

Results Presentation

First Half 2007

7 August 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



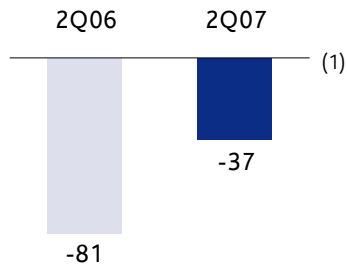
	1H07	y.o.y
> Operating revenues	2,956	+5.4%
> EBITDA	1,147	+15.2%
> Net income	429	+6.9%
> Free cash flow	537	+136%
> Net debt	4,280	-2.3%
> After-tax net unfunded post retirement obligations	905	-37.4%

Values in Euro million

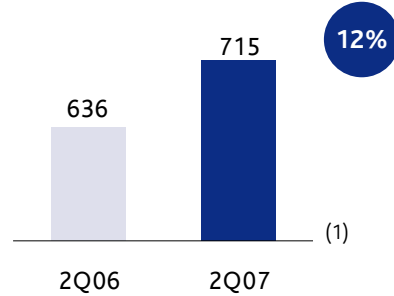
Wireline operational highlights



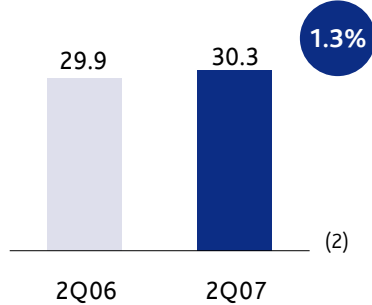
PT Voice Line Net Adds



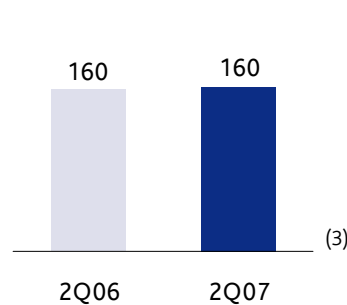
ADSL Retail



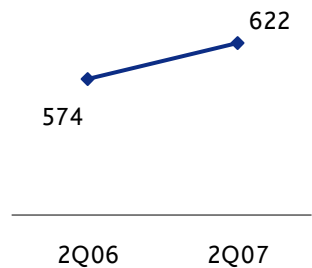
ARPU



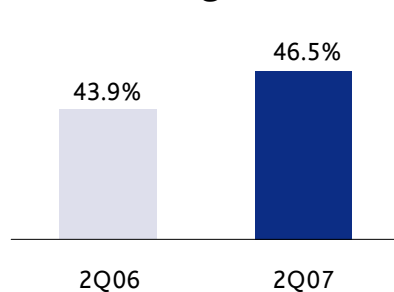
Retail MOU



Lines Per Employee



EBITDA Margin *



- > Intense competitive environment in voice and broadband from both fixed and mobile competitors.
- > Level of line loss improved vis-à-vis 2Q06, and is in line with last three quarters.
- > ADSL increased by 12% yoy, to 715k.
- > Blended ARPU increased by 1.3% yoy to €30, driven by increased penetration of data services.
- > Retail MOU remained stable at 160 minutes, underpinned by growth in flat rates.
- > Cost rationalisation programme continued to improve efficiency levels and operating margins.
- > Soft launch of triple-play services using IPTV.

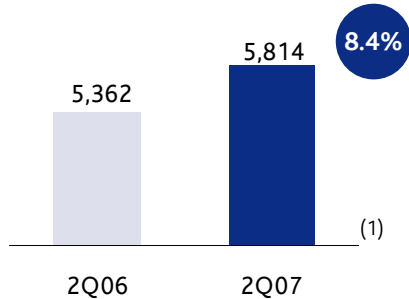
(1) Thousand (2) Euros (3) Minutes /month

* excluding exceptional items

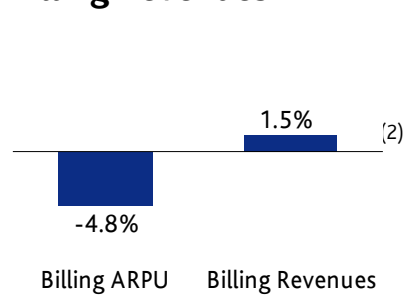
TMN operational highlights



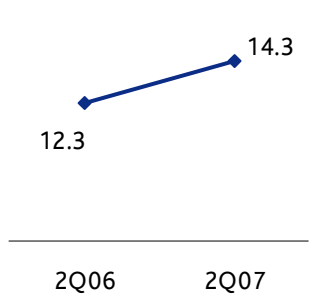
Customers



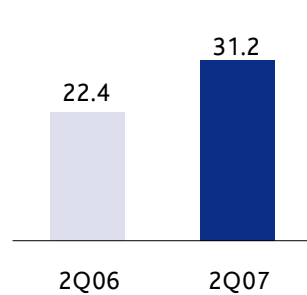
Billing Revenues



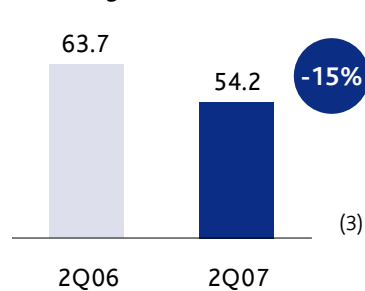
Data % Serv. Revenues



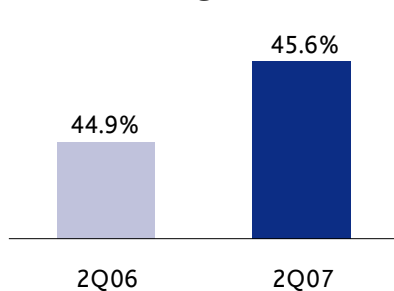
Non-SMS % Data Revenues



Unitary SARC



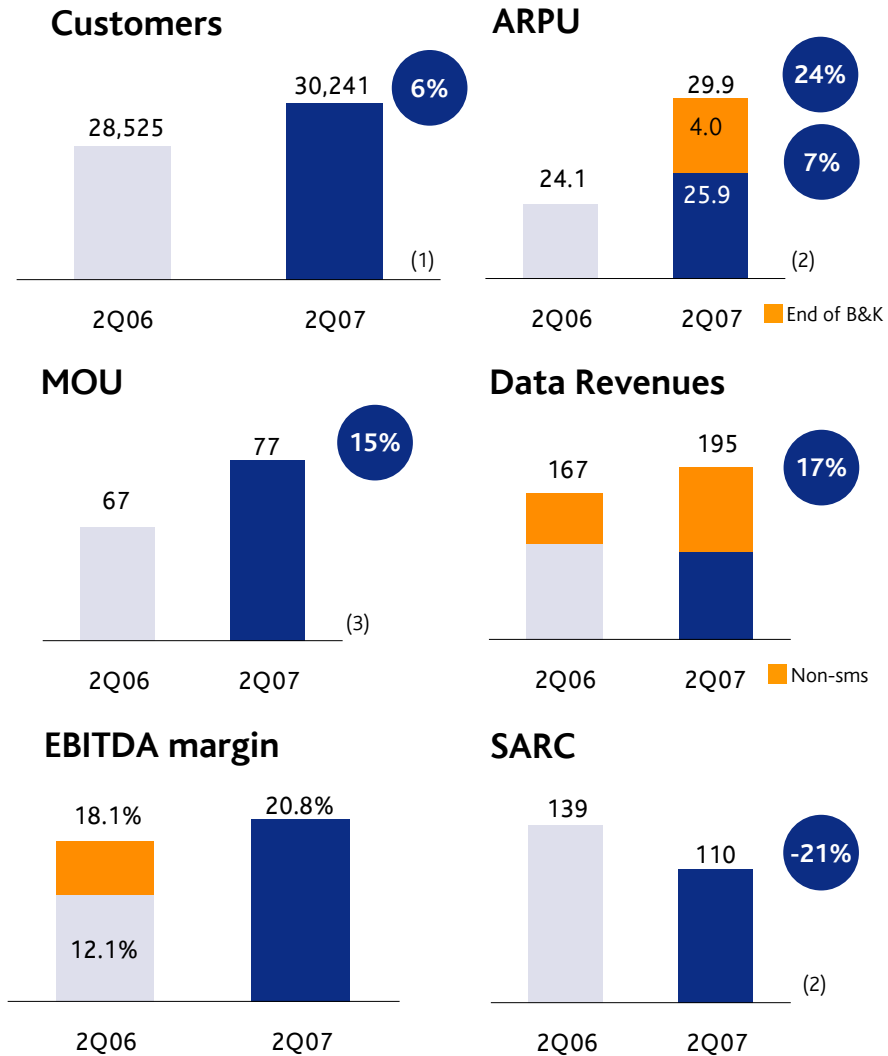
EBITDA Margin



- > Continued growth in customer base, with focus on postpaid and wireless broadband.
- > Billing revenues increased by 1.5% on 2Q07, with growth in average customer base more than offsetting dilution of customer ARPU.
- > Increased weight of data revenues, underpinned by growth of over 64% in non-SMS data, based on mobile Internet and wireless broadband.
- > Notwithstanding strong pick-up in commercial activity, lower unitary SARC and continued cost rationalisation allowed for improvement in operating margins to 45.6%.

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

Vivo operational highlights



■ Excluding exceptional provision for bad debt

(1) Thousand (2) Reais (3) Minutes /month

- > Customers increased by 6% yoy, as a result of Vivo's improved competitive position.
- > GSM/EDGE network implemented in record time (covers 96% of municipalities with CDMA coverage).
- > GSM accounted for 84% of gross adds in 2Q07.
- > Campaigns to stimulate usage have successfully resulted in 15% increase in MOU and 7% increase in underlying ARPU.
- > Continued growth in data revenues (+17% yoy), driven by non-sms data.
- > Lower unitary SARC, partially helped by GSM, and continued cost focus resulted in margin improvement to 21%.

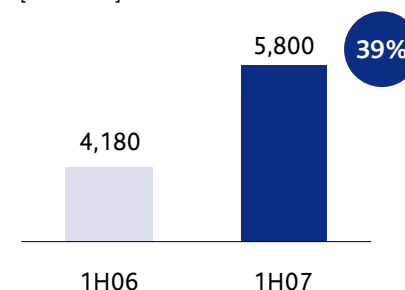
International assets in Africa and Asia continued to grow



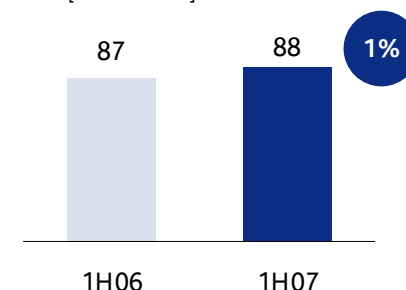
	Stake	EBITDA (€mn)	y.o.y local	Customers	y.o.y
Africa					
Meditel	32%	88	2.0%	5,800	38.7%
Unitel	25%	172	15.8%	2,503	61.8%
MTC	34%	30	3.0%	705	39.7%
CVT	40%	20	4.6%	193	20.6%
CST	51%	1	12.6%	31	37.4%
Asia					
CTM	28%	42	14.0%	494	12.8%
Timor Telecom	41%	6	57.0%	64	62.2%

Meditelcom [Morocco]

Customers [thousand]

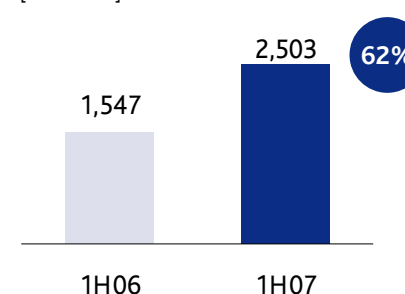


EBITDA [Euro million]

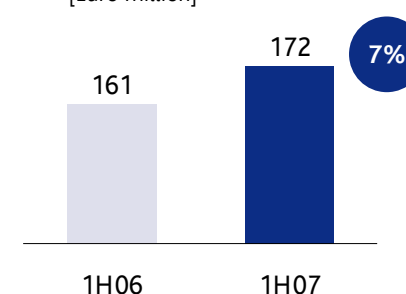


Unitel [Angola]

Customers [thousand]



EBITDA [Euro million]

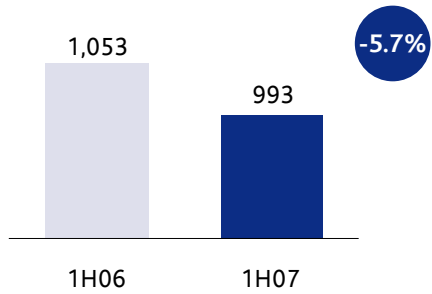


- > Positive performance across various assets in Africa and Asia, underpinned by strong customer growth.
- > Proportionate EBITDA for international assets (ex-Vivo) amounted to €106mn in 1H07, an increase of 9% yoy in constant currency.
- > All international assets are self-funding.

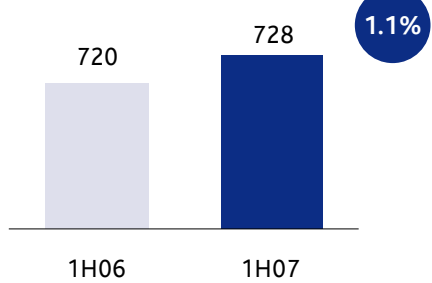
Revenue growth performance underpinned by growth at Vivo and TMN



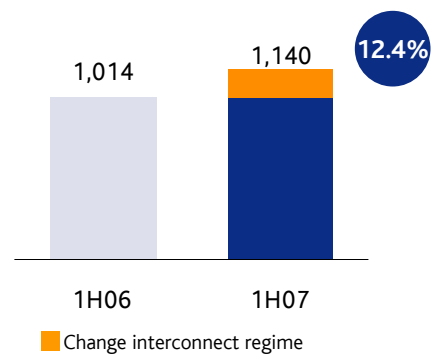
Wireline



TMN

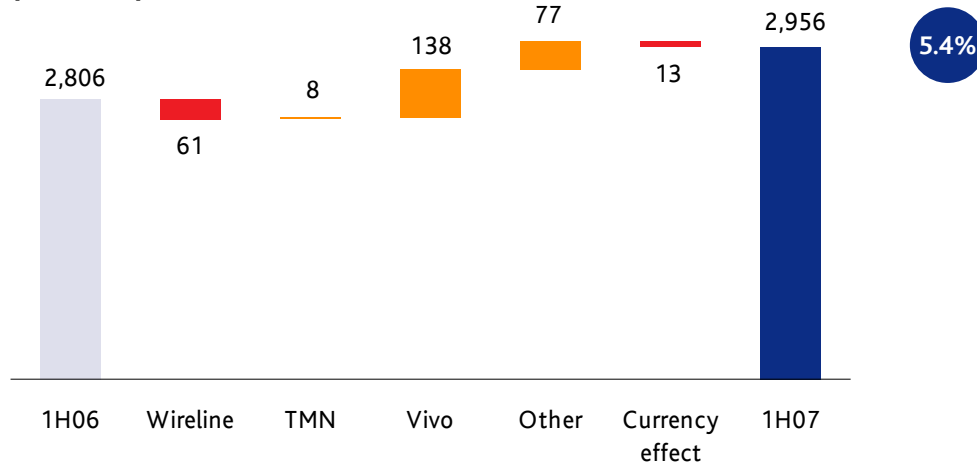


Vivo



Revenues

[Euro million]

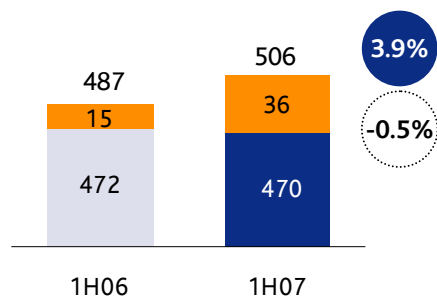


- > TMN performance underpinned by strong customer growth, while wireline impacted negatively by line loss.
- > Vivo performance impacted positively by change in interconnect regime and growth in customer base and underlying ARPU.
- > Consolidation of MTC (Namibia) had positive effect of €57mn.
- > Mobile termination rate (MTR) cuts had negative impact of €16mn in 1H07.

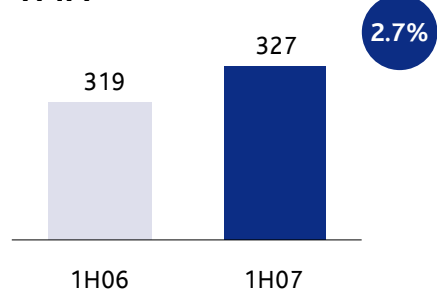
EBITDA performance driven by mobile growth



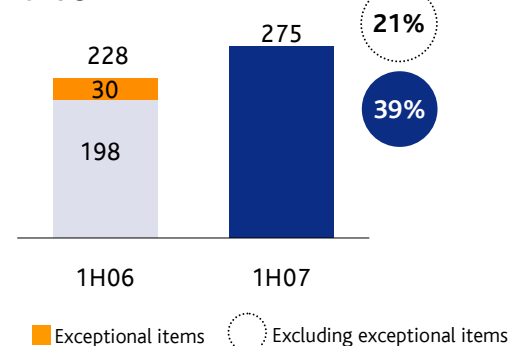
Wireline



TMN

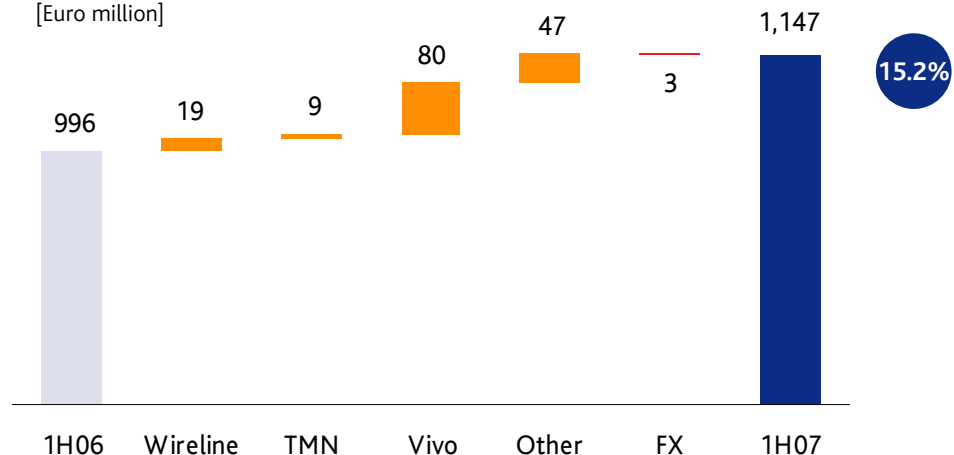


Vivo



EBITDA

[Euro million]



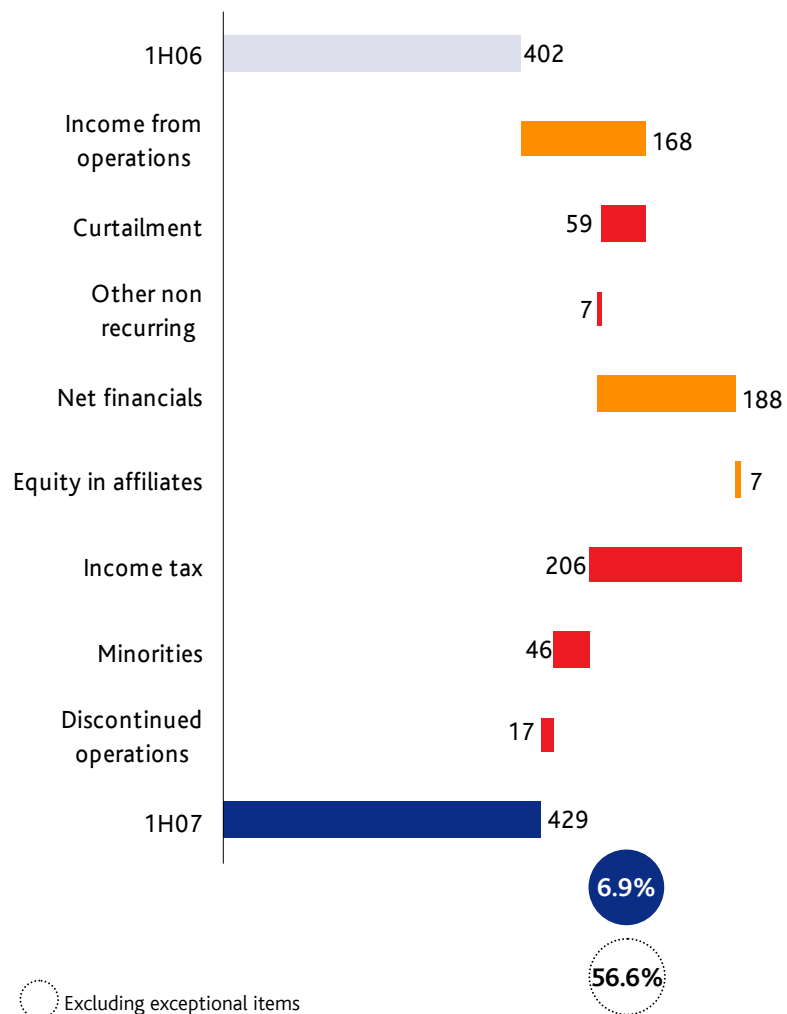
- > Wireline EBITDA performance supported by greater cost efficiency (+2.5pp margin increase excluding exceptional items).
- > TMN EBITDA growth underpinned by service revenues growth and strict cost control and margin improvement (+0.7pp margin increase).
- > Vivo EBITDA growth driven by ARPU customer growth (+1.7pp underlying margin increase excluding exceptional items).
- > Consolidation of MTC had positive impact of €30mn.
- > MTR cuts had negative impact of €7mn in 1H07.

Net income increase driven by higher income from operation and lower net financials



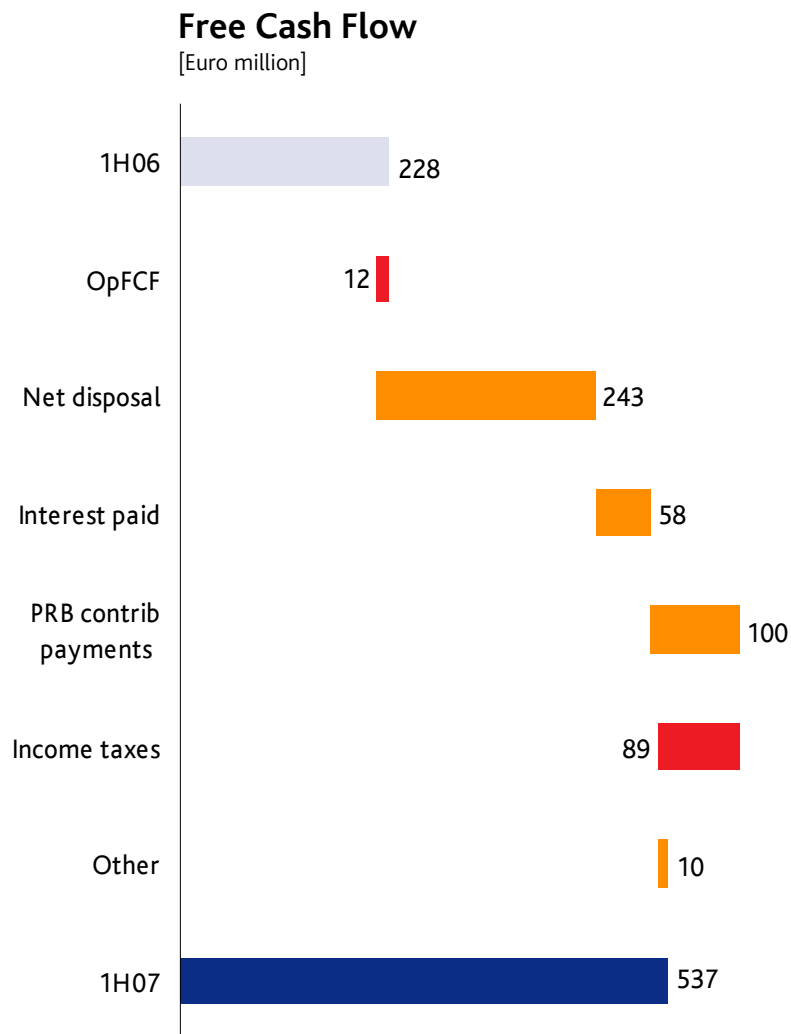
Net Income

[Euro million]



- > Income from operations amounted to €606mn, an increase of €168mn yoy.
- > Curtailment costs amounted to €84mn in 1H07, in connection with reduction of 253 employees.
- > Net financials decreased by €188mn due to lower net interest expenses, the cash settlement of certain PT and PTM equity swaps, and the disposal of financial investments (BES).
- > Income taxes increased by €206mn 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 45% (adjusted) in 1H06 to 24% in 1H07.

Strong increase in free cash flow



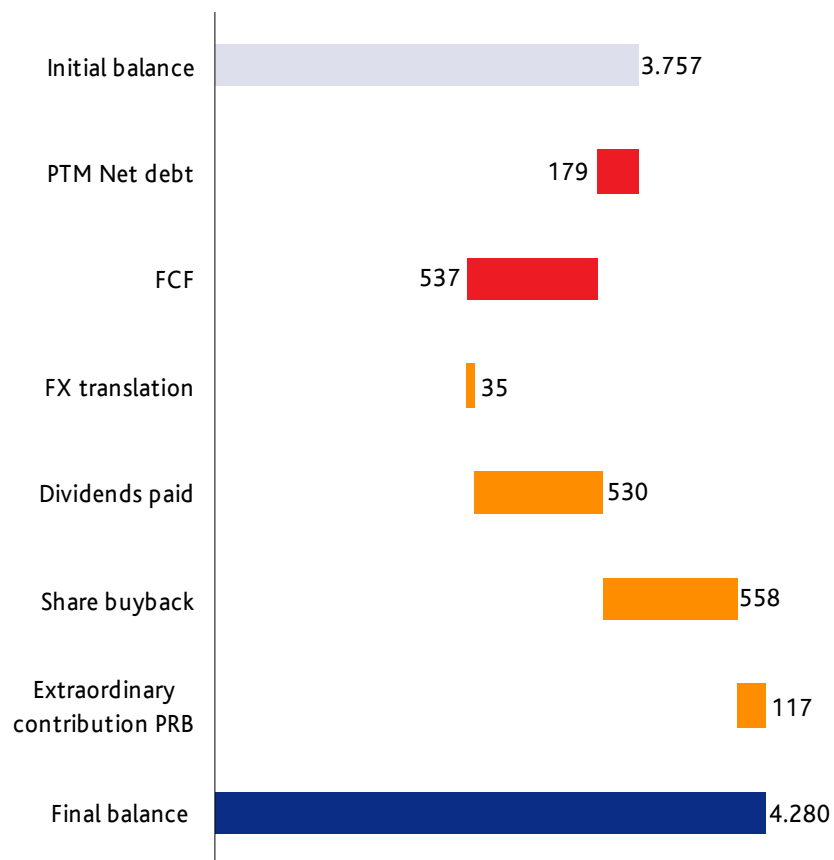
- > OpFCF amounted to €621mn in 1H07, a decrease of 2% yoy, due to higher working capital investment.
- > Net disposals amounted to €209mn in 1H07, mainly as result of the cash settlement of PTM swap and BES disposal.
- > Net interest paid decreased by €58mn because PT paid the last annual instalment of the 2006 Eurobond in 1H06.
- > PRB payment & contribution decreased by €100mn due to €75mn net refunds related to healthcare.
- > Income taxes increased by €89mn since PT's tax losses carried forward were fully utilised in 2006.

Solid debt profile



Change in Net Debt – 1H07

[Euro million]



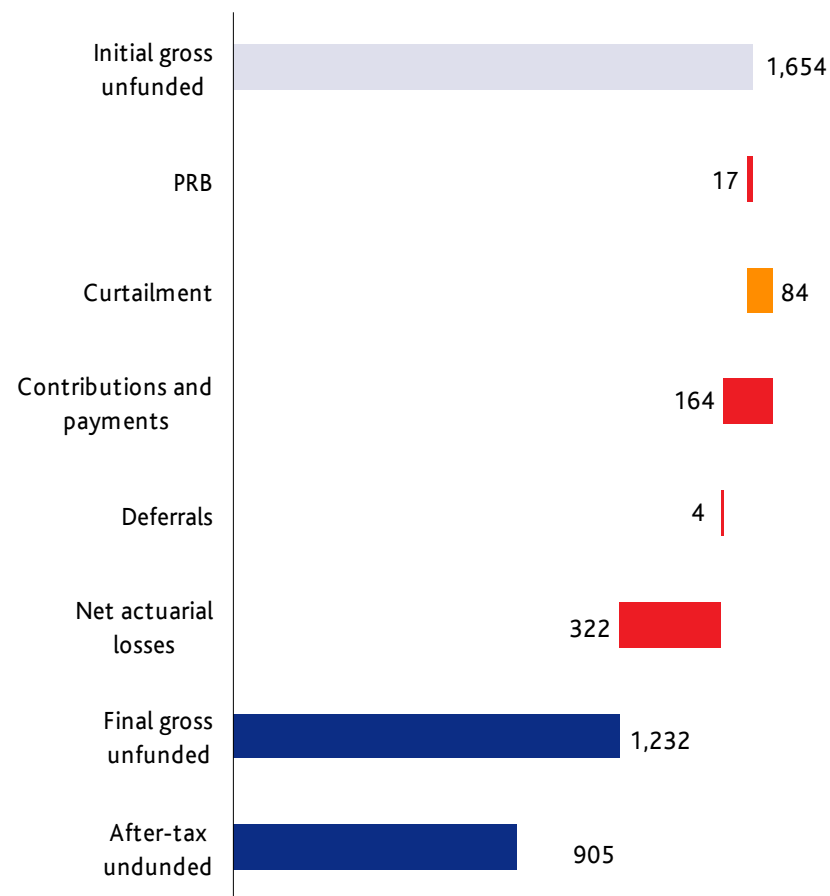
- > Average cost of debt of 4.8% with maturity of 6.0 years in 1H07.
- > Average cost of debt excluding Brazil and interest on PTM equity swap, was 3.2% in 1H07 with maturity of 6.3 years at the end of June 2007.
- > Net debt-to-EBITDA ratio (including net unfunded) improved to 2.3x in 1H07 from 2.9x in 1H06.
- > Available cash from domestic operations plus undrawn commercial paper and standby facilities totalled €2.4bn at end of June 2007.
- > Successful issuance of €750mn convertible in July 2007 with 7 year maturity.

Continued reduction in unfunded post retirement obligations



Change in Gross Unfunded Obligations

[Euro million]



- > Gross unfunded obligations fell by €423mn in 1H07 to €1.2bn.
- > Reduction in gross unfunded obligations in 1H07 explained by grew net actuarial gains of €322mn and extraordinary contribution of €117mn.
- > PRB cost was negative €17mn in 1H07 as a result of prior years service gains related to vested rights (€36mn) booked in 1H07.
- > After-tax unfunded obligations decreased to €0.9bn.

	1H07	1H06
Service cost	8.3	14.8
Interest cost	103.4	107.7
Expected return on assets	(91.2)	(83.9)
Prior years service gains	(37.8)	(14.6)
Post retirement benefits costs	(17.3)	23.9

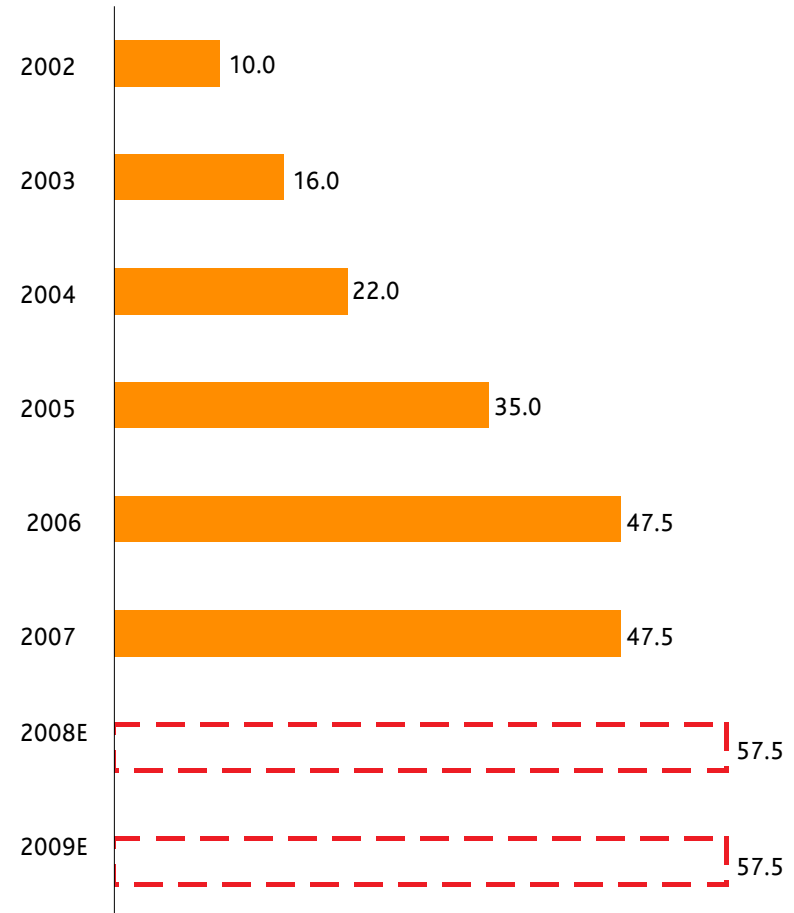
Superior shareholder remuneration



- > Dividend per share of 47.5 € cents paid in May 2007
- > Dividend per share of 57.5 € cents payable in 2008 and 2009
- > €2.1bn share buyback approved and under execution
 - Over 6% of share capital already bought
- > PTM spin-off approved
 - 4 PTM shares for 25 PT shares *
 - Completion expected to occur end of 3Q07 / beginning of 4Q07
- > Approximately 50% of PT's current market cap expected to be returned to shareholders over the next three years

Dividend per Share

[Euro cents]



* To be adjusted by own shares in the balance sheet at the date of spin-off

Summary



- > Positive operational and financial performance in 2Q07
- > Continued growth in international assets, particularly in Vivo
- > Attractive cash flow profile with solid balance sheet
- > On track to deliver on commitments made to shareholders

Financial highlights



Euro million	2Q07	2Q06	y.o.y	1H07	1H06	y.o.y
Operating revenues	1,495	1,380	8%	2,956	2,806	5%
Wireline	494	523	(6%)	993	1,053	(6%)
TMN	365	363	0%	728	720	1%
Vivo	594	491	21%	1,140	1,014	12%
Other and eliminations	43	3	n.m.	94	18	n.m.
EBITDA ⁽¹⁾	576	453	27%	1,147	996	15%
Wireline	266	240	11%	506	487	4%
TMN	167	163	2%	327	319	3%
Vivo	124	58	114%	275	198	39%
Other	20	(8)	n.m.	39	(8)	n.m.
Income from operations ⁽²⁾	301	174	73%	606	438	38%
Net income	253	191	32%	429	402	7%
Capex	178	152	17%	307	281	9%
EBITDA - Capex	398	300	32%	840	715	18%
Net debt	4,280	4,380	(2%)	4,280	4,380	(2%)
EBITDA margin (%)	38.5	32.8	5.7 pp	38.8	35.5	3.3 pp
Capex as % revenues	11.9	11.0	0.9 pp	10.4	10.0	0.4 pp
Net debt / EBITDA (x) ⁽³⁾	2.3	3.2	(1.0x)	2.3	2.9	(0.7x)

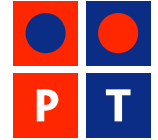
(1) EBITDA = income from operations + depreciation and amortisation. (2) Income from operations = income before financials and taxes + goodwill impairment + curtailment costs + losses (gains) on disposal of fixed assets + net other costs. (3) Net debt plus after-tax unfunded post retirement benefit obligations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

Operating highlights



	2Q07	2Q06	y.o.y	1H07	1H06	y.o.y	
Wireline	Main accesses ('000)	4,342	4,433	(2%)	4,342	4,433	(2%)
	Retail accesses	3,861	4,209	(8%)	3,861	4,209	(8%)
	Wholesale accesses	481	224	115%	481	224	115%
	Traffic-generating lines net adds	(37)	(81)	(54%)	(76)	(202)	(62%)
	ADSL retail	715	636	12%	715	636	12%
	ADSL retail net adds	14	23	(38%)	30	51	(41%)
	ARPU (Euro)	30	30	1%	30	30	1%
	Retail Traffic	1,320	1,413	(7%)	2,659	2,872	(7%)
	Retail MOU	160	160	0%	160	159	0%
TMN	Customers (k)	5,814	5,362	8%	5,814	5,362	8%
	Net Adds (k)	100	44	128%	110	50	121%
	MOU	120	120	(0%)	118	119	(1%)
	ARPU (Euro)	20	21	(6%)	19	21	(6%)
	Customer	16	16	(5%)	16	16	(5%)
	Interconnection	4	4	(9%)	3	4	(11%)
	Roamers	1	1	(18%)	0	1	(16%)
	Data as % Service Revenues (%)	14	12	2.0 pp	14	13	1.6 pp
Vivo	Customers (k)	30,241	28,525	6%	30,241	28,525	6%
	Net Adds (k)	1,210	(1,613)	n.m.	1,187	(1,280)	n.m.
	MOU	77	67	15%	76	68	12%
	ARPU (R\$)	30	24	24%	30	25	21%
	Data as % Service Revenues (%)	7	8	(0.3 pp)	8	7	0.1 pp

Portugal Telecom



Nuno Prego

Investor Relations Director

+351 21 500 1701

nuno.prego@telecom.pt

www.telecom.pt