

SCHEDULE 1

FORM OF EXCHANGE NOTICE

Portugal Telecom International Finance B.V.

€750,000,000 4.125 per cent. Exchangeable Bonds due 2014

(Please read the Notes overleaf before completing this Notice)

Name: Date:

Address:

Euroclear/Clearstream Luxembourg Account No:

Telephone No.:

Fax No.:

Signature*:

*Where the Bonds in respect of which this Exchange Notice is given are evidenced by a Global Bond, the Exchange Notice need not be signed. In such a case, delivery of the Exchange Notice will constitute confirmation by the beneficial owner of interests in the Bonds to be exchanged that the information and the representations in the Exchange Notice are true and accurate on the date of delivery.

To: Citigroup Global Markets Deutschland AG & Co. KGaA [Insert name of any other relevant Transfer and Exchange Agent] (the **Transfer and Exchange Agent**)

Citibank, N.A. as principal paying agent (the **Principal Paying Agent**)

cc: Portugal Telecom International Finance B.V. (the **Issuer**)

Portugal Telecom, SGPS, S.A. (the **Company**)

I/We, being the holder(s) of the Bond(s)/interest in the Global Bond [please delete as applicable] specified below, hereby irrevocably elect to exchange the principal amount of such Bonds as specified below of which I/we am/are the holders(s) or in which I/we have an interest (as specified below) in accordance with the Conditions of the Bonds (the **Conditions**) into ordinary shares in the Company (**Ordinary Shares**) at the Exchange Price (as defined in the Conditions).

1. Total principal amount and, where applicable, the Certificate numbers of Bonds to which this notice applies:
Bonds:.....
Global Bond:
- Total principal amount (must be a multiple of €50,000 and integral multiples of €1,000 in excess thereof):.....
- Certificate numbers of Definitive Registered Bonds (if relevant)**:

.....

N.B. If necessary, the Certificate numbers of Bonds can be attached separately.

****Not required for Bonds evidenced by the Global Bond**

2. Name(s) and address(es) of person(s) in whose name(s) the Ordinary Shares to be issued on exchange are to be registered:

Name:

Address:

.....

.....

3. I/We hereby request that

the Ordinary Shares to be delivered in pursuance of this Exchange Notice be credited to the account details of the financial intermediary at Central de Valores Mobiliários (CVM) which are set out below and any payment of interest required to be made pursuant to Condition 8.2 of the Bonds be transferred to the euro account details in respect of which are given below:

CVM ID:

Member Account ID:

Name:

Address:

.....

.....

Account no.:

Account name:

Bank:

Branch:

Sort Code:

4. The relevant Certificate in respect of Bonds converted hereby accompanies this Exchange Notice**

5. I/we hereby further represent and agree that I/we or the person(s) who has/have a beneficial interest in such Bond(s) am/is/are in compliance with all applicable fiscal or other laws and regulations as provided in the Conditions and have/has paid or will pay, to the extent required by the Conditions, all taxes or capital duties or stamp duties payable in the Netherlands or Portugal arising on exchange of the Bonds.

6. I/we hereby acknowledge that the Issuer, the Company, the Agents, the Trustee and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

Dated: Signature:
PRINT NAME(S)

Notes

- (i) This Exchange Notice will be void unless the introductory details and Sections 1, 2 and 3 are duly completed and Sections 4 and 5 are complied with.
- (ii) Your attention is drawn to Condition 6 of the Bonds with respect to the conditions relating to exchange.
- (iii) If a retroactive adjustment of the Exchange Price contemplated by the Conditions is required in respect of an exchange of the Bonds, additional Ordinary Shares pursuant to such retroactive adjustment will be delivered in the same manner as the Ordinary Shares previously issued pursuant to this Exchange Notice.
- (iv) This Exchange Notice may be completed by or on behalf of an accountholder of Euroclear or Clearstream, Luxembourg or any clearing system in which the relevant Bond is held at such time which has an interest in such Bond.
- (v) The holding of an interest in a Bond by an accountholder of Euroclear or Clearstream, Luxembourg or any clearing system in which the relevant Bond is held in respect of which Exchange Rights are being exercised will be confirmed by the Principal Paying Agent and/or the Principal Transfer and Exchange Agent with the relevant clearing system.
- (vi) Ordinary Shares to be issued or delivered on exercise of Exchange Rights will be issued in uncertificated form through the facilities of CVM.
- (vii) Terms used in this Exchange Notice and not otherwise defined have the meanings set forth in the Trust Deed, dated 28 August 2007, among, *inter alia*, the Issuer, the Company and Citicorp Trustee Company Limited as Trustee.

For Principal Paying Agent's and/or Principal Transfer and Exchange Agent's use only:

- 1.
 - 1.1 Bond exchange identification reference: []
 - 1.2 Date of delivery of Exchange Notice to Principal Paying Agent and/or Principal Transfer and Exchange Agent:.....
 - 1.3 Exchange Date: (to be filled in by Principal Paying Agent and/or the Principal Transfer and Exchange Agent):
- 2.
 - 2.1 Aggregate principal amount of Bonds in respect of which certificates have been deposited for exchange/represented by the Global Bond** being converted:.....
 - 2.2 Exchange Price on Exchange Date:
 - 2.3 Number of Ordinary Shares to be issued and registered: (disregard fractions)
- 3.
 - 3.1 Name(s) and address(es) of the person(s) in whose name(s) the Ordinary Shares are to be registered:
 - 3.2 Details of account to which the Ordinary Shares are to be delivered:
 - CVM ID:
 - Member Account ID:
 - Name:
 - Address:
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N.B. The Principal Paying Agent and/or the Principal Transfer and Exchange Agent must complete items 1, 2 and 3.

* Specify in whose name the balance of the Certificate (if any) is to be registered and where it is to be delivered.

** Delete as appropriate.