

Portugal Telecom
Corporate governance report_2006



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 in compliance with the provisions of the Recommendations of the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários – “CMVM”) on the 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 model attached to CMVM Regulation no. 7/2001, as amended by CMVM Regulations no. 11/2003, no. 10/2005 and no. 3/2006.

Additionally, this report aims to comply with the obligation of annual detailed disclosure on corporate governance structure and practice, under the terms of article 245-A of the Portuguese Securities Code which is applicable to issuers of shares admitted to trade in regulated market.

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Compliance statement

The company fully adopts the CMVM Recommendations on the 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 1 Number 10
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 2
III _ Corporate rules		
3. The company should create an internal control system to efficiently detect risks connected with the company business, to safeguard its assets and to the benefit the transparency in its corporate governance.	Yes	Chapter 3 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 that 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.	No	(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 4 Number 1
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 4 Number 1
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 4 Number 1
7. The management body should create internal control committees with powers to evaluate corporate structure and governance.	Yes	Chapter 1 Number 2
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 disclosed annually 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.	No	(3)
9. The members of the Compensation Committee or its equivalent shall 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 that such regulations must comply with.	Yes	Chapter 1 Number 8
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 4 Number 6

(1)

Although it is PT's understanding that its bylaws do not contain any defensive clauses that automatically cause an erosion in the company's assets in case of control transition or change in the composition of the management body, it was CMVM's understanding, in its analysis of compliance with the Recommendations on the governance of listed companies, that PT failed to comply with Recommendation no. 4.

However, besides the special rights in favour of the State as described further on, in this matter PT's bylaws contain only, in their article 13, a limitation on 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.

In fact, 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 better attractive conditions of takeover bids, since only higher levels of adherence by the addressees 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, conditions and consideration of the general tender offer over the shares in the share capital in PT, the preliminary notice of which 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 of the tender offer.

However, at the General Shareholders Meeting called for the 2nd March 2007 to vote for the said removal, even though merely within the context of the above mentioned tender offer, the proposal was rejected by a majority of votes cast.

In this way, the situation remained unchanged, based on the conviction that limitations as provided for under the bylaws contribute to a share capital dissemination and a greater transparency of corporate governance.

(2)

The company believes that the final part of CMVM Recommendation no. 8, pertaining to the individualised breakdown of directors' remunerations, should not be observed as it considers that such option does not constitute the most correct vision and framework for this matter. In fact, the general practice among other companies is to merely disclose the remunerations paid to members of the management body in overall terms.

Because it is important to disclose information to shareholders on the overall value of remunerations paid to the members of the management body, and particularly to the company's executive management team, i.e. its Executive Committee, the company discloses such information in no. 5 of chapter 4 of this report.

Therefore, as the company disagrees and does not adopt the individualised disclosure of the remunerations of the members of the corporate bodies, 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 chairman of the Board of Directors and of the Executive Committee, to analyse the individual performance of each director, while the Compensation Committee analyses the adequacy of their individual remuneration. In this way, the company understands that it complies with the ratio of the recommendation by disclosing enough information for the investors to know the management costs of the company.

(3)

The Compensation Committee, the body responsible for establishing the remuneration of the corporate bodies for the 2006-2008 three-year period, was only appointed on the 21st April 2006, precisely at the Annual General Shareholders Meeting, and for such reason submitting both a declaration on a future corporate body remuneration policy and on the way in which corporate body remuneration was applied during the 2006 financial year to the appraisal of the General Shareholders Meeting can only actually occur in the next Annual General Shareholders Meeting, to take place during the 2007 financial year, as it is expected to occur. Thus, the Compensation Committee will submit for the appraisal of the next Annual Shareholders General Meeting a declaration regarding the policy on corporate bodies' remuneration for the current term of office, i.e. 2006-2008, as well as a declaration about the way such policy was applied in the year 2006, hence, complying with this Recommendation.

(4)

PT did not fully comply with CMVM Recommendation no. 9 in the financial year of 2006, since one of the members of the Compensation Committee is a non-executive director of the company, which does not fall within the criteria of independence proposed by CMVM in no. 9 of Chapter I of the Appendix to Regulation 7/2001.

As referred to in Chapter 1, number 11 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 for the respect and prevention of conflicts of company interests with the interests of the members of the management body, in this matter.

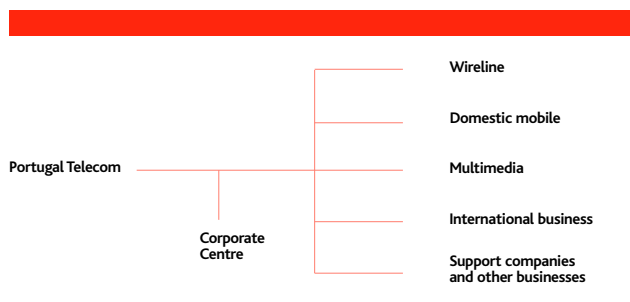
On the other hand, the articulation of this Committee with that body is sought through the presence of one independent director, as seen above, in accordance with the assessment criteria provided for in Article 1-2 of the said CMVM Regulation. This contributes to the consideration and alignment of the interests involved in the structuring and determining director remunerations.

Thus, the hybrid model followed by the company in this matter aims to ensure the exemption and best pursuit of the company's interests, as well as reinforcing efficiency and independence in the determination of remunerations. For this reason, the Compensation Committee, except for the mentioned non-executive 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 _ Disclosure of information

1. Corporate body charts pertaining to distribution of powers

During the year 2006, the PT Group was structured by business areas corresponding to five large core areas: wireline, mobile business in Portugal (TMN), multimedia (PT Multimédia), international business, that includes Vivo (the joint-venture with Telefónica for mobile businesses 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. The reporting to the Corporate Centre of the subsidiary companies is functional rather than hierarchical, thus enabling an effective articulation:



Within the framework of the corporate decision-making procedure concerning these business areas 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 > Corporate communication and image > Human resource & talent management policies > Institutional relations > International relations > Internal auditing > Legal services 	<ul style="list-style-type: none"> > General coordination of the Executive Committee > PT Foundation
Zeinal Bava Vice-president	<ul style="list-style-type: none"> > Investor relations > Social model sustainability project 	<ul style="list-style-type: none"> > TMN > PT Multimédia > PT PRO > Previsão
Rodrigo Costa Vice-president	<ul style="list-style-type: none"> > Human resources > Open network project > Integrated strategies for information and innovation services 	<ul style="list-style-type: none"> > PT Comunicações > PT.COM > PT Corporate > PT SI > PT Inovação
Luís Pacheco de Melo Chief financial officer	<ul style="list-style-type: none"> > Management planning and control > Financial operations and treasury > Financial reporting > Corporate finance > Financial holdings 	<ul style="list-style-type: none"> > PT ACS
João Pedro Baptista Executive officer	<ul style="list-style-type: none"> > Business development > Convergence and distribution strategy > Holdings of PT Group companies operating abroad 	<ul style="list-style-type: none"> > PT Investimentos Internacionais > Vivo > Médi Télécom > Unitel > CTM > MTC > CVT > CST > Timor Telecom > UOL
António Caria Executive officer	<ul style="list-style-type: none"> > Quality and customer Satisfaction > Strategies for services hiring > Integrated networks strategies 	<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 > Real Estate > "One shop" project 	<ul style="list-style-type: none"> > PT Imobiliária

2. Specific committees created within the company

Currently, investor decisions pertaining to the allocation of capital to listed companies takes into account not only economic evaluations, but also information transparency and the companies' executive management security and reliability levels.

In light of this, in compliance with applicable legal or regulatory requirements, and so as to adopt the best international practices in these matters, the Board of Directors created within itself, in addition to the Executive Committee, two committees that are responsible for the performance of specific functions falling within the powers vested in the Board of Directors. Those committees are listed hereinafter.

Additionally, in order to improve its performance, the Executive Committee has appointed three advisory boards.

Firstly, however, it is important to stress that the governance model of Portugal Telecom is expected to be the subject to changes during 2007, due to new legal requirements resulting from the revision of the Portuguese Companies Code.

The current governance model keeps a power separation between Board of Directors and Executive Committee, without prejudice to the concentration in a single member of the Chairmanship of both bodies, and it is based on four basic pillars: efficiency, simplicity, transparency and accuracy.

The Executive Committee shall act on a predominantly operational basis, and the Board of Directors relies on the support of a combination of Committees, created and appointed in the meantime, whose function it is to analyse, recommend and supervise the enforcement of the legislation in force, as well as the principles and conducts adopted by the Group.

The composition and duties of the above-mentioned specific committees are as follows:

Corporate Governance Committee*

João de Mello Franco (chairman)
Joaquim Brito de Goes
Jorge Tomé
Franquelim Alves
Francisco Soares

As determined by the relevant regulated market supervisory authorities and managing authorities, most members incorporating the Committee are independent directors.

Duties

- > To propose to the Board of Directors and to revise and re-evaluate the company's corporate governance model, including the organisational 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, independency 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 process;
- > 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 and conduct approved or to be approved by the company.

* The creation and current composition of the Corporate Governance Committee was approved at the Board of Directors meeting dated 29 June 2006.

Also within the scope of the duties of the Corporate Governance Committee, it is important to stress that the Committee charter was approved at a meeting of the Board of Directors dated 8 November 2006.

The Corporate Governance Committee held 3 meetings during the 2006 financial year, having discussed mainly the following matters:

- > Approval of the proposal for the Committee's operation regulation to be submitted to the Board of Directors;
- > Revision of the draft Entity Level Controls Manual to be submitted to the Board of Directors;
- > Revision of the draft service order on the definition, control and report of transactions with related parties;
- > Preparation of the draft service order on communication by managers of holdings and their voting rights in PT and PTM;
- > Preparation of the service order on transactions by PT Group managers;
- > Consideration of several governance and supervision models for the companies, in accordance with the Portuguese Companies Code as amended by Decree-Law 76-A/2006 of 29 March 2006, aimed at proposing the model to be adopted to the Board of Directors/Executive Committee, which in turn will submit such proposal to the General Shareholders Meeting;
- > 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;
- > Preparation of the "corporate governance report" to be disclosed by PT;
- > Evaluation of governance practices by the Board of Directors;
- > Preparation of the 2007 action plan to be submitted to the Board of Directors;
- > Preparation of the self-evaluation report.

All members of the Corporate Governance Committee were present at the abovementioned meetings.

Audit Committee*

João Mello Franco (chairman)
Luís de Azevedo Coutinho
Thomaz Paes de Vasconcellos

Duties

- > To assist the Board of Directors and its Executive Committee (1) in the supervision of the quality and integrity of the financial information contained in the company's account rendering documents; (2) in the evaluation of the qualification and independence of the company's External Auditors; (3) in the evaluation of the quality, integrity and efficiency of the company's internal control system; (4) in the evaluation of the execution of the functions performed by the company's external auditors and of the Corporate Internal Auditing Department; and (5) in the evaluation of compliance with legal and regulatory provisions, and with recommendations and guidelines issued by competent authorities.

The Audit Committee held 9 meetings during the 2006 financial year, having discussed mainly the following matters:

- > Analysis of the quarterly, biannual and annual financial statements;
- > Quarterly follow-up of the Internal Control implementation status activity;
- > Supervision of the Internal Audit function;
- > Monitoring the work in respect to the Whistleblower Program;
- > Monitoring the work of the financial statements Audit and Internal Control to be carried out by the External Auditors;
- > Monitoring and revision of the most relevant Accounting Policies, significant judgments and unusual transactions occurred in 2006;
- > Analysis of the Form 20-F preparation and report procedure to SEC (Securities and Exchange Commission).

All members of the Audit Committee were present at the abovementioned meetings.

* This composition of the Audit Committee was approved on of the Board of Directors dated 24 April 2006.

Other committees reporting to the Executive Committee

Within and limited to the delegation of competences made by the Board of Directors in favour of the Executive Committee the following specific committees were also created within PT:

Consultive Council*

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

Duties

The functions of the Consultive Council are to analyse, together with the Executive Committee, areas with special relevance for PT, notably matters pertaining to regulation and competition, international investments, mergers, acquisitions and disposals.

The Consultive Council held 6 meetings during the 2006 financial year, having discussed mainly the following matters:

- > Analysis and consideration of PT's activity and definition of strategic lines in the regulatory and competition field;
- > Consideration of perspectives for international investments, mergers, acquisitions and disposals.

All members were present at the abovementioned meetings.

* This composition of the Disclosure Committee was approved by the Executive Committee in May 2006.

Disclosure Committee*

Luís Sousa de Macedo (chairman)
Francisco Nunes
Nuno Prego
Nuno Machado
Carlos Cruz

Duties

The purpose of this body is to ensure the quality and reliability of the information disclosed to the financial markets and to guarantee compliance with all national and international regulatory requirements pertaining to this matter.

The Disclosure Committee is therefore entrusted for: defining, documenting and implementing adequate procedures for correct collection, treatment and report of information, as well as revise all information disclosed by PT, as follows: press releases, reports and accounts (annual and biannual), 20-F Forms, releases to CMVM and questionnaires sent to the media.

For such purpose, the Disclosure Committee should approve and implement controls and procedures 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 2006 financial year, having discussed mainly the following matters:

- > Adequacy of the financial information to be disclosed to the market, in light of the financial and non-financial information reported by its subsidiaries;
- > Revision of quarterly, biannual and annual disclosures of results.

All members of the Disclosure Committee were present at the abovementioned meetings.

Sustainability Committee

Henrique Granadeiro (chairman)
João Pedro Guimarães
Luís de Sousa Macedo
José Pedro Pereira da Costa
Luís Avelar
Duarte Calheiros
Gonçalo Pinto Coelho
Graça Galvão
Luís Ribeiro
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 ensure the creation within the PT Group, of the conditions necessary for its sustained growth, according to a three-dimensional standpoint, in economic, environmental and social terms, in accordance with international criteria;
- > To develop, promote and supervise projects and actions required for the proposed aims;
- > 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 executive chairman, 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.

The Committee integrates PT's governance model by promoting transparency and rigour in the relations with stakeholders, encouraging dialogue, avoiding conflicts of interest, and anticipating mechanisms for an anti-corruption culture. Therefore, PT does not carry out any lobbying activity and/or does not monetarily contribute to organisations that do not fall within its sponsorship, philanthropy and patronage policies.

The Sustainability Committee held 2 meetings during the 2006 financial year.

All the members of the Sustainability Committee were present at the abovementioned meetings.

3. Supervisory Board

Taking into consideration the need for supervision in accordance with the provisions of the Portuguese Companies Code, PT has a Supervisory Board, whose functions during the 2006 financial year were performed by the following members:

Pedro João Reis de Matos Silva (chairman)
Gonçalo Vaz Botelho (member)
Ascensão, Gomes, Cruz & Associados, Sociedade de Revisores Oficiais de Contas,
represented by **Mário João de Matos Gomes**
José Vieira dos Reis (Alternate)

It should be stressed that the governance model of PT is expected to be subject to changes during 2007, due to the new legal requirements resulting from the revision of the Portuguese Companies Code. Under articles 278 and 413 of the Portuguese Companies Code as amended by Decree-Law no. 76-A/2006 of 29 March 2006, companies issuing securities listed on a regulated market, whether adopting the Latin model based on the existence of a Board of Directors and a Supervisory Board, or the Anglo-Saxon model with a Board of Directors and an Audit Committee, must appoint a Chartered Accountant or a Chartered Accountant Firm (who, in the former model cannot be a member of the Supervisory Board).

Duties

According to article 420 of the Portuguese Companies Code, prior to the amendment introduced by Decree-Law no. 76-A/2006, of 29 March 2006, the duties of the Supervisory Board, during the 2006 financial year, were as follows:

- > To supervise the company's management;
- > To watch over the fulfilment of the law and articles of incorporation;
- > To verify the regularity of the corporate books, accounting records and supporting documents;
- > To verify, wherever deemed convenient and in the manner considered as appropriate, 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;
- > To check the accuracy of statutory financial statements;
- > To check whether accounting policies and value-metrical criteria adopted by the company lead to a correct evaluation of its assets and results;
- > To prepare an annual report on its supervisory activity and issue an opinion on the report and accounts and proposals submitted by the management;
- > To call the General Shareholders Meeting, where its chairman fails to do so, being so obliged;
- > To comply with all other duties set out in the law or articles of incorporation.

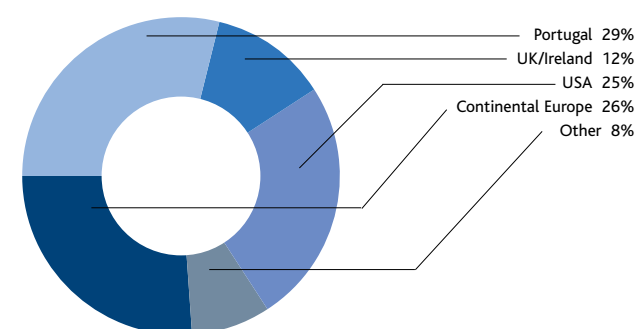
4. Capital structure and major shareholders

The share capital of PT is Euro 395,099,775 fully paid up.

The share capital is represented by 1,128,856,500 shares with the par value of thirty five cents of Euro each. 500 of these shares are class A shares, which is equivalent to 0.0000442% of the entire share capital. According to the bylaws of PT, the class A shares may be held by the Portuguese State or other entities belonging to the Portuguese State and are currently held by Direcção-Geral do Tesouro. The special rights regarding the class A shares are better described in Chapter 3.

All the PT ordinary shares are admitted to trade in Eurolist by Euronext Lisbon.

Shareholder structure (%)



Qualified holdings on 31 December 2006

Institutions	No. of shares	%
Telefónica	112,473,826	9.96%
Banco Espírito Santo	87,734,177	7.77%
Brandes Investments Partners	83,649,255	7.41%
Caixa Geral de Depósitos	57,740,600	5.11%
Teléfonos de México (Telmex)	38,460,000	3.41%
Ongoing (includes an insight share)	34,012,746	3.01%
Paulson & Co.	26,385,303	2.34%
Fidelity Group	23,592,185	2.09%
Fundação José Berardo	23,357,466	2.07%
Barclays	23,216,664	2.07%
UBS AG	22,779,481	2.02%

5. Risk control system

The Risk Control System established in PT is aimed at guaranteeing that the company monitors appropriately the risks affecting the activities developed by the Group.

That said, it is relevant to briefly describe the risks that PT is subject to, in order to facilitate the understanding of the Risk Control System that has been created.

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 that regulatory changes are monitored, given the threats and opportunities that 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 PT and of its subsidiary companies' Executive Committees in the quest for new and better products and services that prove to be innovative 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.
- > **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 innovative solutions and services, both in the domestic and the international markets.

- > **Strategic partnerships:** to ensure alliances, joint-ventures or other kinds of efficient and effective relations 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.
- > **Retaining talent:** to ensure the capacity for counting on duly motivated persons with the correct abilities in the right places. The Human Assets Office of the Corporation is in charge of managing this risk by identifying the key elements of the PT Group and using appropriate retaining strategies according to its management segments.
- > **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 markets 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 transaction and by consulting with various institutions acting in this market. Such transactions are subject to prior approval by the Executive Committee and imply 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. Corporate Reporting and Consolidation Office is in charge of managing this risk, by following 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;
- > **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.

Risk management strategies

Risk management is ensured by the company based on the prior identification of critical risks, development of risk management strategies as appropriate for identified risks, with the consequent implementation of a common language for identification, prioritisation, evaluation and control of risks that are critical to the business.

The adopted risk management strategies aim at guaranteeing that:

- > The control systems and procedures and the established policies allow for the expectations of management bodies, shareholders and the public in general to be met;
- > The control systems and procedures and the established policies are in accordance with all applicable laws and regulations;
- > The financial and operational information is complete, reliable, safe and reported on a regular and timely basis;
- > The resources of the PT Group are used in an efficient and rational manner;
- > The shareholder value is maximized;
- > The operational management adopts necessary measures to correct aspects of risk for the PT Group that have been reported.

Internal procedures for risk control

The internal procedures adopted by the company to implement the risk control strategies described above, notably the existence of organic units dedicated to the implementation and evaluation of Internal Control, are described in no. 2 of Chapter 3 hereunder.

6. Share price evolution

Most relevant facts announced during the 2006 financial year

6 February

Sonaecom published a preliminary announcement of an unsolicited tender offer over the shares in PT, with a view to obtaining a controlling position in the company

6 March

Disclosure of the annual results for the 2005 financial year and of the Report of the Board of Directors on the tender offer preliminarily announced by Sonaecom

18 May

Disclosure of the results for the first quarter of 2006

3 August

Disclosure of an increase in the shareholder remuneration package as announced on 6 March on the Report of the Board of Directors, including PT Multimédia's spin-off

14 September

Disclosure of the results for the first half of 2006

14 November

Disclosure of the results for the first nine months of 2006

The following graph represents the evolution of the price of PT shares during the year 2006.

7. Dividend distribution

Dividend distribution policy

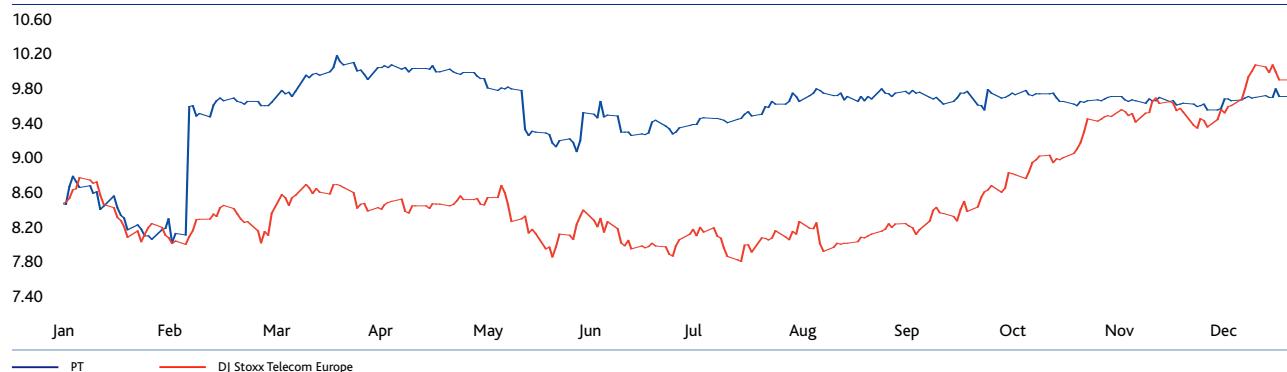
The company adopts a dividend distribution policy that takes into consideration the business opportunities of the PT Group, investor expectations and the financing needs by shareholders' equity, taking into account the capital's cost and opportunity.

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 * should be distributed to the shareholders as dividend, although the General shareholders Meeting may resolve, with a qualified majority of two-thirds of votes cast, to reduce or not distribute the dividend.

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

PT performance vs. DJ Stoxx Telecom Europe in 2006



* 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.

Dividend distributed in the last three financial years

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

- 2005** > 47.5 Euro cents
- 2004** > 35 Euro cents
- 2003** > 22 Euro cents

Additionally, according to the Report on the Opportunity and Conditions of the Tender Offer prepared by PT Board of Directors in respect of the revised announcement of the tender offer over PT shares launched by Sonaecom and by Sonaecom BV, PT defined as its strategy, subject to the conditions and limitations as specified thereon, the distribution to its shareholders of Euro 6.200 million in cash between 2006-2009.

To that extent, the Board of Directors will submit to the Annual General Shareholders Meeting a proposal for the allotment to shareholders of an amount of 47.5 cents per share, in respect of the financial year of 2006, as well as a free allotment to its shareholders of 100% of the shares held by the company in PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, in an amount equivalent to Euro 2,000 million or Euro 1.8 per share in Portugal Telecom (assuming a price per share of Euro 10.85 for each PT Multimédia share).

The package also includes a remuneration of Euro 2,100 million for a share buyback programme. Such shares will be acquired at market price, at no more than Euro 11.50 per share, corresponding to the acquisition of a minimum of 16.5% of the current share capital in PT. The share buyback programme will be submitted to the approval of the General Shareholders Meeting by a qualified majority as pertains to the amendment to the bylaws for any share capital reduction. However, PT's Board of Directors has reserved the right to optimise the structure after the failure of Sonaecom's tender offer.

Within the framework of this shareholder remuneration package, the Board further committed to pay an annual dividend of 57.5 cents per share in 2008-2009 upon completion of the share buyback programme, which at a price per share of Euro 10.50 is equivalent to an annual dividend yield of 6.9% (after a theoretical adjustment in the price per share of the distributions of the shares in PT Multimédia, and assuming a neutral impact on the stock price derived from the share buyback programme and annual dividend distribution).

8. Plans for allotment of shares or share call options

During the 2006 financial year, the company did not adopt any share allotment plans or share call options, nor did any such plans remain in force regarding directors or Group collaborators.

9. Relevant transactions with members of corporate bodies, holders of qualified shareholdings or companies within a dominant or group relation

The terms and conditions used between the Group companies and related parties are substantially identical to those that would usually be contracted, accepted and performed between independent entities in comparable transactions.

Some of PT's major shareholders are financial institutions with whom trade agreements are established in the normal course of business. The terms of such trade agreements are substantially identical to those usually contracted, accepted and performed between independent entities in comparable transactions. Activities carried out within the framework of such trade agreements are mainly in respect of telecommunications service provision by the Group and financial and consultancy and insurance service provision by such financial institutions.

In connection with the incorporation of Brasilcel, a strategic partnership was established with Telefónica, whereby PT may acquire up to 1.5% of the share capital in Telefónica, and Telefónica may acquire up to 10% of the share capital in PT. As at 31 December 2006, Telefónica holds 9.96% of the share capital in PT. Additionally, PT established a shareholders' Agreement with Telefónica, which regulates the management of Vivo.

Other than the above operations, PT did not execute any transactions or operations with members of the management or supervisory bodies, holders of qualified shareholdings or companies within a controlling or group relation that might be significant in economic terms for any of the parties involved and that could be considered as an operation outside the normal market conditions.

10. Investor relations

The Investor Relations Office was created in March 1995 with the purpose of ensuring adequate relations with shareholders, investors and analysts, as well as with financial markets in general and, in particular, with the 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, half-yearly and annual results, as well as any material events that may occur and affect the PT Group as a whole. It also provides all sorts of clarifications to the financial community in general – shareholders, investors (both institutional and retail) and analysts. Any concerned party may access the Investor Relations Office through the following contacts:

Nuno Prego

Investor Relations Officer

Tel.: +351 21 5001 701

Fax: +351 21 5000 800

E-mail: nuno.prego@telecom.pt

Address: Av. Fontes Pereira de Melo, 40 – 9.º, 1069-300 Lisboa

Switchboard: +351 21 500 2000

Site: www.telecom.pt

During 2006, PT pursued its investor relation activities and held several events, notably roadshows, presentations to investors and analysts, meetings and conference calls, and also participated in conferences in Europe and the United States.

Overall, PT held, in 2006, around 280 meetings with analysts and investors, 200 of which occurred in roadshows and conferences, and the remaining 80 meetings and conference calls held at the offices of the company.

We would like to highlight the three roadshows that took place in 2006, in Europe and the United States, particularly the roadshow that took place in March (after the disclosure of the annual results), which involved contacts with investors in fourteen cities of eight countries.

11. Compensation Committee

The Compensation Committee is elected by shareholders at General Meeting and serves the purpose of determining the remuneration of PT corporate body members.

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

The current composition of the Compensation Committee, appointed in April 2006, is as follows:

António Menezes Cordeiro (chairman)

Manuel Alves Monteiro

João Mello Franco

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

The underlying reason for the proposal 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.

For that reason, other than the abovementioned non-executive director, the Compensation Committee does not include any member of the Board of Directors or anyone having 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.

12. External auditors

During the 2006 financial year, the annual remuneration paid to external auditors was Euro 2,800,867, with such payment being shared between the provisions of the following services:

	Euro			
	2006	%	2005	%
Audit fees	1,686,520	60%	1,438,400	59%
Audit related fees	679,890	24%	467,896	19%
Tax fees	52,003	2%	307,135	12%
Other fees	382,455	14%	245,370	10%
Total	2,800,867	100%	2,458,801	100%

In order to safeguard the independence of external auditors, the company's Board of Directors granted the following powers to the Audit Committee in relation to the company's external auditing:

- > Appointment and hiring of external auditors and responsibility for the establishment of their remuneration, as well as termination of duties and pre-approval of any services to be hired from the external auditors;
- > Direct and exclusive supervision by the Audit Committee;
- > Obtaining, directly from the external auditors, an annual external auditing report, which should describe the quality control auditors' internal procedures, any substantial issues arisen from 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 course;

- > 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 and issuing of a prior opinion on the Audit memorandum and report prepared by the external auditors, as well as on the financial information to be included in the account rendering documents to be submitted to CMVM;
- > Review, with the external auditors, of the scope, planning and resources to be used in their services;
- > Review and discussion with the management bodies of the audit report to be included in the company's annual report contained in Form 20-F to be submitted to SEC;
- > Guarantee that the auditing of the financial statements to be included in Form 20-F has been carried out according to the laws in force in the United States of America;
- > 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 for the services supplied by external auditors and quarterly revision of the contracting levels of such services.

The evaluation of independence of the external auditors is a result of the application of the rule issued by SEC on 26 March 2003, which defines the 11 services prohibited to external auditors. Therefore, for all non-auditing services, the company analyses conflicts of interests between the potential rendering of services and the auditing work performed by the external auditors. Based on that analysis, the Audit Committee issues an opinion, with reference to the existence or non-existence of conflicts of interest concerning the services supplied by external auditors.

On the other hand, the external auditors are independent and internationally reputed entities and their activity is closely followed up and supervised by the Audit Committee. PT does not grant any compensatory protection to external auditors.

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

Thus, within the reference period of one year from the date of completion of the last External Audit to PT accounts:

- > Pre-approval by the Audit Committee of PT is required for all intentions to hire employees from the external auditors' company, as well as ex-employees having left the company less than one year from the closing date of the audit they have participated in.
- > During the said period, it is forbidden to hire partners or other members of the external auditing team who have had an involvement in excess of 10 hours in auditing services and who are invited to perform functions in a position of supervision over financial reporting procedure of PT, notably:
 - a) Chief executive officer;
 - b) Chief financial officer;
 - c) Chief accounting officer;
 - d) Controller;
 - e) Others that play a relevant role in the preparation and/or supervision of the financial reporting procedure either in PT or in subsidiary companies.

13. Change of control

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

- > Shareholder 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 Telecom. Pursuant to the agreement, in the case of a change of control in any party, the remaining parties shall have a call option under which terms they may request that the shares held in Médi Telecom by the party affected by the change of control are sold to the other parties according to its fair market value minus 10%. If such a request is presented 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, under which was agreed that Telefónica Móviles shall have the right to put/sell all of Brasilcel's shares held by it to PT Group, which shall buy such shares, if there is a change of control in PT or in PT Móveis or in any of their affiliates which directly or indirectly has an interest in Brasilcel. Likewise, PT Group shall have the right to put/sell all of Brasilcel's shares held by it to Telefónica Móviles, which shall buy such shares, if there is a change of control in Telefónica, SA, Telefónica Móviles or any of Telefónica Moviles' affiliates which directly or indirectly has an interest in Brasilcel.
- > Credit Facility in the total amount of Euro 900 million and also some loan agreements, in the total sum of Euro 386 million, executed in 31 December 2006 with BEI which grant the lender the right to demand the payment of all amounts in debt in case of a change of control in PT.

2 _ Exercise of voting rights and shareholder representation

1. General Meeting and voting rights

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

During the 2006 financial year, the table of the General Shareholders Meeting of the company was composed as follows:

António Menezes Cordeiro (chairman)
Jorge Luís Seromenho Gomes de Abreu (vice chairman)*
Luís Sousa Macedo (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, 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 Depository Receipts (ADR) or Global Depository Receipts (GDR) programs 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.

A qualified majority of two thirds of the votes cast is necessary to resolve on the amendment of the bylaws, at first or second call. However, resolutions on this matter shall not be approved if opposed by the majority of votes corresponding to class A shares. Holders of shares corresponding to, at least, one third of the share capital, must be present or represented at the General Meeting convened to resolve on the amendment of the bylaws. However, the general meeting may resolve on a second call, irrespectively of the number of shareholders present or represented therein.

Still in the context of the General Meeting, and reporting to it, refence to the existence of a Remuneration Commission must be made. Its composition, powers and activity during the financial year of 2006 are described below.

Compensation Committee*

António Menezes Cordeiro (chairman)
Manuel Alves Monteiro
João Mello Franco

Duties

This Committee was created, as permitted by the bylaws, to define the remunerations of PT's corporate bodies. It is further entrusted with following up and evaluating the performance of the directors in relation to the targets defined.

The Compensation Committee held 3 meetings, having discussed the following matters:

- > Consideration and definition of the remuneration, variable and fixed component, to be attributed to the PT directors.

* Due to a supervening conflict of interests pursuant to the provisions of article 414-A of the Portuguese Companies Code, ex vi article 374-1 of that same code, as amended by Decree-Law no. 76-A/2006 of 29 March 2006, the term of office of the marked members expired, and so they were replaced at the General Shareholders Meeting held on 2 March 2007 by appointment of the following members: Daniel Proença de Carvalho (Vice-chairman) and Francisco Manuel Leal Barona (Secretary).

* This composition of the Compensation Committee was resolved at the Annual General Shareholders Meeting dated 21 April 2006.

2. Voting by correspondence and by electronic means

The company bylaws allow for the voting by correspondence or by electronic means may encompass all matters contained in the notice, under the to terms and conditions set forth therein.

Notwithstanding this general provision, it is anticipated that the bylaws will be revised in 2007 to contemplate a minimum content for the notice and for the bylaws themselves as to this matter, in accordance with recent legislative modifications in this field.

Voting by correspondence

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

The shareholders entitled to vote may, according to article 22 of the 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 General Meeting is 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 chairman of the General Meeting shall send to the shareholders the voting bulletins and other relevant documentation. Such shareholders shall send to the chairman of the General Meeting, to be received by the time and date scheduled on the notice for the General Shareholders Meeting, an envelope containing the declaration of the financial intermediary entrusted with the registration service of the relevant shares and the declaration as referred to in article 13-12 of the bylaws, and another closed envelope containing the duly filled in voting bulletins.

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 General Meeting, duly filled in and in a closed envelope, to be received, together with an envelope containing a copy of the ID card (or, for corporations, 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 and the declaration as referred to in article 13-12 of the bylaws, by the time and date scheduled on the notice for the General Shareholders Meeting.

For such purpose, at the time of preparation of the meetings of the General Shareholders Meeting, voting bulletins are available to shareholders at the company's registered office. These may be obtained through the company's Internet site, as well as by personal delivery, postal mail or electronic mail.

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 General Shareholders Meeting may subject voting by electronic means to the fulfilment of conditions that he establishes for safety and reliability thereof.

In fact, shareholders entitled to vote may also, according to a practice implemented in the company, 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 Shareholders Meeting, they deliver to the chairman 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 and the declaration as referred to in article 13-12 of the bylaws have been received during the period fixed on the notice for the General Shareholders Meeting may be taken into account.

Common provisions – vote counting

Voting exercised either by correspondence or by electronic means will be taken into account, at the time of vote counting, in addition to the voting occurring during the General Meeting.

The presence at a General Meeting of a shareholder, or a shareholder's representative, having exercised his/her voting rights either by correspondence or by electronic means determines the revocation of the vote cast in that way.

Any vote cast either by correspondence or by electronic means shall be deemed as a negative vote with regard to any resolution motions submitted subsequently to the date on which it is cast.

3. Shareholder representation

Shareholders may participate directly in the General Shareholders 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 General Shareholders Meeting is a sufficient instrument of representation.

4. Availability of preparatory information

The proposals to be submitted by the Board of Directors to the General Shareholders Meeting, 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 Shareholders Meeting and of the proposals received by the chairman of the General Shareholders Meeting sufficiently in advance will be available on the company's website.

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.

3 _ Corporate rules

1. Codes of conduct

Code of ethics

On 18 December 2001, the company's Board of Directors approved the PT Group code of ethics, which 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 code of ethics was revised by the Board of Directors at a meeting dated 30 June 2005. A few measures were then taken, during the 2006 financial year, aimed at putting its implementation in the PT Group into operation.

The code expresses and formalizes behaviour standards in line with the principles and values of the PT Group, while consolidating the bases that sustain the growing relations of trust between employees, other employees, shareholders and customers and suppliers of PT. The following aspects should be underlined:

- > Performance marked by rigorous principles of honesty, integrity, dignity, correction and professional diligence, exemption and equity;
- > Compliance with a duty of loyalty to the company of the PT Group which they are assigned to, striving to safeguard its credibility and good image in every situation, while safeguarding its prestige. Employees should also act with verticality, exemption and objectivity in the analysis of business decisions made on behalf of their respective company;
- > Scrupulous compliance with the legal and regulatory rules applicable to the Group's activity, notably those pertaining to the secrecy of communications and information which they have access to;

- > Principle of loyalty to the Group's companies whereby employees must strive to safeguard their prestige and scrupulously comply with legal and regulatory rules applicable to the Group's activity, notably concerning the obligation of secrecy in relation to relevant information that has not yet been made public and that may influence stock exchange prices;
- > Compliance with the limits of the duties assigned to them;
- > Compliance with certain rules in the relations with suppliers, competitors, shareholders and regulatory authorities.

The full text of the Portugal Telecom Group code of ethics is available for inspection 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

An internal regulation on transactions by the Group's managers was approved in 2006. By replacing the former internal regulation on transactions for the account of senior managers, approved in the previous financial year, it regulates matters related to the prevention of market abuse and transactions over financial instruments issued by the Group's companies, as well as defines relevant concepts of "insider dealing", "market manipulation" and "relevant transactions", among other associated matters.

This regulation was issued, precisely, in line with the amendments implemented by Decree-Law no. 52/2006 of 15 March 2006 to the Securities Code, notably aimed at extending the objective and subjective scope of the matters and definitions as above specified as the subject of regulation on the document. In sum, the regulation is aimed at completing the rules of corporate governance, as well as good conduct practices as already implemented within PT in order to reinforce market abuse prevention.

Regulation on transactions with related parties

In 2006, a regulation was approved that is 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 has a double purpose:

- > To allow PT's financial statements to evidence, if and where applicable, the possibility of the financial position and results of the company being affected by the existence of related parties and by transactions and pending balances with them;
- > To safeguard 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.

Sustainable development and social policy

The corporate sustainability strategy in PT is integrated in a consistent and transverse way within the Group and lies on a vast combination 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 across the Group's business.

Within this framework, PT actively participates in a number of international movements of the telecommunications sector that seek to contribute to sustainable development. PT is a member of ETNO – the European Telecommunications Network Operator's Association since 1992, having always been elected a member of its Executive Board.

The Corporate Sustainability Report is published each year, simultaneously with the Annual Report, and it is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI). The report is entirely audited by an independent external entity.

This document outlines the practices and economical, social and environmental references that allow the performance of the company to be highlighted in a tridimensional 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

The main risk factors for the PT Group, as well as the strategies adopted by the company to fight such risks, have already been described in no. 5 of Chapter 1 above.

Thus, the following refers to the internal procedures adopted by the company to comply with the risk factor control strategies referred to above.

Having in mind all regulatory requirements to which it is subject, both nationally and internationally, PT has been developing an internal control function that is mainly aimed at ensuring conformity with established purposes, policies and procedures, ensuring financial information reliability, minimising fraud, and ensuring that identified critical risks are controlled and reduced to an acceptable level.

This function, in line with the best international practices and with the provisions of the Sarbanes-Oxley Act, has been progressively implemented in the main subsidiary companies, and its implementation in PT Group companies with relevant proceedings has been determined. The programme provides not only for the introduction of internal control procedures, but also for review, verification and continuous improvement thereof.

During 2006, in line with the best international practices, an overall review of the internal controls that are relevant for financial reporting was requested, in order to ensure these are adequate and operational or, should this not be the case, to initiate the remediation plans necessary to correct possible system deficiencies.

The evaluation methodology followed took into consideration the references supplied by the organisations responsible for promoting the existence of internal control mechanisms in capital markets, notably by SEC and PCAOB, and that were based on an analysis of the internal control system according to the COSO framework concerning Entity Level Controls and Process Level Controls, and according to the COBIT framework concerning IS/IT.

With regard to the implementation of the internal control, and following the use of the abovementioned references, a set of initiatives was developed which permitted a substantial reinforcement of the Group's internal control environment, including:

- > Training of around 4,650 employees in matters related to internal control and code of ethics;
- > Workshops for clarification of SEC compliance requirements;
- > Approval of the Entity Level Control Manual at a Board of Directors meeting;
- > Definition and control of a Corporate Compliance Plan for 2006;
- > Revision and approval of internal control Manuals for the main businesses of the PT Group;
- > Definition, monitoring and report to the Audit Committee of a number of policies aimed at implementing initiatives in respect of internal control;
- > Internal control evaluation in all proceedings having a greater impact on the PT Group's financial reporting.

Control by the holding, business units and support companies

The internal control of the PT Group is structured according to the distribution of functional responsibilities:

- > Entity level controls are defined by Portugal Telecom (holding) and are implemented by the Group's companies and intend to establish internal control guidelines for the subsidiary companies.
- > Process level controls and IS/IT controls are defined in the subsidiary companies with management responsibility for the procedures inherent to these controls, according to the organisation of the same. Given this distribution, controls connected with the collection of the information included in the preparation of the financial statements are in the companies; controls connected with accounting processing and recording of such information are in PT PRO (Shared Services company).

In 2003, the PT Group implemented a sequential certification model, based on Annual Certifications, with the goal of guaranteeing that the principal parties to the financial reporting process are held responsible. These certifications intend to hold the main parties in the procedure of preparation of financial information, including the directors responsible for financial information reporting, accountable for the reporting and correctness of all relevant financial and non-financial information.

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

Although it is PT's understanding that its bylaws do not contain any defensive clauses the effect of which will be to automatically cause erosion in the company's assets in case of control transition or change in the composition of the management body, the existing measures that may be relevant within this scope are described below:

Limitation to 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 representative of another shareholder, that exceed 10% of the total share capital, shall not be counted.

Notwithstanding PT's understanding that its bylaws do not contain any defensive clauses the effect of which will be to automatically cause an erosion in the company's assets in case of control transition or change in the composition of the management body as mentioned above, it was CMVM's understanding, in its analysis of compliance with the recommendations on the governance of listed companies, that PT failed to comply with Recommendation no. 4.

Class A shares

On the other hand, as well as ordinary shares, the share capital in PT is also represented by 500 Class A shares that may be held by the Portuguese State or other entity belonging to the Portuguese State and that grant special rights, pursuant to the terms set forth of 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 Shareholders Meeting against the majority of Class A shares votes:

- > Authorization for the acquisition of ordinary shares representing more than 10% of the share capital by shareholders that directly or indirectly perform competing activities 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;
- > Issuing 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 issuing of bonds convertible into shares, as well as establishing the standards for the issuing of bonds of such nature 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 above 40% of distributable profits;
- > Election of the Board of the General Shareholders Meeting, as well as of the members of the Supervisory Board;
- > 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 General Shareholders Meeting authorization, the passing of resolutions on the respective acquisitions and sales;
- > Moving the company's registered offices within the municipality of Lisbon or to a neighbouring municipality;

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 of Class A shares holder.

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

There are no limitations to 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 on 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 previous authorization of the general meeting.

4 _ Management body

1. Composition and characteristics of the Board of Directors

The Board of Directors of PT is composed of an odd number of members, between 15 and 23, who are elected at the General Shareholders Meeting by a majority of 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, that majority shall include the majority of Class A share votes. Irrespectively of the share capital held, any shareholder may individually submit proposals for the election of the Board of Directors.

On the other hand 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 being considered as a full calendar year, and there are no restrictions on the re-election of directors.

As of 31 December 2006, the Board of Directors of PT had the following composition:

Board of Directors on 31 December 2006					
	Executive Committee	Independent non-executive directors	No. of shares held	First appointment	Office term
Henrique Granadeiro (chairman and CEO)			150	2003	31-12-2008
Zeinal Bava (vice-president)			63.161	2000	31-12-2008
Rodrigo Costa (vice-president)			–	2005	31-12-2008
Luís Pacheco de Melo (CFO)			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
Franquelim Alves				2006	31-12-2008
António Viana-Baptista			9.008	2000	31-12-2008
Fernando Soares Carneiro			–	2006	31-12-2008
Nuno de Almeida e Vasconcellos (1)			–	2006	31-12-2008
Luís de Azevedo Coutinho			–	2006	31-12-2008
João Mello Franco			13.308	1998	31-12-2008
Joaquim Goes			2.437	2000	31-12-2008
Fernando Abril-Martorell			–	2001	31-12-2005
Gerald McGowan			–	2003	31-12-2008
Amílcar de Morais Pires			2.146	2006	31-12-2008
Francisco Pereira Soares			–	2006	31-12-2008
Jorge Tomé			–	2002	31-12-2008
Armando Vara				2006	31-12-2008
Thomaz Paes de Vasconcellos			–	2003	31-12-2008

(1) Co-opted on the Board of Directors on 13 September 2006, following the resignation from office submitted by Henrique Chaves, to complete the current three-year term of office (2006-2008).

Under the terms of article 1-2 of CMVM Regulation no. 7/2001, directors are not considered independent non-executive directors where they are associated with 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. The following fall, notably, within such category:

- a)** Members of the management body that belong to the management body of a company that is in a dominant position over the former, under the terms foreseen in the Portuguese Securities Code;
- b)** Members of the management body that 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 exceeding 10% of the share capital or of the voting rights of the company or of an identical percentage in a company that is in a dominant position over the company, under the terms foreseen in the Portuguese Securities Code;
- c)** Members of the management body that 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 exceeding 10% of the share capital or of the voting rights of the competing company;
- d)** Members of the management body that benefit from any remuneration, even where suspended, from the company or from any other company in a dominant or group position with the latter, except for the remuneration for the exercise of management functions;
- e)** Members of the management body that have a significant commercial relation with the company or with any company in a controlling or group relation with the latter, either directly or through a third party. A significant commercial relation is understood to mean the situation of an important service or goods provider, of an important customer or of organisations that receive significant contributions from the company or controlling entity;
- f)** Members of the management body that are spouses, relatives or kindred of the persons referred to in the previous paragraphs in a direct line and up to the third degree inclusive.

Additionally, under number 5 of article 414 of the Portuguese Companies Code, a person is deemed independent if such person is neither associated with any specific interest group within the company, nor under any circumstance capable of affecting such person's impartial analysis or decision, notably by virtue of: (a) being the holder or acting on behalf or for the account of a holder of a qualified shareholding equal to or in excess of 2% of the share capital in the company; or (b) having been re-elected for more than two terms of office, on a consecutive or non-consecutive basis.

PT, as a company with share listed on the New York Stock Exchange (NYSE), is also subject to the rules that allow a director to be qualified as independent, i.e. to the Independence Tests – corporate governance standards issued by NYSE, also considered on the above table.

The composition and functions of the Executive Committee, which is the body responsible for the ongoing management of the company, are described hereunder.

Appendix I hereto contains a description of the functions performed by 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 the those members during the last 5 years.

2. Executive Committee

The Executive Committee is composed of the following directors:

- Henrique Granadeiro** (CEO)
- Zeinal Bava** (executive officer)
- Rodrigo Costa** (executive officer)
- Luís Pacheco de Melo** (executive officer)
- João Baptista** (executive officer)
- António Caria** (executive officer)
- Rui Soares** (executive officer)

Duties

The Board of Directors delegated the ongoing management of the company 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:

- > Co-optation of directors;
- > Request for calling General Shareholders Meeting;
- > Annual reports and accounts to be submitted for the approval of the General Shareholders Meeting;
- > 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 paragraph h) of article 15 of PT's bylaws;
- > Change of company registered office;
- > Projects for spin-offs, mergers and transformation of the company, to be proposed to the General Shareholders Meeting, as well as acquisitions, sales, mergers, spin-offs, and the main strategic partnership agreements that involve companies of the PT Group;
- > Projects for share capital increases to be proposed to the General Shareholders Meeting;
- > Amendments to the bylaws to be proposed to the General Shareholders Meeting;
- > 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 Shareholders Meeting, notably the definition of the sectors of investment and disinvestment, the policy for geographical expansion of its businesses and the strategic options pertaining to the technology to be adopted, network development and service rendering;
- > Important extensions or reductions of the company's activity and important modifications in the company's organisation;
- > Business plans, budgets and annual investment plans;
- > Definition of the amount to be annually proposed to the General Shareholders Meeting for issuing bonds or other securities that may be subsequently resolved by the Executive Committee;
- > Acquisition, sale and encumbrance of real estate;
- > Opening or closing of establishments or significant parts of the same.

3. 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 Supervisory Board.

The Board of Directors can 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 in the minutes, which should be signed by all members of the Board of Directors in the meeting.

The meeting participants may include a summary of their interventions 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, 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 Supervisory Board.

The Executive Committee can 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.

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 votes cast, and the chairman has a casting vote.

Powers of the chairman of the Board of Directors and the chief of the Executive Committee

By virtue of a resolution taken at the 2006 Annual General Meeting of Shareholder, it was decided to concentrate the offices of chairman of the Board of Directors and chief of the Executive Committee in a single officer. In this way, as at 31 December 2006, 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 of the Executive Committee, and so he was entrusted with the following duties:

- > To representing 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 Committee's resolutions.

Information to the members of the Board of Directors

Under the terms defined in the relevant delegation of powers, in each Board of Directors' meeting 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 execution of the strategic policies and options whose general goals had been defined by the Board of Directors, as well as about the execution of the plans of activity, budgets and annual investment plans approved by the latter.

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 Board of Directors' and Executive Committee's meetings during the 2006 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 Supervisory Board. In 2006, there were 17 Board of Directors' meetings.

The Executive Committee, in its turn met 48 times during the year of 2006.

CMVM Recommendations pertaining to non-executive directors and independent directors

The management bodies of PT have a plurality of members that guarantee an effective conduct of the company's management and of its heads.

The company has 14 non-executive directors in a total of 21 directors, which is considered a sufficient number to guarantee the continuous follow up and evaluation of the performance of the Executive Committee. Among the non-executive directors 7 are independent, according to the abovementioned independence criteria. Thus, the interests of all entities involved in PT, and the existence of a structure as appropriate to prevent and manage conflicts of interest, should be deemed ensured.

4. Director remuneration policy

Remuneration policy for executive and non-executive directors

The remuneration of PT directors, as determined by the Compensation Committee, takes into consideration the performance of the Board of Directors as a whole, the performance of the PT Group and benchmarks with other companies of a similar dimension and business.

The remuneration of the chairman of the Board of Directors and of the Executive Committee as well as the remuneration of the other executive directors (members) is composed of a fixed portion and a variable portion. The remuneration of the remaining non-executive directors includes only a fixed component.

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, DJ Eurostoxx 50, CAC 40 indexes were analysed, as well as European telecommunications companies comparable to PT.

The determination of the variable remuneration, to be granted as a result of the performance in 2006, takes into consideration the analysis of five indicators: (a) Consolidated revenues; (b) EBITDA; (c) EBITDA – CAPEX; (d) Net profit before curtailment, and (e) the ratio of Total Shareholder Return of PT by the Total Shareholder Return of the DJ Stoxx 600 Telecom, where the Total Shareholder Return is understood as the sum of the variation of the share's price and the value of the dividend per share.

Alignment of director interests with company interests

As describe above, PT strives to align management interests with the company's and the shareholder's interests. In this light, the variable remuneration of directors is dependent on their performance, as well as their sustainability and capacity 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 few of its executive and non-executive directors, several individual agreements, whereby, should the directors fail to be re-appointed once their current term of office lapses, they will be entitled to a compensation equivalent to the remuneration they would earn during the two subsequent years, and a variable compensation was also fixed in some cases. In consideration of the compensation granted, out-of-office 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.

5. Director remunerations

Fixed and variable remuneration of executive and non-executive directors

In 2006, the fixed and variable remunerations granted to executive and non-executive directors were as follows:

Remuneration	Euro thousand		
	Fixed	Variable	Total
Executive directors	4,670	3,813	8,483
Non-executive directors	1,612	300	1,912
Total	6,282	4,113	10,395

Connection between director remuneration and performance

In order to maximize good management efforts (commentary to CMVM Recommendation no. 8 and Action Plan of the European Commission), the variable remunerations actually attributed to the chairman of the Board of Directors and of the Executive Committee and to each Executive Director were indexed to their performance 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 – premiums, non-financial benefits and profit sharing

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

Without prejudice to the above, a few directors are covered by the Retirement Benefit Plans sponsored by the PT Group.

Payments due for termination of office

As referred to above, during the 2006 financial year, PT paid compensation as a result of the application of a non competing clause upon term of office to former members of the Board of Directors in an amount of Euro 10,672 thousand, of which Euro 9,705 thousand were paid to executive directors and the remaining were paid to non-executive directors.

Estimate of other non-financial benefits

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

Actually, PT directors, in addition to the remuneration policy as described above, is only granted a set of benefits pertaining to and required for the exercise of their offices.

6. Whistleblower

In 2005, the PT Group implemented a set of procedures called “System for Qualified Communication of Undue Practices” Whistleblower. Within this System, “complaints” means all acts or omissions, wilful or seriously negligent, which are imputed to the conduct of corporate body members and other managing parties, heads, 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, Securities Market Commission (CMVM), or the US regulatory authority, Securities and Exchange Commission (SEC), or that may damage safeguarding of assets.

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 may expose complaints by letter sent to a postal address made available for this purpose. As may be proven necessary or convenient, a telephone number, a fax number and an e-mail address should also be created for this purpose.

Any person outside the Group (in the sense of not belonging to the staff of the PT Group – for example, a shareholder, a customer or a supplier) that knows of any complaint may communicate such fact to an employee, who will be under the obligation to convey the same through the System for Qualified Communication of Undue Practices mechanisms.

The communications are received by a Qualified Complaints Analysis Nucleus (NAPQ), that process them and send them to the Audit Committee of the Board of Directors. The Audit Committee, as a specialized Board of Directors’ Committee in these matters, is competent to make the necessary decisions, informing the CEO and the CFO of these decisions, as well as other internal or external entities whose involvement is required or justified.

In all cases, the identity of the authors of the communications of complaints is kept confidential (when known), unless the authors unequivocally intend and declare the contrary. In no case is any kind of retaliation tolerated against those that make the said communications.

Additionally, under the provisions of the Portuguese Companies Code as amended by Decree-Law no. 76-A/2006 of 29 March 2006, the responsibility for receiving communications on irregularities submitted by shareholders, employees, or other entities will be the company Audit Committee’s or Supervisory Board’s, according to the adopted supervision model.

Appendix

Functions performed by members of the management body in other companies

The functions performed by each of the directors in other companies are as follows:

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 Portugal, SGPS, SA | Chairman of the Board of Directors of PT Rede Fixa, SGPS, SA | Chairman of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA | Chairman of the Board of Directors of Cabo TV Madeirense, SA | Chairman of the Board of Directors of Portugal Telecom Foundation || **Functions in other companies:** Non-executive Director of OPCA – Obras Públicas e Cimento Armado, SA | 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 Executive Committee of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA | Chairman of the Board of Directors of TV Cabo Portugal, SA | Chairman of the Board of Directors of PT PRO, Serviços Administrativos e de Gestão Partilhados, SA | Chairman of the Board of Directors of Previsão – Sociedade Gestora de Fundos de Pensões, 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 Prestações – Mandatária de Aquisições de Gestão de Bens, SA | Chairman of the Board of Directors of PT Conteúdos – Actividade de Televisão e de Produção de Conteúdos, SA | Chairman of the Board of Directors of Lusomundo Cinemas, SA | Chairman of the Board of Directors of Lusomundo Audiovisuais, SA | Chairman of the Board of Directors of PT Televisão por Cabo, SGPS, SA | Member of the Board of Directors of Brasilcel, NV || **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 | 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 Cabo TV Madeirense, SA | Director of Cabo TV Açoreana, SA | Director of PT Prestações – Mandatária de Aquisições de Gestão de Bens, SA | Non-Executive Director of Banco BEST, SA | Director of Lusomundo Espanha, SL | Director of Lusomundo – Sociedade de Investimentos Imobiliários, SGPS, SA | Director of Lusomundo Imobiliária 2, SA | Director of Previsão – Sociedade Gestora de Fundos de Pensões, SA | Member of the Board of Directors of Brasilcel || **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 | 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-President 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 | Non-Executive Director of Cabo TV Açoreana, SA || **Functions in other companies:** President of the General Meeting of Members of APQ – Associação Portuguesa para a Qualidade.

Rui Pedro Soares

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

Franquelim Alves

Functions in other PT Group companies: Not applicable || Functions in other companies: Director of the Cinveste Group.

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 | Executive Chairman of Telefónica Móviles España, SAU | Executive Chairman of Telefónica de España, SAU | Member of the Board of Directors of O2, PLC | Member of the Board of Directors of Telefónica Latinoamérica.

Fernando Soares Carneiro

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

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.

Luís de Azevedo Coutinho

Functions in other PT Group companies: Not applicable || Functions in other companies: Consultant to the Board of the Abrantina Group.

João Mello Franco

Functions in other PT Group companies: Not applicable || Functions in other companies: Director of José de Mello Participações, SGPS, SA.

Joaquim Goes

Functions in other PT Group companies: Director of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA || Functions in other companies: Director of Banco Espírito Santo, SA | Director of BES-Vida, Companhia de Seguros, SA | Director of BEST, Banco Electrónico de Serviço Total, SA | Director of ESDATA – Espírito Santo Data, SGPS, SA.

Fernando Abril-Martorel

Functions in other PT Group companies: Not applicable || Functions in other companies: Chief Executive Officer of Crédit Suisse Spain.

Gerald McGowan

Functions in other PT Group companies: Not applicable || Functions in other companies: Director of Overseas Private Investment Corporation | Director of Virginia Port Authority.

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 Financeiros, SGPS, SA | Director of Espírito Santo PLC (Dublin) | Director of Banco Espírito Santo Oriente, SA | Director of BES Finance Limited.

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, Brussels.

Jorge Tomé

Functions in other PT Group companies: Not applicable || Functions in other companies: Chairman of the Executive Committee 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.

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.

Thomaz Paes de Vasconcellos

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

*Appointed by cooptation on 13 September 2006, as a result of the resignation from the office of director Henrique Chaves, to complete the then current three-year term of office (2006-2008).

Professional qualifications and professional activities

Members of the Executive Committee

Henrique Granadeiro

Portuguese, 63 years old.

Elected for the first time in 2003. Term of former office ended on 31 December 2005 and was re-elected in 2006 | Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, since 2001 | Executive Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA, from 2002 to 2006 | Member of the Board of Directors of Espírito Santo Resources since 2005 | Member of the Board of Directors of OPCA – Obras Públicas e Cimento Armado, SA since 2005 | Chairman of the Executive Committee of Lusomundo Media, SGPS, SA from 2002 to 2004 | Chairman of the Executive Committee of Diário de Notícias from 2002 to 2004 | Chairman of the Executive Committee of Jornal de Notícias from 2002 to 2004 | Chairman of the Executive Committee of TSF from 2002 to 2004 | Chairman of the Executive Committee of Jornal do Fundão from 2002 to 2004 | Chairman of the Executive Committee of Açoreana Ocidental from 2002 to 2004 | Chairman of the Executive Committee 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 Startegy Council of Banco Finantia since 2001 | Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA since 2001 | Member of the Board of Directors of Fundação Eugénio de Almeida since 1992 | 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 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 Administration by Instituto Universitário de Évora (Sociology Department).

Zeinal Bava

Portuguese, 41 years old.

Elected for the first time in 2000. Term of former office ended on 31 December 2005 and was re-elected in 2006 | Chairman of the Executive Committee of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA since May 2003 | Chairman of TV Cabo Portugal, SA since March 2004 | Chairman of the Executive Committee of TMN – Telecomunicações Móveis Nacionais, SA since December 2005 | Member of the Board of Directors of Portugal Telecom Investimentos Internacionais, SA since April 2004 | Member of the Board of Directors of Brasilcel, NV since December 2002 | Chairman of the Board of Directors of Previsão – Sociedade Gestora de Fundos de Pensões, SA since March 2003 | Chairman of the Board of Directors of PT PRO – Serviços de Gestão, SA since February 2003 | Executive Vice-President 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 | Director and Relationship Manager for Portugal of Merrill Lynch International from 1998 to 1999 | Executive Director of Deutsche Morgan Grenfell from 1996 to 1998 | Executive Director Warburg Dillon Read from 1989 to 1996 | Graduated in Electronic and Electrotechnical Engineering from University College, London.

Rodrigo Costa

Portuguese, 47 years old.

Elected for the first time in 2005. Term of office ended on 31 de December 2005 and was re-elected in 2006 | Chairman of the Executive Committee of PT Comunicações, SA since December 2005 | Member of the Consultive Council for the Technological Plan 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 Consultive 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 | Director e 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 Assistant General Manager of Prologica, 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 | Management Consultant to 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.

Luís Pacheco de Melo

Portuguese, 40 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 2006 | 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 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 2002 to 2006 | Central Director 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 Instituto Superior Técnico with an MBA at 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 group 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 Marsh & McLennan Companies Inc., from 2004 to 2005 | Member of the Executive Committee and partner of Mercer Management Consulting from 1997 to 2005 | Globally responsible of the technology, information and entertainment group, from 2000 to 2005 | Co-leader for the United Kingdom, from January 2001 to March 2005, of Mercer Management Consulting | He has a degree in Mechanical Engineering and a post-graduation Studies diploma in Energy by Escola Politécnica Federal de Lausanne, Switzerland, and an MBA by the Stanford Graduate School of Business, Stanford, CA, USA.

António Caria

Portuguese, 54 years old.

Elected for the first time in 2006 | Executive Director of TV Cabo Portugal, from 2000 | Director of Cabo TV Açoreana since 2004 | Chairman of the Board of Directors and Executive Director of TV Cabo Tejo from 1998 to 2002 | Executive Director of TV Cabo Lisboa from 2000 to 2002 | Chairman of the Board of Directors of TV Cabo Sado from 1996 to 1998 | Director of INESC, from 1997 to 2006 | Member of the Board of Fundação CulturSintra from 1999 to 2006 | Member of Associação Empresarial de Setúbal from 1996 to 1998 | Executive Director of PT, SGPS from 1995 to 1996 | Regional Director in Santarém and Setúbal of Telecom Portugal from 1990 to 1995 | Joined to CTT Telecomunicações in 1978, having been responsible for the National Technical Plan, in the Engineering Division, and for the first technical-commercial department until 1989 | He was granted with the title of specialist in telecommunications by Ordem dos Engenheiros on 2002 | Commendator of Ordem de Mérito de Pedro Álvares Cabral | He has a degree in Electro-technical, Electronic and Telecommunications Engineering by Instituto Superior Técnico and a Post-Graduation in Business Management by ISCTE (1988) and by Universidade Nova (1994).

Rui Pedro Soares

Portuguese, 34 years old.

Elected for the first time in 2006 | Executive Director of PT Compras – Serviços de Consultoria e Negociação, SA from 2005 to 2006 | Chairman of the Board of Directors of Portugal Telecom Imobiliária, SA since 2006 | Vice-President of AIP – Associação Industrial Portuguesa since 2006 | Consultant to PT Multimédia's Board for Business Intelligence, Quality of Service, Security and Real Estate Management from 2001 to 2004 | Executive for Business Intelligence on market and competition analysis in Banque Nationale de Paris/Paribas in 2000 | Consultant to the Socialist Group in 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

Franquelim Alves

Portuguese, 52 years old.

Elected for the first time in 2006 | Chairman of the Board of Directors and Executive Committee 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 the 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 Economy by ISE – Instituto Superior de Economia. MBA in Finance by Universidade Católica | Wharton School Advanced Management Program, University of Pennsylvania.

António Viana-Baptista

Portuguese, 49 years old.

Elected for the first time in 2000. 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 Executive Committee of Telefónica Móviles España, SA from 2002 to 2006 | Member of the Board of Directors of Brasilcel, NV since December 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 NV since 2000 | Member of the Board of Directors of Telefónica de España, SA since December 2000 | Member of Board of Directors of Telefónica, SA 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 | Director of Latinoamérica, 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/Lisboa Offices) | He has a degree in Economy by Universidade Católica de Lisboa, post-graduation in European Economy by Universidade Católica Portuguesa, and MBA by INSEAD, Fontainebleau.

Fernando Soares Carneiro

Portuguese, 57 years old.

Elected for the first time in 2006 | Consultant for economical issues of the Portuguese Embassy in London from 2003 to 2006 | Representative of Portugal with the International Organizations of Cacao, Coffee and Cereals | Consultant from 2002 to 2003 | Chairman of the Board of Directors of Somincor – Sociedade Mineira de Neves-Corvo, SA e da EDM – Empresa de Desenvolvimento Mineiro, SA | Director of Copper International Association | He has a degree in Mining Engineering by Instituto Superior Técnico.

Nuno de Almeida e Vasconcellos*

Portuguese, 42 years old.

Elected for the first time in 2006 | Chairman of the Board of Directors of Ongoing Strategy Investments, SGPS, SA | Managing Partner of Heidrick & Struggles for advisory area of Portugal from 1995 to 2006 | Member of the Board of Directors of several companies | Member of the Compensation Committee of a banking entity and Director of Automóvel Clube de Portugal | He has a degree in Business Management by Curry College, Boston.

Luís de Azevedo Coutinho

Portuguese, 46 years old.

Elected for the first time in 2006 | Assistant Professor at Faculdade de Economia of UNL, since 1985 | Consultant | Member of the Supervisory Board of Fundação EDP until March, 2006 | Member of the Audit Committee of Fundação EDP, since 2005 | 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 Câmara Municipal de Lisboa, from 2002 to 2003 | Director of Valora – Serviços de Apoio à Emissão Monetária, SA, from 1999 to 2002 | Consultant to 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.

João Mello Franco

Portuguese, 60 years old.

Elected for the first time in 1997 | Term of office ended on 31 de December 2005 and he was re-elected in 2006 | Member of the Board of Directors of José de Mello Participações, SGPS, SA since 2002 | Vice-Chairman of the Board of Directors of José de Mello Imobiliária from 2001 a 2004 | Chairman of the Board of Directors of José de Mello Residências e Serviços from 2001 a 2004 | Chairman of the Board of Directors of Imopólis (SGFII) from 2001 a 2004 | Chairman of the Board of Directors of Engimais from 2001 a 2004 | Member of the Board of Directors of International Shipowners Reinsurance Co from 1998 a 2005 | Member of our High Council from 1996 to 1997 | Chairman of the Board of Directors of Soponata – Sociedade Portuguesa de Navios Tanques, SA from 1997 to 2001 | Chairman of the Executive Committee 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 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).

Joaquim Goes

Portuguese, 40 years old.

Elected for the first time in 2000. Term of office ended on 31 de 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 since August 2002 | Member of the Board of Directors of Companhia de Seguros Tranquilidade – Vida, SA since 2002 | Member of the Board of Directors of BEST – Banco Electrónico de Serviço Total, SA since May 2001 | Member of the Board of Directors of Banco Espírito Santo, SA since 2000 | Member of the Board of Directors of BES.COM, SGPS, SA since 2000 | Chairman of the Board of Directors of E.S. INTERACTION, Sistemas de Informação Interactivos, SA since 2000 | Member of the Board of Directors of ESDATA, Espírito Santo Data, SGPS, SA since 1999 | Member of the Board of Directors of CREDIFLASH, SA since 1999 | 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 to Roland Berger & Partner from 1992 to 1993 | Consultant to 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.

* Appointed by cooptation on 13 September 2006, as a result of the resignation from the office of director Henrique Chaves, to complete the current three-year term of office (2006-2008).

Fernando Abril-Martorell

Spaniard, 44 years old.

Elected for the first time in 2001. Term of office ended on 31 de December 2005 and he was re-elected in 2006 | Managing Director and Chief Executive Officer of the Executive Committee of Crédit Suisse Spain | Started working at Crédit Suisse in 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 | Chairman of the Executive Committee 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 ICADE (Madrid).

Gerald McGowan

American, 60 years old.

Elected for the first time in 2003. Term of office ended on 31 de December 2005 and he was re-elected in 2006 | United States Ambassador to Portugal from 1997 to 2001 | Member of the Board of Directors of “Overseas Private Investment Corporation” (OPIC) in 1996 | Member of the Board of Directors of Virginia Port Authority in 2002 | Member of the Board of Directors of Cellular Telecommunications Industry Association from 1990 to 1998 | He has a Law degree by Georgetown University Law Center (J.D. 1974) and Georgetown University (BSBA 1968).

Amílcar de Moraes Pires

Portuguese, 45 years old.

Elected for the first time in 2006 | Advisor to the Board of Directors of Banco Espírito Santo, SA in July 2000 | General Manager of Banco Espírito Santo, SA in March 2003 | Member of the Board of Directors of Banco Espírito Santo, SA since March 2004 | He has a degree in Economy Sciences by Universidade Católica Portuguesa.

Francisco Pereira Soares

Portuguese, 57 years old.

Elected for the first time in 2006 | Economic Consultant at the Civil House of the President of the Republic of Portugal, from 2005 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 to December 2004 | Director of NAER – Novo Aeroporto, SA from 2001 to 2002 | He has an Economy degree by Universidade Técnica de Lisboa | Master of Science in Management by Arthur D. Little Management Education Institute, Cambridge Massachusetts, EUA | Master in Public Administration by Harvard University, John F. Kennedy School of Government, Cambridge Massachusetts, EUA.

Jorge Tomé

Portuguese, 52 years old.

He was appointed for the first time in 2002. Term of office ended on 31 December 2005 and he was re-elected in 2006 | Non-Executive Director of Portugal Telecom, SGPS, SA since 2002 | Chairman of the Executive Committee of Caixa – Banco de Investimentos, SA since 2001 | Executive Director of Caixa – Banco de Investimentos, SA since 2001 | Chairman of the Board of Directors of TREM II – Aluguer de Material Circulante, ACE since March 2002 | Non-Executive Director of Caixa Gestão de Patrimónios since September 2001 | 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 | Technician at the Securities Directorate of Banco Pinto & Sotto Mayor in 1985 | Securities Undermanager 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 Tourist Projects Technician, engaged in April 1983 | Technician of Coopers & Lybrand Lda., engaged in February 1980 | Economy Technician at Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento (IAPMEI), engaged in 1979 | Economist at IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas), engaged in 1979 | He has a degree in Business Organization and Management by ISCTE and an Applied Economy master by Faculdade de Economia, Universidade Nova de Lisboa.

Armando Vara

Portuguese, 53 years old.

Elected for the first time in 2006 | Assistant-Minister of the Prime Minister of the XIV Portuguese Government since October 1999 to September 2000 | Minister for Youth and Sport of the XIV Portuguese Government (since September 2000 to December 2000) | He has a degree in International Relations by Universidade Independente | Pos-graduation in Business Management by ISCTE – Instituto Superior Ciências do Trabalho e da Empresa.

Thomaz Paes de Vasconcellos

Portuguese, 49 years old.

Elected for the first time in 2003. Term of office ended on 31 de December 2005 and he was re-elected in 2006 | Partner Director of TPV, Lda. since 1998 | General Manager and Member of the Board of Directors of the Santogal Group since em 1998 | Controller of Hubbard Group from 1987 to 1988 | He has a degree in Business Management and Administration by Universidade Católica.

