

Portugal Telecom
Corporate governance report _ 2007



Corporate governance report

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The purpose of this report is to disclose the corporate governance structure and practices adopted by the Company with a view to complying with the provisions of the recommendations of the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários – “CMVM”) on Corporate Governance of Listed Companies, as published in November 2005, as well as with the best international corporate governance practices. This report has been drawn up in accordance with article 7 of the Portuguese Securities Code (Código dos Valores Mobiliários) and the form attached to the CMVM Regulation no. 7/2001, as amended by the CMVM Regulations no. 11/2003, no. 10/2005 and no. 3/2006.

Additionally, this report aims to comply with the annual obligation to disclose the Company’s corporate governance structure and practice in detail, under the terms of article 245-A of the Portuguese Securities Code, which is applicable to issuers of shares admitted to trading on a regulated market.

The adoption of the new CMVM recommendations on the corporate governance of listed companies is currently subject to analysis and implementation within the company, and any changes to the corporate governance structure and practice are expected to be adopted in the course of the current financial year and disclosed in the corporate governance report to be published in 2009.

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Compliance statement

The Company fully adopts the CMVM recommendations on the Corporate Governance of Listed Companies, as published in November 2005, except for recommendations 4, 8 and 9, which are not complied with for the reasons identified hereunder.

The chapters of this corporate governance report that contain a description of the measures taken by the Company for compliance with the abovementioned CMVM recommendations are identified hereunder.

CMVM recommendation	Compliance	Report
I _ Disclosure of information		
1. The company should ensure the existence of permanent contact with the market by observing the principle of shareholder equal treatment and preventing asymmetries in investor access to information. For such purpose, the company should create an investor relations department.	Yes	Chapter 3 Number 7
II _ Exercise of voting rights and shareholder representation		
2. The active exercise of voting rights, either directly, notably by correspondence, or by representation, should not be restricted. For this purpose, the following qualify as restrictions to the active exercise of voting rights: (a) any imposition of a prior deposit or share blocking period for participation in the general shareholders meeting in excess of 5 business days; (b) any bylaws restriction on voting by correspondence; (c) any imposition of an advance period for the receipt of voting declarations issued by correspondence in excess of 5 business days; and (d) the non existence of voting bulletins available to shareholders for voting by correspondence.	Yes	Chapter 4
III _ Corporate rules		
3. The company should create an internal control system for an efficient detection of risks connected to the company business, to safeguard its assets and to the benefit of transparency in its corporate governance.	Yes	Chapter 5 Number 2
4. Measures adopted to prevent the success of takeover bids should respect the interests of the company and its shareholders. Among others, defensive clauses the effect of which is to automatically cause an erosion in the company's assets in the case of control transition or of change in the composition of the management body, thus hindering the shares' free transferability and shareholders' free evaluation of the performance of members of the management body should be deemed contrary to such interests.	–	(1)
IV _ Management body		
5. The management body should be composed of a plurality of members that effectively conduct the management of the company and its heads.	Yes	Chapter 2
5a. The management body should include a sufficient number of non executive directors whose role is to continuously follow up and evaluate the company's management by its executive members. Members of other corporate bodies may play a complementary role, or ultimately a role of substitution if their respective supervisory powers are equivalent and actually exercised.	Yes	Chapter 2 Number 2
6. The non executive members of the management body should include a sufficient number of independent members. Where there is only one non executive director, he should also be independent. Independent members of other corporate bodies can play a complementary role, or ultimately a role of substitution if their respective supervisory powers are equivalent and actually exercised.	Yes	Chapter 2 Number 2
7. The management body should create internal control committees with powers to evaluate corporate structure and governance.	Yes	Chapter 2 Number 4 and 8
8. The remuneration of the members of the management body should be structured in such a way as to allow the alignment of their interests with the company's interests, and it should be annually disclosed on an individual basis.	No	(2)
8a. A statement concerning corporate body remuneration policy should be submitted for consideration by the annual general shareholders meeting.	Yes	Chapter 2 Number 6
9. The members of the compensation committee or its equivalent should be independent in relation to the members of the management body.	No	(4)
10. The proposal pertaining to the approval of share allotment plans, and/or share call options or based on share price variations, to members of the management body and/or to employees should be submitted to the general shareholders meeting. The proposal should contain all the data as required for a correct evaluation of the plan. The proposal should be accompanied by the plan's regulations or, where these have not yet been prepared, by the terms and conditions such regulations must comply with.	Not applicable	Chapter 3 Number 5
10a. The company should adopt a policy for communication of irregularities allegedly occurred within the company, with the following data: indication of the means that can be used for internal communication of irregular practices, including the persons with legitimacy to receive such communications, indication of the treatment to be given to any such communications, including confidential treatment where the communicator so wishes. Such policy's general guidelines should be disclosed in the company's corporate governance report.	Yes	Chapter 2 Number 10

(1)

Although it is PT's understanding that its bylaws do not contain any defensive clauses which effect is to automatically cause an erosion in the company's assets in case of change of control or change in the composition of the management body, the CMVM understood, in its Analysis of the Compliance with the recommendations on the Corporate Governance of Listed Companies in 2006, that PT failed to comply with recommendation no. 4.

As no change to the bylaws has occurred in the meantime modifying those aspects pointed out by the CMVM in the abovementioned analysis, it is PT's understanding that it should consider such recommendation as non-complied with, without prejudice to the points mentioned hereinafter.

In fact, except for the special rights in favour of the State as described further on, in this matter PT's bylaws contain only a limitation to the counting of the votes of a single shareholder, whereby the votes cast by a single shareholder of ordinary shares, directly or through a representative, on his own behalf or as a representative of another shareholder, that exceed 10% of the total share capital, shall not be counted (article 13).

In truth, this provision, which intrinsically reflects – and historically arose in several European countries – a measure of expansion of shareholder democracy (by reducing the voting power of major shareholders and correspondingly expanding the voting power of minorities), is also normally understood to possibly interfere with the success of takeover bids. However, notwithstanding the corresponding effect of reduction in the number of takeovers (as higher levels of shareholder participation are required to obtain control), such measure is also deemed as an incentive to the existence of more attractive conditions of takeover bids, since only higher levels of acceptance by the addressees of such takeover bids allow the attainment of control thresholds.

Furthermore, within the context of the tender offer to which PT was subject during the 2006 financial year, the abovementioned provision of the bylaws (see reference to article 13 of the bylaws above) was particularly visible. In fact, under the terms and conditions of the general tender offer over the shares representing PT's share capital, which preliminary announcement was published on 6 February 2006 by the companies Sonaecom, SGPS, SA and Sonaecom, BV, the removal of the said voting restriction was a condition to which the tender offer was subject.

However, at the General Shareholders Meeting called for 2 March 2007 to vote for the said removal, even though merely within the context of the abovementioned tender offer, the proposal was rejected by a majority of votes cast and without the opposition of the class A shares.

Therefore, the situation remained unchanged, based on the conviction that limitations as provided for under the bylaws contribute to share capital dissemination and a greater transparency of the Company's Corporate Governance.

In this way, the initial part of CMVM's recommendation seems to be complied with, in the meaning that the measures adopted to prevent (or which effect may be to prevent) the success of takeover bids should respect the interests of the company and its shareholders, which is the basis for all the examples included in the recommendation.

(2)

The Company adopts means of alignment of the interests of its directors with the interests of the company.

Only the final part of the CMVM recommendation no. 8, pertaining to the individualized disclosure of directors' remunerations, is not complied with.

In fact, it is the Company's understanding that such final part of the CMVM recommendation no. 8 should not be observed as it does not correspond to the best approach and understanding regarding the disclosure of remunerations. On the contrary, the general practice among other companies consisting in merely disclosing the remunerations paid to members of the management body in overall terms should rather be adopted.

Indeed, the information that is important to disclose to shareholders is the information on the overall value of remunerations paid to the members of the management body, and particularly to the management team in the Executive Committee, and the Company fully discloses such information in detail under this report.

Therefore, the Company disagrees and does not adopt the individualized disclosure of the remunerations of the members of its corporate bodies and it maintains its position that the shareholder's analysis of the performance of the Company's management should be made on an overall basis. It is up to the Compensation Committee to analyse whether the individual remuneration of each director is adequate to the functions performed, and in this way the Company understands that it complies with the ratio of the recommendation by disclosing enough information for investors to know the costs with the management of the Company.

(3)

During the 2007 financial year, PT did not fully comply with the CMVM recommendation no. 9, since one of the members of the Compensation Committee is a non executive independent director of the Company, which does not fall within the criteria of independence proposed by the CMVM in no. 9 of chapter I of the Appendix to the CMVM Regulation no. 7/2001.

As referred to in chapter 3, paragraph 8 of this Corporate Governance Report, a careful consideration of two fundamental concerns underlies the proposal and selection of the members of the Compensation Committee.

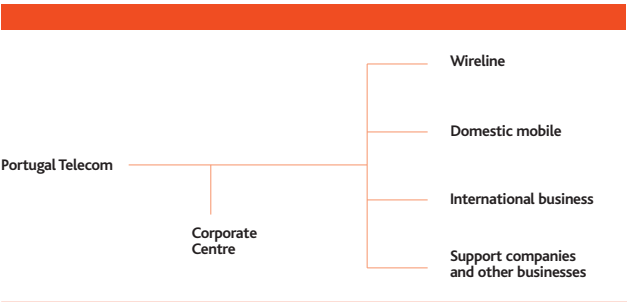
On the one hand, the composition of the Compensation Committee by a majority of members that are independent from management, in accordance with the independence requirements as provided for in no. 9 of chapter I of the Appendix to CMVM Regulation no. 7/2001, allows that the respect and prevention of conflicts of Company interests with the interests of the members of the management body in this matter is ensured.

On the other hand, the presence of a non-executive director intends to ensure the articulation of this Committee with the management body. This contributes to the consideration and alignment of Company interests in the structuring and determination of the remunerations of the directors.

Thus, the hybrid model followed by the Company in this matter is aimed at ensuring independence and the best pursuit of the Company's interests, as well as reinforcing efficiency in the determination of the remunerations. For this reason, the Compensation Committee, except for the abovementioned non executive independent director, does not include any member that renders any other kind of services to the PT Group, or that has a family relationship with members of the management body by way of marriage, kindred, or affinity in a direct line and up to the third degree.

1 _ Structure of the Group

On 31 December 2007, the PT Group was structured by business lines corresponding to 4 large core areas: wireline business, mobile business in Portugal (TMN), international business that includes Vivo (the joint venture with Telefónica for mobile business in Brazil) and support companies. The business units are coordinated by the Group's holding, led by its Executive Committee and with the support of the Corporate Centre, in accordance with the following chart:



Reporting by subsidiaries to the Corporate Centre is functional and not hierachical, which allows the actual articulation of PT Group's businesses.

Prior to 7 November 2007, PT Group also included a multi-media business area, through the subsidiary PT Multimédia and its corresponding subsidiaries. On such date, PT Multimédia was separated from the PT Group, through a spin-off procedure consisting of a free allocation to PT's shareholders of PT's holdings in that company.

2 _ Corporate governance model

1. Corporate governance model and characteristics of the management body

Further to the revision of the Portuguese Companies Code by the Decree-Law no. 76-A/2006, of 29 March, issuers of shares admitted to trading on a regulated market are required to choose between three corporate governance models established by such Code.

The Company is also required, as an entity with securities admitted to trading in the New York Stock Exchange ("NYSE") qualifying as one of the issuers known as foreign private issuer, to comply with the mandatory rules set forth in the Sarbanes-Oxley Act, notably the Rule 10A-3 on Listing Standards Relating to Audit Committees of the Securities and Exchange Commission ("SEC") and the Final Rules approved by NYSE regarding corporate governance ("Section 303A Corporate Governance Standards").

In order to have full compliance with the rules applicable in the United States of America, the Company created an Audit Committee on 18 December 2003, which operated until 22 June 2007 as an internal committee of the Board of Directors responsible for the supervision of the financial information contained on the financial statements of the Company, the independent auditors, the internal control system and the compliance with the legal and regulatory provisions and orientations applicable to the Company.

The consolidation of the Audit Committee within the Board of Directors has positively contributed to the envisaged attractiveness of the Company in the national and US markets, since the Audit Committee has assumed itself not only as a project publicly recognised as pioneer in Portugal, as it was also positively received by the US market as a structure which allows an effective supervision of the corporate activity, as well as accuracy and transparency in the aspects for which it is responsible.

In this context, the Company's Board of Directors has carried out a deep reflection aiming at introducing the changes to the corporate governance model that were required to comply with the new legal and regulatory framework. It was understood that the Anglo-Saxon governance model was a solution of continuity regarding the Portuguese and US markets and it will allow an easier comparability of the Company's model with the model imposed to the companies located in the United States of America, as well as with the governance structures with which investors and international analysts are familiarized with, which in effect has proved to be the case.

Therefore, pursuant to the resolution of amendment to the bylaws that was approved at the General Meeting of Shareholders held on 22 June 2007, the Company adopted the Anglo-Saxon corporate governance model, which includes a Board of Directors, an Audit Committee composed by non-executive directors who are elected by the General Meeting of Shareholders and a Chartered Accountant.

The Company's model further includes an Executive Committee with powers delegated from the Board of Directors, which shall act on a predominantly operational basis, and the Board of Directors shall supervise the corporate activities, with the support from the Corporate Governance Committee within the scope of the respective specific powers.

The adopted Governance model keeps a power separation between Board of Directors and Executive Committee, without prejudice to the concentration in a single member of the functions of chairman of the Board of Directors and chief executive officer ("CEO"), and is based on four basic pillars: efficiency, simplicity, transparency and accuracy.

In the meantime, on 21 September 2007, the chief executive officer announced that he would propose to the Board of Directors, after the Annual General Meeting of Shareholders for the approval of the year-end accounts, the appointment of Zeinal Bava as the Company's chief executive officer. Henrique Granadeiro will continue to be the chairman of the Board of Directors.

2. Composition of the Board of Directors

The Board of Directors of PT is composed of a minimum number of 15 and a maximum number of 23 members, who are elected at a General Meeting of Shareholders by a majority of the votes cast. Moreover under the terms of the bylaws, for the election of one third of the total number of directors, which shall include the chairman of the Board of Directors, such majority shall include the votes of the majority of the class A shares. Irrespective of the share capital held, any shareholder may individually submit proposals for the election of the Board of Directors.

Additionally, and according to corporate law, a minimum of shareholders representing at least 10% of the share capital that voted against the winning proposal in the election of the Board of Directors may appoint a member of the management body. The directors are appointed for a three-year term of office, the election year is considered as a full calendar year and there are no restrictions on the reelection of directors.

As of 31 December 2007, the Board of Directors of PT had the following composition:

Board of Directors on 31 December 2007					
	Executive Committee	Independent non-executive directors	No. of shares held	First appointment	Office term
Henrique Granadeiro (chairman)			150	2003	31-12-2008
Zeinal Bava (deputy CEO) ⁽¹⁾			63,161	2000	31-12-2008
Rodrigo Costa (vice-president) ⁽²⁾			–	2005	31-10-2007
Luís Pacheco de Melo			45	2006	31-12-2008
João Pedro Baptista			–	2006	31-12-2008
António Caria			486	2006	31-12-2008
Rui Pedro Soares			50	2006	31-12-2008
António Viana-Baptista ⁽³⁾			9,008	2000	12-02-2008
Fernando Abril-Martorell ⁽³⁾			–	2001	12-02-2008
Joaquim Goes			2,437	2000	31-12-2008
Amílcar Morais Pires			2,146	2006	31-12-2008
Armando Vara ⁽³⁾			–	2006	12-02-2008
Jorge Tomé			–	2002	31-12-2008
Nuno de Almeida e Vasconcellos			9,890	2006	31-12-2008
Rafael Mora Funes			–	2007	31-12-2008
João Mello Franco			13,308	1998	31-12-2008
Thomaz Paes de Vasconcellos			–	2003	31-12-2008
José Xavier de Basto			–	2007	31-12-2008
Franquelim Alves			–	2006	31-12-2008
Gerald S. McGowan			–	2003	31-12-2008
Francisco Soares			–	2006	31-12-2008
Fernando Soares Carneiro			–	2006	31-12-2008
Luís de Azevedo Coutinho			–	2006	31-12-2008

(1) In the course of the 2007 financial year, the director Zeinal Bava was appointed by the Board of Directors as deputy CEO of the Company. **(2)** Director Rodrigo Costa resigned from his office in the course of the 2007 financial year. **(3)** Directors Armando Vara, António Viana-Baptista and Fernando Abril-Martorell resigned from their offices in the course of the 2008 financial year.

To qualify director independence under the terms of the table above the independence criteria taken into account were the ones established in the CMVM Regulation no. 7/2001 and a Service Order approved by the Company's Board of Directors on 31 January 2008 for such purpose.

Under the terms of these provisions, directors are not considered independent non executive directors where they are associated to any groups with specific interests in the company or find themselves in a circumstance that may affect their capacity of unbiased analysis and decision-making, including:

- a)** Members of the management body who belong to the management body of a company that is in a control position over the former, as provided for under the Portuguese Securities Code;
- b)** Members of the management body who are holders of, perform management functions in, have a contractual bond with, or act in the name or on behalf of holders of qualified shareholdings equal to or greater than 2% of the share capital or of the voting rights in the Company or of an identical percentage in a company that is in a control position over the Company, as provided for under the Portuguese Securities Code;
- c)** Members of the management body who are holders of, perform management functions in, have a contractual bond with or act in the name or on behalf of holders of qualified shareholdings equal to or in excess of 2% of the share capital or of the voting rights in a competing company;
- d)** Members of the management body who earn any remuneration, even where suspended, from the Company or from any other company in a control or group relationship with the former, except for the remuneration for the exercise of management functions;

e) Members of the management body who have a significant commercial relationship with the Company or with any company in a control or group relationship with the former, either directly or through a third party. A significant commercial relationship is deemed to exist where there is an important service or goods provider, an important customer or an organisation that receives significant contributions from the company or controlling entity;

f) Members of the management body who are spouses, kindred, or have affinity in a direct line and up to the third degree with the persons referred to in the previous paragraphs.

In its turn, independence of the members of the Audit Committee, as such, shall be assessed pursuant to article 414-5 of the Portuguese Companies Code, whereby a person is deemed independent if such person is neither associated with any specific interest group in the Company, nor is under any circumstance that is capable of affecting such person's unbiased analysis or decision, notably by virtue of: (a) being the holder or acting in the name or on behalf of a holder of a qualified shareholding equal to or greater than 2% of the company's share capital; or (b) having been re-elected for more than two terms of office, on a consecutive or non-consecutive basis.

It is the Audit Committee's understanding that, in view of the provisions of article 414-5 of the Portuguese Companies Code, all its members are independent. It should be mentioned that, should the CMVM understand that the re-election for any corporate body (not just the supervisory body) is relevant for the purposes of paragraph (b) of article 414-5 of the Portuguese Companies Code, the member of the Audit Committee João Mello Franco, although elected for the first time for the Supervisory Body on 22 June 2007, was re-elected for more than two terms of office to perform non-executive functions in the Company's management body.

Furthermore, independence of the members of the Company's Audit Committee is also assessed according to the rules provided for under Rule 10A-3 on Listing Standards relating to audit committees approved by the Securities Exchange Commission and to the Independent Tests set out in Section 303-A on Corporate Governance Standards issued by the New York Stock Exchange (NYSE), which are applicable to such members of the Audit Committee by virtue of the Company being an entity which shares are admitted to trading on the NYSE.

The abovementioned independence criteria are complied with by all the members of the Audit Committee.

It should also be mentioned that the rules on the assessment, by the Company, of incompatibilities, independence and specialisation of the members of the Audit Committee in light of the abovementioned rules are set out in a resolution of the Audit Committee and a Service Order approved by the Board of Directors on 31 January 2008. According to these rules, all the members of the Audit Committee should be considered as independent.

The composition and functions of the Executive Committee, which is the body responsible for the management in the normal course of business of the Company, are described under item 3 below.

Appendix I hereto contains a description of the functions performed by the members of the management body in other companies, with express reference to those performed in other companies of the Group, as well as the professional qualifications and the professional activities performed by those members in the last five years.

The composition of the Board of Directors was changed on 12 February 2008, by virtue of the cooptation onto the Board of Directors, on such date, of Francisco Bandeira, José María Álvarez-Pallete and Santiago Fernández Valbuena to complete the 2006-2008 term of office.

3. Executive Committee

The Executive Committee is composed by the following directors:

Henrique Granadeiro (CEO)
Zeinal Bava (deputy CEO)
Luís Pacheco de Melo (executive officer)
João Pedro Baptista (executive officer)
António Caria (executive officer)
Rui Pedro Soares (executive officer)

Duties

The Board of Directors delegated the management in the normal course of business to the Executive Committee, vesting it with all the powers necessary for such purpose, with the exception of those pertaining to the matters referred to hereunder and without prejudice to the faculty of claiming some of the authorities delegated:

- > Cooptation of directors;
- > Request for the call of General Meetings of Shareholders;
- > Annual reports and accounts to be submitted to the approval of the General Meeting of Shareholders;
- > Posting bonds and personal guarantees or guarantees in rem by the company, the authority for which is reserved to the Board of Directors, without prejudice to the provisions of article 15(h) of the bylaws;
- > Change of the company's registered office;
- > Projects for spin-offs, mergers and transformation of the company, to be proposed to the General Meeting of Shareholders, as well as acquisitions, disposals, mergers, spin-offs, as well as the main strategic partnership agreements that involve companies of the PT Group, where, in such instances, such transactions do not constitute mere internal reorganisations of the PT Group within the framework of the general goals and fundamental principles approved by the General Meeting of Shareholders;
- > Projects for share capital increases to be proposed to the General Meeting of Shareholders;
- > Amendments to the bylaws to be proposed to the General Meeting of Shareholders;

- > Definition of the general goals and of the fundamental principles of the policies of the PT Group to be submitted for approval at the General Meeting of Shareholders, notably the definition of the sectors of investment and disinvestment, the policy for geographical expansion of its businesses and the strategic options pertaining, inter alia, to the technology to be adopted, network development and service rendering;
- > Important extensions or reductions in the Company's business and important modifications to the Company's organisation;
- > Business plans, budgets and annual investment plans;
- > Definition of the amount to be annually proposed to the General Meeting of Shareholders for issuance of bonds or other securities that may be subsequently resolved by the Executive Committee.

4. Corporate Governance Committee

In compliance with the applicable legal or regulatory requirements, and so as to adopt existing recommendations and the best international practices, as of 31 December 2007 there is, within the Board of Directors, in addition to the Executive Committee and the Audit Committee, a committee responsible for assessing and developing the corporate governance model.

João Mello Franco (chairman)
Joaquim Goes
Jorge Tomé
Franquelim Alves
Francisco Pereira Soares
Rafael Mora

Duties

The Corporate Governance Committee has the duties, powers and responsibilities as required to assist the Board of Directors in the performance of its corporate business supervision function in the following areas:

- > Adoption, review and permanent evaluation of the corporate governance model, of internal rules and procedures on the Company's structure and governance, as well as of the Group's conduct principles and practices in compliance with the bylaws and the legal and regulatory provisions, and furthermore of national and international recommendations, standards and best practices on this matter;
- > Evaluation of the performance of the Board of Directors.

In particular, the Corporate Governance Committee has the following assignments:

- > To propose to the Board of Directors and to revise and re-evaluate the Company's corporate governance model, including its organisation structure, operation, responsibilities and internal rules of the Board of Directors;
- > To study, revise and re-evaluate the Group's corporate governance principles and practices, notably concerning Group relations, and particularly Company relations with the market, the shareholders and other stakeholders, qualifications, independence and responsibility of directors, as well as conflict of interest prevention and information discipline;
- > To assist the Board of Directors in evaluating its performance with a view to contributing to efficiency and transparency in this procedure;
- > To study, revise and re-evaluate the values, principles and practices that must govern the conduct of the Group's employees, including the study, revision, interpretation and supervision of application of the codes of ethics or conduct approved or to be approved by the Company.

During the 2007 financial year, the Corporate Governance Committee carried out various activities aimed at meeting its goals and duties, particularly for the review of the governance model and the Company's governance practices, as well as of the Group's principles and rules of conduct.

For such purpose, the Corporate Governance Committee held 5 meetings during 2007, and discussed mainly the following matters:

- > Consideration of company governance and supervision models as provided for under the Portuguese Companies Code as results of the Decree-Law no. 76-A/2006, of 29 March, which culminated in the proposal to the Board of Directors for the adoption of an Anglo-Saxon type model;
- > Preparation of the reply to the CMVM Public Consultation no. 3/2007 in respect of the Draft Corporate Governance Code;
- > Carrying out a prior evaluation of the implications on PT of Corporate Governance Code that was approved by the CMVM;
- > Proposal to the Board of Directors and Audit Committee for the adoption of internal rules and procedures in order to assess the independence of directors and the incompatibilities, independence and expertise of the members of the Audit Committee;
- > Review of the draft Service Order on the definition, identification, decision-making procedure and reporting of transactions with related parties;
- > Proposal to the Board of Directors for review of the internal regulation on transactions of PT Group managers;
- > Preparation of a communication to be addressed to the Board of Directors on the degree of compliance by the Company with the rules, recommendations and best practices nationally and internationally applicable in the matter of corporate structure and governance and conduct principles and practices;
- > Evaluation of the Board of Directors governance practices;
- > Evaluation of the draft "Company Governance Report" for the 2007 financial year;
- > Preparation of the 2008 action plan to be submitted to the Board of Directors;
- > Preparation of the self-evaluation report, including the evaluation of the Committee's operation regulation.

5. Management body operating rules

Board of Directors

Under the terms of article 24 of the bylaws, the Board of Directors shall set the dates or periodicity of its ordinary meetings and will meet extraordinarily whenever called upon by its chairman or by two directors or by the Audit Committee.

The Board of Directors may not function without the presence of the majority of its members in office. The chairman of the Board of Directors may, in cases of recognised urgency, waive the presence of that majority if the same is ensured through voting by correspondence or by power of attorney, although a director may not represent more than one other director.

The Board of Directors' resolutions are passed by a majority of votes cast, and the chairman has a casting vote.

Resolutions passed and voting declarations are recorded on minutes, which shall be signed by all the members of the Board of Directors that participate in the meeting.

The meeting participants may dictate a summary of their interventions to be included in the minutes.

Executive Committee

To better ensure the performance of its duties according to the criteria adopted on that date, the PT Board of Directors created an Executive Committee to which it delegates ongoing management functions, while retaining supervision and control functions.

The Executive Committee sets the dates and periodicity of its ordinary meetings and will meet extraordinarily whenever called upon by its chairman or by two of its members or by the Audit Committee.

The Executive Committee may not function without the presence of the majority of its members in office. The chairman may, in cases of recognised urgency, waive the presence of such majority if the same is ensured through voting by correspondence or by power of attorney, and also by conference call or video conference.

Voting by correspondence and by power of attorney is permitted, although no member of the Executive Committee may represent more than one other member of the same.

Resolutions are passed by a majority of the votes cast, and the chairman has a casting vote.

Division of powers within the Executive Committee

Within the framework of the corporate decision-making procedure concerning PT Group's business lines and Corporate Governance, the members of the Executive Committee are responsible for the following areas:

Executive Committee	Corporate assignments	Executive assignments
Henrique Granadeiro Chief executive officer	<ul style="list-style-type: none"> > Strategy > Regulatory management > Competition > Communication and corporate image > Human resources > Institutional relations > International relations > Internal auditing > Legal services 	<ul style="list-style-type: none"> > PT Centro Corporativo > Fundação PT
Zeinal Bava Deputy CEO	<ul style="list-style-type: none"> > Investor relations > Project of social sustainability model > Integrated strategy for information and innovation services > Convergence and distribution strategy > Integrated networks strategy 	<ul style="list-style-type: none"> > PT Comunicações > TMN > PT PRO > PT.COM > PT Corporate > PT SI > PT Inovação > PT Wifi > PT Prime
Luís Pacheco de Melo Executive officer	<ul style="list-style-type: none"> > Planning and management control > Financial operations and treasury > Financial reporting > Corporate finance > Financial holdings > Internal controls and risk management > Taxation 	<ul style="list-style-type: none"> > PT ACS > Previsão
João Pedro Baptista Executive officer	<ul style="list-style-type: none"> > Business development > Foreign financial holdings 	<ul style="list-style-type: none"> > PT Investimentos Internacionais > Vivo > PT Móveis > Other international subsidiaries
António Caria Executive officer	<ul style="list-style-type: none"> > Quality and customer satisfaction > Strategy for service hiring 	<ul style="list-style-type: none"> > PT Compras > PT Contact
Rui Pedro Soares Executive officer	<ul style="list-style-type: none"> > Marketing > Security policies > Relations with regions, local authorities and portuguese language communities > Environment and energetic efficiency 	

Powers of the chairman of the Board of Directors and of the chief executive officer

Since April 2006, the functions of chairman of the Board of Directors and of the chief executive officer are exercised by the same officer. In this way, as at 31 December 2007, pursuant to the bylaws and the operating rules of the Board of Directors and of the Executive Committee, the chairman Henrique Granadeiro accumulated the functions of chairman of the Board of Directors and of chief executive officer, and so he was entrusted with the following duties:

- > To represent the Board of Directors in and out of court;
- > To coordinate the activity of the Board of Directors and Executive Committee, and to distribute matters among their respective members, where advisable in light of management conveniences;
- > To call and conduct the meetings of the Board of Directors and Executive Committee;
- > To watch over the correct execution of the Board of Directors' and Executive Committee's resolutions.

In the meantime, on 21 September 2007, the chief executive officer announced that he will propose to the Board of Directors, after the Annual General Meeting of Shareholders for the approval of the year-end accounts, the appointment of Zeinal Bava as the Company's chief executive officer. Mr. Henrique Granadeiro will continue to be the chairman of the Board of Directors.

Information to the members of the Board of Directors

Under the terms defined in the relevant delegation of powers, in each meeting of the Board of Directors or whenever necessary, the Executive Committee provides information to the remaining directors about the most relevant facts concerning the execution of the delegated powers, notably about the implementation of the strategic policies and options whose general goals have been defined by the Board of Directors, as well as about the implementation of the business plans, budgets and annual investment plans approved by that same body.

The Executive Committee also provides any additional information on the management status as the Board of Directors deems fit to request, while diligently executing the actions related to any indications that may be conveyed to it by the Board of Directors as a result of any information provided.

Number of meetings of the Board of Directors and of the Executive Committee during the 2007 financial year

As a rule, the Board of Directors meets monthly but it can, however, meet extraordinarily whenever called by its chairman or by two directors or by the Audit Committee. In 2007, there were 16 meetings of the Board of Directors.

The Executive Committee, in its turn, met 36 times during the year of 2007.

6. Director remuneration policy

Remuneration policy for executive and non-executive directors

The remuneration of the directors of the PT Group follows two models in accordance with the best national and international practices:

- > **Non-executive directors:** Their compensation is determined by an annual fee by the Compensation Committee, without attendance tickets, that takes into consideration that some directors also perform duties in a Board delegated committee to assist the Board in its supervisory function. There is no variable remuneration for non-executive directors.
- > **Executive directors:** The remuneration of executive directors is determined by the Compensation Committee taking into account the short- and medium-term performance of the PT Group, as well as such performance when compared to other companies of a similar dimension and business.

The remuneration of the chairman of the Board of Directors and chief executive officer, as well as the remuneration of the other executive directors, is composed of a fixed portion and a variable portion, where the latter may go up to 120% of the fixed remuneration on an yearly basis, and up to 50% of the fixed remuneration as a multi-year variable remuneration concept.

The value of the fixed remuneration of the directors was determined on the basis of a benchmark study carried out by an international human resources consulting company. In this study, companies integrating the PSI 20, IBEX 35, CAC40, DJ Eurostoxx 50 indexes were analysed, as well as European telecommunications companies comparable to PT.

The determination of the annual variable remuneration to be granted as a result of the performance in 2007 takes into consideration the analysis of: (a) PT Total Shareholder Return ratio by the same concept of Group 2 of the DJ Stoxx Telecom, where the TSR is understood as the sum of the share price variation and the value of the dividend per share; (b) the consolidated revenue growth delta as opposed to the same comparison group; (c) EBITDA growth delta as opposed to the same comparison group; (d) cost control, OPEX reduction; (e) net profit and EPS growth.

The determination of the pluriannual variable remuneration shall be calculated each year and cumulatively over the duration of the term of office and paid at the end of the same if the weighed average of all indicators during the term of office is equal to or greater than 80% of the established goals. This yearly and cumulative calculation shall be based on the analysis of the following indicators: (a) PT Group ROCE evolution versus the ROCE for Group 2 of the DJ Stoxx Telecom during that same period; (b) net profit and EPS growth in the period; (c) PT TSR ratio versus the TSR ratio of the same abovementioned comparison group in the period; (d) evolution of PT Sustainability Index according to the DJSI methodology; (e) evolution of the PT Group image taking into account the growth of the customer and employee satisfaction index; (f) fulfilment of strategic goals.

In accordance with the CMVM's recommendation in this matter, the Compensation Committee submitted to the Annual General Meeting of Shareholders held on 27 April 2007 a statement on the corporate bodies remunerations policy, together with the management report and accounts concerning the 2006 financial year.

Alignment of director interests with Company interests

As described above, PT strives to align management interests with the Company's and its Shareholders' interests, in addition to further taking into consideration the alignment with the interests of its main stakeholders. For such purpose, the annual and pluriannual variable remuneration of its directors is dependent on their performance, as well as of its sustainability and the directors' ability to achieve certain goals that contribute to the strategic goals of the PT Group.

Payments in connection with early termination of director's agreements

PT has established with some of its executive directors several individual agreements, whereby, should the directors not be re-appointed once their current term of office lapses, they will be entitled to a compensation not exceeding the remuneration they would earn in the two subsequent years, and a variable compensation was also established in some cases. In consideration of the compensation granted, departing directors undertake not to carry out a business competing with PT for a period as agreed between the parties.

In addition, under those same agreements, should PT remove such directors from office without just cause, PT shall pay a compensation equivalent to the remuneration they would earn until the end of the then current term of office.

7. Director remunerations

Fixed and variable remunerations of executive and non-executive directors

In 2007, the fixed and variable remunerations earned by executive and non-executive directors were inferior in approximately 31%, in comparison with the remunerations earned in 2006, as per note 45 on the Appendix to the Consolidated Financial Statements included in the Management Report.

Connection between director remuneration and performance

In order to maximise good management efforts (comment to the CMVM recommendation no. 8 and Plan of Action of the European Commission), the variable remunerations actually attributed to the chairman of the Board of Directors and Chief Executive Office and to each executive director were indexed to their performance as officers in the management body of the Company, according to the criteria set forth as relevant in the Company's remuneration policy described above.

Allotment of shares or share call options or other share incentive systems – bonuses, non-financial benefits and profit sharing

There are no share allotment, share call option or other share incentive system plans, nor any bonuses or non-financial benefits of any nature, profit sharing included.

See also the information set out in note 9 on the Appendix to the Consolidated Financial Statements included in the annual report.

Payments due for termination of office

During the 2007 financial year, PT made payments to a former member of the Executive Committee for his early termination of office within the spin-off of PT Multimédia, the payment amount was determined based on the application of the general conditions that were established within the framework of such spin-off, in the amount of Euro 1.8 million.

Estimate of other non-financial benefits

Apart from those described above, no other significant non-financial benefits were granted.

In fact, the chairman of the Board of Directors and the members of the Executive Committee are only granted, as applicable, the benefits set forth for senior officers of the Company.

8. Structures supporting the Executive Committee

Currently, investor decisions pertaining to the allocation of capital to listed companies take into account not only economic evaluations, but also information transparency and the companies' executive management security and reliability levels. The Executive Committee created, within the scope of the powers delegated by the Board of Directors, three supporting structures in order to better perform its functions.

The composition and duties of the structures supporting the Executive Committee are as follows:

Consultive Council

Luís Todo Bom (chairman)
José de Almeida Mota
Miguel Amaro*
Aníbal Santos
João Confraria
José Manuel Tribolet
José Lamego
Ruy de Albuquerque**
João Ribeiro da Fonseca
Amílcar Martins

Duties

The mission of the Consultive Council is to ponder, together with the Executive Committee, over major strategic issues faced by the PT Group, contributing to a corporate management of excellence.

* Termination of office on 31 December 2007.

** Consultive Council member Ruy de Albuquerque passed away during the course of the 2007 financial year.

The activity of the Consultive Council consists in addressing, together with the Executive Committee, areas with special relevance for PT or issues which level of importance so advise, notably regulation, competition, international investments, mergers, acquisitions and disposals, technological strategies and their implication in the Group's business structure.

It is incumbent on the members of the Consultive Council, as to activities and shareholdings held or to be acquired by the PT Group to:

- > Provide the chief executive officer and the Executive Committee with information, analysis and opinions on matters of a regulatory, technological, economic and corporate nature;
- > Analyse relevant aspects of economic trends, both as to the present and as to future prospects, notably with regard to factors capable of influencing or enhancing the PT Group business;
- > Assist the chief executive officer and the Executive Committee in developing corporate strategies and the best management practices;
- > Issue opinions and recommendations on any matters eventually submitted to its evaluation by the chief executive officer or by the Executive Committee.

The Consultive Committee held 8 meetings during the 2007 financial year, and discussed mainly the following matters:

- > Optimisation of short-term results versus new technologies and capacities;
- > High investment in broadband versus regulatory pressure for open networks and price reduction;
- > Distribution of results versus international growth and expansion;
- > Priority markets and international growth strategy;
- > The PT Group vis-à-vis its new competitor PT Multimédia.

Disclosure Committee

Luís Sousa de Macedo (chairman)

Francisco Nunes

Nuno Prego

Nuno Machado*

Carlos Cruz

Duties

It is incumbent on the Disclosure Committee to: define, document and disclose procedures as appropriate for a proper collection, processing and report of information, as well as to revise all information disclosed by PT, notably: press releases, reports and accounts (annual and interim), Forms 20-F, notices to the CMVM and questionnaires sent to the media.

For such purpose, the Disclosure Committee shall approve and implement procedures and controls as required to ensure that information disclosure by PT to shareholders and investors: (i) complies with applicable laws and regulations; (ii) is accurate, complete and made in due time, and (iii) reliably represents the Group's financial position and the results of its operations in all respects as materially relevant for proper knowledge of its financial condition and performance.

The Disclosure Committee held 7 meetings during the 2007 financial year, and discussed mainly the following matters:

- > Financial information to be disclosed to the market, taking into account financial and non-financial information reported by its subsidiaries;
- > Review of quarterly, interim and annual result disclosures.

* Termination of functions during the 2007 financial year.

Sustainability Committee

Henrique Granadeiro (chairman)
João Pedro Guimarães
Luís Sousa de Macedo
José Pedro Pereira da Costa*
Luís Avelar
Duarte Calheiros*
Gonçalo Pinto Coelho
Graça Galvão
Miguel Amaro
Francisco Nunes
Nuno Prego
Luís Moura*
Diogo Horta e Costa
Abílio Martins

Duties

It is the Sustainability Committee's responsibility to ensure that corporate sustainability is a part of and consistent with the Group's strategy and transversal to all its companies.

In order to pursue such goals, the Sustainability Committee has the following duties:

- > To develop a transversal corporate sustainability strategy that is integrated and consistent with the PT Group's strategy;
- > To ensure the creation within the PT Group of the conditions required for its sustainable growth, in a three dimensional perspective, in economic, environmental and social terms, in accordance with international criteria;
- > To develop, promote and supervise projects and actions as required for the proposed goals;
- > To identify, define and control the best teams to carry out such projects;
- > To strengthen the performance of the Fundação PT within its areas of specific activity, notably of citizenship and philanthropy;

- > To guarantee internal and external communication by reinforcing the performance of the PT Group as a sustainable company and making it recognised as such;
- > To control and evaluate the action plan as established and incorporated in the sustainability strategy.

The Sustainability Committee is incorporated in the Governance model of the PT Group, and reports directly to the Executive Committee.

During the 2006 financial year, the responsibilities and composition of the Sustainability Committee were redefined. Currently the Sustainability Committee is chaired by the Chief Executive Officer, and directors of each of the Group's companies, the secretary general and the heads of the corporate units of PT have become part of the same.

Within its duties, the Sustainability Committee approved, for subsequent submission to the Company's Executive Committee, a package of measures notably related to:

- > The extension of the certifications of PT Comunicações management systems, in the areas of environment and labour hygiene, health and safety, to the Group's companies not yet certified under such rules;
- > The creation of an integrated risk management model;
- > The improvement of the sustainable supplier selection and hiring model, notably by including contractual clauses related to Human Rights and the adoption of a supplier monitoring model better adjusted to new selection and hiring conditions; and
- > The adoption of a set of energy resources rationalisation and efficient management measures for the Group.

The Executive Committee evaluated the proposals submitted and endeavoured to have the same implemented in the various companies of the Group.

* Termination of functions during the 2007 financial year.

9. Supervision of the Company

In accordance to amendments to the bylaws approved at the General Shareholders Meeting held on 22 June 2007, following the coming into force of legislative amendments to corporate governance models as provided for under Portuguese law, the supervision of the Company became the responsibility of an Audit Committee and a Chartered Accountant, who were elected for such purpose at the abovementioned General Shareholders Meeting.

Audit Committee*

João Mello Franco (chairman)
Thomaz Paes de Vasconcellos
José Xavier de Basto

The Audit Committee, as a corporate body, is exclusively composed of non-executive directors, observing the requirements of article 423-B of the Portuguese Companies Code, which requires that the Audit Committee is composed by a majority of independent members as defined in article 414-5 of that same Code, and that, of such independent members, at least one of them has had higher education as appropriate to carry out his duties and has knowledge of audit and accounting.

* This composition of the Audit Committee was approved at the General Meeting of Shareholders of 22 June 2007. Until this date, the Audit Committee was composed by the members João Mello Franco, Luís de Azevedo Coutinho and Thomaz Paes de Vasconcellos and operated as a specific committee within the Board of Directors with delegated powers in the following matters: (1) the supervision of the quality and integrity of the financial information contained in the Company's account rendering documents, (2) the evaluation of the qualification and independence of the Company's external auditors, (3) the evaluation of the quality, integrity and efficiency of the Company's internal control system, (4) the evaluation of the execution of the functions performed by the Company's external auditors and of the Corporate Internal Auditing Office, and (5) the evaluation of compliance with legal and regulatory provisions, and with recommendations and guidelines issued by competent authorities. Within this context, the Audit Committee held 6 meetings until the abovementioned date.

Duties

As a supervisory body, the Audit Committee has, in addition to all other powers established by law or the bylaws, the following powers:

- > To check the accuracy of statutory financial statements and generally supervise the quality and integrity of the financial information contained in the Company's statutory financial statements;
- > To control the financial information preparation and disclosure procedure;
- > To analyse and issue its opinion on relevant matters connected to accounting and auditing aspects and impact on financial statements of changes to the accounting rules applicable to the Company and to its accounting policies;
- > To control the preparation and auditing of the Company's statutory financial statements, as well as to supervise and assess internal procedures on accounting and auditing matters;
- > To propose the appointment of the Chartered Accountant to the General Meeting of Shareholders;
- > To control the independence of the Chartered Accountant, notably as regards to the rendering of additional services;
- > Direct and exclusive responsibility as to the appointment, hiring, confirmation or termination of duties and determination of remuneration of the Company's external auditors, as well as to the control over their qualifications and independence, and approval of audit and/or other services to be rendered by such external auditors or by persons associated to the same; the external auditors of the Company must report and be subject to the direct and exclusive supervision of the Audit Committee, who each year shall obtain from and review with the external auditors an external audit report;
- > To settle any differences between the Executive Committee and the abovementioned external auditors in respect of the financial information to be included in statutory financial statements to be reported to the competent authorities, as well as in respect of the procedure of preparation of the audit reports to be issued by the said external auditors;

- > To control the quality, integrity and efficiency of the risk management system, internal control system and internal audit system, including an annual review of their adequacy and efficiency, and generally to supervise the execution of the functions performed within the framework of the Company's internal audit and internal control system;
- > To receive reports of irregularities, claims and/or complaints submitted by shareholders, Company employees or others, and to implement procedures aimed at receiving, registering and processing the same when related to accounting and auditing aspects, and internal control procedures on such matters;
- > To comment and issue its prior opinion within its powers established by law or by the bylaws, and whenever it deems necessary or appropriate, on any reports, documentation or information to be disclosed or submitted by the Company to the competent authorities.

Since 22 June 2007 and until the end of the financial year, the Audit Committee held four meetings (an average of one every two months) with the presence of all its members.

Notwithstanding the governance model transition and the change in its composition, the Audit Committee now in office, considering its functional equivalence to the former internal committee of the Board of Directors, ensured the continuity of the works in progress and undertook new duties that are typical of a supervisory body. In this way, the following activities were started and/or carried out in the 2007 financial year, by the above two structures (This Committee's activity report for 2007 details the description of these activities):

1. Activities in general

- > Approval of its Internal Regulation in order to accommodate the powers defined under the relevant national legal and regulatory rules, as well as the responsibilities pertaining to compliance with the rules applicable to issuers known as foreign private issuers in the United States;
- > Preparation of a self-evaluation report for 2007 and of an action plan for 2008.

2. Supervision of the quality and integrity of the financial information contained in the Company's accounts

- > Analysis of the annual, interim and quarterly financial information disclosed by the Company and of its compliance with the legal, regulatory and accounting requirements in force and discussion on such information at periodic meetings with the executive director responsible, the external auditors and/or chartered accountant of the Company;
- > Opinion on the individual and consolidated Report and Accounts for the first half-year of 2007, as well as opinion on the individual and consolidated Report and Accounts for the 2007 financial year, to be submitted by the Board of Directors to the approval of the General Meeting of Shareholders;
- > Participation in the Executive Committee meeting at which the 2007 annual accounts were discussed and approved;
- > Supervision of compliance with and adequacy of accounting policies, procedures and practices and value-metrical criteria adopted, as well as regularity and quality of the Company's accounting data, by means of analysis of the reports and audits with the corporate internal audit office, the external auditors and the chartered accountant;
- > Follow-up of the issues reported by the external auditors by reference, notably, to the Statement of Audit Standards no. 61, and considering, inter alia, the main accounting criteria used, the inscription of non-usual and/or non-frequent transactions and the significant judgements adopted;
- > Analysis of the procedure of preparation and report of Form-20 to the SEC.

3. Appointment and supervision of the qualifications and independence of the external auditors and chartered accountant

- > Renewal of the agreement with the external auditor of the Company (based on the evaluation of the work that was developed, qualifications and independence) and assessment of its independence, including, notably, the prior approval of services other than audit or audit-related;

- > Proposal for appointment, at the General Shareholders Meeting dated 22 June 2007, of the effective and alternate chartered accountant of the Company, and supervision of its independence (considering, in particular, that the chartered accountant does not provide any additional services to the Company).

4. Supervision of the quality, integrity and efficiency of the internal control and risk management system and of the internal audit and execution of functions by the external auditors, chartered accountant and corporate internal auditing office

- > Supervision of the efficiency of the Company's internal control and risk management system, which was evaluated and revised by the external auditors and corporate internal Auditing Office;
- > Analysis and approval of the working plans for the external auditors and internal auditing function;
- > Follow up of the auditing of the financial statements and internal control system carried out by the external auditors;
- > Control of the official audit, by evaluating and discussing the content of the legal account certifications and periodically meeting with the chartered accountant;
- > Quarterly follow-up meetings as to the work carried out by the corporate internal auditing office, and monthly meetings for analysis of the main issues raised and of the implementation by the Executive Committee of the proposals submitted in such office's reports.

5. Whistleblowing and compliance system

- > Receipt and conveyance of any irregularities communicated within the framework of the System for Qualified Communication of Undue Practices, and periodical meetings with the team responsible for handling such communications, which does not hold decision-making powers, aimed at the analysis and decision by the Audit Committee of reported matters and at the system's improvement and internal disclosure;

- > For purposes of control of the management of the Company and compliance with provisions applicable under the law, regulations and the bylaws, this Committee carried out, inter alia, the following activities: (i) approval of rules on the assessment of independence, incompatibilities and specialisation requirements applicable to its members; (ii) supervision of the internal control system; (iii) evaluation of the external and internal audit and the audit carried out by the chartered accountant; and (iv) discussion and analysis of the issues raised by supervisory authorities to the Company with an impact on the financial information or compliance with the accounting policies.

Chartered accountant

The effective and alternate chartered accountant were elected at the General Meeting of Shareholders of 22 June 2007, upon proposal by the then recently elected Audit Committee, and the following were designated:

P. Matos Silva, Garcia Jr., P. Caiado & Associados, Sociedade de Revisores Oficiais de Contas, represented by Pedro João Reis de Matos Silva as chartered accountant (effective)
Ascensão, Gomes, Cruz & Associado, Sociedade de Revisores Oficiais de Contas, represented by Mário João de Matos Gomes as chartered accountant (alternate)

Duties

The chartered accountant has the powers and duties established under the law, and must review the accounts of the Company and check the regularity of the books, accounting records and supporting documents, the extension of cash flow and inventories of any kind of goods or values belonging to the company or received by the company as security, deposit or otherwise, wherever deemed convenient and in the manner considered as appropriate, the accuracy of the Company's accounts, and whether accounting policies and value metrical criteria adopted by the Company lead to a correct evaluation of its assets and results.

Up to the election of the new Audit Committee and the chartered accountant, on 22 June 2007, the duty of supervision of the Company was exercised, during the 2007 financial year, by a Supervisory Board, according to the law, composed by:

Pedro João Reis de Matos Silva (chairman)

Gonçalo Vaz Botelho (member)

Ascensão, Gomes, Cruz & Associado, Sociedade de Revisores Oficiais de Contas, represented by **Mário João de Matos Gomes** (member)

José Vieira dos Reis (alternate member)

External auditors

During the 2007 financial year, the annual remuneration paid to the Company's external auditors, Deloitte & Associados, SROC, SA ("external auditors"), was Euro 2,349,143, such payment corresponding to the following services:

	Euro			
	2007	%	2006	%
Audit fees	1,857,274	79%	1,686,520	60%
Audit related fees	277,978	12%	679,890	24%
Tax fees	18,900	1%	52,003	2%
Other fees – not audit nor audit-related	194,991	8%	382,455	14%
Total	2,349,143	100%	2,800,868	100%

In order to safeguard the independence of external auditors, the following powers of the Audit Committee exercised during the 2007 financial year both as a delegated committee of the Board of Directors, until 22 June 2007, as well as, after such date, as an autonomous corporate body elected at the General Meeting of Shareholders, should be highlighted:

- > Appointment and hiring of external auditors and responsibility for establishing their remuneration, as well as pre approval of any services to be hired from the external auditors;
- > Direct and exclusive supervision by the Audit Committee;

- > Annually obtaining, directly from the external auditors, written information on the auditors' quality control internal procedures, any substantial issues arisen within such control or following the inquiry carried out by competent authorities over the last 5 years, as well as all relations existing between the Company and the auditors or associated persons, including all services rendered and all services in progress; in fact, the Audit Committee, in order to evaluate independence, obtained from the external auditors information on their independence in light of the Independence Standard Board no. 1 Independence Discussions with Audit Committees;
- > Evaluation of the qualifications, independence and performance of external auditors;
- > Definition of the Company's hiring policy concerning persons who have worked or currently work with the external auditors;
- > Review, with the external auditors, of the scope, planning and resources to be used in their services;
- > Responsibility for the settlement of any differences between the Executive Committee and the external auditors concerning financial information;
- > Definition of the annual fee limits to be paid regarding the services supplied by external auditors and quarterly review of the contracting levels of such services.

Within this context, it should be particularly stressed that external auditor independence was safeguarded by the implementation of the Company's policy on pre-approval of the services to be contracted with the external auditors, which results from the application of the rules issued by the SEC on this matter. According to such policy, the Audit Committee makes an overall pre-approval of the service provision proposal made by the auditors and a specific pre-approval of other services that will eventually be provided by the external auditors, particularly the services other than "audit and audit related".

It should also be stressed that, in accordance with SEC rules, the Audit Committee, within its responsibilities, has defined the rules on the limitations and restrictions the PT Group must comply with should there be an intention to hire employees belonging to the external auditors' company.

10. Whistleblowing

In 2005, the PT Group implemented a set of procedures called “System for Qualified Communication of Undue Practices”, or Whistleblowing. Within this System, “undue practices” mean all acts or omissions, wilful or seriously negligent, which are imputed to the conduct of corporate body members and other managing officers, heads of departments, staff and remaining employees of Group companies, notably in matters pertaining to Accounting, Internal Control or Auditing, that may be reflected in the financial statements or in information sent to the Portuguese regulatory authority, the Portuguese Securities Market Commission (CMVM), or the US regulatory authority, the US Securities and Exchange Commission (SEC), or that may cause damage to the PT Group’s assets.

Taking this framework into account, whistleblowing is any communication of information made by any person who believes that there is evidence of any of the following:

- > Violation of a law, rule or regulation;
- > Bad management;
- > Abuse of authority;
- > Large fund squandering.

Upon implementation, the existence of the System for Qualified Communication of Undue Practices was made public through personal communication addressed to each of the employees and by the inclusion of a text on the PT Group website.

Any employee or person outside the Group (meaning a person that does not belong to the PT Group’s staff – for instance, a shareholder, customer or supplier) may communicate undue practices through a website specifically created for such purpose: <https://napq.telecom.pt>.

The communication is automatically encrypted, it may be sent from any computer (within or outside the PT Group), and its identification is virtually impossible.

Both confidentiality of the communication and the anonymity of the person reporting will be ensured at all times, unless the person concerned unequivocally intends and declares otherwise.

In no case is any kind of retaliation tolerated against those that make the said communications.

The Audit Committee ensures the receipt and follow-up of communications, which are first received by a Qualified Communication Analysis Team (NAPQ – Núcleo de Análise de Participações Qualificadas), who processes the communications and sends them to the Audit Committee. The Audit Committee has powers to take the required decisions, making the same known to the CEO and CFO, as well as to other internal or external entities whose involvement is required or justified.

3 _ Information disclosure

1. Capital structure and major shareholders

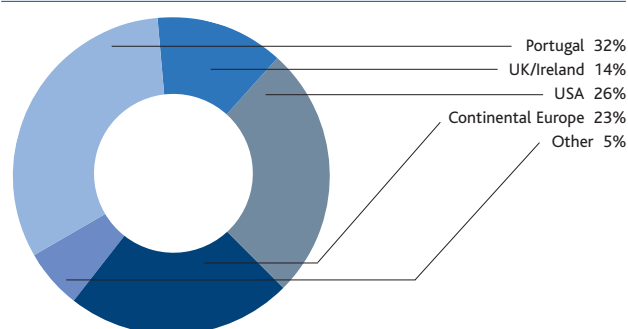
Upon completion, on 31 December 2007, of the share capital reduction in the Company, in an amount of Euro 3,091,695, by means of extinction of 103,056,500 own shares, the share capital in PT is, as from such date, Euro 30,774,000, fully paid up and represented by 1,025,800,000 shares with a par value of three cents each.

Five hundred of such shares are class A shares, which is equivalent to 0.0000487% of the entire share capital. Under the bylaws, a majority of class A shares must be held by the Portuguese State or other entities belonging to the State sector, and are currently held by Direcção-Geral do Tesouro. The special rights regarding class A shares are described in chapter 5-3.

All PT ordinary shares are admitted to trading on the Eurolist by Euronext Lisbon regulated market.

Pursuant to a resolution approved at the General Meeting of Shareholders held on 22 June 2007, the Board of Directors is authorised under the bylaws to increase the share capital, on one or more occasions, as provided for by law, up to Euro 15,000,000, provided however that the Audit Committee gives an opinion in favour of such share capital increase and the increase is preceded by a resolution of the General Meeting of Shareholders established the parameters under which it must be executed, as required by the bylaws.

Shareholder structure (%)



Qualified holdings on 31 December 2007

Institutions	No. of shares	%
Brandes Investment Partners	98,943,217	9.65%
Telefónica	93,915,644	9.16%
Banco Espírito Santo	91,311,811	8.90%
Caixa Geral de Depósitos	65,341,768	6.37%
Ongoing Strategy Investments	60,404,969	5.89%
Telmex	38,460,000	3.75%
Fidelity	23,592,185	2.30%
Barclays Group	23,216,664	2.26%
Capital Group Companies	22,996,339	2.24%
Crédit Suisse	22,683,484	2.21%
Visabeira Group	22,667,473	2.21%
Controlinveste Comunicações	22,284,551	2.17%

Updated information on qualified holdings in the Company may be consulted at www.telecom.pt or the CMVM site.

2. Risk control system

As a Group whose holding is listed on the Euronext Lisbon and on the New York Stock Exchange and as an organisation having high corporate governance and internal control demands, the PT Group has since long ago strongly committed itself to a risk control system.

Such commitment has gone through different stages along the different phases of the businesses' and the Group's evolution, requiring that the degree of formalisation and identification of the adopted model be ever greater, with more evidences in its implementation.

In this way, in order to characterise such phases, and as any constantly dynamic organisation, the Portugal Telecom Group has started this job by building a dictionary of risks at the various levels of interaction with the Company, and intended such dictionary to work as a standard instrument for all potential threats and opportunities faced by the Group's businesses and its framework. Without prejudice to this systematisation work, it is important to mention that, although this systematisation and report exercise only started at a certain time of the Company's life, a non-explicit concern for the surroundings, strategy and operations of the Group's companies was always present in the Executive Committees of such companies.

During a first stage, considering that PT is subject to several demands imposed by regulators on the capital markets where it is listed, it has been sought to ensure, as a first priority, that compliance with all rules was ensured, thus guaranteeing that, at a second stage, implementation of the best risk management practices can be sought, an exercise that is still currently pursued.

To be more precise, PT started its first priority by identifying and evaluating risks related to financial information report, a requirement that was put forward by the Securities and Exchange Commission (SEC), and for such purpose PT identified control goals that PT should implement in order to ensure that procedures, systems and organisation having an impact prior to the execution of the financial report are subject to appropriate and operational controls taking into account the layers of the COSO* model, i.e.: (i) Entity Level Controls; (ii) IT Level Controls; and (iii) Process Level Controls.

This work was carried out by the Company's Executive Committee, more directly supported by the Executive Committees of instrumental businesses and companies, and one of its major landmarks occurred at the end of 2006, with PT being the first Portuguese company to fully comply with all internal control requirements for financial reporting as required for foreign companies under section 404 of the Sarbanes-Oxley Act. All this work was followed up and supervised by the Company's Audit Committee, which, since its creation, originally as a specific committee within the Board of Directors and, since 22 June 2007, as an autonomous supervisory body composed of non-executive members of such Board elected by the General Meeting of Shareholders, had a very active role in the promotion of an appropriate and operational financial report internal control system.

Upon completion of this work, and in parallel with the same, the Company's Executive Committee, while reinforcing its 2002 commitment and further seeking to create a better support for the creation of an integrated vision of an internal control system not exclusively oriented to compliance, approved, at the end of 2007, the creation of an internal control and risk management team, directly dependent of the Chief Financial Officer having responsibilities over the promotion of a vision of a structured and sustainable internal control system that, under the supervision of the corporate internal audit, will allow the PT Group to have a structure capable of segregating the preventive and detective visions of the model that will ensure an efficient risk management in the PT Group.

* Committee of Sponsoring Organizations of the Treadway Commission

Based on such commitment, PT has been extending the work already done up to 2007 to other relevant vectors in the Group's internal control structure, by continuing this activity over subsequent years and ensuring that the Group may go forward with a more structured risk management rationale permitting a more effective identification of strategic and operational risks, and making it possible to systematise the existing and the desired internal control levels in these areas.

Without prejudice to this work, the Corporate Internal Audit, as supervisor element of this model, has already started, with the Group's Executive Committees and in parallel with the work described herein, a work of identification and evaluation of such risks in order to build the annual internal audit plan. Such work will be important to contribute to the structuring of an aligned model permitting a reinforcement of the Group's risk control system.

As referred to above, the PT Group defined a set of control goals PT intends to see ensured at all times by its Executive Committees responsible for the Group's various procedures, systems and organisation. Such goals are materialised in the Internal Control Manuals in the various companies having a material expression in the PT Group. The definition of such control goals and the controls thereof was based on 2 COSO (applicable to Entity Level Controls and Process Level Controls) and COBIT* (applicable to General Information System Controls) references.

During the beginning of 2008 and pursuing the goal of promoting the implementation of an internal control and risk management structure beyond compliance, PT defined a set of minimum internal control requirements, particularly applicable to international businesses, which should serve as additional guidance for the Group in the definition of corporate policies.

Parallel to all the abovementioned work, the internal control and risk management team will promote a better operation of the Group's main procedures, systems and organisation, by seeking to promote efficiency in the same and to create greater sustainable shareholder value. Furthermore greater relevance will be given before the main stakeholders to work communication and approved internal rules, and the following are already in progress: (i) a project aimed at reinforcing a better communication of the ethics and internal control commitments that the Group wishes to establish in the control of relations with third parties, shareholders or suppliers; (ii) continuous training provided to employees in order to reinforce the framework and relevance of the internal control and risk management system.

In this way, it is important to shortly describe the risks to which the Company is subject, in order to facilitate the comprehension of the existing risk control system.

Main risk factors

As an economic group that carries out its business in several business areas, the PT Group is exposed to various risks, the following being the main risk factors:

- > **Regulation:** To ensure follow-up of regulatory changes, given the threats and opportunities those changes represent for the competitive position of the PT Group within the businesses it is involved in. The Corporate Regulation Office is in charge of regulation risk management and should be up to date on new business regulations applicable to the sector with an impact on the PT Group, as issued by national and international entities.
- > **Competition:** Potential reduction in the wireline service revenues as a result of the progressive effect of the wireline mobile replacement, as well as the increase in competition by other wireline network operators. The management of this risk is a permanent concern of the Executive Committee of the Company and of its subsidiary companies' Executive Committees in the quest for new and better products and services that prove to be innovating and represent value when compared to those of the competition, and that consolidate the image of the PT Group, with the final consumer, as the leader and pioneer in the telecommunications market.

* Committee of Sponsoring Organizations of the Treadway Commission

- > **Technological evolution:** Need for investments in ever more competitive businesses and with a recent history of very fast technological changes. The PT Group holds PT Inovação, a company tailored for the technological development of the Group's businesses, in terms of applied investigation, engineering services and the development of innovating solutions and services, both in the domestic and international markets.
- > **Strategic partnerships:** To ensure alliances, joint ventures or other kinds of efficient and effective relationships that positively affect competitive capacity. The Executive Committee of PT and all its other subsidiary companies have been playing a central role in the management of this risk, by reinforcing existing opportunities.
- > **Selecting, hiring, developing, training and retaining employees:** To ensure the capacity for counting on duly motivated persons with the correct abilities in the right places. The Corporate Human Resources Office is in charge of managing this risk by identifying the key elements of the PT Group to then use retaining strategies as appropriate to the segments defined for its management.
- > **Financial markets:** Change in the expected income from investments made abroad as a result of changes in several variables, notably interest rate and exchange rate. The management of the financial market risk is ensured by the Corporate Finance Office. Portugal Telecom executes agreements regarding a set of derivative financial instruments so as to minimize the risks of exposure to variations in interest and exchange rates. The execution of agreements concerning financial instruments is made after a careful analysis of risks, benefits inherent to this type of transactions and consulting with various institutions acting in this market. Such transactions are subject to prior approval by the Executive Committee and involve a permanent follow-up of the financial markets' evolution and of the positions held by the Company. The Fair Value of these instruments is determined on a regular and periodic basis throughout the year, in order to allow for a continuous evaluation of these instruments and their economic and financial implications.
- > **Taxation:** Evolution of tax legislation and possible interpretations of the application of fiscal and para fiscal regulations in different manners. The Taxation Team is in charge of managing this risk, by following up all tax regulations and use of tax planning opportunities. This department may be assisted by tax consulting whenever the issues under analysis are more critical, and therefore require the interpretation of an independent entity.
- > **Communication and image:** Portugal Telecom is a high media exposure company, and for such reason it has a critical risk level related to its ability to communicate its policies and image with its stakeholders and public opinion generally. The Corporate Communication Office is responsible for the management of this risk.
- > **Developing new products and services:** The telecommunications business, within the competitive environment where it is inserted, depends largely on its ability to develop new products and services allowing it to fight against the loss of customers and to increase average revenue per customer.
- > **Social, environmental and ethical risks:** The Company is subject to the general risks of a social, environmental and ethical nature that affect the business of any company or institution.

3. Share price evolution

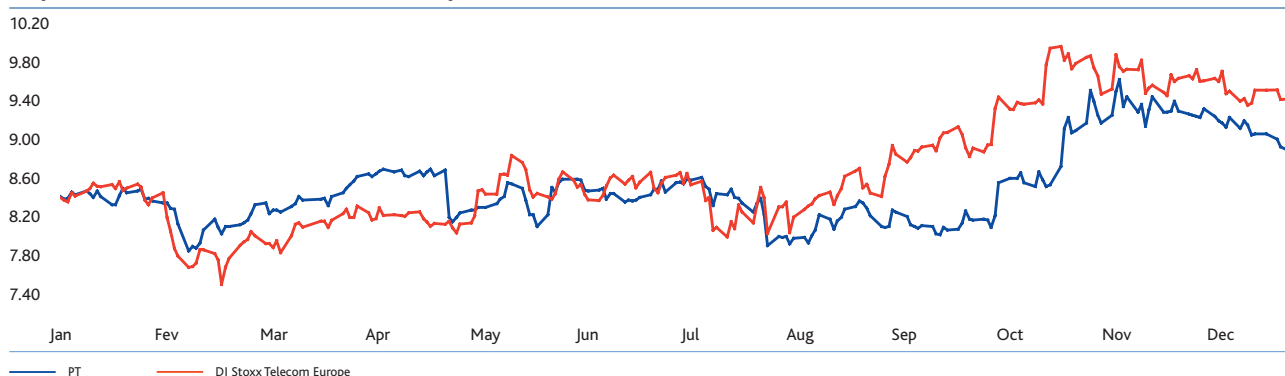
Most relevant facts announced during the 2007 financial year:

12 January _ Announcement of a tender offer launch and update of the target company report.
8 February _ Non-audited 2006 results.
20 February _ New update of the tender offer target company report (increase in the shareholder remuneration package).
27 February _ Addendum to the updated tender offer target company report (clarification as to the minimum share buyback limit in Euro 2.1 billion).
2 March _ General Meeting of Shareholders rejecting approval of success conditions for tender offer.
13 April _ Acquisition of 1.03% of the share capital through equity swaps.
2 May _ Payment of dividend concerning the 2006 financial year.
10 May _ Results for the first quarter of 2007.
17 May _ Accrued acquisition of 2.07% of the share capital through equity swaps.
4 June _ Accrued acquisition of 3.08% of the share capital through equity swaps.

15 June _ Accrued acquisition of 4.05% of the share capital through equity swaps.
3 July _ Accrued acquisition of 5.02% of the share capital through equity swaps.
26 July _ Accrued acquisition of 6.17% of the share capital through equity swaps.
7 August _ Results for the first half of 2007.
13 August _ Strategic partnership with Helios Investors LP for sub-Saharan Africa.
13 September _ Accrued acquisition of 8.97% of the share capital through equity swaps.
13 September _ Accrued acquisition of 10.02% of the share capital through shares brought to balance sheet equity swaps.
21 September _ Spin-off terms and conditions.
28 September _ Acquisition of 9.13% of the share capital through physical settlement of equity swaps.
6 November _ Spin-off reference price.
7 November _ Spin-off completion.
14 November _ Results for the first nine months of 2007.

The following chart represents the evolution of the price of PT shares during the year 2007.

PT performance vs. DJ Stoxx Telecom Europe in 2007



4. Dividend distribution

Dividend distribution policy

The Company adopts a dividend distribution policy that takes into consideration the business opportunities of the PT Group, investor expectations and the financing needs by shareholders' equity, taking into account the capital's cost and opportunity.

The Board of Directors is exclusively responsible for the proposal of dividend distribution, subject to Portuguese legislation and the Company's bylaws.

According to the Company's bylaws, at least 40% of the distributable profits of PT* shall be distributed to the shareholders as dividend, although the General Shareholders Meeting may resolve, with a qualified majority of two-thirds of the votes cast, to reduce or not distribute the dividend.

Concerning the resolution approving the application of profits, a majority of votes corresponding to class A shares is necessary to resolve on the distribution of dividend where the same exceeds 40% of distributable net profits.

Dividend distributed in the last three financial years

The gross dividend per share pertaining to the last three financial years was as follows:

2006 > Euro 0.475

2005 > Euro 0.475

2004 > Euro 0.35

Within the tender offer to which the Company was subject in 2006 and 2007, the Board of Directors submitted to the shareholders a remuneration package that included the payment of an annual dividend of Euro 0.575 per share in 2008-2009.

Therefore, the Board of Directors will submit to the Annual General Meeting of Shareholders a proposal for the allotment to shareholders of an amount of Euro 0.575 per share, in respect of the 2007 financial year.

The said shareholder remuneration package also included a remuneration of Euro 2.1 billion for a share buyback programme, at market price, corresponding to the acquisition of a minimum of 16.5% of the share capital as at 31 December 2006, which will continue to be carried out during the 2008 financial year.

On 13 February 2008, the Company informed the market that, within the framework of the share buyback programme in progress, it holds the right to acquire a further 10,765,997 shares through equity swap agreements.

The number of own shares subject to derivative instruments contracted by the Company totalled, on such date, 63,391,786 shares, including an equity swap over 20,640,000 shares contracted under a previous share repurchase programme.

Within the framework of the share buyback programme in progress, the Company had acquired, on such date, a total of 145,808,286 shares equivalent to 12.92% of the share capital prior to the capital reduction executed on 20 December 2007, with the total amount of the share buyback programme then already implemented being Euro 1,434 million.

Furthermore, during the 2007 financial year, the Company freely allotted to its shareholders its holding in its subsidiary PT Multimédia, also in accordance with the terms of the abovementioned shareholder remuneration package, thus executing the spin-off of such company and its subsidiaries, within the framework of which 180.6 million shares in PT Multimédia were disposed of.

* Calculated in light of the net income evidenced on the individual financial statements and determined according to the accounting principles in force in Portugal, after deduction of retained losses and a 5% allocation to the legal reserve until it has reached 20% of the share capital.

5. Plans for allotment of shares or share call options

During the 2007 financial year, the Company did not adopt any share allotment plans or share call options, nor did any such plans remain in force, regarding Group directors or employees.

6. Relevant transactions with members of corporate bodies, holders of qualified shareholdings or companies within a control or Group relationship

See note 44 to the consolidated financial statements included in the 2007 annual report.

7. Investor relations

It is PT's policy to supply clear and transparent information, on a regular basis, to its shareholders and other members of the financial community.

The Investor Relations Office was created in March 1995 for the purpose of ensuring adequate relations with shareholders, investors, analysts and financial markets generally, in particular with the Markets and Stock Exchanges where PT is listed and their respective regulatory entities: CMVM and SEC.

This office regularly prepares presentations, communications and press releases on quarterly, interim and annual results, as well as any inside information affecting the PT Group as a whole. It also provides all sorts of clarifications to the financial community in general shareholders, investors (both qualified investors and retail) and analysts. Any interested party may have access the Investor Relations Office through the following contacts:

Nuno Prego
Investor Relations Director

Tel.: +351 21 5001 701
Fax: +351 21 5000 800
E-mail: nuno.prego@telecom.pt
Address: Av. Fontes Pereira de Melo, 40, 1069-300 Lisboa
Switchboard: +351 21 500 2000
Site: www.telecom.pt

During 2007, PT pursued its investor relation activities, and held several events, notably road shows, presentations to investors and analysts, meetings and conference calls, and it has taken part in conferences in Europe and the United States.

Overall, PT held, in 2007, around 204 meetings with analysts and investors.

The three roadshows that took place in Europe and the United States, particularly the roadshow that took place in February (after disclosure of the annual results), as well as the one that took place between the end of November and the beginning of December (after disclosure of the results for the first nine months of the year) should be highlighted. The first of such roadshows covered five cities in three countries, while the second involved contacts with investors in eleven cities of five countries.

The quality of the investor relation activities was once again considered as a reference by the financial community at national and international levels. At international level, PT was distinguished at the IR Magazine Continental Europe Awards 2007 with two prizes:

- > Best Investor Relations Officer (Small and Medium Cap)
- > Best Investor Relations in Portugal

At national level, PT was awarded three prizes at the Investor Relations Awards 2007 organised by Deloitte, Diário Económico and Semanário Económico. The prizes received were as follows:

- > Best CEO in the Investor Relations area
- > Report and Accounts, non-financial sector – Honourable Mention
- > Best Investor Relations Officer – Honourable Mention

8. Compensation Committee

The Compensation Committee is elected by shareholders at the General Meeting and serves the purpose of defining the remuneration policy of PT corporate body members and determining the remunerations applicable taking into account the duties performed and the economic position of the Company.

For the completion of this task, the Compensation Committee continuously follows up and evaluates the directors' performance, by checking the extent to which the proposed targets have been achieved, and it meets whenever necessary.

The current composition of the Compensation Committee, appointed by the General Meeting of Shareholders on 22 June 2007, is as follows:

Álvaro Pinto Correia (chairman)
João Mello Franco
Francisco Esteves de Carvalho

The member of the Compensation Committee João Mello Franco is also a non-executive director of PT.

The underlying factor of the proposal for and selection of the Compensation Committee members is the Company's intention of ensuring that a majority of the Compensation Committee members are independent from management, without prejudice to the required articulation of this Committee with the Board of Directors.

In this way, except for the abovementioned non executive director, the Compensation Committee does not include any other member of the Board of Directors or any member who has any family relationship with members of the management body by way of marriage, kindred or affinity in a direct line and up to the third degree.

9. Change of control

PT, in its normal course of business, executed some agreements that may be amended or terminated in case of change of control of the Company. Due to their importance, the following shall be highlighted:

- > Shareholders' agreement executed on 16 April 1999 between the companies of Group Banque Marocaine du Commerce Extérieur, Holdco, SA, Telefónica Intercontinental, SA and Portugal Telecom referring to the incorporation of Médi Télécom. Pursuant to the Agreement, in the case of a change of control in any party thereto, the remaining parties shall have a call option under which terms they may require that the shares held in Médi Telecom by the party affected by the change of control are sold to the other parties at its fair market value minus 10%. If such call option is executed by more than one party, the acquisition of the shares held by the party affected by the change of control shall be made pro-rata. In what concerns PT and for the purpose of this agreement, a change of control shall mean an acquisition, by a direct or indirect competitor of the Group, of a controlling holding in PT.
- > Shareholders' Agreement executed on 17 October 2002 between Telefónica and PT, whereby it was agreed that Telefónica Móviles shall have the right to sell all of Brasilcel's shares held by it to PT, which shall be obliged to buy such shares, if there is a change of control in PT or in any of its subsidiaries which directly or indirectly has an interest in Brasilcel. Likewise, PT shall have the right to sell all of Brasilcel's shares held by it to Telefónica, which shall be obliged to buy such shares, if there is a change of control in Telefónica or in any of its subsidiaries which directly or indirectly has an interest in Brasilcel.
- > Credit Facility in the total amount of Euro 900 million and some loan agreements, in the total amount of Euro 386 million, executed on 31 December 2006 with BEI, which grant the lender the right to require the payment of all amounts in debt in case of a change of control in PT.

4 _ Exercise of voting rights and shareholder representation

1. General Meeting of Shareholders and voting rights

The General Meeting of Shareholders, composed of shareholders with the right to vote, ordinarily meets once a year or whenever its call is requested to the chairman of board of the General Meeting of Shareholders by the Board of Directors, by the Audit Committee or by shareholders representing at least 5% of the share capital.

As at 31 December 2007, the board of the General Meeting of Shareholders of the Company was composed as follows:

António Menezes Cordeiro (chairman)
Daniel Proença de Carvalho (vice-chairman)
Francisco Manuel Leal Barona (secretary)

According to the Company's bylaws, each 500 shares grant the right to one vote. Shareholders holding a lesser number of shares may group together and be represented by one of the group members, so as to jointly accumulate the number of shares necessary to exercise the right to vote.

Within the framework of American Depositary Receipts (ADR) or Global Depositary Receipts (GDR) programmes having as their object Company shares, the holders of ADR or GDR are considered to be shareholders, while the entity on behalf of whom the shares are registered is considered to be a mere representative of theirs, provided they comply with the conditions provided for in the bylaws for the exercise of such right. These conditions are communicated to the holders of the right to vote in each notice for the General Shareholders Meeting.

For confirmation of title to voting rights, the bylaws require proof of the registry of the shares in a book-entry securities account no later than 5 business days prior to the respective meeting, and such shares should remain inscribed in the name of the shareholder until the General Meeting is closed.

A qualified majority of two thirds of the votes cast is required to resolve on the amendment of the bylaws, at first or second call.

However, if shareholders holding at least half the share capital are present or represented at a General Meeting held on second call, the amendment to the bylaws may be resolved by a majority of the votes cast.

At a General Meeting of Shareholders resolving on an amendment to the bylaws, shareholders holding at least shares corresponding to a third of the share capital must be present or represented. The General Meeting may resolve on second call whatever the number of shareholders present or represented, but in this case it must observe the rules on required majorities as to votes cast at General Meetings as described above.

In any case, no resolutions on bylaws amendment matters may be approved against the majority of votes corresponding to class A shares.

Still in the context of the General Meeting, and subject to it, reference must be made to the existence of a Compensation Committee, which composition, powers and activity during the financial year of 2007 are described above.

2. Voting by correspondence and by electronic means

The Company bylaws provide that the voting by correspondence or by electronic means may encompass all matters contained in the notice, under the terms and conditions set forth therein, and voting exercised in this way shall be considered at the time of vote counting by adding the same to the voting rights exercised in the course of the General Meeting.

The bylaws further provide that the terms and conditions for voting by correspondence or by electronic means shall be defined by the chairman of the board of the General Meeting of Shareholders, in order to ensure their authenticity, regularity, security, reliability and confidentiality up to voting time.

In any case, vote authenticity shall be ensured before the chairman of the board of the General Meeting of Shareholders by means of communication having apposed a certified signature according to the law in the case of corporations, or by means of communication accompanied by a simple copy of the identification document in the case of individuals. In order to guarantee vote confidentiality, the said communication shall be sent in a closed envelope that will only be considered at the time of vote counting.

On the other hand, votes cast by correspondence or electronic means are deemed as negative votes as to any resolution proposals submitted at a time subsequent to the time when the same were cast. The presence at a General Meeting of a shareholder having exercised his voting rights by correspondence or electronic means, or his representative, determines the revocation of the vote so cast.

Voting by correspondence

According to the procedures generally followed by PT, the voting by correspondence shall be performed as follows:

- > The shareholders entitled to vote may, according to article 22 of the Portuguese Securities Code, exercise such vote by correspondence, provided that, by the time and date scheduled on the notice, a communication addressed to the chairman of the board of the General Meeting be delivered to the latter, such communication to bear a signature certified by a notary (or, for individuals, a simple signature together with a copy of the relevant ID card), and to include the address to where voting bulletins and other documentation should be sent. In return, the voting bulletins and other relevant documentation will be sent to such shareholders, who shall send to the chairman of the board of the General Meeting, in such a way as to be received by the time and date scheduled on the notice for the General Shareholders Meeting (a 5-business day term has been adopted so far, but, as from 2009, this term is expected to be reduced to 3 business days), a closed envelope containing the duly filled in voting bulletins.
- > Without prejudice to the download of voting bulletins from the Internet according to the next paragraph, there are voting bulletins available to the shareholders at the offices of the Company, and the same may also be provided by hand delivery, by post or by electronic mail.
- > Alternatively, shareholders may also download the voting bulletins from the Internet site www.telecom.pt, and send the same, addressed to the chairman of the board of the General Meeting, duly filled in and in a closed envelope, in such a way as to be received, together with an envelope containing a copy of the ID card (or, for corporations, a document of signature certification as provided for in the applicable law), the declaration of the financial intermediary entrusted with the registration service of the relevant shares.
- > In any case, shareholder votes may only be considered if the declaration of the financial intermediary entrusted with the registration of the relevant shares is received no later than 5 business days prior to the General Meeting.

Voting by electronic means

As an alternative to voting by correspondence, the holders of voting rights can choose to exercise their voting right by electronic means. However, the chairman of the Board of the General Meeting of Shareholders may subject voting by electronic means to the satisfaction of conditions as he establishes for safety and reliability thereof.

Also according to a practice implemented in the company, shareholders may vote through the Internet site www.telecom.pt, according to the requirements established thereon, provided that, by the time and date scheduled on the notice for the General Meeting of Shareholders, they deliver to the chairman of the board of the General Meeting a communication, prepared in accordance with the form made available on that same Internet site, to bear a signature certified by a notary (or, for individuals, a simple signature together with a copy of the relevant ID card), and to include the post mail address to where the keyword to be made available by the Company should be sent.

Such shareholders may exercise their voting rights during the period fixed on the notice for the General Shareholders Meeting. Only the votes of shareholders in respect of whom the declaration of the financial intermediary entrusted with the registration service of the relevant shares has been received during the period fixed on the notice for the General Shareholders Meeting may be taken into account.

3. Shareholder representation

Shareholders may participate directly in the General Meeting or appoint proxies to represent them, within the broadest terms foreseen in the Portuguese Companies' Code. A signed letter addressed to the chairman of the board of the General Meeting of Shareholders is a sufficient instrument of representation.

4. Availability of preparatory information

The proposals to be submitted by the Board of Directors to the General Meeting of Shareholders, as well as the reports that must be legally attached thereto and all other preparatory information data, are made available to shareholders at the Company's registered office for a period of no less than 15 days prior to the meeting. The content of such documents is also disclosed on the Company's website, both in Portuguese and in English.

So as to facilitate access to such documents, especially by foreign shareholders, the Investor Relations Office will send the same by postal mail, fax or electronic mail, upon request.

In addition, the text of the notice for the General Meeting of Shareholders and of the proposals received by the board of the General Meeting of Shareholders will be available on the company's website sufficiently in advance.

The result of the resolutions of the General Shareholders Meeting is disclosed by the company on its website, as well as through its Investor Relations Office.

5 _ Corporate rules

1. Codes of conduct

Code of ethics

The PT Group's code of ethics applies to all employees in order to guarantee a set of common ethical standards for all the Group's companies. Its update and implementation are permanently monitored by the Governance Committee.

The goals, values and rules listed in the code of ethics incorporate the PT Group's culture, which should preside over the professional conduct of all those who work at its companies and imposes its disclosure with investors, customers, suppliers, regulatory authorities and competitors.

In order to pursue such goals and values, all employees and agents of the PT Group should guide their actions by the following rules as better expressed on the text of the code of ethics:

- > Protection of shareholder rights and Interests;
- > Safeguard of assets in the course of the company's business;
- > Duty to behave with loyalty towards the PT Group, by promoting its prestige;
- > Protection of confidentiality and professional secrecy as to any information obtained in carrying out business, including after termination of duties;
- > Compliance with the liability limits assigned to each employee;
- > Good governance, with zeal and transparency in the management of the PT Group companies;
- > Duty to scrupulously comply with the applicable legal and regulatory rules;
- > Duty to communicate conflicts of interest and refrain from exercise of functions that may put compliance with the PT Group employee duties in question;
- > Duty not to accept or resort to unlawful offers or advantages;
- > Limitation to transaction of securities issued by a PT Group Company where an employee is in possession of sensitive or inside information;
- > Duty to refrain from participating in transactions under conditions other than usual market conditions with entities having trade relations with the PT Group;
- > Contribution to the creation of a good inter-personal relationship within the PT Group;
- > Duty to show high professionalism, respect, honesty, good faith and courtesy when dealing with the customer, by acting notably in such a way as to provide the customer with an efficient assistance and support service;
- > Negotiation with suppliers always in observance of the good faith principle and duty to fully honour all commitments to suppliers;
- > Observance of competition rules and promotion of a good relationship with competitors;
- > Duty to cooperate with regulatory authorities;
- > Observance of the principle of equal opportunities and appreciation of professional careers and merit;
- > Advancement of safety and welfare at work;
- > Rules of conduct as to press releases and advertising;
- > Undertaking social responsibility with the communities where the PT Group's corporate businesses are carried out, in order to contribute to their progress and well-being.

The full text of the PT Group code of ethics is available for consultation on the Company's official website (www.telecom.pt) and may also be made available through the Investor Relations Office.

Code of ethics for financial officers

In 2004, the PT Group Board of Directors approved the "code of ethics for financial officers", reinforcing the importance of the specific ethical rules applicable to all PT Group employees that are directly or indirectly involved in the preparation, analysis and disclosure of financial statements, press releases or any other information to be disclosed to the markets related to one of the entities that integrate the PT Group.

The code of ethics for financial officers reinforces the principles of honesty and responsibility and regulates aspects such as the reporting of conflicts of interest, competence and professionalism, professional secrecy, compliance with the laws applicable to the PT Group and the responsibility for disclosure of information. Its scope has been disclosed to all relevant employees by the annual signature of a compliance statement.

This code is also available on the Company's website.

Internal regulation on transactions by the Group's managers

In 2006, the transactions by the PT Group's managers were subject to regulation through a regulation on transactions by the Group's managers, which replaced the former regulation on transactions for the account of senior managers.

This regulation was issued in line with the amendments implemented by Decree-Law no. 52/2006 of 15 March to the Portuguese Securities Code, notably aiming at extending the objective and subjective scope of the matters and definitions specified under applicable legal and regulatory rules in order to complete the system of rules on corporate Governance and good conduct practices as already in force for PT and implemented by PT in order to strengthen the market abuse prevention.

However, in the current year, the Company thought it should revise such document to adjust its rules to the new conditions and to make the insertion of data in the database implemented by the Securities Market Commission for this purpose swifter, notably taking into account that since the approval of such Regulation several facts occurred having an effect on the PT Group's structure, particularly the spin-off of its subsidiary PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA (currently, Zon Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA).

In this way, such amendment implements the form of compliance with the legal obligations of communication, by the PT Group managers, of the transactions carried out with their participation.

Transactions with related parties

The Company has in force, since 2006, a regulation on transactions with related parties aimed at implementing a set of procedures towards ensuring a correct identification and disclosure of transactions with related parties, as well as defining the relevant concepts of "transaction" and "related parties".

This regulation pursues a double purpose: (1) allowing PT's financial statements to evidence, if and where applicable, the possibility of the Company financial position and results being affected by the existence of related parties and by transactions and pending balances for the same; and (2) safeguarding PT's interest in potential conflict of interest situations vis-à-vis the interests of persons or entities understood as having the possibility of influencing, either directly or indirectly, its management.

However, the Company thought it should reformulate some procedures regarding transactions with related parties, and new rules were approved by the Board of Directors on 31 January 2008.

Such rules provide for internal control procedures and mechanisms that ensure the proper identification and disclosure of transactions with related parties, involving a preliminary stage of definition, identification and transparency in the transaction decision-making process, to culminate in the disclosure of relevant transactions according to the Portuguese Securities Code rules and with the Securities Market Commission (CMVM) and United States Securities and Exchange Commission (SEC) regulations.

Sustainable development and social responsibility policy

The corporate sustainability strategy in PT is integrated in a consistent and transverse way within the Group and lies on the development and monitoring of practices and procedures at three main levels: economic, environmental and social.

Social, corporate, economic and environmental responsibilities are levels that are intrinsic in this strategy that PT expects to progressively consolidate and renew in a systematic and transverse way as to the Group's business.

Within this framework, PT is the signatory of and actively participates in a number of international organisations connected to the advancement of the best practices leading to sustainable development. PT is a signatory of the sustainability principles of the United Nations Global Compact, the Social Responsibility charter of the Union Network International, the sustainability charter of ETNO – European Telecommunications Network Operators Association, and is a member of the Business Council for Sustainable Development of Portugal (WBCSD).

The sustainability report is published each year, simultaneously with the consolidated report and accounts, and it is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI). The report is audited by an independent external entity. This document outlines the practices and economic, social and environmental references that allow the performance of the company to be highlighted in a tridimensional sustainability perspective, as well as the commitments undertaken by PT before its stakeholders.

This report is also published on the Company's website.

2. Internal risk control procedures

Internal risk control procedures were already specified in connection with the risk control system described under chapter 3-2 above.

3. Measures that may interfere with the success of takeover bids

Measures existing in the Company that may interfere with the success of takeover bids are described hereinafter.

However, it is PT's understanding that its bylaws do not contain any defensive clauses the effect of which is to automatically cause erosion in the Company's assets in case of change or change in the composition of the management body, and that is not the case notably of the provisions described below.

This notwithstanding, it was CMVM's understanding, in its analysis on the compliance with the recommendation on the governance of Listed Companies in 2006, that PT failed to comply with recommendation no. 4, as already referred to in chapter 0.

Limitation on the counting of the votes of a single shareholder

According to article 13 of the Company's bylaws, the votes cast by a single holder of ordinary shares, directly or through a representative, on his own behalf or as a representative of another shareholder, that exceed 10% of the total voting rights corresponding to the share capital, shall not be counted.

Class A shares

On the other hand, further to the ordinary shares, the share capital in PT is also represented by 500 Class A shares, which may be held only by the Portuguese State or another entity belonging to the public sector: those shares grant special rights, pursuant to the terms set forth in article 14-2 and article 19-2 of the Company's bylaws.

According to these provisions, the following matters may not be approved at a General Meeting of Shareholders against the majority of the votes corresponding to Class A shares:

- > Authorisation for the acquisition of ordinary shares representing more than 10% of the share capital by shareholders that directly or indirectly perform, activities competing with those of the companies within a control relationship with PT;
- > Amendments to the bylaws and share capital increases, as well as the limitation or suppression of pre-emptive rights and the establishing of standards for share capital increases to be resolved by the Board of Directors;
- > Issuance of bonds or other securities, establishing the issue value for these securities to be resolved by the Board of Directors and limitation or suppression of pre-emptive rights in the issuance of bonds convertible into shares, as well as establishing the standards for the issuance of such convertible bonds to be resolved by the Board of Directors;
- > The passing of resolutions on the application of the financial year results, in the event of a dividend distribution to the shareholders in a percentage in excess of 40% of distributable profits;

- > Election of the Board of the General Meeting of Shareholders, as well as of the chairman of the audit and the chartered accountant;
- > Approval of the general goals and fundamental principles of the Company's policies;
- > Definition of the general principles of the policy of shareholdings in companies, as well as, in the cases where those principles require prior authorisation by the General Meeting of Shareholders, the passing of resolutions on such acquisitions and sales;
- > Moving the Company's registered offices.

In addition, the election of one third of the total number of directors, including the chairman of the Board of Directors, requires the votes issued by the State, in its capacity as holder of Class A shares.

On the other hand, although this is not a special right of the owners of class A shares properly, it is convenient to stress that the Company's bylaws determine that, among the members of the Executive Committee designated by the Board of Directors, at least one or two designated directors, according to the Executive Committee being composed of five or seven members, must be elected in accordance with the election rule that grants special rights to owners of class A shares.

Limitations on the transferability of shares, shareholders' agreements and limitations to the ownership of shares

There are no limitations on the transferability of shares, and the company has no knowledge of the existence of any shareholders' agreements.

Under the terms of the bylaws, shareholders which are, either directly or indirectly, engaged in an activity which competes with an activity being performed by companies in a controlling relationship with PT may not hold more than 10% of the Company's ordinary shares without the prior authorisation of the General Shareholders Meeting.

Appendix

Functions performed by members of the management body in other companies

Members of the Executive Committee

Henrique Granadeiro

Functions in other PT Group companies: Chairman of the Board of Directors of PT Centro Corporativo, SA | Chairman of the Board of Directors of PT Rede Fixa, SGPS, SA | Chairman of the Board of Directors of Fundação Portugal Telecom | Chairman of the Board of Directors of Africatel Holdings BV || **Functions in other companies:** Non-executive Member of the Board of Directors of OPCA – Obras Públicas e Cimento Armado, SA | Member of the Board of Directors of Espírito Santo Resources | Member of the Strategic Council of Banco Finantia | Chairman of the Board of the Portuguese-Chinese Chamber of Commerce | Member of the General Council of COTEC Portugal – Associação Empresarial para a Inovação | Non-executive Director of Fundação Eugénio de Almeida | Member of the Council of Founders of Fundação Casa da Música.

Zeinal Bava

Functions in other PT Group companies: Chairman of the Board of Directors of TMN – Telecomunicações Móveis Nacionais, SA | Chairman of the Board of Directors of PT Comunicações, SA | Chairman of the Board of Directors of Portugal Telecom Inovação, SA | Chairman of the Board of Directors of PT.COM, Comunicações Interactivas, SA | Chairman of the Board of Directors of PT Prime – Soluções Empresariais de Telecomunicações e Sistemas, SA | Chairman of the Board of Directors of PT – Sistemas de Informação, SA | Chairman of the Board of Directors of PT PRO, Serviços Administrativos e de Gestão Partilhados, SA | Chairman of the Board of Directors of PT Portugal, SGPS, SA | Director of PT Rede Fixa, SGPS, SA | Director of PT Centro Corporativo, SA || **Functions in other companies:** Not applicable.

Rodrigo Costa*

Functions in other PT Group companies: Chairman of the Board of Directors of PT Comunicações, SA | Chairman of the Board of Directors of PT Prime, SA | Chairman of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA | Non-executive Chairman of the Board of Directors of PT Sistemas de Informação, SA | Chairman of the Board of Directors of Portugal Telecom Inovação, SA | Director of PT Centro Corporativo, SA | Director of PT Portugal, SGPS, SA | Director of PT Rede Fixa, SGPS, SA | Chairman of the Board of Directors of PT.COM, Comunicações Interactivas, SA || **Functions in other companies:** Member of the Consultive Council for the Technological Plan of Portugal | Member of the High Council for Foreign Investment.

Luís Pacheco de Melo

Functions in other PT Group companies: Director of PT PRO, Serviços Administrativos e de Gestão Partilhados, SA | Director of PT Prestações – Mandatária de Aquisições de Gestão de Bens, SA | Non-Executive Director of Banco BEST, SA | Chairman of the Board of Directors of Previsão – Sociedade Gestora de Fundos de Pensões, SA | Chairman of the Board of Directors of PT ACS – Associação de Cuidados de Saúde | Chairman of the Board of Directors of PT Imobiliária, SA | Director of PT Centro Corporativo, SA | Director of PT Rede Fixa, SGPS, SA | Member of the Board of Directors of Brasilcel | Director of Africatel Holdings BV || **Functions in other companies:** Not applicable.

João Pedro Baptista

Functions in other PT Group companies: Chairman of the Board of Directors of Portugal Telecom – Investimentos Internacionais Consultoria Internacional, SA | Chief Executive Officer of Africatel Holdings BV | Chairman of the Board of Directors of PT Móveis – Serviços de Telecomunicações, SGPS, SA | Chairman of the Board of Directors of PT Acessos de Internet WI-FI, SA | Chairman of the Board of Directors of PT Ventures, SGPS, SA | Chief Counsellor of Portugal Telecom Brasil, SA | Vice-Chairman of the Board of Directors of Vivo Participações, SA | Vice-Chairman of Brasilcel | Chairman of the Board of Directors of Mobitel | Member of the Board of Directors of Universo Online – UOL | Chairman of the Board of Directors of Directel | Member of the Board of Directors of Unitel, SARL || **Functions in other companies:** Not applicable.

António Caria

Functions in other PT Group companies: Chairman of the Board of Directors of PT Compras – Serviços de Consultoria e Negociação, SA | Chairman of the Board of Directors of PT Contact – Telemarketing e Serviços de Informação, SA || **Functions in other companies:** Chairman of the General Meeting of Members of APQ – Associação Portuguesa para a Qualidade.

Rui Pedro Soares

Functions in other PT Group companies: Member of the Board of Directors of Portugal Telecom Imobiliária, SA || **Functions in other companies:** Member of the Board of AIP – Associação Industrial Portuguesa.

* Director Rodrigo Costa resigned from his office in the course of the 2007 financial year.

Non-executive directors

António Viana-Baptista*

Functions in other PT Group companies: Counsellor of Brasilcel NV || Functions in other companies: Member of the Board of Directors, Delegate Commission and Executive Committee of Telefónica, SA | Chief Executive Officer of Telefónica Móviles España, SAL | Chief Executive Officer of Telefónica de España, SAL | Member of the Board of Directors of O2, PLC | Member of the Board of Directors of Telefónica Latinoamérica.

Fernando Abril-Martorell*

Functions in other PT Group companies: Not applicable || Functions in other companies: Chief Executive Officer (CEO) of Credit Suisse Spain.

Joaquim Goes

Functions in other PT Group companies: Not applicable || Functions in other companies: Director of Banco Espírito Santo, SA | Director of BES-Vida, Companhia de Seguros, SA | Director of E.S. VENTURES, SCR, SA | Director of ESDATA – Espírito Santo Data, SGPS, SA.

Amílcar de Morais Pires

Functions in other PT Group companies: Not applicable || Functions in other companies: Director of Banco Espírito Santo, SA | Director of BES-Vida, Companhia de Seguros, SA | Director of Banco Espírito Santo de Investimento, SA | Chairman of the Board of Directors of Bank Espírito Santo (International) Limited | Director of ESAF – Espírito Santo Activos Financieros, SGPS, SA | Director of Espírito Santo PLC (Dublin) | Director of Banco Espírito Santo Oriente, SA | Chairman of the Board of Directors of BIC – International Bank, Ltd (BIBL) | Director of BES Finance Limited.

Armando Vara*

Functions in other PT Group companies: Not applicable || Functions in other companies: Director of Caixa Geral de Depósitos | Chairman of the Board of Directors of IMOCAIXA, SA | Chairman of the Board of Directors of SOGRUPO, GI (ACE-Grupo CGD) | Director of Caixa Participações, SGPS, SA | Chairman of the Board of Directors of CAIXATEC Tecnologias de Comunicação, SA.

Jorge Tomé

Functions in other PT Group companies: Not applicable || Functions in other companies: Chief Executive Officer of Caixa – Banco de Investimento, SA | Chairman of the Board of Directors of Trem II – Aluguer de Material Circulante | Director of Sociedade Gestora de Fundos de Investimento Mobiliários Caixageste.

Nuno de Almeida e Vasconcellos

Functions in other PT Group companies: Not applicable || Functions in other companies: Chairman of the Board of Directors of Ongoing Strategy Investments, SGPS, SA | Chairman of the Board of Directors of Insight Strategic Investments, SGPS, SA | Non-executive Director of Heidrick & Struggles | Member of the Board of Automóvel Clube de Portugal.

Rafael Mora Funes

Functions in other PT Group companies: Not applicable || Functions in other companies: Director of Ongoing Strategy Investments | Member of the Compensation Committee of Impresa | Member of the Compensation Committee of Banco Privado Português | Member of the Supervisory Board of the Business School of INDEG-ISCTE | Member of the Board of Automóvel Clube de Portugal.

João Mello Franco

Functions in other PT Group companies: Vice-Chairman of the board of the General Meeting of Shareholders of PT PRO, Serviços Administrativos e de Gestão Partilhados, SA || Functions in other companies: Chairman of the Board of the General Meeting of Shareholders of SIRESP, SA.

Thomaz Paes de Vasconcellos

Functions in other PT Group companies: Not applicable || Functions in other companies: Managing Partner of TPV – Consultoria e Gestão, Lda.

José Xavier de Basto

Functions in other PT Group companies: Not applicable || Functions in other companies: Not applicable.

Franquelim Alves

Functions in other PT Group companies: Not applicable || Functions in other companies: Not applicable.

Gerald McGowan

Functions in other PT Group companies: Not applicable || Functions in other companies: Not applicable.

Francisco Pereira Soares

Functions in other PT Group companies: Not applicable || Functions in other companies: Chairman of the Environment Committee of CEEP – European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest – (“Centro Europeu de Empresas com Participação Pública e de Interesse Económico Geral, Brussels”) | Director of Gadsa – Arquivo e Depósito, SA.

Fernando Soares Carneiro

Functions in other PT Group companies: Not applicable || Functions in other companies: Member of the Board of Directors and Executive Committee of REN, SGPS, SA.

Luís de Azevedo Coutinho

Functions in other PT Group companies: Not applicable || Functions in other companies: Not applicable.

* Directors António Viana-Baptista, Fernando Abril-Martorell and Armando Vara resigned from office in the course of the 2008 financial year.

Qualifications and professional activities

Members of the Executive Committee

Henrique Granadeiro

Portuguese, 64 years old.

Elected for the first time in 2003. Former term of office ended on 31 December 2005 and was re-elected in 2006 | Chairman of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, from 2006 to 2007 | Executive Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, from 2002 to 2006 | Non-executive Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, in 2001 | Chairman of the Board of Directors of Cabo TV Madeirense, SA | Chief Executive Officer of Lusomundo Media, SGPS, SA, from 2002 to 2004 | Chief Executive Officer of Diário de Notícias, from 2002 to 2004 | Chief Executive Officer of Jornal de Notícias, from 2002 to 2004 | Chief Executive Officer of TSF, from 2002 to 2004 | Chief Executive Officer of Jornal do Fundão, from 2002 to 2004 | Chief Executive Officer of Açoreana Ocidental, from 2002 to 2004 | Chief Executive Officer of DN da Madeira, from 2002 to 2004 | Chairman of the Board of Directors of Aleluia – Cerâmica Comércio e Indústria SA, from 2001 to 2004 | Member of the Board of Directors of Parfil SGPS SA, from 2001 to 2004 | Member of the Board of Directors of Controljornal SGPS SA, from 1990 to 2001 | Member of the Board of Directors of Sojornal – Sociedade Jornalística e Editorial SA, from 1990 to 2001 | President of Fundação Eugénio de Almeida, from 1989 to 1992 | President of IFADAP – Instituto Financeiro de Apoio ao Desenvolvimento da Agricultura e Pescas, from 1987 to 1990 | Managing Director of Fundação Eugénio de Almeida, from 1981 to 1987 | Member of the Board of Directors of M.N. Tiago, Construções SA, during 1981 | Member of the Board of Directors of Standard Eléctrica, during 1981 | Portuguese Ambassador to the OECD, from 1979 to 1981 | Head of the Civil House of the President of the Republic of Portugal, from 1976 to 1979 | He has a degree in Corporate Organisation and Business Administration by the Instituto Universitário de Évora (Sociology Department).

Zeinal Bava

Portuguese, 42 years old.

Elected for the first time in 2000. Former term of office ended on 31 December 2005 and was re-elected in 2006 | Chief Executive Officer of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, from May 2003 to September 2007 | Chairman of the Board of Directors of TV Cabo Portugal, SA, from March 2004 to September 2007 | Chief Executive Officer of TMN – Telecomunicações Móveis Nacionais, SA, from December 2005 to May 2006 | Chairman of the Board of Directors of Previsão – Sociedade Gestora de Fundos de Pensões, SA, from March 2003 to October 2007 | Chairman of the Board of Directors of PT Prestações – Mandatária de Aquisições de Gestão de Bens, SA, from March 2004 to 2006 | Chairman of the Board of Directors of PT Conteúdos – Actividade de Televisão e de Produção de Conteúdos, SA, until September 2007 | Chairman of the Board of Directors of Lusomundo Cinemas, SA, until September 2007 | Chairman of the Board of Directors of Lusomundo Audiovisuais, SA, until September

2007 | Chairman of the Board of Directors of PT Televisão por Cabo, SGPS, SA, until September 2007 | Member of the Board of Directors of Brasilcel NV, from December 2002 to October 2007 | Member of the Board of Directors of Portugal Telecom Investimentos Internacionais, SA, from April 2004 to April 2006 | Vice-CEO of the Board of Directors of PT Comunicações, SA, from January 2004 to December 2005 | Member of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA, from June 2003 to April 2006 | Member of the Board of Directors of PT Sistemas de Informação, SA, from May 2004 to April 2006 | Member of the Board of Directors of Portugal Telecom Brasil, SA, from July 2002 to March 2004 | Member of the Board of Directors of Páginas Amarelas, SA, from January 2004 to May 2005 | Member of the Board of Directors of PT Compras – Serviços de Consultoria e Negociação, SA, from May 2003 to 2005 | Member of the Board of Directors of BEST – Banco Electrónico de Serviço Total, SA, from May 2001 to October 2004 | Member of the Board of Directors of Telesp Celular Participações SA, from April 2001 to December 2003 | Member of the Board of Directors of CRT Celular Participações SA, from 2003 to 2005 | Member of the Board of Directors of Tele Sudeste Participações, SA, from 2003 to 2005 | Member of the Board of Directors of Tele Leste Participações, SA, from 2003 to 2005 | Member of the Board of Directors of Tele Centro Oeste Celular Participações, SA, from 2003 to 2005 | Vice-President of PT Ventures, SGPS, SA, from 2000 to 2002 | Merrill Lynch – Executive and Relationship Manager for Portugal Telecom, from 1998 to 1999 | Deutsche Morgan Grenfell – Executive and Relationship Manager for Portugal Telecom, from 1996 to 1998 | Warburg Dillon Read – Executive Manager, from 1989 to 1996 | He has a degree in Electronic and Electrotechnical Engineering by the University College, London.

Rodrigo Costa*

Portuguese, 47 years old.

Elected for the first time in 2005. Term of office ended on 31 December 2005 and was re-elected in 2006 | Chief Executive Officer of PT Comunicações, SA, since December 2005 | Member of the Consultative Council for the Technological Plan of Portugal, since 2005 | Member of the High Council for Foreign Investment, since 2004 | Corporate Vice-President of OEM Microsoft Corporation, from 2002 to 2005 | General Manager of Microsoft Brasil, from 2001 to 2002 | Member of the Consultative Council of Instituto Superior de Comunicação Empresarial, Human and Social Science College, from 1998 to 2000 | Member of the Board of the Fórum dos Empresários para a Educação, from 1997 to 2001 | Manager and Vice-President of the Portuguese-American Chamber of Commerce, from 1996 to 2001 | General Manager of Microsoft Portugal, from 1990 to 2001 | Partner, Marketing Manager, Distribution Manager and General Assistant Manager of Prológica, SA, from 1987 to 1990 | General Manager and Founding Partner of Intério SA, in 1986 | Planning and Control Consultant to Duphar Portugal, from 1984 to 1989 | Consultant to the Board of Viagens Abreu, from 1983 to 1990 | Director, Partner, Programmer and Systems Analyst of Nogueira Informática, SA/Groupi, Lda, from 1979 to 1985 | He has training in the fields of Information Systems, Finance and Planning, Management, Strategic Marketing, Social Organisation and Human Resources.

* Director Rodrigo Costa resigned from office in the course of the 2007 financial year.

Luís Pacheco de Melo

Portuguese, 41 years old.

Elected for the first time in 2006 | Executive Director of PT Multimédia – Serviços de Telecomunicações e Multimedia, SGPS, SA, from June 2002 to April 2006 | Director of Cabo TV Madeirense, SA, from April 2004 to September 2006 | Chairman of the Board of Directors of Cabo TV Açoreana, SA, from December 2004 to October 2007 | Director of TV Cabo Portugal SA, from 2002 to 2006 | Director of Lusomundo Audiovisuais SA, from 2002 to 2006 | Director of Lusomundo Cinemas SA, from 2002 to 2006 | Director of Lusomundo – Sociedade de Investimentos Imobiliários, SGPS, SA, from March 2006 to March 2007 | Director of Lusomundo Imobiliária 2, SA, from March 2006 to March 2007 | Director of PT Conteúdos SA, from 2002 to 2006 | Director of PT Televisão por Cabo, SGPS, SA, from 2002 to 2006 | Director of Sport TV, from June 2002 to November 2005 | Director of Lusomundo España SL, from February 2003 to April 2006 | Central Manager and invited member of the Executive Committee of BES Investimento, from 1998 to 2002 | Associate and Director of UBS Warburg, from 1994 to 1998 | He has a degree in Civil Engineering by the Instituto Superior Técnico with an MBA by IESE Barcelona.

João Pedro Baptista

Portuguese, 49 years old.

Elected for the first time in 2006 | Member of the Audit Committee of the Victoria and Albert Museum in London, since 2005 | Leader of the global telecommunications team in the United Kingdom and partner of Booz Allen Hamilton, from 2005 to 2006 | Global leader for the group of technology, information and entertainment industries of March & McLennan Companies Inc., from 2004 to 2005 | Member of the Executive Committee and partner of Mercer Management Consulting, from 1997 to 2005 | Globally responsible person of the technology, information and entertainment group, from 2000 to 2005 | Co-leader for the United Kingdom, from January 2001 to 2005 | He has a degree in Mechanical Engineering and a post-graduation studies diploma in Energy by the Federal Polytechnical School of Lausanne, Switzerland, and an MBA by the Stanford Graduate School of Business, Stanford, CA, USA.

António Caria

Portuguese, 55 years old.

Elected for the first time in 2006 | Executive Director of TV Cabo Portugal, from 2002 to 2006 | Non-executive Director of Cabo TV Açoreana, SA, from 2004 to September 2007 | Chairman of the Board of Directors and Managing Director of TV Cabo Tejo, from 1998 to 2002 | Managing Director of TV Cabo Lisboa, from 2000 to 2002 | Chairman of the Board of Directors of TV Cabo Sado, from 1996 to 1998 | Non-executive Director of INESC, from 1997 to 2006 | Member of the Board of Fundação Cultursintra, from 1999 to 2006 | Member of Associação Empresarial de Setúbal (AERSET), from 1996 to 1998 | Executive Director of Portugal Telecom, SA, from 1995 to 1996 | Regional Manager in Santarém and Setúbal of Telecom Portugal, from 1990 to 1995 | National representative in International Telecommunications Standards Organisations (CEPT and CCITT), from 1983 to 1990 | Engaged to CTT Telecomunicações on 1978, specialising in Automatical, Analogical and Digital Switching, he was responsible for the National Switching Technical Planning at the Engineering Division, from 1983 to 1987, and responsible for the first technical-commercial department, from 1987 to 1989 | Trainee Engineer at RARET, EDP, and at the technical and professional teaching, Ministry of Education, from 1975 to 1978 | He was granted the title of Specialist in Telecommunications by Ordem dos Engenheiros in 2002 | Commendator of Ordem de Mérito de Pedro Álvares Cabral since 2006 | He has a degree in Electrotechnical, Electronic and Telecommunications Engineering by the Instituto Superior Técnico | Post-Graduation in Business Administration by the ISCTE (1988) and by Universidade Nova de Lisboa (1994).

Rui Pedro Soares

Portuguese. 35 years old.

Elected for the first time in 2006 | Executive Director of PT Compras – Serviços de Consultoria e Negociação, SA, from 2005 to 2006 | Consultant to the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, in the fields of Business Intelligence, Service Quality Evaluation, Security and Real Estate Management, from 2001 to 2004 | Executive in Business Intelligence and Competitive Analysis at Banco Cetelem, Banque Nationale de Paris/Paribas Group, from 2000 to 2001 | Assistant of the Socialist Group at the European Parliament, from 1998 to 2000 | He has a degree in Marketing Management by IPAM – Instituto Português de Administração de Marketing.

Non-executive directors

António Viana-Baptista*

Portuguese, 50 years old.

Elected for the first time in 2000. Former term of office ended on 31 December 2005 and he was re-elected in 2006 | Member of the Board of Directors of Telesp Celular Participações, SA, Tele Leste Celular Participações, SA, Tele Sudeste Celular Participações, SA, Tele Centro Oeste Participações, SA and Celular CRT Participações, SA, from 2003 to 2006 | Member of the Board of Directors of Telefónica de Argentina, SA, from 2003 to 2006 | Chairman of the Board of Directors and Chief Executive Officer of Telefónica Móviles España, SA, from 2002 to 2006 | Member of the Board of Directors of Telefónica Internacional, SA, from 1998 to 2002 | Director of Latinoamérica, from 1998 to 2002 | Member of the Board of Directors of Telesp, SA, from 2001 to 2006 | Director of Emergia Holding N.V. since 2000 | Member of the Sponsorship of Fundación Telefónica, since 1999 | Member of the Board of Directors of Telefónica Datacorp, SAU, since 1998 | Member of the Board of Directors of Telefónica Perú Holding, since 1998 | Member of the Board of Directors of CTC Chile, since 1998 | Member of the Board of Directors of Telefónica Internacional, SA, from 1998 to 2002 | Member of the Board of Directors of BPI, from 1991 to 1996 | Principal Partner of McKinsey & Company, from 1985 to 1991 (Madrid/Lisbon Offices) | He has a degree in Economy by Universidade Católica de Lisboa, a post-graduation in European Economy by Universidade Católica Portuguesa, and an MBA by INSEAD, Fontainebleau.

Fernando Abril-Martorell*

Spaniard, 44 years old.

Elected for the first time in 2001. Former term of office ended on 31 December 2005 and he was re-elected in 2006 | Managing Director and Chief Executive Officer of Credit Suisse Spain, since August 2005 | Member of the Board of Directors of Telecomunicações de São Paulo – Telesp, from 2001 to 2003 | Chief Operating Officer of Telefónica SA, from 2000 to 2003 | Chief Executive Officer of Telefónica Publicidad e Información, from 1999 to 2000 | Chief Financial Officer of Telefónica, SA, from 1997 to 1999 | Corporate Finance General Manager of Telefónica Publicidad e Información, from 1997 to 1999 | Manager of the Treasury Department of JP Morgan, from 1987 to 1997 | He has a Law Degree and a graduation in Business Management and Administration by the ICADE (Madrid).

Joaquim Goes

Portuguese, 41 years old.

Elected for the first time in 2000. Former term of office ended on 31 December 2005 and he was re-elected in 2006 | Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, from August 2002 to September 2007 | Member of the Board of Directors of BEST – Banco Electrónico de Serviço Total, SA, from May 2001 to July 2007 | Manager of the Strategic Marketing Department of Banco Espírito Santo, SA, from 1995 to 1999 | Manager of the Strategic Department of Cimpor – Cimentos de Portugal, SA, from 1994 to 1995 | Senior Consultant of Roland Berger & Partner, from 1992 to 1993 | Consultant of Roland Berger & Partner, from 1989 to 1992 | He has a degree in Business Administration and Management Specialisation in Marketing and Finance, by Universidade Católica Portuguesa. MBA by INSEAD, Fontainebleau.

Amílcar de Moraes Pires

Portuguese, 46 years old.

Elected for the first time in 2006. Engaged to Banco Espírito Santo, Finance Department, in 1986 | Appointed Sub-Manager and Head of the Financial Markets and Securities Department in 1989 | Member of the Board of Directors of Soginpar, Sociedade de Gestão de Fundos de Investimento Mobiliário, SA, from July 1991 to February 1992 | Assistant Manager of the Financial Markets and Securities Department and Member of the Board of Directors of ESER, Soc^a until 1995 | Coordinating Manager of the Finance, Markets and Studies Departments and person responsible for the management of the treasury department of BES | Adviser of the Board of Directors of Banco Espírito Santo, SA, in July 2000 | General Manager of Banco Espírito Santo, SA in March 2003 | Director of Banco Espírito Santo, SA, since March 2004 | He has a degree in Economy Sciences by Universidade Católica Portuguesa.

Armando Vara*

Portuguese, 53 years old.

Elected for the first time in 2006 | Coordinating Manager of Caixa Geral de Depósitos | Assistant-Minister of the Prime Minister of the XIV Portuguese Government, from October 1999 to September 2000 | Minister for Youth and Sports of the XIV Portuguese Government, from September 2000 to December 2000 | He has a degree in International Relations by Universidade Independente. Pos-graduation in Business Administration by the ISCTE – Instituto Superior Ciências do Trabalho e da Empresa.

* Directors António Viana-Baptista, Fernando Abril-Martorell and Armando Vara resigned from office in the course of the 2008 financial year.

Jorge Tomé

Portuguese, 53 years old.

He was appointed for the first time in 2002. Former term of office ended on 31 December 2005 and he was re-elected in 2006 | Non-Executive Director of Caixa Gestão de Patrimónios, from 2001 to 2005 | Non-Executive Director of BANIF Imobiliária, SA, from April to June 2001 | Non-Executive Director of BANIF IMO – Sociedade Gestora de Fundos de Investimento Imobiliário, from June 2000 to June 2001 | Director of Sociedade Gestora de Fundos de Pensões, SA – Açor Pensões, SA (currently Banif Açor Pensões), from October 1999 to July 2001 | Executive Member of the Boards of Directors of the following Insurance Companies: “O Trabalho” and “O Trabalho Vida”, from May 2000 to July 2001 | Executive Director of Companhia de Seguros Açoreana since December 1996 | Partner of Coopers & Lybrand in Portugal, from June 1995 to November 1996 | Manager of Banco Pinto & Sotto Mayor, SA with the coordination of the French Branch and Sottomayor Bank of Canada, from February to May 1995 | Director of Banco Pinto & Sotto Mayor, from March 1994 to January 1995 | Executive Director of SULPEDIP, SA (currently PME Investimentos, SA), from June 1989 to March 1994 | Technical Officer at the Securities Directorate of Banco Pinto & Sotto Mayor, in 1985 | Securities sub-manager and Manager of Banco Pinto & Sotto Mayor, from 1986 to 1989 | Director of CPG – Sociedade Gestora de Fundos de Investimento FIPOR | Business Analysis and Industrial and Tourism Projects Technical Officer, engaged in April 1983 | Technical Officer of Coopers & Lybrand Lda., engaged in February 1980 | Economist at the IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento), engaged in 1979 | He has a degree in Business Organisation and Administration by the ISCTE and an Applied Economy master by the Faculdade de Economia, Universidade Nova de Lisboa.

Nuno de Almeida e Vasconcellos

Portuguese, 43 years old.

Elected for the first time in 2006 | Managing Partner in Portugal for consulting field of Heidrick & Struggles, from 1995 to 2006 | Member of the Board of Directors of several companies | Member of the Compensation Committee of a banking entity | He has a degree in Business Administration by the Curry College, Boston.

Rafael Mora Funes

Spanish, 42 years old.

Elected for the first time in 2007 | Director of Ongoing Strategy Investments | Member of the Compensation Committee of Impresa | Member of the Compensation Committee of Banco Privado Português | Member of the Supervisory Board of the Business School of INDEG – ISCTE | Member of the Board of Automóvel Clube de Portugal | He has a degree in Economics and Management by the University of Malaga.

João Mello Franco

Portuguese, 61 years old.

Elected for the first time in 1997. Former term of office ended on 31 December 2005 and he was re-elected, in 2006 | Member of the Board of Directors of José de Mello Participações, SGPS, SA, from 2002 to 2006 | Vice-Chairman of the Board of Directors of José de Mello Imobiliária, from 2001 to 2004 | Chairman of the Board of Directors of José de Mello Residências e Serviços, from 2001 to 2004 | Chairman of the Board of Directors of Imopólis (SGFII), from 2001 to 2004 | Chairman of the Board of Directors of Engimais, from 2001 to 2004 | Member of the Board of Directors of International Shipowners Reinsurance Co, from 1998 to 2005 | Member of the Senior Council of PT, from 1996 to 1997 | Chairman of the Board of Directors of Soponata – Sociedade Portuguesa de Navios Tanques, SA, from 1997 to 2001 | Chief Executive Officer and Vice-Chairman of the Board of Directors of LISNAVE, from 1995 to 1997 | Chairman of the Board of Directors of Marconi, from 1994 to 1995 | Chairman of the Board of Directors of Guiné Telecom, from 1994 to 1995 | Chairman of the Board of Directors of Companhia Santomense de Telecomunicações, from 1994 to 1995 | Member of Board of Directors of CN – Comunicações Nacionais, SA, from 1993 to 1995 | Chairman of the Board of Directors of Associação Portuguesa para o Desenvolvimento das Comunicações, from 1993 to 1995 | Chairman of the Board of Directors of TMN – Telecomunicações Móveis Nacionais, SA from 1991 to 1994 | Chairman of the Board of Directors of TLP – Telefones de Lisboa e Porto SA, from 1989 to 1994 | Manager of TDC – Tecnologia das Comunicações, Lda, from 1986 to 1989 | He has a degree in Mechanical Engineering by the Instituto Superior Técnico | Scholarship by Junta de Energia Nuclear for a specialisation in Nuclear Power Plant Mechanical Technology. Additional Training in Strategic Management and High Business Management (PADE).

Thomaz Paes de Vasconcellos

Portuguese, 50 years old.

Elected for the first time in 2003. Term of office ended on 31 December 2005 and he was re-elected in 2006 | General Manager and Member of the Board of Directors of Vandal, ALD, Sfac, Unirent, from 1988 to 1998 | Senior Manager of Arthur Andersen & Co., from 1980 to 1987 | Controller of Hubbard Group, from 1987 to 1988 | Chartered Accountant no. 561 since 1985, he has been a member and/or the Chartered Accountant of several Supervisory Boards | Managing Partner of TPV – Consultoria e Gestão, Lda, since 1999 | He has a degree in Business Management and Administration by Universidade Católica Portuguesa since 1980.

José Xavier de Basto

Portuguese, 69 years old.

Elected for the first time in 2007 | Member of Centro de Estudos da Câmara dos Técnicos Oficiais de Contas (CTOC) | Tax consultant | Retired lecturer at the Faculty of Economics of Coimbra University | He has a Law degree by Coimbra University (1960) | Complementary Course in Political Economic Sciences (1961).

Franquelim Alves

Portuguese, 53 years old.

Elected for the first time in 2006 | Director of Cinveste Group, between 2006 and 2007 | Chairman of the Board of Directors and Chief Executive Officer of IGCP – Instituto de Gestão do Crédito Público, from 2004 to 2006 | Assistant Secretary of State to the Minister of Economy, from 2003 to 2004 | Chairman of the Board of Directors of SIMAB – Sociedade Instaladora de Mercados Abastecedores, SA, from 2002 to 2003 | Financial Director of Lusomundo Group, from 2000 to 2002 | Director of Lusomundo, SGPS SA, Lusomundo Net, Diário de Notícias, Lusomundo Media, SGPS SA and Lusomundo Audiovisuais, SGPS, SA, from 2000 to 2002 | Director of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, from 2000 to 2002 | He has a degree in Economics by the ISE – Instituto Superior de Economia. MBA in Finance by Universidade Católica | Wharton School Advanced Management Program, University of Pennsylvania.

Gerald McGowan

American, 61 years old.

Elected for the first time in 2006. Term of office ended on 31 December 2005 and he was re-elected in 2006 | Member of the Board of Directors of the Virginia Centre for Innovative Technology, from 2004 to 2007 | United States Ambassador to Portugal, from 1998 to 2001 | Member of the Board of Directors of the “Overseas Private Investment Corporation” (OPIC), from 1996 to 1997 | Member of the Board of Directors of the Virginia Port Authority, from 2002 to 2003 | Member of the Board of Directors of Cellular Telecommunications Industry Association, from 1992 to 1994 | He has a Law degree by Georgetown University Law Centre (J.D. 1974) and Georgetown University (B.S.B.A. 1968).

Francisco Pereira Soares

Portuguese, 58 years old.

Elected for the first time in 2006 | Economic Consultant at the Civil House of the President of the Republic of Portugal, from 2001 to 2006 | Chairman of the Executive Committee of API Capital, Sociedade de Capital de Risco, SA, from January 2003 to October 2004 | Chairman of the Board of Directors of API Capital, Sociedade de Capital de Risco, SA, from May 2004 to January 2005 | Director of NAER – Novo Aeroporto, SA, from 2001 to 2002 | He has an Economics degree by ISCEF (Universidade Técnica de Lisboa), 1972 | Master of Science in Management by Arthur D. Little Management Education Institute, Cambridge Massachusetts, EUA (1979) | Master in Public Administration by Harvard University, John F. Kennedy School of Government, Cambridge Massachusetts, USA (1981).

Fernando Soares Carneiro

Portuguese, 58 years old.

Elected for the first time in 2006 | Economy adviser at the Portuguese Embassy in London and representative of Portugal in the International Organizations of Base Products, between 2003 and 2006 | Consultant, between 2002 and 2003 | Chairman of the Board of Directors of Somincor – Sociedade Mineira de Neves-Corvo, SA, from 1998 to 2002 | Chairman of the Board of Directors of EDM – Empresa de Desenvolvimento Mineiro, SA, from 1998 to 2002 | Director of the International Copper Association, from 1998 to 2002 | Director of the European Bank for Reconstruction and Development, from 1993 to 1998 | Director of the World Bank Group, from 1989 to 1993 | He has a degree in Mining Engineering by the Instituto Superior Técnico, Universidade Técnica de Lisboa.

Luís de Azevedo Coutinho

Portuguese, 47 years old.

Elected for the first time in 2006 | Invited Assistant Professor at the Economics College, Universidade Nova de Lisboa | Member of the Audit Committee of PT, SGPS, SA, between 2006 and 2007 | Director and Member of the Audit Committee of EDP – Energias de Portugal SA, from May 2003 to 2006 | Manager of AMEC – Associação Música, Educação e Cultura, from 2003 to 2005 | Consultant at the Municipality of Lisbon (“Câmara Municipal de Lisboa”), from 2002 to 2003 | Director of Valora – Serviços de Apoio à Emissão Monetária, SA, from 1999 to 2002 | Consultant to the Board of Abrantina Group, from 2000 to 2007 | Director of the Abrantina Group between 1991 and 1999 | Consultant at the Bank of Portugal, Fundação Calouste Gulbenkian and IPE | He has a degree in Business Management and Administration by Universidade Católica | MBA by Universidade Nova de Lisboa.

On 12 February 2008, José María Alvarez-Pallete, Santiago Fernández Valbuena and Francisco Bandeira were co-opted onto the Board of Directors to complete the 2006-2008 term of office.

Portugal Telecom, SGPS, SA

Public company

Share capital: Euro 28,277,855.31*

Registered in the Lisbon Commercial
Registry and Corporate no. 503215058

Avenida Fontes Pereira de Melo, 40
1069-300 Lisboa

The terms "PT", "Portugal Telecom Group",
"PT Group", "Group" and "Company"
refer to Portugal Telecom and its subsidiaries
or any of them as the context.

*As at 7 May 2008

