SUBSCRIPTION TELEVISION SERVICE

STATISTICAL INFORMATION

2ND QUARTER 2015

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HIGHLIGHTS

- At the end of second quarter 2015 (2Q15) there were about 3.43 million[1] subscription TV service (TVS) subscribers in Portugal, an additional 36 thousand subscribers (+1.1 percent) versus the previous quarter and an additional 183 thousand subscribers (+5.6 percent) versus the same quarter of 2014.

- The growth of the service was due mainly to offers based on optical fibre (FTTH/B), where the number of subscribers increased by 6.6 percent over the previous quarter and by 30.1 percent versus the same quarter of the previous year.

  At the end of 2Q15, the cable TV distribution service represented 39.5 percent of all subscribers while xDSL/IP represented 22 percent. Optical fibre (FTTH/B) represents 20.8 percent of total subscribers, and is the technology which has reported the most growth. DTH was used for 17.7 percent of all subscribers, and was the other technology that has reported recent growth.

- It is estimated that about 86.1 percent of subscription TV subscribers received their service as part of a bundle, increasing 2.6 percent in 2Q15.

- Grupo Altice[2] reported the largest share of subscription TV subscribers (47.1 percent), followed by Grupo NOS[3] and Vodafone with shares of 43.7 percent and 9 percent, respectively.

- Total revenues from the subscription TV service (stand-alone and bundles that include this service) totalled 821 million euros up to the end of 2nd quarter of 2015; triple/quadruple/quintuple-play bundles were the main drivers of revenue growth.[4]

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[1] The services provided under the protocols signed between the government of the Republic, the regional governments, ANACOM, NOS Açores and NOS Madeira are not considered for purposes of reporting subscriber numbers and shares; these protocols sought to provide the citizens of the archipelagos with free access to the national mainstream channels as well as enabling gradual migration from analogue to digital technology. The services provided under these protocols covered around 37.4 thousand dwellings in 2Q15 (21.7 thousand in the Azores and 15.6 thousand in Madeira). For this reason, there may be small differences in relation to the number of subscribers and provider shares reported in previous publications which included subscribers covered by this protocol.

2 On 2 June 2015, Altice completed acquisition of 100 percent of the share capital of Portugal, SGPS, owners of MEO - Serviços de Comunicações e Multimédia S.A.

[3] 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.

[4] Up until 4Q14, revenues derived from the mobile component of bundles sold by MEO were reported as revenues from Mobile Services.

- At the end of 1Q15, approximately 17 percent of households with subscription TV had access to premium channels (a decrease of 0.9 percentage points from the previous quarter), while 70.8 percent had more than 80 channels (an increase of 9.2 percentage points versus the same period of 2014).

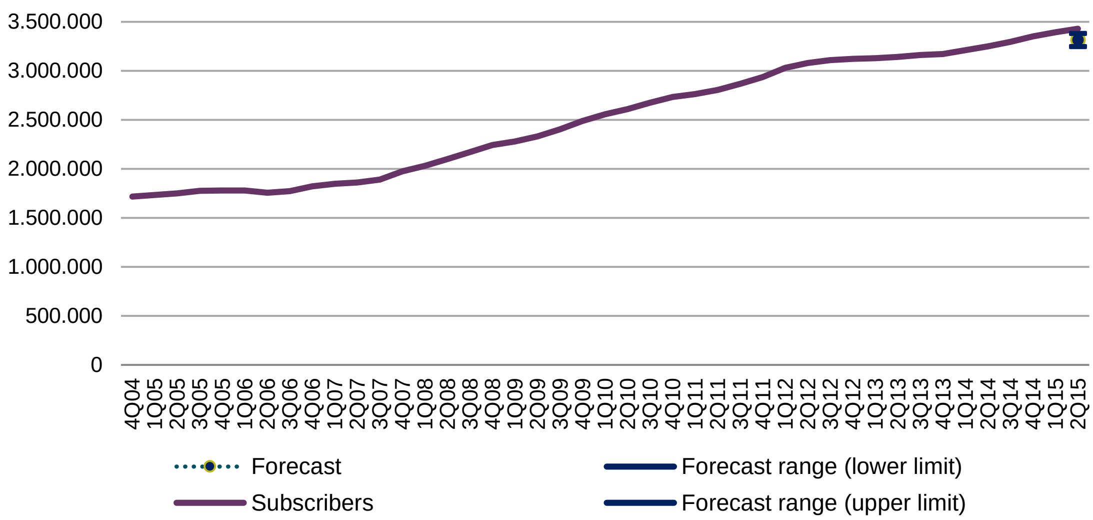
  Use of the different features of the subscription TV service continues to increase, and in 2Q15, about 68 percent of subscribers used at least one of the features available, with automatic recording the most used service.

1. Subscription television service subscribers

At the end of 2nd quarter 2015 (2Q15), there were 3.43 million subscribers to the subscription television service in Portugal,[5,6] 36 thousand subscribers more than in the previous quarter (+1.1 percent), and an additional 183 thousand subscribers compared to the same period of 2014 (+5.6 percent).

The number of subscribers as at the end of 2Q15 is above the forecast range resulting from this indicator's recent historical trend. This above-trend growth is due, above all, to the substantial increase (+51.2 percent) in the number of optical fibre subscribers (FTTH/B) since the beginning of 2014.

Graph 1 - Trend in the total number of subscription television service subscribers



Unit: 1 subscriber
Source: ANACOM

Note: Use was made of a linear regression model with logistic trend Yt = 1.627.390+ 1.750.345 / (1 + exp (-0,154446* (t-21,63254))). Modelling was performed from the 4th quarter of 2004, since a change in the series was reported on this date by one of the operators. Forecast range with a significance level of 95 percent and adjusted R^2 of 0.9966.

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[5]The information was collected from the providers of this service and may be subject to change if there are any revisions or updates. The reference date for receipt of information is 30 July 2015.

[6] The services provided under the protocols signed between the government of the Republic, the regional governments, ANACOM, NOS Açores and NOS Madeira are not considered for purposes of reporting subscriber numbers and shares; these protocols sought to provide the citizens of the archipelagos with free access to the national mainstream channels as well as enabling gradual migration from analogue to digital technology. The services provided under these protocols covered around 37.4 thousand dwellings in 2Q15 (21.7 thousand in the Azores and 15.6 thousand in Madeira). For this reason, there may be small differences in relation to the number of subscribers and provider shares reported in previous publications which included subscribers covered by this protocol.

In addition to growth in offers supported over optical fibre (FTTH/B), with the addition of 44.1 thousand subscribers, growth was also seen in offers supported over DTH (+3.6 thousand subscribers). Meanwhile, the number of subscribers to the cable TV service and xDSL service fell by 6.4 thousand and 5.3 thousand respectively.

Table 1 - Subscribers to subscription television service by technology[7]

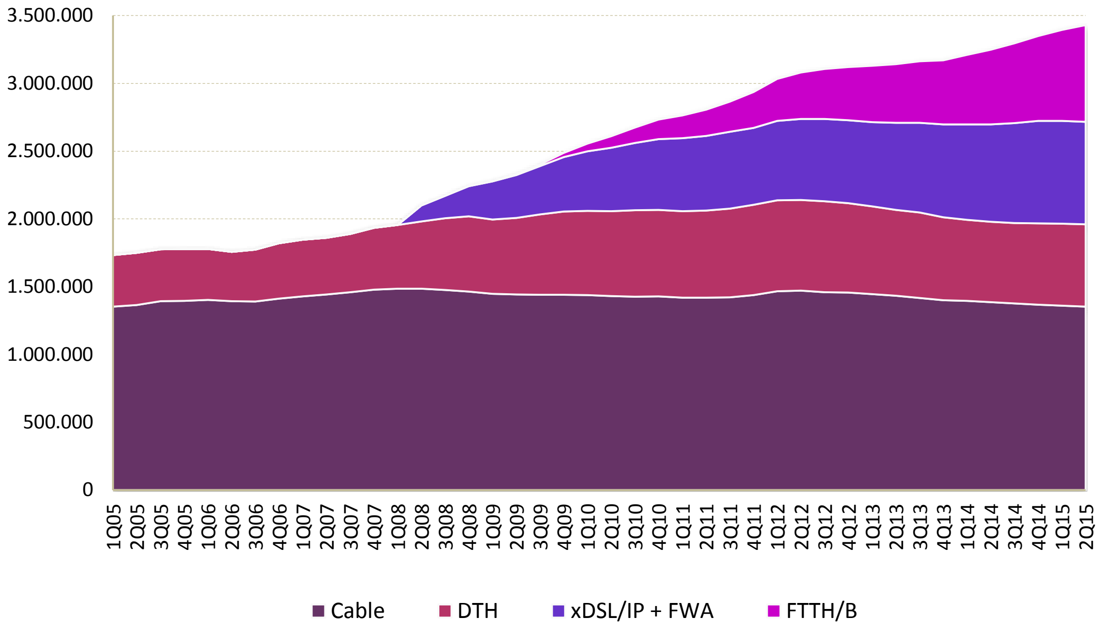
	2Q14	1Q15	2Q15	Quarterly variation	Annual variation
Cable	1 386	1 360	1 354	-0.5%	-2.3%
xDSL	720	759	754	-0.7%	4.7%
FTTH/B	550	671	715	6.6%	30.1%
DTH	592	604	607	0.6%	2.6%
Total	3 248	3 394	3 430	1.1%	5.6%

Unit: 1000 subscribers; %
Source: ANACOM

At the end of 2Q15, the cable TV distribution service accounted for 39.5 percent of total subscribers, while xDSL/ISP accounted for 22 percent. The weight of optical fibre (FTTH/B) continues to increase, with this type of access now representing 20.8 percent of total subscribers, making optical fibre the fastest growing technology this quarter. Meanwhile, DTH was used by 17.7 percent of total subscribers.

[7] The services provided under the protocols signed between the government of the Republic, the regional governments, ANACOM, NOS Açores and NOS Madeira are not considered for purposes of reporting subscriber numbers and shares; these protocols sought to provide the citizens of the archipelagos with free access to the national mainstream channels as well as enabling gradual migration from analogue to digital technology. The services provided under these protocols covered around 37.4 thousand dwellings in 2Q15 (21.7 thousand in the Azores and 15.7 thousand in Madeira). For this reason, there may be small differences in relation to the number of subscribers and provider shares reported in previous publications which included subscribers covered by this protocol.

Graph 2 - Trend in subscription TV subscribers by technology



Unit: 1 subscriber
Source: ANACOM

2. Bundled offers

Subscription TV services are mostly sold as part of an offer of a bundle of services. As at the end of 2Q15, an estimated 86.1 percent of subscribers to the subscription TV service were receiving this service as part of a bundle of services.

The number of subscribers to the subscription TV service as part of a bundle of services increased by 12.9 percent compared to 2Q14 and by 2.6 percent over the last quarter.

Table 2 - Subscribers to subscription TV service by type of offer contracted

	2Q14	1Q15	2Q15	Quarterly variation	Annual variation
TV only (estimated)	632	517	477	-7.7%	-24.6%
Total subscribers to TV service as part of a bundle of services, of which:	2 615	2 878	2 954	2.6%	12.9%
. Double-play	*440*	*393*	*397*	*1.0%*	*-9.8%*
. Triple/Quadruple/Quintuple-play	*2 176*	*2 485*	*2 557*	*2.9%*	*17.5%*
TOTAL	**3 248**	**3 394**	**3 430**	**1.1%**	**5.6%**

Units: 1000 subscribers; %

Source: ANACOM

3. Service penetration

The service penetration rate depends on the reference base (denominator) used[8].

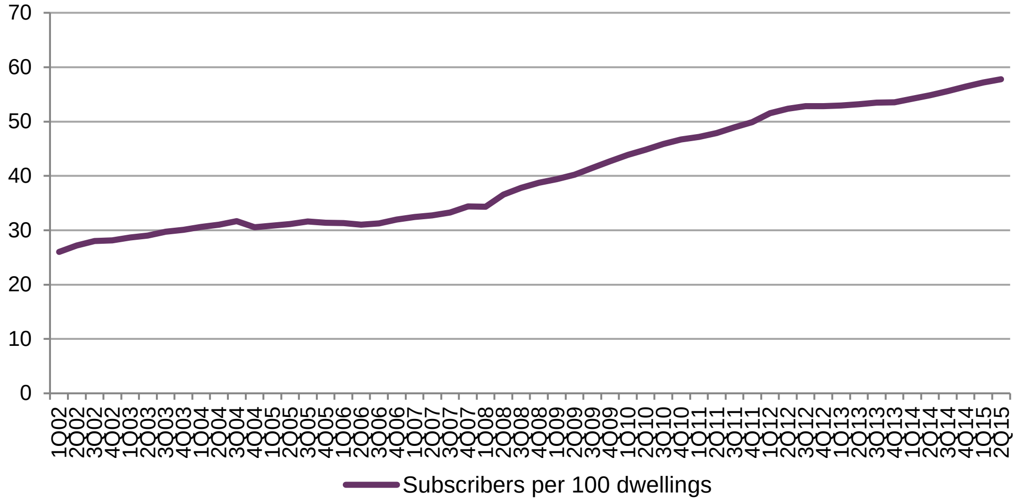
Where the subscription TV penetration rate is calculated based on **conventional dwellings**[9], a rate of 57.8 subscribers is reported per 100 dwellings[10].

[8] In the present report, and for the purpose of calculating the penetration rate, population, conventional dwellings and private households are calculated as according to the most recent data published by INE (Statistics Portugal) following the 2011 Census. As such, data is not directly comparable with data published in previous reports.

[9] Number of conventional dwellings may include dwellings which are not permanently occupied, including second homes. The impact of this effect may vary in different parts of the Portuguese territory.

[10] The services provided under the protocols signed between the government of the Republic, the regional governments, ANACOM, NOS Açores and NOS Madeira are not considered for purposes of reporting subscriber numbers and shares; these protocols sought to provide the citizens of the archipelagos with free access to the national mainstream channels as well as enabling gradual migration from analogue to digital technology. The services provided under these protocols covered around 37.4 thousand dwellings in 2Q15 (21.7 thousand in the Azores and 15.6 thousand in Madeira). For this reason, there may be small differences in relation to the number of subscribers and provider shares reported in previous publications which included subscribers covered by this protocol.

Graph 3 - Trend in total number of subscribers to subscription TV services in terms of total dwellings



Unit: subscribers per 100 dwellings
Source: ANACOM, INE (Statistics Portugal)

Note: In the present report, and for the purpose of calculating the penetration rate, population, conventional dwellings and private households are calculated as according to the most recent data published by INE (Statistics Portugal) following the 2011 Census. As such, data is not directly comparable with data published in previous reports.

However, given that conventional dwellings include dwellings used as main residences, as well as others that are occupied on a seasonal basis and second homes, it is also important to report the service penetration based on the number of private households. On this basis, the penetration rate is 84.4 subscribers per 100 private households[11].

[11] The number of STV subscribers also includes non-residential subscribers who, according to available data, account for around 8.9 percent of total subscribers as at the end of 2014.

4. Provider shares

Grupo Altice[12] reported the largest share of subscription TV subscribers (47.1 percent), followed by Grupo NOS (43.7 percent) and Vodafone (9 percent).

Table 3 - Provider shares of subscription TV subscribers[13,14]

	2Q14	1Q15	2Q15
Grupo Altice	6.7%	6.0%	47.1%
MEO	*:*	*:*	*41.4%*
Cabovisão	*6.7%*	*6.0%*	*5.7%*
Grupo NOS[15]	45.3%	43.8%	43.7%
NOS	*42.3%*	*40.9%*	*40.9%*
NOS Madeira	*2.0%*	*1.9%*	*1.9%*
NOS Açores	*1.1%*	*1.0%*	*1.0%*
Vodafone	5.9%	8.3%	9.0%
PT Comunicações / MEO[16]	41.9%	41.9%	:
Other providers	0.2%	0.2%	0.2%

Unit: %
Source: ANACOM

[12] On 2 June 2015, Altice completed acquisition of 100 percent of the share capital of Portugal, SGPS, owners of MEO - Serviços de Comunicações e Multimédia S.A.

[13] The services provided under the protocols signed between the government of the Republic, the regional governments, ANACOM, NOS Açores and NOS Madeira are not considered for purposes of reporting subscriber numbers and shares; these protocols sought to provide the citizens of the archipelagos with free access to the national mainstream channels as well as enabling gradual migration from analogue to digital technology. The services provided under these protocols covered around 37.4 thousand dwellings in 2Q15 (21.7 thousand in the Azores and 15.6 thousand in Madeira). For this reason, there may be small differences in relation to the number of subscribers and provider shares reported in previous publications which included subscribers covered by this protocol.

[14] Certain operators are active in specific market segments. The relative position of the operators in this table should in not be taken as an indicator of the quality of the services provided or of the performance of these operators in the segments which they operate.

[15] 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.

[16] 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.

5. Revenues from the service

In 2nd quarter 2015, revenues derived from the subscription TV service (stand-alone offers and bundles which include the service) totalled 821 million euros, with revenue growth driven principally by triple/quadruple/quintuple-play bundles.

Table 4 – Revenues from subscription TV service

	January - June 2014		January - June 2015		Annual variation
TV only (estimated)	124	19.1%	110	13.4%	-11.6%
Total revenues derived from bundles of services which include TV subscription service, including:	527	80.9%	711	86.6%	34.8%
.Double play	64	9.8%	58	7.1%	-9.1%
.Triple/Quadruple/Quintuple play	464	71.2%	653	79.6%	40.8%
TOTAL	**652**		**821**		**25.9%**

Units: millions of euros, %

Source: ANACOM

Note 1: revenues accumulated since beginning of the year.

Note 2: Up until 4Q14, revenues derived from the mobile component of bundles sold by MEO were reported as revenues from Mobile Services.

Note 3: The amount of revenue for the 2Q15 was amended following updates by a provider.

Average monthly revenues derived from bundles which include the subscription TV service were 41.2 euros in 2Q15

Table 5 – Average monthly revenues from subscription TV service

	January - June 2014	January - June 2015	Annual variation
TV only (estimated)	31.0	35.6	14.6%
Total revenues derived from bundles of services which include TV subscription service, including:	34.6	41.2	19.2%
.Double-play	*23.0*	*24.3*	*5.6%*
.Triple/Quadruple/Quintuple-play	37.1	*43.9*	18.2%
TOTAL	**33.8**	**40.3**	**19.2%**

Units: euros, %

Source: ANACOM

Note 1: Up until 4Q14, revenues derived from the mobile component of bundles sold by MEO were reported as revenues from Mobile Services.

Note 2: The amount of revenue for the 2Q15 was amended following updates by a provider.

The variations reported in total and unit revenues partly reflect the inclusion, as of 1st quarter 2015, of the mobile component of bundles sold by MEO, following the merger that took place at the end of 2014.[17]

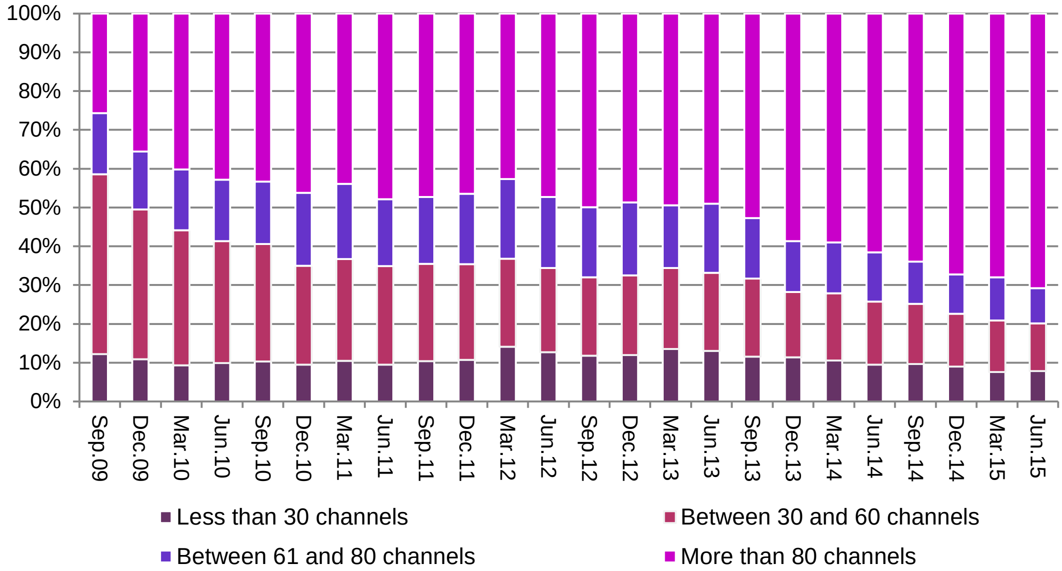
6. Number of channels, access to premium channels, and services used

According to Marktest's Barómetro de Telecomunicações - Rede Fixa (Telecommunications Barometer - Fixed Network)[18], about 70.8 percent of homes with the subscription TV service had effective access to over 80 channels at the end of 2Q15, representing an increase of 9.2 percentage point versus 2Q14.

[17] 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.

[18] The Barómetro Telecomunicações (Telecommunications Barometer) is a regular study conducted by Marktest on the Telecommunications sector. The Telecommunications Barometer - Fixed Network surveys residences in mainland Portugal and the Autonomous Regions of Madeira and the Azores. A monthly sample is collected that is in proportion to and representative of the customer base.

Graph 4 - Number of channels available at home



Unit: %

Source: Marktest-Barómetro de Telecomunicações (Telecommunications Barometer) 2009-2015

Base: Homes with pay-TV (Total)

Meanwhile, the number of homes with subscription TV reporting access to premium channels fell versus 2Q14. About 17 percent of homes with subscription TV had access to premium channels in 2Q15 (a drop of 1.6 percentage points over 2Q14 and a drop of 0.9 percentage points over 1Q15).

Table 6 - Percentage of home with access to premium channels

	2Q14	1Q15	2Q15	Quarterly variation (p.p.)	Annual variation (p.p.)
Homes with access to premium channels	18.6	17.9	17.0	-0.9	-1.6

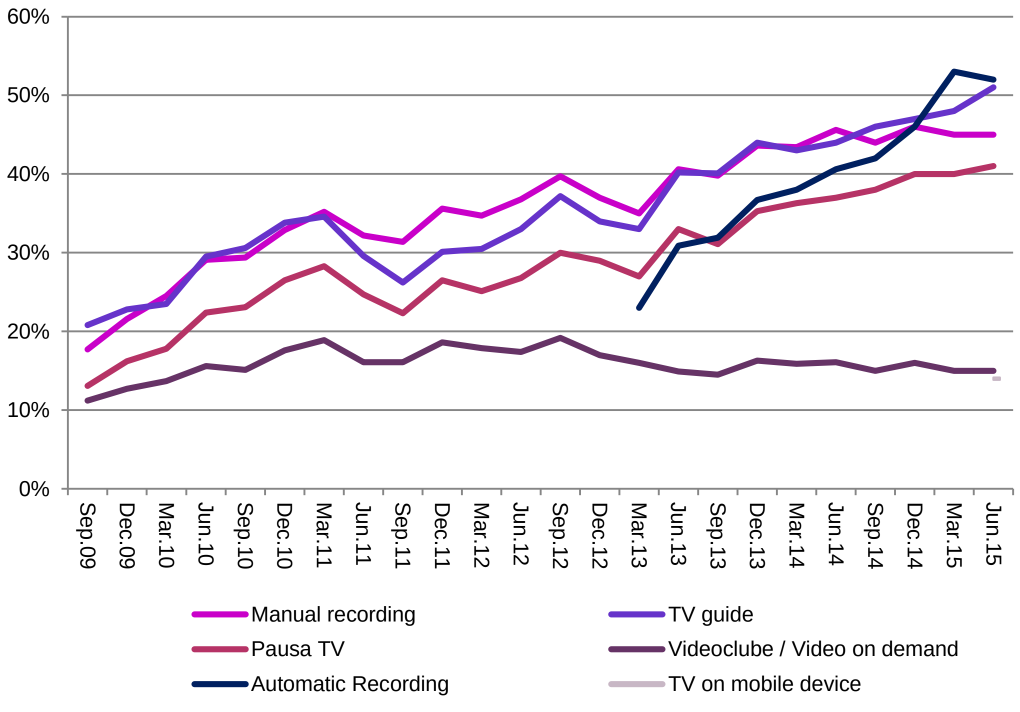
Source: Marktest-Barómetro de Telecomunicações (Telecommunications Barometer) 2014-2015

Unit: %, p.p.

Base: Homes with subscription TV (Total)

Also according to the Telecommunications Barometer, use of the subscription TV service's different features continues to increase, with 68 percent of subscribers reported as having used at least one of the available features in the 2nd quarter. About 52 percent of subscribers used the automatic recording feature - the service whose use has increased most versus 2Q14 (+10.8 percentage points). The manual recording feature was used by 45 percent of subscribers, while the programming guide and the "pausa tv" service (to pause and re-start broadcasts) were used respectively by 51 percent and 41 percent of subscribers. The *videoclube*/video-on-demand service was used by around 15 percent of subscribers. Meanwhile 14 percent of subscribers report watching TV on a mobile device, such as smartphone or tablet.

Graph 5 – Subscription TV services used



Unit: %
Source: Marktest-Barómetro de Telecomunicações (Telecommunications Barometer) 2009-2015

Base: Homes with pay-TV (Total)

7. Trend in number of subscribers per technology

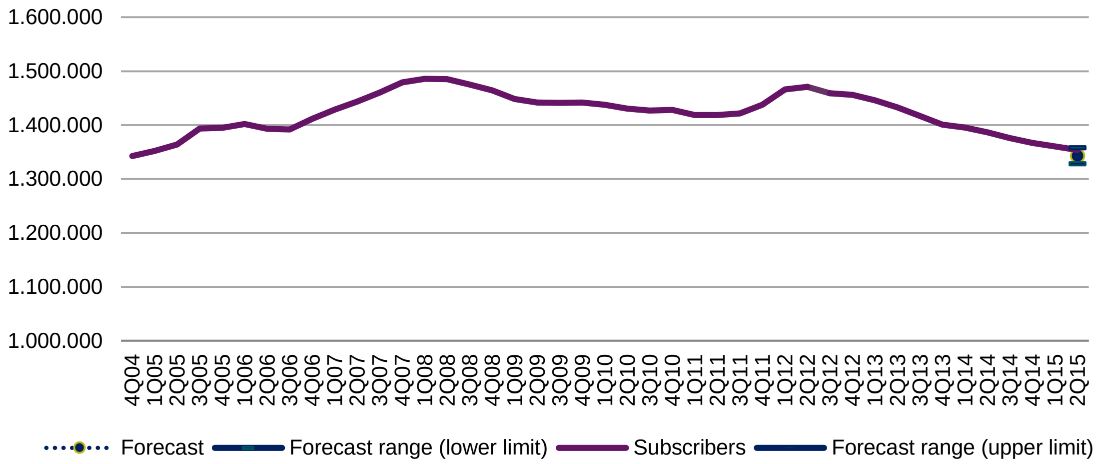
Details are reported below on the evolution in the number of television subscribers according to the technology used: cable, xDSL, optical fibre (FTTH/B) and satellite (DTH).

7.1. Subscribers to cable television service

There are 6 companies providing the service through cable TV networks: Grupo: Grupo NOS, Cabovisão, Uniteldata, STV, Associação de Moradores de Almancil and Transview.

In 2Q15, the total number of subscribers to the cable television service (around 1.354 million)[19] fell by around 6.4 thousand from the previous quarter (-0.5 percent). This value is within the forecast range resulting from the historical trend.

Graph 6 - Trend in number of cable TV subscribers and forecast analysis



Unit: 1 subscriber
Source: ANACOM

Note: Use was made of a linear regression model with negative linear trend and with structure change between the 3rd quarter of 2011 and the 2nd quarter of 2012 with positive linear trend thereafter due to switch-off of the analogue signal: Y = 1.476.369 – 4.941 Q1 -11.138 t2 – 78.047 d_tdt + 14.893 tdt_t. Modelling from 2nd quarter 2008. Forecast range with a significance level of 95 percent and adjusted R^2 of 0.964.

[19] The services provided under the protocols signed between the government of the Republic, the regional governments, ANACOM, NOS Açores and NOS Madeira are not considered for purposes of reporting subscriber numbers and shares; these protocols sought to provide the citizens of the archipelagos with free access to the national mainstream channels as well as enabling gradual migration from analogue to digital technology. The services provided under these protocols covered around 37.4 thousand dwellings in 2Q15 (21.7 thousand in the Azores and 15.6 thousand in Madeira). For this reason, there may be small differences in relation to the number of subscribers and provider shares reported in previous publications which included subscribers covered by this protocol.

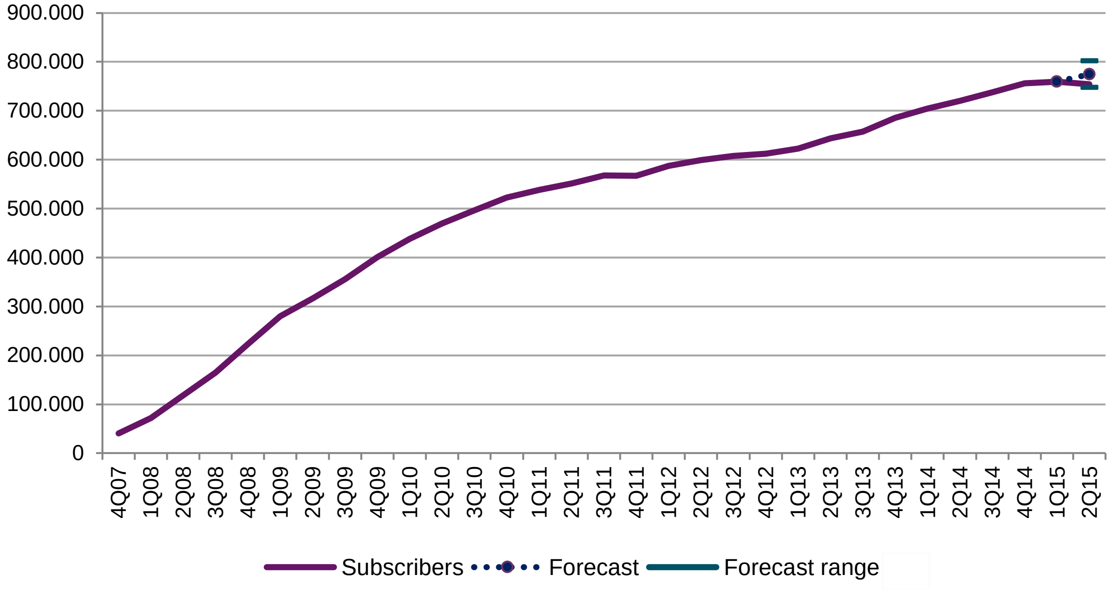
Compared to 2Q14, the number of subscribers using this technology declined by 2.3 percent.

7.2. Subscribers to subscription television service – other technologies

There are currently 3 operators in the market with subscription television offers supported over the public telephone network (xDSL/IP): MEO, Vodafone and Grupo NOS.

There were around 754 thousands subscribers to the subscription TV service on these platforms at the end of 2Q15, 5.3 thousand fewer subscribers than in 1Q15. This is the first time that a decline has been reported in the number of subscribers supported on this network. The reported drop of 0.7 percent is within the forecast range resulting from the historical trend.

Graph 7 - Trend in number of subscription TV subscribers using other technologies and forecast analysis



Unit: 1 subscriber

Source: ANACOM

Note 1: A third-order autoregressive model was used subsequent to the first differences of the logarithmic series: DlnYt = 0,0088+ 0,45 DlnYt-3. Forecast range with a significance level of 95 percent and adjusted R^2 of 0.946.

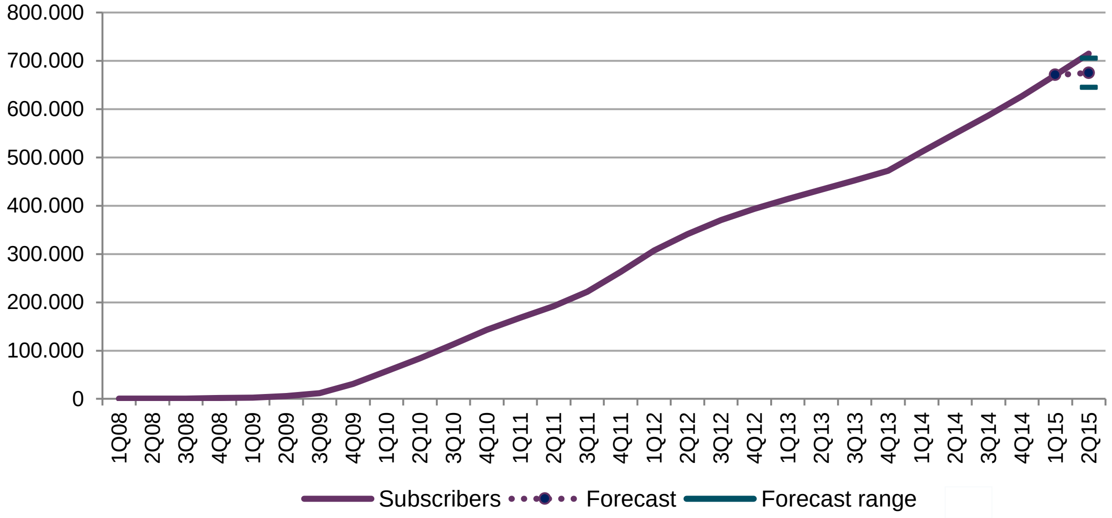
Note 2: This series includes subscribers to the STV service through the offers of AR Telecom over fixed wireless access - FWA using a proprietary standard. This provider discontinued its offer of this type of service as of 30 November 2011.

7.3. Subscribers to television service via optical fibre (FTTH/B)

There are currently 3 companies providing the subscription TV service over optical fibre (FTTH/B): MEO, Vodafone and Grupo NOS.

During 2Q15, the number of subscribers to subscription TV via optical fibre (FTTH/B) increased by 6.6 percent to a total of 715 thousand subscribers - in absolute terms (+44.1 thousand), the largest increase on record. The reported evolution is above the upper limit of the forecast range resulting from this variable's recent historical trend. The increase reported this quarter stems, above all, from the activity of Vodafone and, to a lesser extent, the activity of NOS.

Graph 8 - Trend in optical fibre (FTTH/B) subscription TV subscribers and forecast analysis



Unit: 1 subscriber
Source: ANACOM

Note: A linear regression model was used with a linear trend: Y= -30.118 + 29.389 t. Modelling performed from 3rd quarter 2009. Forecast range with a significance level of 95 percent and adjusted R^2 of 0.996.

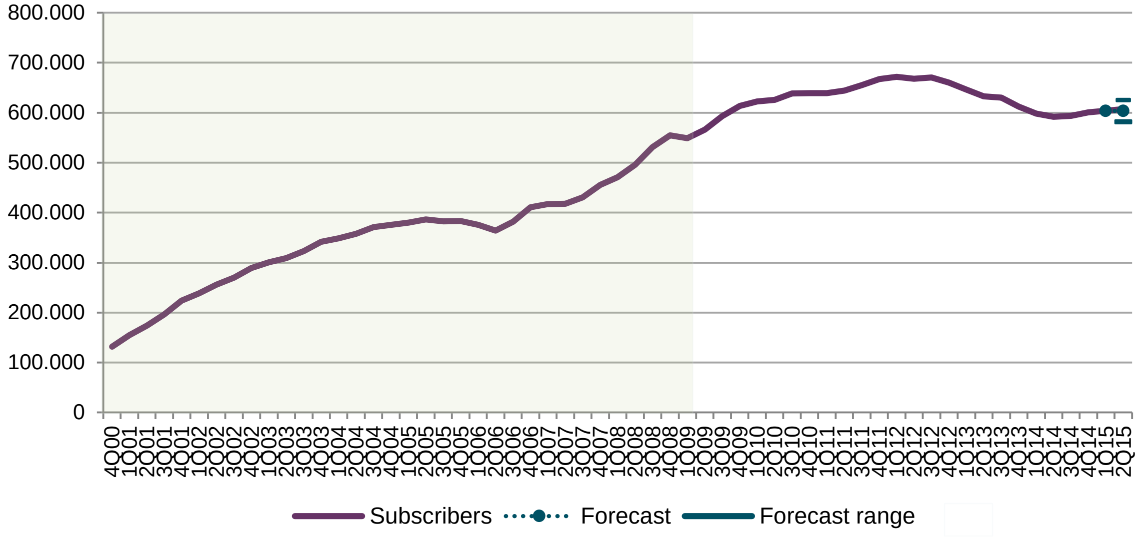
7.4. Subscribers to satellite television service (DTH)

At the end of 2Q15, there were 607 thousand subscribers[20] to the television service using Direct-To-Home (DTH) technology - a service provided by Grupo NOS and by MEO. This represents an addition of 3.6 thousand subscribers (+0.6 percent) versus the previous quarter and an increase of 15.6 thousand subscribers (+2.6 percent) versus 2Q14.

Between 3Q12 and 2Q14, there was a decline seen in the number of subscribers supported over satellite. However, there was a reversal in this decline in 3Q14, perhaps as a result of the launch of convergent offers with Internet and voice services using 4G technology in 2nd quarter 2014. The variation reported in DTH subscriber numbers is within the limits of the forecast range resulting from the historical trend.

[20] The services provided under the protocols signed between the government of the Republic, the regional governments, ANACOM, NOS Açores and NOS Madeira are not considered for purposes of reporting subscriber numbers and shares; these protocols sought to provide the citizens of the archipelagos with free access to the national mainstream channels as well as enabling gradual migration from analogue to digital technology. The services provided under these protocols covered around 37.4 thousand dwellings in 2Q15 (21.7 thousand in the Azores and 15.6 thousand in Madeira). For this reason, there may be small differences in relation to the number of subscribers and provider shares reported in previous publications which included subscribers covered by this protocol.

Graph 9 - Trend in Direct To Home (DTH) subscription TV subscribers and forecast analysis



Unit: 1 subscriber

Source: ANACOM

Note: A multiple linear regression model was used with a quadratic trend in different time periods (1st structure until 2nd quarter 2007 and 2nd structure from 3rd quarter 2007) prompted by the entry of other operators into the market (TVTEL in 3rd quarter 2007 and PTC in 2nd quarter 2008: Y = 114.389+ 22.692 t – 434 t^2 – 1.044.020 est1 + 47.295 est1*t – 335 est1*t^2 – 27.970 out1Q06 – 42.454 out2Q06 – 27.225 out3Q06 + 20861 t2. The model also considered structure variables in quarters 1, 2 and 3 of 2006 due to the series changes made by one operator. As from 3rd quarter 2014, the model also includes a linear trend resulting from the appearance of convergent TV offers with Internet and voice service based on 4G technology. Forecast range with a significance level of 95 percent and adjusted R^2 of 0.998.