BUNDLES OF SERVICES

- ELECTRONIC COMMUNICATIONS

(at a fixed location)

2ND QUARTER 2014

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HIGHLIGHTS

- In 2nd quarter 2014 (2Q14) there were 2.8 million subscribers to bundled offers in Portugal (an increase of 2.5 percent versus the previous quarter and an increase of 2.2 percent versus 2Q13).

  About 69 in every 100 private households had a multiple-play bundle in 2Q14 (6 percentage points more than in 2Q13). More than half of households (54 out of every 100) had a triple/quadruple/quintuple-play bundle.

- Triple/quadruple/quintuple-play bundles make up 79 percent of all bundled offers. The most commonly used bundle is the triple-play bundle (50.3 percent). In 2Q14, the quadruple-play bundle with mobile voice (FTS+MTS+FBB+STV) became the second most commonly used bundle (17.1 percent).

- Revenues derived from bundled services totalled about 554 million euros in the 1st half of 2014 (an increase of 9.9 percent versus the same period of 2013). Average monthly revenue per FTS+STV double-play bundle subscriber was reported at 22.70 euros. Average monthly revenue per subscriber to triple/quadruple/quintuple-play bundles reached 37.47 euros (an increase of 0.9 percent versus a year earlier).

  According to Marktest's Barómetro de Telecomunicações (Telecommunications Barometer), in 2Q14, the average monthly bill of family households with bundled offers was 49.79 euros (ranging between 27.99 for FTS+FBB double-play bundles and 79.71 euros for quintuple-play bundles).

- In terms of subscriber numbers, PT Comunicações is the provider with the largest share of bundled services (44.4 percent in 2Q14), followed by Grupo NOS (38.8 percent), Vodafone (8.6 percent) and Cabovisão (8.1 percent).

  In terms of revenues, Grupo NOS is the leading provider (43.4 percent).

  Vodafone is the provider that has reported the largest increase in its share of bundled services in recent quarters, both in terms of subscribers (with an increase of 4.3 percentage points compared to 2Q13) and in terms of revenues (with an increase of 3.7 percentage points compared to 2Q13). In 2Q14, Vodafone became the 3rd largest provider of bundled services (in terms of subscribers and revenues).

1. Providers of bundled services

During 2nd quarter 2014 (2Q14), there were 12 undertakings offering bundles of electronic communication services (at a fixed location)[1] - fewer than during the previous quarter due to the acquisition of Zon TV Cabo by Optimus, which changed its name to NOS Comunicações[2].

Table 1 - Undertakings with bundled offers – 2nd quarter 2014

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

Source: ICP-ANACOM

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

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[1] 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).

Furthermore, until 2014, 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.

[2] On 16 May 2014, Zon TV Cabo Portugal, S.A. was acquired by Optimus - Comunicações, S.A., and on the same date, Optimus - Comunicações, S.A changed its name to NOS Comunicações, S.A.. On 24 June 2014, ZON TV Cabo Madeirense changed its name to NOS Madeira – Comunicações, S.A and ZON TV Cabo Açoreana changed its name to NOS Açores – Comunicações, S.A., making up Grupo NOS.

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

	2Q13	1Q14	2Q14
Multiple-play bundles	13	13	12
Double-play bundles	13	13	12
of which: FTS+FBB	8	8	8
of which: FTS+STV	9	9	8
of which: FBB+STV	8	8	8
Triple/quadruple/quintuple-play bundles	9	9	8

Unit: number of providers

Source: ICP-ANACOM

At the beginning of 2nd quarter 2014, ZON Optimus (as then known) started to make offers available in regions with satellite coverage, supported by 4G.

2. Number of subscribers and penetration of bundled services

In 2Q14, there were almost 2.8 million subscribers to bundled offers in Portugal (an increase of 2.5 percent compared to the previous quarter and an increase of 2.2 percent compared to the same quarter of 2013).

Triple/quadruple/quintuple-play bundles have made a significant contribution to this growth, with 2.2 million subscribers in 2Q14 (79 percent of all subscribers to bundled offers), and with growth this quarter reported at 4.6 percent.

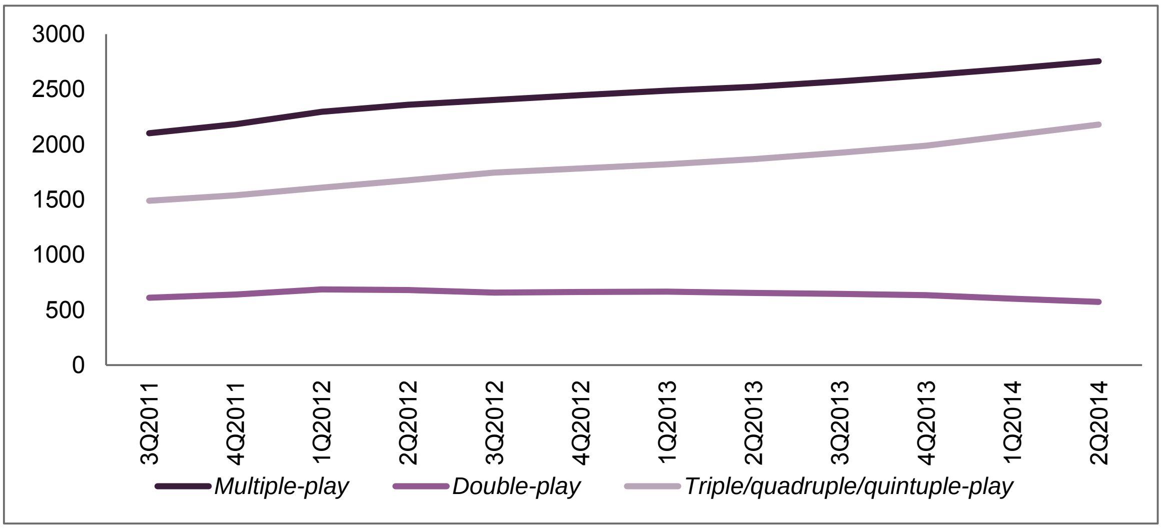
Table 3 –Number of subscribers to bundles of services, by type

	2Q13	1Q14	2Q14	Quarterly variation	Annual variation
Multiple-play bundles	2 525	2 690	2 757	2.5%	2.2%
Double-play bundles	656	603	574	-4.9%	-3.3%
of which: FTS+FBB	156	144	134	-6.6%	-3.7%
of which: FTS+STV	436	398	383	-3.5%	-3.2%
of which: FBB+STV	62	58	56	-4.4%	-2.5%
Triple/quadruple/quintuple-play bundles	1 869	2 087	2 183	4.6%	4.0%

Units: thousands of subscribers, %

Source: ICP-ANACOM

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



Units: thousands of subscribers
Source: ICP-ANACOM

In terms of penetration, 69 out of every 100 private households had a multiple-play bundle in 2Q14 (+1.7 percentage points versus a year earlier), while, it is estimated that over half of private households had a triple/quadruple/quintuple-play bundle of services (54 out of 100). Double-play bundles are the least used and have been declining in relative importance.

Table 4 – Penetration rate of subscribers to bundled offers per 100 households

	2Q13	1Q14	2Q14	Quarterly variation	Annual variation
Multiple-play bundles	62.8	67.2	68.8	1.7	6.0
Double-play bundles	16.3	15.1	14.3	-0.7	-2.0
of which: FTS+FBB	3.9	3.6	3.3	-0.2	-0.5
of which: FTS+STV	10.9	9.9	9.6	-0.4	-1.3
of which: FBB+STV	1.5	1.5	1.4	-0.1	-0.1
Triple/quadruple/quintuple-play bundles	46.5	52.1	54.5	2.4	8.0

Units: number of offers per 100 private households, percentage points

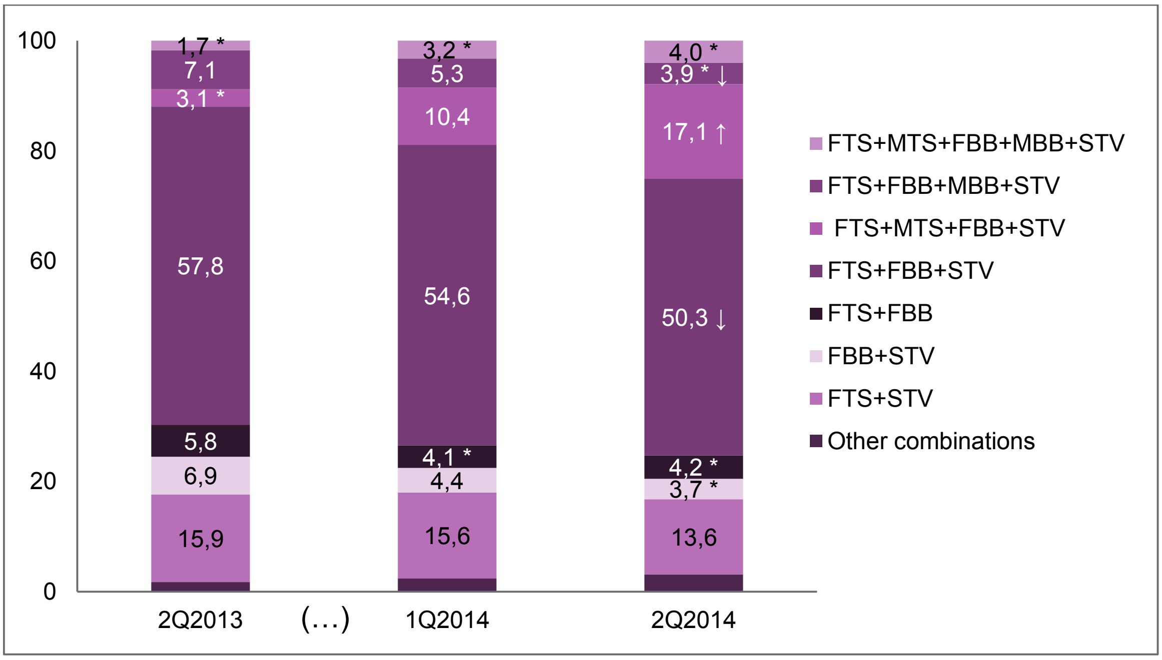
Source: ICP-ANACOM

Note: Use was made of the annual estimates of private households provided by INE (Statistics Portugal).

According to Marktest's Barómetro de Telecomunicações (Telecommunications Barometer)[3], triple-play bundles are the most popular among residential customers (50.3 percent), although significantly less so since the beginning of 2014.

In 2nd quarter 2014, the quadruple-play bundle with the mobile voice service (FTS+MTS+FBB+STV)[4] become the second most popular combination (17.1 percent), increasing sharply from the previous quarter (+6.7 percentage points as a proportion of total residential customers with bundles of services).

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



Unit: %

Source: ICP-ANACOM based on microdata from Marktest's Barómetro de Telecomunicações (Telecommunications Barometer), 2Q2013, 1Q2014 and 2Q2014

Base: All homes with multiple-play bundled offers (non-responses not considered)

Note 1: Key to symbols on estimates: (#) Unreliable estimate; (*) Acceptable estimate; (no symbol) Reliable estimate

Note 2: The upward pointing arrow signals a statistically significant increase between the two periods (1Q2014 and 2Q2014) and a downward arrow signals a statistically significant decrease between the two periods, through the statistical test of the difference between two proportions for large and independent samples, considering a 95 percent confidence level.

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

[3] In 2nd quarter 2014, around 67 percent of homes had a bundle of services, according to data from Marktest's Barómetro de Telecomunicações (Telecommunications Barometer).

[4] These quadruple-play bundles may include mobile phone Internet access, since this is not considered by Marktest as MBB.

3. Revenues and average monthly bills for bundled services

In the first half of 2014, revenues from bundled services reached around 554 million euros (+9.9 percent versus the same period of 2013). This increase was driven by the growth in revenues generated by triple/quadruple/quintuple-play bundles.

Table 5 - Revenues from bundles of services, by type

	January - June 2013	January - June 2014	YoY variation
Multiple-play bundles	504 190	554 128	9.9%
Double-play bundles	97 278	85 038	-12.6%
of which: FTS+FBB	24 006	21 235	-11.5%
of which: FTS+STV	60 783	54 924	-9.6%
of which: FBB+STV	12 152	8 669	-28.7%
Triple/quadruple/quintuple-play bundles	406 912	469 090	15.3%

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

Source: ICP-ANACOM

Average monthly revenue per triple/quadruple/quintuple-play subscriber was reported at 37.47 euros (+0.9 percent versus the same period of 2013).

Table 6 – Average monthly revenue per subscriber to bundles of services, by type

	January - June 2013	January - June 2014	YoY variation
Multiple-play bundles	**33.80**	**34.31**	**1.5%**
Double-play bundles	24.56	23.42	-4.6%
of which: FTS+FBB	25.67	24.89	-3.0%
of which: FTS+STV	22.89	22.70	-0.9%
of which: FBB+STV	33.62	25.16	-25.1%
Triple/quadruple/quintuple-play bundles	37.14	37.47	0.9%

Unit: euros (excl. VAT), %

Source: ICP-ANACOM

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

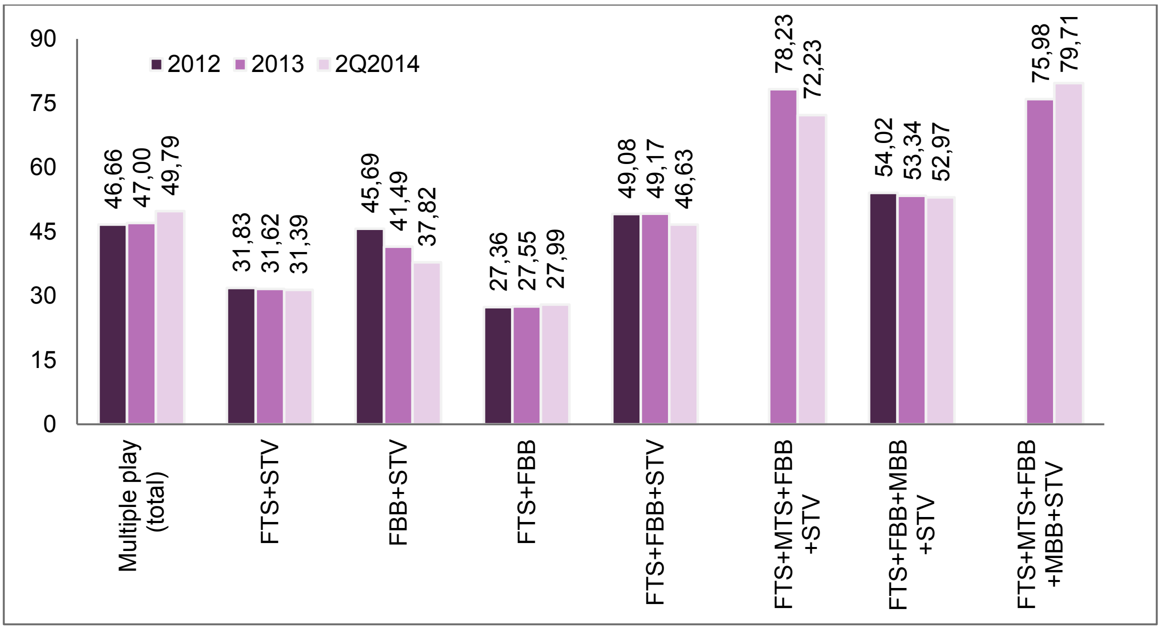
Average monthly bill

According to Marktest's Barómetro de Telecomunicações (Telecommunications Barometer), in 2nd quarter 2014, the average monthly bill charged to households with bundles of services was 49.79 euros (rising from 47 euros per month in 2013).

The average monthly bill ranges between 79.71 euros in the case of quintuple-play (the option that increased most versus 2013) and 27.99 euros in the case of FTS+FBB double-play.

The combinations where bills declined most were double-play (FTS+STV) and quadruple-play (FTS+MTS+FBB+STV), with average bills falling by 8.8 and 7.7 percent, respectively.

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



Unit: euros (incl. VAT)

Source: ICP-ANACOM based on microdata from Marktest's Barómetro de Telecomunicações (Telecommunications Barometer), 2012, 2013 and 2Q2014

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.

4. Offer structure and provider switching

PT Comunicações remains the leading provider of bundled services in terms of number of subscribers, with a share of 44.4 percent in 2Q14, followed by Grupo NOS (38.8 percent), Vodafone (8.6 percent) and Cabovisão (8.1 percent).

Vodafone reported the largest increase in its share of subscribers to multiple-play bundles (+1 percentage point versus the previous quarter and +4.3 percentage points versus 2Q13), becoming the third largest provider of bundled services in terms of subscribers.

The growth at Vodafone was driven by its triple/quadruple/quintuple-play combinations, following the launch, in March 2013, of a TV Net Voice triple-play offer with a monthly charge of 24.90 for 24 months and the Vodafone RED offer, which includes mobile services.

In terms of double-play bundles, Grupo NOS leads the FTS+STV (48.5 percent) and FBB+STV (65.0 percent) combinations. PT Comunicações leads in the FTS+FBB combination (52.3 percent).

PT Comunicações also leads when it comes to triple/quadruple/quintuple-play bundles, with a share of 46.6 percent (-0.2 percentage points versus 1Q14).

Table 7 – Provide shares of subscribers to bundles services in 2nd quarter 2014

	Multiple-play (total)	Double-play				Triple/ quadruple and quintuple play
		Total	FTS + FBB	FTS +STV	FBB + STV	
PT Comunicações	44.4	36.0	52.3	33.1	17.9	46.6
Grupo NOS[5]	38.8	41.5	11.5	48.5	65.0	38.1
NOS	36.0	38.9	11.5	45.2	60.5	35.3
NOS Madeirense	1.8	1.7	:	2.1	3.2	1.8
NOS Açoreana	0.9	0.9	:	1.2	1.4	0.9
Vodafone	8.6	6.7	28.2	0.2	0.1	9.1
Cabovisão	8.1	15.5	7.9	18.2	15.3	6.1
Other alternative providers	0.1	0.2	0.1	0.0	1.7	0.1

Unit: %

Source: ICP-ANACOM

Note: Certain operators 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.

In revenue terms, Grupo NOS was the leading provider of bundled services in 2nd quarter 2014 with a 43.4 percent share, followed by PT Comunicações (41.9 percent), Vodafone (7.8 percent) and Cabovisão (6.8 percent).

Vodafone was also the fastest growing operator in terms of share of multiple-play bundle revenues (+2,1 percentage points versus 1Q14 and +3.7 percentage points versus 2Q13), climbing to 3rd position.

Grupo NOS led in terms of FTS+STV (41.7 percent) and FBB+STV double-play combinations (50.8 percent), with PT Comunicações leading in the FTS+FBB combination (46.2 percent).

In revenue terms, Grupo NOS leads in provision of triple/quadruple/quintuple-play bundles (45 percent).

[5] On 16 May 2014, Zon TV Cabo Portugal, S.A. was acquired by Optimus - Comunicações, S.A., and on the same date, Optimus - Comunicações, S.A changed its name to NOS Comunicações, S.A.. On 24 June 2014, ZON TV Cabo Madeirense changed its name to NOS Madeira – Comunicações, S.A and ZON TV Cabo Açoreana changed its name to NOS Açores – Comunicações, S.A., making up Grupo NOS.

Table 8 – Provider shares of bundled service revenues in 2nd quarter 2014

	Multiple-play (total)	Double play				Triple/ quadruple and quintuple play
		Total	FTS+ FBB	FTS+ STV	FBB+ STV	
Grupo NOS[6]	43.4	34.5	8.7	41.7	50.8	45.0
NOS	40.5	32.9	8.7	39.7	48.3	41.8
NOS Madeirense	1.8	0.6	:	0.7	1.3	2.1
NOS Açoreana	1.1	1.0	:	1.4	1.2	1.1
PT Comunicações	41.9	38.1	46.2	36.3	30.6	42.6
Vodafone	7.8	9.2	35.8	0.3	0.1	7.6
Cabovisão	6.8	17.8	8.6	21.6	16.9	4.8
Other alternative providers	0.1	0.4	0.7	0.0	1.7	0.0

Unit: %

Source: ICP-ANACOM

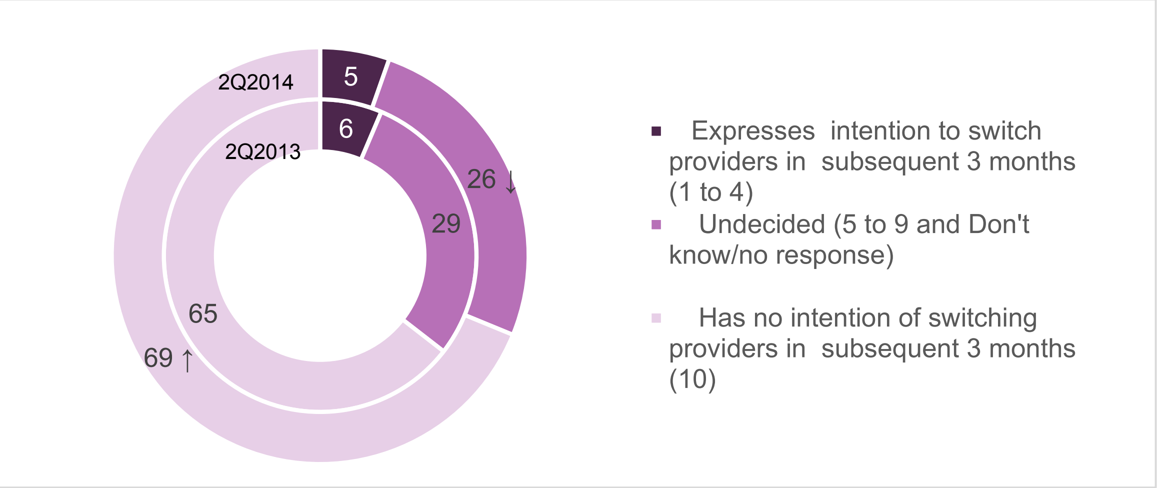
Provider switching

According to Marktest's Barómetro de Telecomunicações (Telecommunications Barometer)[7], in 2nd quarter 2014, around 5 percent of customers receiving bundled services expressed an intention to switch providers in the ensuing 3 months and 69 percent reported having no such intention (+4 percentage points versus 2Q13).

[6] On 16 May 2014, Zon TV Cabo Portugal, S.A. was acquired by Optimus - Comunicações, S.A., and on the same date, Optimus - Comunicações, S.A changed its name to NOS Comunicações, S.A.. On 24 June 2014, ZON TV Cabo Madeirense changed its name to NOS Madeira – Comunicações, S.A and ZON TV Cabo Açoreana changed its name to NOS Açores – Comunicações, S.A., making up Grupo NOS.

[7]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's Barómetro de Telecomunicações (Telecommunications Barometer), 2Q2013 and 2Q2014

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[8].

Note 3: The upward pointing arrow signals a statistically significant increase between the two periods (t-1 and t) and a downward arrow signals a statistically significant decrease between the two periods, through the statistical test of the difference between two proportions for large and independent samples, considering a 95 percent confidence level.

[8] 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).