

Portugal Telecom 2003 Full Year Results

March 4, 2004



Safe Harbour

The presentation contains statements which constitute forward looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on the beliefs and assumptions of our management and on information available to management at the time such statements were made. Forward-looking statements include information concerning possible or assumed future results of our operations, earnings, industry conditions, demand and pricing for our products and other aspects of our business.

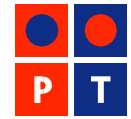
These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to provide reasons why actual results may differ. You are cautioned not to place undue reliance on any forward-looking statements. You are encouraged to consult our annual report on Form 20-F, as well as our current filings made on Form 6-K, which are on file with the U.S. Securities and Exchange Commission.



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Overview



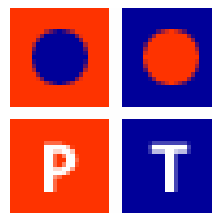
Products and Brands

Segment	Company	Products	Market Position	Share
Wireline	 Comunicações Prime  	Voice & Data	# 1	91.4%
		Corporate Solutions	# 1	80%
		ADSL	# 1	86%
		www.sapo.pt	# 1	45%
Domestic Mobile	 <i>Mais perto do que é importante</i>	Voice & Mobile Data	# 1	52.4%
Brazilian Mobile		Voice & Mobile Data	# 1	57.3%
Multimedia	 Multimedia	Pay TV	# 1	84.7%
		Cable internet	# 1	
		Cinema	# 1	
		Video & Games	# 1	
		Newspapers	# 1	
News Radio	# 1			



Group Customers

Total Customers: 33,520
(Thousands)



Wireline

Telephony	Corporate & Data Solutions	ISP & Portals
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Dec 03 (Dec 02)

Total, of which:	5,902	(5,331)
Main Accesses	4,037	(4,143)
ISDN	813	(826)
ADSL (wholesale)	188	(53)
Retail	161	(44)

Mobile

Domestic/TMN	Brazil/Vivo
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Dec 03 (Dec 02)

Total, of which:	25,931	(21,558)
TMN	4,887	(4,426)
Vivo	20,656	(16,809)

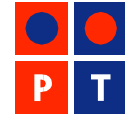
Multimedia

Pay TV & Cable Internet	Newspapers & Radio	Cinema & Video
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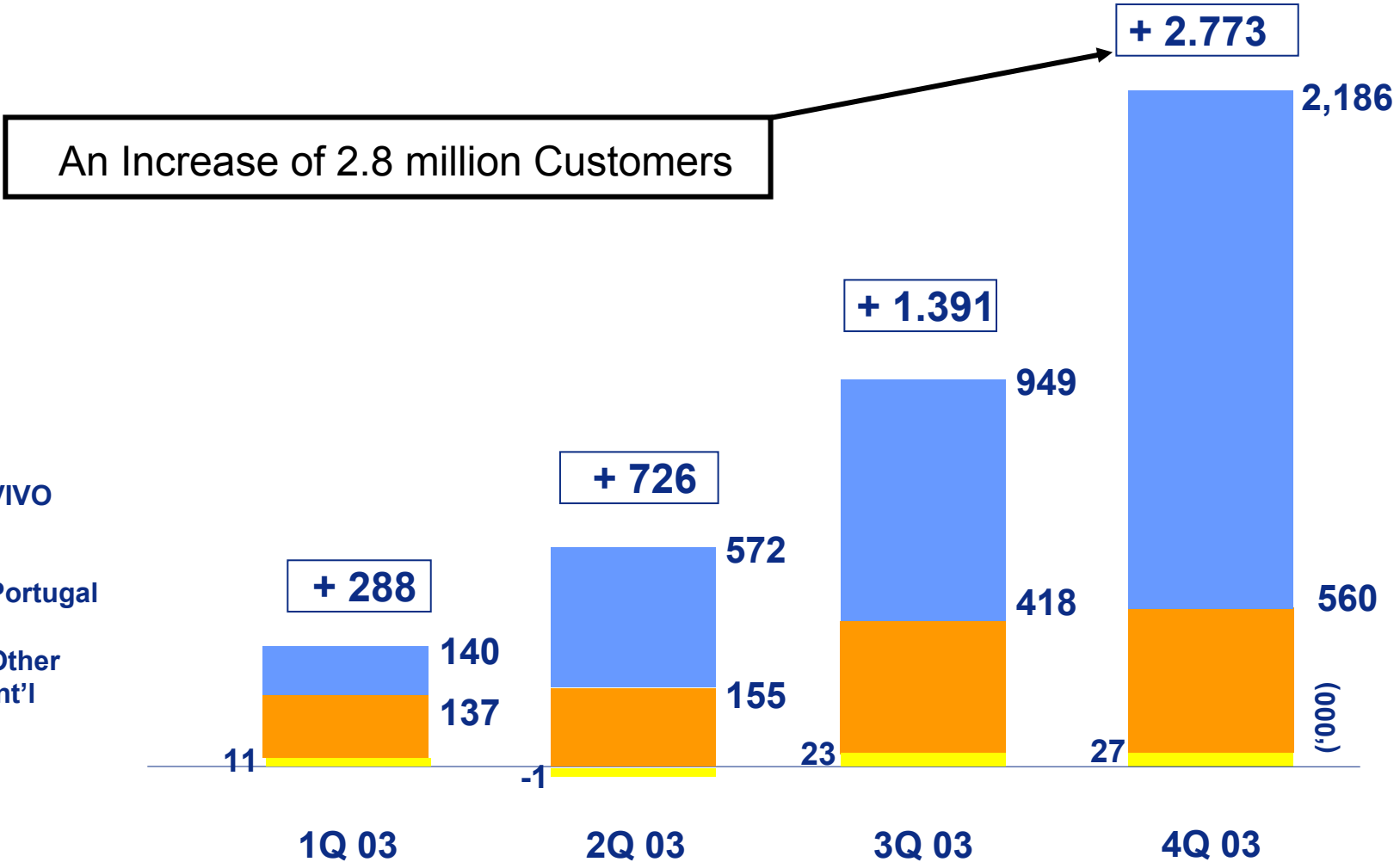
Dec 03 (Dec 02)

Total, of which:	1,674	(1,448)
Pay TV	1,442	(1,308)
NetCabo	230	(140)

Newspaper Circulation Daily Average	197	(195)
Cinema Tickets Sold	8,373	(8,479)



Increasing total net adds





Key Financial Highlights

€ million	4Q03	Δ% YoY	2H03	Δ% YoY	FY03	Δ% YoY
Operating Revenues	1,545	13.0%	3,051	11.8%	5,776	3.5%
Opex, excl. D&A	972	16.8%	1,858	14.5%	3,508	4.6%
EBITDA	573	7.1%	1,194	7.8%	2,268	1.7%
EBITDA margin(%)	37.1	-2.1pp	39.1	-1.4pp	39.3	-0.6pp
Net Interest	79	46.4%	127	9.8%	202	2.4%
Curtailment	26	10.9%	36	0.7%	314	485%
Net Income	-39	n.m.	97	-48.7%	240	-38.6%
N. Income (excl. Curt.)	-22	n.m.	121	-43.1%	451	5.5%
Capex	318	22.9%	432	9.6%	652	-16.0%
EBITDA minus Capex	256	-7.5%	762	6.8%	1,617	11.2%
Net Debt	3,216	-	3,216	-	3,216	-
Net Debt/EBITDA	1.4	-	1.3	-	1.4	-
EBITDA Cover (x)	7.3	-	9.4	-	11.2	-

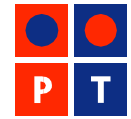
• Excluding the impact of BRL devaluation, Revenues would have increased by 10%

• Excluding the impact of BRL devaluatiuon EBITDA would have increased 7.7%

• Excluding the impact of curtailment and the one off impact on tax N.I would have increased 39% to €593m.

• 11.3% Capex to sales

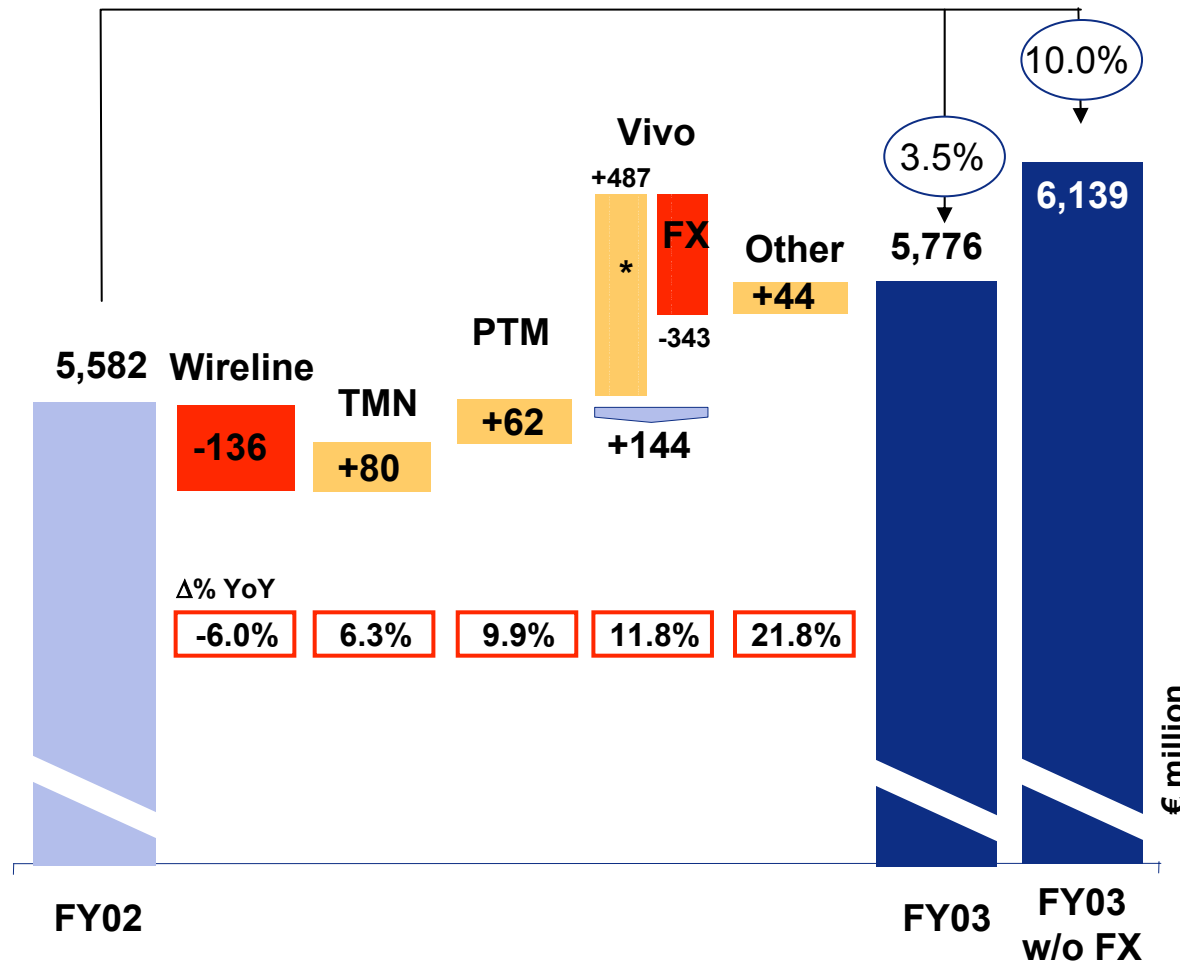
• Excluding of acquisition of treasury stock (€196m) Net Debt would be €3.020m



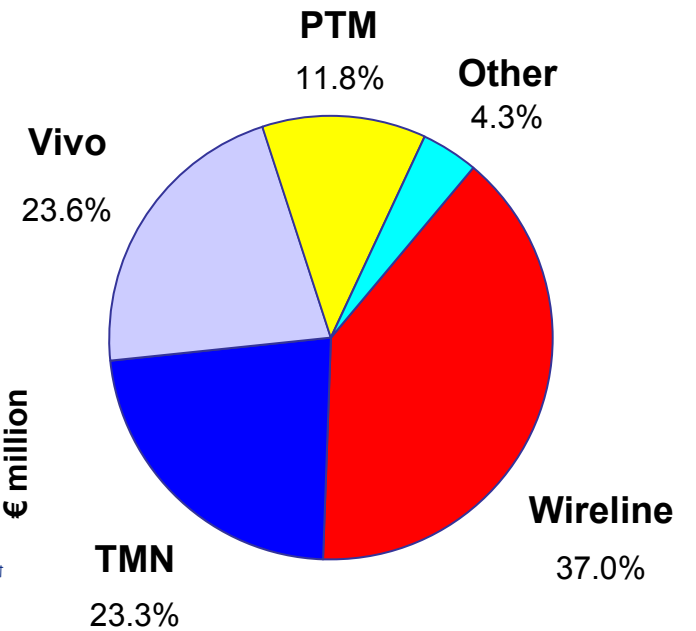
Financial Results



Operating Revenues



Operating Revenues Structure

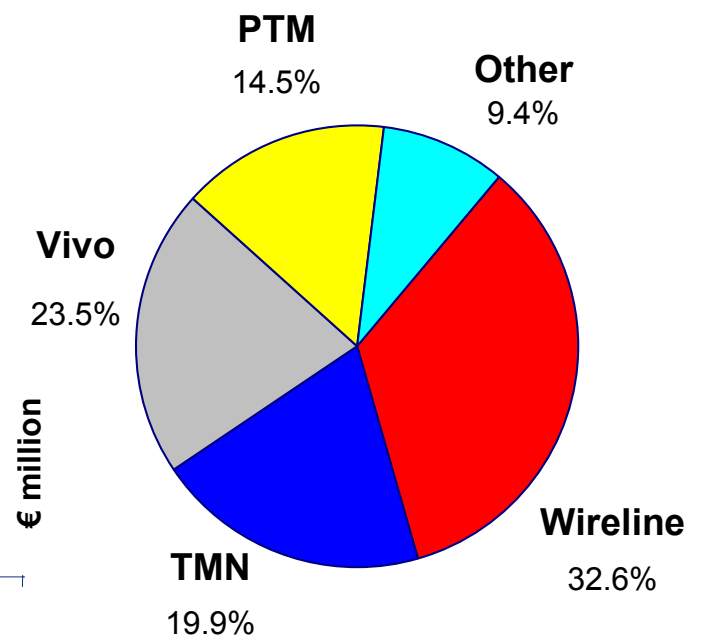
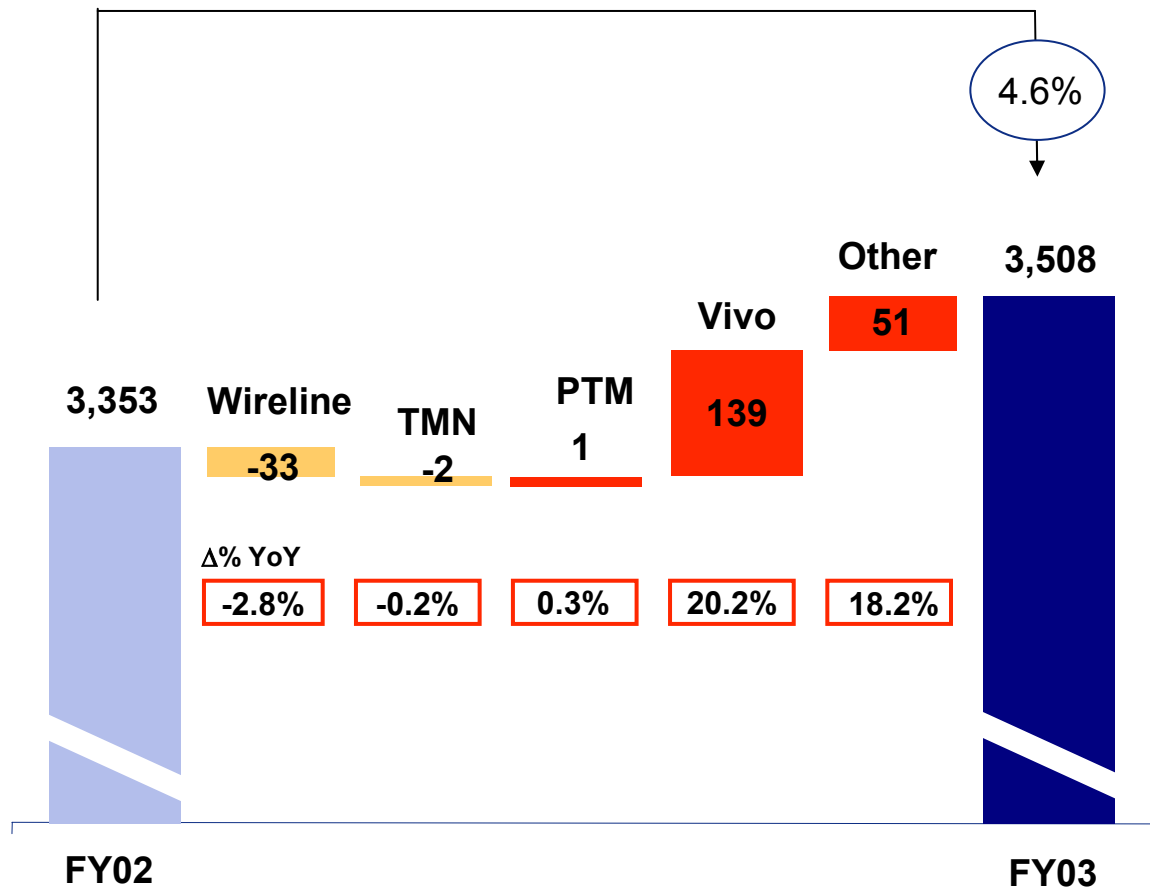


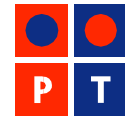
(*) Resulting from the combined impact of growth in local currency and the change in consolidation from 100% of TCP to 50% of Vivo.



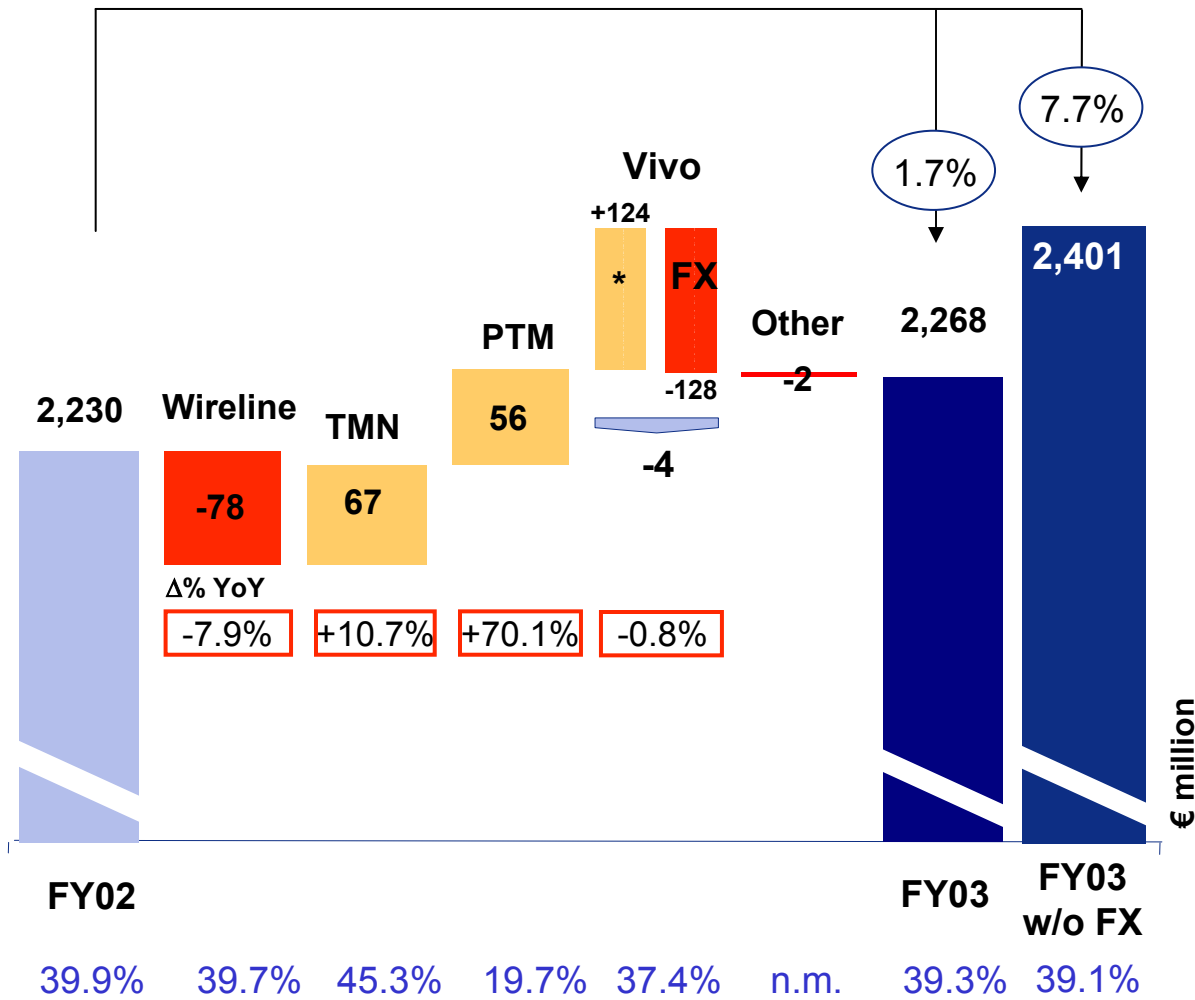
Opex, excluding D&A

Opex Structure

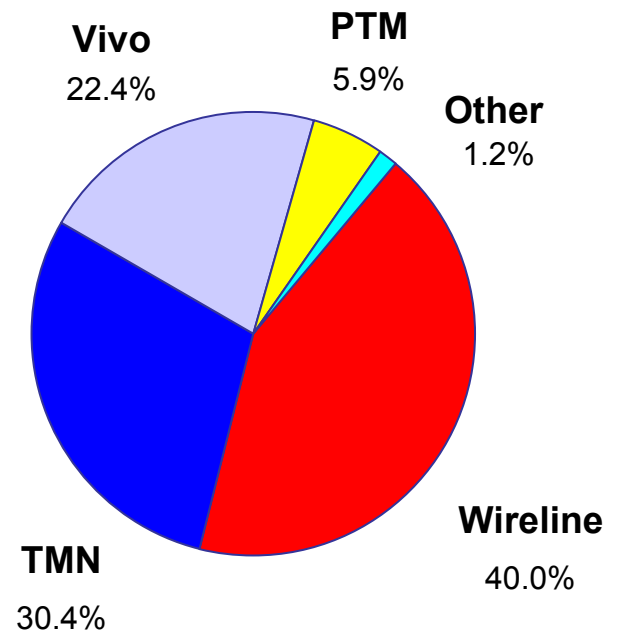




EBITDA



EBITDA Structure

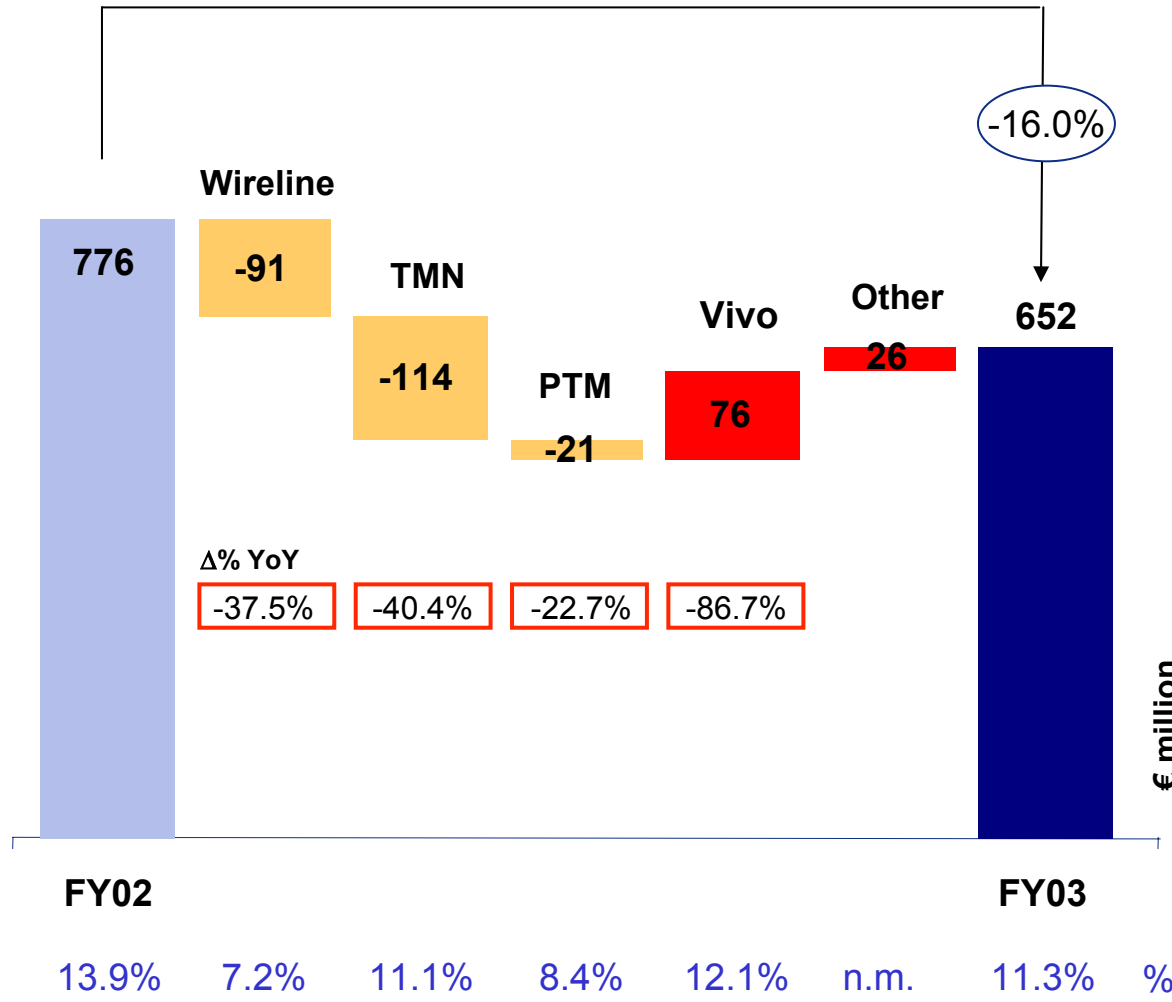


Margin

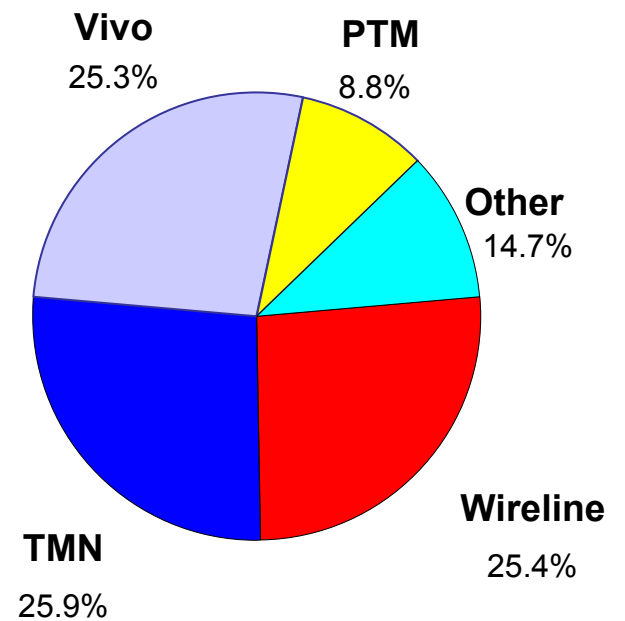
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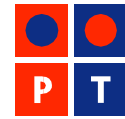


Capex

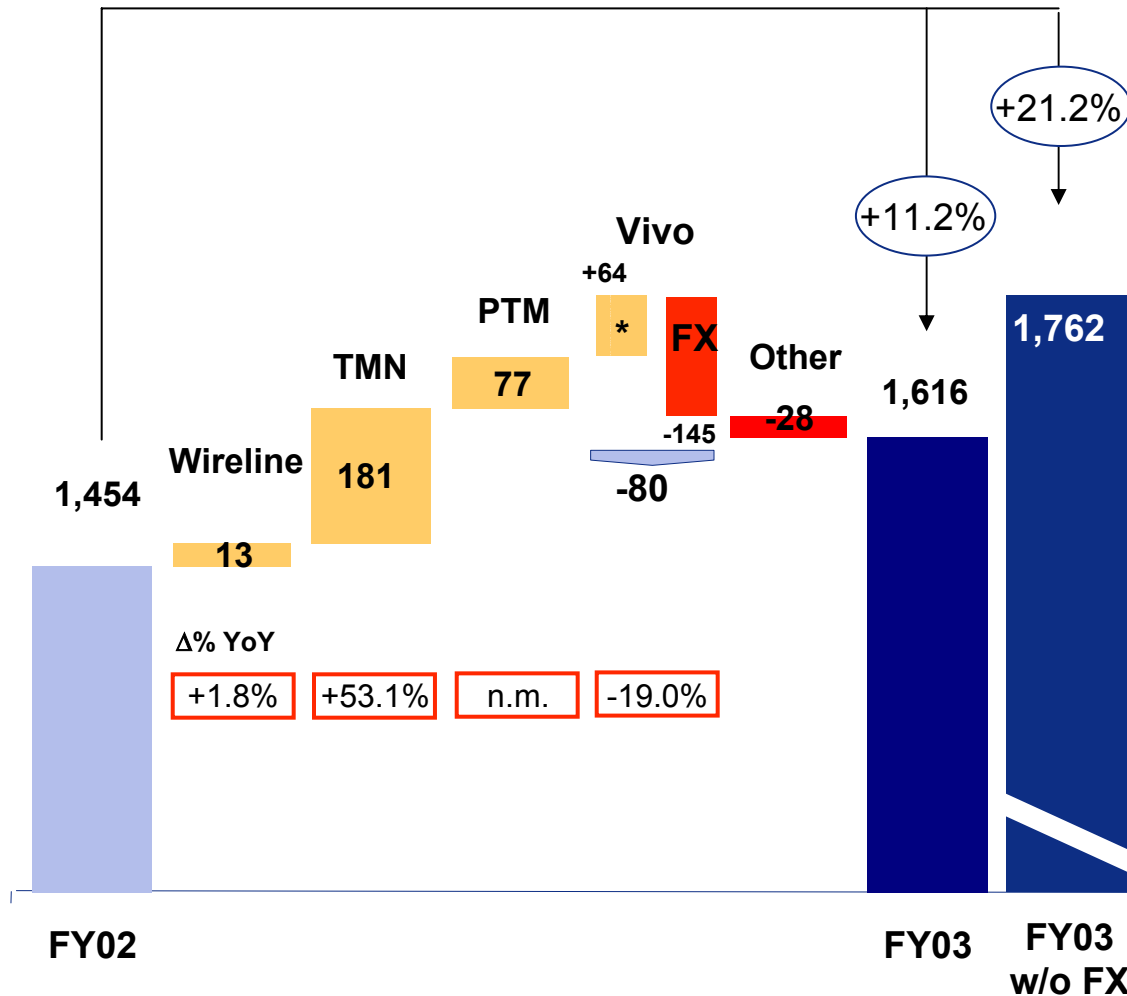


CAPEX Structure

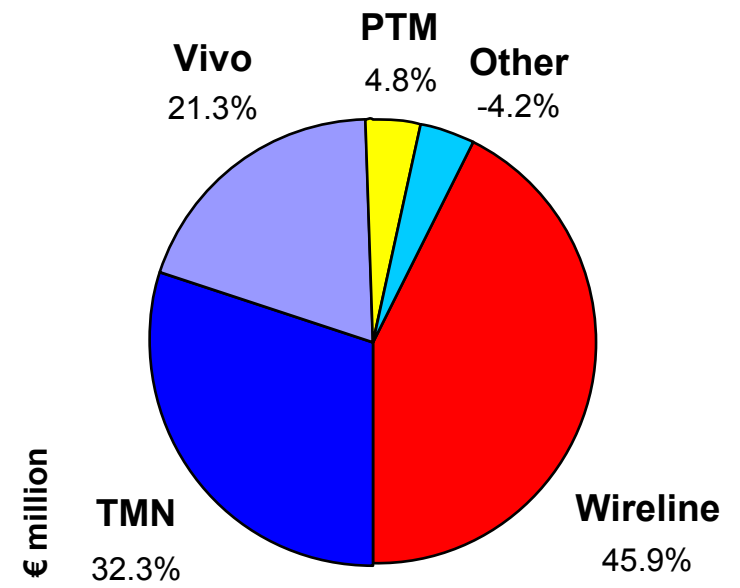




EBITDA minus Capex



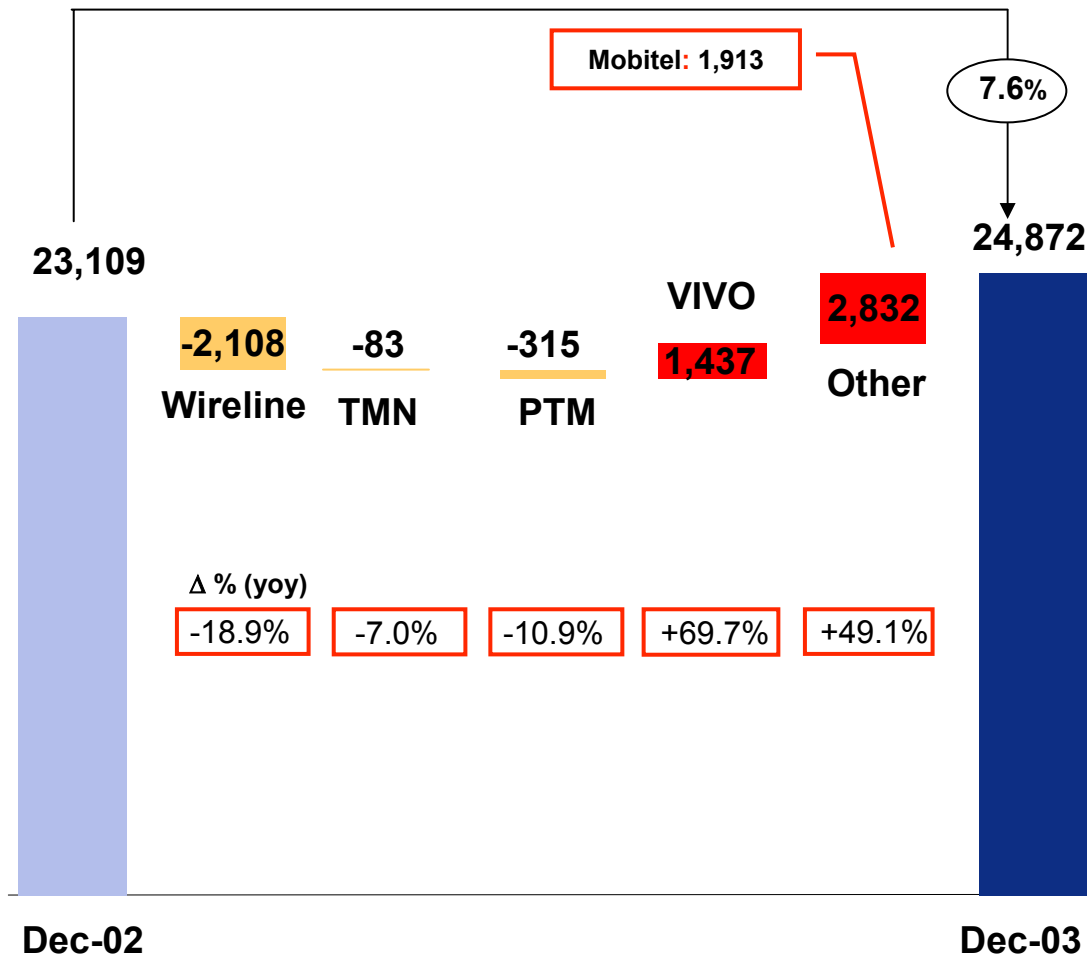
EBITDA minus Capex Structure



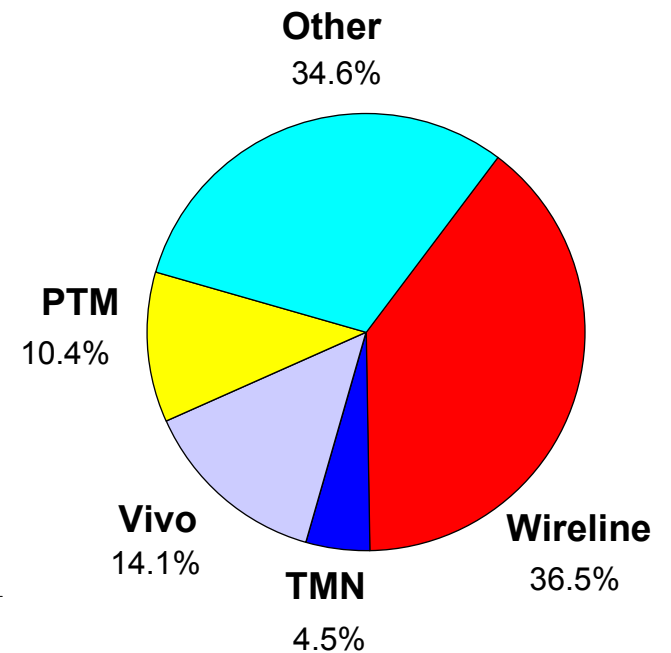
(*) Resulting from the combined impact of growth in local currency and the change in consolidation from 100% of TCP to 50% of Vivo.



Workforce Evolution – Business Breakdown



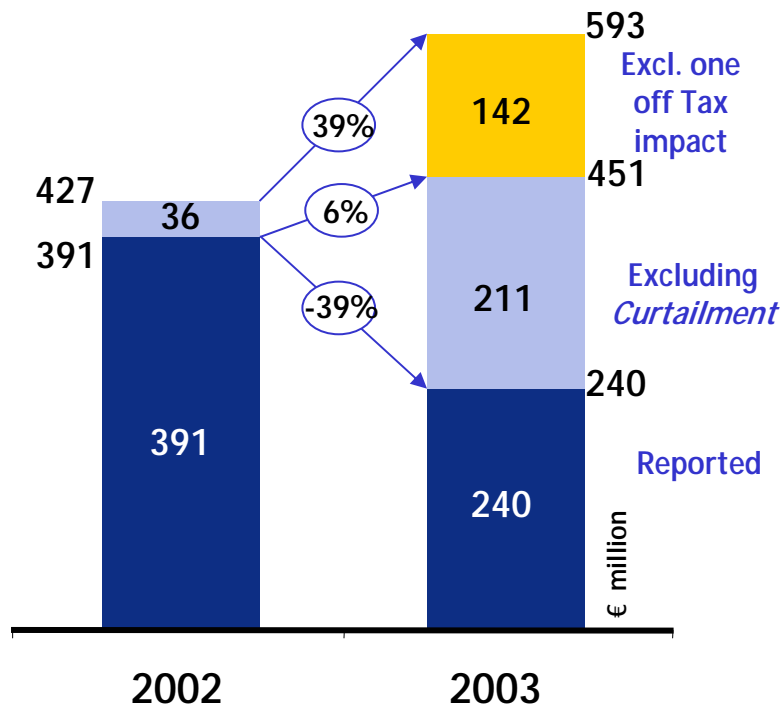
Workforce Structure



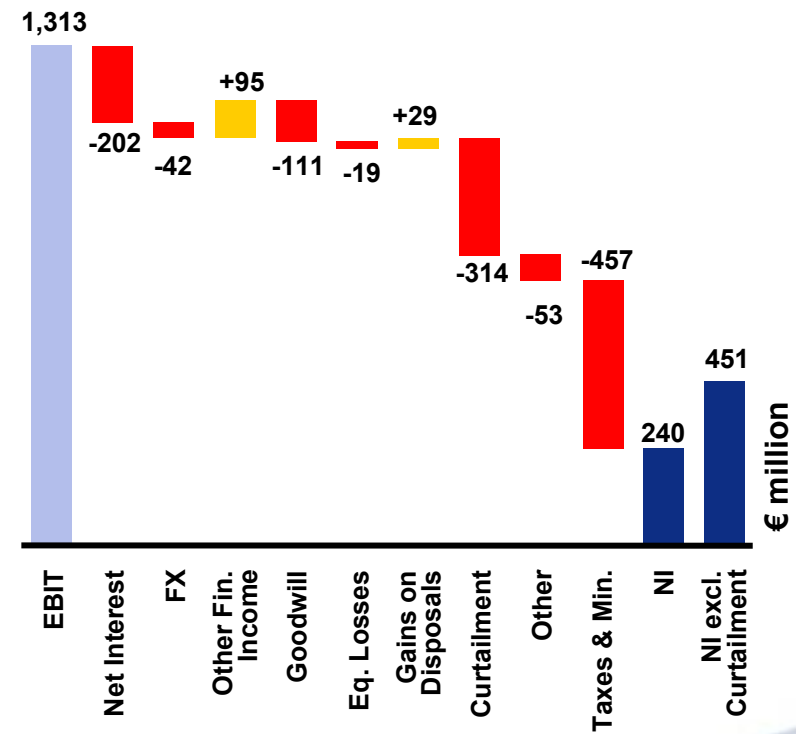


Net Income

Evolution

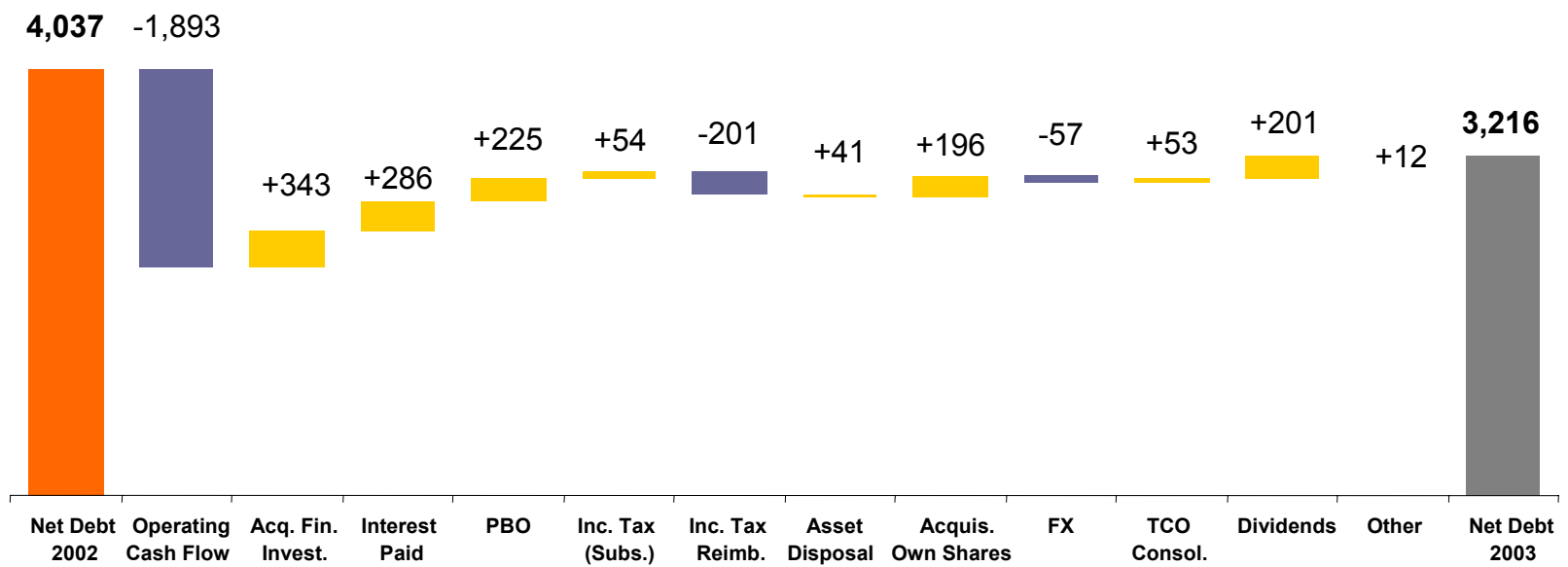


Breakdown





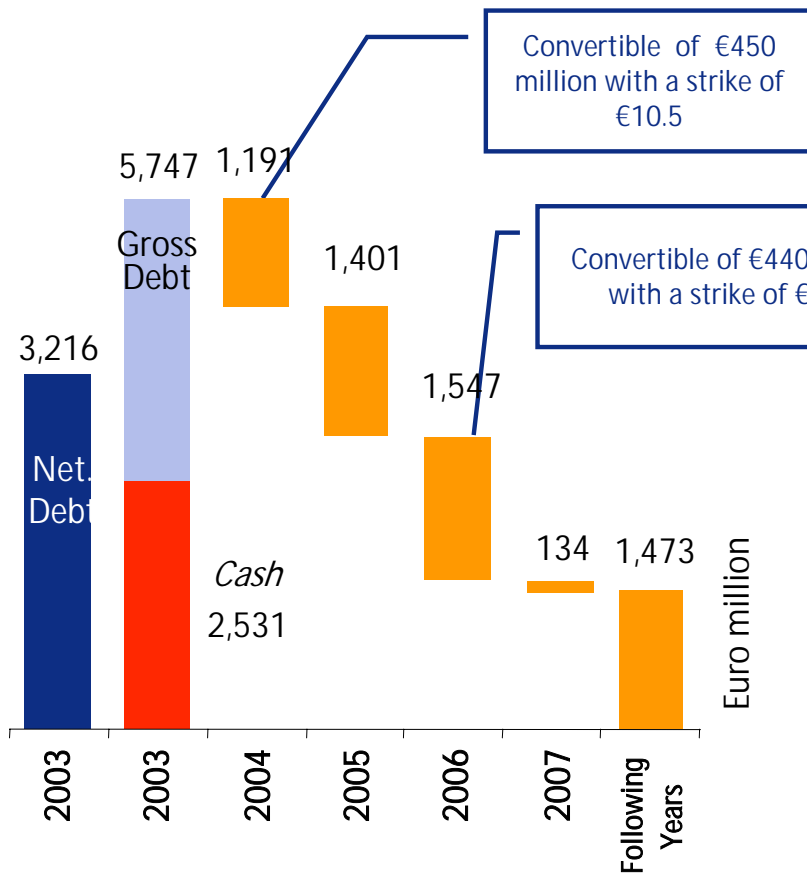
Net Debt



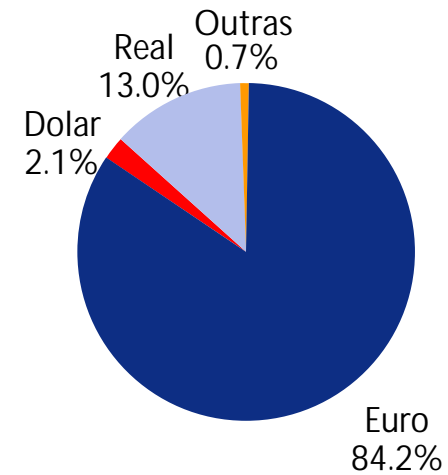
Debt Profile

Maturity

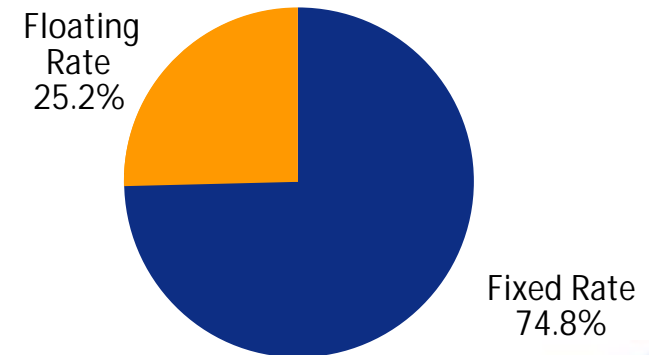
Average Maturity: 4.14 years *



Currency



Fixed / Floating

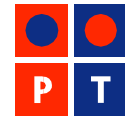


* Does not include pension funds

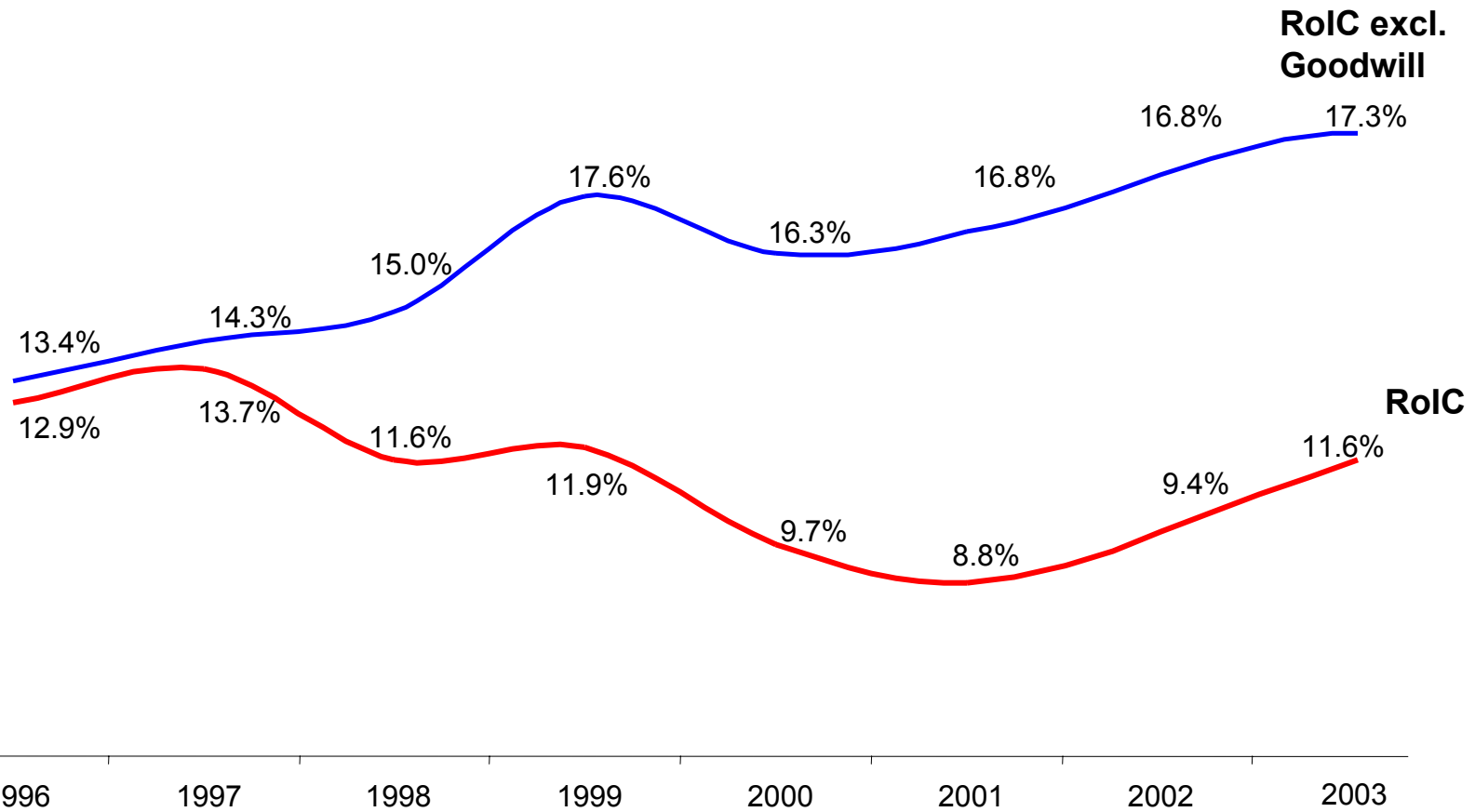


Brazil Exposure

- ▶ Net exposure to Brazil (assets minus liabilities) amounts to BR\$ 7,253M (€ 2.0bn considering a BR\$/€ exchange rate as of Dec. 31, 2003)
- ▶ Approximately 94% is accounted for by PT's 50% investment in Vivo
- ▶ PT's assets denominated in BR\$ amounted to € 3,871 million, equivalent to 28.6% of total assets
- ▶ 13.0% of PT's debt was denominated in BR\$
- ▶ Almost all debt of Vivo is BR\$ denominated or is hedge to BR\$ under derivative contracts
- ▶ PT does not hedge equity exposure to Brazil



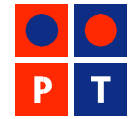
RoIC



•Excluding the acquisition of the fixed network in 2002.



Business Analysis



Wireline



Key Financials

Key Financial Highlights

€ million	4Q03	Δ YoY %	Δ4Q/3Q	2H03	Δ YoY %	FY03	Δ YoY %
Operating Revenues	560	-8.3	-3.1	1,139	-6.9	2,288	-6.3
Operating Costs (excl. D&A)	346	-9.0	-0.2	692	-6.3	1,381	-5.2
EBITDA	214	-7.1	-7.5	446	-7.8	907	-7.9
EBITDA margin (%)	38.3	0.5pp	-1.8pp	39.2	-0.4pp	39.7	-0.7pp
EBITDA excl PRB	269	-2.3	-6.9	557	-3.1	1,127	-3.4
EBITDA margin excl PRB (%)	48.0	+3.0pp	-1.9pp	49.0	1.9pp	49.3	1.5pp
Capex	61	-16.8	35.5	105	-3.4	165	-35.5
Capex to Sales (%)	10.8	-1.1pp	3.1pp	9.3	0.4pp	7.2	-3.3pp
EBITDA minus Capex	154	-2.7	-17.8	341	-9.1	742	1.8



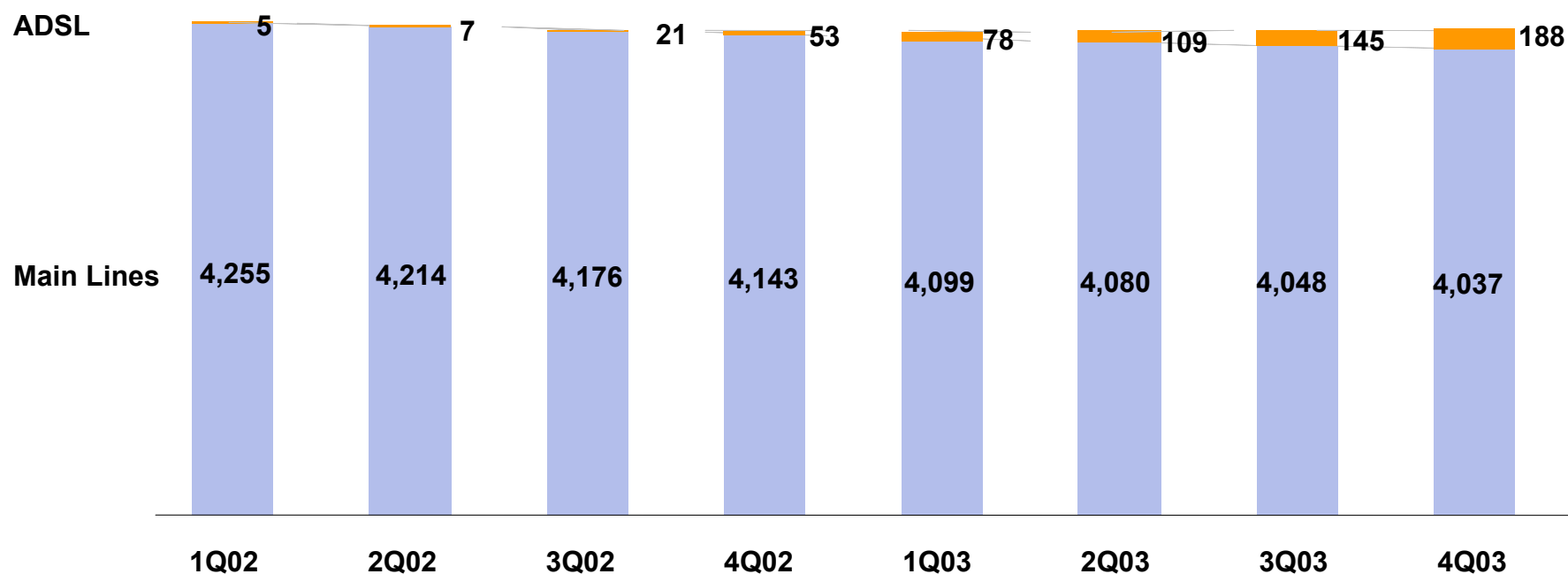
Key Performance Indicators

	4Q03 Δ YoY %		Δ 4Q/3Q	2H03 Δ YoY %		FY03 Δ YoY %	
Telephone Main Lines ('000)	4,225	0.7	0.7	4,225	0.7	4,225	0.7
PSTN	4,037	-2.6	-0.3	4,037	-2.6	4,037	-2.6
ADSL (Wholesale)	188	256.9	29.4	188	256.9	188	256.9
Retail	161	271.4	32.6	161	271.4	161	271.4
Net Adds(+)/Disconn.(-) *('000)	31	n.m.	n.m.	36	n.m.	29	n.m.
PSTN	-12	-135.3	-63.1	-43	38.8	106	1.1
ADSL	43	32.2	18.0	79	73.0	135	174.3
Total Voice Traffic (min.10⁶)	3,245	-4.7	4.1	6,337	-5.1	12,680	-4.7
F2F	1,447	-13.4	4.1	2,838	-12.4	5,841	-9.8
ARPU (€)	33.7	-5.8	-3.9	34.4	1.5	34.1	-3.0
Voice	31.0	-7.6	-4.9	31.8	-5.7	31.6	-5.0
Data	2.7	20.4	8.3	2.5	32.7	2.5	38.9
# of Employees	9,075	-18.9	-4.9	9,075	-18.9	9,075	-18.9



Main Lines in Service ('000)

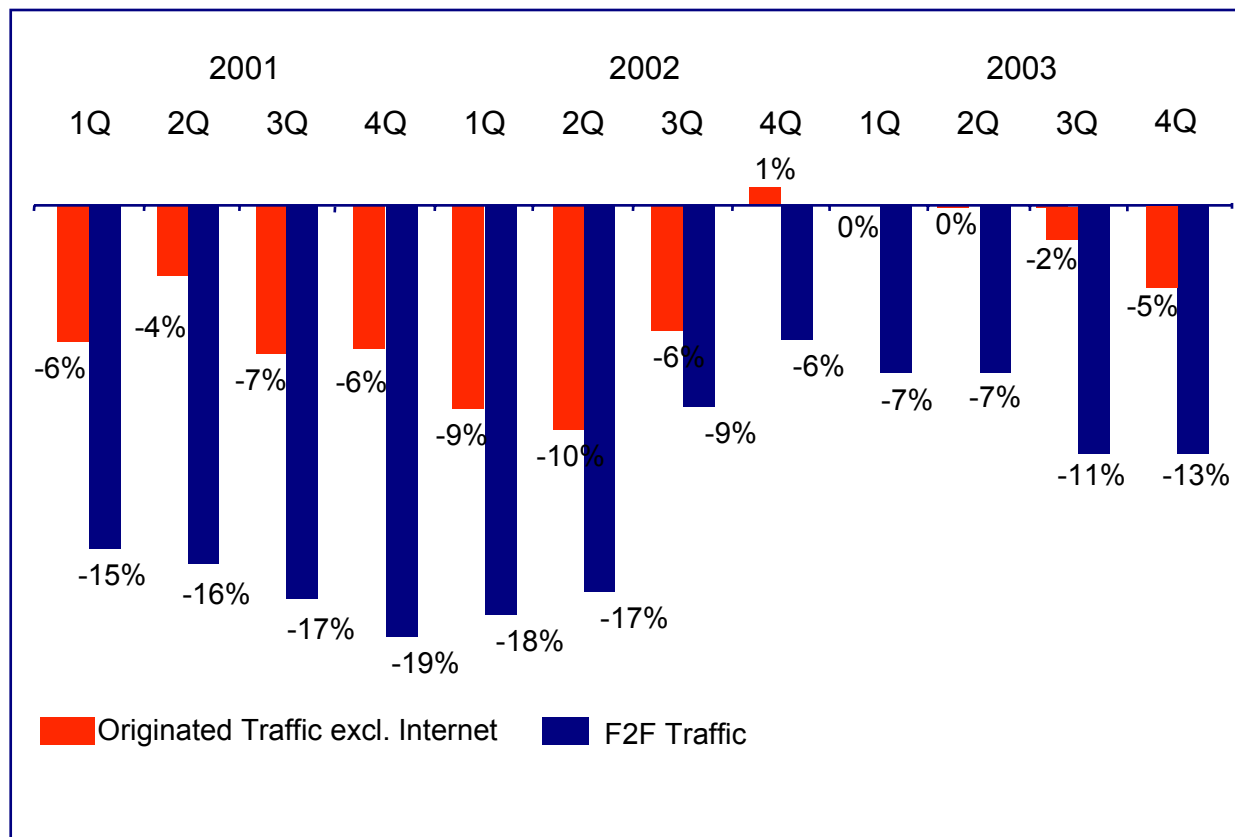
Δ QoQ (%)	0%	-0.9%	-0.6%	0.0%	-0.5%	+0.3%	+0.1%	+0.8%
Net Adds (QoQ)	-36	-39	-24	-1	-19%	+12	+4	+32
PSTN/ISDN	-41	-41	-38	-33	-44	-19	-32	-11
ADSL	5	2	14	32	25	31	36	43
Total Accesses	4,260	4,222	4,197	4,196	4,177	4,189	4,194	4,225



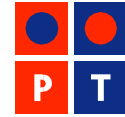


Volumes

Change in Originated and F2F Traffic YoY

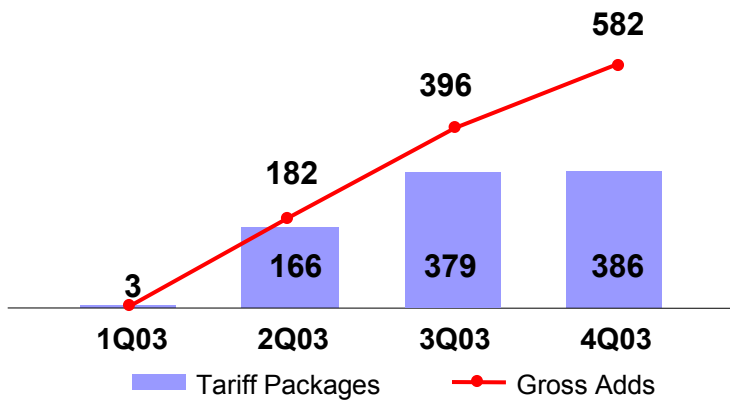


- ▶ Originated Traffic excl. Internet: stable
- ▶ F2F: a decrease of 13% in 4Q03
- ▶ Unlikely to improve in 2004

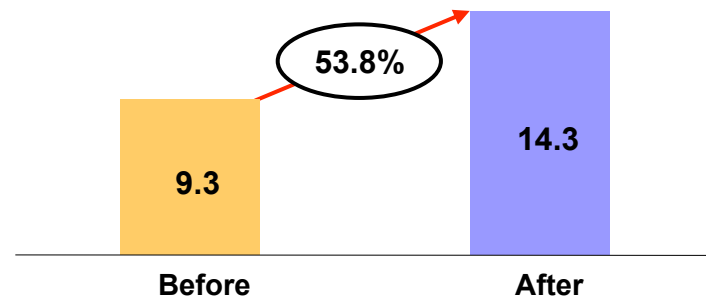


Tariff Packages

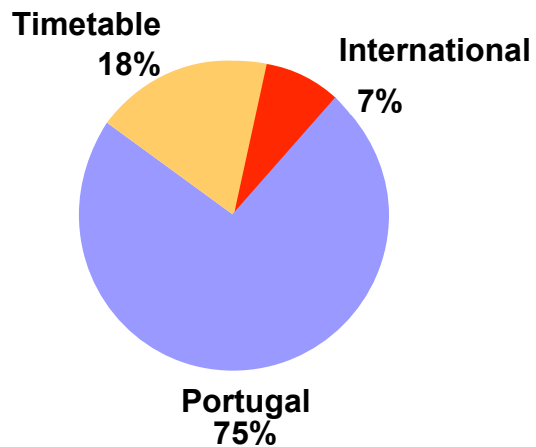
Subscriber Base ('000)



Incremental Traffic ARPU (euros)*



Structure



Revenues

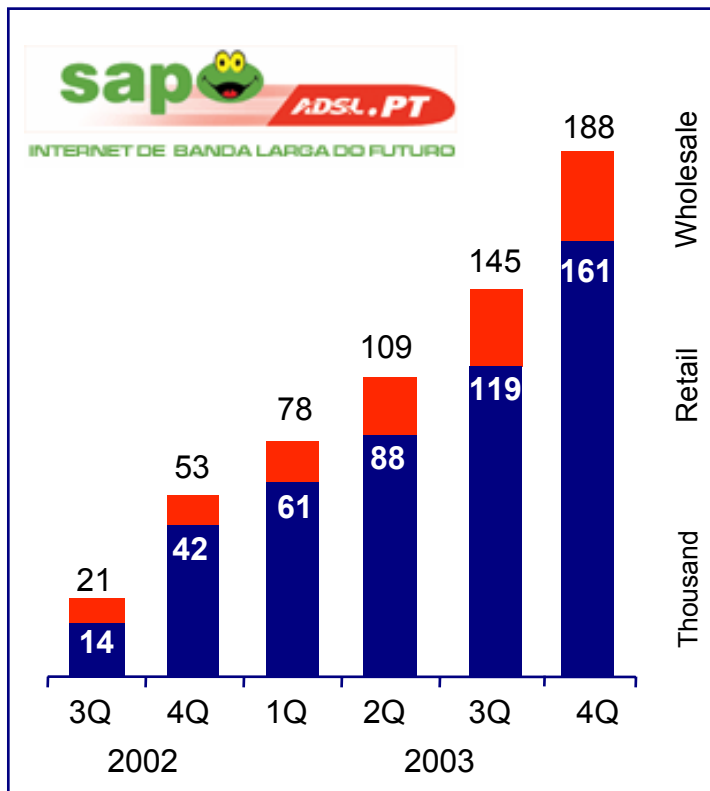
(€ '000)	<u>FY 2003</u>
Revenues	13.360
Discounts	-4.463
Net Revenues	8.897
ARPU (€)	4.51

* Before discounts and price changes (as of July)



ADSL Deployment

ADSL Accesses



- ▶ Dedicated sales force
- ▶ Bundle offer for “first time voice” customers
- ▶ Broadband portal leverage - new Sapo XL portal
- ▶ 161k subs in December



Domestic Mobile



Key Financials

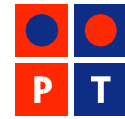
Key Financial Highlights

€ million	4Q03	Δ YoY %	Δ 4Q/3Q	2H03	ΔYoY %	FY03	Δ YoY %
Operating Revenues	397	4.3	-3.3	808	5.4	1,523	3.2
Service Rendered	352	4.0	-5.4	723	5.2	1,384	3.9
Operating Costs (excl. D&A)	212	0.0	-4.2	433	1.3	833	-2.2
EBITDA	185	9.6	-2.2	374	10.6	690	10.7
Margin (%)	46.6	2.3pp	0.5pp	46.4	2.2pp	45.3	3.0pp
Capex	79	-22.4	334.4	97	-35.1	168	-40.4
Capex to Sales (%)	19.8	-6.8pp	15.4pp	12.0	-7.5pp	11.1	-8.1pp
EBITDA minus Capex	107	57.2	-37.7	278	46.6	521	53.1



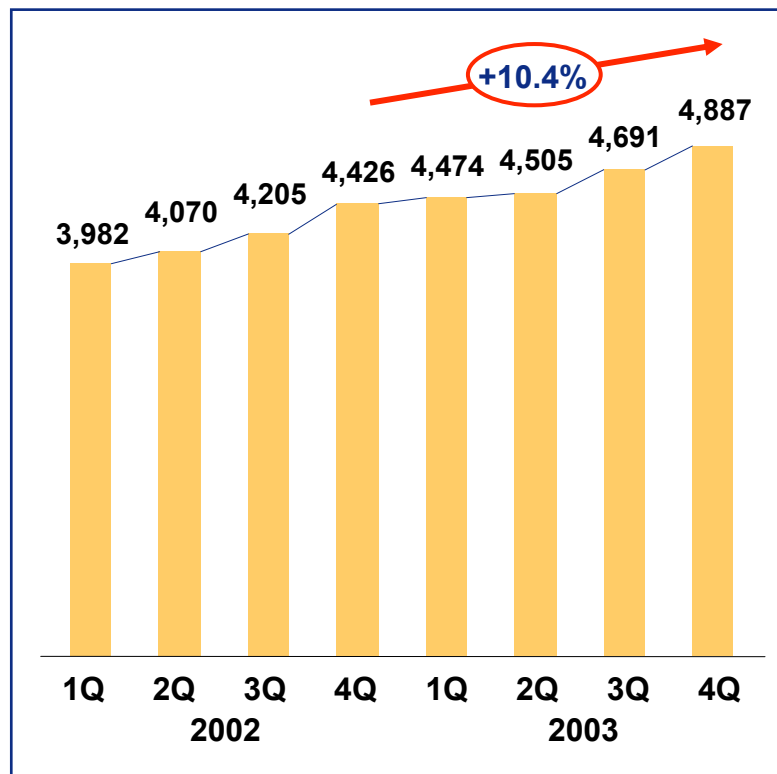
Key Performance Indicators

	4Q03	Δ YoY %	Δ 4Q/3Q%	2H03	Δ YoY %	FY03	Δ YoY %
Active Customers ('000)	4,887	10.4	4.2	4,887	10.4	4,887	10.4
Market Share (%)	52.4	0.5pp	0.0pp	52.4pp	0.5	52.4	0.5pp
Net Additions ('000)	195	-11.6	5.2	381	7.0	461	-11.6
Total Churn (%)	23.5	-1.8pp	0.3pp	24.1	-1.8pp	23.5	-1.8pp
MOU (minutes)	124.5	-3.0	-2.5	126.0	-4.1	123.1	-5.7
ARPU (€)	24.6	-6.5	-8.6	25.8	-5.3	25.2	-6.9
Customer Bill (€)	18.2	-3.9	-8.7	19.0	-2.2	18.4	-3.0
Interconnection (€)	6.4	-13.0	-8.3	6.7	-12.9	6.8	-16.2
Data (% of Service Revenues)	9.2	0.7pp	1.1pp	8.6	-0.7pp	8.6	1.2pp
CCPU (€)	11.4	-7.6	-6.9	11.8	-9.6	12.1	-10.7
ARPU minus CCPU (€)	13.2	-5.5	-10.0	13.9	-1.2	13.1	-3.2

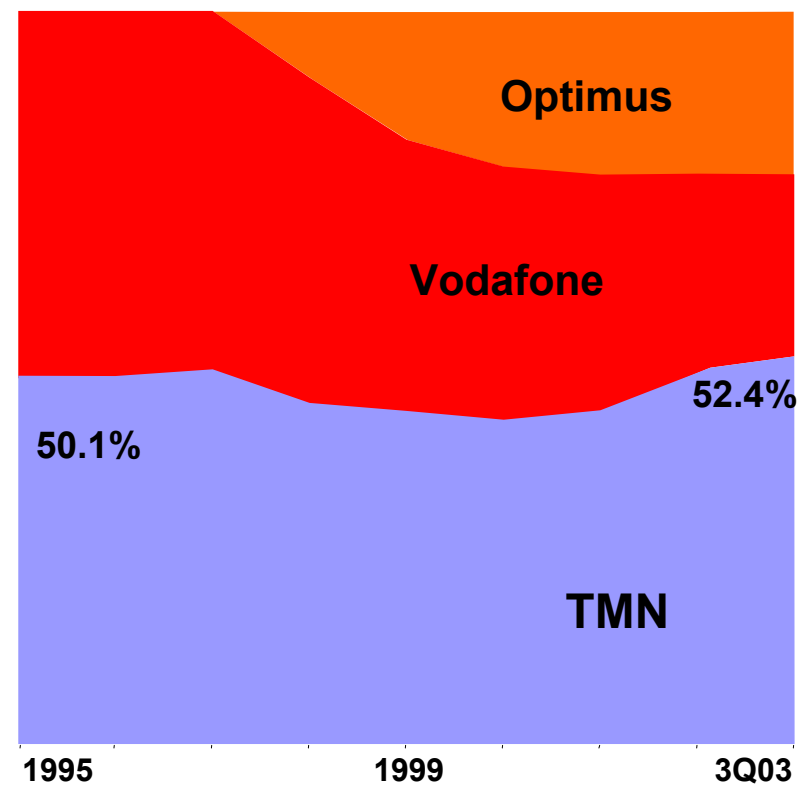


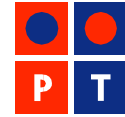
Market Leadership

Customer Base



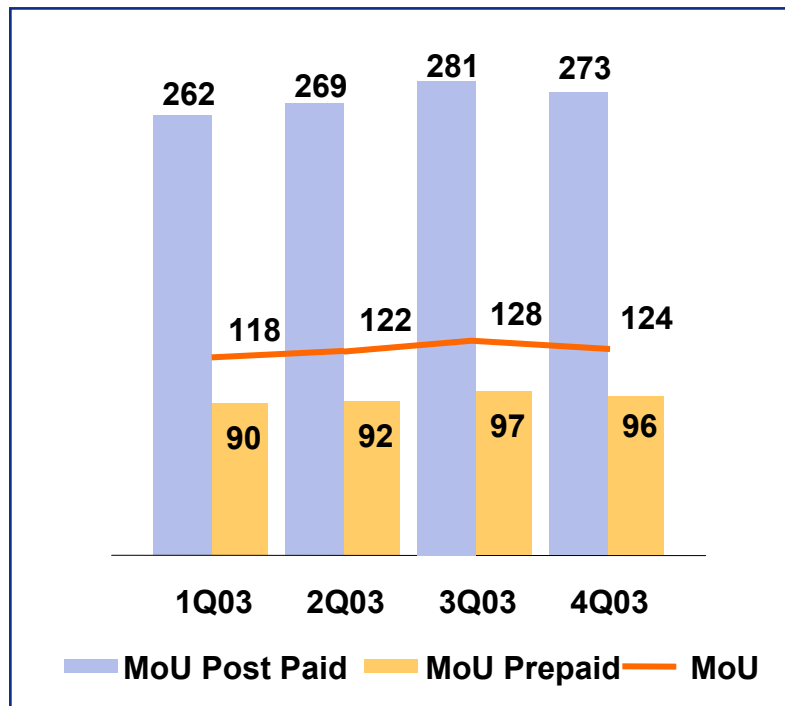
Market Share



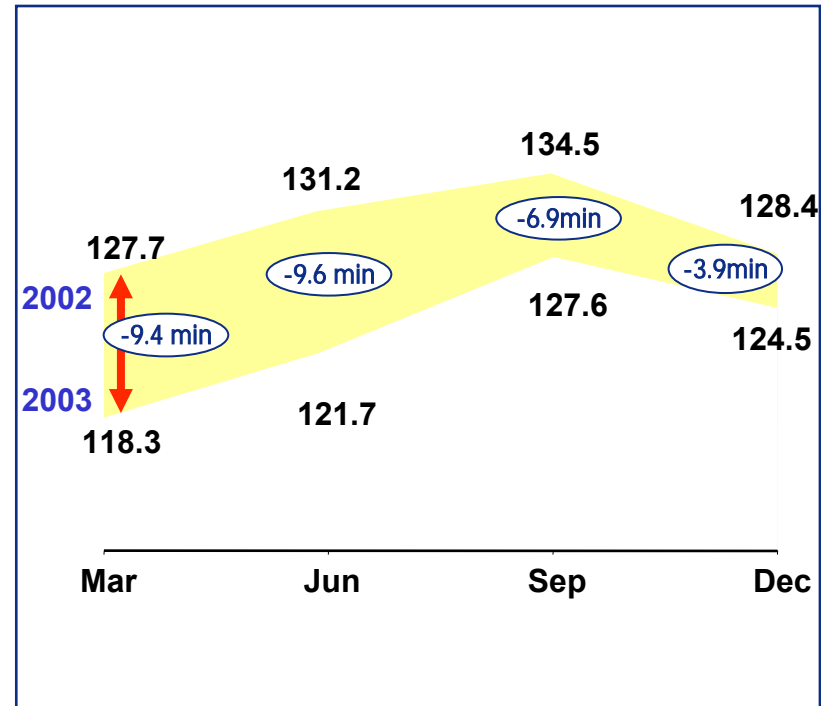


Minutes of Usage (Quarterly)

MoU



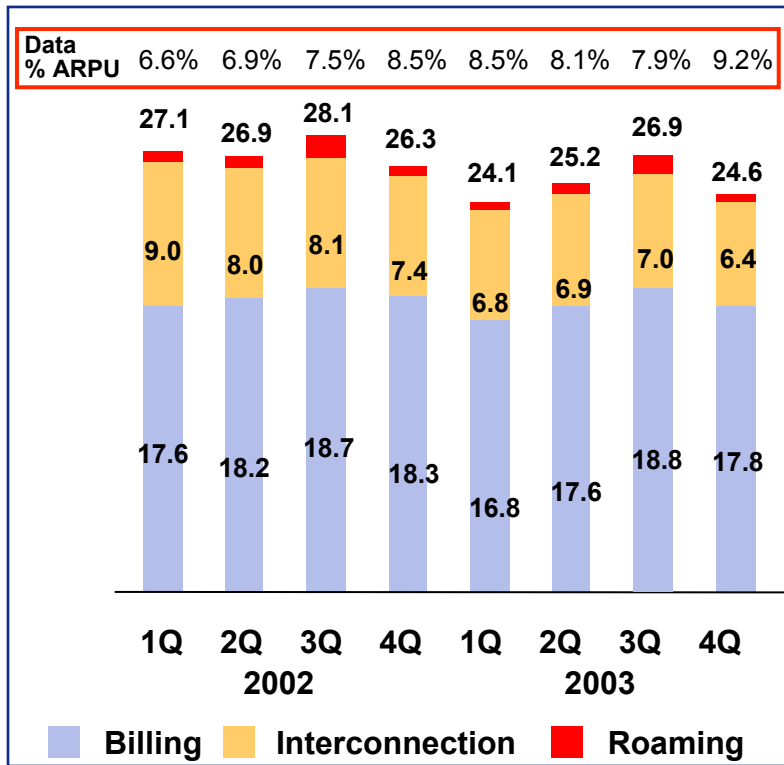
MoU 2003 versus 2002



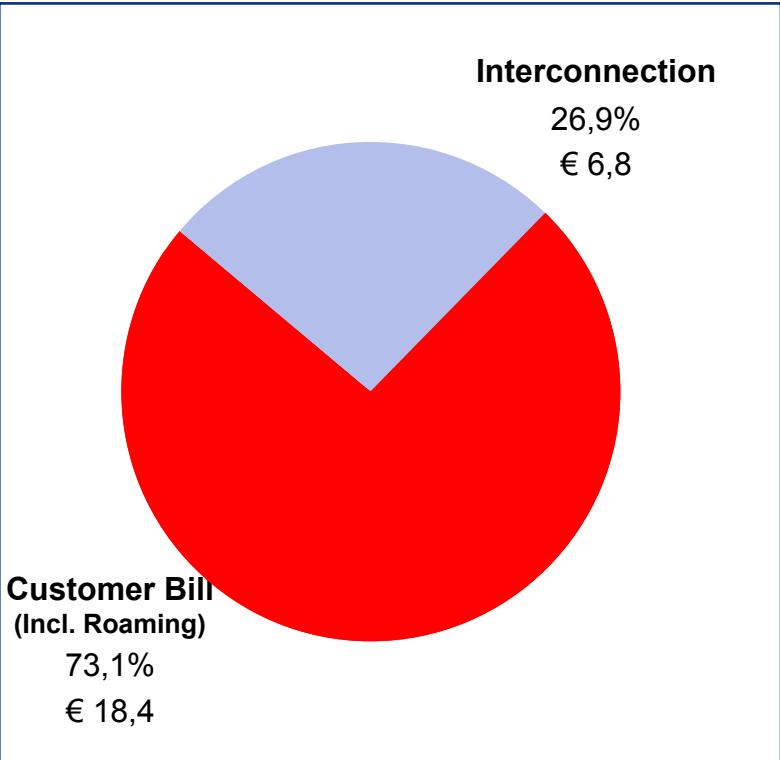


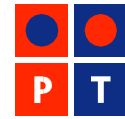
ARPU

ARPU (euro)

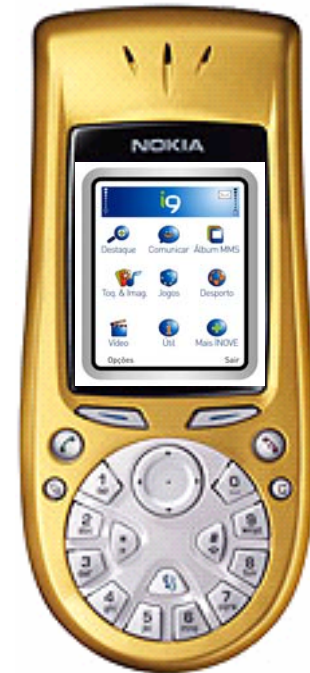
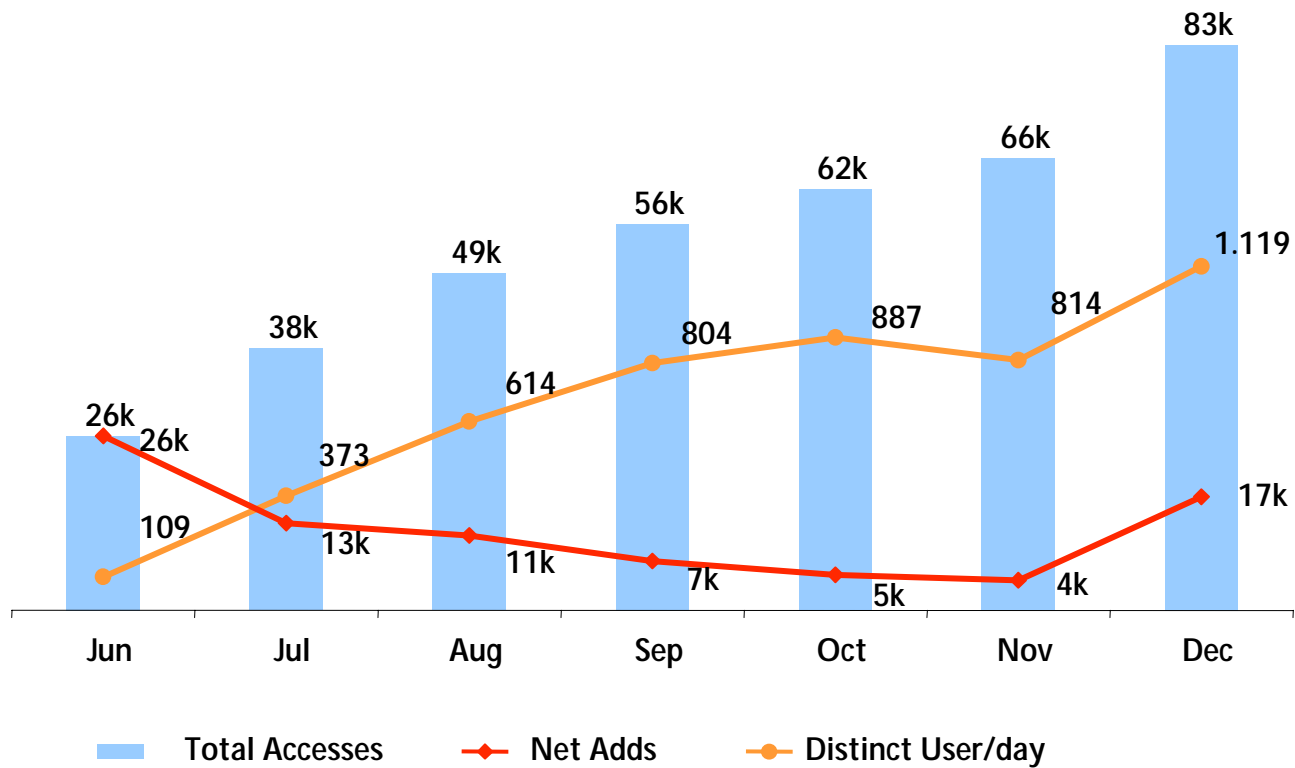


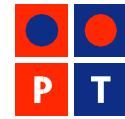
ARPU Structure (FY 2003)





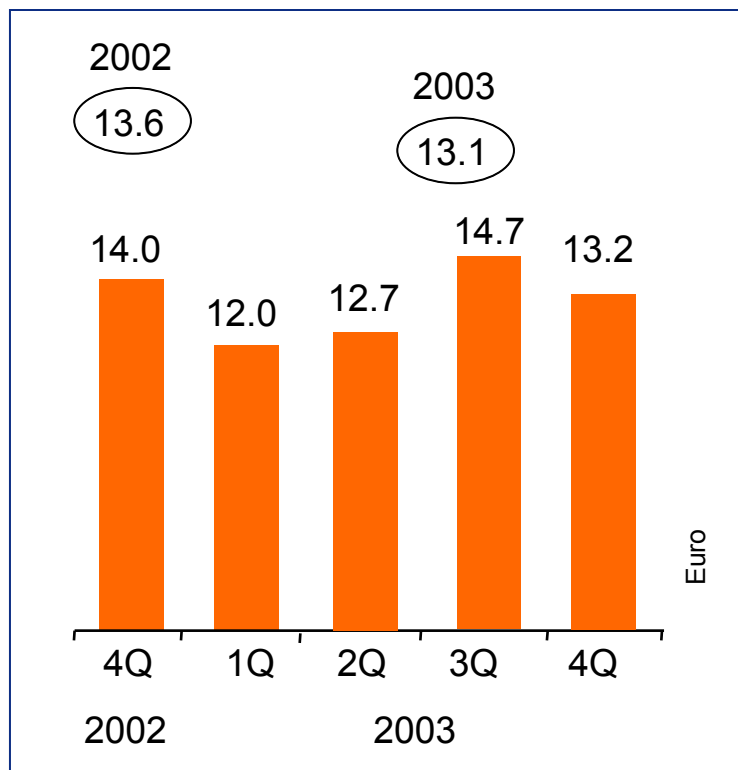
i9 – Subscriber Evolution



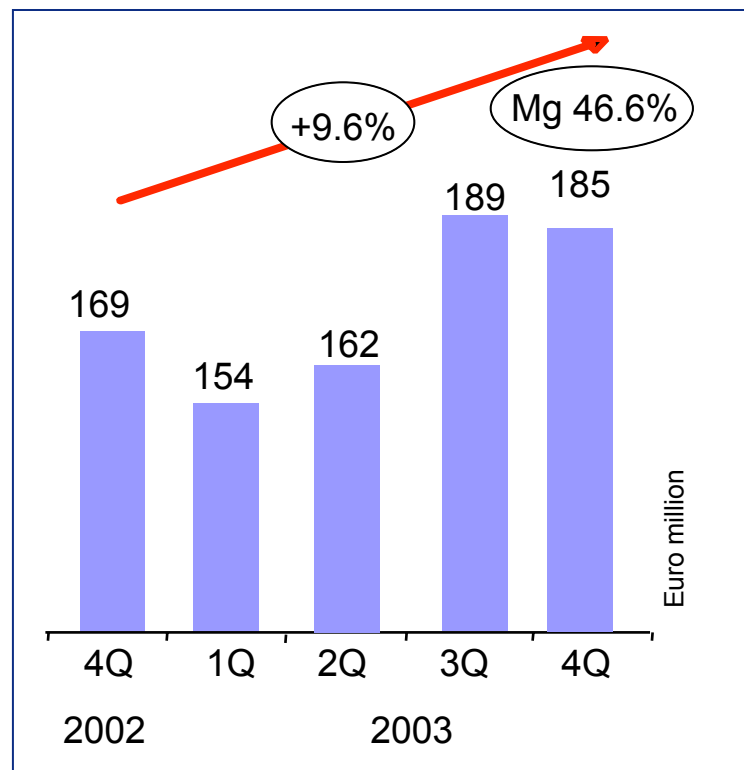


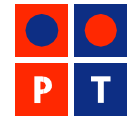
EBITDA

ARPU minus CCPU



EBITDA





Brazilian Mobile



Key Financials

Key Financial Highlights *

\$R million	4Q03	Δ YoY %	Δ 4Q/3Q	2H03	Δ YoY %	FY03	Δ YoY %
Operating Revenues	2,784	21.4	9.7%	5,322	18.4	9,490	16.8
Operating Costs (excl. D&A)	1,887	26.8	26.1	3,384	19.9	5,944	16.8
EBITDA	897	12.0	-13.8	1,938	15.9	3,546	16.7
EBITDA margin (%)	32.2	-2.7pp	-8.8pp	36.4	-0.8pp	37.4	-0.0pp
Capex	720	22.0	n.m.	854	4.2	1,147	-4.6
Capex to Sales (%)	25.8	0.1pp	20.5pp	16.0	-2.2pp	12.1	-2.7pp
EBITDA minus Capex	177	-15.9	-80.4	1,084	27.1	2,398	30.6
Net Debt *	3,558	-11.9	11.5	3,558	-11.9	3,558	-11.9

* Including TCO's results since May 2003. Δ YoY is computed based on Vivo pro-forma results including TCO's results since May 2002.

** Net Debt considering the effect of certain derivatives that function as hedges of related loans. Additionally, non-hedge derivatives are included in Cash at fair value.



Key Performance Indicators (1)

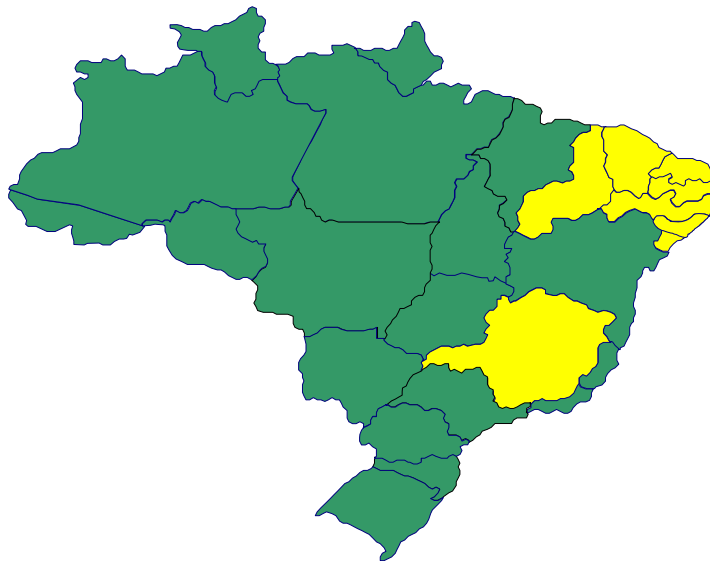
	4Q03	Δ YoY %	Δ4Q/3Q%	2H03	Δ YoY %	FY03	Δ YoY %
Customers ('000)	20,656	22.9	11.8	20,656	22.9	20,656	22.9
Market Share (%)	57.3	-17.1pp	0.6pp	57.3	-17.1pp	57.3	-17.1pp
Net Additions	2,186	86.2	89.7	3,135	70.5	3,847	37.6
MOU (minutes)	102	-3.5	-0.4	n.a.	n.a.	102	-4.0
ARPU (BRL)	38.6	-5.4	-3.3	n.a.	n.a.	39.4	-3.8
CCPU (BRL)	21.3	-4.2	11.2	n.a.	n.a.	20.6	-3.7
ARPU minus CCPU (BRL)	17.3	-6.9	-16.6	n.a.	n.a.	18.8	-3.8

(1) Vivo pro-forma including TCO since January in 2002 and 2003.



Vivo Footprint and Subs versus Competition

Vivo Footprint



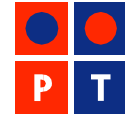
- ▶ Brazil: 177 million inhabitants, 46 million Subs, a penetration rate of 26%
- ▶ Presence in 20 States, 85% of the territory, 74% of population and 86% of Brazilian GDP
- ▶ 20.6 million clients, 56.2% of market share
- ▶ CDMA: leading technology to 3G evolution

Subscribers *

('000)	FY03	Δ YoY%	Δ YTD
Vivo	20,656	+22.9%	+3,847
Claro+BCP	8,285	+20.8%	+1,429
TIM	5,021	+98.7%	+2,494
Ói	1,757	+163.6%	+1,090
Amazônia	1,027	+9.3%	+87

* In the regions where Vivo operates

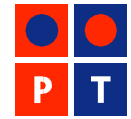
12.5 million more subscribers than the next competitor considering all Brazilian States



Vivo: undisputed leadership in Brazil

- ▶ 20.7 million clients*
 - 56.2% market share in own areas
- ▶ Reach*
 - 85% of Brazilian territory
 - 86% of national GDP
 - 130m pops, 74% of total population.
- ▶ CDMA: leading technology to 3G evolution
- ▶ Company created in Dec 2002
 - Increasingly acting as one since 2001





Multimedia



PT Multimedia Overview

Pay TV

- ▶ # 1 Pay TV operator in Portugal
- ▶ # 1 Broadband internet access provider in Portugal
- ▶ Ownership of football rights (Sport TV)

Revenues: EUR 433 mn
EBITDA: EUR 128 M
63% Total Revenues

Audiovisual Entertainment

- ▶ Exclusive holder of key Pay TV content
- ▶ Cinema exhibition and distribution
- ▶ DVD and videogames distribution - Exclusive PS2 distributor

Revenues: EUR 116 mn
EBITDA: 11 mn
17% Total Revenues

Media

- ▶ National Daily Newspapers
- ▶ News radio station (TSF)
- ▶ Magazines

**Restructuring
in progress**

Revenues: EUR 144 mn
EBITDA: EUR 5 mn
21% Total Revenues



Key Financials

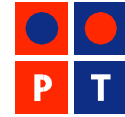
Key Financial Highlights

€ million	4Q03	Δ YoY %	Δ 4Q/3Q	2H03	Δ YoY %	FY03	Δ YoY %
Operating Revenues	195	8.6	19.2	358	8.7	684	9.9
Operating Costs (excl. D&A)	151	-3.4	16.8	280	-1.8	550	1.0
EBITDA	44	89.7	28.3	78	76.6	135	70.1
Pay-TV EBITDA	40	72.2	12.2	75	81.8	128	77.2
EBITDA margin (%)	22.5	9.6pp	1.6pp	21.8	8.4pp	19.7	7.0pp
Pay-TV EBITDA margin (%)	33.9	+10.9pp	1.0pp	33.4	12.2pp	29.6	10.0pp
Capex	18	-32.0	30.7	32	-25.9	57	-27.2
Capex to Sales (%)	9.3	-5.5pp	0.8pp	8.9	-4.1pp	8.4	-4.3pp
EBITDA minus Capex	26	n.m.	26.7	46	n.m.	77	n.m.



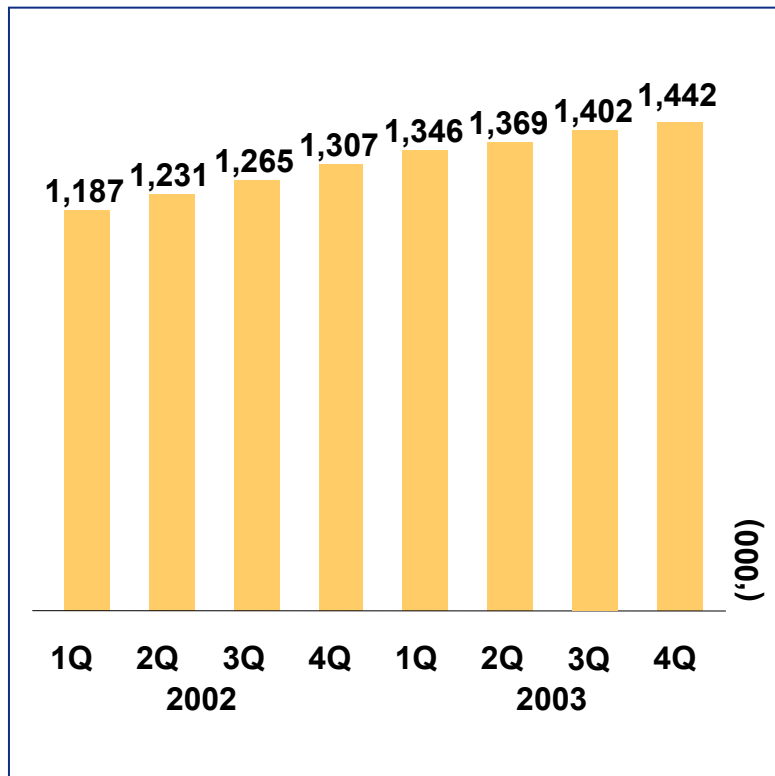
Key Performance Indicators

	4Q03	Δ YoY %	Δ 4Q/3Q%	2H03	Δ YoY %	FY03	Δ YoY %
Homes Passed ('000)	2,742	3.4	1.1	2,742	3.4	2,742	3.4
% of Bi-directional	89.9	4.2pp	0.8pp	89.9	4.2pp	89.9	4.2pp
Pay-TV Customers ('000)	1,442	10.3	2.8	1,442	10.3	1,442	10.3
Pay-TV Net Additions ('000)	39.6	-7.7	19.3	72.8	-4.7	134.1	-9.1
Pay to Basic Ratio (%)	76.2	6.2pp	4.4pp	76.2	6.2pp	76.2	6.2pp
Churn (%)	15.3	-1.1pp	-0.2pp	15.4	-0.8pp	15.1	-1.2pp
Cable Internet Access ('000)	230	64.1	13.6	230	64.1	230	64.1
ARPU (€)	24.6	10.5	3.0	24.2	10.0	23.8	10.6
Pay TV	20.4	5.9	1.8	20.2	5.2	20.0	5.0
Broadband	27.2	-9.1	-1.6	27.4	-8.4	28.5	-9.1

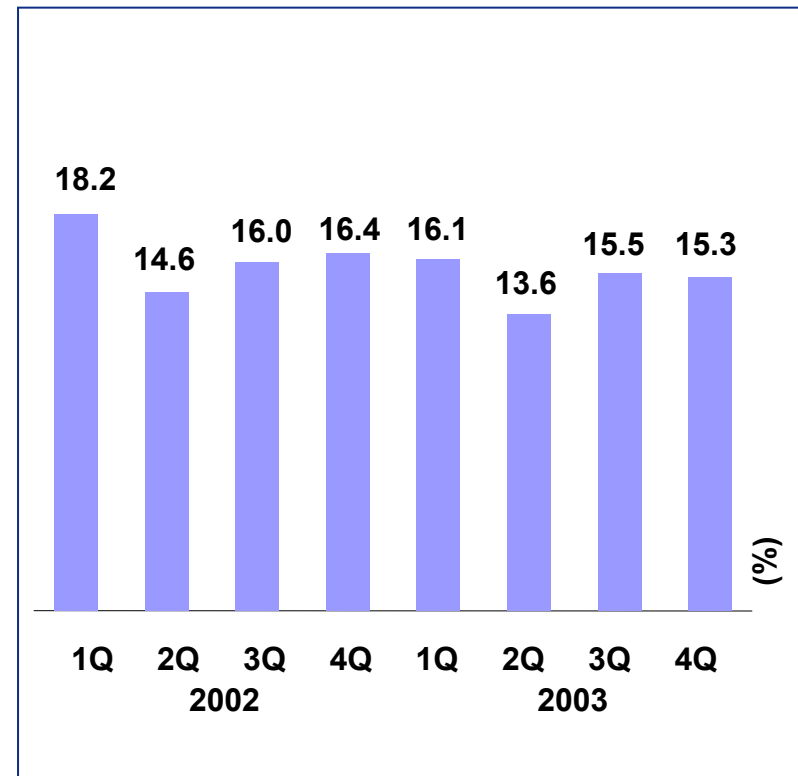


Subscribers & Churn Pay TV

Basic Subscribers

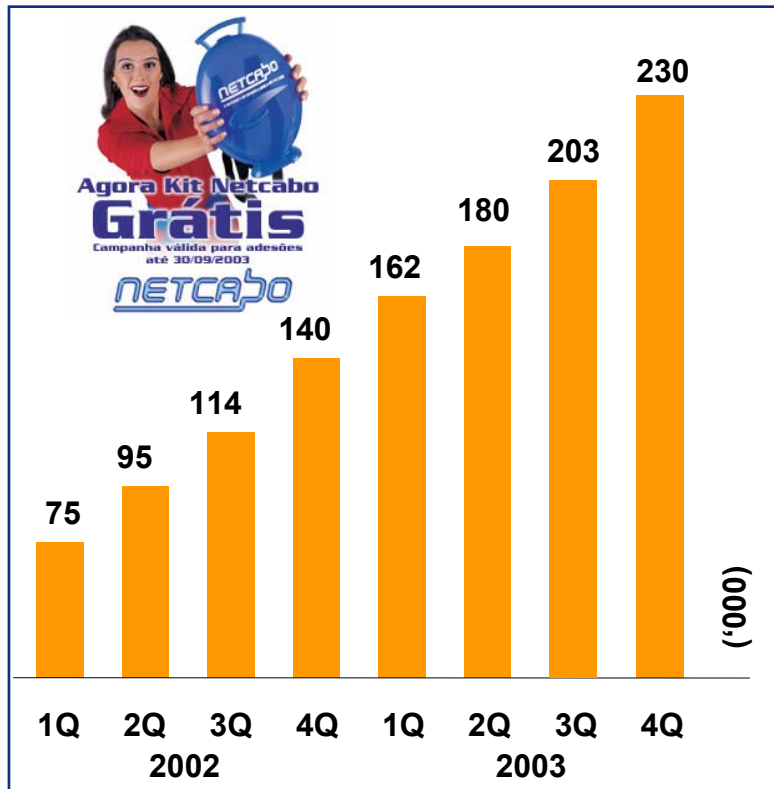


Churn



Broadband

Broadband Accesses



- ▶ Cable internet accesses increased 66% YoY
- ▶ 90k net adds in the full year
- ▶ 21.0% penetration of internet service among Pay TV subs
- ▶ 230K cable broadband subs in December



Digital Services

- ▶ Over 210k digital cable and DTH enhanced TV boxes
- ▶ Set Top Box technology identical across satellite and cable
- ▶ Piracy control
- ▶ Pre-paid services via SMS/ATM
- ▶ Box factory gate price below €100, rented to subscribers with payback over 24 months

Interactive channels

EPG

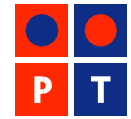
Multi-camera



Pay per view

Lusomundo's video library

Multiplexed matches



Investment Case & Conclusion



Investment Case PT: Financial Year 2003

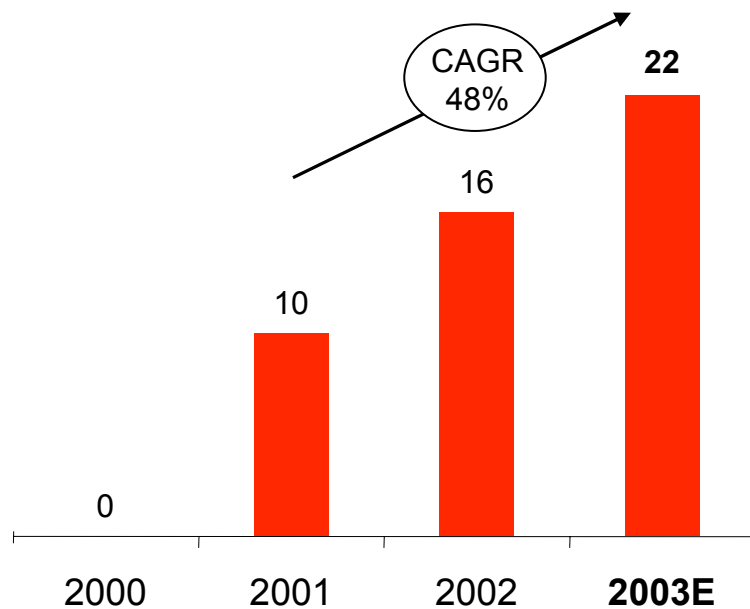
- ▶ **Restructuring benefits ensures sustainable returns**
- ▶ **Unparalleled scope of business and leadership in domestic market**
- ▶ **Brazil upswing brings additional upside through Vivo leadership and growth**
- ▶ **Focus on shareholder value**

Build on a solid track record



Delivering on promises

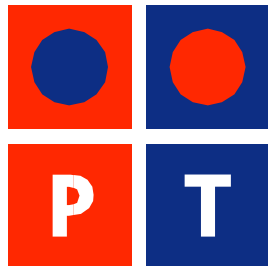
Dividends Evolution (€ cents per share)



Financial Year 2003

- ▶ NI of €240M in '03 a decline of 38.6% vs 38.9% growth without curtailment + one off tax effect
- ▶ Dividends of Euro 22 cents
- ▶ Buyback of 10% of share capital until end of year 2004
- ▶ Approval to cancel shares in the next AGM
- ▶ PTM dividend of 8 € cents

Focus on Shareholder Value



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