

**Banking and Capital Markets**

The Portuguese Competition Authority (*Autoridade da Concorrência* – “AdC”) decided not to oppose to the proposed acquisition of Portugal Telecom (PT) by Sonaecom SPGS (Sonaecom) subject to the adoption of several remedies by Sonaecom, including, among others, the sale of one of PT’s fixed networks.

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**AdC approves Sonaecom’s takeover bid for Portugal Telecom****1. The decision**

The Portuguese Competition Authority has announced its final decision on the proposed acquisition of PT by Sonaecom. As expected, the AdC confirmed its preliminary decision of December 5, and decided not to oppose to the acquisition, which will now be dependent on the acceptance by PT’s shareholders of the unblocking of PT’s articles of association.

The decision of the AdC is subject to adoption by Sonaecom of several remedies, which include, among others:

(a) The horizontal separation of the fixed networks, which will entail the sale of either the cooper or cable network;

(b) Sonaecom’s disinvestment of various PT Group assets, in particular in the media and content field; and

(c) The implementation of the necessary measures to allow the entry of new operators in the mobile communications market.

This last remedy is deemed essential taking into account that TMN (PT’s mobile business) and Optimus (Sonaecom’s mobile communications) will be merged.

**2. Implications of AdC’s decision**

Following AdC’s decision, Sonaecom will register the offer with the Securities Commission (*Comissão do Mercado dos Valores Mobiliários* – the “CMVM”).

Following the AdC’s approval of the acquisition, other investors may now present competing offers. In the early days of Sonaecom’s offer, the press reported the interest of local and international private equity groups in buying PT. Meanwhile, those rumours ceased.

More recently, there were talks that Sonaecom would raise its offer of €9.50 per share, which is considered a low price, in particular considering the potential gains arising from the merger between TMN and Optimus. PT’s shares have been trading over 9.80 for some time now.

PT’s shareholders’ meeting of last April approved the distribution of a higher dividend than in the last years. Management is proposing to distribute record dividends over the following years to lure shareholders to its side.

It is, therefore, possible that PT’s shareholders will not sell unless Sonaecom raises its offer. Banco Espírito Santo, which leads the shareholders opposing to Sonaecom with 8,08% of PT’s share capital, has indicated that it considers the price low but could be open to sell if the offer is raised. Until now Sonaecom has stated that it will not increase the price.

In the event Sonaecom’s takeover bid is successful, the sale of one of PT’s fixed networks will present a major opportunity for private investors and international operators to enter the Portuguese telecommunications market.

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