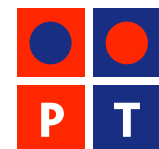


Portugal Telecom

Results Presentation

First Half 2006

14 September 2006



Safe Harbour

This release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are not statements of historical fact, and reflect goals of the company's management. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Accordingly, the results of operations of the company to be achieved may be different from the company's current goals and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the company does not undertake any obligation to update them in light of new information or future developments.

The attached communication has been made public by Portugal Telecom, SGPS, S.A. (the "Company"). Investors are urged to read the Company's Solicitation/Recommendation Statement on Schedule 14D-9 when it is filed by the Company with the U.S. Securities and Exchange Commission (the "SEC"), as it will contain important information. The Solicitation/Recommendation Statement and other public filings made from time to time by the Company with the SEC are available without charge from the SEC's website at www.sec.gov and at the Company's principal executive offices in Lisbon, Portugal.

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



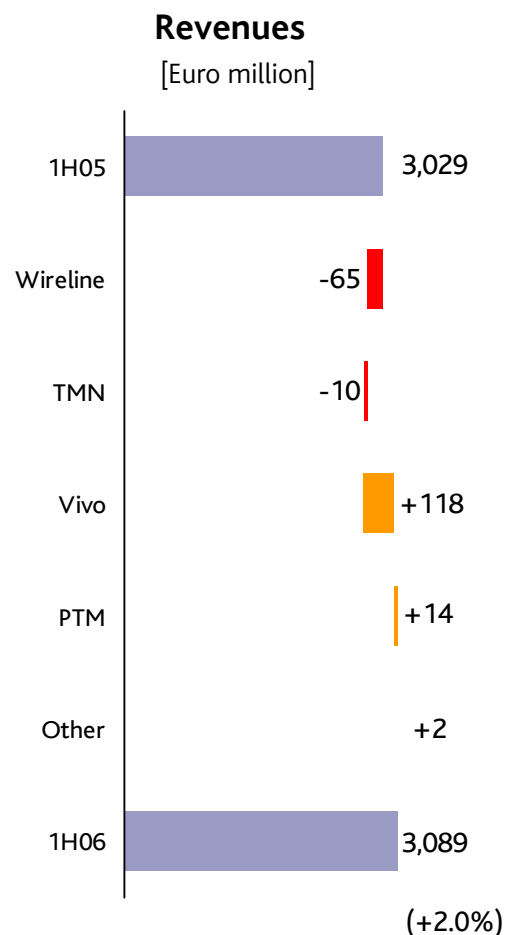
Second Quarter 2006 Highlights

Euro million	2Q06	2Q05	y.o.y	1H06	1H05	y.o.y
Operating Revenues	1,523	1,577	-3%	3,089	3,029	2%
Wireline	479	523	-8%	970	1,035	-6%
TMN	347	349	-1%	685	695	-1%
Vivo	491	499	-2%	1,014	897	13%
PTM	164	157	4%	324	310	5%
EBITDA	503	558	-10%	1,090	1,177	-7%
Wireline	240	251	-4%	487	522	-7%
TMN	163	165	-1%	319	334	-5%
Vivo	58	99	-41%	198	241	-18%
PTM	56	51	9%	106	96	11%
Income from Operations	203	282	-28%	493	654	-25%
Net Income	191	101	89%	402	284	42%
Capex	194	201	-4%	356	368	-3%
EBITDA - Capex	309	357	-13%	734	809	-9%
Net Debt	4,380	4,296	2%	4,380	4,296	2%
EBITDA Margin	33%	35%	-2pp	35%	39%	-4pp
Capex as % Revenues	13%	13%	-0pp	12%	12%	-1pp
EBITDA - Capex Margin	20%	23%	-2pp	24%	27%	-3pp

EBITDA = income from operations + depreciation and amortisation.

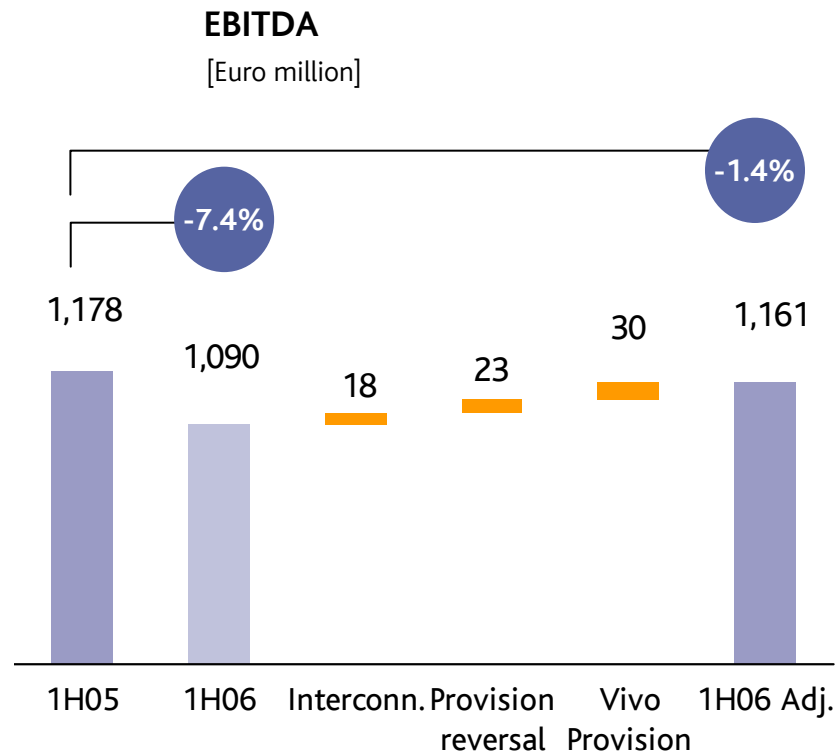
Income from operations = income before financials and taxes + goodwill impairment + workforce reduction costs + losses (gains) on disposal of fixed assets + net other costs.

Revenue growth underpinned by the contribution of Vivo and PTM



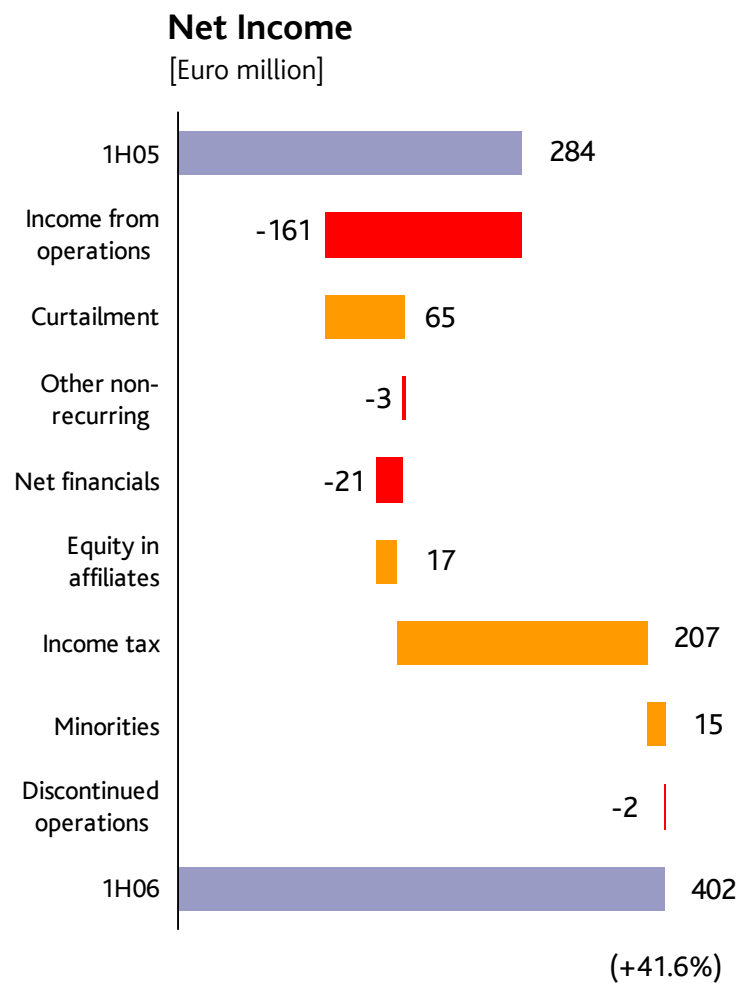
- > Operating revenues decreased by 2.0% yoy in 1H06 to €3,089mn, reflecting higher contribution from Vivo, due to the appreciation of the Real, and PTM.
- > Operating revenues of wireline business decreased by 6.2% as result of decline in traffic and fixed charge revenues and lower fixed-to-mobile interconnection rates (€17mn).
- > TMN operating revenues decreased by 1.4% yoy to €685mn as a result of lower interconnection revenues (negative impact of €30mn).
- > Vivo operating revenues increased by 13.1% yoy to €1,014mn due to the appreciation of the Real (€190mn). In Reais Vivo operating revenues fell by 8.1% yoy.
- > PTM operating revenues increased 4.5% yoy in 1H06 to 324mn as a result of the increase in Pay-TV cable internet revenues, driven by the improvement in ARPU underpinned by the take up of the digital package "TV Cabo Funtastic Life".

EBITDA decrease due to lower interconnection rates, a one-off reversal of a provision in 1Q05 and a provision in Vivo



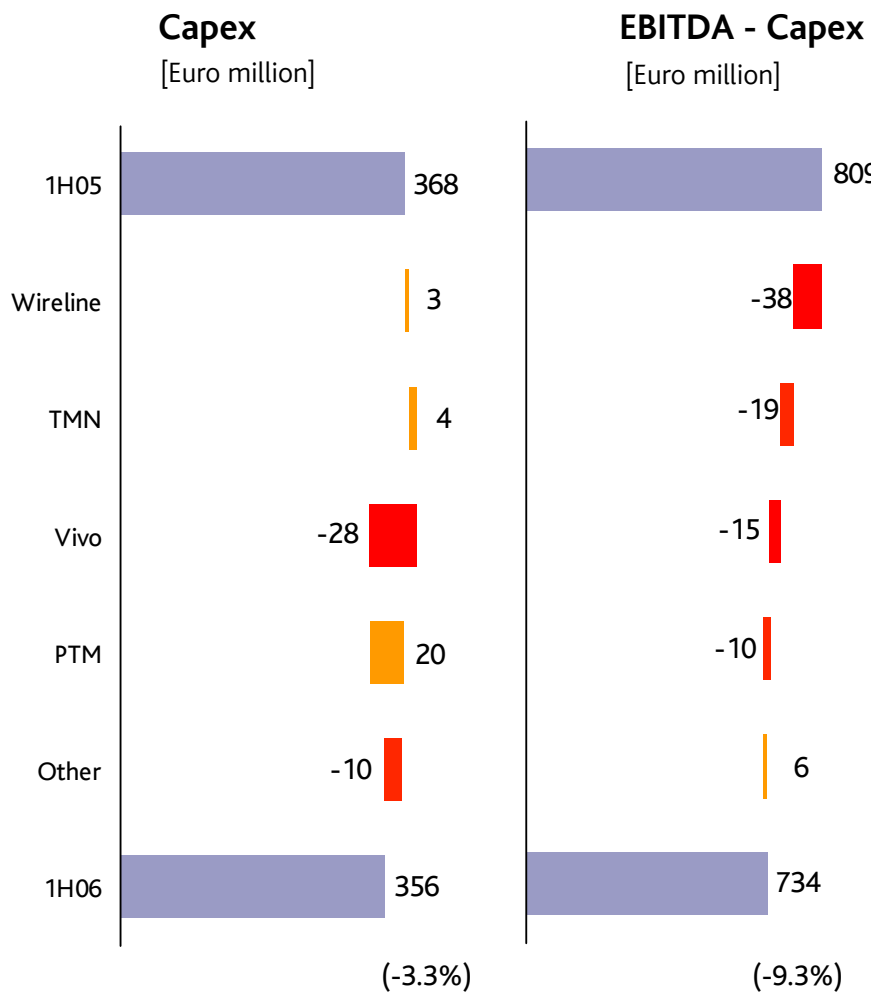
- > EBITDA reached €1,090mn in 1H06, a decrease of 7.4% yoy, equivalent to an EBITDA margin of 35.3%.
- > The reduction in EBITDA is explained by the negative impact of lower interconnection rates (€18mn), the one-off reversal of a provision relating to a receivable from Angola Telecom (€23mn) in 1Q05 and a provision in Vivo related to billing problems in connection with the systems migration to a unified platform (€30mn).
- > Excluding these impacts, EBITDA would have decreased by 1.4% yoy in 1H06.

Net income increased 42% to Euro 402 million



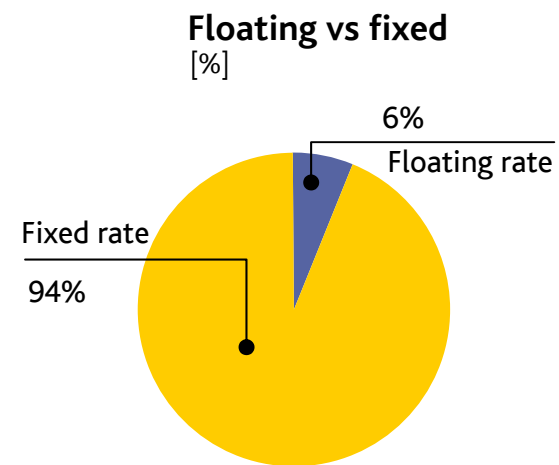
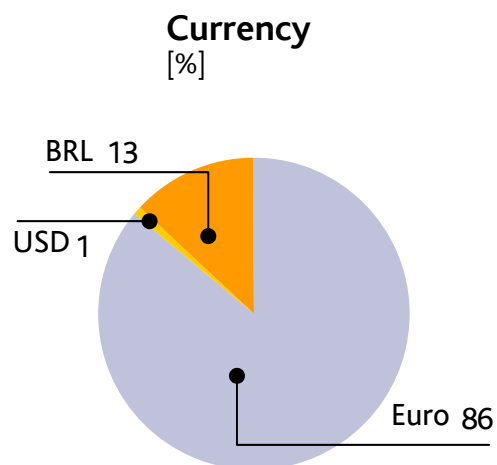
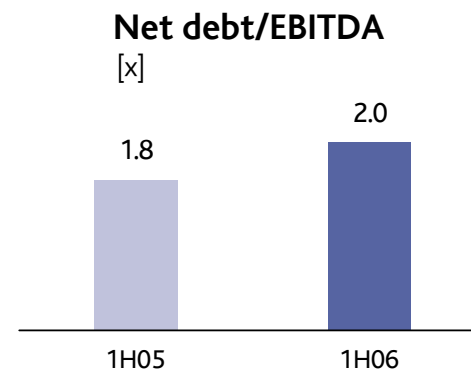
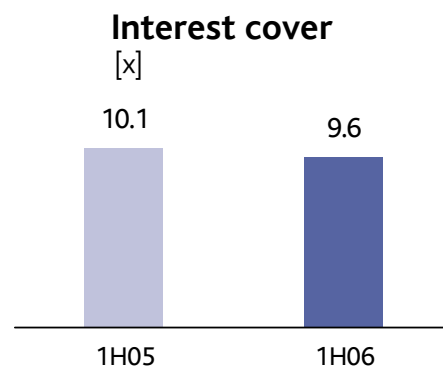
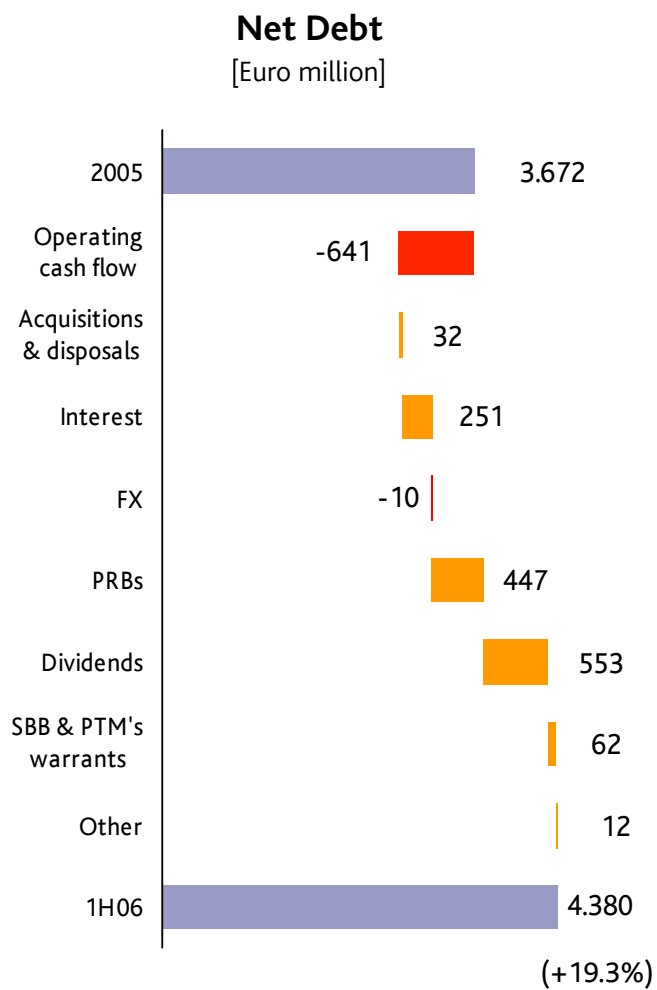
- > Net income increased by 41.6% yoy in 1H06 to €402mn.
- > The increase in net income is primarily explained by the one-off-effect of the tax restructuring completed in the period.
- > Income taxes was negative and amounted to €51mn mainly as a result of a tax benefit amounting to €53mn in 1Q06 and a gain recorded in 2Q06 amounting to €142mn in connection with the reduction of deferred tax liabilities resulting from adoption of the voluntary taxation regime on certain capital gains.

Domestic businesses accounted for approximately 93% of consolidated EBITDA minus Capex

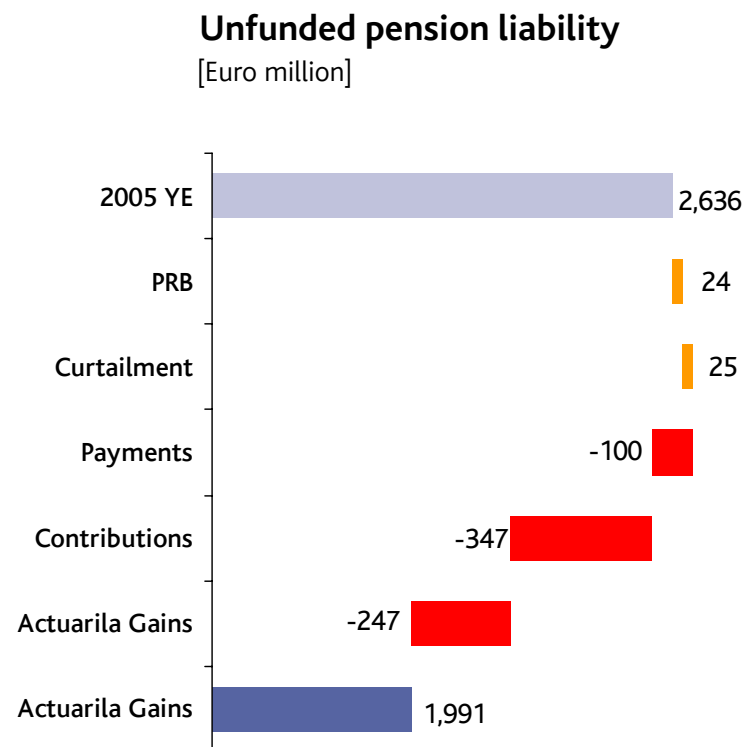


- > Capex decreased by 3.3% yoy in 1H06 to €356mn, equivalent to 11.5% of operating revenues, due to the reduction in Vivo's capex
- > The 20% yoy decrease in Vivo's capex was partially offset by the appreciation of the Real and the increase in domestic capex.
- > On a combined basis, the domestic businesses accounted for approximately 93% of total EBITDA minus Capex.

Net debt evolution

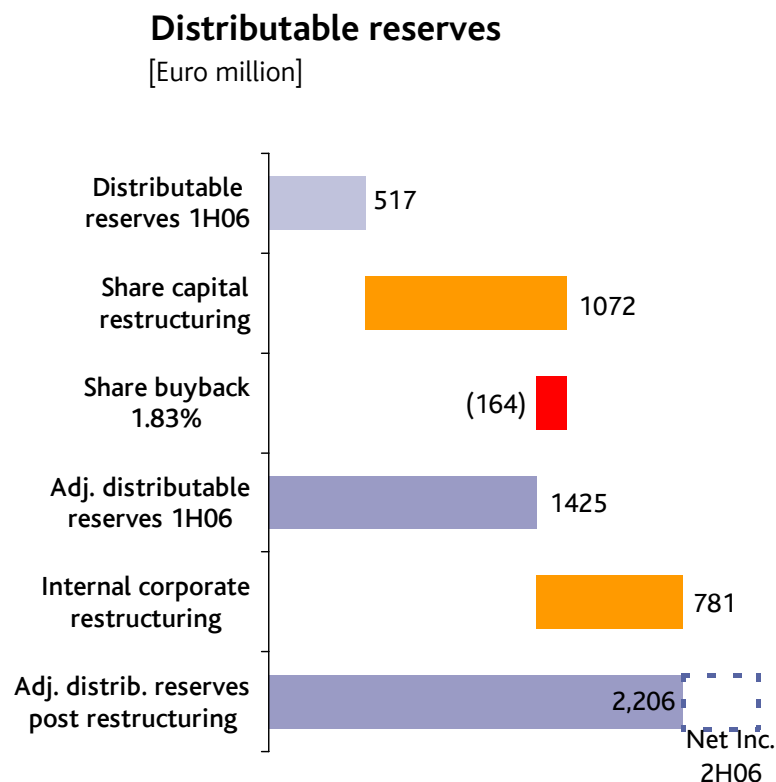


Unfunded Pension Liability



- > Unfunded post retirement obligation decreased by €646mn to €1,990mn at the end of Jun. 2006, primarily as a result of the net actuarial gains and the contributions made to the funds. The after-tax unfunded obligation amounted to €1,443mn at the end of Jun. 2006.
- > Net actuarial gains amounted to €247mn, as a result of the combined effect of the increase in the blended discount rate from 4.3% at the end of Dec. 2005 to 4.86% at the end of Jun. 2006 (€312mn) and the actuarial loss resulting from the pension funds performance being lower than the expected rate of return (€65mn).
- > The €447mn of contributions and payments includes a €300mn extraordinary contribution made in 2Q06 to cover healthcare post retirement obligations.

Strong increase in distributable reserves through share capital restructuring

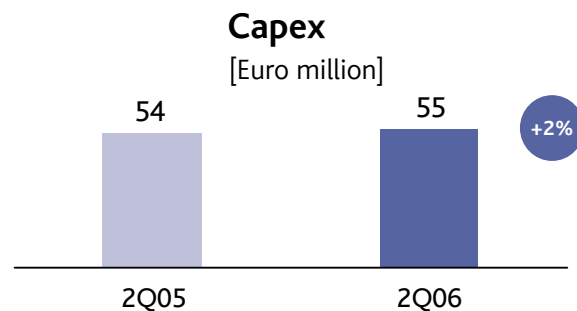
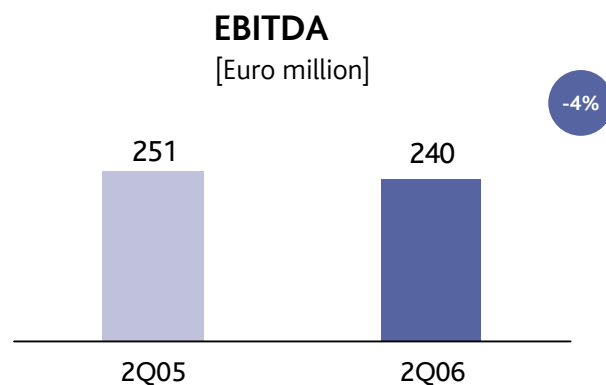
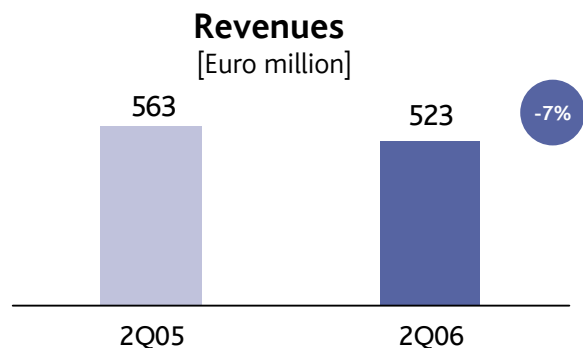


- > Following the completion on 11 September 2006 of the approved share capital reduction to Euro 395,099,775, adjusted distributable reserves as at 30 June 2006 amounted to €1,425mn, including the impact of the share buyback already executed up to 6 February 2006 (€164mn).
- > PT is currently implementing an internal corporate restructuring that should unlock approximately €781mn of distributable reserves,
- > Distributable reserves post the ongoing internal corporate restructuring should amount to approximately €2.2bn

Second quarter 2006 operating highlights

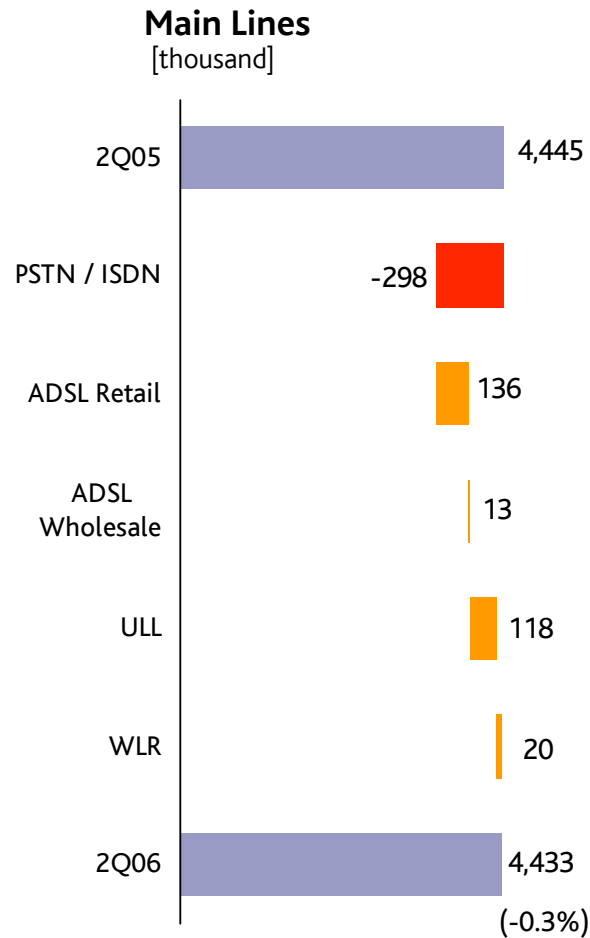
	2Q06	2Q05	y.o.y	1H06	1H05	y.o.y	
Wireline	Main accesses (k)	4,433	4,445	0%	4,433	4,445	0%
	Main accesses net adds (k)	-14	18	n.m.	-45	68	n.m.
	ADSL retail (k)	636	500	27%	636	500	27%
	ADSL Retail net adds (k)	23	49	-54%	51	119	-57%
	Pricing Plans (k)	2,283	1,330	72%	2,283	1,330	72%
	Total Traffic (mn minutes)	3,393	3,778	-10%	6,884	7,587	-9%
	ARPU (Euro)	30	31	-2%	30	31	-2%
TMN	Customers (k)	5,362	5,108	5%	5,362	5,108	5%
	Net Adds (k)	44	21	108%	50	54	-8%
	MOU	120	122	-1%	119	119	-1%
	ARPU (Euro)	21	23	-8%	21	23	-9%
Vivo	Customers (k)	28,525	28,446	0%	28,525	28,446	0%
	Net Adds (k)	-1,613	1,487	n.m.	-1,280	1,903	n.m.
	MOU	66	79	-16%	67	80	-16%
	ARPU (R\$)	24	29	-16%	25	29	-14%
PTM	Pay TV Customers (k)	1,444	1,465	-1%	1,444	1,465	-1%
	Pay TV Net Adds (k)	-28	9	n.m.	-35	16	n.m.
	Cable Broadband Accesses (k)	344	333	3%	344	333	3%
	Cable Broadband Net Adds (k)	-8	13	n.m.	-4	27	n.m.
	Pay-Tv Blended ARPU (Euro)	29	28	4%	29	28	5%

Wireline financial highlights



- > Operating revenues fell by 7.2% yoy to €523mn in 2Q06, reflecting lower traffic revenues and fixed charges.
- > Excluding the impact of lower fixed-to-mobile interconnection rates of €7mn operating revenues would have decreased by 5.9% yoy in the 2Q06.
- > EBITDA decreased by 4.3% yoy in 2Q06, notwithstanding the margin improved by 1.4pp yoy to 45.9% on the back of staff redundancy programme, lower commercial costs and the reduction in PRBs.
- > Capex increased by 2.0% yoy in 2Q06 to €55mn, equivalent to 10.6% of operating revenues and was directed mainly towards the continued investment in broadband.

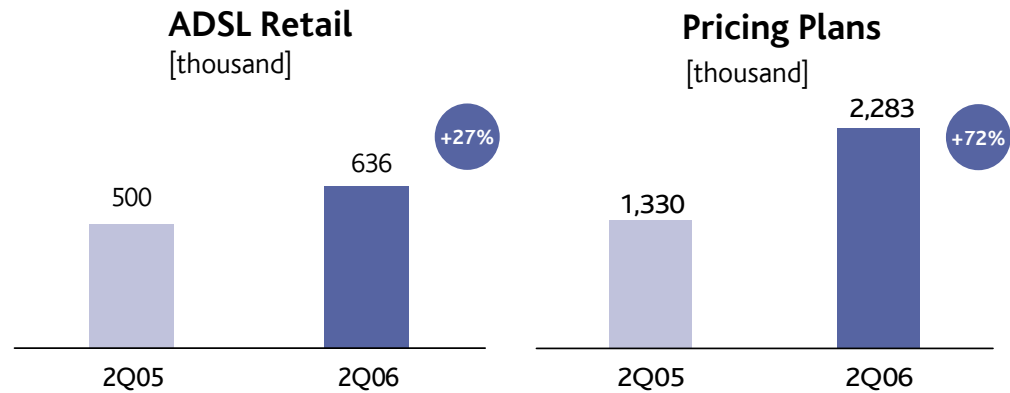
Wireline operational highlights



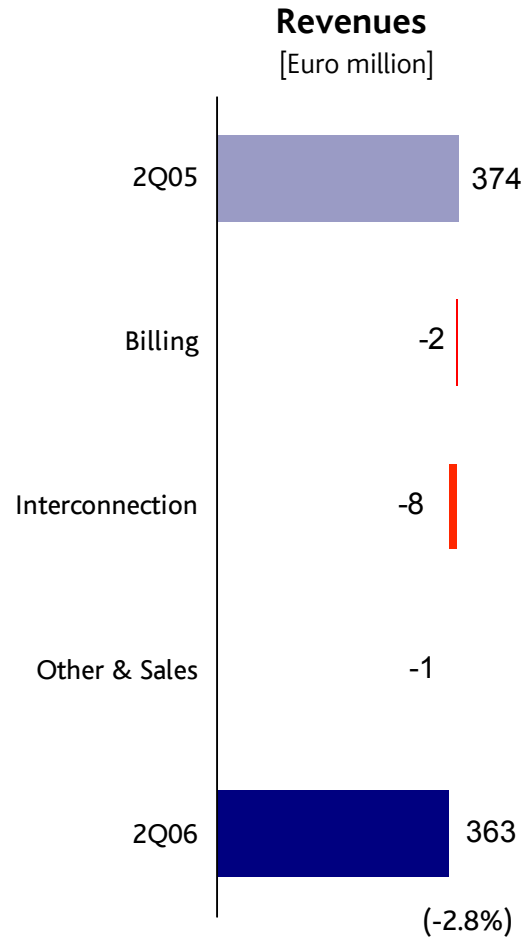
> Total main lines decreased by 0.3% yoy in 2Q06 to 4,433k.

> The number of pricing plans increased by 120k in 2Q06 to 2,283k.

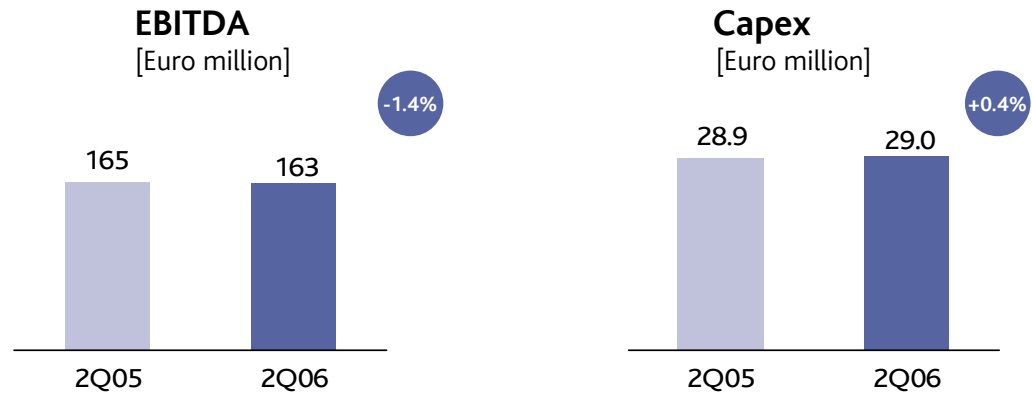
> Total ARPU decreased by 2.4% yoy to €29.9, as a result of declining traffic revenues, whilst data ARPU increased by 27.7% yoy, representing already 16.9% of total ARPU in 2Q06.



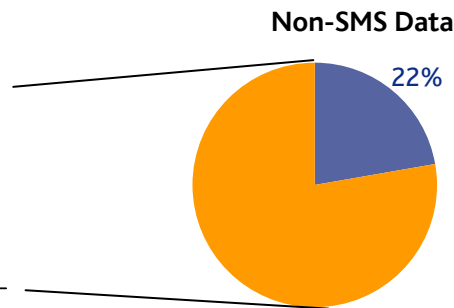
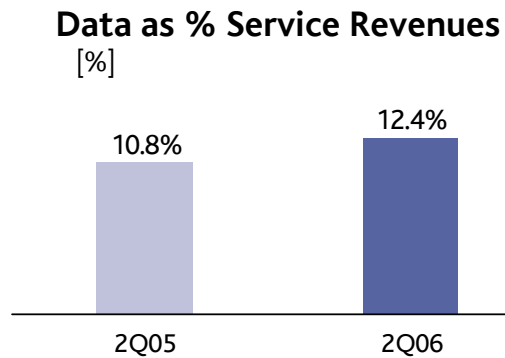
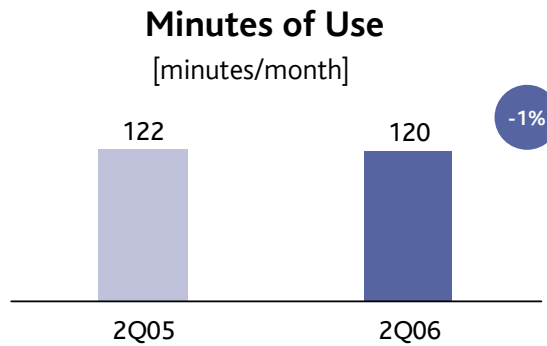
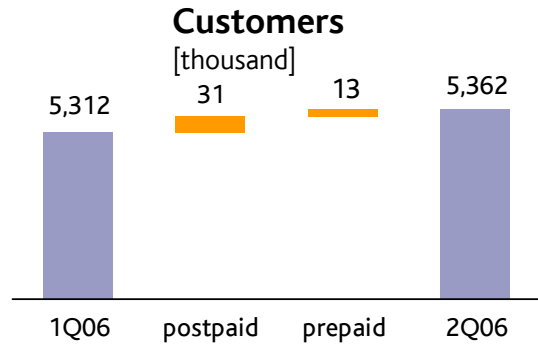
TMN financial highlights



- > Operating revenues decreased by 2.8% yoy in 2Q06 to €363mn, primarily as a result of the impact on service revenues of lower interconnection rates.
- > EBITDA amounted to €163mn in 2Q06, an improvement over 1Q06 and a decrease of 1.4% yoy, primarily as a result of strong reduction in interconnection rates, which impacted EBITDA by €5mn in the quarter. Excluding this impact, EBITDA would have increased by 1.5% in 2Q06
- > EBITDA margin improved by 0.6pp yoy to 44.9% in 2Q06
- > Capex remained flat at €29mn in 2Q06 equivalent of 8.0% of revenues and was primarily directed towards network capacity and coverage, including the rollout of 3G/3.5G (80% of network capex) and improvements in QoS and customer care.

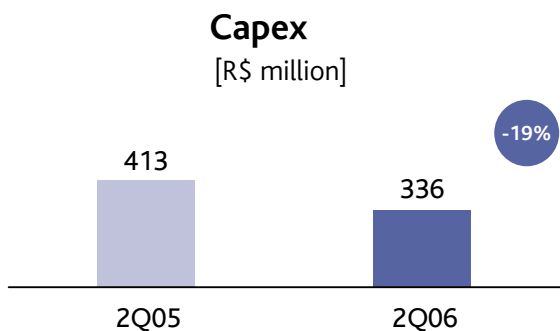
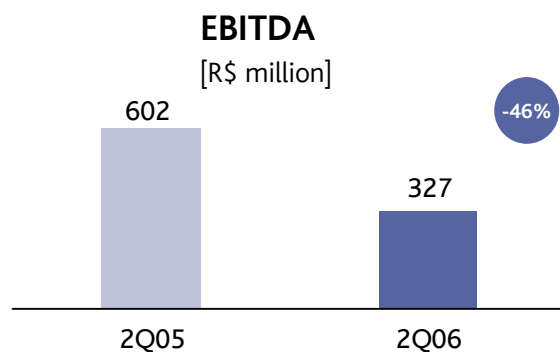
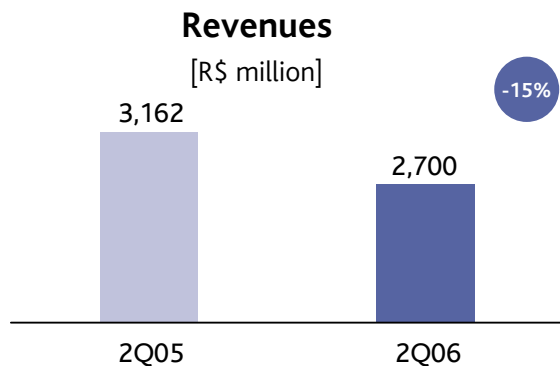


TMN operational highlights



- > TMN had 5.4mn customers, an increase of 5.0% over the same period of last year underpinned by strong postpaid net additions (31k), which represented more than 70% of total net additions in 2Q06 (44k). 3G customers continued to grow strongly, reaching 518k at the end of June 2006, and representing 10% of total customers.
- > Data services accounted for 12.3% of service revenues in 2Q06, an improvement of 1.5pp over 2Q05, underpinned by the growth in non-SMS data revenues.

Vivo financial highlights

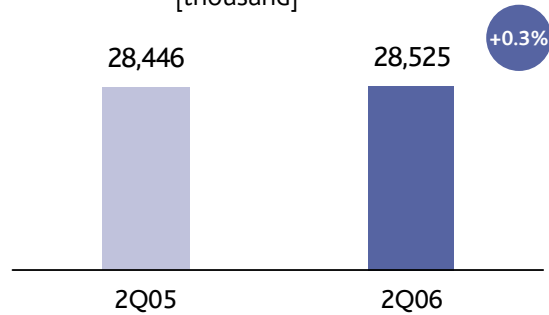


- > Operating revenues decreased by 14.6 % yoy to R\$2,700mn, primarily as a result of the decrease in service revenues in the period, against a backdrop of a challenging operating environment. The reduction in interconnection revenues is explained by the F2M to M2M traffic migration, resulting in lower incoming traffic revenues
- > EBITDA decreased in 2Q06 by 45.8% yoy to R\$327mn as a result of decrease in service revenues and increase in bad debt related provisions, including R\$162mn related to billing problems as a result of the systems migration to a unified platform.
- > Capex decreased by 18.6% yoy in 2Q06 to R\$336mn, equivalent to 12.4% of revenues. Capex in the quarter was related to network coverage and quality, and the consolidation and rationalization of billing, CRM and ERP information systems.

Vivo operational highlights

Customers

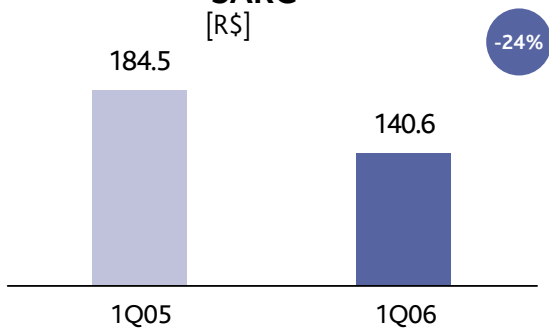
[thousand]



> At the end of 2Q06, Vivo had 28.5mn customers. Customer net disconnections in 2Q06 totalled 1,613 as a result of a database adjustment of 1,823k inactive customers, due to the systems migration to a unified platform.

SARC

[R\$]

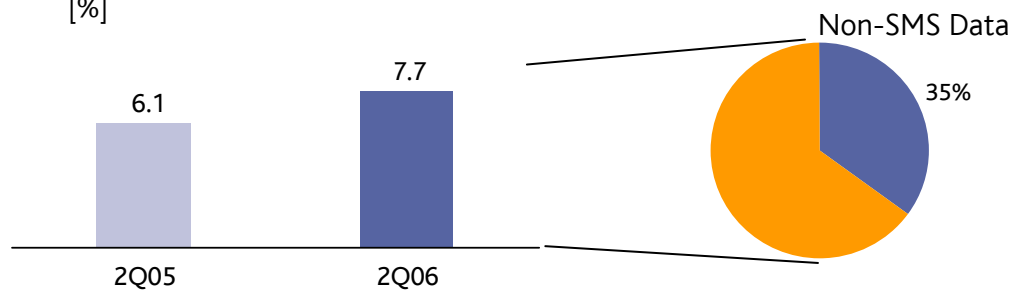


> Data revenues represented 7.7% of total service revenues in 2Q06, with approximately 35% of data revenues already being generated by non-SMS data services.

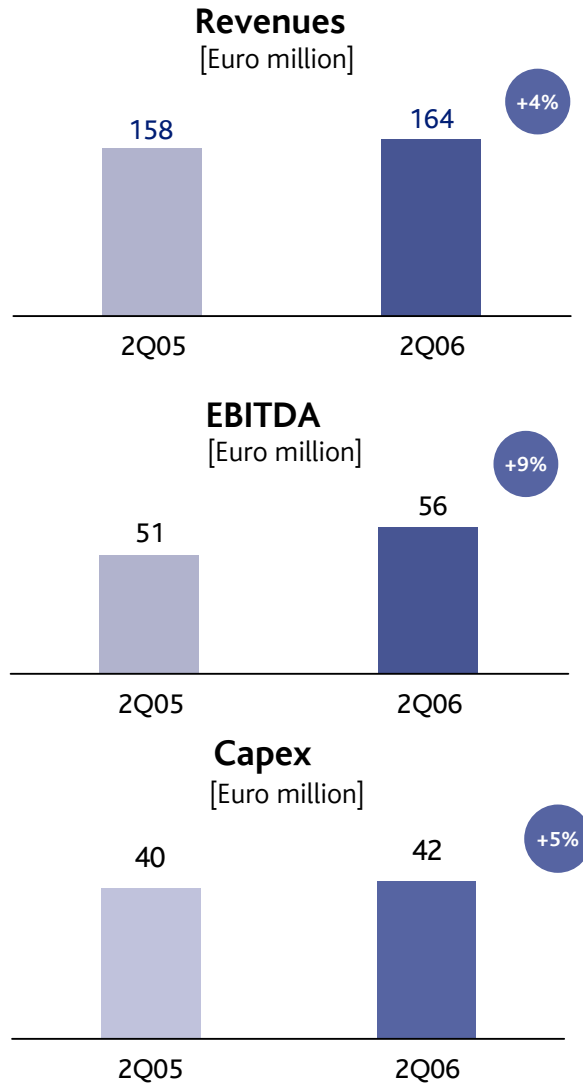
> MOU dropped by 16.4% yoy in 2Q06 to 66 minutes, primarily due to the negative evolution of prepaid MOU traffic. Postpaid MOU remained stable in 2Q06.

Data as % service revenues

[%]

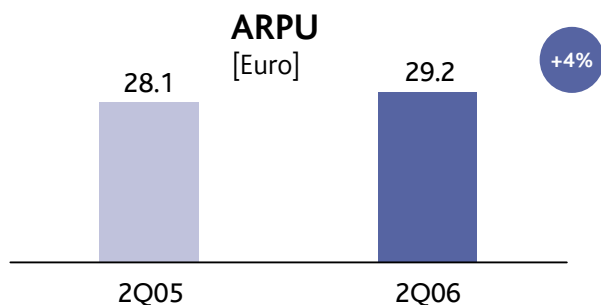
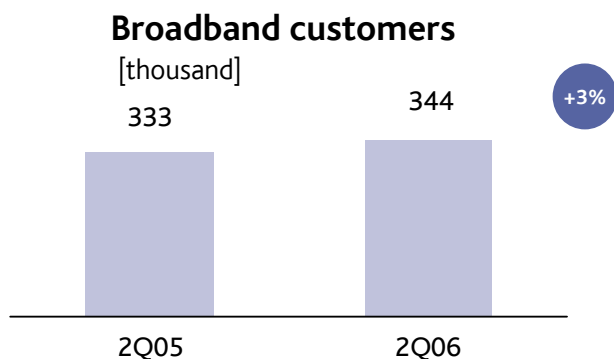
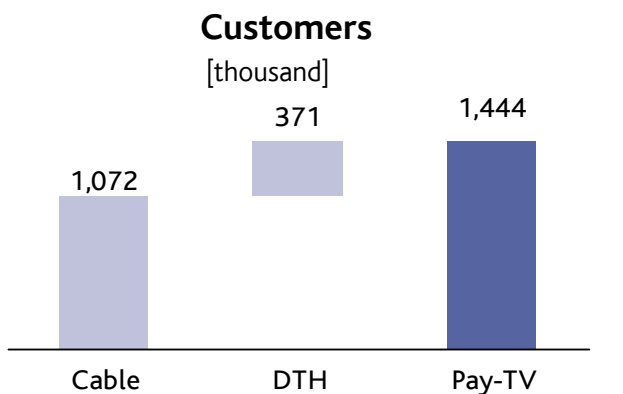


PTM financial highlights



- > Operating revenues increased by 4.0% yoy in 2Q06 to €164mn, underpinned by the increase in both Pay-TV and cable Internet revenues and in cinema exhibition revenues in the quarter.
- > EBITDA increased by 8.9% yoy in 2Q06 to €56mn with margin improving by 1.6pp yoy to 34.1% as a result of the growth in Pay-TV ARPU, despite the continuous investment in QoS and customer care, as well as the enhancement of the Pay-TV offer.
- > Capex increased to €42mn due to investments in additional transponder capacity, increase in homes passed, the restructuring of the access network architecture to provide fibre to the hub and the increase in terminal equipment related to the digitalisation programme.

PTM operational highlights



- > Pay-TV customers totalled 1,444k with the net disconnections of 28k in 2Q06, resulting from a challenging economic conditions and outlook of the economy, which has reduced demand for Pay-TV services.
- > Blended ARPU in 2Q06 increased by 4.1% yoy to €29.2, reflecting the strong take-up of the digital service “TV Cabo Funtastic Life” which offers 65 channels and the increase in sport TV subscriptions due to the 2006 FIFA World Cup.
- > Broadband cable customers reached 344k at the end of 2Q06, an increase of 3.4% yoy. Broadband penetration among cable customers reached 32.1%, increasing by 1.2pp yoy in 2Q06.



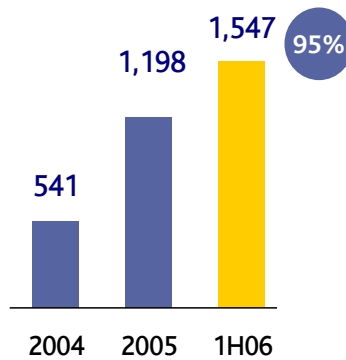
Other main international assets performing strongly

[1H06] [Euro million, Δ EBITDA in local currency]

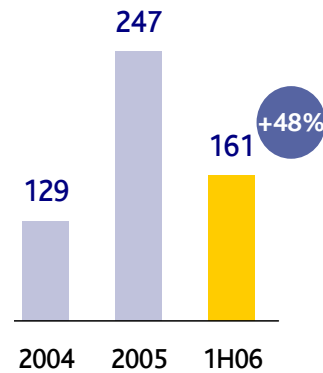
Africa				Asia				Brazil			
	Stake	EBITDA	Δ EBITDA		Stake	EBITDA	Δ EBITDA		Stake	EBITDA	Δ EBITDA
Unitel	25%	161	48%	CTM	28%	40	1%	UOL	29%	23	7%
Meditel	32%	87	22%	Timor Telecom	41%	4	50%				
CVT	40%	19	24%								
CST	51%	1.4	25%								

Unitel [Angola]

Customers
[thousand]



EBITDA
[Euro million]

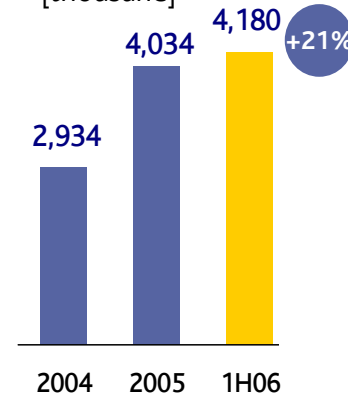


Pop 14mn

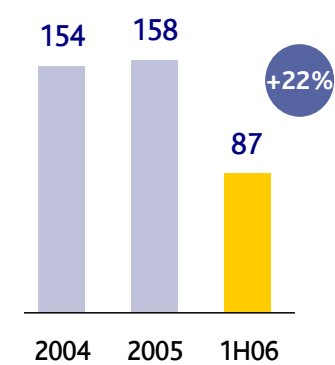
Penetration 20%

Meditelcom [Morocco]

Customers
[thousand]



EBITDA
[Euro million]



Pop 30mn

Penetration 44%

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