

PORTUGAL TELECOM SGPS SA  
Form 6-K  
March 30, 2007

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of the  
Securities Exchange Act of 1934

**For the month of March, 2007**

**Commission File Number 1-13758**

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**PORTUGAL TELECOM, SGPS, S.A.**

(Exact name of registrant as specified in its charter)

**Av. Fontes Pereira de Melo, 40**  
**1069 - 300 Lisboa, Portugal**  
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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**ANNUAL GENERAL MEETING OF SHAREHOLDERS  
PORTUGAL TELECOM, SGPS S.A.**

27 April 2007

**PROPOSAL OF THE BOARD OF DIRECTORS**

**ITEM 3 ON THE AGENDA:**

*(To resolve on the application of profits)*

**Whereas:**

A) The net profit of the financial year ended 31 December 2006 was 658,585,998 Euros;

B) The legal reserve also reflected on the balance sheet approved under item 1 on the agenda amounts to 20% of the share capital, thus the reserve required by paragraph 1 of article 295 of the Portuguese Companies Code is fully created;

C) It is of interest to assure that, after the restructuring of the share capital that is proposed under items 8 and 9 on the agenda, the Company is in conditions to comply in an adequate manner with the principle of sufficiency of the legal reserve;

**We propose that it be resolved:**

1) That, in order to comply in an adequate manner with the law and the Articles of Association in respect of the sufficiency of the legal reserve after the restructuring of the share capital proposed under items 8 and 9 on the agenda, an amount of 3,086,213.04 Euros be allocated to the reinforcement of the legal reserve;

2) That, of the remaining net profit after the allocation of profits under the foregoing paragraph, 536,206,837.50 Euros (corresponding to 47.5 Euro cents per share, with respect to the total number of shares issued) be paid to the shareholders;

3) That, taking into consideration the proposals under items 6 and 7 on the agenda, it will not be possible to determine precisely the number of own shares that will be held in treasury on the date of the abovementioned payment without limiting the Company's capacity of intervention, the overall sum of

536,206,837.50 Euros as provided for in the foregoing paragraph, calculated on the basis of a unit amount per share issued (in this case, 47.5 Euro cents per share), be distributed as follows:

- a) Each share issued be paid the unit amount of 47.5 Euro cents;
- b) The amount corresponding to the shares that belong to the Company itself on the first day of the payment period of the abovementioned amount (calculated on said unit amount of 47.5 Euro cents per share issued) not be paid, but be transferred to retained profits.
- 4) That, the remaining part of the net profit of the financial year of 2006 in the amount of 119,292,947.46 Euros be transferred to retained profits.

Lisbon, 21 March 2007.

The Board of Directors,

