

PORTUGAL TELECOM SGPS SA
Form 6-K
June 02, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of June, 2006

Commission File Number 1-13758

PORTUGAL TELECOM, SGPS, S.A.

(Exact name of registrant as specified in its charter)

Av. Fontes Pereira de Melo, 40
1069 - 300 Lisboa, Portugal
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

RELEASE

**Portugal Telecom informs on the put option in Vivo
and the call option in Meditel**

Lisbon, Portugal, 2 June 2006 Following conversations held with the CMVM (Portuguese Securities and Exchange Commission) and news recently published in the media, Portugal Telecom would like to further clarify the market in relation to some additional aspects regarding the partnerships developed with the Telefónica Group through Brasilcel NV's joint venture (operating under the trademark Vivo) and Medi Telecom, S.A. (Meditel), the second largest mobile operator in Morocco.

Vivo

Pursuant to the shareholders agreement entered into between Telefónica Móviles, S.A. (Telefónica Móviles), Portugal Telecom, SGPS, S.A. (Portugal Telecom), PT Móveis, SGPS, S.A. (PT Móveis) and Brasilcel N.V. (Brasilcel) on 17 October 2002, Telefónica Móviles shall have the right to put all of Brasilcel's shares held by it to the Portugal Telecom Group, which shall buy such shares, if there is a change of control in Portugal Telecom, PT Móveis or any of their affiliates which directly or indirectly has an interest in Brasilcel.

Likewise, Portugal Telecom Group shall have the right to put all of Brasilcel's shares held by it to Telefónica Móviles, which shall buy such shares, if there is a change of control in Telefónica, S.A., Telefónica Móviles or any of Telefónica Moviles' affiliates which directly or indirectly has an interest in Brasilcel.

For this purpose, a change of control shall be deemed to have occurred in Portugal Telecom:

1. If a percentage of 15% or more in the total voting rights in Portugal Telecom is reached by another telecom operator which is not acting in concert with Telefónica Móviles;
2. If there is a change in the majority of the board members of Portugal Telecom as a consequence of a corporate transaction executed by Portugal Telecom, by virtue of which a number of shares is issued such that the voting share capital of such company is at least doubled at the time of the approval of such transaction.

The same regime is correspondingly applicable to a change of control in Telefónica.

The price shall be determined by an independent valuation, pursuant to the above mentioned agreements, to be conducted by investment banks, selected through the procedure established in those agreements. The payment shall be made, at the option of the group exercising the put, either in cash or in shares of the companies carrying out the mobile telecom business in Brazil that were transferred to Brasilcel by the party exercising the put, combined with a cash settlement of the differences that may occur.

Brasilcel's shareholders agreement was attached to the Form 20-F annual report for the year of 2005 filed by Portugal Telecom on 21 April 2006.

Meditel

On 16 April 1999, a shareholders agreement (Agreement) was entered into between the companies of Banque Marocaine du Commerce Extérieur group (Banque Marocaine du Commerce Extérieur, Royale Marocaine d Assurances and Al Wataniya), Holdco, S.A., Telefónica Intercontinental, S.A. (TCSI) and Portugal Telecom International, SGPS, S.A. (PTI).

Pursuant to the Agreement, in the case of a change of control in any party, the remaining parties shall have a call option under which terms they may request that the shares held by the party affected by the change of control are sold to the other parties according to its fair market value minus 10%. If such a request is presented by more than one party, the acquisition of the shares held by the party affected by the change of control shall be made pro-rata

For this purpose, a change of control shall mean:

- (a) A direct or indirect acquisition of a controlling interest (an interest which provides the power to, directly or indirectly, direct or cause the direction of the management and policies of another entity, whether by voting rights, any agreements or otherwise) in a party by any third party or group of connected third parties not having control of that party at the date of the Agreement;
- (b) An acquisition, by a direct or indirect competitor of PTI or TCSI, of a controlling interest in Portugal Telecom or Telefónica (under the terms described in (a) above), respectively.

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

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Investors are urged to read the Company's Solicitation/Recommendation Statement on Schedule 14D-9 when it is filed by the Company with the U.S. Securities and Exchange Commission (the SEC), as it will contain important information. The Solicitation/Recommendation Statement and other public filings made from time to time by the Company with the SEC are available without charge from the SEC's website at www.sec.gov and at the Company's principal executive offices in Lisbon, Portugal.

PT 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.

