PORTUGAL TELECOM SGPS SA
Form 6-K
May 15, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the

Securities Exchange Act of 1934

For the month of May 2009

Commission File Number 1-13758

PORTUGAL TELECOM, SGPS, S.A.

(Exact name of registrant as specified in its charter)

Av. Fontes Pereira de Melo, 40
1069 - 300 Lisboa, Portugal

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F X Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes	No	X

First Quarter 2009

Earnings Release

Portugal Telecom

Earnings Release

31 March 2009

Lisbon, Portugal, 14 May 2009

In 1Q09 consolidated operating revenues amounted to Euro 1,604 million, an increase of 2.1% y.o.y. Adjusting for the effects of the consolidation of Telemig and the devaluation of the Real against the Euro, consolidated operating revenues would have increased by 4.2% y.o.y. EBITDA amounted to Euro 603 million, equivalent to a margin of 37.6%. Excluding the effects of the consolidation of Telemig and devaluation of the Real against the Euro, consolidated EBITDA would have increased by 1.4% y.o.y. Considering the nature of post retirement benefit costs (PRBs) and in order to facilitate the analysis of PT s operating performance and its comparability with the industry, PT reported EBITDA excluding PRBs (for comparative purposes, previous quarters were adjusted accordingly). Income from operations reached Euro 254 million. Net income amounted to Euro 166 million, an increase of 19.1% y.o.y while basic earnings per share increased by 31.1% y.o.y. Operating cash flow amounted to Euro 76 million, compared to Euro 304 million in 1Q08, mainly due to the increase in capex of 57.1% related to the rollout of the TV service, 3G and 3.5G investments in Brazil and to higher working capital investment in 1Q09.

As at 31 March 2009, net debt amounted to Euro 5,741 million and after-tax unfunded post retirement benefit obligations totalled Euro 1,368 million. At the domestic level, financial flexibility remains solid and was further reinforced by the recently completed Euro 1 billion bond issue. Liquidity including cash, unused underwritten commercial paper and standby facilities stood at Euro 2,178 million.

Portugal Telecom announced that the Board of Directors has approved the intention to submit for shareholders approval a Euro 0.575 dividend for the fiscal years ending 31 December 2009, 2010 and 2011, subject to market conditions, PT s financial condition and other factors considered relevant by the Board at the time.

Table 1 _ Consolidated financial highlights Euro million

	1Q09	**1Q08**	**y.o.y**
Operating revenues	1,604.5	1,572.0	2.1%
Operating costs, excluding PRBs and D&A	1,001.9	966.0	3.7%
EBITDA **(1)**	602.6	605.9	(0.6%)
Income from operations **(2)**	254.0	298.4	(14.9%)
Net income	166.4	139.8	19.1%
Capex **(3)**	223.8	142.5	57.1%
Capex as % of revenues (%)	13.9	9.1	4.9pp
EBITDA minus Capex	378.8	463.4	(18.3%)
Operating cash flow	76.5	304.1	(74.8%)
Net debt	5,740.6	4,767.5	20.4%
After-tax unfunded PRB obligations	1,367.7	942.2	45.2%
EBITDA margin (%) **(4)**	37.6	38.5	(1.0pp)
Net debt / EBITDA (x)	2.4	2.0	0.4x
EBITDA / net interest (x)	8.3	12.0	(3.7x)
Basic earnings per share	0.19	0.14	31.1%
Diluted earnings per share **(5)**	0.18	0.14	29.3%

(1) EBITDA = income from operations + post retirement benefits + depreciation and amortisation. **(2)** Income from operations = income before financials and income taxes + curtailment costs + losses (gains) on disposal of fixed assets + net other costs (gains). **(3)** Excludes additional commitments under the terms of the

UMTS licence (Euro 11.5 million in 1Q09). **(4)** EBITDA margin = EBITDA / operating revenues. **(5)** Earnings per share computed using net income less the costs associated with the convertible bonds divided by the diluted number of shares.

Financial Review

Income Statement

In 1Q09 **consolidated operating revenues** increased by 2.1% y.o.y, driven primarily by growth at the wireline business in Portugal and Vivo. Adjusting for the effects of the consolidation of Telemig and the devaluation of the Real against the Euro, consolidated operating revenues would have increased by 4.2% y.o.y. Wireline operating revenues increased in 1Q09 by 3.0% improving once again the sequential quarterly performance. Wireline revenue performance was underpinned by the inflection of retail revenues, which posted a 0.4% growth y.o.y, as a result of the continued strong performance of pay-TV and broadband, and continued growth in data & corporate.

Table 2 _ Consolidated income statement (1) Euro million

	1Q09	**1Q08**	**y.o.y**
Operating revenues	**1,604.5**	**1,572.0**	**2.1%**
Wireline **(2)**	492.1	477.6	3.0%
Domestic mobile TMN **(2)**	370.1	386.3	(4.2%)
Brazilian mobile Vivo **(1)**	703.7	665.5	5.7%
Other and eliminations	38.7	42.5	(9.1%)
Operating costs, excluding PRBs and D&A	**1,001.9**	**966.0**	**3.7%**
Wages and salaries	161.6	156.7	3.1%
Direct costs	261.3	243.2	7.4%
Commercial costs	262.5	263.1	(0.2%)
Other operating costs	316.5	303.0	4.4%
EBITDA (3)	**602.6**	**605.9**	**(0.6%)**
Post retirement benefits	22.4	11.0	104.4%
Depreciation and amortisation	326.2	296.6	10.0%
Income from operations (4)	**254.0**	**298.4**	**(14.9%)**
Other expenses (income)	**2.7**	**11.6**	**(76.5%)**
Curtailment costs, net	1.8	15.3	(87.9%)
Net losses (gains) on disposal of fixed assets	0.5	(9.1)	n.m.
Net other costs (gains)	0.4	5.4	(92.7%)
Income before financ. & inc. taxes	**251.2**	**286.8**	**(12.4%)**
Financial expenses (income)			