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ZON-OPTIMUS MERGER

CASE STUDY

THE RISE OF A MAJOR PLAYER IN THE PORTUGUESE TELECOM/MEDIA MARKET

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Abstract

The present Work Project was performed as a Case Study, analysing the merger between Zon, a leading Portuguese Pay TV operator and Optimus, the third largest mobile company in Portugal. The Case Study was developed with the purpose of understanding the value creation of the Zon-Optimus merger, being analysed the: (i) industry trends, (ii) parties' contribution, (iii) pre-merger events, (iv) merger rationale, (v) deal structure and valuation, (vi) competition authority decision and (vii) competitive advantages and future strategy. Was also attached a Teaching Note where synergies, implied valuations, exchange ratios, shareholder agreements, swot analysis, among others, were duly analysed.

Keywords: Multiple Play Trend, Operational and Network Efficiency, Consolidation, Competitive Advantages

CASE STUDY

The Zon-Optimus Merger

The rise of a major player in the Portuguese Telecom/Media Market

On December 14th, 2012, Mr Paulo Azevedo, CEO of a leading Portuguese conglomerate (“Sonae”), through its telecom arm (“Sonaecom”) and Mrs Isabel dos Santos, the most successful Angolan businesswoman, announced a merger agreement between Sonaecom’s fixed and mobile company, Optimus, and Zon, the leading Pay TV operator in Portugal. The joint announcement stated that the proposed merger would generate a relevant size media/telecom group in Portugal, fully integrated and able to face competition in a multiple play environment.

Sonaecom and Mrs Isabel dos Santos believed that the merger made sense also due to the Net Present Value (“NPV”) of the expected operational and network synergies: €350-€400 million. Some analysts argued though that the initial projections, for the synergies, could be under-valued, when compared with similar transactions. On January 1st, 2013, the reference date for the merger, Zon was trading at a market cap of approximately € 940 million while Sonaecom was presenting a market cap of € 545 million, mostly related to Optimus.

By the time of the merger announcement, the Portuguese Telecom/Media Industry was characterized by strong competition as a result of the convergence trend towards integrated multiple play bundles. It was pressuring revenues downward, requiring a focus in operational efficiency, which also encouraged the Zon-Optimus merger. Thus, in Europe, the integration trend was promoting transactions between complementary telecom/media companies, which was sustaining the level of market and transaction multiples. Zon’s stock price increased from € 2.81 per share, at the time the merger was announced, to € 4.16 at the closing date, August 27th, 2013. Sonaecom’s stock price went from € 1.54 to € 1.84 per share.

This case, based on public sources, analyses the value creation of the Zon-Optimus merged company (“Zon-Optimus”), which achieved an important milestone, on January 2nd, 2014, when Zon-Optimus reached a market cap of € 2,823 million, overcoming the corresponding value of the historic incumbent, Portugal Telecom (“PT”).

The Portuguese Telecom/Media Industry

In 1992, the Portuguese State gave rise to Portugal Telecom, a public company responsible to run the national telephone services, except Lisbon and Oporto. In these two cities, the telephone services were then managed by two other public companies, later merged into Portugal Telecom. The intercontinental traffic was managed by Marconi, a company, where the Portuguese State held the majority of the share capital, also merged into Portugal Telecom Group, a few years later.

Following the European trends in the telecom sector, Portugal Telecom was then progressively privatised, between 1995 and 2000, in five phases. During that period, PT also internationalized itself with the acquisition of the Brazilian public company, Telesp Celular, which would later lead to Vivo, a joint venture with the Spanish Telefónica Móviles, that became the largest mobile operator in Brazil. Portugal Telecom ended selling its stake in Vivo to Telefónica, by 2010, acquiring instead a 25.6% stake in Oi, a Brazilian mobile company which operated in the same business areas as Portugal Telecom.

The first Portuguese mobile operator was created in the early 90's, within Portugal Telecom, under the name of TMN. TMN led the mobile market since then, accounting for a market share of 43.8% (see **Exhibit 1**), by the end of the first quarter of 2013. Two other players entered in the market through public tenders for a second generation (2G) license: Telecel in 1992, and Optimus in 1998, under the GSM system. Telecel was founded by Banco Espírito Santo (a leading Portuguese Bank at that time), Amorim (one of the major Portuguese businessman) and Pacific Telesis (an USA telecom company), and was later acquired by the British telecom company, Vodafone, in the early 2000's. On the other hand, Optimus, the third largest mobile operator, was launched by Sonaecom, an IT, Telecom and Media company, mainly held by Sonae, where France Telecom once had a 20% stake.

A third generation (3G) license, under the UMTS system, was also assigned, by the end of the 20th century, to the mobile players of that time, introducing higher voice and data transmission capacities as well as providing greater levels of technological convergence. This was the last step towards the 4G technology, also known as Long Term Evolution ("LTE"), with its ultra-broadband data transmission. As a result, the Portuguese market ended with 3 major mobile operators, in line with the European average (3-4 operators

per country). By the end of the first quarter of 2013, the Portuguese mobile market presented the sixth largest penetration rate, within the European Union (“EU”), with 158%.

With the full liberalization of the Portuguese fixed market in 2000, several new players entered into the fixed telecom industry. However, few were successful due to the increasing penetration rate of the mobile segment and to the customers’ resistance to change from fixed operator. From the new entrants in 2000, the most successful were Novis (part of Optimus later on) and Oni (later acquired by Altice Group), achieving a market share in fixed voice of 12.3% and 6.3%, respectively. The Portuguese fixed market presented a penetration rate of 43%, in line with the European Union average, and was led by Portugal Telecom with a market share of 50.9% (see **Exhibit 1**).

Meanwhile, Portugal Telecom also gave rise to the first Pay TV business in Portugal, under the name of TV Cabo. After the PT restructuring process in 1996, it was decided to perform a spin-off of its Pay TV, Multimedia (cinemas) and Internet activities into a new company called PT Multimedia, which almost monopolized the Portuguese Pay TV business until 2006. By then, the only relevant competitor was Cabovisão, a Pay TV regional company, whose strategy was to supply Pay TV services in regions not covered by Portugal Telecom. Cabovisão was later acquired by the Altice Group, a multinational telecom company.

In 2006, the non-successful tender offer of Sonae over both Portugal Telecom and PT Multimedia led the Portuguese Competition Authority to impose PT Multimedia’s spin-off out of Portugal Telecom Group, becoming its competitor. PT Multimedia was then renamed to Zon under the leadership of Mr Rodrigo Costa, considered the first strategic measure to separate both companies, PT and PT Multimedia. In response to the new competitor, Portugal Telecom launched a new Pay TV business, named Meo, to compete with Zon’s Pay TV. By the end of the first quarter of 2013, Zon was leading the Pay TV market, with a market share of 49.7%, while Meo registered 39.9% (see **Exhibit 1**). With 3.1 million of subscribers, the Portuguese Pay TV market attained a penetration rate of 53.4%, above the European Union average. Again, the Portuguese Market ended with 3 major cable operators, in line with the European average (1-3 operators per country).

On the other hand, the internet market was also led by Portugal Telecom Group, with its 51.6% market share, in the fixed broadband segment, and a market share of 41% in the mobile broadband internet. The fixed broadband segment considered 2.4 million of subscribers, leading to a penetration rate of 23%, below the EU average. Thus, the mobile broadband internet, accounted for a penetration rate of 33.3%, also below the EU average, and 3.5 million of subscribers, mostly related to smartphones as around 1 million of those subscribers were connected through the use of cards and USB modems. Concerning the 2013 projection, analysts expected a media/telecom market size of around €4.5 billion divided as follows: Corporate (30%), Residential (30%), Personal (30%) and Wholesale (10%).

Sonae's Tender Offer over Portugal Telecom

The tender offer of Sonae over Portugal Telecom was critical for the subsequent development of the Portuguese telecom market. At that time, it was viewed as an adventurous move considering the size gap between the parties: Portugal Telecom presented then a market cap of € 9.2 billion which was 4 times higher than that of Sonae and 9 times Sonaecom's market valuation.

The tender offer was launched by Sonae Group in the beginning of February 2006, and was considered as hostile and undervalued by the Board of Portugal Telecom, which suggested its shareholders to reject the offer. It was then followed by a one year battle between Sonae Group and Portugal Telecom's Board where both parties presented their arguments concerning the tender offer, resulting into a revised offer by Sonae that was also considered as non-acceptable by the Board of PT. In the end, the tender offer did not go forward as, on March 2007, PT's shareholders voted against the amendment of the company's bylaws where a competing company could not have more than 10% of Portugal Telecom's voting rights.

During the tender offer period, the proposed acquisition was analysed by the Portuguese Competition Authority which did not oppose to the transaction, imposing though significant remedies. Although the tender offer of Sonae was not successful, the analysis performed by the Competition Authority ended on the spin-off of PT Multimedia out of Portugal Telecom Group, generating a more competitive environment.

In the first stages after the spin-off, the shareholder structures of PT Multimedia and Portugal Telecom were similar blocking any strategic alternatives as an eventual Zon-Optimus merger. As the shareholder structure of PT Multimedia was becoming different from the Portugal Telecom one, throughout the time, a couple of strategic measures were applied in order to clearly separate both companies. An important measure was in fact the removal of the PT brand from all the PT Multimedia's group companies and the renaming to Zon.

Industry Trends and Consolidation

Since 2006, the telecom industry faced a convergence trend, either in Europe or in Portugal, towards the offer of integrated bundles such as double play, triple play (Pay TV + Fixed Broadband Internet + Fixed Voice) or quadruple play (Pay TV + Fixed Broadband Internet + Fixed Voice + Mobile), also known as 2P, 3P and 4P. Thus, by the time of the merger, there were already prospects regarding quintuple play offers.

Consequently, a consolidation trend followed the integration one, between complementary companies, in order to generate telecom groups capable of offering multiple play bundles and compete with similar value proposals. See in **Exhibit 2** some examples of integration transactions in Europe where Vodafone was able to defeat the British company, Liberty Global, in the Kabel Deutschland acquisition. Until then, most of the cable consolidation was performed by Liberty Global with its successive acquisitions in that segment.

During the period between 2008 and 2012, Portugal increased by more than four times its penetration rate on multiple play offers, reaching to 22%, by the end of July, 2012. In particular, the triple play was the most successful multiple play bundle, accounting for 80% of the integrated bundle revenues. See in **Exhibit 3** the evolution of the Portuguese penetration rate on multiple play bundles, compared to the remaining European Countries.

Zon, was presenting a good performance, leading the triple play and [Pay TV+Fixed Voice] double play bundle with market shares of 48.8% and 45.8%, respectively, while Portugal Telecom was doing the same in the [Pay TV+Fixed Broadband Internet] double play bundle, with a 54.4% market share. By its part, Vodafone Portugal presented the highest market share on the [Fixed Voice+Fixed Broadband Internet] double play offer (40.5%).

Portugal Telecom was the first player to offer a quadruple play for residential clients, called M4O, which included Pay TV, fixed voice, internet and 2 mobile phone cards. That approach to the residential market was particularly successful, achieving a significant penetration rate within Portugal Telecom Pay TV clients.

As a response to Portugal Telecom's latest bundle, Zon firstly agreed on a Mobile Virtual Network Operators ("MVNO") with Vodafone Portugal in order to market a 4P offer, and later merged with Optimus. Simultaneously, Portugal Telecom was closing the merger with the Brazilian Oi although some opinions argued that the PT-Oi merger could lead into a defocus from the Portuguese market.

Vodafone Group also followed this integration trend, in Portugal, which, although the MVNO with Zon was discontinued due to the Zon-Optimus merger, was able to present a very competitive 3P offer at very low price, in order to reduce its gap to Portugal Telecom and Zon-Optimus' multiple play bundles. At that time, and considering the industry trend, some research analysts argued that Vodafone Portugal should consider a merger with Altice activities in Portugal, namely with the Pay TV operator, Cabovisão, and with the fixed voice and broadband operator, Oni.

As a result of the industry recent experience in multiple play bundles, it was understood that Pay TV was the differentiation factor among the 2P, 3P and 4P residential offers, with its high customer retention rate, enabling the marketing of additional services as internet, fixed voice or mobile. In the case of fixed voice and broadband, the multiple play bundles were critical to prevent the downward trend of its individual penetration rates.

Nevertheless, it was expected that, as the competition increased among the multiple play offers, the overall revenues of the telecom/media sector would become lower, requiring higher operational efficiency. See in **Exhibit 4** an illustrative chart of that trend.

Background of Optimus

The third largest mobile operator in Portugal, named Optimus, was launched in 1998, by Sonaecom, a company focused on Information Technology, Telecom and Media and listed in the Portuguese Stock Market since 2000.

Sonaecom, which held 100% of Optimus' share capital, was mainly controlled and managed by Sonae Group, a leading Portuguese conglomerate with €4.6 billion of revenues, mostly held by Mr Belmiro de Azevedo, one of the most wealthy and

recognized Portuguese businessmen. Founded in 1959, producing decorative laminates, particleboard and chemicals, by the 80's decade, Sonae started its diversification through acquisitions and set up of new businesses. By the time of the merger, Sonae was led by Mr Paulo Azevedo, one of Mr Belmiro's sons, and was diversified into food retailing (hypermarkets, convenience stores and pastries/restaurants), non-food retailing (apparel, sports clothing, consumer electronics and appliances and child clothing), telecom/media/IT, real estate management and shopping centre management.

Optimus was always known for its innovative approach to the market either by its appealing advertising, its competitive bundles or by the launch of new products. The company offered a wide range of mobile services, to both residential and corporate clients, including voice, sms, data, roaming, mobile broadband internet, and other mobile solutions.

The fixed telecom activity, namely fixed voice and fixed broadband services, was being performed through the Sonae's group company, Novis, being merged with Optimus by 2007. Subsequently, the company expanded through a couple of acquisitions, as Tele2 Portugal, reinforcing the company's position in the fixed telecom segment.

Anticipating future trends, Optimus developed a common mobile and fixed network infrastructure, as well as joint teams, in order to provide an integrated offer to its customers. In 2012, the company launched the high-speed fourth generation mobile telecom ("4G"), covering a wide range of the Portuguese population.

By the time of the merger with Zon, the last annual financial statements reported €732 million of operational revenues and an Average Revenue per User ("ARPU") of €12.0/month. Thus, Optimus had a market share of 20% on mobile, 13% on fixed voice and 19% on mobile broadband internet. See in **Exhibit 5**, Optimus' Key Performance Indicators (KPI's) and, in **Exhibit 6**, Optimus' Group of Companies.

Background of Zon

Zon, previously called PT Multimedia, was born inside Portugal Telecom and listed in the Portuguese Stock Market, since 1999. PT Multimedia gathered the Pay TV activity, the main business, as well as internet and fixed voice. Additionally, the company diversified into newspapers, radio broadcasting and audiovisuals, accounting for a market share of 56% on films distribution and 62% on the management of 210 cinemas.

Under Zon's brand name, the company also had relevant stakes in premium channels such as Sport TV, a leading premium channel in the Portuguese sports segment.

Six years later, PT Multimedia sold part of Lusomundo, namely the newspapers business as well as TSF, a leading radio broadcaster, retaining though the cinemas business.

By 2009, Mrs Isabel dos Santos, the most well succeeded Angolan businesswoman, became Zon's shareholder, acquiring, through the Kento and Unitel International companies ("RJ Group"), a 10% stake on Zon Portugal, which would later be increased to 28.8%. The referred shareholding transaction, also opened the door for Zon to expand its activities to Angola, where it established a local joint-venture, with Mrs Isabel dos Santos, branded Zap, to explore the Pay TV business, through satellite. Later, Zap entered in the market of Mozambique although with a lower growth rhythm. Zon Portugal had a 30% stake on both Portuguese-Speaking African Countries.

Zon's strategy was also to provide an increasing high quality integrated offer, namely, Pay TV, fixed voice and fixed broadband internet, also known as 3P or Triple Play, as well as mobile voice and mobile broadband internet. The investments made on the infrastructure, of €832 million, during the 2008-2012 period, allowed the coverage of a significant number of houses as well as the marketing of new solutions such as fiber, HD channels, Video-on-Demand or high-speed broadband services which explained the Triple Play high penetration rate.

With €859 million of operational revenues, in 2012, and an ARPU of € 34.5/month, the company had 1.55 million of Pay TV subscribers, leading that segment with a market share of 49.7%. Also, Zon was the second largest provider of internet with, 805 thousand customers and a market share of 33%, on fixed broadband internet. Thus, on the fixed voice service, Zon had, 990 thousand customers and a market share of 25.9%.

Concerning the multiple play offers, Zon was particularly successful on the Triple Play bundles, with its 786 thousand subscribers and market share of 43%, accounting for a 65% penetration rate on Zon's Pay TV subscribers which was a clear indicator of the industry's integration trend. See in **Exhibit 7**, Zon's Group of Companies and, in **Exhibit 8**, the company's KPI's.

The Merger

Pre-Merger Events

A merger between Zon and Sonaecom/Optimus was on top of the table for the last couple of years due to the convergence trend but also for the value that could be created. After Sonaecom Group's non-successful tender offer over Portugal Telecom, Sonaecom always tried to promote a merger with Zon. Nevertheless as, immediately after the spin-off of Zon from Portugal Telecom, the shareholder structures of both Zon and PT were similar, there were no conditions to proceed, at that time, with the Zon-Optimus merger. Thus, the existence of a 10% voting rights limit at Zon's bylaws was also an obstacle for the merger.

Later with the removal of the 10% voting rights limit, in the beginning of 2012, and with the appearance of RJ Group as a major shareholder of Zon, the Zon-Optimus merger was then a possibility. Nevertheless, it was maintained the restriction for shareholding stakes that exceeded 10% of share capital concerning shareholders engaged in competing businesses.

Timeline of the merger

On December 14th, 2012, Sonaecom and Mrs Isabel dos Santos announced a merger agreement for Optimus and Zon, to be proposed to the Board of Directors of both entities. The merger project considered the incorporation of Optimus into Zon ("Zon-Optimus company").

After a period of negotiations, between the respective Boards, the merger project was approved, on late January, 2013, and submitted to the Optimus and Zon's creditors and shareholders for consideration. In between the merger was presented to the Competition Authority in order to be analysed.

After the non-opposition by the respective creditors, the merger was then approved at the Shareholders' Meetings of both companies, on March 7th, 2013. Subsequently, the merger was formally registered on August 27th, one day after the non-opposition decision by the Competition Authority.

Also, the Portuguese securities market regulator ("CMVM") exempted Sonaecom and Mrs Isabel dos Santos from launching a mandatory tender offer over 100% of Zon-Optimus' share capital. Although the joint-venture between both parties overcame more

than half of the voting rights, either Optimus' and Zon's shareholders approved the merger by large majority, namely, by 100% and 98.9% of the respective voting rights. As a result, the shareholders indirectly renounced to the right to the tender offer, and so the minority shareholders were duly safeguarded concerning the merger transaction.

The new shares issued, for the incorporation of Optimus into Zon, started to be traded, on Euronext Lisbon, on September 9th, 2013, at a price per share of € 4.25, generating a joint market cap of € 2.19 billion.

Merger Rationale

As referred, the Zon-Optimus merger followed the industry trend of consolidation in order to present an integrated offer, based on multiple play bundles.

The merger would give rise into a media/telecom group with a relevant size, delivering €1.6 billion of revenues, and an integrated offer, able to compete with the 2P, 3P and 4P's offers from the remaining competitors. Zon-Optimus would then account for 25% of the Portuguese telecom overall revenues.

Thus, the market cap level that resulted from the Zon-Optimus merger, would generate a higher liquidity to the stocks as well as further opportunities to raise additional funding, either equity or debt.

As in most of the mergers, synergies also have a significant impact on the decision to settle a merger deal. On its part, Zon-Optimus had the opportunity to optimize the investment in the network infrastructure as well to explore the convergence of the fixed and mobile networks, reducing the dependence on the competitors' infrastructure. Thus, beyond the expected synergies on operational costs, the merged company was also in a better condition to design a competitive strategy: pursuing the industry trends of convergence and leveraging on the individual expertise and innovative path of both companies. See in **Exhibit 9**, the expected contribution to the Free Cash Flow of Zon-Optimus' projected synergies as well as its comparison with similar transactions.

Among others, Zon brought to the merger its leading position in the Pay TV business as well as its positioning in the fixed voice and broadband markets. On its part, Optimus provided mobile phone services, with its stable market share, as well as the possibility to strengthen the overall market position in fixed voice and broadband.

Zon also introduced its international presence in Angola and Mozambique both under the Pay TV business. The Zon-Optimus company could also leverage on Zon's

international exposure in a period when Portugal Telecom, was considering to sale its stake in Unitel, the leading mobile company in Angola.

Deal Valuation

Both Companies were valued according to the Discounted Cash Flows method as well as to the Market Multiples method, namely, EV/EBITDA and EV/[EBITDA-Capex]. See in **Exhibit 10**, the Market and Transaction multiples for both Zon and Optimus.

The valuations were also performed considering the evolution of Zon and Sonaecom's stock price evolution. See in **Exhibit 11** its stock price evolution in comparison with Portugal Telecom and PSI20, the main Portuguese Stock Index.

Deal Structure

It was agreed, by Sonaecom and Mrs Isabel dos Santos, a merger by incorporation, where all Optimus's assets and liabilities would be transferred to Zon.

Both parties also agreed to constitute a Special Purpose Vehicle ("SPV"), named Zopt, which share capital would be equally divided (50/50%), with the objective of securing a controlling stake (50% + 1 share) in the Zon-Optimus company (see square 1. of the deal structure diagram, in **Exhibit 12**). For that purpose, Sonaecom subscribed, in kind, 50% of Zopt share capital, delivering 81.8% of Optimus share capital. On its part, RJ Group also subscribed, in kind, 50% of Zopt share capital, with its 28.8% of Zon share capital.

Based on the valuations' result, was agreed an exchange ratio (Zon/Optimus) of 1.5, where Zon shareholders received a 60% stake on the Zon-Optimus company, and the Optimus shareholders the remaining (40%). As a result, considering that Zon's share capital was represented by 309,096,828 shares, were issued 206,064,552 new shares.

Once Sonaecom had 100% of Optimus' share capital, and considering the 50/50% SPV share capital structure, Sonaecom would end with an indirect stake over the Zon-Optimus company of 40%. On its part, as RJ Group had a 28.8% stake on Zon, it would end with an indirect interest of 17.3% on the Zon-Optimus company.

In order to obtain an equal indirect stake on the Zon-Optimus company, through the SPV (Zopt), was required a cash payment of €119.6 million from RJ Group to Sonaecom, corresponding to 7.7% of the Zon-Optimus company. As result, RJ Group

would end with an indirect interest of 25% on the merged company (see square 2. of the deal structure diagram in **Exhibit 12**).

By its side, Sonaecom became with a direct stake on the Zon-Optimus company of 7.3%, in order to end with same indirect interest, through the SPV, of 25% on the merged company.

See in **Exhibit 13** the Zon-Optimus' shareholders breakdown.

Pro-Forma Consolidated Financials

With the Zon-Optimus merger, was born an important telecom/media player, in Portugal, with €1.6 billion of revenues and €550 million of EBITDA, corresponding an EBITDA margin of 35%. A recurrent capex of €250-€300 million was also expected. The audiovisual and cinema businesses, provided by Zon, would have a small impact on the overall financials, jointly accounting for €110 million of revenues and €37-€39 million of EBITDA.

By comparison with its main competitors, namely Portugal Telecom and Vodafone Portugal, Zon-Optimus presented, in 2012, the highest EBITDA margin, even without considering the initial expectations of synergies.

The merged balance sheet considered a strong capital structure with a Net Debt/EBITDA of 1.1x and a Net Debt/(EBITDA-Capex) of 2.0x, which meant a much lower indebtedness level than Portugal Telecom. That was very relevant considering the investment requirements for the development of the Next Generation Network.

Thus, beyond delivering the highest operational efficiency, Zon-Optimus also presented a lowest Capex/Revenues ratio than Portugal Telecom. See in **Exhibit 14**, Zon-Optimus' pro-forma consolidated financials.

Vodafone Portugal's balance sheet should not be analysed on a stand-alone basis as it was part of Vodafone Group. Although Vodafone Group was, at that time, one of the major worldwide telecom players, with a strong balance sheet to support either its organic growth or selected acquisitions, a couple of questions marks were raised regarding additional investments on the development of its fiber network in Portugal. Firstly, Portugal was a small market within Vodafone Group's overall operations. Then, considering the fiber network coverage by the remaining players, in Portugal, there were significant concerns on if those investments would be profitable.

The **Exhibit 15**, also considers the main stand-alone projections (2013E-2016E), for both Zon and Optimus, according to research analysts.

Competition Authority analysis

The Zon-Optimus merger transaction was analysed by the Portuguese Competition Authority which did not oppose to it, although imposing minor remedies. That decision followed the European Commission (“EC”) regulation guidelines as the consolidation between integrated players would pressure prices downwards. The EC was on the other hand, more concerned with mobile concentration where it had introduced significant remedies on some European mobile transactions.

According to analysts, Zon was already market leader, in the residential segment, with a revenues’ market share of 45% while Optimus contribution to this segment was only 5%. On the other hand, in the corporate segment, Zon’s presence was very small compared with Optimus’ market share of 14%. The same was perceived in the personal and wholesale segments where Optimus accounted for 19% and 22%, of respective market shares. As a result, no concentration issues were raised with the merger.

However, given the overlap with Zon’s network, the Competition Authority imposed that Optimus extended the fiber network sharing contract with Vodafone Portugal, for the 500 thousand houses, as well as not charging, to the FTTH (Fiber-to-the-Home) triple play customers, using the referred sharing network, indemnities for cancelling loyalty contracts, during a period of six months. On the other hand, it required that Optimus would allow, under market conditions and until the end of October 2015, the access to its FTTH wholesale network, based on the network sharing contract with Vodafone Portugal.

Also, the Competition Authority required that Vodafone Portugal would benefit from a call option on Optimus’ fiber network in Oporto and Lisbon, at the net book value.

Regarding the remaining regulators, namely CMVM (securities market regulator), ANACOM (telecoms’ regulator) and ERC (media’s regulator), all approved the deal.

Corporate Governance for the Merged Company

Before the merger, the governance of the incorporating company, Zon, was composed by an Audit Commission and a Statutory Auditor, appointed by the Board of Directors. The new governance, for the merged company, clearly separates the management of the

company, provided by the Board of Directors, and the supervision of the company, delivered by the Audit Committee and the Statutory Auditor. See in **Exhibit 16** the pre and post merger Corporate Governance structures.

On the other hand, in the beginning of October, 2013, were elected new corporate bodies for the Zon-Optimus company, where the, until then, Optimus' CEO, Mr Miguel Almeida, became the new CEO of Zon-Optimus. The Board of Directors was composed by 19 members and the Executive Committee by 7 members.

Technology and Network Advantage

The Portuguese broadband coverage was significantly higher than the European Union average, which explained the market dynamics towards convergence. See in **Exhibit 17** a comparison between Portugal and EU. It compares Fiber to the Home ("FTTH"), Cable, the High Speed Packet data Access ("HSPA"), used to increase packet data performance, namely, of downloads, the Digital Subscriber Line ("DSL"), which converts copper lines into high-speed digital lines and the EuroDOCSIS, allowing high-speed data transfer, such as internet, into an existing cable system.

By the end of the first quarter of 2013, around 46% of the Portuguese Pay TV subscribers were using Cable while the remaining were distributed as follows: DTH (21%), xDSL (20%) and FTTH (13%), where DTH ("Direct to Home") stands for the satellite television and xDSL, is part of the Digital Subscriber Line technologies.

On its part, the fixed broadband subscribers were distributed by the following technologies: ADSL (45%), Cable Modem (39%) and FTTH (16%), where ADSL (Asymmetric DSL) is also part of the Digital Subscriber Line technologies.

Concerning the fixed network, Zon-Optimus reported the largest Next Generation Network coverage, the double of Portugal Telecom as well as 4.5 times more than Vodafone Portugal. See in **Exhibit 18** a comparison between Zon-Optimus' fixed network technologies with its main competitors.

Although the EC was considering changes in the regulatory framework, towards reducing the focus on price controls and encouraging investments in fiber, analysts saw those investments as doubtful given the significant upfront costs and low incremental income. As a result, the investment on fiber was only justified to maintain or increase market shares, in markets where there was strong cable competition. That was the case of Portugal, although there was still a significant gap between PT and Vodafone's fiber

networks and Zon-Optimus' one, which could justify the appearance of new MVNO's or the acquisition other telecom/media players with a non-overlapped fiber network.

On mobile, although the levels of coverage on 2G and 3G were similar to the remaining mobile operators (close to 100%), in 4G, Zon-Optimus presented the highest level of coverage (87.6%).

Future Strategy

Considering the convergence trend in Portugal, and the Pay TV business as the differentiation factor among multiple play residential offers, Zon-Optimus was very well positioned based on Zon's leadership on the Pay TV segment, and its positioning among the multiple play bundles. As referred before, Pay TV was considered the entry door into new customers and the channel to market additional solutions as fixed voice, internet or mobile. See in **Exhibit 19** the multiple play market shares, where Zon and Optimus' combined market shares would represent the leadership of that segment.

Always focusing on efficiency and Free Cash Flow growth, the Zon-Optimus' main goal was to increase its market share in Portugal through the reinforcement of its position in the personal mobile segment as well as its leadership in Pay TV, taking advantage from its existing network and future expansions.

Also, Zon-Optimus expected to grow in the corporate segment, namely through triple play bundles (internet + fixed voiced + mobile) which could be combined with IT and data storage, areas where Sonaecom had extensive expertise. The short-term objectives targeted Small and Medium Enterprises ("SME's") and Small Offices-Home Offices ("SOHO's"), while long-term relationships were being developed with large corporates.

The Zon-Optimus merged company was later rebranded to "Nos", a brand positioned to pursue with the past innovation path, to leverage on Zon's international presence and to provide increasing returns to its shareholders, based on growth and operational efficiency (see **Exhibit 20**).

Main Remarks

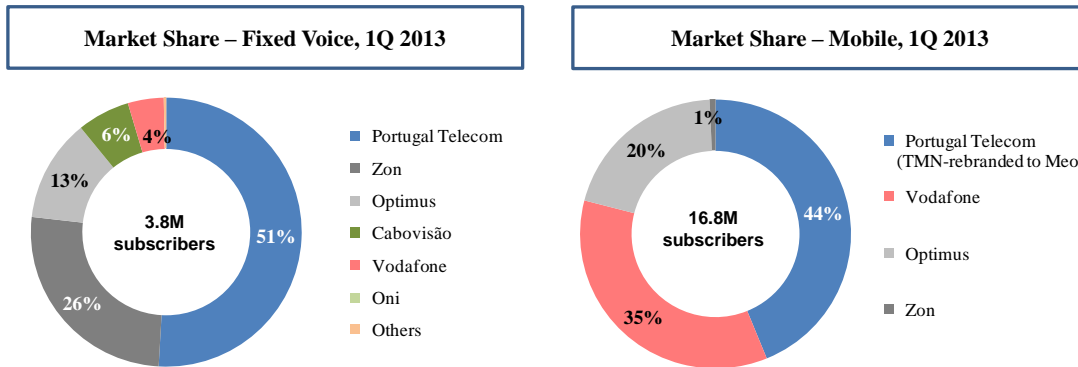
The complementary characteristics of both Zon and Optimus, should position the Zon-Optimus merged company as a clear contender towards the leadership of the Portuguese Telecom/Media Market. With its leadership in Pay TV and in Multiple Play bundles

along with the number of houses covered with fiber, Zon-Optimus is clearly well positioned for the short and medium term future.

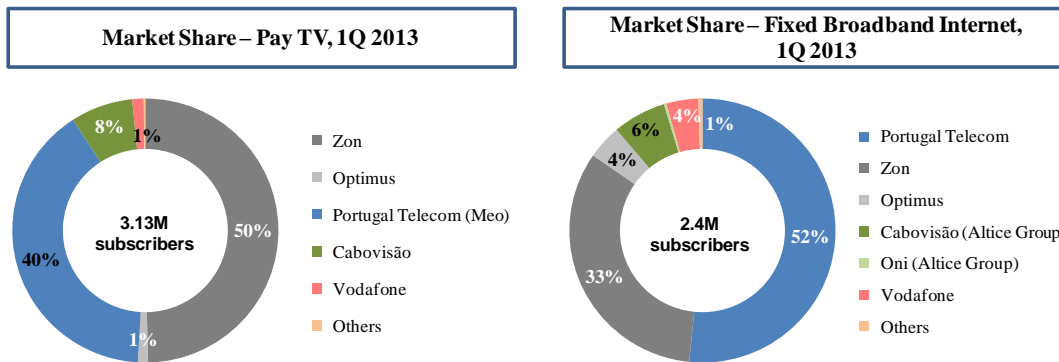
Nevertheless, in an industry that is always changing, on a long term perspective, the company needs to anticipate trends, which can only do so with continuous investment in new technology and focus on innovation.

Portugal Telecom itself was undergoing a period of uncertainty, as the merger with Oi turned into a transaction that was destroying value to the Portuguese company. As a result, the positioning and competing ability of Portugal Telecom will be mostly dependent from the future acquirer of PT out of Oi Group.

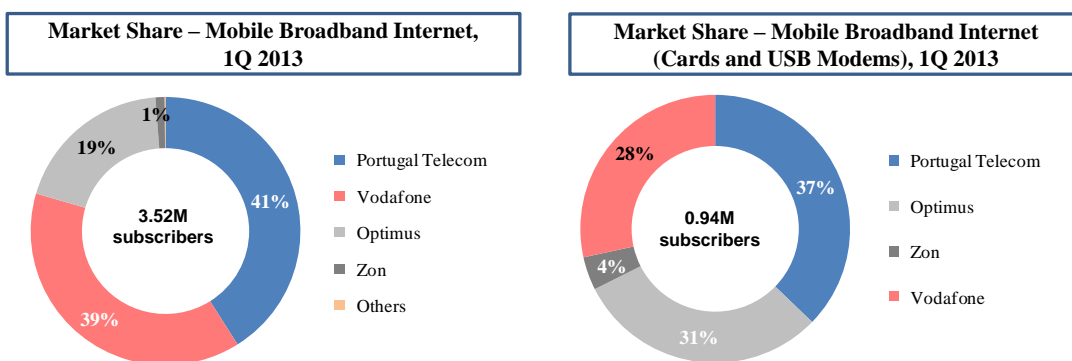
Exhibit 1: Market Share Breakdown per Telecom/Media Service



Source: Anacom (number of subscribers in millions)



Source: Anacom (number of subscribers in millions)



Source: Anacom (number of subscribers in millions)

Exhibit 2: Telecom/Media Integration Transactions










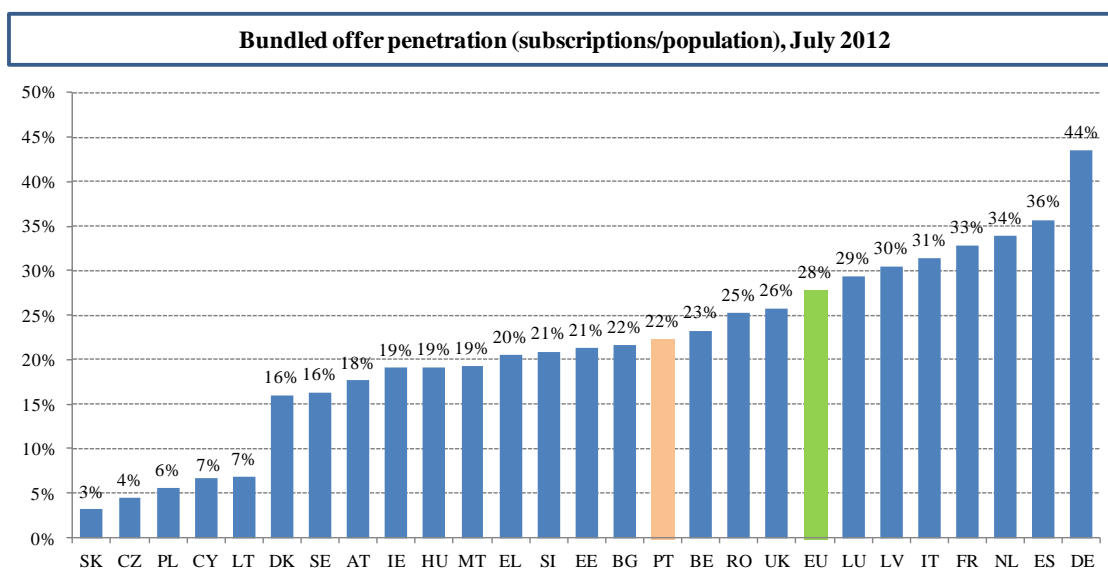
Date	Deal	Target	Main Business	Acquirer	Main Business
2013	76.57% acquisition	 Kabel Deutschland	Cabel	 vodafone	Mobile
2011	Merger	TELESP (PART OF TELEFONICA)	Fixed Operator	 vivo	Mobile
2011-2008	40% stake	 OTE	Integrated Player	 Deutsche Telekom	Integrated Player
2008	100%	 n9uf cegetel	Fixed Operator (wireline carrier)	 SFR	Mobile
2007	100%	 TELE2	Fixed Voice, Internet and Pay TV	 SFR	Mobile

Exhibit 3: Multiple Play Bundles' Statistics

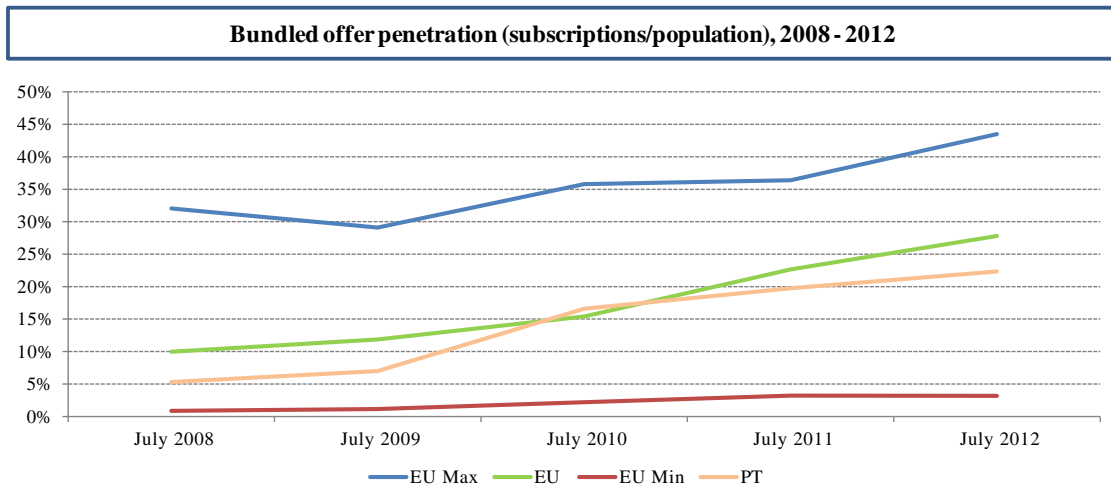


Source: European Commission

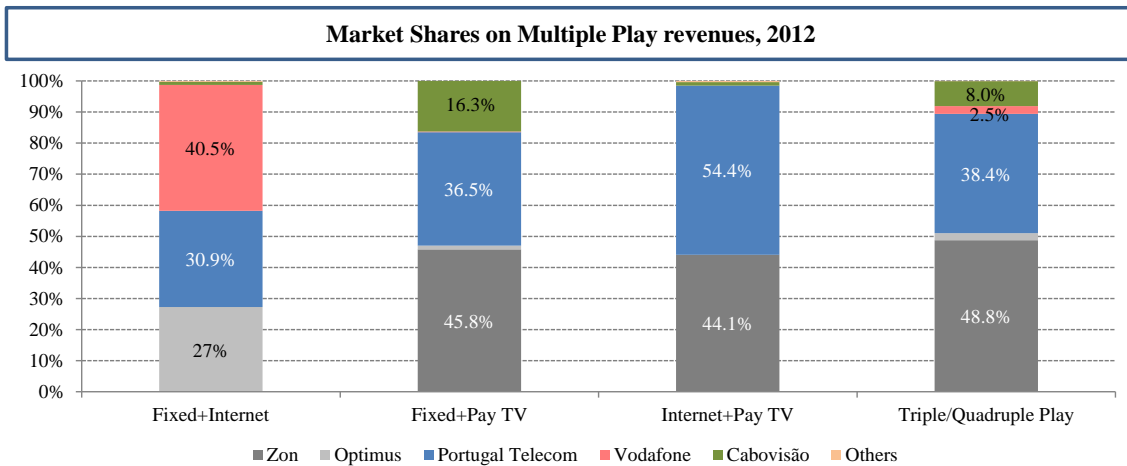
Legend:

SK = Slovakia; CZ = Czech Republic; PL = Poland; CY = Cyprus; LT = Lithuania; DK = Denmark; SE = Sweden; AT = Austria; IE = Ireland; HU = Hungary; MT = Malta; EL = Greece; SI = Slovenia; EE = Estonia; BG = Bulgaria; PT = Portugal; BE = Belgium; RO = Romania; UK = United Kingdom; EU = European Union; LU = Luxembourg; LV = Latvia; IT = Italy; FR = France; NL = Netherlands; ES = Spain; DE = Germany

Exhibit 3: Multiple Play Bundles' Statistics (cont.)

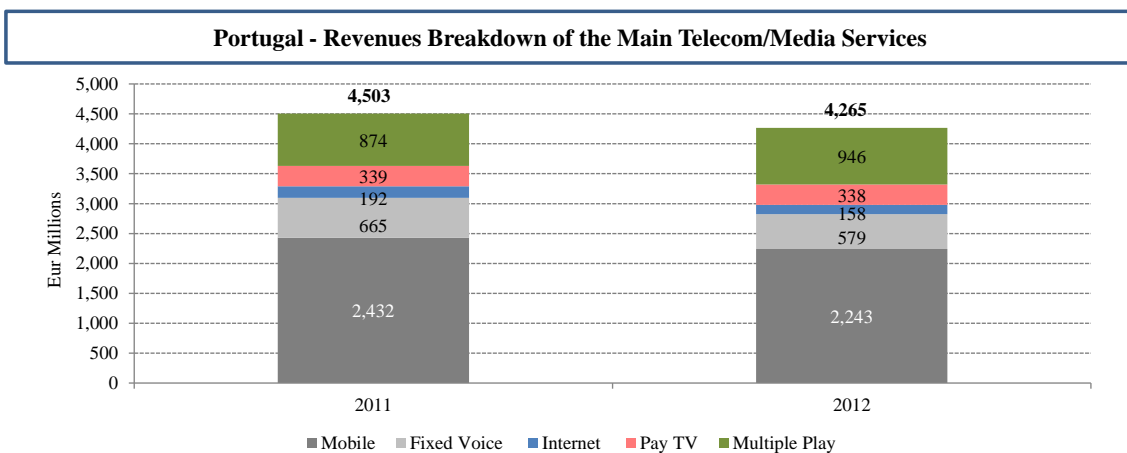


Source: European Commission



Source: Anacom

Exhibit 4: Revenues Breakdown of the Portuguese Main Telecom/Media Services



Source: Anacom

Exhibit 5: Optimus' Key Performance Indicators

Optimus' Key Performance Indicators

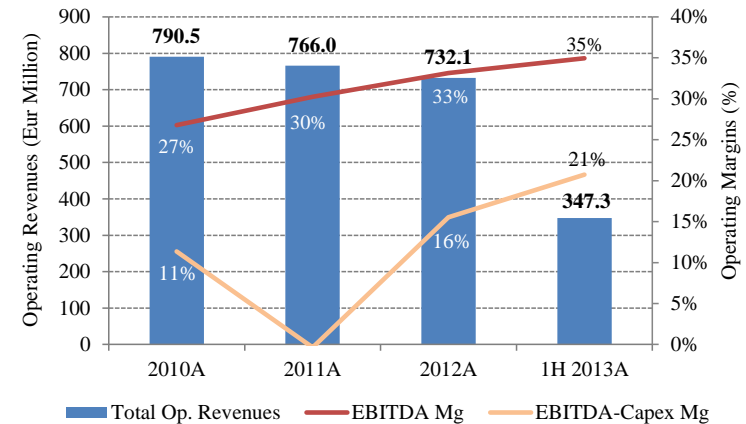
Unit: EUR Millions

(except when specified)

	2010A	2011A	2012A	1H 2013A
Total Op. Revenues	790.5	766.0	732.1	347.3
<i>Growth Rate (%)</i>	na	-3.1%	-4.4%	na
<i>ARPU (€)</i>	13.7	12.9	12	11.1
EBITDA	211.7	231.7	242.6	121.4
<i>Margin (%)</i>	26.8%	30.2%	33.1%	35.0%
EBIT	67.8	88.9	102.9	51.8
<i>Margin (%)</i>	8.6%	11.6%	14.1%	14.9%
Financial Results				
Net Income	-9.7	-9.1	-11.3	-11.6
<i>Margin (%)</i>	5.7%	9.4%	12.0%	9.8%
Fixed Assets	na	962.3	949.8	928.9
Total Assets	na	1,938.3	1,857.5	1,828.2
Total Equity	na	1,057.4	1,047.5	1,056.7
Long-Term Debt	na	377.0	332.4	331.5
Short-Term Debt	na	2.6	108.2	113.9
Cash	na	99.7	33.5	7.2
Net Debt	na	279.9	407	438.2
<i>Net Debt / EBITDA (x)</i>	na	1.2 x	1.7 x	1.8 x
<i>Net Debt / [EBITDA-Capex] (x)</i>	na	na	3.6 x	3.0 x
<i>Net Debt / (Net Debt + Equity) (%)</i>	na	20.9%	28.0%	29.3%
Capex	122	234.5	128.9	49.4
<i>% Total Revenues</i>	15.4%	30.6%	17.6%	14.2%
Net Working Capital	na	71.3	-105.2	na
Change of Other Assets/Liabilities	na	na	-22.9	na

Source: Optimus' Financial Statements // CMVM

Revenues and Operating Margins, 2010 - 1H2013



Revenues Breakdown, 2012

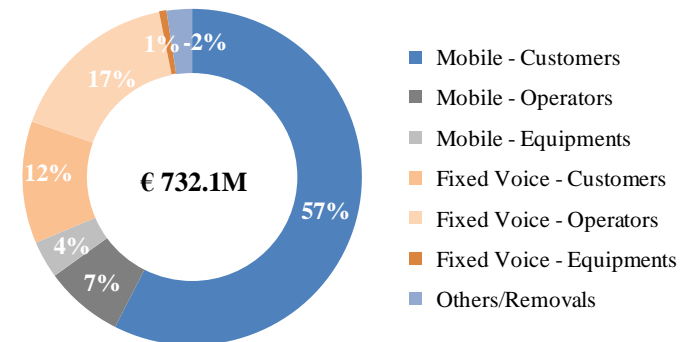
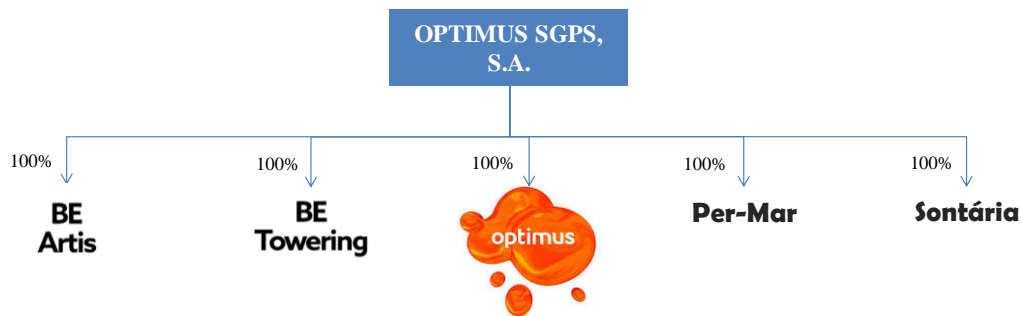


Exhibit 6: Optimus' Group of Companies

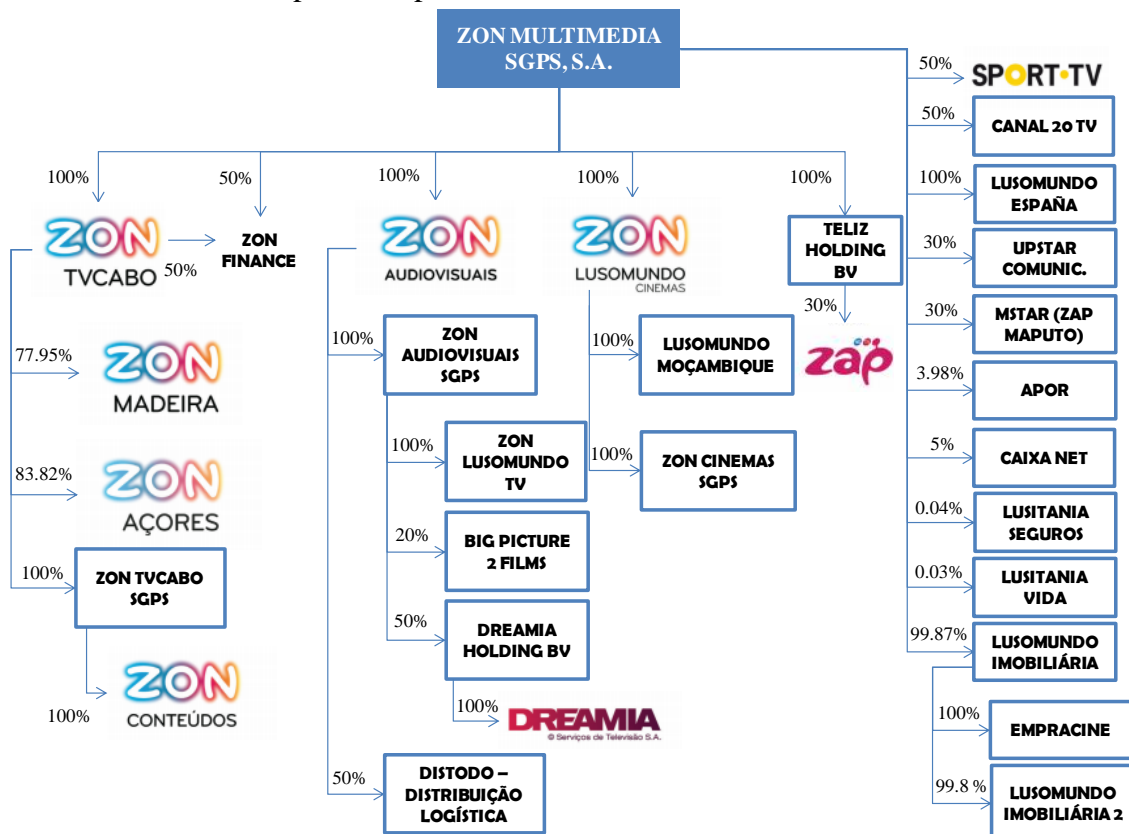


Source: Optimus' Financial Report, 2012

Legend:

Optimus SGPS, S.A. – holding company; Be Artis – management of the electronic communications' networks and respective equipments and infrastructures; Be Towering – telecommunications towers; Per-Mar – real estate company; Sontária – real estate company.

Exhibit 7: Zon's Group of Companies



Source: Zon's Financial Report, 2012

Legend:

Zon Audiovisuais – contents supply (films and series); Zon Conteúdos – advertising sale to Pay TV and cinemas; Zon Lusomundo Cinemas – cinemas; Zon Lusomundo TV – channels and services supply to several operators (eg TV Cines, TV Series); Dreamia – joint venture with Chello Multicanal for the production of channels and series/films for children (eg Panda Biggs, Panda, Hollywood, Mov) .

Exhibit 8: Zon's Key Performance Indicators

Zon's Key Performance Indicators

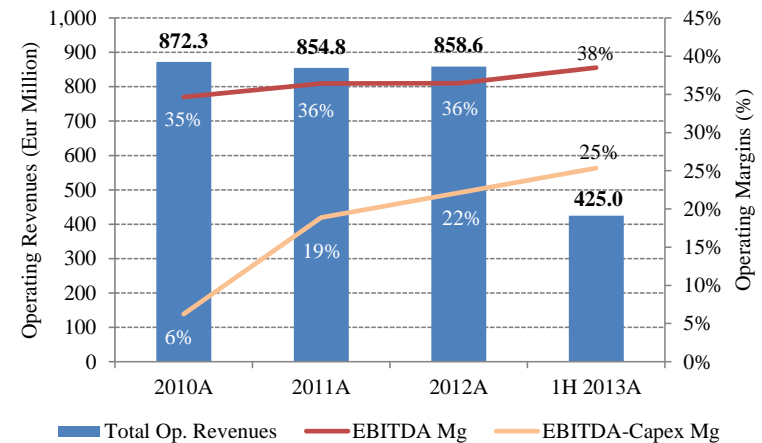
Unit: EUR Millions

(except when specified)

	2010A	2011A	2012A	1H 2013A
Total Op. Revenues	872.3	854.8	858.6	425.0
<i>Growth Rate (%)</i>	na	-2.0%	0.4%	na
<i>ARPU (€)</i>	35.4	35.7	34.5	34.5
EBITDA	302.4	311.2	312.9	163.6
<i>Margin (%)</i>	34.7%	36.4%	36.4%	38.5%
EBIT	82.3	92.7	97.3	60.5
<i>Margin (%)</i>	9.4%	10.8%	11.3%	14.2%
Financial Results	-36.1	-43.0	-42.6	-25.7
Net Income	35.4	34.2	36.0	24.4
<i>Margin (%)</i>	4.1%	4.0%	4.2%	5.7%
Fixed Assets	982.6	961.8	951.2	904.9
Total Assets	1,650.7	1,785.6	1,611.0	1,371.7
Total Equity	250.2	235.0	219.2	207.1
Long-Term Debt	867.4	640.4	615.8	620.4
Short-Term Debt	45.5	467.4	342.2	128.1
Cash	264.6	407.4	308.3	126.9
Net Debt	639.7	637.5	605.0	605.2
<i>Net Debt / EBITDA (x)</i>	2.1 x	2.0 x	1.9 x	1.8 x
<i>Net Debt / [EBITDA-Capex] (x)</i>	11.8 x	3.9 x	3.2 x	2.8 x
<i>Net Debt / (Net Debt + Equity) (%)</i>	71.9%	73.1%	73.4%	74.5%
Capex	248.1	149.8	123.1	55.8
<i>% Total Revenues</i>	28.4%	17.5%	14.3%	13.1%
Net Working Capital	na	-66.3	55.5	na
Change of Other Assets/Liabilities	na	-39.5	-81.5	na

Source: Zon's Financial Statements // CMVM

Revenues and Operating Margins, 2010 - 1H2013



Revenues Breakdown, 2012

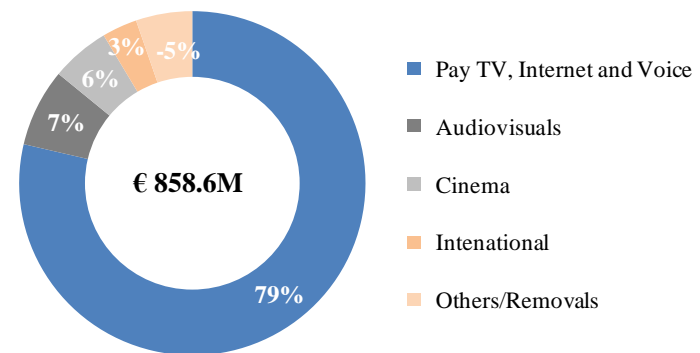


Exhibit 9: Zon-Optimus' Projected Synergies

9A: Synergies' Contribution to Free Cash Flow

Synergies' Contribution to Free Cash Flow				
Unit: EUR Million (except when specified)				
	2013 E	2014 E	2015 E	2016 E
+ Opex Synergies	5.7	20.9	32.3	38.0
(-) Integration Costs	6	26	8	0
(-) Income Tax	0.0	0.0	6.4	10.1
+ Capex Synergies	1.4	5.2	8.1	9.5
Contribution to Free Cash Flow	1.1	0.1	26.0	37.4

Source: BPI Equity Research; Millennium BCP Equity Research

9B: Synergies of Comparable Transactions

Synergies of Comparable Transactions				
Unit: EUR Million (except when specified)				
	SFR/Neuf	Vivo/Telesp	DT/OTE	Zon/Optimus
Run rate revenue synergies	55	90	na	na
Run rate cost+capex synergies	220	320	215	45-50
Opex+capex (%)	3.8%	5.7%	7.6%	3.5%-4.5%
Integration costs	na	150	na	35-45
Net Present Value	298	497	690	350-400

Source: BPI Equity Research; Millennium BCP Equity Research

Exhibit 10: Market and Transaction Multiples

10A: Market Multiples

Cable - Zon Comparables

Company	Country	EV/EBITDA		EV/(EBITDA-Capex)		Net Debt/EBITDA	
		2012	2013E	2012	2013E	2012	2013E
Zon Multimedia		5.2 x	5.1 x	8.5 x	8.1 x	1.9 x	2.3 x
Virgin Media	UK	7.8 x	7.1 x	9.9 x	8.9 x	3.5 x	3.3 x
Telenet	Belgium	9.4 x	9.5 x	15.9 x	16.4 x	3.7 x	4.3 x
Kabel Deutschland	Germany	10.6 x	9.4 x	19.4 x	17.6 x	3.2 x	2.8 x
Ziggo	Netherlands	9.0 x	8.9 x	14.1 x	14.3 x	3.4 x	3.2 x
Iliad	France	11.7 x	9.9 x	na	na	0.9 x	1.1 x
	Max	11.7 x	9.9 x	19.4 x	17.6 x	3.7 x	4.3 x
	Median	9.4 x	9.4 x	15.0 x	15.4 x	3.4 x	3.2 x
	Average	9.7 x	9.0 x	14.8 x	14.3 x	2.9 x	2.9 x
	Min	7.8 x	7.1 x	9.9 x	8.9 x	0.9 x	1.1 x

Source: Companies' Financial Reports; UBS Equity Research (Prices at 28th March 2013)

10A: Market Multiples (cont.)

Mobile - Optimus Comparables

Company	Country	EV/EBITDA		EV/(EBITDA-Capex)		Net Debt/EBITDA	
		2012	2013E	2012	2013E	2012	2013E
Sonaecom		4.3 x	4.0 x	9.0 x	8.1 x	1.6 x	1.3 x
Elisa	Finland	6.2 x	6.4 x	9.9 x	11.8 x	1.7 x	2.0 x
Orange	France	4.5 x	4.3 x	8.5 x	8.1 x	2.5 x	2.2 x
Swisscom	Switzerland	7.1 x	7.4 x	16.9 x	17.6 x	1.9 x	2.0 x
Telefónica Deutschland	Germany	5.1 x	4.9 x	9.7 x	9.9 x	0.7 x	0.6 x
Tele2	Sweden	6.2 x	6.3 x	11.0 x	21.9 x	1.5 x	1.6 x
Telekom Austria	Austria	4.2 x	4.7 x	8.4 x	10.2 x	2.2 x	2.5 x
Telenor	Norway	7.7 x	6.5 x	10.1 x	9.9 x	1.0 x	0.9 x
TeliaSonera	Sweden	6.3 x	6.4 x	11.4 x	12.0 x	1.7 x	1.6 x
Vodafone	UK	4.9 x	4.7 x	9.0 x	8.9 x	1.9 x	1.9 x
	Max	7.7 x	7.4 x	16.9 x	21.9 x	2.5 x	2.5 x
	Median	6.2 x	6.3 x	9.9 x	10.2 x	1.7 x	1.9 x
	Average	5.8 x	5.7 x	10.5 x	12.3 x	1.7 x	1.7 x
	Min	4.2 x	4.3 x	8.4 x	8.1 x	0.7 x	0.6 x

Source: Companies' Financial Reports; UBS Equity Research (Prices at 28th March 2013)

10B: Transaction Multiples

Cable Transactions - Zon Comparables

Date	Target Name	Target Country	Acquiror Name	Type of transaction	Entreprise Value	EV/EBITDA (x)	EV/(EBITDA-Capex) (x)
Nov 2009	Unitymedia	Germany	Liberty Global	100% acquisition	€3.5bn	7.4 x	14.9 x
Dec 2010	Aster	Poland	Liberty Global	100% acquisition	€602m	8.3 x	11.4 x
Dec 2011	Kabel BW	Germany	Liberty Global	100% acquisition	€3.16bn	8.9 x	14.8 x
Feb 2012	Cabovisão	Portugal	Alice	100% acquisition	€45m	2.6 x	na
Sept 2012	Teletel	Belgium	Liberty Global	49.6% acquisition	€2.0bn	8.3 x	13.9 x
Feb 2013	Virgin Media	UK	Liberty Global	stock/cash merger	€17.5bn	7.7 x	13.1 x
Jun 2013	Kabel Deutschland	Germany	Vodafone	76.57% acquisition	€10.7bn	11.4 x	23.0 x
Mar 2013	Cabovisão	Portugal	Alice	40% acquisition	€105m	3.1 x	6.5 x
				Max (excl. Cabovisão)		11.4 x	23.0 x
				Median (excl. Cabovisão)		8.3 x	14.4 x
				Average (excl. Cabovisão)		8.7 x	15.2 x
				Min (excl. Cabovisão)		7.4 x	11.4 x

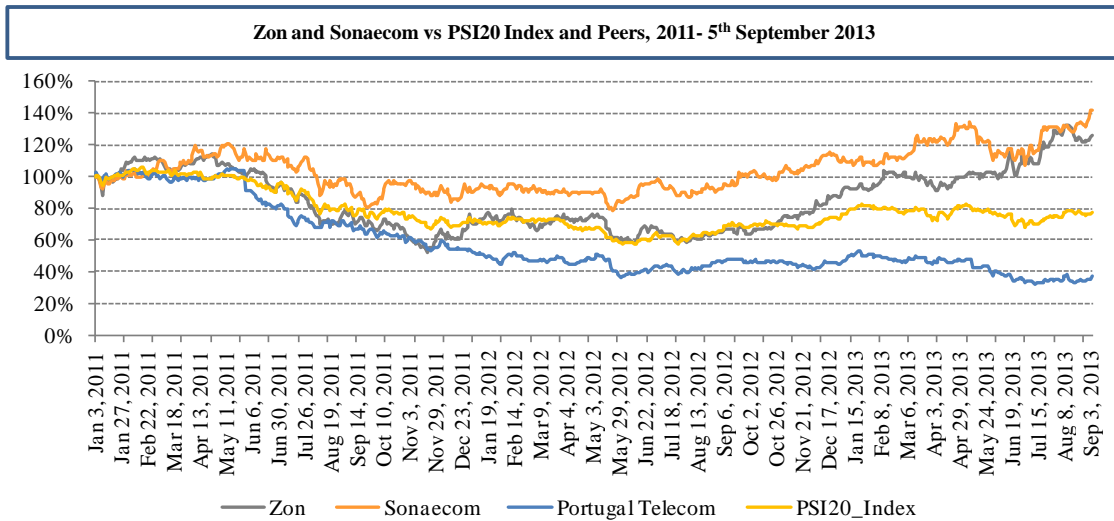
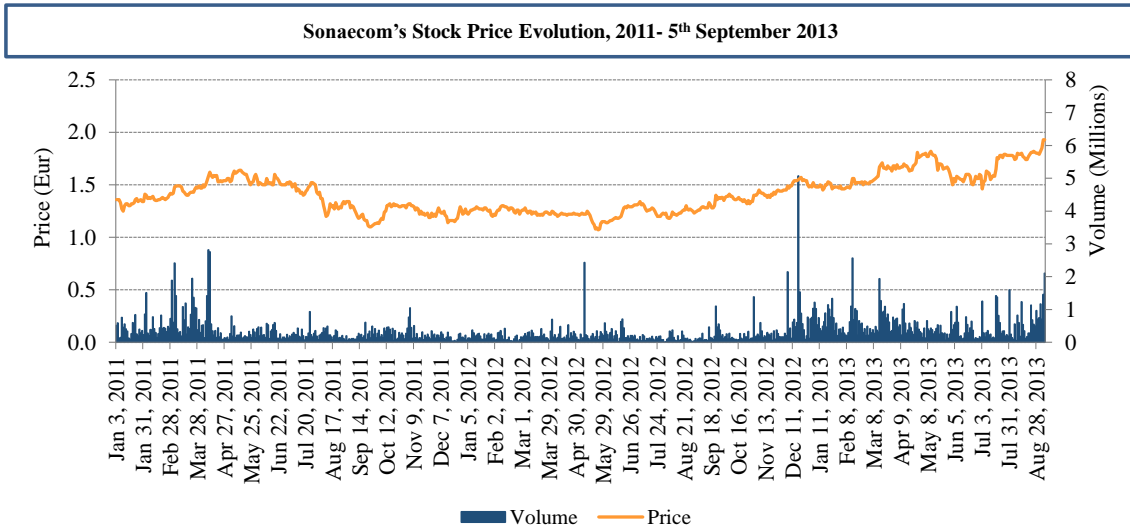
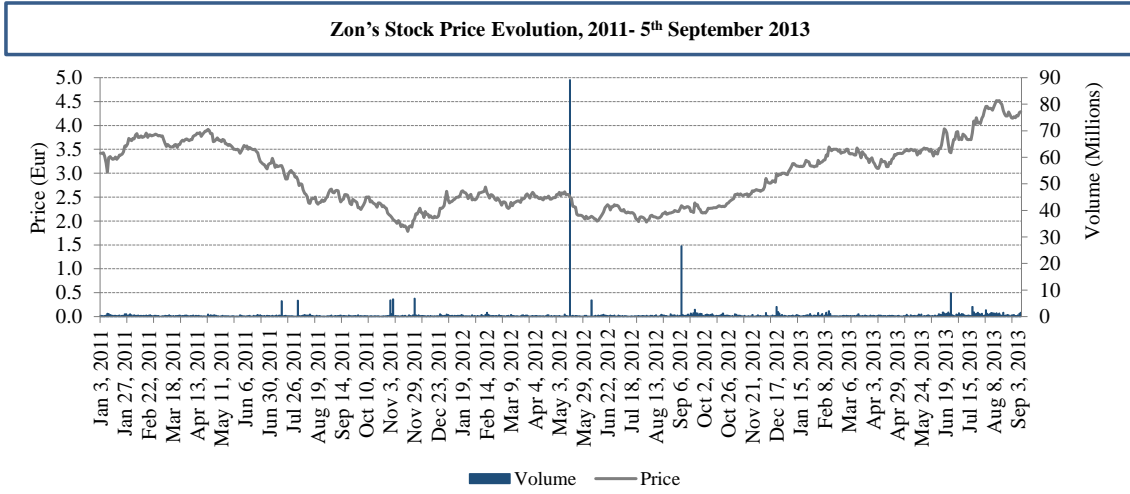
Source: Companies' Financial Reports; UBS Equity Research // Note: Cabovisão was excluded from the multiples calculation as it was a distressed acquisition

Mobile Transactions - Optimus Comparables

Date	Target Name	Target Country	Acquiror Name	Type of transaction	Deal Value	EV/EBITDA (x)	EV/(EBITDA-Capex) (x)
Apr 2011	SFR	France	Vivendi (France)	44% acquisition	€7.95bn	6.2 x	10.4 x
Jun 2011	Polkomtel	Poland	Zygmunt Solorz-Zak	100% acquisition	€4.5bn	6.5 x	na
Dec 2011	Orange Switzerland	Switzerland	Apax Partners	100% acquisition	€1.6bn	6.5 x	11.1 x
Feb 2012	Orange Austria	Austria	Hutchison (UK)	100% acquisition	€1.3bn	7.4 x	na
Apr 2013	Global and Germanos	Bulgaria	Telenor (Norway)	100% acquisition	€717m	5.8 x	9.3 x
Jul 2013	E-Plus Mobilfunk	Germany	Telefonica (Spain)	stock/cash merger	€8.1bn	9.0 x	27.0 x
				Max		9.0 x	27.0 x
				Median		6.5 x	10.8 x
				Average		6.9 x	14.5 x
				Min		5.8 x	9.3 x

Source: Companies' Financial Reports; UBS Equity Research; Millennium BCP Equity Research

Exhibit 11: Zon and Sonaecom Stock Price Evolution



Source: Google Finance (for all three charts); Zon's number of shares: 309,096,828; Sonaecom's number of shares: 366,246,868

Exhibit 12: Deal Structure

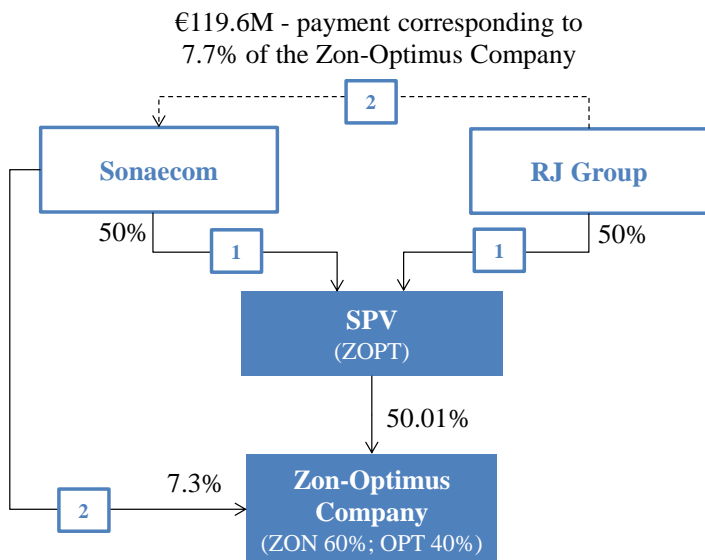
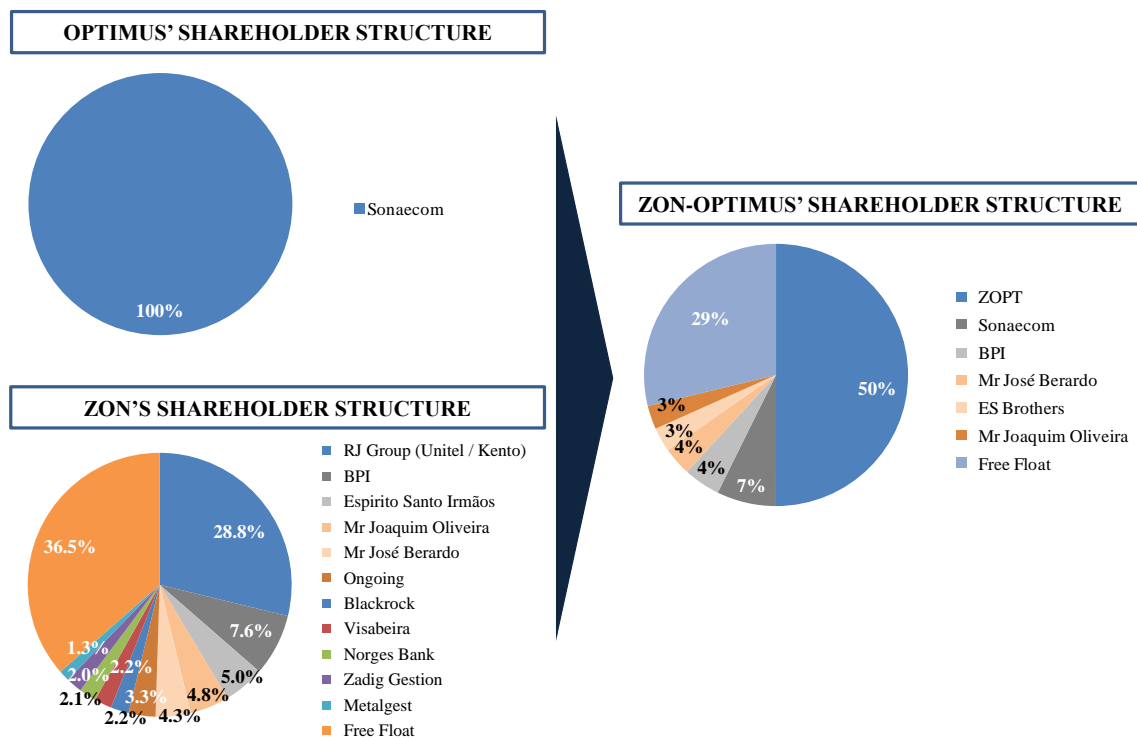


Exhibit 13: Zon-Optimus Shareholder Structure



Source: Zon-Optimus

Exhibit 14: Zon-Optimus' Pro-Forma Consolidated Financials vs Main Competitors

Zon-Optimus's Pro-forma Consolidated Financials			Portugal Telecom	Vodafone Portugal
Unit: EUR Millions (except when specified)	2011A	2012A	2012A	2012A
Total Op. Revenues	1,615.6	1,583.8	6,598.8	1,231.8
<i>Growth Rate (%)</i>	-	-2.0%	-	-
<i>ARPU (€)</i>	35.7	34.5	31.6 (residential); 23.8 (corporate) 8.7 (personal)	13.1
EBITDA	542.9	555.5	2,268.7	399.9
<i>Margin (%)</i>	33.6%	35.1%	34.4%	32.5%
EBIT	181.6	200.2	819.8	211.5
<i>Margin (%)</i>	11.2%	12.6%	12.4%	17.2%
Net Income	106.3	124.1	230.3	135.0
<i>Margin (%)</i>	6.6%	7.8%	3.5%	11.0%
Fixed Assets	n.a.	2,490.3	13,806.8	801.6
Total Assets	n.a.	3,274.4	20,095.7	1,083.2
Total Equity	n.a.	1,075.7	2,854.0	372.6
Long-Term Debt	n.a.	948.2	9,385.8	235.0
Short-Term Debt	n.a.	450.4	1,712.8	0.0
Cash	n.a.	341.8	3,387.3	94.4
Net Debt	n.a.	605.0	7,711.2	140.6
<i>Net Debt / EBITDA (x)</i>	n.a.	1.1 x	3.4 x	0.4 x
<i>Net Debt / [EBITDA-Capex] (x)</i>	n.a.	2.0 x	8.1 x	0.6 x
<i>Net Debt / (Net Debt + Equity) (%)</i>	n.a.	36.0%	73.0%	27.4%
Capex	n.a.	252.0	1,316.8	158.7
<i>% Total Revenues</i>	n.a.	15.9%	20.0%	12.9%

Source: Zon-Optimus' Informative Document for the Admission to Trading of New Shares (CMVM) // Portugal Telecom and Vodafone Portugal's Financial Reports // Portugal Telecom's 2012 Accounts consider the proportional consolidation of Oi and Contax

Exhibit 15: Zon and Optimus Main Stand-Alone Projections

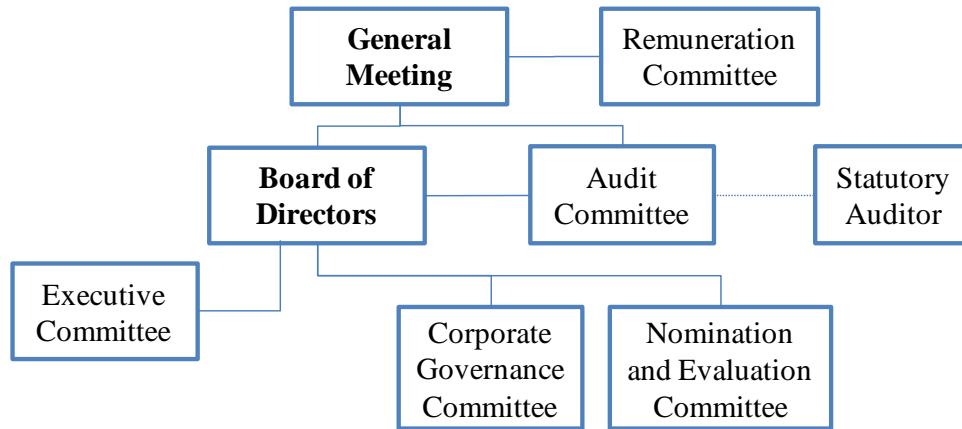
Main Stand-Alone Projections					
Unit: EUR Millions (except when specified)					
		2013E	2014E	2015E	2016E
Zon Portugal (Stand-Alone Projections)	Turnover	817.6	819.5	839.8	863.9
	EBITDA	316.0	322.2	330.7	341.4
	<i>EBITDA margin</i>	<i>38.6%</i>	<i>39.3%</i>	<i>39.4%</i>	<i>39.5%</i>
	EBIT	98.8	94.8	112.1	125.4
	Net Working Capital	-4.2	-0.3	-1.3	-1.3
	Capex	114.9	140.1	141.7	130.7
<i>Cost of Debt: 6.63%; Risk Free + Country Risk Premium: 5.6%; Beta Levered: 1.18; Market Risk Premium: 6%; Taxes: 24.5%; Target Debt to Capital Ratio: 30%</i>					
Zon Africa (Stand-Alone Projections)	Turnover	148.0	185.0	204.0	207.0
	EBITDA	30.0	46.0	61.0	62.0
	<i>EBITDA margin</i>	<i>20.3%</i>	<i>24.9%</i>	<i>29.9%</i>	<i>30.0%</i>
	EBIT	27.3	40.7	53.0	52.1
	Net Working Capital	0.7	0.9	1.0	1.0
	Capex	10.3	13.0	14.3	14.5
<i>Cost of Debt: 8.0%; Risk Free + Country Risk Premium: 8.5%; Beta Levered: 1.30; Market Risk Premium: 7%; Taxes: 30%; Target Debt to Capital Ratio: 30%</i>					
Optimus (Stand-Alone Projections)	Turnover	677.0	684.0	697.0	706.0
	EBITDA	234.0	238.0	245.0	252.0
	<i>EBITDA margin</i>	<i>34.6%</i>	<i>34.8%</i>	<i>35.2%</i>	<i>35.7%</i>
	EBIT	90.0	92.0	103.0	105.0
	Net Working Capital	-14.0	-5.0	-5.0	-4.0
	Capex	111.0	122.0	125.0	127.0
<i>Cost of Debt: 6.63%; Risk Free + Country Risk Premium: 5.6%; Beta Levered: 1.18; Market Risk Premium: 6%; Taxes: 24.5%; Target Debt to Capital Ratio: 30%</i>					

Source: BPI Equity Research; Millennium BCP Equity Research

Note: By the end of 2012, Optimus accounted for € 58 Million of Tax Credits.

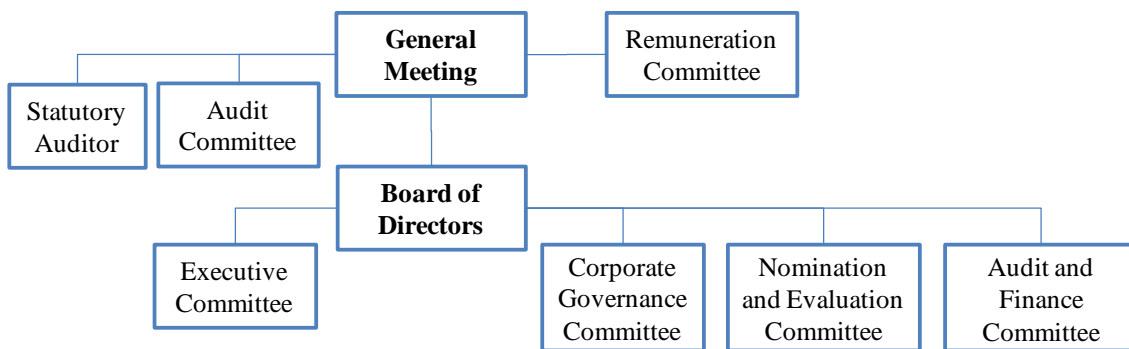
Exhibit 16: Corporate Governance Structures

16A: Zon’s Pre-Merger Corporate Governance Structure



Source: Zon Optimus’ Corporate Governance Report

16B: Zon-Optimus’ Post-Merger Corporate Governance Structure



Source: Zon Optimus’ Corporate Governance Report

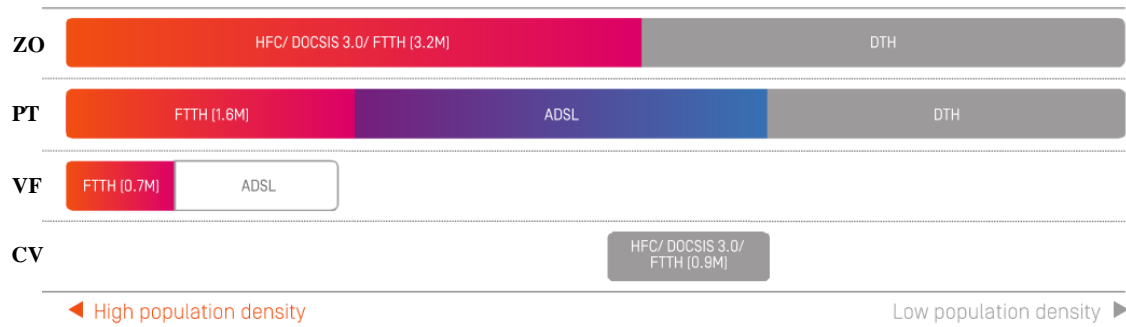
Exhibit 17: Broadband network coverage - Portugal vs EU

Broadband network coverage						
% houses' covered	DSL	Cable (Standard)	EuroDOCSIS	FTTP	HSPA	Total NGA
Portugal	99%	77%	76%	46%	94%	78%
European Union (27)	92%	43%	40%	12%	96%	54%

Source: Anacom

DSL - Digital Subscriber Line; FTTP - Fibre to the Premises; HSPA - High Speed Packet Data Access; NGA - Next Generation Access Networks

Exhibit 18: Zon-Optimus' Fixed Network Technologies vs Main Competitors

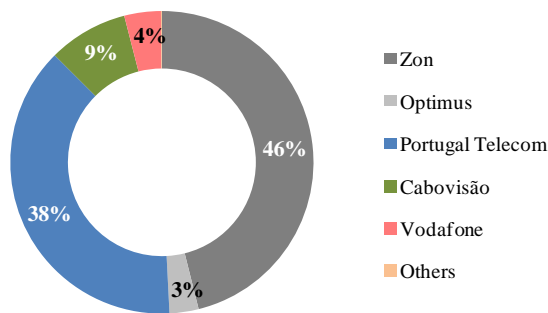


Source: Zon-Optimus' Strategic Document

ZO - Zon-Optimus; PT - Portugal Telecom; VF - Vodafone Portugal; CV – Cabovisão

HFC - Hybrid Fiber-Coax, which integrates fiber optic cables and devices with coaxial cables (at that time HFC presented lower deploying and maintenance costs than FTTH)

Exhibit 19: Multiple Play Market Shares



Source: Anacom

Exhibit 20: Rebranding Zon + Optimus = Nos



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