%	37.3%
Cinema Exhibition and Audiovisuals	9.9	8.4	9.8	10.9	39.0	7.0	8.8	10.5
EBITDA Margin	40.1%	34.2%	38.1%	40.9%	38.4%	28.6%	37.3%	39.0%
EBITDA Including 30% ZAP Contribution	135.2	136.9	144.2	129.3	545.6	141.0	143.6	144.0
EBITDA Margin Including 30% ZAP Contribution	36.0%	36.2%	37.7%	33.9%	35.9%	38.5%	38.6%	38.2%
Depreciation and Amortization	(87.1)	(81.8)	(85.5)	(89.0)	(343.5)	(87.1)	(82.0)	(83.5)
Income From Operations ⁽⁴⁾	47.9	54.6	56.5	38.8	197.9	51.0	58.3	56.5
(Other Expenses) / Income	(0.4)	(0.4)	(0.1)	(0.8)	(1.6)	(0.3)	(1.0)	(32.8)
Operating Profit (EBIT) ⁽⁵⁾	47.6	54.2	56.5	38.1	196.3	50.7	57.3	23.6
(Financial Expenses) / Income	(11.3)	(15.8)	(15.9)	(18.1)	(61.1)	(15.4)	(17.6)	(17.6)
Income Before Income Taxes	36.3	38.4	40.5	20.0	135.2	35.3	39.7	6.1
Income Taxes	(8.0)	(8.0)	(5.7)	1.6	(20.1)	(7.6)	(9.0)	12.5
Income From Continued Operations	28.3	30.5	34.9	21.5	115.1	27.7	30.7	18.6
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.3)	(0.2)	(0.0)	(0.9)	(0.2)	(0.2)	(0.2)
Net Income	27.9	30.2	34.6	21.5	114.3	27.5	30.6	18.4
Recurrent CAPEX	(66.6)	(72.0)	(77.9)	(80.7)	(297.2)	(58.6)	(65.6)	(60.1)
Total CAPEX	(66.6)	(72.0)	(77.9)	(80.7)	(297.2)	(60.5)	(66.7)	(61.6)
EBITDA - Recurrent CAPEX	68.5	64.4	64.1	47.2	244.1	79.4	74.7	79.8
Non-Cash Items Included in EBITDA - Recurrent CAPEX ⁽⁶⁾ and Change in Working Capital	(39.9)	0.8	(7.0)	20.8	(25.3)	(34.6)	(26.6)	(4.9)
Operating Cash Flow After Investment	28.6	65.2	57.2	67.9	218.9	44.8	48.1	74.9
Long Term Contracts	(4.9)	(5.1)	(6.4)	(6.1)	(22.6)	(5.4)	(6.2)	(6.7)
Net Interest Paid and Other Financial Charges	(11.0)	(13.2)	(12.4)	(14.1)	(50.8)	(14.7)	(16.1)	(15.9)
Income Taxes Paid	(2.5)	(2.2)	(4.5)	(4.2)	(13.4)	(1.4)	(2.2)	(7.5)
Other Cash Movements	0.3	(0.5)	0.1	0.9	0.8	(0.0)	(0.6)	1.3
Recurrent Free Cash Flow	10.5	44.0	33.9	44.4	132.9	23.3	23.1	46.1
Net Financial Debt	943.8	1,014.0	980.2	970.7	970.7	955.3	995.8	957.2

(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.

7.3 Appendix III

Table 10.

Statutory Profit and Loss Statement (Millions of Euros)	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13
Operating Revenues	196.2	196.9	197.4	196.6	787.1	194.4	190.4	251.6
ZON Telco	181.1	181.5	177.2	178.5	718.3	179.0	175.2	177.3
OPTIMUS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	56.7
Audiovisuals	14.8	15.1	13.3	17.1	60.4	14.9	14.4	14.0
Cinema ⁽¹⁾	11.8	11.9	16.2	13.0	52.8	11.8	12.1	15.8
Others and Eliminations	(11.5)	(11.5)	(9.3)	(12.0)	(44.3)	(11.3)	(11.3)	(12.1)
Operating Costs Excluding D&A	(119.5)	(122.1)	(117.7)	(122.1)	(481.4)	(115.0)	(113.1)	(150.3)
W&S	(12.9)	(13.9)	(13.5)	(14.1)	(54.4)	(11.9)	(12.3)	(16.9)
Direct Costs	(55.3)	(57.0)	(55.3)	(57.0)	(224.6)	(53.9)	(54.0)	(75.2)
Commercial Costs ⁽²⁾	(7.1)	(8.4)	(7.9)	(8.5)	(31.9)	(7.0)	(6.6)	(10.9)
Other Operating Costs	(44.3)	(42.8)	(41.0)	(42.5)	(170.5)	(42.2)	(40.2)	(47.3)
EBITDA ⁽³⁾	76.7	74.9	79.7	74.5	305.7	79.3	77.3	101.3
EBITDA Margin	39.1%	38.0%	40.4%	37.9%	38.8%	40.8%	40.6%	40.3%
Depreciation and Amortization	(53.5)	(47.6)	(51.1)	(51.9)	(204.1)	(52.6)	(47.0)	(59.8)
Income From Operations ⁽⁴⁾	23.2	27.2	28.6	22.5	101.6	26.7	30.4	41.4
(Other Expenses) / Income	(0.0)	(0.8)	0.4	(0.4)	(0.9)	(0.1)	0.6	(32.3)
Operating Profit (EBIT) ⁽⁵⁾	23.2	26.4	29.0	22.1	100.7	26.6	31.0	9.2
(Financial Expenses) / Income	(7.5)	(9.3)	(12.7)	(11.5)	(41.0)	(9.5)	(11.8)	(13.6)
Income Before Income Taxes	15.6	17.1	16.3	10.6	59.7	17.0	19.2	(4.5)
Income Taxes	(4.4)	(6.4)	(6.0)	(2.5)	(19.3)	(4.5)	(6.1)	3.3
Income From Continued Operations	11.2	10.7	10.3	8.2	40.4	12.5	13.2	(1.2)
o.w. Attributable to Non-Controlling Interests	(0.3)	(0.3)	(0.2)	(0.0)	(0.9)	(0.2)	(0.2)	(0.2)
Net Income	10.8	10.4	10.1	8.2	39.5	12.3	13.0	(1.4)

(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.

7.4 Appendix IV

Table 11.

Balance Sheet (Millions of Euros)	2012	9M13
Current Assets	476.1	453.9
Cash and Equivalents	273.2	57.6
Accounts Receivable, Net	158.0	329.1
Inventories, Net	31.6	33.9
Taxes Receivable	2.6	1.9
Prepaid Expenses and Other Current Assets	10.8	31.4
Non-current Assets	1,074.5	2,446.2
Investments in Group Companies	36.8	34.4
Intangible Assets, Net	323.6	1,096.3
Fixed Assets, Net	618.2	1,127.6
Deferred Taxes	52.2	164.2
Other Non-current Assets	43.7	23.7
Total Assets	1,550.6	2,900.1
Current Liabilities	574.3	635.3
Short Term Debt	295.3	85.0
Accounts Payable	210.5	313.0
Accrued Expenses	50.3	183.9
Deferred Income	5.2	27.9
Taxes Payable	12.5	22.5
Current Provisions and Other Liabilities	0.5	3.0
Non-current Liabilities	756.9	1,191.6
Medium and Long Term Debt	712.0	1,064.4
Non-current Provisions and Other Liabilities	44.9	127.3
Total Liabilities	1,331.2	1,826.9
Equity Before Non-Controlling Interests	210.0	1,063.5
Share Capital	3.1	5.2
Issue Premium	0.0	854.2
Own Shares	(0.9)	(0.9)
Reserves, Retained Earnings and Other	168.3	181.1
Net Income	39.5	23.9
Non-Controlling Interests	9.4	9.7
Total Shareholders' Equity	219.4	1,073.2
Total Liabilities and Shareholders' Equity	1,550.6	2,900.1

Note: Balance Sheet prepared considering the results corresponding to the consolidation of 9 months of ZON and 1 month of OPTIMUS. The merger of ZON and OPTIMUS implied a capital increase of 206,064,552 new shares, issued at market close on the merger registry date, 27 August 2013. The nominal value of the shares is 0.01 euros each, and as such, a share issue premium of 854 million euros was generated. Goodwill of 386 million euros was recorded as a result of the fair value calculation of OPTIMUS' assets and liabilities, and may be revised over the 12 months following the merger.

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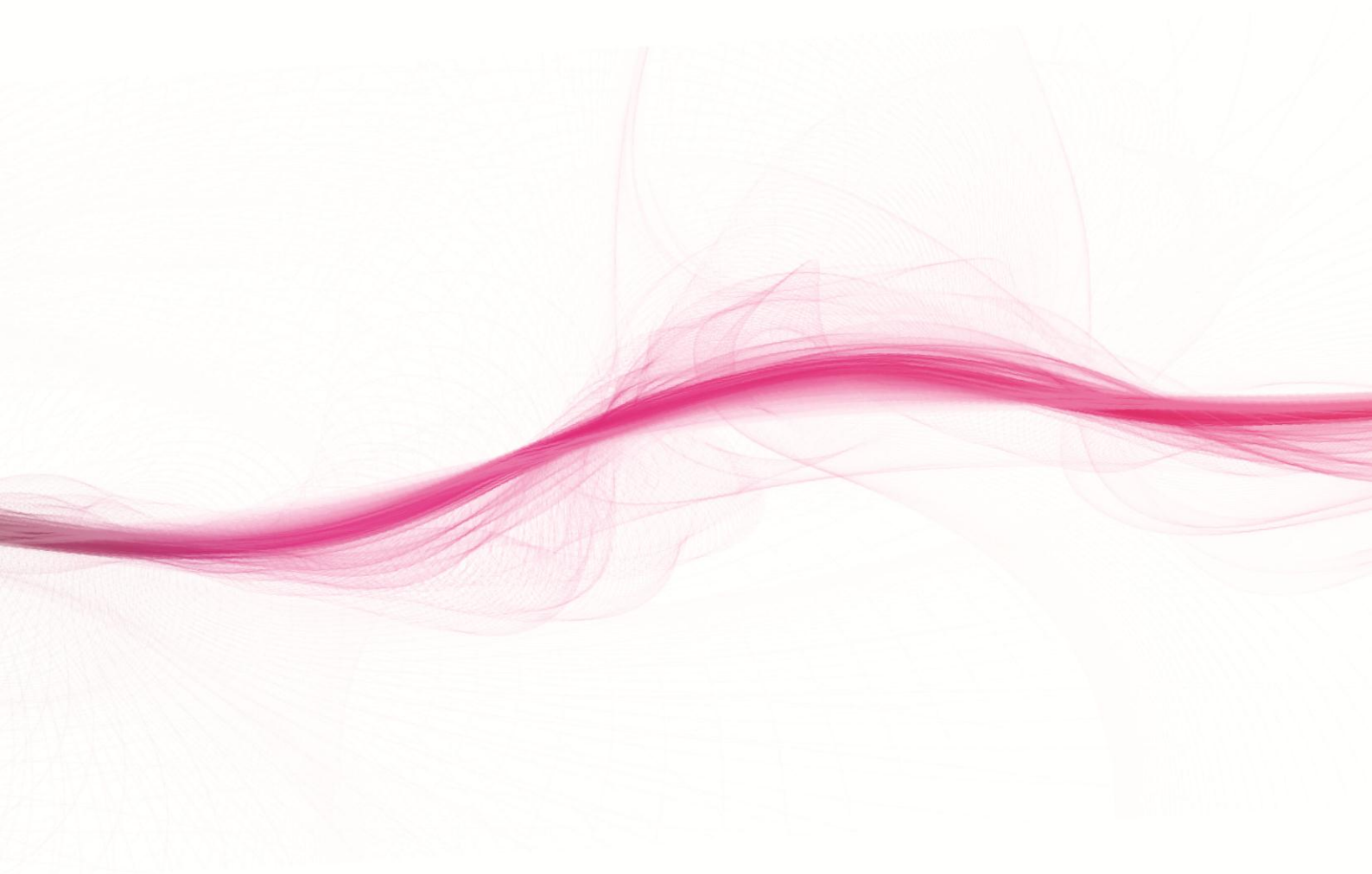
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