

Joint Venture Agreement

Telefónica S.A.

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Portugal Telecom, SGPS, S.A.

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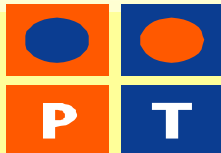
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Agreement Highlights

- Creation of South America´s largest wireless operator
- Increase of cross-shareholding participations
 - TEF up to 10% of PT
 - PT up to 1.5% of TEF

A further step ahead of our partnership



Móveis

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Why we are doing it...Investors demand consolidation in Brazil

CURRENT SITUATION

- Fragmented cellular market (10 regions, 19 operators)
- 9 new PCS licenses to be auctioned: 3 additional competitors by region

OPTIONS

PCS

High licenses costs
Extensive CAPEX requirements
New entrant approach
Start-up losses

BAND A/B CONSOLIDATION

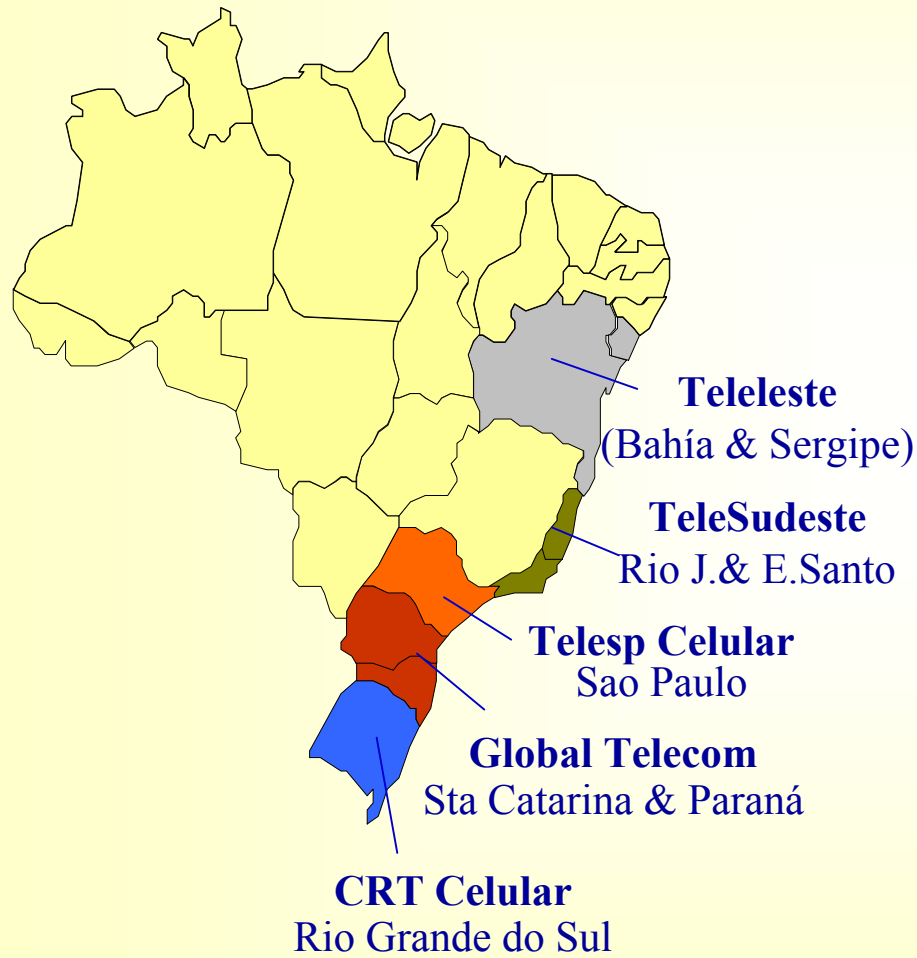
Existing customer base
Operating Synergies
Network already in place
Avoid PCS licenses costs
Already profitable since the beginning

STRATEGIC DECISION

- Lead the first and best positioned consolidation initiative by:
 - controlled customers
 - market attractiveness
 - POPs
 - GDP exposure
 - Market share

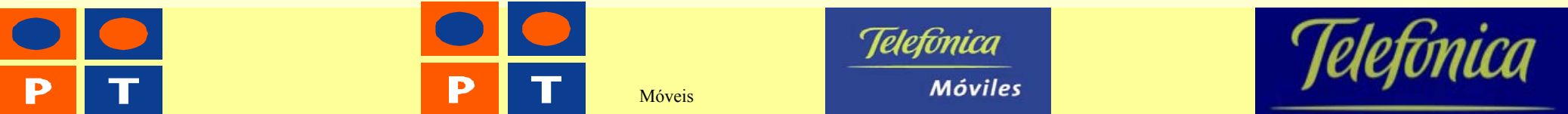
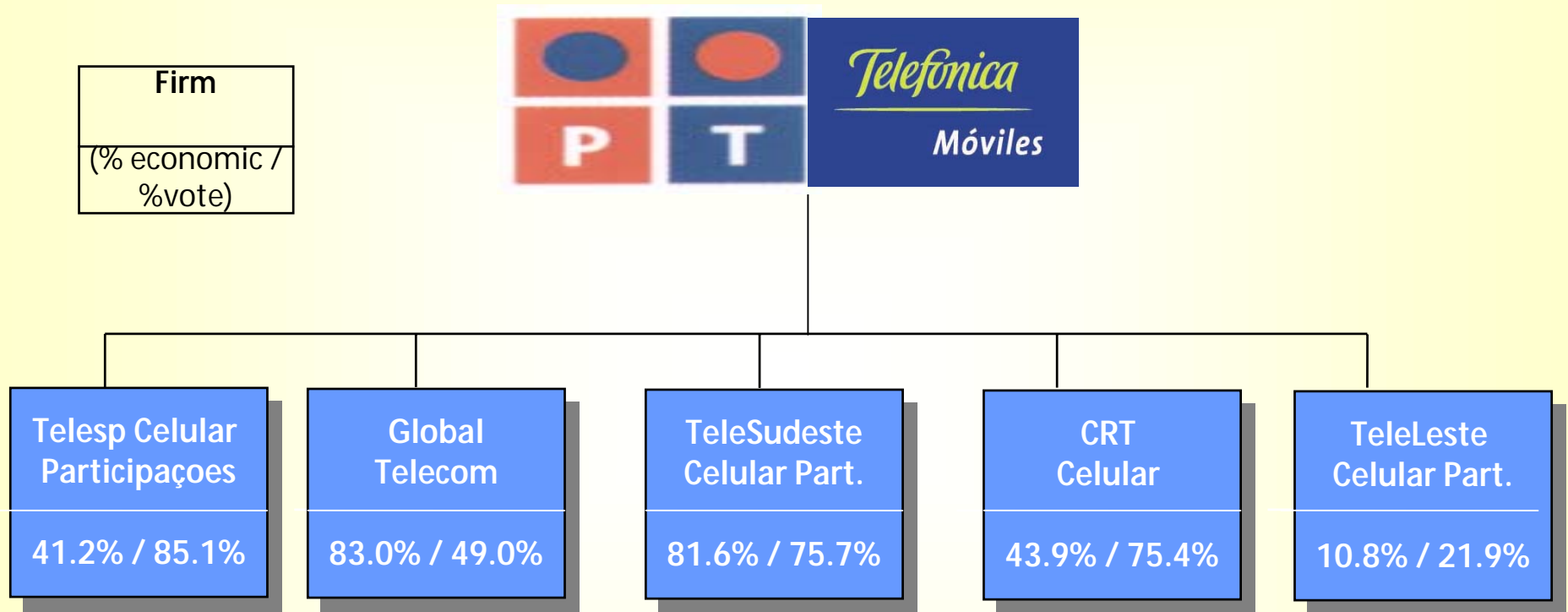
Again, value delivery through first mover advantage

The undisputed wireless leader in Brazil is born....



- More than 9 MM controlled customers
(42% of total market)
- Overpassing 2nd and 3rd operators total customer base
- Potential market over 90 MM POPs
(56% of total market)
- Leadership in 4 of 5 richest areas in Brazil
- Unique cellular player operating in Sao Paulo and Rio de Janeiro

... from our stakes...



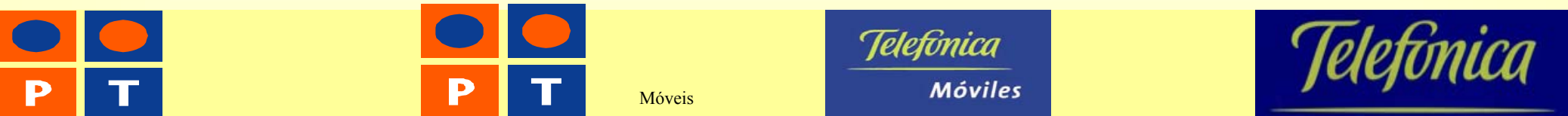
...which are each the leaders

COMPANY	CUSTOMERS (‘000)	% ANNUAL INCREASE	POPS (million)	MARKET RANKING	GAP v. 2ND OPERATOR (‘000)
Telesudeste Celular	2,503	35%	17	#1	1,066
CRT Celular	1,452	50%	10	#1	952
Teleleste	674	26%	15	#1	244
Telesp Celular	4,300	49%	35	#1	2,526
Global Telecom	463	186%	15	#2	n.m.
TOTAL	9,393	47%	93	#1	4,788

60% of average market share in the operation areas

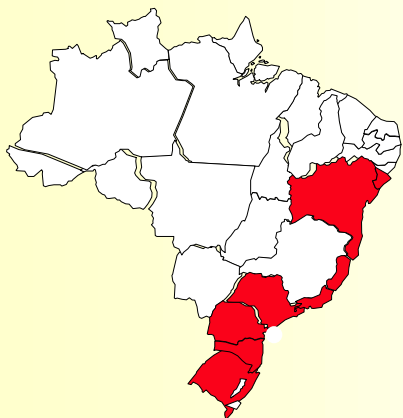
estimated data as of December-00

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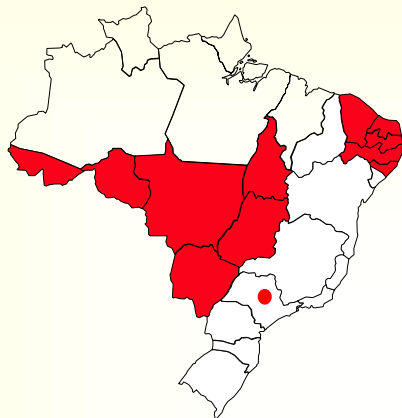


... and now far ahead of competitors

Joint Venture TEM / PTM



Bell South



Telecom Americas



Telecom Italia



Customers ('000) 9.393

2.583

2.238

4.408

TOTAL POPs (MM) 93

53

39

75

% POPs 56%

34%

25%

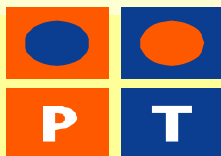
48%

% GDP 71%

40%

28%

33%



Capitalizing our financial strength

REGIONS	Jan-Sep 2000 (*) REVENUES (mUS\$)	Jan-Sep 2000 (*) EBITDA (mUS\$)	% GDP
Sao Paulo	1,113	368	36%
Rio de Janeiro & E Santo	615	223	13%
Rio Grande do Sul	307	117	8%
Bahia & Sergipe	137	40	5%
Sta.Catarina & Paraná	137	-76	10%
TOTAL (aggregated)	2,309	672	72%

January-December for Global Telecom (Sta.Catarina & Paraná)

Structure of the JV agreement (I)

Participations

- ✓ 50% - 50%
- ✓ Joint management and control of the JV

Initial assets to transfer

- ✓ PTM: Telesp Celular Part. + Global Telecom
- ✓ TEM: Tele Sudeste Celular Part. + Celular CRT Participações + Tele Leste Celular Participações (*)

Timing

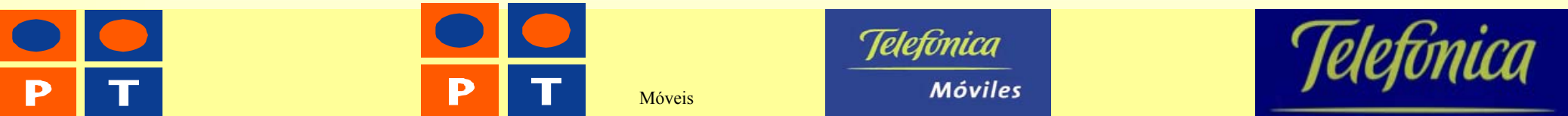
- ✓ As soon as ANATEL approves the transaction. Estimated to be incorporated in 2002
- ✓ Migrating from concession to authorization

New acquisitions in Brazil

- ✓ To be transferred to JV

(*) Subject to shareholders approval

10



Structure of the JV agreement (II)

Corporate Governance

- ✓ Board of Directors of 6 members:
 - 3 appointed by TEM (including Chairman)
 - 3 appointed by PT (including Vice-Chairman)

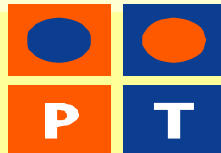
- ✓ Voting approvals: 4 out of 6 members

- ✓ CEO appointed by PT, CFO appointed by TEM

- ✓ COOs of wireless operators to be appointed by the party making the contribution

- ✓ Strategic decisions will need Board approval

¹Subject to shareholders approval



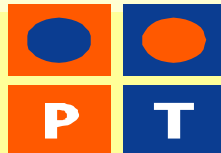
Móveis



Benefits for the partners

- Broader footprint in the richest regions of the country
- Strengthen competitive position
- Consolidated leadership: more customers than the second and third competitors together
- Unmatched position to take advantage of consolidation opportunities
- Control of operations
- Important savings in relation to PCS auctions (licenses fees, CAPEX,..)
- Significant synergies
- Combination of leading innovators in the region (wireless internet, VAS,...)

Creating shareholder value by generating superior returns



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