

RELEASE



Portugal Telecom, SGPS, S.A.

Portugal Telecom, SGPS, S.A.
Public Company
Registered Offices: Avenida Fontes Pereira de Melo, 40, Lisboa
Share Capital: Euros 33,865,695
Registered in the Commercial Registry Office of Lisbon
and Corporation no. 503 215 058

Increase and Reduction of the Share Capital

Lisbon, 22 May 2007 – Portugal Telecom, SGPS, S.A. (“PT”) announced, under the terms and for the purposes set forth in paragraph g) of number 1 of article 2 of CMVM Regulation no 4/2004, that:

1. As resolved in the General Meeting held on 27 April 2007, PT has requested to register before the Commercial Registry of Lisbon:
 - a) its share capital increase, in the amount of Euro 79,019,955 Euros through the incorporation of legal reserve, and
 - b) its share capital reduction, in the amount of Euro 440,254,035, for the release of excess capital through the creation of free reserves in the same amount,with the resulting share capital amounting to Euro 33,865,695.
2. As a result of the registration of the referred operations, the par value of all shares representing the share capital of PT is of 3 Euro cents.
3. These operations have already been registered with the Commercial Registry of Lisbon.
4. The above mentioned operations and consequently the alteration of the nominal value of all of the shares representing PT’s share capital will be concluded before the Central de Valores Mobiliários (the stock exchange’s clearinghouse) on 29 May 2007. The trading of PT shares on the stock exchange with the new nominal value will take place as from 24 May 2007.

This information is also available on PT’s IR website <http://ir.telecom.pt>.

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Portugal Telecom is listed on the Euronext and New York Stock Exchanges. Information may be accessed on the Reuters under the symbols PTC.LS and PT and on Bloomberg under the symbol PTC PL.
