

# Results Presentation

Third Quarter 2007

14 November 2007

## 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 fact, 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.

# Highlights



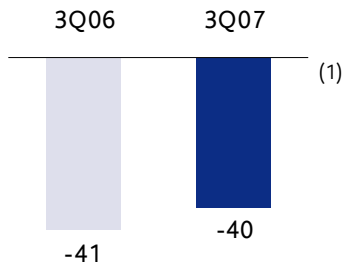
	9M07	y.o.y
> Operating revenues	4,531	+5.7%
> EBITDA	1,726	+11.8%
> Net income	670	+27.2%
> Free cash flow	915	+103.2%
> Net debt	4,332	+5.4%
> After-tax net unfunded post retirement obligations	917	-37.7%

Values in Euro million

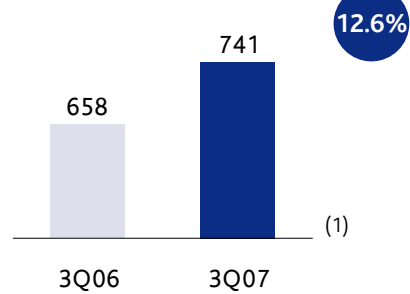
# Wireline operational highlights



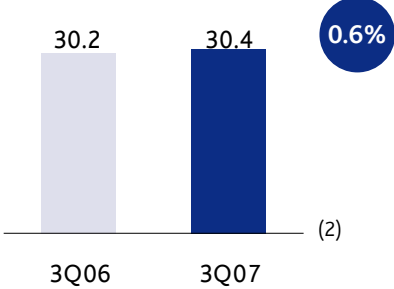
## PT Voice Line Net Adds



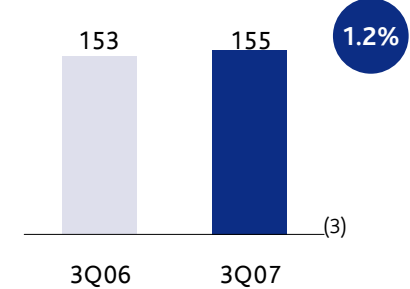
## ADSL Retail



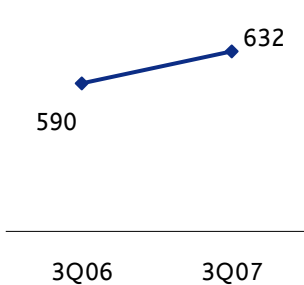
## ARPU



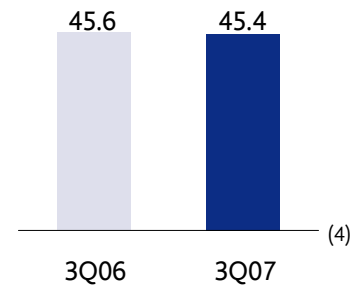
## Retail MOU



## Lines Per Employee



## EBITDA Margin



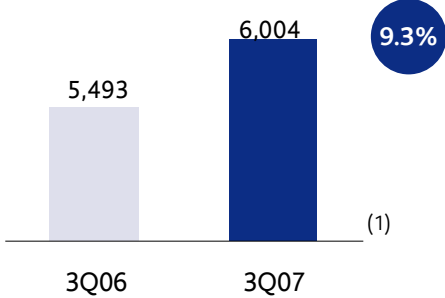
- > Increased competition in voice and broadband
  - GSM-based fixed offers and wireless BB
  - Triple-play offers from cable
- > Loss of PT voice lines in line with past 4 quarters
- > ADSL increased by 13% on the back of summer campaign
- > Blended ARPU up 0.6%
  - Increased penetration of broadband
- > Triple-play (IPTV) offer launched during the Summer
- > Focus on operational efficiency
  - Ongoing curtailment programme
  - Reduction of post retirement benefits
  - Continue to optimise non-commercial costs

(1) Thousand (2) Euros (3) Minutes /month (4) Percentage

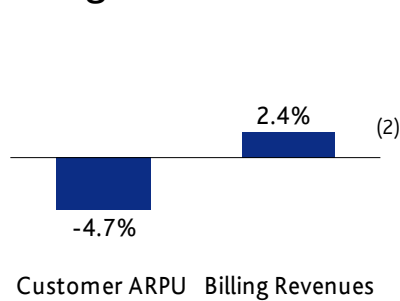
# TMN operational highlights



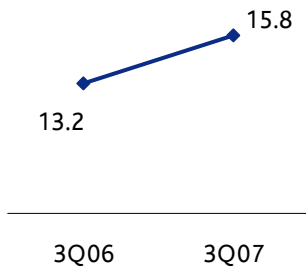
## Customers



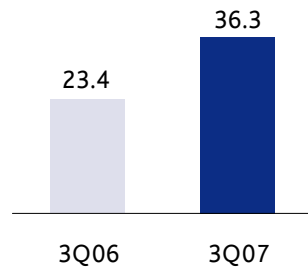
## Billing Revenues



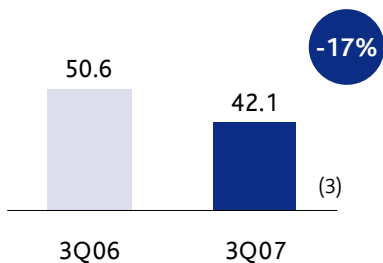
## Data % Serv. Revenues



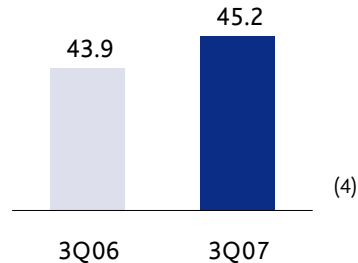
## Non-SMS % Data Revenues



## Unitary SARC



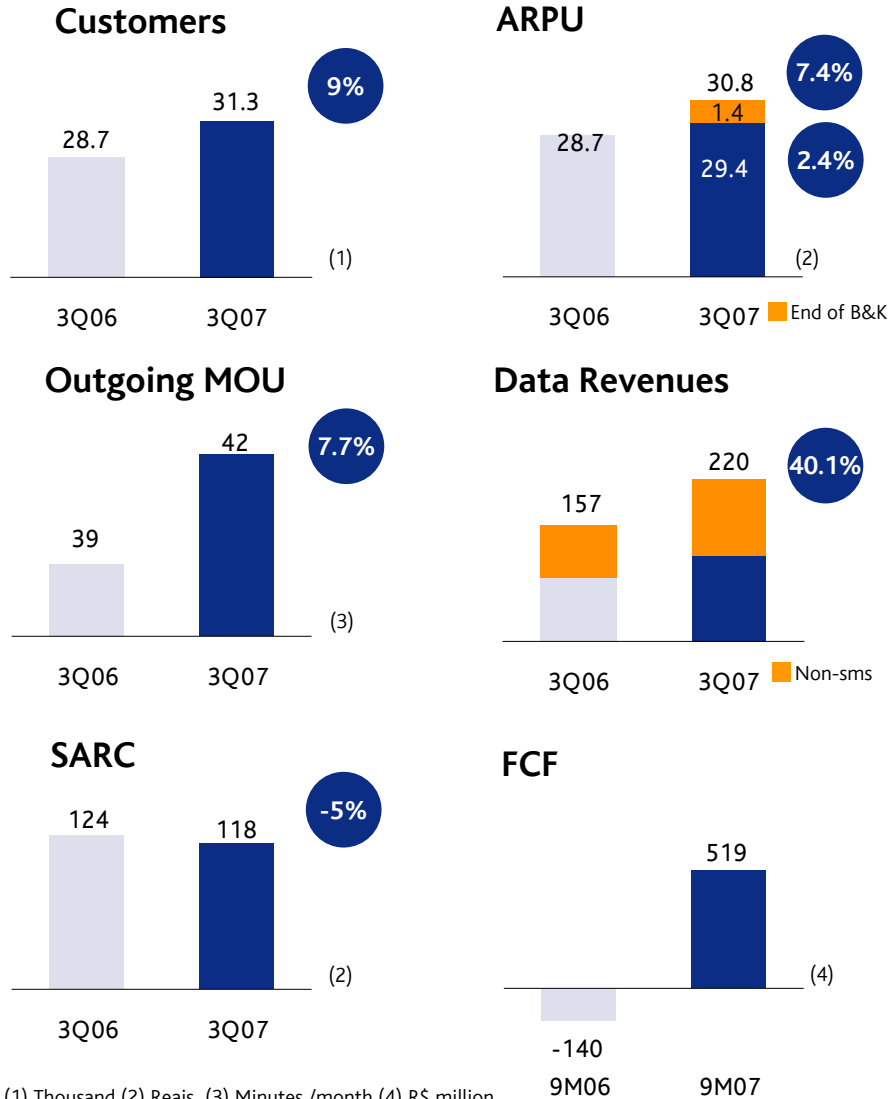
## EBITDA Margin



- > Increased commercial activity focused on prepaid to postpaid migration and wireless broadband
  - Gross adds up 20% yoy
  - 6 mn customer mark consolidates leadership position
  
- > Handset portfolio differentiation
  - 25 new handsets (19 exclusive) for Summer campaign
  
- > Strong focus on wireless broadband
  - "e-escolas": PC/data product targeted at teachers, students and professionals
  - First flat rate offer for Internet and email access on mobile handsets in Portugal
  
- > Continued growth in data services
  - Non-SMS accounts for 36% of data revenues
  - Data usage (kilobytes) increased >6x
  
- > Improvement in operating efficiency
  - Strict control of SARC and non-commercial costs

(1) Thousand (2) y.o.y (3) Euros (4) Percentage

# Vivo operational highlights



(1) Thousand (2) Reais (3) Minutes /month (4) R\$ million

- > Achieve a full nationwide coverage
  - Telemig Acquisition
  - Purchase of 1.9Ghz frequencies
- > GSM/ EDGE network implemented in record time
  - 99% municipalities with CDMA coverage
  - 90% of initial GSM capex concluded
- > Significant increase in commercial activity
  - 31 mn customers, up 9% yoy
  - Gross adds up 30% yoy
  - 77% of gross adds were GSM
- > Focus on providing best network quality and best service offering
  - 63% of postpaid customers (ex. corporates) on new family of plans "Vivo Escolha"
- > Improvement in ARPU
  - Underlying ARPU up 2.4% yoy
  - Increased usage (outgoing MOU up 8%)
  - Data revenues up 39% yoy
- > Strong improvement in FCF generation

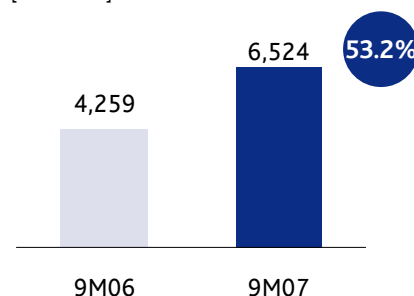
# International assets in Africa and Asia continued to grow



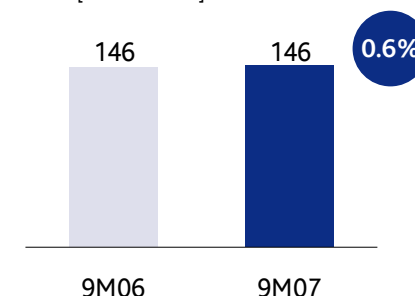
	Stake	EBITDA (€mn)	y.o.y local	Customers	y.o.y
<b>Africa</b>					
Meditel	32%	146	2.1%	6,524	12.5%
Unitel	25%	278	23.1%	2,802	11.9%
MTC	34%	45	1.2%	744	5.4%
CVT	40%	31	8.1%	208	7.4%
CST	51%	2	9.6%	33	6.7%
<b>Asia</b>					
CTM	28%	63	16.7%	509	3.0%
Timor Telecom	41%	8	46.5%	70	9.2%

## Meditelecom [Morocco]

Customers [thousand]

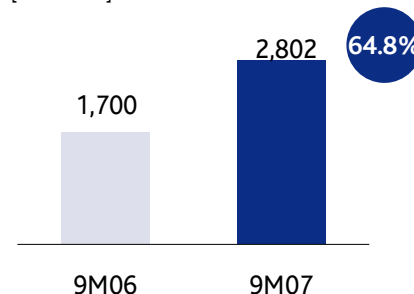


EBITDA [Euro million]

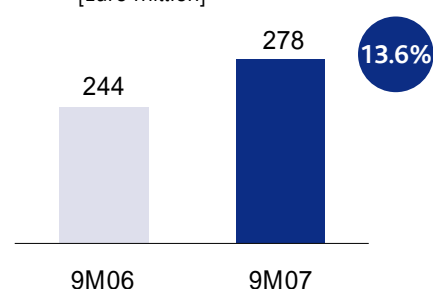


## Unitel [Angola]

Customers [thousand]

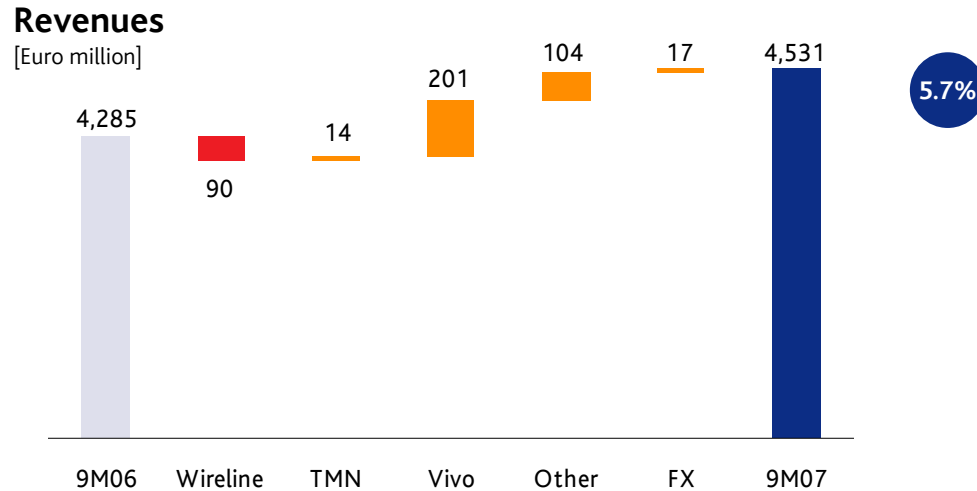
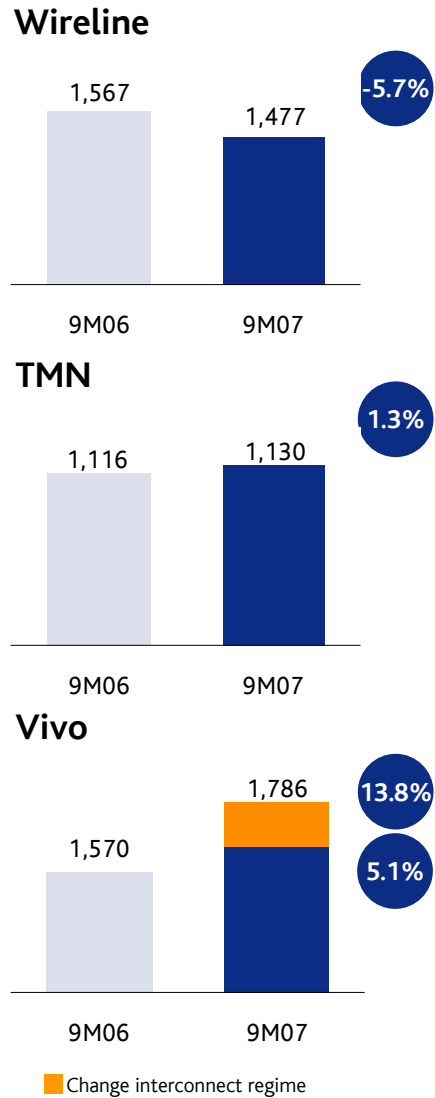


EBITDA [Euro million]



- > Monetisation of African assets through partnership with Helios
- > Positive performance across various assets in Africa and Asia, underpinned by customer growth.
- > Proportionate EBITDA for international assets (ex-Vivo) amounted to €147mn in 9M07, an increase of 12% yoy in constant currency.
- > All international assets are self-funding.

# Revenue performance underpinned by mobile growth

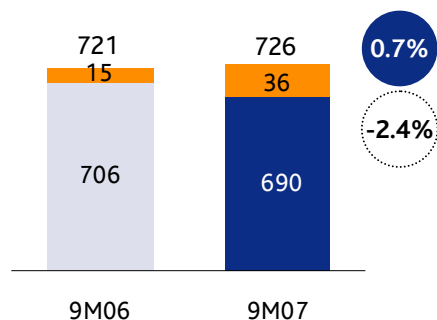


- > TMN performance driven by continued customer growth, particularly in postpaid and wireless BB, while wireline impacted negatively by line loss and price competition.
- > Vivo top line growth supported by strong customer growth and ARPU.
- > Consolidation of MTC (Namibia) had positive impact of €77mn.
- > Mobile termination rate (MTR) cuts had negative impact of 20mn in 9M07

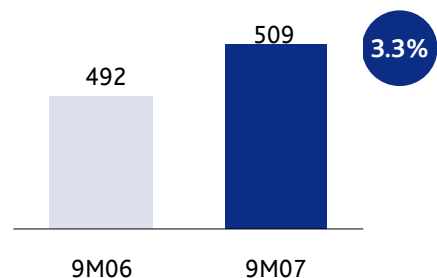
# EBITDA performance supported by top line growth and margin expansion in mobile



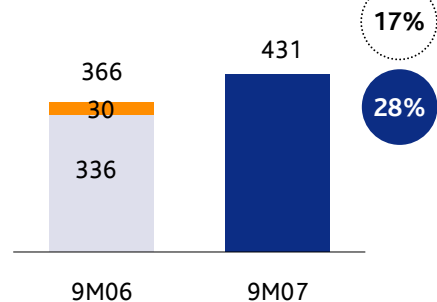
## Wireline



## TMN



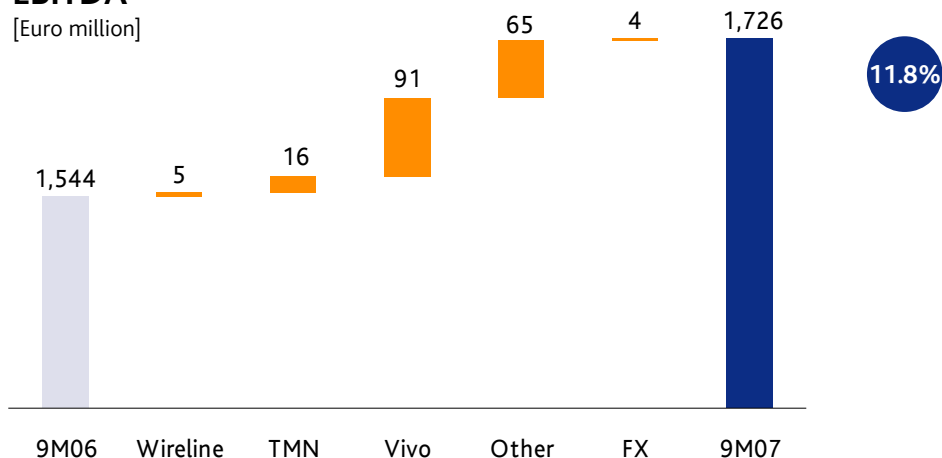
## Vivo



■ Exceptional items    ○ Excluding exceptional items

## EBITDA

[Euro million]



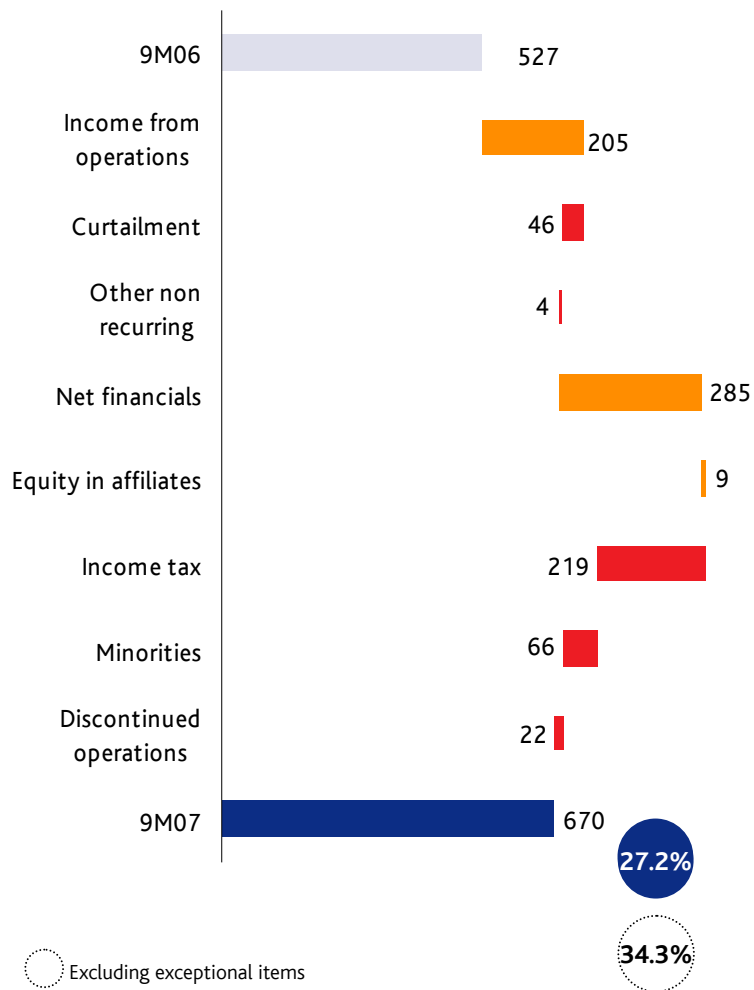
- > Wireline EBITDA supported by greater cost efficiency (+1.6pp margin increase excluding exceptional items).
- > TMN and Vivo EBITDA improvement supported by customer growth and margin improvement (+0.9pp in TMN and 0.8pp in Vivo excluding exceptionals)
- > Consolidation of MTC had positive impact of €40mn.
- > Mobile termination rate (MTR) cuts had negative impact of €9mn in 9M07.

# Net income increase driven by higher income from operations and lower net financials



## Net Income

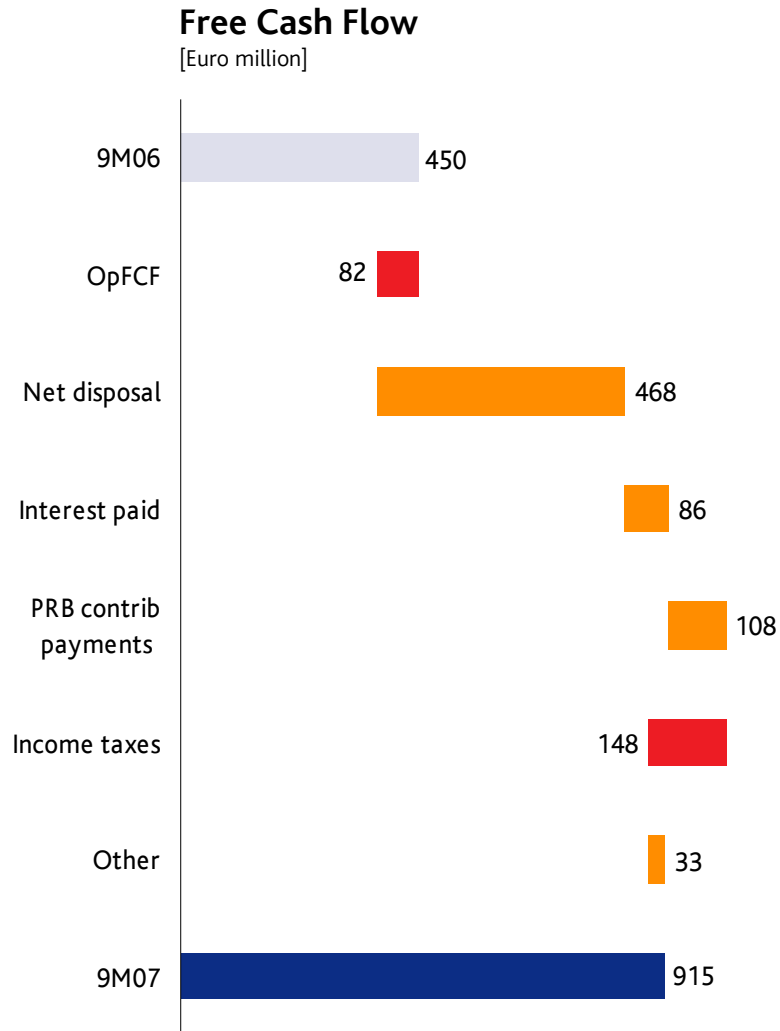
[Euro million]



- > Income from operations amounted to €910mn, an increase of 29%yoy.
- > Curtailment costs amounted to €142mn in 9M07, in connection with reduction of 482 employees.
- > Net financials decreased by €285mn mainly due to lower net interest expenses, the sale of 22% of Africatel, the settlement of equity swap contracts on PTM shares, the disposal of financial investments (BES).
- > Income taxes increased by €219mn due to €53mn tax credit booked in 1Q06 and €142mn booked in 2Q06 due to the reduction in deferred tax liabilities. Effective tax rate fell from 41% (adjusted) in 9M06 to 23% in 9M07.

○ Excluding exceptional items

# Strong increase in free cash flow



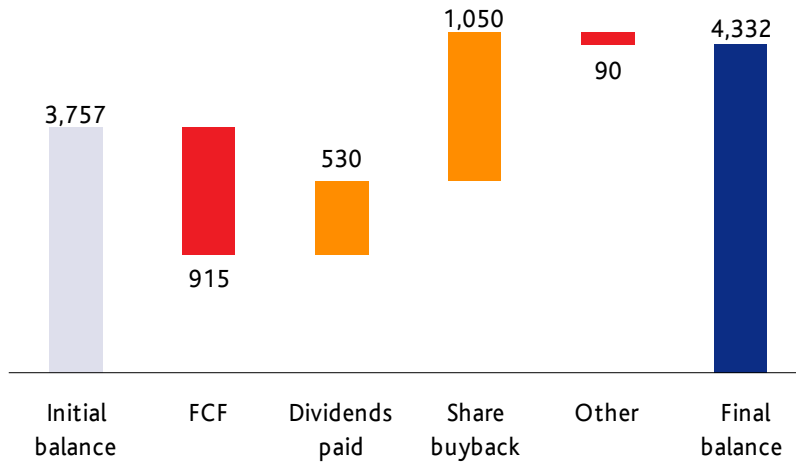
- > OpFCF amounted to €1,025mn in 9M07, a decrease of 7% yoy, due to higher working capital investment as a result of higher commercial activity at TMN and Vivo, higher management fees and the consolidation of MTC as from September 2006.
- > Net disposals increased by €468mn in 9M07, mainly as result of the cash settlement of the PTM swaps, the disposal of BES shares and the sale of 22% of Africatel.
- > Net interest paid decreased by €86mn as in 9M06 PT had to pay annual instalment of the 2006 Eurobond in 9M06 and Vivo launched interest payments following the debt restructuring in 2006.
- > PRB payment & contributions decreased by €108mn due to €83mn net refunds related to healthcare benefits.
- > Income taxes increased by €148mn since PT's tax losses carried forward were fully utilised in 2006.

# Net debt profile



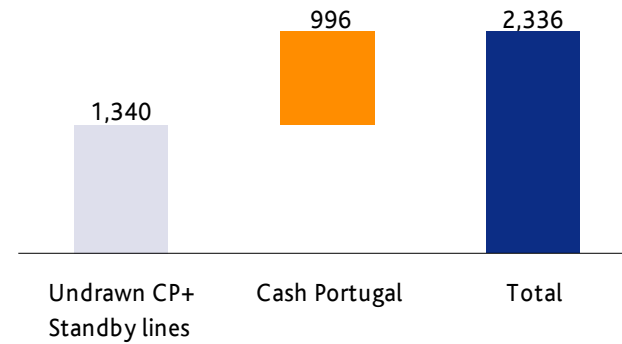
## Change in Net Debt – 9M07

[Euro million]

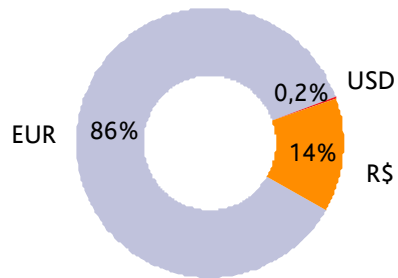


## Undrawn CP + Standby Lines + Cash in Portugal

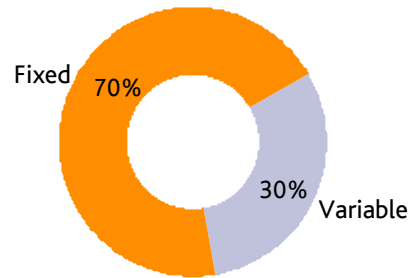
[30 Sep 2007]



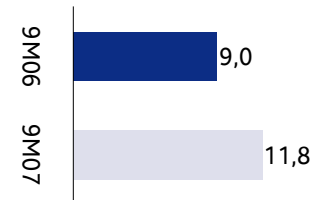
## Currency



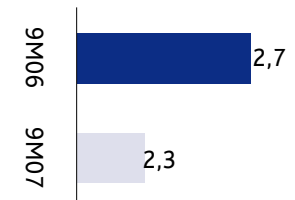
## Rates (gross debt)



## Interest Cover



## Net debt to EBITDA <sup>1</sup>



Avg. Cost of Debt **4.9%**

- Excluding Brazil **3.5%**

Maturity **6.9**

- Ex. Brazil **7.0**

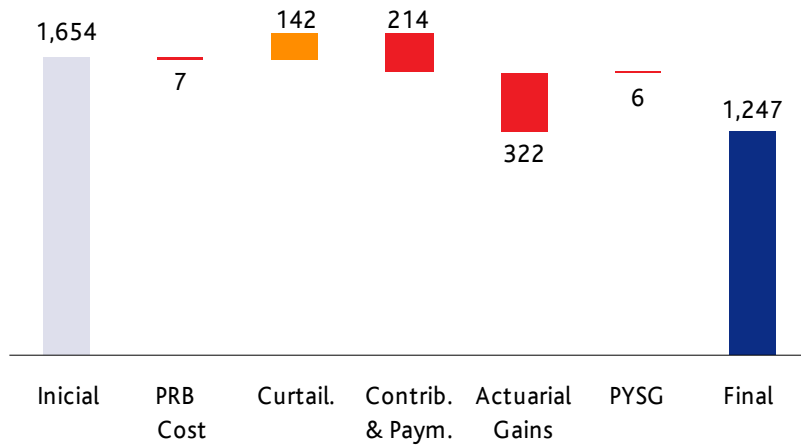
(1) Net debt plus after-tax unfunded post retirement benefit obligations divided by EBITDA

# Continued reduction in unfunded post retirement obligations



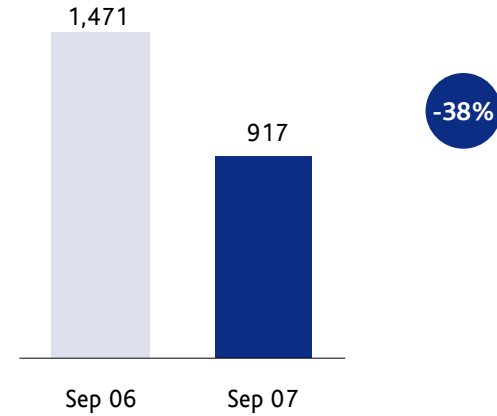
## Change in Gross Unfunded Obligations

[Euro million]

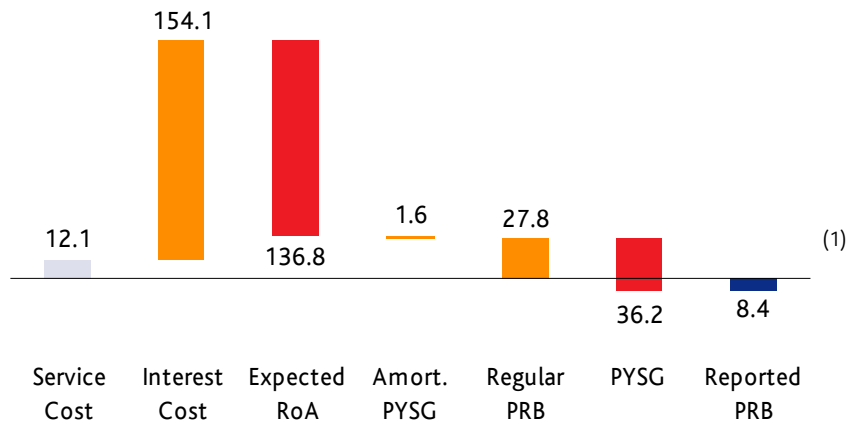


## After-tax Unfunded Obligations

[Euro million]



## Post Retirement Benefit Cost – 9M07



- > Post retirement benefit plans closed since 1994 for pensions and 2000 for healthcare
- > After-tax obligations decreased by 38% y.o.y to €917 mn
- > Regular PRB cost down 52% y.o.y due to reduction in healthcare benefits and narrowing of pension deficit.

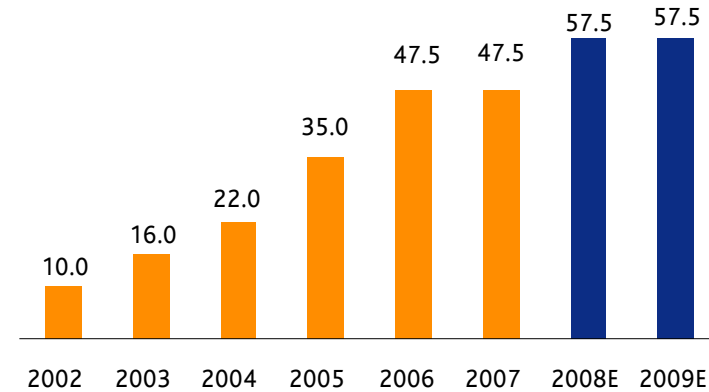
# Superior shareholder remuneration



- > PTM spin-off successfully completed in 7 November
- > Share buyback programme under execution
  - Recently acquired 103mn treasury share for €1,050mn
- > Dividend per share of 57.5 cents payable in 2008 and 2009
- > Approximately 50% of PT’s current market cap expected to be returned to shareholders over the next three years

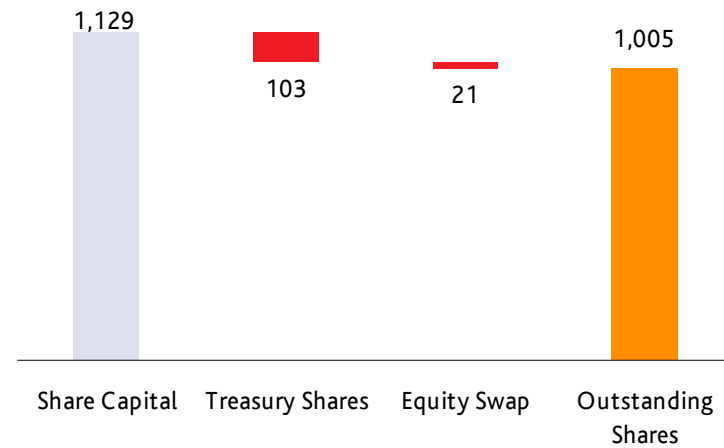
## Dividend per Share

[Euro cents]



## Total Shares Outstanding

[million]



## Summary



- > Positive operational and financial momentum in 3Q07 underpinned by strong mobile performance
- > Continued growth in international assets, particularly in Vivo
- > Attractive cash flow profile with solid balance sheet
- > Attractive shareholder remuneration policy

# Financial highlights



Euro million	3Q07	3Q06	y.o.y	9M07	9M06	y.o.y
<b>Operating revenues</b>	<b>1,575</b>	<b>1,479</b>	<b>6%</b>	<b>4,531</b>	<b>4,285</b>	<b>6%</b>
Wireline	484	513	(6%)	1,477	1,567	(6%)
TMN	402	396	2%	1,130	1,116	1%
Vivo	646	555	16%	1,786	1,570	14%
Other and eliminations	43	15	183%	137	33	n.m.
<b>EBITDA <sup>(1)</sup></b>	<b>579</b>	<b>549</b>	<b>6%</b>	<b>1,726</b>	<b>1,544</b>	<b>12%</b>
Wireline	220	234	(6%)	726	721	1%
TMN	182	174	5%	509	492	3%
Vivo	156	138	13%	431	336	28%
Other	21	2	n.m.	60	(5)	n.m.
<b>Income from operations <sup>(2)</sup></b>	<b>303</b>	<b>266</b>	<b>14%</b>	<b>910</b>	<b>704</b>	<b>29%</b>
<b>Net income</b>	<b>241</b>	<b>125</b>	<b>92%</b>	<b>670</b>	<b>527</b>	<b>27%</b>
<b>Capex</b>	<b>192</b>	<b>200</b>	<b>(4%)</b>	<b>498</b>	<b>481</b>	<b>4%</b>
<b>EBITDA - Capex</b>	<b>387</b>	<b>348</b>	<b>11%</b>	<b>1,227</b>	<b>1,063</b>	<b>15%</b>
<b>Net debt</b>	<b>4,332</b>	<b>4,108</b>	<b>5%</b>	<b>4,332</b>	<b>4,108</b>	<b>5%</b>
EBITDA margin (%)	36.8	37.1	(0.3 pp)	38.1	36.0	2.1 pp
Capex as % revenues	12.2	13.5	(1.4 pp)	11.0	11.2	(0.2 pp)
Adjusted net debt / EBITDA (x) <sup>(3)</sup>	2.3	2.5	(0.3x)	2.3	2.7	(0.4x)

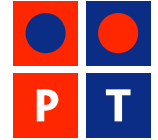
(1) EBITDA = income from operations + depreciation and amortisation. (2) Income from operations = income before financials and taxes + goodwill impairment + curtailment costs + losses (gains) on disposal of fixed assets + net other costs. (3) Net debt plus after-tax unfunded post retirement benefit obligations divided by EBITDA

# Operating highlights



	3Q07	3Q06	y.o.y	9M07	9M06	y.o.y	
<b>Wireline</b>	Main accesses ('000)	4,321	4,418	(2%)	4,321	4,418	(2%)
	Retail accesses	3,819	4,092	(7%)	3,819	4,092	(7%)
	Wholesale accesses	501	326	54%	501	326	54%
	Traffic-generating lines net adds	(40)	(41)	(3%)	(116)	(243)	(53%)
	ADSL retail	741	658	13%	741	658	13%
	ADSL retail net adds	26	22	18%	56	73	(23%)
	ARPU (Euro)	30	30	1%	30	30	1%
	Retail Traffic	1,261	1,328	(5%)	3,920	4,200	(7%)
Retail MOU	155	153	1%	158	157	1%	
<b>TMN</b>	Customers (k)	6,004	5,493	9%	6,004	5,493	9%
	Net Adds (k)	190	131	45%	300	181	66%
	MOU	125	124	2%	120	120	0%
	ARPU (Euro)	21	22	(6%)	20	21	(6%)
	Customer	16	17	(5%)	16	17	(5%)
	Interconnection	4	4	(5%)	4	4	(9%)
	Roamers	1	1	(26%)	1	1	(21%)
	Data as % Service Revenues (%)	16	13	2.7 pp	15	13	1.9 pp
<b>Vivo</b>	Customers (k)	31,320	28,726	9%	31,320	28,726	9%
	Net Adds (k)	1,080	201	n.m.	2,267	(1,079)	n.m.
	MOU	77	77	0%	76	71	8%
	ARPU (R\$)	31	29	7%	30	26	16%
	Data as % Service Revenues (%)	8	6	1.4 pp	8	7	0.6 pp

Portugal Telecom



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