

PORTUGAL TELECOM SGPS SA
Form 6-K
July 29, 2014

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 July 2014

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

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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

Announcement | Lisbon | 28 July 2014

PT SGPS and Oi announce agreement on the terms to proceed with the Business Combination

Portugal Telecom, SGPS, S.A. (PT SGPS) and Oi S.A. (Oi) announce that they have reached an agreement on the final terms of the key contracts following the Memorandum of Understanding (MOU) announced on 16 July 2014.

The execution of the definitive documentation is subject to the approval by the General Shareholders Meeting of PT SGPS and the Board of Directors of Oi. The documentation establishes that:

- PT SGPS will exchange (Exchange) with Oi the Euro 897 million treasury applications in Rio Forte Investments SA (Rioforte debt) for 474,348,720 Oi ON shares plus 948,697,440 Oi PN shares (the Oi Call Shares);
- PT SGPS will be granted a non-transferrable American-type call (Call) to repurchase the Oi Call Shares (strike prices of R\$2.0104 ON and R\$1.8529 PN), which will be adjusted by the Brazilian CDI rate plus 1.5% per year;
- The Call on the Oi Call Shares will become effective on the date of the Exchange, will have a 6-year maturity, and the Oi Call Shares that PT SGPS has the right to call will be reduced by 10% at the end of the 1st year and by 18% per year thereafter;
- Any proceeds received as a result of a monetization of the Call through the issuance of derivatives or back to back instruments must be used to exercise the Call;
- PT SGPS can only acquire Oi or CorpCo shares through the exercise of the Call;
- The Call would be cancelled should (i) PT SGPS 's bylaws be voluntarily amended to remove the 10% voting limitation, (ii) PT SGPS act as a competitor to Oi, or (iii) PT SGPS breach certain obligations under the definitive documentation, and
- The contracts will be executed as soon as all corporate approvals have been obtained and the Exchange is subject to the approval of Comissão de Valores Mobiliários in Brazil and should be executed on or before March 2015.

The Board of Directors of PT SGPS will request that the President of the General Shareholders Meeting, in the coming days, calls a General Shareholders Meeting of PT SGPS to be held until 8 September 2014, to resolve on the terms of the agreements to be executed with Oi related to the combination of businesses between PT SGPS and Oi.

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The terms of the agreements to be submitted by the Board to the General Shareholders Meeting until 21 days before the Meeting will also include an agreed alternative structure to the incorporation of PT SGPS into CorpCo as previously announced aimed at achieving the following objectives:

- Allow for the merger of Oi and CorpCo and migration to the Novo Mercado to be implemented as soon as possible, with the listing of CorpCo on BM&F Bovespa, Euronext Lisboa and NYSE;
- Subject to shareholder approval at a General Shareholders Meeting to be specifically convened for such purpose, PT SGPS shareholders will receive all shares of CorpCo held by PT SGPS, corresponding to the ownership interest in CorpCo of 25.6%, adjusted for the treasury shares resulting from the execution of the Exchange, and prior to any exercise of the Call, and
- PT SGPS to remain listed with the interest in the Rioforte debt and the Call as its only material asset.

Portugal Telecom, SGPS, SA	Public company	Portugal Telecom is listed on the NYSE Euronext Lisbon 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.	Nuno Vieira
Avenida Fontes Pereira de Melo, 40	Share capital Euro 26,895,375		Investor Relations Director
1069-300 Lisbon	Registered in the Commercial		nuno.t.vieira@telecom.pt
Portugal	Registry Office of Lisbon and Corporation no. 503 215 058		Tel.: +351 21 500 1701 Fax: +351 21 500 0800

www.telecom.pt

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 28, 2014

PORTUGAL TELECOM, SGPS, S.A.

By: */s/ Nuno Vieira*
Nuno Vieira
Investor Relations Director

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words anticipates, believes, estimates, expects, plans and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.