

Company Presentation First Quarter 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.

1Q08 highlights



	<u>1Q08 ⁽¹⁾</u>	<u>y.o.y</u>
> Operating revenues	1,576	7.9%
> EBITDA	595	4.3%
> Net income	140	-20.8%
> Net income excluding exceptional items	151	-7.1%
> Free cash flow	175	2.6%
> Net debt	4,767	30.8%
> After-tax unfunded post retirement obligations	942	-17.5%
> Diluted adjusted EPS ⁽²⁾	0.15	10.9%

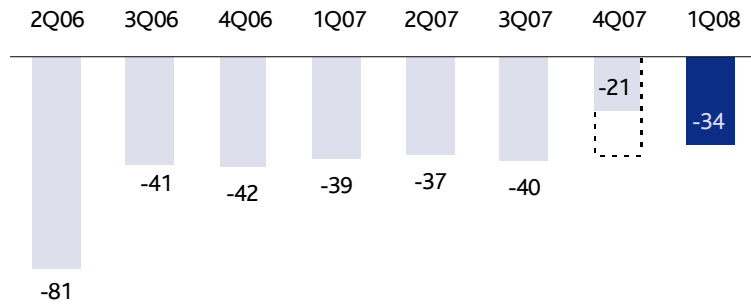
(1) Values in Euro million

(2) Value in Euro

Wireline – Challenging environment continues



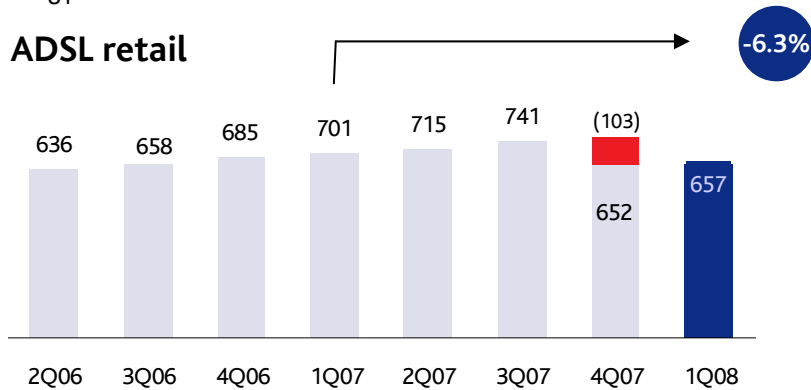
Traffic Generating Lines – Net Adds ⁽¹⁾



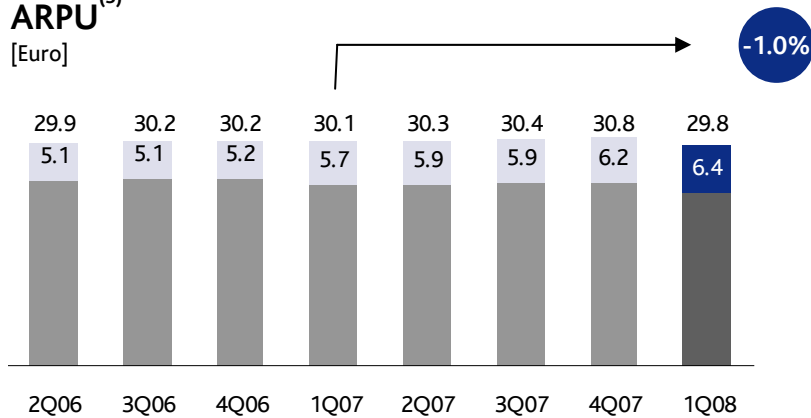
Retail RGUs – Net Adds ⁽²⁾



ADSL retail



ARPU ⁽³⁾
[Euro]



- > Loss of traffic generating lines remained broadly stable despite worsening market conditions
 - Home zoning
 - ADSL unbundlers
 - Triple-play offers from cable
- > Loss of retail RGUs benefiting from TV offer
- > Blended ARPU decreased by 1.0% y.o.y due to the decrease in the subscription and voice ARPU
 - Notwithstanding growth in the number RGUs per access

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

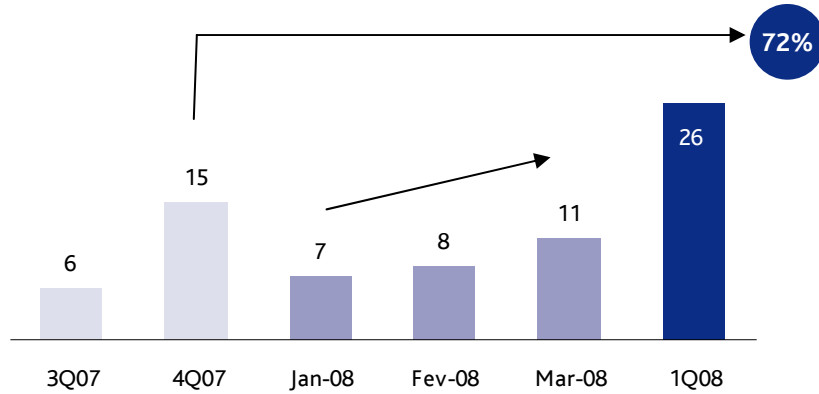
(2) 4Q07 adjusted for the database clean-up of 103 thousand customers, related with inactive prepaid broadband customers.

(3) Includes the contribution of broadband to blended ARPU. Not affected by the ADSL database cleanup.

Wireline – TV becoming a growth driver

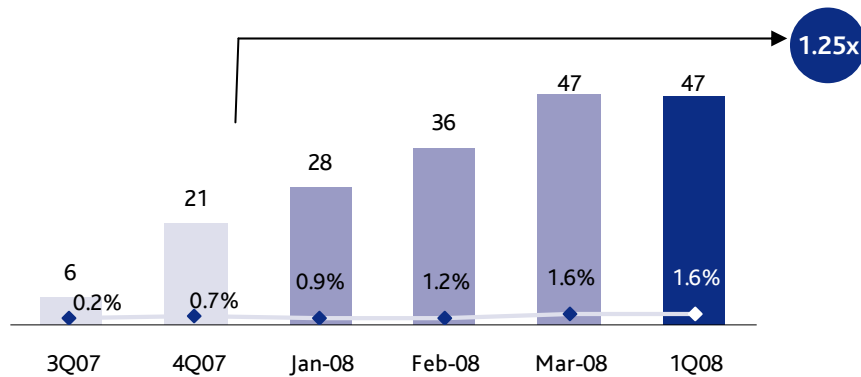


TV customers - Net Adds

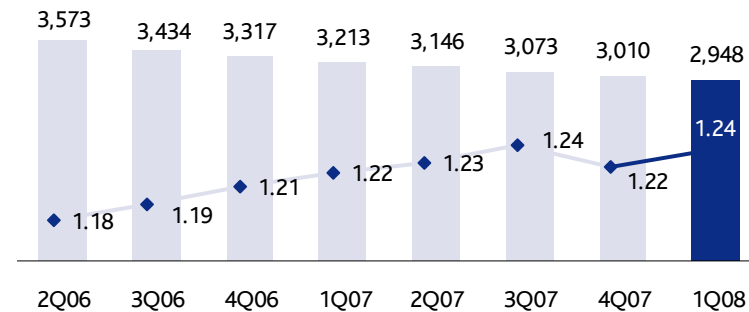


- > Take up in television accelerating
 - 1Q08: net adds at 26k, more than doubling customer base
- > Launch of TV offer on 2 April, not yet visible on 1Q08
 - Meo as the TV brand of PT across all platforms
 - DTH service through Hispasat satellite (> 70 channels) with full HD, multi-room, PVR functionalities
 - IPTV with over 100 channels, digital recording, VoD
 - Introduction of new content (Sony Entertainment, Animax, Fox Next and Fox News)
 - First ad commercial of the Meo's campaign viewed by 2.5 million persons (audience share of 81%)
 - Positive reaction to the campaign: spontaneous ad recall reached 53% in April and proved ad recall reached 49%

TV customers & penetration on ISDN/PSTN lines



Retail accesses and RGU per access ⁽¹⁾

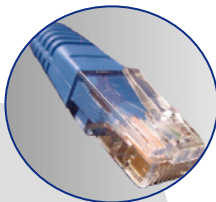


(1) RGU per access: retail accesses per PSTN/ISDN line; in 4Q07 there was a database clean-up of 103 thousand customers, related with inactive prepaid broadband customers

Television: multi-platform strategy



> IPTV



At home



> DTH
(Satellite)

meo

- Total control
- Multi-platform offering

In the mobile phone



In the PC

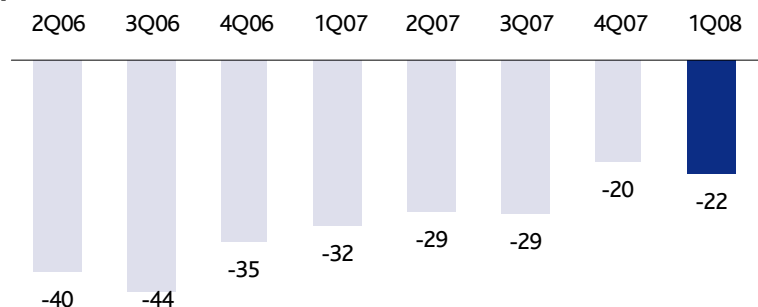


Wireline – Strong focus on operational efficiency

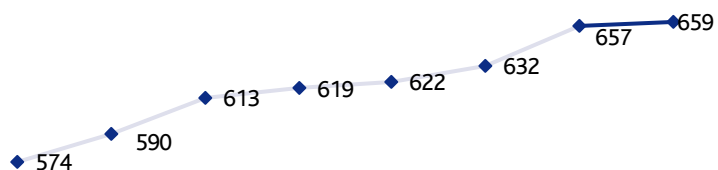


Revenue loss

[Euro million]

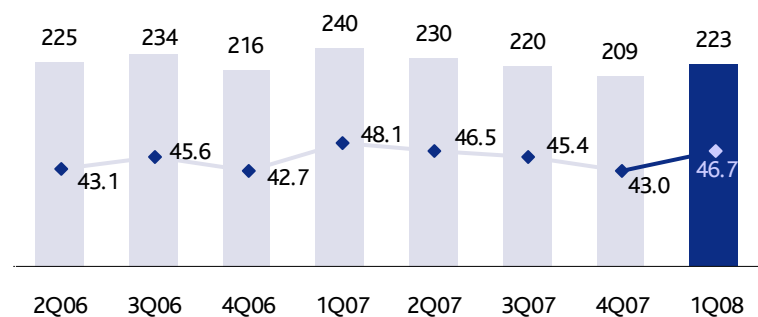


Lines per employee



EBITDA ⁽¹⁾

[Euro million]



- > Loss of retail revenues primarily driven by
 - Voice revenues, which decreased by 10% y.o.y as a result of line loss and increased pricing pressure

- > Pressure over voice revenues partially offset by
 - Data & corporate revenues up 2.1% y.o.y due to the increase in revenues from network management, outsourcing & IT solutions (+4% y.o.y) as well as from VPN and circuits
 - Wholesale revenues up 3.1% y.o.y, primarily due to growth in leased lines

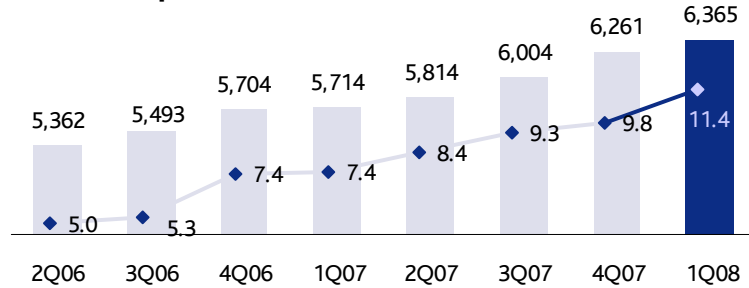
- > EBITDA margin declined by 1.4pp as a result of
 - Continued impact of revenue loss
 - Strong commercial activity
 - Launch of new services such as Pay TV

TMN – Strong operational momentum



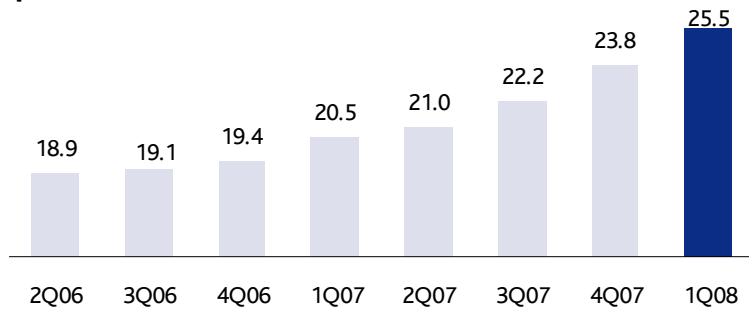
Customers and growth (y.o.y)

[Thousand and Pct]



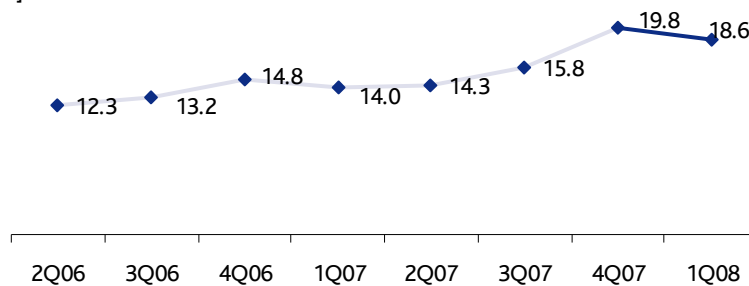
Weight of post-paid customers

[Pct]



Data % Serv. Revenues

[Pct]



> Customer growth accelerated in 1Q08

- Customer base up by 11.4% y.o.y
- Focus on postpaid segment, particularly on the corporate
- Continued take-up of the information society initiatives, with the enlargement of “e-escolas” programme to new youth segments

> Continued growth in data services

- Data at 19% of service revenues in 1Q08 (+4.6pp y.o.y)
- Non-SMS accounts for 47% of data revenues (up from 30% in 1Q07)
- Wireless broadband experiencing high growth
- Data usage increased >5x y.o.y
- Speed increase on broadband products

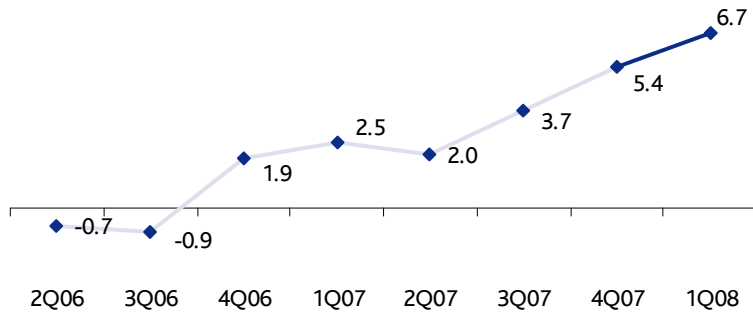
> Development of fixed-mobile convergent products both in voice and data

- Meo mobile launched as part of broader TV strategy
- In excess of 30 channels
- Handset specifically designed for TV offering

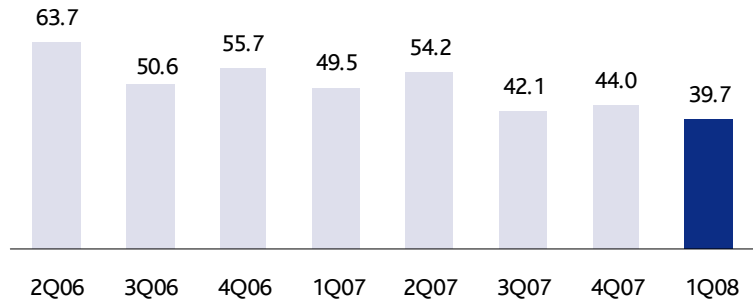
TMN – Continued growth customer revenues



Customer revenue growth (y.o.y)
[Pct]



Unitary SARC
[Euro]

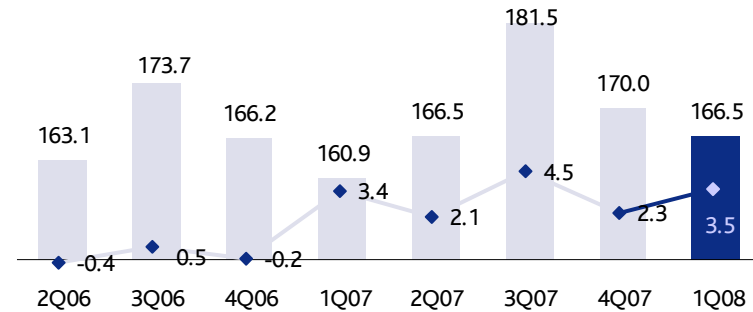


- > Growth of customer revenues (+6.7% y.o.y) accelerating underpinned by
 - Customer growth (+11.4% y.o.y)
 - Growth in data revenues (+41% y.o.y)

- > Growth in services revenues, up by 5.9% y.o.y, was achieved notwithstanding the declines in the roaming prices

- > EBITDA increased (+3.5% y.o.y) notwithstanding:
 - Intense commercial activity focused on prepaid to postpaid migration and wireless broadband sales
 - Adverse impact of the Euro tariff on roaming
 - Higher support costs related with more complex data services

EBITDA and growth (y.o.y)
[Euro million]

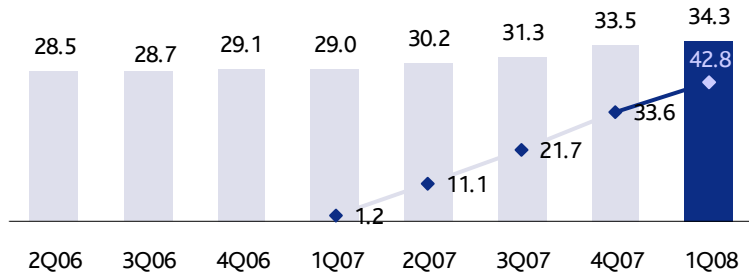


Vivo – Maintaining robust growth trends



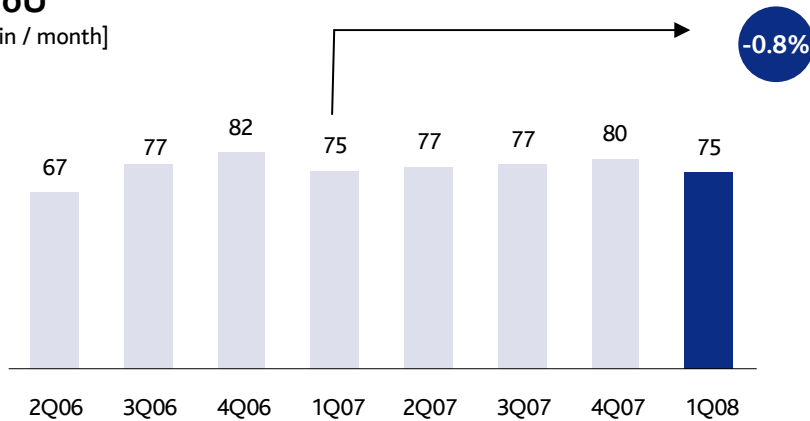
Customers and weight of GSM

[Thousand, pct]



MoU

[min / month]



> Maintaining robust growth trends

- Customer base increased by 18.2% y.o.y
- Customer postpaid up by 14.5%
- Gross additions in 1Q08 increased by 55.9% y.o.y
- GSM customers (+14.7mn at the end of 1Q08) accounted for 83% of gross adds
- MoU resilient, despite strong growth

> Focusing on providing best network quality and best service offering

- Lowest number of complaints filed with Anatel
- Biggest handset distribution network, with more than 8,800 points of sale and 412 thousand recharge points

> Strengthens strategic position by acquisition of Telemig

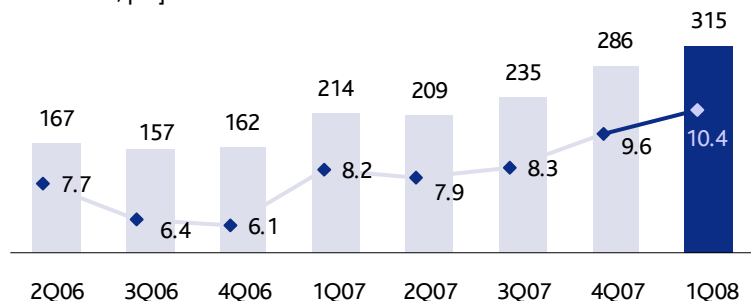
- Telemig acquisition concluded on 3 April 2008
- Tele Norte Celular sold to Telemar Norte Leste
- Launch of the voluntary tender offer over preferred shares of Telemig

Vivo – Top line and EBITDA growth accelerating



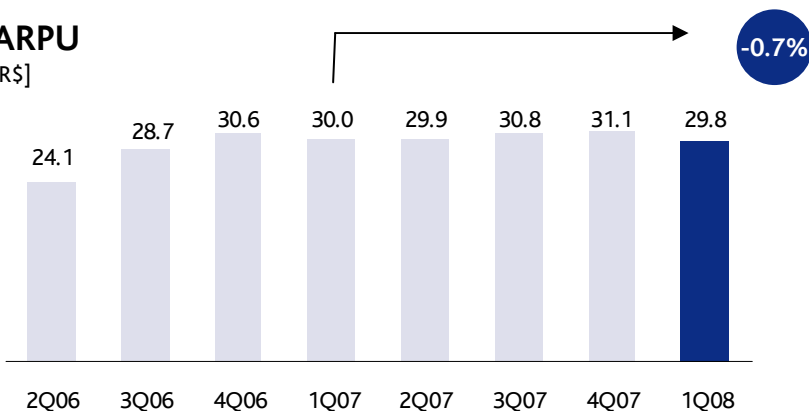
Data rev. and as % of service rev.

[Euro million, pct]



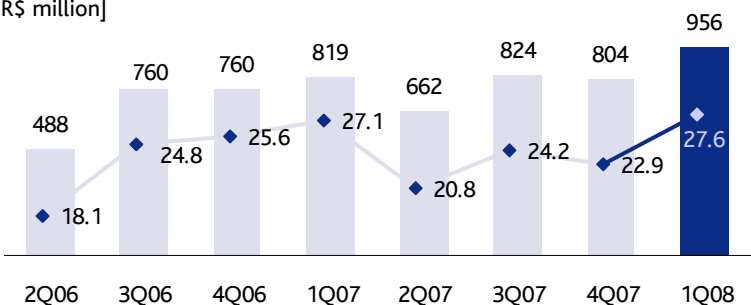
ARPU

[R\$]



EBITDA⁽¹⁾ and EBITDA Margin

[R\$ million]



> Strong growth of data revenues

- 47.7% increase y.o.y on the back of higher penetration of data services
- Strong increase in the revenues from Play, Java and SMS
- Incentive promotion for the usage of SMS Contents, with interactivity actions on the TV and other media
- New partnerships with contents providers

> Continued introduction of innovative products and services

- Launch of the first handset accessible for visually disabled people

> ARPU resilient, despite customer growth

- Growth in customer ARPU up +3.1%, driven by higher penetration of data services
- Data ARPU increased 26.6% y.o.y
- Favourable economics trends

> EBITDA growth of 16.7% y.o.y, despite intense commercial activity (+56% y.o.y gross additions)

- Notwithstanding, unitary SARC declined 10.8% y.o.y
- EBITDA margin flat y.o.y

Strong growth from other international assets

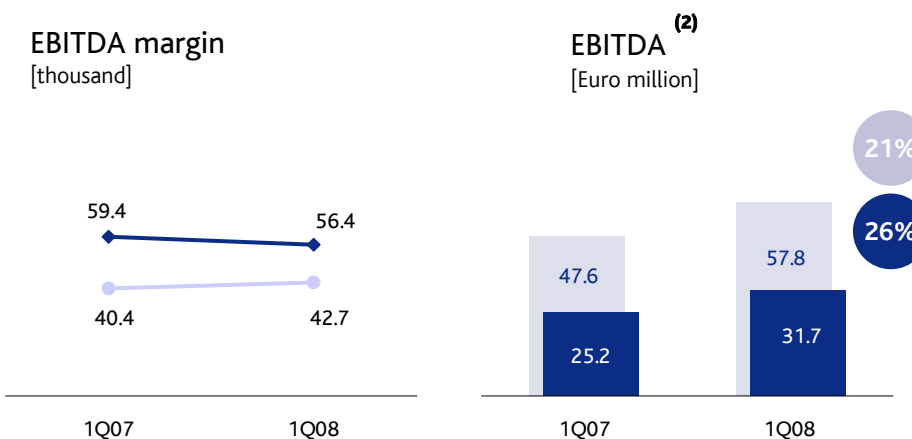
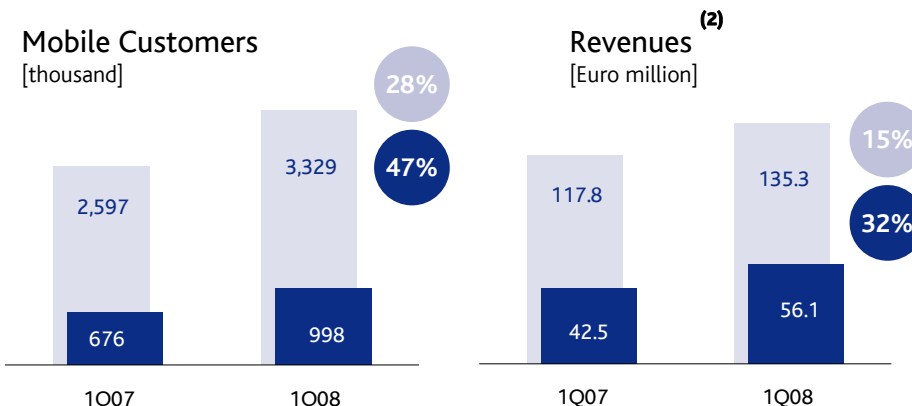


	Stake	Customers	y.o.y	EBITDA		Margin
				(Euro million)	y.o.y local	
Africa						
Meditel	32.2%	6,814	21%	44	7%	41.6%
Unitel	25.0%	3,597	55%	105	36%	60.0%
MTC	34.0%	838	31%	13	1%	48.6%
CVT	40.0%	245	31%	11	8%	62.3%
CST	51.0%	41	40%	1	19%	34.0%
Asia						
CTM	28.0%	551	14%	21	15%	43.4%
Timor Telecom	41.1%	93	60%	3	23%	49.4%

	1Q08	1Q07	y.o.y
Africatel⁽¹⁾			
Operating Revenues	64.3	54.3	18.5%
EBITDA	36.4	32.3	12.7%
Depreciation and amortisation	5.5	5.7	-4.0%
Income from operations	30.9	26.6	16.2%
EBITDA margin	56.6%	59.5%	-2.9 pp

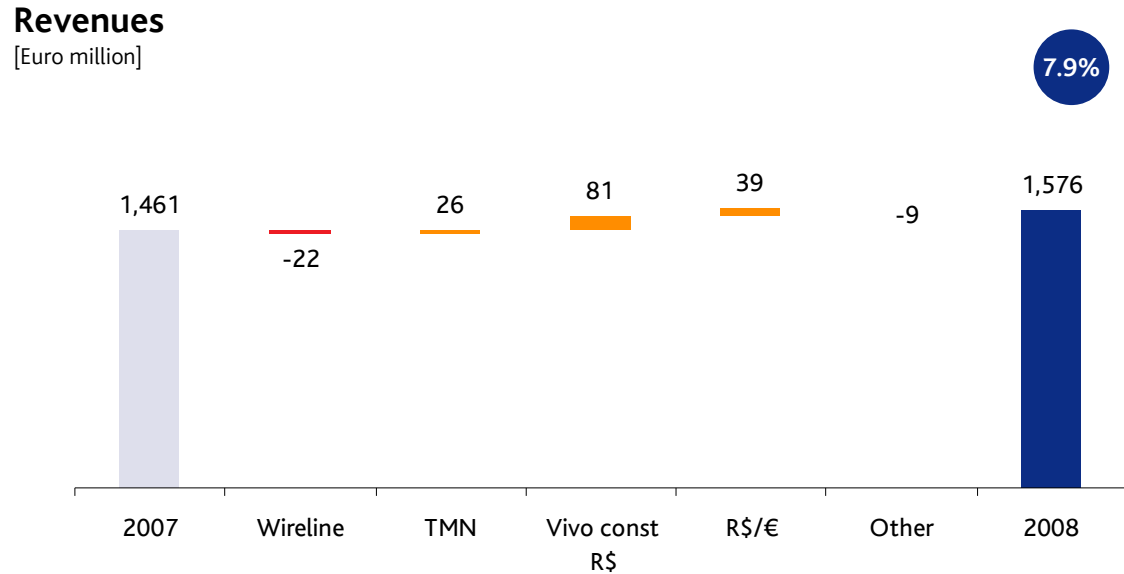
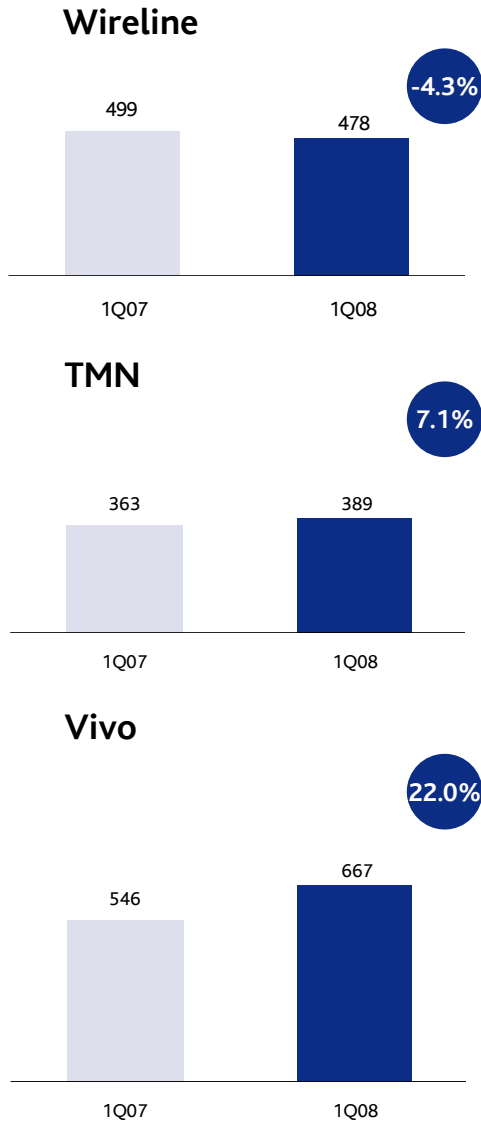
- > Positive performance across various assets in Africa and Asia, underpinned by customer, revenue and EBITDA growth...
- > ... partially eroded by adverse currency movements
- > Proportionate EBITDA for international assets (ex-Vivo) amounted to €53mn in 1Q08
- > All international assets, excluding Vivo, already account for €21mn in PT's net income

International and Africatel [proportional]



International portfolio
Africatel

Revenue performance underpinned by mobile growth

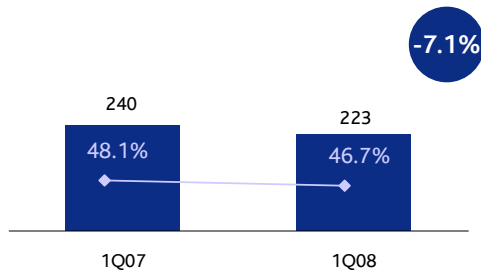


- > TMN performance driven by continued customer growth, particularly in postpaid and wireless broadband
- > Wireline impacted negatively by line loss and price competition, partially offset by growth in data & corporate and wholesale revenues
- > Vivo top line growth supported by strong customer growth and stable ARPU
- > Other revenues reflecting a decline in the call center business and adverse currency movements

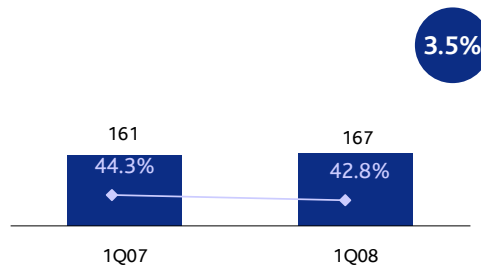
EBITDA performance supported by top line growth



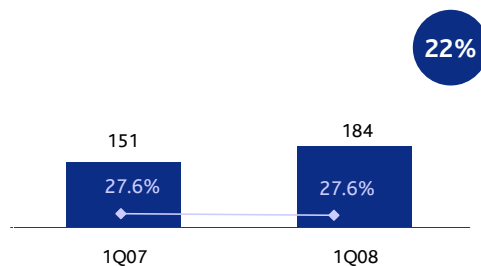
Wireline



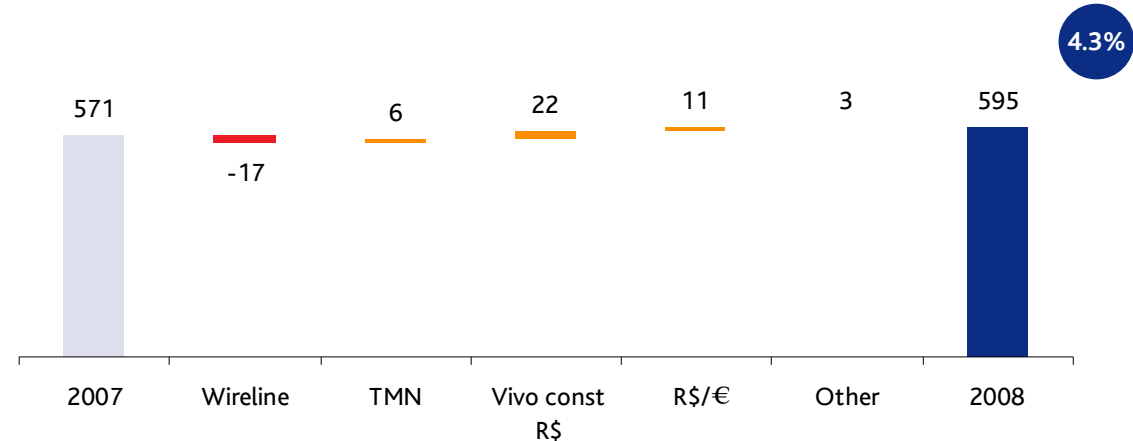
TMN



Vivo



EBITDA [Euro million]



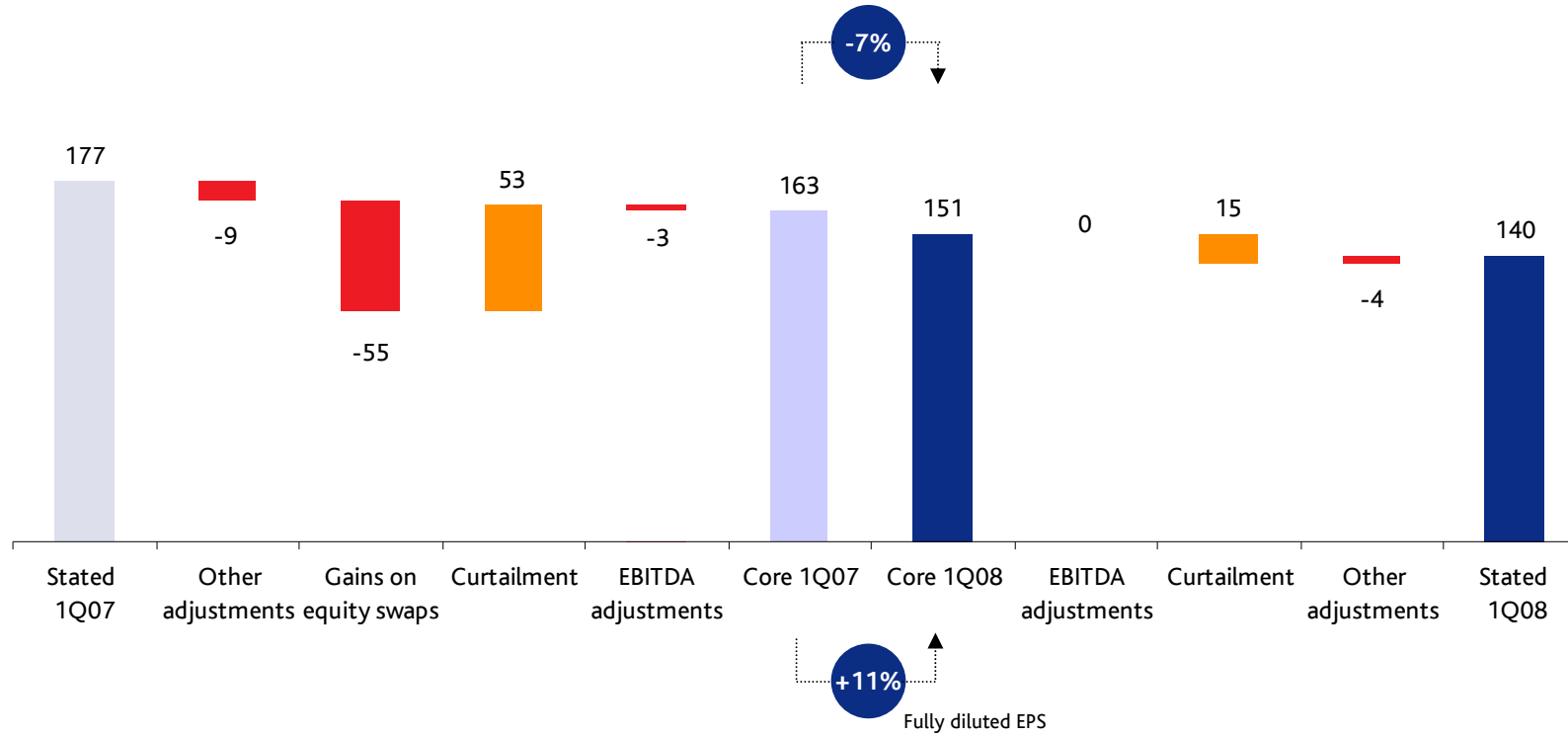
- > Wireline EBITDA decreased resulting from the revenue loss and launch of TV, despite good performance of addressable costs
- > TMN EBITDA improvement supported by robust customer growth and strict cost control, notwithstanding increased commercial activity and Euro-tariff on roaming
- > Vivo EBITDA with solid performance, notwithstanding strong customer growth
- > Other EBITDA increased mainly as a result of good performance in CVT and Timor Telecom and good discipline in overhead costs

Net Income



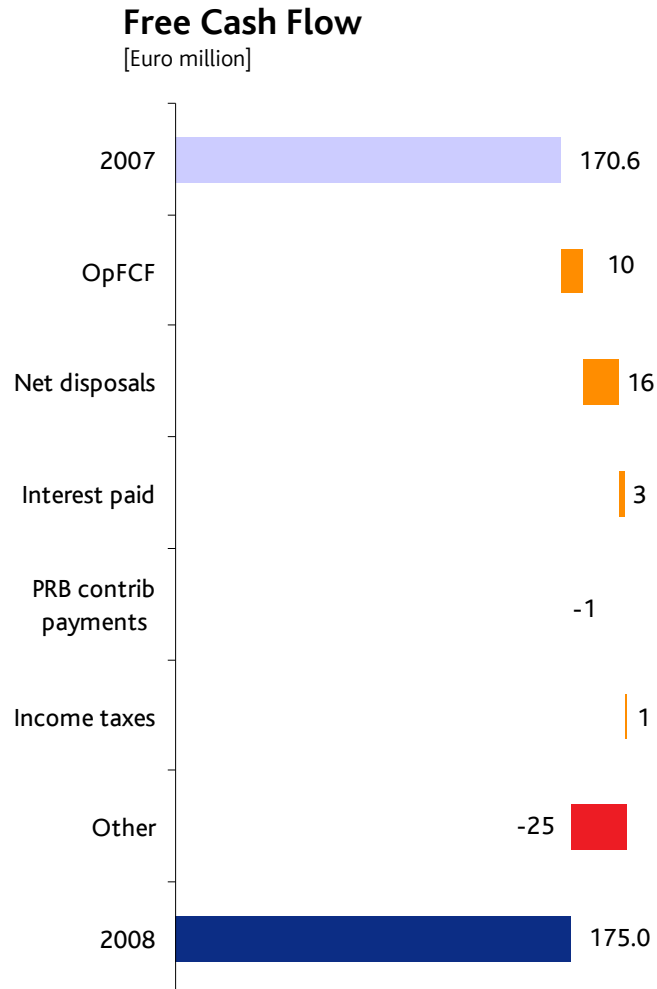
Core net income

[Euro million]



- > Earnings per share benefiting from share buyback
- > Adjusted fully diluted EPS increased by 11% y.o.y to €0.15

Increase free cash flow



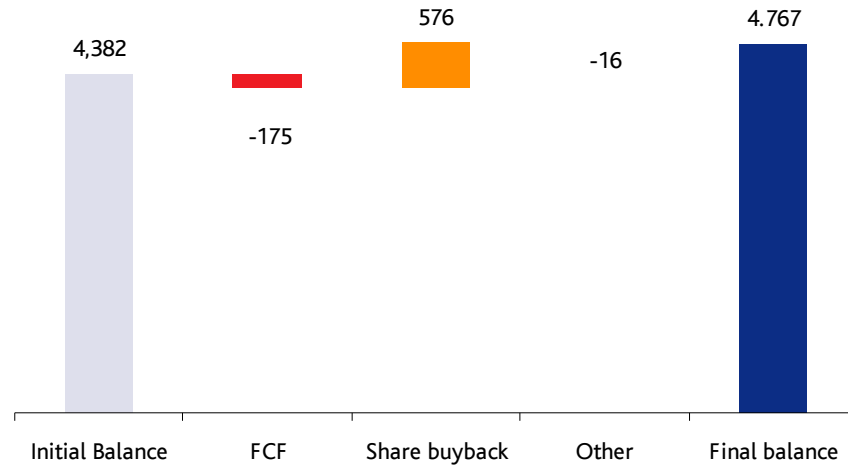
- > OpFCF amounted to €304mn in 1Q08, a increase of 3% yoy, due to lower working capital investment, notwithstanding a strong commercial activity at TMN and Vivo, and to a lesser extent by the increase in EBITDA minus CapEx
- > Net disposals of financial investments were related to the sale of the 34% stake in Banco BEST
- > Net interest paid decreased by €3mn, explained mainly by the decrease in Vivo's interest payments which was partially offset by the increase in PT's interest payments

Net debt profile



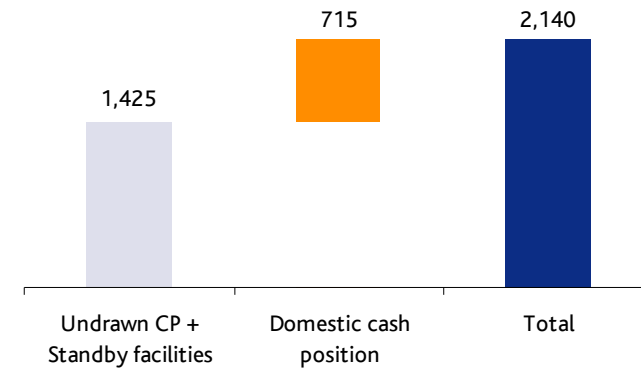
Change in Net Debt – 1Q08

[Euro million]

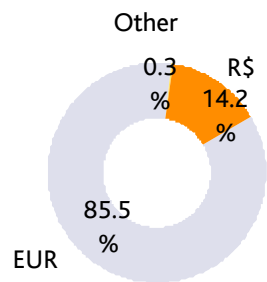


Undrawn CP + Standby Lines + Cash in Portugal

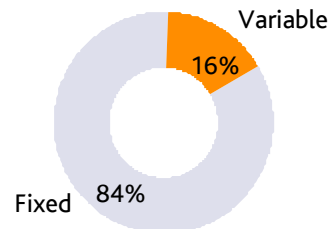
[31 Mar 2008, Euro million]



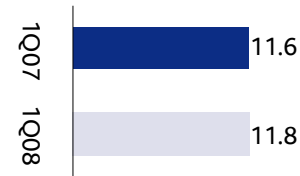
Currency (gross debt)



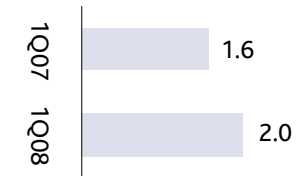
Rates (net debt)



Interest Cover



Net debt to EBITDA ⁽¹⁾



Avg. Cost of Debt **4.4%**

- Excluding Brazil **3.9%**

Maturity **6.0**

- Ex. Brazil **5.9**

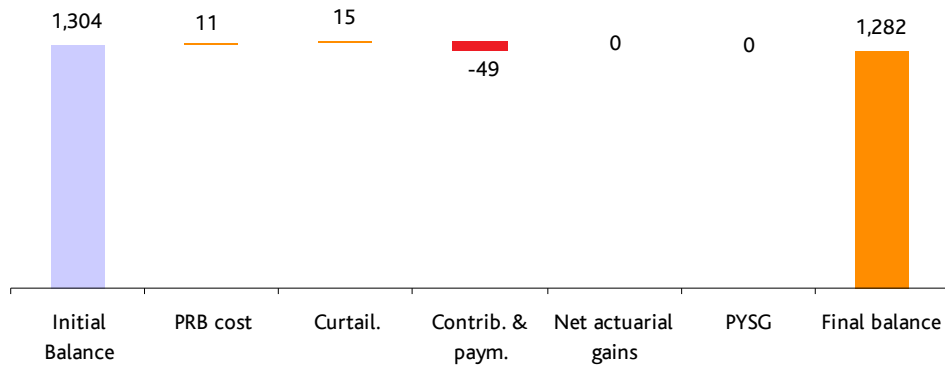
(1) Net debt plus after-tax unfunded post retirement benefit obligations divided by EBITDA pre PRB costs

Continued reduction in unfunded post retirement obligations



Change in Gross Unfunded Obligations

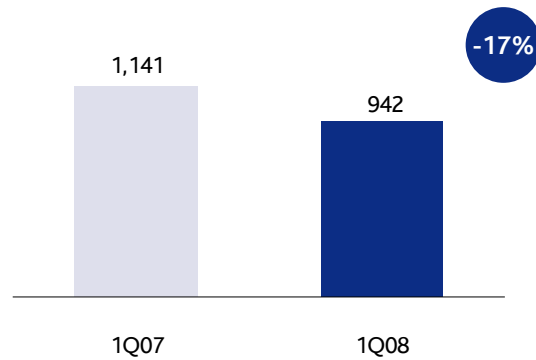
[Euro million]



- > Post retirement benefit plans closed since 1994 for pensions and 2000 for healthcare
- > After-tax obligations decreased by 17% y.o.y to €942 mn
- > Regular PRB cost down 4% y.o.y due to reduction in healthcare benefits and narrowing of pension deficit

After-tax Unfunded Obligations

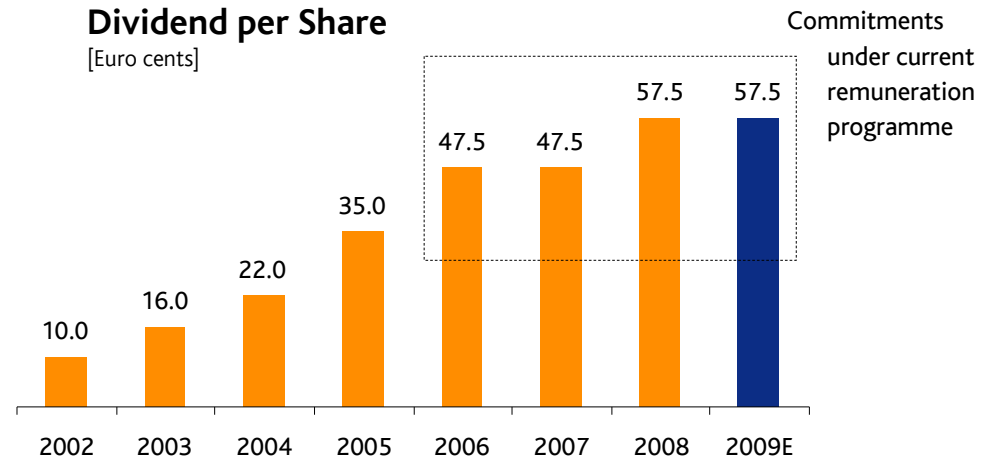
[Euro million]



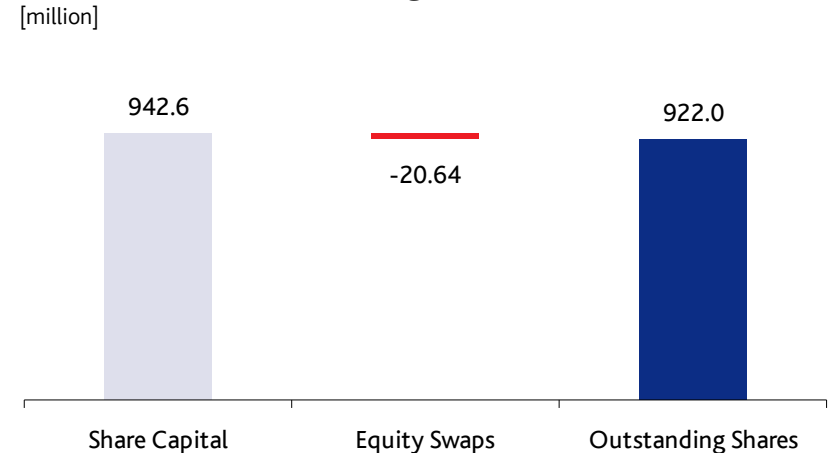
Superior shareholder remuneration



- > PTM spin-off successfully completed on 7 November
- > Share buyback programme under execution
 - Acquisition of 186.3mn own shares totalling Euro 1,762mn
 - Still pending Euro 338mn
 - Price adjustment post spin-off implies approximately 20% of share capital⁽¹⁾ to be acquired
- > Dividend per share reiterated at Euro 57.5 cents payable in 2009.
- > Approximately €0.8bn are still to be returned to shareholders until April 2009, thus completing the remuneration programme proposed for 2006-2009



Total Shares Outstanding



(1) Share capital at the time of the remuneration commitments (March 2006) was Euro 33,865,695, represented by 1,128,856,500 shares. Current share capital is Euro 28,277,855.31 represented by 942,595,177 shares.

Summary



- > Launch of TV strategy before planned is moving wireline focus towards growth
- > Strong performance of mobile assets
- > Continued growth in international assets
- > Positive momentum in 1Q08
- > Continued focus on operational efficiency
- > Attractive cash flow profile with solid balance sheet
- > Attractive shareholder remuneration policy under execution

Financial highlights



Euro million	1Q08	1Q07	y.o.y
Operating revenues	1,576	1,461	8%
Wireline	478	499	(4%)
TMN	389	363	7%
Vivo	667	546	22%
Other and eliminations	43	52	(18%)
EBITDA ⁽¹⁾	595	571	4%
Wireline	223	240	(7%)
TMN	167	161	3%
Vivo	184	151	22%
Other	22	19	16%
Income from operations ⁽²⁾	298	305	(2%)
Net income	140	177	(21%)
Capex	142	129	11%
EBITDA - Capex	453	442	2%
Net debt	4,767	3,646	31%
After-tax unfunded PRB obligat.	942	1,141	(17%)
EBITDA margin (%)	37.8	39.1	(1.3 pp)
Capex as % revenues	9.0	8.8	0.2 pp

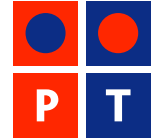
(1) EBITDA = income from operations + depreciation and amortisation. (2) Income from operations = income before financials and taxes + goodwill impairment + curtailment costs + losses (gains) on disposal of fixed assets + net other costs.

Operating highlights



		1Q08	1Q07	y.o.y
Wireline	Main accesses ('000)	4,154	4,357	(5%)
	Retail accesses	3,651	3,913	(7%)
	Wholesale accesses	503	444	13%
	Traffic-generating lines net adds	(34)	(39)	(12%)
	ADSL retail	657	701	(6%)
	ADSL retail net adds	5	16	(68%)
	ARPU (Euro)	30	30	(1%)
	Retail Traffic	1,265	1,339	(6%)
	Retail MOU	159	160	(0%)
TMN	Customers (k)	6,365	5,714	11%
	Net Adds (k)	103	10	948%
	MOU	114	116	(1%)
	ARPU (Euro)	18	19	(4%)
	Customer	15	15	(3%)
	Interconnection	3	3	(4%)
	Roamers	0	0	(35%)
	Data as % Service Revenues (%)	19	14	4.6 pp
Vivo	Customers (k)	34,323	29,030	18%
	Net Adds (k)	839	(23)	n.m.
	MOU	75	75	(1%)
	ARPU (R\$)	30	30	(1%)
	Customer	17	17	3%
	Interconnection	13	13	(6%)
	Data as % Service Revenues (%)	10	8	2.3 pp

Portugal Telecom



Nuno Vieira

Investor Relations Director

+351 21 500 1701

nuno.t.vieira@telecom.pt

www.telecom.pt