

RELEASE



Share Capital Increase from Euro 1,128,856,500 to Euro 1,467,513,450 through Incorporation of Reserves

Lisbon, Portugal, 12 May 2006 – Portugal Telecom 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 21 April 2006, PT has executed on 11 May 2006 the public deed for its share capital increase, in the amount of Euro 338,656,950 through the incorporation of share issuance premiums, legal reserves and share cancellation special reserve and, as a result, its share capital is currently of Euro 1,467,513,450.
2. The referred share capital increase has been executed by an increase in the par value of all shares representing the share capital of PT by 30 Euro cents, with the par value of each share becoming Euro 1.30.
3. This operation has already been registered with the Commercial Registry of Lisbon.
4. The share capital increase above mentioned and consequently the increase of the nominal value of all the shares representing PT's share capital will be concluded before the Central de Valores Mobiliários (the stock exchange's clearinghouse) on 19 May 2006. The trading of PT shares on the stock exchange with the new nominal value will take place as from 16 May 2006.
5. Additionally, PT has informed that the amendment of Article 13, number 5 of the Articles of Association of the company resolved at the same General Meeting of Shareholders held on 21 April 2006 has also been registered with the Commercial Registry of Lisbon on 9 May 2006.

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.
