Portugal Telecom

Results Presentation

First Quarter 2009

14 May 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.

Agenda

1Q09 Highlights

Operational review

Financial review

FTTH strategy

Solid 1Q09 results

Financial highlights

Euro million

	1Q09	Δ% y.o.y
Operating revenues	1,604	2.1%
EBITDA *	603	-0.6%
Net income	166	19.1%
EPS (cents)	19	31.1%
Capex	224	57.1%
Net debt	5,741	20.4%
After-tax unfunded post retirement obligations	1,368	45.2%

* EBITDA = income from operations + post retirement benefits + depreciation and amortisation.

Solid operating trends

Operating highlights

Thousand

	1Q09	∆% y.o.y
Customers	72,286	27.6%
Wireline retail accesses (RGUs)	3,949	8.3%
Retail ADSL customers	752	17.3%
Pay-TV customers	384	nm
TMN customers	6,959	9.3%
Data as pct of service revenues (Pct)	22.7	4.0pp
Vivo customers	45,641	33.0%
Data as pct of service revenues (Pct)	12.1	1.6pp
Customers of other international assets	15.7	27.8%

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Overview of 1Q09 performance

Domestic market

- ✓Sustained inflection of wireline RGU and revenue trends on the back of Meo's success
- ✓Achieved the inflection point in wireline retail revenues
- ✓Continued growth in the corporate market
- ✓Wireless broadband fuelling growth at TMN, despite MTRs impact
- ✓Focus on costs leads to a mobile EBITDA margin expansion

Brazilian market

- ✓National coverage using GSM and 3G
- ✓Customer base of 45.6 million
- ✓30% market share, reaffirming leadership in the Brazilian market
- ✓Solid and balanced results lead to increased profitability

African market

- ✓Leadership in all markets
- ✓Strong operational growth
- ✓Strong financial results
- ✓Increased repatriation of capital to occur in 2009

PT's pay TV strategy is based on four key attributes

Innovative offer	Interactive services (based on DVR, EPG and true VoD), HD ready STB and an offer with more than 110 TV channels
Multi-platform strategy with 100% coverage	Availability of a multi-platform pay-TV offer in the television, mobile and PC ensuring a seamless and complete user experience
Unrivalled field force and distribution network	Leverage on a nation-wide distribution coverage (fixed and mobile) and on skilled and national installation and maintenance field forces
Disruptive communication	Meo brand with unprecedented proved ad recall

Meo is a reference within the European landscape

	Additional monthly penetration in DSL customer base Percentage points 1Q09**	Months since launch*/**	Percentage of ADSL customers with TV service Percent. 1Q09**
Portugal Telecom	4.3	12	51
Teliasonera	1.7	17	29
KPN	0.9	35	33
Belgacom	0.8	66	56
France Telecom	0.4	63	25
British Telecom	0.3	25	9
Telefonica	0.2	46	11
Swisscom	0.3	29	8
Telecom Italia	0.1	40	5

> Meo customers represent more than 50% of PT's ADSL customers in March 2009, up from 7% in 1Q08

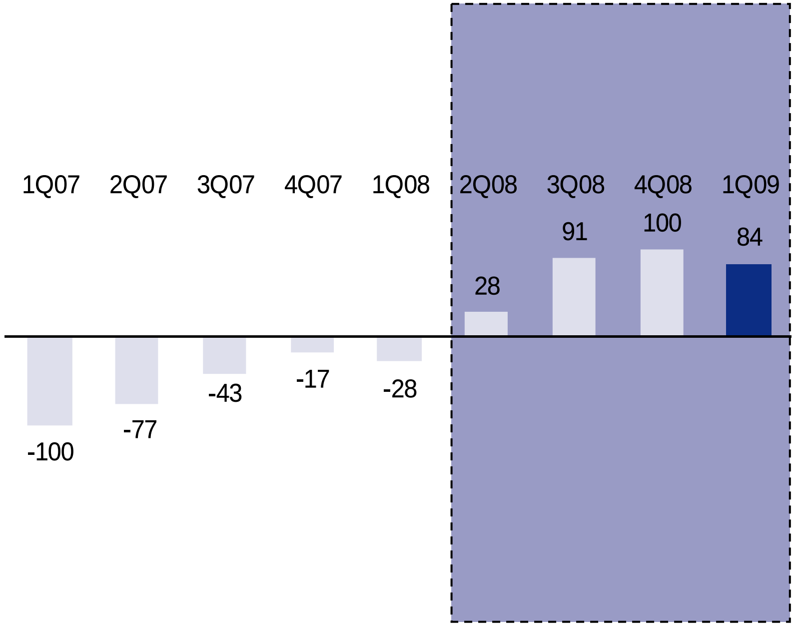
> PT with a best-in-class performance in pay-TV reaching the highest penetration in the ADSL customer base per month since its launch, amongst its peer group

* PT: 4/2008 (re-launch with initial launch on June 07); Belgacom: 07/2003; TLSN: 11/2007; KPN: 05/2006; FT: N.d.; TEF: 2004 (assuming launch in the middle of the year); Swisscom: 11/2006; BT: 12/2006; TI: 12/2005

** Belgacom and BT 4Q08

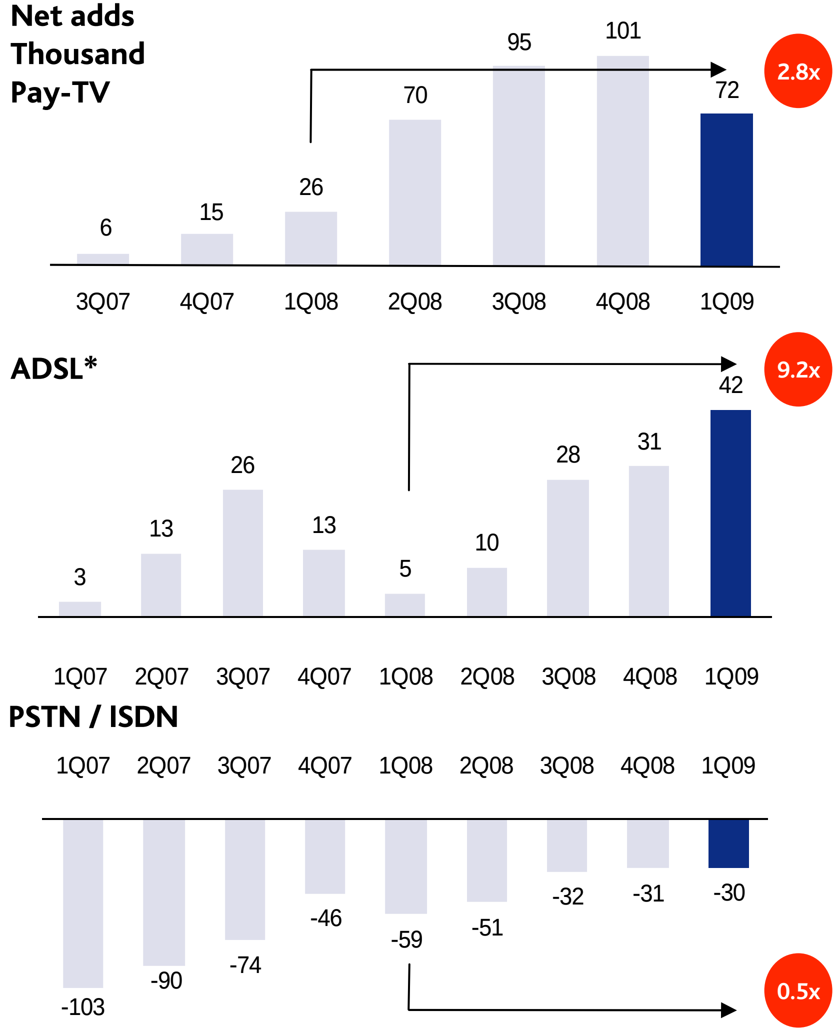
Source: annual reports; *Press Clippings*

A proven track record in 3Play



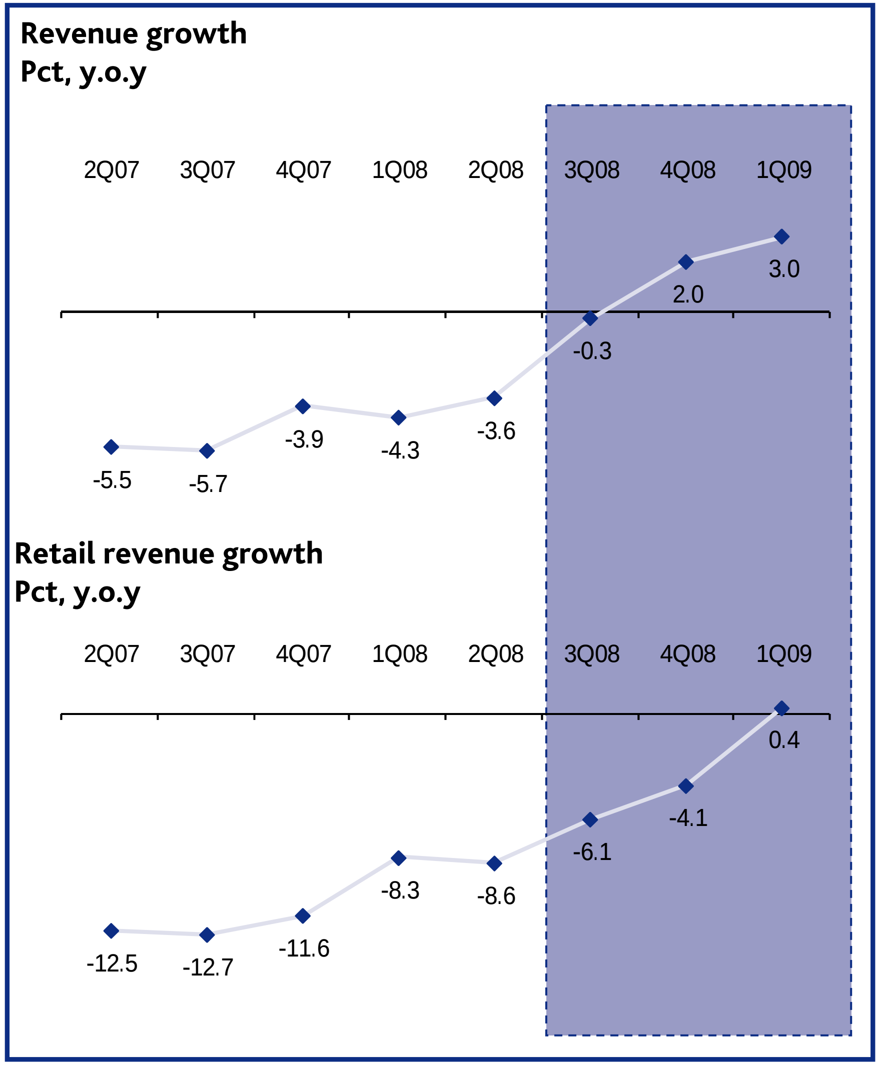
> ~60% of Meo IPTV gross adds are new customers to PT

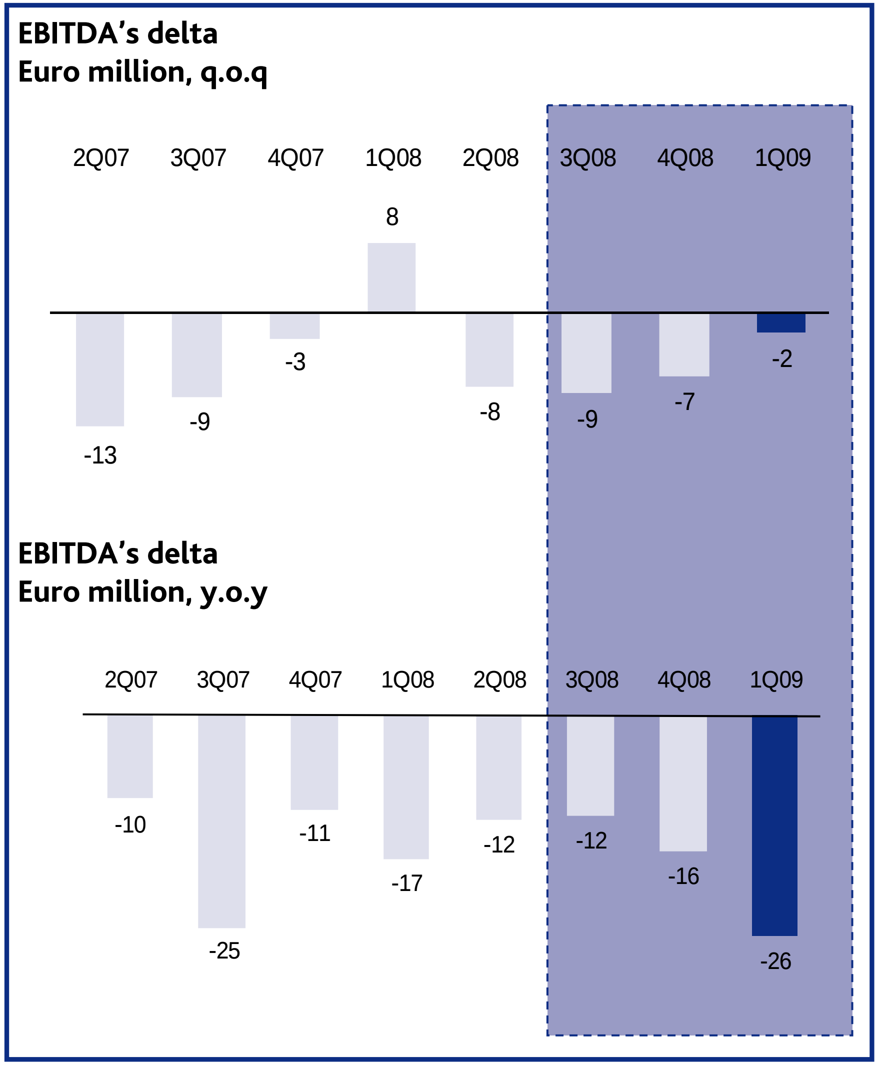
> Meo, as the key factor in regaining market share in broadband and reduce churn in fixed-line



* Excluding the impact of the database cleanup in 4Q07 of 103 thousand inactive pre-paid customers

Sustained reversal of revenue performance and sequential improvement in wireline EBITDA trends





TMN's strong investment in wireless broadband placed Portugal in European leadership

Strong wireless broadband offer

7.2 Mbps download

> Speeds of up 7.2 Mbps for download and 1.4 Mbps for upload
> First pilot project worldwide based on HSPA+* that makes available speeds of up to 21 Mbps

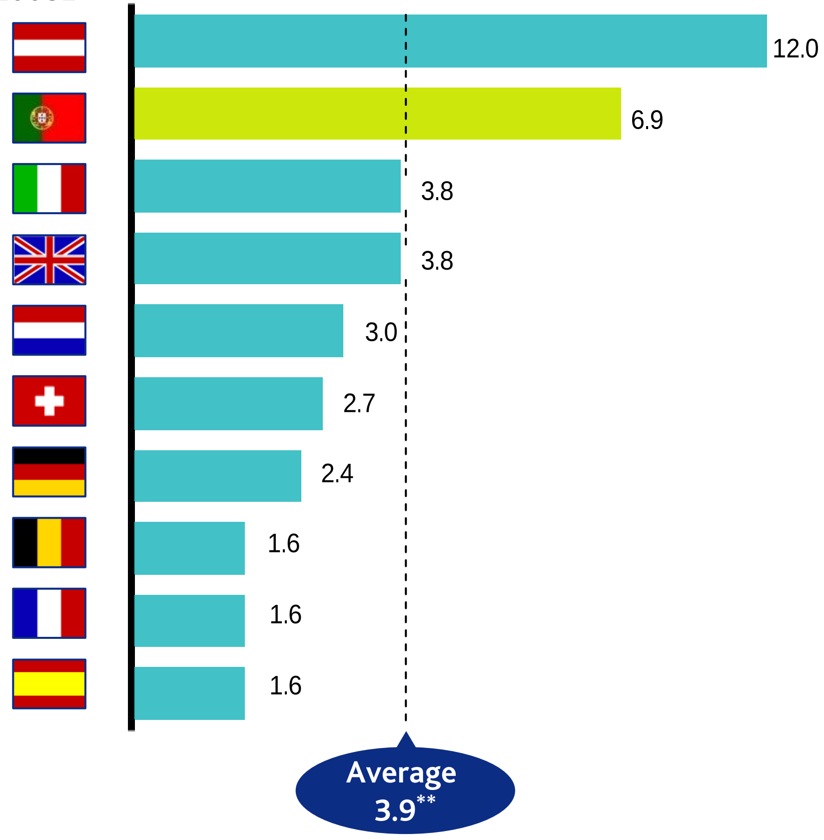
90% 3G coverage

> More than 90% of 3G coverage (population)
> Strong quality of coverage in circa 97% of urban areas

Best 3G coverage

According to Anacom:
>TMN with the best 3G coverage and best 3G service throughout the country
> TMN with the best wireless broadband performance and reliability

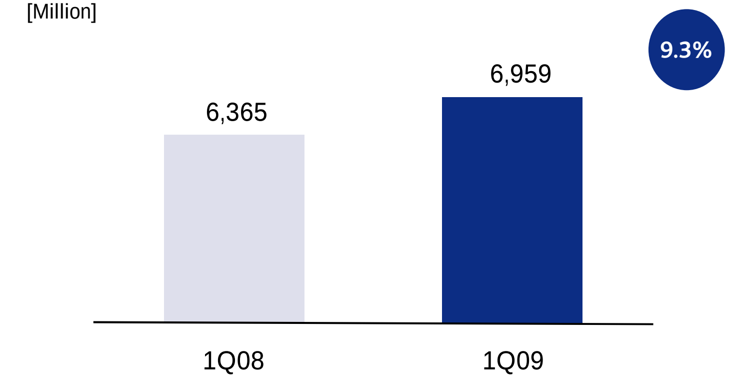
Percent of population holding a mobile broadband data card 2008E



* High Speed Package Access
**10 countries (Spain, France, Belgium, Germany, Switzerland, Netherlands, United Kingdom, Italy, Portugal and Austria)
Source: Pyramid; Yankee Group

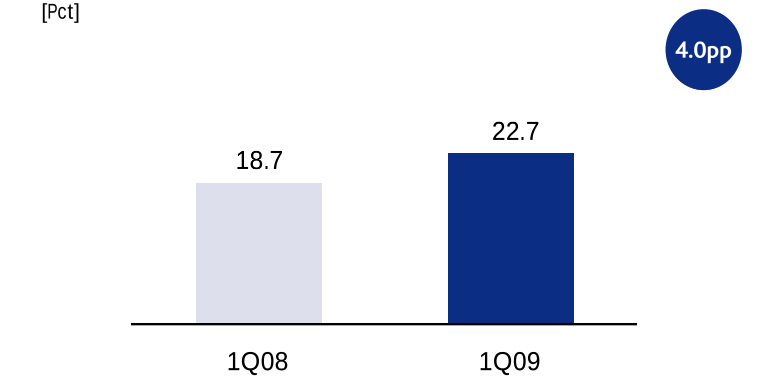
Resilient growth at TMN

Total customers
[Million]



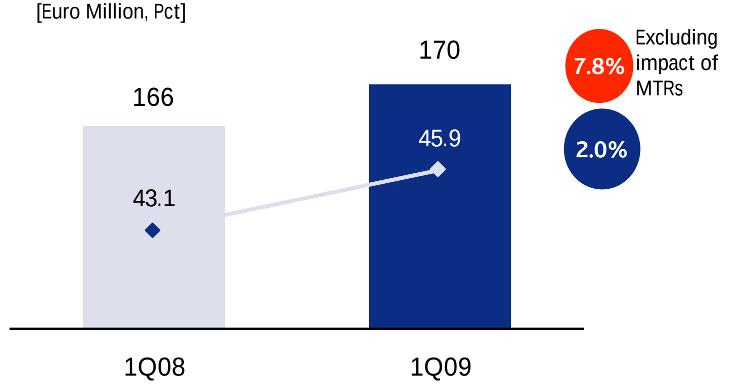
Customer growth underpinned by wireless broadband

Data as a % of service revenues
[Pct]



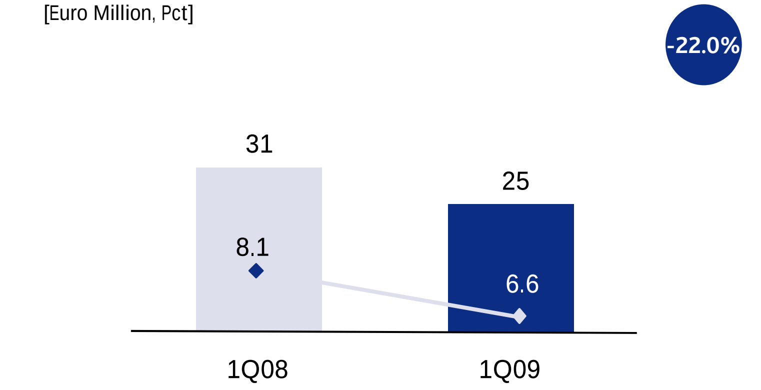
Non-SMS services account for around 57% of total data service revenues

EBITDA and EBITDA margin
[Euro Million, Pct]



Performance achieved on the back of strict cost control

Capex and Capex as a % of revenues
[Euro Million, Pct]



Quality of network and service and recent investments allow for a capex reduction

Vivo's turnaround concluded and delivering solid results

Turnaround consolidated

- **Efficiency: reorganisation process concluded**
- **Network quality: acquisition of 1,9 Mhz frequencies and 3G licenses**
- **National coverage: acquisition of Telemig Celular**
- **Focus on Client: customised actions for each customer segment**

Exame Award "Virada Empresarial do Ano"

Strong operational and financial performance:

> **696k net adds**

> **30% market share**

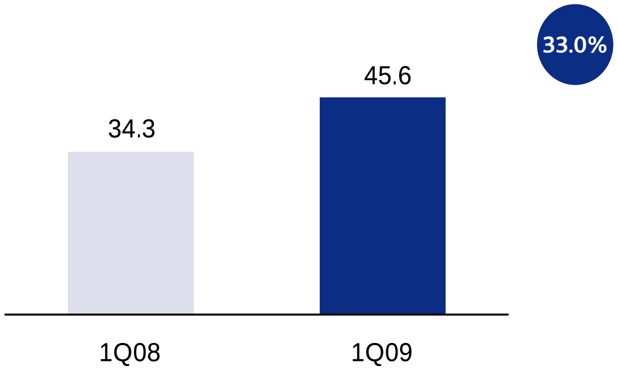
> **Gain in revenue market share**

> **Margins increasing**

> **Vivo best positioned to navigate in current market conditions**

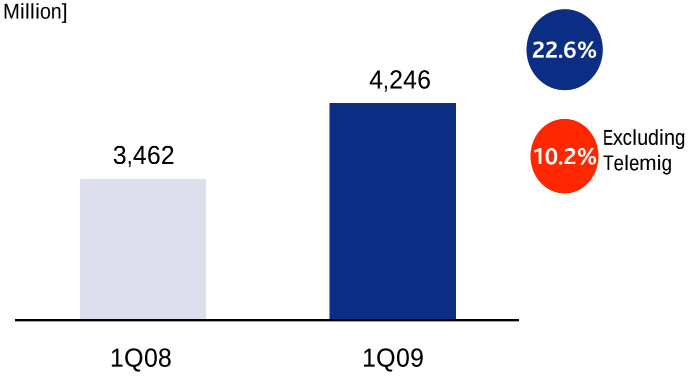
Balanced and resilient performance at Vivo

Total customers
[Million]



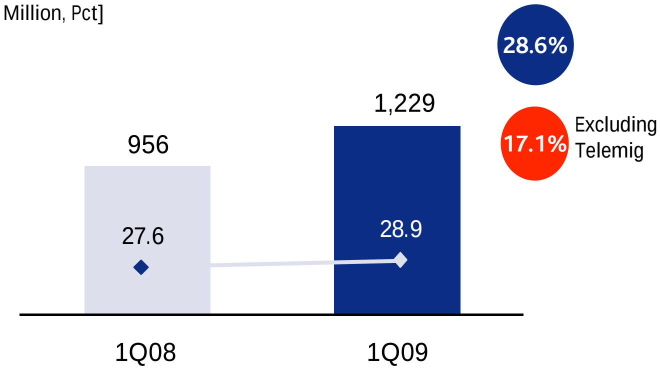
In March 2009, Vivo has 30% of market share

Revenues
[R$ Million]



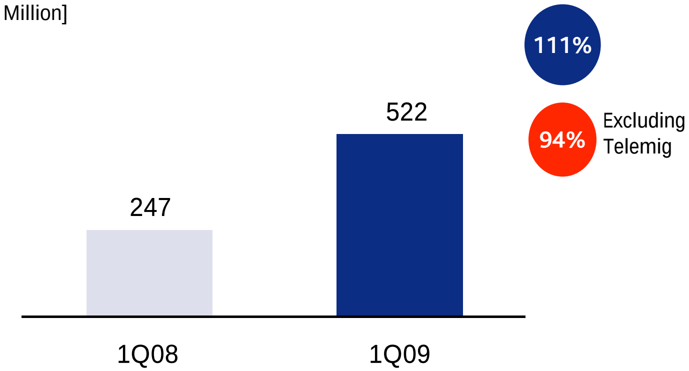
Revenue growth underpinned by strong growth in customers and in data services

EBITDA and EBITDA margin
[R$ Million, Pct]



EBITDA margin increased 1.3pp y.o.y to 28.9%, on the back of revenue growth and cost control

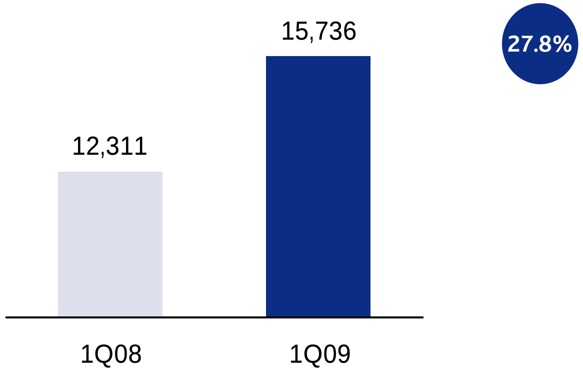
Capex
[R$ Million]



Expanding network coverage, increasing capacity and enhancing quality

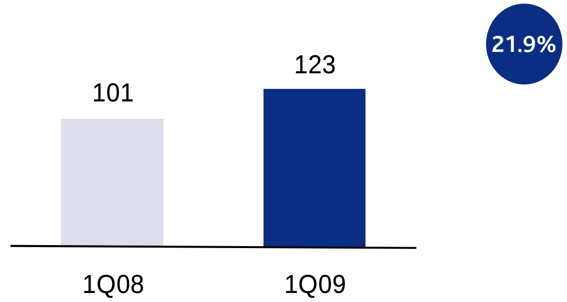
International footprint providing considerable growth

Customers
[Thousand]



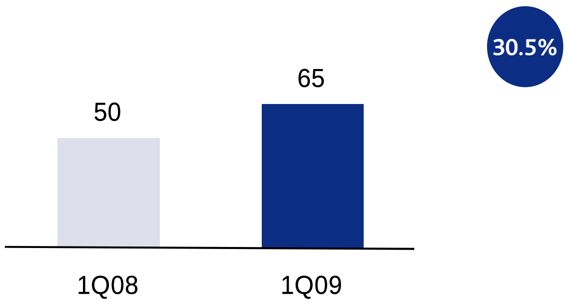
Unitel's customer base increased by 37.7% y.o.y, whilst Médi Telecom's increased by 21.7%

Revenues*
[Euro Million]



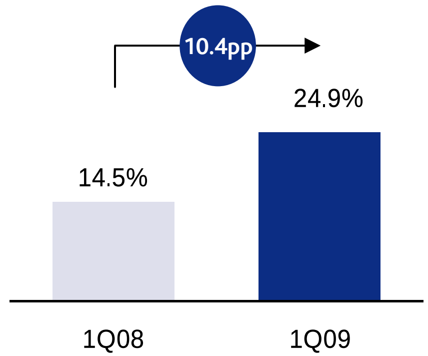
Strong growth notwithstanding the devaluation of the Namibian Dollar

EBITDA*
[Euro Million]



Strong growth notwithstanding the devaluation of the Namibian Dollar

Contribution to net income
100% = Euro 166 million



Increased contribution of international assets to net income

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

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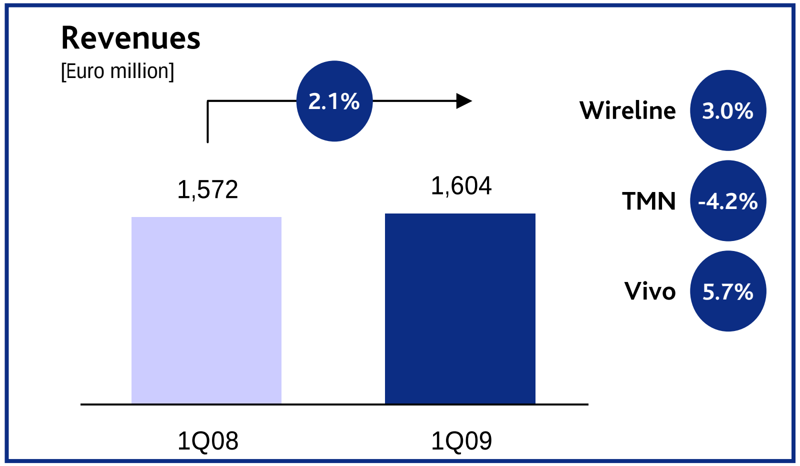
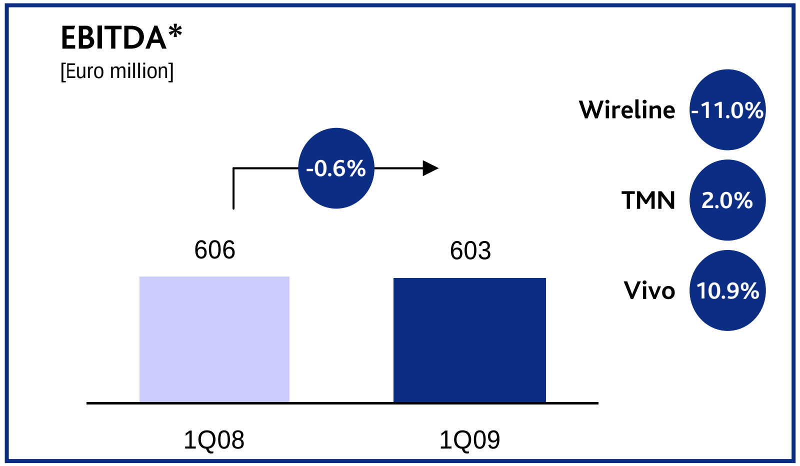
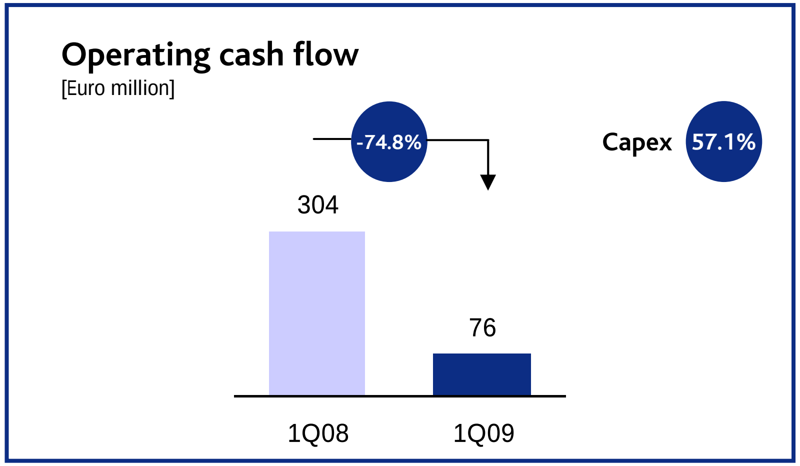
Growth underpinned by Vivo and wireline's turnaround



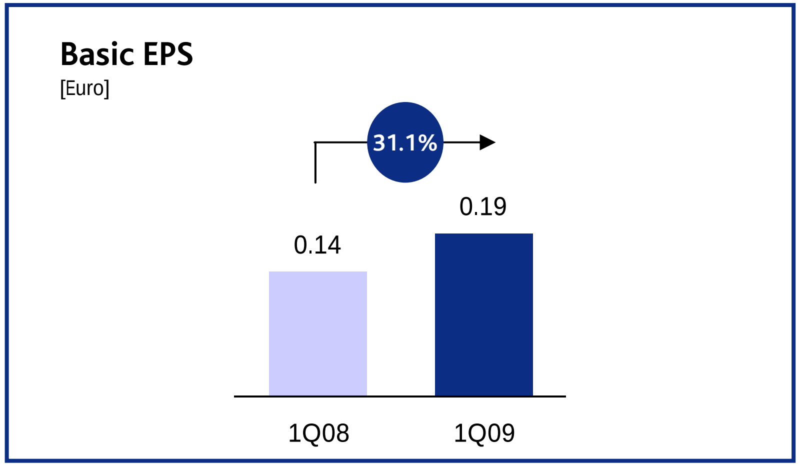
Revenue performance underpinned by Vivo and wireline



EBITDA performance impacted by wireline growth efforts



Operating cash flow reflecting investment in growth, namely at Vivo and wireline

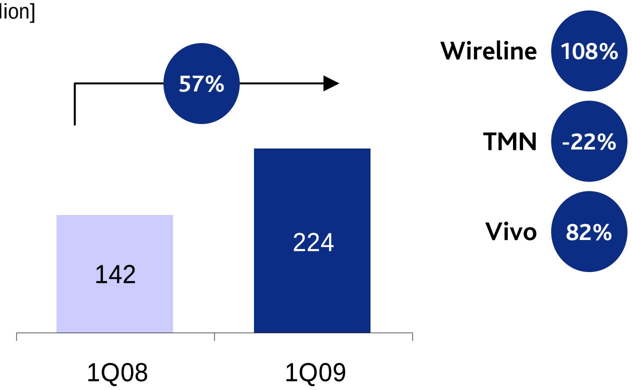


EPS growth with improved momentum

* EBITDA = income from operations + post retirement benefits + depreciation and amortisation.

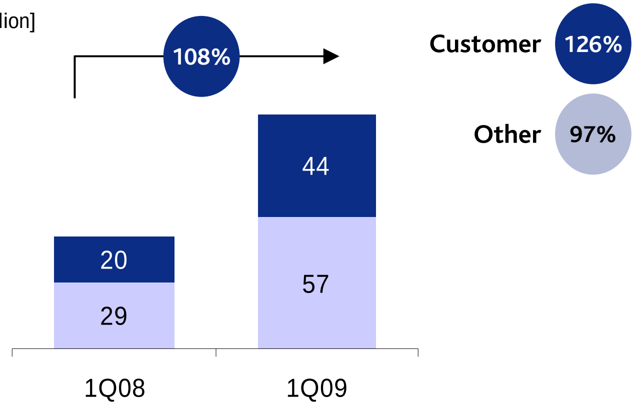
Capex reflecting investment in growth

Consolidated capex
[Euro million]



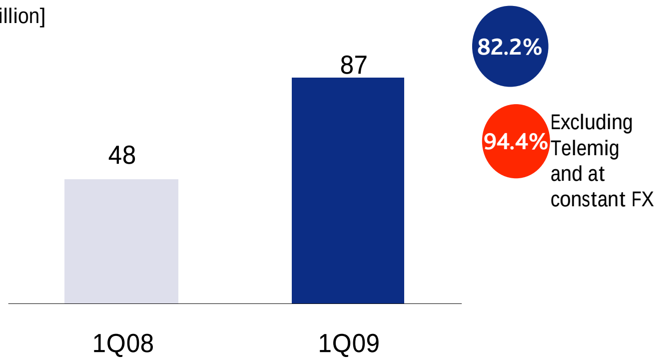
Capex increase is primarily due to Vivo and wireline

Wireline
[Euro million]



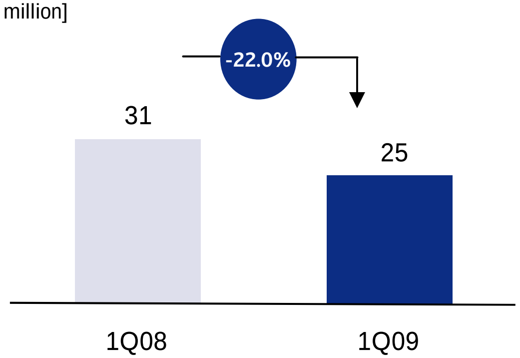
Increase in wireline's capex is driven mainly by customer growth and includes NGN

Vivo
[Euro million]



Vivo's capex reflects consolidation of Telemig, 3G coverage and service launch in Northeast

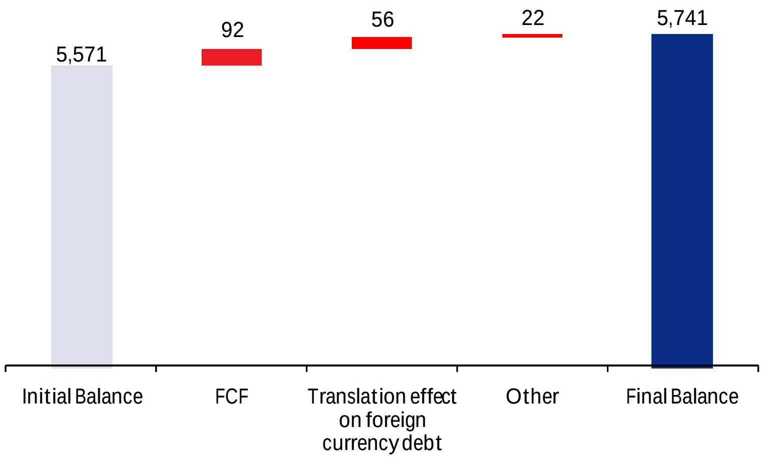
TMN
[Euro million]



Quality of network and service and recent investments allow for a capex reduction

Net debt profile

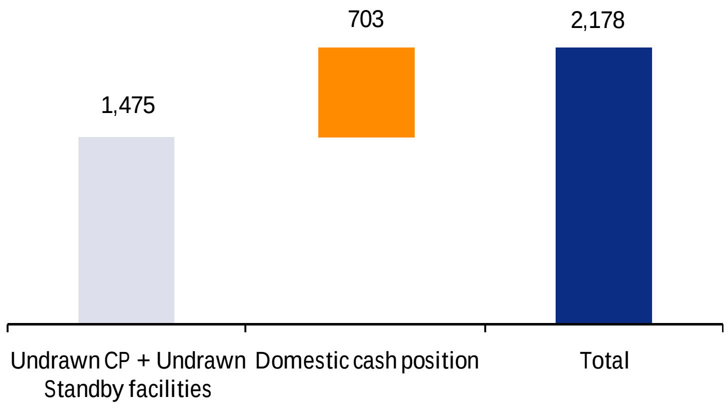
Net debt 1Q09
[Euro million]



			Maturity		
Avg. Cost of Debt	5.1%	5.5%	Maturity	4.8	5.1
- Ex. Brazil	4.1%	4.5%	- Ex. Brazil	4.8	5.2

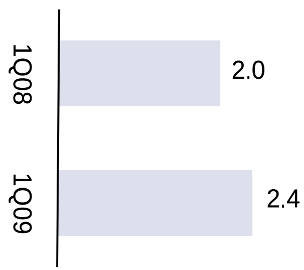
Attractive cost and adequate maturities, namely after Euro 1 billion issue

Undrawn CP + Undrawn standby lines + Cash in Portugal
[31 March 2009, Euro million]



Interest cover

Net debt to EBITDA



Comfortable funding position and solid balance sheet structure

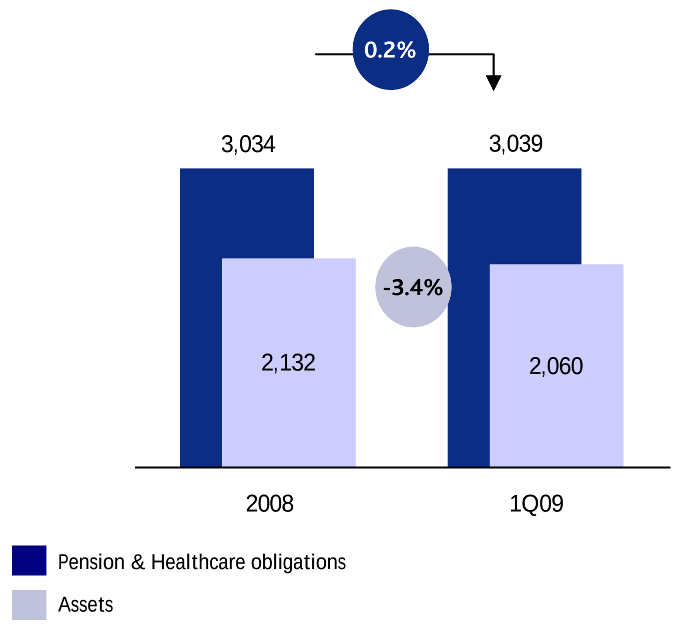
PT's estimate for FY09.

As at 31 March 2009, adjusted for the payment of the dividend, repayment of Euro 880 million eurobond and issuance of a Euro 1 billion eurobond

Unfunded pension obligations impacted by capital markets

Pension & healthcare obligations and assets

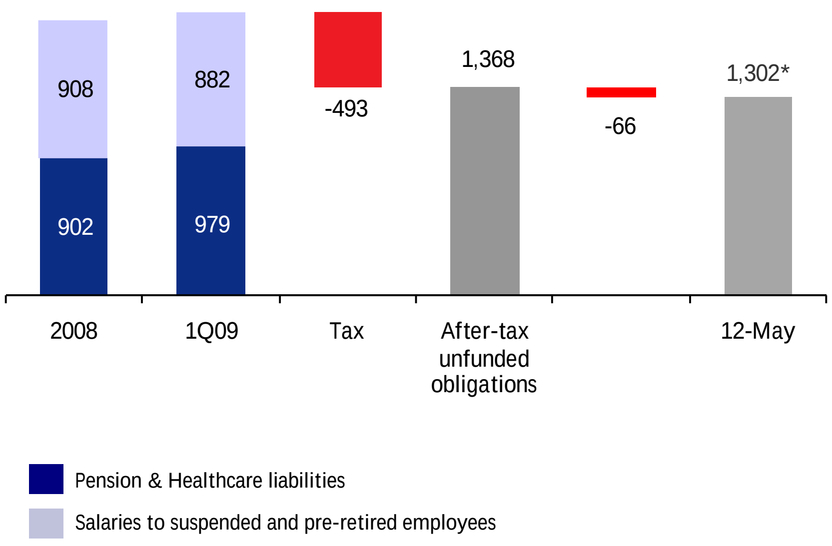
[Euro million]



Pension and health care obligations have remained broadly stable

Total after-tax unfunded obligations

[Euro million]



Unfunded obligation reflect the performance of the markets, having improved in recent weeks

* Pro-forma considering return on assets at 12 May 2009

Agenda

Main objectives of fibre investment

Become market leader in TV and regain market share in broadband

Capture additional revenue sources in the residential, SME and corporate segments of the market

Improve quality and reliability of service to increase customer loyalty and reduce customer care costs

Develop a future proof network solution that reduces level of customer equipment

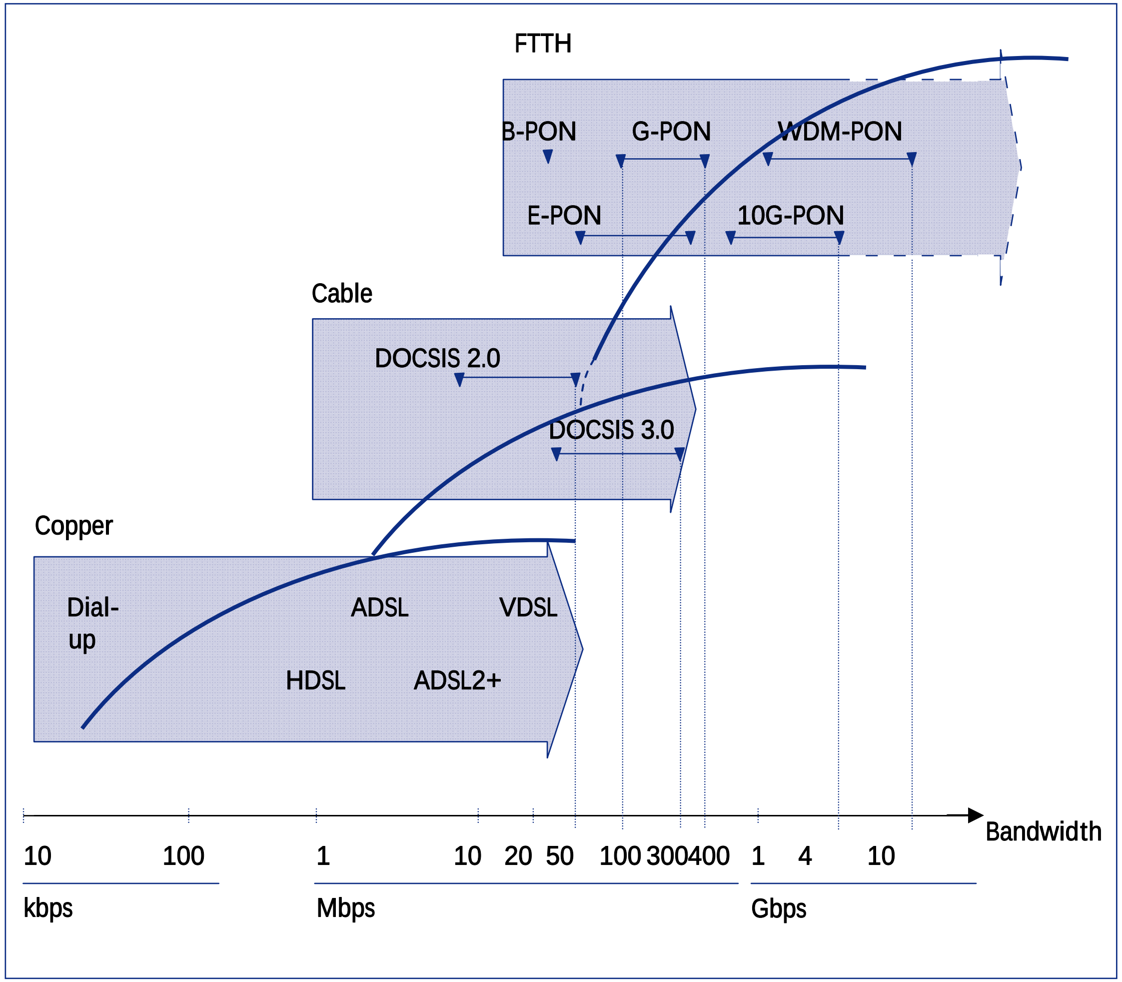
Regulation should incentivise investments in NGN

Fibre is the only infrastructure that can offer a structural solution for bandwidth demand in the medium / long term

There are three main broadband fixed access technologies...

	Description	Year of commercial launch
xDSL	Digital transmission over a telephone line (copper pair), using the band not used by the fixed telephony service	1993
DOCSIS*	Data transmission over a cable network, allowing transmission of data services	1997
FTTx	Optical fibre network that replaces part or all copper network, FTTN, FTT and FTTH	1999

...and the fibre platform is the one that offers the most significant upside



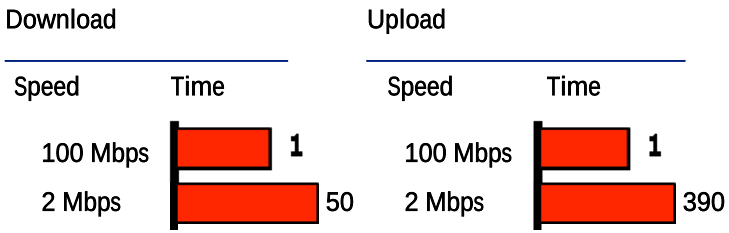
* Data Over Cable Service Interface Specification (DOCSIS)

Note: Max contention rate 10:1, assuming 50% penetration

Fibre will allow the provision of more advanced functionalities and services to address new segments of the market and meet customer demand

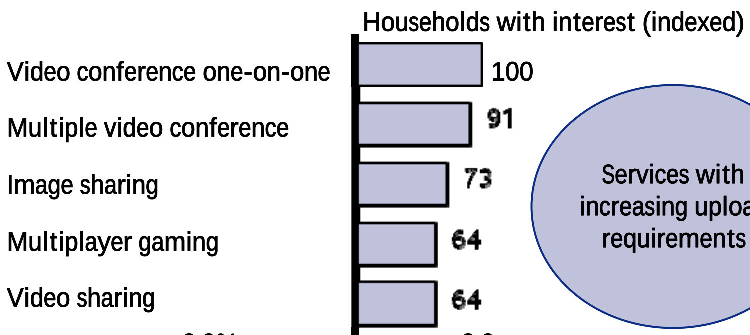
High speed Internet

Time required for the download/upload of a 1GB file. Indexed (1=1m20s)

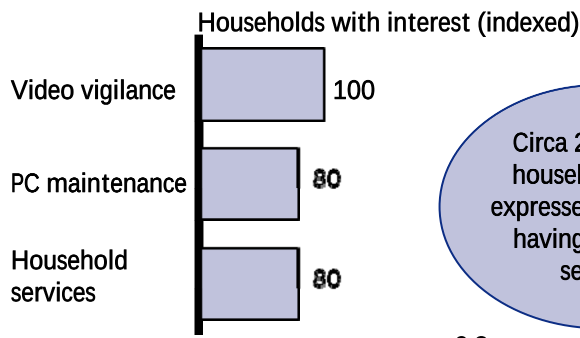


TV and advanced TV services

> Advanced TV characteristics like PVR, HDTV, time shift, multi-room, 3D TV with increasing importance in commercial offering



Services with increasing upload requirements



Circa 21% of US households have expressed interest in having domotics services

Advanced communication services

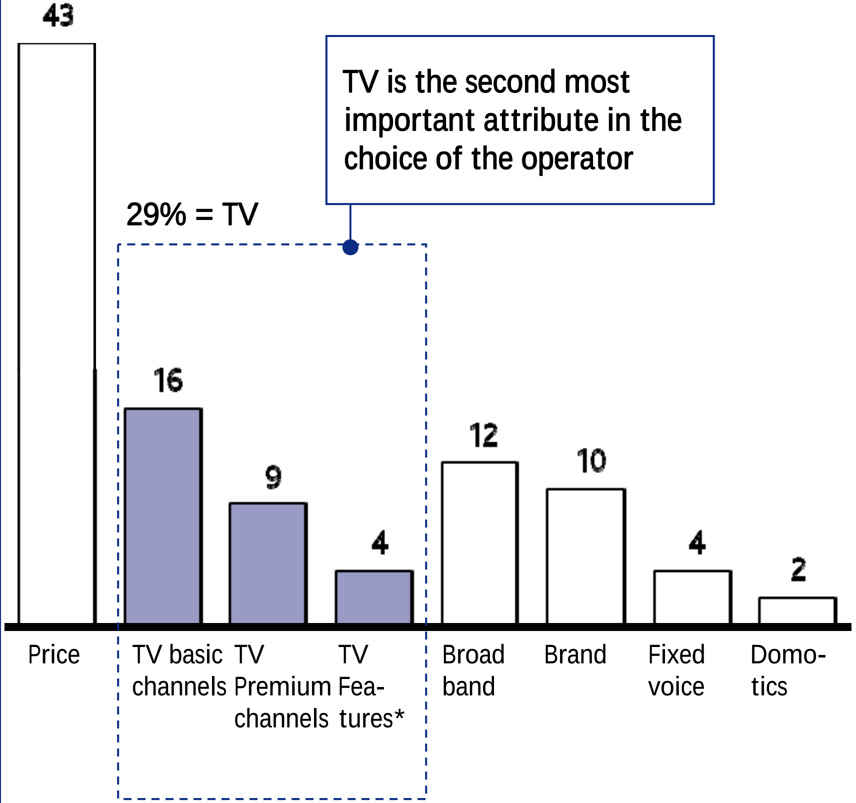
Household automation / management premium services

Source: Market Research Data; Europa 2008

TV is a differentiating factor in the Portuguese market, as proven by the success of Meo

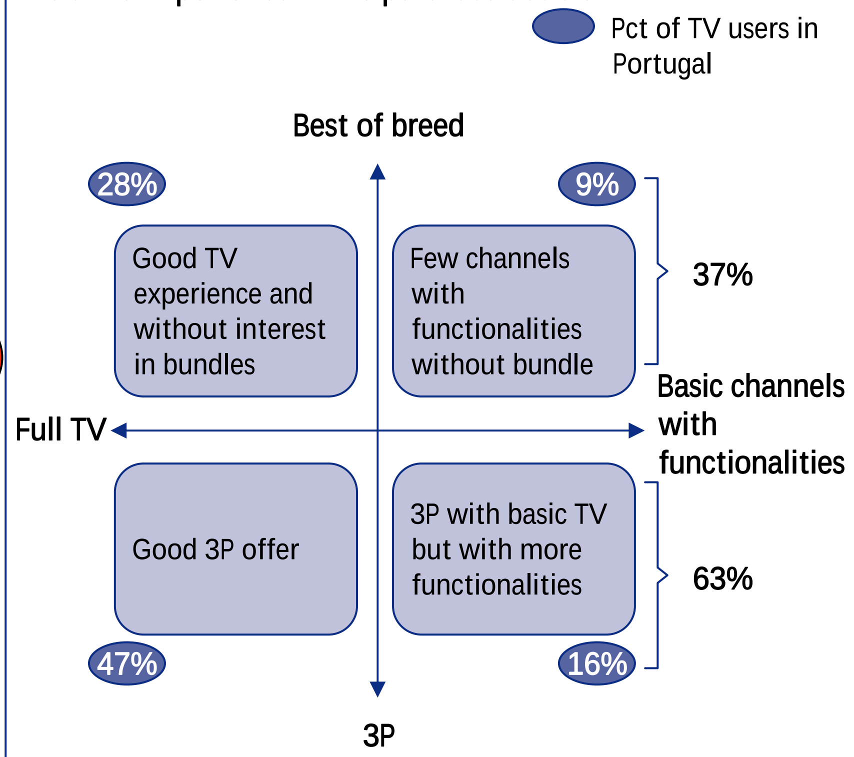
TV is a key attribute for the success in the Portuguese market

Relative importance of each attribute of the offer
Pct



Significant propensity for 3P offers

Relative importance in the purchase decision



* Includes advanced communication services

Source: Market study PRM; Screendigest Feb. 09; Market Research McKinsey Pan-European study (2007); PT's analysis

Anacom's recently published report and further statements support the view of a light regulation in fibre

	Obligations	Main households Million	Broadband Thousand	Number of central areas
Competitive areas*	▪ Main obligation is to provide access to ducts ▪ In the event there is no availability of ducts: ▪ Access to dark fibre ▪ Virtual unbundling / Advanced bitstream	1.65	977	184
Non-competitive areas	▪ Various obligations, dependant on prevailing conditions: ▪ Access to ducts ▪ Virtual unbundling / Advanced bitstream ▪ Access to dark fibre	1.92	624	1,669

Geographic localisation of competitive areas

* Central areas where there is at least a co-installed ULL operator and a cable operator and where the percentage of cabled households of the main cable operator in the area is at least 60%

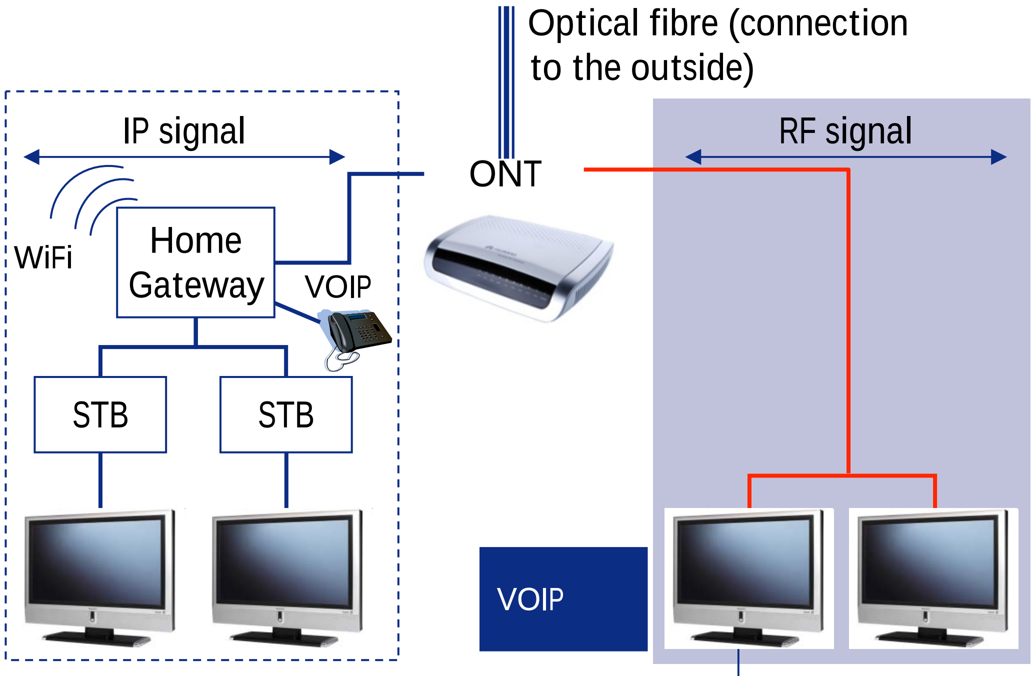
Source: Anacom; PT

Fibre investment should underpin future revenue growth as well as lower opex

1 Higher penetration and up sell potential	2 Higher addressable TV market	3 Superior QoS	4 Lower opex and capex
> Premium for higher bandwidth > Advanced services both for residential and corporate, namely SMEs	> Higher addressable market at a lower cost when compared with DSL technologies	> Superior QoS with the provision on all TVs in the household, thus allowing a key differentiator in the market	> Lower faults and maintenance costs as fibre is effectively a more robust technology
> Broader scope of offering with differentiation in upload and download speeds, functionalities and service level agreements	> Possibility to serve customers willing to have a higher number of TVs with or without set top boxes	> Lower number of malfunctions associated with set-up boxes	> Initial impact limited due to coexistence with the copper network > Lower number of set-up boxes

1/2 Fibre will offer higher quality compared to copper, allowing the service in more TV sets, higher speed and less investment in household equipment

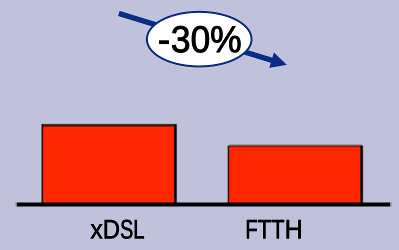
PT's selected fibre infrastructure eliminates the need of set-top boxes for each TV set …



> Transmission of a number of channels (up to 70) in a simultaneously broadcast model to all clients (in parallel with IP signal)
> ONT converts the fibre signal into analogue signal (RF) injected in the coaxial network and directly into TV sets

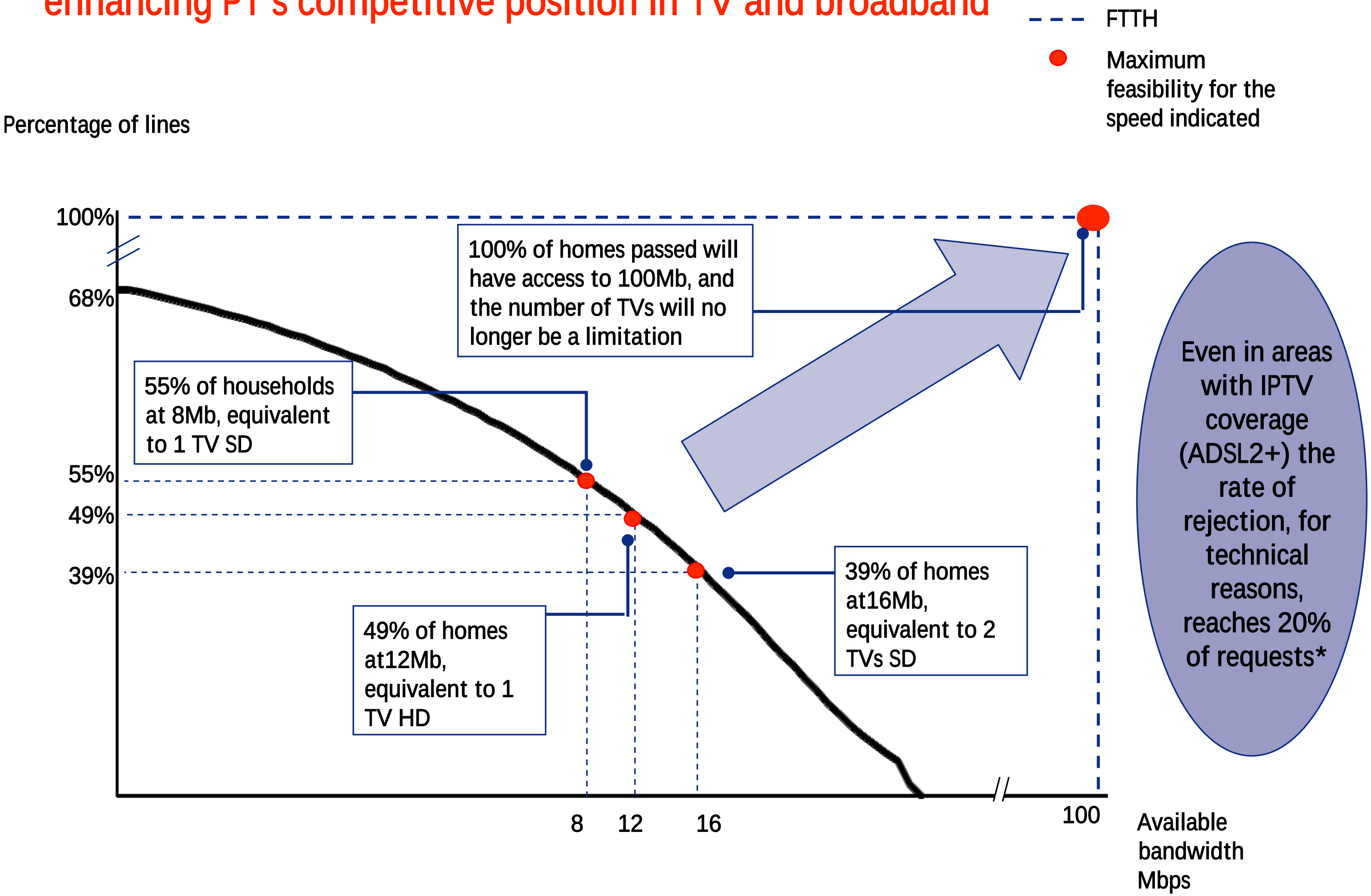
… favouring significantly the positioning vis-à-vis the competition from cable

> Elimination of limits on the number of TV sets per household
> Significant reduction of investment in customer acquisition due to lower number of set top boxes



> Simplification of the installation at home, possibly reflected in lower cost, by leveraging on the existing coaxial network
> Reduction of the IP bandwidth dedicated to TV streams allowing broadband offers of higher speed, more HD channels including 3D channel in the future and better QoS

❷ The fibre offer will increase the addressable market for Meo thus enhancing PT's competitive position in TV and broadband



* About 40% of total requests cancelled

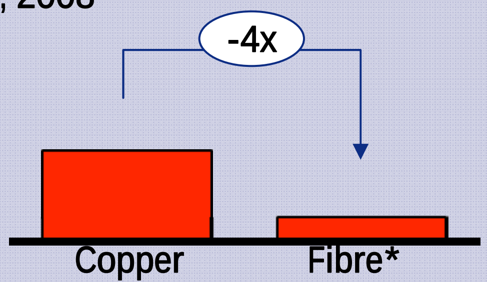
Note: Viable homes according to SIGNET output to a universe of 3 million lines of network (September 2008)

3 An offer based on fibre infrastructure will provide a higher quality of service

An optical fibre network has advantages over copper…

> Advantages of fibre optic network:
- Fewer failures than the copper network, (ratio of unavailability of service about 4 times less)
- Significant reduction of network maintenance due to reduced exposure to external factors and the greater rigidity in the chosen network architecture
- Has no interference or noise and therefore the signal degradation is lower
- Ability to offer service in multiple TV sets without the need of a STB

Unavailability of Service
Base 100, 2008



… resulting in a higher quality of service and thus the value perceived by the customer

> The lowest number of failures and network maintenance will significantly improve perception and QoS

> The absence of noise in the fibre allows the quality of service offered to be always constant

> Fewer STB in the home of the customer, will generate fewer faults

PT will be well positioned to leverage the improvement of the QoS to command a price increase and grow its customer base.

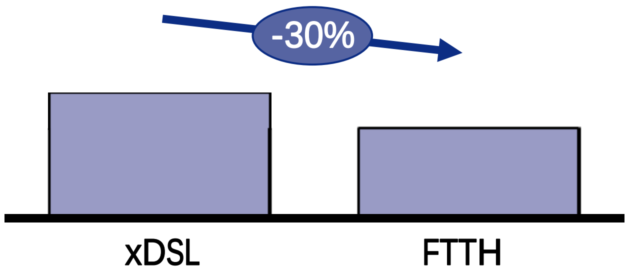
* Based on PT group's current experience with the fibre circuit

❹ The best QoS together with the architecture and characteristics of the fibre network will result also in opex savings

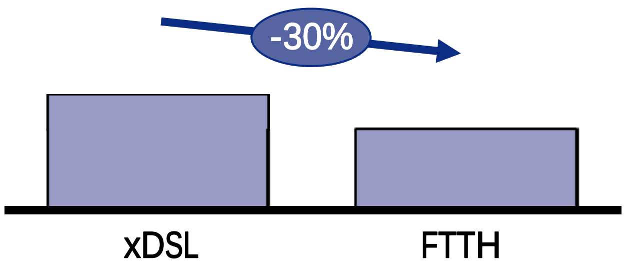
Customer Care

Cost reduction in customer care per TV client of around 30%

Front Office cost / month / IPTV customer
Base 100



Back Office cost / month / IPTV customer
Base 100



Maintenance

> Estimated reduction from 30 to 50% of network maintenance generated in LAN (Local Access Network) and in distribution network;

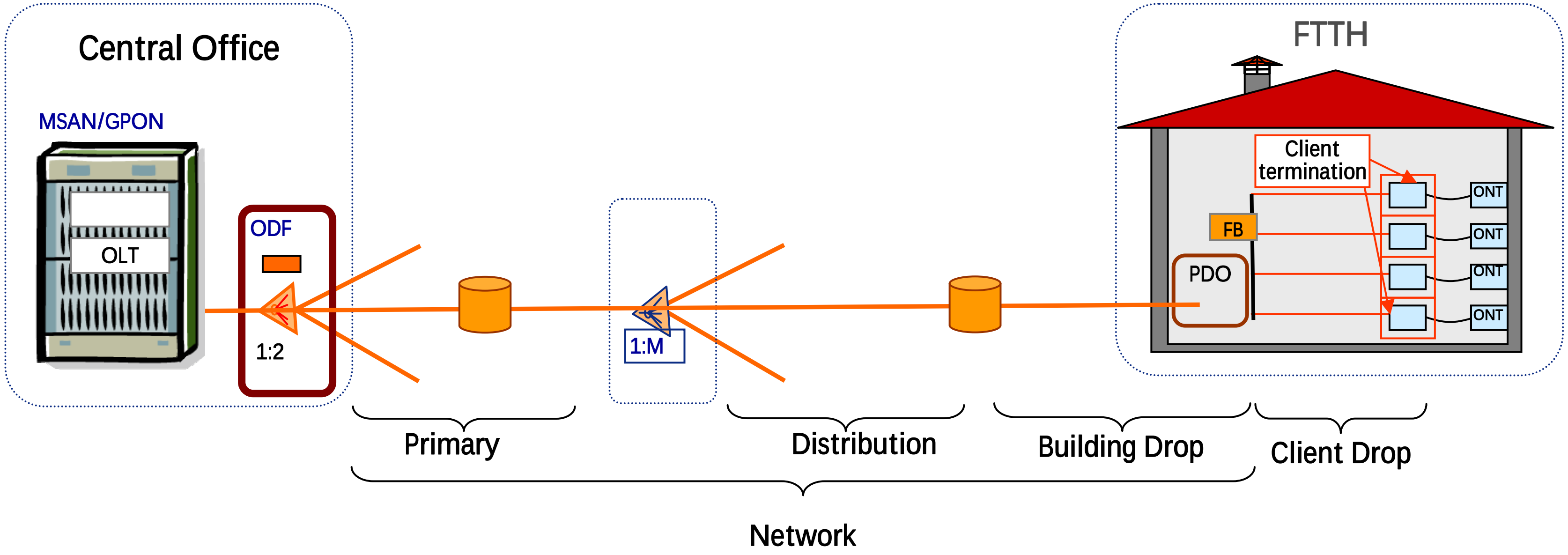
> The benefits of these savings will be less visible in the P&L in the short term as fibre and copper network will coexist;

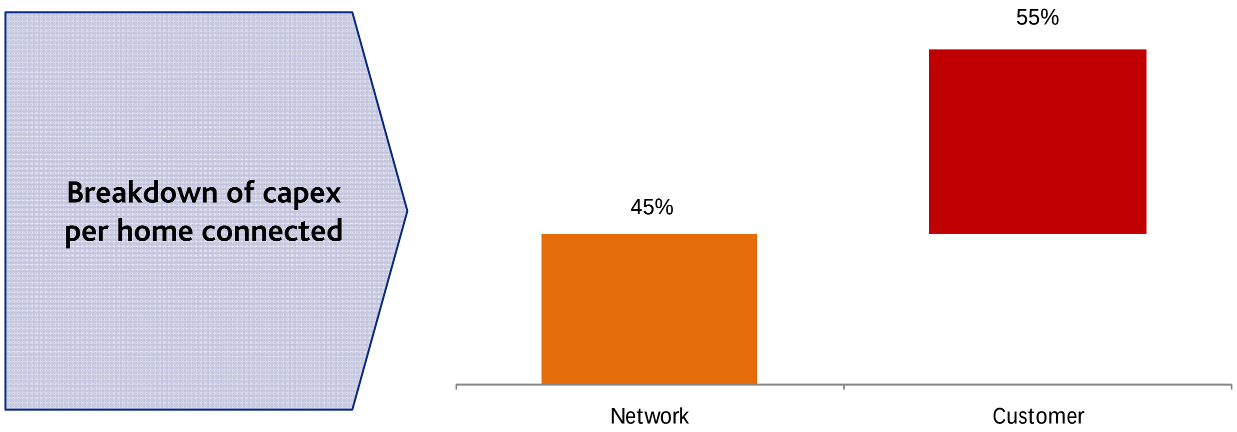
> Significant reduction of interventions in the customer's home due to a reduction in the number of STB per home.

Over time the fibre infrastructure will also enable the shut-down of exchanges through the concentration of its location, allowing savings in capex and opex (pending regulatory framework)

Capex associated with the FTTH network is largely success based

Average 2009-15





In conclusion…

- ✓ Pay TV as a growth driver for telecom operators and for PT. The Portuguese market shows a growth potential of ~1 million subscribers in the future.
- ✓ PT's pay-TV strategy is based on 4 attributes: (1) innovative offer; (2) multi-platform strategy; (3) extensive distribution and installation networks, and (4) disruptive communication.
- ✓ Meo's success has been a key lever for the recovery in P's wireline performance, inverting the declining revenue trend that took place for the past 16 quarters and allowing PT to become leader in net adds.
- ✓ The optical fibre is the infrastructure that offers a structural solution in the medium term with a forecasted ability to provide speeds up to 1 Gbps.
- ✓ The increased bandwidth will be key to develop advanced TV services and high-speed internet. The investment in FTTH will be a key step to improve economics of TV and 3P.
- ✓ Predictable regulation should incentivise investment in NGN.
- ✓ Objective to cover one million households in 2009.
- ✓ Capex guidance for domestic busines for 2009, previously at Euro 650 million, increased by 10%.

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