



PORTUGAL TELECOM, SGPS S.A.

Public Company
Registered Office: Avenida Fontes Pereira de Melo, 40, Lisboa
Share Capital: 395,099,775 Euros
Registered with the Commercial Registry of Lisbon and
Corporation no. 503 215 058

NOTICE

In accordance with the law and the Articles of Association, I hereby call a General Meeting of the Shareholders of Portugal Telecom, SGPS S.A. at the Company's registered office, at its Fórum Telecom premises, located at Avenida Fontes Pereira de Melo, no. 40, in Lisbon, on 27 April 2007, at 2:00 (two) p.m., with the following agenda:

AGENDA

- 1:** To resolve on the management report, balance sheet and accounts for the year 2006;
- 2:** To resolve on the consolidated management report, balance sheet and accounts for the year 2006;
- 3:** To resolve on the proposal for application of profits;
- 4:** To resolve on a general appraisal of the company's management and supervision;
- 5:** To resolve on the free allotment of all the ordinary shares representing the share capital of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS S.A. ("PT Multimédia"), held by the Company to its shareholders, where each shareholder shall receive a number of shares on the share capital of PT Multimédia equivalent to the number of shares held on the share capital of the Company at the time of the allotment multiplied by a 0.16 ratio, rounded down, which is equivalent to 4 PT Multimédia shares for each 25 Company shares;
- 6:** To resolve on the acquisition and disposal of own shares, including their acquisition in connection with the share buyback programme;
- 7:** To resolve on a reduction in share capital of up to 65,191,463.05 Euros for the purpose of releasing excess capital in connection with a share buyback programme, by means of cancellation of up to 186,261,323 shares representing up to 16.5% of the share capital to be acquired as a result of the implementation of this resolution, as well as on related reserves, and on the corresponding amendment to paragraphs 1 and 2 of article 4 of the Articles of Association;
- 8:** To resolve on a share capital increase to 474,119,730 Euros, by means of incorporation of legal reserves in the amount of 79,019,955 Euros, through an increase in the par value of all shares

representing the Company's share capital by an amount equal to 7 Euro cents, whereby the par value of each share will be 42 Euro cents, with the corresponding amendment to paragraphs 1 and 2 of article 4 of the Articles of Association;

- 9:** To resolve on a share capital reduction to 33,865,695 Euros, to be carried out by means of a reduction in the par value of all shares representing the share capital, whereby each share will have a par value of 3 Euro cents, with the corresponding amendment to paragraphs 1 and 2 of article 4 of the Articles of Association. The purpose of the capital reduction will be the release of excess capital;
- 10:** To resolve, pursuant to paragraph 4 of article 8 of the Articles of Association, on the parameters applicable in the event of any issuance of bonds convertible into shares that may be resolved upon by the Board of Directors;
- 11:** To resolve on the suppression of the pre-emptive right of shareholders in the subscription of any issuance of convertible bonds as referred to under item 10 hereof as may be resolved upon by the Board of Directors;
- 12:** To resolve on the issuance of bonds and other securities, of whatever nature, by the Board of Directors, and namely on the fixing of the value of such securities in accordance with paragraph 3 of article 8 and paragraph 1, e) of article 15 of the Articles of Association;
- 13:** To resolve on the acquisition and disposal of own bonds and other own securities.

Article 13 of the Articles of Association of Portugal Telecom, SGPS S.A., on the participation in and exercise of voting rights at a General Meeting of Shareholders, is set forth below.

"Article 13

Participation and Voting Rights

- 1. Only shareholders with voting rights shall be entitled to attend a General Meeting of Shareholders.*
- 2. Shareholders intending to participate in a General Meeting of Shareholders must provide evidence, no later than five working days prior to the relevant meeting, of the deposit of their shares in a book-entry securities account, as well as submit, within the same period, the statement referred to in paragraph twelve hereof.*
- 3. Holders of shares with certificates, where legally permitted, who intend to participate in a General Meeting of Shareholders must either have their shares registered in their name on the Company's share registry, no later than five working days prior to the date scheduled for the meeting, or provide evidence, by the same date, of the deposit thereof with a financial intermediary that legally replaces such register, as well as submit, within the same period, the statement referred to in paragraph twelve hereof.*

4. *For the purposes of the provisions of paragraphs two and three above, the shares must remain inscribed or registered in the name of the Shareholder at least until the time of adjournment of the General Meeting of Shareholders.*
5. *To each 500 shares shall correspond one vote, and Shareholders having less than such number of shares may form a group so that, jointly and arranging to be represented by one of the group's members, they make up the number of shares required to exercise voting rights.*
6. *The exercise of voting rights by correspondence or electronic means may cover all matters included in the notice, under the terms and conditions therein established, and the vote by electronic means may be subject to the verification by the Chairman of the General Meeting of Shareholders to the satisfaction of conditions established by him for the security and reliability of the same.*
7. *Votes cast by a holder of ordinary shares, on his own account or through a representative, in his own name or as a representative of another shareholder, that exceed ten per cent of the company's total voting stock shall not be counted.*
8. *For purposes of this article, shares shall be deemed to belong to the Shareholder if held by persons in the situations contemplated by article 20 of the Portuguese Securities Code, and the limit for each person covered shall be proportional to the number of votes cast by such person.*
9. *The limit set out in paragraph seven above shall apply to all resolutions, even those requiring a qualified majority.*
10. *In the case of joint ownership of shares, only the common representative, or a representative of the latter, may participate in a General Meeting of Shareholders.*
11. *The limitations set forth in the foregoing paragraphs shall apply to any usufructuaries and pledgees of shares.*
12. *For purposes of the provisions of paragraph eight above, Shareholders must submit a statement attesting they are not in the situation provided for therein.*
13. *In the context of ADR (American Depositary Receipt) or GDR (global Depositary Receipt) representing shares of the Company, owners of ADRs or GDRs shall be deemed to be shareholders, in accordance with the following paragraph, and the entity in whose name the underlying shares are registered shall be deemed to be a mere representative.*
14. *By virtue of the foregoing paragraph:*
 - a) *The provisions of article three hundred eighty-five of the Portuguese Companies Code shall apply to the entity in whose name the shares serving as a basis for the issue of ADR or GDR programmes are inscribed as a representative;*
 - b) *The limitation on the counting of votes as established under the law or the Articles of Association shall refer to votes cast on behalf of each ADR or GDR owner, as to whom the*

provisions of paragraph eight shall be considered, and each such owner shall be subject to the provisions of article twelve.

- 15. The limitation on the counting of votes cast by an entity on behalf of another shall not apply to entities in whose name shares of the Company serving as a basis for the ADR or GDR programme are registered.*
- 16. For the purposes of participation in and exercise of voting rights at a General Meeting of Shareholders, the owners of ADRs or GDRs must comply with the provisions of this article."*

Representation of Shareholders

Shareholders may arrange to be represented at a General Meeting pursuant to the provisions of article 380 of the Portuguese Companies Code, and as an instrument of representation a signed letter addressed to the Chairman of the General Meeting of Shareholders will be sufficient.

The letters of representation of shareholders as referred to in the foregoing paragraph, as well as the letters of shareholders who are corporations conveying the name of the person who will represent them and the instruments of shareholder groupings, shall be addressed to the Chairman of the General Meeting of Shareholder (*) no later than 5:00 p.m. on 23 April 2007.

Declaration of the financial intermediary

Shareholders, if they wish, may delegate to the Company the request for issuance of the declaration of the financial intermediary entrusted with the registration of their shares, and for such purpose they shall grant the required powers by means of a document addressed to the Chairman of the General Meeting of Shareholders (*), to be received no later than 5:00 p.m. on 5 April 2007.

Shareholders may access the form that will be available for such purpose, beginning 9:00 a.m. on 29 March 2007, on the Internet site www.telecom.pt.

Voting by correspondence

Shareholders with voting rights as referred to above may, in accordance with article 22 of the Portuguese Securities Code, exercise such rights by correspondence, provided that, no later than 5:00 p.m. on 5 April 2007, the Chairman of the General Meeting of Shareholders (*) receives a communication, with a legally acknowledged signature (or, in the case of individuals, with a simple signature accompanied by a photocopy of the relevant identity card), which communication shall

set out the address to which voting papers and other documentation should be sent. In reply, the Company will send out the relevant voting papers and other documentation, and such shareholder must send to the Chairman of the General Meeting of Shareholders (*), such that the Chairman receives it no later than 5:00 p.m. on 19 April 2007, an envelope containing the declaration of the financial intermediary entrusted with the registration of the relevant shares and the declaration as referred to in paragraph 12 of article 13 of the Articles of Association, and another closed envelope containing the duly completed voting papers.

As an alternative, shareholders may also download the voting papers from the Internet site www.telecom.pt and send the same, addressed to the Chairman of the General Meeting of Shareholders (*), duly completed and in a closed envelope, such that they are received, together with an envelope containing the photocopy of the identity card (or, in the case of shareholders who are corporations, a legally acknowledged signature), the declaration of the financial intermediary entrusted with the registration of the relevant shares and the declaration as referred to in paragraph 12 of article 13 of the Articles of Association, no later than 5:00 p.m. on 19 April 2007.

Voting by electronic means

Shareholders with voting rights may also vote through the Internet site www.telecom.pt, in accordance with the requirements established thereon, provided that, no later than 5:00 p.m. on 11 April 2007, the Chairman of the General Meeting of Shareholders (*) receives a communication, prepared in accordance with the form made available on that same Internet site, which communication must contain a legally acknowledged signature (or, in the case of individuals, a simple signature accompanied by a photocopy of the relevant identity card), and set out the mailing address to which the shareholder wishes that the password to be made available by the Company to be sent.

Such shareholders may exercise their voting rights between midnight (0 hours) on 11 April 2007 and 5:00 p.m. on 23 April 2007.

Only the votes of shareholders as to whom the declaration of the financial intermediary entrusted with the registration of the relevant shares and the declaration referred to in paragraph 12 of article 13 of the Company's Articles of Association have been received no later than 5:00 p.m. on 19 April 2007 will be considered.

Counting of votes

Votes exercised both by correspondence and by electronic means shall be considered at the time of the counting of votes, by adding the same to those cast in the course of the General Meeting of Shareholders.

The presence at the General Meeting of a shareholder, or his representative, having exercised his voting rights either by correspondence or by electronic means will cause the revocation of the vote issued in such form.

Votes cast either by correspondence or by electronic means shall be considered as "votes against" in respect of proposals of resolution that are submitted after such votes are cast.

The proposals to be submitted by the Board of Directors to the General Meeting, the reports that must be attached to the same according to the law and all other preparatory information, including, since the date hereof, the full text of the proposed amendments to the Articles of Association, shall be made available to the Shareholders, within the period provided by law, at the Company's headquarters and on the Internet site www.telecom.pt.

(*) Chairman of the General Meeting of Shareholders:
Mailing Address: Avenida Fontes Pereira de Melo, nº 40-10º piso, 1069-300 Lisboa
Telephone: +351 800.207.369
Fax: +351 500.18.90
E-mail: assembleia-ptsgps@telecom.pt

Lisbon, 21 March 2007.

The Chairman of the General Meeting of Shareholders

António Manuel da Rocha e Menezes Cordeiro

ANNUAL GENERAL MEETING OF SHAREHOLDERS PORTUGAL TELECOM, SGPS S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 3 ON THE AGENDA:

(To resolve on the application of profits)

Whereas:

- A) The net profit of the financial year ended 31 December 2006 was 658,585,998 Euros;
- B) The legal reserve also reflected on the balance sheet approved under item 1 on the agenda amounts to 20% of the share capital, thus the reserve required by paragraph 1 of article 295 of the Portuguese Companies Code is fully created;
- C) It is of interest to assure that, after the restructuring of the share capital that is proposed under items 8 and 9 on the agenda, the Company is in conditions to comply in an adequate manner with the principle of sufficiency of the legal reserve;

We propose that it be resolved:

- 1) That, in order to comply in an adequate manner with the law and the Articles of Association in respect of the sufficiency of the legal reserve after the restructuring of the share capital proposed under items 8 and 9 on the agenda, an amount of 3,086,213.04 Euros be allocated to the reinforcement of the legal reserve;
- 2) That, of the remaining net profit after the allocation of profits under the foregoing paragraph, 536,206,837.50 Euros (corresponding to 47.5 Euro cents per share, with respect to the total number of shares issued) be paid to the shareholders;
- 3) That, taking into consideration the proposals under items 6 and 7 on the agenda, it will not be possible to determine precisely the number of own shares that will be held in treasury on the date of the abovementioned payment without limiting the Company's capacity of intervention, the overall sum of

536,206,837.50 Euros as provided for in the foregoing paragraph, calculated on the basis of a unit amount per share issued (in this case, 47.5 Euro cents per share), be distributed as follows:

- a) Each share issued be paid the unit amount of 47.5 Euro cents;
 - b) The amount corresponding to the shares that belong to the Company itself on the first day of the payment period of the abovementioned amount (calculated on said unit amount of 47.5 Euro cents per share issued) not be paid, but be transferred to retained profits.
- 4) That, the remaining part of the net profit of the financial year of 2006 in the amount of 119,292,947.46 Euros be transferred to retained profits.

Lisbon, 21 March 2007.

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS S.A.

27 April 2007

PROPOSAL OF SHAREHOLDERS

ITEM 4 ON THE AGENDA:

(To resolve on a general appraisal of the Company's management and supervision)

Whereas article 455, paragraph 1 of the Portuguese Companies Code establishes that the Annual General Meeting of Shareholders shall resolve on the general appraisal of the company's management and supervision;

Whereas, in 2006, the Board of Directors played a role with a strong commitment in the direction, co-ordination and orientation of Portugal Telecom Group's businesses.

Whereas the manner on which the Board of Directors has conducted the Company during the Public Tender Offer to which the Company was subject during most part of the financial year of 2006, having the Board of Directors acted in a diligent manner and oriented its action towards the defence of the best interests of Shareholders;

Whereas the Audit Board executed its functions with adequate diligence and awareness, contributing in a significant way to the Company's good performance;

We propose that it be resolved to express to the Board of Directors and to the Supervisory Board the Company's appreciation for their conduct and to approve a general appraisal of these corporate bodies and each of their members.

Lisbon, 21 March 2007.

The Shareholders,

ANNUAL GENERAL MEETING OF SHAREHOLDERS PORTUGAL TELECOM, SGPS S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 5 ON THE AGENDA:

(To resolve on the free allotment of all the ordinary shares representing the share capital of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("PT Multimédia"), held by the Company to its shareholders, where each shareholder shall receive a number of shares on the share capital of PT Multimédia equivalent to the number of shares held on the share capital of the Company at the time of the allotment multiplied by a 0.16 ratio, rounded down, which is equivalent to 4 PT Multimédia shares for each 25 Company shares)

Whereas:

- A) On 3 August 2006, the Board of Directors announced its intention to allot to the Shareholders, with no consideration, all the shares representing PT Multimédia's share capital held by the Company, thus carrying out the spin-off of PT Multimédia;
- B) Such intention was subsequently confirmed on several occasions, the latest on the Addendum to the Report of the Board of Directors disclosed on 27 February 2007, in relation to the Tender Offer for all the shares representing the Company's share capital launched by the companies Sonaecom, SGPS, S.A., and Sonaecom, B.V.. This measure was part of the proposal for shareholder remuneration presented by the Board of Directors for the 2006-2009 financial years;
- C) In the meantime, on 2 March 2007 occurred the failure of the abovementioned Tender Offer which was one of the conditions for the implementation of the spin-off of PT Multimédia;
- D) The Company, duly represented by its Board of Directors, shall, at a special meeting of the holders of the class A shares representing PT Multimédia's share capital, which grant the special rights established under the articles of the PT Multimédia's Articles of Association referred to in the following Whereas clause, consent in the amendment to PT Multimédia's Articles of Association also referred to in the following Whereas clause and accept the suppression of the said special rights;

- E) According to the terms of the corresponding notice, on 24 April 2007, the Annual General Meeting of Shareholders of PT Multimédia shall have resolved, subject to the condition of approval of this resolution, to remove paragraphs 2 and 3 of article 5, paragraph 2 of article 6, paragraph 2 of article 14, paragraph 4 of article 15 and paragraph 2 of article 23, and to amend paragraph 2 of article 4, paragraph 2 of article 16 and paragraph 2 of article 17 of such company's articles of association in order to suppress the special rights assigned to class A shares representing its share capital and, as a result, convert such shares into ordinary shares;
- F) It is anticipated that, in order to implement the spin-off, the Company will be able to use exclusively assets that, according to articles 32 and 33 of the Portuguese Companies Code, may be distributed to the shareholders;
- G) At the time of this resolution, the shareholding of the Company in PT Multimédia's share capital is of 180,507,700 ordinary shares which, together with the 102,000 class A shares after their conversion into ordinary shares, will correspond to 180,609,700 ordinary shares representing 58.43% of PT Multimédia's share capital and voting rights.

We propose that it be resolved:

- 1) To approve the free allotment to Shareholders of all the 180,609,700 shares representing 58.43% of the share capital and voting rights in PT Multimédia held by the Company to be implemented by the Board of Directors until 31 December 2007, under the following terms:
 - a) Each shareholder shall be allotted the number of shares representing PT Multimédia's share capital as results from the application of factor 0.16 to the number of shares representing Portugal Telecom, SGPS, S.A.'s share capital held at the time of the allotment, rounded down, which corresponds to 4 PT Multimédia shares for each 25 Company shares;
 - b) The transfer of the PT Multimédia shares to the Shareholder account shall be made through the Central Securities Depository (*Central dos Valores Mobiliários*) as provided for in article 53 of the Regulation no. 3/2000 and in Administrative Orders no. 1/2000, both of Interbolsa, such transfer to occur on the date determined for such purpose by the Board of Directors;
 - c) Shareholders as to whom, as a result of application of the abovementioned allotment factor, and after calculation of the applicable tax, the number of shares allotted is

rounded down, shall be entitled to a financial compensation proportional to such rounding down, which compensation shall be determined by reference to the market price of the PT Multimédia shares in force at the time the allotment is implemented;

- d) The number of PT Multimédia shares allotted to each shareholder under this resolution and in accordance with the terms and conditions determined by the Board of Directors shall be subject to taxation as provided for in the applicable law.
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- 2) That, taking into account that, in implementation of this resolution and of those under items 6 and 7 on the agenda, it will not be possible to determine precisely the number of the Company's own shares that will be held in treasury on the date of the abovementioned allotment without limiting the Company's capacity of intervention, PT Multimédia shares corresponding to the Company shares that, on the allotment date, belong to the Company itself, not be allotted;
 - 3) The distribution of PT Multimédia Shares to the shareholders of Portugal Telecom as set forth in this proposal and by the Board of Directors involves the suppression of the special rights included in the class A shares representing PT Multimédia's share capital currently held by the Company, by means of their conversion into ordinary shares or by any other form as may be determined;
 - 4) That the implementation of this proposal be subject to the existence of the necessary market conditions and financial and accounting situation;
 - 5) That all other terms and conditions for the allotment to the shareholders of the Company of the shares held by the latter in PT Multimédia's share capital, notably those required or appropriate for obtaining the approval of the transaction by the competent authorities, as well as the implementation thereof and those that become necessary to assure the calculation and payment of applicable tax, be established by the Board of Directors within the periods of time resolved herein.

Lisbon, 21 March 2007.

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 6 ON THE AGENDA:

(To resolve on the acquisition and disposal of own shares, including their acquisition in connection with the share buyback programme)

Whereas:

- A) It is convenient for the Company to be able to continue to make use, under general terms, of the possibilities inherent to the acquisition and disposal of own shares;
- B) That same interest exists as well with regard to dependent companies, which may notably be bound under their own issuances of securities to acquire or dispose of shares of the Company, which, without prejudice to the provisions of paragraph 3 of article 319 of the Portuguese Companies Code, it is also convenient to provide for;
- C) The Board of Directors announced, in connection with the Public Tender Offer launched over the shares representing the Company's share capital by the companies Sonaecom, SGPS, S.A. and Sonaecom, B.V., its intention of developing a share buyback programme;
- D) Commission Regulation (EC) no. 2273/2003 of 22 December 2003 established a special system of rules containing exemption requirements from the general regime governing market abuse for certain share buyback programmes, which requirements it is advisable to take into account even in the case of acquisitions not within the scope of the programmes covered by those regulations;

We propose that it be resolved:

- 1) To approve the acquisition by the Company, or by any dependent companies, present or future, of own shares, including any rights to the acquisition or allocation thereof, subject to a decision by the

management board of the acquiring company, and under the following terms:

a) Maximum number of shares to be acquired: Up to a limit equivalent to 10% of the share capital, deducting any disposals made, without prejudice to such quantity as may be required for compliance with the acquirer's obligations under law, contract or issuances of securities, or arising from any contractual obligation to implement the Company's stock option plan, subject, if applicable, to subsequent disposal, as established by law, of such shares as may exceed said limit, and without prejudice to the acquisition of own shares for the purpose of implementing a resolution for a capital reduction as provided for under item 7 on the agenda, in which case the specific limits stipulated in the reduction resolution shall apply;

Subject to the requirements established by law and in this resolution, it is hereby notably approved the acquisition that the Board of Directors may come to execute within the framework of a share buyback programme, such acquisition to be made in any of the forms provided for under this resolution;

b) Term during which the acquisition may be made: Eighteen months, as of the present resolution;

c) Forms of acquisition: Subject to the terms and mandatory limits established by law, acquisition of shares, or rights of acquisition or allocation of shares, for consideration, in any form, on a regulated market or in an over-the-counter acquisition, in compliance with the principle of equal treatment of shareholders as established by law, notably from a financial institution with which the Company has entered into an equity swap agreement or other similar financial derivative instruments, including Goldman Sachs International, Morgan Stanley & Co. International Limited and Barclays Bank PLC, or any other acquisition for the purpose of, or by virtue of, complying with an obligation established by law or contract, or conversion or exchange of convertible or exchangeable securities issued by the Company or a dependent company, in accordance with the relevant terms of issue or any contracts implemented with regard to such conversion or exchange;

d) Minimum and maximum consideration for the acquisitions: The consideration of the acquisition should fall within an interval of fifteen percent less than the lowest trading price and fifteen percent more than the average trading price, respectively, of the shares to be acquired on the Eurolist by Euronext Lisbon during the 5 stock exchange sessions immediately preceding the date of acquisition or the creation of the right of acquisition or allocation of shares, or should correspond to the acquisition price resulting from any contracted financial instruments, to the terms of issue, by the Company or any dependent company, of securities convertible in or exchangeable for Company shares, or to contracts entered into in connection with such conversions or exchanges;

2) To approve the disposal of own shares that may have been acquired, subject to a resolution of the management board of the disposing Company, and on the following terms:

a) Minimum number of shares to be disposed of: The number corresponding to the minimum block of shares which at the time of the disposal is legally stipulated for the shares of the Company, or such lesser quantity as may be sufficient to fulfil any obligation undertaken by virtue of law, contract or issuance of other securities;

- b) Term during which the transfer may be made:** Eighteen months, as of the present resolution;
- c) Form of disposal:** Subject to the terms and mandatory limits established by law, disposal for consideration in any form, notably by sale or exchange, to be made on a regulated market or over-the-counter to certain entities designated by the management board of the disposing company, in compliance with the principle of equal treatment of shareholders as established by law, notably to financial institutions counter-parties to equity swap agreements or other similar financial derivative instruments, or where the disposal is resolved within the framework of, or in connection with, a proposal of application of profits or distribution of reserves in kind, without prejudice to, in case of any disposal in fulfilment of an obligation or arising from the issuance of other securities by the Company or a dependent company, or of contracts related to such issuance, or contractual bond to implement a stock option plan of the Company, to be carried out in accordance with the applicable terms and conditions;
- d) Minimum price:** Consideration of no more than fifteen percent below the average trading price on Euronext Lisbon of the shares to be disposed of during the 5 exchange sessions immediately preceding the date of disposal, or such price as may be stipulated or result from the terms and conditions of issuance of other securities, notably convertible or exchangeable securities, or from any contract entered into in connection with such issuance, conversion or exchange, in the case of a disposal arising thereof;
- 3) To approve that an indication be conveyed to the Board of Directors, without prejudice to its freedom of decision and action within the framework of the resolutions of paragraphs 1 and 2 above, that it take into account, depending on the circumstances that the Board deems relevant (and, especially, as regards acquisitions comprised in buyback programmes aimed at the satisfaction of conversion rights of bonds or other securities, or stock options or similar rights, or others that may be the subject of the Regulation referred to in the Whereas clauses), in addition to the recommendations of the Portuguese Securities Commission (*Comissão do Mercado de Valores Mobiliários*) in force in each moment, the following practices advisable as regards the acquisition and disposal of own shares under the authorizations granted in accordance with the foregoing paragraphs:
- a)** Disclosure to the public, before the beginning of the acquisition and disposal transactions, of the content of the preceding authorization, in particular, its goal, the maximum value of the acquisition, the maximum number of shares to be acquired and the term authorized for such purpose;
- b)** Record keeping of each transaction carried out within the framework of the preceding authorizations;
- c)** Public disclosure of the transactions carried out until the end of the seventh day of the trading session following the date on which such transactions take place;
- d)** Carrying out the transactions under conditions of time, form and volume that do not disturb the regular operation of the market, notably seeking to avoid it at sensitive times for trading, in particular, at the opening and closing of the session, at times of market disturbance, at times close to the disclosure of material events or of the disclosure of results;

- e) Carrying out of the acquisitions at a price not exceeding the highest of the last independent transaction and the highest independent offer at the time of acquisition on the Eurolist by Euronext Lisbon;
- f) Limiting the acquisitions to 25% of the daily average trading volume, or to 50% of such volume if communicated to the competent authority and disclosed to the market;
- g) Refraining from disposing of shares during any execution of a buyback programme covered by the Regulation mentioned in the Whereas clauses.

For such purpose, the Board of Directors may organize the separation of the acquisitions and their respective systems of rules, notably according to the programme in which they are included, and provide information regarding such separation in the relevant public disclosure.

Lisbon, 21 March 2007.

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 7 ON THE AGENDA:

(To resolve on a reduction in share capital of up to 65,191,463.05 Euros for the purpose of releasing excess capital in connection with a share buyback programme, by means of cancellation of up to 186,261,323 shares representing up to 16.5% of the share capital to be acquired as a result of the implementation of this resolution, as well as on related reserves, and on the corresponding amendment to paragraphs 1 and 2 of article 4 of the Articles of Association)

Whereas:

- A) The Board of Directors announced on 20 February 2007, in the report on the opportunity and conditions of the Public Tender Offer for the shares representing the Company's share capital launched by the companies Sonaecom, SGPS, S.A. e Sonaecom, B.V., its intention to implement a share buyback programme in the framework of a shareholder remuneration package proposed by the Company, having subsequently explained the contents of said announcement on February 27, 2007;
- B) The shareholder remuneration package proposed by the Board of Directors shall be implemented until the end of the financial year of 2009 and the share buyback programme is to be implemented until March 2008;
- C) This share buyback programme's purpose is to reduce the Company's share capital, for which effect the share buyback programme shall be submitted to the approval of the Shareholders General Meeting by the qualified majority inherent to the amendment to the Articles of Association for the said reduction;
- D) In the meantime, on March 2, 2007, the failure of the abovementioned Public Tender Offer which was one of the conditions for the implementation of the share buyback programme, occurred;
- E) As duly disclosed to the market, the Company has negotiated, with several financial institutions, the terms of the agreements of financial derivative instruments (equity swaps) over own shares, which provide for the possibility of physical settlement at the option of the Company, subject to condition of obtaining the required authorization for the buyback at General Meeting of Shareholders;
- F) The possibility that such buyback may be of a corporate interest, and it may contribute to speed up or complete the implementation of the capital reduction;
- G) It is anticipated that, in order to implement the acquisition of own shares inherent to the share

buyback programme, the Company will be in a position to use exclusively assets that, according to articles 32 and 33 of the Companies Code, may be distributed to the shareholders;

- H) To the extent required, in mandatory terms, by paragraph 2, b) of article 463 of the Portuguese Companies Code, the Company must create a special reserve in an amount equivalent to the par value of any own shares to be cancelled that may be acquired following this resolution;

We propose that it be resolved:

- 1) To reduce the share capital in up to 65,191,463.05 Euros, equivalent to the cancellation of up to 186,261,323 own shares to be acquired by the company within the share buyback programme that the Board of Directors may approve subsequently to this resolution of the General Meeting of Shareholders, being such capital reduction intended for the special purpose of implementing the share buyback programme and corresponding release of capital in excess, and, as such, an additional reduction separate from the reduction under item 9 on the agenda;
- 2) To approve the acquisition of up to 186,261,323 ordinary own shares for implementation of the capital reduction resolution under paragraph (1) above, which acquisition and quantities are additional and separate from those referred to in the general resolution on the acquisition and disposal of own shares approved under item 6 on the agenda, and with the terms and conditions of such general resolution applying to the acquisitions decided herein, with the following specific features:
 - a) The acquisitions shall be made until March 2008 (unless the acquisition of all 186,261,323 shares to be acquired is reached in the meantime), and the capital reduction shall be limited to an amount equivalent to the own shares acquired and cancelled until such date, without prejudice to the possibility of partial implementation of the capital reduction in an amount equivalent to the number of shares that have actually been acquired until 20 December 2007, and the authorization for acquisition and capital reduction resolved herein shall remain valid until the amount and period of time established in this resolution;
 - b) The maximum acquisition price is 11.50 Euros per share, whatever the form of acquisition that may be determined by the Board of Directors;
 - c) The acquisitions shall be exclusively made on a regulated market, without prejudice to the provisions of the following paragraphs;
 - d) The acquisitions may be made over-the-counter, provided the principle of equal treatment of shareholders is observed;
 - e) The acquisitions may be made over-the-counter and result of the physical settlement of financial derivative instruments, notably equity swaps, in connection with the corresponding contracts executed with financial institutions, including with Goldman Sachs International, Morgan Stanley & Co. International Limited and Barclays Bank PLC, but only provided that the acquisitions by the financial institutions that are counterparty to the said financial derivative instruments, of the shares subsequently disposed of to the Company itself, have been made by such financial institutions in compliance with the principle of equal treatment of shareholders;
 - f) Acquisitions by financial institutions under paragraph (e) above shall be made, to the extent

possible and with the necessary changes, in compliance with the recommendations of the Securities Market Commission on transactions of own shares and equivalent shares, as well as of the rules set forth in Commission Regulation (EC) no. 2273/2003 of 22 December 2003;

- g) Taking into account the schedule that may be determined for implementation of the shareholder remuneration package for the 2006-2009 financial years proposed by the Board of Directors, including the liquidity of the security in the regulated markets where the Company shares are admitted to trading, the Board of Directors may elect any form of acquisition of the own shares to be acquired and cancelled according to this resolution other than the ones described above, provided compliance with the principle of equal treatment of shareholders is ensured;
- 3) That the shares to be acquired under the foregoing paragraph 2 may include 83 class A shares, in the event that the relevant public shareholding entity(ies) intends to sell them, provided that this is made in compliance with the legal provisions applicable to such disposal, in which case the quantity of ordinary shares to be acquired shall be reduced to a number corresponding to the difference between the total number referred to in paragraph 2 and the quantity of class A shares that have acquired;
- 4) That all other terms and conditions for the implementation of the share buyback and of the corresponding share capital reduction be established by the Board of Directors;
- 5) To approve the creation, to the extent required, in a mandatory manner, by paragraph 2, b) of article 463 of the Portuguese Companies Code, of a special reserve equivalent to the par value of the own shares to be cancelled that have been acquired in implementation of this resolution;
- 6) That the Board of Directors be authorized to define the timing of implementation of this resolution on the share buyback programme and capital reduction with the implementation of the resolutions under items 8 and 9 on the agenda, with the amount of capital reduction as resolved herein being adjusted in the event the capital increase and/or reduction under the said items has/have already been implemented on the date of implementation of this resolution;
- 7) To approve a possible readjustment of the conversion ratio of the convertible bonds that may be issued by the Company under item 10 on the agenda, as provided for in the conditions for issuance of such bonds, to which this resolution may give rise, to be calculated and implemented by the Board of Directors;
- 8) To modify, as a result of the capital reduction resolved herein and effective as from the date of the same, paragraphs 1 and 2, a) of article 4 of the Articles of Association, which shall read as follows:

"ARTICLE FOUR
Share Capital

1. The share capital shall be three hundred twenty-nine million, nine hundred eight thousand, three hundred eleven Euros and five Euro cents, fully paid up.
2. The share capital shall be represented by nine hundred, forty-two million, five hundred ninety-five

thousand, one hundred seventy-seven shares in the par value of thirty-five Euro cents each, with the following distribution:

a) Nine hundred, forty-two million, five hundred ninety-four thousand, six hundred seventy-seven shares ordinary shares;

b) (...).

3. (...).

4. (...)."

9) That the implementation of this proposal be subject to the existence of the necessary market conditions and financial and accounting situation;

10) That the wording of paragraphs 1 and 2, a) of article 4 of the Articles of Association (and possibly paragraph 2, b), in the event of actual acquisition of class A shares as provided for under item 3 on the agenda), as now approved, be deemed automatically and proportionally adjusted in the event the capital reduction as actually implemented is smaller, as well as in the event the capital increase and/or reduction under items 8 and 9 on the agenda has/have already been implemented on the date of implementation of this resolution.

Lisbon, 21 March 2007.

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS, S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 8 ON THE AGENDA:

(To resolve on a share capital increase to 474,119,730 Euros, by means of incorporation of legal reserves in the amount of 79,019,955 Euros, through an increase in the par value of all shares representing the Company's share capital by an amount equal to 7 Euro cents, whereby the par value of each share will be 42 Euro cents, with the corresponding amendment to paragraphs 1 and 2 of article 4 of the Articles of Association)

Whereas:

- A) Under the provisions of article 91 of the Portuguese Companies Code, a company may increase its share capital by incorporation of reserves available for such purpose;
- B) Under article 296 of the Portuguese Companies Code, the legal reserve may only be used to cover the portion of losses reflected in the balance sheet for the financial year that may not be covered by the use of other reserves, to cover the portion of retained losses from the previous financial year that can neither be covered by the profit of the financial year nor by the use of other reserves, or for incorporation in the capital;
- C) The application of profits subject to appreciation under item 3 on the agenda determines the allocation of an amount of 3,086,213.04 Euros to the reinforcement of the legal reserve, aiming to assure that the legal reserve will be sufficient after the restructuring of the share capital as provided for under this item and under item 9 on the agenda, whereby the total amount of the legal reserve of 82,706,880.96 Euros reflected on the balance sheet for 31 December 2006 will be 6,773,139 Euros;
- D) In view of such a large amount of reserves on the balance sheet (irrespective of the reinforcement of the legal reserve approved under item 3 on the agenda), it is deemed convenient to incorporate in the share capital a substantial part of the value of the legal reserve reflected on the balance sheet for 31 December 2006 in the Company's share capital by means of a capital increase by incorporation of reserves;
- E) This proposal is consistent with the Company's strategy of creating shareholder value, ensuring a greater range provided by a more flexible net equity;
- F) This proposal combined with the one under the next item on the agenda will permit a considerable improvement in the Company's share capital / net equity ratio;

We propose that it be resolved:

- 1) To increase the share capital of the Company by 79,019,955 Euros, from 395,099,775 Euros to 474,119,730 Euros, with such increase being through the incorporation of legal reserves under the following terms:
 - Form of the capital increase: by incorporation of reserves;
 - Total amount of the capital increase: 79,019,955 Euros;
 - Par value of all shares: increase in the par value of all shares representing the share capital by 7 Euro cents, the par value of each share becoming 42 Euro cents;
 - Reserves to be incorporated in the capital: legal reserves equivalent to 79,019,955 Euros, as reflected on the balance sheet for 31 December 2006 approved under item 1 on the agenda;
 - Term of payment of the contributions: on the date of execution of the commercial registry relating to the capital increase;
 - Participants in the capital increase: all shareholders in the Company, also participating in the share capital increase the shares held by the Company or its dependent companies;
- 2) That this resolution of share capital increase be subject to the condition of approval of the balance sheet under item 1 on the agenda, as well as of approval of the application of profits under the terms of item 3 on the agenda;
- 3) That the Board of Directors be authorized to define the timing of implementation of this resolution with the implementation of the resolution under item 7 on the agenda, with the amount of capital resulting from the increase resolved herein being adjusted in the event the capital reduction by the cancellation of own shares resolved under item 7 on the agenda has already been entirely or partially implemented on the date of implementation of this resolution;
- 4) To approve a possible readjustment of the conversion ratio of the convertible bonds that may be issued by the Company under the terms of item 10 on the agenda, as provided for in the terms contained in the conditions for issuance of such bonds, to which this resolution may give rise, to be calculated and implemented by the Board of Directors;
- 5) That, further to the share capital increase proposed, paragraphs 1 and 2 of article 4 of the Articles of Association are amended and shall read as follows:

"Article 4
Share capital

1. The share capital is four hundred seventy-four million, one hundred nineteen thousand, seven hundred thirty Euros, and it is fully paid up.
2. The share capital is represented by one thousand one hundred twenty-eight million, eight hundred fifty-six thousand, five hundred shares, with par value of forty-two Euro cents each, with the following distribution:
 - a) (...);
 - b) (...).
3. (...).
4. (...)."

- 6) That, in the case the capital reduction under item 7 on the agenda has already been implemented on the date of implementation of this resolution, the wording of paragraphs 1 and 2 of article 4 of the Articles of Association (as well as paragraph 2, b), in the case class A shares have been acquired as foreseen under item 7 on the agenda) as approved herein be deemed automatically and proportionally adjusted.

Lisbon, 21 March 2007

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS, S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 9 ON THE AGENDA:

(To resolve on a share capital reduction to 33,865,695 Euros, to be carried out by means of a reduction in the par value of all shares representing the share capital, whereby each share will have a par value of 3 Euro cents, with the corresponding amendment to paragraphs 1 and 2 of article 4 of the Articles of Association. The purpose of the capital reduction will be the release of excess capital)

Whereas:

- A) There is no reason for the Company to have an excessively high share capital in view of the business carried out by the Company;
- B) As established in article 94 of the Portuguese Companies Code, a company may reduce its share capital with a view to release excess capital;
- C) Within the capital reduction for the purpose of releasing excess capital, several ultimate purposes are contemplated: the direct allocation to the shareholders of the sums so released, the creation of reserves or the release of contribution obligations;
- D) As provided for in article 95 of the Portuguese Companies Code, the capital reduction may not be resolved in case the net equity of the Company does not exceed the new capital by at least 20%;
- E) As a result of the current proposal for a capital reduction to release excess capital, the shareholders shall not suffer any kind of loss, since the intention is to allocate the total amount of reduction to free reserves, making these assets available in the future in accordance for the purposes determined by the shareholders;
- F) This proposal follows the proposal presented under the previous item on the agenda and is aimed at complying with the objectives referred to in such item;

We propose that it be resolved:

- 1) To reduce the share capital of the Company, pursuant to the share capital increase resolved under the previous item on the agenda, from 474,119,730 Euros to 33,865,695 Euros, the amount of the reduction being 440,254,035 Euros, for the purpose of releasing excess capital, as follows:
 - Creation of free reserves in an amount of 440,254,035 Euros;

That the reduction be implemented by means of a reduction in the par value of the shares representing the share capital in the Company to a par value of 3 Euro cents;

As one can see on the balance sheet dated the 31 December 2006, approved under item 1 on the agenda, and considering the application of profits under item 3 on the agenda together with the share capital increase under item 8 on the agenda, upon implementation of the proposed capital reduction, the Company's net equity will exceed the new capital by over 20%, thus complying with the requirement provided for in article 95 of the Portuguese Companies Code.

- 2) That this resolution be adjusted within the framework of a possible non-approval and/or non-implementation, for whatever reason, of the capital increase under the previous item on the agenda, being the share capital reduced from 395,099,775 Euros to 33,865,695 Euros, in such case, the reduction being 361,234,080 Euros, for the purpose of releasing excess capital, as follows:

- Creation of free reserves in an amount of 361,234,080 Euros;

That the reduction be implemented by means of a reduction in the par value of the shares representing the share capital in the Company to a par value of 3 Euro cents;

As one can see on the balance sheet dated the 31 December 2006, to be approved by this General Meeting of Shareholders under item 1 on the agenda, upon implementation of the proposed capital reduction, the Company's net equity will exceed the new capital by over 20%, thus complying with the requirement provided for in article 95 of the Portuguese Companies Code;

- 3) That, as a result of the proposed capital reduction, paragraphs 1 and 2 of article 4 of the Articles of Association be amended to read as follows:

"Article 4
Share Capital

1. The share capital is thirty-three million, eight hundred sixty-five thousand, six hundred ninety-five Euros, fully paid up.
2. The share capital shall be represented by one thousand one hundred twenty-eight million, eight hundred fifty-six thousand, five hundred shares with a par value of three Euro cents each, with the following distribution:
 - a) (...);
 - b) (...).
 3. (...).
 4. (...)."
- 4) That the Board of Directors be authorized to define the timing of implementation of this resolution with the implementation of the resolution under item 7 on the agenda, with the amount of capital resulting from the reduction resolved herein being adjusted in the event the capital reduction by cancellation of own shares resolved under item 7 on the agenda has already been entirely or partially implemented on the date of implementation of this resolution;
- 5) That, in the cases provided for in the foregoing paragraphs, the wording of paragraphs 1 and 2 of article 4 of the Articles of Association be deemed automatically and proportionally adjusted;

- 6) That, in light of article 96 of the Portuguese Companies Code, the Board of Directors be authorised to define the timing of implementation of this resolution with the implementation of the resolutions under items 5, 6 and 7 on the agenda;
- 7) That this resolution of capital reduction be subject to the condition of approval of the balance sheet under item 1 on the agenda, as well as the approval of the application of results under item 3 on the agenda.

Lisbon, 21 March 2007

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS, S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 10 ON THE AGENDA:

(To resolve, pursuant to paragraph 4 of article 8 of the Articles of Association, on the parameters applicable in the event of any issuance of bonds convertible into shares that may be resolved upon by the Board of Directors)

Whereas:

- A) The convenience of safeguarding the possibility for the Company to strengthen its shareholders' equity, aiming at sizing the same to adequate levels that enable sustaining the Company's future business plans, which requires resorting to public funds on a diversified and broad funding basis;
- B) The internationalisation and diversification of the Company's funding sources and shareholding base reinforces the stability and autonomy of the Company, the promotion of which is of the utmost corporate interest;
- C) Within this context, it appears convenient to keep options open for a possible new issue, by a wholly owned subsidiary of Portugal Telecom, SGPS, S.A., and possibly with a guarantee or support from the latter, of bonds or other securities to be placed notably with specialised segments of international institutional investors, securities which, under certain conditions, may grant the investors the right of conversion into or exchange for Portugal Telecom, SGPS, S.A.'s ordinary shares (exchangeable securities), thus repeating the experience of two prior issues with considerable international success;
- D) In order to preserve such flexibility, it is important to create the legal mechanisms that will enable such wholly owned subsidiary carrying out such issue of exchangeable securities to have access to such ordinary shares of Portugal Telecom, SGPS, S.A. as may be required to fulfil the exchanges that would take place;
- E) Within the Portuguese legal framework, and as in the two issues of convertible securities previously undertaken by Portugal Telecom International Finance, B.V., the said capacity of the subsidiary issuing exchangeable securities to have access to the ordinary shares, if and when required, in order to fulfil its obligations for an optional exchange by the investors involves a resolution to issue and place at the service of such international issuance an adequate number of Portugal Telecom, SGPS, S.A.'s convertible bonds that may give rise, at such times and quantities as needed, to new shares;
- F) The possibility of implementing said issue also requires, as provided for in the Articles of Association, that the parameters applicable to the issuance of Portugal Telecom, SGPS, S.A.'s

convertible bonds supporting the international issuance of exchangeable securities by a subsidiary be henceforth approved by the General Meeting of Shareholders, without prejudice to any possible subsequent readjustments;

- G) Additional flexibility may be assured by means of a resolution conferring to the Board of Directors the power to decide the time of the issuance, in one or more series;
- H) Within the framework of the implementation of Directive 2003/71/EC of the European Parliament and of the Council, of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading, is no longer applicable to the companies with shares admitted to trading in regulated market the prohibition foreseen by number 1 of article 349.º of the Portuguese Companies Code, according to which it is not allowed to issue bonds in an amount superior to the double of its shareholders' equity, considering sum of the price of subscription of all the issued and not redeemed bonds.

We propose that it be resolved:

- 1) To approve the possible issue by Portugal Telecom, SGPS, S.A. of convertible bonds approved by resolution of the Board of Directors, as provided for in the law and in the Articles of Association, and in accordance with the following principal parameters, without prejudice to any adaptation or development as may be resolved by the Board of Directors, notably considering the final characteristics of the issuance of convertible or exchangeable securities that it may support:

- a) Amount of the issue: Up to the maximum aggregate amount of or the currency equivalent of 1,000,000,000 Euros.
- b) Interest rate: To be defined in accordance with the market conditions on the date of the issuance.
- c) Redemption: A single final maturity at par, with possibility for a provision for early redemption at the option of the issuer, in particular as from the end of the third year.
- d) Conversion bases: The number of bonds required for conversion of the bonds' nominal amount in cash into one share shall be determined by the conversion price, calculated by adding a conversion premium to the market price on the domestic stock exchange of one share at the time of the issuance.

The anticipated conversion premium, to be adjusted at the time of the issuance in accordance with market conditions, shall not be less than 20% of the trading price considered, which can, namely, be the Eurolist by Euronext Lisbon closing price for the session immediately before the date of issuance (or of the issuance of the first series), subject to anti-dilution clauses customary in the market.

The conversion price initially defined shall prevail during the whole period of the issue, without prejudice to any possible readjustment by application of anti-dilution clauses customary in the market, in situations regulated in the issuance resolution and under the terms or formulas stipulated therein.

- e) Potential capital increase: The maximum number of ordinary shares that can be initially issued in the increase or increases of capital implicit in the resolution of issuance of the convertible bonds may not exceed

the equivalent to 10% of Portugal Telecom, SGPS, S.A.'s share capital at the date of the resolution, without prejudice to the possibility of being exceeded at a later time as a result of subsequent readjustments to the conversion price referred to in the foregoing paragraph.

- f) Terms of the conversion: The conversion may be requested daily, as from an initial term stipulated in the resolution of issuance, such periods of time stipulated in the resolution of issue being deemed a "conversion period" in accordance with and for the purposes of subparagraph b), paragraph 1 and subparagraph a), paragraph 3 of article 370 of the Portuguese Companies Code.
- g) Class: The conversion or exchange shall be made exclusively with ordinary shares.
- h) Issue: In one issuance only or in series, as determined by the Board of Directors.
- i) Dividends: The issued shares or those exchanged as a consequence of the exercise of the of conversion or exchange rights inherent to the bonds will not be comprised by the free allotment of shares representatives of the share capital of PT Multimédia –Serviços de Telecomunicações e Multimédia, SGPS, S.A., approved under item 5 on the agenda.
- 2) To approve forthwith, as a result of the issuance of convertible bonds under the final terms as stipulated, such capital increase or increases as may be required to meet any requests for conversion that may be submitted.
- 3) That the amount of the issuance provided for in paragraph 1 above be deemed automatically reduced to the amount required to, taking into account the share capital amount at the time of implementation of this resolution by virtue of the implementation of the resolutions taken under items 7 and/or 9 on the agenda, or of only one or some of such resolutions, assure compliance with issuance limits as foreseen on number 5 of article 349 of the Companies Code.
- 4) This resolution is subject to the condition of the publication and coming into effect of a legal statute developing the legal system of rules provided for under Law no. 11/90 of 5 April 1990.

Lisbon, 21 March 2007

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS, S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 11 ON THE AGENDA:

(To resolve on the suppression of the pre-emptive right of shareholders in the subscription of any issuance of convertible bonds as referred to under item 10 hereof as may be resolved upon by the Board of Directors)

Whereas:

- A) The resolution taken by this General Meeting, within the context of item 10 on the agenda on the approval of parameters for the issuance of convertible bonds to be resolved by the Board of Directors;
- B) The content of the explanatory report produced by the Board of Directors pursuant to subparagraph c), paragraph 2 of article 366, paragraph 2 of article 367 and article 460 of the Portuguese Companies Code;

We propose that it be resolved:

- 1) That, bearing in mind that any issuance of convertible bonds as may be resolved by the Board of Directors, whose parameters and implicit share capital increase have been approved within the framework of item 10 on this General Meeting's agenda, is intended to support the issuance to be made by a wholly owned subsidiary of Portugal Telecom, SGPS, S.A. as provided therein, the shareholders' pre-emptive right in the subscription for such possible issuance of convertible bonds be suppressed.
- 2) That, therefore, such possible issuance be intended for subscription in its entirety by a wholly owned subsidiary of Portugal Telecom, SGPS, S.A. that will effect, in the international market, an issuance of securities convertible into or exchangeable for, ordinary shares of Portugal Telecom, SGPS, S.A., in particular the company Portugal Telecom International Finance, B.V., or another company wholly owned, directly or indirectly, by Portugal Telecom, SGPS, S.A., either existing or to be incorporated, or by a financial institution undertaking to place said convertible bonds in connection with the fulfilment of requests for conversion or exchange arising from such issuance.

Lisbon, 21 March 2007

The Board of Directors,

GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS, S.A.

27 April 2007

REPORT IN RESPECT OF ARTICLES 366-2(C), 367 AND 460-5

OF THE PORTUGUESE COMPANIES CODE

EXPLANATION OF THE PROPOSAL FOR SUPPRESSION

OF THE PRE-EMPTIVE RIGHT

The Company considers a possible issue, by a wholly owned subsidiary of Portugal Telecom, SGPS, S.A., and with a guarantee by the latter, of bonds conferring under certain conditions to investors the right of exchange for ordinary shares in Portugal Telecom, SGPS, S.A.

In this way, in order to guarantee the viability of the issuance and to support the same, we hereby submit to the appraisal and approval of the General Meeting of Shareholders of Portugal Telecom, SGPS, S.A. a proposal concerning the possible issuance, by a wholly owned subsidiary of Portugal Telecom, SGPS, S.A., and with a possible guarantee or support from the latter, of bonds or other securities to be placed namely with specialised segments of international institutional investors, securities which under certain conditions may grant to the investors the right of conversion or exchange for Portugal Telecom, SGPS, S.A.'s ordinary shares (exchangeable securities).

In the form proposed by the Board of Directors – a proposal that, together with this report, is available to the shareholders within the legal period preceding the date of the General Meeting of shareholders and is deemed as reproduced herein – the convertible bond issue will imply a necessary suppression of the pre-emptive right of the shareholders relying on reasons of corporate interest that seem to unequivocally justify and advise the adoption of the same.

Multiple reasons caused the selection – and proposal to the shareholders as regards the exclusion of their pre-emptive right – of this particular form of fund raising, should the need for such fund raising be justified, the form of which obviously implies in itself that it be entirely directed outside the circle of existing shareholders.

Firstly, it is important to take into account that the expansion of shareholders' equity in Portugal Telecom, SGPS, S.A. that may prove to be necessary or convenient as a function of the Company's business plans, which is aimed at a magnitude of shareholders' equity adequate to permit support of the same, has required, and will continue to require, that we appeal for funds from the public that, given the continuous increase in the size of this institution, demands an increasingly wider and diversified fundraising basis.

In this way, in view of the current situation and absorption capacity of the domestic capital markets, in particular the convertible securities investors' market, it now becomes imperative to evaluate the placement, namely in the international market with specialist segments of institutional investors, of securities issuances having the size of this one, with characteristics that, without excessive limitations

by rigid factors associated with the internal markets, may be adjusted to those of the financial products usually accepted by those markets.

Furthermore, the public raising of significant funds in the foreign markets always results in a further spreading of the image of the issuer and its visibility in the financial community and international markets (notably by way of the qualified research it originates, and of the means used for the promotion of the issuance), thus reinforcing its international prestige and credibility and its negotiation capacity as a participant in such international markets.

Thirdly, taking into account the actual conversion that will be made, it should be stressed that the continuation of the internationalisation and diversification of Portugal Telecom, SGPS, S.A.'s shareholder basis is a favourable element in the reinforcement of the stability and autonomy that it is of the utmost corporate interest to develop – and to this the issuance subject to authorization strongly contributes – both as to the geographical dispersion and as to the diversification of the type of investors, thus creating and reinforcing an additional market capable of increasing the liquidity of the securities and constituting an added space to resort to in future funding needs.

II

FORM OF ALLOCATION AND RELEASE CONDITIONS OF CONVERTIBLE BONDS

The convertible bonds to be issued shall be entirely intended for initial subscription by a subsidiary of Portugal Telecom, SGPS, S.A., namely Portugal Telecom Internacional Finance B.V. or another company already incorporated or to be incorporated (or by a financial institution, namely acting under instructions of such company as issue agent), which will promote in the international market an issuance of securities exchangeable for ordinary shares of Portugal Telecom, SGPS, S.A.

All the bonds making up the issue will be entirely released at the time of the subscription.

III

ISSUE PRICE AND CRITERIA FOR ITS DETERMINATION

The issue price of the convertible bonds shall be equal to their nominal value, i.e. the bond will be issued at par, in the nominal value of 5,000 Euros each or otherwise as established under the final conditions of the issue, in such a way as to adjust it to the final value at the international issuance it aims to support.

As to the bases of any conversion into shares of the bonds issued, it is important, first and foremost, to bear in mind that, given the characteristics and purposes of the transaction, these are not conversion bases with an external range, i.e. addressed to the market, but instrumental conversion bases, i.e. merely addressed to providing the subsidiary issuing the exchangeable securities on the market the access to the necessary shares. However, although the conversion price in question merely defines the internal relationship between both issuances, it is convenient for this issuance to mirror as much as possible (with subsequent adjustment if necessary) the final conditions of the issuance that will be placed in the market by Portugal Telecom, SGPS, S.A.'s subsidiary.

In this way, with this instrumental nature – and possibly even in anticipation of the final conditions of the issuance to be placed in the market – and as set out on the proposal submitted to the General Meeting of shareholders, the number of bonds required for conversion into one share will be determined by the "conversion price", calculated by adding a "conversion premium" to the market price in the domestic stock exchanges of one share in Portugal Telecom, S.G.P.S., S.A., at the time of issuance.

The "issue premium" will correspond to an interval determined by market conditions, but in any event it is not expected to be less than 20% of the value of the relevant trading price.

The "conversion price" as thus initially defined will prevail during the whole period of life of the issuance, without prejudice to any possible automatic readjustment in certain instances to be regulated under the issue conditions (e.g. structural changes to the issuers), and according to the formulas stipulated therein.

In any case, the amount of the increase in the initial implied capital cannot exceed an amount equivalent to 10 % of the share capital in Portugal Telecom, SGPS, S.A. on the date of the resolution, without prejudice to the possibility of it being subsequently exceeded as a result of later conversion price readjustments as referred to in the foregoing paragraph.

Lisbon, 21 March 2007

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS, S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 12 ON THE AGENDA:

(To resolve on the issuance of bonds and other securities, of whatever nature, by the Board of Directors, and namely on the fixing of the value of such securities in accordance with paragraph 3 of article 8 and paragraph 1, e) of article 15 of the Articles of Association)

Whereas:

The provisions of paragraph 3 of article 8 of the Articles of Association and the possible investment requirements of the Company, as well as a desirable flexibility in the Company's management until the next Annual General Meeting of Shareholders;

We propose that it be resolved:

To fix at 3,500,000,000 Euros, or its equivalent in another currency or currencies at the date of issue, the amount provided in paragraph 3 of article 8 of the Articles of Association for issuance by the Company, by resolution of the Board of Directors, of bonds, in any form, or other debt instruments, alone or (with respect to the portion concerning the Company) jointly with one or more companies in which the Company holds, directly or indirectly, over 50% of the respective voting share capital, without prejudice to any issues made by such companies, with the exception of convertible bonds and bonds or other securities convertible into or exchangeable for Portugal Telecom, SGPS, S.A. shares, and bonds or other securities conferring a right to subscribe for shares of Portugal Telecom, SGPS, S.A., as to which, even where issued by a dependent company, the limits approved in each case by the General Meeting shall apply should the said Meeting resolve to stipulate such limits, and the parameters approved under the provisions of paragraph 4 of article 8 of the Articles of Association being applicable as regards the Company;

Pending a new resolution of the General Meeting, the amount hereby fixed shall be valid until exhausted, with such value being deemed increased by repayments or extinction of securities effected, and, in the case of commercial paper programmes, only the portion of the maximum overall amount of the programmes contracted (or any renewal or substitution thereof) being used from time to time, always deducting any repayments made, shall be relevant as to the use of the amount set forth in the first paragraph of this resolution.

Lisbon, 21 March 2007

The Board of Directors,

ANNUAL GENERAL MEETING OF SHAREHOLDERS

PORTUGAL TELECOM, SGPS S.A.

27 April 2007

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 13 ON THE AGENDA:

(To resolve on the acquisition and disposal of own bonds and other own securities)

Whereas:

- A) It is convenient to the Company and its dependent companies to be able to continue to make use, in accordance with the law and current practice applicable to each company, the possibilities inherent in transactions with own bonds;
- B) Bearing in mind the characteristics of the bonds that can be issued by the Company, including in connection with the issuance of convertible or exchangeable securities made by the Company or any of its dependent companies;

We propose that it be resolved:

- 1) To approve, in any case where approval is legally required and subject to a resolution of the management board, the acquisition of own bonds, already issued or to be issued, in any form, under the following terms:
 - a) **Maximum number of bonds to be acquired:** a number corresponding to the total of each issuance, without prejudice to the limits stipulated by law, and deducting any transfers made;
 - b) **Term during which the acquisition may be made:** Eighteen months, as of the present resolution;
 - c) **Forms of acquisition:** acquisition, in any form, notably original acquisition or derivative acquisition for consideration on a regulated market in which the securities are listed or

acquisition over-the-counter, whether or not made through financial intermediaries, besides the cases of conversion in the case of convertible bonds, and which may be followed by cancellation;

d) Minimum and maximum consideration for the acquisitions: the consideration in derivative acquisitions should be within an interval of fifteen percent less than the lowest trading price and fifteen percent higher than the average trading price of the bonds to be acquired on the regulated markets where the acquisition is made during the 5 sessions immediately preceding this one;

In case of an issuance not listed on a domestic regulated market and placed in the international market, that interval shall be with reference to the average purchase and sale price quoted in the AIBD's (*Association of International Bond Dealers*) Bond Book in the week prior to the acquisition, regardless of whether the bonds are listed on a foreign exchange or not;

In case of an issue neither listed nor referenced in said Bond Book, that interval shall be with reference to the estimated value calculated by a financial intermediary or independent consultant appointed by the Board of Directors;

In the case of an acquisition in connection or in compliance with the conditions of issuance of other securities, or of a contract related to such issuance, the price shall be that arising from the terms of such issuance or contract;

e) Time of acquisition: to be determined by the management board, having regard to the situation of the market and the convenience or obligations arising from the law, contract or issuance of other securities leading to the acquisition, and to be effected one or more times and in such proportions as the management board may determine.

2) To approve, other than in the cases of conversion or redemption and subject to the specific authority of the management board, the disposal of own bonds including those that may have been acquired, subject to resolution of the management body and under the following terms:

a) **Minimum number of bonds to be disposed of:** the number corresponding to the minimum block which at the time of disposal is legally stipulated for the bonds of the Company, or such lesser quantity as may be sufficient to fulfil any obligation undertaken by virtue of the law, a contract or the issuance of other securities;

- b) Term during which the disposal may take place:** eighteen months beginning on the date of this resolution;
- c) Form of disposal:** disposal for consideration in any form, namely sale or exchange, to be made on a regulated market or over-the-counter in favour of certain entities designated by the management board (in observance, in the case of bonds convertible into shares, of the principle of equality of shareholders as provided by law) or, in case of a disposal in connection with or for implementation of a stock option programme or fulfilment of obligations undertaken arising from the law, the issuance of other securities or a contract, including a contract related to the issuance of convertible or exchangeable securities or to the conversion thereof, according to the relevant terms and conditions;
- d) Minimum Price:** no more than fifteen percent below the prices stated in paragraph 1, d) of this resolution, as applicable, or such other price as may be stipulated in accordance with the terms and conditions of a stock option programme or issuance of other securities, including convertible securities, or of a contract related to such programme, issuance or conversion, where the disposal is made in connection or in compliance with the respective terms;
- e) Time of disposal:** to be determined by the management board, taking into account the market conditions and the convenience or obligations undertaken, and to be made in one or more times and in such proportions as the management board may stipulate.

Lisbon, 21 March 2007.

The Board of Directors,