BUNDLES OF SERVICES

ELECTRONIC COMMUNICATIONS

1ST QUARTER 2015

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HIGHLIGHTS

- In 1Q15, there were 3 million subscribers to bundled offers in Portugal (an increase of 2.6 percent over the previous quarter and 12 percent year-on-year)[1].

  It is estimated that about 74 out of every 100 private households had a multiple-play bundle in 1Q15 (an increase of 7 percentage points versus 1Q14).

- Triple/quadruple/quintuple-play bundles represent 82.9 per cent of total bundled offers. The most commonly used bundles are triple-play bundles (44.4 percent), followed by quintuple-play bundles (35.7 percent), as the combination that has grown most in recent quarters.

- Revenues from bundles of services totalled around 360 million euros in the first quarter of 2015. Average monthly revenue was reported at 40.33 euros per subscriber.

  According to Marktest's Barómetro de Telecomunicações (Telecommunications Barometer), in 1Q15, the average household monthly bill for bundled offers was 52.15 euros including VAT (an increase of 4.9 per cent compared to 2014).

- In terms of number of subscribers, MEO is the provider with the largest share of bundled services (43.7 percent 1Q15), followed by Grupo NOS (38.5 percent), Vodafone (10.9 percent) and Grupo Altice (6.9 percent). Grupo NOS leads among double-play, triple-play and quadruple-play bundles, while MEO leads in quintuple-play bundles.

  In revenue terms, MEO reports a share of 46.7 percent, followed by Grupo NOS (37.1 percent).

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[1] Bundles which include mobile services only are not covered by this report

1. Providers of bundled services

During 1st quarter 2015 (1Q15), there were 12 undertakings offering bundles of electronic communication services (at a fixed location)[2], in line with the previous quarter (Table 1).

Table 1 - Undertakings with bundled offers – 1st quarter 2015

Provider name
CABOVISÃO – Televisão por Cabo, S.A.
COLT Technology Services, Unipessoal, Lda.
CYCLOP NET – Informática and Telecomunicações, Lda.
IPTV TELECOM – Telecomunicações, Lda.
MEO – Serviços de Comunicações and Multimédia, S.A. [3]
NOS Açores – Comunicações, S.A
NOS Madeira – Comunicações, S.A
NOS – Comunicações, S.A.
ONITELECOM – Infocomunicações, S.A.
STV – Sociedade de Telecomunicações do Vale do Sousa, S.A.
UNITELDATA – Telecomunicações, S.A.
VODAFONE PORTUGAL – Comunicações Pessoais, S.A.

Source: ANACOM

There are currently eight providers offering bundles with three or more services (triple/quadruple/quintuple-play).

[2] In accordance with the concepts of statistical compilation used by ICP-ANACOM, up until 2010 bundles of services were considered as comprising all commercial offers from a single provider which include two or more services and which have an integrated tariff and single bill. Between 2011 and 2013, the definition used for a bundle of services became that of a commercial offer from a single provider which includes two or more services, sold as a single offer with a single bill. From 2014, the reference to "a single provider" was deleted. (ANACOM determination of 27 March 2014: http://www.anacom.pt/render.jsp?contentId=1196172&languageId=1).

Furthermore, until 2Q14, the bundles reported by providers did not consider the plafond of "Internet on mobile phone" as an additional service. This changed from 2Q14. However, no alteration was made in accordance with this position to subscriber numbers and revenues as reported in previous periods.

[3] On 29 December 2014, MEO - Serviços de Comunicações e Multimédia, S.A was acquired by PT Comunicações, S.A. - PT Comunicações, S.A. then changed its name to MEO - Serviços de Comunicações e Multimédia, S.A.

Table 2 – Number of providers of bundles of services by type of offer

	1Q14	4Q14	1Q15
Multiple-play bundles	13	12	12
Double-play bundles	13	12	12
of which: FTS+FBB	8	8	8
of which: FTS+STV	9	8	8
of which: FBB+STV	8	8	8
Triple/quadruple/quintuple-play bundles	9	8	8

Unit: Number of providers

Source: ANACOM

Note: FTS – Fixed telephone service; FBB – Fixed broadband; STV - subscription TV. The other services covered are MTS - Mobile Telephone Service and MBB - Mobile Broadband Service (includes service supported by cards/modem, known as “Mobile phone Internet”).

2. Number of subscribers and penetration of bundled services

In 1Q15, there were 3.0 million subscribers to bundled offers in Portugal (an increase of 2.6 percent compared to the previous quarter and an increase of 12 percent compared to the same quarter of 2014).

This growth has been driven by triple/quadruple/quintuple-play bundles (representing 82.9 percent of all subscribers to bundled offers), while the number of double-play subscribers has declined. There were 2.5 million subscribers to triple/quadruple/quintuple-play bundles in 1Q15, increasing 3.5 percent over the quarter and by 19.7 percent over the last 12 months.

Table 3 – Number of subscribers to bundles of services, by type

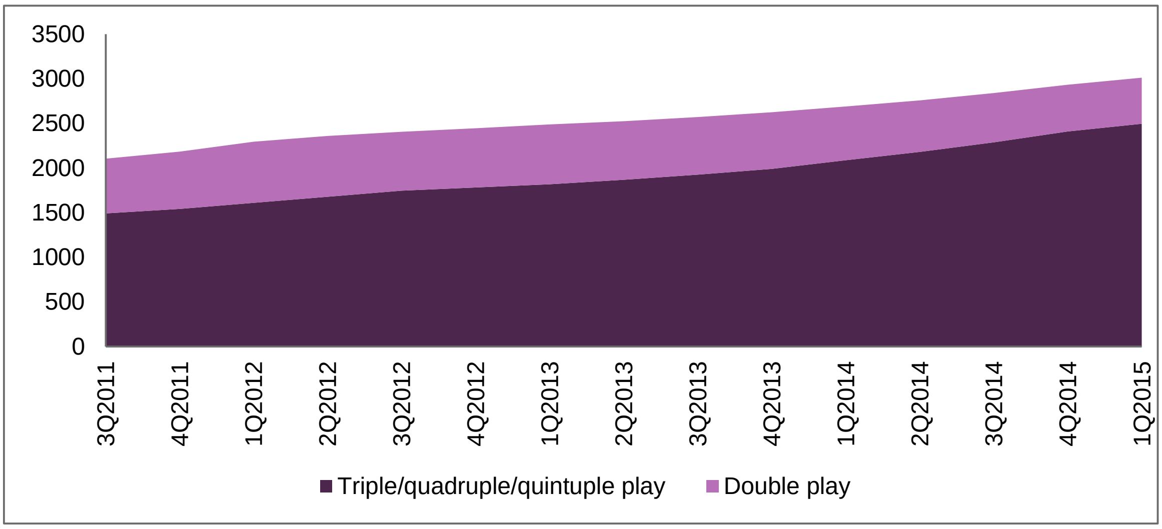
	1Q14	4Q14	1Q15	Quarterly variation	Annual variation
Multiple-play bundles	2 690	2 935	3 013	2.6%	12.0%
Double-play bundles	603	523	516	-1.4%	-14.5%
of which: FTS+FBB	144	126	123	-2.3%	-14.3%
of which: FTS+STV	398	346	344	-0.6%	-13.4%
of which: FBB+STV	58	51	48	-4.7%	-16.8%
Triple/quadruple/quintuple-play bundles	2 087	2 412	2 497	3.5%	19.7%

Units: thousands of subscribers, %

Source: ANACOM

Note: FTS – Fixed telephone service; FBB – Fixed broadband; STV - subscription TV. The other services covered are MTS - Mobile Telephone Service and MBB - Mobile Broadband Service (includes service supported by cards/modem, known as "Mobile phone Internet”).

Graph 1 – Trend in number of subscribers to bundles of services, by type



Units: thousands of subscribers

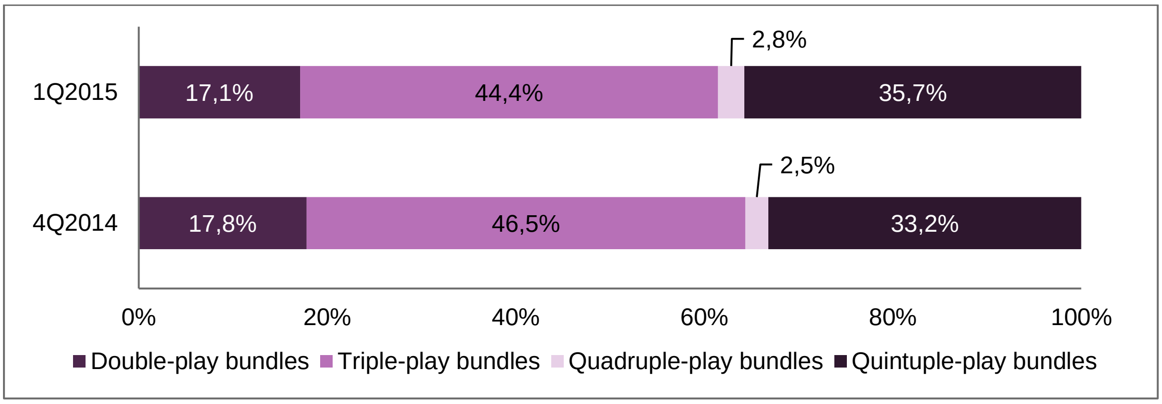
Source: ANACOM

In terms of penetration, 74 out of every 100 private households had a multiple-play bundle in 1Q15 (+1.9 percentage points versus the previous quarter and +7 percentage points versus 1Q14).

It is estimated that 61.5 percent of private households have a triple/quadruple/quintuple-play bundle of services.

In 1Q15, triple-play bundles were the most popular combination (44.4 percent), followed by quintuple-play bundles (35.7 percent), which is the combination that has been growing most in recent quarters. Quintuple-play reported the largest increase in relative importance (+2.5 percentage points versus 4Q14), while triple-play bundles reported the largest decline in relative importance (-2.2 percentage points versus 4Q14).

Graph 2 – Distribution of customers with multiple-play bundles of services, by type of bundle



Unit: %

Source: ANACOM

The growth in quintuple-play stems partly from the launch of new offers at the end of 2Q14 and during 3Q14 which include mobile services, including "4P bundles", priced at around 50 euros, and which include the fixed telephone service (FTS), the fixed broadband service (FBB), subscription TV (STV), the mobile telephone service (MTS) and mobile phone Internet access (with the option of including up to four users of mobile services in the bundle), and "5P bundles", which additionally include mobile broadband (MBB) using cards/modem.

During 3Q14, new offers appeared with 2P and 3P bundles including the mobile telephone service for one user: STV+FTS+MTS and STV+MTS.

In 4Q14, quadruple-play bundles were launched, in which “Mobile phone Internet” traffic is shared among various users in the same bundle.

The reported increases result, in part, from upgrades from bundles with fewer services or upgrades from single-play offers.

3. Revenues and average monthly bills for bundled services

In 1st quarter 2015, revenues from bundled services totalled around 360 million euros.

Table 4 - Revenues from bundles of services, by bundle type

	January - March 2014	January - March 2015	Annual variation
Multiple-play bundles	268 770	359 804	33.9%
Double-play bundles	44 378	37 699	-15.0%
of which: FTS+FBB	11 068	8 469	-23.5%
of which: FTS+STV	28 531	25 537	-10.5%
of which: FBB+STV	4 590	3 662	-20.2%
Triple/quadruple/quintuple-play bundles	224 392	322 105	43.5%

Units: thousands of euros (excl. VAT), %

Source: ANACOM

Note 1: FTS – Fixed telephone service; FBB – Fixed broadband; STV - subscription TV. The other services covered are MTS - Mobile Telephone Service and MBB - Mobile Broadband Service (includes service supported by cards/modem, known as "Mobile phone Internet").

Note 2: Until 4Q14, revenues derived from the mobile component of bundles sold by MEO were included in Mobile Service revenues.

Average monthly revenue per triple/quadruple/quintuple-play subscriber was reported at 40.33 euros.

Table 5 – Average monthly revenue per subscriber to bundles of services, by bundle type

	January - March 2014	January - March 2015	Annual variation
Multiple-play bundles	33.70	40.33	19.7%
Double-play bundles	23.87	24.18	1.3%
of which: FTS+FBB	25.11	22.65	-9.8%
of which: FTS+STV	23.18	24.65	6.4%
of which: FBB+STV	26.06	24.57	-5.7%
Triple/quadruple/quintuple-play bundles	36.69	43.75	19.2%

Unit: euros (excl. VAT), %

Source: ANACOM

Note 1: Calculation of average monthly revenue based on average number of subscribers during respective quarter.

Note 2: FTS – Fixed telephone service; FBB – Fixed broadband; STV - subscription TV. The other services covered are MTS - Mobile Telephone Service and MBB - Mobile Broadband Service (includes service supported by cards/modem, known as "Mobile phone Internet").

Note 3: Until 4Q14, revenues derived from the mobile component of bundles sold by MEO were included in Mobile Service revenues.

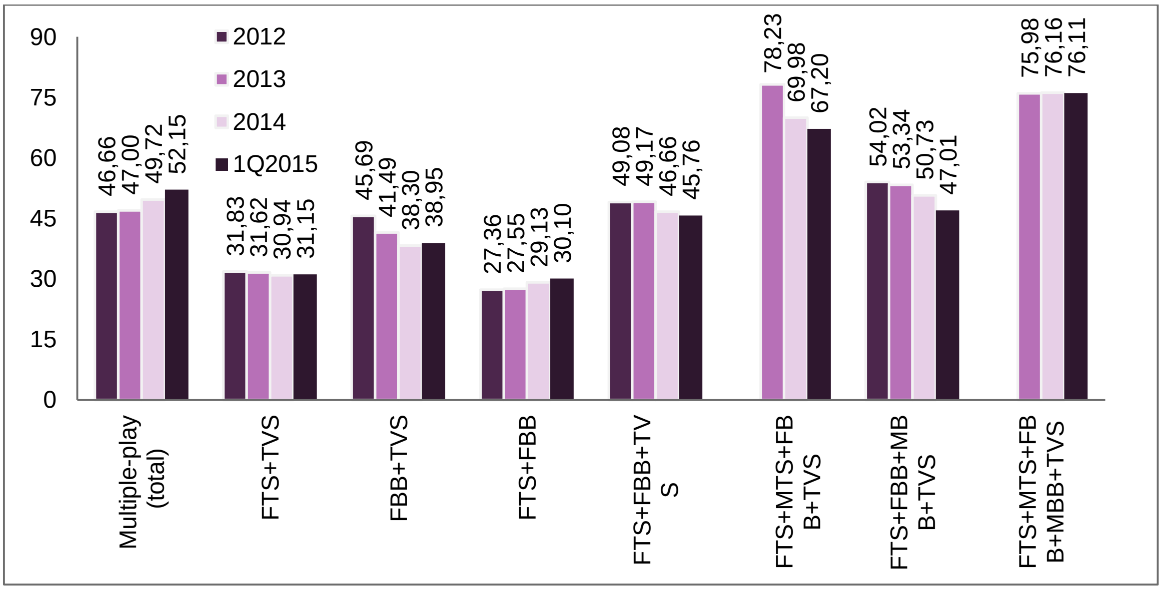
The variations reported in total and unit revenues, in particular as regards triple/quadruple/quintuple-play bundles, partly reflect the inclusion, as of the present quarter, of revenues derived from the mobile component of bundles sold by MEO, following the merger which took place at the end of 2014.[4]

Average household monthly bill

According to Marktest's Barómetro de Telecomunicações (Telecommunications Barometer), in 1st quarter 2015, the average monthly bill charged to households with bundles of services was 52.15 euros including VAT.

The average monthly bill increased 7 percent versus 1Q14 and by 4.9 percent versus the 2014 average.

Graph 3 – Average monthly bills charged to residential customers with multiple-play offers



Unit: euros (com IVA)

Source: ICP-ANACOM based on microdata from Marktest, 2012, 2013, 2014 and 1Q2015

Base: Total homes with multiple-play bundles (non-responses not counted)

Note 1: Margins of error in averages not exceeding 6 percent

Note 2: The "Multiple-play (total)" category refers to average monthly bills of residential customers with bundles of services, including combinations not reported in the Graph due to low sample size.

Note 3: In Marktest's Barómetro de Telecomunicações (Telecommunications Barometer), MBB in the bundle does not include mobile phone Internet access.

Note 4: FTS – Fixed telephone service; FBB – Fixed broadband; STV - subscription TV; MTS – Mobile telephone service; MBB – Mobile broadband.

[4] Up until 4Q14, revenues derived from the mobile component of bundles sold by MEO were reported as revenues from Mobile Services. As from 1Q15, revenues derived from the mobile component of the monthly charges for "bundles of services" reported by MEO are reflected in the revenues indicator for bundles. As such the values reported for revenues from bundles are not comparable with previously reported values.

4. Offer structure and provider switching

MEO remains the leading provider of bundled services in terms of number of subscribers, with a share of 43.7 percent in 1Q15, followed by Grupo NOS (38.5 percent), Vodafone (10.9 percent) and Grupo Altice (6.9 percent).

Table 6 – Provider shares of subscribers to services provided in multiple-play bundles

	1Q14	4Q14	1Q15	Quarterly variation (p.p)	Annual variation (p.p)
PT Comunicações / MEO[5]	44.3	44.2	43.7	-0.5	-0.6
Grupo NOS	39.6	38.3	38.5	0.2	-1.1
NOS Comunicações	:	35.7	35.9	0.2	:
NOS Madeira	:	1.8	1.7	0.0	:
NOS Açores	:	0.9	0.9	0.0	:
Vodafone	7.6	10.1	10.9	0.8	3.3
Grupo Altice	8.4	7.3	6.9	-0.4	-1.5
Other providers	0.1	0.1	0.1	0.0	0.0

Unit: %, p.p

Source: ANACOM

Note: There are certain operators which are active in specific market segments. The relative position of the operators in this table should not be taken as an indicator of the quality of the services provided or of the performance of these operators in the segments in which they operate.

According to available information, Grupo NOS leads in double-play, triple-play and quadruple-play bundles, while MEO leads when it comes to quintuple-play.

[5] On 29 December 2014, MEO - Serviços de Comunicações e Multimédia, S.A was acquired by PT Comunicações, S.A. - PT Comunicações, S.A. then changed its name to MEO - Serviços de Comunicações e Multimédia, S.A.

Table 7 – Provider shares of subscribers to services provided in multiple-play bundles by bundle type – 1Q15

	Multiple-play	*Double-play*	*Triple-play*	*Quadruple-play*	*Quintuple-play*
MEO5	43.7	35.7	34.5	19.1	60.8
Grupo NOS	38.5	41.6	38.8	73.5	34.0
NOS Comunicações	35.9	38.8	35.1	54.2	34.0
NOS Madeira	1.7	1.7	2.2	16.0	0.0
NOS Açores	0.9	1.1	1.4	3.3	0.0
Vodafone	10.9	7.2	17.1	7.5	5.3
Grupo Altice	6.9	15.2	9.6	0.0	0.0
Other providers	0.1	0.2	0.1	0.0	0.0

Unit: %

Source: ANACOM

Note 1: There are certain operators which are active in specific market segments. The relative position of the operators in this table should not be taken as an indicator of the quality of the services provided or of the performance of these operators in the segments in which they operate.

Note 2: : The classification of offers as triple-play, quadruple-play and quintuple-play is not necessarily identical to the classification used by the providers, since, in accordance with definitions in effect at EU level, ANACOM considers “Mobile phone Internet access” as a separate service.

In revenue terms, MEO was the leading provider of bundled services in 1Q15, with a 46.7 percent share, followed by Grupo NOS (37.1 percent), Vodafone (9.8 percent) and Grupo Altice (6.3 percent).

Table 8 – Provider shares of bundled service revenues

	1Q14	4Q14	1Q15	Quarterly variation (p.p)	Annual variation (p.p)
PT Comunicações / MEO5	42.9	41.6	46.7	5.1	3.8
Grupo NOS	44.2	43.1	37.1	-6.0	-7.1
NOS Comunicações	:	40.3	35.1	-5.2	:
NOS Madeira	:	1.8	1.1	-0.7	:
NOS Açores	:	1.0	0.8	-0.2	:
Vodafone	5.7	8.8	9.8	1.0	4.1
Grupo Altice	7.1	6.4	6.3	-0.1	-0.8
Other providers	0.1	0.1	0.1	0.0	0.0

Unit: %, p.p

Source: ANACOM

Note 1: There are certain operators which are active in specific market segments. The relative position of the operators in this table should not be taken as an indicator of the quality of the services provided or of the performance of these operators in the segments in which they operate.

Note 2: Until 4Q14, revenues derived from the mobile component of bundles sold by MEO were included in Mobile Service revenues.

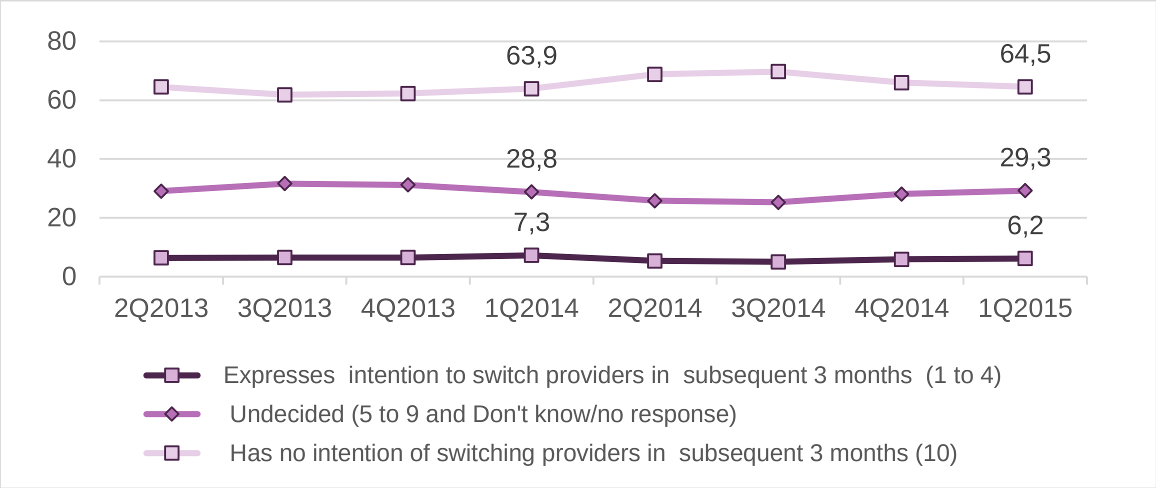
As referenced above, the variations reported in provider revenue shares partly reflect the inclusion, as of the present quarter, of revenues derived from the mobile component of bundles sold by MEO, following the merger which took place at the end of 2014.4

Provider switching

According to Marktest's Barómetro de Telecomunicações (Telecommunications Barometer)[6], in 1st quarter 2015, around 6.2 percent of customers receiving bundled services expressed an intention to switch providers in the ensuing 3 months and 64.5 percent reported having no such intention (-1.4 percentage points versus 1Q14 and +0.6 percentage points versus 4Q14).

[6] The Barómetro de Telecomunicações (Telecommunications Barometer) is a regular study conducted by Marktest for the telecommunications sector. The universe of the Barómetro de Telecomunicações - Rede Fixa (Telecommunications Barometer - Fixed network) comprises dwellings in mainland Portugal or in the Autonomous Regions of Madeira and the Azores. A sample is compiled on a monthly basis which is proportional to and representative of the study's universe.

Graph 4 – Intention among residential customers to switch provider of bundled service in the ensuing 3 months



Unit: %

Source: ICP-ANACOM based on microdata from Marktest, 2Q2013 to 1Q2015

Note 1: Scale of original responses: 1 "Will definitely switch", …, 10 "Will definitely not switch"

Note 2: Key to symbols on estimates: (#) Unreliable estimate; (*) Acceptable estimate; (no symbol) Reliable estimate[7].

[7] The coefficient of variation is considered as sampling error indicator, based on the variance of the "proportion" of a simple random sample. The following classification is considered: reliable estimate when the coefficient of variation is less than 10 percent; acceptable estimate when the coefficient of variation is greater than or equal to 10 percent and less than 25 percent; unreliable estimate when the coefficient of variation is greater than or equal to 25 percent. The accuracy of estimates depends not only on sample size but is also affected by the value of the estimate itself (for example, for a fixed-size sample, the reliability measured by the coefficient of variation increases as the estimate value decreases).