



Results presentation 1Q11

26 May 2011



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 facts, 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.



Agenda

1Q11 Key Highlights

Shareholder Remuneration

Quarter Review

Business Review

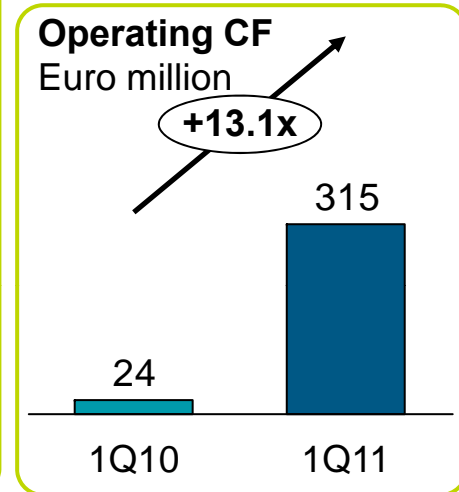


Key highlights

Strong cash-flow expansion and diversified geographic exposure

Financial highlights

Euro million	1Q10 ⁽¹⁾	1Q11	Δ% y.o.y	Pro-Forma Oj ⁽²⁾
Operating revenues	907	871	-3.9%	
% from international assets	12.7	16.4	+3.7pp	58.7
EBITDA	377	357	-5.2%	
% from international assets	10.8	12.0	+1.2pp	47.4
EBITDA margin (Pct)	41.6	41.0	-0.5pp	
Net Income	100	130	+29.3%	
Capex	163	122	-25.0%	
EBITDA minus Capex	214	235	9.9%	
Free cash flow	-6.0	453.5	n.m.	
Net debt ⁽³⁾	4,880	5,429	11.2%	
After-tax unfunded pension liability	1,122	706	-37.1%	



⁽¹⁾ Adjusted in order to recognise Vivo as a discontinued operation Euro 2 billion instalment to be received from Telefónica

⁽²⁾ Assuming consolidation of 25.6% of Telemar and 42.0% of Contax in 1Q11

⁽³⁾ 1Q11 is adjusted for the



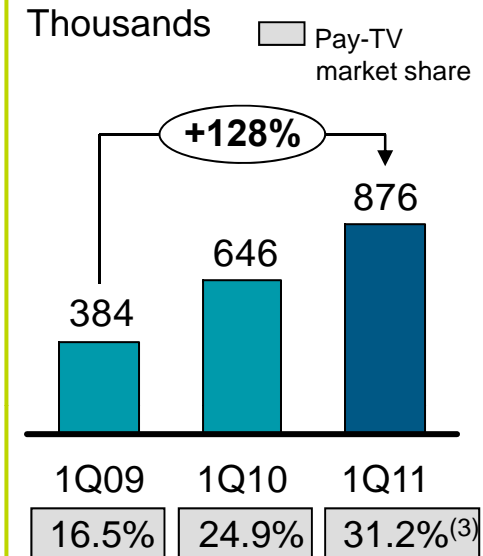
Key highlights

Meo continues to drive solid performance of fixed lines, broadband and pay-TV customers

Operational highlights

Thousand customers	1Q10	1Q11	Δ% y.o.y	Pro-Forma Oj ⁽²⁾
Total customers	20,702 ⁽¹⁾	21,999	+6.3%	88,042
Wireline retail accesses (RGUs)	4,279	4,578	+7.0%	
Residential fixed lines net adds	-1	6	n.m.	
Retail fixed broadband customers	901	1,019	+13.2%	
Fixed broadband net adds	39	18	-53.1%	
Pay-TV customers	646	876	+35.6%	
Pay-TV Net adds	65	46	-29.4%	
TMN customers	7,264	7,414	+2.1%	
TMN Net adds	11	-5	n.m.	
Data as a pct of service revenues (Pct)	23.3	26.9	+3.6pp	

Pay-TV customers



⁽¹⁾ Adjusted in order to recognise Vivo business as a discontinued operation

⁽²⁾ Assuming PT and Oi's customers in 1Q11

⁽³⁾ PT's estimate



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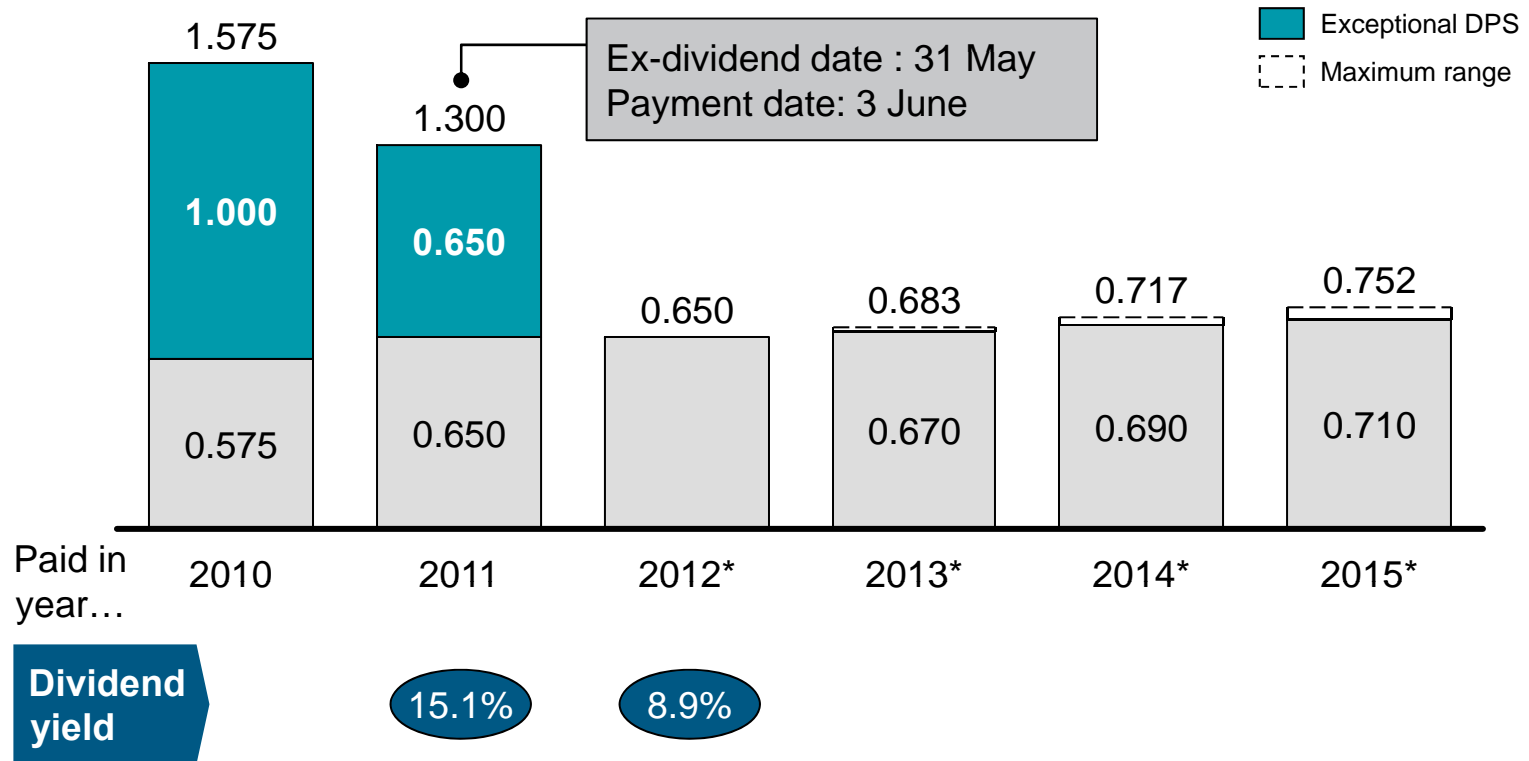
Business Review



Solid and predictable dividend policy offering a yield in 2011 of 15.1%

PT is already delivering on its commitments

PT is offering a solid, predictable and credible remuneration policy



* Intention to pay interim dividend based on PT's financial performance

Note: The exceptional cash dividend and the remuneration package proposal are subject to market conditions, PT's financial condition, applicable law regarding the distribution of net income, including additional shareholder approvals, as applicable, and other factors considered relevant by the Board at the time



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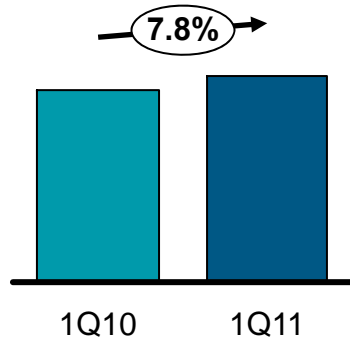
Business Review



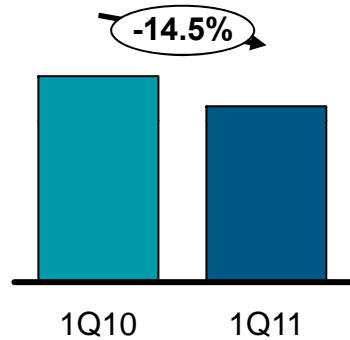
Residential revenues are improving whilst cost cutting measures and scale are positively impacting EBITDA, notwithstanding continued customer growth

Residential segment with improved performance

Retail residential revenues indexed

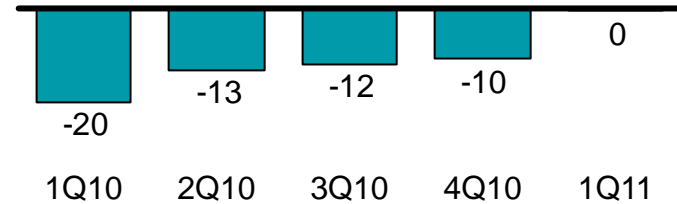


Programming costs per customer indexed



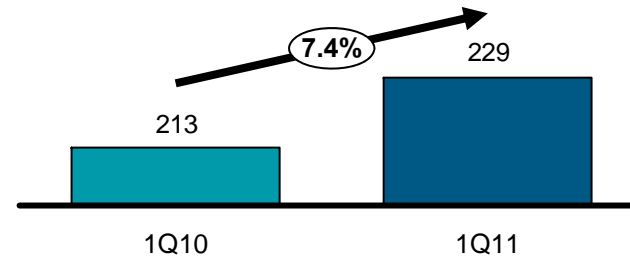
Significant improvement in wireline EBITDA, the best performance in the last 18 quarters

EBITDA delta y.o.y
Euro million



Focus on cash flow expansion delivering results

EBITDA minus Capex Portugal
Euro million





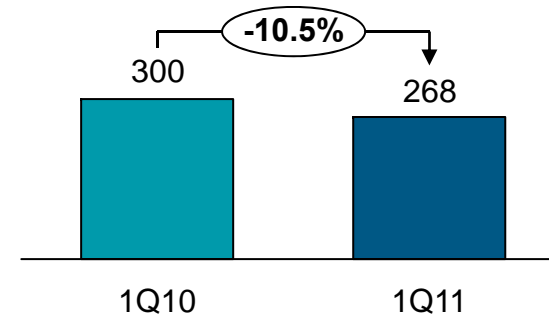
Cost cutting measures and continuous improvement initiatives should provide sustainable savings

Several opex reduction initiatives in place...

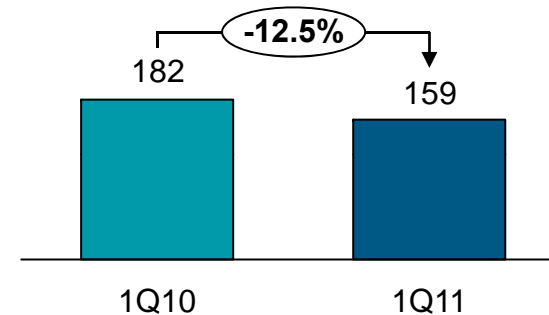
- ✓ Renegotiation of network maintenance contracts
- ✓ Revision of remote diagnostic process and introduction of new tools
- ✓ Introduction of new convergent self-care platform
- ✓ Renegotiation of collection fees
- ✓ Introduction of new system and process reengineering to increase efficiency in sales support
- ✓ Car pooling for sales force and technicians
- +
- ✓ Scale on TV leading to lower programming costs per customer
- ✓ Fibre superior QoS and experience leading to lower customer support costs

...already delivering on results

Wireline opex excl. D&A
Euro million



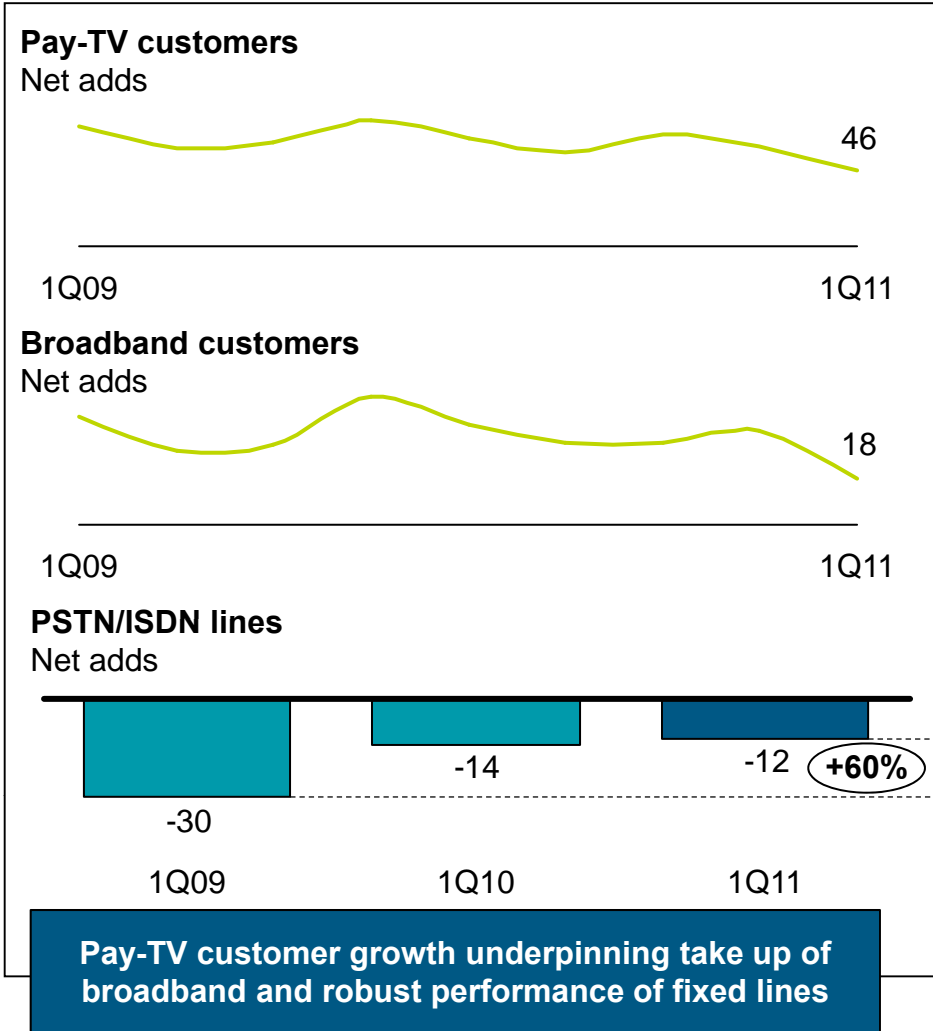
Mobile opex excl. D&A
Euro million



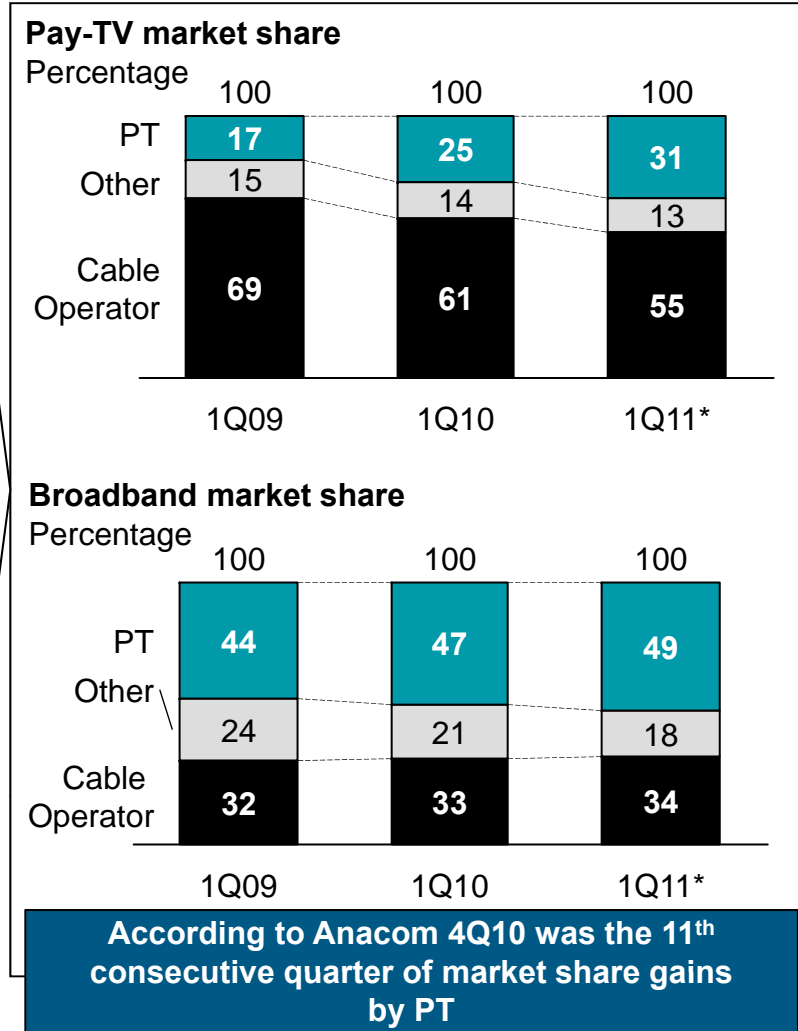


Following the launch of the fibre offer, KPI's continue solid underpinned by Meo commercial success

Robust KPI performance...



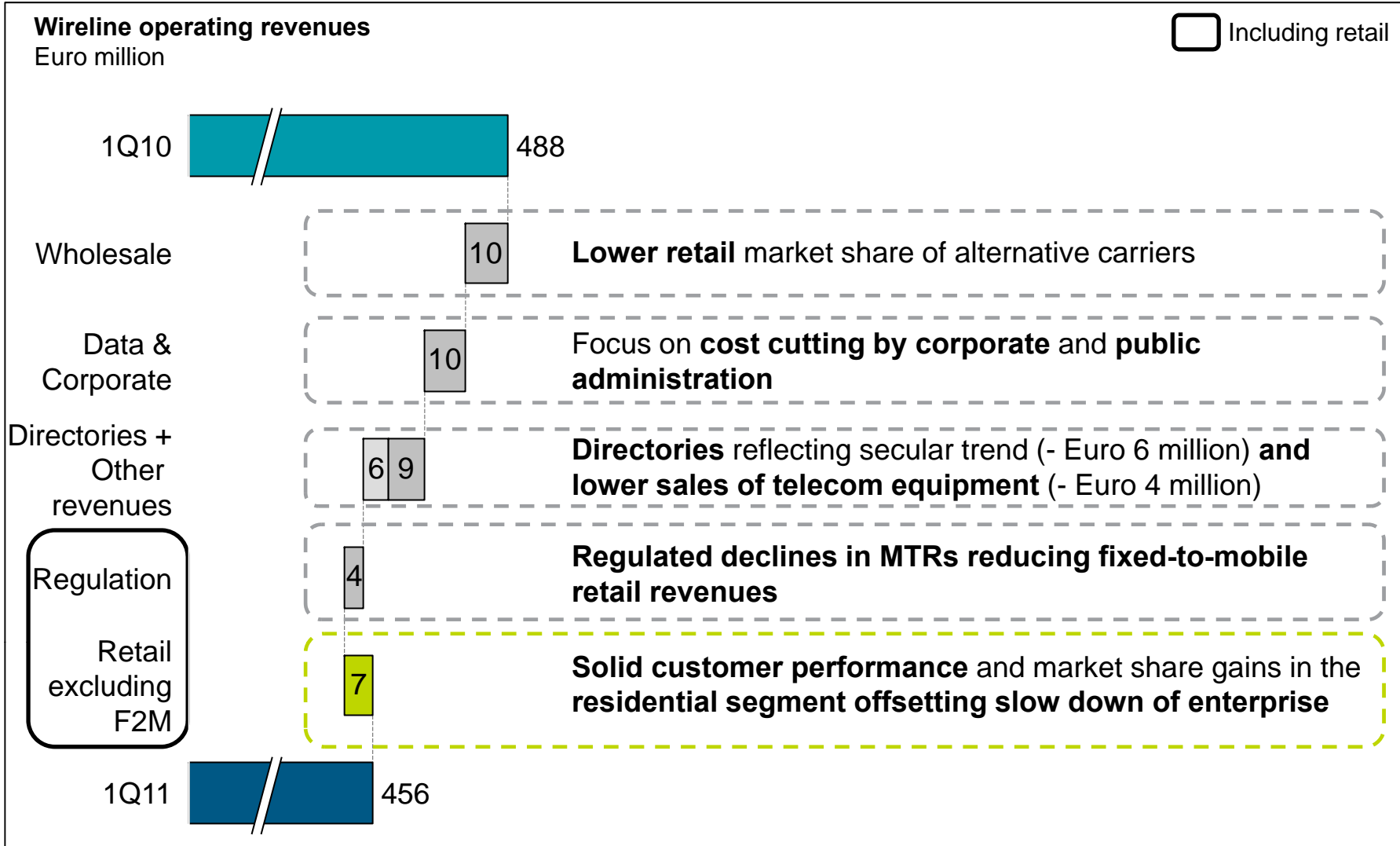
...driving solid gains in market shares



* PT estimates based on companies reports

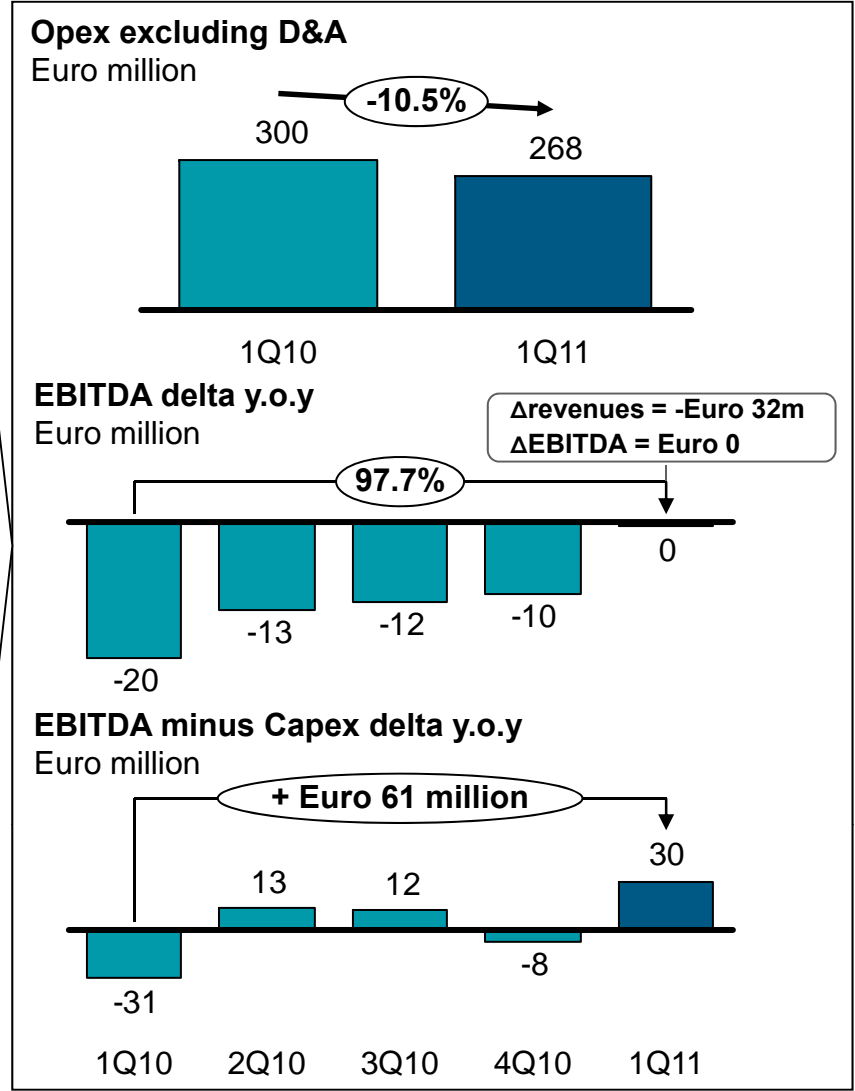
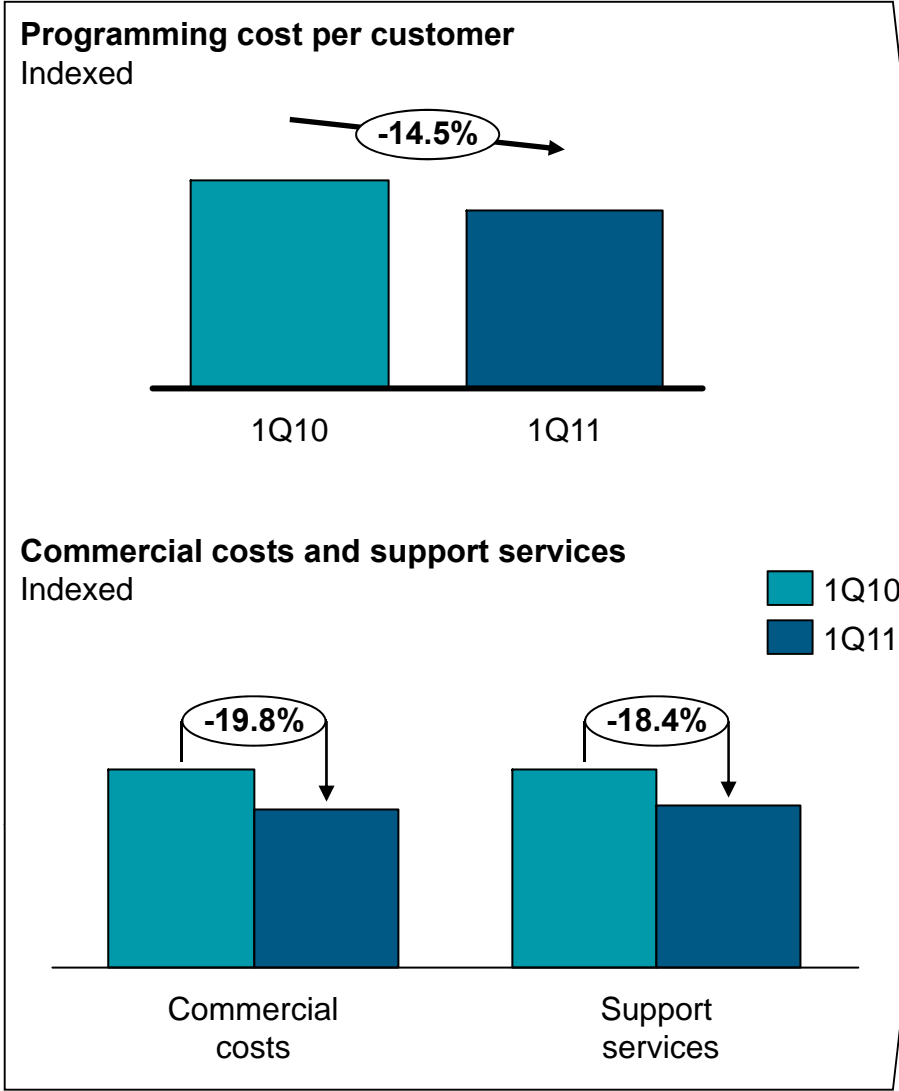


Top line performance impacted by adverse trading conditions and directories



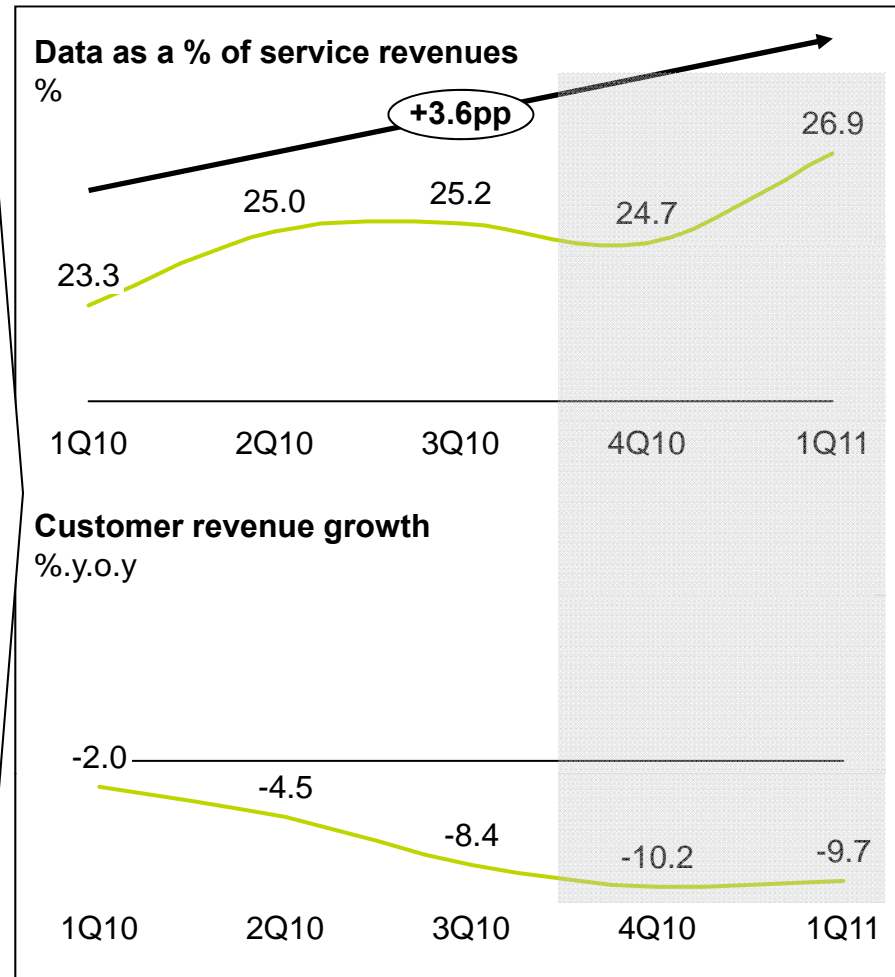
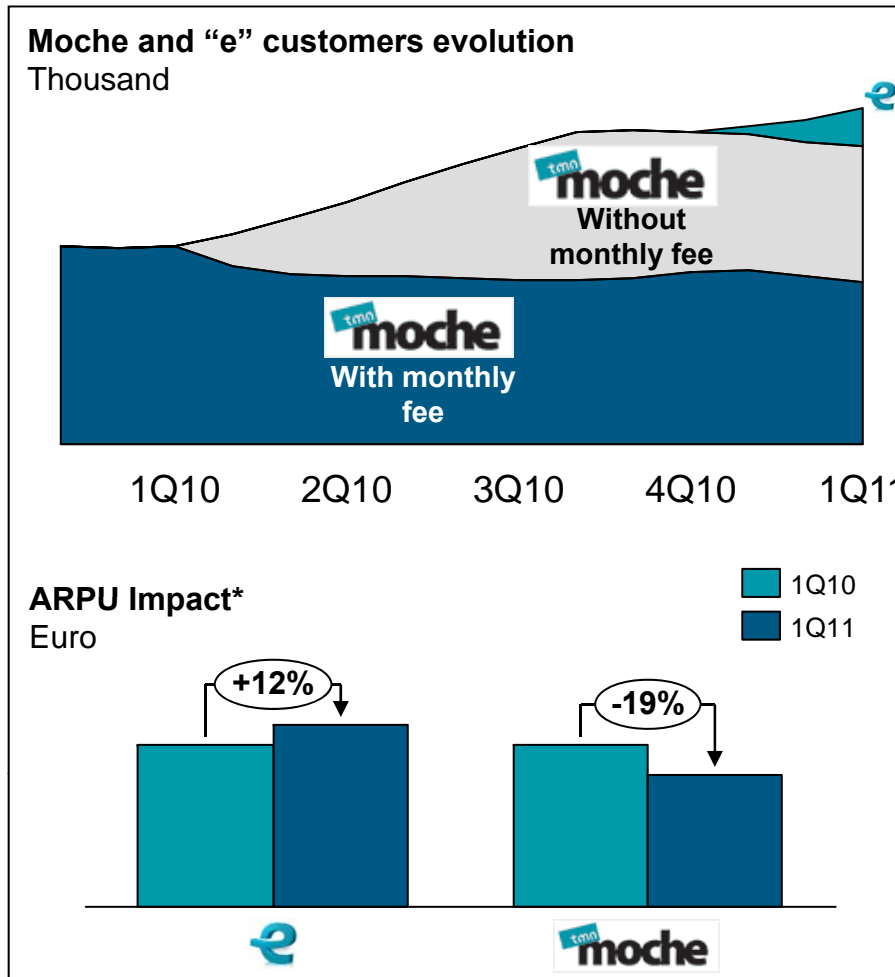


Cost cutting measures and scale on fibre and TV allowing for significant improvement in EBITDA trends, against a backdrop of solid customer growth





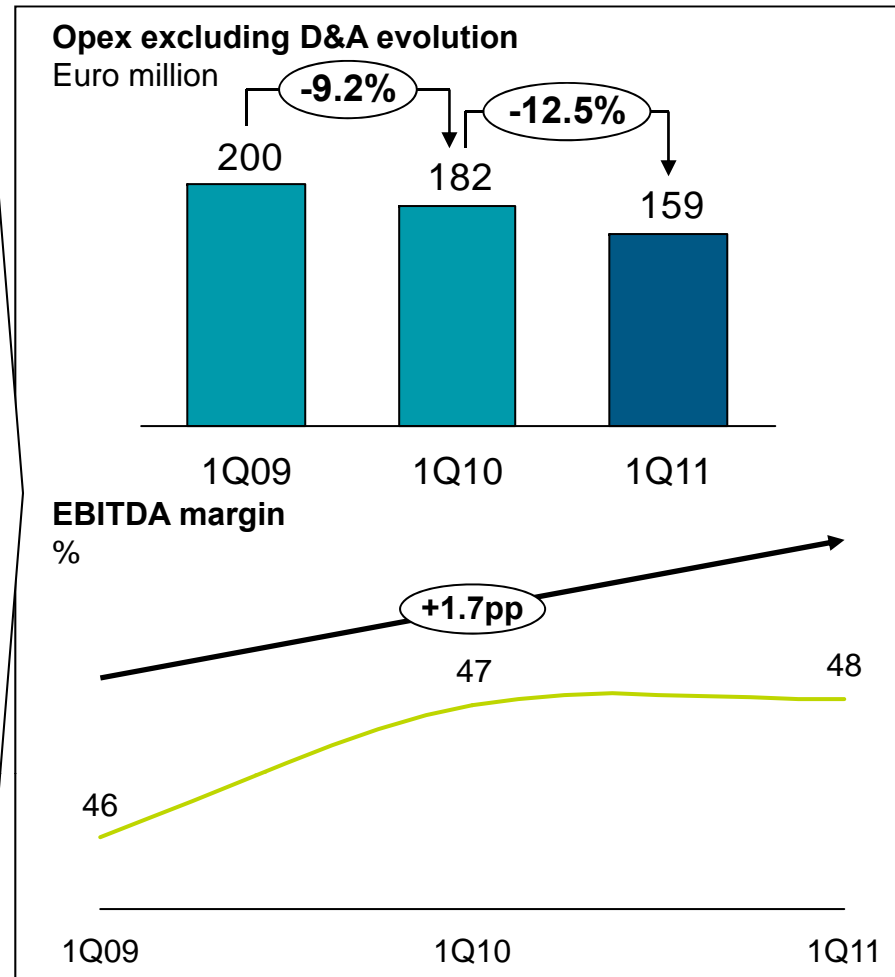
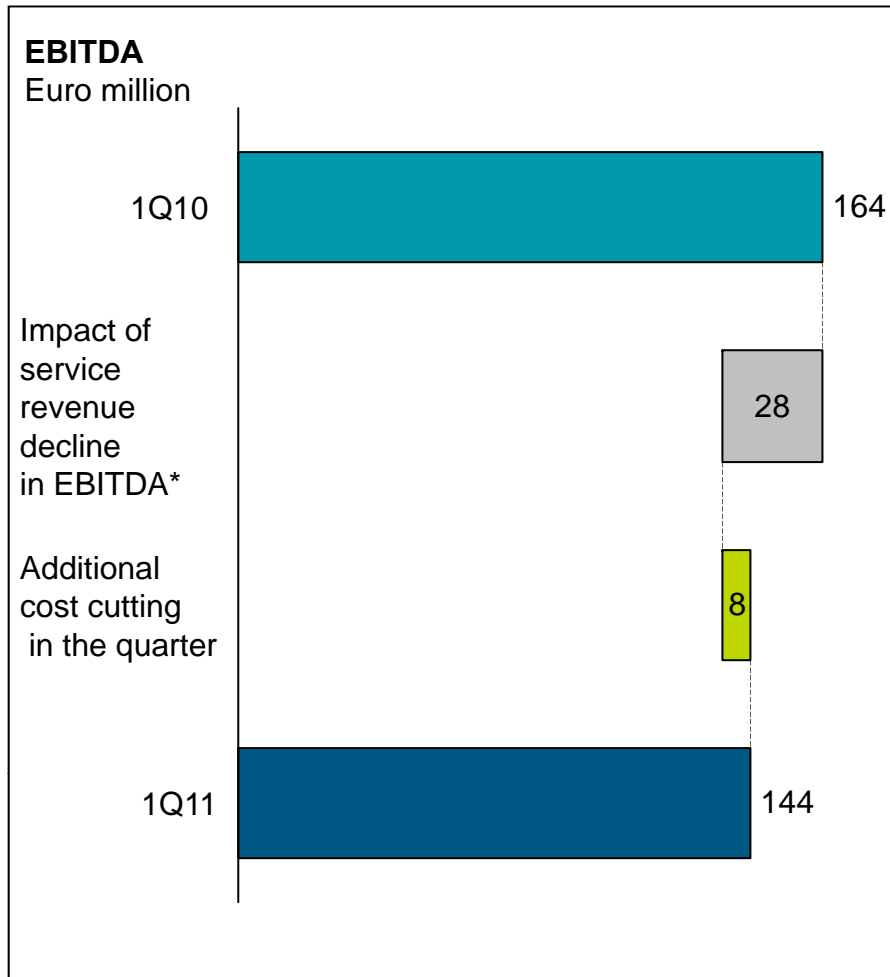
1Q11 impacted by trading conditions and popularity of tribal tariff plans, although recent tariff restructuring is bringing benefits



* ARPU of existing customers of Moche without monthly fee, with more than 12 months regardless of previous tariff; ARPU accretion of existing "e" customers, with more than 12 months, corrected by current PPS trend



TMN continues to deliver on cost cutting, driving solid margins



* Delta of net service revenues; net service revenues = service revenues – direct costs



International operations continue to show healthy trends

Euro million

Revenues

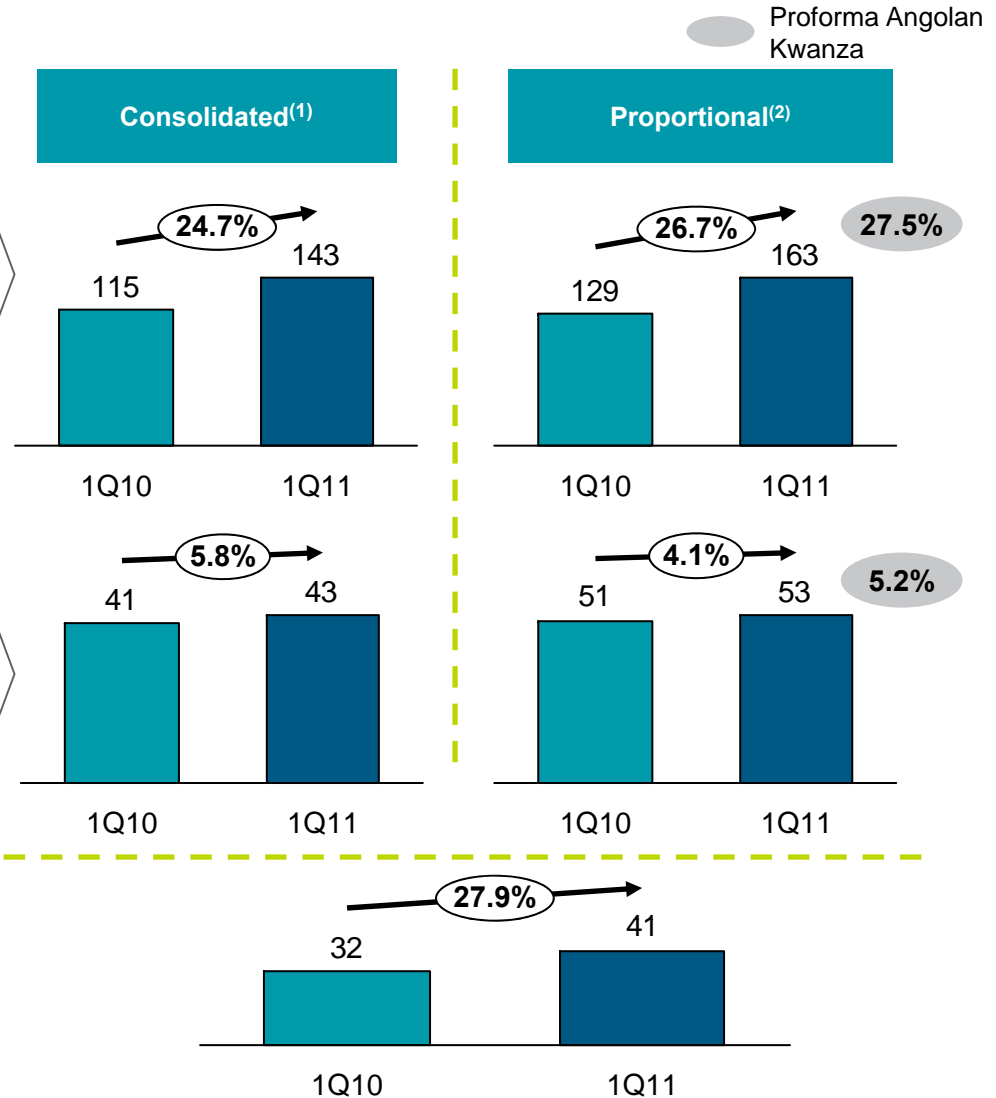
- > **Positive evolution of consolidated revenues** contribution by international assets namely MTC (Namibia, up 13.6% y.o.y in Euro) and also Dedic/GPTI (Brazil, up 44.6% y.o.y)
- > **Revenue growth in proportional terms also shows good positive trend.** Excluding Kwanza devaluation at Unitel Angola, proportional revenues grew 27.5% y.o.y

EBITDA

- > **Consolidated EBITDA with a sustainable growth** y.o.y mainly impacted by the positive contribution of MTC (+10.6% y.o.y), and Timor Telecom (+20.7% y.o.y)
- > **Proportional EBITDA up 4.1% y.o.y.** Excluding Kwanza devaluation, proportional EBITDA would have grown 5.2% y.o.y

Equity income ⁽³⁾

- > Unitel and CTM's equity income up 27.9% y.o.y



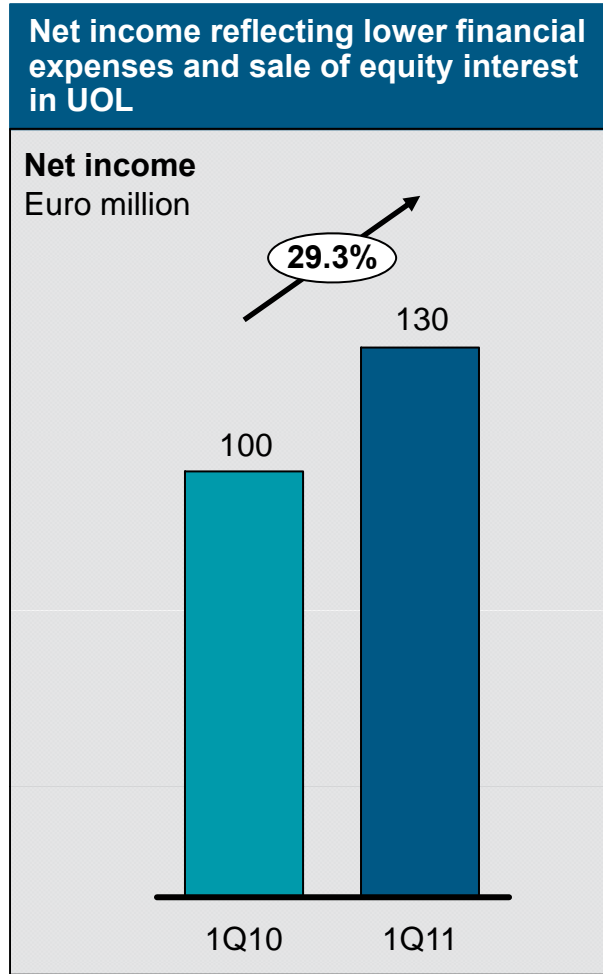
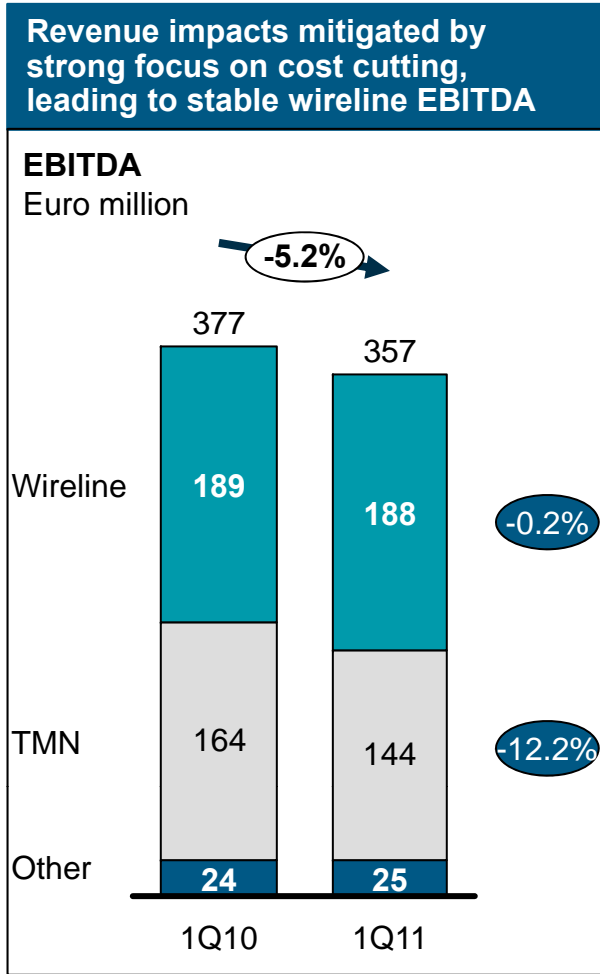
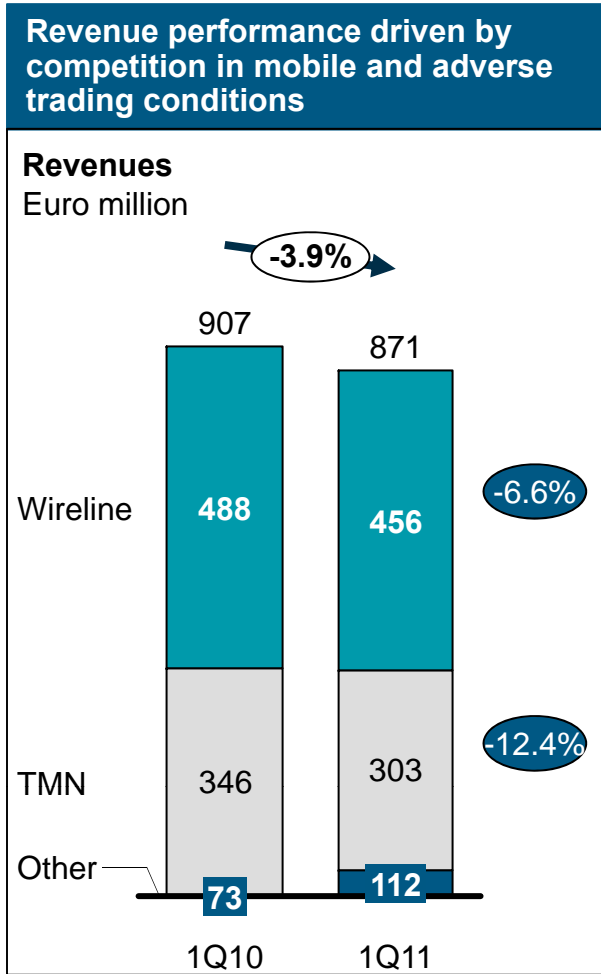
(1) Consolidated companies: MTC, CVT, CST, Directel companies, PT Brasil, Dedic/GPTI, Timor Telecom, PT Ventures, Africatel Holding, PT Móveis, PT II, PT Participações and Bratel BV

(2) Proportional Revenues and EBITDA calculated by applying the direct equity stake of PT or via Africatel, where PT holds a 75% stake

(3) Equity investment (Unitel and CTM)



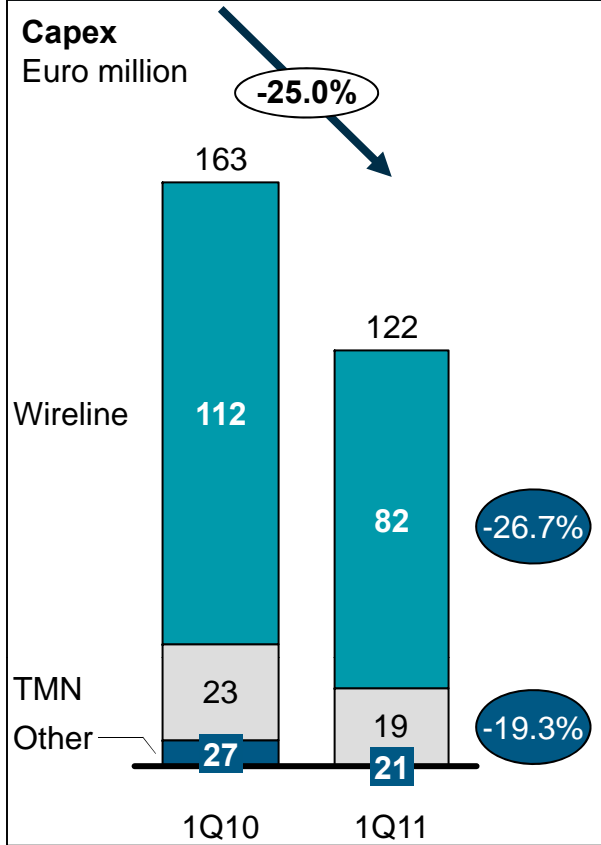
Cost cutting mitigating revenue impacts and leading to stability in wireline's EBITDA, the best performance in the last 18 quarters



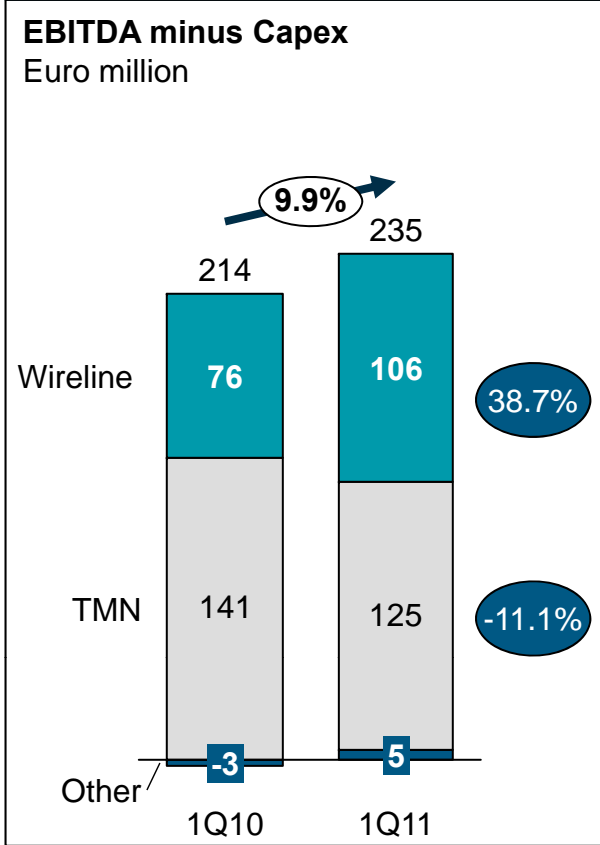


Cash-flow robustness reflects strong discipline

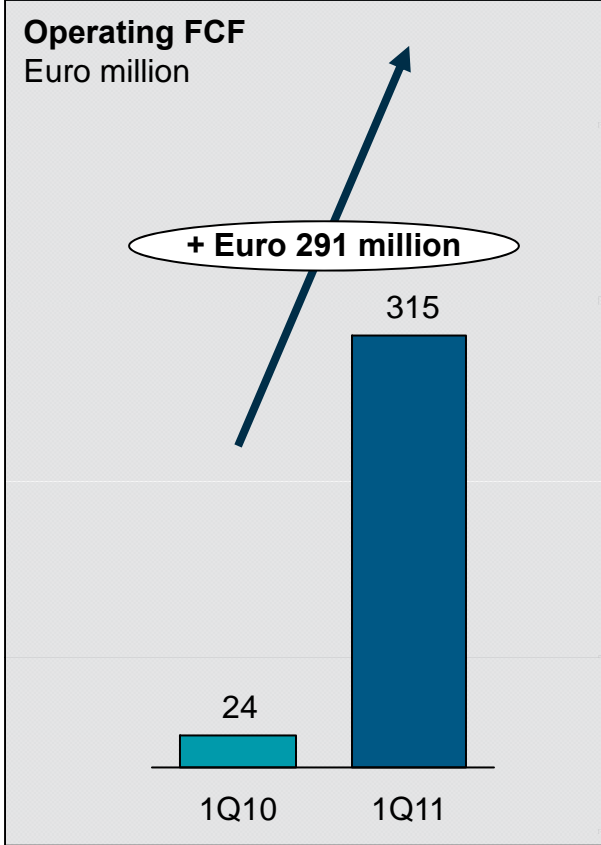
Lower capex against a backdrop of strategic fibre rollout already covering 1 million homes



EBITDA minus capex growth as a result of the focus on cash-flow generation

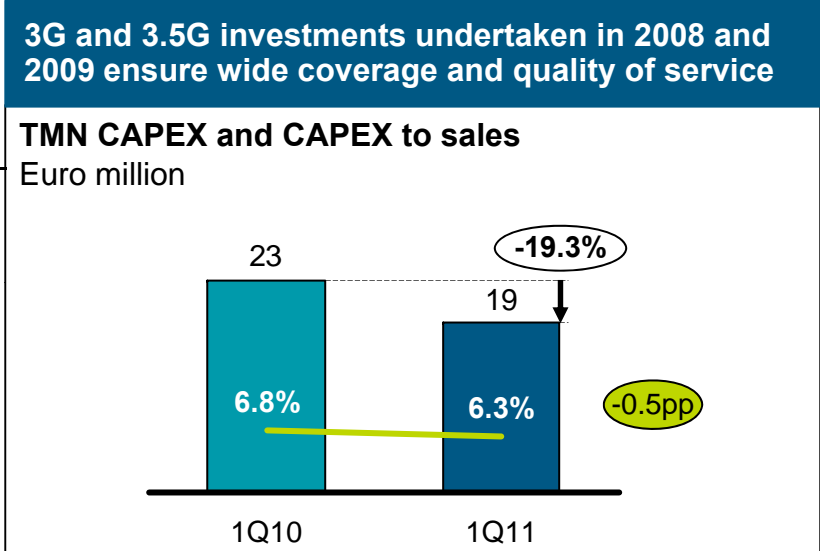
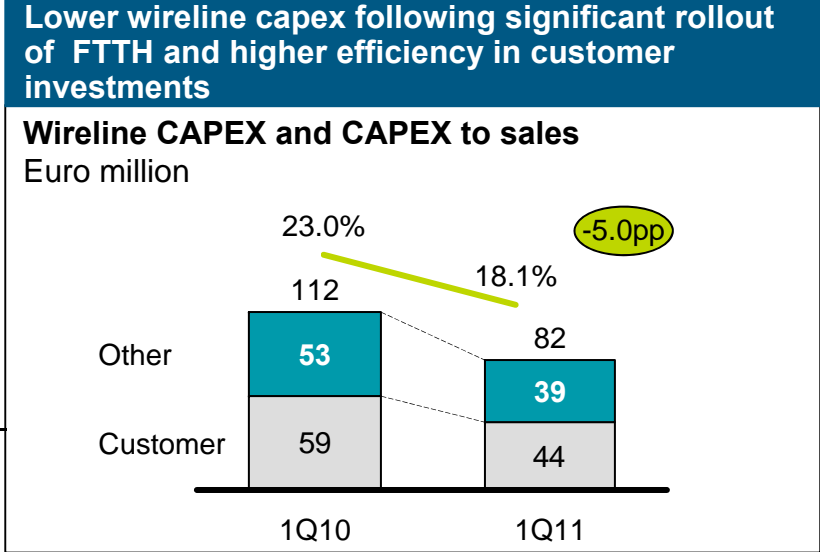
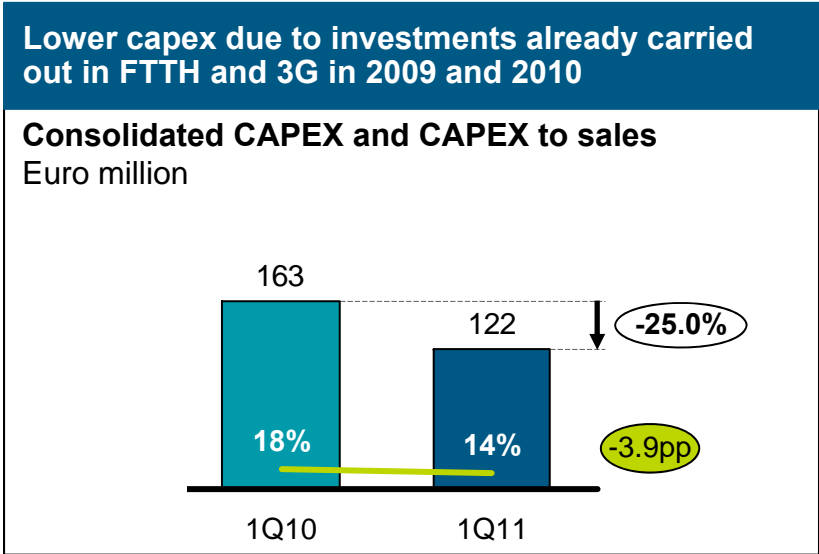


Working capital improvement, following one-off payments in 4Q10, further strengthens cash-flow generation



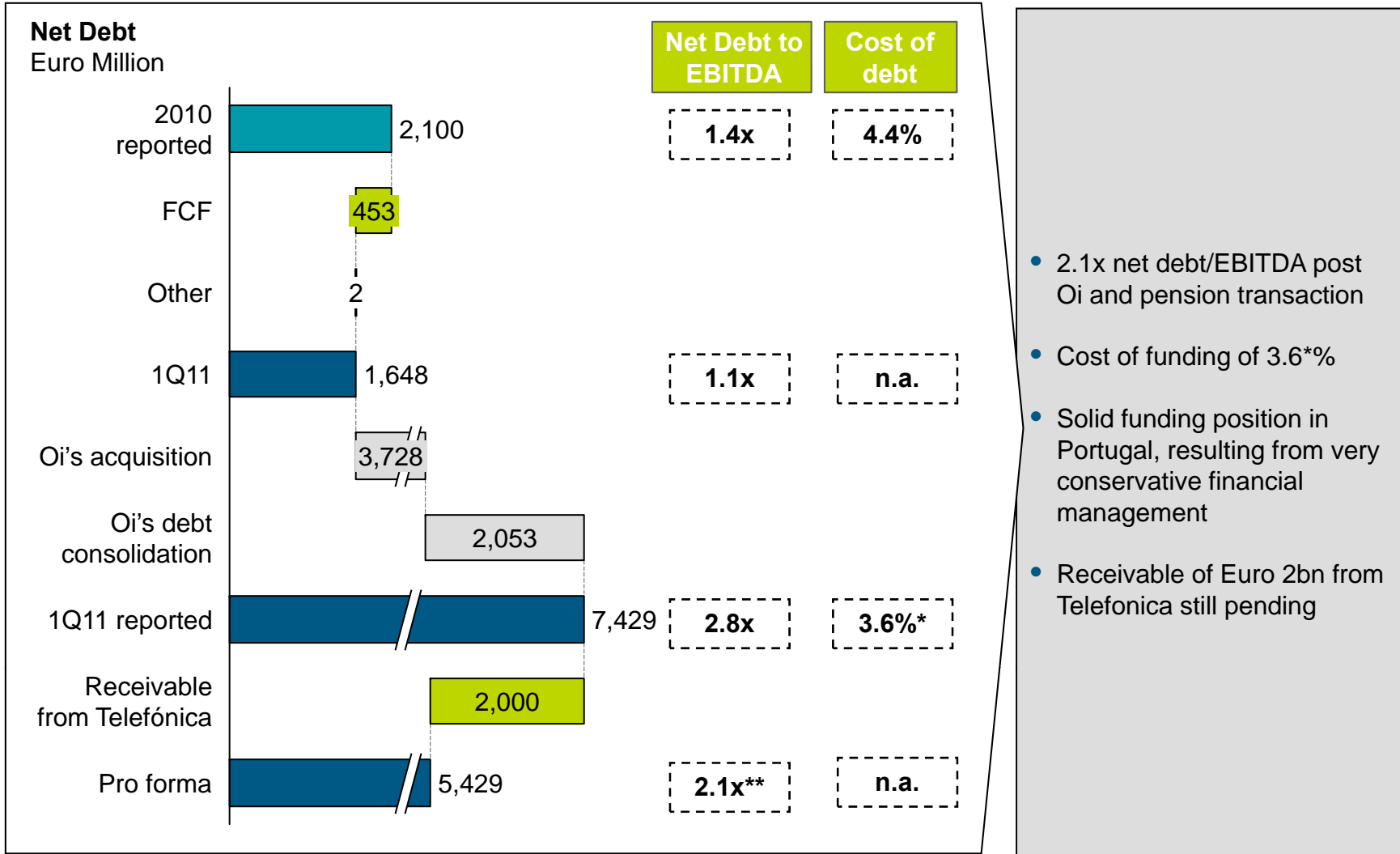


Lower capex intensity reflects strategic investments already carried out





Solid balance sheet structure and financial flexibility



* Excluding impact of interest on cash deposits in BRL related to the investment in Oi

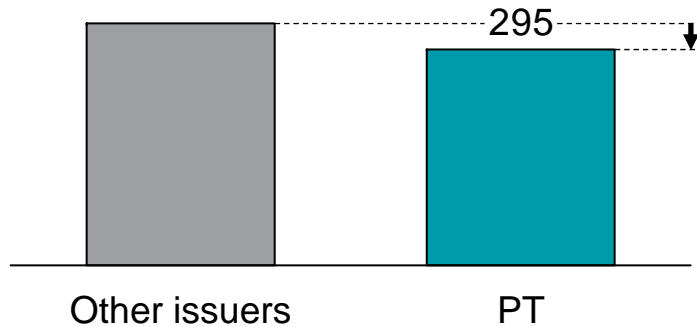
** Net debt adjusted for TEF receivable and EBITDA adjusted in order to recognise the proportional contribution of Oi and Contax (pro forma LTM)



Recent issuance of Euro 1,800 million underlines PT's solid track record

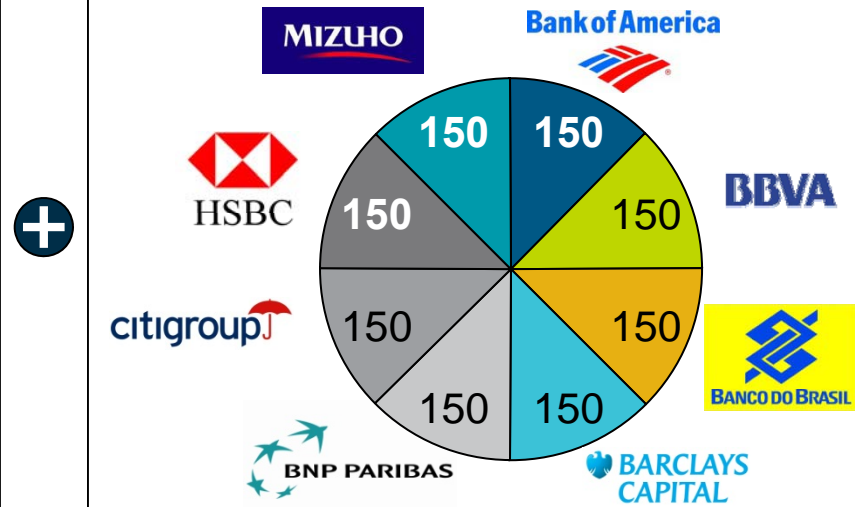
Recent bond issue of Euro 600 million done at attractive levels

Spread of recent bond issue
Basis points. Jan 2011



Internationally diversified credit line of Euro 1.2 billion

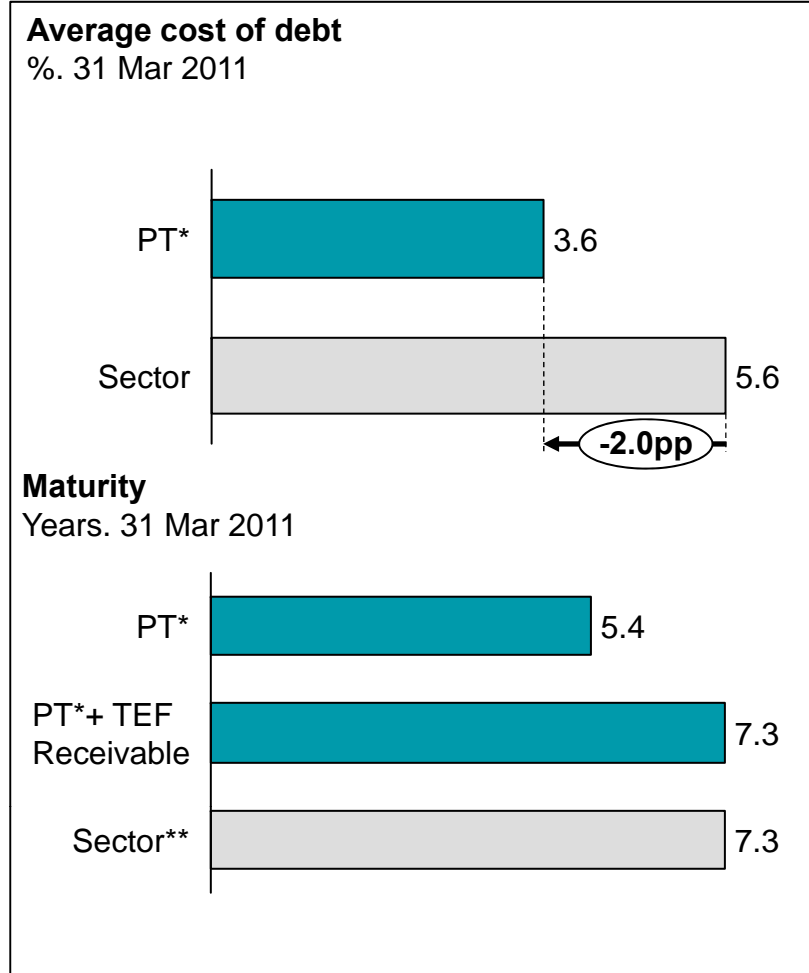
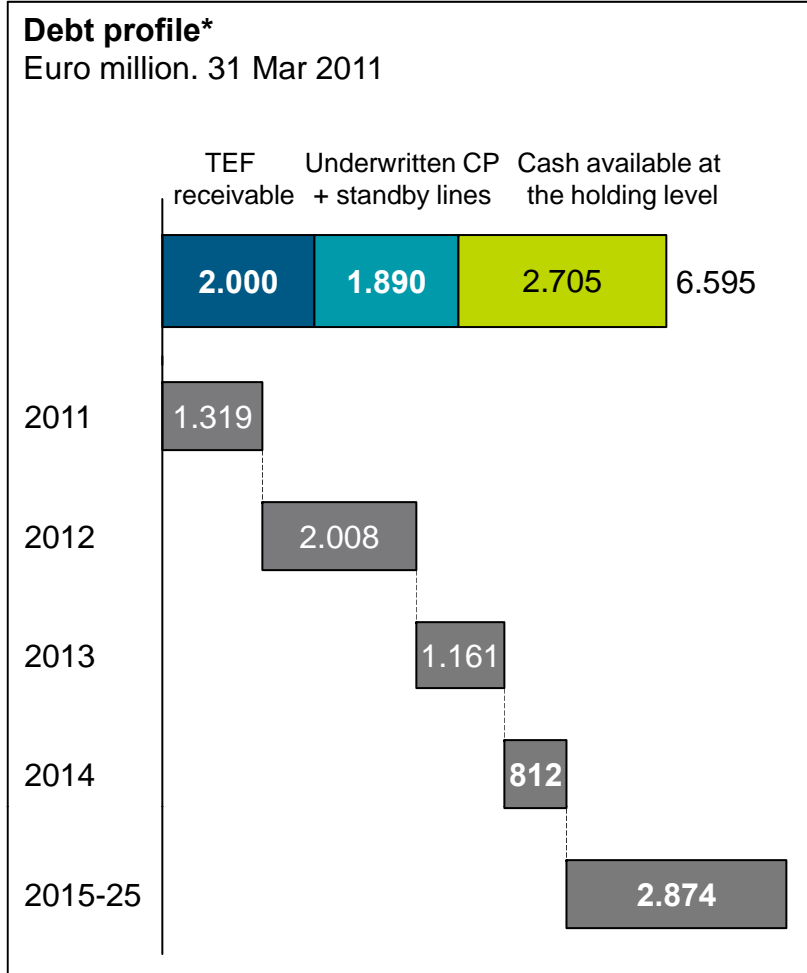
Fully committed credit line
Euro million. Mar/Apr 2011



- ✓ Attractive funding cost
- ✓ Enhanced financial capacity
- ✓ Strong international diversification



Maturities and commitments completely financed until the end of 2013 with an attractive cost of debt



* Excluding Oi debt and excluding impact of interest on cash deposits in BRL related to the investment in Oi

** Values as at 31 March 2011, excluding FT which is as at 31 December 2010

Source: Company data; BofAML



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Business strategy underpinned by innovation and best-in-class operational execution

Strategy by geography

Portugal: distinctive offer for each segment

Residential

- TV experience
- 3-screen



Personal

- Mobile data
- Convergence



SMEs/SOHO

- Convergent solutions
- SaaS



Corporate

- IT/IS
- Virtualisation



International: scale and growth opportunities

Brazil

- Data growth
- Convergence



Africa

- Opportunistic M&A
- Consolidation



RoW

- Service penetration



Global mindset

Innovation & Execution

- Structured approach



- Customer Care



- Next generation network



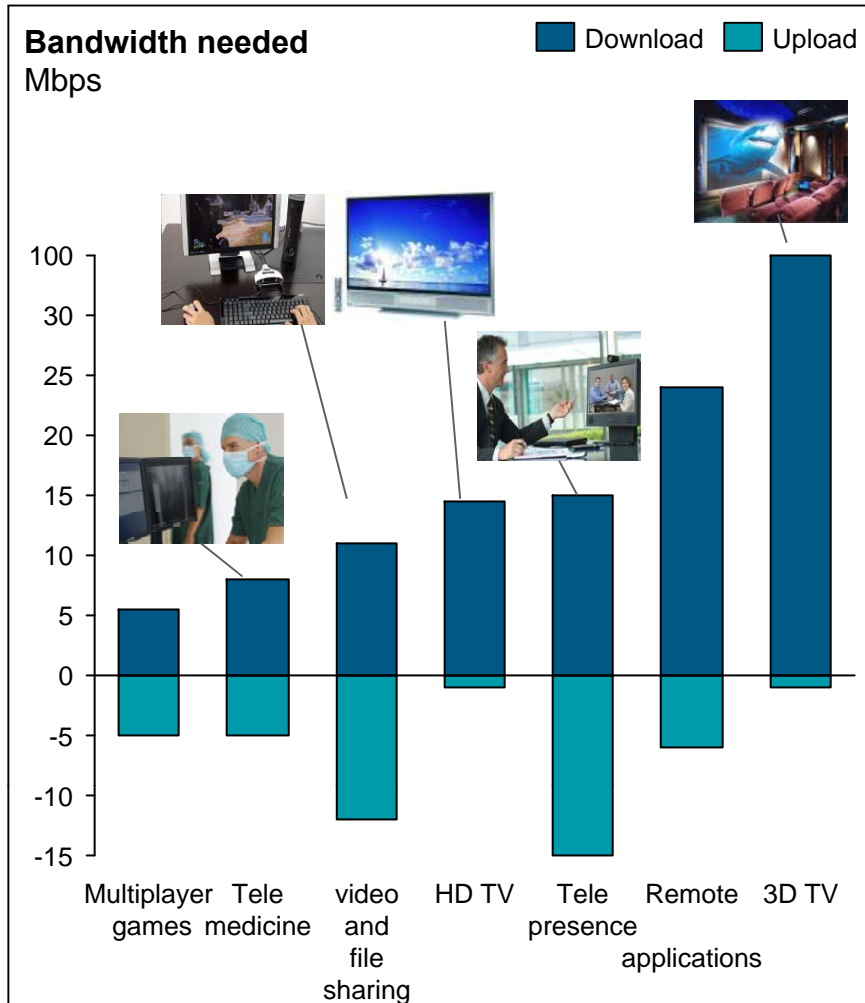
- Cost discipline



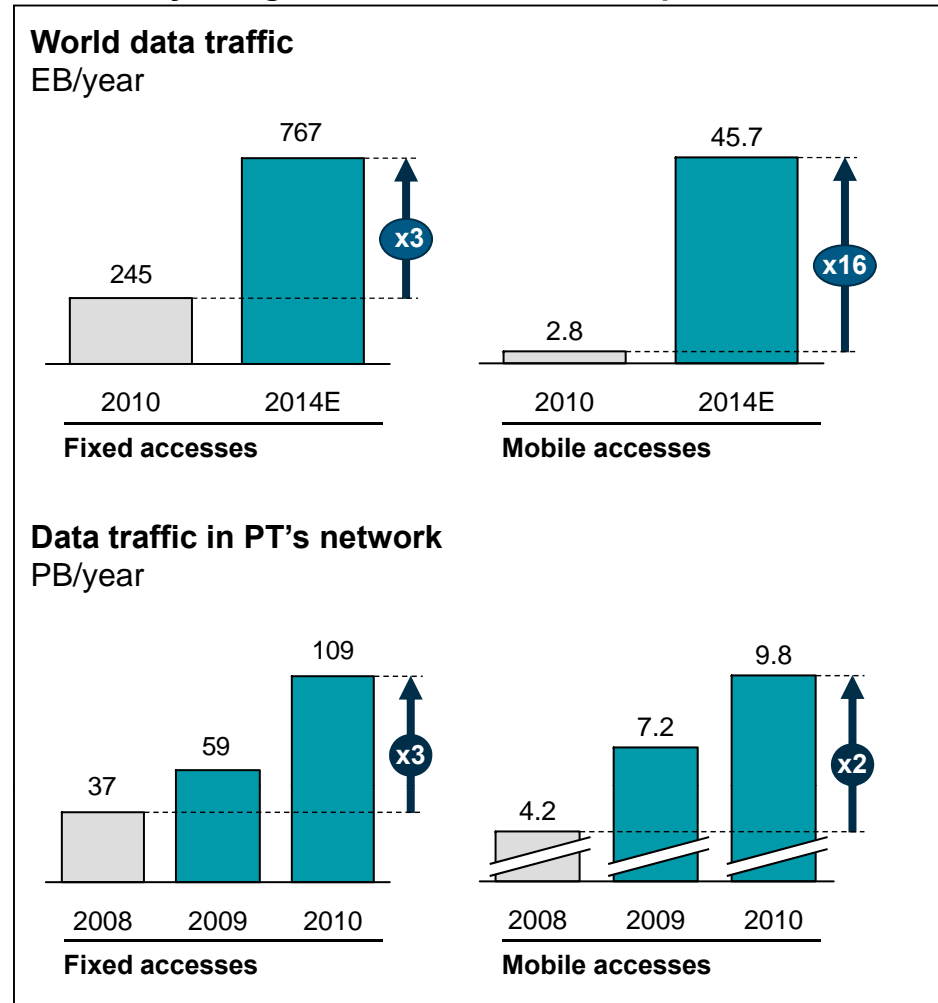


PT's investment in FTTH is a key distinctive factor as demand for high and symmetric bandwidth becomes real

The increased need of bandwidth...



...is already being noticed on data consumption

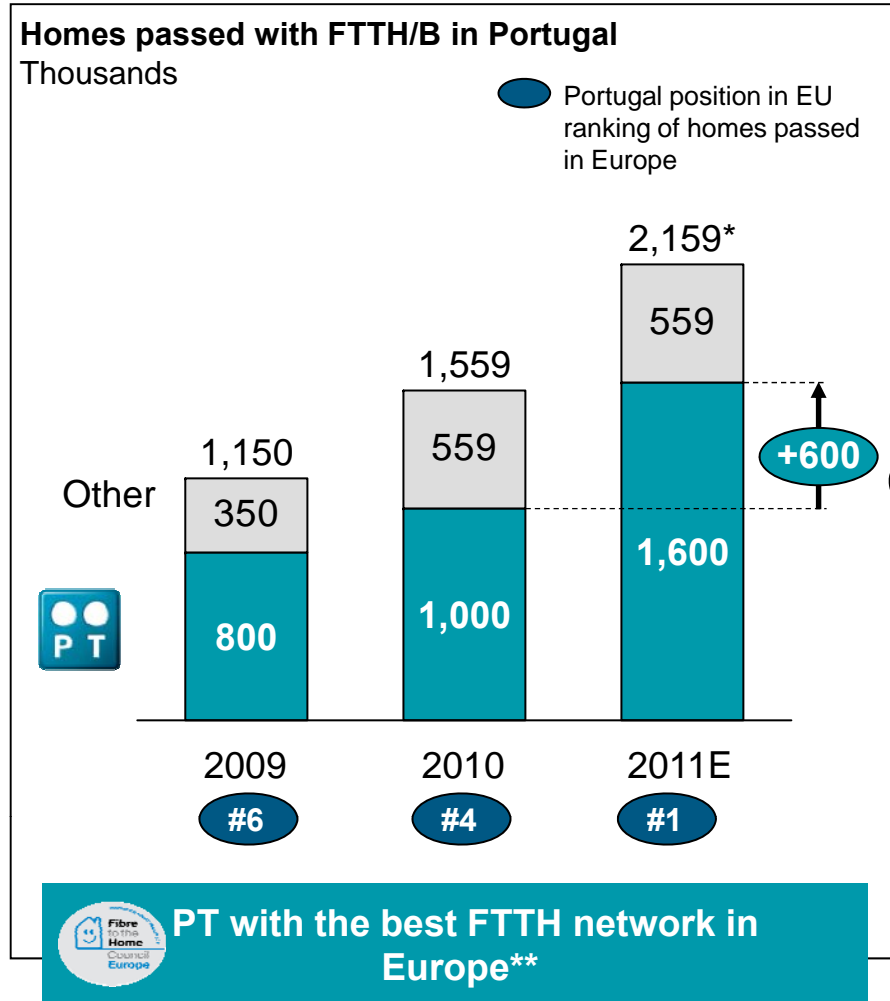


Source: Cisco VNI Mobile 2011 and Cisco VNI 2010; company data



High-end infrastructure in anticipation of market needs

PT is driving FTTH rollout in Portugal...



... and also LTE

- TMN was the first to trial 4G in Portugal and is already doing live tests in Cascais and Braga
- ~85% (~3,300) of mobile stations already connected with fibre
- Modernisation of all 2G network
- National hot-spot network (~1.600) to off-load data traffic from the mobile network

MELHOR COBERTURA 3G
ESTUDO ANACOM 2010

Best 3G network with speeds up to 21.6mbps

* Assumes only additional passed homes for PT, i.e. 600 thousand more until the end of 2011

** FTTH council Europe awarded the Innovation award of "Deployment and Operation of FTTH Networks" to PT.

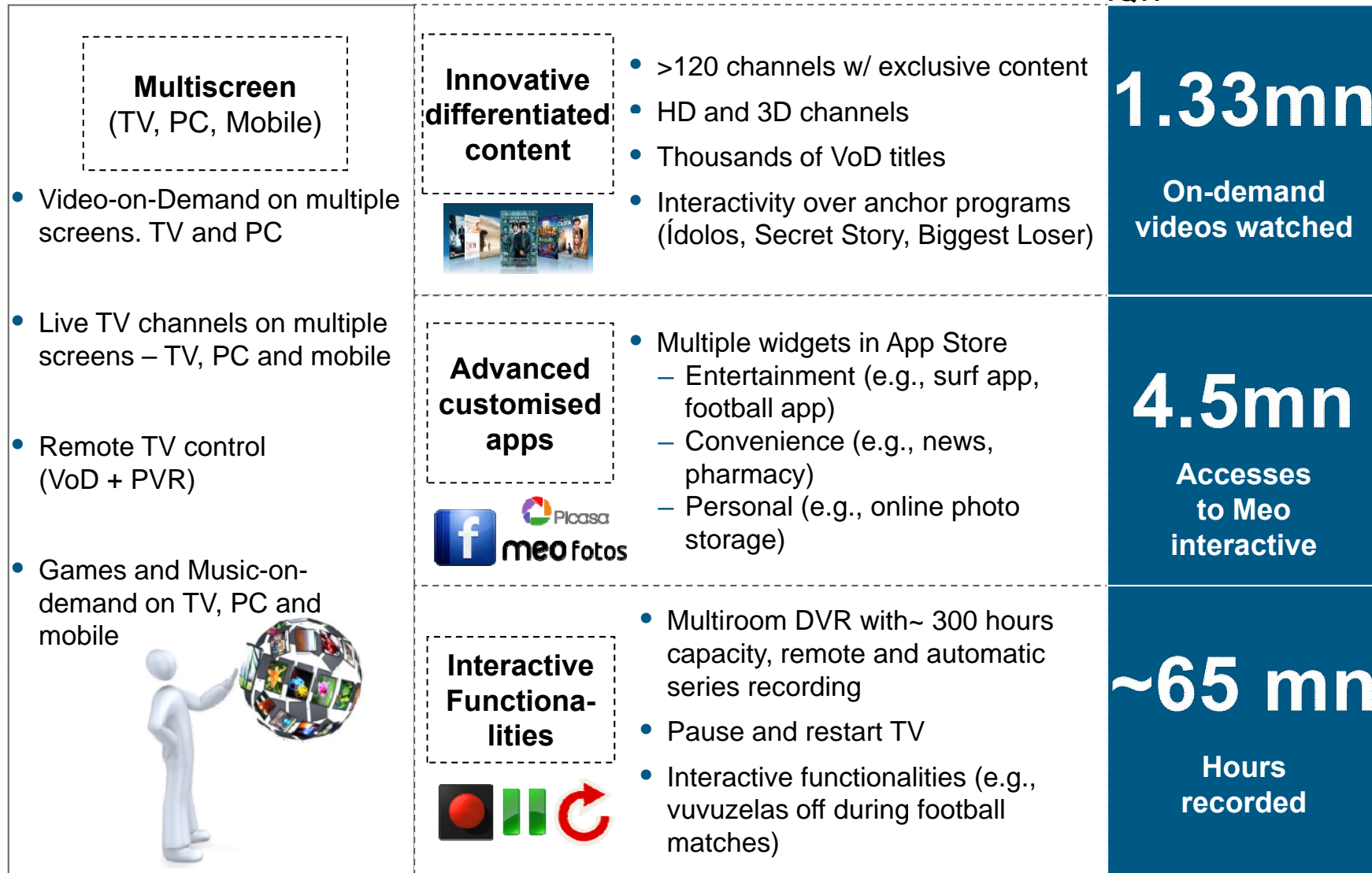
Note: Double-counting may exist in number of passed homes when served by more than one operator; Only countries with more than 2 million households were considered

Source: FTTH Council; Yankee Group; INE (total number of homes in Portugal of 5.7 million)



Strong usage of Meo features underlines the importance of having a differentiated and innovative customer proposition

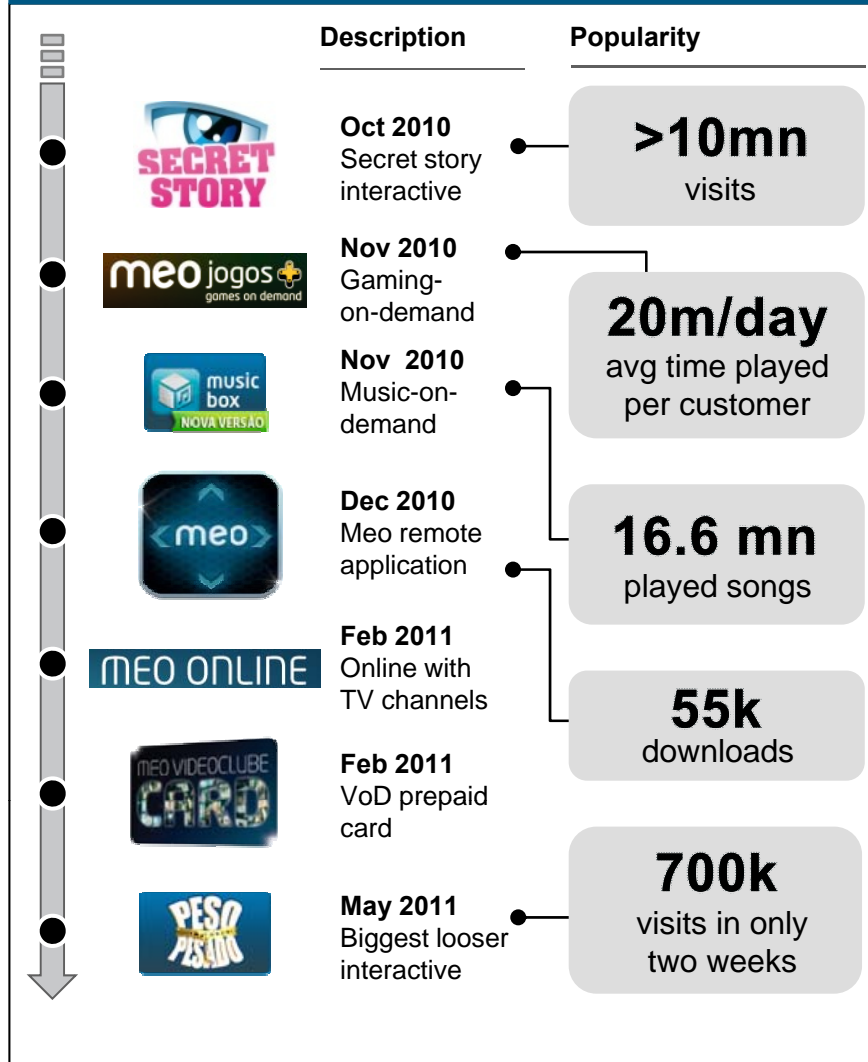
1Q11





Continuous innovation and fibre superior experience have been driving customer usage and satisfaction

Meo maintaining a continuous innovation pipeline

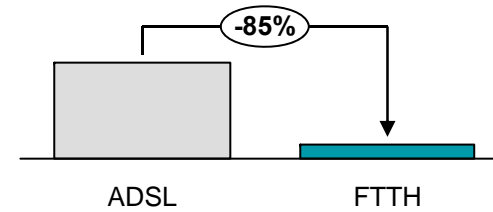


* Exame Informática magazine (Feb 2011)

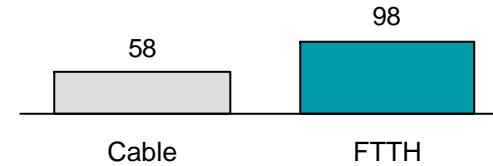
Customers recognise fibre superior offer

Fibre superior QoS and experience...

Repairs Meo ADSL vs. Meo fibre
Average number of repairs. 2011

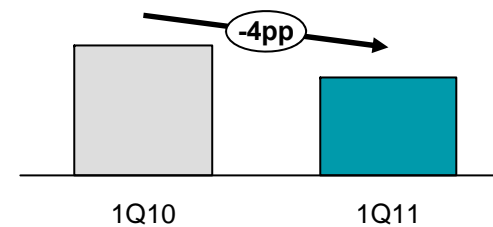


Minimum observed to contracted speed*
%



... is driving customer satisfaction

Meo ADSL and Meo fibre churn rate
%



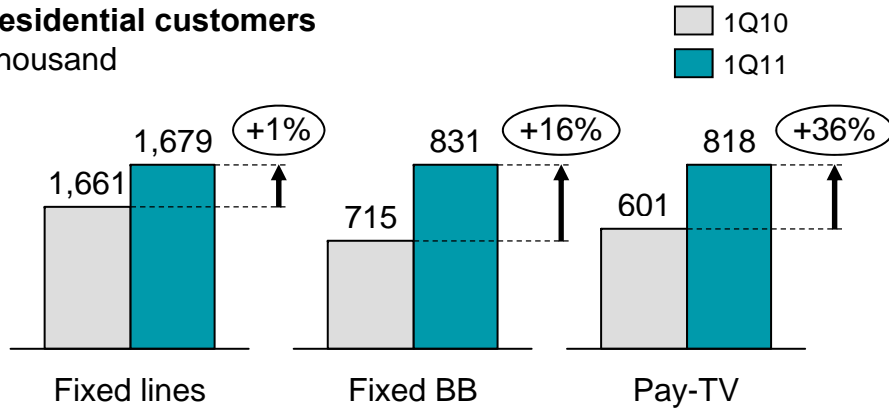


Solid customer growth and more rational competitive environment resulted in accelerated top line growth

Solid and continued customer growth...

Residential customers

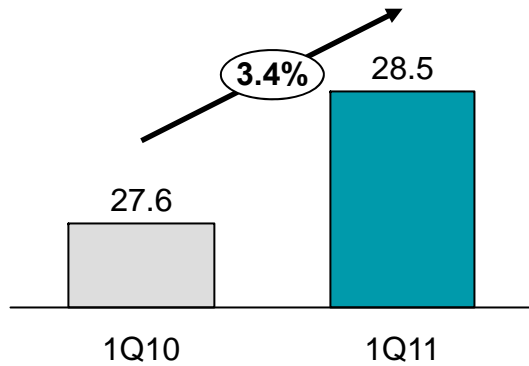
Thousand



... coupled with a more rational competitive environment leading to ARPU expansion...

Retail residential ARPU

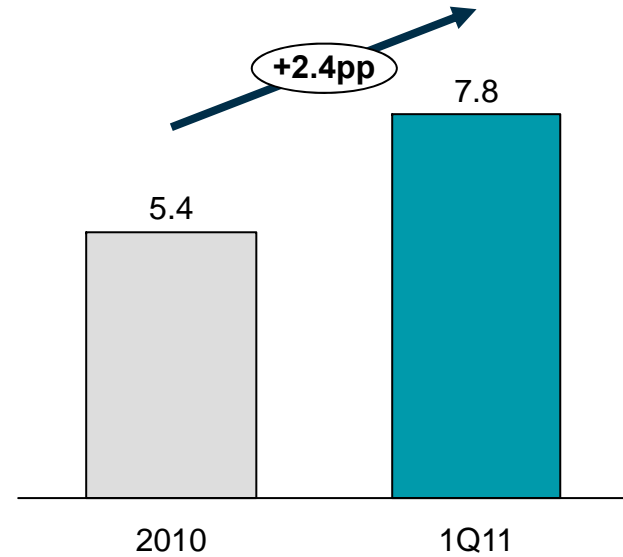
Euro



... and boosting revenue growth

Residential retail revenue growth





Percentage



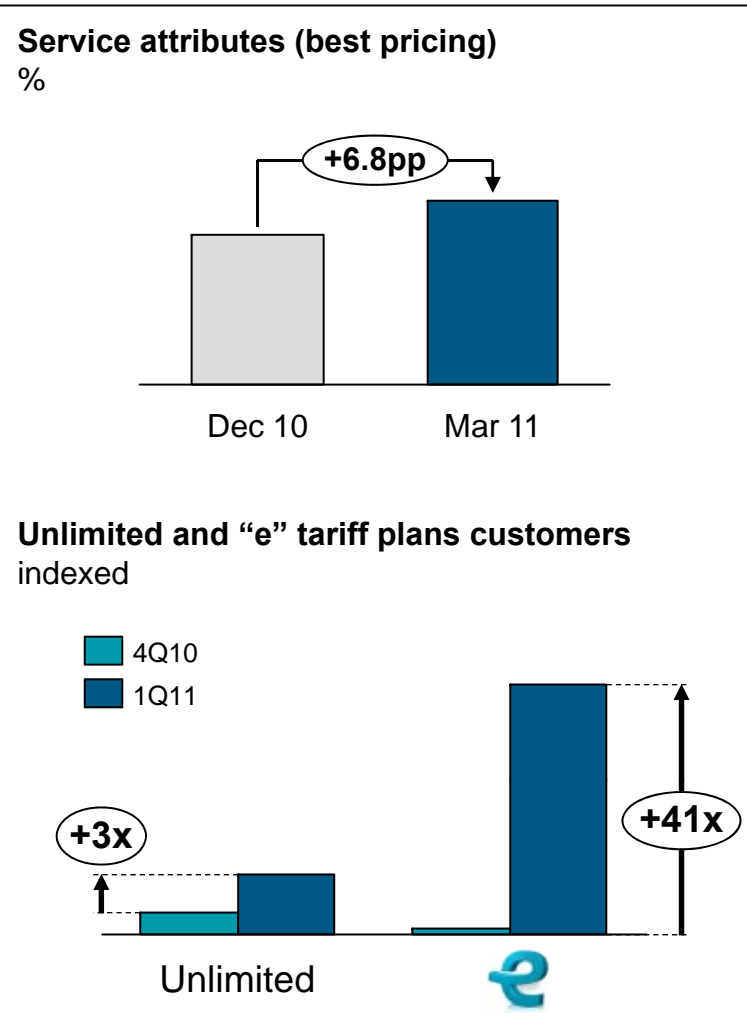


TMN launched new tariff plans enhancing its value proposition

Restructuring tariffs enhanced value proposition...

- 
 - “e” tariff plan, an **unlimited voice and data prepaid plan**
 - Price :10-25€
- 
 - TMN kids tariff plan **targeted to the under 15 segment**
 - Price: 5€
- 
 - Post paid plan with unlimited **voice calls for all national operators**
- 
 - Post paid plan with **unlimited on-net voice calls and a plafond of minutes for all other national operators**
 - **Internet plan included**
 - Price:15-100€

... and customers are perceiving it





TMN launched new initiatives and handsets targeted at the youth segment

New initiatives targeting the youth segment...



- **Own label terminal** leveraging on Sapo portal



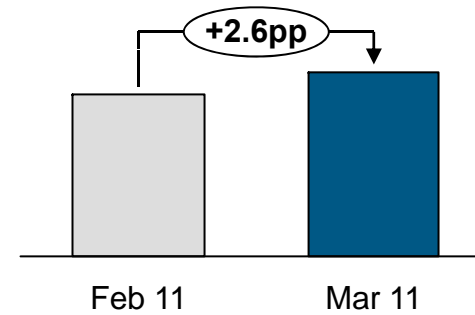
- **Radio SW TMN, own label radio station** leveraging on a well-known summer festival sponsored by TMN



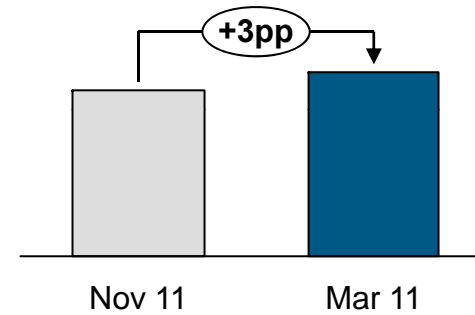
- **Xperia Play**, the playstation smartphone based on android OS – **exclusive for PT**

...are improving brand perception and consequently market share

Service attributes (best smartphone offering) in the youth segment *
%



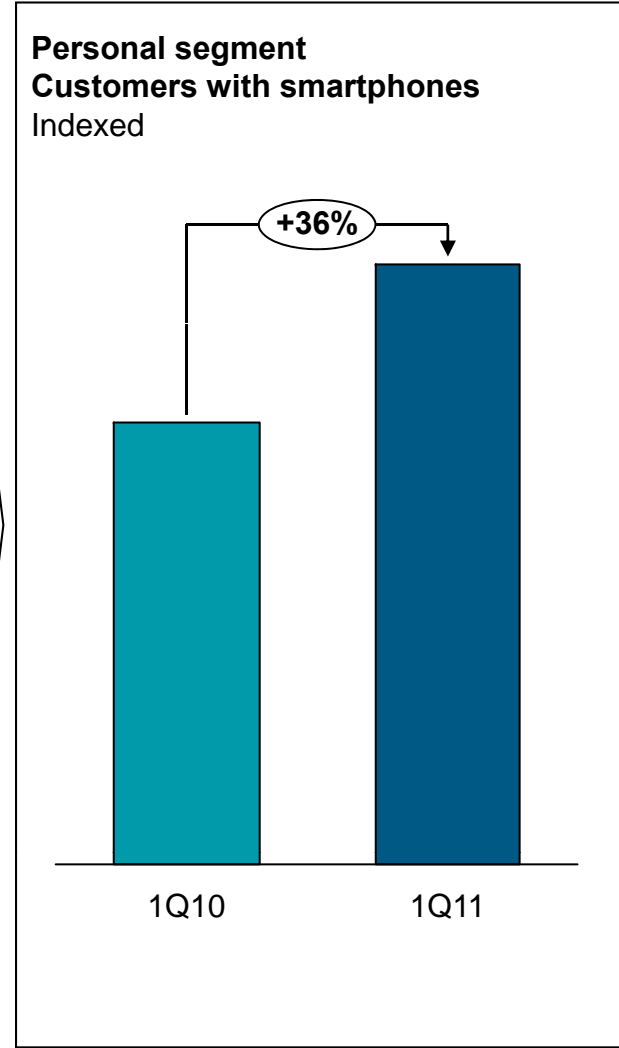
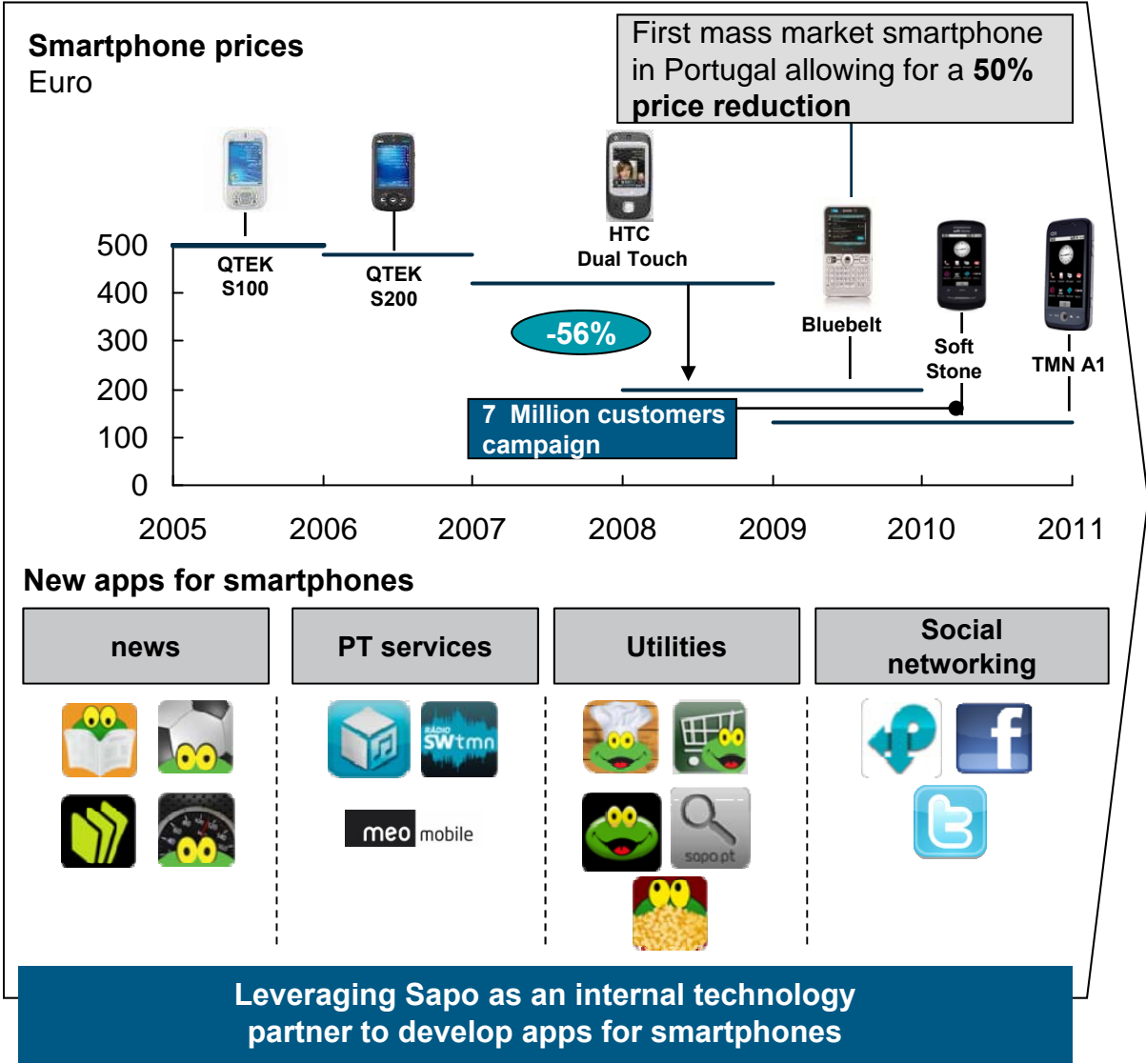
Market share in the youth segment*
%



*15-24 years old
Source: Pitagórica; Marktest



Lower prices and more apps and services are driving smartphone penetration, which should be a catalyst for future growth





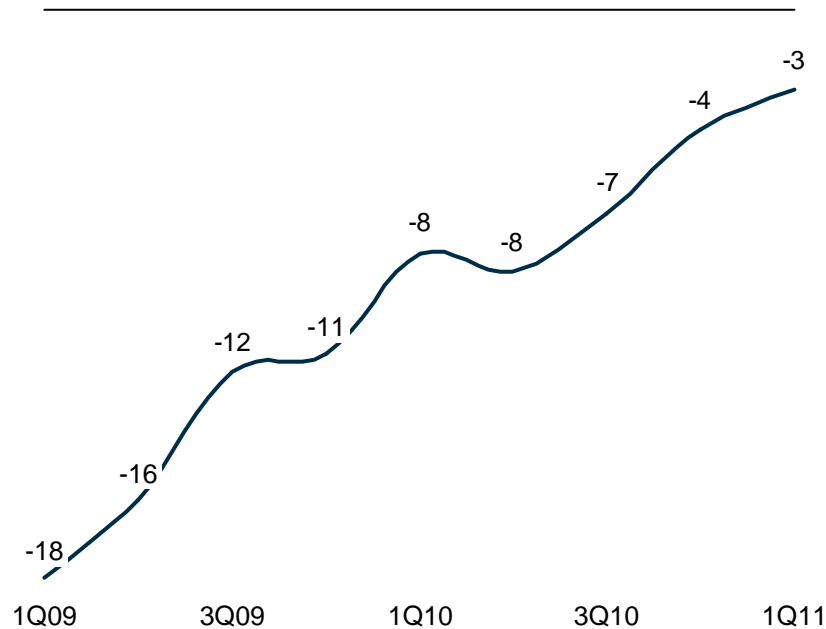
Consolidation of SME segment performance in fixed and mobile

● Net adds as % of customers

Upward trend in line losses for 2 years

Fixed line net adds in SME

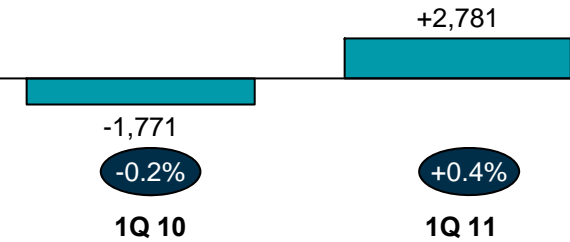
Thousands



Significant consolidation in 2010

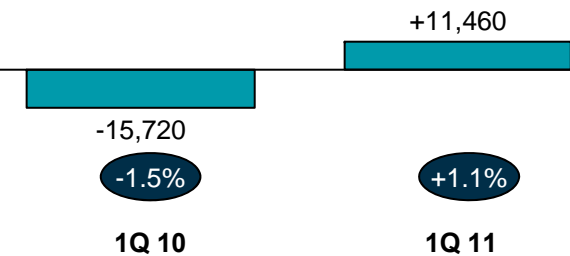
Wireline

Net adds RGUs (voice, ADSL and TV)



Wireless

Net adds (SIM cards)



Key initiatives

- Transformation of the internal and external sales channels – from single to convergent sales specialists
 - Know-how improvement through training programs and cross-platform rotation
 - Incentive systems focused on fixed-mobile convergence
- Increased SME offer competitiveness
 - Structural adjustment to the fixed and mobile tariff plans
 - Launch of below-the-line targeted promotional campaigns
- Increased focus on quality of service
 - Reduction of the average claim processing time
 - Improvement of average installation times



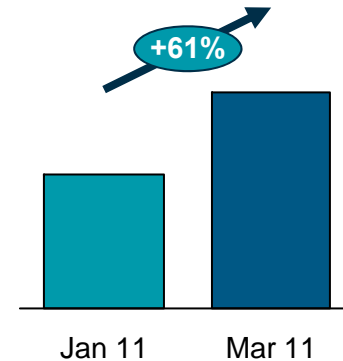
Renewed focus on commercial effectiveness for sustained growth in 2011

Comprehensive stimulation initiatives across channels...

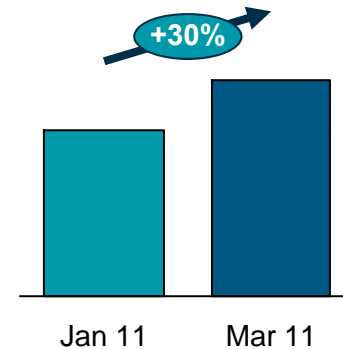
	Specific initiatives	Cross-channel initiatives
Account Managers	<ul style="list-style-type: none"> Review of commercial structure with increased focus on acquisition of top SME/SOHO by senior Account Managers Review of account planning practices (weekly and quarterly action plan) 	<ul style="list-style-type: none"> Setup of targeted channel-specific promotional offers focusing on convergence (F-M) and customer acquisition Setup of daily performance dialogues supported by a restructure incentive scheme
Dealers	<ul style="list-style-type: none"> Cooperation with shortlist of most relevant dealers to set-up local sales stimulation programs (focusing on market share and new clients) Review of dealer incentive scheme focused on acquisitions and cross-sell 	
Field Force	<ul style="list-style-type: none"> Re-staffing of external Service Providers Introduction of new tool for sales lead management 	
Call center	<ul style="list-style-type: none"> Consolidation of service-to-sales effectiveness Optimisation of campaign mix and capacity to improve sales closure on-line 	
Stores	<ul style="list-style-type: none"> Cross-pollination of shop assistants with internal sales field force Optimisation of in-store communication/marketing focusing on the SME/SOHO brand and on the advantages of specialised customer service (ensured through a dedicated sales specialist) 	

... driving commercial traction

Commercial contacts Indexed



New convergent customers Indexed





Future-proof offer roadmap to strengthen leadership position in the segment

Integrated offering coupled with vertical solutions

Integrated offering

Office Box



- Convergent voice & data offers, with access to subsidised equipment (PCs, PBX) and per workstation pricing

Vertical offering

Restaurants & Coffee-Shops



Retail



Healthcare



- Integrated ICT offer with everything needed to run the business (specialised software, internet, phone line, computer, TV)
 - Medical & Admin Management (e.g., remote access to patient information)
 - Restaurant and coffees (e.g., queue management)
 - Retail shops (e.g., stock management)

Wireless voice & data

Smartphones & Tablets



- Unlimited **wireless voice & data flat fees** promoted as a “deskless” workstation

Cloud computing enabling streamlining of SME investments

PT superior value proposition

- **Extensive portfolio of cloud solutions** leveraging local and global partnerships
 - **IaaS:** full-range offer
 - **SaaS:** complete range with core offer + long-tail application range
- **Adaptable, scalable and highly reliable service platform** based on PT expertise, investment in a secured multi-tenant infrastructure and in a next generation fibre network

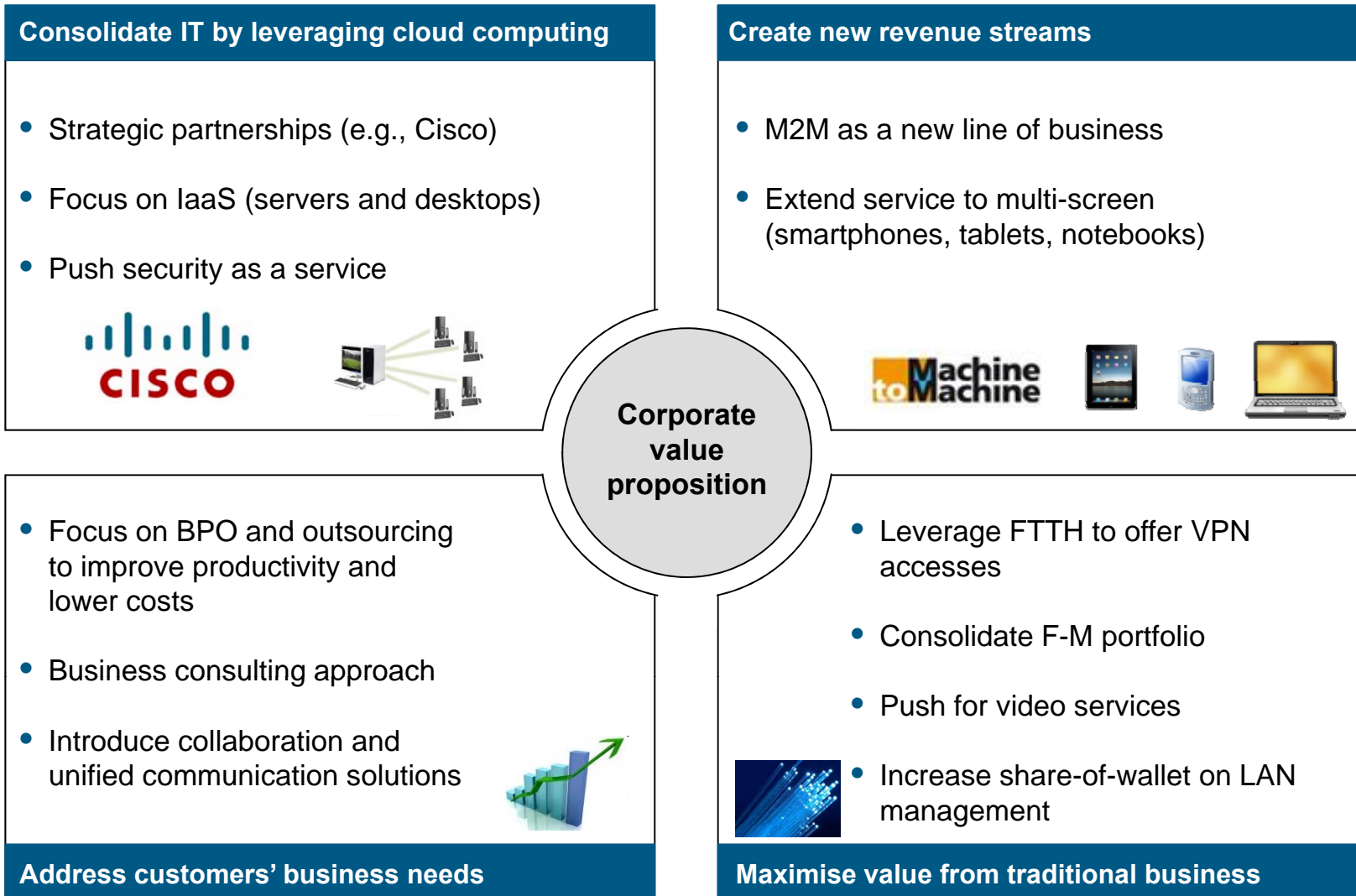


Dedicated delivery channels

- **Dedicated web-portal** allowing self-service and demonstration of services (client access and sales-force support)
- **Dedicated call center pool** for customer care and specialist 2nd line support to sales force
- **Partnership with Value-Added-Resellers** leveraging SaaS eco-system

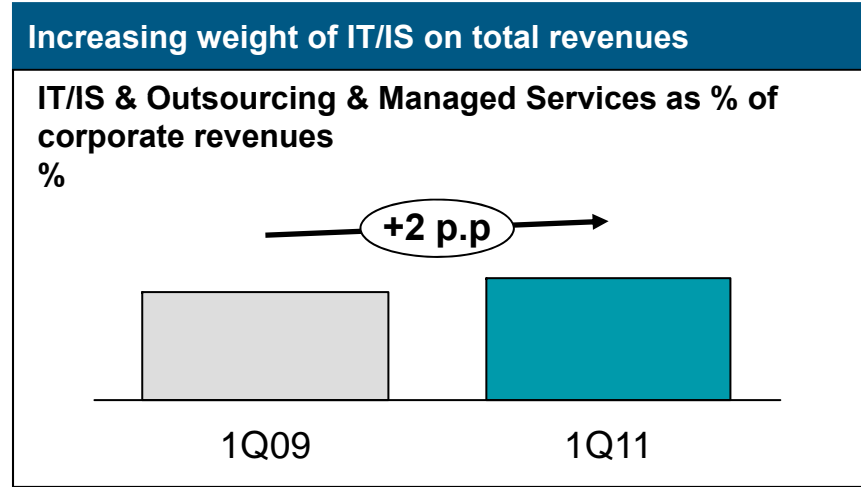


Consolidate existing lines of business in the corporate segment while pushing for new machine-to-machine and cloud based services



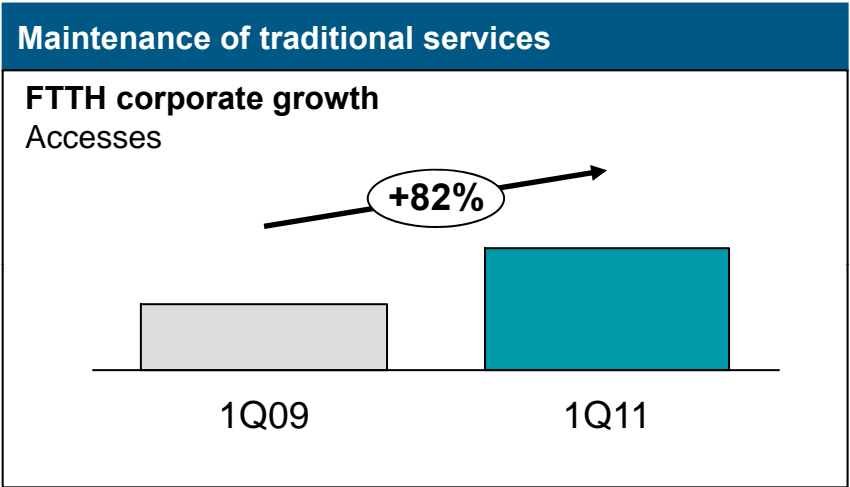
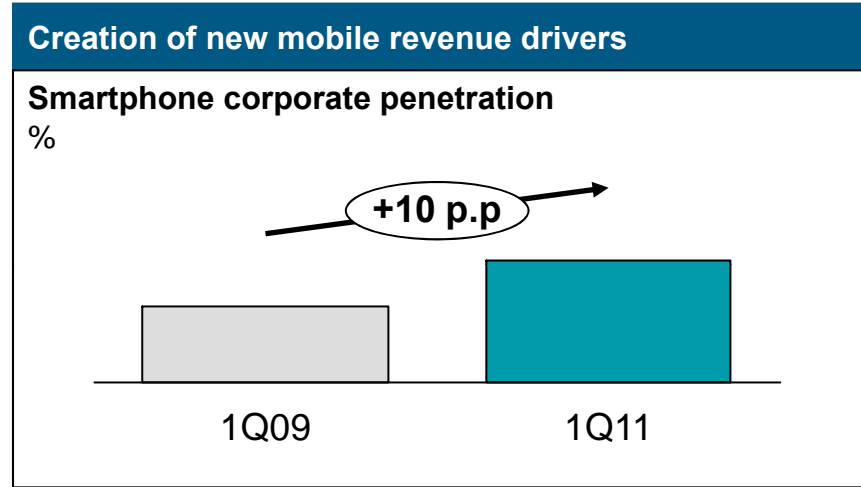


Focused strategy already delivering on results



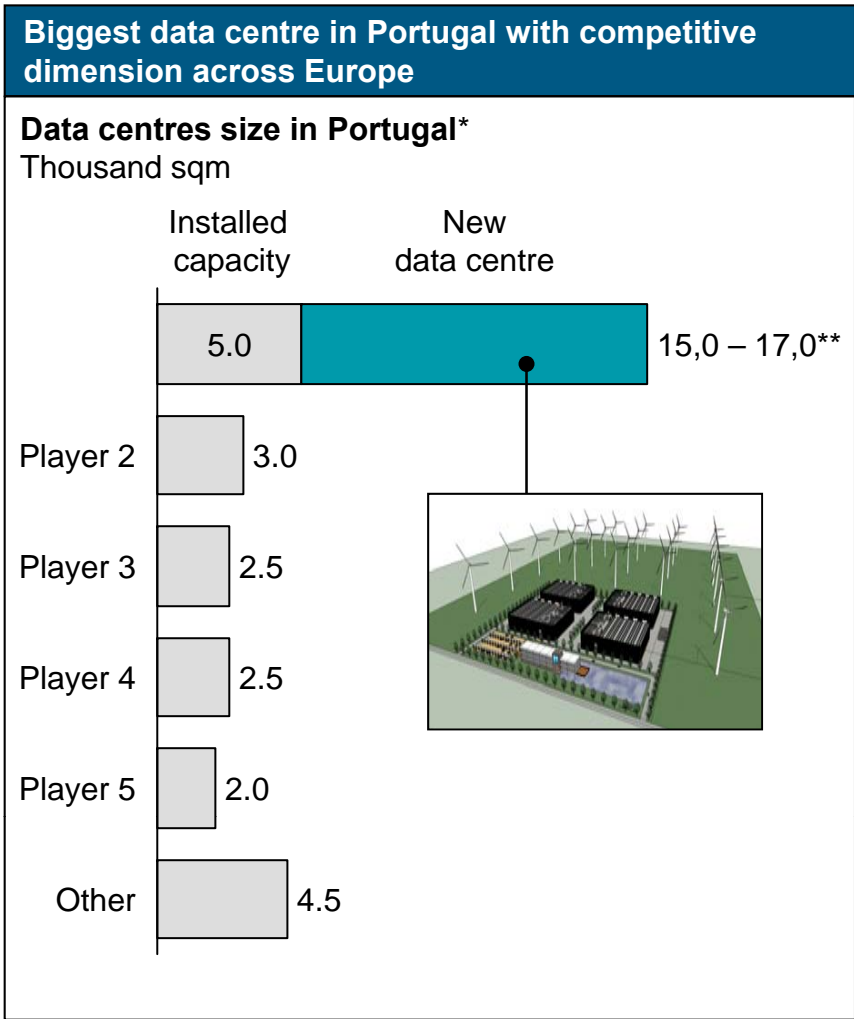
Creation of new M2M offer

Smart metering	Equipment management
<ul style="list-style-type: none">• Real-time consumption measurements• Instant failure communication	<ul style="list-style-type: none">• Remote diagnosis of machine failure• Pull model refilling





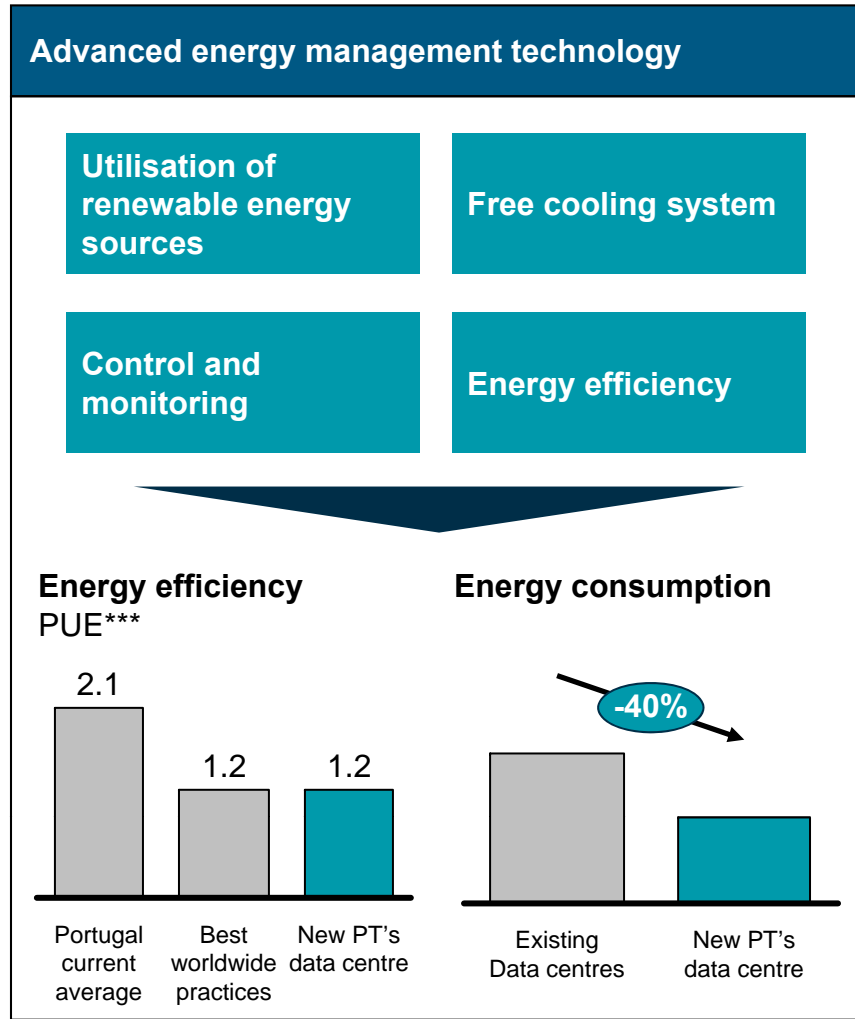
PT is leveraging technological know-how and infrastructure to strengthen its ICT offering and innovation leadership



* Server areas only i.e. Excludes technical and office areas

** Depends on relocation of already installed capacity

*** Power Usage Effectiveness: Total energy consumed by actual energy spend in the equipment

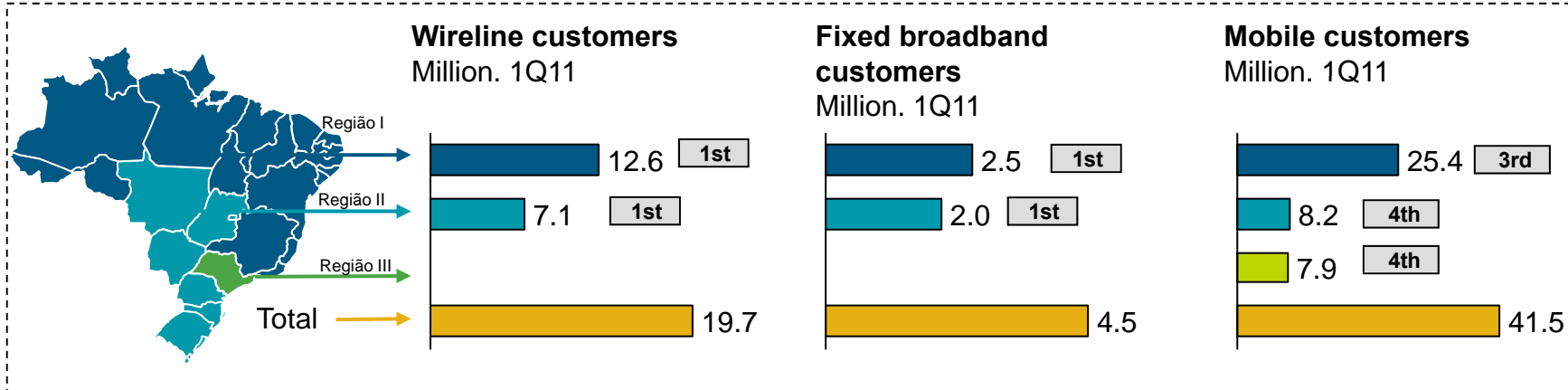




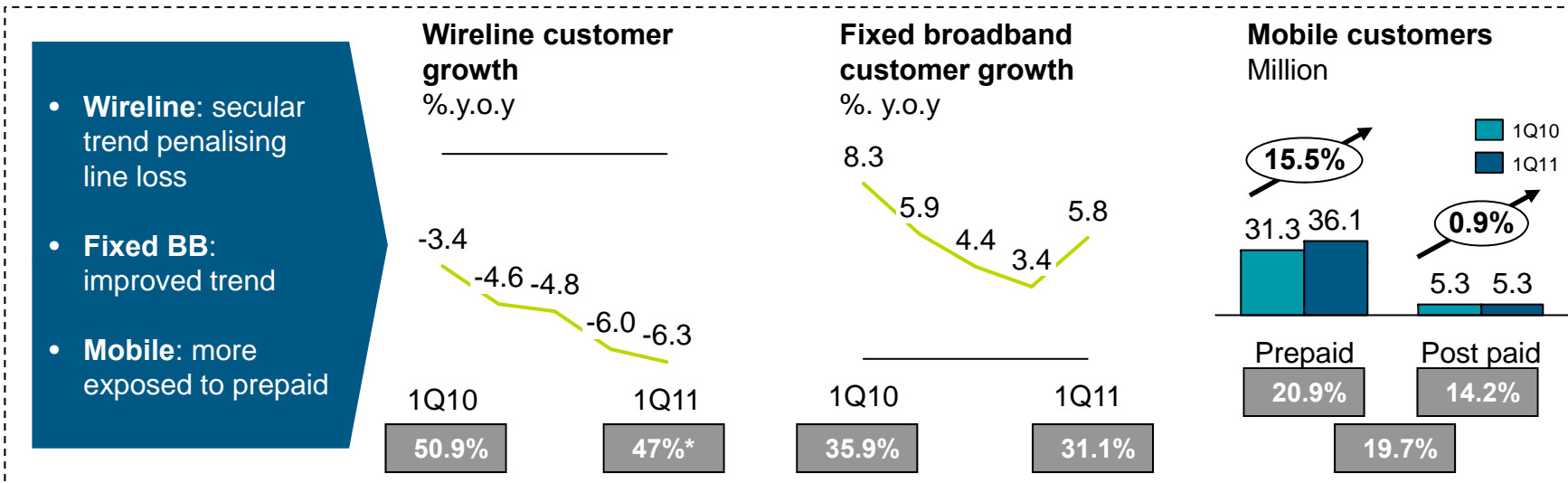
Oi has a significant opportunity as an integrated telco, but competitive dynamics are challenging

□ Ranking
 ■ Market shares

Wide and strong presence in Brazil...



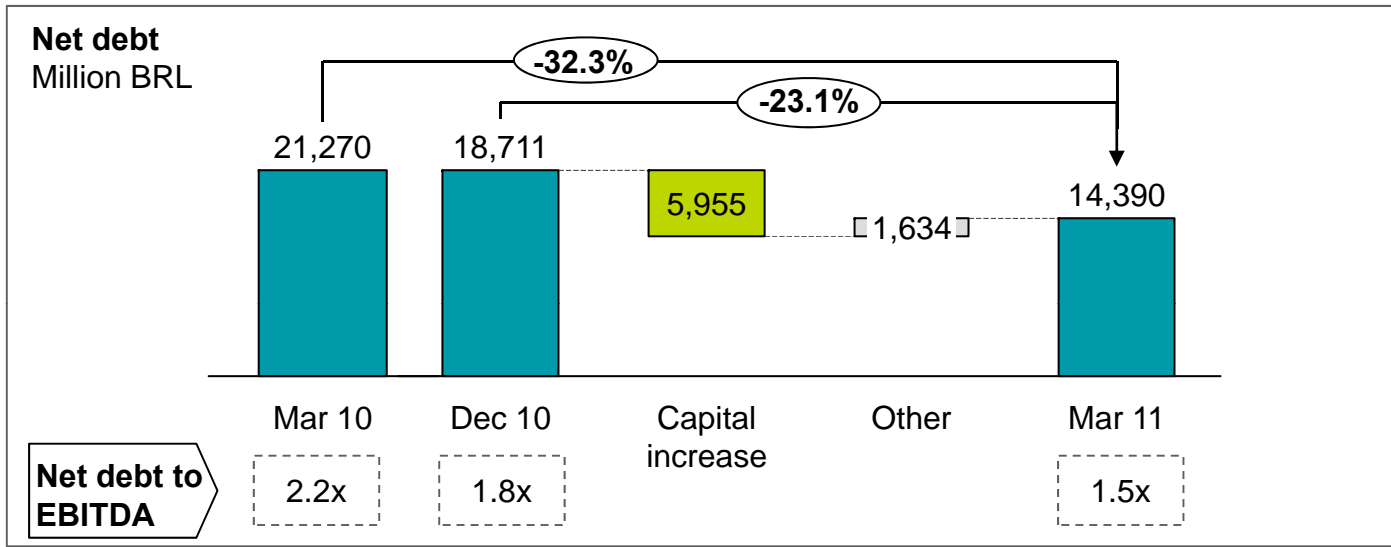
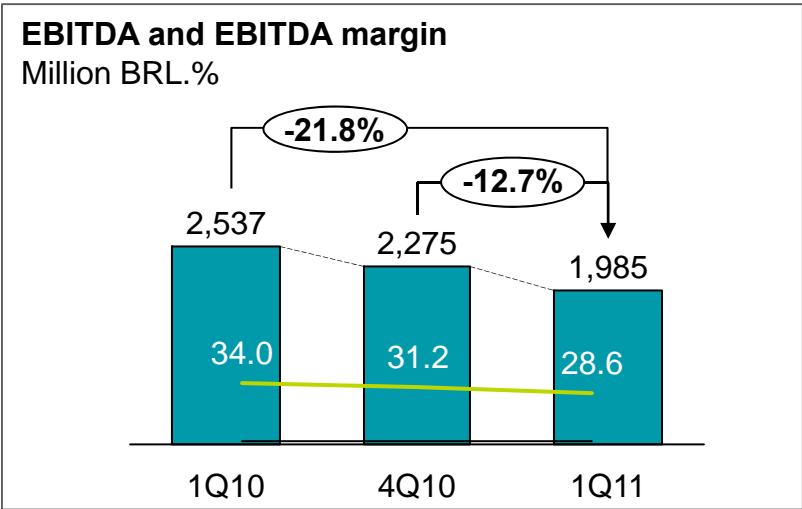
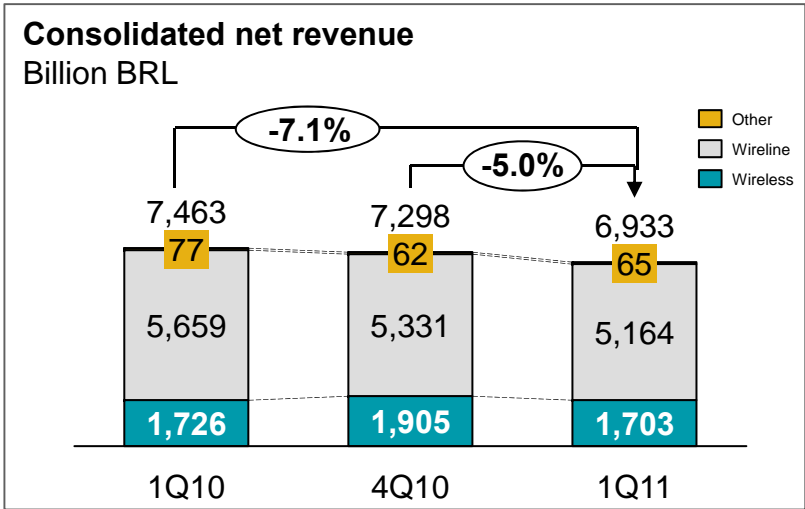
... which is reflecting challenging market dynamics



*Estimated
 Source: Teleco; Companies reports; Anatel



Oi's financials reflect challenging market dynamics, although improved financial position should allow higher commercial flexibility

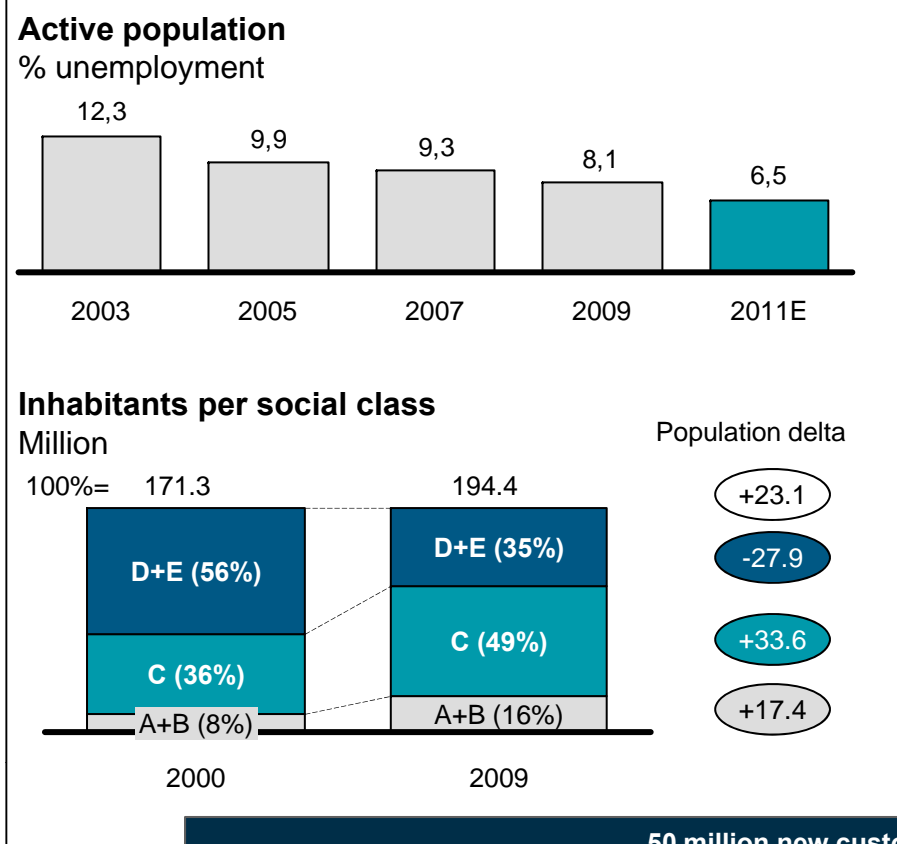


Source: Oi's 1Q11 press release and presentation

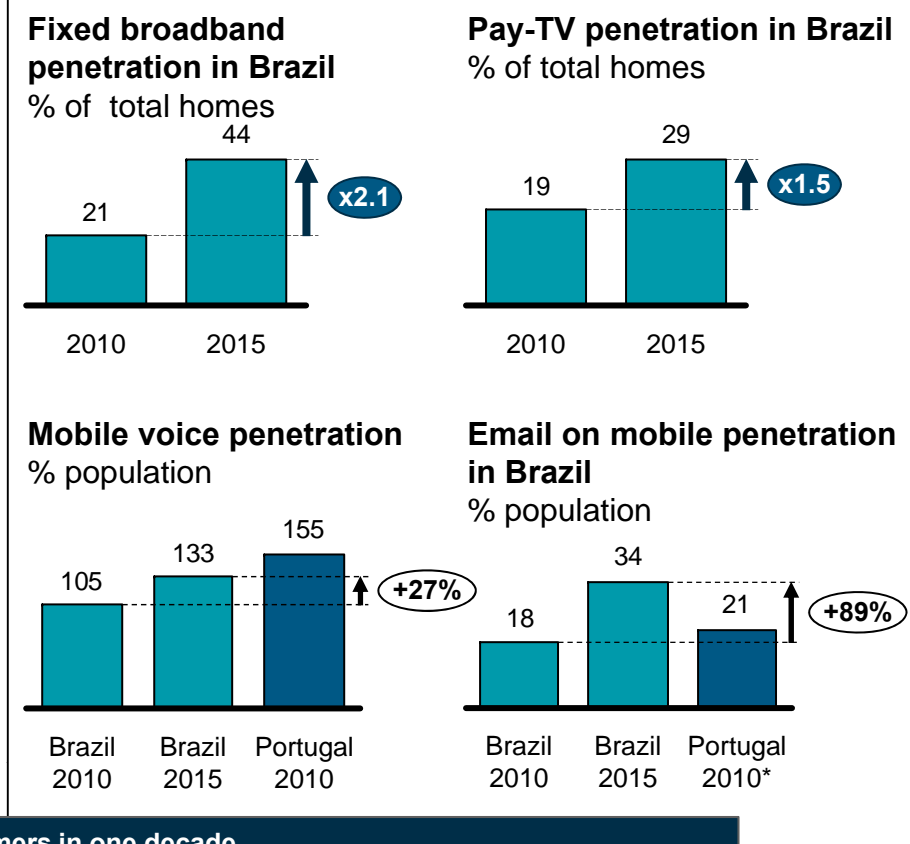


Brazil continues to offer significant growth opportunities

Lower unemployment and income growth and redistribution...



... should improve growth opportunities



50 million new customers in one decade

- 30 million are no longer poor
- Demographic growth added other 20 million

* 3G services users excluding connection trough dongle/modem
 Note: Monthly average for social class: A and B (R\$4.591+), C (R\$1.064-4.591), D (R\$768-1.064) and E (R\$0-768)
 Source: National regulators; Pyramid; IBGE, Bacen e Cetelem (2009)



PT's solid track record to strengthen further Oi's competitive position

Next generation networks



- Leadership in speed and **FTTH** penetration
- LTE live trials

Mobile data



- **Mobile broadband** penetration of 16% of population (second place in a European ranking)
- Leadership in the **smartphone** offering



- **Turnaround** of secular wireline trends
- Experienced and innovative pay-TV offering

- **Convergent** offers of IT/IS
- **Cloud solutions** for SMEs and Corporates

Wireline business turnaround



Convergent enterprise offers

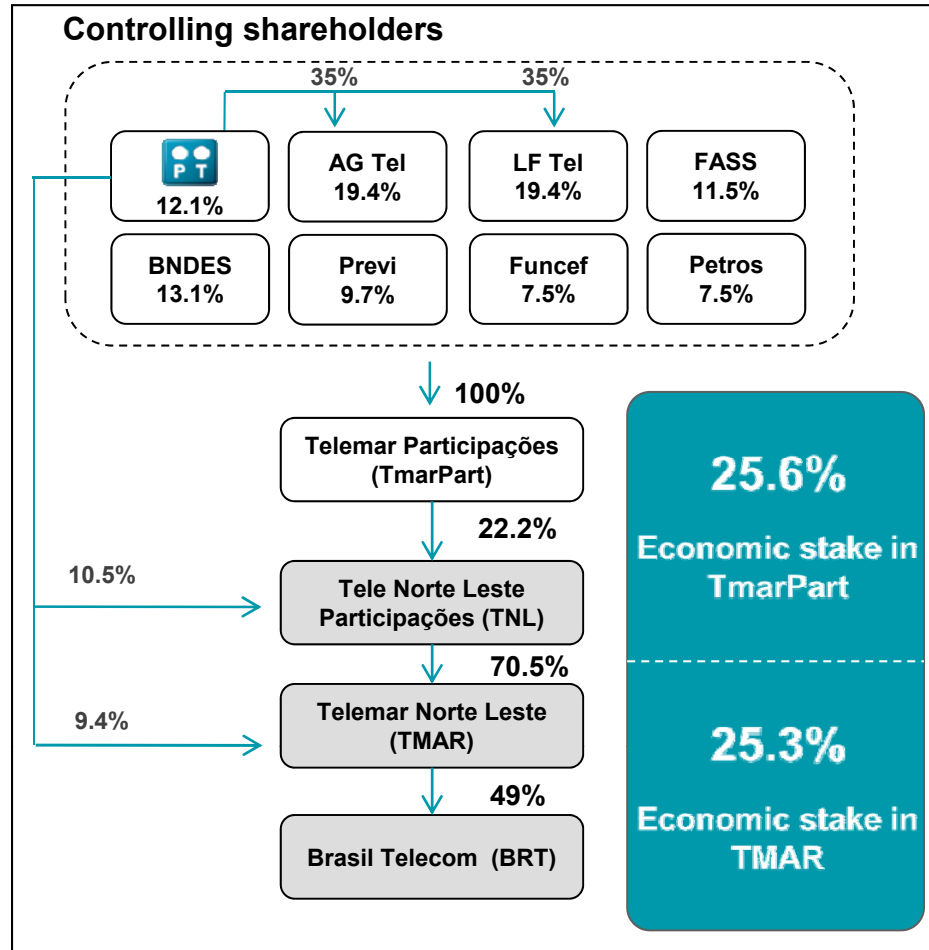




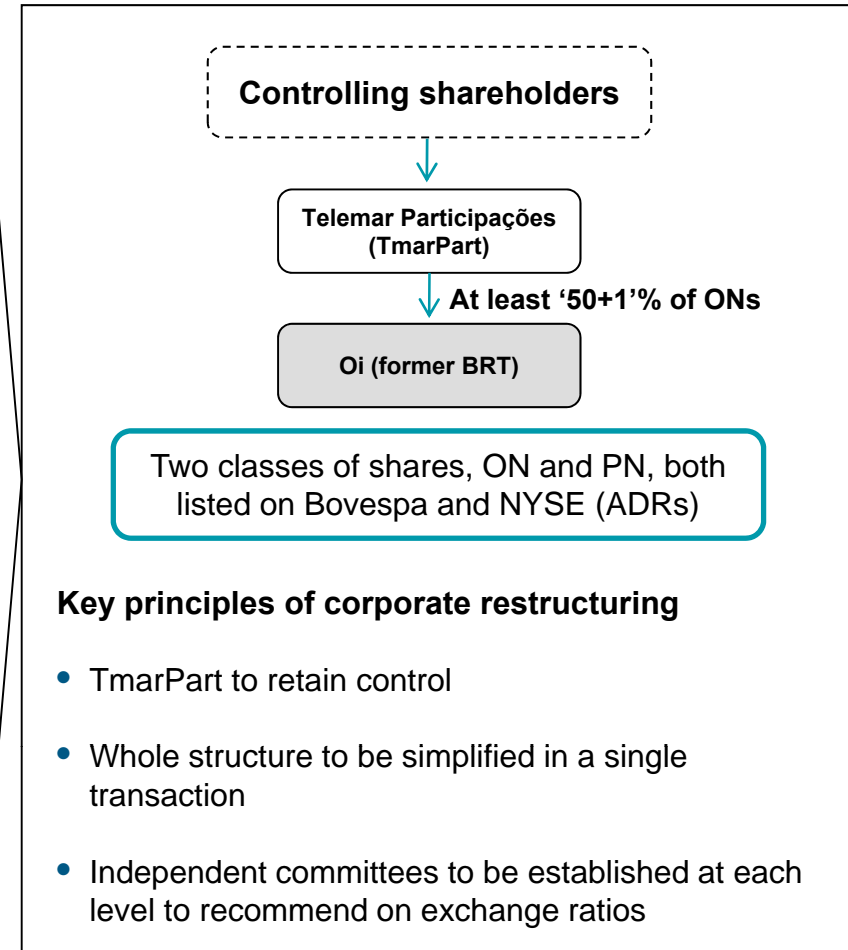
Simplification of Oi's corporate structure follows completion of strategic partnership between PT and Oi

 Listed companies

Current simplified Oi shareholder structure















Pro forma simplified Oi shareholder structure





Marketing campaigns aimed at increasing penetration and boosting usage

Africa	Angola (Unitel) 	Free onnet 10 minutes for each 2 minutes charged	Campaigns launch to increase data and mobile internet usage	Specific data roaming promotions	
	Namibia (MTC) 	Happy Hour special promotion on Netman broadband offer	BlackBerry smartphones packages to prepaid and postpaid segments	Aweh flat rate price plan with free calls and sms to all networks	
	Cape Verde (CVT) 	Recharges promotions with money offer multiple draws	Keyboard handset special and free SMS offer to increase Data/SMS usage and revenue	TV channels bundle offer to increase market penetration	
	São Tomé (CST) 	Corporate brand and point-of-sale revamp with multiple celebration specials	Maintenance on promotion based on airtime bonuses for the main top-ups	Prepaid handset specials to increase customer retention	
ROW	Timor (TT) 	Electronic top-ups promotions with free airtime as well as SMS campaigns	Sapo Internet portal and prepaid mobile internet commercial consolidation	500,000 customer celebration with various offers and campaigns	
	Macau (CTM) 	Japan destination price reduction up to 85% to support Japan disaster	Introduction of new top-up activation offers to simulate the prepaid market	Continued to push mobile broadband growth by launching a series of new plans	



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