

Portugal Telecom

First Quarter 2003 Results

Zeinal Bava

Group CFO, Portugal Telecom

London, April 30, 2003



Safe Harbour

This 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.

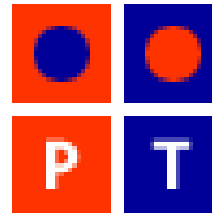
These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ 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.

Overview



Group Overview



Customers, thousands

Domestic Wireline

Telephony	Corporate & Data Solutions	ISP & Portal
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Mar-03 (Dec-02)

Total, of which:	5,272	(5,237)
Access lines	4,099	(4,143)
ISDN	819	(826)
ADSL (wholesale)	78	(53)
Retail	61	(43)

Mobile

Domestic/TMN	Brazil JV
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Mar-03 (Dec-02)

Total, of which:	21,757	(22,915)
TMN	4,474	(4,426)
Brazil JV	16,949	(16,610)

Multimedia

Pay TV & Cable Modem	Newspaper & Radio	Cinemas & Video
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Mar-03 (Dec-02)

Total, of which:	1,508	(1,447)
Pay TV	1,346	(1,307)
NetCabo	162	(140)
<hr/>		
Newspaper Circulation Daily Average	213	(202)
Cinema Tickets Sold	2,234	(1,885)

Group Performance

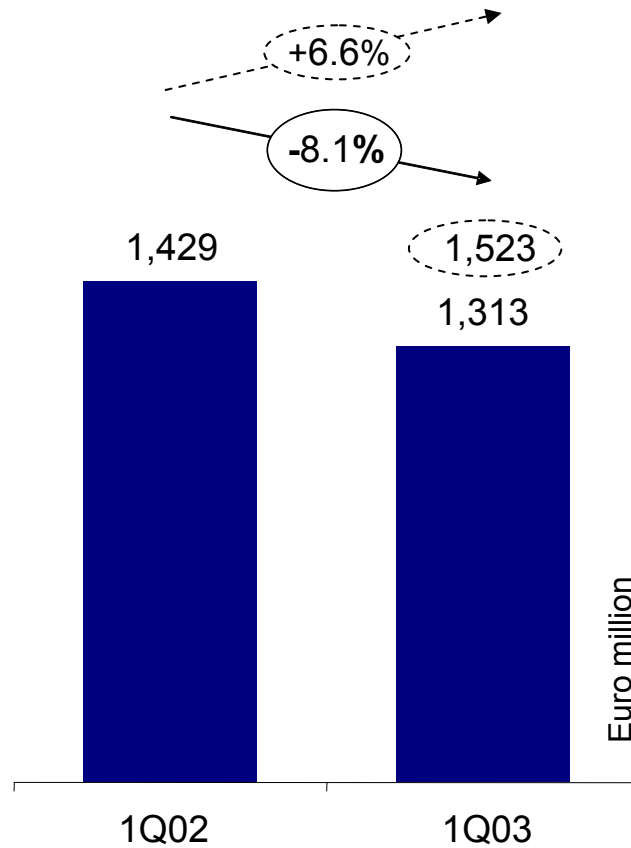


Financial Highlights

€ million	1Q02	4Q02	1Q03	Δ% 1Q/1Q	Δ% 1Q/4Q	FY01	FY02	Δ%
Revenues	1,429	1,368	1,312	-8.1	-4.0	5,727	5,582	-2.5
EBITDA	558	536	520	-6.9	-2.9	2,124	2,230	5.0
EBITDA margin(%)	39.1	39.2	39.6	0.5pp	0.4pp	37.1	39.9	2.8pp
Net Interest	38.5	53.7	32.9	-14.5	-38.7	300	197	-34.3
Net Income	90	70	85	-5.9	21.9	307	391	27.2
N. Income (excl. Curt.)	94	85	147	57.3	72.8	431	427	-0.8
Capex	158	258	122	-23.1	-52.7	1,316	776	-41.1
EBITDA minus Capex	400	277	398	-0.5	44.1	808	1,454	80.0
Net Debt	5,163	4,037	3,834	-25.7	-5.0	5,456	4,037	-26.0
Net Debt/EBITDA	2.3	1.9	1.8	-	-	2.6	1.8	-
EBITDA Cover (x)	14.5	10.0	15.8	-	-	7.1	11.3	-
FX Real/Euro								
Average	2.088	n.a.	3.7438	-44.2	n.m.	2.1018	2.7836	-24.5
EoP	2.0275	3.7124	3.6607	-44.6	1.4	2.0464	3.7124	-44.9

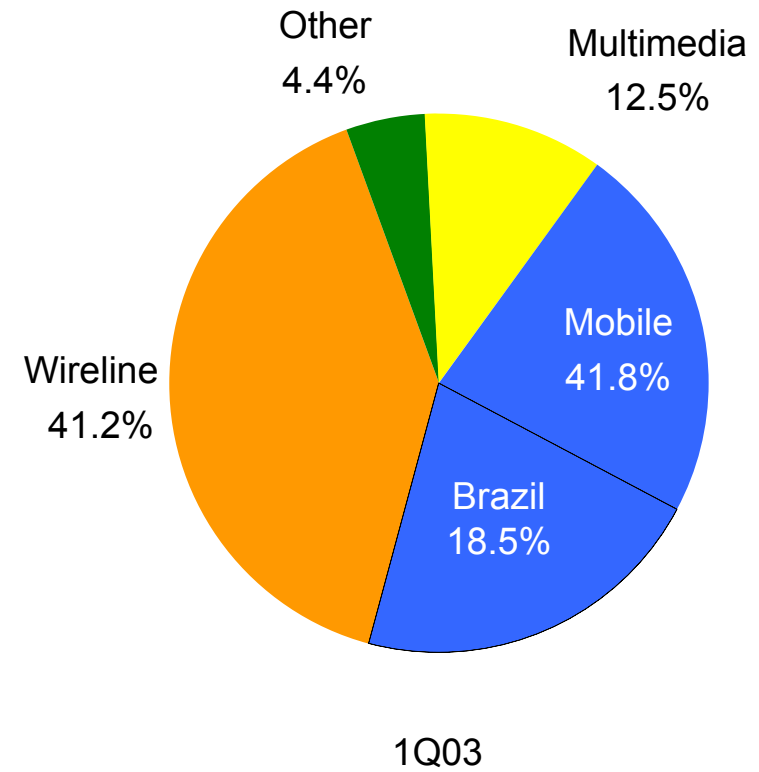
Consolidated Revenues

Revenues



----- Excl. impact of BRL devaluation

Business Areas (%)





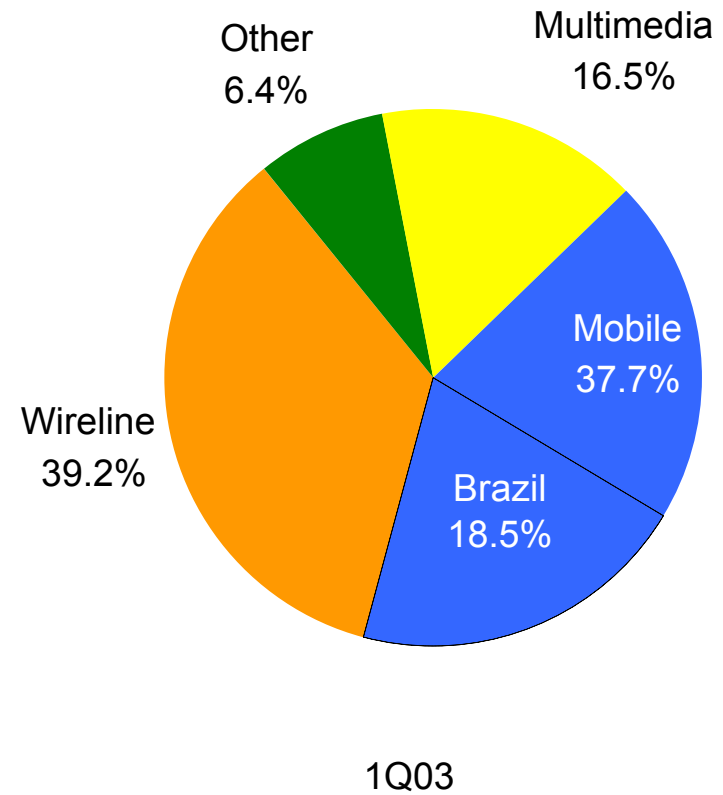
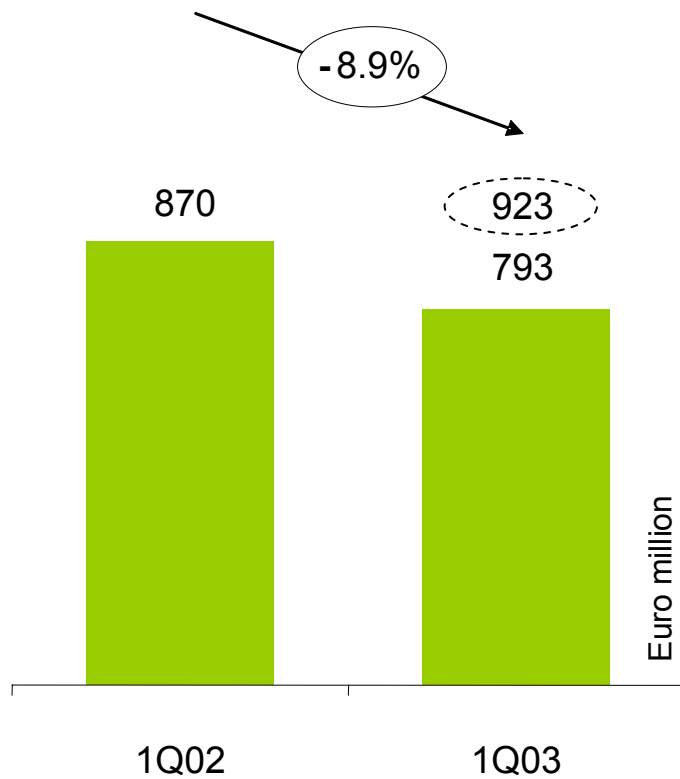
Consolidated Revenues by Business Area

€ million	1Q03	% Struct.	Δ (1Q03 vs.1Q02)	% 03/02
Wireline	541	41.2	-34	-6.0
TMN	307	23.4	7	2.3
VIVO (\$BR million)	243 909	18.5	-117 +157	-32.6 +20.9
PTM	163	12.5	12	7.7
Other	58	4.4	17	41.0
PT Group	1,313	100.0	-116	-8.1

Consolidated Operating Costs excluding D&A

Opex

Business Areas (%)



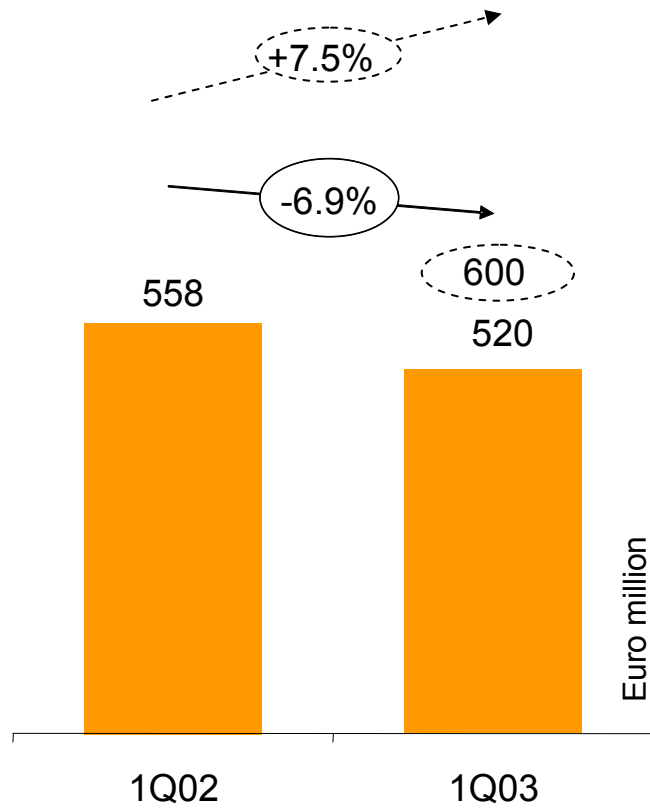
Consolidated Operating Costs excl. D&A

€ million	1Q03	% Struct.	Δ (1Q03 vs.1Q02)	% 03/02
Wireline	307	38.7	-14	-4.4
TMN	153	19.3	0	0.0
VIVO (\$BR million)	143 550	18.0	-78 73	-35.3 15.3
PTM	136	17.2	3	2.3
Other	54	6.8	11	25.6
PT Group	793	100.0	-78	-8.9

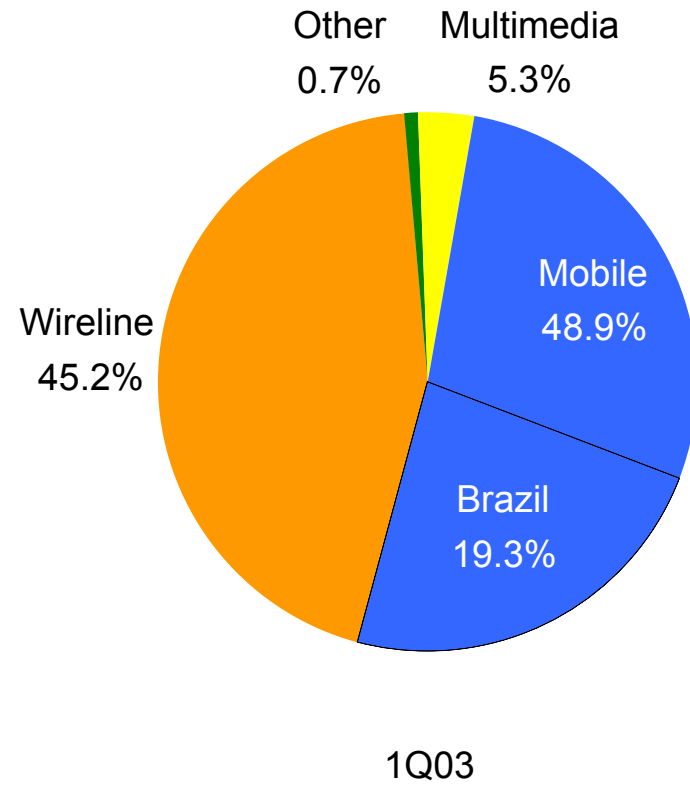
\$BR/Euro 3.74/2.09

EBITDA

EBITDA



Business Areas (%)



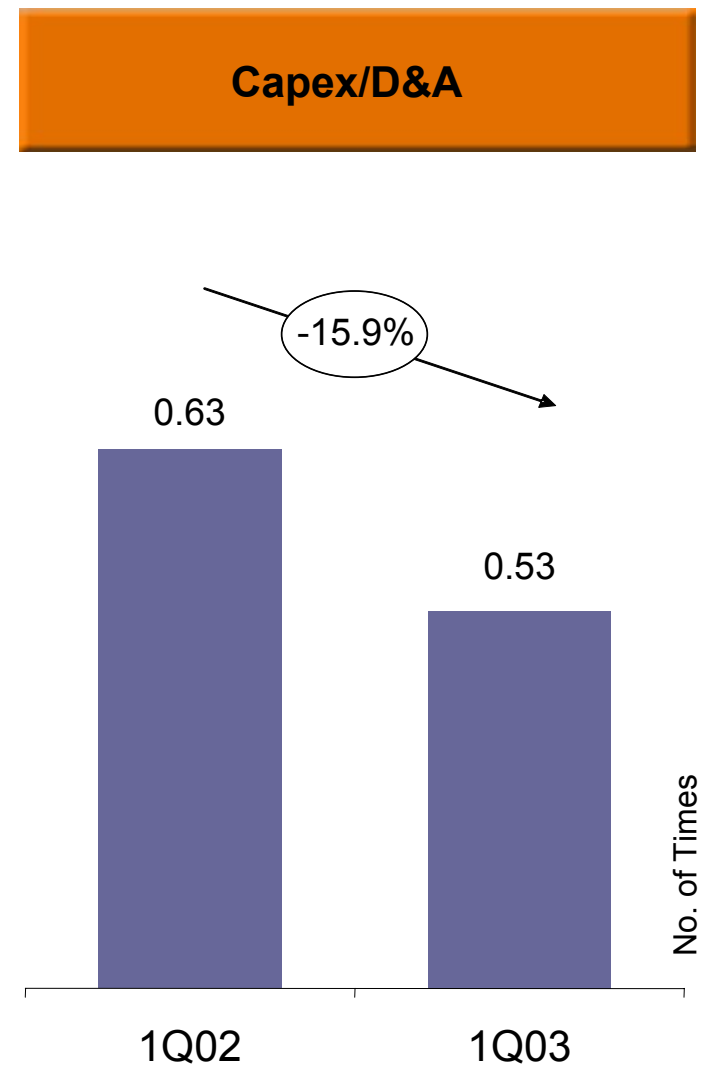
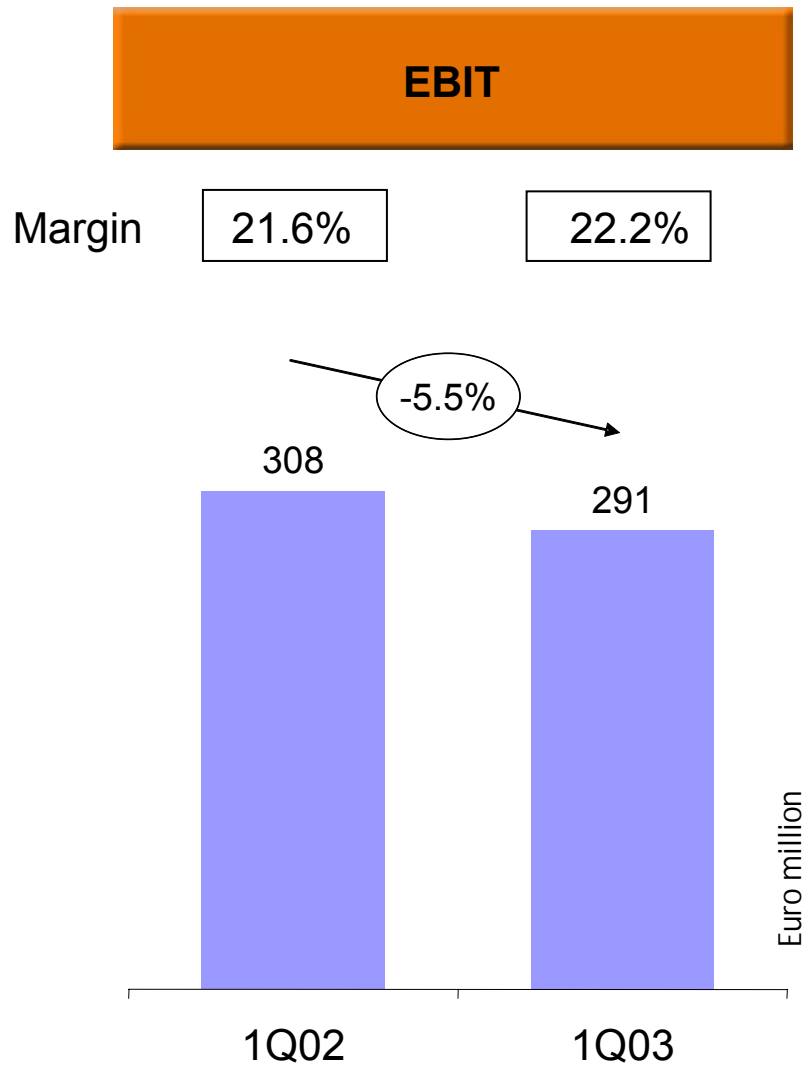
EBITDA by Business Area

€ million	1Q03	% Struct.	Δ (1Q03 vs.1Q02)	% 03/02
Wireline	235	45.2	-19	-7.6
TMN	154	29.6	7	4.6
VIVO (\$BR million)	100 375	19.3	-39 +84	-28.2 28.8
PTM	27	5.2	9	45.6
Other	3	0.7	3	n.m.
PT Group	520	100.0	-39	-6.9

\$BR/Euro 3.74/2.09



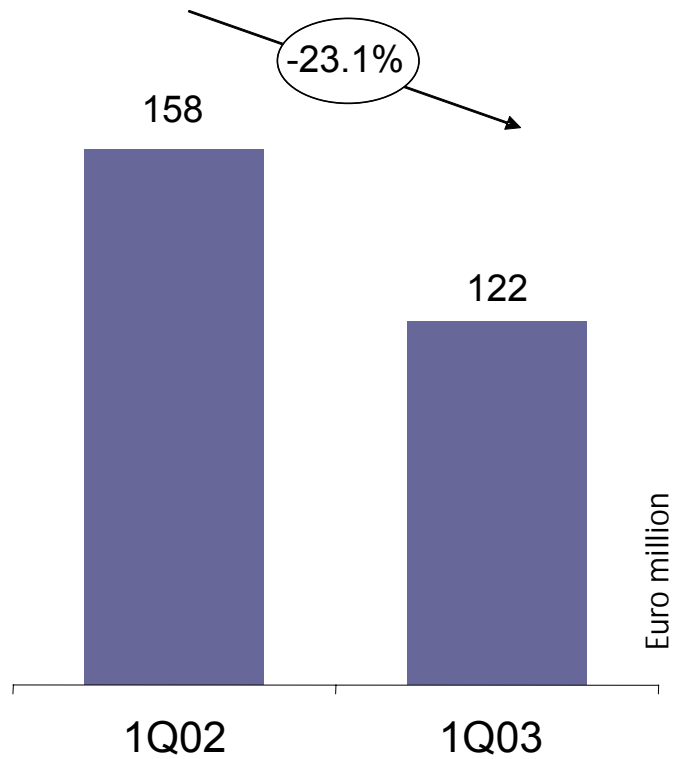
EBIT and Capex / D&A



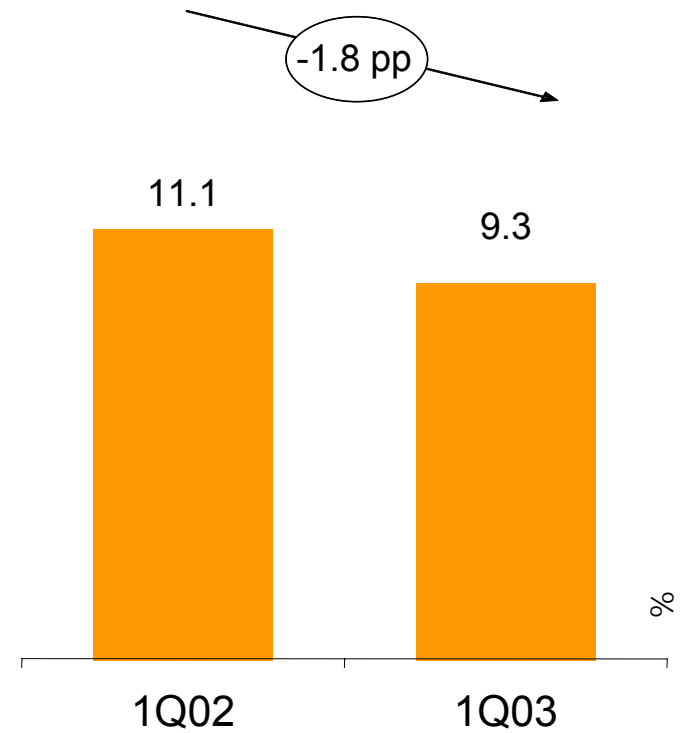
Capex



Capex



Capex To Revenues



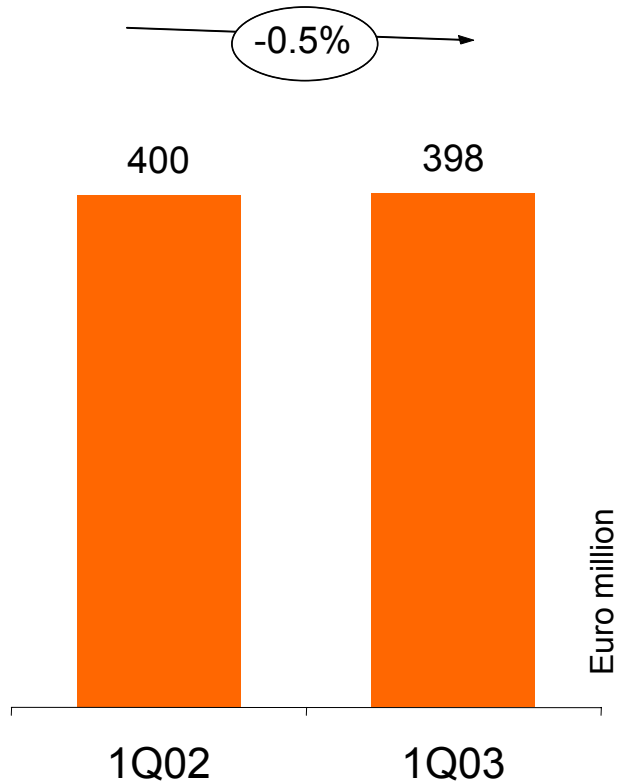


Capex by Business Area

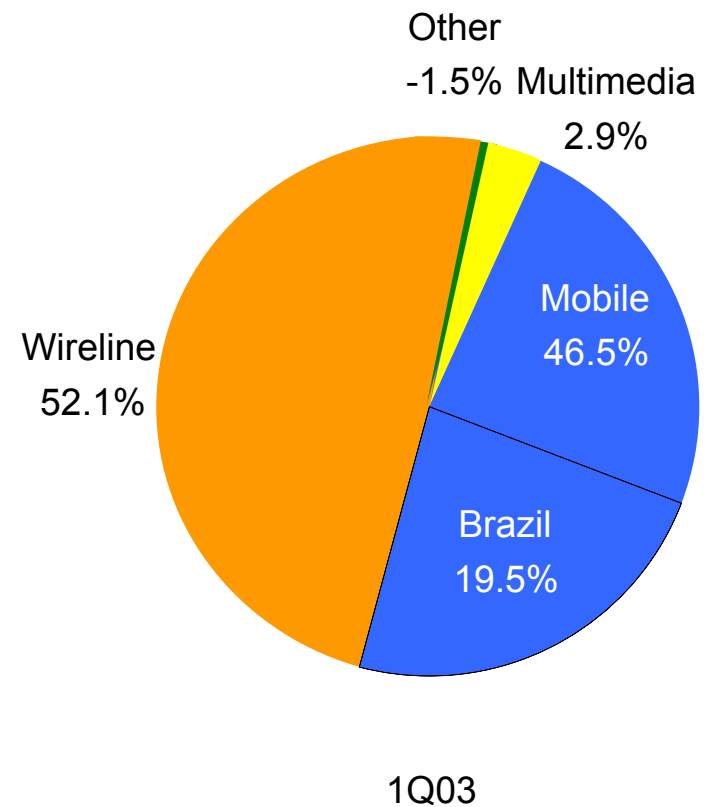


EBITDA minus Capex

EBITDA minus Capex



Business Areas (%)

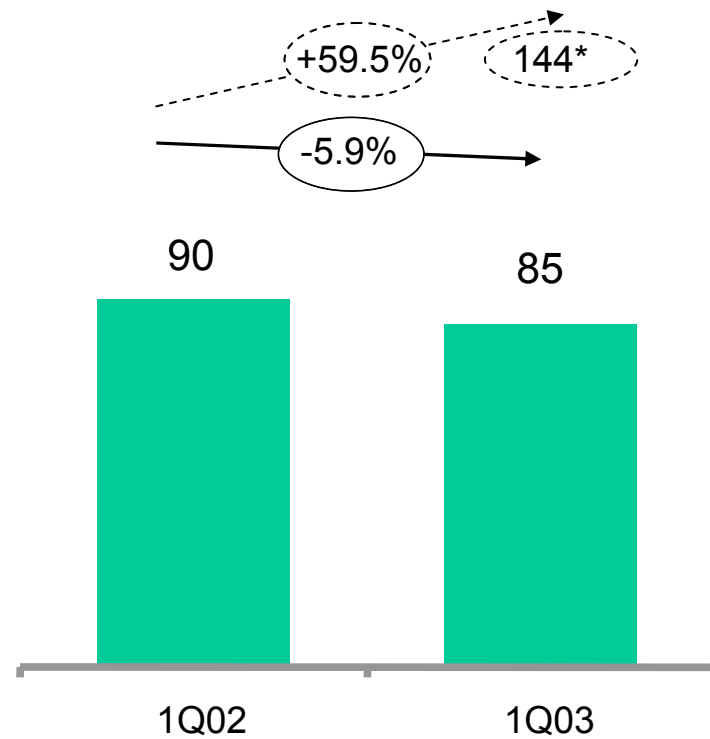


EBITDA minus Capex by Business Area

€ million	1Q03	% Struct.	Δ (1Q03 vs.1Q02)	% 03/02
Wireline	207	52.1	2	+1.0
TMN	107	27.0	29	36.1
VIVO (\$BR million)	78 293	19.5	-44 +36	-36.7 14.0
PTM	11	2.9	8	n.m.
Other	-5	-1.5	3	n.m.
PT Group	398	100.0	-2	-0.5

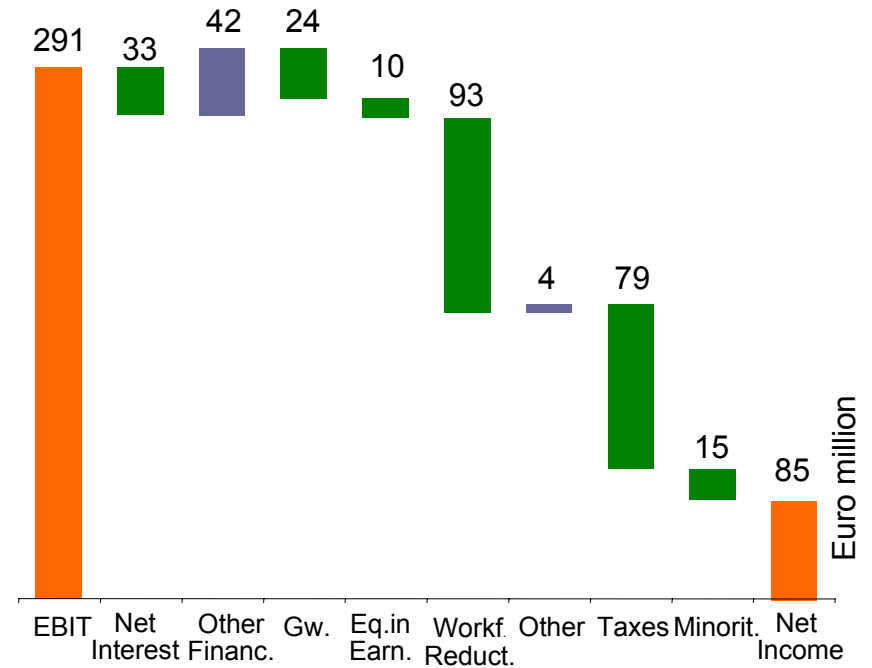
Net Income

Evolution



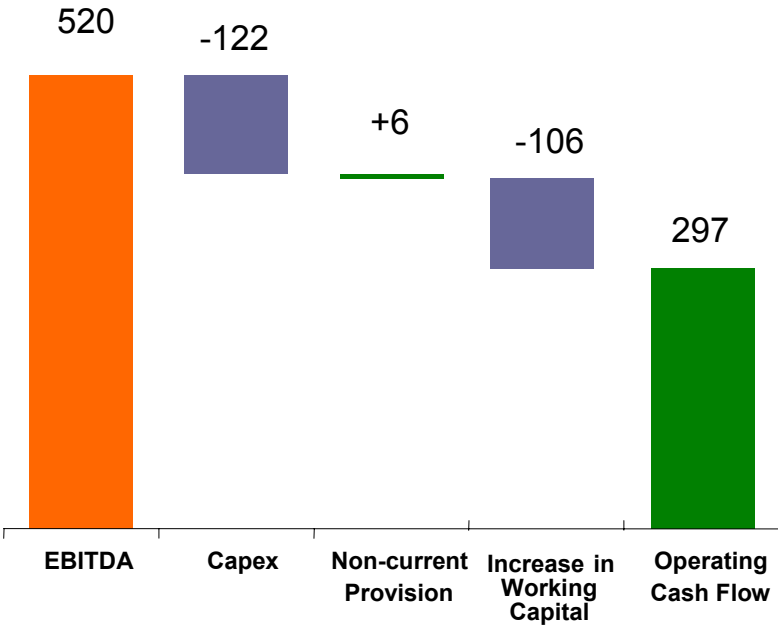
-----Excl. the increase in Workforce Reduction Costs

Financials

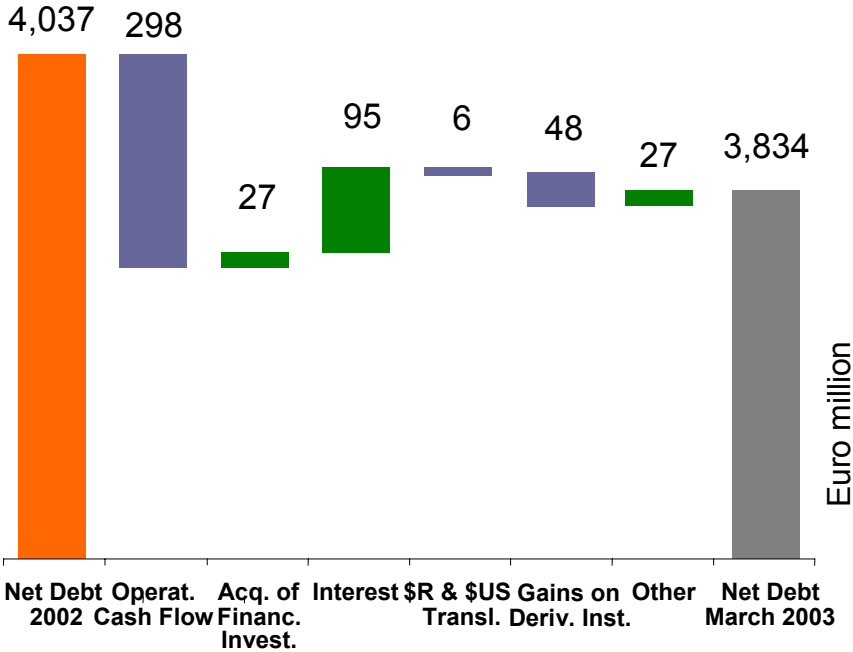


Debt Reduction

Operating Cash Flow



Net Debt Reduction

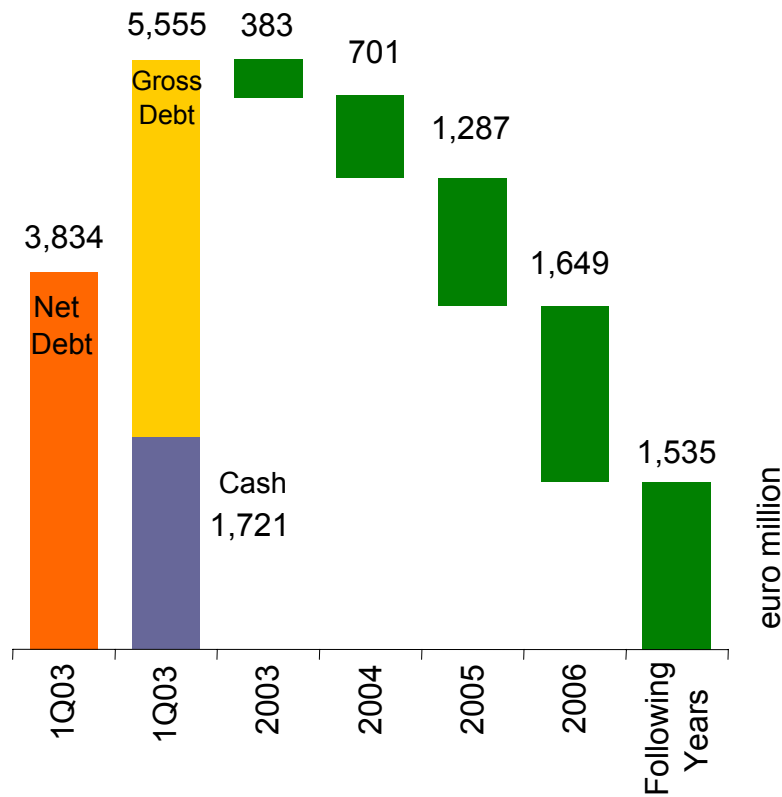


Euro million

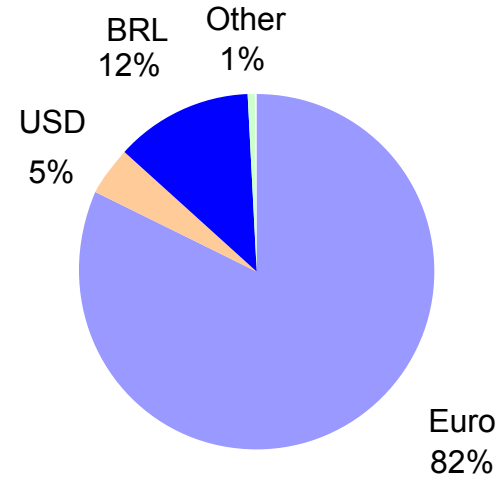
Debt Profile

Maturity

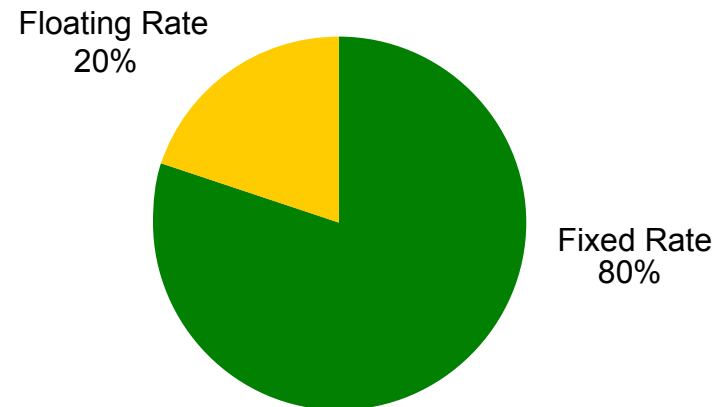
Average Maturity: 4.73 years ⁽¹⁾



Currencies



Fixed / Floating (Gross Debt)



(1) Does not include pension funds



Balance Sheet

€ million	Dec 31, 2002	Mar 31, 2003	% Change
Total Assets	13,726.1	13,045.1	-5.0
Current Assets	4,850.9	4,332.8	-10.7
Investments, Net	376.4	424.4	12.8
Fixed assets, Net	4,575.8	4,412.7	-3.6
Intangible Assets, Net	2,968.7	2,992.0	0.8
Deferred Taxes (M-L. Term)	877.3	794.8	-9.4
Others	77.0	88.4	14.8
Total Liabilities	10,167.6	9,354.0	-8.0
Current Liabilities	2,958.0	2,209.1	-25.3
Medium & Long term Debt	5,219.1	5,133.0	-1.6
Accrued Post Retirement Liabilities	1,061.5	1,166.0	9.8
Deferred Tax Liabilities (M-L. Term)	359.1	355.5	-1.0
Provisions for Other Risks and Charges	353.3	255.3	-27.7
Other	216.7	235.1	8.5
Minority Interests	447.2	470.9	5.3
Total Shareholders' Equity	3,111.3	3,220.2	3.5
Total Liab. and Shareholders Equity	13,726.1	13,045.1	-5.0
Assets Net, Denominated in Brazilian Reais	2,076.0	2,018.1	-2.8

PT's Pension Fund – December 2002

Liabilities with Pensioners and Healthcare (PBO)
Euro 3,654 mn

Δ 02/01
+2.1%

Pension Fund Assets
Euro 1,664 mn

Gross Deficit
Euro 1,990 mn

Δ 02/01 of GD
+7.4%

Deferred Costs
Euro 929 mn

Net Deficit
Euro 1,061 mn

Δ02/01 of ND
-3.3%

PT's pension fund and healthcare plans have been closed

Average estimated age of pension plan:
16 years

Business Areas

Operating Highlights by Business Area

	1Q02	4Q02	1Q03	Δ% 1Q/1Q	Δ% 1Q/4Q	FY01	FY02	Δ%
Wireline								
Main Lines in Service (k)	4,255	4,143	4,099	-3.7	-1.1	4,301	4,143	-3.7
MoU (min.)	11	11	10	-3.6	-5.3	11	11	-3.2
Δ in F2F Traffic (%)	-18.1	-6.0	-7.4	10.7pp	-1.4pp	-16.8	-12.8	4.0pp
ADSL Subs	4	42	61	n.m.	44.5	2	42	n.m.
ARPU (€)	34.0	34.6	32.9	-3.1	-4.8	36.5	34.3	-5.9
EBITDA mg (%)	41.4	37.8	40.3	-1.2pp	2.4pp	42.0	40.4	-1.6
Mobile – TMN								
Customers (k)	3,982	4,426	4,474	12.3	1.1	3,905	4,426	13.3
MOU (min)	128	128	118	-7.3	-7.8	137	130	-5.1
ARPU (€)	27.1	26.3	24.1	-11.2	-8.5	30.1	27.1	-9.8
SAC (€)	73.9	53.0	65.5	-11.4	23.7	72.1	65.0	-9.9
ARPU – CCPU (€)	13.4	14.0	12.0	-10.5	-14.4	13.9	13.6	-2.6
EBITDA mg (%)	41.8	44.4	43.7	1.9pp	-0.7pp	38.6	42.3	3.7pp
Vivo								
Customers (k)	12,000	13,742	13,771	14.8	0.2	11,601	13,742	18.5
MOU (min)	107	106	98	-8.6	-7.7	n.a.	106	n.a.
ARPU (R\$)	41	40	37	-8.5	-7.8	n.a.	41	n.a.
CCPU (R\$)	22	21	19	-13.3	-10.3	n.a.	21	n.a.
ARPU – CCPU(R\$)	19	19	18	-2.9	-5.1	n.a.	19	n.a.
EBITDA mg (%)	37.0	-	41.3	4.3pp	-	n.a.	38.0	n.a.
Cable TV								
Pay-TV Subscribers (k)	1,187	1,307	1,346	13.4	3.0	1,160	1,307	12.7
Cable Broadband Subs (k)	75	140	162	115.7	15.6	62	140	126.6
Blended ARPU (€)	20	22	23	14.3	4.9	19	22	11.6
EBITDA mg (%)	16.0	22.5	23.6	7.5pp	1.1pp	13.5	19.5	6.0

Wireline

Key Financial Highlights

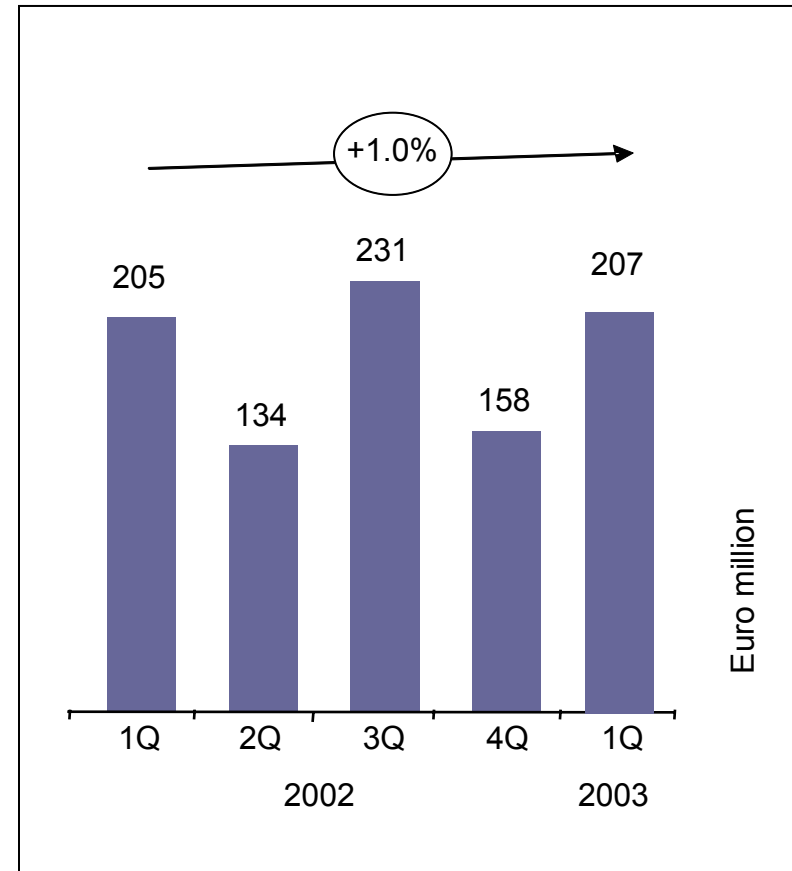
€ million	1Q02	4Q02	1Q03	Δ% 1Q/1Q	Δ% 1Q/4Q	FY01	FY02	Δ%
Revenues	613	611	583	-4.9	-4.5	2,540	2,441	-3.9
Operating Costs excl. D&A	359	380	348	-3.0	-8.3	1,473	1,456	-1.2
EBITDA	254	231	235	-7.6	1.7	1,067	985	-7.7
EBITDA margin (%)	41.4	37.8	40.3	-1.2pp	2.5	42.0	40.4	-1.6pp
Capex	49	72	27	-43.9	-62.0	399	256	-35.8
Capex % Revenues	8.0	11.8	4.7	-3.3pp	-7.1	15.7	11.3	-5.2
EBITDA minus Capex	205	158	207	+1.0	31.1	668	729	9.1

Wireline

Highlights

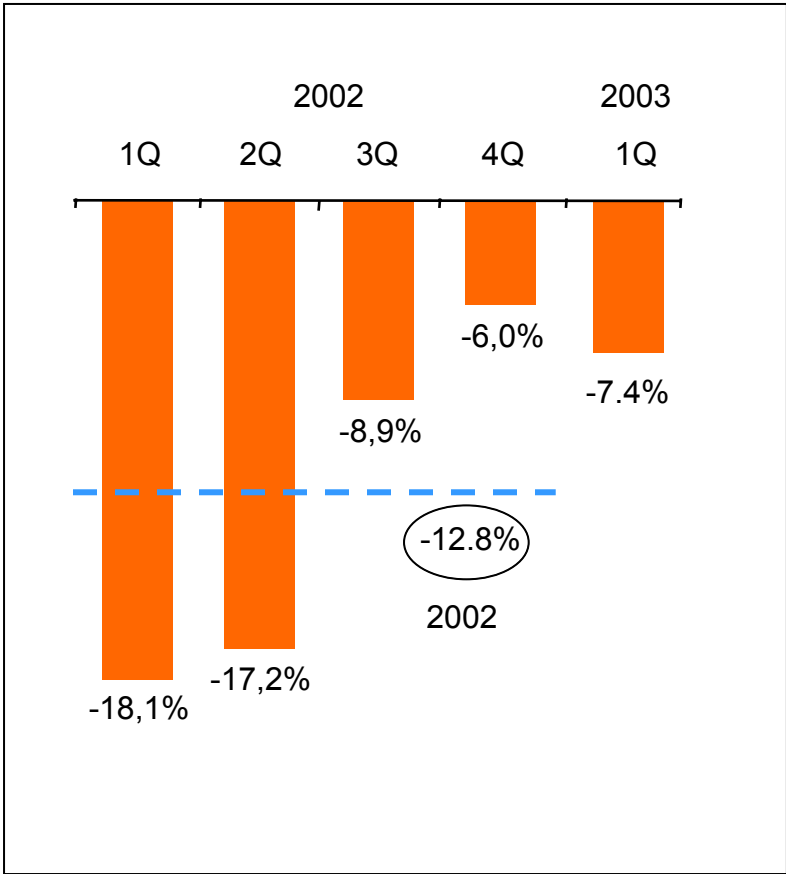
- New pricing plans, bundle offers and ADSL – “Wireline Business Reinvention”
- 92% market share of outgoing traffic and 95% market share of access lines
- 20% ISDN penetration and 32% of voice-mail penetration
- State-of-art infrastructure with the most advanced technological solutions
- Cost control: Opex (-3.0%) and Capex (-43.9% compared to 1Q02) to 4.7% of Revenues
- Strong EBITDA margin: 40.3%

EBITDA minus Capex

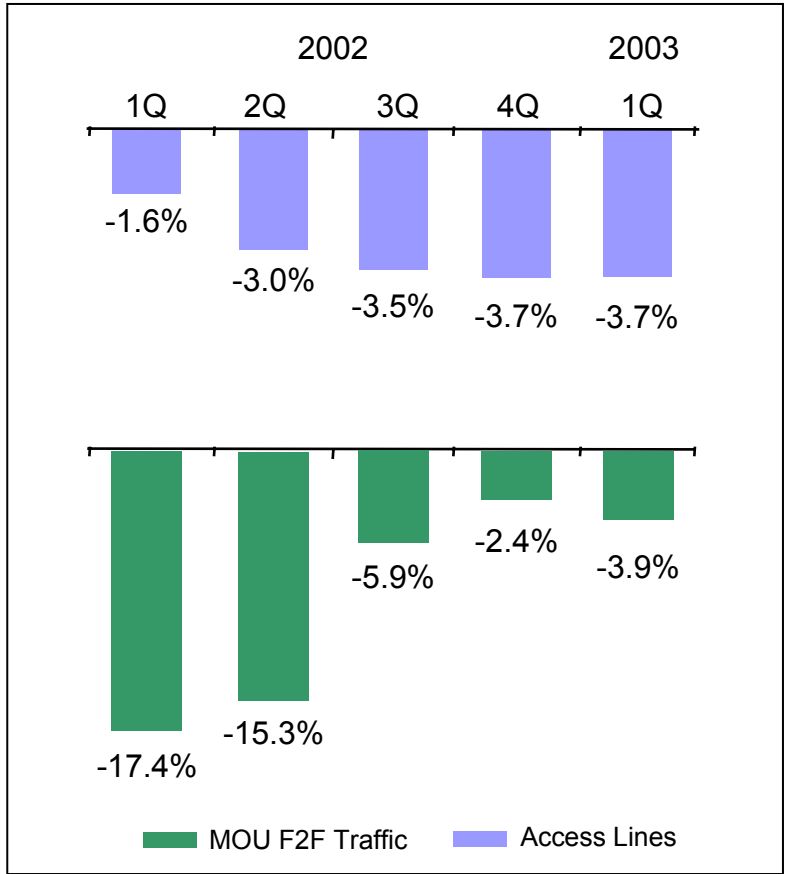


Wireline

Change in F2F Traffic Y.o.Y

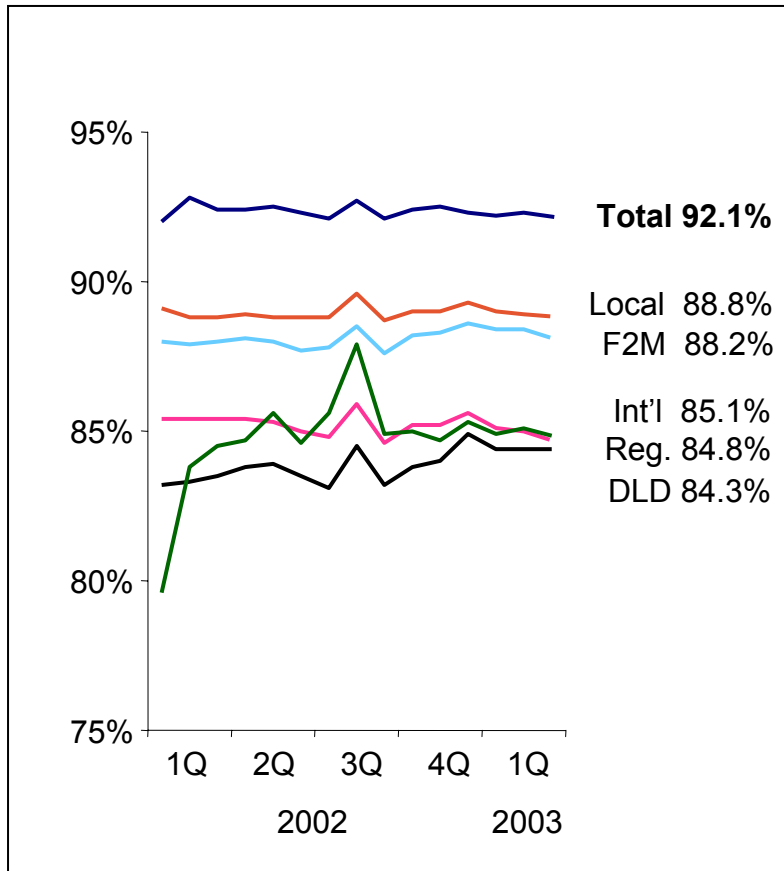


Change of Access Lines and in MoU of F2F Traffic Y.o.Y

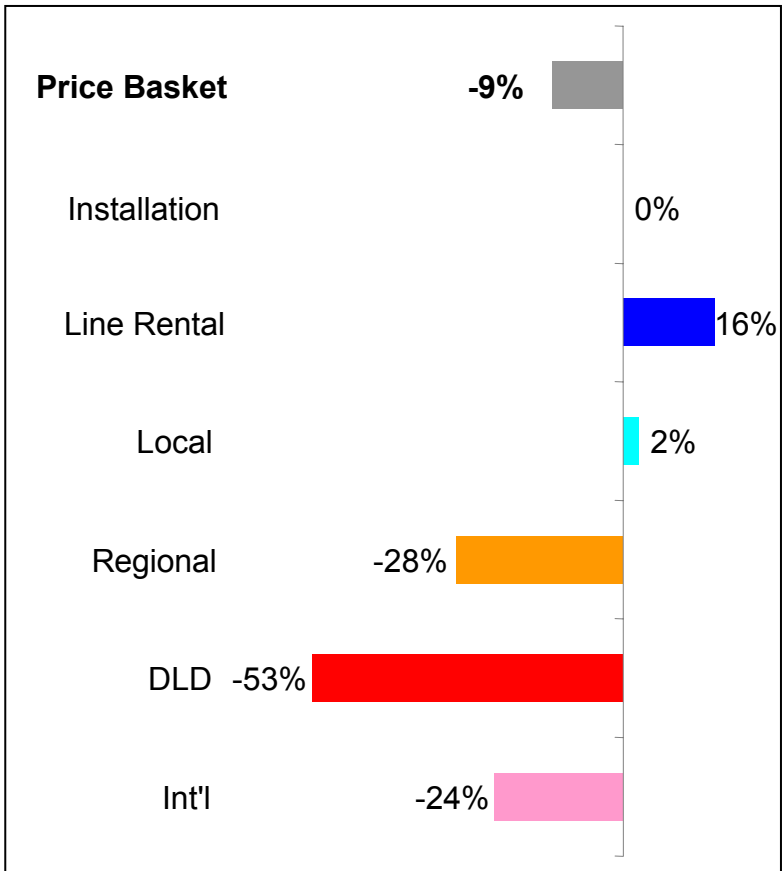


Wireline

Traffic Market Share (*)



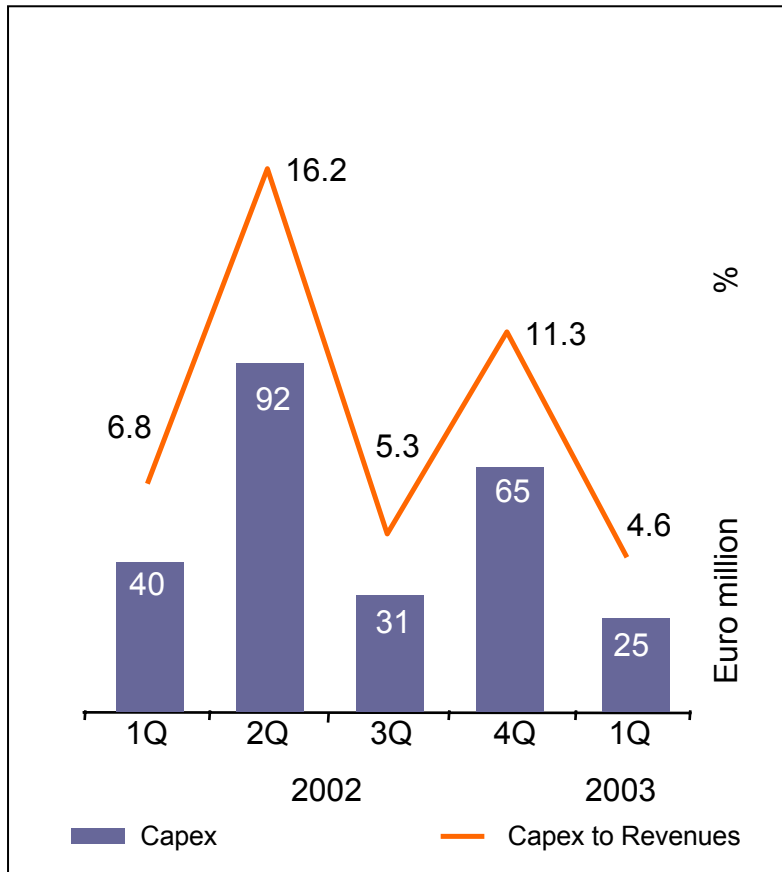
Cumulative Price Change since Liberalization



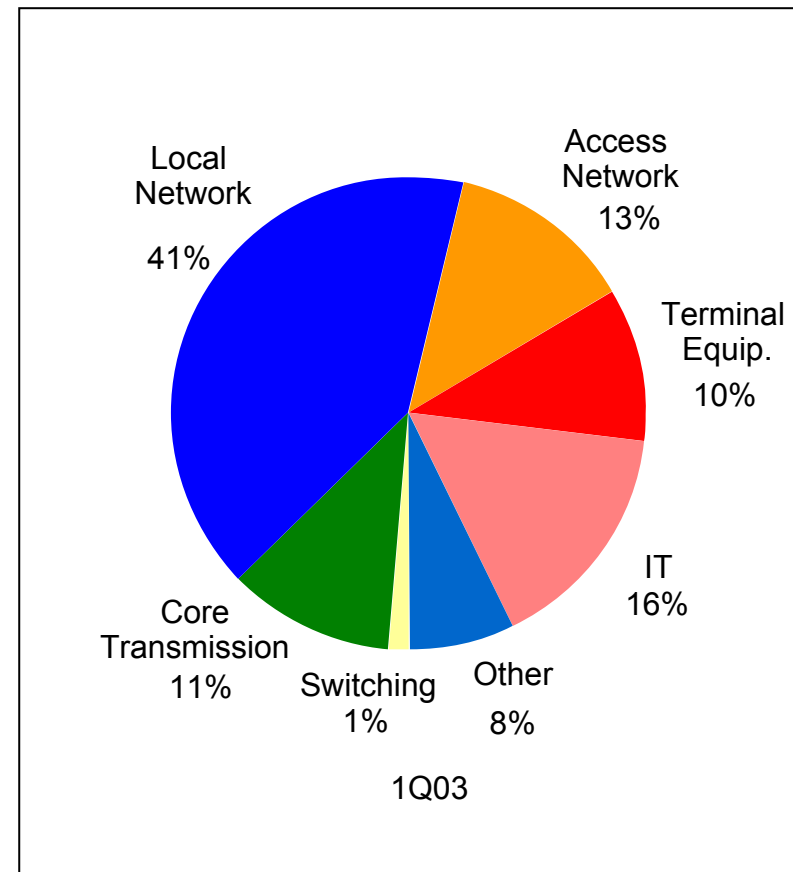
(*) Indirect access

PT Comunicações

Capex Evolution



Capex Structure



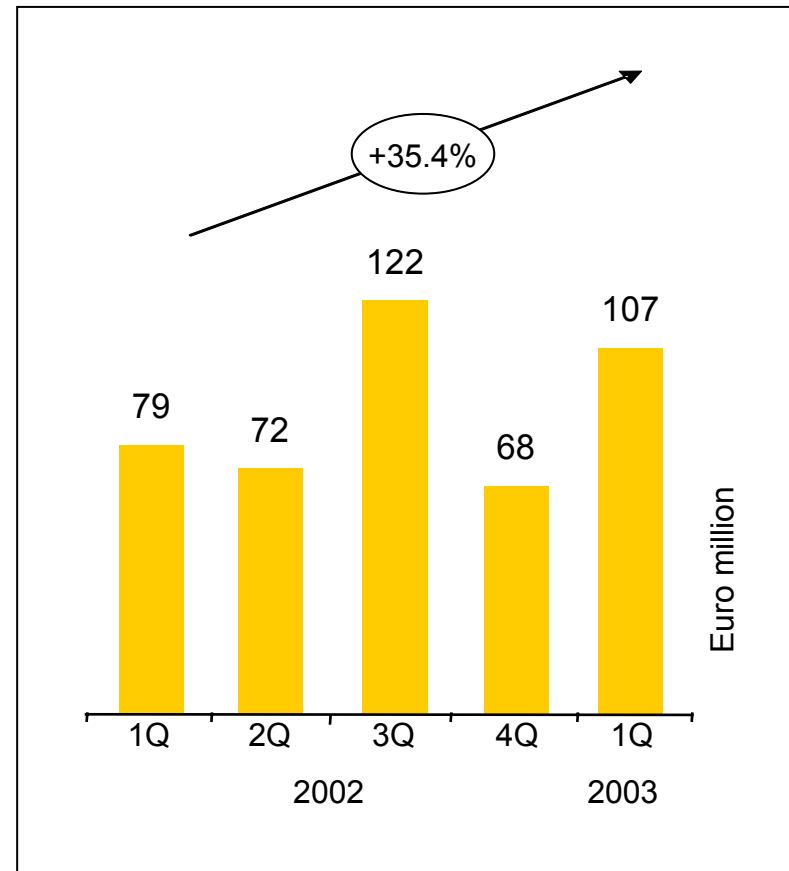
Key Financial Highlights

€ million	1Q02	4Q02	1Q03	Δ% 1Q/1Q	Δ% 1Q/4Q	FY01	FY02	Δ%
Revenues	352	381	353	0.1	-7.4	1,394	1,475	5.8
Operating Costs excl. D&A	205	212	199	-3.2	-6.2	856	852	-0.5
EBITDA	147	169	154	4.6	-8.8	538	623	15.7
EBITDA margin (%)	41.8	44.4	43.7	1.9pp	-0.7pp	38.6	42.3	3.7
Capex	68	101.2	46.7	-31.8	-53.9	283	283	-0.2
Capex % Revenues	19.4	26.6	13.2	-6.2pp	-13.3pp	20.3	19.2	-1.2
EBITDA minus Capex	79	68	107	36.1	58.5	255	340	33.5

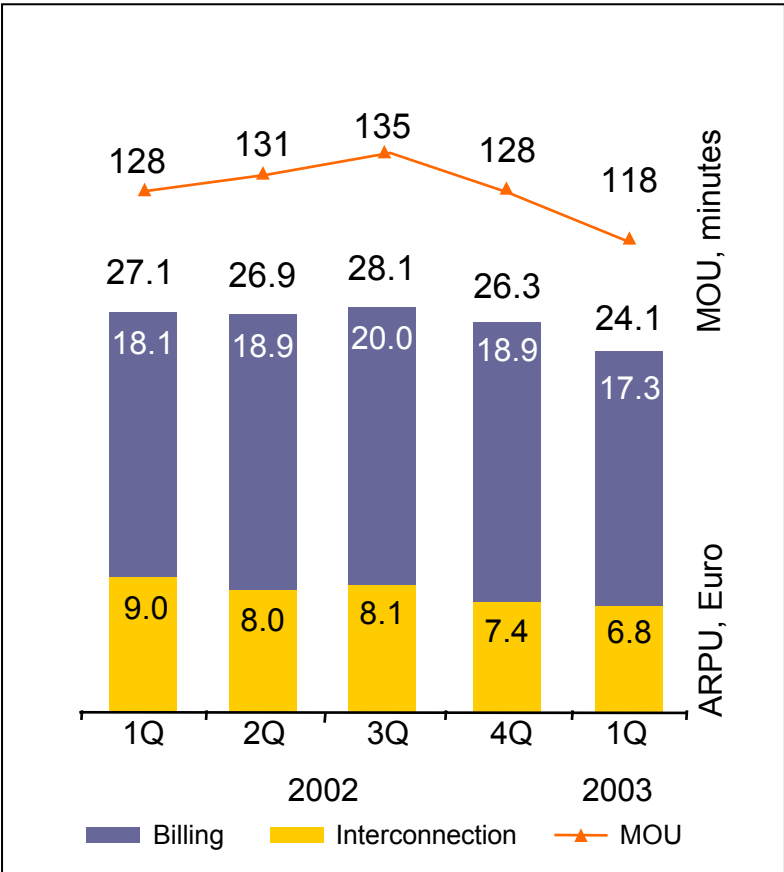
Highlights

- Reinforced market leadership (FY02): 52% of market share
- 4.5 million subscribers, a rise of 12.3% over March 2002
- 47k net adds in the quarter, of which 31% postpaid
- ARPU at Euro 24.1 due to interconnection decreases of 21%-24%
- Data represents 8.5% of revenues, +1.9pp yoy
- SMS per card per month increased 6.6% to 24
- SACs down 11% to € 66
- ARPU minus CCPU at € 12
- 3,987k subs per employee, +20.2% yoy
- EBITDA margin improved to 43.7%

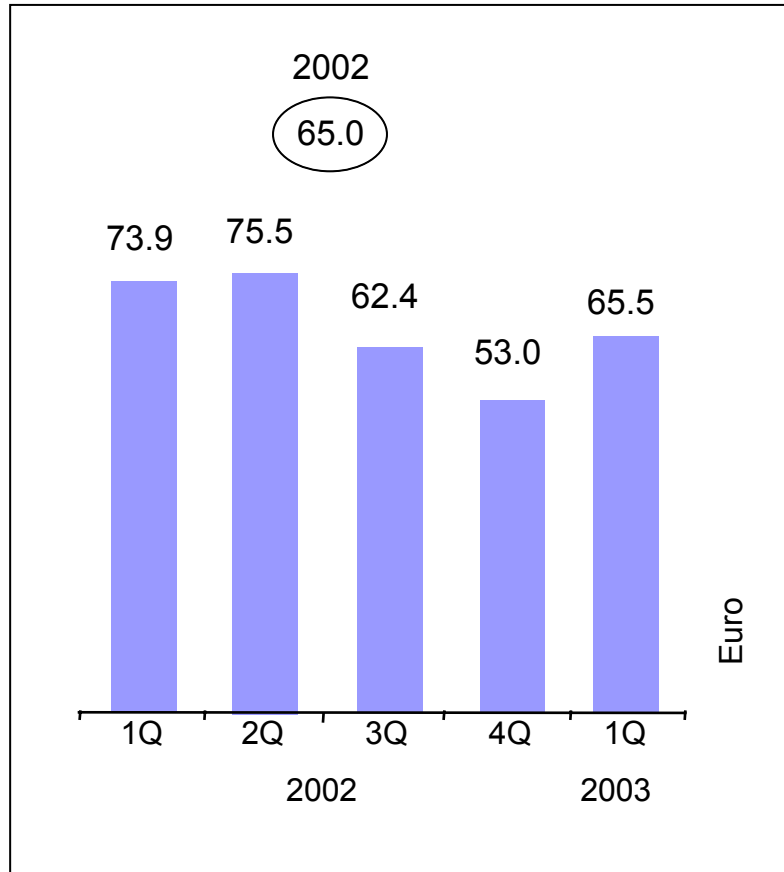
EBITDA minus Capex



ARPU and MoU



SAC's



Evolution

<u>M2M</u>	
1 st Half 02	€ 0.247
2 nd Half 02	€ 0.187
1 st Quarter 03	€ 0.187

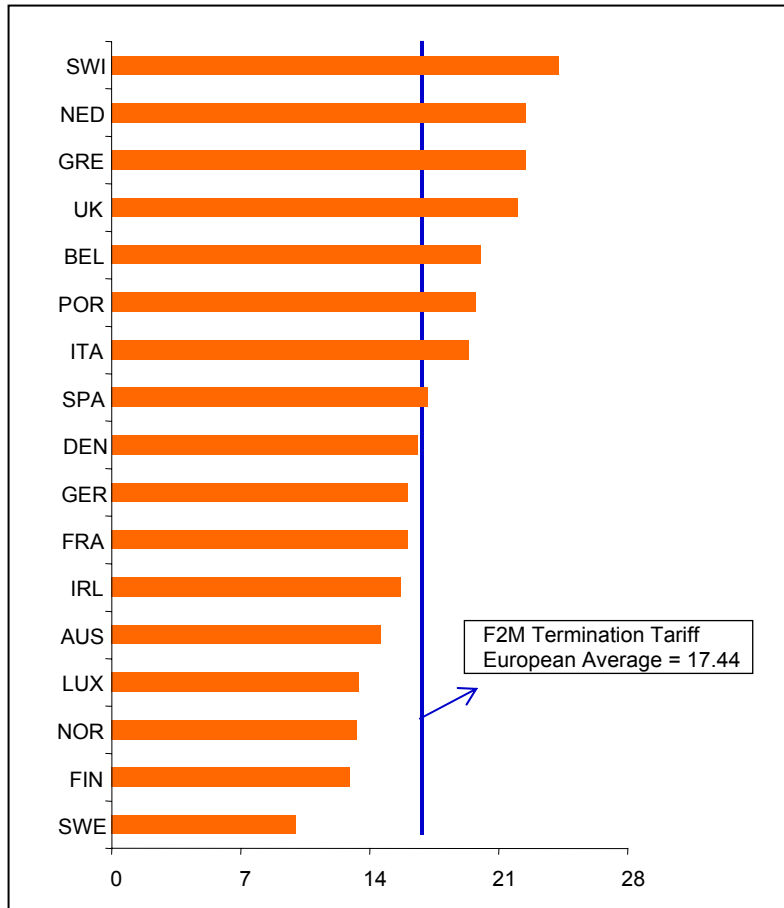
-24.3%

<u>F2M</u>	
1 st Quarter 02	€ 0.237
2 nd Quarter 02	€ 0.217
3 rd Quarter 02	€ 0.207
4 th Quarter 02	€ 0.197
1 st Quarter 03	€ 0.187

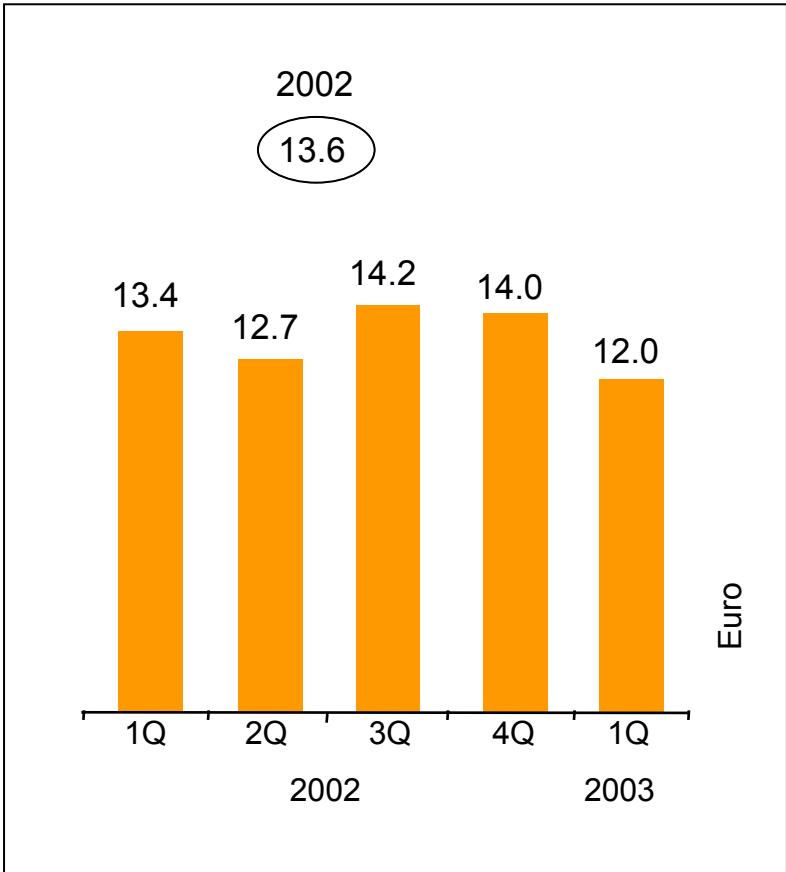
-21.1%

Overall impact on ARPU: -7.6%

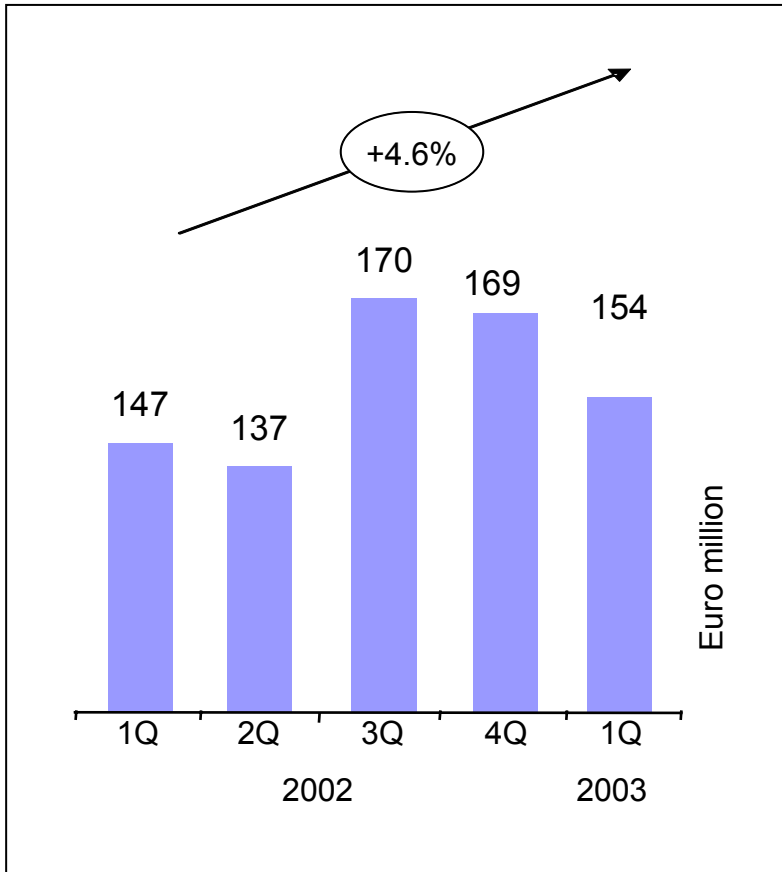
F2M Termination vs. Benchmark (€ cents)



ARPU minus CCPU



EBITDA



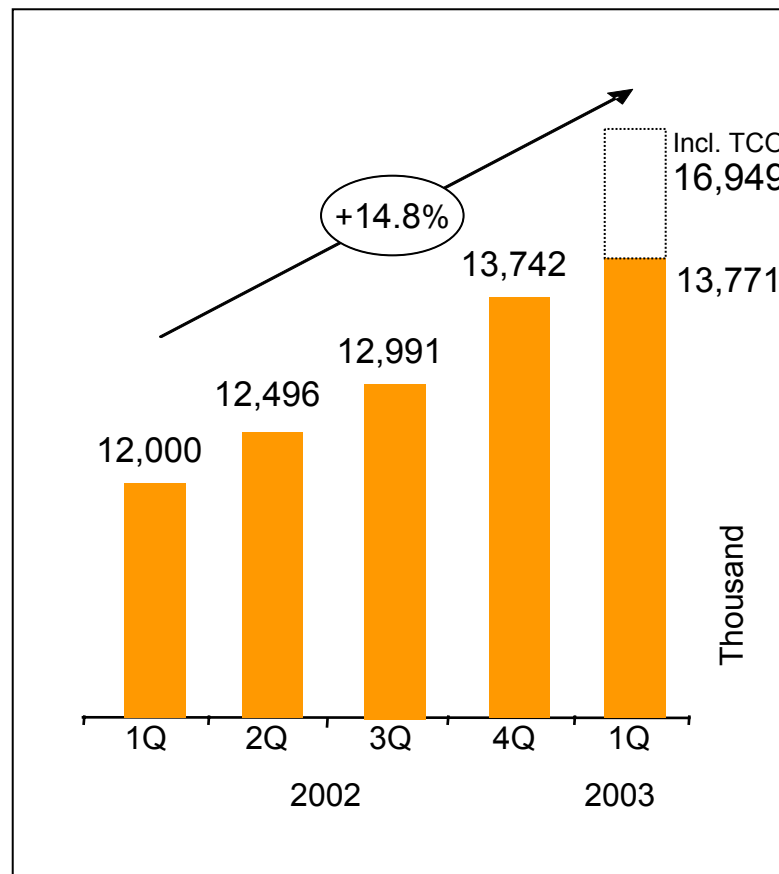
Key Financial Highlights

BR\$ million	1Q02	4Q02	1Q03	Δ% 1Q/1Q	Δ% 1Q/4Q	FY02
Revenues	1,618	1,952	1,818	12.4	-6.9	7,093
Operating Costs excl. D&A	1,019	1,283	1,068	4.8	-16.8	4,485
EBITDA	599	669	750	25.3	12.2	2,607
EBITDA margin (%)	37.0	34.3	41.3	4.3pp	7.0	36.8
Capex	134	427	165	23.0	-61.5	1,040
Capex % Revenues	8.3	21.9	9.1	0.8pp	-12.8pp	14.7
EBITDA minus Capex	465	241	586	26.0	142.7	1,568

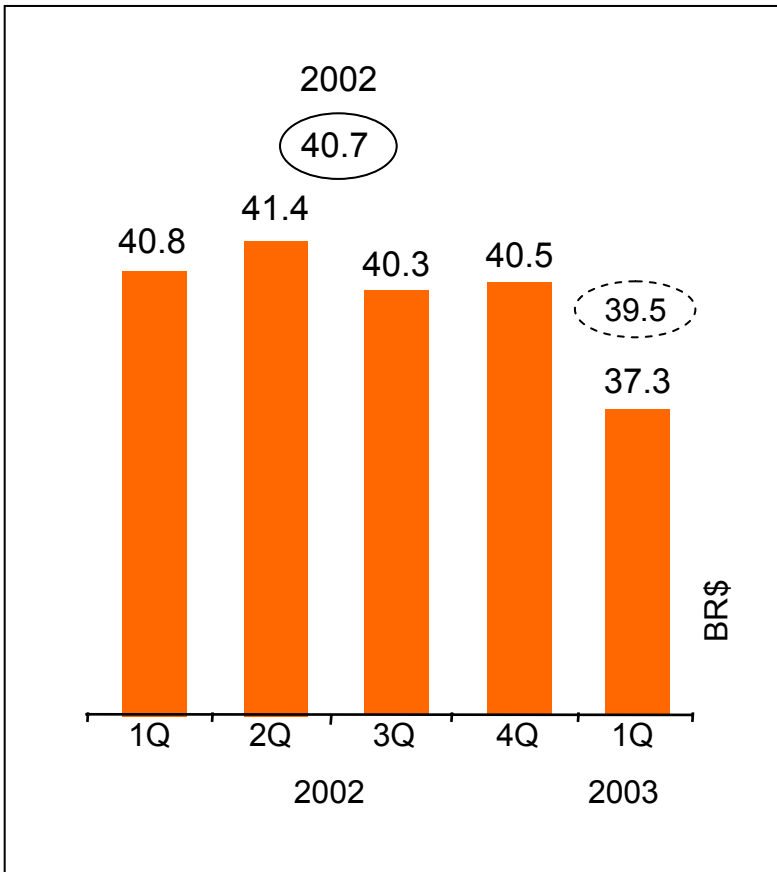
Highlights

- Penetration rate of 24%
- Market share at 60%
- 13.8 million subscribers, a rise of 14.8% over March 2002
- ARPU in 1Q03 at R\$ 37
- EBITDA margin improved 4.3pp to 41.3%
- Capex at BR\$ 165, 9.1% of revenues
- Launch of Vivo brand in 19 States available in 86% of Brazilian territory
- Successful completion of the acquisition of control of TCO

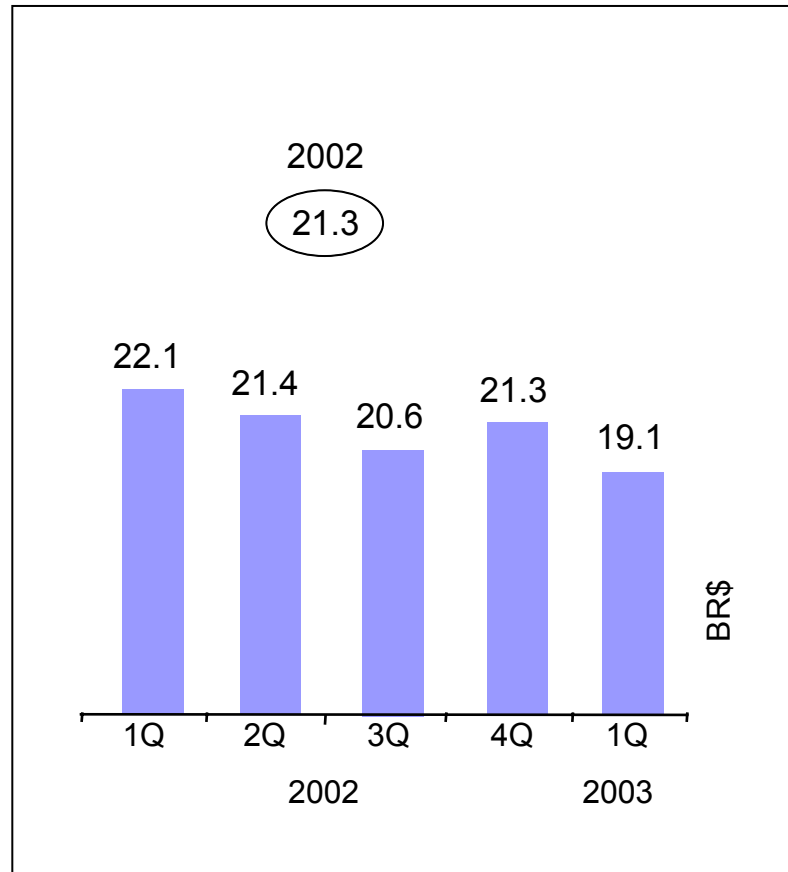
No. of Customers



ARPU

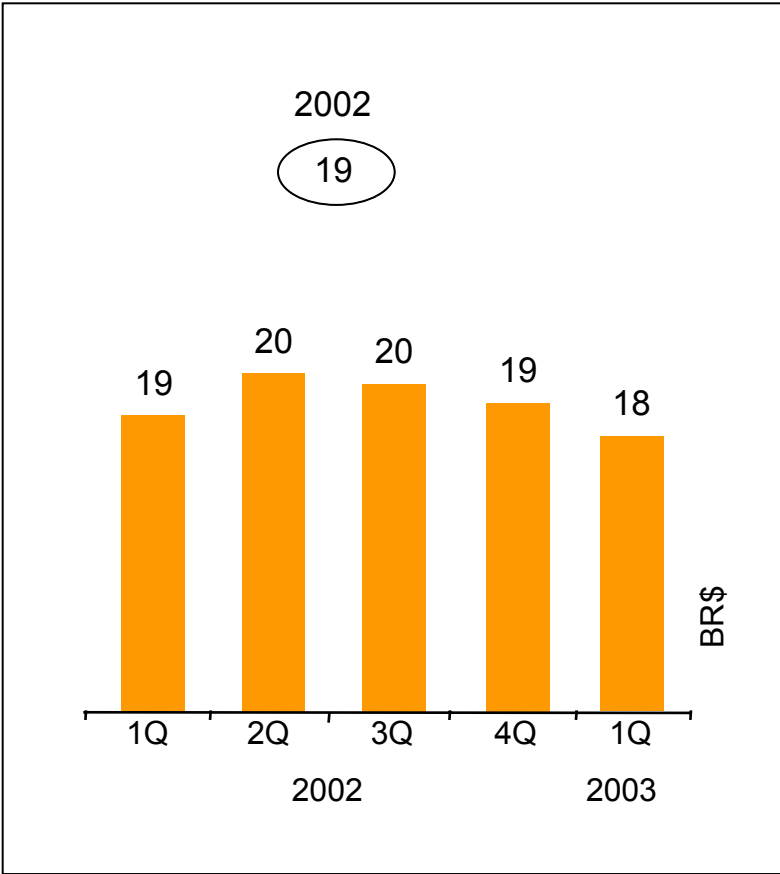


CCPU

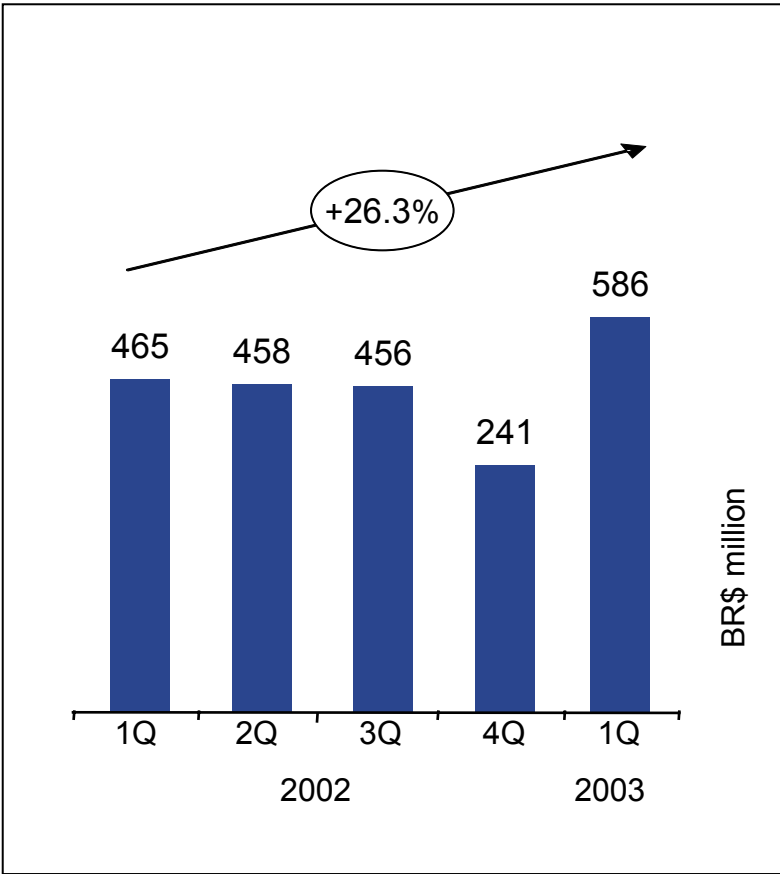


---- Previous accounting methodology, namely pre-paid

ARPU minus CCPU

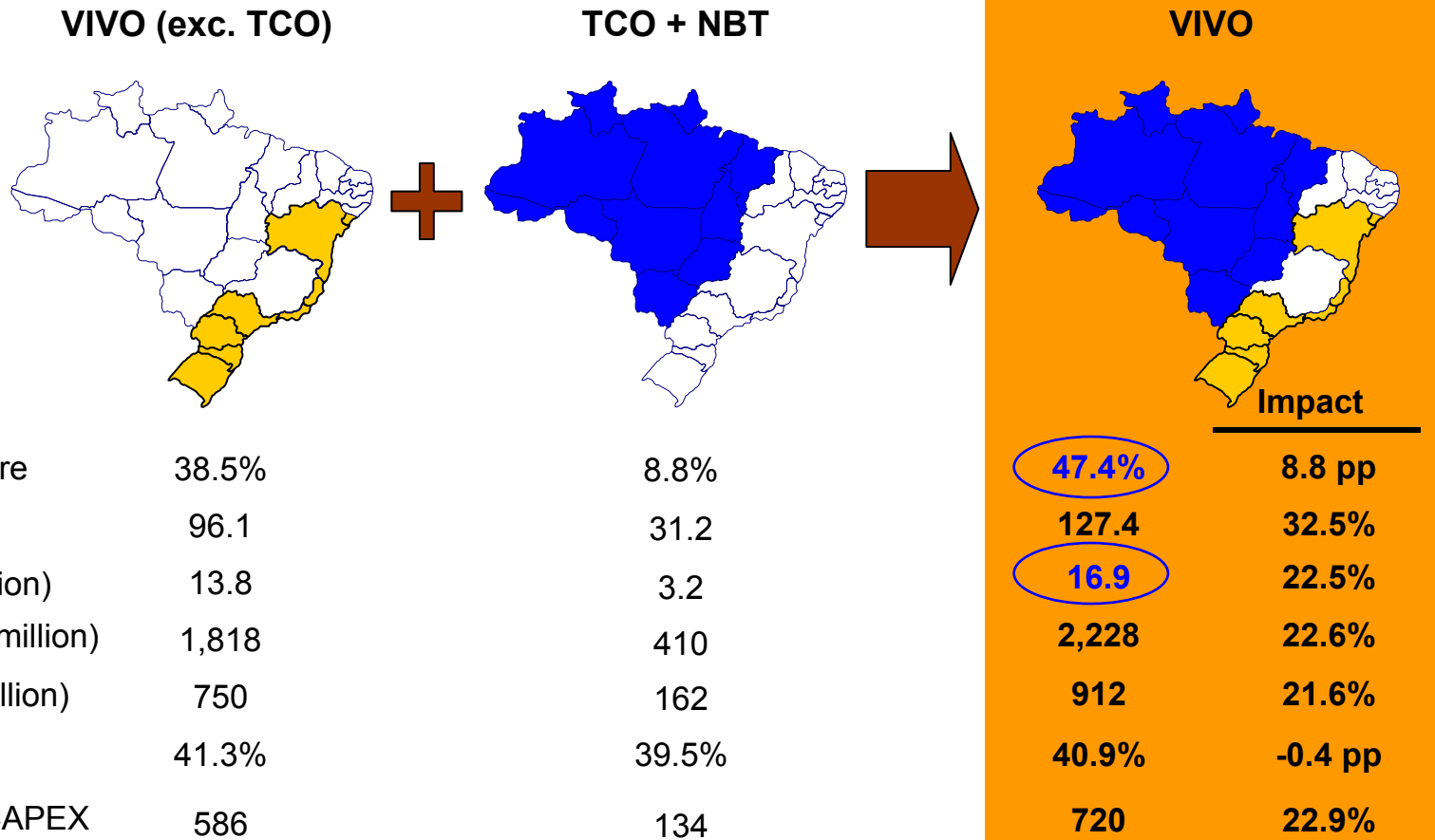


EBITDA minus Capex



Vivo Including TCO

March 2003
(Pro-forma)



11 million more subscribers than the next competitor, covering 8.6% of Brazilian GDP

PT Multimedia

Key Financial Highlights

€ million	1Q02	4Q02	1Q03	Δ% 1Q/1Q	Δ% 1Q/4Q	FY01	FY02	Δ%
Revenues	152	179	164	7.7	-8.9	571	623	8.9
Operating Costs excl. D&A	133	156	136	2.4	-12.9	516	544	5.3
EBITDA	19	23	27	45.6	18.2	55	79	42.8
EBITDA margin (%)	12.3	12.9	16.7	4.3pp	3.8pp	9.7	12.7	3.0
Capex	15	27	16	4.4	-40.1	120	79	-34.3
Capex % Revenues	10	15	10	-0.3pp	-5.1pp	21.0	12.7	-8.3
EBITDA minus Capex	3.5	-3.5	11.4	224	n.m.	-65	0.2	n.m.

PT Multimedia

Highlights

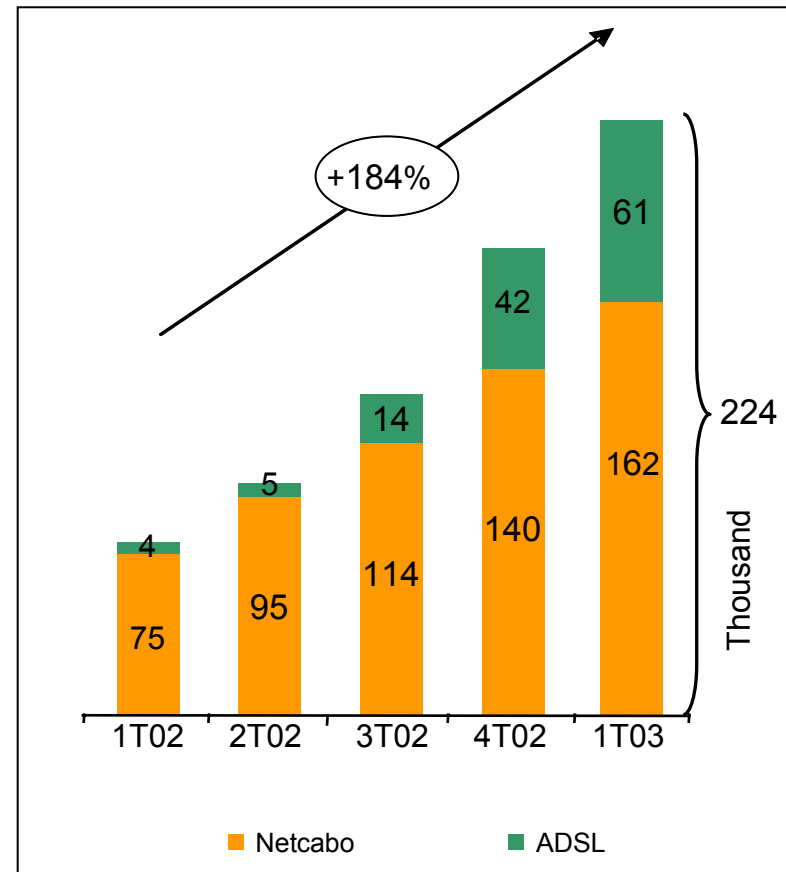
TV Cabo

- 1,3 million subs a 13.4% growth compared to 1Q02
- 72% Pay-to-basic ratio (up 7.3 p.p.)
- 162k broadband clients
- Blended ARPU grew 14,3% to euro 23.4
- 23.6% EBITDA margin (up 8.8 p.p.)
- Capex to sales ratio of 12.6%

Lusomundo

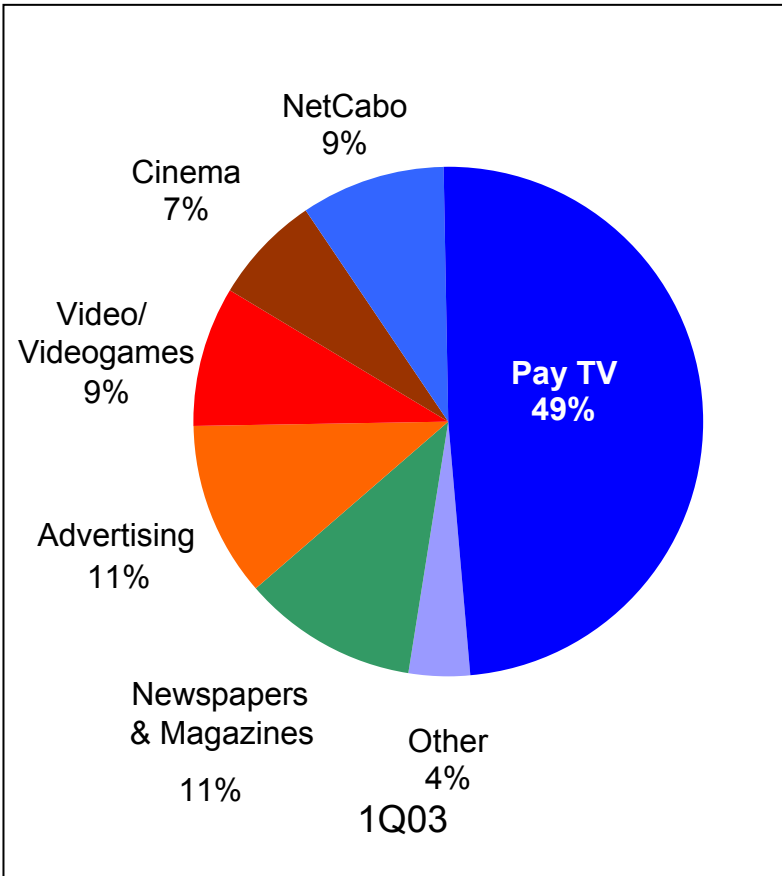
- 2.2 million tickets sold
- JN e TSF reinforce leadership
- Strong DVD/Videogames performance

Broadband Clients

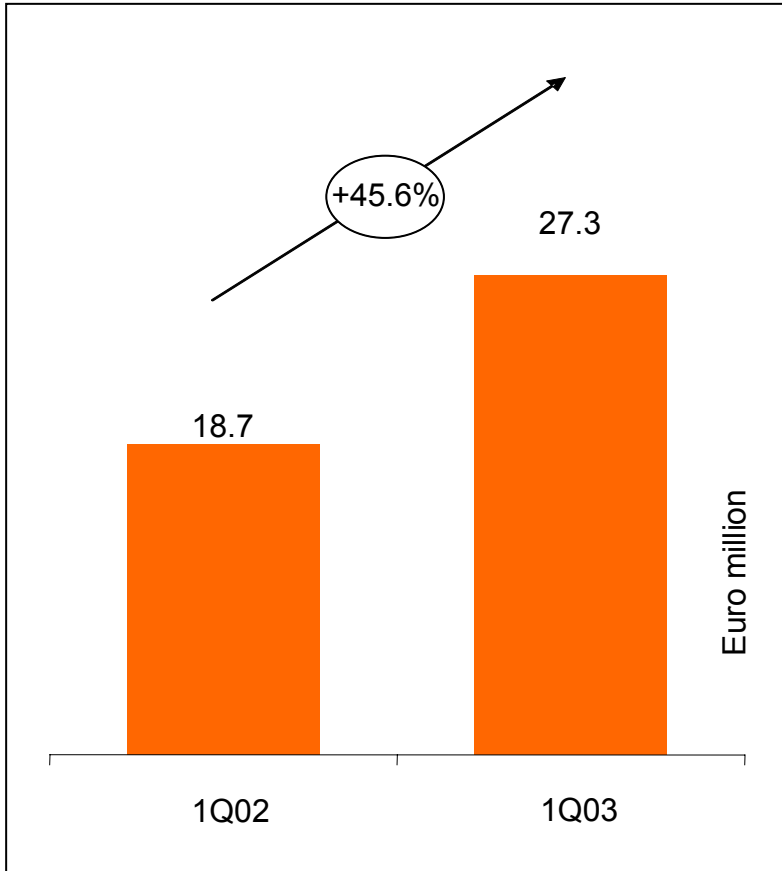


PT Multimedia

Revenues Mix

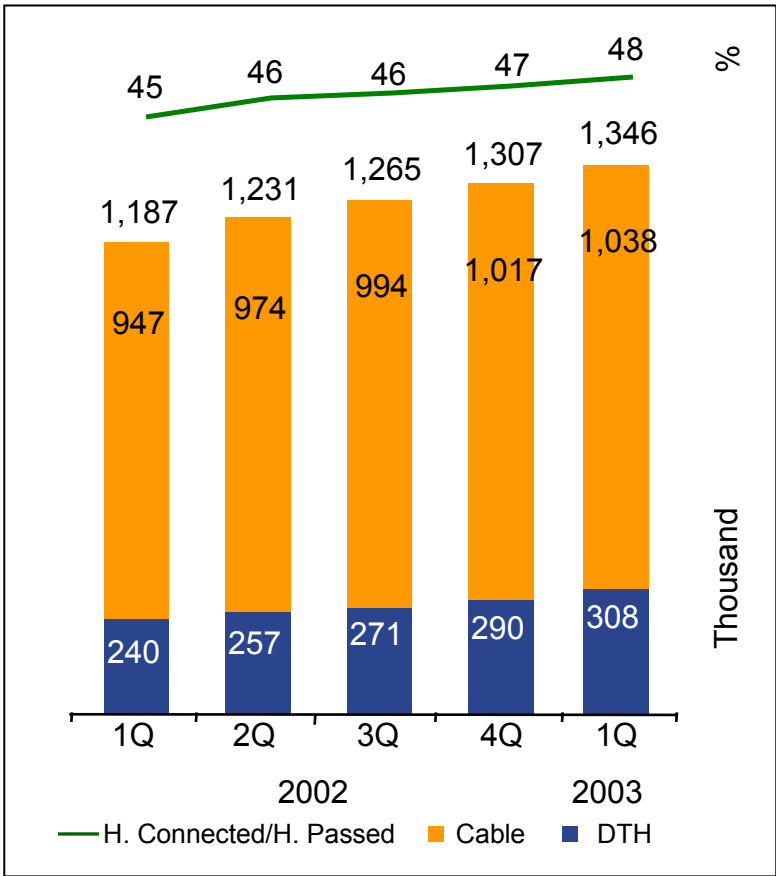


EBITDA

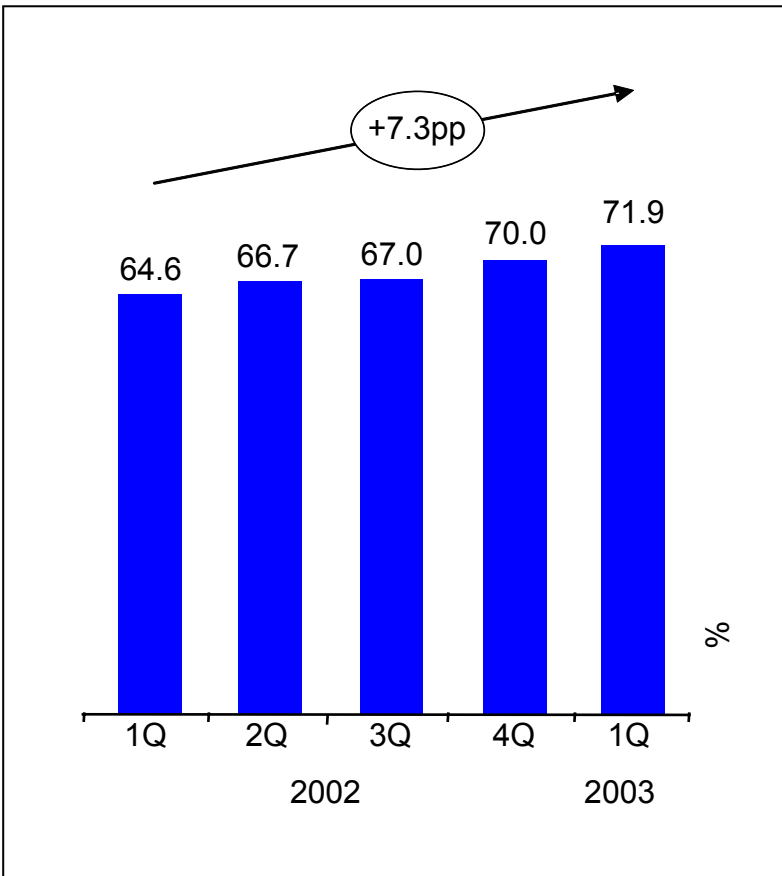


TV Cabo

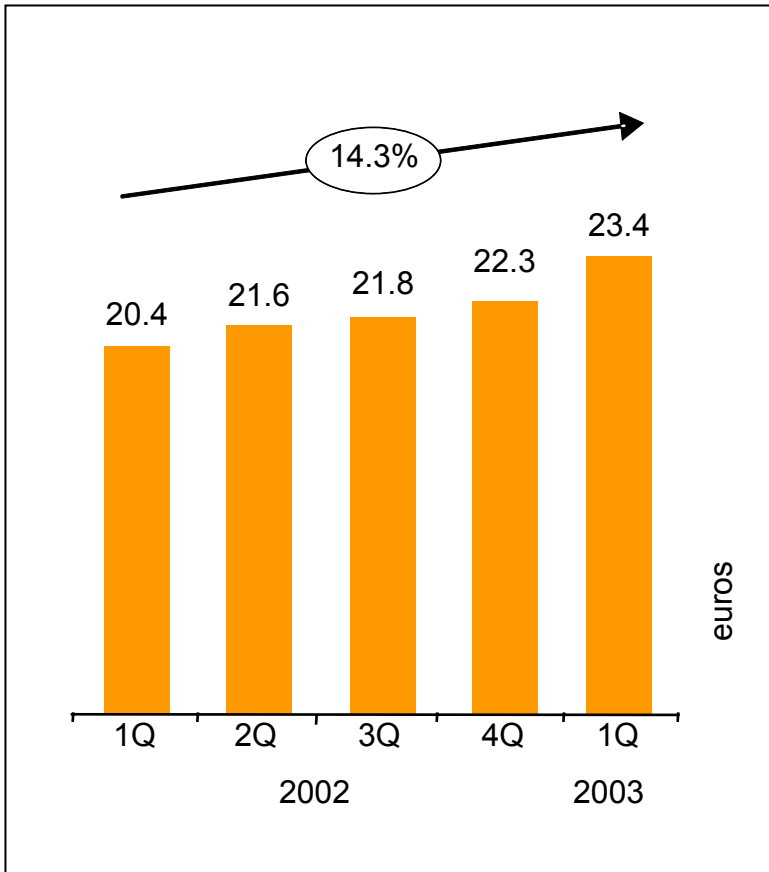
Cable and DTH Subscribers



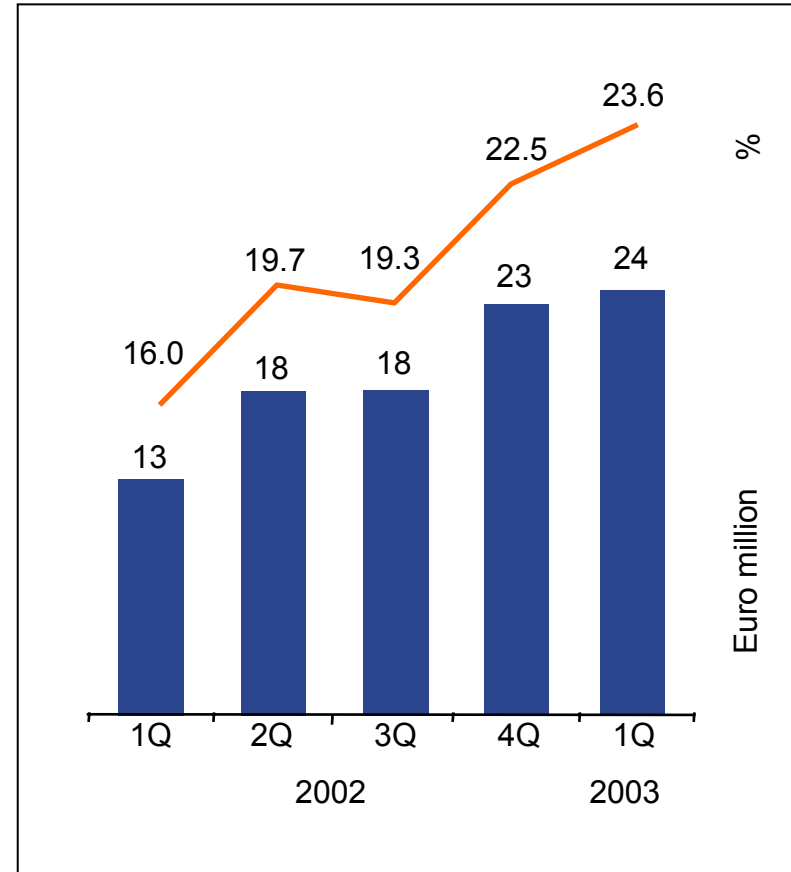
Pay to Basic



Blended ARPU

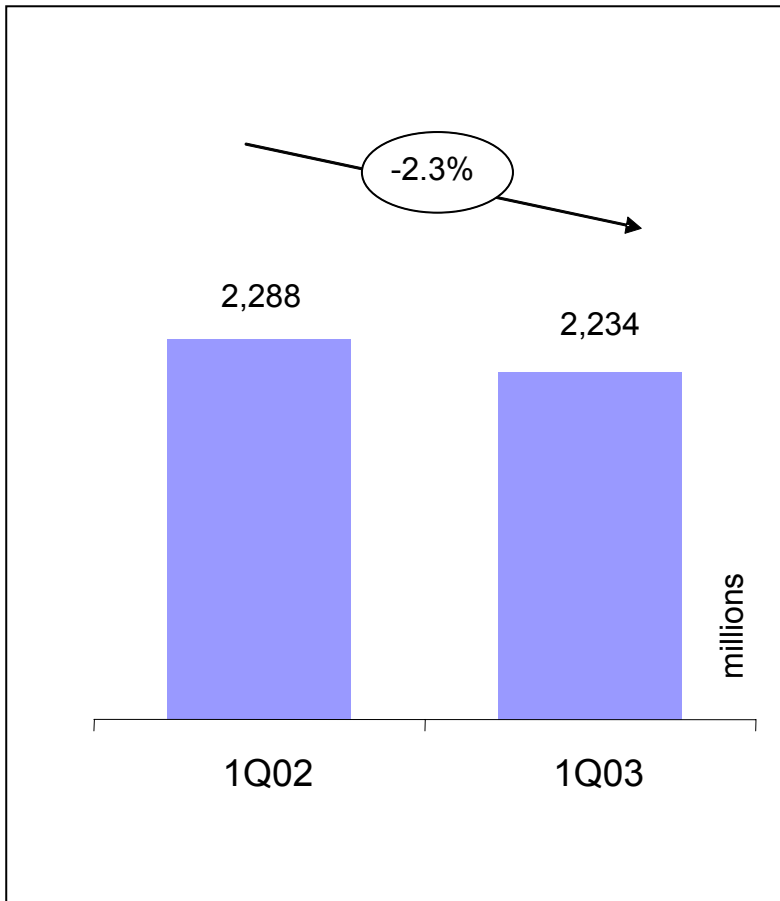


EBITDA and EBITDA Margin

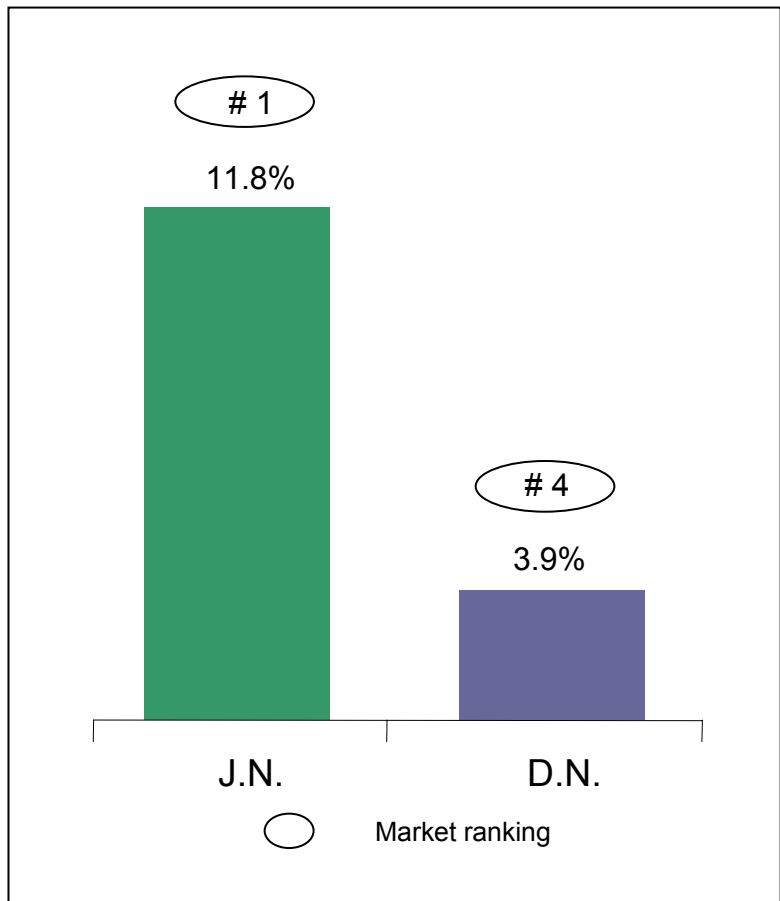


Lusomundo

Tickets Sold in Portugal



Listening & Readership Rates



Conclusions

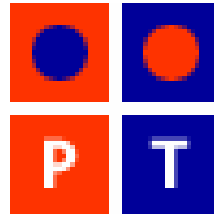
Conclusions

Sector

- Telecoms performance is linked to economic turnaround
- Sale of non-strategic assets to reduce debt
- Turnaround of underperforming assets namely media and Internet businesses
- Focus on cash flow to reduce debt and to improve shareholder returns
- Mobile business – growth and new services
- Regulatory framework
- Mobile to Fixed cannibalization

PT Challenges

- Maintain leadership and increase cash flow visibility
- Improve margins and cash flow to increase shareholder value
- Reduce debt even further in order to maintain/improve ratings and to ensure future flexibility
- Turnaround of PT Multimedia
- Drive returns from Brazil through VIVO
- Next wave of cost efficiency programmes aim to reduce costs even further, improve synergies and increase revenues



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