

Portugal Telecom First Half 2001 Results



September 13, 2001



First Half 2001 Overview



First Half 2001 Key and Recent Events

- Strong leadership in the fixed telephony business: 94% market share
- TMN reinforced its position as market leader in the domestic mobile market, reaching a 46.5% total market share
- Improvement of competitive position in the multimedia area with the Lusomundo acquisition in Portugal and the Zip.net/UOL transaction in Brazil
- First steps in the consolidation process of mobile in Brazil: acquisition of Global Telecom and JV with Telefónica
- Amendment of the company articles of association in order to allow any telecommunication's operator to own up to 10% stake
- PT withdrawn the proposed offer relating to the exchange of PT shares for the outstanding shares of Telesp Celular



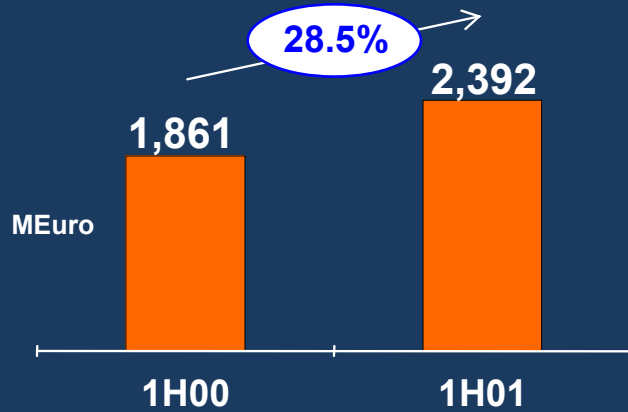
Key Operating Statistics

	1H00	1H01	Δ
Controlled Clients (million)	11.6	15.1	31%
Mobile %	51%	59%	8p.p.
Originated Traffic (million of minutes)	8,206	8,849	8%
Internet %	32%	40%	8p.p.
Number of Main Lines ('000)	4,269	4,344	2%
ISDN %	14%	18%	4p.p.
Frame Relay ('000 access)	4.2	6.7	60%
Corporate Web Capacity Sold (Mbps)	70	173	146%
Mobile Customers in Portugal ('000)	2,334	3,347	43%
WAP Customers	10.4	363.5	n.m.
Mobile Customers in Brazil ('000)	3,653	5,364	47%
WAP Customers	-	1,414	n.m.
Pay TV Subscribers ('000)	846	1,060	25%
ISP Subscribers ('000)	384	594	55%
Page Views (million per month)	35	104	197%
Unique Visitors (million per month)	0.8	1.6	101%
Lusomundo's Tickets Sold (million)	5.9	7.0	19%

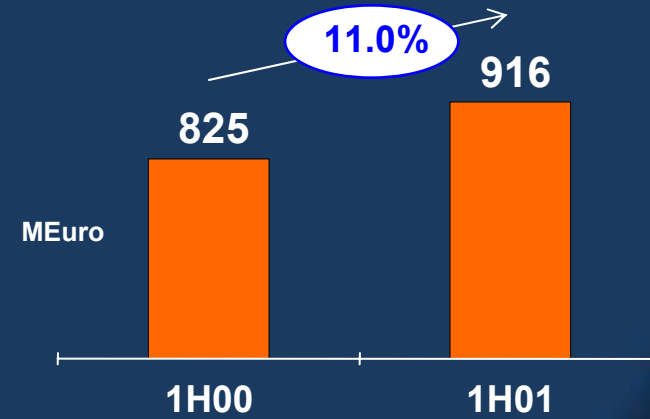


Financial Highlights

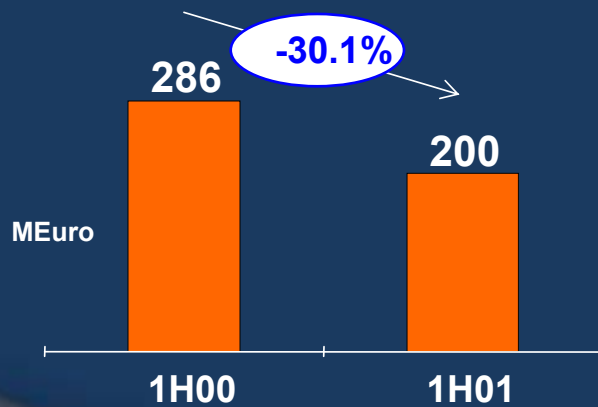
Operating Revenues



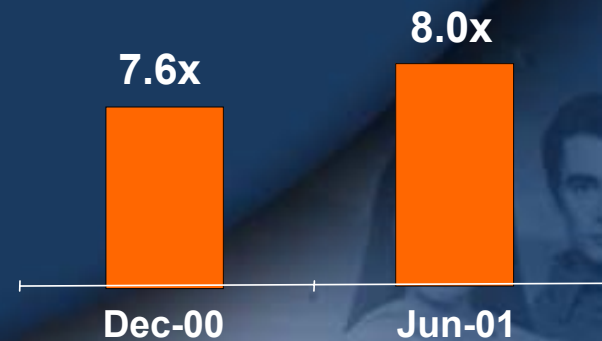
EBITDA



Net Income



EBITDA Cover



Note: Proportional consolidation of 29.92% of TCP in 1H00 and of 41.23% in 1H01 TCP

Revenue Breakdown by Business

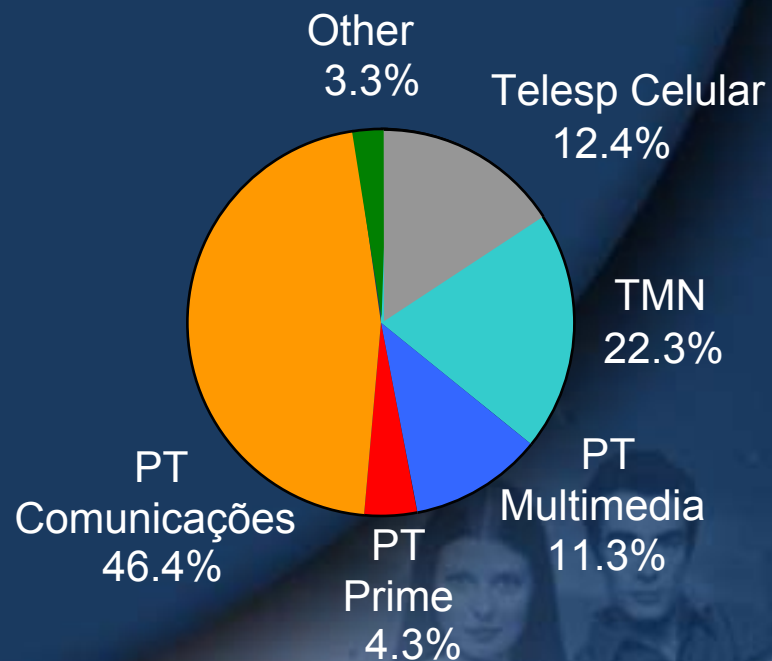
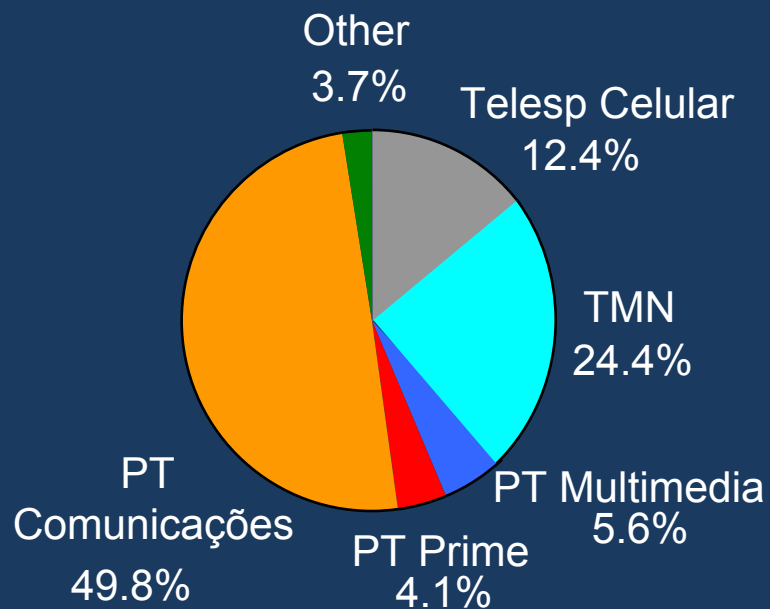
1H00

Total = 1,861
(Euro million)

+ 28.5 %

1H01

Total = 2,392
(Euro million)



EBITDA Breakdown by Business

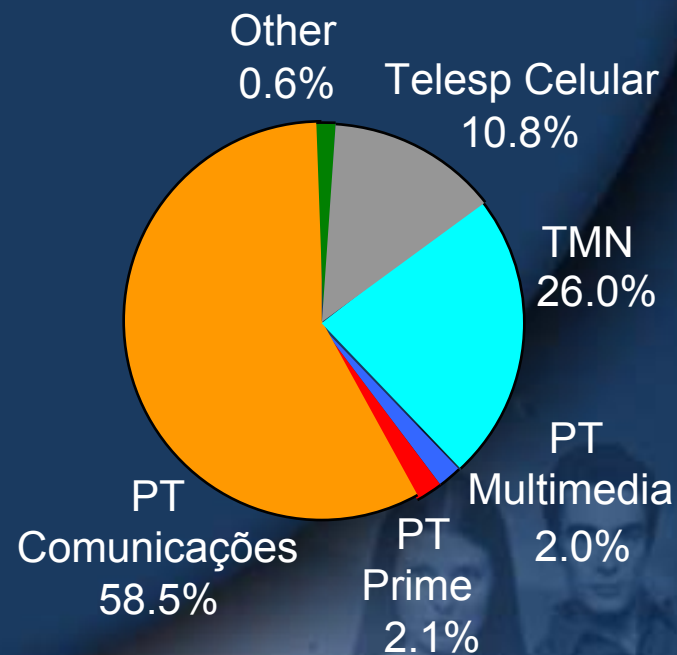
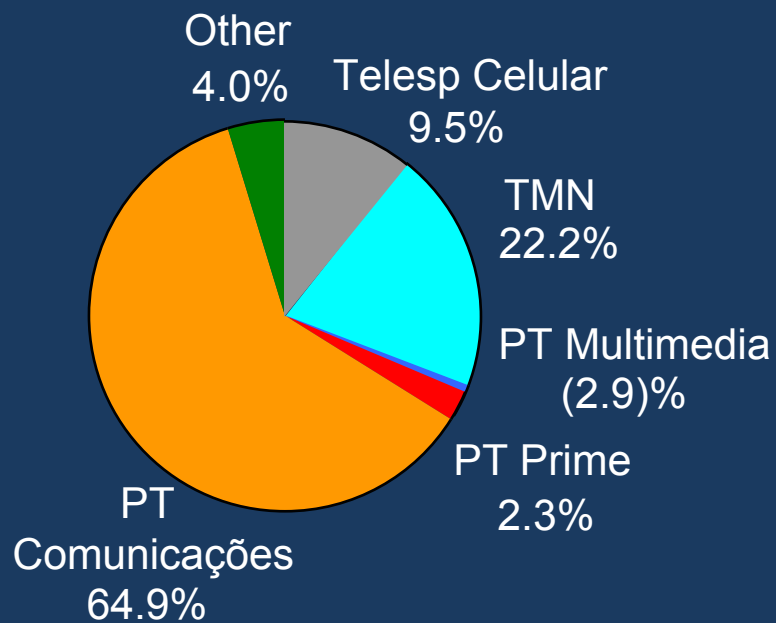
1H00

Total = 825
(Euro million)

+ 11.0 %

1H01

Total = 916
(Euro million)



Business Segments



PT Comunicações: Highlights

Market Leadership

- 6% market share loss of total traffic
- Regional tariffs reduced by 17% and DLD by 14.5%
- Total main lines increased by 1.8%

Regulation Update

- Unbundling of the local loop offering established
- Number Portability implemented
- New Internet interconnection regime

New Products and Services

- ADSL covering 75% of Lisbon and 60% of Oporto
- Pricing plans target to different market segments
- Voice mail box for both fixed and mobile calls

Distribution and customer care

- New contact centres for residential and SME's
- Implementation of CRM platform
- Key account managers for SME's clients

Efficiency

- Number of lines per employee reached 394
- Number of fixed line employees decreased by 7.7 %
- Fixed line capex equivalent to 10.1% of revenues



PT Comunicações: Revenue Breakdown *

Euro million	1H00	1H01	Δ
Fixed Telephone Service	724.7	879.1	21.3%
Domestic	604.1	773.2	28.0%
Fixed Charges	305.7	317.4	3.8%
Traffic	298.5	455.8	52.7%
Local, Regional, DLD	266.3	193.7	-27.2%
Internet	32.1	46.7	45.4%
Fixed-Mobile	-	212.2	n.m.
Other	-	3.2	n.m.
International	120.6	105.9	-12.2%
Wholesale	100.6	128.4	27.7%
Sales	22.7	17.7	-21.9%
Directories	65.1	67.6	3.7%
Other	14.6	16.9	15.8%
Total Revenues	927.7	1,109.7	19.6%



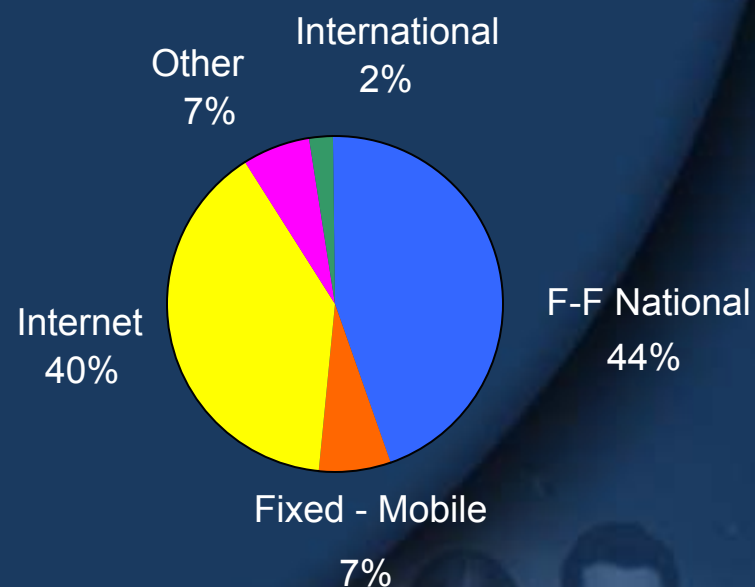
* Consolidated

PT Comunicações: Traffic Performance

Total Traffic Growth: 10.3%

**Originated Traffic Breakdown
(in minutes)**

<u>(million minutes)</u>	<u>1H01</u>	<u>Δ YoY</u>
Total, of which:	10,455	+10.3%
Originated	8,849	+7.8%
Incoming	1,216	+51.7%
Transit	390	-17.9%



Originated Traffic per Line per Day: 11.3 min.



PT Prime: Highlights

New Products and Services

- Launch of “Webside” Internet integrated solutions
- New Internet Data Center with IBM

Internet Capacity

- Frame Relay accesses rose 60% and broadband connections based on ATM climbed 68%
- Corporate Internet capacity more than doubled to 173 Mbps

Expansion in Brazil

- Integration of Banco Bradesco and Unibanco networks
- Implementation of CRM platform



PT Prime: Key Operating Statistics

	1H00	1H01	Δ
Data Accesses ('000 access), of which	25.8	31.1	21%
Frame Relay	4.2	6.7	60%
Broadband	0.3	0.5	68%
Leased Lines End-Users Capacity (equiv. 64 kbps)	80.3	95.0	18%
Corporate Web Capacity Sold (Mbps)	70.2	172.6	146%
Corporate PSTN (billion of minutes)	1.4	1.3	-4%



PT Multimedia: Highlights

Pay TV business

- Over 2 million homes passed, of which 1.1 million are already equipped with bidireccional capabilities
- Pay TV customers surpassed 1 million and pay-to-basic ratio increased to 56%
- Expansion of broadband access (38,000 customers) and launch of IDTV based on Microsoft platform

ISP and Portals

- Internet customers reached 594,000, a rise of 55%
- Sapo portal in Portugal posted 104 million page views, up 197%
- Several new portals were launched and the online bank “Banco Best” was launched in partnership with Banco Espírito Santo
- 400,000 enabled handsets in Portugal and 1.5 million enabled handsets in Brazil

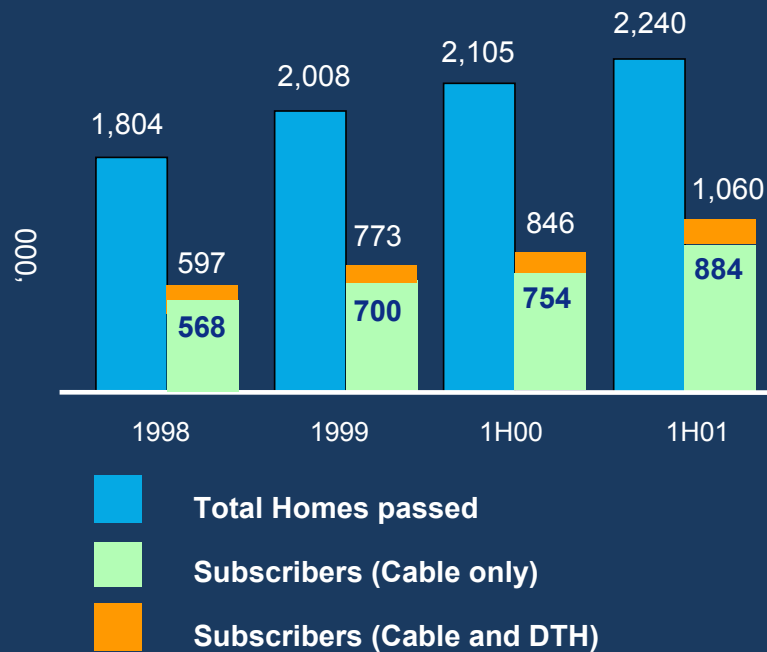
Integration of Operations

- Exploring synergies with recently acquired Lusomundo
- UOL/Zip.net successful integration in Brazil

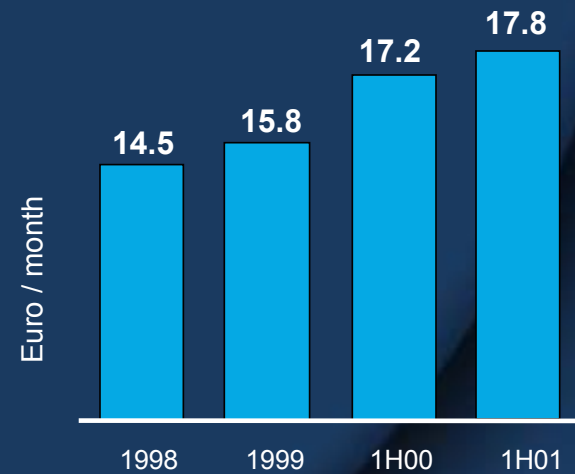


PT Multimedia: Pay TV Subscribers & ARPU

Cable TV Homes Passed and Subscribers



Pay TV ARPU



PTM.com: Highlights

Sapo Portal

- #1 Portal in Portugal (Sapo) with 104 million page views per month
- Over 1.6 million unique users

Access

- ISP subscribers reached 594,000
- Multi-access/multi-device portals
- Wireline and wireless access evolving to broadband
- Cable TV providing broadband access and IDTV

Provide Broad Range of Content

- e-Commerce and new media advertising provide a means for monetising user access
- Differentiation with high quality content

e-Commerce

- Portals, vortals and online banking drive B2C e-Commerce
- e-JV, a Portuguese commerce service provider



Lusomundo: Highlights

Audiovisuals

- Revenues grew by 23%
- Total cinema tickets sale rose to 7 million in Portugal and Spain
- Cinema distribution improved with the launch of 40 new movies against 34 in the first half of 2000

Media

- Revenues decreased 7% due to advertising slowdown
- JN daily newspaper reinforced its position as market leader with the increase in circulation of 5.3%
- Launch of the Portuguese version of National Geographic, with an average circulation of 90.000 copies

Exploring Synergies

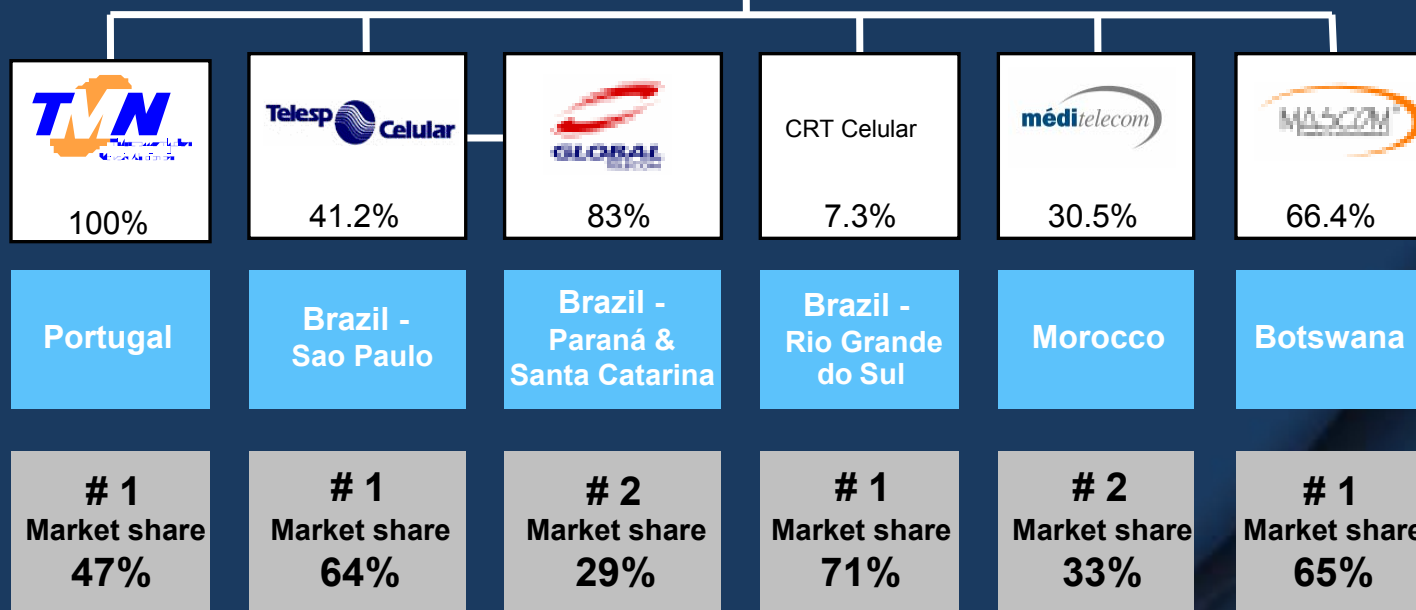
- Online activities already integrate the Sapo multiple news Portal, including Wap and IDTV
- Lusomundo contents are distributed over the different PT group accesses



PT Móveis : Overview



- 8.9m controlled subscribers
- 6.0m equity subscribers



PT Móveis: TMN

	1Q01	2Q01	1H01	1H01/ 1H00
Market Penetration (%)	67.7	71.9	71.9	20 pp
TMN Subscribers ('000)				
Total	3,146	3,347	3,347	43%
Net Adds	206	202	408	86%
Total Market Share (%)	46.4	46.5	46.5	1.6 pp
ARPU (Euro)	29.0	30.4	29.7	0.5%
Data ARPU (%)	6.2	5.9	6.1	3.5 pp
SAC's (Euro)	92.4	77.5	84.4	33%
MOU (minutes)	132	141	136	3.7%
Revenues (mEuro)	305.5	335.4	640.8	38.2%
EBITDA Margin (%)	37.2	37.0	37.1	-2.4 pp

PT Móveis: Telesp Celular

	1H00	1H01	Change
Market Penetration in S.Paulo (%)	15	21	6 pp
Telesp Celular Subscribers ('000)			
Total	3,401	4,736	39%
Net Adds	508	434	-15%
Market Share (%)			
Total	63	64	1 pp
Net Adds	64	61	-3 pp
ARPU (Reais)	55	45	-18%
Revenues (mEuro)	770.5	720.4	-6.6%
EBITDA Margin (%)	33.8	33.2	-0.6 pp

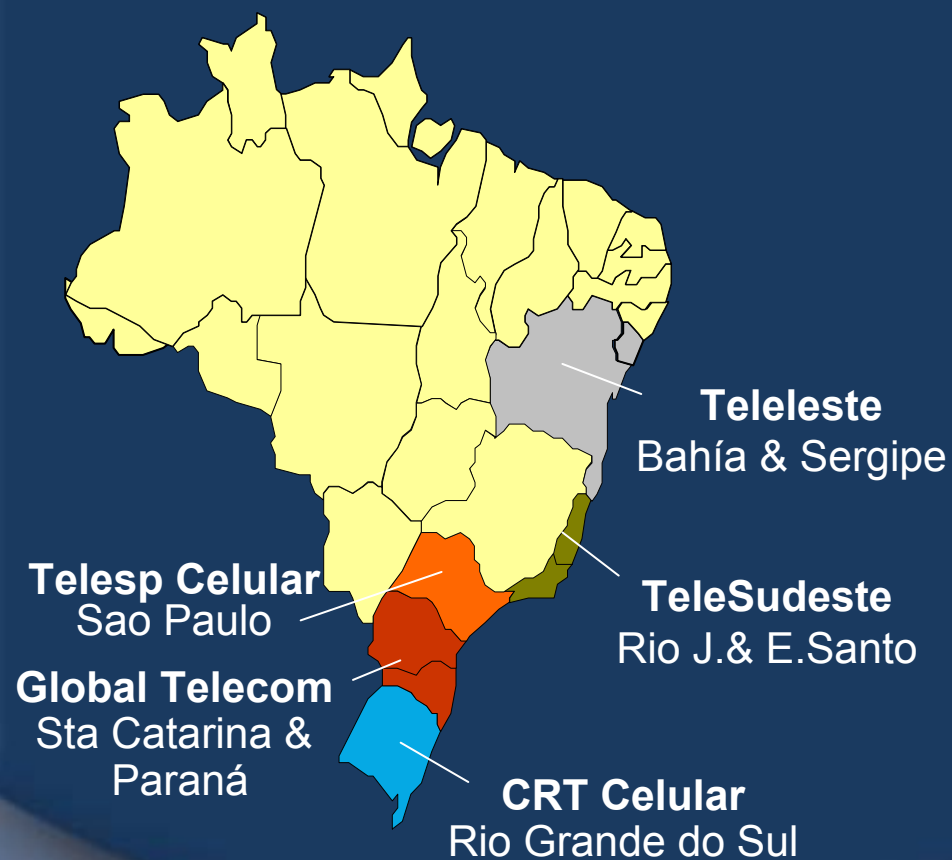
PT Móveis: Global Telecom

	1H00	1H01	Change
Market Penetration-Paraná and Sta Catarina (%)	10.5	13.9	3.4 pp
Global Telecom Subscribers ('000)			
Total	252	628	149%
Net Adds	90	165	83%
Market Share (%)			
Total	17	29	12 pp
Net Adds	36	57	21 pp
ARPU (Reais)	65	49	-25%



JV PT-TEF: Undisputed wireless leadership in Brazil

Footprint



Recent Developments

- PT already appointed CEO and TEF will appoint the CFO
- Independent valuation of the assets is undergoing
- Anatel authorization to transfer 19.9% stake into the JV
- Task Forces:
 - Technology
 - Branding
 - Procurement
 - Best Practices and Synergies



Financial Review



Proportional Consolidated Operating Revenues*

	1H00		1H01		
	euro m	%	euro m	%	%YoY
PT Comunicações	928	50	1,110	46	20
PT Prime	76	4	102	4	34
TMN	455	24	532	22	17
Telesp Celular	230	12	297	12	29
PT Multimédia	104	6	271	11	161
Other	68	4	80	3	18
TOTAL	1,861	100	2,392	100	29

* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29,92% in 1H2000 and of 41,23% in 1H2001.



Proportional Consolidated EBITDA *

	Absolute (euro m)			EBITDA Margins (%)	
	1H00	1H01	YoY%	1H00	1H01
PT Comunicações	535	535	0	51.9	43.9
PT Prime	19	19	2	19.1	15.0
TMN	183	238	30	39.5	37.1
Telesp Celular	78	99	26	33.8	33.2
PT Multimedia	-24	18	n.m.	-21.0	6.5
Other	34	7	n.m.	n.m.	n.m.
TOTAL	825	916	11.0	44.3	38.3

* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29.92% in 1H2000 and of 41,23% in 1H2001.



Financial Breakdown

	1Q01	2Q01	1H01
EBIT	239	250	489
Net Interest	76	65	141
Hedging Instruments	92	84	176
Goodwill	40	35	75
Affiliated Co's, of which:	40	50	90
Global Telecom	26	30	56
Medi Telecom	14	23	37
Other	0	-3	-3
Extraordinary items, of which:	-180	-120	-300
Sale of PTM.com	-200	0	-200
Workforce Reduction	20	-3	17
Other	0	-117	-117
EBT	174	129	303
Taxes & Minority Interests	-41	-62	-103
Net Income	133	67	200



Proportional Capital Expenditure *

Euro million	1H00	1H01	Δ %
PT Comunicações	113	123	9
PT Prime	18	28	55
TMN	115	115	1
Telesp Celular	26	86	238
PT Multimédia	41	56	37
Other	18	19	n.m.
TOTAL	331	427	29
% das Receitas	18	18	0 pp

* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29.92% in 1H2000 and of 41,23% in 1H2001.



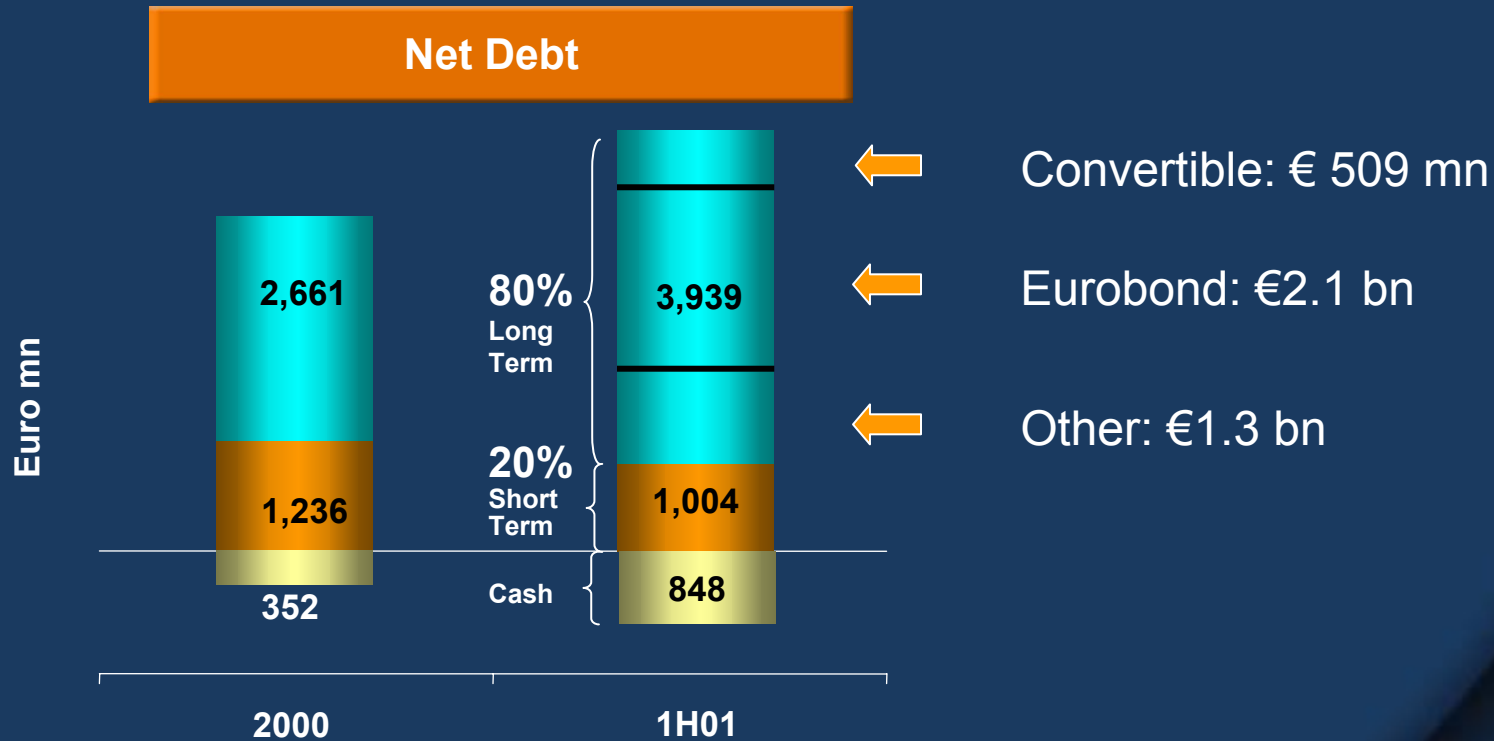
Financial Investment *

Euro million	1Q01	2Q01	1H01
Global Telecom	200	3	203
Lusomundo	269	4	273
Zip.net/UOL	-	284	284
Medi Telecom	15	39	54
Other	78	213	291
Total	561	543	1.104

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Balance Sheet Structure

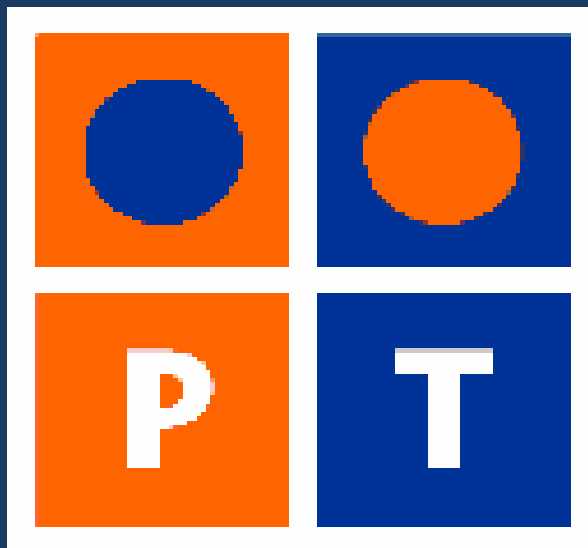


- Gearing Ratio: 47%
- EBITDA Cover: 8.0x
- Rating from Standard & Poors: “ A” with stable outlook
- Moodys: “A3” with positive outlook

The Future

- Continue the transformation of top line
- Seize opportunities resulting from convergence of technology and telecoms and media
- Maintain customer loyalty and pricing power through leadership of all telecommunication businesses in Portugal and strong branding
- Remain focused: Build dominance in Brazil
- Strengthen further the team by recruiting more talented people
- Monitor execution of decisions closely
- Maintain a healthy balance sheet
- Generate superior returns





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