



Release | Lisbon | 17 July 2010

Portugal Telecom informs on expiration of Telefonica's Offer

Portugal Telecom informs that, in reference to Telefonica's offer to acquire the fifty-percent stake in Brasilcel, NV, held by Portugal Telecom ("Offer"), and following the Extraordinary Shareholders' Meeting that took place on 30 June 2010, PT's designated representatives engaged in negotiations with representatives of Telefonica, SA, ("Telefonica") to analyse future options for Vivo and the Offer.

The negotiations with Telefonica progressed in a constructive manner and PT's Board of Directors has been committed to using its best endeavours to conclude them in a way that satisfied the interests of all parties. For such purposes, and to continue working towards a positive outcome, the Board of Directors resolved yesterday to request formally a final extension of the validity of the Offer until 28 July 2010.

Notwithstanding negotiations with regard to the said final extension having occurred, Telefonica informed Portugal Telecom on 17 July 2010 that it did not accept the request from the Board of Directors of Portugal Telecom for a final extension of the validity of the Offer. The Offer thus expired at 23:59 of 16 July 2010.

A copy of both letters are attached hereto.

Portugal Telecom, SGPS, SA
Avenida Fontes Pereira de Melo, 40
1069-300 Lisbon
Portugal

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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Mr Cesar Allerta / Mr Julio Linares
Board of Directors of Telefónica SA
Distrito C, Ronda de la Comunicación s/n,
28050 Madrid, Spain

Fax: 0034917271600

VIA FACSIMILE

Lisbon, 16 July 2010

Dear Sir,

In reference to Telefonica's Offer ("Offer") to acquire the fifty-percent stake in Brasilcel, NV, held by Portugal Telecom, SGPS, SA ("PT"), and following the Extraordinary Shareholders' Meeting that took place on 30 June 2010, PT's designated representatives have engaged in discussions with representatives of Telefónica, SA, ("Telefónica") to analyse future options for Vivo and the Offer.

The discussions with Telefónica have progressed in a constructive manner and PT's Board of Directors is committed to use its best endeavours to conclude them in a way that satisfies the interests of all parties. In light of this, and to continue working towards a positive outcome, the Board of Directors of PT has resolved today to request a final extension of the validity of the Offer until 28 July 2010.

Yours faithfully,

Conselho de Administração

Portugal Telecom, SGPS, S.A.

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Telefonica

To the attention of:

Mr. Henrique Granadeiro
Chairman of the Board of Directors of Portugal Telecom, SGPS S.A.

Mr. Zeinal Bava
Chief Executive Officer of Portugal Telecom, SGPS S.A.

The Board of Directors of Portugal Telecom, SGPS S.A.

Av. Fontes Pereira de Melo, 40
1069-300 Lisbon

July 17th, 2010

Dear Sirs,

In reference to your letter dated July 16, 2010 requesting a final extension until July 28, 2010 of the validity of the Telefónica's offer to acquire 50% of the shares of Brasilcel, N.V. owned directly or indirectly by Portugal Telecom, SGPS S.A., as we have verbally communicated to you before the expiration of such offer, we hereby kindly confirm that the offer, in accordance with its terms and conditions, expired on July 16, 2010 at 23:59 h (Lisbon time).

Yours sincerely

TELEFÓNICA, S.A.