

PORTUGAL TELECOM SGPS SA
Form 6-K
July 03, 2007

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, 2007

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, SGPS, S.A.
Portugal Telecom, SGPS, S.A.
Public Company
Registered Offices: Avenida Fontes Pereira de Melo, 40, Lisboa
Share Capital: Euro 33,865,695
Registered in the Commercial Registry Office of Lisbon
and Corporation no. 503 215 058

Portugal Telecom launches up to 750 million offering of Exchangeable Bonds

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Lisbon, Portugal, 3 July 2007 Portugal Telecom, SGPS, S.A. (Portugal Telecom or the Company) announces today that it intends to make an offering (the Offering) of up to 750 million exchangeable bonds due 2014 (the Exchangeable Bonds) to Portuguese and international institutional investors. The Exchangeable Bonds, which will be issued by Portugal Telecom International Finance B.V. (the Issuer), will be exchangeable into fully paid ordinary shares of Portugal Telecom. Portugal Telecom International Finance B.V. will enter into keep well agreements with each of Portugal Telecom and PT Comunicações, S.A. for the benefit of the Trustee, on behalf of the bondholders.

The seven year Exchangeable Bonds are expected to carry a coupon of between 3.875% and 4.375% per annum and the exchange price is expected to be set at a premium of between 35% and 40% to the volume weighted average price of Portugal Telecom s ordinary shares between launch and pricing of the Offering. The Exchangeable Bonds will be issued and redeemable at par on maturity. The Issuer will have the right to redeem all outstanding Exchangeable Bonds after the third anniversary of closing of the Offering if the shares of Portugal Telecom trade at 130% or more of the then prevailing exchange price for a specified period of time. The Exchangeable Bonds are expected to price today and closing of the Offering is expected to be on or about 28 August 2007.

The net proceeds of the Offering will be used for general corporate purposes. As part of its general financing strategy, and depending on market conditions, Portugal Telecom may consider raising further funding on an opportunistic basis, during the course of 2007, including the near term.

Application will be made for the Exchangeable Bonds to be listed and admitted to the Luxembourg Stock Exchange's Euro MTF market.

Banco Espírito Santo de Investimento, Merrill Lynch International and Morgan Stanley are Joint Bookrunners for the Offering (the Bookrunners).

Portugal Telecom reiterates its commitment to the shareholder remuneration package announced on 20 February 2007. Portugal Telecom's shareholder remuneration package is comprised of a 0.475 dividend per share paid in May 2007, a 0.575 dividend per share payable in 2008 and 2009, a 2.1 billion share buyback, approved and being implemented at this time (45,686,311 shares or 4.05% of this share capital buyback had been completed as at 15 June 2007) and the approved spin-off of PT Multimédia Serviços de Telecomunicações e Multimédia, SGPS, S.A. (PTM).

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

STABILISATION/FSA.

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Portugal Telecom is listed on the Euronext and New York Stock Exchanges. Information may be accessed on Reuters under the symbols PTCO.IN and PT and on Bloomberg under the symbol PTC PL.

