



Announcement | Lisbon | 7 January 2015

Announcement

Portugal Telecom, SGPS, S.A. ("**PT SGPS**" or "**COMPANY**") hereby informs that, in its meeting held today, the Board of Directors decided to communicate the following:

Whereas:

- A) On 23rd December 2014, Terra Peregrin, Participações SGPS, S.A. disclosed its decision to withdraw the tender offer ("**TENDER OFFER**") over the shares representing the share capital of PT SGPS. Notwithstanding the absence of any decision by the Portuguese Securities Commission ("**CMVM**") regarding the withdrawal of the TENDER OFFER, it is possible to understand that PT SGPS is no longer under the duties foreseen in articles 181 and 182 of the Portuguese Securities Code ("**PSC**");
- B) News were disclosed in the press indicating the possibility of reversing the agreed Business Combination between PT SGPS and Oi, S.A. ("**Oi**"), making reference to Portuguese legal opinions held by PT SGPS;
- C) In addition, on 6th and 7th January 2015, news were disclosed in the press indicating that the General Meeting of shareholders of 12th January 2015 would be postponed;
- D) On 6th January 2015, the final version of the independent report on the analysis of the procedures and relevant actions related with the treasury applications in entities of the Grupo Espírito Santo was issued and delivered by PricewaterhouseCoopers ("**PWC**") to PT SGPS and immediately by PT SGPS to CMVM;
- E) As at the current date, PT SGPS did not receive any request of complementary information nor further clarification by any shareholder. ISS Proxy Advisory Services together with Glass Lewis have issued vote recommendations, following their professional analysis of the proposal of resolution of the General Meeting and the respective justification ("**INFORMATION STATEMENT**");
- F) The General Meeting of shareholders is duly called for the next 12th January 2015, at 3 p.m., in the head office of the COMPANY, with the exclusive purpose of considering and approving the sale of the share capital of PT Portugal, SGPS, S.A. ("**PT PORTUGAL**") to Altice, on the terms proposed by Oi;

The Board of Directors of PT SGPS understands that:

1. The communication of withdrawal of the TENDER OFFER by the Offeror does not require or impose any amendments to the proposal of resolution and the INFORMATION STATEMENT. In this document the shareholders were informed that "the approval of the Sale could provide grounds for the Portuguese Securities Commission (...) to authorize the Offeror to revoke or amend the Tender Offer". At this date, considering the communication of withdrawal of the TENDER OFFER, such information is no longer applicable and no other consequences result from such fact;
2. As it is its duty, PT SGPS has analyzed all legally admissible actions in order to protect the rights and legitimate interests of the COMPANY under the agreements executed by PT SGPS and Oi. In this context, PT SGPS has requested and considered different legal opinions, both on Portuguese and Brazilian Law, this one being the governing law of the agreements and the law applicable to the share capital increase of Oi. Such legal opinions are not unanimous as regards the possibility of terminating or reversing the Business Combination, the Brazilian law legal opinions being against such possibility. Only one Portuguese law legal opinion understands that it is legally possible to terminate the Business Combination, including the share capital increase of the Brazilian law company Oi;
3. Against this background and in accordance with the opinion expressed by the Chairman of the General Meeting, on 25th November 2014, that "the only possibility of facilitating such deal (the sale of PT PORTUGAL) would be to amend the existing agreements or expressly authorize the sale, which should require new General Meeting of

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Public company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon
and Corporation no. 503 215 058

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

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Shareholders" PT SGPS considered that the assessment and approval of the sale of PT PORTUGAL by Oi should be submitted to the General Meeting of shareholders, as it has been done in the past, prior to the performance of any relevant actions of the Business Combination;

4. The approval of the sale of PT PORTUGAL by the shareholders will correspond to departing from the scope of having a sole "telecommunications leader operator, covering a geographical area of 260 million inhabitants and about 100 million clients" as it was previously disclosed to the market, on 2nd October 2013, which is clear on the proposal and on the INFORMATION STATEMENT;
5. The shareholders of PT SGPS, and only them, will have the power to decide if they accept this amendment to the assumptions and scope of the Business Combination, through the exercise of their voting rights;
6. PT SGPS is not in possession of any information leading to the conclusion that Oi has any alternatives to the sale of PT PORTUGAL allowing Oi to reach finance and strategic purposes equivalent to those referred to in its request of approval of the sale of PT PORTUGAL;
7. The PWC report issued yesterday does not cover any matters submitted to analysis and resolution of the shareholders at the General Meeting;
8. The exchange agreed under the agreements, as defined and explained on number 4 of the INFORMATION STATEMENT, was not yet performed and is not included in the agenda of the General Meeting.

The clarifications contained in this announcement do not correspond to amendments to the information previously disclosed. Therefore the Board of Directors considers that, pursuant to articles 21^o-C/1 and 2 of the PSC and article 289 of the Portuguese Companies Code, the information for the General Meeting of shareholders, namely the proposal and the INFORMATION STATEMENT, are in full compliance with the law and the purpose of this announcement is clarifying any questions that may eventually have been raised by the occurrence of the facts referred to above.

As the General Meeting is duly called, only the shareholders of PT SGPS may, if they so decide, suspend the works of the meeting, pursuant to article 387 of the Portuguese Companies Code.