

ZON

MULTIMEDIA

FULL YEAR 2007

RESULTS ANNOUNCEMENT



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01. Foreword

Lisbon, Portugal, 27 February 2008:

The following report presents a review of key financial and operating highlights for the fiscal year ended 2007, however with specific focus on events in 4Q07.

On 7 November 2007, PT Multimedia was spun-off from the Portugal Telecom Group, leading to a significant change in ownership structure. Prior to the spin-off, on 21 September, the new Executive Management Team was appointed and the organization entered a new phase of development as an independent company, clarified in the announcement in December of the Strategic Plan for the 2008-2010 period and that was further detailed at our Investor Day in January 2008.

To mark the birth of our new independent business strategy and identity, on 31 January 2008, our shareholders approved a change of corporate name to ZON (**ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.**).

02. Why ZON?

ZON is an affirmation not only of our new corporate strategy, it is primarily a sign of corporate development and growing integration of business areas that enable us to offer more comprehensive, attractive choices to our customers and meet all their telecommunications and entertainment needs. The ZON brand is designed to create a clear, unique image of its services by association with the existing brands TVCABO, NETCABO and LUSOMUNDO, thereby strengthening team spirit between the company's different business areas.

For the remainder of this report, the new corporate name will be utilized in all references to the company.

All corporate announcements related with the Strategy and Investor Day Presentations, and Shareholder Meeting deliberations may be found on our Investor Relations' website at www.zon.pt/ir.

03. Strong Growth Momentum

OPERATIONAL HIGHLIGHTS

The last quarter of 2007 was excellent for ZON Multimedia in terms of operational performance with Pay TV subscribers, Broadband and Voice subscribers posting large increases, representing **the best quarter ever in terms of RGU growth in the last 3 years**. Operational results for the first months of 2008 confirm continued strong growth momentum.

- **Strong y.o.y. growth in Pay TV subscribers:** 4.5% increase to 1.547 million subscribers at the end of 2007, representing net additions of 67 thousand in FY07 (compared to only 1 thousand in 2006) and 26 thousand subscribers in 4Q07;
- **38 thousand new Broadband** subscribers in 2007, which represents 179.6% growth versus 2006 and net additions of 13 thousand customers in 4Q07. Total subscribers were up 10.6% y.o.y to 400 thousand subscribers;
- Increase in 4Q07 in net average **monthly Voice additions to 10 thousand**, ending 2007 with 83 thousand fixed line customers;
- Continued **strong growth in RGUs** throughout 2007, reaching more than 2.4 million services at the end of the year, 14.2% up on the previous year;
- **RGU net additions** of 95 thousand in 4Q07, the best quarter in the last 3 years. On average, each customer subscribed to 1.56 services at the end of 2007 compared with 1.43 services at the end of 2006;
- **Growth in Average Revenue per User (ARPU) of 5%** to 31.0 euros in 4Q07 compared with 29.5 euros in 4Q06, particularly relevant given the strong growth in average subscriber base.

Table 1. Key Operational Highlights ('000)

	4Q06	4Q07	y.o.y.	2006	2007	y.o.y.
Basic Subscribers Net Additions ^(1,2)	29	26	(10.6%)	1	67	n.a.
Digital Extended Basic Net Additions	48	26	(46.8%)	161	112	(30.5%)
BB Internet Net Additions	13	13	(1.6%)	14	38	179.6%
Voice Net Additions	0	30	n.a.	0	83	n.a.
RGUs Net Additions	91	95	4.4%	175	301	71.3%
RGUs ⁽³⁾	2,112	2,413	14.2%	2,112	2,413	14.2%
RGUs per Subscriber	1.43	1.56	9.3%	1.43	1.56	9.3%
Blended ARPU (Euro)	29.5	31.0	5.0%	29.1	30.8	5.6%

(1) 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 hotels), with a distinct geographical scope (mainland Portugal and the Azores and Madeira islands) and with a variable number of channels;

(2) These figures include products in temporary promotions, such as "Try and Buy" promotions;

(3) Revenue Generating Units correspond to the sum of Pay-TV basic customers, plus Pay-TV extended basic customers, plus broadband internet customers, plus fixed telephony customers.

FINANCIAL HIGHLIGHTS

ZON Multimedia closes the fiscal year 2007 with an impressive set of financial results notwithstanding the several one-off effects, most of which related to the spin-off process and which had a detrimental impact on EBITDA and Net Income.

- Strong y.o.y. **revenue growth** of 7.4 % to 715.7 million euros in 2007 and of **6.1%** to 188.1 million euros **in 4Q07**;
- **EBITDA** increased by 4.3% to 220.2 million euros in FY07. Adjusting for non-recurrent items EBITDA would have increased in FY07 by 7.5% and by 7.4% in 4Q07;
- **Net Income** of 48.9 million in 2007. Excluding the one-off impacts net income would have been in line with 2006 and 4Q06;
- **CAPEX** increased 13% in 2007. Excluding non-recurrent items like the acquisition of network equipment from the PT Group, capitalization of the telecoms contract and capitalization of the 8th transponder, CAPEX would have remained at around 100 million euros;
- **EBITDA minus CAPEX** decreased 10.3% to 70.2 million euros. Excluding non-recurrent items it would have increased 25.6% in 2007 and 4.6% in 4Q07;
- Excluding financial commitments regarding long-term telecom contracts and transponders, ZON had **Net Debt** of 23.5 million euros;
- **Distributable Reserves** amounted to 328 million euros as at 31 December 2007.

04. CEO Statement

Commenting on ZON's performance in 2007, Rodrigo Costa, CEO, stated:

"2007 was a key year for our organization. We became a truly independent company, launching an autonomous business strategy and new corporate identity and today we are positioned to exploit the growth opportunities available to us as the only stable national triple play operator in Portugal. In the last quarter of 2007 we had very strong operational performance which resulted, despite the spin-off process, in the strongest quarter in terms of RGU growth of the last 3 years.

As promised when we reported 9M07 results, we announced our strategic plan for the 2008-2010 period. We set ourselves ambitious targets and our focus is now on delivering the growth we have committed to, supported by operational efficiency, excellence in business practices and a very experienced and highly motivated team. A key focus area is cost control and efficiency, primarily in areas such as network management and IT, general services and programming costs. The coming quarters will be very busy for us as we concentrate on executing all the initiatives we have announced such as up-selling customers to 2 and 3 Play packages, improving customer service and support systems, network upgrades and the launch of new offers and functionalities such as HD content and an MVNO".

05. Business Review

Operational Highlights

Table 2. Business Indicators ('000)

	4Q06	4Q07	y.o.y.	2006	2007	y.o.y.
Pay-TV, Broadband and Telephony						
Homes Passed ⁽¹⁾	2,651	2,753	3.8%	2,651	2,753	3.8%
Basic Subscribers ^{(2) (3)}	1,480	1,547	4.5%	1,480	1,547	4.5%
of which						
Digital Extended Basic	270	382	41.3%	270	382	41.3%
Premium Pay-TV	780	841	7.8%	780	841	7.8%
Broadband Internet	362	400	10.6%	362	400	10.6%
Voice	0	83	n.a.	0	83	n.a.
RGUs ⁽⁴⁾	2,112	2,413	14.2%	2,112	2,413	14.2%
RGUs ⁽⁴⁾ per Subscriber	1.43	1.56	9.3%	1.43	1.56	9.3%
Net Additions						
Basic Subscribers	29	26	(10.6%)	1	67	n.a.
Digital Extended Basic	48	26	(46.8%)	161	112	(30.5%)
Premium Pay-TV	40	38	(4.5%)	6	61	n.a.
Broadband Internet	13	13	(1.6%)	14	38	179.6%
Voice	0	30	n.a.	0	83	n.a.
RGUs	91	95	4.4%	175	301	71.3%
ARPU (Euros)						
Blended ARPU	29.5	31.0	5.0%	29.1	30.8	5.6%
Pay-TV ARPU	24.4	25.2	3.6%	23.8	25.0	5.1%
Broadband ARPU	21.8	21.3	(2.4%)	22.0	21.7	(1.3%)
Cinema Exhibition						
Revenue per Spectator (Euros)	3.9	4.0	2.5%	3.9	4.0	0.7%
Tickets Sold	2,177	2,093	(3.9%)	8,026	8,193	2.1%
Screens (units)	195	204	4.6%	195	204	4.6%

(1) In 2007, Tv Cabo undertook an internal audit to its database, reducing the number of recorded homes passed by 230 thousand. Considering the impact of this database clean-up, the number of Homes-passed would have reduced to approximately 2.676 thousand at the end of 1Q07 and to approximately 2.651 thousand at the end of 2006.

(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 hotels), with a distinct geographical scope (mainland Portugal and the Azores and Madeira islands) and with a variable number of channels.

(3) These figures include products in temporary promotions, such as "Try and Buy" promotions;

(4) Revenue Generating Units correspond to the sum of Pay-TV basic customers, plus Pay-TV extended basic customers, plus broadband internet customers, plus fixed telephony customers.

3 Play - Pay TV, Broadband and Voice

ZON TV Cabo's customer base increased by 4.5% during 2007 to 1.547 million at the end of 4Q07 and the number of RGUs (Revenue Generating Units) increased by 14.2% to 2,413 thousand. On average, by the end of the year, each customer subscribed to 1.56 services, compared with 1.43 services in 4Q06.

Growth in RGUs per customer is a reflection of ZON's strategy to increase the penetration of additional services within its Pay TV customer base, through cross and up-selling initiatives and the launch of double and triple play packages. At the end of December, 26% of ZON's

customers subscribed to two or three services of which 4% subscribed to all three services (Pay TV, Internet and Voice services).

The value perceived by our customers of subscribing to more than one service has increased significantly, led by our increased marketing effort, the offer of differentiated content and the launch of new functionalities.

Pay TV

Pay TV subscribers reached 1.547 millions in 2007, with net additions of 26 thousand in 4Q07. This solid performance reflects a very strong quarter in terms of gross adds on the back of a very attractive content offer and a more comprehensive triple play offer after the launch of Voice services.

ZON significantly broadened the range and quality of channels included in its main offers during 2007. A number of new channels were launched during the year: (i) FX and Fox crime on TV Cabo's "Funtastic Life" digital offer in September; (ii) 10 additional international generalist and news channels included in TV Cabo's basic Pay TV packages in October; (iii) extremely successful launch in October of two new Brazilian premium channels: TV Globo and PFC – a generalist and Brazilian football channel respectively and; (iv) MOV, a movie and series channel for its Funtastic Life subscribers, with promotional viewing for a month on all basic offers, exclusive to TV Cabo subscribers. In addition to these new channel launches, ZON TV Cabo rebranded and repositioned the programming of its 4 premium TVCine movie channels (TVC1, TVC2, TVC3, TVC4).

The digital extended basic package ("Funtastic Life") reached 382 thousand subscribers in 2007, with 112 thousand net additions during this period. This package continues to be a key driver of RGU growth and increased ARPU.

Premium subscriptions continued to grow steadily during 2007 reaching 841 thousand at the end of 2007 with a very strong quarter with net additions of 38 thousand, on the back of a very strong take-up of both TV Globo and PFC Brazilian channels that achieved close to 20 thousand subscribers in the first 3 months. Also Sport TV continued to increase penetration reaching 514 thousand customers at the end of 2007.

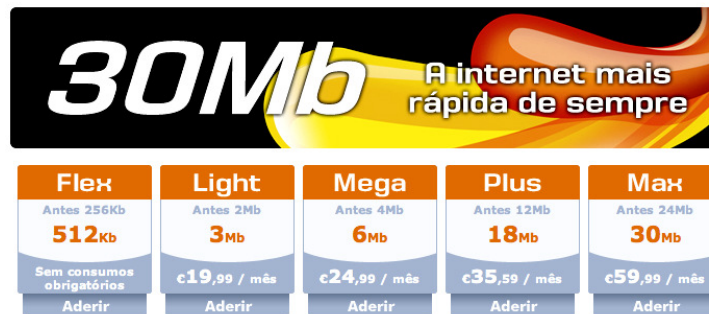
Pay TV ARPU reached 25.2 euros in 4Q07, an increase of 3.6% y.o.y, supported by the take-up of the digital extended package, the increase in premium channel penetration, and a 2007 price increase.

Broadband

Broadband Internet subscribers reached 400 thousand customers (an increase of 10.6% over 2006), with 38 thousand net additions during the year (a significant increase of 179.6% over 2006). In 4Q07 net additions were 13 thousand, almost the same as for the whole of 2006. Despite very aggressive competition in this segment, Broadband ARPU was relatively stable at around 22 euros.

On 7 January 2008, ZON further reinforced its position as the leading provider of Internet speeds in the Portuguese market by upgrading its entire range of Internet offers, whilst

maintaining prices at the same levels. Our flagship 18Mbps offer sold at around 35 euros a month and our more sophisticated 30 Mbps offer compare on average with 16 Mbps and 24 Mbps offers from competing ADSL operators.



Voice

The roll-out of Voice services to our customers increased significantly in the last quarters of the year and as from January 2008, became even more attractive with the availability of number portability. ZON has a clear competitive edge regarding the set-up of additional Broadband and Fixed Voice services at existing customer premises given that it is a very straightforward and customer friendly process with no specific civil works or installation processes required.

As a result, 30 thousand subscribers were added during 4Q07, in line with an already solid performance in 3Q07, and monthly net additions increased to 10 thousand, bringing total Voice subscribers to 83 thousand at the end of 2007.

ARPU

Despite strong customer growth and intensifying competition, ZON increased Blended ARPU (Average Revenue per User) by 5.6% to 30.8 euros in 2007. ARPU growth was supported primarily by: (i) an increase in the number of RGUs per subscriber with higher penetration of our extended digital offer "Funtastic Life" (25% in 4Q07 compared with 18% in 4Q06); (ii) an increase in average prices in September of Sport TV (iii) an increase in the number of customers that subscribe to our premium channels (54% of service penetration in 4Q07 up from 53% in 4Q06), in particular Sport TV and; (iv) a broad price increase effective since January 2007.

Network & Homes Passed

Investment in the network continued throughout the year. By the end of 4Q07, ZON had covered 2,753 million homes with its cable network. Of the cable network, 98% is already bi-directional and therefore enabled to provide Broadband and digital TV services and 96% of the cable network is Voice compliant.

In order to provide Pay TV services to non-cabled areas, ZON has a DTH (satellite) offer which reaches 100% of the country. In 4Q07, ZON invested in an 8th satellite transponder (Hispasat) and is therefore able to extend the number of channels offered to its DTH customers to more than 100 channels, in addition to being able to provide HD channels in the near future.

In 4Q07, TV Cabo continued to invest in the expansion and upgrade of its network to provide greater bandwidth and improve quality of service. At the end of December 2007, three of the four high capacity fibre optical rings that comprise greater Oporto's fibre to the hub architecture had been installed and were operational.

Audiovisuals and Cinema Exhibition

Innovation has been key to help stimulate a relatively mature cinema business in Portugal. Over the past year, ZON has introduced a number of new features in its cinema network amongst being the first Portuguese operator to launch regular Digital and Digital 3D sessions (available in 15 theatres), mobile ticketing facilities and a pilot test for self service kiosks. Cinema ticket sales rose to 8.2 million, compared with 8 million in 2006. By the end of 2007, ZON Lusomundo Cinemas had increased the number of screens by 9 to 204, including new openings, refurbishments and closures.

In terms of theatrical distribution, ZON Lusomundo's audiovisual business guaranteed exclusive distribution of 4 out of the top 5 box office titles distributed to the market during 2007 namely "Shrek the Third", "Ratatouille", "Pirates of the Caribbean: At World's End" and "Mr Bean's Holidays". As regards home entertainment, DVD retail sales posted strong growth of 15%¹ in 2007 as a result of better titles, a reduction in piracy and free promotions and better marketing efforts at both a retail and distributor level. ZON Lusomundo's market share increased from 22.3% in 2006 to 28.1% in 2007 and from 23.1% in 4Q06 to 31.4% in 4Q07. Part of this increase is explained by the inclusion of Dreamworks' catalogue within the Paramount Pictures product. Regarding home distribution, in 2007, ZON Lusomundo's audiovisual business distributed the first 3 out of the 5 box office hits referred to above

¹ Source GFK statistics

06. Consolidated Income Statement

Table 3. Key Financial Highlights (Millions of Euros)

	4Q06	4Q07	y.o.y.	2006	2007	y.o.y.
Operating Revenues	177.3	188.1	6.1%	666.5	715.7	7.4%
Pay TV, Broadband and Voice	153.8	163.2	6.1%	591.1	629.5	6.5%
Audiovisuals	14.6	18.4	26.2%	52.6	61.8	17.6%
Cinema	12.2	12.3	0.7%	43.7	46.2	5.7%
Others and Eliminations	(3.2)	(5.8)	81.1%	(20.9)	(21.9)	4.8%
Operating Costs Excluding D&A	124.7	138.9	11.4%	455.4	495.5	8.8%
W&S	10.4	14.1	35.1%	40.0	44.3	10.7%
Direct Costs	53.6	58.7	9.4%	203.0	221.9	9.3%
Programming Costs	37.6	41.2	9.5%	149.0	156.2	4.8%
Other Direct Costs ⁽¹⁾	16.0	17.5	9.4%	54.0	65.7	21.6%
Commercial Costs ⁽²⁾	20.6	20.6	(0.3%)	56.9	61.0	7.3%
Other Operating Costs	40.0	45.5	13.8%	155.5	168.3	8.2%
EBITDA ⁽³⁾	52.7	49.2	(6.5%)	211.1	220.2	4.3%
Depreciation and Amortization	26.3	40.6	54.5%	102.5	122.1	19.1%
Income From Operations ⁽⁴⁾	26.4	8.6	(67.4%)	108.6	98.1	(9.6%)
Other Expenses / (Income)	5.2	16.7	218.6%	(2.4)	24.6	n.a.
Work Force Reduction Costs	1.0	(0.4)	(141.3%)	1.3	3.1	127.9%
Net Losses/Gains on Disposal of Fixed Assets	0.7	0.6	(18.7%)	0.4	3.5	n.a.
Net other costs / (Income)	3.5	16.5	n.a.	(4.1)	18.1	n.a.
Income Before Financials and Income Taxes ⁽⁴⁾	21.1	(8.1)	(138.3%)	110.9	73.5	(33.7%)
Financial Expenses (Income)	1.7	(1.5)	(186.5%)	7.8	3.7	(52.8%)
Net Interest Expenses	2.4	2.1	(13.5%)	8.4	9.6	15.0%
Net Foreign Currency Exchange Losses (Gains)	(0.2)	(0.2)	18.2%	(0.4)	(0.4)	1.7%
Losses (Gains) on Financial Assets	0.0	0.0	n.a.	0.0	(2.7)	n.a.
Equity in Earnings of Affiliate Companies, Net	(0.6)	(1.1)	87.8%	(0.4)	(3.0)	n.a.
Net Other Financial Expenses (Income)	0.1	(2.2)	n.a.	0.2	0.2	22.9%
Income Before Income Taxes	19.4	(6.6)	(134.2%)	103.2	69.9	(32.3%)
Income Taxes	(8.1)	4.1	(149.8%)	(29.1)	(18.1)	(37.6%)
Income From Continued Operations	11.3	(2.6)	(123.0%)	74.1	51.7	(30.2%)
o.w. Attributable to Minority Shareholders	(0.5)	(0.4)	(18.9%)	(3.0)	(2.8)	(5.4%)
Consolidated Net Income	10.7	(3.0)	(128.1%)	71.1	48.9	(31.2%)

(1) Other Direct Costs include primarily telecom costs, audiovisuals and cinema royalties, and advertising share revenue costs.

(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 \pm work force reduction programme costs \pm impairment of goodwill \pm Losses/Gains on disposal of fixed assets \pm Other costs/income.

Operating Revenues

Operating Revenues grew by 7.4% in 2007 to 715.7 million euros, representing an acceleration in growth from 6.1% in the previous year. The increase in ZON's core Pay TV, Internet and Voice Service Revenues was a result of the higher number of Pay TV customers (+4.5%), the increase in RGUs per customer (+9.3%) and the increase in blended ARPU (+5.6%). Operating Revenues generated by Pay TV, Broadband and Voice services were 629.5 million euros.

Operating Revenues generated by the Audiovisuals and Cinema business in 2007 grew by 17.6% to 61.8 million euros and by 5.7% to 46.2 million euros respectively, stimulated by the recovery of DVD and Video sales during the year, the variety and quality of film titles distributed

and exhibited at our Cinemas and ZON Lusomundo Audiovisuals' strong share of blockbuster distribution in 2007.

EBITDA

Consolidated EBITDA in 2007 was 220.2 million euros, representing an increase of 4.3% in comparison with 2006. EBITDA growth was strong throughout the year, albeit with a slower progression in the last quarter, affected by a number of non-recurrent items. The main non-recurrent items affecting our EBITDA in 4Q07 were the adjustment to provisioning criteria introducing more conservative assumptions for bad debt recovery and stocks, which had a negative impact in 4Q07 of 3.1 million euros and a positive impact of 2.1 million euros in 4Q06. Also there were interconnection costs related with fraudulent promotional services which were detected at the beginning of 4Q07 and the accounting of personnel costs recorded in 4Q07 that relate to FY07. The combination of these items had a negative impact of 5.1 million euros in 4Q07 and 4.4 million euros in FY07 compared with a positive impact of 2.1 million euros in 4Q06.

Eliminating the impact of these non-recurrent items, EBITDA would have grown by 7.5% y.o.y. in 2007 and by 7.4% y.o.y. in 4Q07.

Consolidated Operating Costs

Wages and salaries increased in 4Q07 to approximately 14 million euros, compared with 10 million euros in 4Q06 and 10 million euros in 3Q07, due to the insourcing of functions previously registered in outsourcing, namely in Pro Share (shared services division) changes in the corporate cost-centre resulting from the spin-off, namely the incorporation of previously non-existent or outsourced positions, and the change in management and governing bodies. In addition, Wages and Salaries were impacted by the increase in headcount during 3Q07 due to increased activity that only had a relevant impact on the P&L in 4Q07.

Direct Costs were 59 million euros in 4Q07, 9.4% higher than in 3Q07, the main driver of which were higher programming costs led by increased subscription of premium channel Sport TV, the launch of the Brazilian channels TV Globo and PFC, a price increase of Sport TV in September and the launch of other channels. Direct costs also incorporate an increase in interconnection costs resulting from the growth in Voice traffic. These are pure variable costs that are incurred as a result of increased revenues.

Commercial Costs of 21 million euros in 4Q07 compared with 21 million euros in 4Q06 and 15 million euros in 3Q07, reflect the seasonal increase in commercial and marketing costs related with greater customer acquisition efforts in the last months of the year and higher costs of goods sold driven by the uptake in Voice services and installation of terminal equipment at customer premises. In terms of FY07, these costs increased by 7.3% to 61 million euros, which is below RGU growth in the same period.

Other Operating Costs increased by 13.8% to 46 million euros in 4Q07, up from 40 million euros in 3Q07 and 40 million euros in 4Q06. This cost line increased primarily as a result of the adjustments to provisioning criteria already referred before. Excluding this effect, growth would have been 5.4%, well below revenue growth. There were also higher call-centre costs due to the greater commercial effort in the quarter and third party costs primarily related with roll-out and installation of new services.

Net Income

Net Earnings deteriorated in 2007 in comparison with 2006 due to a number of one-off adjustments made primarily in 4Q07, most of which resulting from costs associated with the spin-off process and which were clarified late in the year.

The main non-recurrent items affecting Net Income in 2007 were an impairment of audiovisuals and cinema assets, a write-off of obsolete Pay TV and Broadband equipment, a write-off of obsolete cinema equipment and a number of spin-off related costs, the main components of which were advisory fees in preparation for the spin-off, work-force reduction costs, corporate rebranding costs and costs related with the separation of previously combined call-centres. The combination of these items, together with the after-tax impact of non-recurring items affecting EBITDA and the 2006 non-recurring items related to other net costs and income taxes mentioned below had a negative impact of 23.5 million euros in 2007 (most of which occurred in 4Q07) compared with a negative impact of 0.7 million euros in 2006. Excluding the impact of these one-off items, Net Income would have grown by 1% in 2007.

Depreciation and Amortization Costs rose y.o.y. by 19.1% in 2007. In 4Q07, the 54.5% increase was mostly due to a one-off charge, backdated to January 2007, to reflect amendments made to the value of long-term telecom contracts recorded on the balance sheet and also to the impairment of audiovisuals and cinema assets. These two effects had a total impact of around 10 million euros in 4Q07. The full year increase is also explained by the higher level of CAPEX in 2006 and 2007 which included: (i) the lease of additional transponders; (ii) roll-out of new homes passed; (iii) installation of set-top boxes related to the digitalization programme and (iv) investment in new management and information systems.

Work Force Reduction Costs were 3.1 million euros and include mainly a 3 million euro provision made in 3Q07 in connection with the spin-off process.

Losses on Disposal of Fixed Assets were 3.5 million euros in 2007. This item includes mainly the write-off of obsolete equipment in the Pay TV and Broadband business, amounting to 2.4 million euros and a write-off of obsolete cinema equipment of 1.3 million euros, both of which already reflected in 9M07' accounts.

Other Net Costs were 18.1 million euros in 2007, the main component of which being the recognition of a provision for spin-off related costs of approximately 15 million euros in 4Q07. In 2006, this item had amounted to net gains of 4.1 million euros which included: (i) a gain of 8 million euros related with a partial reversion of a provision for contingencies on the disposal of Lusomundo Media, namely the settlement with the acquirer of the indemnities considered for the sale and purchase agreement and; (ii) a one-off charge of 6 million euros to adjust the book value of certain assets.

Net Interest Expenses were 9.6 million euros in 2007, compared with 8.4 million euros in 2006. Interest costs include the interest paid on long-term commitments regarding telecommunications contracts and transponders.

Equity in Earnings and Affiliated Companies recorded a gain of 3 million euros in 2007 compared to 0.4 million euros in 2006. As a result of the spin-off process, in 4Q07, the method used to consolidate SGPICE SA was altered, thereby generating a gain of 0.9 million euros. Previously SGPICE SA was consolidated using the equity method and it now enters our consolidation perimeter as a financial holding. Also in 2007, this item included ZON's share in the results of Octal TV (gain of 0.3 million euros), Lisboa TV (gain of 1.6 million euros) and Distodo (gain of 0.3 million euros). Octal TV is the main provider of set-top boxes for TV Cabo, Lisboa TV is the owner of Portugal's leading news channel SIC Notícias and Distodo is the distribution company of ZON Lusomundo's DVD business.

Income Taxes were 18.1 million euros in 2007 representing a reduction of 38% y.o.y. In 2006 this item included an additional cost of 8 million euros related to the impact of an adjustment to the value of deferred taxes in connection with a reduction in the nominal tax rate from 27.5% to 26.5% beginning in 2007, and also the initial recognition of deferred tax assets at Sport TV amounting to 3 million euros.

Income attributable to minority interests was 5.4% lower y.o.y. in 2007, reaching 2.8 million euros. This income was attributable primarily to the minority interests in Cabo TV Madeirense and Cabo TV Açoreana, the operating subsidiaries of ZON in the Madeira and Azores islands.

Net Income was 48.9 million euros in 2007, compared with 71.1 million euros in 2006. This decline is explained by all the non-recurrent items referred above. Excluding all the extraordinary and non-recurrent items, Net Income would have grown by 1%, in comparison with 2006.

07. Capex and Cash Flow

CAPEX

Table 4. CAPEX (Millions of Euros)	4Q06	4Q07	y.o.y.	2006	2007	y.o.y.
Pay TV, Broadband and Voice Infrastructure	14.3	23.6	65.3%	46.0	68.3	48.4%
Terminal Equipment	4.9	3.8	(22.7%)	22.5	14.3	(36.5%)
Other	13.1	7.8	(40.9%)	40.7	16.7	(58.9%)
"Baseline" CAPEX	32.3	35.2	9.0%	109.3	99.4	(9.1%)
Transponders	0.0	15.1	n.a.	19.0	15.1	(20.4%)
Telecom Contract	4.5	13.8	205.8%	4.5	13.8	206.7%
Acquisition of TVCabo Dedicated Network Equipment	0.0	21.7	n.a.	0.0	21.7	n.a.
Total CAPEX	36.8	85.8	133.0%	132.8	150.0	13.0%

CAPEX in 2007 recorded an increase of 13% y.o.y. in comparison with 2006 as a result of a number of non-recurrent events, namely the acquisition of dedicated TV Cabo network equipment from Portugal Telecom (for 21.7 million euros), amendments made to the previous long-term telecom contracts (13.8 million euros) and the investment made in another satellite transponder, representing additional CAPEX of 15.1 million euros. Excluding these non-recurrent CAPEX requirements, baseline CAPEX would have been 99.4 million euros, a 9.1% reduction comparing to 2006, representing a CAPEX to Revenues Ratio of 13.9% in 2007, down from 16.4% in 2006.

Table 5. Cash Flow (Millions of Euros)	4Q06	4Q07	y.o.y.	2006	2007	y.o.y.
EBITDA minus CAPEX	15.8	(36.6)	n.a.	78.3	70.2	(10.3%)
Non-Cash Items Included in EBITDA minus CAPEX ⁽¹⁾	4.6	27.5	n.a.	22.3	27.6	23.7%
Change in Working Capital	(26.7)	72.0	n.a.	(24.6)	59.4	n.a.
Operating Cash-Flow	(6.3)	63.0	n.a.	76.1	157.2	106.7%
Interest Paid	0.2	0.6	n.a.	0.4	(4.0)	n.a.
Income Taxes Paid by Certain Subsidiaries ⁽²⁾	(1.2)	(1.1)	(6.1%)	(3.1)	(3.6)	16.1%
Equity Swap Financial Settlements	0.0	0.0	n.a.	0.0	2.2	n.a.
Transponders and Telecom Contracts	(6.3)	(10.9)	73.5%	(40.0)	(45.1)	12.9%
Other Cash Movements	(1.6)	0.0	(100.0%)	(11.7)	(4.5)	(61.5%)
Free Cash-Flow	(15.1)	51.6	n.a.	21.7	102.1	n.a.

(1) This caption includes non-cash provisions included in EBITDA and CAPEX, namely Transponders and Telecom contracts Capex;

(2) This item relates to the income taxes paid by Cabo TV Madeirense and Cabo TV Açoreana.

In 2007, Operating Cash Flow amounted to 157.2 million euros, compared to 76.1 million in the previous year. This increase of 81.1 million euros is mainly due to a 59.4 million euros reduction in working capital contrasting with an investment in 2006 of 24.6 million euros.

EBITDA minus CAPEX decreased 10.3% to 70.2 million euros. Excluding non-recurrent items, as previously mentioned, it would have increased 25.6% in 2007.

The Working Capital reduction of 59.4 million euros is mainly related to (i) a decrease in accounts receivable due to the continuous efforts of TV Cabo to optimize its billing and collections process and (ii) an increase in accounts payable related to a higher level of Capex in 4Q07 which together more than offset the investment in inventories for the roll-out of a new set-top box model.

As a result of the increase in Operating Cash Flow, Free Cash Flow increased to 102 million euros in FY07 compared with 21.7 million euros in FY06.

Cash Savings from the new Telecom contract

In addition to the acquisition of fully dedicated TV Cabo network equipment from the PT Group, TV Cabo terminated the previous contract for the remaining network capacity and signed a new contract for a further 3 years. The present value of the contract was capitalized to the Balance Sheet and will be depreciated yearly over the 3 year period from 2008 to 2010.

The accounting effect on the P&L is a yearly depreciation of approximately 13 million euros (compared to approximately 30 million in 2007 under the "old contract"). When the new contract became effective, the outstanding net value on the Balance Sheet of approximately 30 million euros was written off and replaced with the new net present value of 27 million euros. The net cash benefit of the new agreement is a present value real saving of more than 40 million euros over the period of the contract.

08. Consolidated Balance Sheet

Table 6. Balance Sheet (Millions of Euros)	2006	2007	y.o.y.
Current Assets	260.0	276.4	6.3%
Cash and Equivalents	38.8	66.9	72.3%
Accounts Receivable, Net	161.5	134.3	(16.9%)
Inventories, Net	14.9	29.9	100.3%
Taxes Receivable	12.5	11.8	(5.5%)
Prepaid Expenses and Other Current Assets	32.3	33.6	4.0%
Non-current Assets	715.1	723.6	1.2%
Investments in Group Companies	18.3	18.5	1.2%
Intangible Assets, Net	283.6	259.7	(8.4%)
Fixed Assets, Net	297.3	347.7	17.0%
Deferred Taxes	89.1	75.2	(15.7%)
Other Non-current Assets	26.8	22.6	(15.8%)
Total Assets	975.2	1,000.1	2.6%
Current Liabilities	355.4	450.4	26.8%
Short Term Debt	91.7	124.5	35.8%
Accounts Payable	187.8	230.2	22.5%
Accrued Expenses	51.0	64.2	26.0%
Deferred Income	1.6	6.3	286.1%
Taxes Payable	13.4	10.9	(18.6%)
Current Provisions and Other Liabilities	9.8	14.3	45.8%
Non-current Liabilities	195.7	160.6	(17.9%)
Medium and Long Term Debt	174.0	139.5	(19.8%)
Non-current Provisions and Other Liabilities	21.8	21.2	(2.8%)
Total Liabilities	551.1	611.1	10.9%
Equity Before Minority Interests	414.6	379.4	(8.5%)
Share Capital	30.9	3.1	(90.0%)
Own Shares	(9.0)	0.0	(100.0%)
Reserves, Retained Earnings and Other	321.6	327.4	1.8%
Net Income	71.1	48.9	(31.2%)
Minority Interests	9.4	9.6	2.0%
Total Shareholders' Equity	424.1	389.0	(8.3%)
Total Liabilities and Shareholders' Equity	975.2	1,000.1	2.6%

Capital Structure

At 31 December 2007, Net Debt stood at 197 million euros. Excluding debt related to financial commitments on long-term telecom contracts and transponders, net debt at the end of 2007 amounted to 23.5 million euros. The reduction in net debt of 16 million euros in FY07 was due to free cash flow generated in the period of 102 million euros and the financial settlement of equity swaps amounting to 9 million euros, which more than compensated the dividends paid during 2007, amounting to 95 million euros (93 million euros related to ZON Multimedia and 2 million euros related to Cabo TV Madeirense and Cabo TV Açoreana).

The gearing ratio (Net Debt / Net Debt + Shareholders' Equity) at the end of 2007 was 33.6%, which compares with 34.8% at the end of 2006. Additionally, Net Debt to EBITDA was 0.9 times at FY07, and Net Financial Debt / EBITDA (excluding non financial debt) was even lower at 0.1, compared with 1.1 and 0.2 respectively in the previous year. Interest cover (EBITDA /

Interest costs excluding long term telecom contracts and transponders) was 62 times in FY07, compared to 147 times in FY06.

As a result of the spin-off, shareholder loans previously granted by Portugal Telecom were replaced by 70 million euros of short term commercial paper. Based on its medium term leverage targets, ZON is currently evaluating alternative financing options in order to optimize its capital structure.

Table 7. Net Debt (Millions of Euros)	2006	2007	y.o.y
Short Term	91.7	124.5	36%
Bank Loans ⁽¹⁾	14.0	14.0	0%
Shareholder Loans	34.6	0.5	(99%)
Other Loans	0.0	70.0	n.a.
Liability With Equity Swaps on Own Shares ⁽²⁾	9.0	0.0	(100%)
Financial Leases	1.2	0.6	(52%)
Long Term Telecom Contracts	23.4	27.2	16%
Transponders	9.4	12.2	30%
Medium and Long Term	174.0	139.5	(20%)
Bank Loans ⁽¹⁾	17.5	3.5	(80%)
Financial Leases	1.9	1.9	1%
Long Term Telecom Contracts	24.0	0.5	(98%)
Transponders	130.6	133.5	2%
Total Debt	265.6	264.0	(1%)
Cash and Short Term Investments	38.8	66.9	72%
Net Debt	226.8	197.0	(13%)
Net Debt Excl. Transponders and Long Term Telecom Contracts	39.3	23.5	(40%)

(1) This item corresponds to 50% of bank loans contracted by Sport TV;

(2) This item corresponds to the notional amount of equity swaps contracted over 925 thousand ZON Multimedia shares.

Shareholders' Equity (excluding Minority Interests)

At 31 December 2007, shareholders' equity excluding minority interests amounted to 379 million euros, a decrease of 35 million euros from the end of 2006, as a result of the dividends paid in 2007 (93 million euros), which more than offset the net income generated during the period (49 million euros) and the cancellation of treasury stock recorded at the end of 2006, amounting to 9 million euros, related to the equity swaps on own shares existing at that date.

Pursuant to Portuguese legislation, the amount of distributable reserves is determined according to the stand alone financial statements of the company prepared in accordance with Portuguese GAAP. The level of distributable reserves is primarily impacted by the amount of: (1) treasury stock owned; (2) net income generated and (3) dividends paid.

On 31 December 2007, distributable reserves of ZON Multimedia amounted to 328 million euros, a decrease of 26 million euros from the end of 2006, mainly as a result of the dividends paid in 2007 (93 million euros) and unpaid dividends by certain subsidiaries (6 million euros), which more than offset the net income generated in the period under Portuguese GAAP adjusted by the estimated unpaid dividends by the subsidiaries related to 2007 results (43 million euros), and the 28 million euros increase in distributable reserves following the completion of the share capital restructuring approved at the Annual Shareholders Meeting of 24 April 2007.

07. Subsequent Events

On 17 January 2008, Zon held an Investor Day in Lisbon to provide investors and analysts with a comprehensive overview of the company's three-year strategic plan, objectives and key targets for 2010. Three additional announcements were made:

Dividend payment: an announcement was made stating that the Board of Directors had approved an ordinary and extraordinary dividend payment in 2008, of 20 cents and 30 cents respectively, subject to approval by the Annual Shareholders Meeting.

Share buyback programme: ZON's Board of Directors' approved a share buyback programme of up to 10% of ZON's share capital to be executed over 2008 and 2009. Shareholders will be requested to approve an 18 month extension of the current authorization to buy treasury shares at the next Annual Shareholders' Meeting.

Acquisition of TVTel: CATV – TV CABO PORTUGAL, S.A. ("TV CABO") and Caixa – Banco de Investimento, S.A. ("CaixaBI") executed a sale and purchase agreement of 100% of the share capital of TVTEL COMUNICAÇÕES, S.A. ("TVTEL"). The acquisition price, in essence, is indexed to the cable business' EBITDA at the time of the close of the transaction. The parties agreed to the application of a 12x EV/EBITDA multiple for 2007 and an additional 20 million euros, related to the acquisition of the satellite and optical fibre infrastructure in the Lisbon area, will be accrued to this amount.

It is estimated that, on the date of the share transfer, TVTEL will have a minimum of 74 thousand subscribers, 260 thousand houses passed with its cable network in the Oporto region and 60 thousand houses passed with its optical fibre network in the Lisbon district. It is estimated that, in 2007, TVTEL's cable business generated revenues of 21 million euros, with an EBITDA margin of approximately 40%. The completion of the transaction is subject to a legal, accounting and technical due diligence.

Pursuant to this agreement, TV CABO will acquire a holding of 20% and CaixaBI a holding of 80% in TVTEL. TV Cabo has agreed to acquire CaixaBI's holding subject to non-opposition from the Competition Authority. Upon successful completion of this second transaction ZON Multimedia intends to fully integrate TVTEL in TV Cabo, a process that is likely to generate significant synergies, namely with respect to the acquisition and management of content, marketing and maintenance and operational network costs.

08. Looking Forward

Ambitious growth targets for 2010² have been announced and the Executive Management Team and Board of Directors are confident that the organization is well positioned to achieve them. The coming quarters present a window of opportunity for growth from a strong starting point: a competitive market position, a state of the art network to support business operations, a highly motivated team and a very clear execution plan.

In order to deliver the growth in profitability established in our 2010 financial targets, it will be necessary to reinforce customer acquisition efforts leading to increasing commercial costs namely in marketing, sales commissions and terminal equipment. This will translate into some pressure on EBITDA margins in the near term and acceleration in profitability growth in 2009.

² The Investor Day presentations on ZON's IR website (www.zon.pt/ir) contain detailed operational and financial targets for 2010.

09. Disclaimer

Except for historic information contained herein, this document contains certain forward-looking information and statements on [the results of operations or its economic and financial conditions] which are not guarantees of future performance. The Forward-looking statements herein included are subject to a number of factors, risks and uncertainties that could cause the assumptions and beliefs upon which the forward-looking statements were based to substantially differ from the expectations predicted herein. These factors, risks and uncertainties include, but are not limited to, [the continuous and increasing demand of the company's services by its clients, the technological outcome, the effects of competition, the telecommunications' sector conditions, the changes in regulation, and the economic conditions]. The forward-looking information and statements are naturally based on management's current and reasonable expectations or beliefs only as of the date they were made. ZON Multimedia does not undertake any obligation to update any forward-looking information or statements included in this document or to provide reasons why actual results may differ from the plan, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. This document is not an offer to sell or a solicitation of an offer to buy any securities. ZON Multimedia is exempt from filing periodic reports with the United States Securities and Exchange Commission ("SEC") pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, as amended. The SEC file number for ZON Multimedia's exemption is No. 82-5059. Under this exemption, ZON Multimedia is required to post on its website English language translations, versions or summaries of certain information that it has made or is required to make public in Portugal, has filed or is required to file with the regulated market eurolist by euronext Lisbon or has distributed or is required to distribute to its security holders."

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