

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 9 ON THE AGENDA:**

*(To resolve on a share capital reduction to 33,865,695 Euros, to be carried out by means of a reduction in the par value of all shares representing the share capital, whereby each share will have a par value of 3 Euro cents, with the corresponding amendment to paragraphs 1 and 2 of article 4 of the Articles of Association. The purpose of the capital reduction will be the release of excess capital)*

**Whereas:**

- A) There is no reason for the Company to have an excessively high share capital in view of the business carried out by the Company;
- B) As established in article 94 of the Portuguese Companies Code, a company may reduce its share capital with a view to release excess capital;
- C) Within the capital reduction for the purpose of releasing excess capital, several ultimate purposes are contemplated: the direct allocation to the shareholders of the sums so released, the creation of reserves or the release of contribution obligations;
- D) As provided for in article 95 of the Portuguese Companies Code, the capital reduction may not be resolved in case the net equity of the Company does not exceed the new capital by at least 20%;
- E) As a result of the current proposal for a capital reduction to release excess capital, the shareholders shall not suffer any kind of loss, since the intention is to allocate the total amount of reduction to free reserves, making these assets available in the future in accordance for the purposes determined by the shareholders;
- F) This proposal follows the proposal presented under the previous item on the agenda and is aimed at complying with the objectives referred to in such item;

**We propose that it be resolved:**

1) To reduce the share capital of the Company, pursuant to the share capital increase resolved under the previous item on the agenda, from 474,119,730 Euros to 33,865,695 Euros, the amount of the reduction being 440,254,035 Euros, for the purpose of releasing excess capital, as follows:

- Creation of free reserves in an amount of 440,254,035 Euros;

That the reduction be implemented by means of a reduction in the par value of the shares representing the share capital in the Company to a par value of 3 Euro cents;

As one can see on the balance sheet dated the 31 December 2006, approved under item 1 on the agenda, and considering the application of profits under item 3 on the agenda together with the share capital increase under item 8 on the agenda, upon implementation of the proposed capital reduction, the Company's net equity will exceed the new capital by over 20%, thus complying with the requirement provided for in article 95 of the Portuguese Companies Code.

2) That this resolution be adjusted within the framework of a possible non-approval and/or non-implementation, for whatever reason, of the capital increase under the previous item on the agenda, being the share capital reduced from 395,099,775 Euros to 33,865,695 Euros, in such case, the reduction being 361,234,080 Euros, for the purpose of releasing excess capital, as follows:

- Creation of free reserves in an amount of 361,234,080 Euros;

That the reduction be implemented by means of a reduction in the par value of the shares representing the share capital in the Company to a par value of 3 Euro cents;

As one can see on the balance sheet dated the 31 December 2006, to be approved by this General Meeting of Shareholders under item 1 on the agenda, upon implementation of the proposed capital reduction, the Company's net equity will exceed the new capital by over 20%, thus complying with the requirement provided for in article 95 of the Portuguese Companies Code;

3) That, as a result of the proposed capital reduction, paragraphs 1 and 2 of article 4 of the Articles of Association be amended to read as follows:

Article 4  
Share Capital

1. The share capital is thirty-three million, eight hundred sixty-five thousand, six hundred ninety-five Euros, fully paid up.

2. The share capital shall be represented by one thousand one hundred twenty-eight million, eight hundred fifty-six thousand, five hundred shares with a par value of three Euro cents each, with the following distribution:

a) ( );

b) ( ).

3. ( ).

4. ( ).

4) That the Board of Directors be authorized to define the timing of implementation of this resolution with the implementation of the resolution under item 7 on the agenda, with the amount of capital resulting from the reduction resolved herein being adjusted in the event the capital reduction by cancellation of own shares resolved under item 7 on the agenda has already been entirely or partially implemented on the date of implementation of this resolution;

5) That, in the cases provided for in the foregoing paragraphs, the wording of paragraphs 1 and 2 of article 4 of the Articles of Association be deemed automatically and proportionally adjusted;



6) That, in light of article 96 of the Portuguese Companies Code, the Board of Directors be authorised to define the timing of implementation of this resolution with the implementation of the resolutions under items 5, 6 and 7 on the agenda;

7) That this resolution of capital reduction be subject to the condition of approval of the balance sheet under item 1 on the agenda, as well as the approval of the application of results under item 3 on the agenda.

Lisbon, 21 March 2007

The Board of Directors,

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