



# Earnings presentation First nine months 2011

3 November 2011



## Important notice

This release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not statements of historical facts, and reflect goals of the company's management.

The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "targets" and similar words are intended to identify these forward-looking statements, which necessarily involve known and unknown risks and uncertainties. Accordingly, the results of operations of the company to be achieved may be different from the company's current goals and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the company does not undertake any obligation to update them in light of new information or future developments.










Business context





Business strategy with customer at the centre and focused on benefiting from the growth opportunities of the digital world

Portugal: Transformation to a digital company

International: scale and growth

<p><b>Residential</b></p> <ul style="list-style-type: none"> <li>• TV experience</li> <li>• 3-screen</li> </ul> 	<p><b>Personal</b></p> <ul style="list-style-type: none"> <li>• Mobile data</li> <li>• Convergence</li> </ul> 	<p><b>SMEs/SOHO</b></p> <ul style="list-style-type: none"> <li>• Convergence</li> <li>• SaaS</li> </ul> 	<p><b>Corporate</b></p> <ul style="list-style-type: none"> <li>• IT/IS</li> <li>• Virtualisation</li> </ul> 	<p><b>Brazil</b></p> <ul style="list-style-type: none"> <li>• Data growth</li> <li>• Convergence</li> </ul> 	<p><b>Africa</b></p> <ul style="list-style-type: none"> <li>• Opportunistic M&amp;A</li> <li>• Consolidation</li> </ul> 	<p><b>RoW</b></p> <ul style="list-style-type: none"> <li>• Service penetration</li> </ul> 
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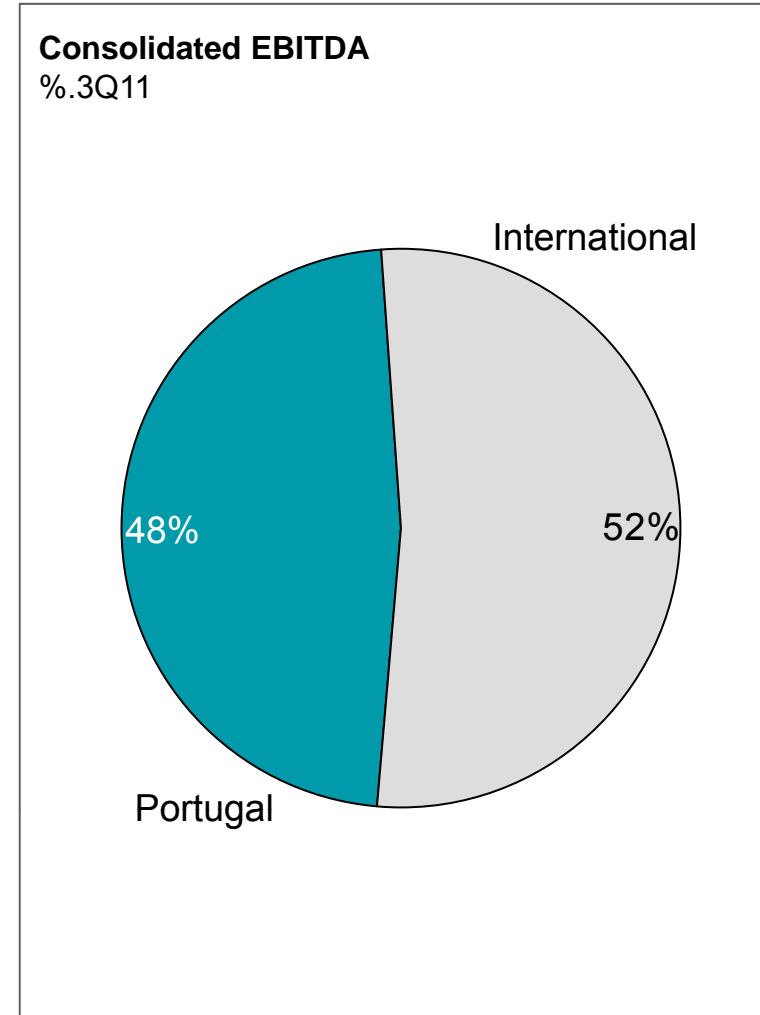
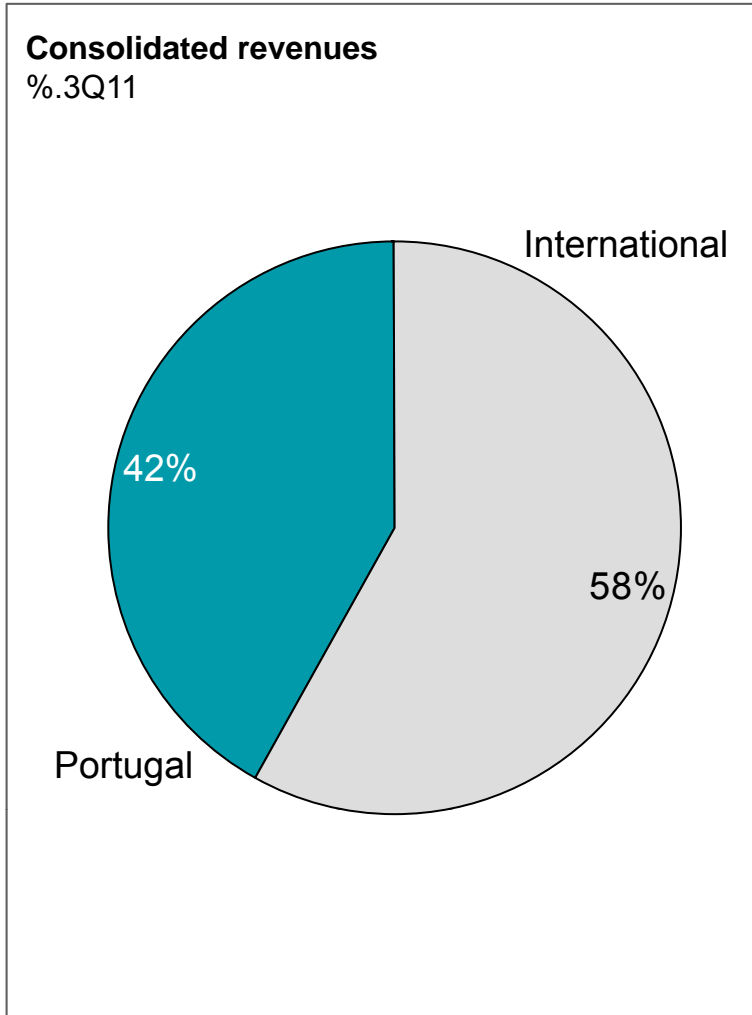
**Innovation & Execution**

<ul style="list-style-type: none"> <li>• Integrated IT systems to deliver convergence and accelerate transformation</li> </ul>		<ul style="list-style-type: none"> <li>• Customer Care with end-to-end vision of service</li> </ul>	
<ul style="list-style-type: none"> <li>• Next generation network provides bandwidth coverage and quality of service</li> </ul>		<ul style="list-style-type: none"> <li>• Cost discipline to deliver best-in-class margins</li> </ul>	



3Q11 highlights

# PT has a unique global profile and continues to deliver on its operational and financial commitments





### 3Q11 highlights

**Meo triple-play offer is driving broadband and pay-TV growth, TMN is the market leader in mobile and Oi continues to grow RGUs**

Operational highlights Thousand customers	9M10	9M11	Δ% y.o.y
Total	83,654	89,678	+7.2%
Wireline retail accesses (RGUs)	4,428	4,709	+6.3%
Retail fixed broadband	964	1,072	+11.2%
Pay-TV	769	974	+26.7%
TMN	7,314	7,354	+0.5%
Oi (RGUs)	62,401	67,055	+7.5%
Fixed lines	20,410	19,078	-6.5%
Broadband	4,324	4,776	+10.5%
Mobile	37,387	42,871	+14.7%
Pay-TV	280	330	+17.9%



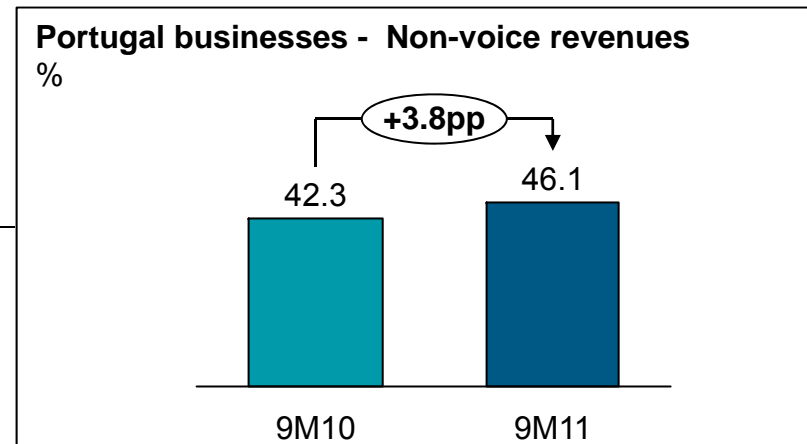
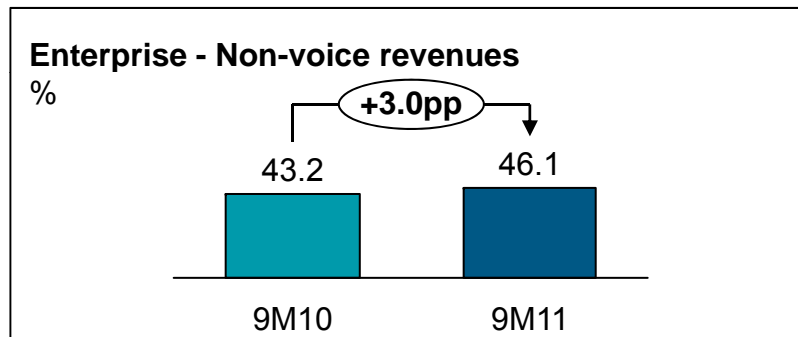
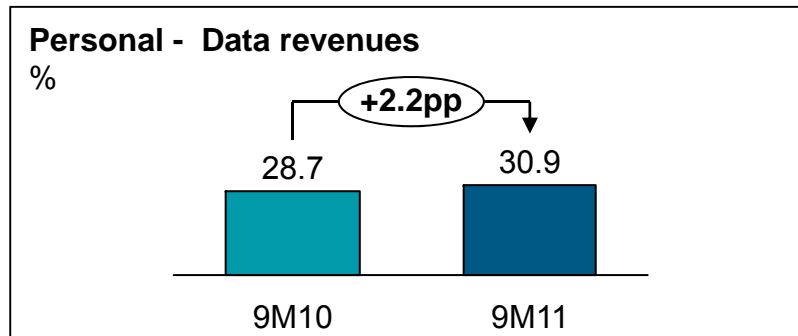
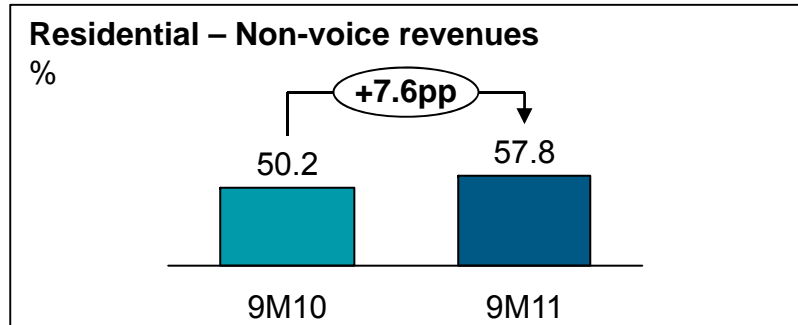
### 3Q11 highlights

## Improving revenue trends, cost reduction and capex control is underpinning free cash flow growth

Financial highlights Euro million	9M10	9M11	Δ% y.o.y	3Q11 y.o.y
Operating revenues	2,793	4,416	+58.1%	+83.5%
Wireline	1,453	1,376	-5.3%	-4.8%
TMN	1,045	930	-11.1%	-10.1%
Oi		1,634	n.m.	n.m.
EBITDA	1,129	1,654	+46.5%	+71.3%
Wireline	560	564	+0.6%	+0.9%
TMN	488	434	-11.3%	-10.8%
Oi		562	n.m	n.m
EBITDA margin (Pct)	40.4	37.5	-3.0pp	-2.7pp
Portugal (Pct)	44.4	45.7	+1.3pp	+1.3pp
Capex	494	704	+42.6%	+57.5%
EBITDA minus Capex	636	950	+49.5%	+83.8%
Free Cash Flow excl. Oi and Contax	152	591	x4	

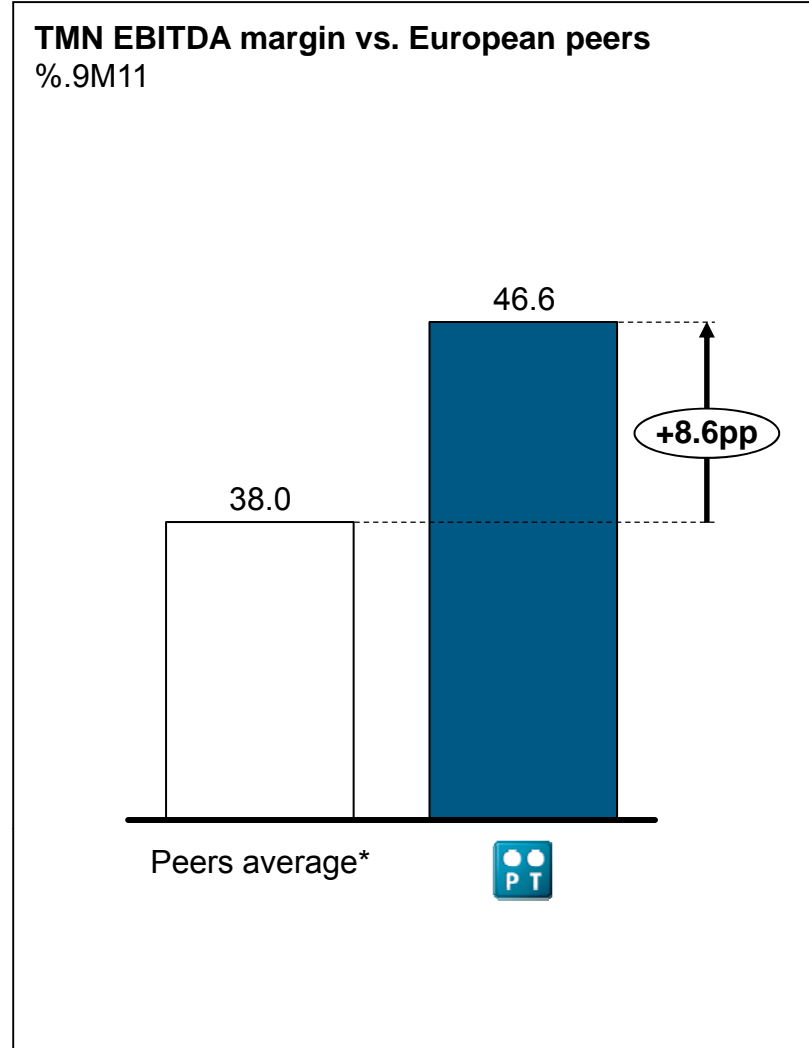
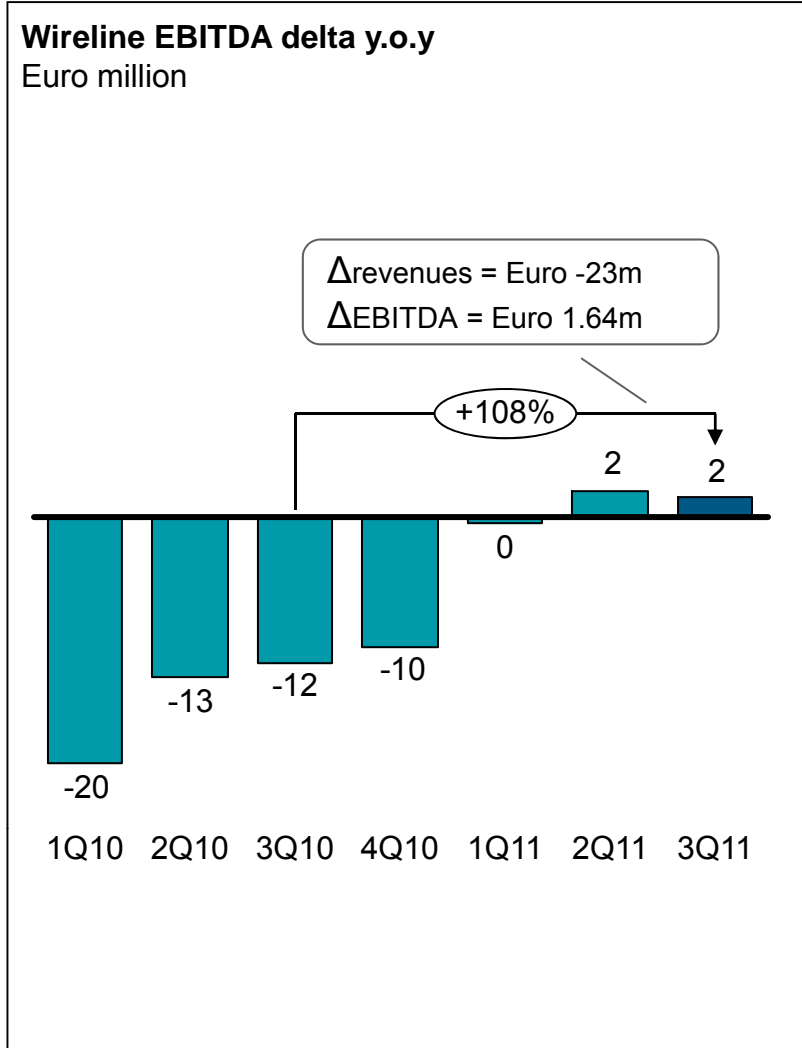


# Performance is benefiting from strong technical and operational capabilities and digitalisation of the real economy





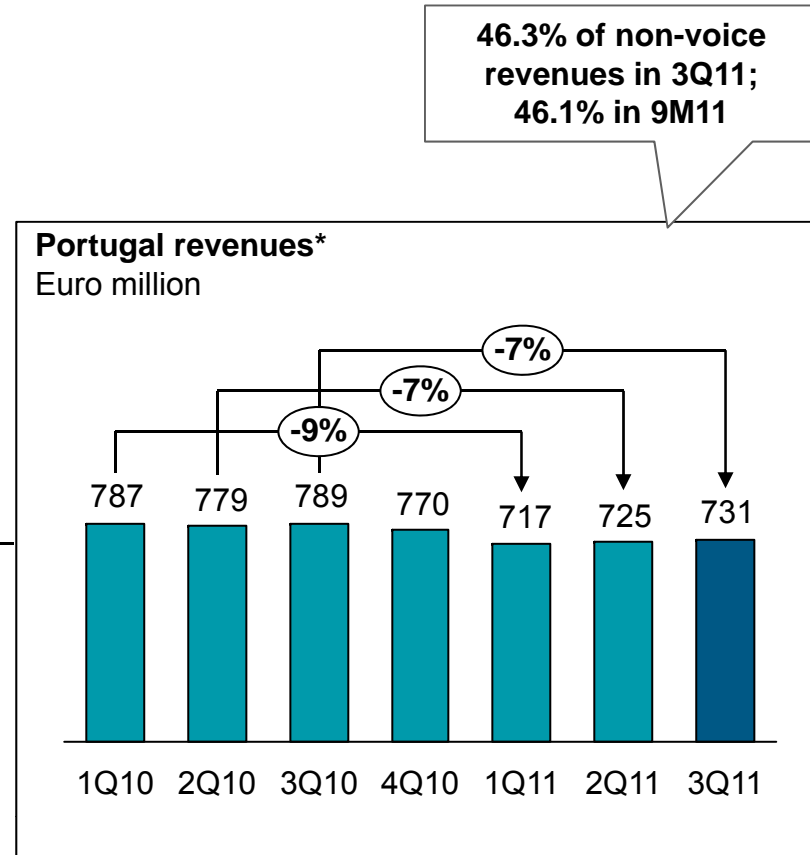
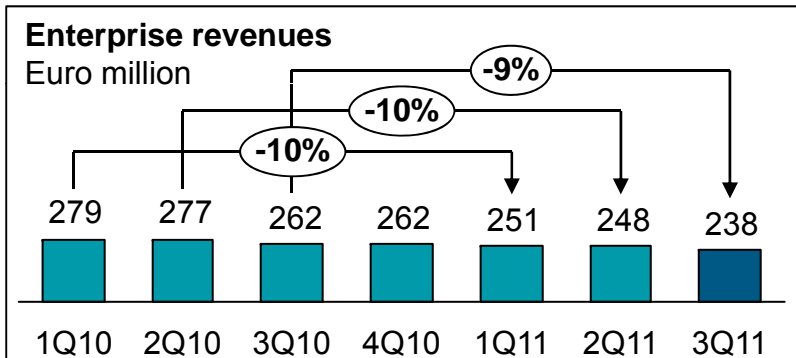
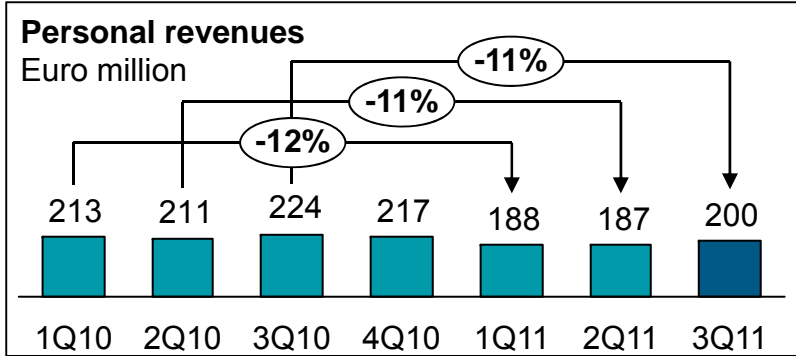
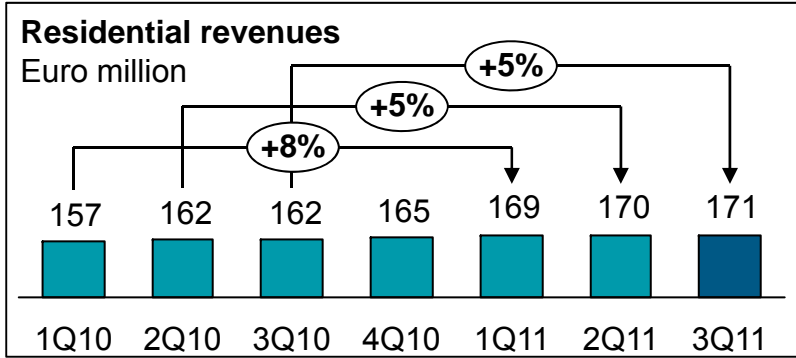
# Transformation of PT is enabling growth and efficiency improvements



\* Companies that have already disclosed 9M11 figures



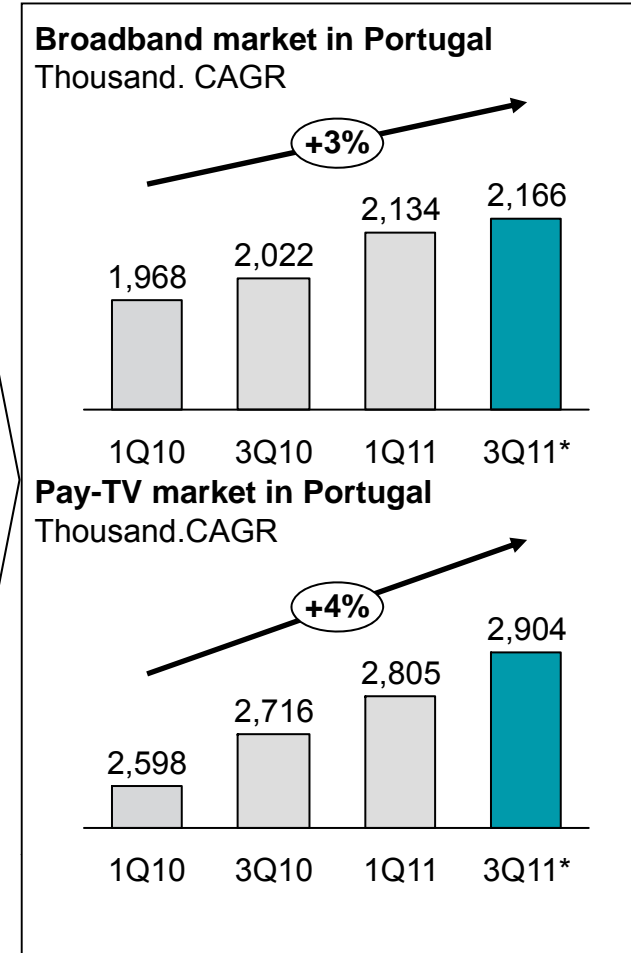
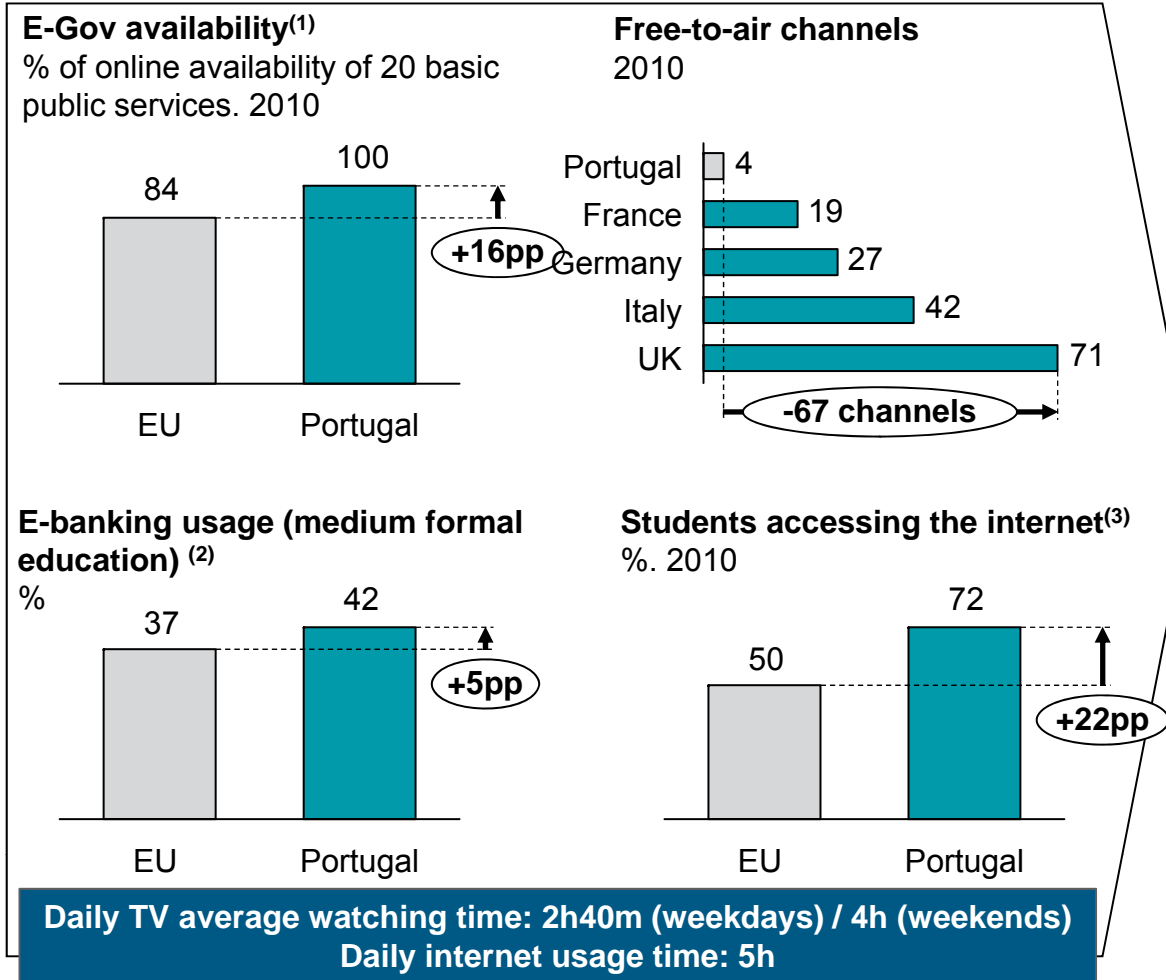
# Solid growth in residential segment and continued improvements in personal and corporate segments



\* Includes wholesale and others



# Consumer behaviour changes are underpinning strong take up of broadband and pay-TV



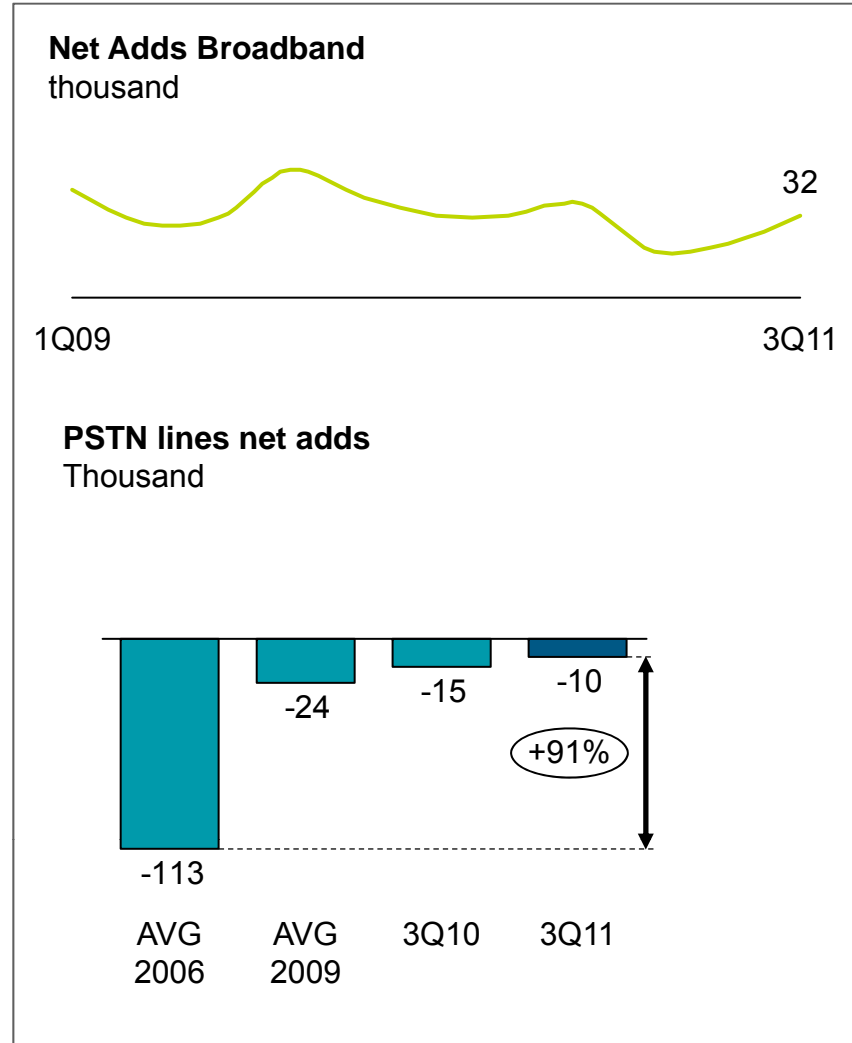
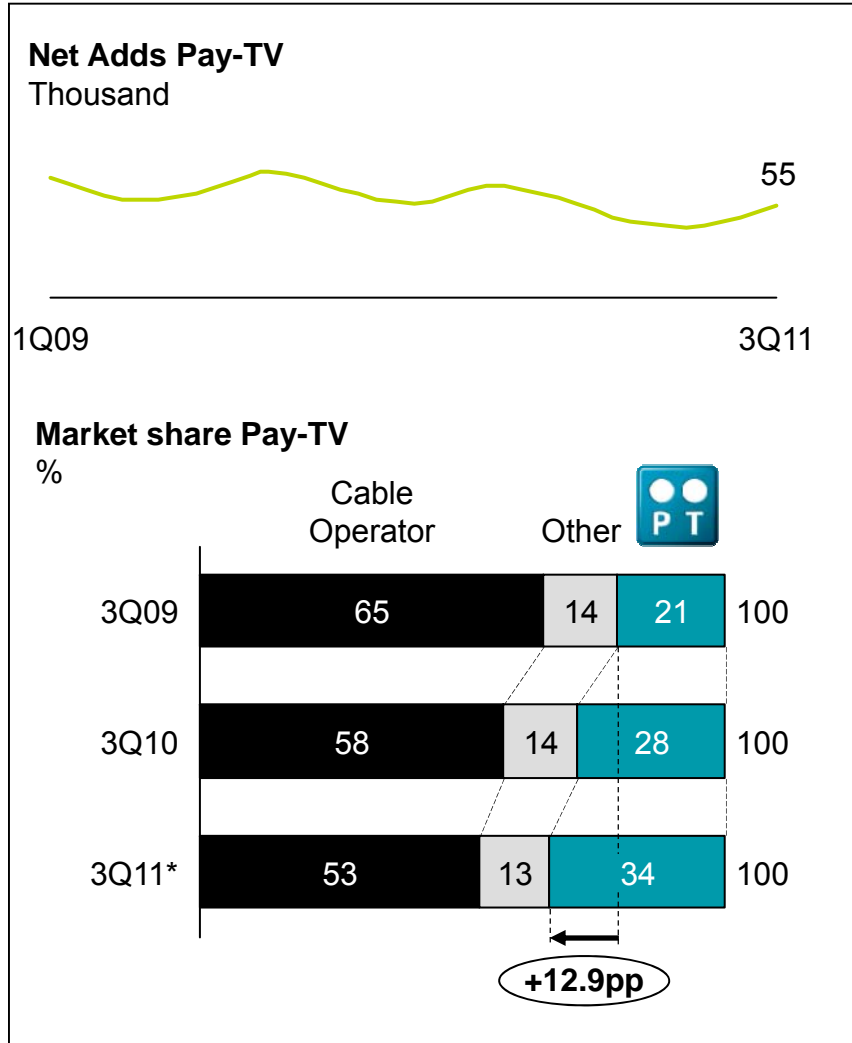
(1) The indicator shows the percentage of the 20 basic services which are fully available online i.e. for which it is possible to carry out full electronic case handling. (2) % of individuals aged 16 to 74; Within the last 3 months before the survey. Internet banking includes electronic transactions with a bank for payment etc. or for looking up account information. (3) Percentage of individuals aged 16 to 74.; Use of mobile devices via wireless connection: mobile phone (or smart phone), handheld computer (palmtop, PDA), portable computer (laptop) away from home or work.

\*PT's estimate

Source: Anacom; Eurostat; Nova Expressão study "um dia nas nossas vidas"



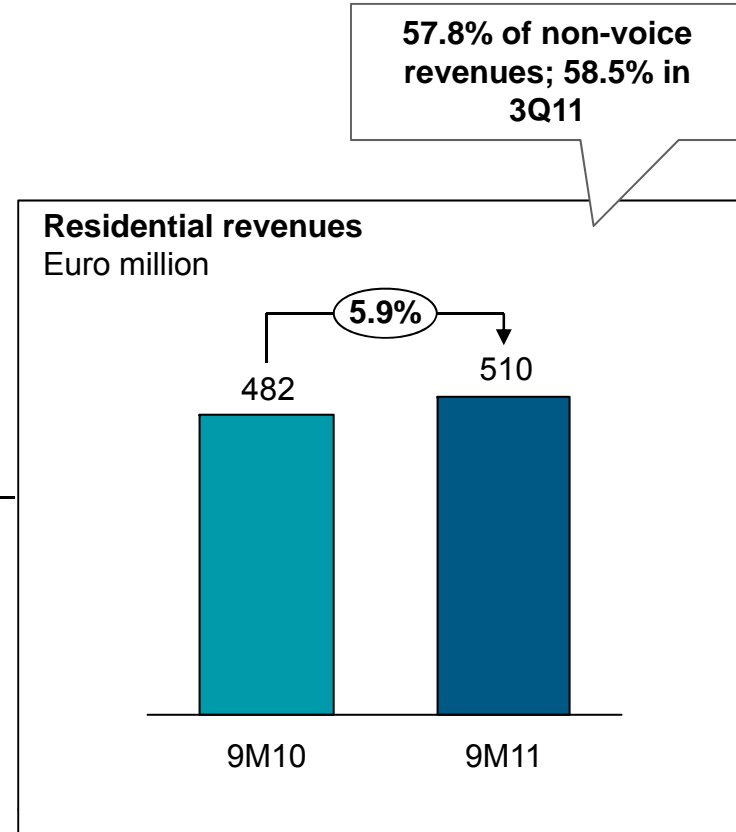
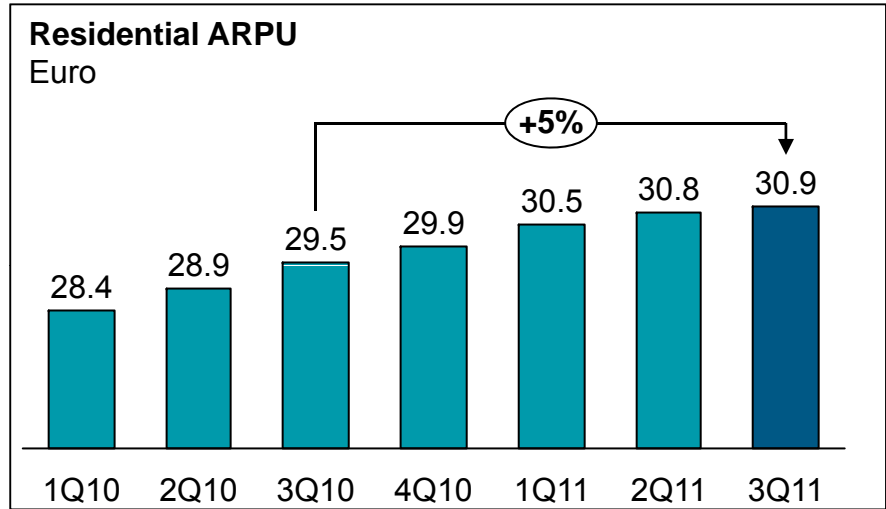
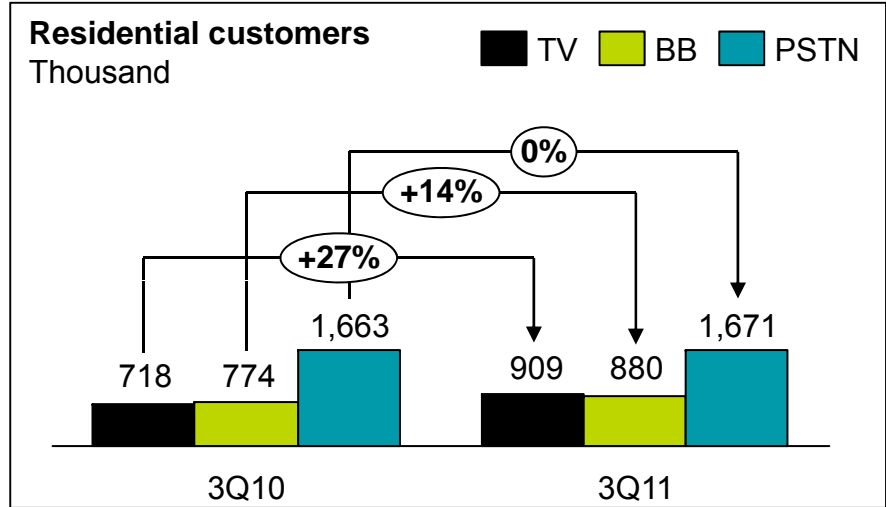
# Meo is on track to achieve 1 million customers by year-end





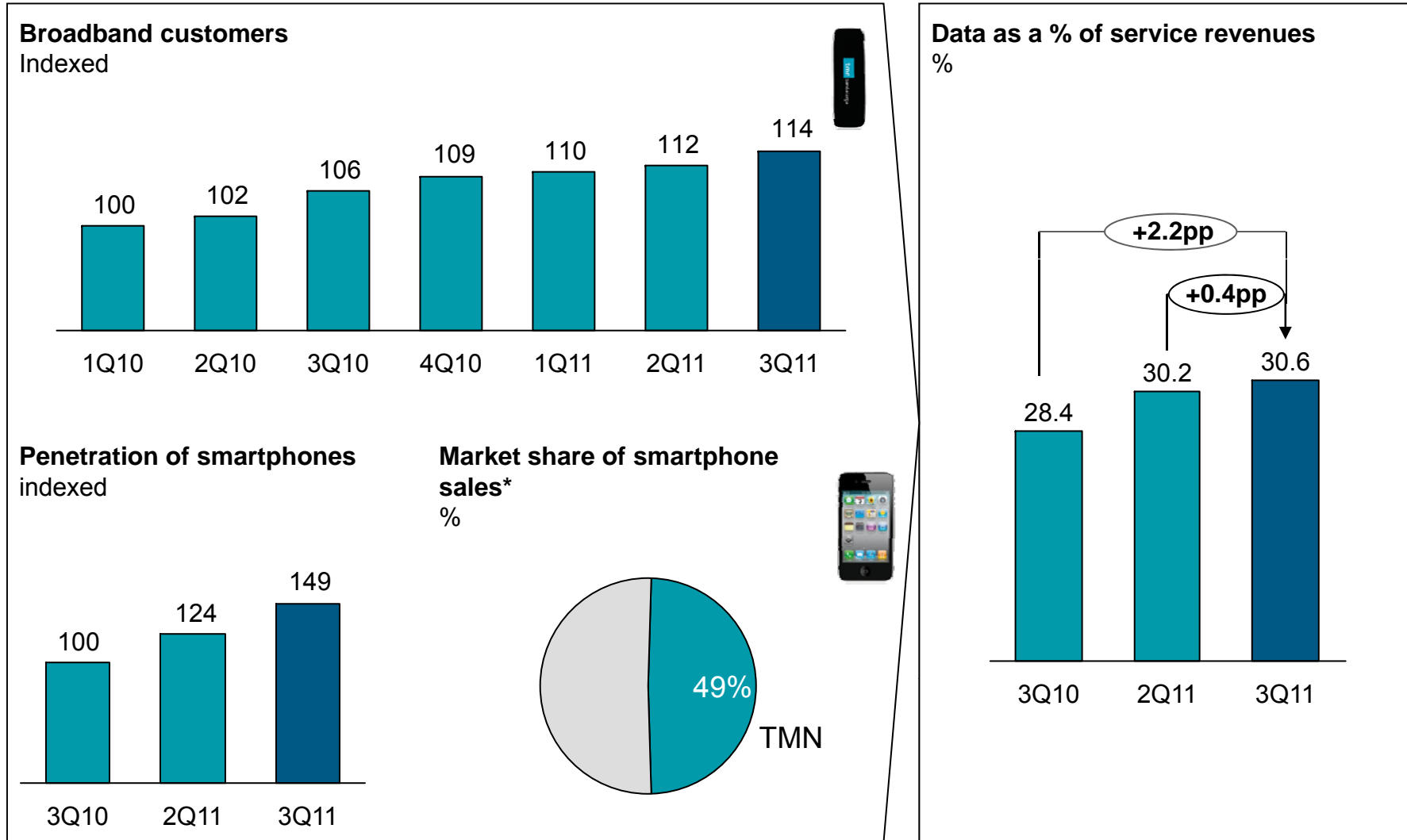
# 3Q11 highlights – Portugal Residential Segment

## Solid customer and ARPU growth





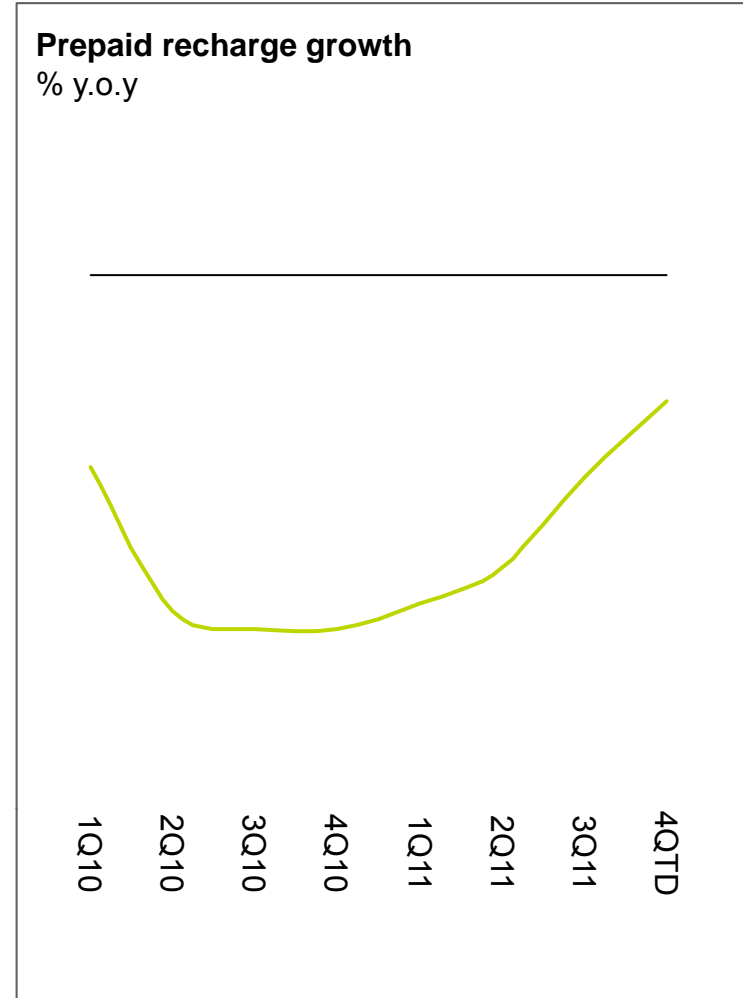
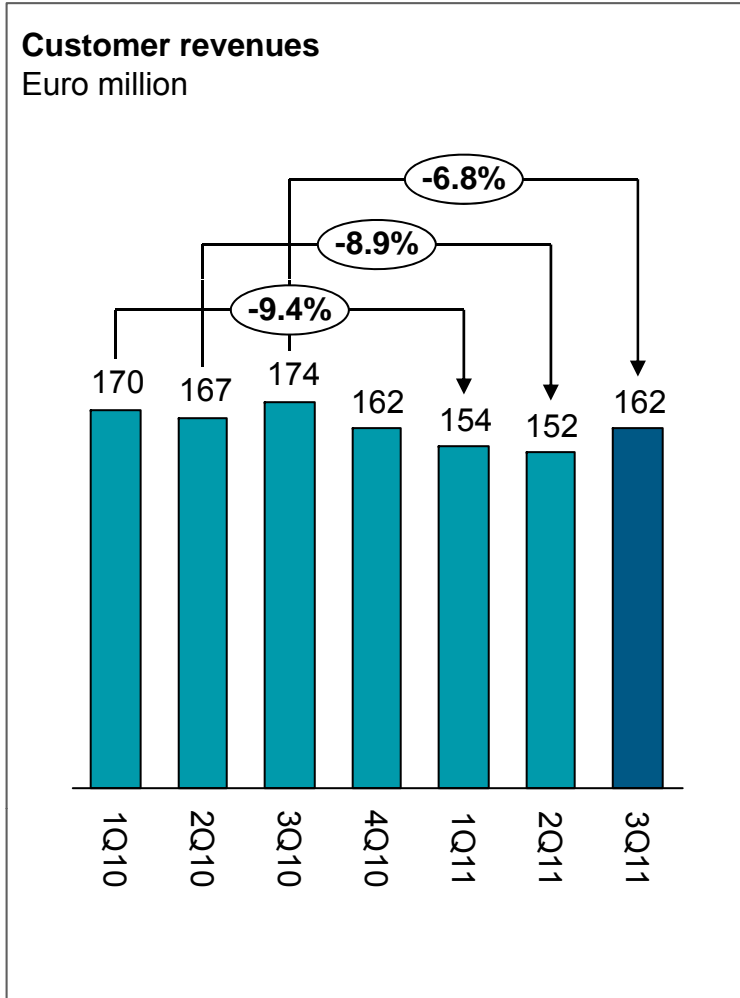
# Competitive portfolio of wireless broadband tariff plans and smartphones is changing revenue mix



\*Retail sales only without including operator owned stores, equivalent to ~55% of the market  
Source:GfK













# Improving customer revenues and pre-paid recharges





# Cloud offer enhances the value proposition to business customers whilst providing increased flexibility and maximising efficiency

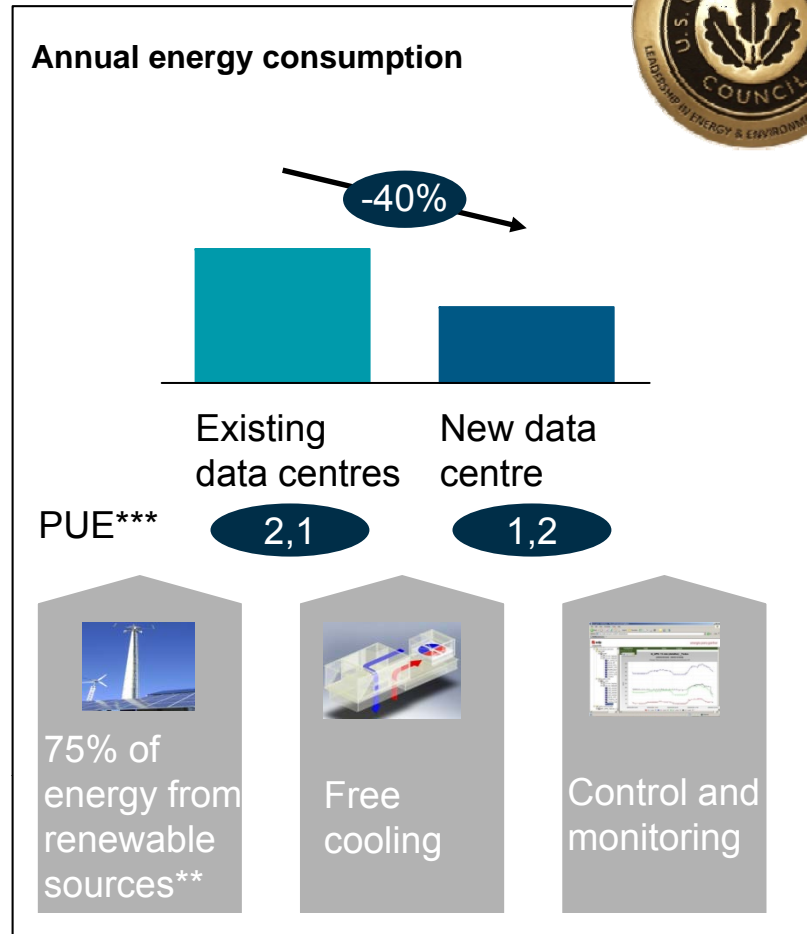
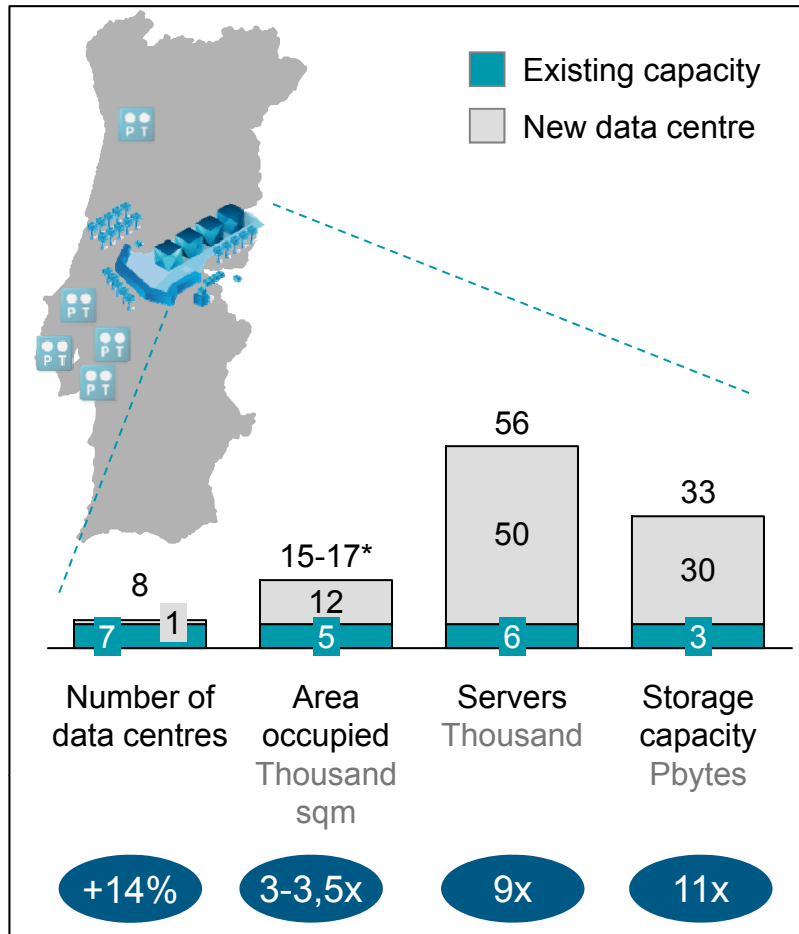


Software (SaaS)	Platforms (PaaS)	Infrastructure (IaaS)
<p><b>Microsoft Office</b></p>  <p>Office tools everywhere</p> <p><b>Invoice express</b></p>  <p>Online billing</p> <p><b>PHC Business FX</b></p>  <p>Core business areas management</p>	<p><b>Email/website</b></p>  <p>E-mail accounts management and Website</p> <p><b>Domains</b></p>  <p>Online presence</p> <p><b>Sharepoint</b></p>  <p>Collaboration and document management</p>	<p><b>Virtual servers</b></p>  <p>Dedicated servers</p> <p><b>Remote backup</b></p>  <p>Online data protection</p> <p><b>Virtual drive</b></p>  <p>Data storage</p>



### 3Q11 highlights – Portugal Enterprise Segment

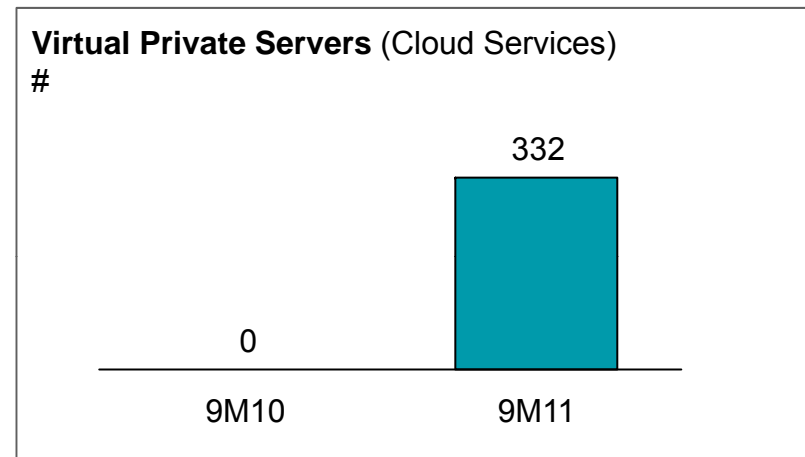
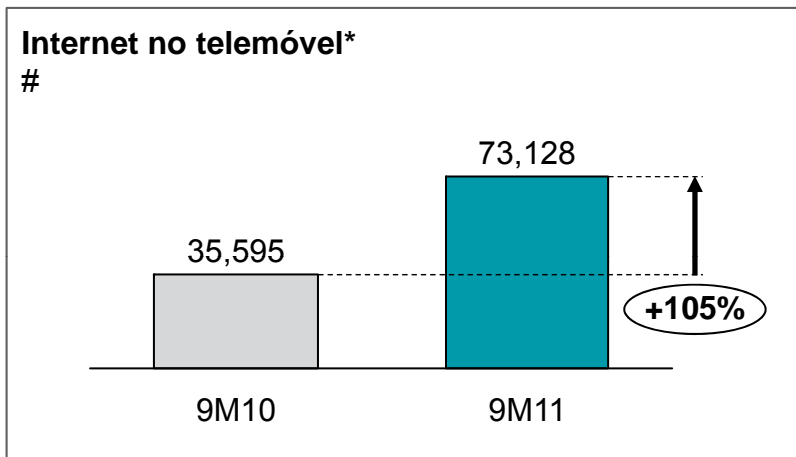
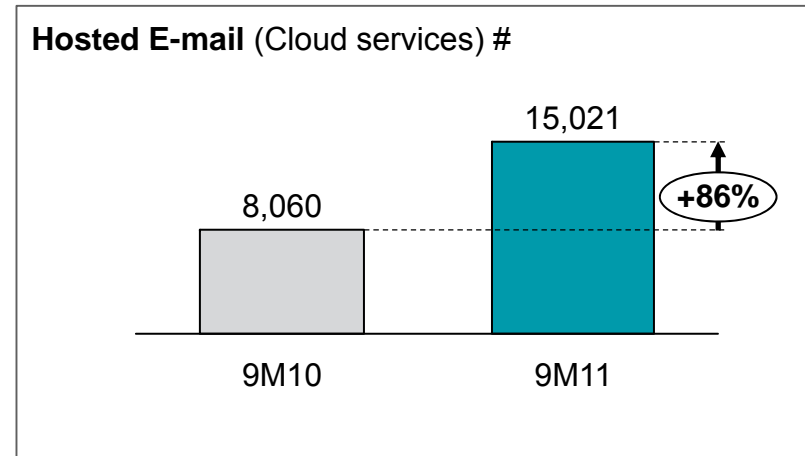
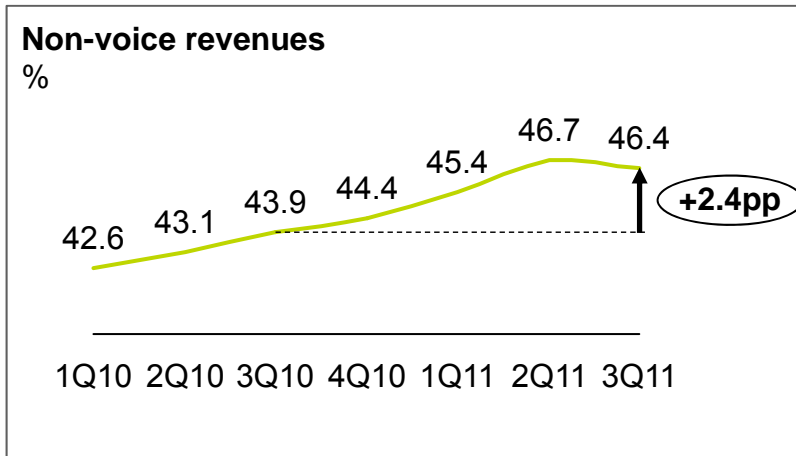
## In a move to anticipate industry trends and customer behaviour changes, PT is investing in a state-of-the-art data centre



\* Dependant on migration of installed capacity  
 \*\* Power Usage Effectiveness: Total energy consumed by actual energy spend in the equipment  
 \*\*\* ~65% of energy comes from EDP network + 25% of the wind park  
 \*\*\*\* the only authority chartering energy consumption of data centres



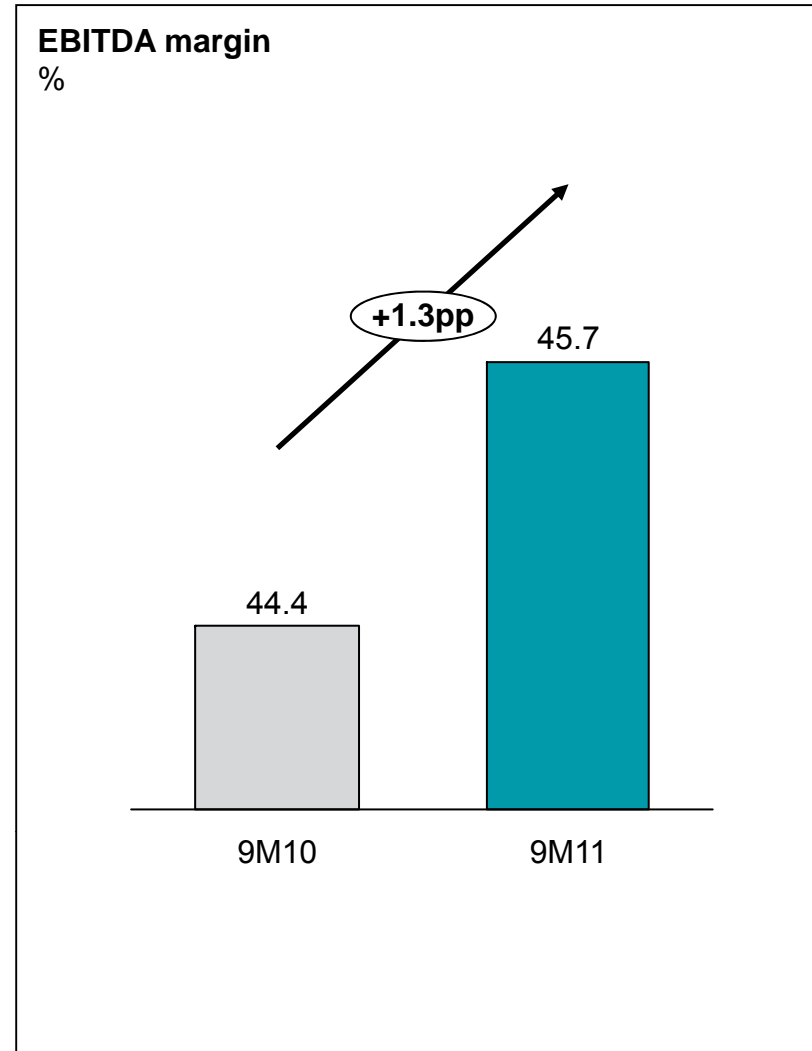
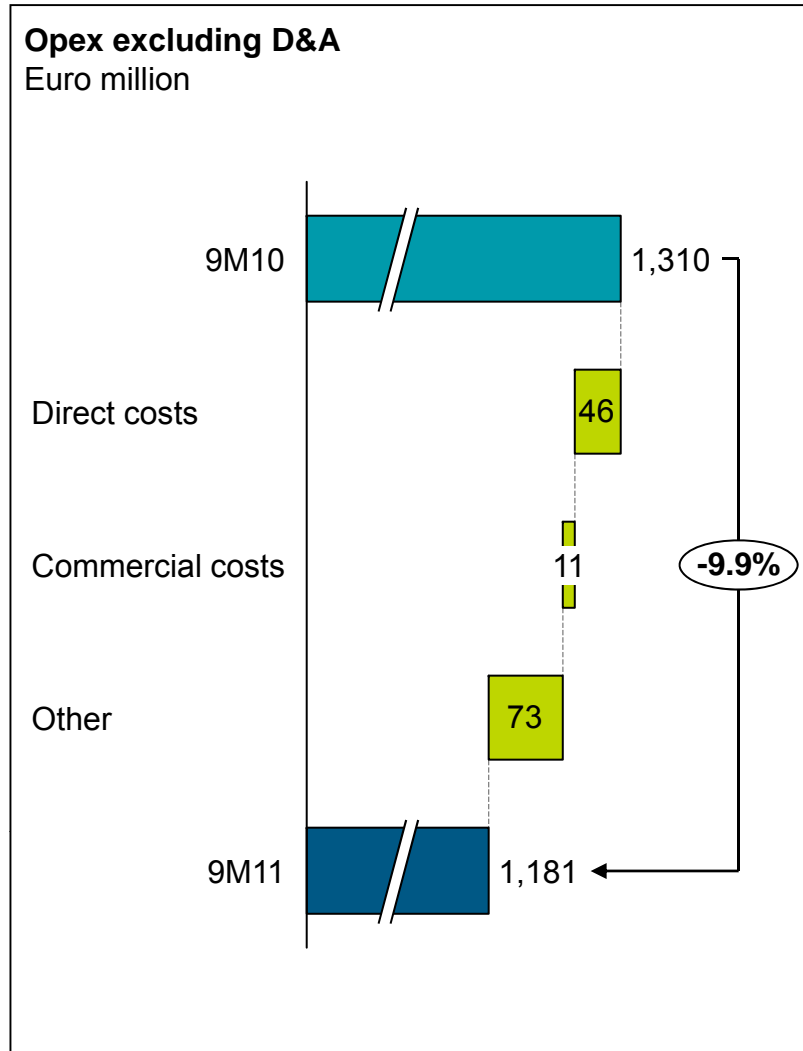
# Transformation of service portfolio is evolving revenue mix, which is allowing PT to increase the customer lifetime value



\* "internet no telemovel" is a data plan for handsets and smartphones



## Solid margins as a result of cost discipline

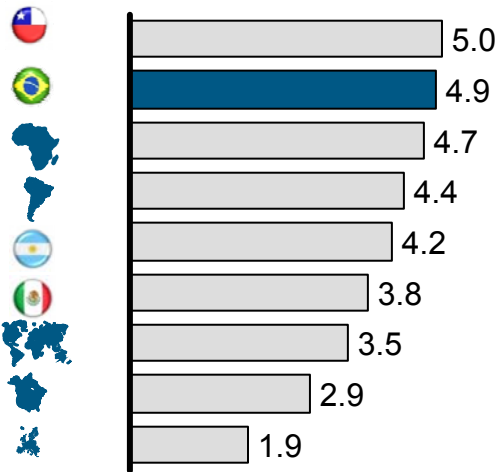




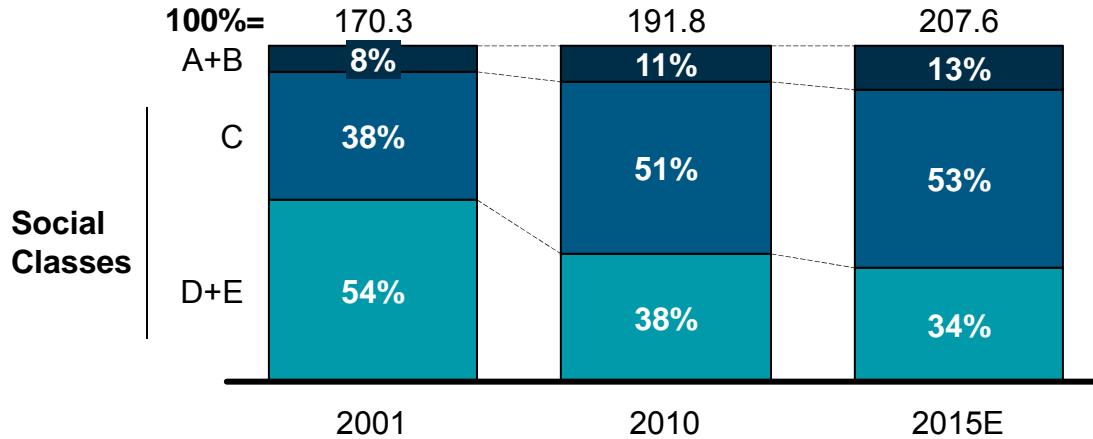
### 3Q11 highlights – Brazil

## Favourable economic trends in Brazil are underpinning the emergence of the consumer middle class, which should support future growth

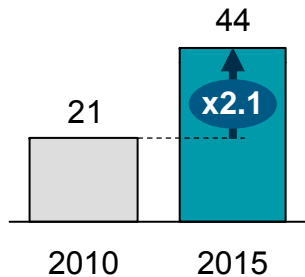
**Annual real GDP growth**  
2010-2020, percentage



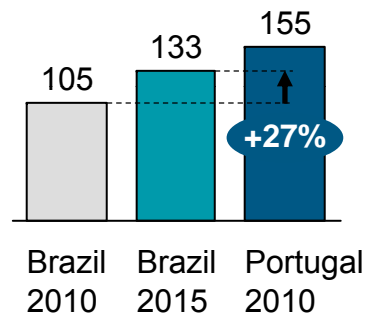
**Brazil population**  
Million



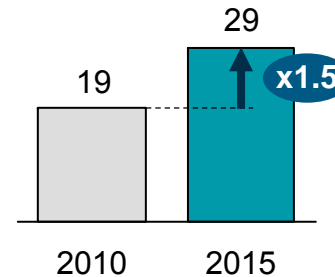
**Fixed BB penetration in Brazil**  
% households



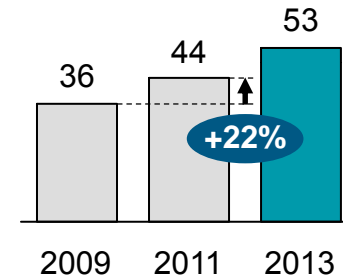
**Mobile voice penetration**  
% population



**Pay-TV penetration in Brazil**  
% households



**Data penetration in enterprises**  
%

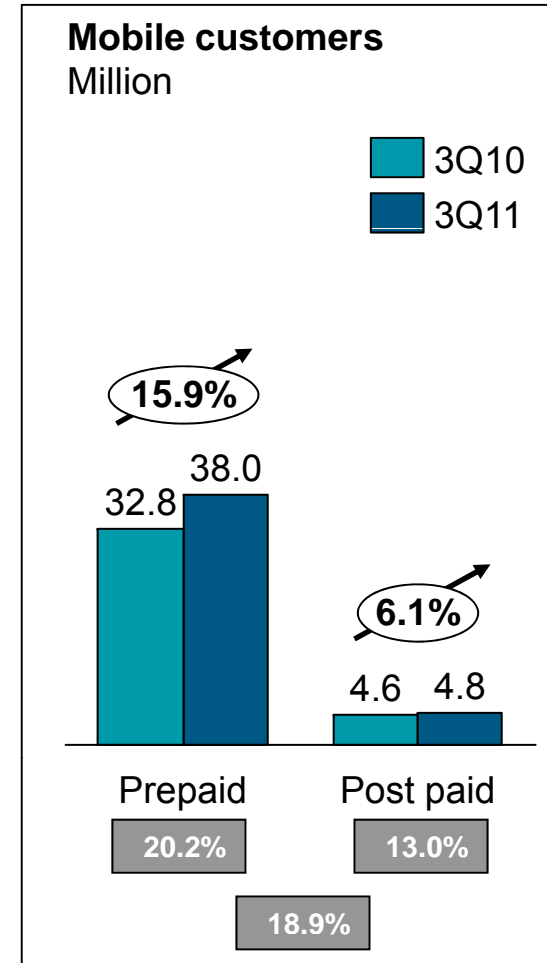
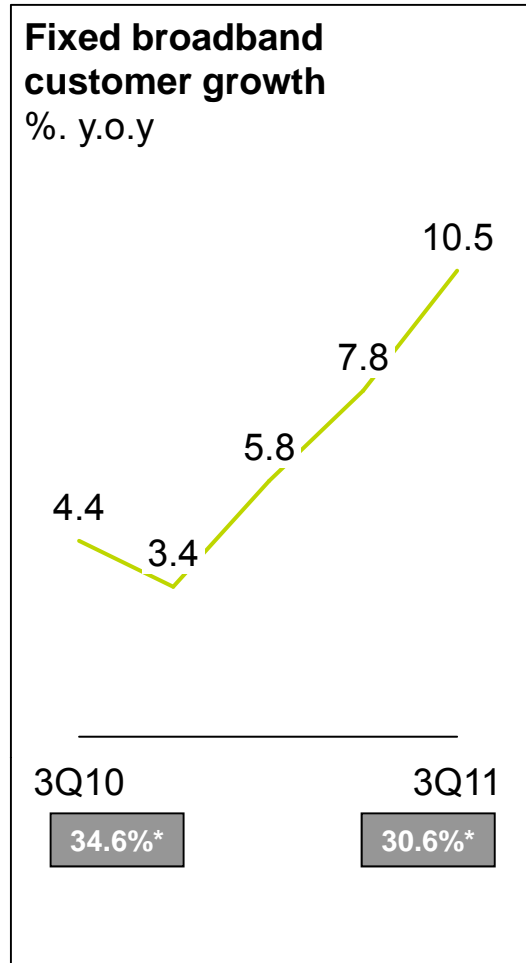
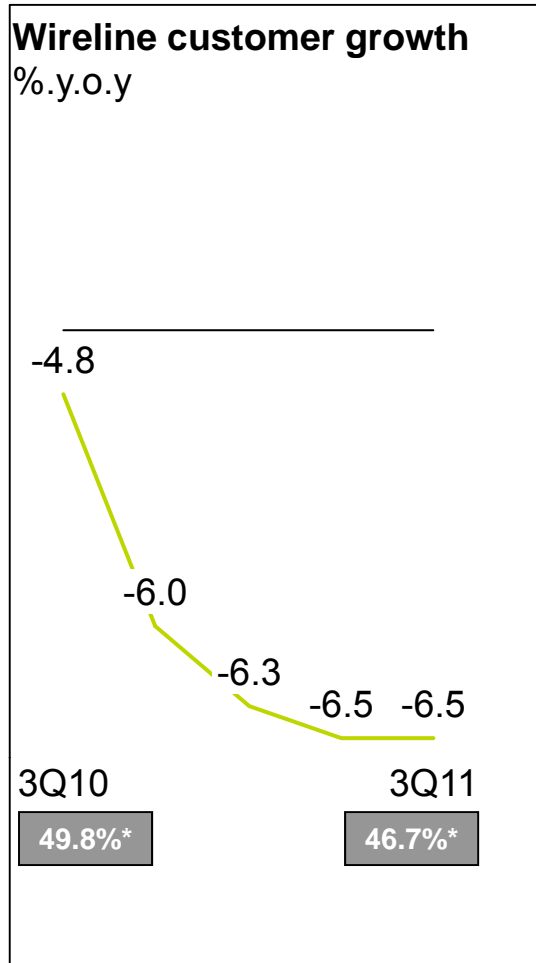


Note: Monthly average for social class: A and B (R\$4.591+), C (R\$1.064-4.591), D (R\$768-1.064) and E (R\$0-768)  
Source: IPEA; IBGE; Bacen and Cetelem (2009); MCM Consultores; Teleco; Anatel



# Competitive dynamics remain challenging

■ Market share



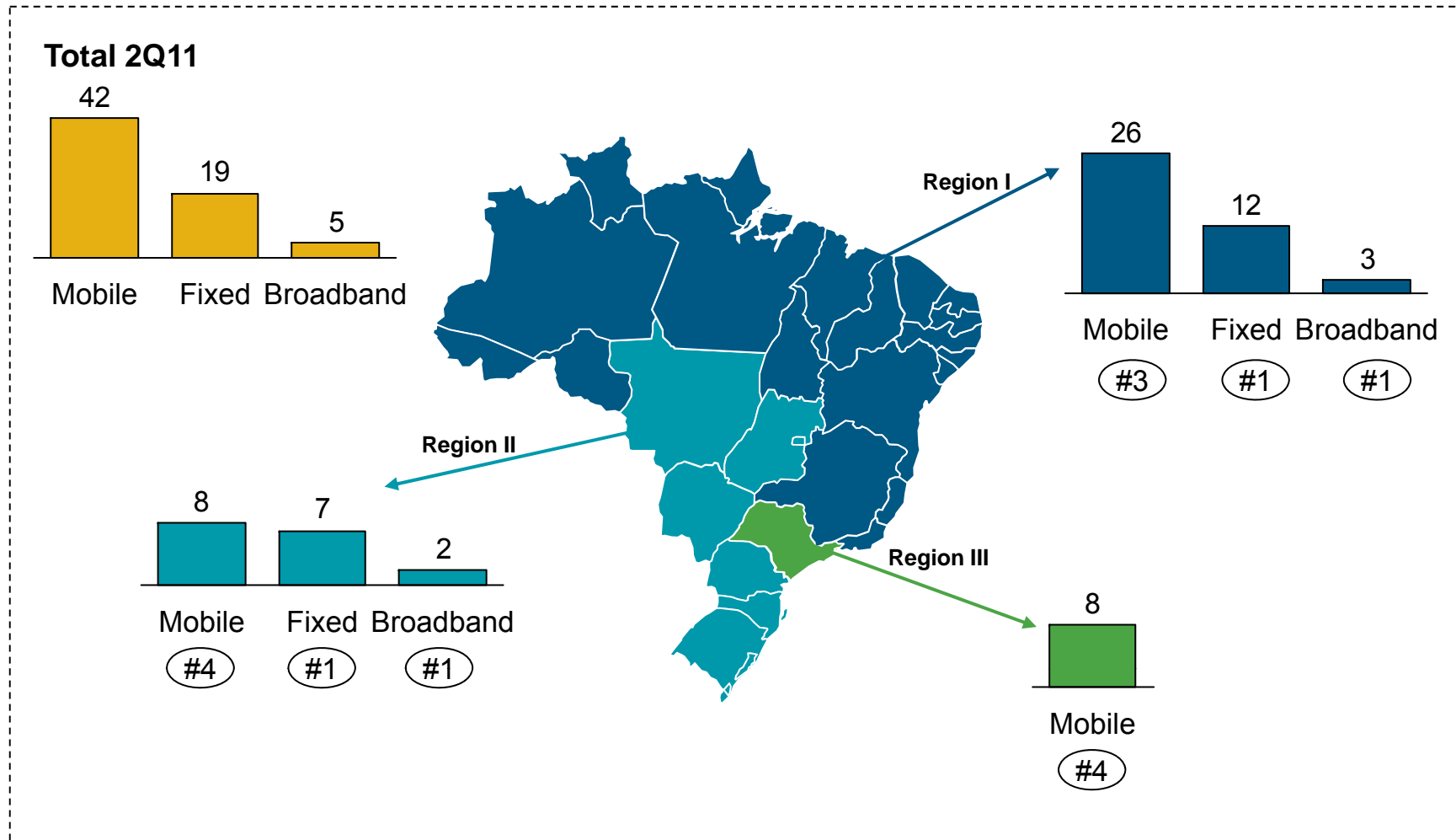
\*2Q11 data (3Q11 not available)  
Source: Teleco; Companies reports; Anatel



3Q11 highlights – Brazil

# Oi has a national footprint and significant potential to grow as an integrated operator

○ Ranking

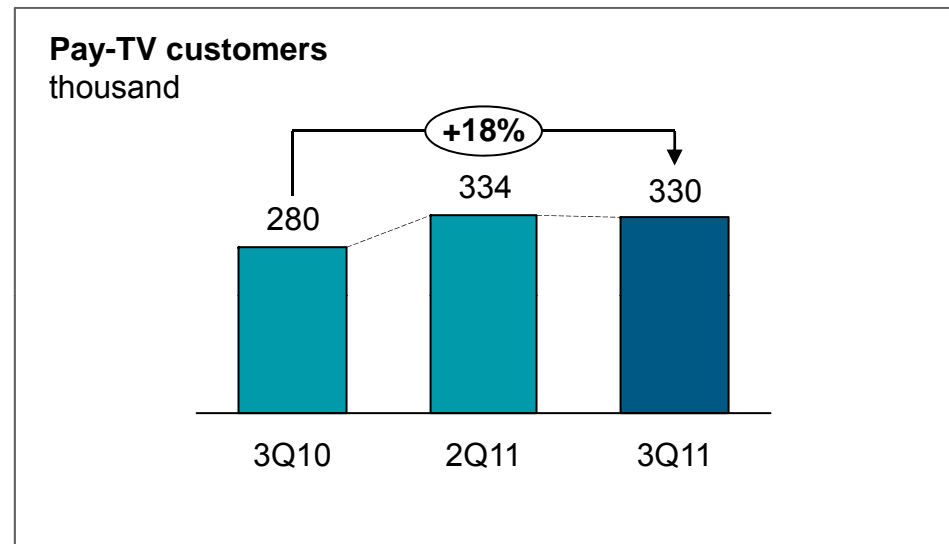
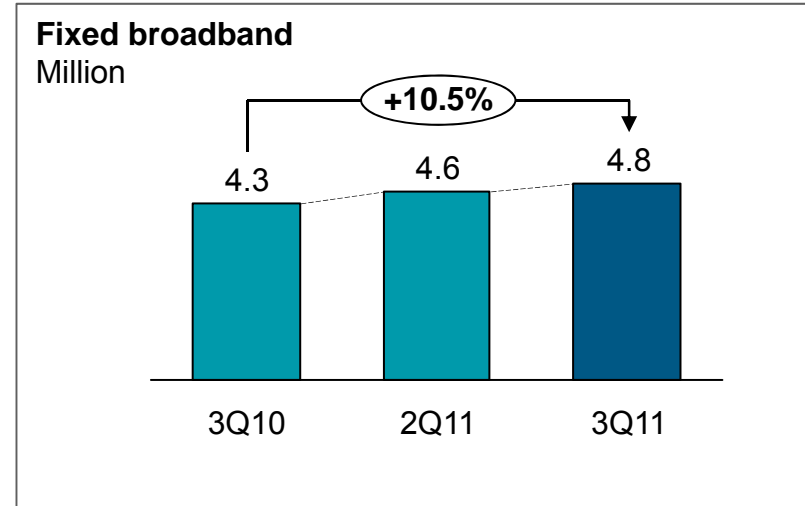
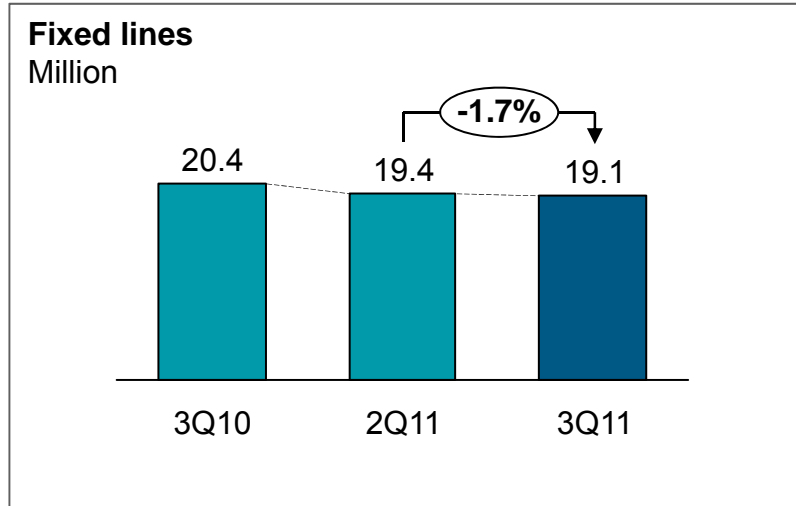


Source: Teleco; Companies reports; Anatel



### 3Q11 highlights – Brazil

## Line loss is in line with previous quarters but fixed broadband performance is improving

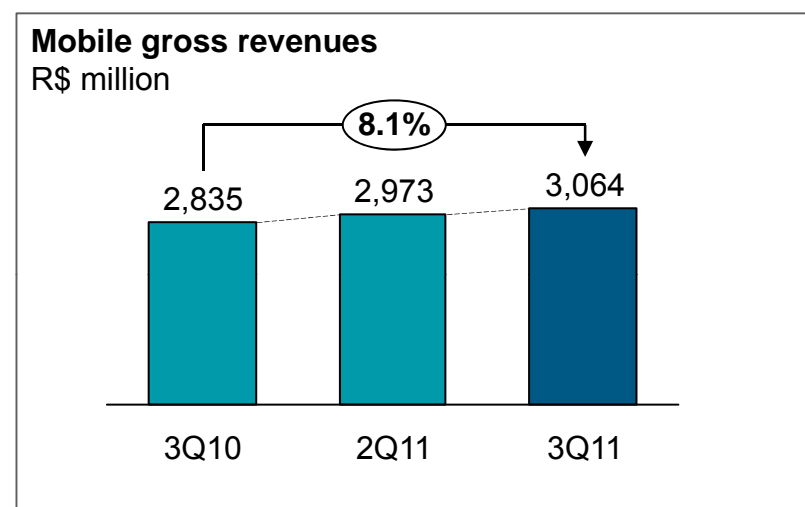
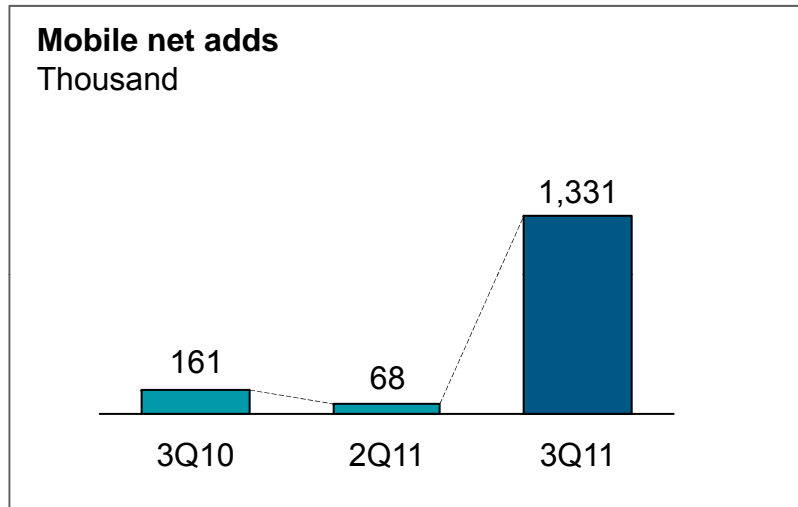
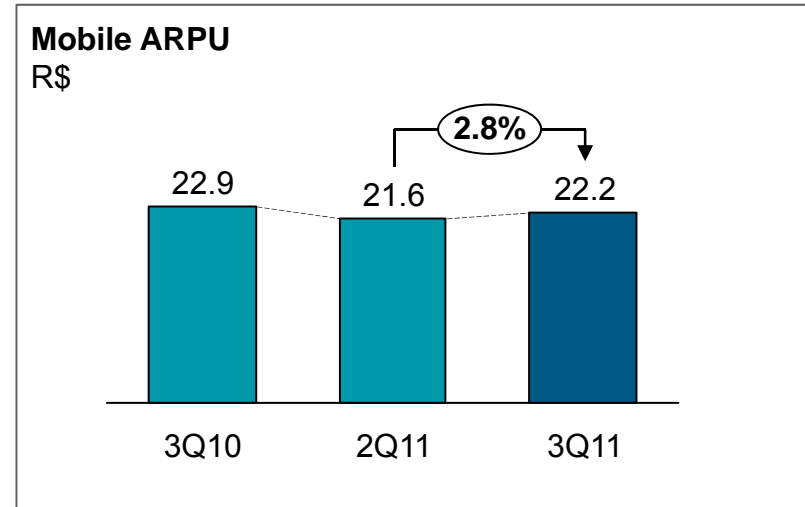
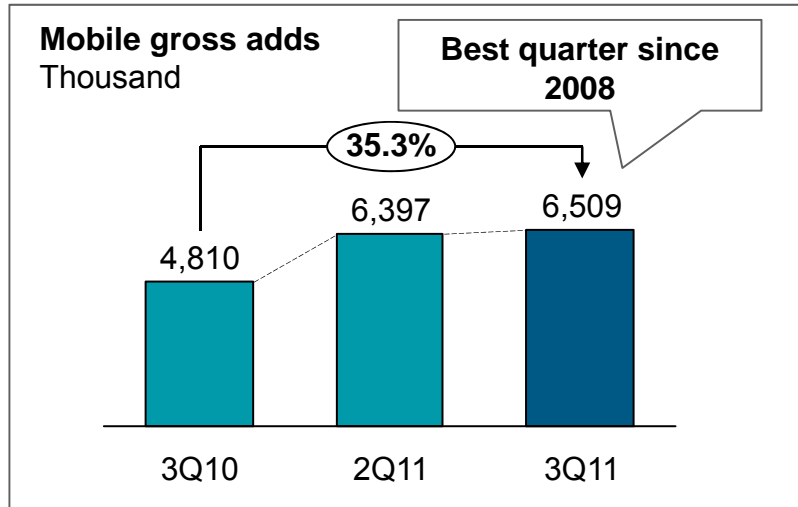


Pay-TV growth slowed down as a result of the redesign of the programming offer, which now includes Globosat channels



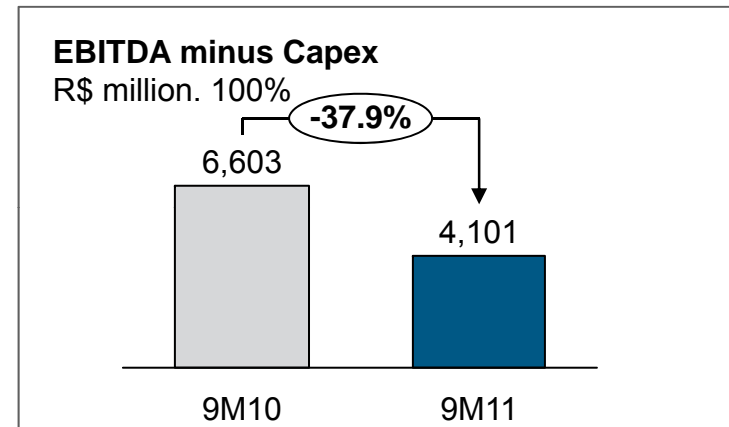
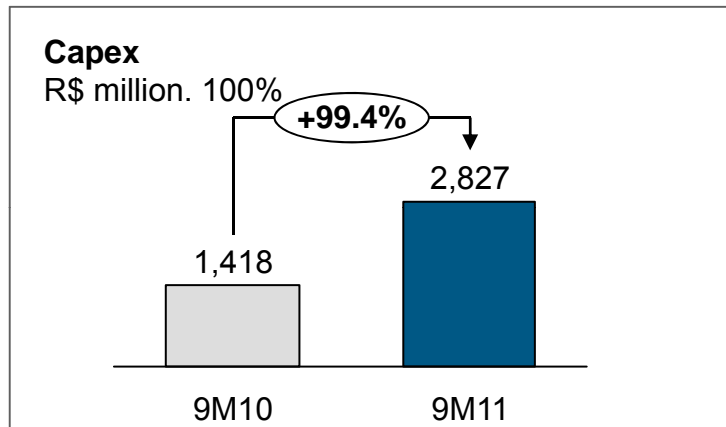
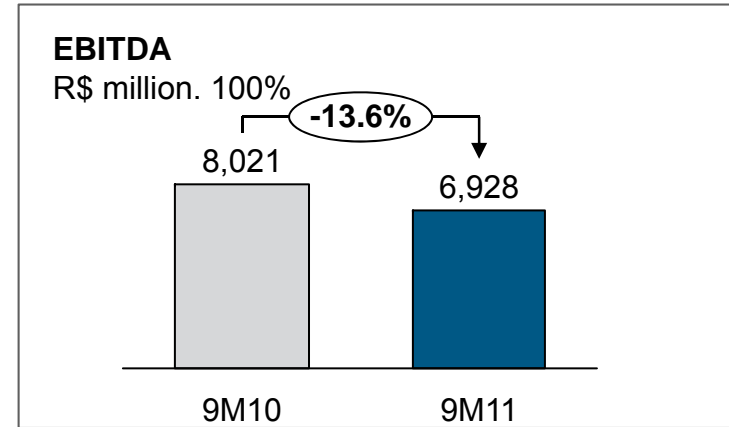
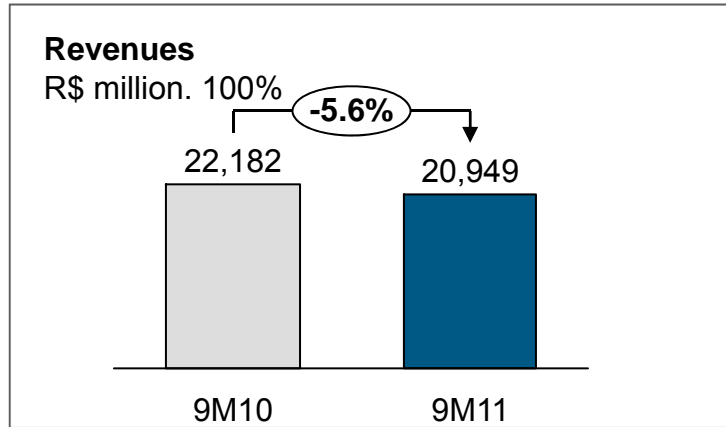
### 3Q11 highlights – Brazil

## Best performance in gross adds and lower churn underpinned significant improvement in mobile net adds





# Oi's financial performance reflects secular wireline trends





## Technology and Networks Committee is fully operational and should allow PT and Oi to leverage the benefits of the strategic alliance

### Context

- Strategic committee aimed at establishing critical elements to **capture upside potential of the PT-Oi strategic partnership**
- **PT and Oi well positioned to leverage the successful experience in Portugal, Brazil and Africa**



### Detail

- **>190 employees** involved in the various committee work streams
- Sharing of best technical and operational practices
- Technological alignment
- Scale to increase volumes
- Innovation risk sharing and hub for new product development



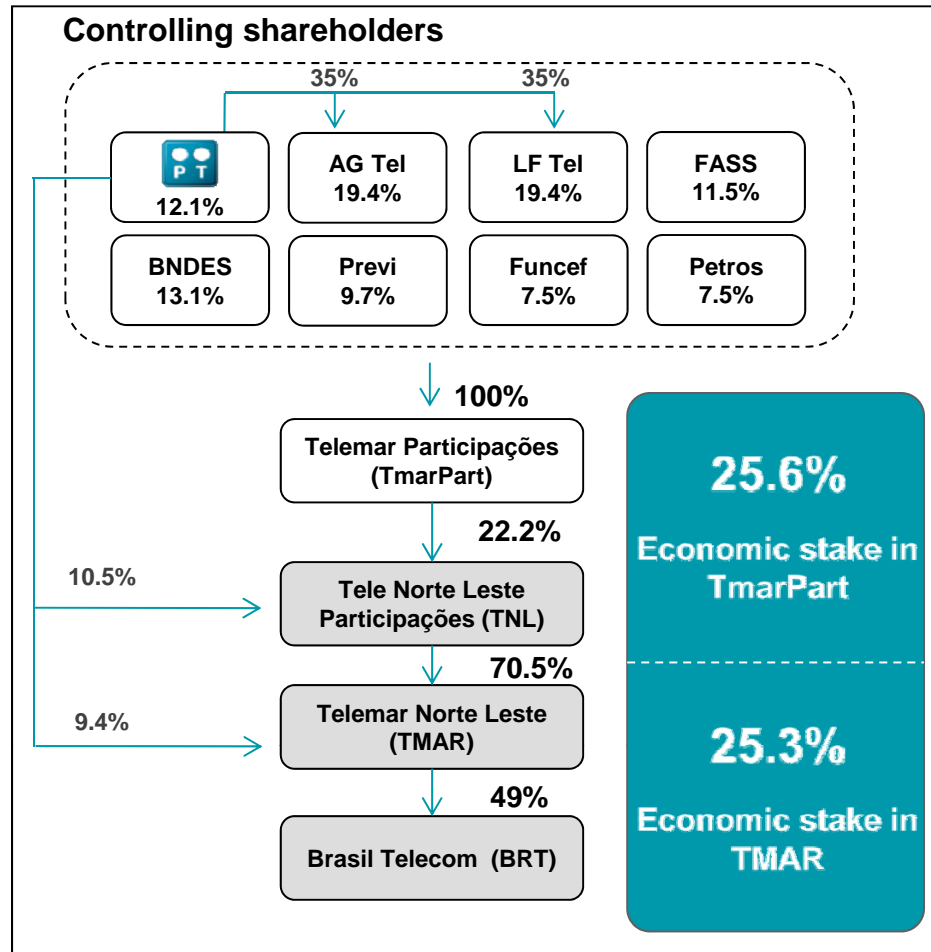
- **180 meetings** since the establishment of the committee (6 April 2011)
- **>34.000 man hours**



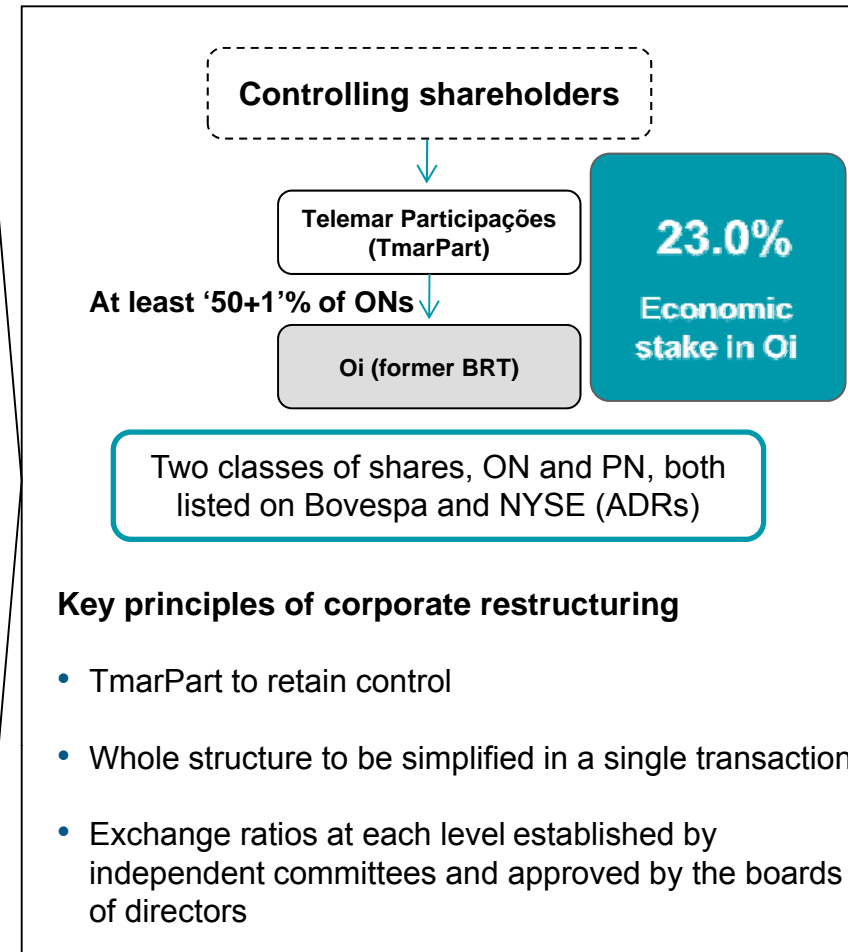
# Simplification of corporate structure is a critical step for the execution of the operational turnaround

  Listed companies

## Current simplified Oi shareholder structure















## Pro forma simplified Oi shareholder structure





3Q11 highlights – Africa and ROW

# Capturing wireless data and subscriber penetration growth opportunity

Africa	<p><b>Angola (Unitel)</b></p> 	<p><b>Additional free 5Gb bonus for new 5Gb data plan subscriptions</b></p>	<p><b>Family&amp;Friends service</b> offer with voice, SMS and MMS free traffic</p>	<p>New roaming agreements with <b>data roaming promotions</b></p>	
	<p><b>Namibia (MTC)</b></p> 	<p><b>BlackBerry smartphones bundles targeting high-value segments</b></p>	<p>Netman broadband offer <b>special promotions</b> aimed to address <b>youth segment</b></p>	<p>OfficeboxZONE launch for corporate/SOHO segment <b>bundling voice and broadband</b></p>	
	<p><b>Cape Verde (CVT)</b></p> 	<p><b>Prepaid recharge bonus promotions</b> with multiple giveaways</p>	<p>Mobile <b>internet price reduction</b> addressing dungle users</p>	<p><b>ADSL and TV market penetration increase</b> due to <b>attractive offers</b></p>	
	<p><b>São Tomé (CST)</b></p> 	<p><b>Voice roaming promotions and campaigns</b> with new roaming agreements</p>	<p><b>Prepaid handset specials</b> aimed to increase <b>customer retention</b></p>	<p>Launch of <b>different promotions based on airtime bonuses</b> for the higher top-ups</p>	
Asia	<p><b>Timor (TT)</b></p> 	<p><b>Sapo Internet portal 1st year celebration</b></p>	<p>Electronic top-ups promotions with <b>free airtime and SMSs</b></p>	<p><b>Prepaid traffic campaigns below the line</b> increasing usage</p>	
	<p><b>Macau (CTM)</b></p> 	<p><b>Launched Samsung Galaxy Tab 10.1</b> with a strong public response</p>	<p>To mark the <b>30th Anniversary</b>, CTM kicked off a <b>campaign series</b> including <b>handset prizes</b></p>	<p><b>Mobile broadband revenue growth</b> on the back of <b>higher customer usage</b></p>	



# Solid profitable growth and financial position

Euro million

## Revenues

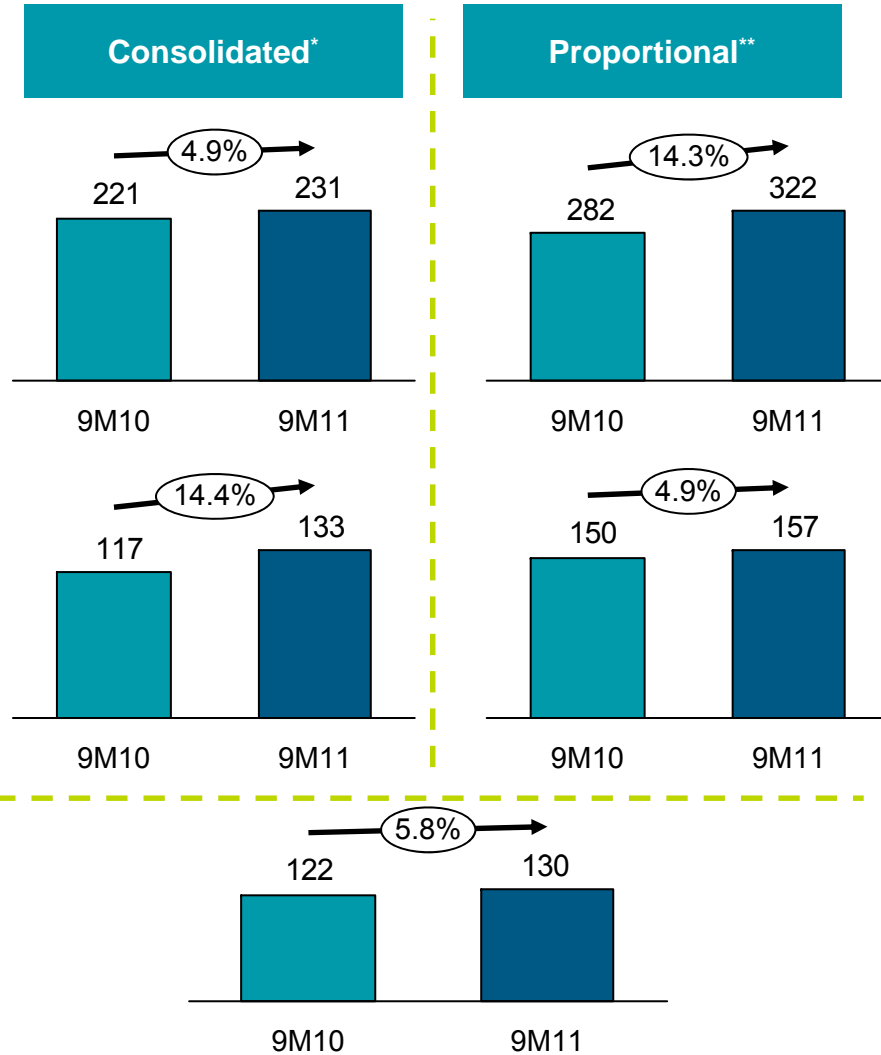
> **Positive evolution of consolidated revenues** contribution by international assets namely MTC (Namibia, up 7.8% y.o.y in Euro) and also Timor Telecom (East-Timor, up 10.3% y.o.y)

## EBITDA

> Consolidated EBITDA with a **sustainable growth y.o.y** mainly impacted by the positive contribution of MTC (+2.2% y.o.y), and Timor Telecom (+5.9% y.o.y)

## Equity income \*\*\*

> Unitel and CTM's equity income up 5,8% y.o.y



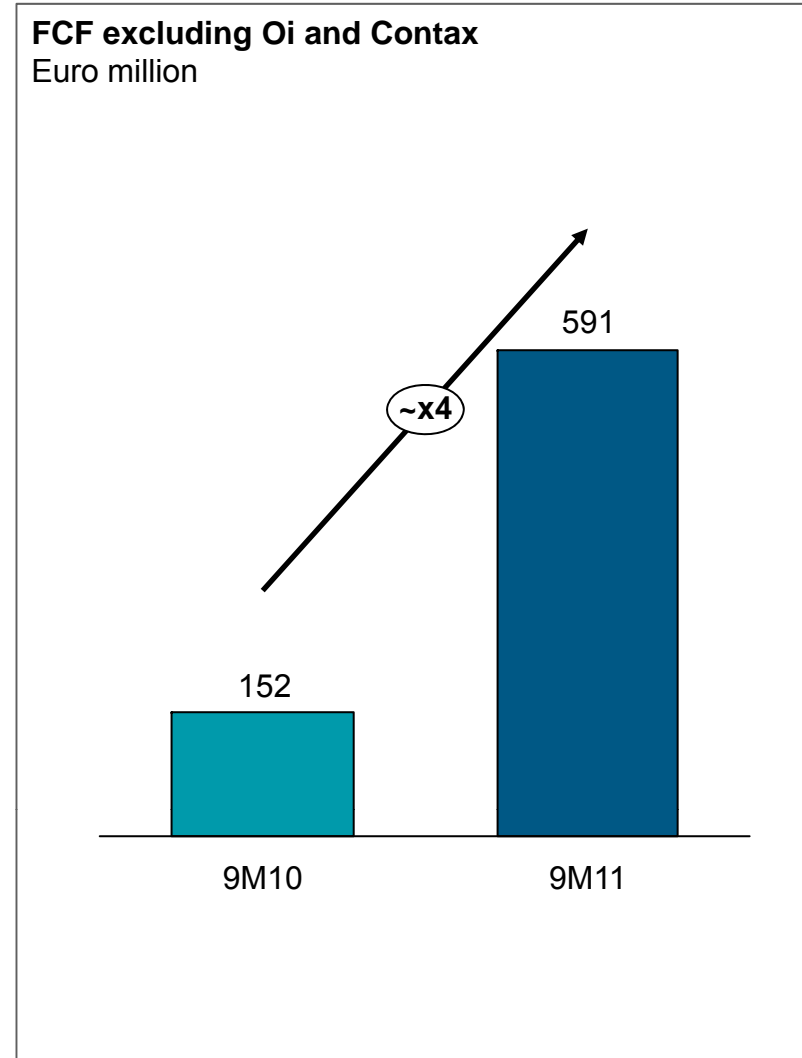
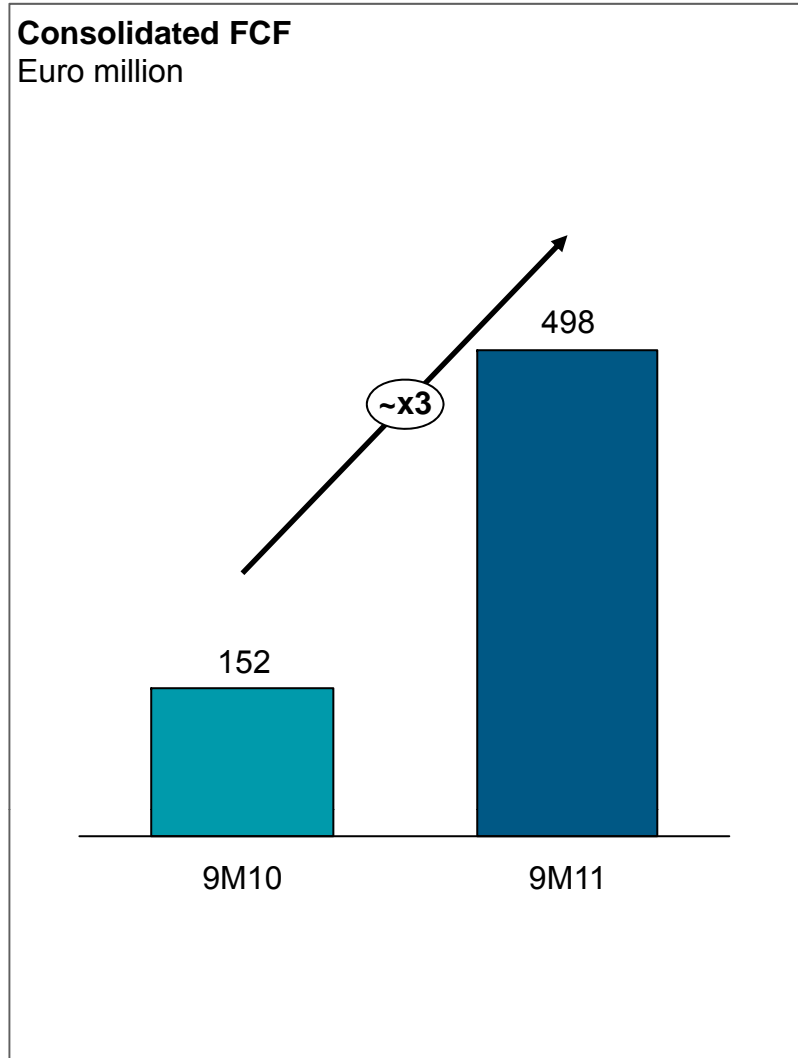
\*Consolidated companies: MTC, CVT, CST, Directel companies, PT Brasil, Timor Telecom, PT Ventures, Africatel Holding, PT Móveis, PT II, PT Participações

\*\* Proportional revenues and EBITDA calculated by applying the direct equity stake of PT or via Africatel, where PT holds a 75% stake

\*\*\*Equity investment (Unitel and CTM)



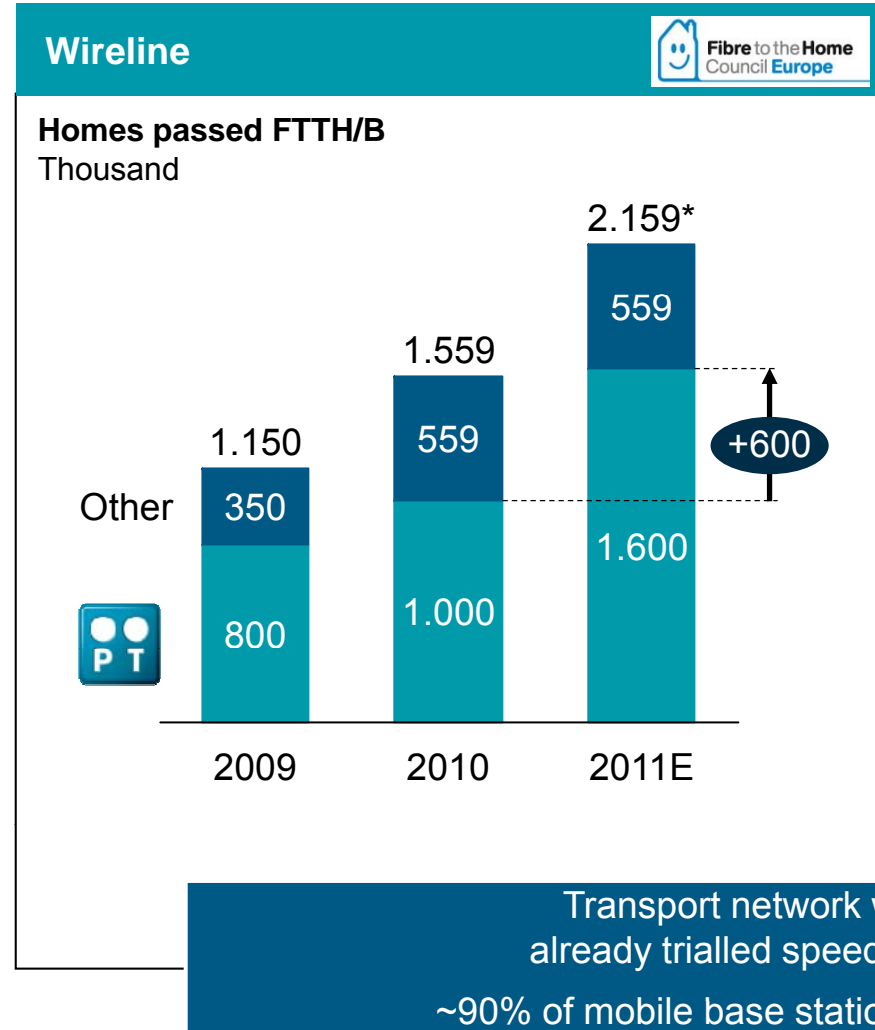
# Significant improvement in cash flow as a result of completion of network modernisation investments and financial discipline





Portugal - Capex

**Best-in-class networks allows PT to manage efficiently coverage and traffic growth and deliver all services and content in any screen or device, anywhere**



**Mobile**

**Leader in the development of 4G**

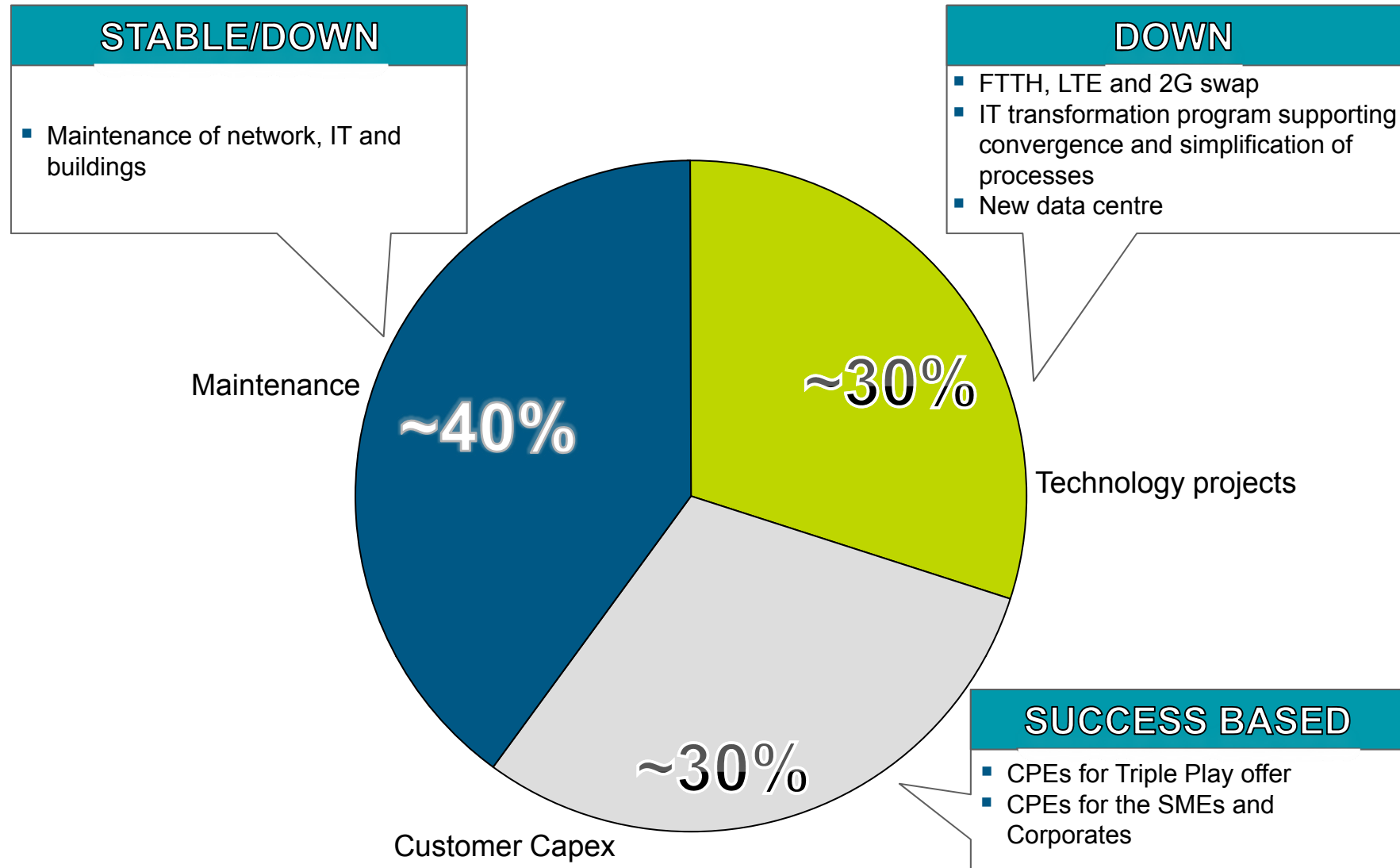
**Modernisation of 2G network** (already 4G enabled)

**Traffic off-load through national WiFi network**

\* Assumes only additional passed homes for PT, i.e. 600 thousand more until the end of 2011  
Source: FTTH Council; Yankee Group; INE (total number of homes in Portugal of 5.7 million)

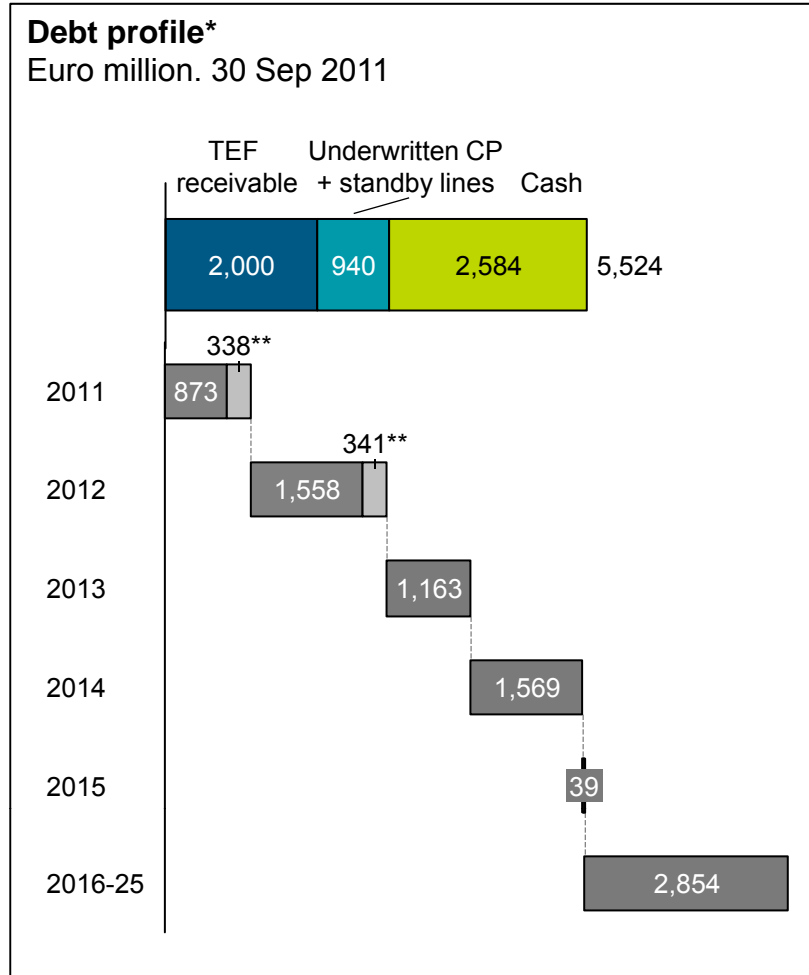
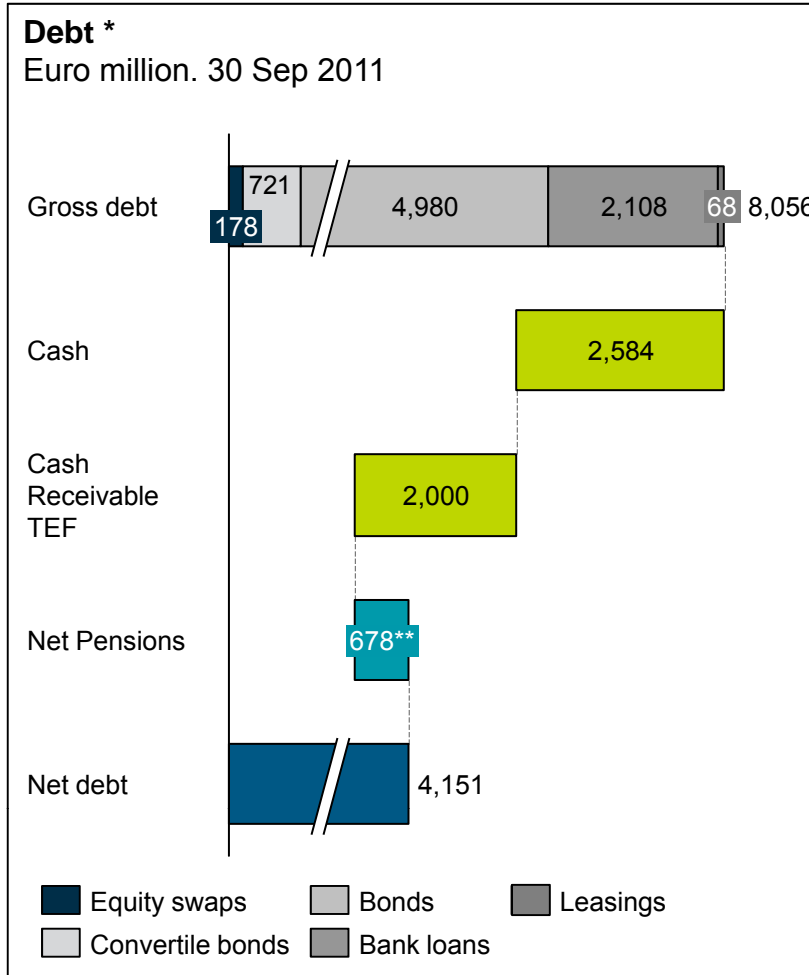


# Investments in future proof technologies positions PT uniquely to grow beyond connectivity and makes it a highly predictable company





# Solid financial position with maturities and commitments fully financed until the end of 2013

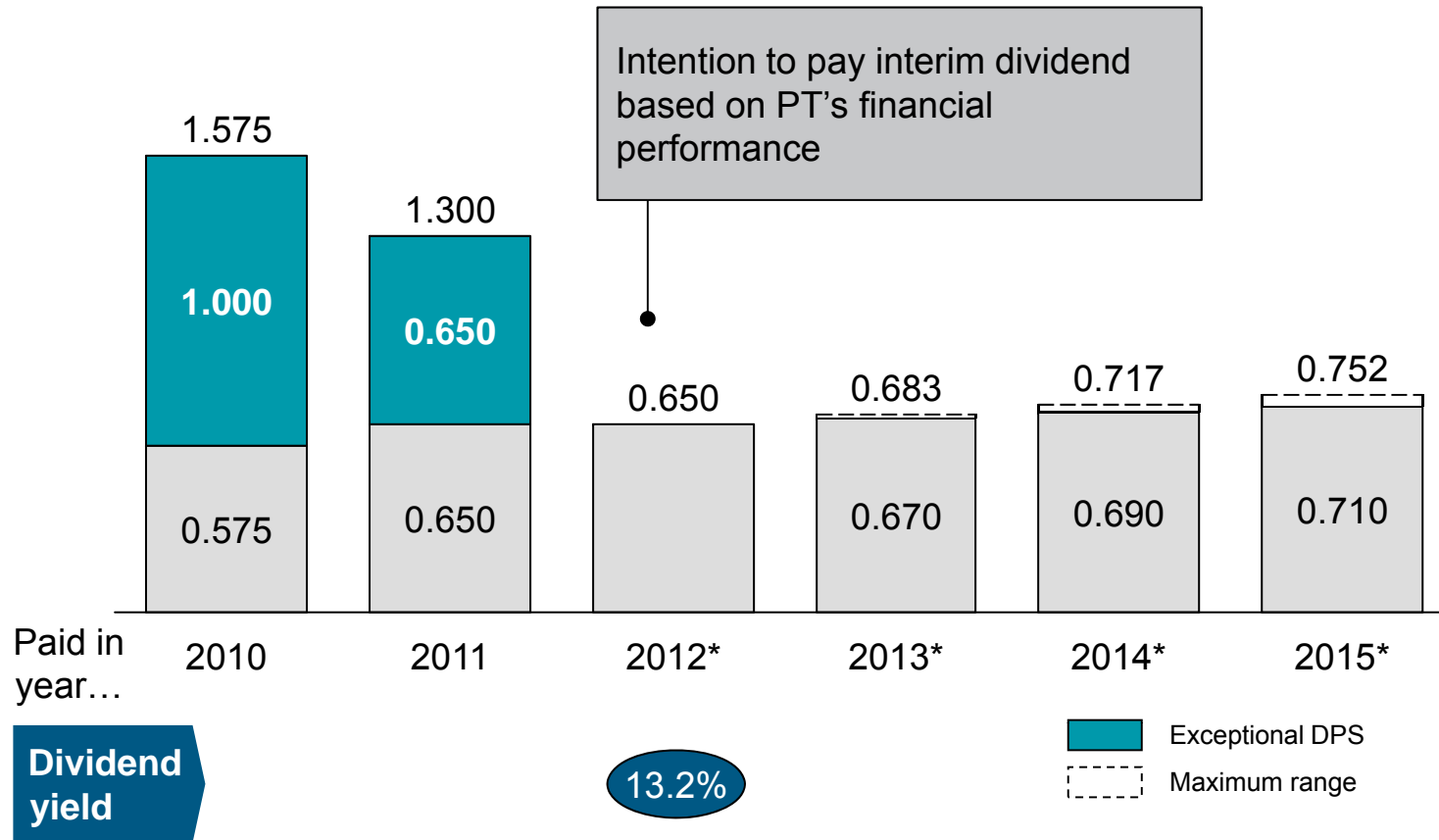


\*Excluding Oi debt

\*\*Includes Euro 450m payable in December 2011 and Euro 454m payable in December 2012, net of the related tax effect amounting to Euro 226m.



## Commitment to best-in-class shareholder remuneration



\* Intention to pay interim dividend based on PT's financial performance

Note: The exceptional cash dividend and the remuneration package proposal are subject to market conditions, PT's financial condition, applicable law regarding the distribution of net income, including additional shareholder approvals, as applicable, and other factors considered relevant by the Board at the time



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