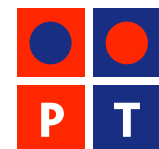


Portugal Telecom

Results Presentation

First Quarter 2006

18 May 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.

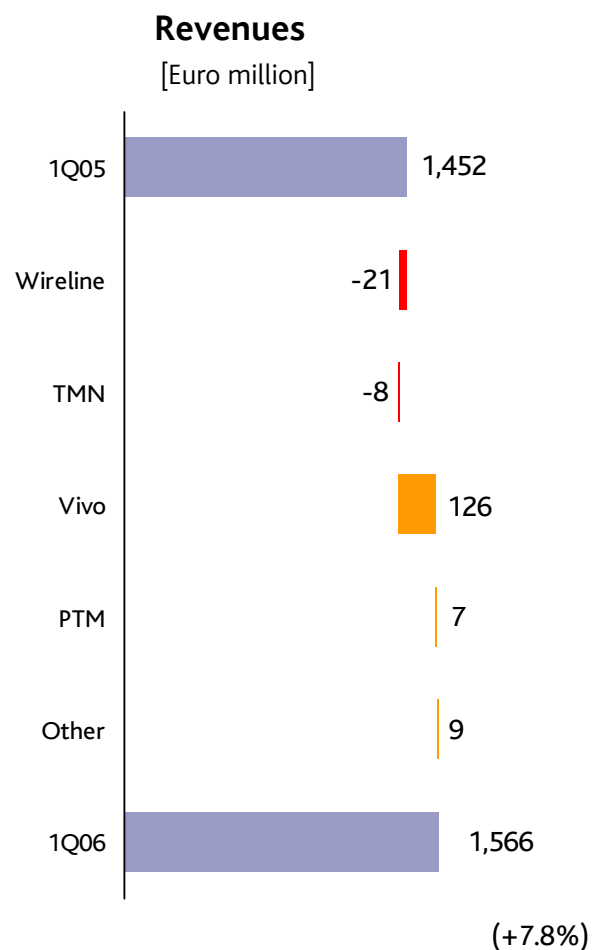
Portugal Telecom is listed on the Euronext and New York Stock Exchanges. Information may be accessed on Reuters under the symbols PTC.LS and PT and on Bloomberg under the symbol PTC PL.



First Quarter 2006 Highlights

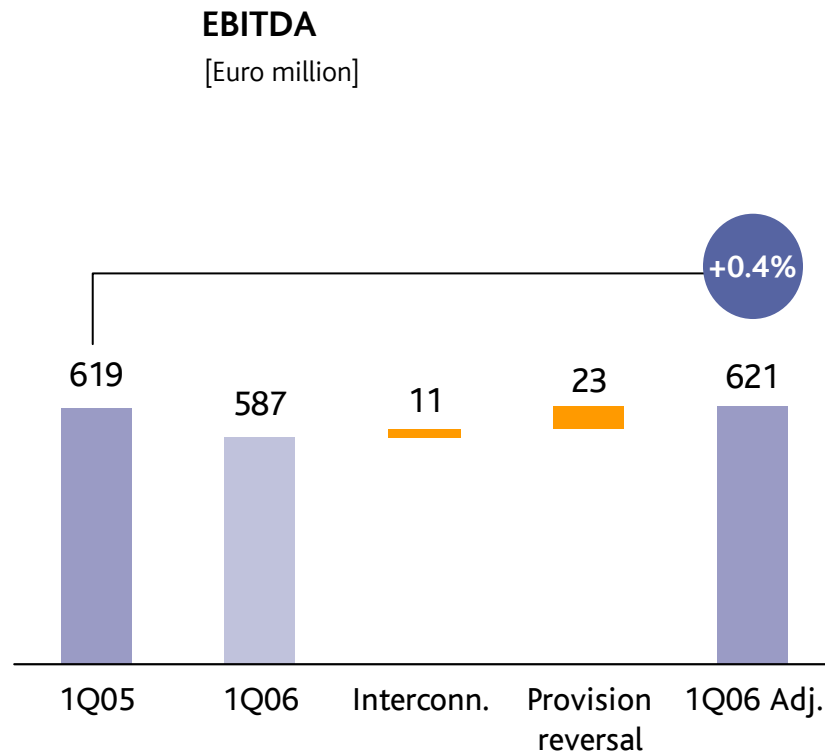
Euro million	1Q06	1Q05	y.o.y	4Q05	q.o.q
Operating Revenues	1,566	1,452	8%	1,715	-9%
Wireline	492	512	-4%	501	-2%
TMN	338	346	-2%	374	-10%
Vivo	523	397	32%	620	-16%
PTM	160	153	5%	157	2%
EBITDA	587	619	-5%	710	-17%
Wireline	247	271	-9%	360	-31%
TMN	156	169	-8%	167	-7%
Vivo	140	142	-2%	124	13%
PTM	50	45	12%	51	-2%
Income from Operations	290	386	-25%	410	-29%
Net Income	211	182	16%	293	-28%
Capex	162	167	-3%	361	-55%
EBITDA - Capex	425	452	-6%	349	22%
Net Debt	3,678	3,984	-8%	3,672	0%
EBITDA Margin	38%	43%	-5pp	41%	-4pp
Capex as % Revenues	10%	11%	-1pp	21%	-11pp
EBITDA - Capex Margin	27%	31%	-4pp	20%	7pp

Revenue growth underpinned by the contribution of PTM and Vivo



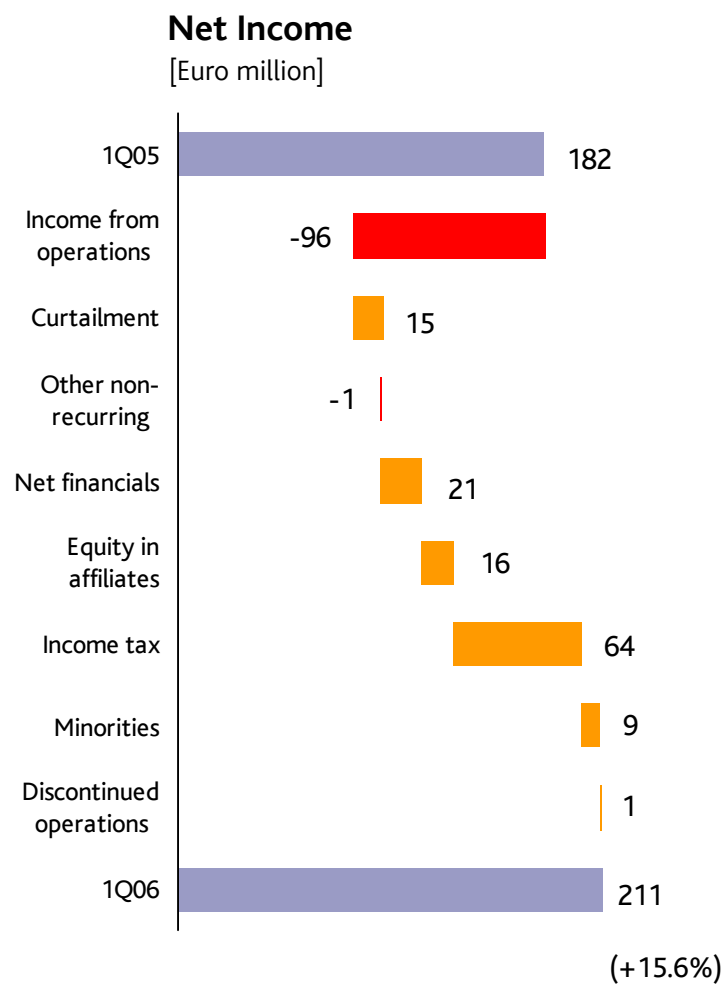
- > Operating revenues increased by 7.8% yoy in 1Q06 to €1,566mn, underpinned by the contribution of PTM and Vivo.
- > Operating revenues of wireline and TMN were negatively impacted by the reduction of interconnection rates in the amount of €9mn and €21mn respectively.
- > Excluding this impact, wireline operating revenues would have decreased by 2.3% yoy, while TMN operating revenues would have increased by 0.9% yoy.

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



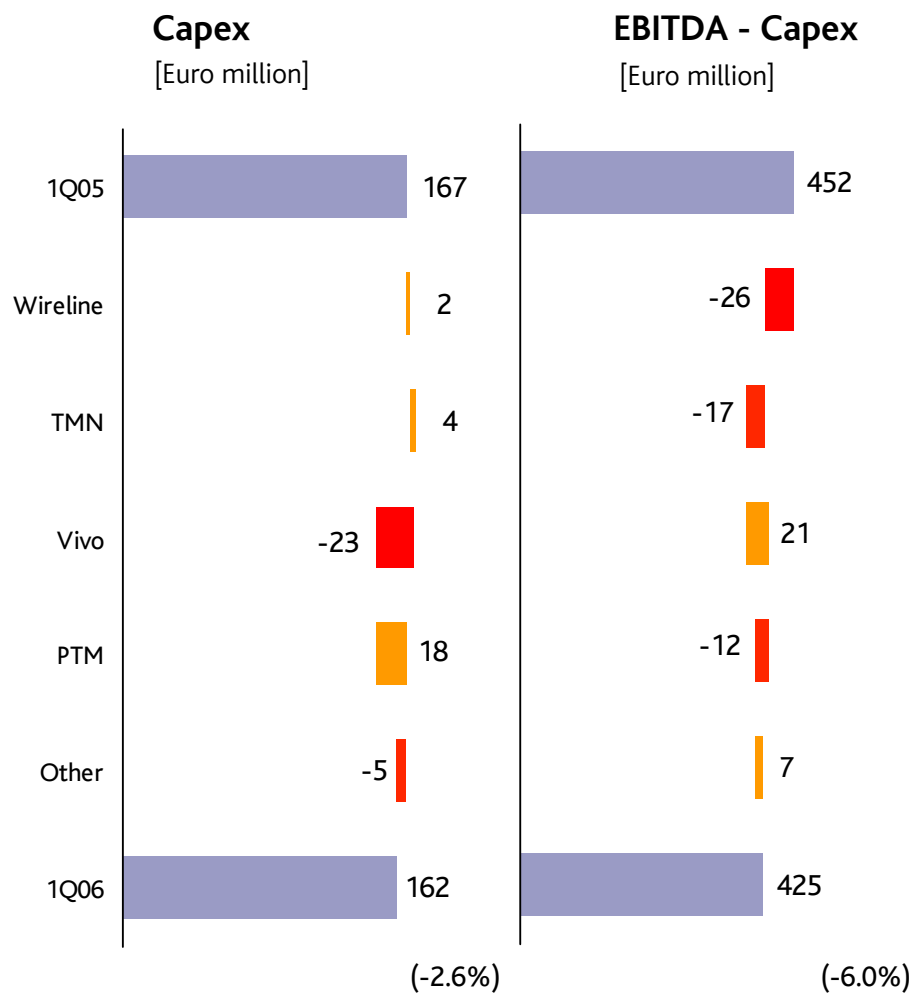
- > EBITDA reached €587mn in 1Q06, a decrease of 5.1% yoy, equivalent to an EBITDA margin of 37.5%.
- > The €32mn reduction in EBITDA resulted from the negative impact of lower interconnection rates (€11mn) and, the one-off reversal of a provision relating to a receivable from Angola Telecom (€23mn) in 1Q05.
- > Excluding these impacts, EBITDA would have increased by 0.4% yoy in 1Q06.

Net income increased by more than 15% to Euro 211 million



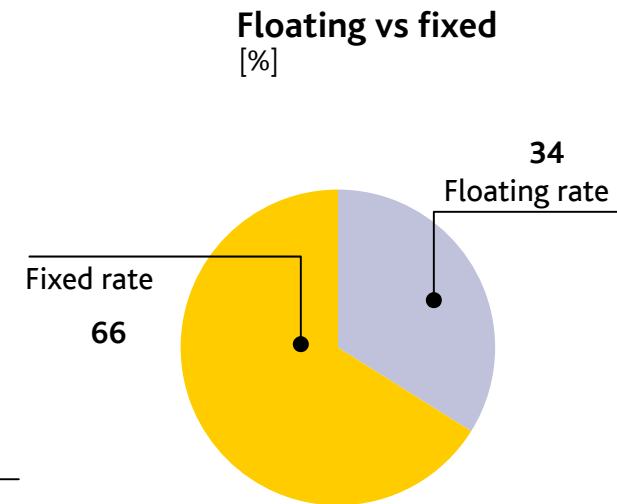
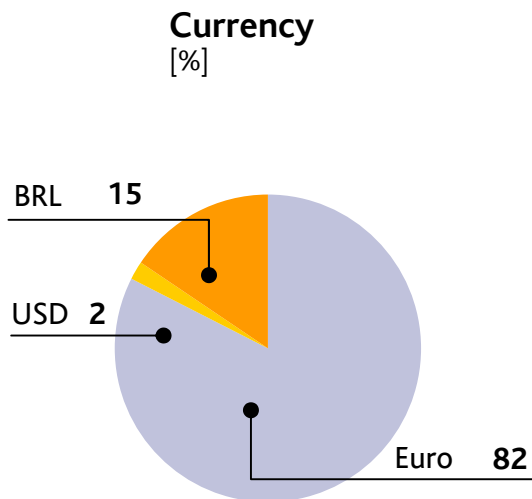
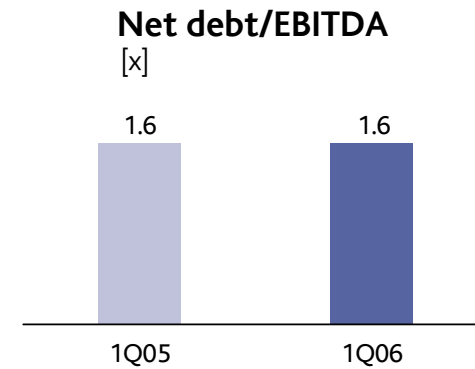
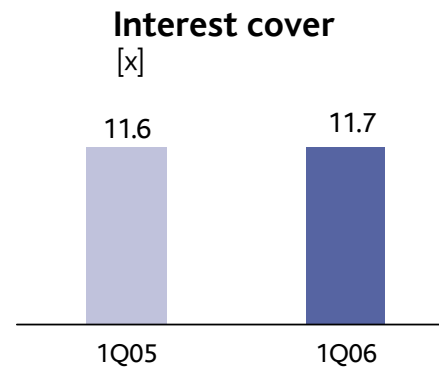
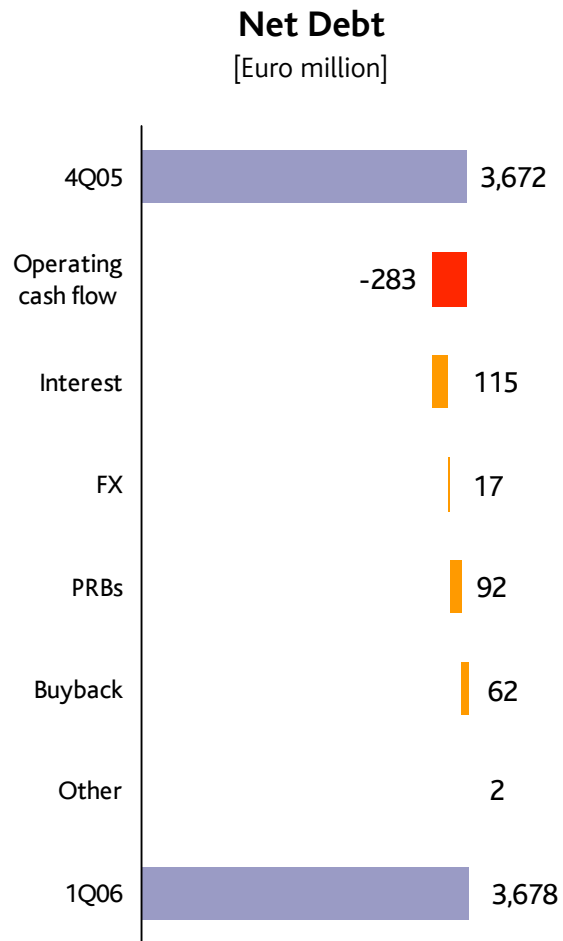
- > Net income increased by 15.6% yoy in 1Q06 to €211mn.
- > The increase in net income is primarily explained by the reduction in income taxes.
- > Income taxes decreased to €42mn mainly as a result of a tax benefit amounting to €53mn.

Domestic businesses accounted for approximately 83% of consolidated EBITDA minus Capex



- > Capex decreased by 2.6% yoy in 1Q06 to €162mn, equivalent to 10.4% of operating revenues.
- > The 30.4% yoy decrease in Vivo's capex was partially offset by the increase in domestic capex.
- > On a combined basis, the domestic businesses accounted for approximately 83% of total EBITDA minus Capex.

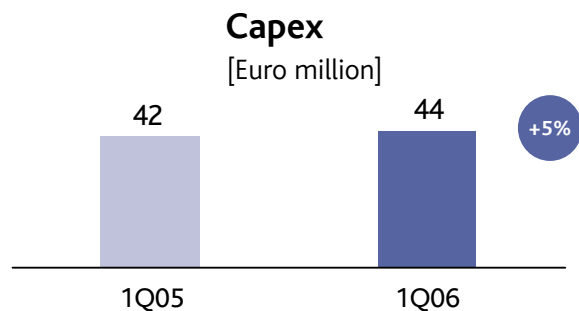
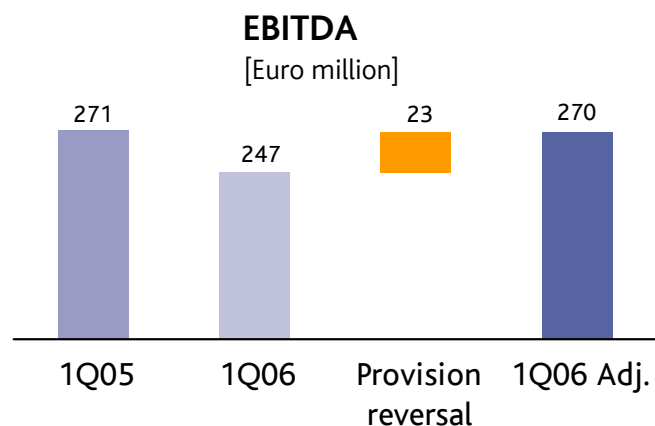
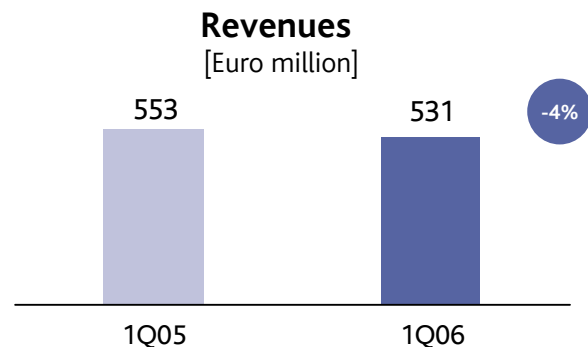
Net debt remained stable



First Quarter 2006 Operating Highlights

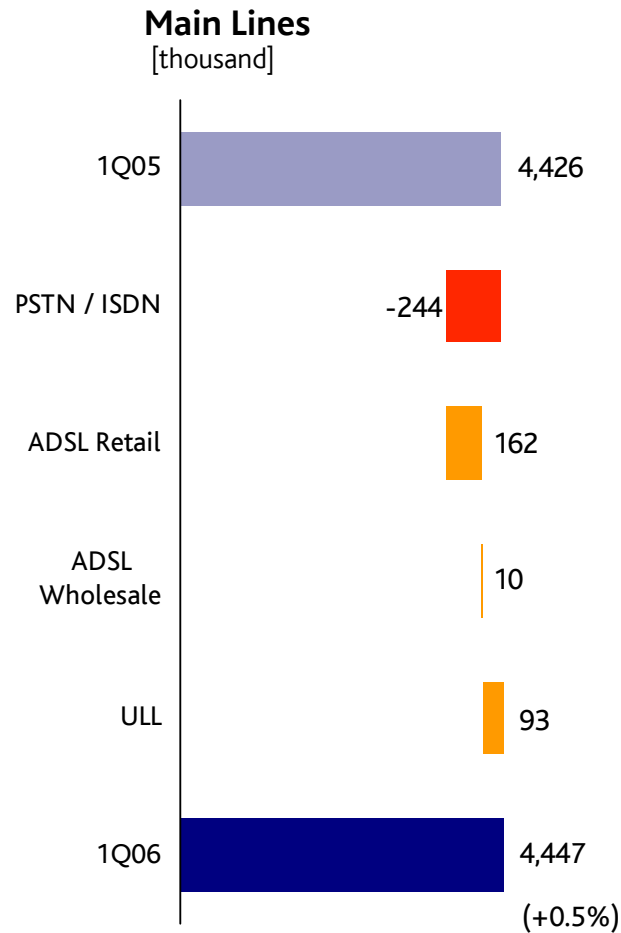
	1Q06	1Q05	y.o.y	4Q05	q.o.q	
Wireline	Main lines (k)	4,447	4,426	0.5%	4,478	-1%
	Main Lines Net Adds (k)	-31	49	n.m.	7	n.m.
	ADSL Retail (k)	613	451	36%	585	5%
	ADSL Retail Net Adds (k)	28	71	-61%	38	-26%
	Pricing Plans (k)	2,163	1,199	80%	1,795	21%
	Total Traffic (mn minutes)	3,491	3,809	-8%	3,641	-4%
	ARPU (Euro)	32	34	-5%	32	-1%
TMN	Customers (k)	5,318	5,087	5%	5,312	0%
	Net Adds (k)	6	33	-83%	97	-94%
	MOU	117	117	0%	123	-5%
	ARPU (Euro)	20	23	-10%	22	-8%
Vivo	Customers (k)	30,138	26,959	12%	29,805	1%
	Net Adds (k)	333	416	-20%	964	-65%
	MOU	67	82	-18%	74	-9%
	ARPU (R\$)	25	29	-12%	29	-12%
PTM	Pay TV Customers (k)	1,472	1,456	1.1%	1,479	-0.5%
	Pay TV Net Adds (k)	-7	7	n.m.	-6	18.7%
	Cable Broadband Accesses (k)	352	319	10%	348	1.0%
	Cable Broadband Net Adds (k)	3	14	-76%	7	-50.2%
	Pay-Tv Blended ARPU (Euro)	28	28	2%	27	3.1%

Wireline financial highlights

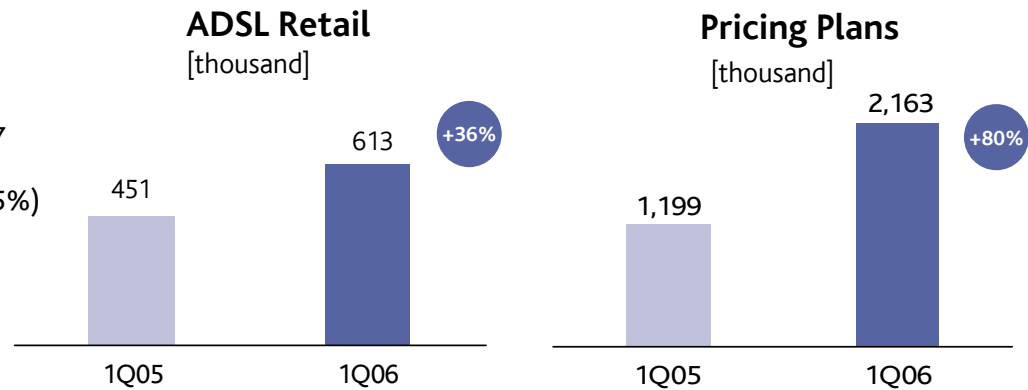


- > Operating revenues fell by 4.0% yoy to €531mn in 1Q06, reflecting lower traffic revenues.
- > Net revenues, calculated as operating revenues less direct costs, decreased by 0.8% yoy in 1Q06 to €439 mn.
- > EBITDA decreased by 8.9% yoy in 1Q06, equivalent to a margin of 46.5%.
- > Excluding the impact in 1Q05 of a reversal of a bad debt provision in Angola, which had been provided for in previous years, EBITDA would have remained flat in 1Q06.

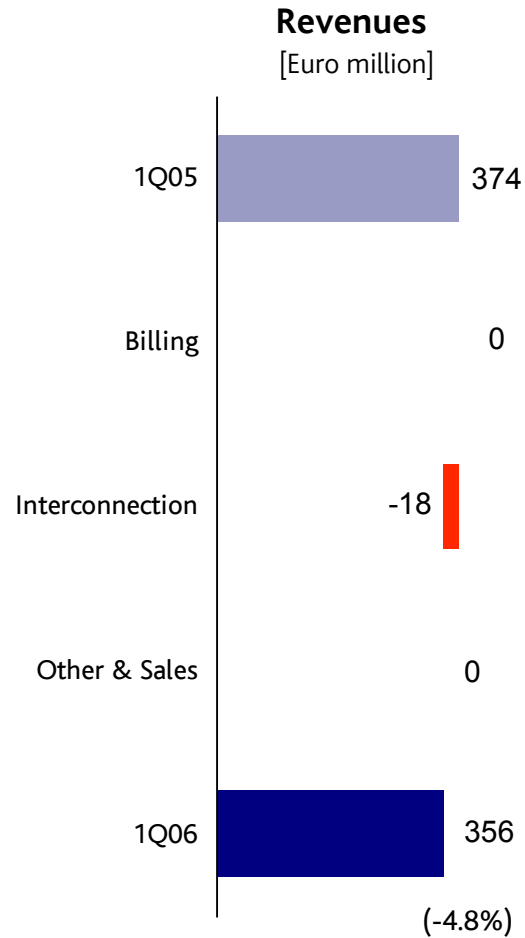
Wireline operational highlights



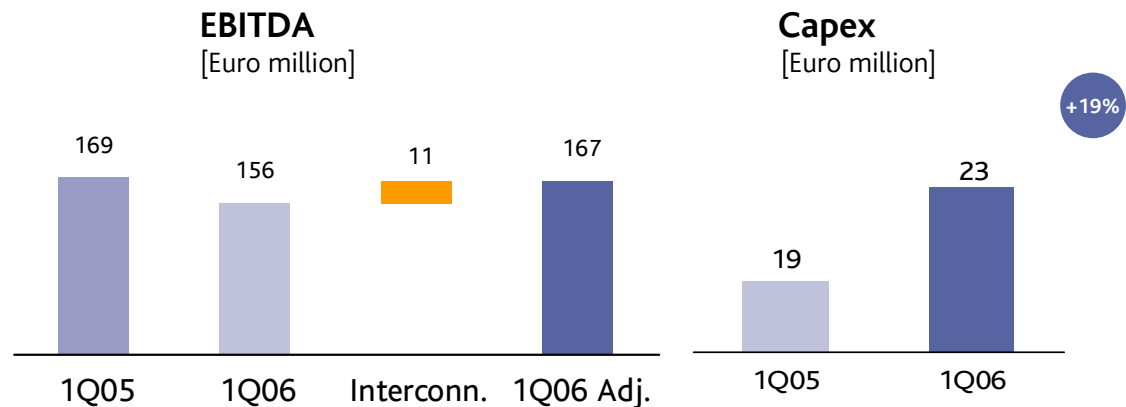
- > Total main lines increased by 0.5% yoy in 1Q06 to 4,447k.
- > The number of pricing plans increased by 368k in 1Q06 to 2,163k.
- > Subscription and voice ARPU decreased by 7.9% yoy to €27.3, as a result of declining traffic revenues, whilst data ARPU increased by 19.2% yoy to €4.9, representing already 15.1% of total ARPU in 1Q06.



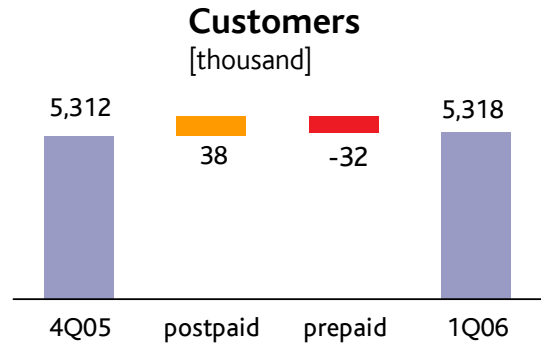
TMN financial highlights



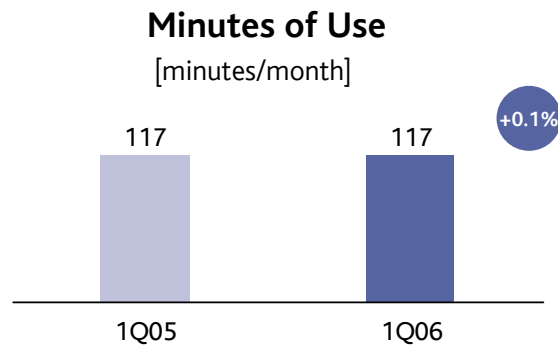
- > Operating revenues decreased by 4.8% yoy in 1Q06 to €356mn, primarily as a result of the impact on service revenues of lower interconnection rates.
- > EBITDA amounted to €156mn in 1Q06, a decrease of 7.8% yoy, primarily as a result of strong reduction in interconnection rates, which impacted EBITDA by €11mn in the quarter.
- > EBITDA margin in 1Q06 stood at approximately 44%.
- > Capex was primarily directed towards network capacity and coverage, including the rollout of 3G (70% of network capex).



TMN operational highlights

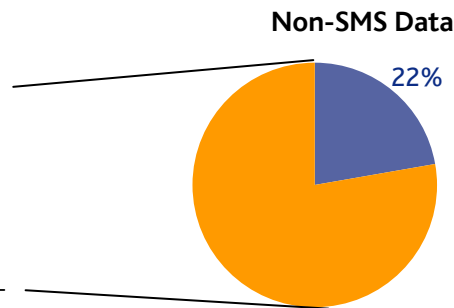
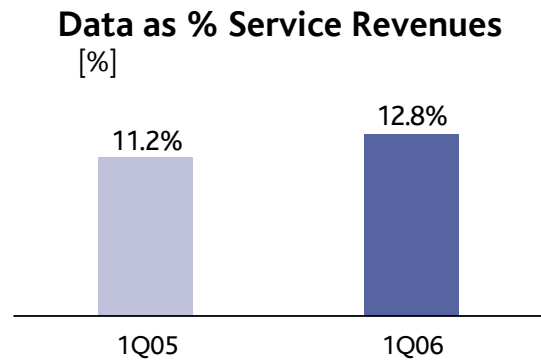


> TMN had 5.3mn customers, an increase of 4.6% over the same period of last year. 3G customers continued to grow strongly, reaching 485k at the end of March 2006, and representing 9.1% of total customers.

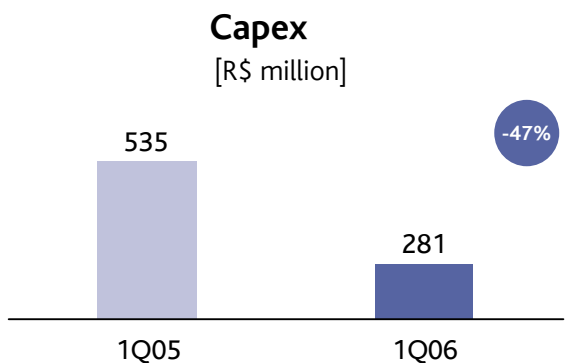
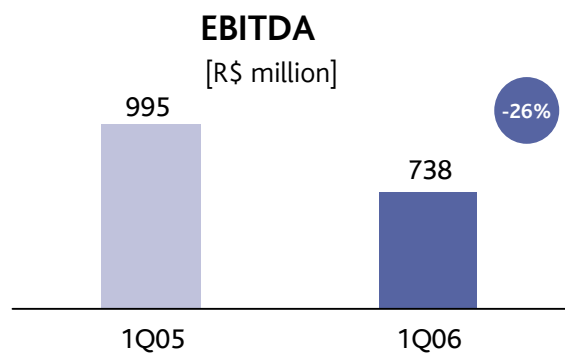
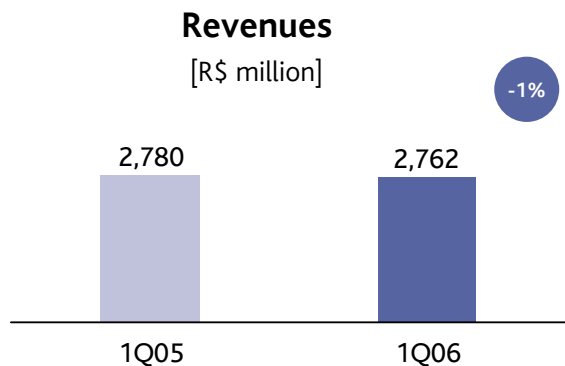


> Data services accounted for 12.8% of service revenues in 1Q06, an improvement of 1.6pp over 1Q05, underpinned by the growth in non-SMS data revenues.

> MOU remained flat at 117 minutes in 1Q06, with the growth in outgoing usage compensating the decrease in incoming traffic per customer.



Vivo financial highlights

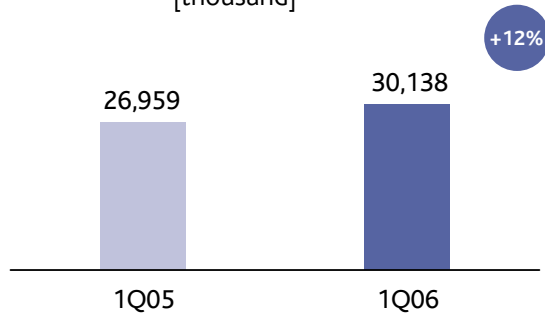


- > Operating revenues decreased by 0.6 % yoy to R\$2,762mn, with the increase in equipment sales of 46.2% yoy not compensating the decrease in service revenues.
- > EBITDA amounted to R\$738mn, with EBITDA margin contraction reflecting primarily higher provisions related to bad debt and higher call centre and outsourcing costs.
- > Capex decreased by 47.4% yoy in 1Q06 to R\$281mn, equivalent to 10.2% of revenues. Capex in the quarter was related to coverage expansion, rollout of 1xRTT and EV-DO, and improvement of billing, CRM and ERP information systems.

Vivo operational highlights

Customers

[thousand]

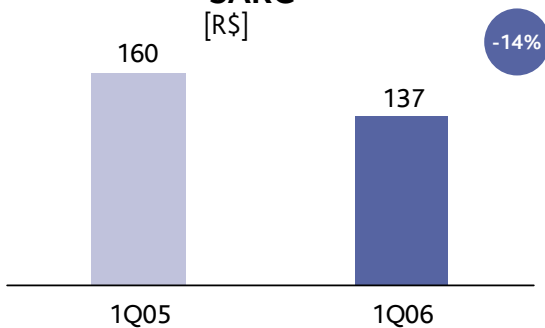


> At the end of 1Q06, Vivo had 30.1mn customers, an increase of 11.8% yoy. Vivo's market share was 43.5% in its areas of operation.

> Data revenues represented 7.0% of total service revenues in 1Q06, with approximately 43% of data revenues already being generated by non-SMS data services.

SARC

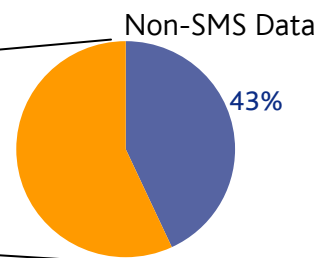
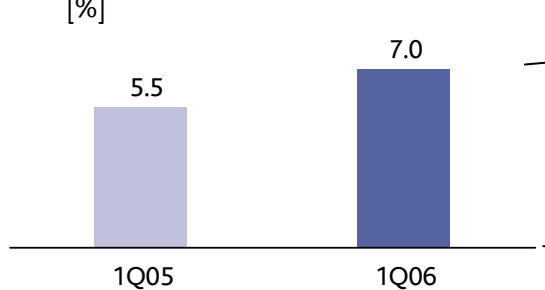
[R\$]



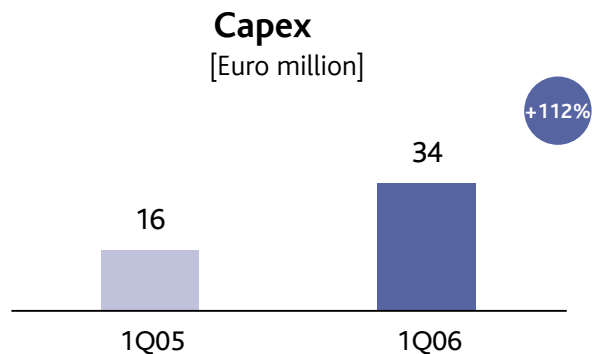
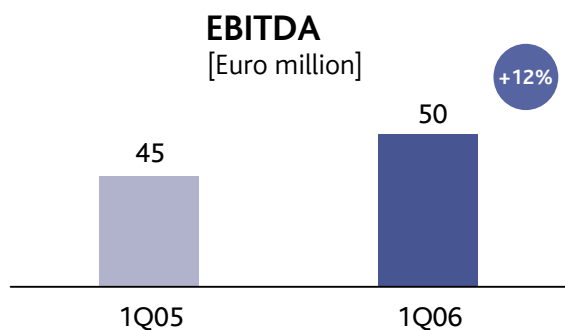
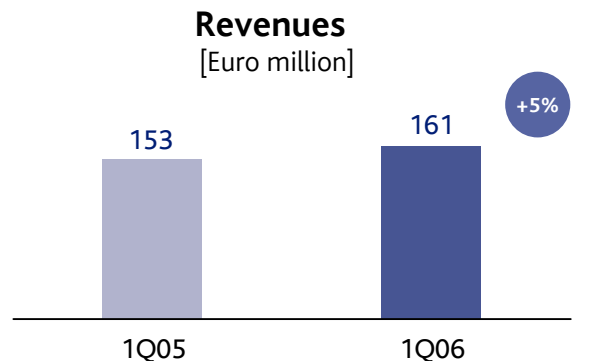
> MOU dropped by 17.7% yoy in 1Q06 to 67 minutes, primarily due to the negative evolution of prepaid MOU traffic. Postpaid MOU remained stable in 1Q06.

Data as % service revenues

[%]

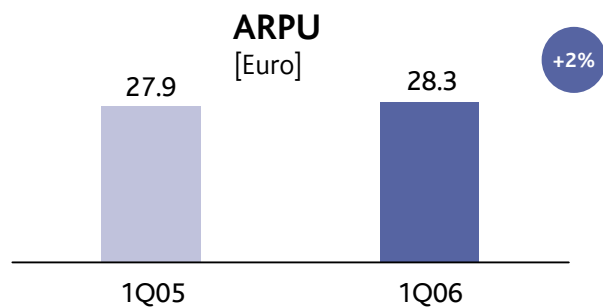
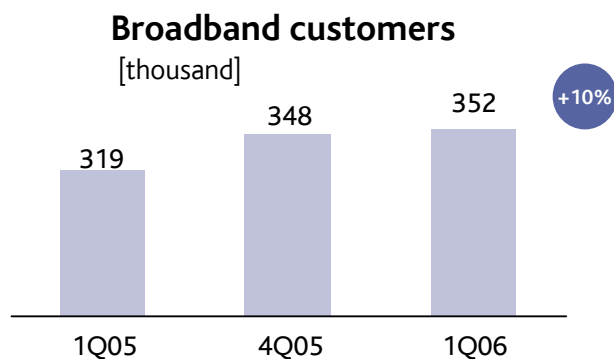
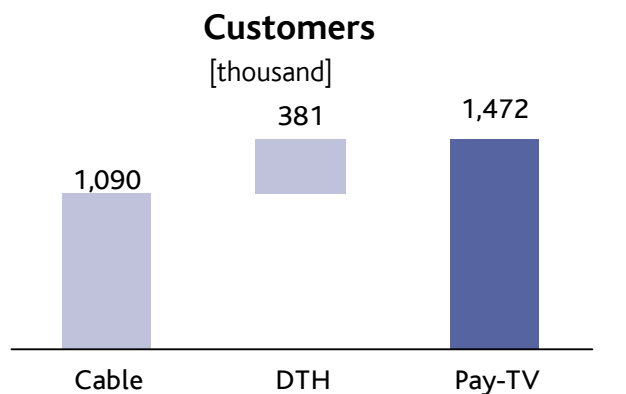


PTM financial highlights



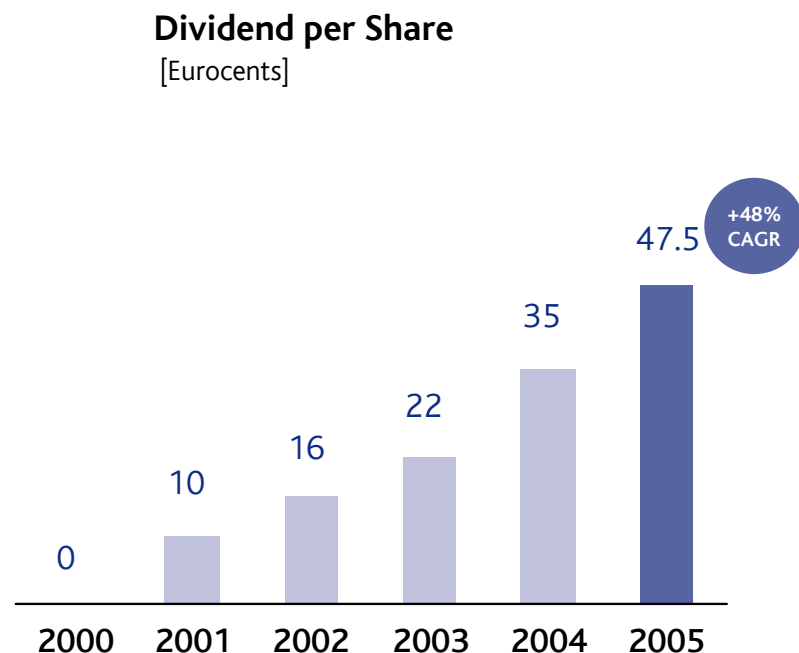
- > Operating revenues increased by 5.3% yoy in 1Q06 to €161 mn, underpinned by the increase of 7.9% yoy in Pay-TV and cable Internet revenues in the quarter.
- > EBITDA increased by 12.3% yoy in 1Q06 to €50mn as a result of the growth in ARPU and despite the continuous investment in quality of service.
- > Capex increased to €34mn due to investments in the network, terminal equipment and movie catalogues.

PTM operational highlights



- > Pay-TV customers totalled 1,472k with the net disconnections of 8k in 1Q06, resulting from the smart card swap in DTH service.
- > Pay-TV blended ARPU in 1Q06 increased by 1.5% yoy to €28.3, reflecting higher penetration of broadband services and the take-up of the digital package "Funtastic Life" which offers 65 channels.
- > Broadband cable customers reached 352k at the end of 1Q06, an increase of 10.2% yoy. Broadband penetration rate of cable customers reached 32.2%, increasing by 2.4pp yoy in 1Q06.

Sustainable dividend policy



- > 2005 dividend of 47.5 cents, to be paid on the 19 May, which represents an increase of 36% over 2004.
- > 48% compound annual dividend growth in the last four years.
- > Following on the share capital increase through incorporation of reserves already executed and the share capital reduction approved at the April 2006 AGM, distributable reserves should increase by €1.1bn.

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