

# Corporate governance report

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The purpose of the present report is to disclose the corporate governance structure and practices adopted by the company with a view to complying with the provisions set forth in the Recommendations of the Portuguese Securities 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. The present report has been drawn up in accordance with article 7 of the Portuguese Securities Code (Código dos Valores Mobiliários) and the model annexed to CMVM Regulation no. 7/2001, as amended by CMVM Regulations no. 11/2003 and no. 10/2005.

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# Compliance statement

CMVM Recommendation	Compliance	Report
<b>I _ Disclosure of information</b>		
1. The Company should ensure the existence of permanent contact with the market, respecting the principle of shareholder equal treatment and preventing asymmetries in investors access to information. For such purpose, the company should create an investor relations department.	Yes	Chapter 1 Number 10
<b>II _ Exercise of voting rights and shareholder representation</b>		
2. The active exercise of voting rights, either directly, namely 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) the imposition of a prior deposit or share blocking period for participation in the general shareholders' meeting that exceeds a 5 business day period; b) any bylaws restriction on voting by correspondence; c) the imposition of a period for the reception of voting declarations issued by correspondence that exceeds 5 business days prior; and d) the non-existence of voting bulletins available to shareholders for voting by correspondence.	Yes	Chapter 2
<b>III _ Corporate Rules</b>		
3. The company should create an internal control system for the efficient detection of risks connected with the company's activity, to safeguard its assets and to the benefit of transparency in its corporate governance.	Yes	Chapter 1 Number 5 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 the effect of which is to automatically cause an erosion in the company's assets in the case of control transition or of change in the composition of the management, thus hindering the shares' free transferability and shareholders' free evaluation of the performance of members of the management are contrary to such interests.	No (1)	Chapter 3 Number 3
<b>IV _ Management</b>		
5. The management body should be composed of a plurality of members that effectively orient 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 and evaluate the company's management by its executive members. Members of other corporate bodies may play a complementary role or, at least, a role of substitution, if the 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, at least, a role of substitution, if the 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 order to allow the alignment of their interests with the company's interests and should be annually disclosed in individual terms.	No (2)	Chapter 4 Number 4
8a. A statement concerning corporate body remuneration policy should be submitted for consideration by the annual general shareholders' meeting.	Not applicable (3)	Chapter 4 Number 4
9. The members of the Compensation Committee, or its equivalent, should be independent in relation to the members of the management body.	No (4)	Chapter 1 Number 11
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 elements necessary for a correct evaluation of the plan. The proposal should be accompanied by the plan's regulations or, where these have not yet been drawn up, by the general conditions by which they must abide.	Yes	Chapter 1 Number 8
10a. The company should adopt a policy for communication of irregularities that have allegedly occurred within the company, with the following elements: indication of the means that can be used for internal communication of irregular practices, including the persons with authorisation to receive such communications, indication of the treatment to be given to any such communications, including confidential treatment where the communicator so wishes. This policy's general guidelines should be disclosed in the company's corporate governance report.	Yes	Chapter 4 Number 6

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

The chapters of the present corporate governance report that contain a description of the measures adopted by the Company for compliance with the abovementioned CMVM Recommendations are identified hereunder.

**(1)**

Although PT had not adopted, until 31 December 2005, any defence measures against takeover bids, CMVM considered, 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 representative of another shareholder, that exceed 10% of the total share capital, shall not be counted.

This provision, which reflects an 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 (since higher levels of shareholder participation are required to obtain control).

Notwithstanding this possible effect, the effect of promoting the improvement of conditions that make takeover bids attractive should not be ignored, given that only higher levels of adherence by the addressees allow the attainment of control thresholds.

The relative disfavour with which this type of provisions has sometimes been regarded with in recent years, has nowadays been overcome to a large extent, as can be verified by the fact that in the Preliminary Draft for transposition of Directive 2004/25/EC, of 21 April 2004, on takeover bids, a distinctly optional regime has been contemplated, as permitted by the EU diploma, with what concerns its neutralization in the case of takeover bids.

**(2)**

The Company believes that the final part of CMVM Recommendation no. 8, pertaining to the individualized breakdown of directors' remunerations, should not be adopted as it considers that such an option does not constitute the most correct vision and framework for this matter.

Because it is important to disclose information to shareholders on the overall value of remunerations paid to the members of the management body and, in particular, 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.

However, given that the management bodies of companies in Portugal are governed by the principles of collectiveness and solidarity (which results, namely, in the legal imposition of joint liability), the breakdown of the remunerations individually paid to each of the members of the management bodies is also considered to not make sense.

Therefore, as the Company disagrees and does not adopt the individualized 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 collectively. It is up to the Chairman of the Board of Directors, in the first place, as well as the Chairman of the Executive Committee, to analyse the individual performance of each director, while the Compensation Committee analyzes the adequacy of their individual remuneration. Thus, the Company provides shareholders and other interested parties with information pertaining to the remuneration of the directors in accordance with the provisions of no. 5 of Chapter IV of the Annex to Regulation no. 7/2001, which foresees that such information be provided either in individual or collective terms.

**(3)**

Because the Compensation Committee that is going to establish the remuneration of the corporate bodies for the 2006 2008 period will only be appointed at the Annual General Shareholders' Meeting of 2006, Recommendation no. 8 A should not be considered applicable to PT for the financial year of 2005.

**(4)**

PT did not fully comply with CMVM Recommendation no. 9 in the financial year of 2005, since one of the members of the Compensation Committee is a non executive director of the Company. As referred to in Chapter 1, no. 11. of the present Corporate Governance Report, the proposal and selection of the members of the Compensation Committee implies the careful consideration of two fundamental concerns.

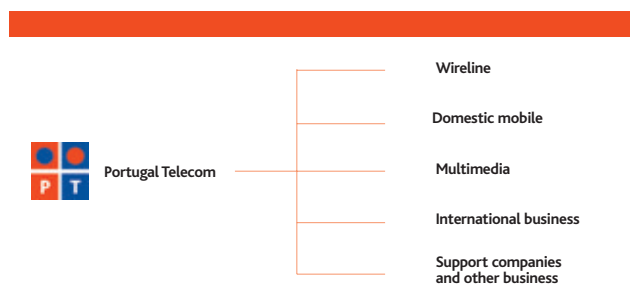
On the one hand, the composition of the Compensation Committee by a majority of members that are independent from management, in accordance with the independence requisites foreseen in no. 9 of Chapter I of the Annex to CMVM Regulation no. 7/2001, in order to allow the respect and prevention of conflicts 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 (and, in particular, with its Remuneration Advisory Committee composed of independent directors) is sought through the presence of one independent director, in accordance with the determination criteria foreseen in article no. 2 of Article 1 of the said CMVM Regulation. This contributes to the consideration and alignment of the interests involved in the structuring and determination of director remuneration. Thus, the hybrid model followed by the Company in this matter aims at ensuring 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 independent director, does not include any member that renders any other kind of services to the PT Group, or that has a family relationship with members of the management body by way of marriage, kindred, or affinity in a direct line and up to the third degree.

# 1 \_ Disclosure of information

## 1. Corporate body charts pertaining to distribution of powers

The PT Group is structured by business areas corresponding to 5 large core areas: Wireline business, Mobile business in Portugal (TMN), Multimedia business (PT Multimédia), International business that includes Vivo (the joint venture with Telefónica Móviles 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 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 Duties	Executive Duties
<b>Miguel Horta e Costa</b> Chief executive officer	> Strategy > Internal Audit > Regulation and Competition > International Relations > Communication, Image, Sponsorship and Group Trademark > Social Responsibility > Safety	> Co-ordination of the Executive Committee
<b>Zeinal Bava</b> Executive officer	> Investor and Capital Markets Relations > Accounting, Consolidation and Financial Reporting > Treasury > Corporate Finance	<b>Domestic Mobile</b> > TMN > PT Wi-Fi <b>Multimedia</b> > TV Cabo > Lusomundo Audiovisuais > Lusomundo Cinemas  > PT PRO > Previsão
<b>Carlos Vasconcellos Cruz</b> Executive officer	> Internationalisation, new markets research > Project Shaper – organization and leadership > Cooperation with Director Henrique Granadeiro in Human Resources management	<b>International Business</b> > Vivo > PT Brasil > Médi Télécom > Cabo Verde Telecom > CST > CTM > Unitel > UOL
<b>Iriarte Esteves</b> Executive officer	> Technology and Networks development > Innovation	> PT Inovação
<b>Paulo Fernandes</b> Executive officer	> Planning > Management Control > Business Development > Real Estate > Purchases > Project Shaper - cost control	> PT Compras > SIMARC (Imobiliário)
<b>Henrique Granadeiro</b> Executive officer	> Cooperation with the CEO in the strategic and regulatory agenda > Human Resources > Training	> Fundação Portugal Telecom > PT ACS
<b>Rodrigo Costa</b> Executive officer	> Information Systems > Cooperation with Director Iriarte Esteves for the development of Technology, Networks and Innovation	<b>Wireline</b> > PT Comunicações > PT Corporate > PT.COM > PT Sistemas de Informação

## 2. . List of specific committees created within the company

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

Therefore, in compliance with applicable legal or regulatory requirements, and so as to adopt the best international practices within this scope, the Board of Directors created several committees within itself, besides the Executive Committee, which are responsible for the performance of specific functions that fall within the powers vested in the Board of Directors. The composition and duties of these specific committees are as follows:

### Governance Committee

Ernâni Rodrigues Lopes  
Miguel Horta e Costa  
Henrique Granadeiro  
Jorge Tomé  
João Mello Franco  
Jorge Bleck\*  
Carlos Blanco de Morais

\* Resigned in February 2006.

### Duties

- > To study, review, and evaluate the corporate governance principles for the PT Group, namely concerning the responsibilities of directors, relations between directors and shareholders, relations with holders of qualified shareholdings and the general evaluation of the Group's governance terms within the performance of the Board of Directors and its Committees;
- > To advise and propose to the Board of Directors the adoption and review of the governance model of the Group's holding, namely concerning the internal rules and procedures pertaining to corporate governance principles and practices, their articulation and relationship with the management structure, shareholders, stakeholders and the market, the prevention of conflicts of interests and information discipline;
- > To supervise the application of the Code of Ethics of the PT Group accompanying its implementation and, whenever necessary or convenient, interpreting its rules and integrating cases that are not contemplated therein, as well as issuing opinions on matters referred in the previous paragraphs and other related matters, whenever requested by the Board of Directors.

The Governance Committee held four meetings during the financial year of 2005, having mainly discussed the following matters:

- > review of the Code of Ethics;
- > creation of a Code of Conduct for Financial Officers;
- > regulations on the purchase of PT shares by high-ranking management staff;
- > creation of a System of Qualified Communications of Undue Practices (Whistleblowing).

An average of five members of the Governance Committee were present at the abovementioned meetings.

## Audit Committee

João Mello Franco  
Nuno Silvério Marques  
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 capacity 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 entities;
- > To ensure the definition and/or the implementation of policies for compliance with national and international laws and regulations, which the Company is bound to.

The Audit Committee held eleven meetings during the financial year of 2005, having mainly discussed the following matters:

- > Analysis of the biannual and annual Financial Statements;
- > Evaluation of the performance of the external auditors;
- > Selection and hiring of external auditors;
- > Definition and implementation of the policy of services prohibited to external auditors;
- > Supervision of the Internal Control System;
- > Definition of procedures for communication and analysis of irregularities;
- > Following and supervising Internal Auditing Function in PT Group.

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

## Strategy Committee

Ernâni Rodrigues Lopes  
Miguel Horta e Costa  
Zeinal Bava  
Carlos Vasconcellos Cruz  
Iriarte Esteves  
Paulo Fernandes  
Joaquim Goes  
Carlos Oliveira Cruz  
António Viana-Baptista  
Patrick Monteiro de Barros

### Duties

- > To debate, analyse and present recommendations concerning the Group's Strategic Plan;
- > To state its opinion on the impact and efficiency of the Strategic Plan and of the major strategic decisions made, proposing possible adjustments;
- > To study and prepare, for future debate within a Board of Director's meeting, matters proposed by the Chairman of the Board of Directors and/or the Chairman of the Executive Committee, pertaining to strategic issues that may arise during each financial year.

The Strategy Committee held eight meetings during the financial year of 2005.

An average of nine members of the Strategy Committee were present at the abovementioned meetings.

## Other Committees

The following specific committees were also incorporated within PT:

### Consultive Council

Estanislau Mata Costa (chairman)

Aníbal Santos

Diogo de Lucena

João Confraria Jorge

José Manuel Neves Adelino

José Manuel Tribolet

Luís Filipe Nazaré

Luís Todo Bom

Manuel Pinto Barbosa

### Duties

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

The Consultive Council held four meetings during the financial year of 2005, having mainly discussed the following matters:

- > PT's strategy in response to technological changes;
- > Regulation and the PT Group: recent developments and perspectives;
- > Analysis of studies on competitiveness in the Telecommunications Sector in Portugal;
- > Evolution of the Telecommunications Sector;
- > Future evolution alternatives for PT Group within new technology areas, new products and services and new markets.

An average of thirteen members of the Consultive Council were present at the abovementioned meetings.

## Remuneration Advisory Committee

Patrick Monteiro de Barros

Carlos Oliveira Cruz

Peter Golob\*

\* This member replaced the previously appointed director, Fernando Ulrich, on 28 July 2005 and in the meantime, resigned in February 2006.

### Duties

This Committee was incorporated on 28 April 2005 and its internal regulations have been approved in a Board of Director's meeting of 28 July 2005, with the following duties:

- > To propose and discuss with the Compensation Committee the remuneration policy to be adopted by the Company, in the medium and long-term, concerning the attribution, determination and calculation of the fixed and variable director remuneration;
- > To propose and discuss with the Compensation Committee a model for the calculation of the variable remuneration of the CEO and all other members of the Executive Committee;
- > To annually evaluate the performance of the CEO and of all other members of the Executive Committee, in the light of the approved criteria, and to propose to the Compensation Committee the specific value of the variable remuneration to be attributed to the members of the Executive Committee;
- > To propose to the Compensation Committee the value of the variable remuneration to be attributed to the Chairman of the Board of Directors.

The Remuneration Advisory Committee held three meetings, having discussed the following matters:

- > Proposal to the Compensation Committee for attribution of the variable remunerations of Executive Directors pertaining to 2004;
- > Creation of a variable remuneration model for 2005.



### Disclosure Committee

Luís Sousa de Macedo  
Francisco Nunes  
Carlos Cruz  
Nuno Prego  
Miguel Amaro  
Miguel Chambel

#### Duties

The Disclosure Committee was incorporated in order to assist the Executive Committee in the procedures of disclosure of information to the markets. 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.

Thus, this Committee is in charge of approving and implementing the necessary procedures and controls to ensure that the disclosure of information by Portugal Telecom 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 situation and the results of its operations in all aspects materially relevant for the adequate knowledge of its financial condition and performance.

The Disclosure Committee held six meetings during the financial year of 2005, having mainly discussed 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 the subsidiary companies;
- > Review of quarterly, half year and annual disclosures of results.

An average of 6 members of the Disclosure Committee were present at the abovementioned meetings.

### Sustainability Committee

Miguel Horta e Costa  
Zeinal Bava  
Carlos Vasconcellos Cruz  
Iriarte Esteves  
Paulo Fernandes  
Luís Sousa de Macedo  
Francisco Nunes  
Luís Moura  
Nuno Prego  
Miguel Amaro  
Abílio Martins

#### Duties

The overall goals of the Sustainability Committee are the following:

- > To guarantee that corporate sustainability is integrated and consistent with the Group's strategy and is transversal to all the companies;
- > To reinforce the PT Group's performance as a sustainable company, making it recognized as such, both internally and externally.

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

- > To develop a transversal strategy of corporate sustainability that is integrated and consistent with the Group's strategy;
- > To ensure the creation within the PT Group of the necessary conditions for its sustained growth, according to the three-dimensional standpoint, in economic, environmental and social terms, in accordance with international criteria;

- > To develop, promote and supervise projects and actions and to identify, define and control the best teams to carry out such projects;
- > To strengthen the performance of the Portugal Telecom Foundation (Fundação Portugal Telecom) within its areas of specific activity, namely of citizenship and philanthropy;
- > To guarantee internal and external communication, while reinforcing the performance of the PT Group as a sustainable company, making it recognized as such;
- > To control and evaluate the plan of action established and integrated in the sustainability strategy.

The Sustainability Committee is integrated in the governance model of the PT Group and reports directly to the Executive Committee. This Committee guarantees transparency and rigour in the relations of PT with Stakeholders, through the active promotion of dialogue channels while avoiding any conflicts of interest.

The Sustainability Committee held 2 meetings during the financial year of 2005, to discuss several matters related with sustainability and to approve the first PT Group Sustainability Report. All the members of the Sustainability Committee were present at the abovementioned meetings.

### 3. Supervisory Board

Taking into consideration the provisions foreseen in the Portuguese Companies' Code (Código das Sociedades Comerciais), Portugal Telecom has a Supervisory Board, whose functions during the financial year of 2005 were performed by the following members:

**Pedro Matos Silva** (chairman)  
**Gonçalo Vaz Botelho** (member)  
**Ascensão, Gomes, Cruz & Associado**,  
 represented by **Mário Gomes**  
**José Vieira dos Reis** (alternate member)

#### Duties

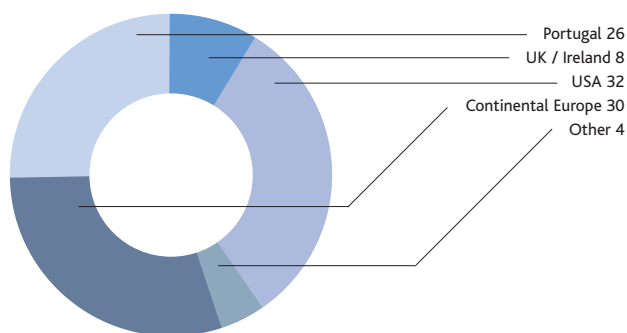
According to article 420 of the Portuguese Companies' Code, the Supervisory Board has the following duties:

- > To supervise the Company's management;
- > To watch over the fulfilment of the law and of the company bylaws;
- > To verify the regularity of the corporate books, accounting registries and supporting documents;
- > To verify, whenever deemed convenient and in the manner considered most adequate, the extension of cash flow and inventories of any kind of goods or values belonging to the company or received by the company in guarantee, deposit or in another capacity;
- > To verify the accuracy of the balance sheet and of the profit and loss accounts;
- > To verify that the 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, accounts and proposals submitted by management;
- > To call the general shareholders' meeting when the chairman of the respective general shareholders' meeting fails to do so, being so obliged;
- > To comply with all other duties foreseen in the law or in the Company by laws.

#### 4. Major shareholders

PT's shareholder structure is characterized by strong dispersion. There is no shareholder holding more than 10% of the share capital, and only 8 shareholders hold shareholdings stakes higher than 2% of that capital. There is a significant proportion of institutional shareholders, both national and international, as shown in the qualified shareholdings and respective geographical distribution charts below, as of 31 December 2005:

##### Shareholder structure (%)



##### Qualified Holdings on 31 December 2005

Institutions	No. of shares	%
Telefónica	112,473,826.0	9.96%
Brandes Investments Partners	96,096,420.0	8.51%
Banco Espírito Santo	94,387,699.0	8.36%
Capital Group Companies	63,193,870.0	5.60%
Caixa Geral de Depósitos	56,909,684.0	5.04%
Cinveste	29,080,000.0	2.58%
Fidelity Group	23,592,185.0	2.09%
Telexpress	23,000,000.0	2.04%

#### 5. Risk control system

The Risk Control System established in PT aims at guaranteeing that the Company's situation is monitored in a way that is adequate to the risks that affect the activities developed within the Group.

Thus, it is relevant to briefly describe the risks which 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 is active 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 they represent for the competitive position of the PT Group within the businesses it is involved in. The Regulation and Competition Offices of PT are in charge of regulation risk management and should be up to date on new regulations applicable to the sector (ex ante and ex poste) 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 constant concern for the Executive Committee of PT and its subsidiary companies in the quest for new and better products and services that prove to be innovative and that 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 research, engineering services and the development of innovative solutions and services, both in the domestic and international markets;

- > **Strategic partnerships:** To ensure alliances, joint ventures or other kinds of efficient and effective relations that positively affect the Group's competitive capacity. The Executive Committee of PT and the other subsidiary companies have been playing a central role in the management of this risk, by seizing existing opportunities;
- > **Retaining talent:** To ensure the capacity of being able to count on duly motivated persons with the correct abilities in the right places. The Human Assets Corporate Office of PT (Direcção de Activos Humanos) is in charge of managing this risk by identifying the key elements of the PT Group to then use the retaining strategies adequate to the segments defined for its management;
- > **Financial markets:** Change in the expected income from investments made abroad as a result of changes in several variables, namely interest rate and exchange rate. The management of the financial markets risk is ensured by the Finance Corporate Office (Direcção de Finanças). The PT Group 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 done after a careful analysis of risks, benefits inherent to this type of operation and consulting with various institutions acting in this market. These operations are subject to the prior approval of the Executive Committee and imply the permanent following 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 a continuous evaluation of these instruments and of their respective economic and financial implications;
- > **Taxation:** Evolution of tax legislation and possible interpretations of the application of fiscal and para fiscal regulations in different manners. PT's Report and Consolidation Corporate Office (Direcção de Reporte e Consolidação) is in charge of this risk management, by following all tax regulations and use of tax planning opportunities. This department may be assisted by external consultants whenever the issues under analysis are more critical and, therefore, require the interpretation of an specialized entity;
- > **Social, environmental and ethical risks:** The Company is subject to the general risks of a social, environmental and ethical nature that affect the activity of any company or institution.

## Risk management strategies

Risk management is ensured by the Company based on the previous identification of critical risks, development of risk management strategies adequate to the identified risks, with the consequent implementation of the controls considered necessary for the reduction of the risk to an acceptable level.

The adopted risk management strategies aim at guaranteeing that:

- > The control systems and procedures and the established policies allow the management bodies, shareholders and the public in general's expectations 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;
- > There is a constant identification and monitoring of risks of a social, environmental and ethical nature, as well as of the impact of such risks on PT Group businesses and adoption of adequate solutions;
- > The operational management adopts the necessary measures to correct evident aspects of risk to 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, namely, 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 corporate year of 2005

**February**

Sale of Lusomundo Serviços

**March**

Annual results 2004

**April**

Purchase of own shares for the execution of the share buyback programme with share capital reduction

**May**

Results for the first quarter of 2005

**September**

Results for the first half of 2005

**November**

Results for the first nine months of 2005

Dividend proposal for the financial year of 2005

**December**

Share capital reduction within the share buyback programme

## 7. Dividend distribution

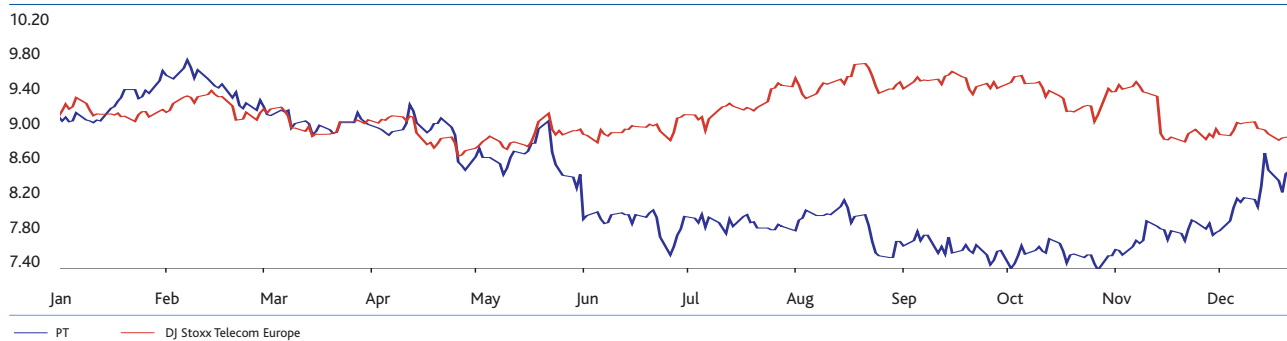
### Dividend distribution policy

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 abiding by Portuguese legislation and of the Company's bylaws.

According to the Company's bylaws, at least 40% of the distributable profits of PT<sup>1</sup> should be distributed to the shareholders as dividends, although the General Shareholders' Meeting may decide, with a qualified majority of two thirds of votes cast, to reduce or not distribute the dividend.

PT performance vs. DJ Stoxx Telecom Europe in 2005



<sup>1</sup> Calculated in light of the net income evidenced in 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.

Concerning the resolution approving the application of profits, the majority of votes corresponding to class A shares is necessary to resolve the distribution of dividends whenever they exceed 40% of distributable net profits.

### **Dividends distributed in the last three financial years**

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

- 2004** > Euro 0.35
- 2003** > Euro 0.22
- 2002** > Euro 0.16

The Executive Committee of PT announced on 2 March 2006 that it was going to propose to the Board of Directors the submission of a proposal to the Annual General Shareholders' Meeting for the allocation to shareholders of Euro 0.385 per share, pertaining to the financial year of 2005, subject to market conditions and the Company's financial situation on that date. In the meantime, the Board of Directors has approved, in its meeting of 6 March 2006, to propose to the Annual General Shareholders' Meeting the distribution of Euro 0.475 per share to shareholders, instead of the amount of Euro 0.385 per share as previously announced.

## **8. Plans for allotment of shares or share call options**

During the financial year of 2005, the Company did not adopt any share allotment plans or share call options nor did any such plans remain in force.

Notwithstanding the above, in 2005, based on the General Shareholders' Meeting resolution and as occurred in 2003 and 2004, the Executive Committee of PT granted the right to receive 45 shares to workers of the Group that:

- > Had an employment agreement with a PT Group company with head offices in Portugal and whose management belongs to the PT Group.
- > Rendered effective work during the year 2004 with a minimum duration of 9 or 6 months, according to the different particular situations.
- > Did not show an inadequate performance in the company where they worked for the longest period of time in 2004.
- > Delivered to the Human Resources services at the end of the acceptance period (15 October 2005) an acceptance statement of the proposed allotment.

It was decided to allot a premium of 5 additional shares to workers that prove to have kept the 45 shares allotted in 2004 until 15 October 2005. Such allotment respects the applicable tax regime and the obligations associated thereto.

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

In March 2005, the Company opted for the financial settlement of the 90,304,850 autonomous warrants of PT Multimédia which it held under the final terms and conditions that were later on approved by the PT Multimédia Board of Directors, having received a unit value of Euro 0.307.

Further to the above said operations, PT did not execute any other transactions or operations with members of the management or supervisory bodies, holders of qualified shareholdings or companies within a dominant or group relation, which were significant in economic terms for any of the parties involved.

The company regularly executes operations and agreements of a financial nature with various credit institutions that hold qualified shareholdings in its share capital, which are, however, undergone according to normal market terms for similar operations.

### 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 the 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 concerning quarterly, half year 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 interested party may access the Investor Relations Office through the following contacts:

**Nuno Prego**  
Investor Relations Director

**Tel.:** (+351) 21 5001 701

**Fax:** (+351) 21 5000 800

**E-mail:** nuno.prego@telecom.pt

**Address:** Avenida Fontes Pereira de Melo, 40, 1069-300 Lisboa

**Site:** www.telecom.pt

During the year of 2005, the Investor Relations Office had approximately 420 meetings with analysts and investors, 360 of which occurred in road show meetings, and in conferences and the remaining 60 occurred personally at PT head-quarters or through conference-calls.

## 11. Compensation Committee

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

For the completion of this task, the Compensation Committee continuously follows and evaluates the directors' performance, verifying to what extent the proposed objectives have been achieved, and meets whenever necessary.

The present composition of the Compensation Committee, appointed in April 2003, is as follows:

**Armando Marques Guedes** (chairman)  
**Augusto Athayde d'Albergaria**  
**João Mello Franco**

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

The proposal and selection of the Compensation Committee members is underlined by the Company's intention to guarantee that a majority of the Compensation Committee members are independent from management, notwithstanding the necessary articulation of this Committee with the Board of Directors, namely with the Remuneration Advisory Committee.

Therefore, with the exception of the abovementioned independent non-executive director, the Compensation Committee does not include any other member of the Board of Directors nor any other person who renders other kinds of services to the PT Group or 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.

## 12. External auditors

During the financial year of 2005, the annual remuneration paid to external auditors was Euro 2,458,801, with the following financing per services rendered:

	2005	%	2004	%
Audit services	1,438,400	59%	1,559,391	37%
Audit-related services	467,896	19%	436,133	10%
Tax services	307,135	12%	443,141	11%
Other services	245,370	10%	1,789,899	42%
<b>Total</b>	<b>2,458,801</b>	<b>100%</b>	<b>4,228,564</b>	<b>100%</b>

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:

- > Responsibility for the appointment and hiring of external auditors and for the determination of their remuneration, as well as the termination of their functions and the pre approval of any services to be hired from the external auditors;
- > Direct and exclusive supervision by the Audit Committee;
- > Annually obtaining directly from the external auditors an external auditing report, which should describe the quality control auditors internal procedures, any substantial issues arisen within such control or following the inquiry carried out by competent authorities over the last five 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 that work with the External Auditors;



- > Review and issuing of a prior opinion on the Memorandum and Auditing 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 within their services;
- > Review and discussion with the management bodies of the Auditing Report to be included in the Company's annual report contained in Form 20 F to be submitted to SEC;
- > Obtaining the guarantee that the auditing of the financial statements to be included in Form 20 F has been executed 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.

The evaluation of independence, referred to above 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. The Audit Committee issues an opinion based on this analysis, with reference to the existence or non-existence of conflicts of interest concerning the proposal for services to be obtained. This analysis is always undergone prior to market consultation in order for the negotiations with the selected suppliers to occur efficiently and free of impediments.

Moreover, the External Auditors are independent and internationally reputable entities and their activity is closely followed and supervised by the Audit Committee. PT does not grant any compensatory protection to external auditors.

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

Thus, within the reference period of 1 year as of the date of conclusion of the last External Audit to PT accounts:

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

## 2 \_ Exercise of voting rights and shareholder representation

### 1. General shareholders' 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 Board of the General Shareholders' Meeting by the Board of Directors or the Supervisory Board or by shareholders that represent at least 5% of the share capital.

During the financial year of 2005, the Board of the General Shareholders' Meeting of the Company was composed as follows:

**Armando Marques Guedes** (chairman)  
**Miguel Galvão Teles** (vice-chairman)\*  
**Luís Sousa de Macedo** (secretary)

According to the Company's bylaws, each Euro 500 of share capital (which presently correspond to 500 shares) grants the right to one vote. Shareholders holding an inferior amount of share capital may group together, represented by one of the group members, so as to jointly accumulate the amount necessary to exercise the right to vote.

Within American depository receipts (ADR) or global depository receipts (GDR) programmes whose scope is Company shares, the holders of the ADR or the 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 foreseen in the bylaws for the exercise of such right. These conditions are communicated to the holders of the right to vote in each call for the General Shareholders' Meeting.

For confirmation of the title to voting rights, the bylaws require proof of the registry of the shares in a book-entry securities account until 5 business days prior to the respective meeting.

### 2. Voting by correspondence and by electronic means

The Company bylaws foresee that voting by correspondence or by electronic means may encompass all matters contained in the call, under the terms and conditions set forth therein.

For this 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 offices. These may be obtained through the Company's Internet site, as well as supplied by personal delivery, postal mail or electronic mail.

The declarations of vote by correspondence should be sent or delivered to the competent corporate body, as indicated in the respective call for the General Shareholders' Meeting.

According to the practice adopted by the Company, the voting declarations, along with the elements that must be attached thereto, should be inserted in a closed envelope, addressed to the chairman of the Board of the General Shareholders' Meeting, presented directly at the Company's registered offices, or sent there by registered mail until 5 business days prior to the date of the General Shareholders' Meeting.

All other conditions for the exercise of the right to vote are communicated to shareholders in due course in the call for the General Shareholders' Meeting.

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

\* Submitted his resignation in February 2006.

### 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 Board of the General Shareholders' Meeting is sufficient as an 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 elements of preparatory information, are made available to shareholders at the company's registered offices for a period 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 these documents, specially by foreign shareholders, the Investor Relations Office will send the latter by postal mail, fax or electronic mail, upon request.

In addition, the text of the call for the General Shareholders' Meeting and of the proposals received by the Board of the General Shareholders' Meeting with a sufficient 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 workers 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 expresses and formalizes behaviour standards in line with the principles and values of the PT Group, while consolidating the bases that sustains the growing relations of trust between employees, other workers, shareholders and clients and suppliers of PT. The following aspects should be underlined:

- > Performance marked by rigorous principles of honesty, integrity, dignity, correctness and professional diligence, impartiality 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. Workers should also act with integrity, impartiality and objectivity in the analysis of business decisions made on behalf of the respective company;

- > Scrupulous compliance with the legal and regulatory rules applicable to the Group's activity, namely those pertaining to the secrecy of communications and information that they have access to;
- > Principle of loyalty to the Group's companies whereby workers must strive to safeguard their prestige and scrupulously comply with legal and regulatory rules applicable to the Group's activity, namely that 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 entities.

The full text of the Portugal Telecom Group Code of Ethics is available for consultation on the Company's official website ([www.telecom.pt](http://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 workers 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 are part of 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 made known to all relevant workers by the annual signature of a compliance statement.

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

## Sustainable development and social policy

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 member of its Executive Committee. In light of the requisites of Global Reporting Initiative (GRI), PT has disclosed its sustainability report where it presents in detail its sustainability and social policy.

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

## 2. Internal risk control procedures

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

Thus, the following refers to the internal procedures adopted by the Company to comply with the risk factor control strategies as referred in Chapter 1 no. 5 above.

In line with the best international practices and in order to obtain adequate feedback in relation to the internal control system of Portugal Telecom, 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 remedial plans necessary to correct possible system deficiencies.

The evaluation methodology followed took into consideration the guidelines supplied by PCAOB (Public Company's Oversight Board, body that oversees Audit companies registered in the United States of America), that established that the internal control systems should be analysed according to the COSO framework concerning Entity Level Controls and Process Level Controls, and according to the COBIT framework concerning IT controls.

The COSO – Committee of Sponsoring Organizations of the Treadway Commission, created originally in 1985 with the purpose to set recommendations to public companies relating to internal control, published the Internal Control – Integrated Framework Report in September of 1992, where the basic principles to adopt in companies' internal control structure was established ("COSO Framework"). The PCAOB recommends the usage of the COSO Framework as a reference to adopt in the definition and implementation of the Entity Level Controls and Process Level Controls in each organization.

Concerning the definition and implementation of the IT Controls, the PCAOB recommends the usage of the COBIT Framework as a conceptual model to design and implement controls related with information systems relevant to Financial Reporting. The COBIT Framework is a conceptual model for IT controls created in 1989 by the IT Governance Institute with the mission centralizing international standards and orientations relating to information technologies management in organizations.

In the abovementioned evaluation, some deficiencies were identified in the design and operability of some PT Group control procedures, although the definition and implementation of the remedial plans necessary to correct such deficiencies are already under way. The correction of the latter is expected to occur during the first half of 2006.

### **Control by the holding, business units and support companies**

The Entity Level Controls, that aim to establish the main principles concerning internal control, are defined by PT SGPS and are implemented by the Group's companies and intend to establish Internal Control guidelines for the subsidiary companies.

The Process Level Controls and IT Controls are defined in the subsidiary companies with management responsibility for the procedures inherent to these controls. Concerning the Group's operations in Portugal, the controls connected with the collection of the information included in the preparation of the Financial Statements are in the companies; the controls connected with the accounting processing and registration of such information are in PT PRO (Group Shared Services Company).

Given that risk management is a responsibility of all workers, PT has been developing methodologies to create a "risk awareness" culture, which establishes a common language to identify, prioritize, evaluate and control critical risks. Thus, risks are evaluated taking into account the probability and impact of their occurrence in the Group's businesses. This evaluation is done by the Executive Committees and Head Offices of the PT Group companies.

Bearing in mind the regulatory requirements which PT is subject to both nationally and internationally, PT has been developing an Internal Control function headed by the Reporting and Consolidation Office of the Group, whose purpose is essentially to guarantee the conformity with the established goals, policies and procedures, guarantee the reliability of financial information, minimize the occurrence of fraud and guarantee that the identified critical risks are controlled and reduced to an acceptable level.

In line with best international practices and with the provisions of the Sarbanes-Oxley Act, this function is being carried out in the main subsidiary companies, having its implementation been decided in relation to the PT Group companies with relevant procedures. The programme foresees not only the introduction of Internal Control procedures, but also their continuous review, verification and improvement.

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

The PT Group has the means, namely a corporate Internal Auditing Corporate Office that ensures the evaluation of the execution of the defined control policies and procedures.

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

Although in 2005 PT did not adopt any defence measures against takeover bids, the existing measures that may be relevant within this scope are described below.

#### Limitation on 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.

#### Class A shares

On the other hand, further to the ordinary shares, the share capital of PT is also represented by 500 Class A shares that are held by the State and that grant special rights, pursuant to the terms set forth in no. 2 of article 14 and no. 2 of article 19 of the company's bylaws.

According to these provisions, the following matters may not be approved in a general shareholders' meeting against the majority of the votes corresponding to Class A shares:

- > Authorization for the acquisition of ordinary shares representing more than 10% of the share capital by shareholders that are directly or indirectly involved in competing activities to those of the companies within a dominant relation with Portugal Telecom, SGPS, SA;
- > 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 case of dividend distribution to the shareholders in a percentage superior to 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;
- > Election of one third of the total number of directors, including the chairman of the Board of Directors.

#### Limitations on the transferability of shares and shareholder agreements

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

## 4 \_ Management body

### 1. Composition and characteristics of the Board of Directors

The Board of Directors of PT is composed of an uneven number of members, between 15 and 23, that are elected by the general shareholders' meeting by a majority of votes cast.

Irrespective 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 the companies 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 period, being the election year considered as a full calendar year and being there are no restrictions on the re election of directors. As of 31 December 2005, the Board of Directors of PT had the following composition:

Board of Directors on 31 December 2005				
	Executive Committee	Independent non-executive directors	No. of shares held	First appointment and office term
Ernâni Rodrigues Lopes (chairman)			–	2003 / 31-12-2005
Miguel Horta e Costa (vice-chairman)	Chief executive officer		23,395	1995 / 31-12-2005
Zeinal Bava	Chief financial officer		63,111	2000 / 31-12-2005
Carlos Vasconcellos Cruz			13,649	2002 / 31-12-2005
Iriarte Esteves			8,682	2000 / 31-12-2005
Paulo Fernandes			100	2000 / 31-12-2005
Henrique Granadeiro			50	2003 / 31-12-2005
Rodrigo Costa			–	2005 / 31-12-2005
Joaquim Goes			2,437	2000 / 31-12-2005
Carlos Oliveira Cruz			134	2002 / 31-12-2005
Jorge Tomé			–	2002 / 31-12-2005
Fernando Abril-Martorell			–	2001 / 31-12-2005
António Viana-Baptista			9,008	2000 / 31-12-2005
Lúis de Mello Champalimaud			–	2004 / 31-12-2005
Patrick Monteiro de Barros			23,000,000 <sup>(1)</sup>	2002 / 31-12-2005
Jorge Bleck <sup>(2)</sup>			–	2002 / 31-12-2005
Carlos Blanco de Moraes			–	2003 / 31-12-2005
João Mello Franco			13,308	1998 / 31-12-2005
Gerald S. McGowan			–	2003 / 31-12-2005
Peter Golob <sup>(3)</sup>			7,500	2003 / 31-12-2005
Nuno Silvério Marques			–	2003 / 31-12-2005
Thomaz Paes de Vasconcellos			–	2003 / 31-12-2005

<sup>(1)</sup> Through Telexpress Investments Limited. <sup>(2)</sup> This director resigned on 6 February 2006. <sup>(3)</sup> This director resigned on 20 February 2006, and that resignation in the terms of the Corporate Commercial Code, will only produce effects by the end of March 2006.



Under the terms of no. 2 of article 1 of CMVM Regulation no. 7/2001, directors are not considered independent non-executive directors when they are associated with any groups with specific interests in the company or find themselves in circumstances that may affect their capacity of unbiased analysis and decision-making. The following fall, within such category:

- a)** The 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)** The 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)** The 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)** The 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)** The members of the management body that have a significant commercial relation with the company or with any company in a dominant 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 client or of organizations that receive contributions;
- f)** The 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.

The composition and functions of the Executive Committee, which is the body responsible for the current management of the Company, is described hereunder.

The Annex 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:

**Miguel Horta e Costa** (chief executive officer)  
**Zeinal Bava**  
**Carlos Vasconcellos Cruz**  
**Iriarte Esteves**  
**Paulo Fernandes**  
**Henrique Granadeiro**  
**Rodrigo Costa**

### Duties

The Board of Directors delegated the current 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 the call of 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 offices;
- > 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, as well as 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, namely 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 organization;
- > Plan of activities, 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 latter.

### 3. Management body operating rules

#### Board of Directors

Under the terms of article 24 of the Company's bylaws, the Board of Directors shall set the dates or periodicity of its ordinary meetings and will meet extraordinarily whenever called upon by its Chairmen or by two Directors or by the Supervisory Board.

The Board of Directors may not function without the presence of the majority of its members in office. The Chairman of the Board of Directors may, in cases of recognized 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 the majority of votes cast.

The resolutions passed and the voting declarations are recorded in the minutes, which should be signed by all the members of the Board of Directors that participate in the meeting.

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

#### Executive Committee

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

The Executive Committee establishes the dates and periodicity of its ordinary meetings and will meet extraordinarily whenever called upon by its chief executive officer or by two of its members or by the Supervisory Board.

The Executive Committee may not function without the presence of the majority of its members in office. The CEO may, in cases of recognized 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 latter.

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

### **Powers of the chairman of the Board of Directors and the CEO**

With regard to the role of chairman, on 31 December 2005, the responsibility for conducting the Board of Directors and for taking on the executive management of the Group were distinct. According to the bylaws and the operating rules of the Board of Directors, the chief of the Executive Committee was the leader of the management team of the PT Group and, as such, was responsible for its operational management.

The chief of the Executive Committee is especially in charge of:

- > Coordinating the activity of the Executive Committee and distributing matters among the respective members, when advisable in light of management conveniences;
- > Calling and conducting the Committee's meetings;
- > Watching over the correct implementation of the Committee's resolutions.

In turn, important duties are entrusted to the chairman of the Board of Directors according to the the law and bylaws, namely:

- > Representing the Board of Directors in and out of court;
- > Coordinating the activity of the Board of Directors and distributing matters among the Directors, when advisable in light of management conveniences;
- > Calling and conducting the Board of Directors' meetings;
- > Watching over the correct implementation of the Board of Directors' resolutions.

As disclosed by a communication on 13 March 2006, in the next Annual General Shareholders' Meeting, the shareholders of Banco Espírito Santo and Caixa Geral de Depósitos will propose the merging of the functions of the chairman of the Board of Directors and the chief of the Executive Committee. Should such proposal be approved, the abovementioned functions will be the responsibility of the Chairman of the Board of Directors.

### **Information to the members of the Board of Directors**

Under the terms defined in the respective delegation, 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 namely, 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 additional information that the Board of Directors intends to request pertaining to the status of the management, while diligently executing the actions related to any indications that may be conveyed to it by the Board of Directors, as the result of the information provided.

### **Number of Board of Directors' meetings during the financial year of 2005**

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 2005, there were 16 Board of Directors' meetings.

## **CMVM Recommendations pertaining to non-executive directors and independent directors**

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

The Company has 16 non-executive directors in a total of 23 Directors (on 31 December 2005 there was one vacancy<sup>2</sup>), which is considered a sufficient number to guarantee the continuous monitoring and evaluation of the Executive Directors' performance.

The Company has 9 independent non-executive directors<sup>3</sup>. Thus, the interests of all stakeholders involved in PT may be considered guaranteed, as the adequate structure to prevent and manage conflicts of interest exists.

## **4. Director remuneration policy**

### **Remuneration policy for executive and non-executive directors**

The remuneration of PT Directors, as determined by the Compensation Committee based on a proposal prepared by the Remuneration Consulting 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 directors 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 based on a benchmark study carried out by an international Human Resources consulting company. In this study, companies integrating the main indexes like PSI 20, IBEX 35, DJ Eurostoxx 50, CAC 40 were analysed, as well as European telecommunications companies comparable to PT.

The determination of the variable remuneration, to be granted, takes into consideration the analysis of some indicators, namely: (a) Consolidated revenues; (b) EBITDA; (c) EBITDA - Capex; (d) Net profit before curtailment, and (e) the Total shareholder return ratio of PT by the Total shareholder return of the DJ Stoxx 600 Telecom, where the Total shareholder return corresponds to the sum of the variation of the share's price and the value of the dividend per share.

Considering the fact that the Compensation Committee that will establish the remuneration of the corporate bodies for the 2006-2008 period will only be appointed in the Annual General Shareholders' Meeting of 2006, only the new Compensation Committee may submit a statement on the remuneration policy for the corporate bodies to the Annual General Shareholders' Meeting of the Company in the next financial years to be abided by in the future.

<sup>2</sup> Between that date and the date of issue of the present Report, two more positions became vacant.

<sup>3</sup> According to the definition foreseen in article 1 of CMVM Regulation no. 7/2001.

### Alignment of director interests with company interests

As described above, PT strives to align management interests with the Company's and the shareholder's interests, being that for this purpose, 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 contracts

The Company celebrated contracts with the chairman of the Board and with the executive directors. In those contracts, are defined the compensation policies, concerning the early termination of the contracts, as well as the limitation of competition activities in case of early termination or termination of those contracts.

## 5. Director remuneration

### Fixed and variable remuneration of executive and non-executive directors

In 2005, the fixed and variable remunerations granted to executive and non-executive directors were as follows:

	Euro thousand		
	Fixed remuneration	Variable remuneration	Total
Executive directors	3,316	4,876	8,192
Non-executive directors	2,228	398	2,626
<b>Total</b>	<b>5,544</b>	<b>5,274</b>	<b>10,818</b>

### Link between director remuneration and performance

In order to maximize good management efforts (commentary to CMVM Recommendation no. 8 and Plan of Action of the European Commission), the variable remuneration effectively attributed to the Chairman of the Board of Directors and to each of the Executive Directors 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

The sole benefit received by the members of the Board of Directors consists of the right to receive 45 shares, with the allotment of an additional 5 share premium, under the terms as those applicable to the workers of the Group, as described in Chapter 1, Number 8 of the present Corporate Governance Report.

There are no other plans for allotment of shares, share call options or other share incentive systems, nor any premiums or non-financial benefits of any nature, including profit sharing.

### **Compensation paid or due for termination of duties**

No compensation payments were made or became due to ex directors for termination of their functions.

### **Estimate of other non-financial benefits**

Further to those described above, no other significant non financial benefits were granted, excepting the usual benefits granted to any other PT Group Officers.

## **6. Irregularity communication policy**

In 2005, the PT Group implemented a set of procedures called "System for Qualified Communication of Undue Practices". Within this System, "undue practices" mean all acts or omissions, wilful or seriously negligent, which are imputed to the conduct of corporate body members and other managing parties, heads, staff and remaining workers of Group companies, namely 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 entity, the Portuguese Securities Commission (CMVM) or the North American entity, the Securities and Exchange Commission (SEC) or that may damage PT Group's assets.

After its implementation, the existence of the System was made public through personal communication addressed to each of the workers and the inclusion of a text on the PT Group site. Any collaborator may expose undue practices by a 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 the this purpose.

Any person outside of the Group (in the sense of not belonging to the staff of the PT Group - for example, a shareholder, a client or a supplier) that knows of any undue practice may communicate such fact to a collaborator who will be responsible for its communication through the System's mechanisms.

The communications are received by a Qualified Communications Analysis Nucleus (Núcleo de Análise de Participações Qualificadas – NAPQ), that process them and sends 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 undue practices 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 referred communications.

## Appendix

### Functions performed by members of the administrative body in other companies

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

#### Ernâni Rodrigues Lopes

Functions in other companies: Managing partner of SaeR – Sociedade de Avaliação de Empresas e Risco, Lda. | Managing partner of Ernâni R. Lopes & Associados, Lda.

#### Miguel Horta e Costa

Functions in other companies of PT Group: Chairman of the Board of Directors of PT Comunicações, SA | Chairman of the Board of Directors of PT Multimédia Serviços de Telecomunicações e Multimédia, SGPS, SA | Chairman of the Board of Directors of PT Móveis – Serviços de Telecomunicações, SGPS, SA | Chairman of the Board of Directors of TMN – Telecomunicações Móveis Nacionais, SA | Chairman of the Board of Directors of PT Ventures, SGPS, SA | Chairman of the Board of Directors of Portugal Telecom Investimentos Internacionais – Consultoria Internacional, SA | Chairman of the Board of Directors of PT Sistemas de Informação, SA | Chairman of the Board of Directors of PT Compras – Serviços de Consultoria e Negociação, SA | Chairman of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA | Chairman of the Board of Directors of PT Prime, SGPS, SA | Chairman of the Board of Directors of Portugal Telecom Brasil, SA | Chairman of the Board of Directors of PT Ásia, Limitada || Functions in other companies: Director of Telefónica, SA | Director of Portugal, SA

#### Zeinal Bava

Functions in other companies of PT Group: Chairman of the Executive Committee of TMN – Telecomunicações Móveis Nacionais, SA | Vice-Chairman of the Board of Directors and 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 | Director of PT Sistemas de Informação, SA | Chairman of the Board of Directors of PT-PRO, Serviços Administrativos e de Gestão Partilhados, SA | Director of Portugal Telecom Investimentos Internacionais – Consultoria Internacional, SA | Director of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA | Chairman of the Board of Directors of Previsão – Sociedade Gestora de Fundos de Pensões, SA | Member of the Board of Directors of Brasilcel, N.V.

#### Carlos Vasconcellos Cruz

Functions in other companies of PT Group: Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Portugal Telecom Investimentos Internacionais – Consultoria Internacional, SA | Vice-Chairman of the Board of Directors of PT Ventures, SGPS, SA | Chairman of the Executive Committee of PT Móveis – Serviços de Telecomunicações, SGPS, SA | Director of PT Compras – Serviços de Consultoria e Negociação, SA | Chairman of the Board of Directors of Directel – Listas Telefónicas Internacionais, Limitada | Chairman of the Board of Directors of PT Prime Tradecom, SGPS, SA | Member of the Board of Directors of Portugal Telecom Brasil SA | Director of PT Sistemas de Informação, SA | Vice-Chairman of the Board of Directors of Brasilcel, N.V. | Vice-Chairman of the Board of Directors of Telesp Celular Participações, SA | Vice-Chairman of the Board of Directors of Tele Sudeste Celular Participações SA | Vice-Chairman of the Board of Directors of Tele Leste Celular Participações SA | Vice-Chairman of the Board of Directors of Celular CRT Participações SA | Vice-Chairman of the Board of Directors of Tele Centro Oeste Celular Participações SA | Chairman of the Executive Committee of PT Ásia, Limitada | Director of CTM – Companhia de Telecomunicações de Macau, SARL

#### Iriarte Esteves

Functions in other companies of PT Group: Director of PT Sistemas de Informação, SA | Director of Banco Best, SA

#### Paulo Fernandes

Functions in other companies of PT Group: Director of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA | Chairman of the Board of Directors of Simarc – Promoções Imobiliárias, SA || Functions in other companies: Member of the Executive Committee of Fundação Luso-Espanhola

#### Henrique Granadeiro

Functions in other companies of PT Group: Executive Director of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA | Chairman of Fundação Portugal Telecom || Functions in other companies: Director of Fundação Eugénio de Almeida | Non-Executive Director of Aleluia – Cerâmica, Comércio e Indústria, SA | Member of the Strategy Committee of Banco Finantia | Non-Executive Director of OPCA – Obras Públicas e Cimento Armado, SA

#### Rodrigo Costa

Functions in other companies of PT Group: Chairman of the Executive Committee of PT Comunicações, SA || Functions in other companies: Member of the Advising Committee of the Portuguese Technological Plan | Member of the High Committee for Foreign Investment

### **Joaquim Goes**

Functions in other companies of PT Group: Director of PT Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA || Functions in other companies: Director of Banco Espírito Santo, SA | Director of Banco BEST, SA | Director of ES Tech Ventures, SGPS, SA | Director of ESDATA – Espírito Santo Data, SGPS, SA | Chairman of the Board of Directors of E.S. Interaction, Sistemas de Informação Interactivos, SA | Director of Companhia de Seguros Tranquilidade Vida, SA

### **Carlos Oliveira Cruz**

No functions in other companies

### **Jorge Tomé**

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 | Member of the Board of Directors of Sociedade Gestora de Fundos de Investimento Mobiliários – Caixageste

### **Fernando Abril-Martorell**

Functions in other companies: Chairman of the Executive Committee (CEO) of Credit Suisse Spain

### **António Viana-Baptista**

Functions in other companies of PT Group: Adviser of Brasilcel N.V. || Functions in other companies: Chairman & CEO of the Board of Telefónica Móviles, SA | Chairman of Telefónica Móviles España, SA | Adviser of Telefónica, SA | Adviser of the Board of Telefónica de España, SA | Adviser of Telefónica DataCorp SA | Adviser of Telefónica Internacional, SA | Representative of Telefónica Data to the Board of Terra Networks, SA | Adviser of Telefónica Data Brasil Holding, SA

### **Luís de Mello Champalimaud**

Functions in other companies: Chairman of Sociedade Agrícola Belo de Mértola | Chairman of Confiança Participações, SGPS, SA | Director of Sociedade Agrícola Serra Branca, SA | Director of Sociedade Agrícola Namorados, SA | Chairman of SOEICOM, SA (Brasil)

### **Patrick Monteiro de Barros**

Functions in other companies: Non-Executive Director of Espírito Santo Control Holding | Non-Executive Director of Espírito Santo International Holding | Non-Executive Director of Espírito Santo Financial Group | Non-Executive Director of Espírito Santo Resources | Chairman of the Board of Directors of Argus Resources (UK), Ltd. | Chairman of the Board of Directors of Telexpress Investments | Director of Fundação Monteiro de Barros

### **Jorge Bleck\***

Functions in other companies: Chairman of the Board of the General Meeting of BSN – Banco Santander de Negócios, SA | Member of the Board of Directors of Foggia, SGPS, SA | Chairman of the Board of the General Meeting of Isbanp – Engenharia e Software Informático, SA | Chairman of the Board of the General Meeting of Santander Pensões – Sociedade Gestora de Fundos de Pensões, SA | Chairman of the Board of the General Meeting of Totta Seguros – Companhia de Seguros de Vida, SA | Chairman of the Board of the General Meeting of IMO-R – Companhia Imobiliária, SA | Chairman of the Board of the General Meeting of Airholding, SGPS, SA | Chairman of the Board of the General Meeting of Bunge Ibérica Portugal, SA

### **Carlos Blanco de Morais**

Functions in other companies: Director of Fundação D. Pedro IV

### **João Mello Franco**

Functions in other companies: Director of José de Mello Participações, SGPS, SA

### **Gerald McGowan**

Functions in other companies: Director of Overseas Private Investment Corporation | Director of Virginia Port Authority

### **Peter Golob\***

Functions in other companies: Adviser in the telecommunications sector

### **Nuno Silvério Marques**

Functions in other companies: Managing partner of CIDOT, Comunicação e Imagem, Lda. | Director of CIDOT – Estúdio de Comunicação, SA

### **Thomaz Paes de Vasconcellos**

Functions in other companies: Managing partner of TPV, Lda.

\* Resigned from office already during the financial year of 2006



## Professional qualifications and professional activities

### Members of the Executive Committee

#### Miguel Horta e Costa

Portuguese, 57 years old

Elected for the first time in 1995. His mandate ended on 31 December 2005 | Chairman of the Executive Committee of Portugal Telecom, SGPS, SA since 28 May 2002 | Chairman of the Board of Directors of PT Ásia, Limitada since July 2004 | Chairman of the Board of Directors of Portugal Telecom Investimentos Internacionais – Consultoria Internacional SA since April 2004 | Chairman of the Board of Directors of PT Prime, SGPS, SA since February 2004 | Chairman of the Executive Committee of PT Comunicações, SA since January 2004 | Chairman of the Board of Directors of PT Sistemas de Informação, SA since January 2004 | Chairman of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA since June 2003 | Chairman of the Board of Directors of PT Compras – Serviços de Consultoria e Negociação, SA since May 2003 | Chairman of the Board of Directors of Fundação Portugal Telecom from March 2003 to December 2004 | Chairman of the Board of Directors of PT Ventures, SGPS, SA (ex-Portugal Telecom Internacional, SGPS, SA) since December 2002 | Chairman of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimedia, SGPS, SA since August 2002 | Chairman of the Board of Directors of Portugal Telecom Brasil, SA since July 2002 | Chairman of the Board of Directors of PT Móveis, SGPS, SA and TMN – Telecomunicações Móveis Nacionais, SA since June 2002 | Chairman of the Board of Directors of Telesp Celular Participações, SA | Chairman of the Board of Directors of PT Comunicações, SA since May 2002 | Vice-Chairman of the Executive Committee of Portugal Telecom, SGPS, SA from April 2000 to May 2002 | Vice-Chairman of the Board of Directors of PT Investimentos, SGPS, SA from 1999 to June 2001 | Vice-Chairman of the Board of Directors of Telesp Celular Participações SA from 1998 to November 2000 | Vice-Chairman of the Board of Directors of Multimedia – Serviços de Telecomunicações e Multimedia, SGPS, SA from 2000 to 2002 | Member of the Board of Directors of Telesp Participações SA from 1998 to November de 2000 | Member of the Board of Directors of Telesp, SA from 1998 to November de 2000 | Chairman of the Board of Directors of Portugal Telecom Internacional, SGPS, SA from 2000 to 2002 | Chairman of the Executive Committee of Portugal Telecom Internacional, SGPS, SA from 1998 to 2000 | Member of the Board of Directors of Telefónica, SA since 1998 | Member of the Board of Directors of SIC, SA from 1998 to 2000 | Member of the Board of Directors of Aliança Atlântica Holdings since 1997 | Vice-Chairman of the Board of Directors of Portugal Telecom Internacional, SGPS, SA from 1996 to 1997 | Vice-Chairman of the Board of Directors of Companhia Portuguesa Rádio Marconi SA from 1994 to 1995 | Non-executive member of the Board of Directors of Portugal – Companhia de Transportes Aéreos, SA since 1993 | Vice-Chairman of the Board of Directors of Banco ESSI, SA from 1992 to 1994 | Non-executive member of the Board of Directors of

BES Investimento, SA since 1999 | Chairman of the Board of Directors and member of the Board of Directors of SIBS – Sociedade Interbancária de Serviços, SA from 1991 to 1995 | Chairman of the Board of Directors of Euroges – Aquisição de Créditos a Curto Prazo, SA since 1991 | Member of the Board of Directors of Banco Espírito Santo e Comercial de Lisboa from 1990 to 1992 | Vice-President of Associação Industrial Portuguesa from 1990 to 1994 | Secretary-of-State of External Commerce from 1987 to 1990 | Vice-Chairman of the Board of Directors of CTT and TLP from 1984 to 1987 | Chairman of the Board of Directors of Companhia Portuguesa Rádio Marconi SA from 1982 to 1984 | Director – General of CTT from 1981 to 1982 | Graduated in Economics from Universidade Técnica de Lisboa (I.S.C.E.F.).

#### Zeinal Bava

Portuguese, 40 years old

Elected for the first time in 2000. His mandate ended on 31 December 2005 | Chief Financial Officer of Portugal Telecom, SGPS, SA since 2000 | Chief Financial Officer of TMN – Telecomunicações Móveis Nacionais, SA since December 2005 | Member of the Board of Directors of PT Sistemas de Informação, SA since May 2004 | Member of the Board of Directors of Portugal Telecom Investimentos Internacionais, SA since April 2004 | Chairman of the Board of Directors of TV Cabo Portugal, SA since March 2004 | Member of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA since June 2003 | Chief Executive Officer of PT Multimédia – Serviços de Telecomunicações e Multimedia, SGPS, SA since May 2003 | 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 Serviços de Gestão, SA (PT PRO) since February 2003 | Vice-Chairman of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimedia, SGPS, SA since November 2002 | Member of the Board of Directors of Brasilcel, N.V. since December 2002 | Member of the Board of Directors of Portugal Telecom Brasil, SA since July 2002 until March 2004 | Member of the Board of Directors of Páginas Amarelas, SA since January 2004 until 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 | Executive Vice-Chairman of the Board of Directors of PT Comunicações, SA from January 2004 to December 2005 | Member of the Board of Directors of Tele Sudeste Participações, SA from 2003 to 2005 | Member of the Board of Directors of CRT Celular 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 CRT Celular Participações, SA from 2003 to 2005 | Member of the Board of Directors of Tele Centro Oeste Celular Participações, SA from 2003 to 2005 | Vice-Chairman of the Board of Directors of PT Ventures, SGPS, SA (former Portugal Telecom Internacional, 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 Electrical Engineering from University College London.

### **Carlos Vasconcellos Cruz**

Portuguese, 48 years old.

Elected for the first time in 2002. His mandate ended on 31 December 2005 | Chairman of the Executive Committee of PT Ásia, Limitada since July 2004 | Chairman of the Board of Directors of Directel – Listas Telefónicas Internacionais, Limitada since May 2004 | Member of the Board of Directors of PT Sistemas de Informação, SA since May 2004 | Member of the Board of Directors of CTM – Companhia de Telecomunicações de Macau, SARL since May 2004 | Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Portugal Telecom Investimentos Internacionais – Consultoria Internacional SA since April 2004 | Vice-Chairman of the Board of Directors of PT Ventures, SGPS, SA since April 2004 | Chairman of the Executive Committee of PT Móveis, SGPS, SA since March 2004 | Member of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA from June 2003 to January 2004 | Chairman of the Executive Committee of PT Comunicações, SA from May 2002 to January 2004 | Chairman of the Executive Committee of PT Prime, SGPS, SA from 2002 to January 2004 | Chairman of the Board of Directors of PT Prime, SGPS, SA from 2002 to January 2004 | Chairman of the Board of Directors of PT Contact – Telemarketing e Serviços de Informação, SA from 2002 to January 2004 | Chairman of the Executive Committee of PT.COM, SGPS, SA from May 2003 to January 2004 | Member of the Board of Directors of PT Compras – Serviços de Consultoria e Negociação, SA from May 2003 | Member of the Board of Directors of Fundação Portugal Telecom from March 2003 to December 2004 | Vice-Chairman of the Board of Directors of Brasilcel, N.V. since December 2002 | Member of the Board of Directors of Portugal Telecom Brasil, SA since July 2002 | Member of the Board of Directors of TMN – Telecomunicações Móveis Nacionais, SA from June 2002 to May 2003 | Member of the Board of Directors of Telesp Celular Participações SA since April 2001 | Vice-President of Telesp Celular Participações SA since 2001 | Vice-Chairman of the Board of Directors of Tele Sudeste Participações, SA since 2003 | Vice-Chairman of the Board of Directors of CRT Celular Participações, SA since 2003 | Vice-Chairman of the Board of Directors of Tele Leste Participações, SA since 2003 | Vice-Chairman of the Board of Directors of Tele Centro Oeste Celular Participações SA since 2003 | Chairman of the Board of Directors and Chairman of the Executive Committee of Telesp Celular SA from May 2001 to May 2002 | Chairman of the Board of Directors and Chairman of the Executive Committee of PT Prime Tradecom, SGPS, SA since 2000 | Executive Member of the Board of Directors of PT Prime, SGPS, SA from 2000 to 2001 | Guest professor at Universidade Católica Portuguesa and ISCTE for Post-graduate courses and MBA Programmes from 2000 to 2001 | Member of the World Board of Dun & Bradstreet Corporation, Executive Vice-President of Dun & Bradstreet Corporation, President and Chairman of the Executive Committee of D&B GMC, Executive Vice-President of D&B Europe, President and Chairman of the Executive Committee of D&B Ibéria, Vice-President of Trans Union España Credit Burear S/A from 1997 to 1999 | Senior Vice-President of Dun & Bradstreet Corporation, Senior Vice-President of Dun & Bradstreet Europe, President and Chairman of the Executive Committee of D&B Iberia & Middle West, Vice-President of the Portuguese Companies Association of Business Information (A.P.E.I.N. – Associação Portuguesa de Empresas de Informação de Negócio) in 1996 | President and Chairman of the Executive Committee of Dun & Bradstreet

Ibéria in 1995 | President and Chairman of the Executive Committee of Dun & Bradstreet Portugal, Vice-President of the Portuguese Association for Quality (Associação Portuguesa para a Qualidade) from 1990 to 1993 | President of the "European Customer Service group" of Dun & Bradstreet in 1992 | Director-General of Dun & Bradstreet France in 1989 | Director-General of Sales of Dun & Bradstreet France in 1988 | Business Manager of Dun & Bradstreet Portugal in 1987 | National Sales Director of Dun & Bradstreet Portugal in 1986 | Director of the Sales Department Dun & Bradstreet Portugal in 1985 | Senior Economist of LEASEINVEST from 1983 to 1985 | Economist of the Ministry das Finance of Portugal from 1978 to 1983 | Graduated in Business Administration from I.S.C.T.E. (Instituto Superior de Ciências do Trabalho e da Empresa).

### **Iriarte Esteves**

Portuguese, 56 years old.

Elected for the first time in 2000. His mandate ended on 31 December 2005 | Member of the Board of Directors of PT Sistemas de Informação, SA since May 2004 | Executive Vice-Chairman of the Board of Directors of PT Comunicações, SA from January 2004 to December 2005 | Chairman of the Executive Committee of TMN – Telecomunicações Móveis Nacionais, SA from 1998 to December 2005 | Chairman of the Executive Committee of PT Móveis, SGPS, SA from June 2000 to March 2004 | Chairman of the Board of Directors of PT Prime – Soluções Empresariais de Telecomunicações e Sistemas, SA since February 2004 | Chairman of the Board of Directors of PT Acessos de Internet WiFi, SA since January 2004 | Member of the Board of Directors of Banco Best, SA since June 2003 | Member of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA since June 2003 | Member of the Board of Directors of PT Compras – Serviços de Consultoria e Negociação, SA from May 2003 to May 2004 | Member of the Board of Directors of Fundação Portugal Telecom from March 2003 to December 2004 | Member of the Board of Directors of Brasilcel, N.V. from December 2002 to February 2004 | Member of the Board of Directors of Portugal Telecom Brasil, SA from July 2002 to February 2004 | Member of the Board of Directors of PT Prime, SGPS, SA since 2002 | Member of the Board of Directors of Telesp Celular Participações, SA from 10 April 2001 to February 2004 | Member of the Board of Directors of Tele Sudeste Participações, SA from 2003 to February 2004 | Member of the Board of Directors of Tele Leste Participações, SA from 2003 to February 2004 | Member of the Board of Directors of Tele Centro Oeste Celular Participações, SA from 2003 to February 2004 | Member of the Board of Directors of Telepac from 1991 to 1997 | Vice-Chairman of the Board of Directors of TMN – Telecomunicações Móveis Nacionais, SA from 1991 to 1992 | Member of the Board of Directors of CTT from 1989 to 1992 | Director-General of Telecommunications of CTT since 1986 to 1989 | Director-General of Telecommunications of CTT from 1983 to 1986 | Director of the Telecommunications Business Planning Department of CTT from 1982 to 1983 | Director-General Regional de Telecommunications of CTT from 1981 to 1982 | Graduated in Electronic Engineering, Telecommunications and Electronics from I.S.T. (Instituto Superior Técnico).

**Paulo Fernandes**

Portuguese, 40 years old.

Elected for the first time in 2000. His mandate ended on 31 December 2005 | Member of the Executive Committee of Fundação Luso-Espanhola since 2005 | Chairman of the Board of Directors of SIMARC, since March 2004 | Member of the Board of Directors of PT Corporate – Soluções Empresariais de Telecomunicações e Sistemas, SA since June 2003 | Chairman of the Executive Committee of PT Sistemas de Informação, SA from May 2003 to December 2005 | Member of the Board of Directors of PT Compras – Serviços de Consultoria e Negociação, SA since May 2003 | Member of the Board of Directors of Fundação Portugal Telecom from March 2003 to December 2004 | Member of the Board of Directors of Brasilcel, N.V. from December 2002 to July 2003 | Vice-Chairman of the Board of Directors of PT Ventures, SGPS, SA (former Portugal Telecom Internacional, SGPS, SA) from December 2002 to 2003 | Member of the Board of Directors of Telesp Celular Participações, SA from 10 April 2001 to July 2003 | Member of the Board of Directors of Tele Sudeste Participações, SA from January 2003 to July 2003 | Member of the Board of Directors of CRT Celular Participações, SA from January 2003 to July 2003 | Member of the Board of Directors of Tele Leste Participações, SA from January 2003 to July 2003 | Member of the Board of Directors of Tele Centro Oeste Celular Participações, SA from January 2003 to July 2003 | Chairman of the Board of Directors of PT – Sistemas de Informação, SA from 2000 to January 2004 | Partner of McKinsey & Company from 1997 to 2000 | Member of the “McKinsey & Company’s Leadership World Groups” for the telecommunications and transportation areas from 1997 to 2000 | International Consultant of the McKinsey & Company from 1991 to 1997 | Partner and Manager of Spades – Sociedade de Apoio ao Desenvolvimento – from 1990 to 1991 | Computer network research analyst at INESC from 1988 to 1990 | Graduated in Electrotechnical and Computer Engineering – Computer Systems from I.S.T. (Instituto Superior Técnico).

**Henrique Granadeiro**

Portuguese, 62 years old.

Elected for the first time in 2003. His mandate has ended on 31 December 2005 | 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 Board of Directors of Fundação Portugal Telecom since December 2004 | Member of the Executive Committee of PT Multimédia – Serviços de Telecomunicações e Multimedia, SGPS, SA since September 2004 | 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 de Madeira from 2002 to 2004 | Chairman of the Board of Directors of Aleluia – Cerâmica Comercio e Indústria S.A. from 2001 to 2004 | Member of the Board of Directors of Parfil SGPS SA from 2001 to 2004 | Member of the Strategic Board of Banco Finantia since 2001 | Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimedia, 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 S.A. from 1990 to 2001 | President of the 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 | 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 Standart Eléctrica during 1981 | Ambassador of Portugal in the OECD from 1979 to 1981 and Head of the Civil House of the President of the Portuguese Republic from 1976 to 1979 | Graduated in Business Administration from Instituto Universitário de Évora.

**Rodrigo Costa**

Portuguese, 46 years old.

Elected for the first time in 2005. His mandate ended on 31 December 2005 | Chairman of the Executive Committee of PT Comunicações, SA since December 2005 | Member of the Technological Plan Advisory Board since 2005 | Member of the Lead Counsel for Foreign Investment since 2004 | Corporate Vice-President of the OEM Microsoft Corporation from 2002 to 2005 | General Director of Microsoft Brasil from 2001 to 2002 | Member of the Advisory Board of the Superior Institute of Business Communication of the Human and Social Sciences College from 1998 to 2000 | Member of the Management of Entrepreneurs for Education Forum from 1997 to 2001 | Director and Vice President of the Luso-American Chamber of Commerce from 1996 to 2001 | General Director of Microsoft Portugal from 1990 to 2001 | Partner, Marketing Director, Distribution Director and Deputy General Director of Prologica, SA from 1987 to 1990 | General Director and Founding partner of Intério SA in 1986 | Planning and Control Advisor of Duphar Portugal from 1984 to 1989 | Management Advisor of Viagens Abreu from 1983 to 1990 | Partner, Programmer and Systems Analyst of Nogueira Informática, SA/Groupi, Lda. from 1979 to 1985.

**Non-executive directors****Ernâni Rodrigues Lopes**

Portuguese, 64 years old.

Elected for the first time in 2003 as Chairman of the Board of Directors. His mandate ended on 31 December 2005 | Chairman of the Board of Directors of SESC – Sociedade de Estudos Superiores de Contabilidade, SA from 2003 to 2005 | Ambassador of Portugal in Bonn from 1975 to 1979 | Ambassador of Portugal with the EEC in Brussels from 1979 to 1983 | Ministry of Finance from 1983 to 1985 | Managing Partner of SaeR – Sociedade de Avaliação de Empresas e Risco, Lda. since 1998 | Managing partner of Ernâni R. Lopes & Associados, Lda. since 1997 | Member of the Advisory Board of Banco de Portugal from 1997 to 2003 | Member of the Advisory Board of Instituto de Crédito Público from 1997 to 2003 | Member of the European Convention representing the Portuguese Government from 2002 to 2003 | Chairman of the Board of Directors of Bio 21, from 1995 to 2001 | Chairman of the General Meeting of Gestifer, SGPS, S.A. from 1997 to 2003 | Chairman of the General Meeting of Morate – Sociedade de Investimentos Imobiliários, S.A. from 1989 to 2003 | President of the General Meeting of Lusotur

Sociedade Financeira de Turismo, S.A from 1991 to 1998 | Chairman of the General Meeting of Inogi – Inovação Imobiliária, Gestão e Investimento, S.A from 1989 to 2003 | Chairman of the General Meeting of Socifa – Sociedade de Prestação de Serviços Financeiros e de Administração e Gestão, S.A from 1988 to 1991 | Member of the General Board of Telecel from 1991 to 1994 | Member of the General Board of Grupo Espírito Santo from 1996 to 2003 | Member of the Board of Directors of Espírito Santo Resources Ltd from 1990 to 2003 | Vice-Chairman of the Board of Directors of ESPART – Participações Financeiras, SGPS, SA from 1990 to 1992 | Chairman of the Board of Directors of Escopar – Sociedade Gestora de Participações Sociais, SA from 1995 to 2003 | Chairman of the Board of Directors of Espírito Santo Irmãos – Sociedade Gestora de Participações Sociais, SA from 1994 to 2003 | Chairman of the Board of Directors of Espírito Santo Property Holding (Portugal) from 1994 to 2003 | Chairman of the Board of Directors of GESTRES – Gestão Estratégica Espírito Santo, SA from 1990 to 2003 | Chairman of the Board of Directors of SFIR – Sociedade de Financiamento e Investimento de Risco, SA from 1988 to 1995 | Chairman of the Board of Directors of Alcatel – Portugal, Sistemas de Comunicação, SA from 1988 to 1995 | Chairman of the Board of Directors of CPR – Companhia Portuguesa de Rating, SA from 1969 to 2003 | Holds a PhD in Economics from Faculdade de Ciências Humanas (currently Faculdade de Ciências Económicas e Empresariais) da Universidade Católica Portuguesa.

### Joaquim Goes

Portuguese, 39 years old.

Elected for the first time in 2000. His mandate ended on 31 December 2005 | Member of the Board of Directors of PT Multimédia – Serviços de Telecomunicações e Multimedia, 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 | 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 | Director of the Strategic Marketing Department of Banco Espírito Santo, SA from 1995 to 1999 | Director of the Strategic Department of CIMPOR – Cimentos de Portugal, SA from 1994 to 1995 | Senior Consultant of Roland Berger & Partner from 1992 to 1993 | Consultant of Roland Berger & Partner from 1989 to 1992 | Graduated in Business Administration from Universidade Católica Portuguesa, Lisbon and holds a MBA from INSEAD, Fontainebleau.

### Carlos Cruz

Portuguese, 65 years old.

Elected for the first time in 2002. His mandate ended on 31 December 2005 | Member of the Board of Directors of Gerbanca, SGPS, SA since March 2003 | Chairman of the Board of Directors of Caixa Brasil, SGPS, SA from 2001 to May 2005 | Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos, SA from 2000 to April 2004 | Vice-Chairman of the Board of Directors of Caixa – Banco de Investimento, SA from 2000 to April 2004 | Member of the Board of Directors of Unibanco Holdings, SA since 2000 | Member of the Board of Directors of Banco de Portugal from 1996 to 2000 | Representative of the Bank of Portugal in the Economic Policy Committee from 1996 to 1998 | Member of

the Board of Directors of Imoleasing from 1989 to 1996 | Member of the Board of Directors of Caixa Geral de Depósitos, SA from 1984 to 1989 | Director of the International Relations Department of Banco Pinto & Sotto Mayor, SA from 1982 to 1983 | Member of the Board of Directors of Companhia Portuguesa de Electricidade from 1977 to 1982 | Secretary-of-State of Economic Coordination from 1976 to 1977 | Delegate of the OECD in the Economic Policy Committee from 1973 to 1975 | Graduated in Economics from Instituto Superior de Ciências Económicas e Financeiras.

### Jorge Tomé

Portuguese, 47 years old.

Elected for the first time in 2002. His mandate ended on 31 December 2005 | Chairman of the Executive Committee of Caixa – Banco de Investimentos, SA since March 2002 | 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 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 from June 1995 to November 1996 | Manager of Banco Pinto & Sotto Mayor, SA, co-ordinating the Branch Office in France and Sottomayor Bank of Canada from February to May 1995 | Director of Banco Pinto & Sotto Mayor, SA from March 1994 to January 1995 | Executive Director of SULPEDIP, SA, (currently PME Investimentos, SA) from June 1989 to March 1994 | Technician of the Securities Direction of Banco Pinto & Sotto Mayor, S.A in 1985 | Sub-manager and Manager of Securities of Banco Pinto & Sotto Mayor from 1986 to 1989 | Director of CPG – Sociedade Gestora de Fundos de Investimento FIPOR | Companies and Industrial and Tourism Project Analyst at Banco Pinto & Sotto Mayor admitted in April 1983 | Auditor at Coopers & Lybrand Lda. admitted in February 1980 | Economist of IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas) admitted in 1979. Graduated in Business Administration from I.S.C.T.E. | Holds a master in Applied Economics from the Faculdade de Economia da Universidade Nova Lisboa.

### Fernando Abril-Martorell

Spanish, 43 years old.

Elected for the first time in 2001. His mandate ended on 31 December 2005 | Managing Director and Chief Executive Officer of Credit Suisse Spain. Joined Credit Suisse in August 2005. Member of the Board of Directors of Telecomunicações de São Paulo – Telesp since 2001 | 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 | General-Director of Corporate Finance of Telefónica Publicidad e Información from 1997 to 1999 | Director of the Treasury Department of JP Morgan from 1987 to 1997 | B.A. in Law and B.S. in Business Administration from ICADE (Madrid).

**António Viana-Baptista**

Portuguese, 48 years old.

Elected for the first time in 2000. His mandate ended on 31 December 2005 | Chairman of the Board of Directors of Telefónica Móviles, SA | 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 since 2003 | Member of the Board of Directors of TBS Celular Participações, SA | Member of the Board of Directors of Sudestel Participações, SA | Member of the Board of Directors of Iberoleste Participações, SA | Member of the Board of Directors of Telefónica de Argentina, SA since 2003, Chairman of the Board of Directors of Telefónica Móviles España, SA since 2003 | Member of the Board of Directors of Brasilcel, N.V. since December 2002 | Chairman of the Executive Committee of Telefónica Móviles, SA since 2002 | Member of the Board of Directors of Telesp, SA since 2001 | Director of Emergia Holding N.V. since 2000 | Member of the Board of Directors of Telefónica de España, SA since December 2000 | Member of the Board of Directors of Telefónica, SA since 2000 | Member of the Patronage 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 since 1998 | Manager of Telefónica Larga Distancia de Puerto Rico | Chairman of the Board of Directors of Telefónica Internacional Chile, SA | Chairman of the Board of Directors of Compañía Internacional de Telecomunicaciones, SA (COINTEL) | Chairman of the Board of Directors of Telefónica Peru Holding, SAC | Chairman of the Board of Directors of SP Telecomunicações Holding Ltda. | Member of the Board of Directors Terra, SA representing Telefónica Data | Member of the Board of Directors of BPI from 1991 to 1996 | Principal Partner of McKinsey & Company from 1985 to 1991 (Madrid/Lisbon Offices) | Graduated in Economics from Universidade Católica Portuguesa and holds a MBA from INSEAD, Fontainebleau.

**Luis de Mello Champalimaud**

Portuguese, 54 years old.

Elected for the first time in 2004. His mandate ended on 31 December 2005 | Chairman of the Board of Directors of Banco Totta & Açores, SA and Crédito Predial Português, SA from January 1997 to January 2000 | Chairman of the Board of Directors of Banco Totta and Sotto Mayor de Investimentos, SA, from March 1996 to January 2000 | Chairman of the Board of Directors of Banco Pinto & Sotto Mayor, SA from January 1995 to January 2000 | Chairman of the Board of Directors of Companhia de Seguros Mundial – Confiança, SA from March 1993 to March 1995 | Member of the Board of Directors of Companhia de Seguros Mundial – Confiança, SA from June 1992 to March 1993 | Chairman of the Executive Committee of Soiecom, SA from September 1982 to April 1992 | Sales Director of Soiecom, SA from June 1975 to September 1982.

**Patrick Monteiro de Barros**

Portuguese, 61 years old.

Elected for the first time in 2002. His mandate ended on 31 December 2005 | Chairman of the Board of Directors of Telexpress Investments Limited since 2002 | Member of the Board of Directors of Tosco Corporation from 1995 to 2001 | Member of the Board of Directors of Petrogal, Petróleos de Portugal from 1995 to 2000 | Member of the Board of Directors of Grupo Financeiro Espírito Santo since 1992 | Member of the Board of Directors of Vodafone Portugal from 1992 to 1998 | Member of the Board of Directors of Petrocontrol from 1991 to 2000 | Chairman of the Board of Directors and Chairman of the Executive Committee of Argus Resources Ltd. since 1988 | Chairman of the Board of Directors and Chairman of the Executive Committee of Sigmoid Resources from 1985 to 1988 | Senior Vice-President of Philipp Brothers from 1985 to 1988 | Chairman of the Board of Directors of Protea Holdings Inc. since 1981 | Member of the Board of Directors of Sociedade Nacional de Petróleos (SONAP) from 1971 to 1975 | Director of Sociedade Nacional de Petróleos (SONAP) from 1967 to 1971 | President of Fundação Monteiro de Barros since 1966 | Graduated in Economics from the University of Paris and in Business Administration from the École Supérieure de Commerce de Paris.

**Jorge Bleck\***

Portuguese, 51 years old.

Elected for the first time in 2002. His mandate ended on 31 December 2005 | Chairman of the General Meeting of Crédito Predial Português since 2000 | Chairman of the Board of the General Meeting of SANTANDER – Sociedade Gestora de Fundos de Investimento Mobiliário, SA | Vice-Chairman of the General Meeting of Banco Santander de Negócios Portugal, SA since 2000 | Vice-chairman of the General Meeting of Banco Santander, S.A since 1999 | Member of the Board of Directors of Foggia SGPS, SA since 2000 | Graduated in Law from Universidade de Lisboa

**Carlos Blanco de Morais**

Portuguese, 48 years old.

Elected for the first time in 2003. His mandate ended on 31 December 2005 | Professor at the Law School of the University of Lisbon since 1997 | Member of the Board of Directors of Fundação D. Pedro IV since 1995 | Legal Advisor of the Legal Centre of the Portuguese Government since 1993 | Holds a PhD in Law from Universidade de Lisboa.

\* Resigned from office already during the financial year of 2006

### **João Mello Franco**

Portuguese, 59 years old.

Elected for the first time in 1998. His mandate ended on 31 December 2005 | Chairman of the Audit Committee of Portugal Telecom, SGPS, SA since 2004 | 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 to 2004 | Chairman of the Board of Directors of José de Mello Residências e Serviços from 2001 to 2004 | Chairman of the Board of Directors of Imopólis (SGFII) from 2001 to 2004 | Chairman of the Board of Directors of Engimais from 2001 to 2004 | Member of the Board of Directors of International Shipowners Reinsurance Co from 1998 to 2005 | Member of our Higher Board from 1996 to 1997 | Chairman of the Board of Directors of Soponata – Sociedade Portuguesa de Navios Tanques, SA from 1999 to 2001 | Chairman of the Executive Committee of Soponata – Sociedade Portuguesa de Navios Tanques, SA from 1997 to 2001 | Vice-Chairman and Member 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 1999 | Member of the 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 | Director of TDC – Tecnologia de Comunicações, Lda. from 1986 to 1989 | Graduated in Mechanical Engineering from the Instituto Superior Técnico.

### **Gerald McGowan**

American, 59 years old.

Elected for the first time in 2003. His mandate ended on 31 December 2005 | Ambassador of the United States in Portugal from 1997 to 2001 | Member of the Board of Directors of the “Overseas Private Investment Corporation” (OPIC) in 1996 | Member of the Board of Directors of the Virginia Port Authority in 2002 | Member of the Board of Directors of the Cellular Telecommunications Industry Association from 1990 to 1998 | Graduated in Law from Georgetown University.

### **Peter Golob\***

American, 48 years old.

Elected for the first time in 2003. His mandate ended on 31 December 2005 | Director of Merrill Lynch Global Communications Group for Europe from 1998 to 2001 | Director of Telecoms Media Technology Team e Investment Banking Operating Committee of Deutsche Morgan Grenfell from 1995 to 1998 | Director of Telecoms Industry Investment Banking of S.G.Warburg from 1992 to 1995 | Holds a PhD in History from Cambridge University

### **Nuno Silvério Marques**

Portuguese, 49 years old.

Elected for the first time in 2003. His mandate ended on 31 December 2005 | Managing partner of AGILLETM – Serviços e Consultoria de Gestão, Lda. | Partner of CIDOT, Comunicação e Imagem, Lda. since 2002 | Partner of Fundaments from 2000 to 2002 | Member of the Board of Directors of Telecel, Comunicações Pessoais, S.A from 1992 to 2000 | Member of the Board of Directors of Telechamada S.A from 1994 to 1995 | Member of the Board of Directors of Quimigal from 1988 to 1991 | Manager of Quimibro, Comércio Internacional de Metais e Mercadorias Lda. from 1980 to 1988. Graduated in Business Administration from Universidade Católica Portuguesa | Integrated MBA programme with specialization in Information management / e-business from Universidade Católica Portuguesa.

### **Thomaz Paes de Vasconcellos**

Portuguese, 48 years old.

Elected for the first time in 2003. His mandate ended on 31 December 2005 | Managing Partner of TPV, Lda. since 1998 | General Manager and Member of the Board of Directors of Grupo Santogal from 1988 to 1998 | Controller of Hubbard Group from 1987 to 1988 | Manager of Arthur Andersen & Co (Lisbon) from 1980 to 1987 | Revisor Oficial de Contas since 1986, registered with the no. 561 | Graduated in Business Administration from Universidade Católica Portuguesa in 1980.

\* Resigned from office already during the financial year of 2006