

RELEASE



Portugal Telecom, SGPS, S.A.

Public Company
Registered Offices: Avenida Fontes Pereira de Melo, 40, Lisboa
Share Capital: Euro 30,774,000
Registered in the Commercial Registry Office of Lisbon
and Corporation no. 503 215 058

**Share Capital Reduction from Euro 33,865,695 to 30,774,000
pursuant to the Share Buyback Programme**

Lisbon, 20 December 2007 – Portugal Telecom, under the terms and for the purposes set forth in paragraph g) of number 1 of article 2 of CMVM Regulation no 4/2004, informs that:

1. As resolved in the General Meeting held on 27 April 2007 and for the purposes of the execution of the share buyback programme and the corresponding share capital reduction of up to Euro 65,191,463.05, PT acquired until 20 December 2007 a total of 103,056,500 treasury shares, corresponding to 9.13 % of its share capital.
2. Pursuant to the terms of the same resolution and without prejudice to the possibility of a new share capital reduction in relation to own shares to be acquired until March 2008, PT has registered the reduction of its share capital in the amount of Euro 3,091,695 through the cancellation of 103,056,500 treasury shares. As a result, PT's share capital is now equivalent to Euro 30,774,000 represented by 1,025,800,000 shares.
3. This operation and consequently the cancellation of treasury shares will be concluded by the Central de Valores Mobiliários (the stock exchange's clearinghouse) on 31 December 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.