



Announcement | Lisbon | 25 August 2014

Supplemental information to the documents relating to the consolidated financial statements for the year ended December 31, 2013

Pursuant to a request of the Portuguese Securities Commission (*Comissão do Mercado de Valores Mobiliários*) pursuant to Article 245, number 5, of the Portuguese Securities Code (*Código dos Valores Mobiliários*), Portugal Telecom is providing to the market supplemental information with respect to its Report and Consolidated Financial Statements for the fiscal year ended December 31, 2013, as approved by its Board of Directors on February 18, 2014 (the "Report and Consolidated Financial Statements"), which information, in light of subsequent events, has become more relevant.

With respect to **Note 24 – Short-term investments** of the Notes to the Consolidated Financial Statements as of December 31, 2013, and particularly the caption "Debt securities," Portugal Telecom provides the following clarifications, which should be viewed as supplemental information in addition to the information required to be disclosed under IFRS 7 and IAS 24:

- As of December 31, 2013, the caption "Debt securities," in the total amount of Euro 750 million, includes debt securities issued by Espírito Santo International ("ESI," a non-financial holding company, governed by the laws of Luxembourg, that is part of the Espírito Santo Group) in the following amounts: (a) Euro 500 million subscribed by PT Finance on November 8, 2013, which were settled on their maturity date of February 10, 2014 for their principal amount plus accrued interest; (b) Euro 200 million subscribed by Portugal Telecom on October 29, 2013, which were settled on their maturity date of January 29, 2014 for their principal amount plus accrued interest; and (c) Euro 50 million subscribed by PT Finance on November 20, 2013, which were settled for their principal amount plus accrued interest on their maturity date of February 20, 2014, which date was after the approval of the Report and Consolidated Financial Statements by the Board of Directors (on February 18, 2014) and the issuance of the Legal Certification of the Consolidated Financial Statements and the Auditors' Report (on February 19, 2014).
- As of December 31, 2012, this caption includes debt securities issued by ESI in the following amounts: (a) Euro 250 million subscribed by PT Finance on August 2, 2012, which were settled on their maturity date of February 1, 2013 for their principal amount plus accrued interest; (b) Euro 200 million subscribed by PT Finance on October 15, 2012, which were settled on their maturity date of January 14, 2013 for their principal amount plus accrued interest; and (c) Euro 60 million subscribed by PT Finance on October 17, 2012, which were settled on their maturity date of January 17, 2013 for their principal amount plus accrued interest.

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Public company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon
and Corporation no. 503 215 058

Portugal Telecom is listed on the
Euronext and New York Stock
Exchange. Information may be
accessed on the Reuters under the
symbols PTC.LS and PT and on
Bloomberg under the symbol PTC PL.

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With respect to **Note 45.1.3 – Financial instruments – Credit risk** of the Notes to the Consolidated Financial Statements as of December 31, 2013, and particularly the caption “Debt securities,” Portugal Telecom provides the following clarifications, which should be viewed as supplemental information in addition to the information required to be disclosed under IFRS 7:

- As of December 31, 2013 and 2012, investments in short-term securities issued by ESI, a Espírito Santo Group entity, in the total amounts of Euro 750 million and Euro 510 million, respectively, represented the following percentages of the captions set forth below:

(in Euro million)	December 31, 2013		December 31, 2012	
	Caption amount	Percentage (%)	Caption amount	Percentage (%)
Short-term investments	914	82%	626	81%
Short-term investments and cash and cash equivalents	2,573	29%	2,615	20%
Total current assets	3,973	19%	4,102	12%
Total assets	12,020	6%	12,829	4%
Total shareholders' equity	1,867	40%	2,537	20%
Net income	388	193%	310	164%

- With respect to the information on our policy on investments in cash and short-term investments, as presented in general terms in the Report and Consolidated Financial Statements in the same note of the Notes to the Consolidated Financial Statements as of December 31, 2013, in Item 10 – *Main Risks and Uncertainties – Financial Risks – Credit* of our Consolidated Annual Report 2013 and in Item 03.III – *Internal Organization – Internal Control and Risk Management – Main economic, financial and legal risks – Financial Risks – Credit* of our Corporate Governance Report 2013, and in particular the criterion for investments in diversified financial institutions that are reputable in the market, it should be mentioned that, given the concentration in deposits and treasury applications in BES/GES, as of December 31, 2013, the Company was not implementing an effective diversification.

With respect to **Note 48.b) – Related Parties – Shareholders** of the Notes to the Consolidated Financial Statements as of December 31, 2013, Portugal Telecom provides the following clarifications, which constitute supplemental information and more extensive information than that required under IAS 24:

- For purposes of this note, PT took into consideration its principal shareholders holding a qualified interest in its share capital equal to or in excess of 2%, based on the ownership information communicated by such shareholders to the company, even though those shareholders should not be deemed to be related parties as defined by IAS 24 as they do not meet the requirements set forth in such accounting standard.
- Taking into account the matters described above, in the table setting forth information about related party transactions, references to the shareholder Banco Espírito Santo (“BES”) should be considered references to Grupo Espírito Santo (“GES”),



which includes BES and all entities that, according to information provided by BES, could be considered related parties of BES, including ESI (See Annex I).

- In footnote (i) to the table, Portugal Telecom informs that interest payments received by PT include amounts relating to interest received on bank deposits and on the short-term investments in ESI referred to in Note 24 to the Notes to the Consolidated Financial Statements as of December 31, 2013.
- As of December 31, 2013 and 2012, the balances relating to bank deposits, short-term investments and other financing transactions with our principal shareholders were as follows:

Company	31-Dec-13			31-Dec-12		
	Bank deposits	Short-term investments	Financings (i)	Bank deposits	Short-term investments	Financings (i)
GES	1,402,888,437	750,000,000	14,517,265	1,484,978,570	510,000,000	28,653,131
Caixa Geral de Depósitos	-	-	-	148,824,834	-	-
Barclays	-	-	-	72,581	-	166,960,080
	1,402,888,437	750,000,000	14,517,265	1,633,875,985	510,000,000	195,613,211

(i) It should be further noted that Banco Espírito Santo and Caixa Geral de Depósitos both acted as placement agents for commercial paper issued by Portugal Telecom, and in that regard, Portugal Telecom had outstanding amounts of Euro 200 million as of December 31, 2013, placed by BES, and Euro 50,750,000 as of December 31, 2012, placed by Caixa Geral de Depósitos. Portugal Telecom is not informed as to the investors who subscribe for these investments.

- The transactions that occurred during the fiscal year ended December 31, 2012 and the balances at such date, but excluding outstanding balances relating to bank deposits, short-term investments and other financing transactions with our principal shareholders, are as follows (value-added tax included):

Company	Revenues and Costs and losses		Accounts	
	gains (i)	(i)	receivable	Accounts payable
GES	100,864,559	28,467,536	2,598,492	36,105
Caixa Geral de Depósitos	33,527,672	13,240,097	3,971,406	637,112
Visabeira	11,734,060	103,160,858	20,994,829	13,076,065
Controlinveste	2,670,350	52,691,602	512,548	10,355,585
Ongoing	857,306	3,895,190	3,164,133	1,078,681
Barclays	951,915	10,585,777	30,023	-
BlackRock	1,113	814,730	-	-
UBS	39	84,237	250	-
	150,607,014	212,940,027	31,271,681	25,183,548

(i) Revenues and gains include sales and services rendered by Portugal Telecom and interest received on bank deposits and short-term investments, while costs and losses include supplies and external services provided to Portugal Telecom and interest paid on financing agreements and equity swaps.



Annex I – List of entities with which transactions or balances have been identified

Banco Espírito Santo Angola, SARL
Besaactif (Angola)
Banco Espírito Santo, SA
Banco Espírito Santo de Investimento, S.A.
ESAF - Espírito Santo Fundos de Investimento Mobiliario, S.A.
Espírito Santo Capital - Sociedade de Capital De Risco, SA
ESAF- Espírito Santo Fundos de Pensões, SA
Locarent
Esaf - Espírito Santo Fundos de Investimento Imobiliário S.A.
ESAF - Espírito Santo Activos Financeiros, SGPS, SA
BES-Vida - Ccompanhia de Seguros, S.A.
ES Recuperação de Crédito, ACE
BEST - Banco Electrónico de Serviço Total, SA
Espírito Santo Informática
Banco Espírito Santo dos Açores, SA
Esconcessões, SGPS
Espírito Santo Gestão de Património, SA
Fundo Gestão Património Imobiliário
Fungere - Fundo de Gestão De Património Imobiliário
Oblog - Consulting, SA
Orey Reabilitação Urbana - FEIIF
Praça do Marquês - Serviços Auxiliares, SA
Quinta dos Cónegos - Sociedade Imobiliária, SA
Espírito Santo International, SA