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Portugal Telecom announces the agreement with Telefonica for the sale to this company of its interest of 50% in Brasilcel

Portugal Telecom informs that it has reached an agreement with Telefonica for the sale of PT's 50% interest in Brasilcel. The Board of Directors of Portugal Telecom has met today and approved the sale of its 50% stake in Brasilcel to Telefonica for a total consideration of 7.5 billion Euros, of which: (i) 4.5 billion Euros will be paid on closing (no later than 60 days following this announcement); (ii) 1 billion Euros will be paid on 30 December 2010, and (iii) 2 billion Euros will be paid by no later than 31 October 2011.

Portugal Telecom and Telefonica have also agreed to initiate discussions as from January 2011 regarding an industrial partnership to ensure the benefits of scale for Portugal Telecom and to explore areas of cooperation in order to maximise synergies and cost savings for both companies, in a scenario where Portugal Telecom has not engaged in a competing activity with Telefonica in Brazil. The industrial partnership agreement will focus on the following areas, among others: joint R&D centre in Portugal; procurement; technology and operations; know-how and best practice exchange; benchmarking; and joint development of business model for telco of the future.

Brazil has been a core part of PT's strategy since 1998. Portugal Telecom is proud to have contributed actively to Vivo's success in consolidating its leadership in the Brazilian mobile market. The commitment of many individuals was critical to this success and the value creation of Vivo to Portugal Telecom over the last 12 years. To the entire Vivo team and its management, PT would like to express its gratitude for their professionalism and dedication.

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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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