



# Results Presentation

Full Year 2008

18 February 2009

## 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 2008



- > Solid FY2008 results on all metrics and improving momentum across all businesses
- > Inflection in RGU net-adds and revenues in domestic wireline business underpinned by strong TV growth
- > Strong growth in domestic mobile fuelled by data services and convergent offerings
- > Continued profitable growth at international mobile operations with increasing cash flow contribution
- > Strong cash flow generation notwithstanding investments to grow business as a result of continued focus on cost containment and optimisation
- > Increase in net debt due to share buyback programme
- > Adequate debt maturities and liquidity

# Solid 4Q and full year results



## Financial highlights

Euro million

	4Q08	Δ% y.o.y	FY08	Δ% y.o.y
Operating revenues	1,701	5.1%	6,734	9.5%
EBITDA pre PRBs	616	7.2%	2,488	8.6%
EBITDA	604	-4.3%	2,443	3.7%
Net income excluding exceptional items	149	41.7%	637	4.7%
Net income	144	100.3%	582	-21.6%
Diluted adjusted EPS (Euros)	0.17	62.8%	0.69	23.9%
Operating cash flow	343	-13.7%	1,374	-4.1%
Net debt			5,571	27.1%
After-tax unfunded post retirement obligations			1,330	38.8%

# Solid operating trends



## Operating highlights

Thousand customers

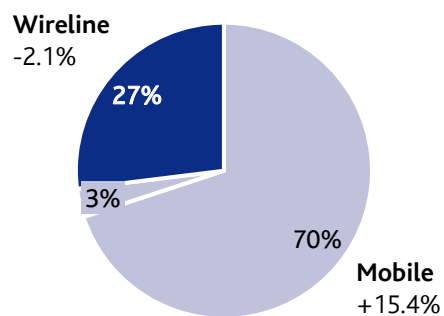
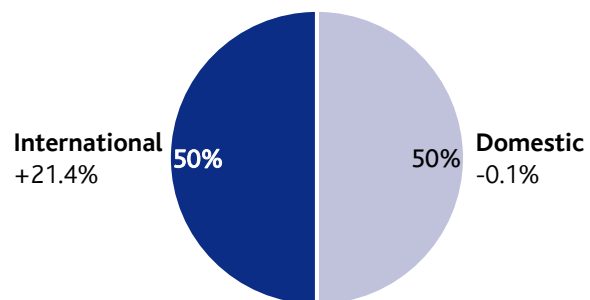
	FY08	Δ% YoY
Total customers	70,492	27.7%
Wireline retail accesses (RGUs)	3,867	5.0%
Retail ADSL customers	727	11.5%
Pay-TV customers	312	nm
TMN customers	6,944	10.9%
Data as pct of service revenues (Pct)	20.3	4.3pp
Vivo customers	44,945	34.2%
Weight of GSM and 3G customers (Pct)	69.2	35.5pp
Data as pct of service revenues (Pct)	10.2	1.6pp

# Sustained growth in domestic and international operations



## Contribute to FY 2008 consolidated revenues

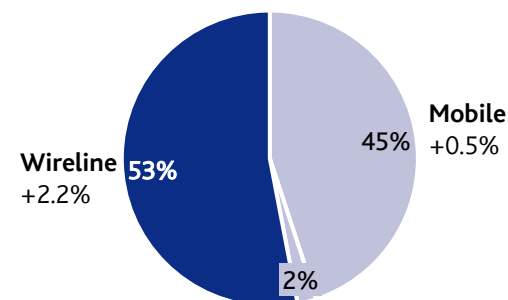
100% = Euro 6,734 million



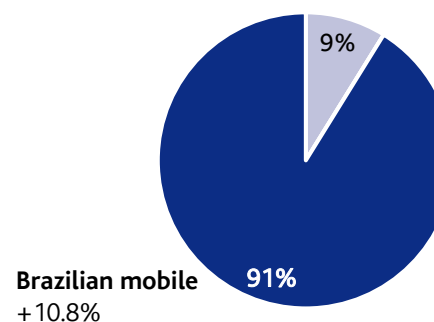
## Contribute to 4Q08 consolidated revenues

100% = Euro 1,701 million

### Domestic market



### International market



Revenue contribution from fully consolidated international assets increased from 44.7% in 2007 to 49.6% in 2008



## 2008 Strategic Milestones

### Domestic market

- > New commercial and operational simplified organisation with focus on client and solutions, resulting from the merger between the wireline and mobile businesses (Personal, Residential, SME/SoHo, Corporate and Wholesale)
- > Historical inflexion of wireline retail RGU loss with positive net adds from 2Q08 yielding from the MEO success
- > Preferred supplier for business market
- > Solid growth of mobile business further consolidating market leadership, on the back of mobile broadband and post-paid growth
- > Further market differentiation leveraging Fixed-Mobile convergence unique capabilities (e.g., Office Box for SME and SoHo)

### Brazilian market

- > Conclusion of Vivo turnaround through an increased focus on client service, reflected on very strong and balanced results for the period
- > National coverage achieved through acquisition of Telemig and launch in Northeast
- > Vivo net income positive and paying dividends

### African market

- > Profitable growth through sustained market leadership, high profitability and an increased focus on efficiency and productivity levels across all operations ensuring dissemination of best-practices
- > Repatriation of capital

# Simplified organisation



Increased focus on client through superior execution and efficiency

Focus on individual segments

Personal

Residential

SMEs

Corporate

Wholesale

Shared platforms across all business segments

Customer Care

Operations and Network

Marketing

Business Support

# Unprecedented growth in pay-tv but still does not have critical mass



## Killer content and unique features



> More than 110 channels, with real-time activation



> Real-time VoD with more than 1500 titles in SP or HD



> Movies and sports



> Last generation set-top-boxes with superior user interface (e.g. PVR and EPG)

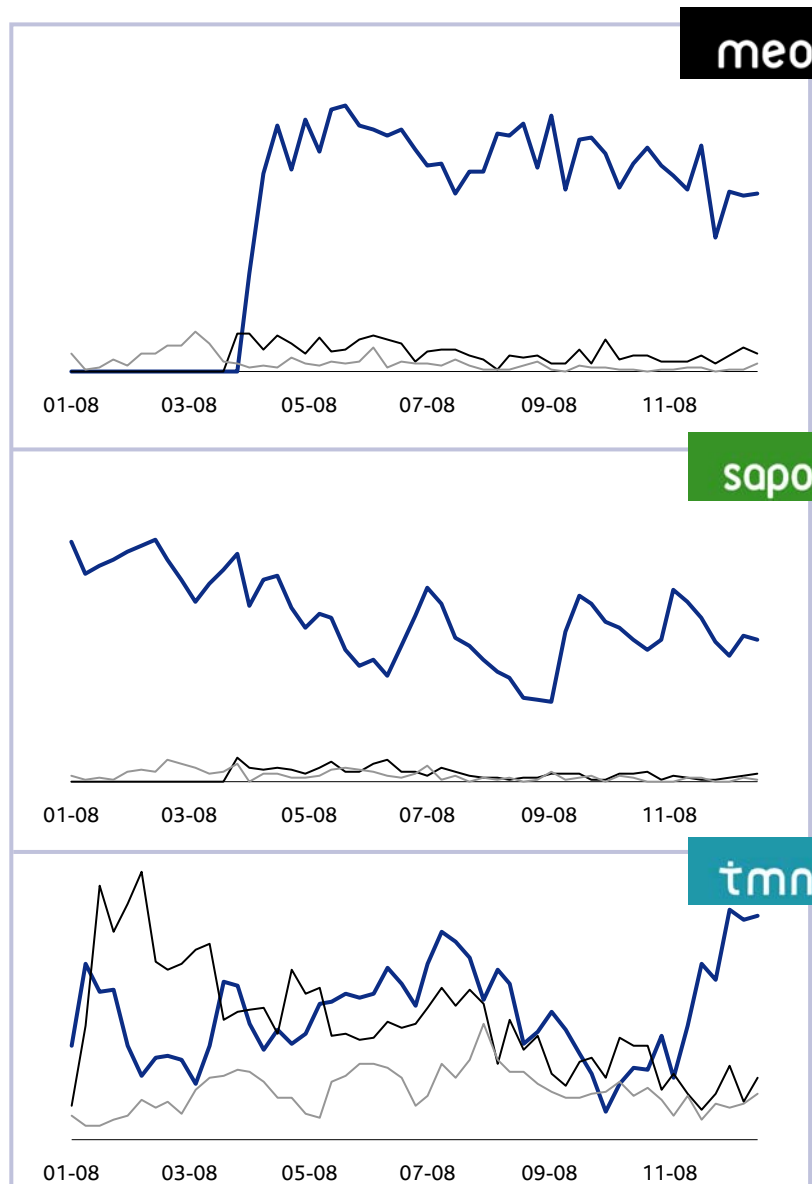


> Innovative brand with unprecedented recall levels (50% spontaneous recall)

## ... anytime, anywhere



## PT has four brands in the top ten of brand notoriety



Meo with consistently high notoriety levels since nationwide launch

- > Proved and spontaneous ad recall remain at around 40% and 50%, respectively
- > Brand notoriety above that of competitors, despite recent launch
- > Meo in the top ten of brand notoriety

Sapo is the clear leader in terms of brand notoriety

- > Proved ad recall remains above 30%

TMN leading a competitive market in terms of brands

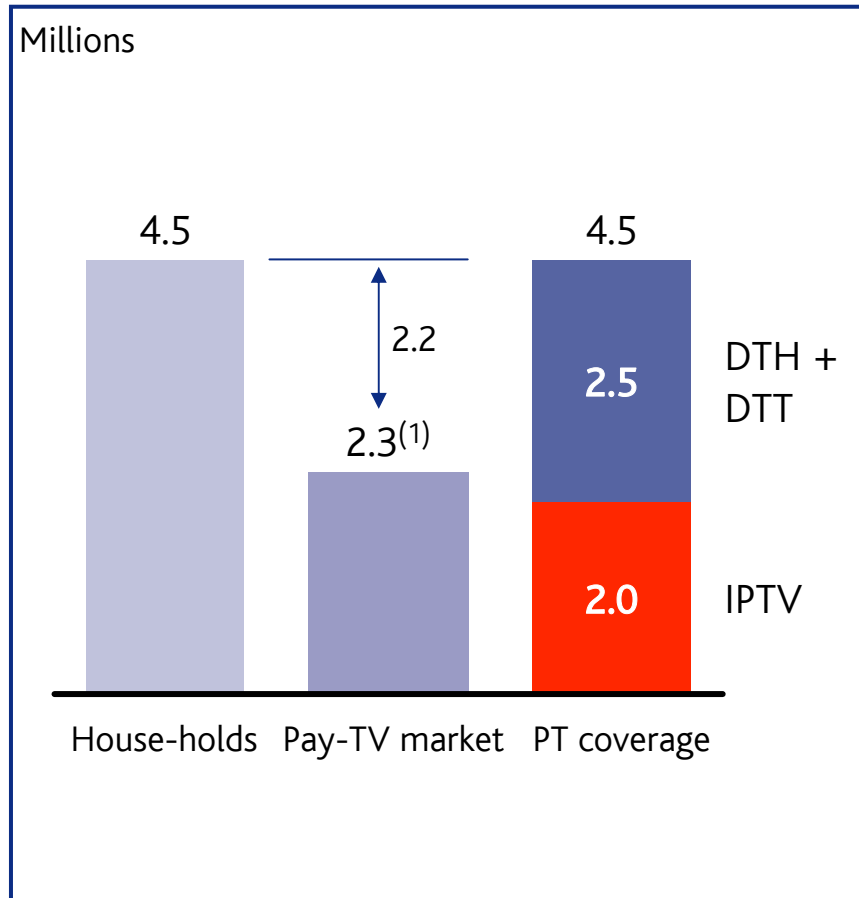
- > Proved ad recall achieved 30%

Note: Data based on studies carried out by Publivaga, an independent marketing research company.

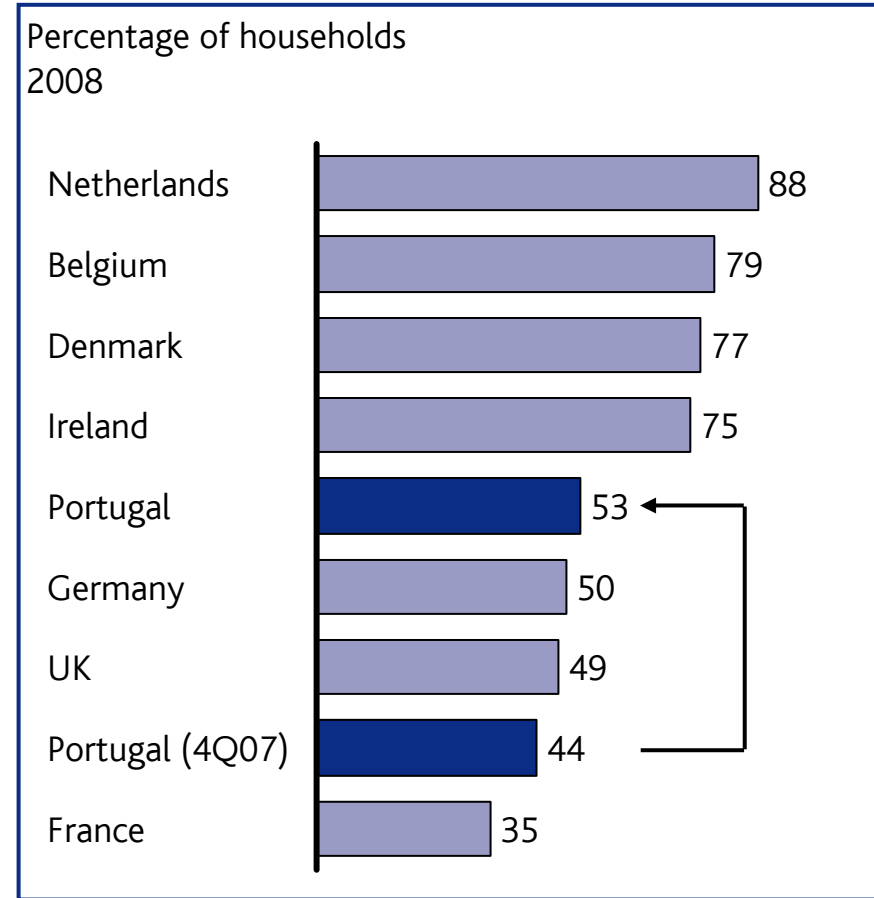
# Significant growth potential in pay-TV



## Households with TV



## Penetration of Pay-TV



(1) PT estimate (4Q08)

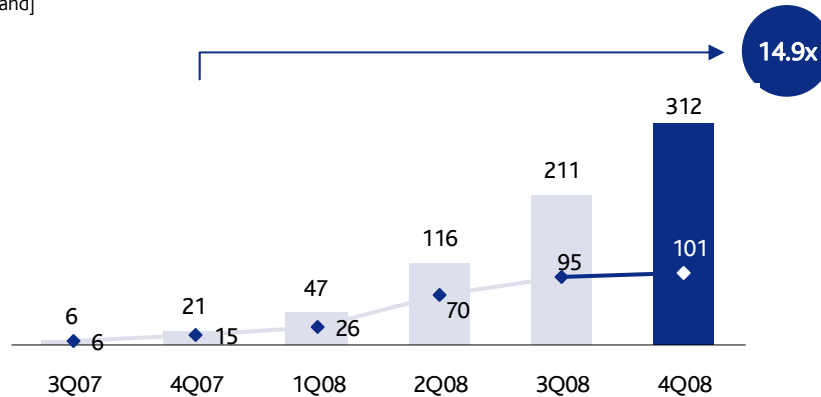
Source: INE, Screen Digest (Pay-TV subs 08E); Yankee (HH in 3Q08)

# Pay-TV underpinning the inflection of wireline RGUs and revenues



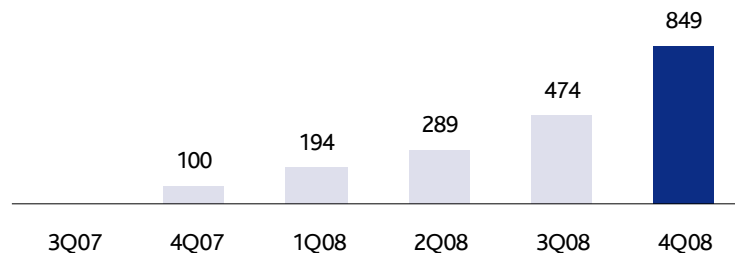
## MEO net adds and total customers

[Thousand]



## Paid VoD customers

[Base 100]



## Comments

- > Pay-TV customer base up 14.9x and Meo has 312 thousand customers and over 14%<sup>(1)</sup> market share in the TV market
- > Around 50% of pay-tv net adds are new customers to PT
- > ARPU benefiting from success of value added services, namely VoD as 45% of IPTV customers have used the service and are consuming on average 2.8 movies per month
- > Meo brand, which was launched in April 2008, was recently recognised as the second most popular brand just behind PT's wireless brand TMN

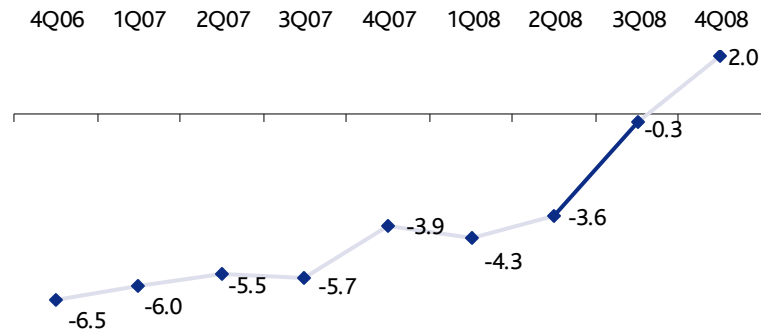
(1) PT estimate (4Q08)

# Turning around wireline's secular trend



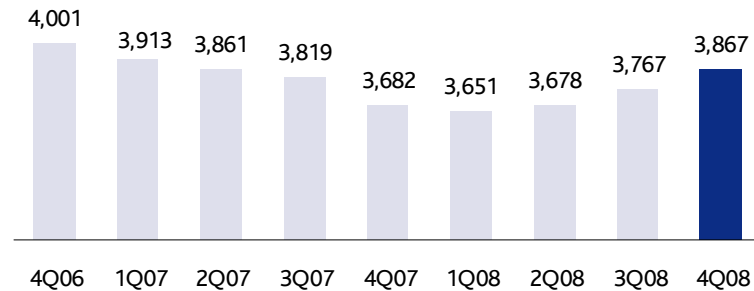
## Revenue growth

[Pct]



## Retail RGUs

[Thousand]



## Comments

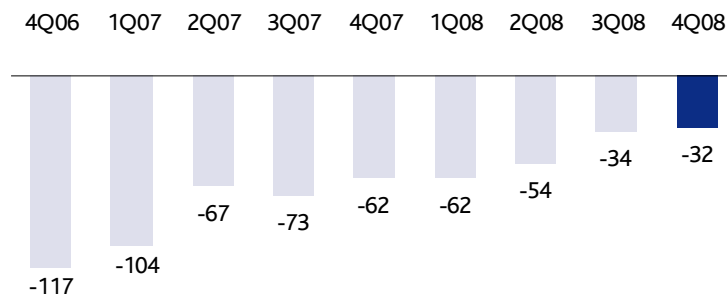
- > Sustained and improving revenue momentum
  - Continued reversal of secular trend in retail revenues, on the back of Meo's success
  - Data and corporate revenues fuelling growth on the back of integrated projects and outsourcing
  
- > Focus on high value customers which have 3 play services and lower churn

# Improving net line loss and broadband net additions



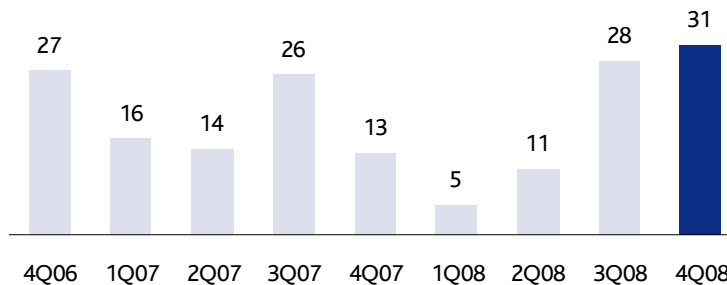
## PSTN / ISDN net adds

[Thousand]



## Broadband net adds<sup>(1)</sup>

[Thousand]



## Comments

- > PSTN line loss of 32 thousand in 4Q08 and 182 thousand in 2008 compared to 62 thousand and 306 thousand over the same period last year
- > Improvement in PSTN line loss driven primarily by success of 3 play offers

- > Solid number of high quality broadband net adds
  - 43.7% of market share at year-end
  - 35 thousand of post paid net adds
- > Bundled wireless broadband offer for PT / Sapo ADSL brand, resulting in up sell opportunity and more attractive offer for installed customer base

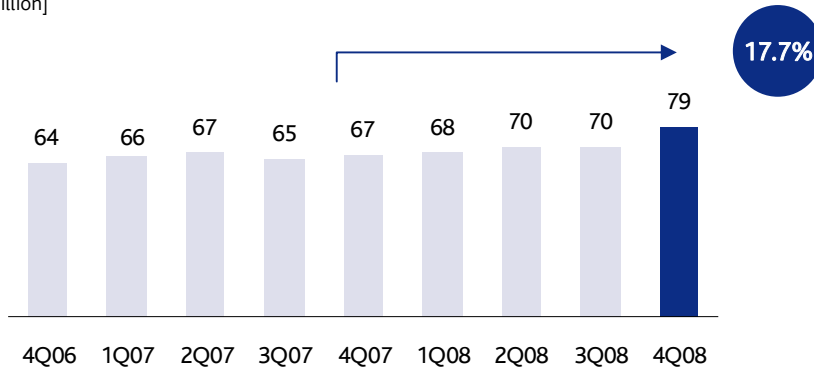
(1) 4Q07 adjusted for the database clean-up of 103 thousand customers, related with inactive prepaid broadband customers

# Preferred supplier from business market with stable market share



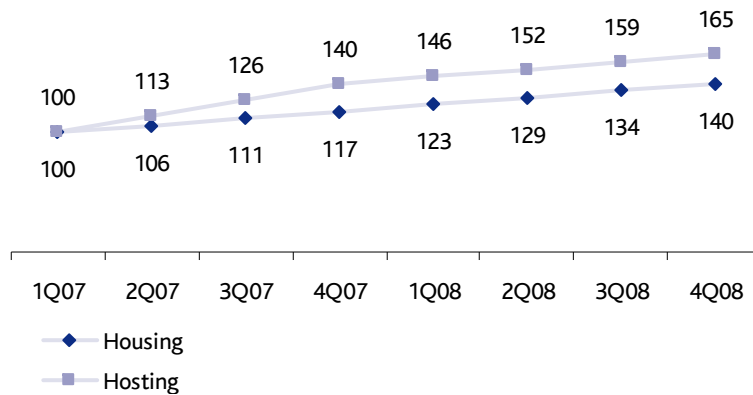
## Data and corporate revenues

[Euro million]



## Housing and hosting services

[Base 100]



## Comments

- > Growth of 17.7% in 4Q08 and 7.9% in 2008 y.o.y with major contracts starting to generate revenues
- > Steady growth in housing and hosting (20%)
- > Managed integration from leased lines to IP-based services
- > Strong growth in managed workstations
- > Maintaining solid pipeline:
  - Attracting more outsourcing contracts
  - Up selling and cross selling to existing customers

# TMN's mobile broadband as an international and national benchmark



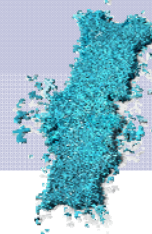
## Top of-the range offer

- > Access speed up to 7.2 Mbps download and 1.4 Mbps upload
- > Pilot project based on HSPA+ with speeds up to 21Mbps
- > Quick and intuitive installation process
- > SMS (inbound and outbound)
- > E-mail account with 1GB antivirus and anti-spam
- > Usage control with SMS alerts



## Broad coverage

- > Above 90% of 3G coverage (pop.)
  - Good quality grade coverage over ~97% of urban areas
  - Good quality grade coverage over ~88% of roadways

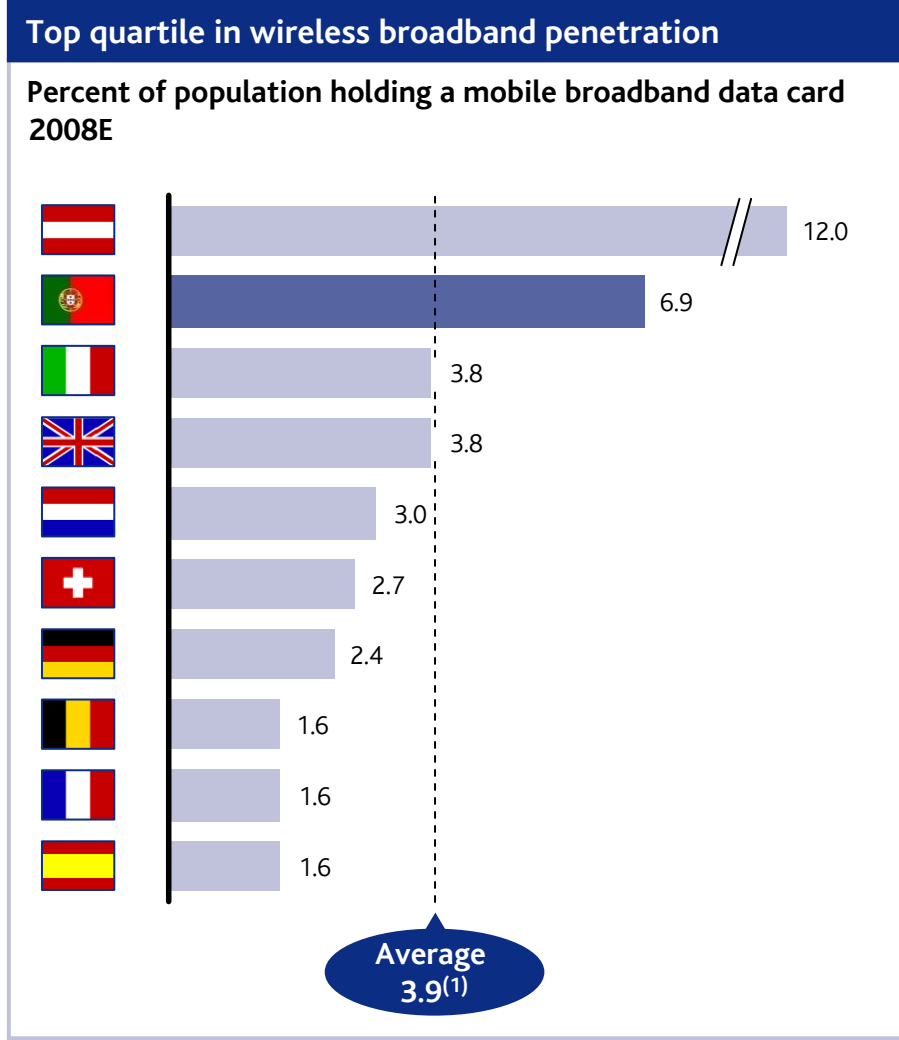
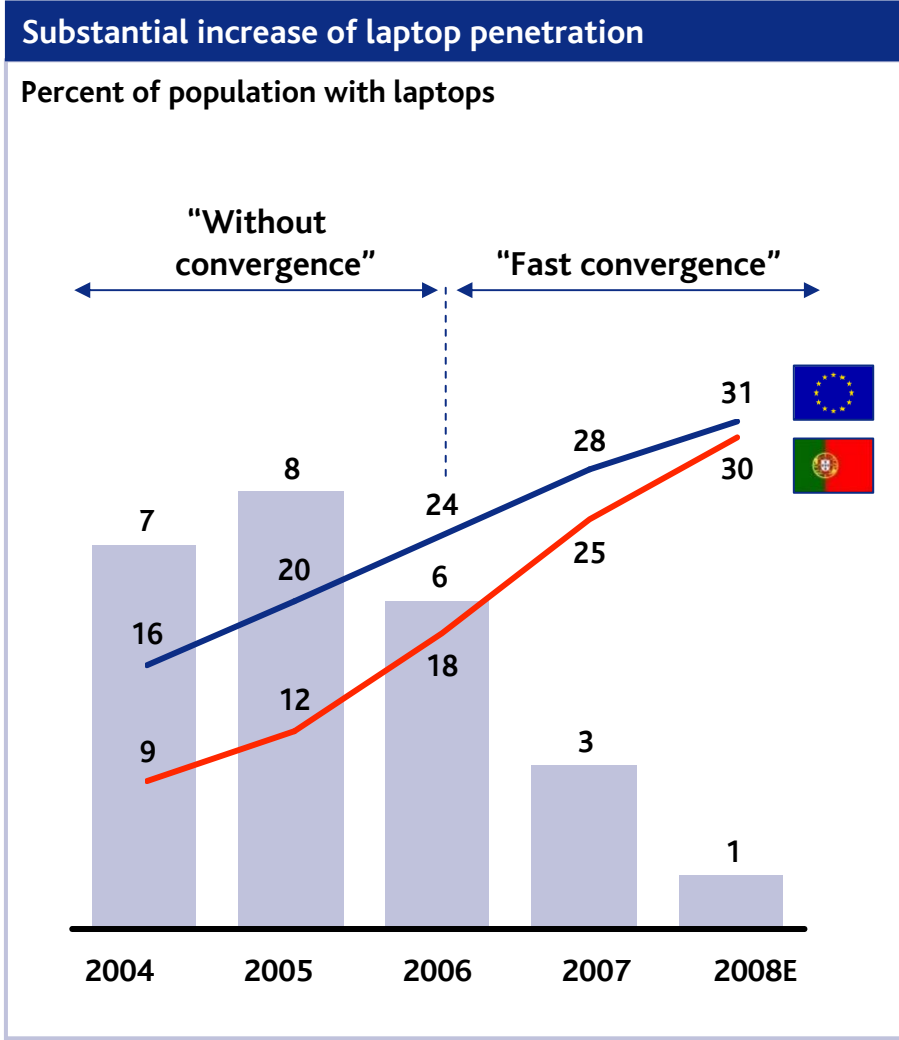


## Protocols with public entities (e-schools)

- > Cooperation with the Portuguese Government to sell last generation computers with mobile broadband to students and teachers at subsidised price
- > Over 300,000 computers distributed



# Laptop penetration driving wireless broadband growth



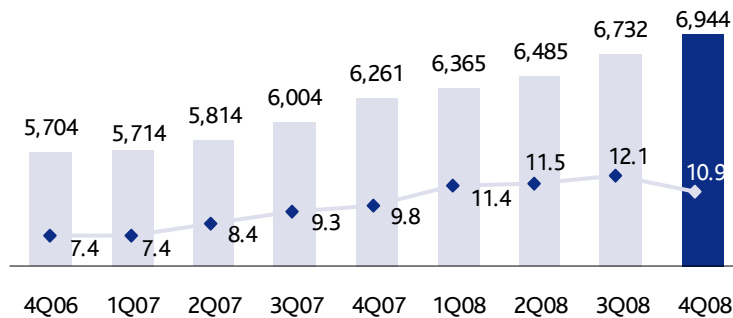
(1) 10 countries (Spain, France, Belgium, Germany, Switzerland, Netherlands, United Kingdom, Italy, Portugal and Austria)  
Source: Pyramid; Yankee Group

# Strong customer growth on the back of wireless broadband



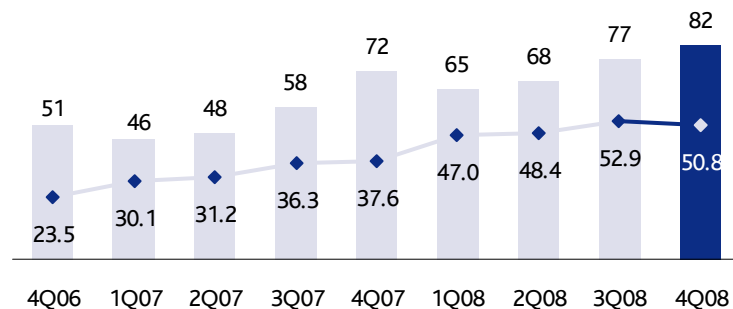
## Customers and growth

[Thousands, pct]



## Data revenues and % of non-SMS data

[Euro million, pct]



## Comments

- > Continued strong customer growth
  - Strong net adds in 4Q08 of 212 thousand
  - Accelerating q.o.q notwithstanding challenging economic environment

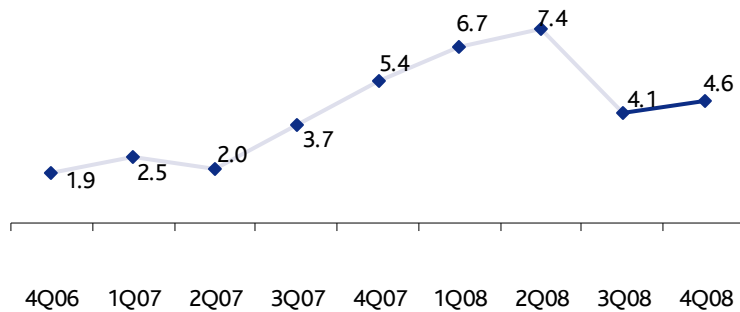
- > Wireless data non-SMS revenues increased by 54% in 4Q08 from level in 4Q07
- > Increase in data services, based on non-SMS services which almost doubled on an annual basis, continued to contribute to top line growth
  - Non-SMS data services represent about 51% of data revenues in 4Q08

# TMN with resilient growth



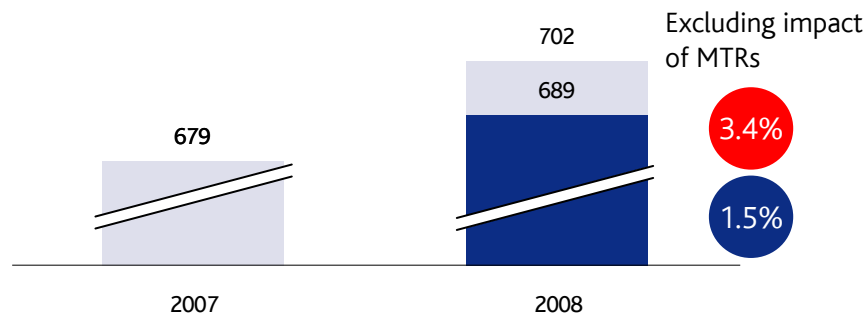
## Customer revenue growth

[Pct]



## EBITDA and impact of MTRs in 2008

[Euro million]



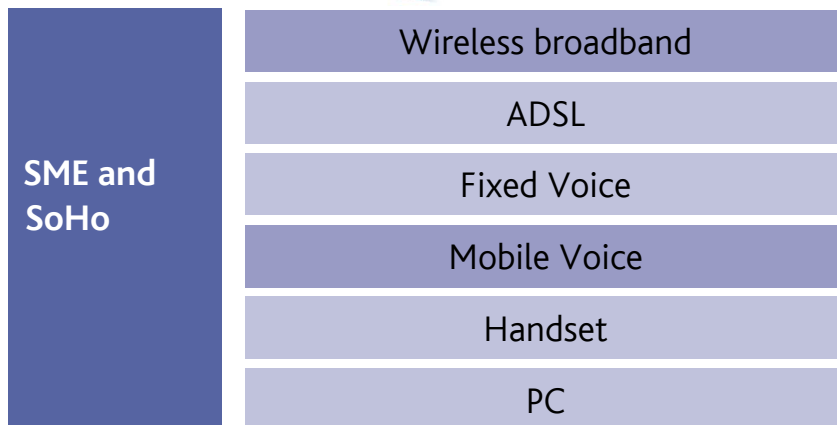
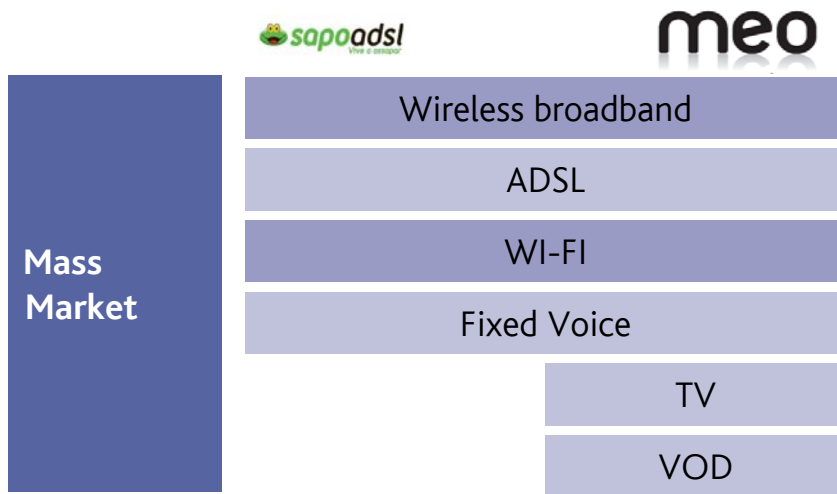
## Comments

- > Customer revenues increased by 4.6% y.o.y in 4Q08, on the back of strong customer growth and against a backdrop of lower roaming tariffs
  - Strong acquisition of clients (683 thousand in 2008, up by 22.5%)
  - 4Q08 is the eighth consecutive quarter of growth in customer revenues at TMN
  
- > In 4Q08 EBITDA decreased on the back of:
  - Lower MTR's
  - Higher commercial costs due to higher commercial activity centered on Christmas Campaign
  - Higher customer support costs
  
- > Adjusting for the negative impact of MTR's, EBITDA would have increased by 3.4% in 2008 and 3.0% y.o.y in 4Q08

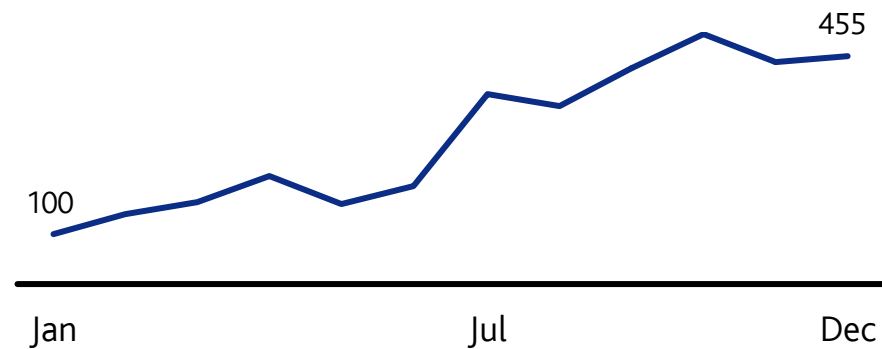
# Fixed-mobile convergence, a driver of differentiation



## Services



## Gross adds Indexed

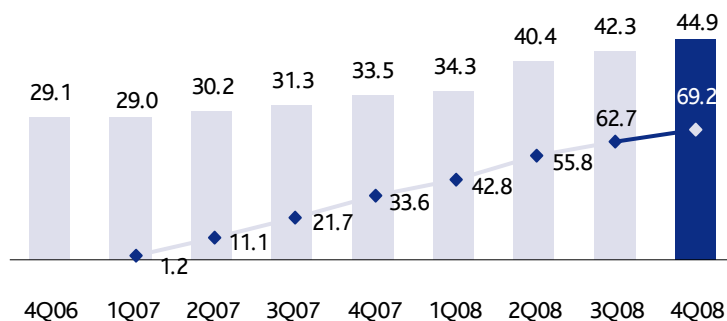


# Strong operational performance as a result of Vivo's turnaround



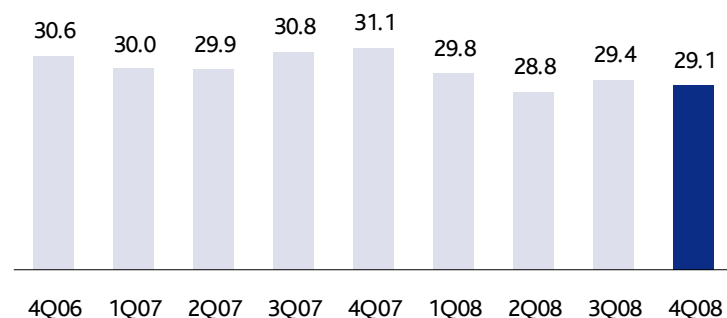
## Customers and weight of GSM<sup>(1)</sup> + 3G

[Million, pct]



## ARPU

[R\$]



## Comments

- > Vivo's customer base increased by 34.2% y.o.y to 44,945 thousand
- > At the end of 2008, Vivo had a market share of 29.8%, maintaining leadership in Brazil

- > ARPU in 4Q08 decreased by 6.2% y.o.y to R\$ 29.1 due to strong customer growth and to the decrease in interconnection ARPU as a result of fixed-mobile migration to mobile-mobile traffic
- > Customer ARPU decreased only by 3.2% y.o.y in 4Q08 despite strong customer growth

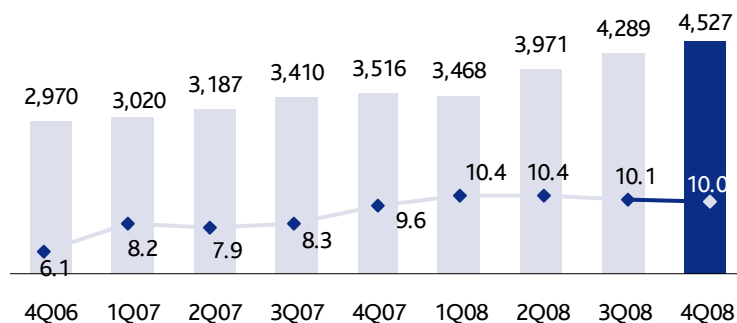
(1) Includes Telemig as of 2Q08

# Vivo's revenues and EBITDA reflecting balanced growth



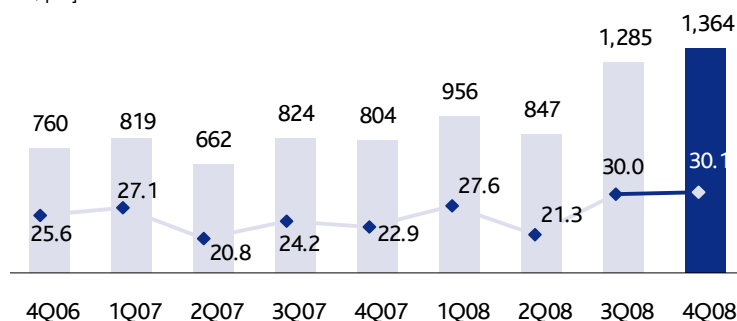
## Revenues and data % serv. revenues

[R\$ million, pct]



## EBITDA<sup>(1)</sup> and EBITDA<sup>(1)</sup> margin

[R\$ million, pct]



## Comments

- > Strong revenue growth
  - Service revenues up by 30.8% y.o.y in 4Q08 underpinned by strong customer growth and data and also by consolidation of Telemig
  - Excluding Telemig, service revenues would have grown 17.8%
- > Strong increase in revenues from data services, +32.8% y.o.y
  - Increase ZAP; flash/desk MODEM; blackberry and smart-mail clients
  - Growth in SMS usage
  - Increase in content usage in SMS
- > EBITDA reflecting margin expansion
  - EBITDA up by 59.8% y.o.y in 4Q08, on the back of revenue growth and cost control
  - Margin expanded by 5.9pp to 30.1%

(1) Excluding exceptional items

# Africa as a strategic market



## PT's strategy for Africa

Focus on execution and operational improvement

Extract portfolio synergies by implementing best practices

Analyse expansion opportunities that can add value to PT's portfolio



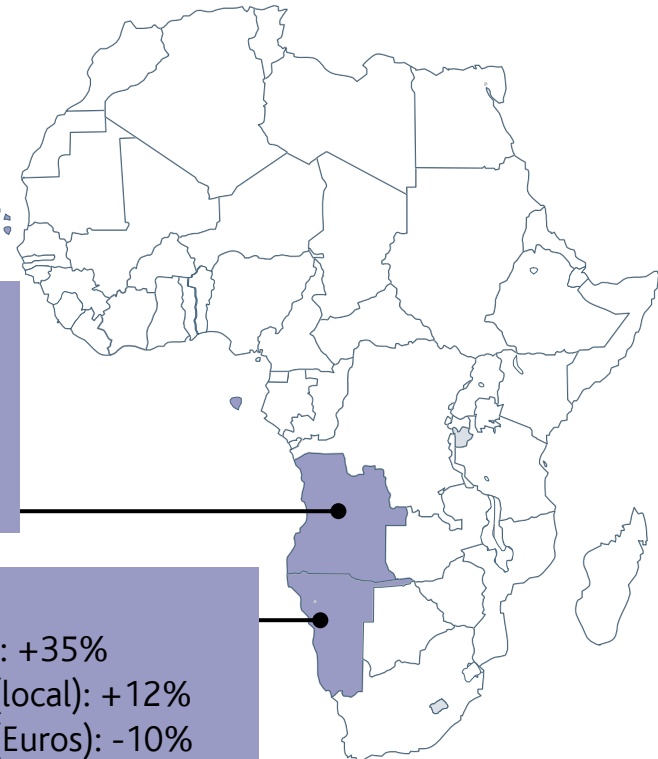
- > Customers: +71%
- > Revenues (local): +8%
- > Revenues (Euros): +8%
- > EBITDA margin: 60%



- > Customers: +38%
- > Revenues (local): +42%
- > Revenues (Euros): +33%
- > EBITDA margin: 61%



- > Customers: +35%
- > Revenues (local): +12%
- > Revenues (Euros): -10%
- > EBITDA margin: 50%

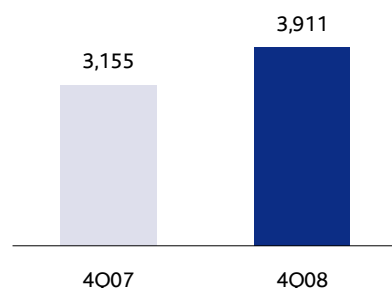


- > Strong growth in key markets with sound profitability, in an increasingly competitive environment
- > Contribution negatively impacted by adverse foreign exchange trend (e.g., Namibian Dollar)

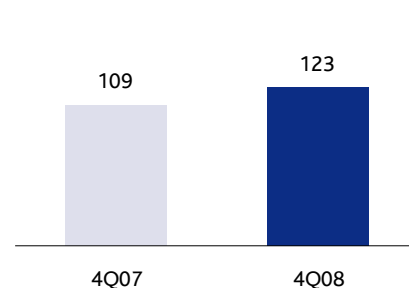
# International ex. Brazil: financial and operational highlights



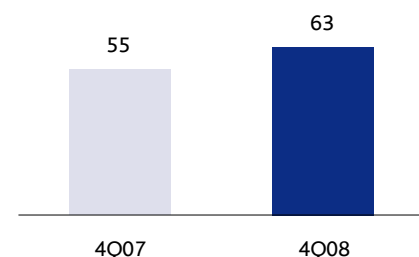
**Mobile customers**<sup>(1)</sup>  
[Thousand]



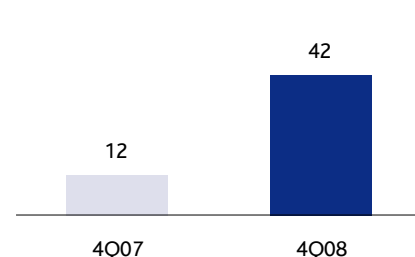
**Revenues**<sup>(1)</sup>  
[Euro million]



**EBITDA**<sup>(1)</sup>  
[Euro million]



**Net Income**<sup>(1) (2)</sup>  
[Euro million]



## Comments

- > Strong customer growth in 2008, namely from Unitel (+38.2% y.o.y) and from MTC (+34.7% y.o.y)
- > Lower contribution to consolidated revenues from MTC due to the devaluation of the Namibian Dollar, which more than offset its growth stated in local currency (+12.0% in 2008 y.o.y) ...
- > ...but higher contribution to consolidated EBITDA, despite the devaluation of the Namibian Dollar
- > International assets excluding Brazil already represent 17% of net income in 2008, up from 11% vs 2007

(1) Proforma consolidation using the percentage of ownership held by PT. Excludes investments in Brazil. IFRS

(2) Excluding exceptional items

# Sustainability and social responsibility, a priority for PT



## Society



- > Commitment to development of the information society acting at different levels:
  - Education: improvement of education performance with the consolidation of “e-schools” initiative (>350 thousand laptops distributed), the launch of Sapó Kids and of schools network
  - Health: increase in efficiency of the healthcare system through the implementation of remote medical solutions and interconnectivity of healthcare providers
  - Home: increase in PT’s role as a technological pioneer, providing new value added services (e.g., TV of the future, Sapó portal within the TV and remote surveillance solutions)

## Environment



- > Direct action around 4 areas:
  - Energy consumption, with specific actions for the main sources of consumption (25% cut in car fleet fuel consumption)
  - Environmental waste, with the implementation of several specific actions (18% decrease in carbon footprint)
  - Environmental impact, measurement of impact of several components, such as radiation and noise levels (>94% of mobile sites 1,000x below minimal legal requirements in radio emissions)
  - Resource consumption, with the implementation of several measures to reduce water (10% reduction between 2006 and 2008) and paper consumption

## Employees



- > Reinforcement of professional development initiatives for all PT employees:
  - 134 trainees and 200 technical internships
  - 460 thousand training hours (+8% vs. 2007)
  - International mobility program
- > Launch of initiatives oriented for well-being:
  - Education programmes (over 350 scholarships offered to low income co-workers)
  - Free access to internal libraries (over 8 thousand books ordered)
  - Access to solidarity initiatives (over 400 workers have already participated)

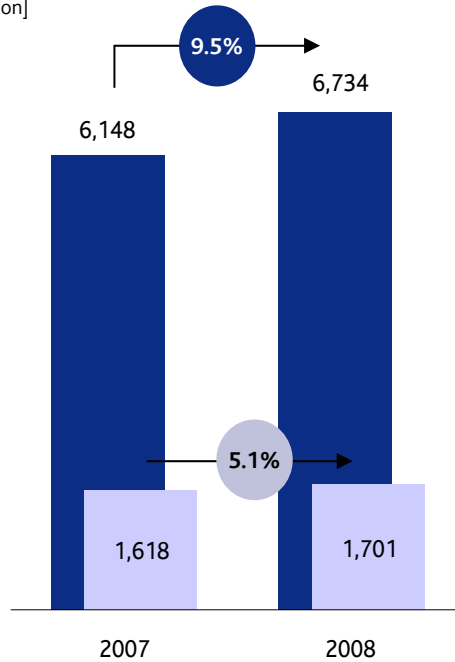


# Financial review

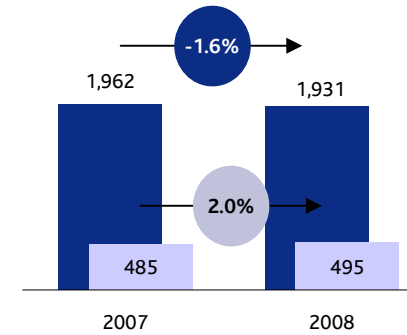
# Revenue performance underpinned by mobile growth



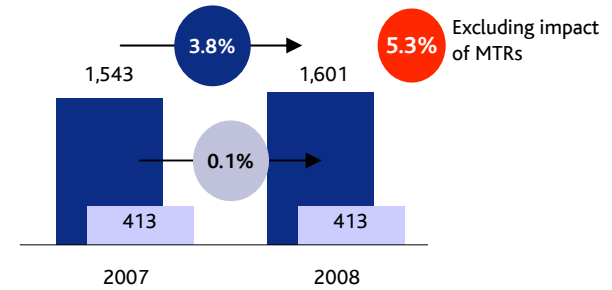
**Revenues**  
[Euro million]



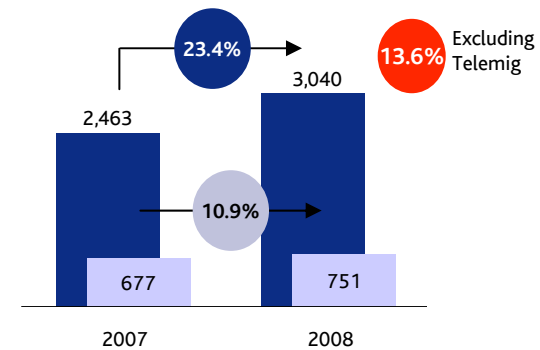
**Wireline**  
[Euro million]



**TMN**  
[Euro million]



**Vivo**  
[Euro million]



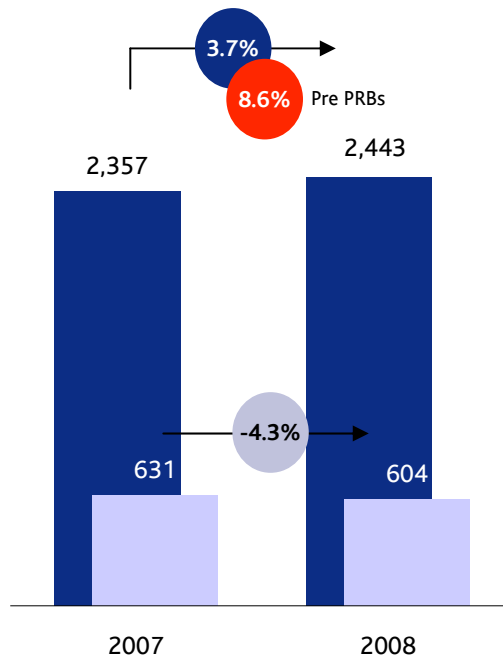
- > Vivo and TMN as growth drivers
- > Wireline showing an inflection in growth trends in 4Q08

■ Full Year  
■ 4th Quarter

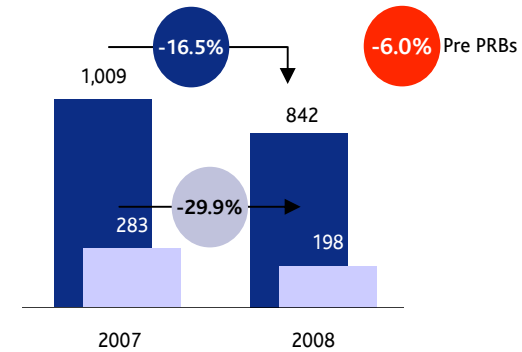
# EBITDA performance supported by top line growth



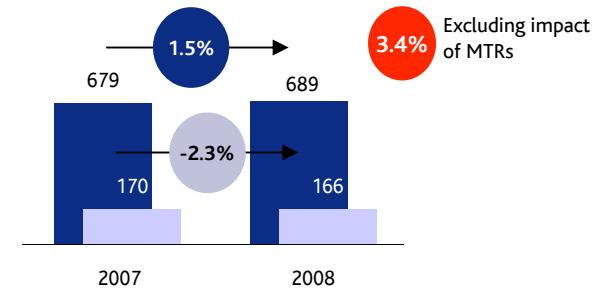
**EBITDA**  
[Euro million]



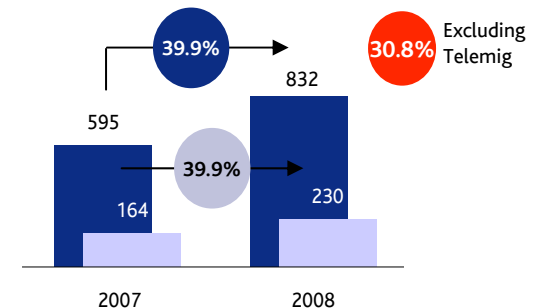
**Wireline**  
[Euro million]



**TMN**  
[Euro million]



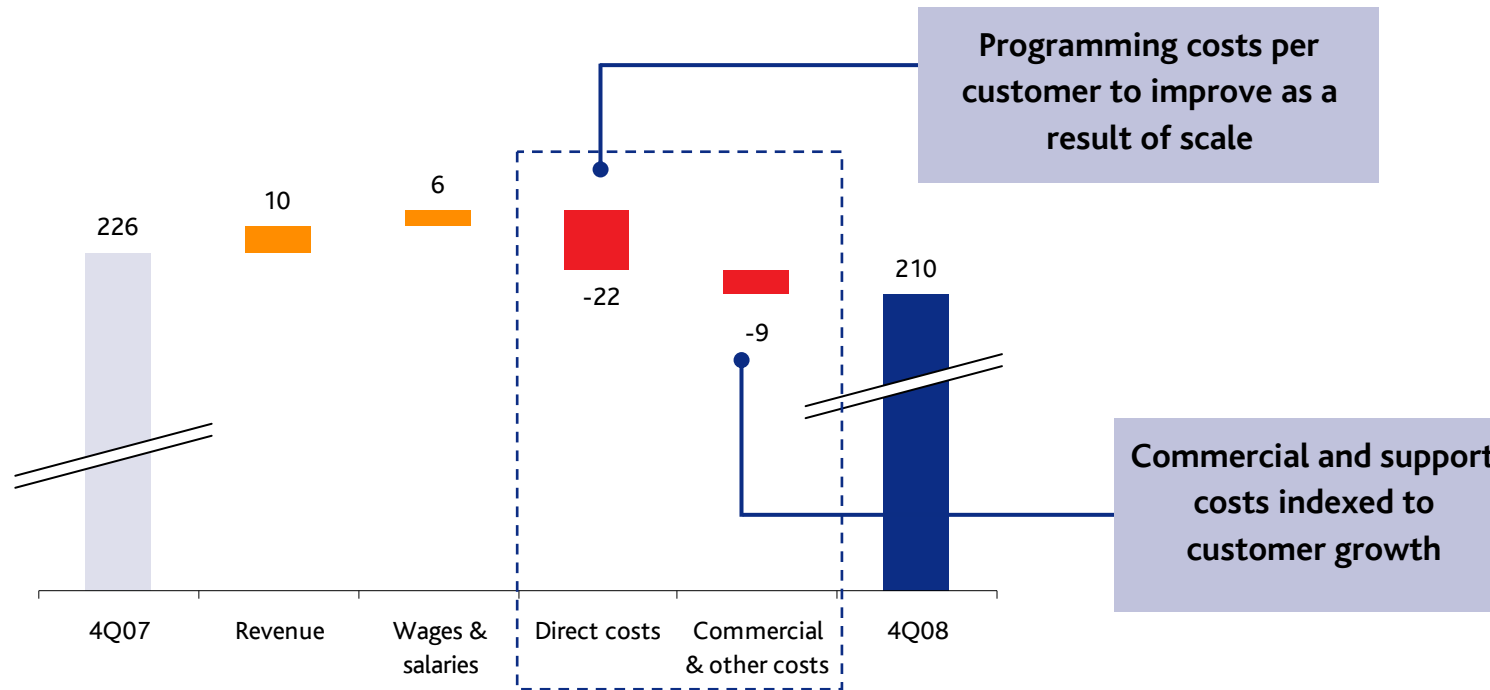
**Vivo**  
[Euro million]



- > Wireline reflecting prior year service gains in 2007 and customer acquisition efforts
- > TMN reflecting MTRs
- > Vivo showing strong margin expansion

■ Full Year  
■ 4th Quarter

## EBITDA pre PRBs evolution in 4Q08 reflecting growth



### EBITDA reflecting customer growth

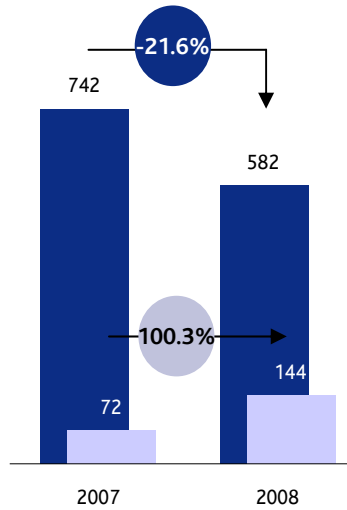
- > Growth in customer revenues driven by Meo, which is reverting the secular trend in retail revenues, and by corporate and data segment
- > Direct costs reflecting increasing programming costs due to growth in Meo customers
- > Commercial and other costs under pressure due to commissions and marketing and to customer care related with TV customer growth

# Core net income and EPS growth with improved momentum



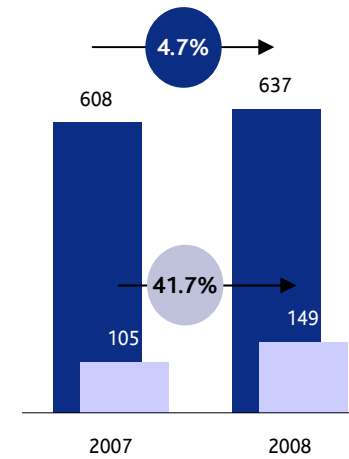
## Stated net income

[Euro million]



## Core net income

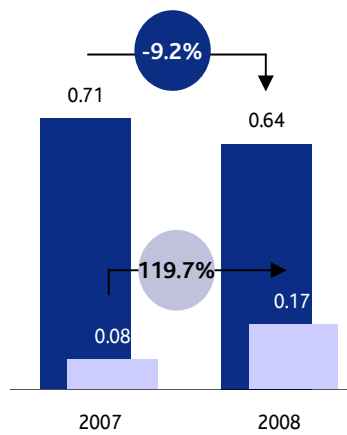
[Euro million]



## Stated EPS

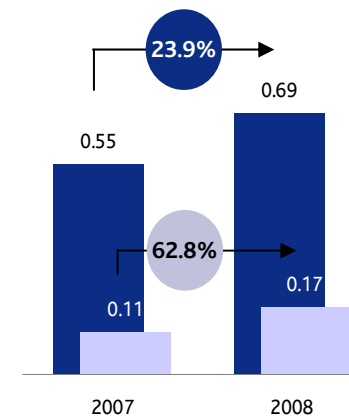
[Euro]

■ Full Year  
■ 4th Quarter



## Adjusted diluted EPS

[Euro]

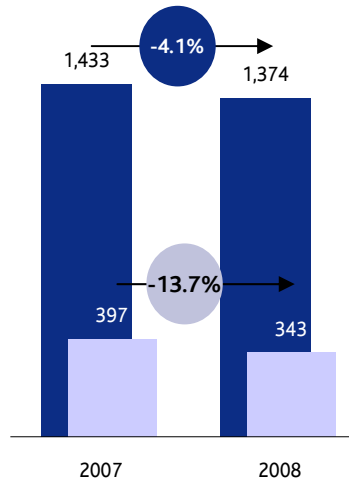


# Cash flow impacted by TV and 3G investments



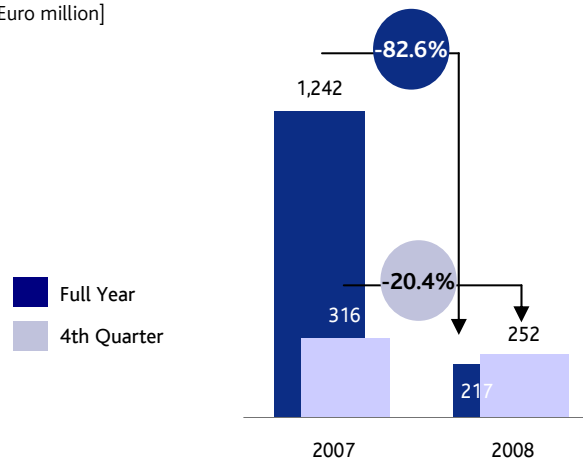
## Operating cash flow

[Euro million]



## Free cash flow

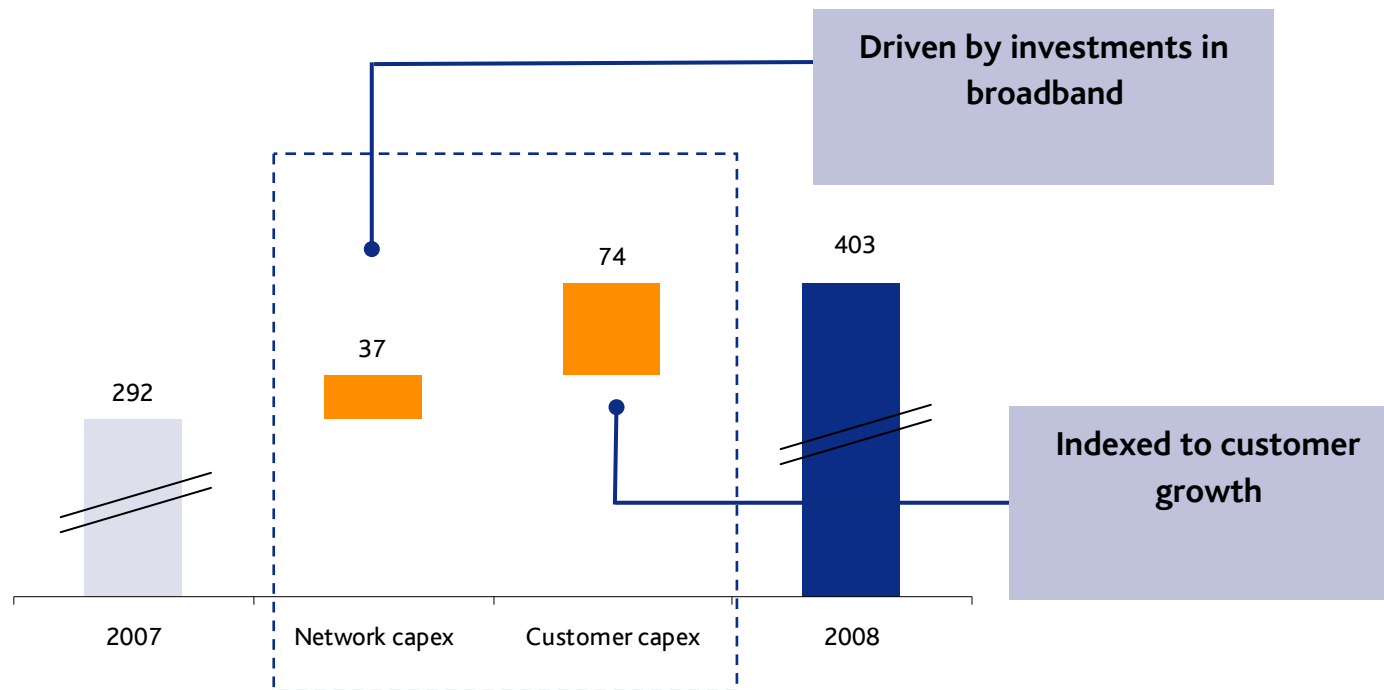
[Euro million]



## Comments

- > 2008 impacted by higher capex due to the TV deployment and the deployment of GSM and 3G in Brazil
- > Good working capital management
- > 2007 impacted by significant disposals generating Euro 321 million (PTM, BES shares and Africatel)
- > 2008 impacted by the acquisition of Telemig (Euro 517mn), higher interest costs (Euro 66mn), pensions related contributions (Euro 30mn) and taxes (Euro 39mn)

## Capex in 2008 driven by customer acquisition



Capex driven by acquisition of TV customers and corporate clients

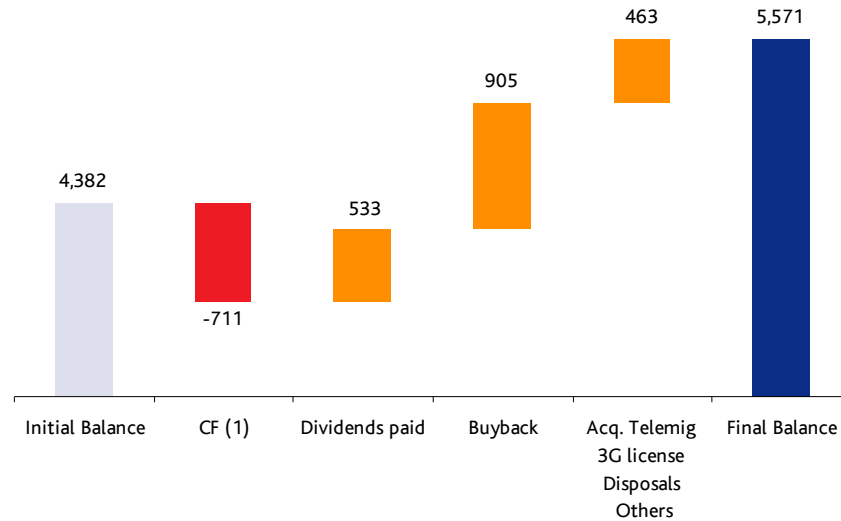
- > Service platforms to provide greater bandwidth to customers
- > Increased network capacity to provide pay-TV services
- > Pay-TV set-top boxes and customer networking
- > Equipment for corporate clients as part of outsourcing contracts

# Net debt profile



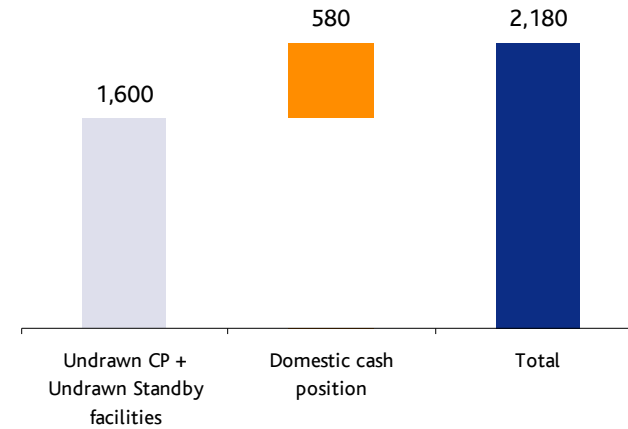
## Net debt 2008

[Euro million]

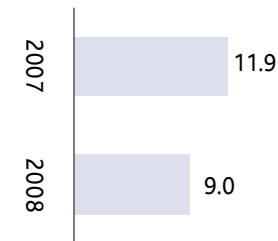


## Undrawn CP + Undrawn standby lines + Cash in Portugal

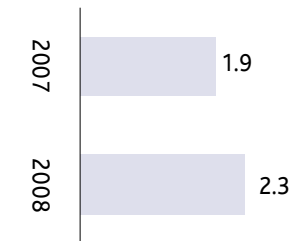
[31 December 2008, Euro million]



## Interest cover



## Net debt to EBITDA



Avg. Cost of Debt **5.0%**

- Ex. Brazil **4.3%**

Maturity **4.9**

- Ex. Brazil **4.8**

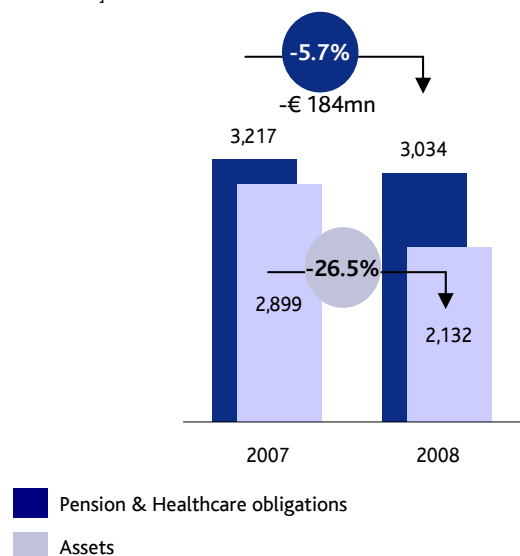
(1) CF = Operating cash flow – interest – PRBs contributions – income taxes + dividends received

# Unfunded pension obligations impacted by capital markets



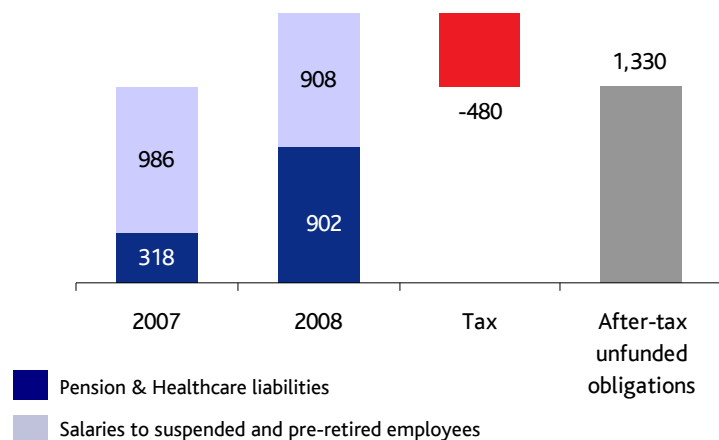
## Pension & healthcare obligations and assets

[Euro million]



## Total after-tax unfunded obligations

[Euro million]



## Comments

- > Net reduction of Euro 184 million in liabilities
- > Asset reduction of -26.5% in 2008, including payments of benefits of Euro 164 million
- > Average duration of liabilities of 15 years
- > Includes Euro 908 million of salaries to pension fund employees
- > Salaries not required to be funded and with maturity of 10 years and 4 duration

## Summary



- > Solid turnaround of wireline, both in KPIs and revenues, with EBITDA performance still reflecting growth efforts and lack of scale of Meo
- > Sustained growth of customer revenues at TMN on the back of wireless broadband, with EBITDA, adjusted for MTRs, performing in line with recent quarters
- > Very balanced results of Vivo, showing customer, revenue and EBITDA growth, while positive net income and dividends increase cash-flow visibility
- > Increasing cash flow contribution from other international assets
- > Healthy EPS growth on the back of increasing net income and share buyback
- > Adequate debt maturities and liquidity position

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