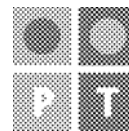


PORTUGAL TELECOM SGPS SA AUDIT COMMITTEE CHARTER

Introduction

- a) Following the enactment of the Sarbanes-Oxley Act and the Securities Exchange Commission (the 'SEC') regulations, both of which apply to foreign issuers of securities admitted to the US's official listing, the Board of Directors of Portugal Telecom SGPS SA ('Portugal Telecom' or 'Company') resolved, on 18 December 2003, to set up an Audit Committee, an internal commission with powers delegated by the Board. The Board also approved the respective internal rules by issuing resolution OS000403CA, framed within a philosophy of full compliance with the audit committee model established in the provisions therein;
- b) The 2006 revision of the Portuguese Companies Act (Código das Sociedades Comerciais), regarding corporate governance and a tighter supervision of listed issuers, brought about the adoption of an Anglo-Saxon model of governance, wherein the audit committee is a monitoring body with powers and legal duties equivalent to those of a supervisory board. In this context, the General Meeting of Portugal Telecom, held on 22 June 2007, decided on a number of statutory amendments with the aim of conforming the Company to the aforementioned legal revision and adopting an Anglo-Saxon governance model;
- c) In addition to assuring compliance with the aforesaid mandatory rules, Portugal Telecom continues to be strongly committed to the progressive conformity of its audit committees to best national and international practices;
- d) In particular, as a foreign private issuer, the Company shall continue to comply with New York Stock Exchange rules ('NYSE') and, as an issuer of shares listed on the Portuguese market, shall also take into consideration the recently-adopted recommendations from CMVM (the Portuguese Securities Market Commission), while keeping in mind, for both cases, due adaptation to the particularities of the Portuguese market and the Company;
- e) Thus, as a means of facilitating the implementation and disclosure of its powers and fulfilment of its duties, Portugal Telecom's Audit Committee intends, in this Charter, to develop and establish a number of matters, for which it possesses legal and statutory qualifications, in respect of its goals and functions, composition and requirements, meetings and decisions, its articulation within the company structure of Portugal Telecom and the Group, as well as its responsibilities, functions, autonomy and resources.



Article 1

Remit

1. The Audit Committee is responsible for monitoring the Company, and shall continuously follow up and supervise Portugal Telecom's organisational activity.
2. During the exercise of its competencies and enforcement of its duties, the Audit Committee shall pursue the following structuring objectives:
 - a) Assure the quality and integrity of the financial information in Company accounts;
 - b) Supervise the qualifications and independence of the External Auditors and the Company's Statutory Auditor;
 - c) Assure the quality, integrity and efficacy of the Company's internal control and risk management systems as well as of the internal auditing function;
 - d) Supervise the execution of the functions of the External Auditors and the Company's Statutory Auditor as well as of the Internal Audit Department.
 - e) Assure that the Company complies with the legal, regulatory and statutory provisions, as well as the instructions, recommendations and guidelines issued by the competent authorities.

Article 2

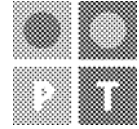
Powers and Duties

The Audit Committee has the powers and is subject to the duties included in the applicable legal and statutory provisions. It has no executive powers.

Article 3

Composition and Appointments

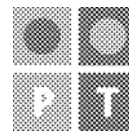
1. The Audit Committee shall be made up of 3 Members.
2. Audit Committee Members are appointed, under the legal and statutory terms, at the General Meeting, from among Members of the Board expressly indicated in the lists proposed by the shareholders to the Board.



3. The aforementioned lists, which are to be submitted at the General Meeting, shall indicate the members of the Board of Directors which are to integrate the Audit Committee, as well as its President.

Article 4 Membership

1. Audit Committee Members shall meet the requirements in force at any given time in respect of incompatibilities, independence and specialisation, in accordance with the legal and regulatory national provisions that mandatorily apply to the Company as an issuer of securities listed on the regulated Portuguese market (the 'National Charter')
2. For the purpose of compliance with the aforementioned requirement, no Audit Committee Member shall be in a state of incompatibility and at least the majority of its Members shall be independent, pursuant to the criteria in the National Charter.
3. Pursuant to the requirements stated in item 1, at least one Audit Committee Member from among its independent Members, in accordance with the previous item, must have a University degree relevant for the position and knowledge of auditing or accounting.
4. Each Audit Committee Member must also meet the requirements for independence referred to in Section 10A(m) and Rule 10A-3 of the Securities Exchange Act of 1934 (the 'Exchange Act') and all other mandatory regulations that the SEC or NYSE may come to adopt on this subject (the 'US Rules').
5. For the purpose of compliance with the requirements for independence stated in the previous item, Audit Committee Members may not accept or receive, directly or indirectly, from the Company or an affiliated person or any organisation affiliated with the Company, remuneration for consultancy or advisory services or any other form of remuneration besides that which they may already earn as members of the Board of Directors, Audit Committee or any internal committee of the Board of Directors.
6. Pursuant to the independence requirements in item 4, Audit Committee members may not be affiliated to the Company or any Company affiliate.
7. In order to ensure compliance with the previous items of this Charter, the following shall apply:
 - a) 'Affiliated person' means a person who, directly or indirectly and through one or more intermediates, controls or is controlled, or is under the joint control of the Company or the External Auditor, any of its affiliates, the entity controlling the Company, or the External Auditor;

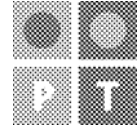


- b) 'Control' means the direct or indirect possession of the power to directly influence the management and management policies of a person, on account of the holdership of voting rights, securities or a contract, or by any other means;
 - c) A member of the management, a worker or a reference shareholder among any of the Company's reference shareholders is an affiliated person of the Company.
8. Following the appointment of Audit Committee Members at the General Meeting, it is, at all times, the responsibility of the Board of Directors to assess its compliance with US Rules, and that of the Audit Committee to verify compliance with the National Regulations. The Board shall also promote the respective mandatory disclosure by procedures to be adopted and implemented by the Audit Committee.
9. The Board of Directors shall also be responsible for assessing, at all times, the conformity of Audit Committee members to the standards laid down in NYSE regulations on the independence of directors, and to the financial expertise required to secure compliance with Section 407 of the Sarbanes-Oxley Act and Item 16A of Form 20-F included in the Exchange Act, or any other resolution which may come to be adopted by the SEC (not mandatory in implementation but in disclosure), through procedures to be adopted and implemented by the Audit Committee, be it for purposes of assessment or of mandatory disclosure of information in this respect.
10. For the purpose of assessing the independence of Audit Committee members in light of the standards laid down in the NYSE regulations mentioned in the previous item, the Board of Directors shall state and declare that the Audit Committee Member in question has no material relationship with Portugal Telecom (directly or as a partner, shareholder or officer of any entity in a relationship with the Company).

Article 5

Meetings, Resolutions and Articulation between company structures

- 1. The Audit Committee shall convene at least once every two months of each financial year, at a place and time indicated by the President of the Committee, and additionally, shall meet up with such frequency as the President or the majority of its members deem(s) to be appropriate.
- 2. The Audit Committee shall not function without the majority of its Members being present. The President may, in cases of acknowledged necessity or justifiable absence, do without an attending majority as long as a majority is ensured by vote by correspondence or proxy, under the terms hereunder.
- 3. Vote by correspondence and proxy are permitted. Notwithstanding, no Member can simultaneously represent more than one Audit Committee Member.

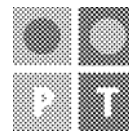


4. Audit Committee decisions are made by a majority of cast votes. The President has the right to give the casting vote.
5. The Audit Committee may convene, on its own initiative, at least once every quarter of each financial year, separately, with the Executive Committee, the Internal Audit Department and the Company's External Auditors. It is also qualified to take part in Executive Committee meetings convened to assess its annual accounts.
6. The Audit Committee may convene, on its own initiative, the Chief Executive Officer ('CEO'), the Statutory Auditor, the External Auditors and the members of the Company's Internal Audit Department, or any Company governing body, worker or advisor, be it to participate in a part or the whole of any of its meetings, or individually meet up with any of the Audit Committee Members, or to ensure that they provide all the information the Audit Committee deems necessary.
7. The Audit Committee may also convene, on its own initiative, members of the management or supervisory bodies, the person responsible for internal auditing, the Statutory Auditor, or any governing body, worker or advisor of companies in a relationship of control or group with Portugal Telecom, be it to participate in a part or the whole of any its meetings, or individually meet up with any of the Audit Committee Members, or to ensure that they provide all the information the Audit Committee deems necessary.
8. The Audit Committee may also advise the Board of Directors on the necessary steps to take towards obtaining any information or clarification on the development of the operations, activities or businesses of the Company or its affiliates deemed necessary for the execution of its powers, responsibilities and functions and compliance with Audit Committee duties. Portugal Telecom's Board of Directors shall, to this effect, promote the necessary co-operation and articulation between the management of these companies.
9. The meetings mentioned in items 1, and 5 to 7 of this Article, as well as all resolutions and explanations of vote shall be written into the respective minute, which must be signed by all participants in the meeting, who can dictate the sum of their interventions into the minutes.

Article 6

General Responsibilities and Functions

For the purpose of compliance with the remit laid down in Article 1, the Audit Committee shall have the following responsibilities and functions:

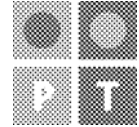


- a) Approve by the end of the first quarter of each financial year and disclose to the Board of Directors and on the Company website, along with the accounts, an annual report on its monitoring activity, including, in particular, a description of the activities pertaining to the previous financial year, expressly stating any restraints the Audit Committee may have encountered while executing its remit and performing its duties;
- b) Approve, before the start of each year, an annual action plan that focuses on the measures, proposals, and the means and procedures necessary to carry out, during the following year, its powers, duties, responsibilities and functions;
- c) Inform, and discuss and analyse with, on a regular basis, the Board of Directors - and, within the competent delegation of powers, with the Executive Committee -, and advise on, whenever deemed necessary, situations resulting from the exercise of the powers, duties, responsibilities and functions it has been attributed under applicable legal and statutory provisions and this Charter;
- d) Analyse and annually reassess the adequacy of this Charter and discuss any necessary or convenient amendments;
- e) Assess each year the performance of the Audit Committee in terms of its goals, powers, duties, responsibilities and functions laid down in the applicable legal and statutory provisions and in this Charter, as well as establish the goals for the following year;
- f) Discuss, in a timely manner, with the Executive Committee and the External Auditors, and give a prior opinion - within the scope of its powers and duties and whenever it deems it necessary for the execution of its responsibilities and functions included herein - on any reports, documents or information to be disclosed or submitted by the Company to the competent authorities;
- g) Undertake the action or efforts required by the Company, within the purview of their respective powers, duties, responsibilities and functions, so as to uphold applicable statutory regulations and this Charter, national legal and regulatory provisions, Portuguese Securities Market Commission (CMVM) recommendations, requirements ensuing from the implementation of SEC legislation and rules, and NYSE rules.

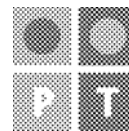
Article 7

External Auditing

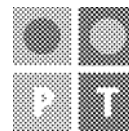
In respect of its relationship with the Company's External Auditors, the Audit Committee is responsible for the following:



- a) Direct and exclusive responsibility for appointing and hiring the Company's External Auditors, for preparing or issuing an auditing report or for any other auditing services the Company may require; establish its remuneration (including any compensation for auditing or other services, as well as compensation and terms and conditions for the execution of these services), decide on the termination of its functions and approve auditing and/or pre-approval of audit and non-audit services to be provided by the External Auditors, who report and are subject to the direct and exclusive supervision of the Audit Committee;
- b) Collect and analyse written information submitted by the External Auditors, in particular:
 - i) The audit plan including, among other aspects, the scope, planning and resources to be used in providing auditing services and/or other services, the provision of which has been authorised by the External Auditors;
 - ii) Internal quality control procedures of the External Auditors;
 - iii) Any substantial issues which may arise from the last revision of the quality control procedures or from a revision made by the External Auditors following an inquiry or an investigation conducted, within the past five years, by the competent authorities regarding one or several audits conducted by External Auditors or any of the measures implemented for such purpose;
 - iv) The independence of the External Auditors, including all existing relationships between the Company and its External Auditors or associated persons, as well as a detailed description of all of the services which have been rendered to the Company up to the present time, as well as of any ongoing services;
- c) Collect from the Company's External Auditors the audit reports on financial statements which the Company is obliged to disclose or submit to the competent authorities, or any other reports, documentation or information the Audit Committee deems necessary or convenient;
- d) Obtain a report from the External Auditors in accordance with the Statement on Auditing Standards No. 61 issued by the American Institute of Certified Public Accountants, including any posterior amendments or supplements thereof;
- e) Analyse with the External Auditors the scope, plans and resources to be used in providing auditing services and/or the provision of any other services the External Auditors may authorise;



- f) Discuss separately with the External Auditors the following aspects related with the audits of the Company's annual and semi-annual financial statement:
- i) Matters which, in accordance with the Statement on Auditing Standards No. 61 issued by the American Institute of Certified Public Accountants, including any posterior amendments or supplements thereof, should be discussed by the External Auditors with the Audit Committee;
 - ii) The auditing process, including the discussion of any problems or difficulties encountered throughout the audit, in particular restrictions imposed by the Executive Committee on certain activities or on the access to information previously requested by the External Auditors, and of any differences arising between the External Auditors and the Executive Committee;
 - iii) The Company's internal control systems and the responsibilities and resources of the Internal Audit Function, including any recommendations on these issues which have been, or may come to be, conveyed in writing to the Company;
- g) Analyse and give a prior and timely opinion on the Board of Directors' meeting approving the Company's annual and semi-annual financial statements, on the Memorandum drawn up by the External Auditors, as well as on the Audit Report draft to be issued by the External Auditors, and the financial information to be included in those accounts, which are to be presented to the Portuguese Securities Market Commission;
- h) Analyse and discuss with the Board of Directors, or, be it the case, with the Executive Committee and the External Auditors, the Report of the Independent Auditor required under Section 10A(k) of the Exchange Act, to be included in the Company's annual report in Form 20-F, and any other reports, documents or information to be submitted or presented to the SEC by the auditors;
- i) Obtain, every year, from the External Auditor the assurance that the Company's financial statement audit to be included in Form 20-F, referred to in the Report of the Independent Auditor, has been conducted under the auditing rules in force in the United States of America, in compliance with Section 10A of the Exchange Act;
- j) Establish the Company's employment policies for workers who work or have worked for the Company's External Auditors firm.
- k) Assess the work carried out by the External Auditors as well as evaluate their qualifications, independence and performance, including the revision and assessment of auditing firm officer responsible for the Company's external audit. Also, present the respective conclusions and, if the Audit Committee deems it necessary, deliver an opinion on these issues to the Board of Directors;



- l) Direct and exclusive responsibility to solve any existing differences between the Executive Committee and the External Auditors in respect of the financial information to be included in the accounts to be reported to the competent entities, as well as the preparation of audit reports to be issued by the External Auditors;
- m) Represent the Company, in all respects, to the External Auditors and ensure that, within the Company and companies which have a relationship of control or group with Portugal Telecom, the Company's External Auditors are supplied with the adequate conditions to carry out their services.

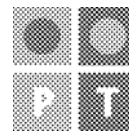
Article 8 Statutory Advisory.

Pursuant to the remit laid down in Article 1, the Audit Committee shall be responsible, in particular, for the following actions and procedures regarding the Company's Statutory Auditor:

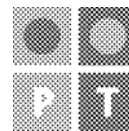
- a) Propose the appointment of the Statutory Auditor and Statutory Auditor substitute at the General Meeting;
- b) Monitor and evaluate the Statutory Auditor's independence and the scope of the respective services, in particular regarding any additional services;
- c) Assess the content of the annual legal certification of accounts drawn up by the Statutory Auditor and discuss any stated differences;
- d) Analyse, with the Statutory Auditor, the planning and resources to be used in providing the respective services;
- e) Monitor and assess the audit of Company accounts;
- f) Ensure that the Statutory Auditor has the proper conditions to provide the respective services.

Article 9 Financial Statements and Reporting

1. During the exercise of its remit and duties, the Audit Committee shall deliver its opinion on the financial statements and proposals presented by the Company's Board of Directors.



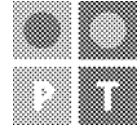
2. It is also the Audit Committee's duty to deliver an opinion to the Board of Directors on the Company's inclusion of the annual accounts in Form 20-F with the SEC, as well as to analyse the section named "Operating and Financial Review and Prospects" in Form 20-F.
3. Pursuant to Article 1, the Audit Committee shall, in particular, assess, monitor and give an opinion on the following:
 - a) Financial information disclosed or to be disclosed by the Company, including, in particular, the scope, planning or resources involved, and the drawing up of annual and semi-annual accounts, the processes for drawing up and disclosure, as well as the exactness of the accounts, in particular of the annual audit, management reports and audit reports drawn up by the External Auditors to be reported to the competent authorities;
 - b) Relevant matters concerning accounting, auditing and financial reporting, in particular in respect of the following aspects:
 - i) Adequacy of accounting policies, practices and procedures and of the valuation criteria chosen by the Company;
 - ii) Any relevant issues related with the main accounting policies, including any accounting policies and essential estimates and any relevant amendments to the selection or application of accounting principles by the Company;
 - iii) Regularity and quality of Company accounting information and technical documentation in light of applicable accounting principles and rules;
 - iv) The state of any assets or securities owned by the Company;
 - v) Accounting methods for major uncommon transactions, regarding which the Executive Committee shall furnish information on the methods used to record those transactions when there are a number of possible methods;
 - vi) Disclosure regulations on relevant related-party transactions, in particular non-disclosed ones, must be duly justified, documented and reported to the Audit Committee;
 - c) Evaluations drawn up by the Executive Committee and/or the External Auditors on significant aspects of financial information reporting, including analyses of the impact of accounting policies, assumptions, or alternative estimates to those adopted when preparing the Company's financial statements.



- d) Impact on financial statements by amendments proposed by the Executive Committee or the External Auditors and made to accounting rules which apply to the Company or the Company's accounting policies.
4. The Audit Committee shall also periodically analyse the following:
- a) Company practice concerning the drawing up of Earnings Releases for quarterly results, including its presentation and the kind of information therein, as well as practices the Executive Committee must follow regarding the disclosure of Earnings Guidance to financial analysts and rating agencies;
 - b) Procedures adopted by the Company for the annual certification of its CEO and CFO, related with the Company's annual reporting of Form 20-F, including procedures on assessment of the Company's disclosure procedures and internal control system;
 - c) Impact on the accounts of relevant regulatory and accounting initiatives and off-balance sheet structures.

Article 10
Internal Control, Risk Management and Internal Auditing

- 1. During the exercise of its remit and duties, the Audit Committee shall monitor the efficiency of the Company's internal control, risk management and internal auditing.
- 2. For the purposes laid down in Article 1, the Audit Committee is responsible for the following:
 - a) Annually revise and reassess, with the Executive Committee, the adequacy and effectiveness of the Company's internal control system, under the terms herein provided, and evaluate the internal procedures regarding Company accounting and auditing, financial information disclosure, risk detection and asset safeguarding;
 - b) Monitor the relevant aspects of the adaptation of the internal control procedures adopted by the Company and of the specific auditing procedures applicable in case of relevant deficiencies to the Company's internal control;
 - c) Give the Executive Committee a prior opinion on the Company's internal control Report, to be drawn up by this Committee under Section 404 of the Sarbanes-Oxley Act;

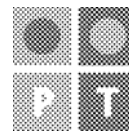


- d) To give the Executive Committee a prior opinion on how to appoint, establish the remuneration and performance bonuses of, and replace and discharge the Company's Internal Audit Function officials, keeping in mind that the Company aims to ensure that no restrictions impair this Function;
- e) Give a prior opinion and analyse on a yearly basis, with the Executive Committee, the scope and planning of the activities and the human, technological and organisational resources required for the adequate and effective performance of the Internal Audit Function;
- f) Monitor the Executive Committee's analysis, revision and implementation of the measures and plans proposed by the Internal Audit Function with the aim of following-up on, improving and/or correcting the Company's internal control system, as well as the measures and plans proposed within the purview of the Company's risk management systems;
- g) Analyse internal control and internal auditing reports, including the Executive Committee's responses;
- h) Supervise the Company's adoption of principles and policies on the recognition and management of the main Company-related financial, operational and other relevant risks, as well as on measures aimed at monitoring, controlling and disclosing, in an adequate and timely manner, these risks. It shall also give an opinion on these matters whenever it deems necessary or convenient.

Article 11

Compliance and Irregularities

1. During the exercise of its remit and duties, the Audit Committee shall monitor the Company's observance of the legal and statutory provisions as well as gather reports on any irregularities reported by shareholders, workers, or other persons.
2. For the purposes laid down in Article 1, the Audit Committee is, in particular, responsible for the following:
 - a) Establish and ensure the maintenance of:
 - i) Procedures required for receiving, recording and processing claims and/or complaints received by the Company regarding accounting issues, internal control procedures for accounting matters and issues concerning Company audits;
 - ii) Procedures required for maintaining the confidentiality and anonymity of matters concerning questionable accounting issues and Company audits reported by workers.

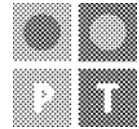


- b) Discussing and analysing together with the Executive Committee and the External Auditors, and expressing an opinion whenever necessary or convenient, on:
- i) Matters liable to be disclosed to the market, within the purview of accounts or other financial documents, or matters included in correspondence sent to the Company by any supervising authority if these might have a relevant impact on financial information or the compliance with Company accounting policies (or of the companies in a relationship of control or group with the Company). To this effect, the Company shall, in a timely fashion, co-operate with the Audit Committee, releasing the relevant information or documentation;
 - ii) Issues concerning compliance with the Company's legal or regulatory obligations which may have a relevant impact on its financial information or accounting policies (or of the companies in a relationship of control or group with the Company). To this effect, the competent Division - or if none exists, the Executive Committee - shall, in a timely fashion, co-operate with the Audit Committee, releasing the relevant information or documentation;
 - iii) Matters regarding the conformity of Company activity and operations with applicable legal, regulatory and statutory provisions, as well as with any instructions, recommendations or guidelines issued by the competent authorities.

Article 12

Autonomy and Resources

1. The Audit Committee may, of its own initiative and in accordance with the procedures and rules implemented by the Company, employ independent advisors, auditors, legal or other assessors, services or the assistance required to uphold its remit and legal and statutory duties and responsibilities and activities laid down herein, including, among others, any special audits, revisions or other procedures.
2. The auditors employed under the terms and for the effects of the previous item may be the Company's External Auditors.
3. The Company shall release, on request of the Audit Committee, the financial resources and the technical, human or material means required for its operation, in conformity with this Charter and applicable legal and statutory provisions, as well as pay for ordinary administrative expenses required by the Audit Committee to properly fulfil its duties.



4. The necessary financial resources required to pay for services provided by hired advisors must be included in the annual budget, under item 1 of this Charter, as well as the payment of compensations owed to auditing firms hired to draw up or issue audit reports or provide other auditing, revision or certification services for the Company.

Approved by the Audit Committee on 20 December 2007.