

**RELEASE**



## **Portugal Telecom provides comments on recent statements of Portuguese Competition Authority**

**Lisbon, Portugal, 17 February, 2006** – In response to recent comments from the Portuguese Competition Authority (“AdC”), Portugal Telecom would like to clarify the following:

- > With regard to access network concentration, Portugal Telecom has been submitted to, and has complied with, the full range *ex ante* remedies provided for in both the European and national regulatory frameworks to ensure an appropriate level playing field for all retail telecom operators;
- > On the issue of barriers-to-entry to the local network, PT has one of the lowest unbundled local loop prices in Europe. Local loop unbundling increased by 720% during 2005 according to ICP-ANACOM;
- > In what concerns access to content, the Portugal Telecom Group, already grants third-party non discriminatory access to premium sport and film content and also to the most popular locally produced pay-tv channels;
- > What the AdC referred to as “monopoly rent” is in fact limited by cost oriented price controls adopted by ICP-ANACOM both at the wholesale and retail levels and by increasing competition. Portugal Telecom makes significant investments in innovation and the development of the information society both in Portugal and in other Portuguese speaking countries.

In this regard, since last October, Portugal Telecom has been conducting a strategic review of its activities taking into account technological and regulatory considerations. One of the options under review is the creation of a separate wholesale company within its fixed line division, PT Comunicações S.A.

The benefits of such a separate wholesale wireline company within Portugal Telecom include: establishing the basis for rapid investment and migration to next generation networks; increasing the scope for competition and investment in the Portuguese telecommunications services market; offering customers increased choice, products and services; allowing PT greater flexibility to manage its consumer and retail businesses; and providing monetisation opportunities to enhance shareholder value.

In this process, Portugal Telecom shall seek the views of the relevant competent authorities and Consumer Groups as well as other telecoms operators in the Portuguese market.

This information is also available on PT's IR website <http://ir.telecom.pt>.

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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](http://www.sec.gov) and at the Company's principal executive offices in Lisbon, Portugal.

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Portugal Telecom is listed on the Euronext and New York Stock Exchanges. Information may be accessed on the Reuters 2000 Service under the symbols PTC.LS and PT and on Bloomberg under the symbol PTC PL.

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