

Dossiernr. 34.108.060  
KvK Amsterdam

**PORTUGAL TELECOM INTERNATIONAL  
FINANCE B.V.  
(Amsterdam)**

**ANNUAL REPORT  
December 31, 2006**

**These Financial Statements were determined and  
adopted by the Annual General Meeting of Shareholders  
held on June 20, 2007.**

0628386

16-07-2007

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**Table of contents**

	Page
- <b>Managing Directors</b>	2
- <b>Managing Directors' Report</b>	3
- <b>Financial Statements</b>	
Balance Sheet	4
Statement of Income and Expenses	5
Notes to the Financial Statements	6
- <b>Other information</b>	15

1.6-07-2007

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**Managing Directors:**

F.J.M. Silva Nunes  
Campo Grande 82-80 A  
Lisbon  
Portugal

C.M.M. Fidalgo Moreira da Cruz  
Alameda dos Oceanos lote 4.07.Dldt  
1900 Lisbon  
Portugal

M.C. van der Sluijs-Plantz  
Haagweg 194  
2324 NA Leiden  
The Netherlands

J.R. de Vos van Steenwijk  
Nassaulaan 32  
3743 CD Baarn  
The Netherlands

TMF Management B.V.  
Locatellikade 1  
1076 AZ Amsterdam  
The Netherlands

16-07-2007

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**Managing Directors' Report**

The management herewith submits the Financial Statements of Portugal Telecom International Finance B.V. ("the Company") for the financial year ended December 31, 2006.

***Key activities***

The principal activities of the Company consist of financing of group entities.

On February 21, 2006, the Company repaid the second tranche of notes in the amount of EUR 899,500,000 issued on February 21, 2001. Furthermore on December 6, 2006, the Company repaid the exchangeable bond, amounting to EUR 390,335,000 issued on December 6, 2001.

***Result***

During the period under review, the Company recorded a profit of EUR 2,024,751 (2005: EUR 3,423,710), which is set out in detail in the attached Statement of Income and Expenses.

***Future developments***

For the year 2007 the Board of Management expects virtually no change in the nature and size of the business of the Company

Amsterdam, May 21, 2007

F.J.M. Silva Nunes

C.M.M. Fidalgo Moreira da Cruz

M.C. van der Sluijs-Plantz

J.R. de Vos van Steenwijk

TMF Management B.V.

16-07-2007

**DRAFT**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**BALANCE SHEET**  
**December 31, 2006**  
(before appropriation of the result)

<b>ASSETS</b>		<u>12/31/06</u>	<u>12/31/05</u>
<b>FIXED ASSETS:</b>			
Financial fixed assets:			
Commercial paper	(1)	2,891,450,000	1,494,553,000
Loans to affiliated companies	(2)	<u>107,742,062</u>	<u>-</u>
		2,999,192,062	1,494,553,000
<b>CURRENT ASSETS:</b>			
Commercial paper	(3)	221,000,000	1,692,000,000
Corporate income tax		1,857,012	1,857,012
Other taxation		994,647	-
Convertible bonds	(4)	-	390,335,000
Prepaid issuance costs	(5)	12,587,008	14,891,381
Other debtors		1,232,973	11,171,977
Cash at bank	(6)	<u>191,488,989</u>	<u>1,542,048,129</u>
		429,160,629	3,652,303,499
		<u>3,428,352,691</u>	<u>5,146,856,499</u>

**SHAREHOLDER'S EQUITY AND LIABILITIES**

<b>SHAREHOLDER'S EQUITY:</b>		(7)		
Issued share capital		21,000	21,000	
Share premium		252,090,368	252,090,368	
Retained earnings		3,423,710	-	
Result for the period		<u>2,024,751</u>	<u>3,423,710</u>	
		257,559,829	255,535,078	
<b>LONG TERM LIABILITIES:</b>				
GMTN/Exchangeable bonds/credit facility	(8)	3,064,500,000	3,454,500,000	
<b>CURRENT LIABILITIES:</b>				
Exchangeable bond	(9)	-	1,289,835,000	
Short term (part of) loans	(10)	17,152,710	12,361,272	
Interest GMTN/Exch. bonds/credit facility		88,461,686	134,574,335	
Value added tax		2,652	-	
Corporate income tax		539,216	-	
Accrued expenses	(11)	<u>136,598</u>	<u>50,814</u>	
		106,292,862	1,436,821,421	
		<u>3,428,352,691</u>	<u>5,146,856,499</u>	

16-07-2007

**DRAFT**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**STATEMENT OF INCOME AND EXPENSES**  
**for the year ended December 31, 2006**

		<u>01/01/06 -</u> <u>12/31/06</u>	<u>01/01/05 -</u> <u>12/31/05</u>
<b>FINANCIAL INCOME AND EXPENSES:</b>			
Other financial result	(12)	(1,152,178)	(2,683,737)
Interest expense		(375)	-
Interest income commercial papers	(13)	124,773,726	153,751,809
Other interest income	(14)	22,900,591	22,310,118
Interest expense	(15)	(142,734,744)	(174,789,958)
Currency exchange result - net		<u>(3,706)</u>	<u>12,046,354</u>
Net financial result		<u>3,783,314</u>	<u>10,634,586</u>
<b>OPERATIONAL INCOME AND EXPENSES:</b>			
Other income		2,116	-
Amortization intangible fixed assets	(16)	-	(2,866,274)
Administrative expenses	(17)	(969,606)	(1,125,712)
VAT		<u>58,921</u>	<u>(48,815)</u>
Total operating costs		<u>(910,685)</u>	<u>(4,040,801)</u>
Net operating result		(908,569)	(4,040,801)
Result from ordinary activities before taxation		2,874,745	6,593,785
Taxation	(18)	<u>(849,994)</u>	<u>(3,170,075)</u>
Result after taxation		<u><u>2,024,751</u></u>	<u><u>3,423,710</u></u>

1.6 - 0.7 - 2.0.07

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**General**

Portugal Telecom International Finance B.V. ("the Company"), having its statutory seat in Amsterdam and registered office in Amsterdam, the Netherlands, is engaged in holding and financing activities for the companies of the group of its ultimate parent company. The main office of the company is located in Amsterdam, the Netherlands.

The Company was incorporated on November 26, 1998.

The authorized share capital of the Company consists of 200 shares with a par value of EUR 500 each (EUR 100,000). On December 31, 2006 and December 31, 2005, the issued capital of the Company consists of 42 shares, which have been fully paid and which represent a total paid up capital in the amount of EUR 21,000.

These financial statements are prepared in accordance with Title 9, Book 2, of the Dutch Civil Code. The financial statements of the Company are included in the consolidated financial statements of Portugal Telecom SGPS, S.A., which have been filed with the Chamber of Commerce in Lisbon.

**Cash flow Statement**

No cash flow statement has been presented in these financial statements, because a cash flow statement has already been included in the consolidated financial statements of Portugal Telecom SGPS S.A.

**Accounting policies in respect of the valuation of assets and liabilities**

**General**

These financial statements have been prepared in accordance with the Dutch generally accepted accounting principles and guidelines.

The accounting principles of the company are summarised below. These accounting principles have all been applied consistently throughout the year and the preceding year.

Assets and liabilities are stated at face value, unless indicated otherwise.

**Foreign currencies**

Assets and liabilities, denominated in foreign currencies are translated into the reporting currency (EUR) at exchange rates prevailing at the Balance Sheet date. Any resulting exchange differences are recorded in the Statement of Income and Expenses.

Revenues and expenses in the year under review, which are denominated in foreign currencies, are translated into the reporting currency at exchange rates in effect on the transaction date.

**Deferred income**

Deferred income relates to interest income in connection with the arrangement of loans to affiliated companies. The interest income is deferred and amortized to the profit and loss account over the period of the underlying transaction.

**Accounting policies in respect of result determination**

**Result**

Profits on transactions are recognized in the year they are realized. Losses are recognized when foreseen.

**Other operating expenses**

Expenses are based on the historical cost convention and attributed to the financial year to which they pertain.

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

***Taxation***

Taxation is calculated on the reported pre-tax result, at the prevailing tax rates, taking account of any losses carried forward from previous financial years and tax-exempt items and non-deductible expenses and using tax facilities.

Temporary differences between taxation on the result as shown in the Statement of Income and Expense and the taxation on the fiscal result are added or deducted from the provision for deferred taxation.

16-07-2007



**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**(1) Commercial paper**

The Commercial papers are comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Commercial paper TMN 1999/2009	870,000,000	870,000,000
Commercial paper PT 2005/2012	-	505,553,000
Commercial paper PT 2005/2017	119,000,000	119,000,000
Commercial paper TMN 2006/2012	493,050,000	-
Commercial paper TMN 2006/2017	378,700,000	-
Commercial paper TMN 2006/2025	24,250,000	-
Commercial paper PT 2006/2012	500,000,000	-
Commercial paper PT (BBVA)	75,000,000	-
Commercial paper PT 2006/2025	392,550,000	-
Commercial paper PT 2006/2025	28,900,000	-
Commercial paper PT 2006/2025	10,000,000	-
	<u>2,891,450,000</u>	<u>1,494,553,000</u>

The Commercial Paper has been classified as a long term financial fixed asset as the EUR 2,891,450,000 subscription from Portugal Telecom International Finance B.V. under the Commercial Paper will be rolled over, on an ongoing basis, and lent to Portugal Telecom SGPS S.A. and/or other group companies each quarter against the Eurobond fixed rate plus ruling margin, for more than one year.

**(2) Loans to affiliated companies**

	<u>12/31/06</u>	<u>12/31/05</u>
Loan to Africa PT B.V.	107,742,062	-

On September 7, 2006 the company entered into a loan with PT Africa. The loan will bear interest at a rate based on the aggregate of the Lender's cost plus the margin determined by the Advance Pricing Agreement with an interest period of three months. The date of repayment is set on September 7, 2007 and is automatically renewable for consecutive identical terms unless otherwise decided by the parties in accordance with the loan agreement.

**(3) Commercial paper**

The short term part of the Commercial papers are comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Commercial paper TMN	100,500,000	100,500,000
Commercial paper TMN	120,500,000	120,500,000
Commercial paper PT (Totta) 2012	-	500,000,000
Commercial paper PT (BBVA)	-	75,000,000
Commercial paper TMN 2001/2006	-	896,000,000
	<u>221,000,000</u>	<u>1,692,000,000</u>

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**(4) Convertible bonds**

On December 6, 2001 a 2% convertible bond was granted to Portugal Telecom SGPS S.A. for an amount of EUR 550,000,000 due December 6, 2006. On December 3, 2003 the Company cancelled bonds for an amount of EUR 109,665,000. On October 28, 2004 the Company cancelled bonds for an amount of EUR 50,000,000. On December 6, 2006 the remaining amount of EUR 390,335,000. was repaid by Portugal Telecom SGPS S.A.

**(5) Prepaid issuance costs**

Prepaid expenses is comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Prepaid issuance costs	12,587,008	14,891,381

Costs of the issue of EUR 1,000,000,000 dated April 7, 1999 of the Global Medium Term Note Programme are capitalised and will be amortised over ten years on a straight line basis. Costs of the issue of EUR 1,000,000,000 of the Global Medium Term Note Programme dated February 21, 2001 were capitalised and amortised over five years on a straight line basis.

Costs of issue of EUR 1,000,000,000 of the Global Medium Term Note Programme dated March 24, 2005 are capitalised and will be amortised over seven years on a straight line basis.

Costs of issue of EUR 500,000,000 of the Global Medium Term Note Programme dated March 24, 2005 are capitalised and will be amortised over twelve years on a straight line basis.

Costs of issue of EUR 500,000,000 of the Global Medium Term Note Programme dated June 16, 2005 are capitalised and will be amortised over twenty years on a straight line basis.

As agreed in the advanced pricing agreement Portugal Telecom International Finance B.V. will be compensated by Portugal Telecom SGPS SA for the annual portion of the issuance costs that is written of in connection with the bonds it issued (GMTN) and for any interest expenses relating to the financing of these expenditures.

The movement in prepaid expenses is as follows:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Balance January 1	14,891,381	4,668,249	7,347,101
Additions		13,089,406	
Amortisation	(2,304,373)	(2,866,274)	(2,678,852)
Balance December 31	12,587,008	14,891,381	4,668,249

**(6) Cash at bank**

The Cash at Bank is comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Current account balances	1,817,730	1,347,336
Fixed deposit BES/BES Bonds	103,321,259	784,710,000
Fixed deposit ES Bank Panama	70,000,000	73,000,000
Fixed deposit BTA	-	373,783,187
Fixed deposit BCP	9,400,000	307,731,888
Fixed deposit Banco Popular	6,000,000	-
Deposits ING	950,000	1,475,718
	<u>191,488,989</u>	<u>1,542,048,129</u>

The deposits expire within one year. Otherwise no restriction in usage exists.

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**(7) Shareholder's equity**

The movements in the Shareholder's Equity are comprised as follows:

	Issued share capital	Share premium	Retained earnings	Result for the period	Total
Balance as at January 1, 2005	21,000	252,090,368	14,434,554	30,033,558	296,579,480
Allocation of result	-	-	30,033,558	(30,033,558)	-
Result for the period	-	-	-	3,423,710	3,423,710
Dividend payment	-	-	(44,468,112)	-	(44,468,112)
Balance as at December 31, 2005	<u>21,000</u>	<u>252,090,368</u>	<u>-</u>	<u>3,423,710</u>	<u>255,535,078</u>
Allocation of result	-	-	3,423,710	(3,423,710)	-
Result for the period	-	-	-	2,024,751	2,024,751
Balance as at December 31, 2006	<u>21,000</u>	<u>252,090,368</u>	<u>3,423,710</u>	<u>2,024,751</u>	<u>257,559,829</u>

16-07-2007

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**(8) GMTN/Exchangeable bonds/credit facility**

Bonds and Loans are comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
GMTN issue 1999/2009	879,500,000	879,500,000
GMTN issue 2005/2012	1,000,000,000	1,000,000,000
GMTN issue 2005/2017	500,000,000	500,000,000
GMTN issue 2005/2025	500,000,000	500,000,000
Bank Totta credit facility due 2010	40,000,000	500,000,000
BBVA credit facility due 2010	<u>145,000,000</u>	<u>75,000,000</u>
	<u>3,064,500,000</u>	<u>3,454,500,000</u>

The Company entered into a Global Medium Term Note Programme signed on December 17, 1998, and issued the first tranche of notes to an amount of EUR 1,000,000,000 on April 7, 1999, with an interest rate of 4.625%. On November 8, 2004 bonds were cancelled for an amount of EUR 120,500,000. The remaining amount of EUR 879,500,000 has to be repaid on April 7, 2009.

The Company issued during 2005 three tranches of notes, on March 24, 2005 EUR 1,000,000,000 at 3.75% due 2012 plus EUR 500,000,000 at 4.375% due 2017 and on June 16 2005 EUR 500,000,000 at 4.50% due 2025 under the EUR 5,000,000,000 Global Medium Term Note Programme.

On February 17, 2003 the Company entered, as an additional borrower, into a Credit Facility Agreement due February 17, 2005 with Banco Totta & Acores S.A. (London Branch) as facility agent in the amount of EUR 500,000,000.

The annual interest rate is equal to the aggregate of the applicable margin/euribor/mandatory cost.

On July 12, 2004 this Credit Facility Agreement was amended reducing the margin and widening the term: half of the total had to be repaid on February 17, 2007 and the other half on February 17, 2008. In June 2005 the Credit Facility Agreement was again amended widening the term: half the total amount has to be repaid on February 17, 2009 and the other half on February 17, 2010. As of December 31, 2006, an amount of EUR 40,000,000 was owed by the Company under this Credit Facility.

On June 24, 2004 the Company entered, as an additional borrower, into a Credit Facility Agreement due within 48 months with Banco Bilbao Vizcaya Argentaria (Madeira Branch) as facility agent in the amount of EUR 150,000,000. On June 2, 2005 this Credit Facility Agreement was amended, widening the term to 72 months from the original agreement date. As of December 31, 2006, an amount of EUR 145,000,000 was owed by the Company under this Credit Facility.

The Company updated its Global Medium Term Note Programme on November 7, 2006. The total amount of the Programme was increased to EUR 7,500,000,000.

Under the applicable agreements, Portugal Telecom SGPS S.A. will support the Company whenever necessary in order to fulfil the Company's obligations.

16-07-2007

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**(9) Exchangeable bond**

The Short Term Part Loans are comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Short term (parts of) loans	-	1,289,835,000

On February 21, 2001 the Company issued the second tranche of notes under the Global Medium Term Note Programme to an amount of EUR 1,000,000,000 at an interest rate of 5.75%. On November 19, 2004 bonds were cancelled for an amount of EUR 100,500,000. The remaining amount of EUR 899,500,000 was repaid on February 21, 2006.

On December 6, 2001 the Company issued 2% Exchangeable Bonds due 2006 for an amount of EUR 550,000,000. On December 3, 2003 the Company cancelled EUR 109,665,000 and on October 28, 2004 the Company cancelled EUR 50,000,000. On November 23, 2006, bonds with a total notional amount of EUR 10,000 were exchanged. The remaining amount of EUR 390,325,000 was repaid on December 6, 2006.

**(10) Short term (part of) loans**

The Short term part of loans interest is comprised as follows:

Total interest advanced	<u>17,152,710</u>	<u>12,361,272</u>
-------------------------	-------------------	-------------------

**(11) Accrued expenses**

The Accrued Expenses are comprised as follows:

	<u>12/31/06</u>	<u>12/31/05</u>
Accrued management fee	43,027	-
Accrued audit fees	15,000	14,000
Accrued legal fees	41,757	-
Other payables	<u>36,814</u>	<u>36,814</u>
	<u>136,598</u>	<u>50,814</u>

**(12) Other financial result**

The Other Financial Result is comprised as follows:

	<u>01/01/06 - 12/31/06</u>	<u>01/01/05 - 12/31/05</u>
Other financial results	<u>(1,152,178)</u>	<u>(2,683,737)</u>

**(13) Interest income commercial papers**

The Interest Income from Commercial papers is comprised as follows:

	<u>01/01/06 - 12/31/06</u>	<u>01/01/05 - 12/31/05</u>
Interest income Commercial papers	<u>124,773,726</u>	<u>153,751,809</u>

**DRAFT**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**(14) Other interest income**

The Other interest Income is comprised as follows:

	<u>01/01/06 -</u> <u>12/31/06</u>	<u>01/01/05 -</u> <u>12/31/05</u>
Interest income fixed deposits	22,900,591	22,310,118

**(15) Interest expense**

The Interest Expenses are comprised as follows:

	<u>01/01/06 -</u> <u>12/31/06</u>	<u>01/01/05 -</u> <u>12/31/05</u>
Interest expenses GMTN/credit facilities	142,734,744	174,789,958
	142,734,744	174,789,958

**(16) Amortization intangible fixed assets**

**Amortization of intangible fixed assets**

The Amortization of Intangible Fixed Assets is comprised as follows:

	<u>01/01/06 -</u> <u>12/31/06</u>	<u>01/01/05 -</u> <u>12/31/05</u>
Amortization issuance costs	-	2,866,274

**(17) Administrative expenses**

The Administrative Expenses are comprised as follows:

	<u>01/01/06 -</u> <u>12/31/06</u>	<u>01/01/05 -</u> <u>12/31/05</u>
Management fees	96,799	54,820
Tax advisory fees	72,583	57,455
Legal fees	46,932	571,771
Audit fees	17,900	64,900
Professional services	-	63,126
Chamber of Commerce fees	880	-
Bank charges	7,271	285,611
Misc general expenses	-	28,029
Allocation miscellaneous provisions	1,775	-
Other bank fees	399	-
Bank commissions BBVA	35,104	-
Bank commissions Barclays	165,150	-
Bank commission Caja Madrid	108,000	-
Bank commission Totta	416,813	-
	969,606	1,125,712

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**(18) Taxation**

The Taxation is comprised as follows:

	<u>01/01/06 -</u> <u>12/31/06</u>	<u>01/01/05 -</u> <u>12/31/05</u>
Corporate income tax prior years	-	1,359,917
Corporate income tax 2005	-	1,810,158
Corporate income tax 2006	<u>849,994</u>	<u>-</u>
	<u>849,994</u>	<u>3,170,075</u>

The company is subject to Dutch taxation and tax calculations are made in accordance the Advance Pricing Agreement entered into with the Dutch tax authorities.

**Other notes**

**Average number of employees**

During the period under review the Company did not employ any personnel and, consequently, no payments for wages, salaries or social securities were made.

**Remuneration of directors and supervisory board**

The Board of Directors consists of 5 members, who served without remuneration. The Company does not have a Board of Supervisory Directors.

16-07-2007

**D R A F T**  
**PORTUGAL TELECOM INTERNATIONAL FINANCE B.V.**  
**(Amsterdam)**

**OTHER INFORMATION**  
**December 31, 2006**

**Audit**

The auditors' report is set out on the next page.

**Statutory provision regarding appropriation of Result**

In accordance with Article 14 of the Articles of Association, profit shall be at the disposal of the Annual General Meeting of Shareholders. Profit distribution can only be made to the extent that Shareholder's Equity exceeds the issued and paid-up share capital and legal reserves.

**Appropriation of Result**

The management proposes to accumulate the result for the year to the retained earnings, subject to approval of the General Meeting of Shareholders.

16-07-2007





**Deloitte Accountants B.V.**  
Orlyplein 10  
1043 DP Amsterdam  
P.O.Box 58110  
1040 HC Amsterdam  
Netherlands

Tel: +31 (20) 582 5000  
Fax: +31 (20) 582 4053  
[www.deloitte.nl](http://www.deloitte.nl)

Portugal Telecom International Finance B.V.  
Amsterdam

Date  
May 21, 2007

From  
J. Penon

Reference  
3100064813/OP9997/ldw

## **Auditors' report**

### **Report on the financial statements**

We have audited the accompanying financial statements 2006 of Portugal Telecom International Finance B.V., Amsterdam, which comprise the balance sheet as at December 31, 2006, the profit and loss account for the year then ended and the notes.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



2

21 May 2007

3100064813/OP9997/ldw

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Portugal Telecom International Finance B.V. as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

A handwritten signature in black ink, appearing to be "J. Penon".

J. Penon

16-07-2007