Portugal Telecom

Results Presentation

Fourth Quarter 2007

28 February 2008

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.

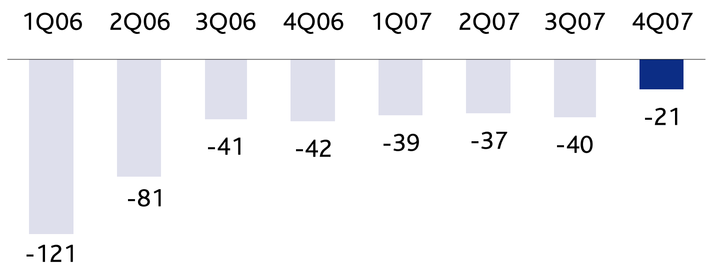
Highlights

	FY07	y.o.y
> Operating revenues	6,148	+6.6%
> EBITDA	2,357	+5.3%
> EBITDA excluding exceptional items	2,234	+6.7%
> Net income	742	-14.4%
> Net income excluding exceptional items	608	+26.3%
> Free cash flow	1,242	+50.5%
> Net debt	4,382	+16.6%
> After-tax net unfunded post retirement obligations	958	-21.2%

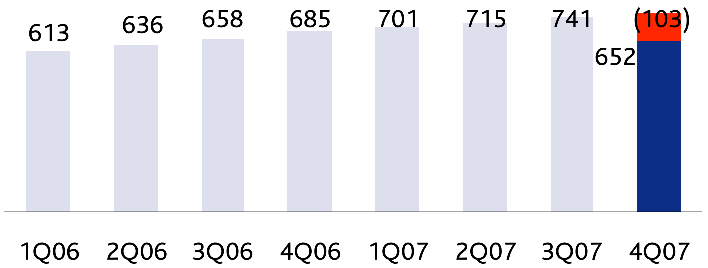
Values in Euro million

Wireline operational highlights (1)

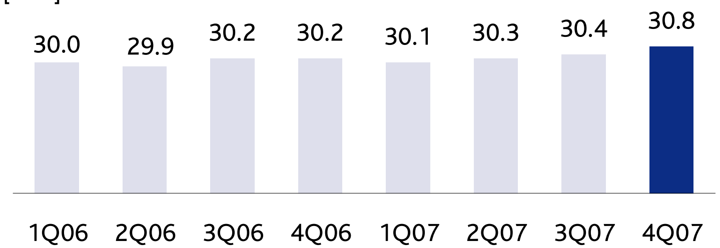
PT Traffic Generating Lines - Net Adds



ADSL retail



ARPU
[Euro]



> Loss of traffic generating lines broadly in line [1] with previous quarters, despite intense competition
  - Home zoning
  - ADSL unbundlers
  - Triple-play offers from cable

> Continued intense competition in broadband
  - ADSL unbundlers
  - Cable offerings
  - Wireless broadband
  - ADSL retail customer base reflecting a clean-up of inactive prepaid customers (103k)
  - Net additions, adjusted for clean-up, 14k in the quarter

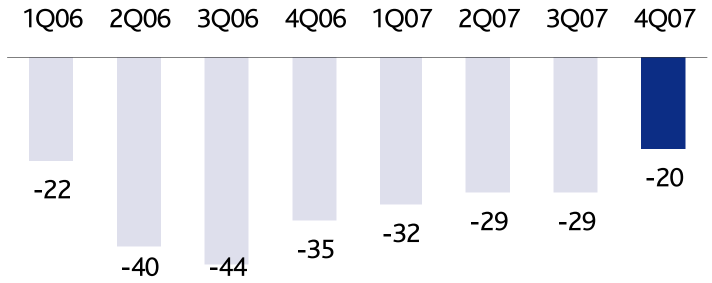
> Sustained growth of blended ARPU
  - +1.9% y.o.y
  - Increased penetration of broadband

(1) In 4Q07, there was a bulk recovery of pre-selection and WLR lines

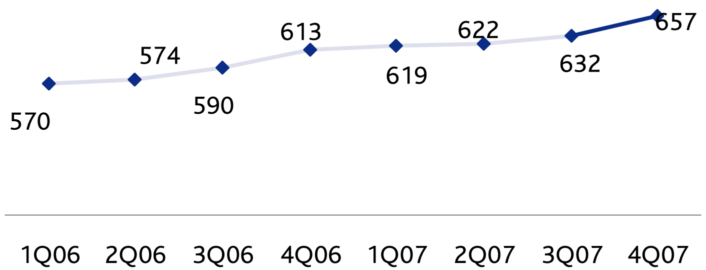
Wireline operational highlights (2)

Revenue loss

[Euro million]

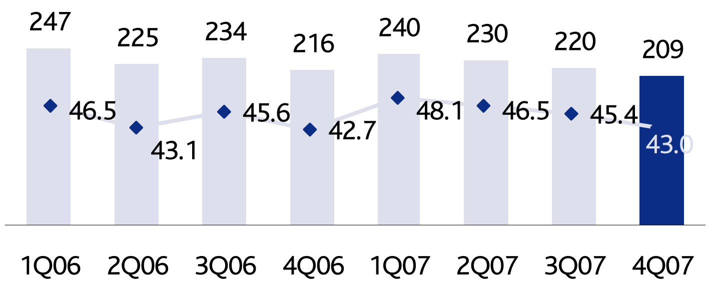


Lines per employee



EBITDA [1]

[Euro million]



> Revenue loss improving, despite intense competition

- Data & corporate revenues up 4.6% y.o.y due to the continued focus on combined telecoms and IT solutions
- Wholesale revenues up 9.2% y.o.y, primarily due to growth in leased lines and ULL
- IPTV already a visible contributor

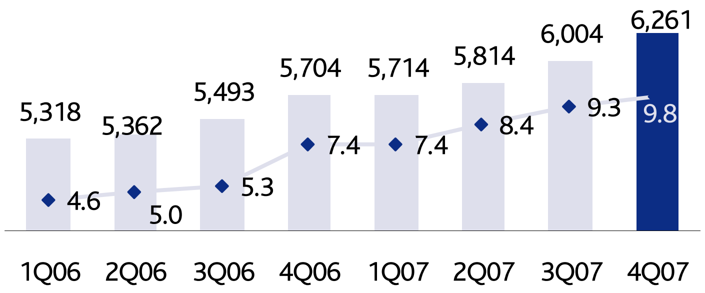
> Focus on operational efficiency

- Curtailment programme
- Reduction of post retirement benefits
- EBITDA remains under pressure

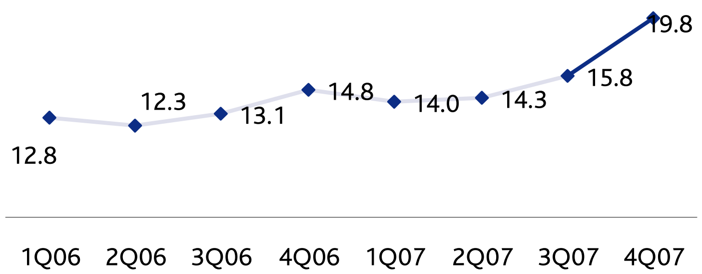
(1) EBITDA excluding exceptional items

TMN operational highlights (1)

Customers and y.o.y growth



Data % Serv. Revenues

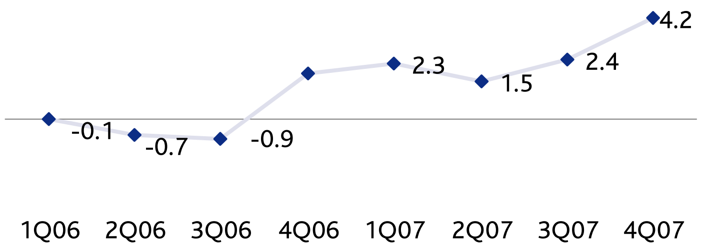


- Customer growth continued to accelerate
  - Net adds and gross adds up 22.0% and 23.6% y.o.y respectively
  - Successful Christmas campaign both in voice and data offers
  - Strong take-up of the information society initiatives
- Continued growth in data services
  - Non-SMS accounts for 38% of data revenues
  - Wireless broadband underpinned by the “e-escolas” programme: TMN already delivered approximately 70k laptops bundled with broadband subscriptions
  - Data usage increased up >4x y.o.y
- Development of fixed-mobile convergent products both in voice and data
  - OfficeBox, which targets SME and SoHo segments, includes fixed-line and mobile voice, fixed and mobile Internet, mobile handset and a PC
  - Sapo Mobile

TMN operational highlights (2)

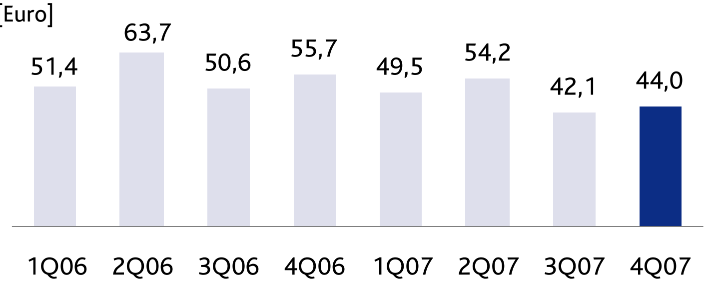
Customer revenue growth (y.o.y)

[Pct]



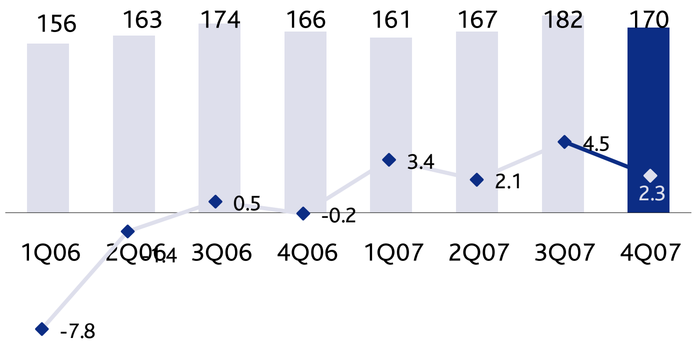
Unitary SARC

[Euro]



EBITDA and growth (y.o.y)

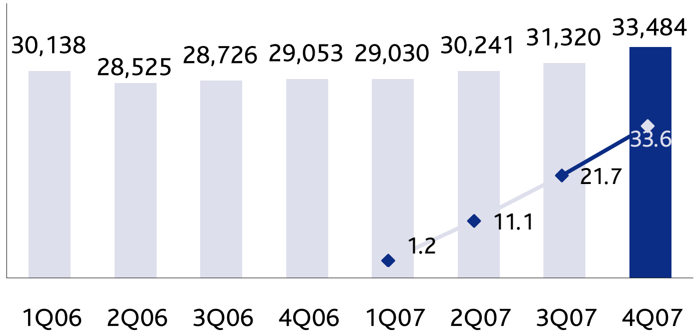
[Euro million]



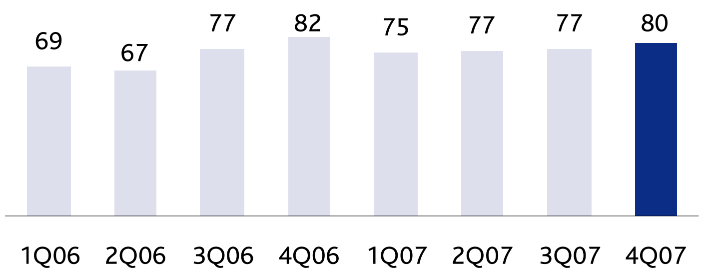
- Growth of customer revenues accelerating underpinned by:
  - Customer growth (+9.8% y.o.y)
  - Growth in data revenues (+40% y.o.y)
- Handset portfolio differentiation
  - 16 handsets for the Christmas campaign, of which 6 were exclusive
- Improvement in operating efficiency
  - Strict control of SARC and non-commercial costs
  - Unitary SARC decreased by 21% y.o.y
- EBITDA increased 2.3% notwithstanding intense commercial activity focused on:
  - prepaid to postpaid migration and corporate
  - wireless data

Vivo operational highlights (1)

Customers and weight of GSM cust.
[Thousand, pct]

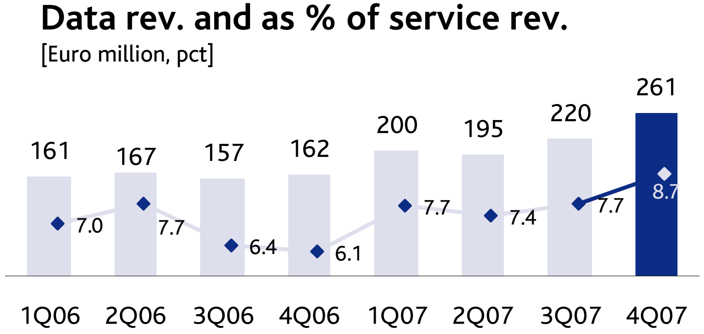


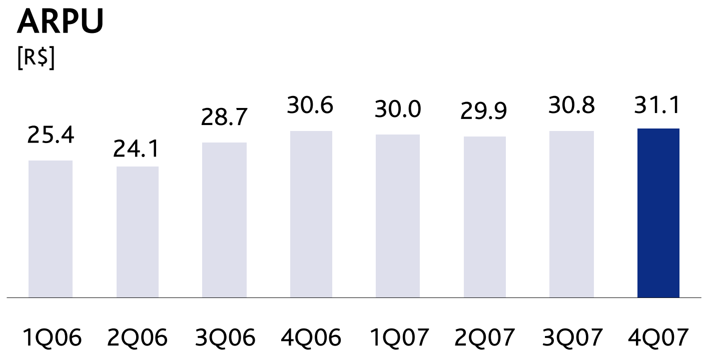
MoU
[min / month]

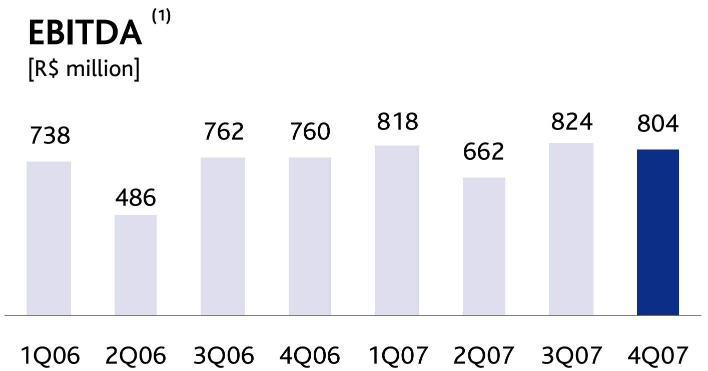


- Achievement of a full nationwide coverage
  - Telemig acquisition
  - Aquisition of 1.9Ghz frequencies
  - Successful participation in 3G auction (R$1.1bn for natiowide Band J licenses)
- GSM/ EDGE network implemented in record time
  - 2,318 municipalities already covered
  - 100% of initial GSM capex concluded
- Focus on providing best network quality and best service offering
  - 67% of postpaid customers (ex. corporates) on family of plans “Vivo Escolha”
- Robust growth trends
  - Customer base increased by 15.2% y.o.y
  - Gross additions in 4Q07 increased by 66.5% y.o.y
  - GSM customers (+11.2mn at the end of 4Q07) accounted for 85% of gross adds
  - MoU resilient, despite strong growth

Vivo operational highlights (2)







> Data revenues continue to grow significantly
  - 61.3% increase y.o.y on the back of higher penetration of data services
  - Continued growth in WAP and ZAP (EVDO datacards) offers

> Introduction of innovative data services
  - Vivo Play (downloads and video streaming)
  - Vivo Flash (residential wireless broadband access)

> Improvement in ARPU
  - Underpinned by 7.4% growth in customer ARPU, notwithstanding the strong customer growth

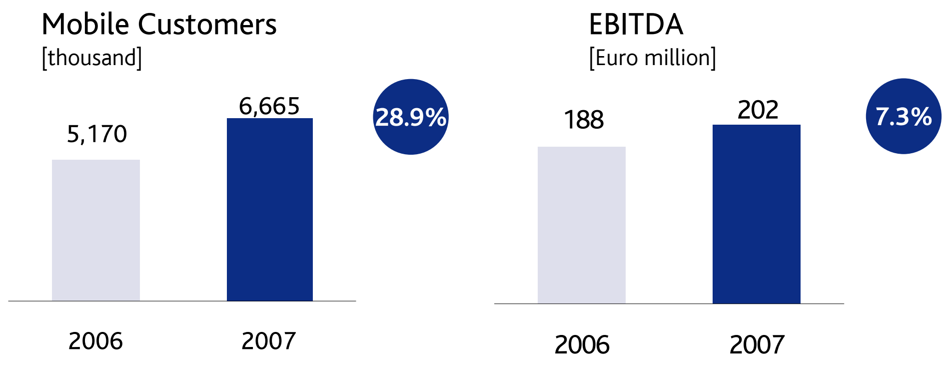
> Underlying EBITDA growth of 5.7% y.o.y, reflecting intense commercial activity (+66% y.o.y gross additions)

(1) Excluding exceptional items

International assets in Africa and Asia continued to grow

	Stake	Customers	EBITDA (€mn)	y.o.y local	Margin
Africa					
Meditel	32%	6,669	202	9.3%	46.1%
Unitel	25%	3,307	391	23.6%	60.2%
MTC	34%	800	62	2.0%	52.6%
CVT	40%	221	43	6.4%	63.1%
CST	51%	38	3	9.2%	33.9%
Asia					
CTM	28%	533	88	19.2%	42.2%
Timor Telecom	41%	81	11	58.7%	46.0%

Meditelecom [Morocco]



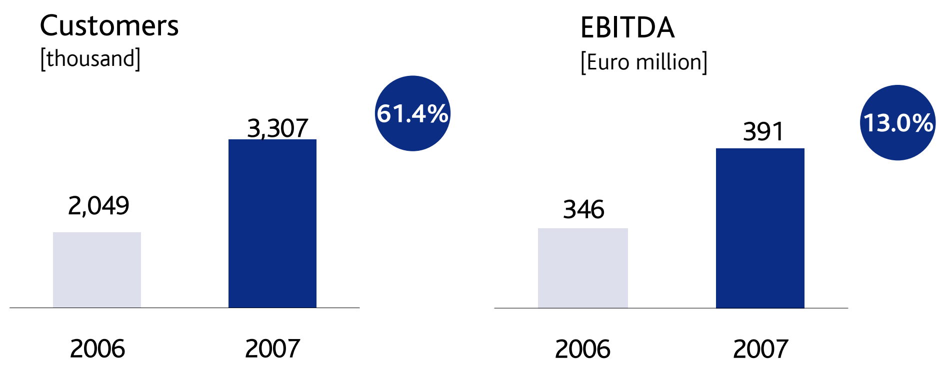
> Positive performance across various assets in Africa and Asia, underpinned by customer, revenue and EBITDA growth

> Proportionate EBITDA for international assets (ex-Vivo) amounted to €203mn in 2007

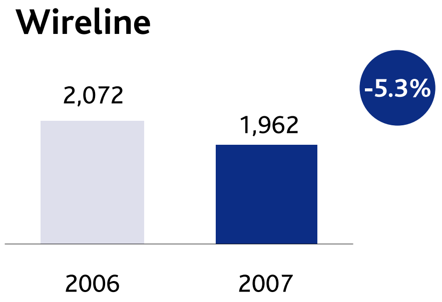
> All international assets are self-funding

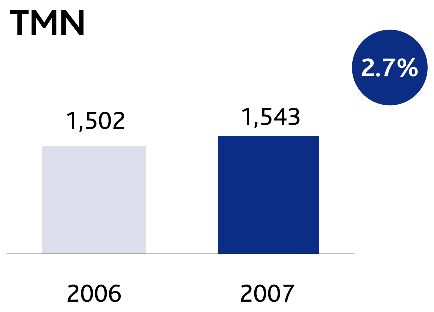
> Monetisation of African assets through partnership with Helios

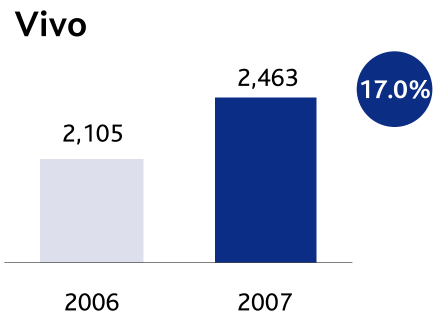
Unitel [Angola]

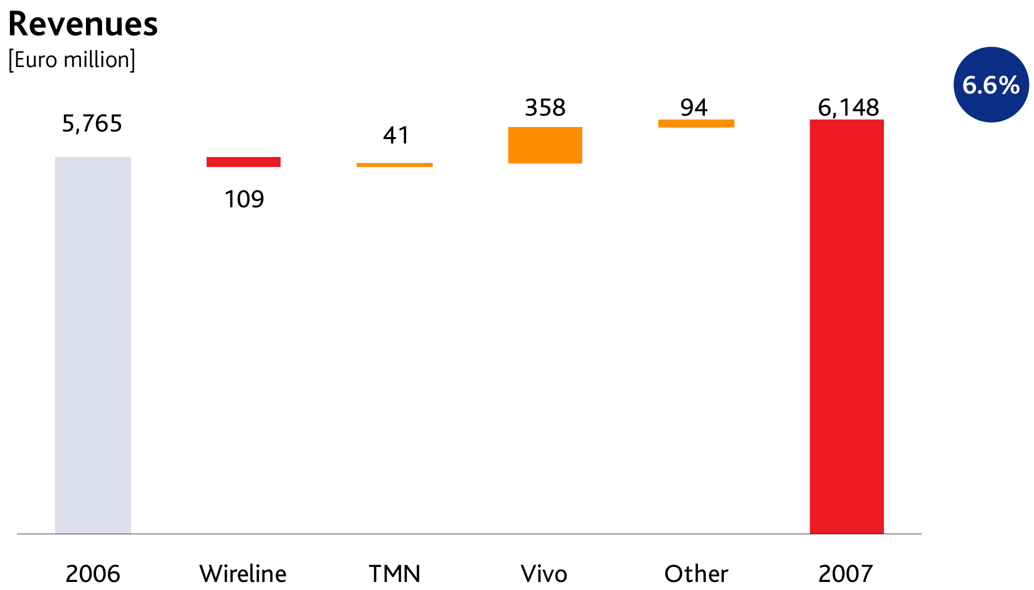


Revenue performance underpinned by mobile growth









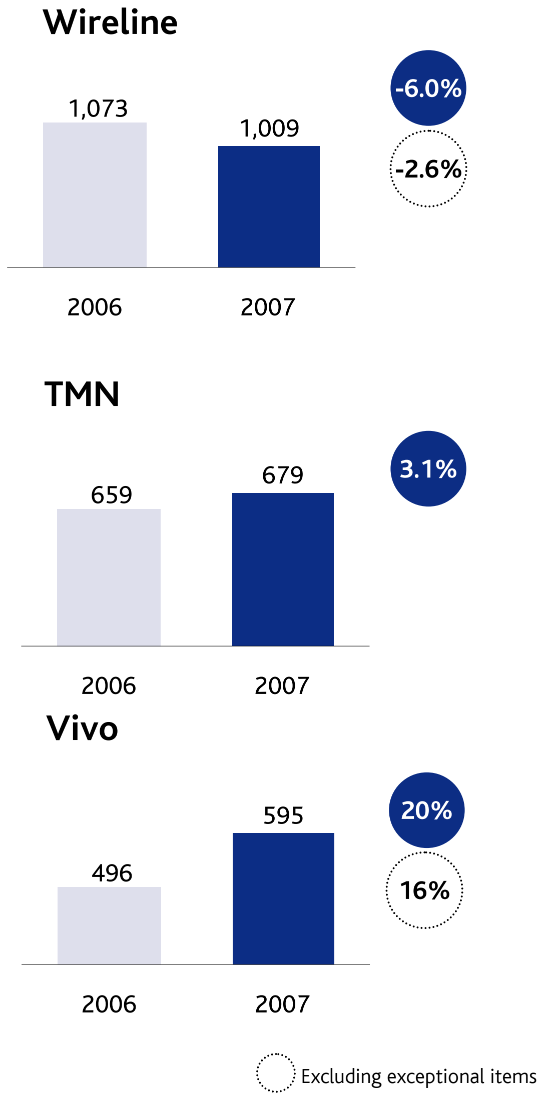
> TMN performance driven by continued customer growth, particularly in postpaid and wireless Broadband, while wireline impacted negatively by line loss and price competition

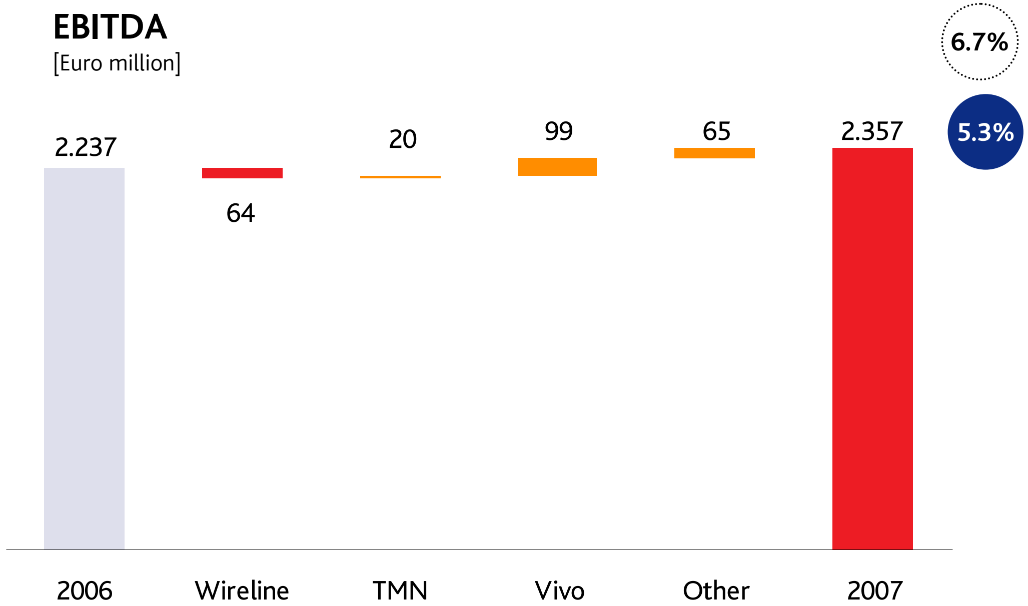
> Vivo top line growth supported by strong customer growth and ARPU expansion

> Consolidation of MTC (Namibia) had a positive impact of €79mn

> Mobile termination rate (MTR) cuts had a negative impact of €20mn in 2007

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

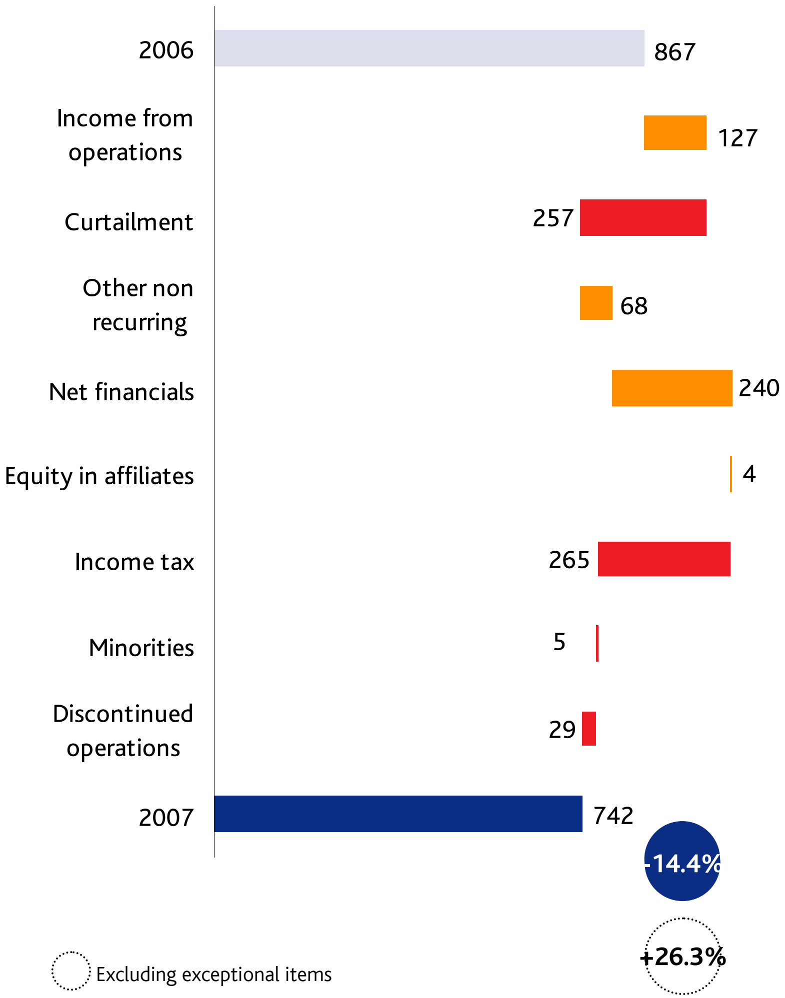




- Wireline EBITDA supported by greater cost efficiency (+1.3pp margin increase excluding exceptional items)
- TMN EBITDA improvement supported by customer growth and margin expansion (+0.2pp in TMN)
- Vivo EBITDA pressured by customer growth
- Consolidation of MTC had positive impact of €38mn
- Mobile termination rate (MTR) cuts had negative impact of €9mn in 2007

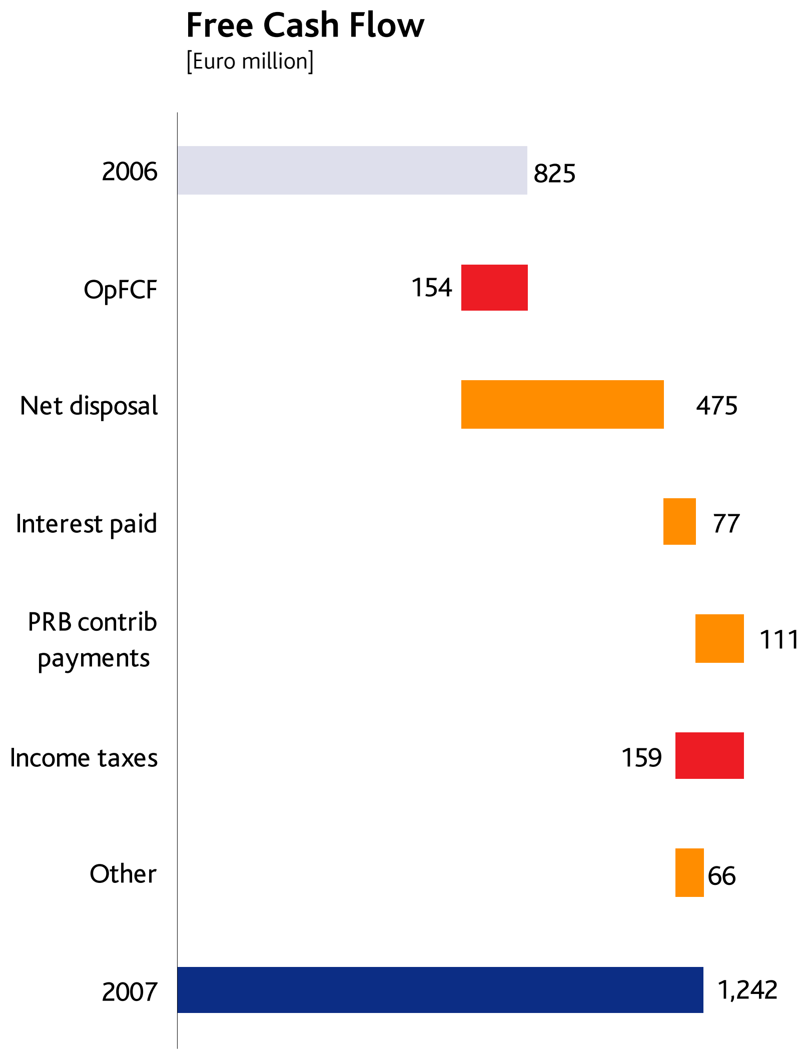
Net income increase driven by higher income from operations and lower net financials

Net Income
[Euro million]



- Income from operations amounted to €1,234mn, an increase of 12% y.o.y
- Curtailment costs totalled to €276mn in 2007, in connection with reduction of 1,004 employees
- Net financials decreased by €240mn mainly due to lower net interest expenses, the sale of 22% of Africatel, the settlement of equity swap contracts on PTM shares and the disposal of financial investments (BES)
- Income taxes increased by €265mn due to €53mn tax credit booked in 1Q06, €142mn booked in 2Q06 due to the reduction in deferred tax liabilities and €135mn from a tax credit booked by Vivo. The effective tax rate decreased from 36% in 2006 to 24% in 2007

Strong increase in free cash flow

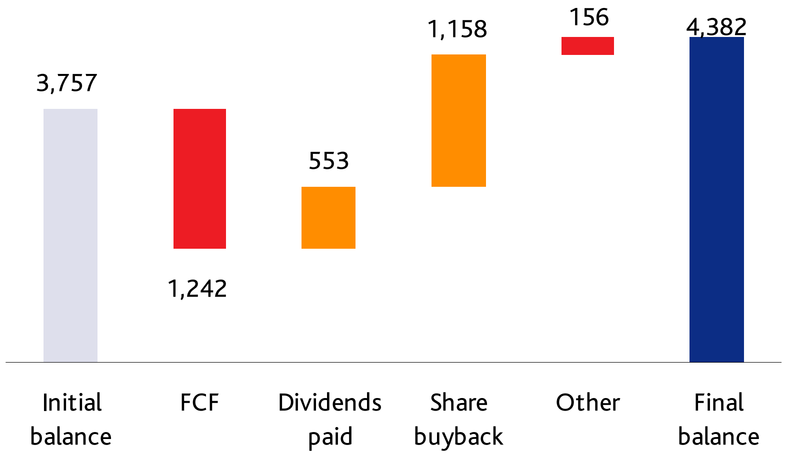


- OpFCF amounted to €1,433mn in 2007, a decrease of 10% yoy, due to higher working capital investment as a result of strong commercial activity at TMN and Vivo
- Net disposals increased by €475mn in 2007, mainly as result of the cash settlement of the PTM swaps, the disposal of BES shares and the sale of 22% of Africatel
- Net interest paid decreased by €77mn due to the payment of the last annual interest instalment in 2006 of the Eurobond repaid in 2006 and Vivo launched interest payments following the debt restructuring in 2006.
- PRB payment & contributions decreased by €111mn as a result of €87mn net refunds related to healthcare benefits
- Income taxes increased by €159mn to €207mn since PT's tax losses carried forward were fully utilised in 2006

Net debt profile

Change in Net Debt – 2007

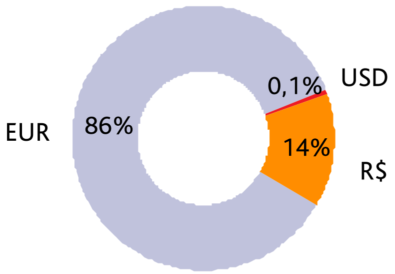
[Euro million]



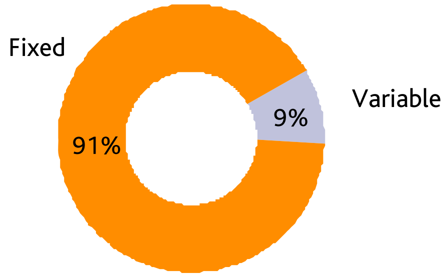
Undrawn CP + Standby Lines + Cash in Portugal

[31 Dec 2007, Euro million]

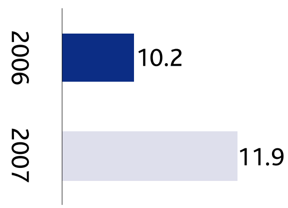
Currency



Rates (net debt)



Interest Cover



Net debt to EBITDA (1)

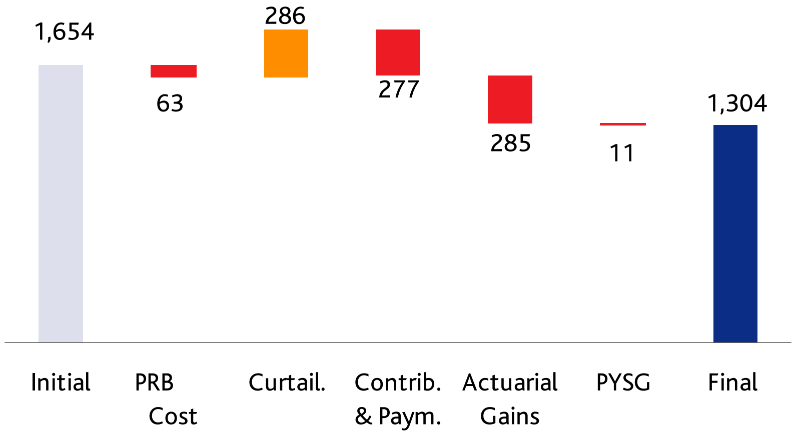
Avg. Cost of Debt	4.9%	Maturity	6.7
- Excluding Brazil	3.7%	- Ex. Brazil	6.7

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

Continued reduction in unfunded post retirement obligations

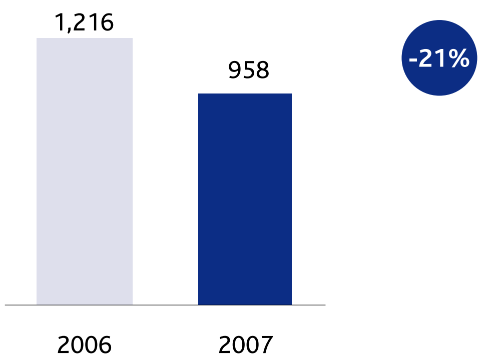
Change in Gross Unfunded Obligations

[Euro million]



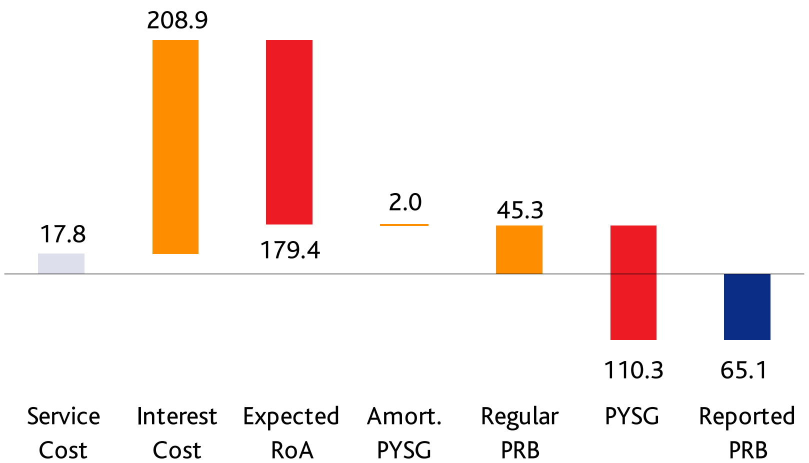
After-tax Unfunded Obligations

[Euro million]



Post Retirement Benefit Cost – 2007

[Euro million]



> Post retirement benefit plans closed since 1994 for pensions and 2000 for healthcare.

> After-tax obligations decreased by 21% y.o.y to €958 mn.

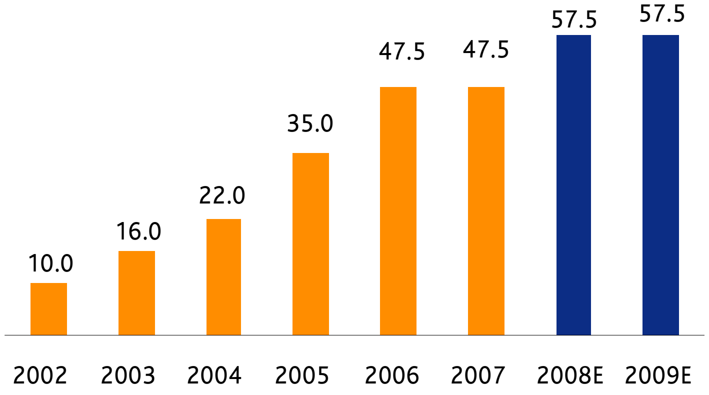
> Regular PRB cost down 40% y.o.y due to reduction in healthcare benefits and narrowing of pension deficit.

(1) PYSG – prior year service gains

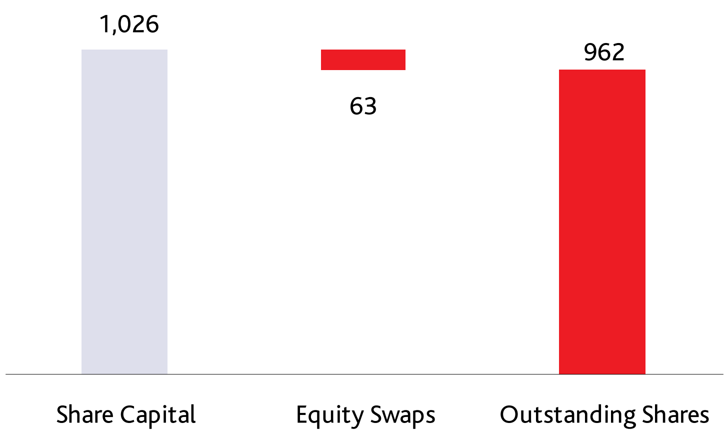
Superior shareholder remuneration

- PTM spin-off successfully completed in 7 November.
- Share buyback programme under execution
  - Acquisition of 146mn own shares totaling €1,434mn.
- Dividend per share of 57.5 cents payable in 2008 and 2009.
- Approximately €1.7bn are still expected to be returned to shareholders until April 2009, thus completing the remuneration programme proposed for 2006-2009.

Dividend per Share
[Euro cents]



Total Shares Outstanding
[million]



Summary

- > Positive operational and financial momentum in 4Q07 underpinned by strong performance of mobile segments
- > Continued growth in international assets, particularly Vivo
- > Attractive cash flow profile with solid balance sheet
- > Attractive shareholder remuneration policy

Financial highlights

Euro million	4Q07	4Q06	y.o.y	2007	2006	y.o.y
Operating revenues	**1,618**	**1,480**	**9%**	**6,148**	**5,765**	**7%**
Wireline	485	505	(4%)	1,962	2,072	(5%)
TMN	413	387	7%	1,543	1,502	3%
Vivo	677	535	26%	2,463	2,105	17%
Other and eliminations	43	53	(20%)	180	86	108%
EBITDA (1)	**631**	**693**	**(9%)**	**2,357**	**2,237**	**5%**
Wireline	283	352	(20%)	1,009	1,073	(6%)
TMN	170	166	2%	679	659	3%
Vivo	164	160	2%	595	496	20%
Other	14	14	(4%)	74	9	n.m.
Income from operations (2)	**324**	**402**	**(19%)**	**1,234**	**1,106**	**12%**
Net income	**72**	**340**	**(79%)**	**742**	**867**	**(14%)**
Capex	**411**	**387**	**6%**	**899**	**868**	**4%**
EBITDA - Capex	**220**	**306**	**(28%)**	**1,457**	**1,369**	**6%**
Net debt	**4,382**	**3,757**	**17%**	**4,382**	**3,757**	**17%**
EBITDA margin (%)	39.0	46.8	(7.8 pp)	38.3	38.8	(0.5 pp)
Capex as % revenues	25.4	26.1	(0.7 pp)	14.6	15.1	(0.4 pp)
Adjusted net debt / EBITDA (x) (3)	2.3	2.2	0.2x	2.3	2.3	0.0x

(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

		4Q07	4Q06	y.o.y	2007	2006	y.o.y
Wireline	Main accesses ('000)	4,176	4,404	(5%)	4,176	4,404	(5%)
	Retail accesses	3,683	4,001	(8%)	3,683	4,001	(8%)
	Wholesale accesses	494	403	23%	494	403	23%
	Traffic-generating lines net adds	(21)	(42)	(50%)	(136)	(285)	(52%)
	ADSL retail	652	685	(5%)	652	685	(5%)
	ADSL retail net adds	(89)	27	n.m.	(33)	100	n.m.
	ARPU (Euro)	31	30	2%	30	30	1%
	Retail Traffic	1,298	1,375	(6%)	5,217	5,575	(6%)
	Retail MOU	162	161	0%	159	158	1%
TMN	Customers (k)	6,261	5,704	10%	6,261	5,704	10%
	Net Adds (k)	257	211	22%	558	391	42%
	MOU	121	120	1%	121	120	0%
	ARPU (Euro)	20	21	(4%)	20	21	(6%)
	Customer	16	17	(4%)	16	17	(5%)
	Interconnection	4	4	(2%)	4	4	(7%)
	Roamers	0	1	(40%)	0	1	(25%)
	Data as % Service Revenues (%)	20	15	5.0 pp	16	13	2.8 pp
Vivo	Customers (k)	33,484	29,053	15%	33,484	29,053	15%
	Net Adds (k)	2,163	327	n.m.	4,430	(752)	n.m.
	MOU	80	82	(3%)	77	74	5%
	ARPU (R$)	31	31	1%	30	27	12%
	Data as % Service Revenues (%)	9	6	2.6 pp	8	7	1.1 pp

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