

# Portugal Telecom

Results overview for the nine months  
period ended September 30, 2001



October, 2001



## Highlights

- Growth in Consolidated Operating Revenues of 27.8%
- EBITDA growth of 13.4%. The Group Margin now stands at 38.3%
- PTC and TMN account for 85.1% of EBITDA whilst TCP accounted for 10.2%
- Net Income for the period amounts to Euro 321.6 million
- PTC reduced employee head count by 7.2%. Fixed lines per employee now stands at 392

## Key Events

- July 27, PTM's share capital increase to refinance its debt
- August 16, launch of TMN's personalized portal "MyTMN"
- September 4, withdrawal of PT's exchange offer for TCP shares
- September 19, Telesp Celular launched "TCP Empresas", a new line of products for SME's and large clients
- September, Successful refinancing of GT's debt of Euros 710 million
- October, TMN re-launched its GPRS service nationwide with good handset availability
- October 24, ICP agrees postponement of UMTS launch to 2003. Subject to review in 4Q2002
- 3Q 2001, PTC launched a new wave of cost containment programs for the infrastructure area



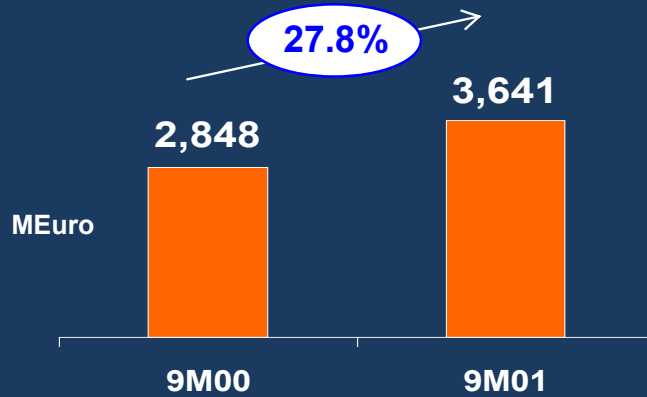
# Key Operating Statistics

	9M00	9M01	Δ
Controlled Clients (million)	12.2	15.8	30%
Mobile %	53%	60%	8 p.p.
Originated Traffic (million of minutes)	12,245	12,984	6%
Internet %	33%	40%	7 p.p.
Number of Main Lines ('000)	4,282	4,327	1%
ISDN %	14%	18%	4 p.p.
Frame Relay ('000 access)	4.4	7.5	68%
Corporate Web Capacity Sold (Mbps)	81	211	159%
Mobile Customers in Portugal ('000)	2,595	3,623	40%
WAP Terminals	57	511	796%
Mobile Customers in Brazil ('000)	3,702	5,714	54%
WAP Terminals	207	1,934	834%
Pay TV Subscribers ('000)	885	1,093	24%
ISP Subscribers ('000)	415	635	53%
Page Views (million per month)	54	146	172%
Lusomundo's Tickets Sold (million)	8.8	10.8	22%

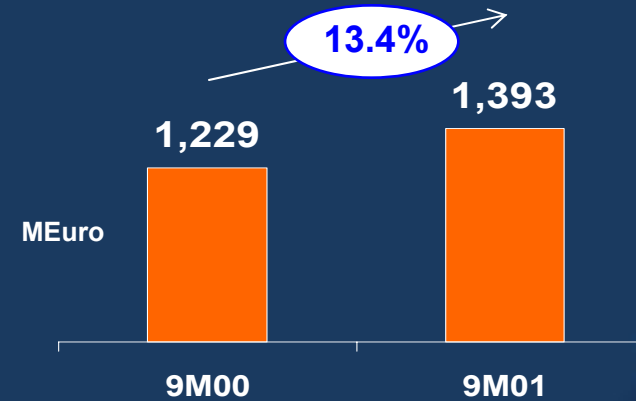


# Financial Highlights

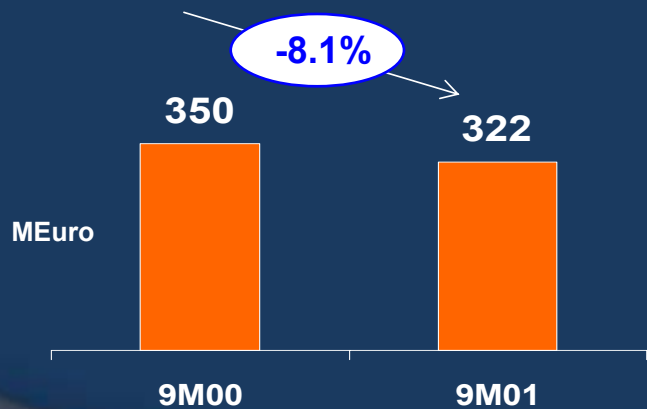
## Operating Revenues



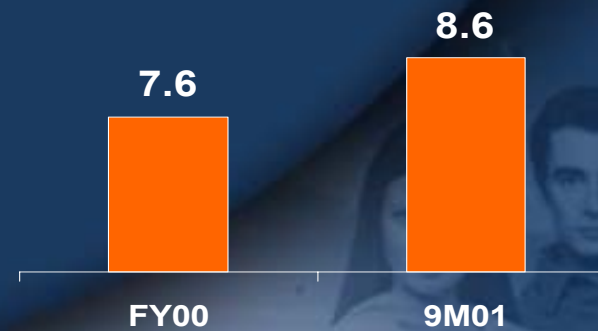
## EBITDA



## Net Income



## EBITDA Cover



Note: Proportional consolidation of 29.92% of TCP in 9M00 and of 41.23% in 9M01

# Revenue Breakdown by Business

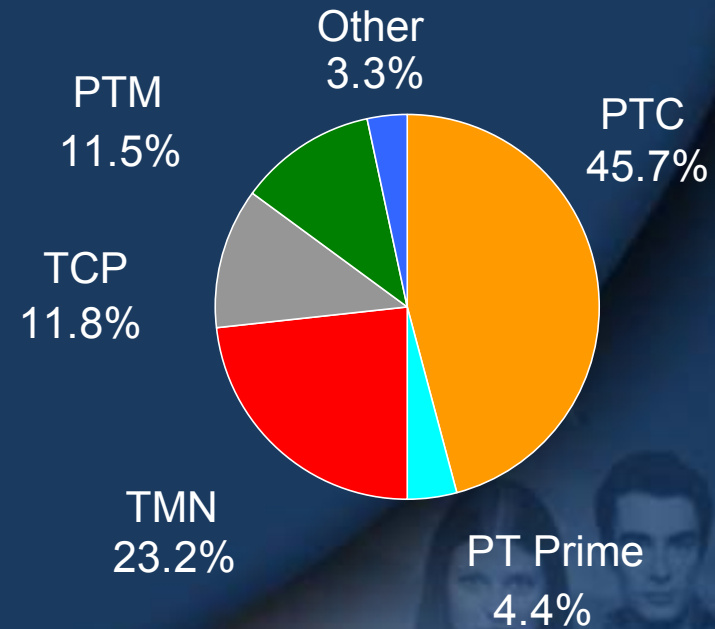
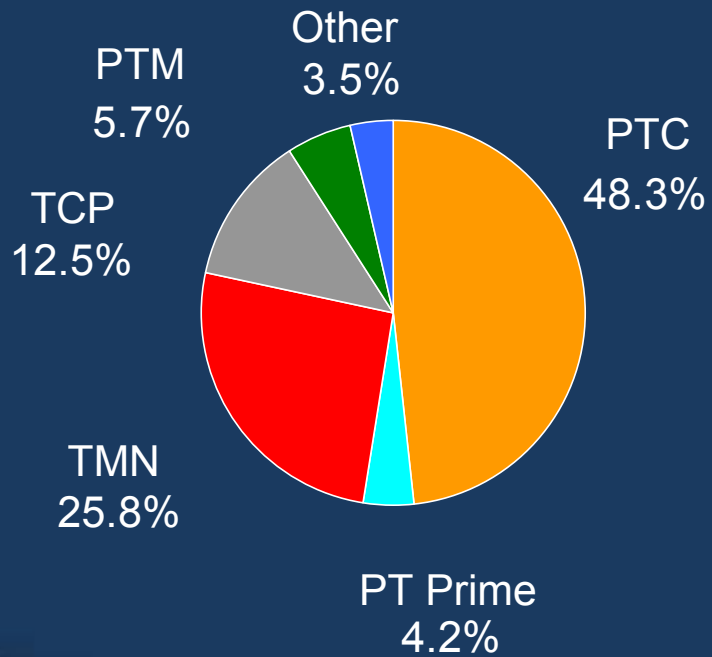
9M00

Total = 2,848  
(Euro million)

+ 27.8 %

9M01

Total = 3,641  
(Euro million)



# EBITDA Breakdown by Business

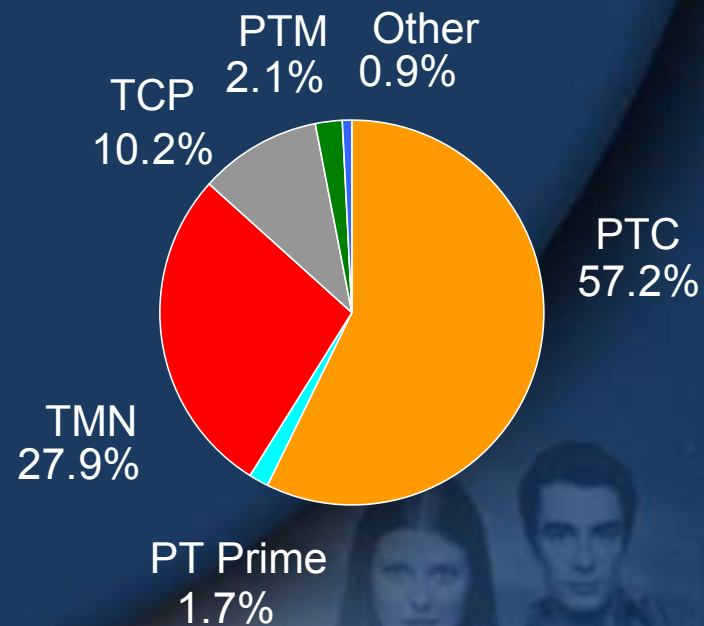
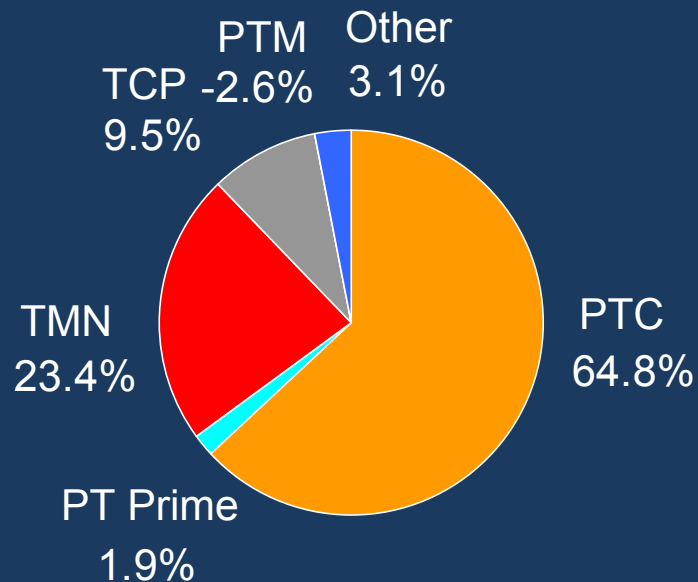
9M00

Total = 1,229  
(Euro million)

+ 13.4 %

9M01

Total = 1,393  
(Euro million)



# Business Segments



# PT Comunicações: Highlights

## Market Leadership

- 6.5% market share loss of total traffic
- Total main lines increased by 1%
- Voice-mail penetration reaches: 25%

## Regulation Update

- Carrier pre-selection for local and regional calls
- Unbundling of the local loop offering established
- Number Portability implemented

## 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
- Focus on SoHo and SME's clients

## Efficiency

- Number of lines per employee reached 392
- Number of fixed line employees decreased by 7%
- Fixed line capex equivalent to 11.1% of revenues



# PT Comunicações: Revenue Breakdown \*

Euro million	9M00	9M01	Δ
Fixed Telephone Service	1,065	1,312	23%
Domestic	882	1,152	31%
Fixed Charges	458	478	5%
Traffic	424	674	59%
Local, Regional, DLD	380	285	-25%
Internet	45	71	58%
Fixed-Mobile	n.m.	313	n.m.
Other	n.m.	6	n.m.
International	183	160	-13%
Wholesale	162	202	25%
Sales	33	25	-24%
Directories	98	101	4%
Other	19	24	31%
<b>Total Revenues</b>	<b>1,376</b>	<b>1,665</b>	<b>21%</b>



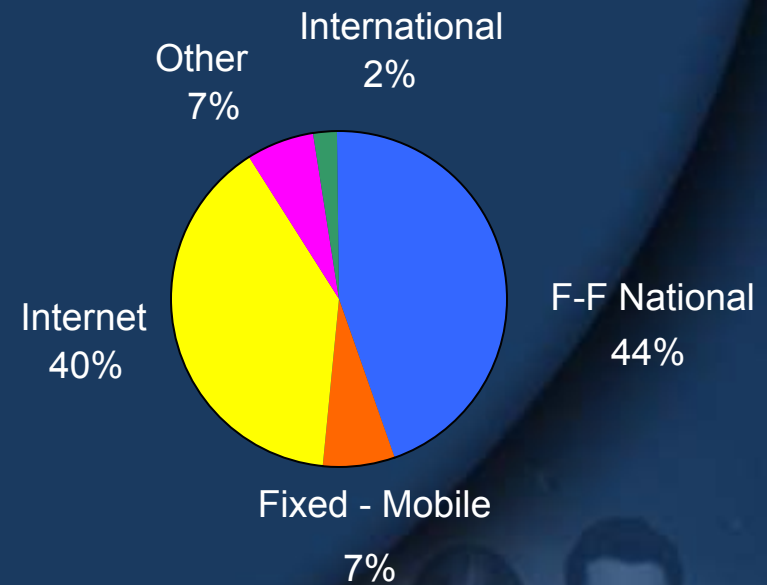
\* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29.92% in 9M2000 and of 41.23% in 9M2001.

# PT Comunicações: Traffic Performance

**Total Traffic Growth: 9.5%**

**Originated Traffic Breakdown  
(in minutes)**

<u>(million minutes)</u>	<u>9M01</u>	<u>Δ YoY</u>
Total, of which:	15,482	+9.5%
Originated	12,984	+6.0%
Incoming	1,893	+52.9%
Transit	605	-8.2%



**Originated Traffic per Line per Day: 11min.**

# PT Prime: Highlights

## New Products and Services

- Launch of “WebSide” Internet integrated solutions
- Launch the largest Internet Data Center with IBM in Portugal

## Internet Capacity

- Frame Relay accesses rose 60% and broadband connections based on ATM climbed 68%
- Corporate Internet capacity more than doubled to 211 Mbps

## Brazilian Business

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



# PT Prime: Key Operating Statistics

	9M00	9M01	Δ
Data Accesses ('000 access), of which	26	32	24%
Frame Relay	4	7	61%
Broadband	0.3	0.5	41%
Corporate Web Capacity Sold (Mbps)	81	211	159%
Leased Lines End-Users			
Capacity (equiv. 64 kbps)	78	94	20%



# PT Multimedia: Highlights

## Pay TV business

- 2.3 million homes passed, of which 1.2 million are already equipped with bi-directional capabilities
- Pay TV customers almost 1.1 million and pay-to-basic ratio increased to 59%
- Expansion of broadband access to 48,000 customers
- Launch in October of a portuguese news channel: NTV

## ISP and Portals

- Internet customers reached 635,000, a rise of 53%
- Sapo portal in Portugal posted 146 million page views, up 172%
- Several new portals were launched and the online bank “Banco Best” was launched in partnership with Banco Espírito Santo
- 511,000 Wap enabled handsets in Portugal and 1.8 million enabled handsets in Brazil

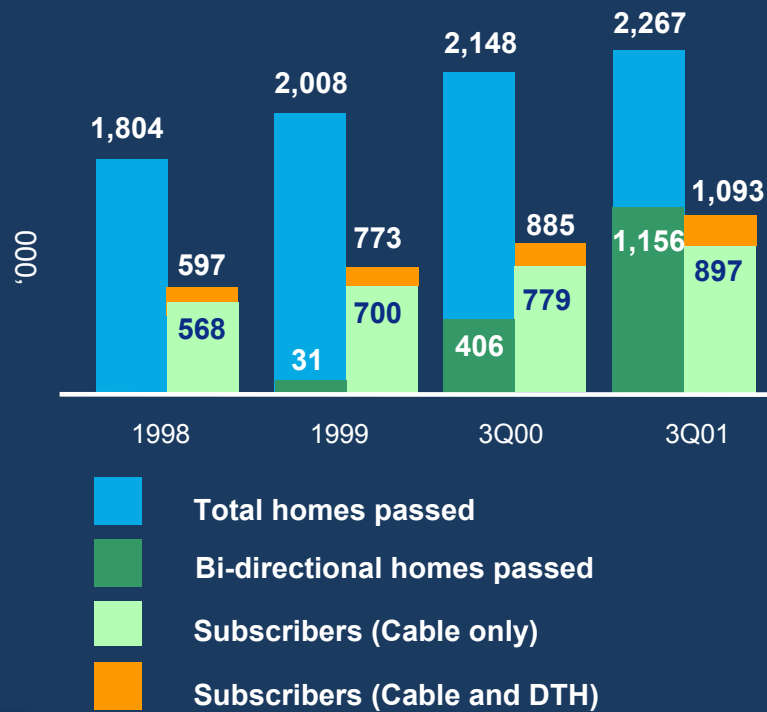
## Integration of Operations

- Exploring synergies with Lusomundo
- TSF radio breaking news already integrated on Sapo platform
- Sale cinema tickets on TMN WAP

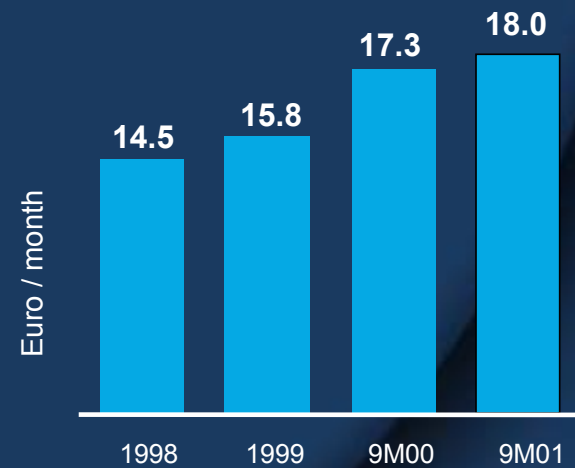


# PT Multimedia: Pay TV Subscribers & ARPU

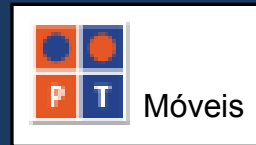
## Cable TV Homes Passed and Subscribers



## Pay TV ARPU

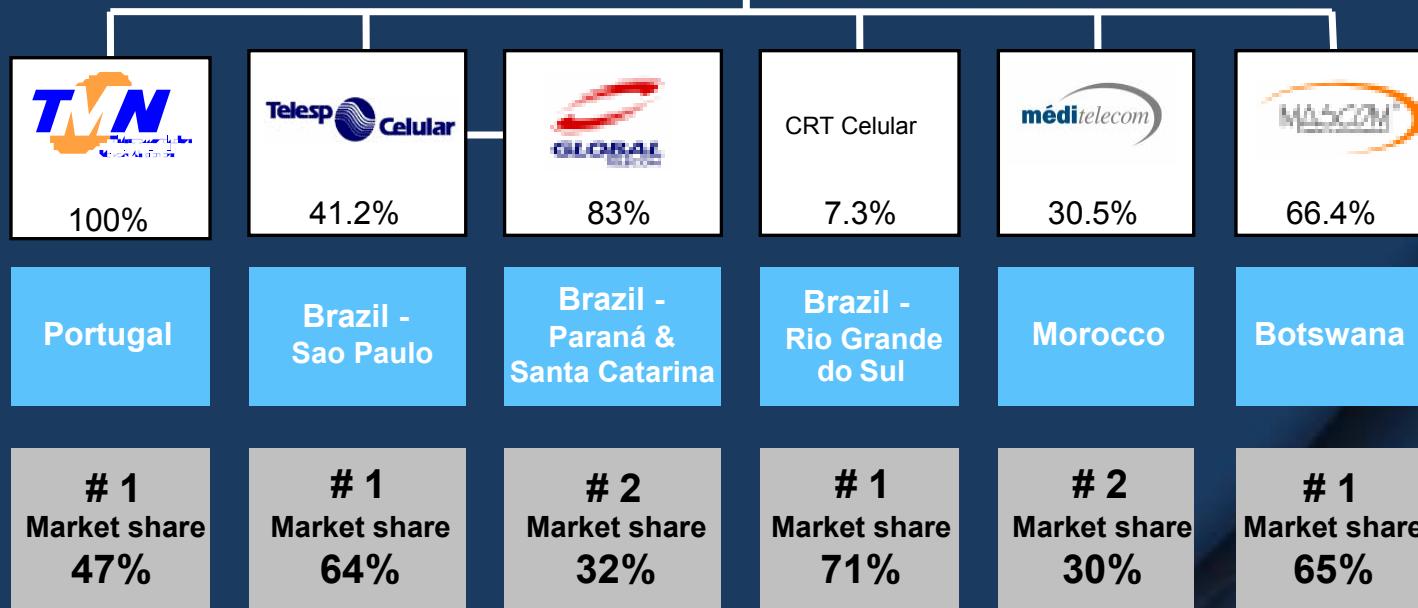


# Mobile Businesses : Overview



Móveis

- 9.5m controlled subscribers
- 6.3m equity subscribers



# Mobile Businesses: TMN

	1Q01	2Q01	3Q01	9M01	9M01/ 9M00
TMN Subscribers ('000)					
Total	3,146	3,347	3,623	3,623	40%
Net Adds	206	202	275	683	42%
ARPU (Euro)	29.0	30.4	31.2	30.2	-0.6%
Data ARPU (%)	6.2	5.9	5.5	5.8	2.8 pp
SAC's (Euro)	92.4	77.5	61.9	75.8	9.3%
MOU (minutes)	132	141	141	138	0.4%
Revenues (mEuro)	305.5	335.4	368.8	1,009.7	34.7%
EBITDA Margin (%)	37.2	37.0	40.9	38.5	0.2 pp

# Mobile Businesses : Telesp Celular

	9M00	9M01	Change
Market Penetration in S.Paulo (%)	16.5	21.1	4.6 pp
Telesp Celular Subscribers ('000)			
Total	3,702	4,991	34.8%
Net Adds	809	689	-14.8%
Market Share (%)			
Total	63	64	1 pp
Net Adds	63	64	1 pp
ARPU (Reais)	53	43	-18.7%
CCPU (Reais)	28	24	-11.5%
SAC (Reais)	121	127	+ 4.5%
Revenues (mEuro)	1,191	1,045	-12.2%
EBITDA Margin (%)	32.7	33.1	+0.4 pp

# Mobile Businesses: Global Telecom

	9M00	9M01	Change
Market Penetration-Paraná and Sta Catarina (%)	11	15	4 pp
Global Telecom Subscribers ('000)			
Total	328	723	121%
Net Adds	166	260	57%
Market Share estimate (%)			
Total	20	32	12 pp
Net Adds	49	78	29 pp
ARPU (Reais)	60	42	-30%



# Financial Review



# Proportional Consolidated Operating Revenues\*

	9M00		9M01		
	euro m	%	euro m	%	%YoY
PT Comunicações	1,376	48	1,665	46	21
PT Prime	118	4	160	4	35
TMN	736	26	844	23	15
Telesp Celular	356	13	431	12	21
PT Multimédia	161	6	419	12	161
Other	100	3	122	3	21
<b>TOTAL</b>	<b>2,848</b>	<b>100</b>	<b>3,641</b>	<b>100</b>	<b>28</b>

\* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29.92% in 9M2000 and of 41.23% in 9M2001.



# Proportional Consolidated EBITDA \*

	Absolute (euro m)			EBITDA Margins (%)	
	9M00	9M01	YoY%	9M00	9M01
PT Comunicações	796	797	0	52	43
PT Prime	23	23	0	15	12
TMN	287	389	35	38	39
Telesp Celular	116	143	22	33	33
PT Multimedia	-32	29	n.m.	-19	7
Other	38	13	n.m.	n.m.	n.m.
<b>TOTAL</b>	<b>1,229</b>	<b>1,393</b>	<b>13.4</b>	<b>43</b>	<b>38</b>

\* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29.92% in 9M2000 and of 41.23% in 9M2001.



# Financial Breakdown\*

	1Q01	1H01	9M01
<b>EBIT</b>	<b>239</b>	<b>489</b>	<b>748</b>
Net Interest cost	(76)	(141)	(258)
Hedging Instruments	(92)	(176)	(36)
Goodwill	(40)	(75)	(110)
Affiliated Co's, of which:	(40)	(90)	(149)
Global Telecom	(26)	(56)	(106)
Medi Telecom	(14)	(50)	
Other	0	3	7
Other financial income/(cost)	2	(4)	4
Extraordinary items, of which:	180	300	290
Sale of PTM.com	200	200	200
Workforce Reduction	(20)	(17)	(24)
Other	0	117	114
<b>EBT</b>	<b>174</b>	<b>303</b>	<b>487</b>
Taxes & Minority Interests	(41)	(103)	(166)



**Net Income**

133 200 322  
 The consolidation of Telesp Celular corresponds to an economic interest of 36.92% in 9M2001 and of 41.23% in 9M2001.

# Proportional Capital Expenditure \*

Euro million	9M00	9M01	Δ %
PT Comunicações	177	204	15.5
PT Prime	31	41	29.4
TMN	172	191	11.2
Telesp Celular	93	97	5.0
PT Multimédia	58	83	42.0
Other	32	59	84.1
<b>TOTAL</b>	<b>563</b>	<b>675</b>	<b>19.9</b>
<b>% das Revenues</b>	<b>19.8</b>	<b>18.5</b>	<b>-1.3 p.p.</b>

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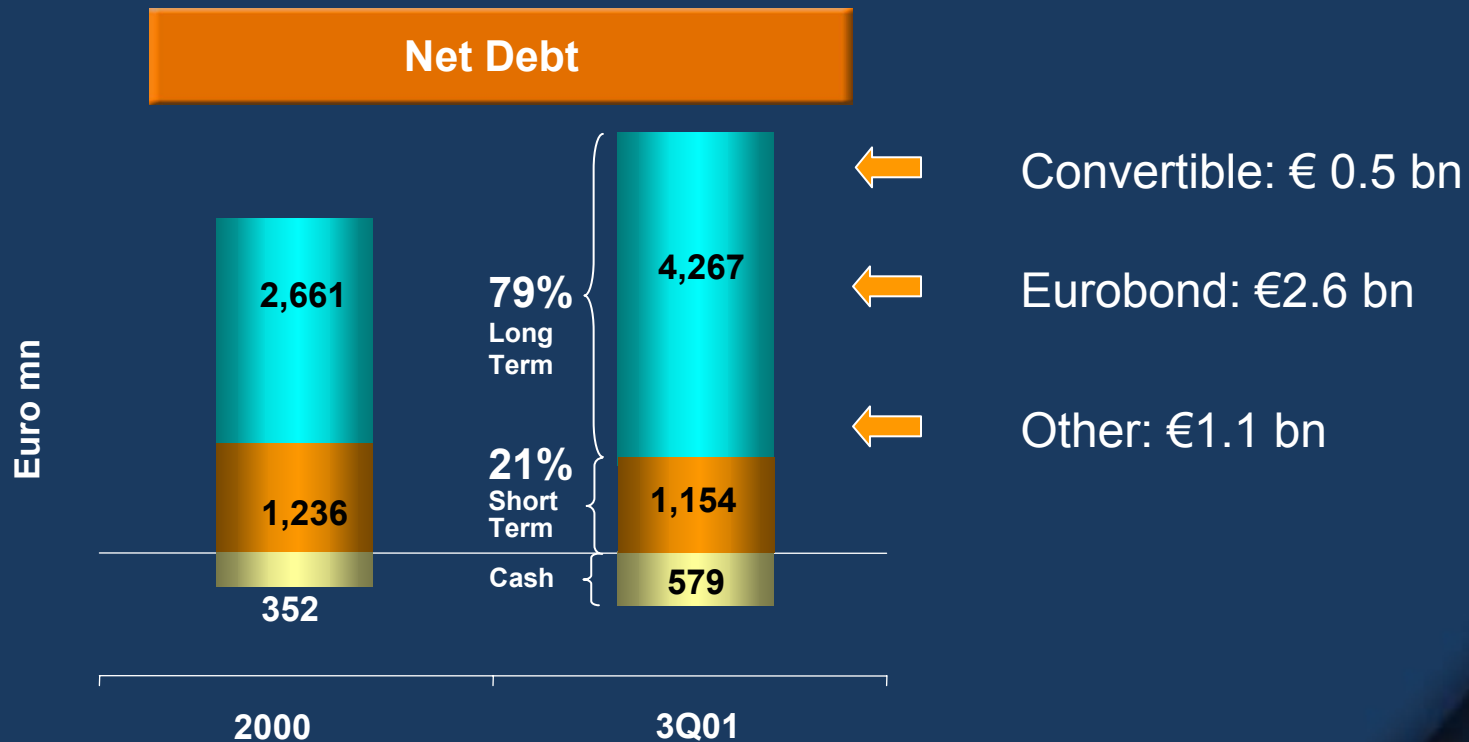
# Financial Investment \*

Euro million	1Q01	2Q01	3Q01	9M01
Global Telecom	200	3	713	916
Lusomundo	269	4	0	272
UOL	n.m.	284	0	284
Medi Telecom	15	39	0	54
Other	78	213	-4	288
<b>Total</b>	<b>561</b>	<b>543</b>	<b>709</b>	<b>1,814</b>

\* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29.92% in 3Q2000 and of 41.23% in 3Q2001.



# Balance Sheet Structure \*



- **Gearing Ratio: 53.7%**
- **EBITDA Cover: 8.6x**
- **Rating from Standard & Poors: “ A” with stable outlook**
- **Moodys: “A3” with positive outlook**



\* Proportional consolidation of Telesp Celular corresponds to an economic interest of 29.92% in 9M2000 and of 41.23% in 9M2001.

# The Future

- Focus on execution across all areas of the business
- Manage cashflows of PTC by focusing on costs and capital expenditure policy
- Maintain growth momentum at TMN
  - Data traffic - MyTMN platform
  - Maintain margin through strict management of SACs
- Drive returns in Brazil
  - Build on TCP's margin improvement by control of SACs and CCPU
  - Review TCP's capital expenditure plans
  - Synergies through Wireless JV with Telefónica
  - Manage currency risk
- Margin improvement at PT Multimedia





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