

Oi S.A.

**Quarterly information - ITR for the
quarter ended September 30, 2014**

(A free translation of the original report in Portuguese, as filed
with the Brazilian Securities and Exchange Commission (CVM),
prepared in accordance with the accounting practices
adopted in Brazil, rules of the CVM and of the
International Financial Reporting Standards - IFRS)

Contents

Report on the Review of Quarterly Information (ITR)	3
Balance sheets Assets	5
Balance sheets Liabilities and Equity	7
Statements of income	9
Statements of comprehensive income	10
Statements of cash flows	11
Statements of Changes in Equity	12
Statements of value added	14
Consolidated Balance Sheets Assets	15
Consolidated Balance Sheets Liabilities and Equity	17
Consolidated Statements of income	19
Consolidated Statements of comprehensive income	20
Consolidated Statements of cash flows	21
Consolidated Statements of Changes in Equity	22
Consolidated Statements of value added	24
Notes to the financial statements	25



KPMG Auditores Independentes
Av. Almirante Barroso, 52 - 4º
20031-000 - Rio de Janeiro, RJ - Brasil
Caixa Postal 2888
20001-970 - Rio de Janeiro, RJ - Brasil

Central Tel 55 (21) 3515-9400
Fax 55 (21) 3515-9000
Internet www.kpmg.com.br

Report on the review of quarterly information - ITR

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM and of the International Financial Reporting Standards - IFRS)

To
The Board of Directors and Shareholders of
Oi S.A.
Rio de Janeiro - RJ

Introduction

1. We have reviewed the individual and consolidated interim accounting information of Oi S.A. ("Company"), included in the quarterly information form - ITR for the quarter ended September 30, 2014, which comprises the balance sheet as of September 30, 2014 and the respective statements of income and comprehensive income for the three and nine-month periods ended at that date and of changes in shareholders' equity and of cash flows for the nine-month period then ended, including the explanatory notes.
2. Management is responsible for the preparation of the individual interim accounting information in accordance with the Accounting Pronouncement CPC 21(R1) - Interim Statement and consolidated interim accounting information in accordance with CPC 21(R1) and the international accounting rule IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, (CVM) applicable to the preparation of quarterly information - ITR. Our responsibility is to express our conclusion on these interim accounting information based on our review.

Scope of the review

3. We conducted our review in accordance with Brazilian and International Interim Information Review Standards (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, respectively). A review of interim information consists of making inquiries primarily of the management responsible for financial and accounting matters and applying analytical procedures and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. Therefore, we do not express an audit opinion.



Conclusion on the individual interim accounting information

4. Based on our review, we are not aware of any fact that might lead us to believe that the individual interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1), applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by CVM.

Conclusion on the consolidated interim accounting information

5. Based on our review, we are not aware of any fact that might lead us to believe that the consolidated interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Emphasis

6. We draw attention to note 1 to the interim accounting information, which describes the business combination involving the total shares of PT Portugal SGPS, S.A. through a capital increase of the Company. The quarterly information should be read considering such aspects. Our review report is not qualified due to this matter.

Other matters

Interim statements of added value

7. We have also reviewed the individual and consolidated interim information of added value for the nine-month period ended September 30, 2014, prepared under the responsibility of the Company's management, for which presentation is required in the interim information in accordance with the standards issued by the Brazilian Securities and Exchange Commission applicable to the preparation of quarterly information - ITR, and considered as supplementary information by IFRS, which does not require the presentation of the statements of added value. These statements were submitted to the same review procedures described previously and, based on our review, we are not aware of any fact that might lead us to believe that they were not prepared, in all material respects, in relation to the individual and consolidated interim accounting information, taken as a whole.

Rio de Janeiro, November 12, 2014

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

José Luiz de Souza Gurgel
Contador CRC RJ-087339/O-4

Oi S.A.**Individual Balance Sheets as at September 30, 2014 and December 31, 2013****Assets**

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
1	Total assets	56,989,456	45,633,520
1.01	Current assets	7,116,003	7,215,516
1.01.01	Cash and cash equivalents	744,356	442,016
1.01.02	Cash investments	72,586	31,113
1.01.02.01	Cash investments measured at fair vale	72,586	31,113
1.01.02.01.01	Trading securities	72,586	31,113
1.01.03	Accounts receivable	1,788,168	1,844,012
1.01.03.01	Trade receivables	1,788,168	1,844,012
1.01.04	Inventories	32,390	26,278
1.01.06	Recoverable taxes	108,276	73,115
1.01.06.01	Current recoverable taxes	108,276	73,115
1.01.08	Other current assets	4,370,227	4,798,982
1.01.08.03	Other	4,370,227	4,798,982
1.01.08.03.01	Receivables from subsidiaries	2,327,843	0
1.01.08.03.02	Derivative financial instruments	254,187	283,071
1.01.08.03.03	Other taxes	247,074	569,079
1.01.08.03.04	Judicial deposits	880,395	1,070,693
1.01.08.03.05	Dividends and interest on capital	326,632	673,508
1.01.08.03.06	Pension plan assets	3,763	8,757
1.01.08.03.07	Other receivables	0	1,775,691
1.01.08.03.08	Prepaid expenses	29,499	29,042
1.01.08.03.09	Other assets	300,834	389,141
1.02	Non-current assets	49,873,453	38,418,004
1.02.01	Long-term receivables	15,247,071	13,331,788
1.02.01.01	Cash investments measured at fair vale	18,030	16,882
1.02.01.01.03	Restricted cash	18,030	16,882
1.02.01.06	Deferred taxes	4,629,683	4,318,604
1.02.01.06.01	Deferred income tax and social contribution	4,629,683	4,318,604
1.02.01.08	Due from related parties	748,780	228,269
1.02.01.08.02	Receivables from subsidiaries	748,780	228,269
1.02.01.09	Other non-current assets	9,850,578	8,768,033
1.02.01.09.03	Judicial deposits	7,739,404	7,068,920
1.02.01.09.04	Other taxes	205,448	245,987
1.02.01.09.05	Pension plan assets	47,802	58,329
1.02.01.09.06	Derivative financial instruments	1,472,376	1,073,000
1.02.01.09.07	Held-for-sale noncurrent assets	24,508	24,508
1.02.01.09.08	Prepaid expenses	13,900	30,044
1.02.01.09.09	Other assets	347,140	267,245
1.02.02	Investments	28,838,448	19,437,617
1.02.02.01	Equity interests	28,838,448	19,437,617
1.02.02.01.02	Investments in subsidiaries	18,185,191	19,411,927
1.02.02.01.04	Other equity interests	10,653,257	25,690
1.02.03	Property, plant and equipment	5,527,842	5,398,725
1.02.03.01	Property, plant and equipment in service	4,870,772	4,564,621

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.

Individual Balance Sheets as at September 30, 2014 and December 31, 2013

Assets

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
1.02.03.03	Property, plant and equipment in progress	657,070	834,104
1.02.04	Intangible assets	260,092	249,874
1.02.04.01	Intangible assets	260,092	249,874
1.02.04.01.02	Software	152,932	153,168
1.02.04.01.03	Intangibles in progress	17,217	5,821
1.02.04.01.06	Other	89,943	90,885

Oi S.A.
Individual Balance Sheets as at September 30, 2014 and December 31, 2013
Liabilities and Equity

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
2	Total liabilities	56,989,456	45,633,520
2.01	Current liabilities	4,931,325	7,256,054
2.01.01	Payroll and related taxes	174,688	198,107
2.01.01.02	Mandatory benefits	174,688	198,107
2.01.02	Trade payables	1,438,326	1,659,794
2.01.02.01	Domestic suppliers	1,438,326	1,659,794
2.01.03	Taxes payable	67,924	67,424
2.01.03.01	Federal taxes payable	67,924	67,424
2.01.03.01.01	Income tax and social contribution payable	67,924	67,424
2.01.04	Borrowings and financing	618,967	2,288,654
2.01.04.01	Borrowings and financing	618,967	2,288,654
2.01.04.01.01	In local currency	370,903	2,217,557
2.01.04.01.02	In foreign currency	248,064	71,097
2.01.05	Other payables	1,695,107	2,087,706
2.01.05.02	Other	1,695,107	2,087,706
2.01.05.02.01	Dividends and interest in capital	182,032	220,168
2.01.05.02.04	Other taxes	741,073	1,179,803
2.01.05.02.05	Tax refinancing program	56,177	52,838
2.01.05.02.06	Derivative financial instruments	373,726	309,532
2.01.05.02.07	Licenses and concessions payable	29,974	0
2.01.05.02.08	Other payables	312,125	325,365
2.01.06	Provisions	936,313	954,369
2.01.06.01	Tax, social security, labor and civil provisions	936,313	954,369
2.01.06.01.01	Tax provisions	111,265	48,426
2.01.06.01.02	Social security and labor provisions	100,450	169,166
2.01.06.01.03	Provisions for employee benefits	112,248	184,075
2.01.06.01.04	Civil provisions	612,350	552,702
2.02	Non-current liabilities	27,452,039	26,853,328
2.02.01	Borrowings and financing	22,834,675	21,522,772
2.02.01.01	Borrowings and financing	22,834,675	21,522,772
2.02.01.01.01	In local currency	12,131,323	11,301,445
2.02.01.01.02	In foreign currency	10,703,352	10,221,327
2.02.02	Other payables	2,048,646	2,210,110
2.02.02.02	Other	2,048,646	2,210,110
2.02.02.02.03	Tax refinancing program	922,072	517,063
2.02.02.02.04	Derivative financial instruments	34,347	93,524
2.02.02.02.05	Other taxes	87,066	609,618
2.02.02.02.06	Other payables	1,005,161	989,905
2.02.04	Provisions	2,568,718	3,120,446
2.02.04.01	Tax, social security, labor and civil provisions	2,568,718	3,120,446
2.02.04.01.01	Tax provisions	14,307	82,405
2.02.04.01.02	Social security and labor provisions	450,764	427,282
2.02.04.01.03	Provisions for employee benefits	498,386	458,988
2.02.04.01.04	Civil provisions	1,605,261	2,151,771
2.03	Equity	24,606,092	11,524,138
2.03.01	Realized capital	21,438,220	7,471,209

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.

Individual Balance Sheets as at September 30, 2014 and December 31, 2013

Liabilities and Equity

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
2.03.02	Capital reserves	1,610,071	1,873,099
2.03.02.02	Special goodwill reserve on merger	767,726	767,726
2.03.02.05	Treasury shares	-2,367,552	-2,104,524
2.03.02.07	Donations and investment grants	123,558	123,558
2.03.02.09	Special merger reserve - net assets	2,309,296	2,309,296
2.03.02.10	Interest on construction in progress	745,756	745,756
2.03.02.11	Law 8200/91 inflation adjustment	31,287	31,287
2.03.04	Profit reserves	2,316,881	2,323,992
2.03.04.01	Legal reserve	383,527	383,527
2.03.04.10	Investment reserve	1,933,354	1,940,465
2.03.05	Retained earnings/(accumulated losses)	14,296	0
2.03.06	Valuation adjustments to equity	-252,876	-52,631
2.03.08	Other comprehensive income	-520,500	-91,531

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Individual Income Statements for the Quarters and Nine-month Period Ended September 30, 2014 and 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter	Current YTD	Same Quarter Prior Year	Prior YTD
		7/1/2014 to 9/30/2014	1/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013
3.01	Revenue from sales and/or services	1,607,811	4,901,800	1,716,962	5,158,386
3.02	Cost of sales and services	-690,060	-2,155,590	-827,811	-2,526,362
3.03	Gross profit	917,751	2,746,210	889,151	2,632,024
3.04	Operating income/expenses	-252,708	-1,055,548	-221,492	-881,642
3.04.01	Selling expenses	-309,244	-940,179	-357,737	-987,839
3.04.02	General and administrative expenses	-296,750	-939,196	-310,675	-943,057
3.04.04	Other operating income	377,161	516,935	81,984	362,831
3.04.05	Other operating expenses	83,043	-344,333	-171,089	-228,427
3.04.06	Share of profits of subsidiaries	-106,918	651,225	536,025	914,850
3.05	Income before financial income/expenses and taxes	665,043	1,690,662	667,659	1,750,382
3.06	Financial income (expenses)	-584,151	-1,962,541	-684,129	-1,777,421
3.06.01	Financial income	221,095	643,770	121,392	361,722
3.06.02	Financial expenses	-805,246	-2,606,311	-805,521	-2,139,143
3.07	Income/loss before taxes on income	80,892	-271,879	-16,470	-27,039
3.08	Income tax and social contribution	-73,250	286,175	188,738	337,392
3.08.01	Current	-6,337	-7,514	-3,320	-8,778
3.08.02	Deferred	-66,913	293,689	192,058	346,170
3.09	Profit/loss from continuing operations	7,642	14,296	172,268	310,353
3.11	Profit/loss for the period	7,642	14,296	172,268	310,353
3.99	Earnings per share - (R\$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares (ON)	0.00100	0.00300	0.11000	0.19000
3.99.01.02	Preferred shares (PN)	0.00100	0.00300	0.11000	0.19000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares (ON)	0.00100	0.00300	0.11000	0.19000
3.99.02.02	Preferred shares (PN)	0.00100	0.00300	0.11000	0.19000

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Individual Statements of Comprehensive Income for the Quarters and Nine-month Period Ended September 30, 2014 and 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter	Current YTD	Same Quarter Prior Year	Prior YTD
		7/1/2014 to 9/30/2014	1/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013
4.01	Profit for the period	7,642	14,296	172,268	310,353
4.02	Other comprehensive income	-47,095	-428,969	6,012	-43,424
4.02.02	Hedge accounting gains (losses)	-18,850	91,582	5,023	-41,286
4.02.03	Subsidiaries' hedge accounting gains (losses)	-8,327	10,041	989	-2,138
4.02.04	Actuarial loss	0	-36,316	0	0
4.02.05	Subsidiaries' actuarial loss	-366,450	-644,890	0	0
4.02.06	Exchange losses on investment abroad	245,909	35,286	0	0
4.02.07	Exchange losses on subsidiaries' investment abroad	69,879	84,584	0	0
4.02.08	Other comprehensive income	30,744	30,744	0	0
4.03	Comprehensive income for the period	-39,453	-414,673	178,280	266,929

Oi S.A.**Individual Statements of Cash Flows - Direct Method
for the Nine-month Periods Ended September 30, 2014 and 2013**

(In thousands of Brazilian reais – R\$)

Code	Line Item	Current YTD 1/1/2014 to 09/30/2014	Prior YTD 1/1/2013 to 09/30/2013
6.01	Net cash from operating activities	89,401	372,650
6.01.01	Collections from customers	6,711,086	7,138,261
6.01.02	Payments to suppliers	-3,247,474	-3,532,149
6.01.03	Payments to employees	-822,617	-608,992
6.01.04	Payments related to income taxes	-22,296	0
6.01.05	Payments related to indirect taxes, fees and other	-2,529,298	-2,624,470
6.02	Net cash from investing activities	-5,825,813	-587,743
6.02.01	Redemptions of held-for-trading cash investments	0	832,257
6.02.02	Cash receipts resulting from the sale of investments and tangible and intangible assets	1,779,325	765,857
6.02.03	Interest and similar income	121,665	55,640
6.02.04	Dividends received	379,328	407,847
6.02.05	Acquisition/disposal of investment	-3,849,423	0
6.02.06	Held-for-trading cash investments	-42,621	0
6.02.07	Due from related parties - disbursements	-3,535,375	-1,816,686
6.02.08	Payments related to the acquisition investments, assets, tangibles, and intangibles	-678,712	-867,909
6.02.09	Other investing activities	0	35,251
6.03	Net cash from financing activities	6,038,752	-241,132
6.03.01	Borrowings, net of borrowing costs	1,730,138	2,300,000
6.03.02	Capital increase	8,230,606	0
6.03.03	Repayment of principal of loans and financing	-1,950,313	-1,177,460
6.03.04	Interest and similar costs	-1,200,491	-840,194
6.03.05	Dividends paid	-1,583	-953,658
6.03.06	Issue premium and related costs	-331,533	0
6.03.07	Other financing activities	-438,072	430,180
6.05	Increase (decrease) in cash and cash equivalents	302,340	-456,225
6.05.01	Cash and cash equivalents at the beginning of the period	442,016	1,043,984
6.05.02	Cash and cash equivalents at the end of the period	744,356	587,759

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Individual Statement of Changes in Equity for the Nine-month Period Ended September 30, 2014

(In thousands of Brazilian reais - R\$)

Code	Line Item	Paid-in capital	Capital reserves, stock options granted and treasury shares	Profit reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	7,471,209	1,873,099	2,323,992	0	-144,162	11,524,138
5.03	Adjusted opening balances	7,471,209	1,873,099	2,323,992	0	-144,162	11,524,138
5.04	Capital transactions with Company owners	13,967,011	-263,028	-7,111	0	-200,245	13,496,627
5.04.01	Capital increases	13,959,900	0	0	0	0	13,959,900
5.04.02	Share issue costs	0	0	0	0	-200,245	-200,245
5.04.04	Treasury shares acquired	0	-263,028	0	0	0	-263,028
5.04.08	Capital increase with reinvestment tax incentives	7,111	0	-7,111	0	0	0
5.05	Total comprehensive income	0	0	0	14,296	-428,969	-414,673
5.05.01	Profit for the period	0	0	0	14,296	0	14,296
5.05.02	Other comprehensive income	0	0	0	0	-428,969	-428,969
5.05.02.07	Hedge accounting gain	0	0	0	0	91,582	91,582
5.05.02.08	Subsidiaries' hedge accounting gain	0	0	0	0	10,041	10,041
5.05.02.09	Actuarial losses	0	0	0	0	-36,316	-36,316
5.05.02.10	Subsidiaries' actuarial losses	0	0	0	0	-644,890	-644,890
5.05.02.11	Exchange losses on investment abroad	0	0	0	0	35,286	35,286
5.05.02.12	Exchange losses on subsidiaries' investment abroad	0	0	0	0	84,584	84,584
5.05.02.13	Other comprehensive income	0	0	0	0	30,744	30,744
5.07	Closing balances	21,438,220	1,610,071	2,316,881	14,296	-773,376	24,606,092

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Individual Statement of Changes in Equity for the Nine-month Period Ended September 30, 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Paid-in capital	Capital reserves, stock options granted and treasury shares	Profit reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	7,308,753	2,198,011	1,722,299	0	-119,786	11,109,277
5.03	Adjusted opening balances	7,308,753	2,198,011	1,722,299	0	-119,786	11,109,277
5.04	Capital transactions with Company owners	162,456	-324,912	-891,322	0	0	-1,053,778
5.04.01	Capital increases	162,456	-162,456	0	0	0	0
5.04.06	Dividends	0	0	-500,000	0	0	-500,000
5.04.08	Approval of proposed additional dividends	0	0	-391,322	0	0	-391,322
5.04.09	Redemption of bonus shares	0	-162,456	0	0	0	-162,456
5.05	Total comprehensive income	0	0	0	310,353	-43,362	266,991
5.05.01	Profit for the period	0	0	0	310,353	0	310,353
5.05.02	Other comprehensive income	0	0	0	0	-43,362	-43,362
5.05.02.06	Share issue costs	0	0	0	0	62	62
5.05.02.07	Hedge accounting losses	0	0	0	0	-41,286	-41,286
5.05.02.08	Subsidiaries' hedge accounting losses	0	0	0	0	-2,138	-2,138
5.07	Closing balances	7,471,209	1,873,099	830,977	310,353	-163,148	10,322,490

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Individual Statements of Value Added
for the Nine-month Periods Ended September 30, 2014 and 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current YTD 1/1/2014 to 09/30/2014	Prior YTD 1/1/2013 to 09/30/2013
7.01	Revenue	7,409,277	7,425,468
7.01.01	Sales of goods and services	6,520,315	6,962,045
7.01.02	Other income	959,744	605,324
7.01.04	Allowance for/reversal of doubtful accounts	-70,782	-141,901
7.02	Inputs purchased from third parties	-2,710,009	-3,112,678
7.02.01	Cost of sales and services	-868,074	-1,179,731
7.02.02	Supplies, power, outside services, and other	-1,785,156	-1,887,749
7.02.04	Other	-56,779	-45,198
7.03	Gross value added	4,699,268	4,312,790
7.04	Retentions	-1,255,228	-979,658
7.04.01	Depreciation, amortization and depletion	-636,036	-619,518
7.04.02	Other	-619,192	-360,140
7.04.02.01	Provisions (includes inflation adjustment)	-312,445	-263,057
7.04.02.02	Other expenses	-306,747	-97,083
7.05	Wealth created	3,444,040	3,333,132
7.06	Value added received as transfer	1,294,995	1,276,572
7.06.01	Share of profits of subsidiaries	651,225	914,850
7.06.02	Financial income	643,770	361,722
7.07	Wealth for distribution	4,739,035	4,609,704
7.08	Wealth distributed	4,739,035	4,609,704
7.08.01	Personnel	482,192	436,141
7.08.01.01	Salaries and wages	394,439	334,894
7.08.01.02	Benefits	59,114	62,260
7.08.01.03	Severance pay fund (FGTS)	18,381	30,515
7.08.01.04	Other	10,258	8,472
7.08.02	Taxes and fees	1,368,781	1,443,711
7.08.02.01	Federal	-11,961	-47,578
7.08.02.02	State	1,292,483	1,484,480
7.08.02.03	Municipal	88,259	6,809
7.08.03	Lenders and lessors	2,873,766	2,419,499
7.08.03.01	Interest	2,480,775	2,059,978
7.08.03.02	Rentals	392,991	359,521
7.08.04	Shareholders	14,296	310,353
7.08.04.03	Retained earnings/Loss for the period	14,296	310,353

Oi S.A.**Consolidated Balance Sheets as at September 30, 2014 and December 31, 2013****Assets****(In thousands of Brazilian reais - R\$)**

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
1	Total assets	107,802,315	70,096,071
1.01	Current assets	28,335,570	17,687,138
1.01.01	Cash and cash equivalents	3,353,953	2,424,830
1.01.02	Cash investments	256,965	492,510
1.01.02.01	Cash investments measured at fair vale	256,965	492,510
1.01.02.01.01	Trading securities	256,965	492,510
1.01.03	Accounts receivable	9,238,320	7,096,679
1.01.03.01	Trade receivables	9,238,320	7,096,679
1.01.04	Inventories	768,933	432,633
1.01.06	Recoverable taxes	1,045,097	907,140
1.01.06.01	Current recoverable taxes	1,045,097	907,140
1.01.08	Other current assets	13,672,302	6,333,346
1.01.08.03	Other	13,672,302	6,333,346
1.01.08.03.01	Derivative financial instruments	414,858	452,234
1.01.08.03.02	Judicial deposits	1,085,920	1,316,252
1.01.08.03.03	Other taxes	1,174,055	1,474,408
1.01.08.03.05	Pension plan assets	4,098	9,596
1.01.08.03.06	Other receivables	0	1,775,691
1.01.08.03.07	Prepaid expenses	584,881	399,062
1.01.08.03.08	Held-for-sale assets	6,414,864	0
1.01.08.03.09	Other assets	3,993,626	906,103
1.02	Non-current assets	79,466,745	52,408,933
1.02.01	Long-term receivables	23,731,354	23,529,516
1.02.01.01	Cash investments measured at fair vale	193,961	99,129
1.02.01.01.03	Restricted cash	193,961	99,129
1.02.01.06	Deferred taxes	8,085,198	8,274,432
1.02.01.06.01	Deferred income tax and social contribution	8,085,198	8,274,432
1.02.01.09	Other non-current assets	15,452,195	15,155,955
1.02.01.09.03	Judicial deposits	12,147,876	11,050,936
1.02.01.09.04	Other taxes	776,073	890,835
1.02.01.09.05	Pension plan assets	55,654	60,197
1.02.01.09.06	Derivative financial instruments	2,035,951	1,620,945
1.02.01.09.07	Available-for-sale financial asset	0	914,216
1.02.01.09.08	Held-for-sale assets	118,527	242,040
1.02.01.09.09	Prepaid expenses	102,334	145,506
1.02.01.09.10	Other assets	215,780	231,280
1.02.02	Investments	287,865	173,640
1.02.02.01	Equity interests	287,865	173,640
1.02.02.01.04	Other equity interests	287,865	173,640
1.02.03	Property, plant and equipment	35,919,370	24,786,286
1.02.03.01	Property, plant and equipment in service	31,604,283	20,216,604
1.02.03.03	Property, plant and equipment in progress	4,315,087	4,569,682
1.02.04	Intangible assets	19,528,156	3,919,491
1.02.04.01	Intangible assets	19,528,156	3,919,491

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.

Consolidated Balance Sheets as at September 30, 2014 and December 31, 2013

Assets

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
1.02.04.01.02	Software	1,639,151	1,309,868
1.02.04.01.03	Customer portfolio	3,109,672	0
1.02.04.01.04	Intangibles in progress	106,053	184,387
1.02.04.01.05	Regulatory licenses	2,856,480	1,968,404
1.02.04.01.06	Goodwill	10,781,962	154,395
1.02.04.01.07	Other	1,034,838	302,437

Oi S.A.
Consolidated Balance Sheets as at September 30, 2014 and December 31, 2013
Liabilities and Equity

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
2	Total liabilities	107,802,315	70,096,071
2.01	Current liabilities	20,022,245	15,540,457
2.01.01	Payroll and related taxes	992,244	650,982
2.01.01.02	Mandatory benefits	992,244	650,982
2.01.02	Trade payables	6,339,312	4,732,174
2.01.02.01	Domestic suppliers	6,339,312	4,732,174
2.01.03	Taxes payable	439,251	432,317
2.01.03.01	Federal taxes payable	439,251	432,317
2.01.03.01.01	Income tax and social contribution payable	439,251	432,317
2.01.04	Borrowings and financing	5,066,818	4,158,708
2.01.04.01	Borrowings and financing	5,066,818	4,158,708
2.01.04.01.01	In local currency	2,050,832	3,255,590
2.01.04.01.02	In foreign currency	3,015,986	903,118
2.01.05	Other payables	5,547,635	4,158,455
2.01.05.02	Other	5,547,635	4,158,455
2.01.05.02.01	Dividends and interest in capital	185,680	230,721
2.01.05.02.04	Derivative financial instruments	468,706	409,851
2.01.05.02.05	Other taxes	1,676,217	2,112,598
2.01.05.02.06	Tax refinancing program	98,585	100,302
2.01.05.02.07	Licenses and concessions payable	634,432	457,173
2.01.05.02.08	Liabilities associated to held-for-sale assets	648,173	0
2.01.05.02.09	Other payables	1,835,842	847,810
2.01.06	Provisions	1,636,985	1,407,821
2.01.06.01	Tax, social security, labor and civil provisions	1,636,985	1,407,821
2.01.06.01.01	Tax provisions	320,824	106,552
2.01.06.01.02	Social security and labor provisions	289,693	427,442
2.01.06.01.03	Provisions for employee benefits	112,544	184,295
2.01.06.01.04	Civil provisions	913,924	689,532
2.02	Non-current liabilities	61,694,800	43,031,476
2.02.01	Borrowings and financing	48,458,816	31,694,918
2.02.01.01	Borrowings and financing	48,458,816	31,694,918
2.02.01.01.01	In local currency	19,071,423	18,031,599
2.02.01.01.02	In foreign currency	29,387,393	13,663,319
2.02.02	Other payables	5,677,470	6,484,500
2.02.02.02	Other	5,677,470	6,484,500
2.02.02.02.03	Other taxes	862,569	1,747,012
2.02.02.02.04	Derivative financial instruments	60,707	156,800
2.02.02.02.05	Licenses and concessions payable	692,658	1,027,234
2.02.02.02.06	Tax refinancing program	1,443,015	1,020,002
2.02.02.02.07	Other payables	2,618,521	2,533,452
2.02.03	Deferred taxes	1,402	0
2.02.03.01	Deferred income tax and social contribution	1,402	0
2.02.04	Provisions	7,557,112	4,852,058
2.02.04.01	Tax, social security, labor and civil provisions	7,557,112	4,852,058

Oi S.A.

Consolidated Balance Sheets as at September 30, 2014 and December 31, 2013

Liabilities and Equity

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter 09/30/2014	Previous Year 12/31/2013
2.02.04.01.01	Tax provisions	322,768	533,820
2.02.04.01.02	Social security and labor provisions	844,625	714,832
2.02.04.01.03	Provisions for employee benefits	3,822,372	459,267
2.02.04.01.04	Civil provisions	2,567,347	3,144,139
2.03	Consolidated equity	26,085,270	11,524,138
2.03.01	Realized capital	21,438,220	7,471,209
2.03.02	Capital reserves	1,610,071	1,873,099
2.03.02.02	Special goodwill reserve on merger	767,726	767,726
2.03.02.05	Treasury shares	-2,367,552	-2,104,524
2.03.02.07	Donations and investment grants	123,558	123,558
2.03.02.09	Special merger reserve - net assets	2,309,296	2,309,296
2.03.02.10	Interest on construction in progress	745,756	745,756
2.03.02.11	Law 8200/91 inflation adjustment	31,287	31,287
2.03.04	Profit reserves	2,316,881	2,323,992
2.03.04.01	Legal reserve	383,527	383,527
2.03.04.10	Investment reserve	1,933,354	1,940,465
2.03.05	Retained earnings/(accumulated losses)	14,296	0
2.03.06	Valuation adjustments to equity	-252,876	-52,631
2.03.08	Other comprehensive income	-520,500	-91,531
2.03.09	Non-controlling interests	1,479,178	0

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Consolidated Income Statements for the Quarters and Nine-month Period Ended September 30, 2014 and 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter	Current YTD	Same Quarter Prior Year	Prior YTD
		7/1/2014 to 9/30/2014	1/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013
3.01	Revenue from sales and/or services	8,841,703	24,067,448	7,099,083	21,213,314
3.02	Cost of sales and services	-5,072,096	-13,352,324	-3,750,528	-11,393,161
3.03	Gross profit	3,769,607	10,715,124	3,348,555	9,820,153
3.04	Operating income/expenses	-2,467,359	-6,736,689	-2,303,242	-6,944,053
3.04.01	Selling expenses	-1,580,386	-4,552,469	-1,365,218	-4,301,004
3.04.02	General and administrative expenses	-1,206,318	-3,223,961	-908,954	-2,747,567
3.04.04	Other operating income	727,987	2,711,165	705,828	1,428,521
3.04.05	Other operating expenses	-408,382	-1,670,141	-729,286	-1,311,122
3.04.06	Share of profits of subsidiaries	-260	-1,283	-5,612	-12,881
3.05	Income before financial income/expenses and taxes	1,302,248	3,978,435	1,045,313	2,876,100
3.06	Financial income (expenses)	-1,238,050	-3,672,909	-818,070	-2,449,678
3.06.01	Financial income	389,474	1,067,685	237,513	879,762
3.06.02	Financial expenses	-1,627,524	-4,740,594	-1,055,583	-3,329,440
3.07	Income/loss before taxes on income	64,198	305,526	227,243	426,422
3.08	Income tax and social contribution	-59,243	-290,543	-54,975	-116,069
3.08.01	Current	-55,696	-418,894	-35,301	-353,514
3.08.02	Deferred	-3,547	128,351	-19,674	237,445
3.09	Profit/loss from continuing operations	4,955	14,983	172,268	310,353
3.11	Consolidated profit/loss for the period	4,955	14,983	172,268	310,353
3.11.01	Attributable to the owners of the parent company	7,642	14,296	172,268	310,353
3.11.02	Attributable to noncontrolling interests	-2,687	687	0	0
3.99	Earnings per share - (R\$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares (ON)	0.00100	0.00300	0.11000	0.19000
3.99.01.02	Preferred shares (PN)	0.00100	0.00300	0.11000	0.19000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares (ON)	0.00100	0.00300	0.11000	0.19000
3.99.02.02	Preferred shares (PN)	0.00100	0.00300	0.11000	0.19000

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Consolidated Statements of Comprehensive Income for the Quarters and Nine-month Period Ended September 30, 2014 and 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current Quarter		Same Quarter Prior Year	
		7/1/2014 to 9/30/2014	1/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013
4.01	Consolidated profit for the period	4,956	14,983	172,268	310,353
4.02	Other comprehensive income	21,968	-374,584	6,012	-43,424
4.02.02	Hedge accounting gains (losses)	-27,177	101,623	6,012	-43,424
4.02.03	Actuarial loss	-366,450	-681,206	0	0
4.02.04	Exchange losses on investment abroad	384,851	174,255	0	0
4.02.05	Other comprehensive income	30,744	30,744	0	0
4.03	Consolidated comprehensive income for the period	26,924	-359,601	178,280	266,929
4.03.01	Attributable to the owners of the parent company	-39,453	-414,673	178,280	266,929
4.03.02	Attributable to noncontrolling interests	66,377	55,072	0	0

Oi S.A.**Consolidated Statements of Cash Flows - Direct Method
for the Nine-month Periods Ended September 30, 2014 and 2013**

(In thousands of Brazilian reais – R\$)

Code	Line Item	Current YTD 1/1/2014 to 09/30/2014	Prior YTD 1/1/2013 to 09/30/2013
6.01	Net cash from operating activities	4,226,607	3,374,827
6.01.01	Collections from customers	31,613,339	28,698,486
6.01.02	Payments to suppliers	-13,806,440	-12,807,618
6.01.03	Payments to employees	-3,064,497	-1,957,000
6.01.04	Payments related to income taxes	-599,477	-431,022
6.01.05	Payments related to indirect taxes, fees and other	-9,916,318	-10,128,019
6.02	Net cash from investing activities	145,762	-2,114,595
6.02.01	Redemptions of held-for-trading cash investments	275,719	2,034,206
6.02.02	Cash receipts resulting from the sale of investments and tangible and intangible assets	3,337,018	1,478,506
6.02.03	Interest and similar income	320,703	190,097
6.02.04	Dividends received	32,350	75,994
6.02.05	Acquisition/disposal of investment	1,087,904	-307,981
6.02.06	Held-for-trading cash investments	-30,184	0
6.02.07	Cash investments	-2,042	0
6.02.08	Payments related to the acquisition investments, assets, tangibles, and intangibles	-4,745,405	-5,585,417
6.02.09	Due to related parties - funding	-39,523	0
6.02.10	Cash and cash equivalents transferred to held-for-sale assets	-138,609	0
6.02.11	Other investing activities	47,831	0
6.03	Net cash from financing activities	-3,379,160	-2,538,489
6.03.01	Borrowings, net of borrowing costs	2,593,186	2,544,772
6.03.02	Capital increase	8,230,606	0
6.03.03	Grants	2,169	0
6.03.04	Repayment of principal of loans and financing	-10,931,865	-2,940,555
6.03.05	Interest and similar costs	-2,188,736	-1,464,441
6.03.06	Dividends paid	-35,275	-1,080,432
6.03.07	Issue premium and related costs	-331,533	0
6.03.08	Other financing activities	-717,712	402,167
6.04	Foreign exchange differences on cash equivalents	-64,086	0
6.05	Increase (decrease) in cash and cash equivalents	929,123	-1,278,257
6.05.01	Cash and cash equivalents at the beginning of the period	2,424,830	4,408,161
6.05.02	Cash and cash equivalents at the end of the period	3,353,953	3,129,904

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Consolidated Statement of Changes in Equity for the Nine-month Period Ended September 30, 2014

(In thousands of Brazilian reais - R\$)

Code	Line Item	Paid-in capital	Capital reserves, stock options granted and treasury shares	Profit reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	7,471,209	1,873,099	2,323,992	0	-144,162	11,524,138	0	11,524,138
5.03	Adjusted opening balances	7,471,209	1,873,099	2,323,992	0	-144,162	11,524,138	0	11,524,138
5.04	Capital transactions with Company owners	13,967,011	-263,028	-7,111	0	-200,245	13,496,627	1,424,106	14,920,733
5.04.01	Capital increases	13,959,900	0	0	0	0	13,959,900	0	13,959,900
5.04.02	Share issue costs	0	0	0	0	-200,245	-200,245	0	-200,245
5.04.04	Treasury shares acquired	0	-263,028	0	0	0	-263,028	0	-263,028
5.04.06	Dividends	0	0	0	0	0	0	-44,496	-44,496
5.04.08	Capital increase with reinvestment tax incentives	7,111	0	-7,111	0	0	0	0	0
5.04.09	Acquisition of interests - PT Portugal	0	0	0	0	0	0	1,468,602	1,468,602
5.05	Total comprehensive income	0	0	0	14,296	-428,969	-414,673	55,072	-359,601
5.05.01	Profit for the period	0	0	0	14,296	0	14,296	687	14,983
5.05.02	Other comprehensive income	0	0	0	0	-428,969	-428,969	54,385	-374,584
5.05.02.07	Hedge accounting gain	0	0	0	0	91,582	91,582	0	91,582
5.05.02.08	Subsidiaries' hedge accounting gain	0	0	0	0	10,041	10,041	0	10,041
5.05.02.09	Actuarial losses	0	0	0	0	-36,316	-36,316	0	-36,316
5.05.02.10	Subsidiaries' actuarial losses	0	0	0	0	-644,890	-644,890	0	-644,890
5.05.02.11	Exchange losses on investment abroad	0	0	0	0	35,286	35,286	54,385	89,671
5.05.02.12	Exchange losses on subsidiaries' investment abroad	0	0	0	0	84,584	84,584	0	84,584
5.05.02.13	Other comprehensive income	0	0	0	0	30,744	30,744	0	30,744
5.07	Closing balances	21,438,220	1,610,071	2,316,881	14,296	-773,376	24,606,092	1,479,178	26,085,270

(Convenience Translation into English from de Original Previously Issued in Portuguese)

Oi S.A.
Consolidated Statement of Changes in Equity for the Nine-month Period Ended September 30, 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Paid-in capital	Capital reserves, stock options granted and treasury shares	Profit reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	7,308,753	2,198,011	1,722,299	0	-119,786	11,109,277	0	11,109,277
5.03	Adjusted opening balances	7,308,753	2,198,011	1,722,299	0	-119,786	11,109,277	0	11,109,277
5.04	Capital transactions with Company owners	162,456	-324,912	-891,322	0	0	-1,053,778	0	-1,053,778
5.04.01	Capital increases	162,456	-162,456	0	0	0	0	0	0
5.04.06	Dividends	0	0	-500,000	0	0	-500,000	0	-500,000
5.04.08	Approval of proposed additional dividends	0	0	-391,322	0	0	-391,322	0	-391,322
5.04.09	Redemption of bonus shares	0	-162,456	0	0	0	-162,456	0	-162,456
5.05	Total comprehensive income	0	0	0	310,353	-43,362	266,991	0	266,991
5.05.01	Profit for the period	0	0	0	310,353	0	310,353	0	310,353
5.05.02	Other comprehensive income	0	0	0	0	-43,362	-43,362	0	-43,362
5.05.02.06	Share issue costs	0	0	0	0	62	62	0	62
5.05.02.07	Hedge accounting losses	0	0	0	0	-41,286	-41,286	0	-41,286
5.05.02.08	Subsidiaries' hedge accounting losses	0	0	0	0	-2,138	-2,138	0	-2,138
5.07	Closing balances	7,471,209	1,873,099	830,977	310,353	-163,148	10,322,490	0	10,322,490

Oi S.A.
Consolidated Statements of Value Added
for the Nine-month Periods Ended September 30, 2014 and 2013

(In thousands of Brazilian reais - R\$)

Code	Line Item	Current YTD 1/1/2014 to 09/30/2014	Prior YTD 1/1/2013 to 09/30/2013
7.01	Revenue	34,742,140	29,461,046
7.01.01	Sales of goods and services	30,778,330	28,397,110
7.01.02	Other income	4,514,557	1,870,172
7.01.04	Allowance for/reversal of doubtful accounts	-550,747	-806,236
7.02	Inputs purchased from third parties	-12,636,546	-12,031,313
7.02.01	Cost of sales and services	-3,024,729	-3,493,135
7.02.02	Supplies, power, outside services, and other	-8,760,500	-7,871,644
7.02.04	Other	-851,317	-666,534
7.03	Gross value added	22,105,594	17,429,733
7.04	Retentions	-6,949,074	-4,207,966
7.04.01	Depreciation, amortization and depletion	-4,263,382	-3,195,170
7.04.02	Other	-2,685,692	-1,012,796
7.04.02.01	Provisions (includes inflation adjustment)	-675,803	-747,547
7.04.02.02	Other expenses	-2,009,889	-265,249
7.05	Wealth created	15,156,520	13,221,767
7.06	Value added received as transfer	1,066,402	866,881
7.06.01	Share of profits of subsidiaries	-1,283	-12,881
7.06.02	Financial income	1,067,685	879,762
7.07	Wealth for distribution	16,222,922	14,088,648
7.08	Wealth distributed	16,222,922	14,088,648
7.08.01	Personnel	2,301,499	1,659,132
7.08.01.01	Salaries and wages	1,795,570	1,208,770
7.08.01.02	Benefits	342,761	293,869
7.08.01.03	Severance pay fund (FGTS)	100,041	104,874
7.08.01.04	Other	63,127	51,619
7.08.02	Taxes and fees	6,863,351	7,450,366
7.08.02.01	Federal	1,279,128	1,395,084
7.08.02.02	State	5,370,003	5,997,404
7.08.02.03	Municipal	214,220	57,878
7.08.03	Lenders and lessors	7,043,089	4,668,797
7.08.03.01	Interest	4,606,556	3,081,659
7.08.03.02	Rentals	2,436,533	1,587,138
7.08.04	Shareholders	14,983	310,353
7.08.04.03	Retained earnings/Loss for the period	14,296	310,353
7.08.04.04	Non-controlling interests in retained earnings	687	0

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

1. GENERAL INFORMATION

Oi S.A. (“Company” or “Oi”), is a Switched Fixed-line Telephony Services (“STFC”) concessionaire, operating since July 1998 in Region II of the General Concession Plan (“PGO”), which covers the Brazilian states of Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Paraná, Santa Catarina and Rio Grande do Sul, and the Federal District, in the provision of STFC as a local and intraregional long-distance carrier. Since January 2004, the Company also provides domestic and international long-distance services in all Regions and local services outside Region II started to be provided in January 2005. These services are provided under concessions granted by Agência Nacional de Telecomunicações - ANATEL (National Telecommunications Agency), the regulator of the Brazilian telecommunications industry.

The Company is headquartered in Brazil, in the city of Rio de Janeiro, at Rua do Lavradio, 71 – 2º andar.

The Company also holds: (i) through its wholly-owned subsidiary Telemar Norte Leste S.A. (“TMAR”) a concession to provide fixed telephone services in Region I and nationwide International Long-distance services; and (ii) through its indirect subsidiary Oi Móvel S.A. (“Oi Móvel”) a license to provide mobile telephony services in Region I, II and III.

The local and nationwide STFC long-distance concession agreements entered into by the Company and its subsidiary TMAR with the ANATEL are effective until December 31, 2025. These concession agreements provide for reviews on a five-year basis and in general have a higher degree of intervention in the management of the business than the licenses to provide private services, and also include several consumer protection provisions, as perceived by the regulator.

The Company is registered with the Brazilian Securities and Exchange Commission (“CVM”) and the U.S. Securities and Exchange Commission (“SEC”). Its shares are traded on the São Paulo Mercantile and Stock Exchange (“BM&FBOVESPA”) and its American Depositary Receipts (“ADRs”) are traded on the New York Stock Exchange (“NYSE”).

In May 2014, in accordance with the business combination plan between the Company and Portugal Telecom, SGPS, S.A. (“PT”), the Company’s capital increase was approved through the payment by Portugal Telecom of all the shares of PT Portugal SGPS, S.A. (“PT Portugal”).

PT Portugal and its subsidiaries operate basically in the telecommunications and multimedia industries, in Portugal and in other countries in Africa and in Asia.

In Portugal, the provision of fixed line services is carried out by PT Comunicações, S.A. (“PT Comunicações”), initially under a Telecommunications Utility Services Concession Agreement entered into on March 20, 1995, for an initial 30-year period, subject to subsequent renewals for 15-year periods. This agreement was amended and since then revoked under Decree Law 35/2014 of March 7, 2014, which became effective on June 1, 2014. Due to this revocation on May 9, 2014, ICP-ANACOM issued to PT Comunicações the license for the provision of fixed telephone services (ICP-ANACOM Declaration 03/2014). PT Comunicações also provides pay TV services, through the IPTV, FTTH and DTH platforms, Internet services to residential customers and small and medium-sized entities, and data transmission and Internet services to large customers.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Mobile telephone services are provided by Meo - Serviços de Comunicações e Multimédia, S.A. ("Meo, S.A."), through the Global System for Mobile Communications ("GSM"), whose license was granted by the Portuguese Government in 1992 for an initial 15-year period, and renewed in 2007 through March 16, 2022, and the Universal Mobile Telecommunications System ("UMTS"), whose license was obtained on December 19, 2000 for an initial 15-year period, renewable for another 15 years. In December 2011, MEO, S.A. obtained a fourth generation mobile communication license ("4G license"), through which it provides services since 2012 using the Long Term Evolution ("LTE") technology, which represents an evolution of the GSM technology that allows higher broadband speeds. This licensed has been granted for an initial 15-year period, renewable for another 15 years.

In Africa, the Group provides fixed and mobile telecommunications services indirectly through Africatel Holding BV ("Africatel"). The Group provides services in Namibia, Mozambique, Cape Verde, and São Tomé, among other countries, especially through its subsidiaries Mobile Telecommunications Limited ("MTC"), LTM – Listas Telefónicas de Moçambique ("LTM"), Cabo Verde Telecom, and CST – Companhia Santomense de Telecomunicações, SARL ("CST"). Additionally, the Group holds a 25% direct stake in Unitel, which provides telecommunications services in Angola. According to a Board of Directors' decision, these companies have been put up for sale and classified in the consolidated balance sheet as an available-for-sale asset (Note 26).

In Asia, the Group provides fixed and mobile telecommunications services basically through its subsidiary Timor Telecom.

The Executive Committee authorized the completion of this quarterly information at the meeting held on November 12, 2014, after being reviewed at the Board of Directors' meeting held on November 12, 2014.

Merger of the activities of Oi S.A. and PT

On October 2, 2013 Oi published a Material Fact Notice informing that Oi, Portugal Telecom, SGPS S.A. ("PT"), AG Telecom Participações S.A. ("AG"), LF Tel. S.A. ("LF"), PASA Participações S.A. ("PASA"), EDSP75 Participações S.A. ("EDSP75"), Bratel Brasil S.A. ("Bratel Brasil"), Avistar, SGPS, S.A. ("BES"), and Nivalis Holding B.V. ("OnGoing") entered into a memorandum of understanding that lays down the bases and the principles that would govern the negotiations for a potential transaction involving PT, Oi, and some of their controlling shareholders to incorporate a company ("CorpCo") that would gather the shareholders of Oi, PT, and Telemar Participações S.A. ("TelPart") and combine the activities businesses undertaken by Oi in Brazil and PT in Portugal, Africa, and Asia aimed at consolidating the industrial alliance between Oi and PT ("Transaction").

On February 19, 2014, following the memorandum entered into on October 1, 2013, Oi and PT signed the definitive contractual agreements that describe the stages necessary to implement the Transaction ("Definitive Agreements"). These Definitive Agreements establish that TelPart would be the company that would gather the shareholders of Oi and PT, and provide for the different stages of the Transaction, including the following:

- (a) Increase of Oi's capital through a public offering of Oi shares, approved at the Board of Directors' meetings held on April 28, 2014, April 30, 2014, and May 5, 2014;
- (b) Capitalization of AG, LF and TelPart with the funds required to repay their debts, completed in May 2014;

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

(c) A corporate reorganization involving the companies PASA, AG, EDSP75, LF, Bratel Brasil, and TelPart to streamline their corporate structure. After this step, TelPart will become the holder of Oi shares only, either directly or through Valverde Participações S.A., and will not have any debt or have sufficient cash or cash equivalents to repay its debt;

(d) Listing of TelPart on the Novo Mercado segment of the BM&FBOVESPA and termination of AG's, LF's and TelPart's shareholders' agreements; and

(e) Merger of Oi shares into TelPart, causing Oi to become a wholly-owned subsidiary of TelPart.

Each Oi common share will be exchanged for a CorpCo share and each Oi preferred share will be exchanged for 0.9211 CorpCo shares. The exchange ratios have been determined based on the quotations of Oi common shares and preferred shares over the 30-day period prior to the publication of the Material Fact Notice that disclosed the transaction and the direct or indirect stakes held by the companies involved in the transaction in Oi, under the premise that such companies will not have any liabilities or assets or will have sufficient cash or cash equivalents to fully settle their debts.

Initially the Definitive Agreements also provided for the merger of PT with and into TelPart, and a result of this merger PT's shareholders would receive a number of TelPart shares equivalent to the number of TelPart shares held by PT, immediately before the merger.

Due to the negotiations between Oi and PT related to the short-term investments made by PT in Rio Forte Investments S.A. ("Rio Forte") securities, as described in further detail in Note 26, Other Information, the merger of PT with and into CorpCo will no longer be implemented as part of the Transaction, without prejudice to PT adopting an alternative structure to reach the same purpose of combining the share bases of Oi and PT.

After the transaction is completed, TelPart shares will be listed for trading on the Novo Mercado segment of the BM&FBOVESPA and on the NYSE Euronext Lisbon and the NYSE.

TelPart will focus on operational excellence. A clear action plan has been prepared to integrate functions with an efficiency improvement potential. This includes identifying teams to capture synergies and address the current operational challenges.

On January 14, 2014, the Transaction's approval by the Brazilian Antitrust Agency (Conselho Administrativo de Defesa Econômica, or CADE) was published on the Federal Official Gazette and on January 29, 2014 was the deadline for third parties to file any appeals against this agency's decision or file a proceedings with the CADE Court. No appeals or proceedings against the decision were filed. Accordingly, CADE's decision, published on January 14, 2014, was confirmed in all other respects.

Company's capital increase through the payment by PT of all PT Portugal shares

In accordance with the Definitive Agreements executed on February 19, 2014, the Company's Board of Directors decided at the meetings held on April 28 and 30, 2014, to increase capital by R\$13,217,865 through the issue of 2,142,279,524 common shares for public subscription, including 396,589,982 common shares in the form of American Depositary Shares ("ADSs"), and 4,284,559,049 preferred shares, including 828,881,795 preferred shares in the form of ADSs. On May 5, 2014, Banco BTG Pactual S.A., as Public Offering Stabilizing Underwriter, exercised, under Article 24 of CVM Instruction 400, part of the distribution option for 120,265,046 Oi common shares and 240,530,092 Oi preferred shares ("Over-allotment Shares"),

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

amounting to R\$742,035. As a result, on said date the Company capital increased to R\$21,431,109.

The shares were issued at the price of R\$2.17 per common share and R\$2.00 per preferred share. The common shares in the form of ADSs (“ADSs ON”, each representing one common share) were issued at the price of US\$0.970 per ADS ON, and the preferred shares in the form of ADSs (“ADSs PN”, each representing one preferred share) were issued at the price of US\$0.894 per ADS PN.

Finally, the issued shares were paid in (i) by Portugal Telecom in assets, though the assignment to the Company of all PT Portugal SGPS, S.A. (“PT Portugal”) shares, which holds all the (i.a) operating assets of Portugal Telecom, except its direct or indirect interests in the Company and in Contax Participações S.A., and (i.b) liabilities of Portugal Telecom at the assignment date, as determined in the Valuation Report prepared by Banco Santander (Brasil) S.A. (“PT Assets”), approved at the Company’s Shareholders’ Meeting held on March 27, 2014; and (ii) in cash, on the subscription date, in local legal tender. Accordingly, the Company’s capital increase totaled the gross amount of R\$13.96 billion, including PT’s assets valued at R\$5.71 billion.

Acquisition PT Portugal assets and liabilities

The acquisition of PT Portugal assets and liabilities has been recognized using the acquisition method, as prescribed by CPC 15 (R1) and IFRS 3 (R), based on the fair value of the identifiable assets acquired and liabilities assumed. The net assets acquired on the transaction date are broken down as follows:

(In millions of Brazilian reais - R\$)

	Carrying amount	Fair value adjustments (i)	Fair value at May 5, 2014
Assets			
Cash and cash equivalents	1,088		1,088
Cash investments	107		107
Accounts receivable	2,371		2,371
Inventories	285		285
Current recoverable taxes	266		266
Prepaid expenses	214		214
Available-for-sale financial asset (ii)	4,089		4,089
Intangible assets	2,346	3,147	5,493
Property, plant and equipment	10,432	608	11,040
Deferred taxes recoverable	556		556
Assets related to pension plans	6		6
Other assets (iii)	4,784		4,784
Total assets acquired	26,544	3,755	30,299
Liabilities			
Borrowings and financing - current	6,209		6,209
Borrowings and financing - non-current	19,026		19,026
Trade payables	1,795		1,795
Current taxes payable	229		229
Provisions	142		142
Provisions for pension plans	2,688		2,688
Deferred taxes recoverable	258	1,012	1,270
Other payables	1,756		1,756
Total liabilities assumed	32,103	1,012	33,115
Total assets acquired and liabilities assumed	(5,559)	2,743	(2,816)

(i) The nature of the adjustments to market value is detailed below.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

- (ii) Corresponds to the fair value of the investment in Unitel, which has been valued at the fair value determined by Banco Santander on the valuation of PT's operating assets and used as basis for the valuation of the capital increase. Note that as at September 30, 2014 this investment is classified as a held-for-sale asset (Note 26).
- (iii) This line item includes R\$2,763 million (€97 million) corresponding to the rights to compensation receivables as described in this note.

The nature of the adjustments to market value made in the context of the allocation of the fair values of identifiable assets and liabilities is as follows:

(In millions of Brazilian reais -

R\$)

	Carrying amount	Fair value adjustments	Fair value
List of residential segment customers (i)	40	738	778
List of personal mobile segment customers (i)	94	1,642	1,736
List of corporate segment customers (i)	37	665	701
Mobile licenses of the operations in Portugal (ii)	1,037	103	1,140
Adjustments intangible assets to market value	1,208	3,147	4,355
Property, plant and equipment of operations in Portugal (iii)		608	
Adjustments to market value before taxes		3,755	
Taxation		(1,012)	
Total adjustments to market value net of taxes		2,743	

- (i) The fair values of the customer lists have been determined under the Revenue Approach, more specifically, the Surplus Profit Method. Under the Revenue Approach, fair value is determined based on the cash flows (discounted) that an asset should generate during its remaining useful life. The Surplus Profit Method is a variation of the Revenue Approach that considers the use of other assets to generate the projected cash flows of a specific asset to isolate the economic benefit generated by an intangible asset. These assets' contribution is estimated based on the capital cost of the different contributive assets. In calculating the customer-related fair value, in addition to the future cash flows, the ARPU estimates and the customer churning rates have also been taken into account. These intangible assets will be amortized over the estimated customer retention, which varied from 7 to 13 years, depending on the customer segment.
- (ii) The fair value of the mobile operations licenses in Portugal has been determined based on the Market Approach, using the analysis of different band auctions comparable to the auctions in which PT participated, in terms of (a) bandwidth, (b) geography (Western Europe), and (c) valuation date. The fair value was calculated as the average price per MHz of the selected auctions. These licenses are being amortized through their terminated dates.
- (iii) The fair value of property, plant and equipment was determined based on a Cost approach by applying the , Cost Replacement Cost. The New Replacement Cost was estimated by using cost indices, per year, which were applied to the historic costs of the property, plant and equipment items. Subsequently, depletion, obsolescence, and other forms of amortization that affect the assets, taking into consideration useful life estimates and the residual value of several asset classes.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The table below shows the total acquisition price, and the goodwill arising on the acquisition of PT Portugal's assets and liabilities:

	(In millions of Brazilian reais - R\$)
Capital instruments issued	5,710
Fair value of the stake previously held by the Company in PT	571
Non-controlling interests	1,478
Less: fair value of assets acquired and liabilities assumed	(2,816)
Goodwill determined on May 5, 2014 Mai 2014	10,575

In business combinations it is common to exist a portion of the acquisition price that is not possible to attribute in accounting terms to the fair value of assets acquired and liabilities assumed, which are therefore recognized as goodwill. In the case of the acquisition of PT Portugal, goodwill is related to several components that cannot be individually reliably quantified and separated from each other, including skilled labor, technologic capacities, and established market reputation.

The change in goodwill as compared to the balance at September 30, 2014 arises from the foreign exchange differences determined from the acquisition date through the end of the reporting period, which are recognized directly as other comprehensive income.

The Company is still in the measurement period of the identifiable assets and liabilities referred to above, which have been determined and allocated based on the information available at the time and which could be revised within one year after the acquisition date based on new information obtained by Management. As at September 30, 2014, the Company revised the recognition and the measurement of the identifiable assets and liabilities at the date of acquisition on May 5, 2014. Based on the additional material information resulting from the non-settlement of the commercial papers by Rio Forte Investments, S.A., as described in further detail in Note 26 (Other Information), and based on the exception rules on the recognition and measurement of a business combination (paragraph 27 of CPC 15/IFRS 3), the Company recognized on the same date the write-off of all these papers totaling R\$2,763 million and the recognition in line item Other assets of a right to compensation receivable from the underwriting shareholder, measured on the same bases as the Rio Forte commercial papers. Management, based on the opinion of its legal counsel, believes that there is no need to set up an allowance for doubtful accounts as at September 30, 2014.

Risks related to the stake held in Unitel

As a result of Oi's capital increase, in the context of the transaction that resulted in the business combination between the Company and PT ("Transaction"), the Company became the holder of all PT Portugal shares, which were contributed by Portugal Telecom the Company's capital.

PT Portugal holds an indirect 18.75% stake in Unitel S.A. ("Unitel"), a provider of mobile telecommunications services in Angola, through its subsidiary Africatel Holdings B.V. ("Africatel"), in which it holds a 75% stake. In turn, PT Ventures, a wholly-owned subsidiary of Africatel, holds a 25% in Unitel.

The risks described below are related to our stake in Unitel.

The amount for which the Company recognized its indirect investment in Unitel represents the largest portion of the acquisition price of PT Portugal. Any adverse impact resulting in

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

the impairment of this investment will have a material adverse impact on our business and financial position.

The Valuation Report indicated that the fair value of PT Portugal was R\$27,339 million, which less PT Portugal's debt and other liabilities, amounting to R\$21,629, results in a fair value of R\$5,710 million.

The Company recognized the fair value of the 18.75% indirect investment in Unitel at approximately R\$3 billion, which represents most of the value of the shares subscribed by PT in the Company's capital increase, determined according to the Valuation Report. Subsequently, the carrying amount of the Company's indirect investment in Unitel will be measured at fair value and tested for impairment, when events or changes in circumstances indicate that the value of our indirect investment in Unitel could be lower. Any loss in the indirect investment in Unitel could have a material adverse impact on our business, financial position, and operating profits.

The Company cannot assure when PT Ventures will obtain the amounts related to dividends declared and not paid by Unitel, or when it will be able to obtain dividends that could be declared by Unitel for 2013 or in the following fiscal years.

Since November 2012 PT Ventures has not received any payments from Unitel related to the amounts due by the latter as dividends declared by Unitel for 2012, 2011 and 2010. Unitel declared dividends totaling US\$190.0 million (R\$467 million at September 30, 2014) for FY 2012, US\$190.0 million (R\$467 million at September 30, 2014) for FY 2011, and US\$157.5 million (R\$387 million at September 30, 2014) for FY 2010. To date, PT Ventures has not received US\$93.8 million (R\$231 million at September 30, 2014) from total dividends declared by Unitel for FY 2010 and has not received any amount related to the dividends declared by Unitel for FY 2011 and FY 2012.

On March 25, 2014, Unitel issued a declaration alleging that PT Ventures is not listed in the shareholders' registry of Unitel and that Unitel's Board of Directors notified PT about the existence of an irregularity, which according to Unitel resulted in the inability to distribute dividends to PT Ventures until such irregularity is resolved. Unitel declared that no dividends will be paid until the issues are resolved. In June 2014, PT Ventures (new name of Portugal Telecom International) resolved the alleged irregularity with the Foreign Investment Institute, through the endorsement in the Foreign Investment Certificate of its new name, and our subsidiary PT Ventures informed us that it is the sole entity to hold Unitel shares since the date of the original investment in December 2000. In addition, our subsidiary PT Ventures informed us that its indirect stake in Unitel is registered in Unitel's books as held by PT Ventures and that PT Ventures used to regularly receive dividends, despite the registration of the incurred corporate since the change of its name in December 2002.

PT Ventures requested an explanation from Unitel in several occasions about its inability to paid PT Ventures its share of the declared dividends. To date PT Ventures has not received any dividends due by Unitel at December 31, 2013.

At the time the Company cannot assure that these dividends will be paid or that it will be able to receive the dividends that might be declared by Unitel in the following fiscal years, and not receiving these dividends could have a material adverse impact on the fair value of Unitel.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Other Unitel shareholders alleged that the sale by PT of its non-controlling interest in Africatel breaches Unitel's shareholders' agreement.

Unitel's shareholders' agreement prescribes that the other Unitel shareholders have a preemptive right if any shareholder wishes to transfer any or all Unitel shares, except for transfers to certain associates. This agreement also prescribes that the violation of any material obligation by any shareholder allows the other shareholders to buy the former shareholder's stake in Unitel at its net carrying amount. Unitel's shareholders' agreement also prescribes that dispute or controversy about the terms of the shareholders' agreement shall be resolved by arbitration, in Paris, under the International Chamber of Commerce rules.

The other Unitel shareholders have been telling PT Ventures that they believe that the sale by PT of a non-controlling interest in Africatel breaches Unitel's shareholders' agreement. Oi's management, based on an assessment made by its outside legal counsel, is challenging this interpretation of the relevant provisions of Unitel's shareholders' agreement.

Currently and to our best knowledge, no legal or arbitral proceeding has been initiated with regard to the sale of a non-controlling interest in Africatel by PT. Should the other Unitel shareholders challenge this sale in a competent body and if a binding decision is made in favor of the other Unitel shareholders, Oi will be forced to sell its stake in Unitel for a price significantly lower than the amount recognized by the Company in its financial statements as indirect investment in Unitel. The sale of PT Ventures' stake in Unitel, in these circumstances, could have an adverse impact on our financial position and results of operations.

Other Unitel shareholders alleged that as a result of PT's inability to offer its indirect stake in Unitel to such shareholders before the transfer of PT Portugal to Oi, these shareholders would have the right to acquire the Unitel shares held by PT Ventures at the net value of its assets.

Unitel's shareholders' agreement prescribes that the other Unitel shareholders have a preemptive right if any shareholder wishes to transfer any or all Unitel shares, except for transfers to certain associates. This agreement also prescribes that the violation of any material obligation by any shareholder allows the other shareholders to buy the former shareholder's stake in Unitel at its net carrying amount.

On March 25, 2014, Unitel issued a notice informing the market that its shareholders would have a preemptive right in case of the sale of PT's indirect stake in Unitel. Additionally, PT informed the company that it received correspondence where the other Unitel shareholders state that the assignment of assets by PT, including PT's indirect stake in Unitel, as part of the Offering, trigger such rights. The Company's and our subsidiary PT Ventures' management, based on an assessment made by its outside legal counsel, is challenging this interpretation of the relevant provisions of Unitel's shareholders' agreement and believe that such provisions apply only to a direct transfer of Unitel shares by PT Ventures. Should the other Unitel shareholders insist that this failure to offer PT's indirect stake in Unitel to the other shareholders would result in a breach of Unitel's shareholders' agreement and challenge this sale in an appropriate court and a binding decision be made in favor of the other Unitel shareholders, we will be forced to sell our indirect stake in Unitel at book value, which is significantly lower than the amount recognized by the Company in its financial statements as indirect investment in Unitel. The sale of PT Ventures' stake in Unitel, in these circumstances, could have a material adverse impact on our financial position and results of operations.

Currently and to the best of our knowledge, no legal or arbitral proceeding have been initiated with regard to the contribution of PT's indirect stake in Unitel in the context of the Company's capital increase.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The other Unitel shareholders have been preventing PT Ventures to exercise its right to appoint the Unitel's CEO and the majority of members of its Board of Directors.

Under Unitel's shareholders agreement, PT Ventures has the right to appoint three of the five members of Unitel's Board of Directors, and Unitel's CEO. Under Unitel's shareholders agreement, the appointment of the CEO is subject to the approval 75% of Unitel shareholders. However, the other Unitel shareholders did not vote for the members of the Board of Directors appointed by PT Ventures at Unitel's Shareholders' Meetings and, as a result, PT Ventures' representation in Unitel's Board of Directors has been reduced to a single director since June 2006, and Unitel's CEO is not PT Ventures' appointee since June 2006. Even in case of a change of the sole director appointed by PT Ventures, it is not clear to PT Ventures that the other Unitel shareholders will appoint him or her as provided for in Unitel's shareholders' agreement.

Unitel granted loans to a related party without PT Ventures' approval

Under Unitel's shareholders agreement, Unitel is not authorized to enter into any agreements with its shareholders or any of its associates unless such an agreement is approved by at least four members of its Board of Directors. As a result of PT Ventures' inability to approve the appointment of its two other members to Unitel's Board of Directors, PT Ventures is prevented from effectively exercising its implicit right to veto transactions with related parties.

From May to October 6, 2012, Unitel disbursed to Unitel International Holdings BV €178.9 million (R\$577 million) and US\$35.0 million (R\$82 million) under a "Loan Agreement" entered into with Unitel and Unitel International Holdings BV, a PT Portugal competitor in Cape Verde and São Tomé e Príncipe, and which is controlled by Ms. Isabel dos Santos, an indirect shareholder of Unitel, and according to public information disclosed by ZON Optimus, one of the shareholders of ZOPT, SGPS, SA (which holds the majority of the voting and total capital of ZON Optimus), one of PT Portugal's main competitors. Our subsidiary PT Ventures informed that its representative in Unitel's Board of Directors voted against these Unitel transactions and that PT Ventures abstained when the Unitel's consolidated financial statements that included these transactions were approved at Unitel's shareholders' meeting.

According to information from PT Ventures, Unitel made additional loans to related parties during 2013. Any failure of Unitel International Holdings BV to make payments under the Loan Agreement could have a material adverse impact on Unitel's financial position and results of operations.

Additionally, our subsidiary informed us that Unitel recognized the payment of a management fee of US\$155.7 million in 2013 to a third party in the unaudited financial statements, prepared in accordance with Angolan accounting policies.

We cannot assure that we will be able to successfully appoint additional members to Unitel's Board of Directors and, therefore, prevent Unitel from taking actions that require the approval of Unitel's Board members appointed by PT Ventures and, consequently, prevent the approval of related-party transactions with the other shareholders that PT Ventures believes could be damaging to Unitel's financial position and results of operations. This type of use of Unitel resources could have a material adverse impact on the value of the investment in Unitel's and our financial position and results of operations.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Unitel's concession to operate in Angola has expired and has not yet been renewed.

Unitel's concession to provide mobile telecommunications services in Angola expired in April 2012. We are not in a position to provide any assurance about under which terms Instituto Nacional de Telecomunicações (Angolan Communications Institute) will grant the renewal of this concession. The non-renewal of this concession could have a material adverse impact on Unitel's ability to continue to provide mobile telecommunications services in Angola, which could have a material adverse impact on our financial position and results of operations.

Africatel's non-controlling shareholder stated that the business combination triggered the right to force the Company to acquire Africatel shares under the shareholders' agreement. If the Company is forced to acquire this stake in Africatel, we will use resources that could be used for any other purpose, e.g., to reduce our debt or make investments in PT Portugal's business plan after the completion of the Corporate Transaction. If such acquisition were financed by additional debt, this would have a material adverse on the combined consolidated leverage after the Company's business combination.

PT Portugal indirectly holds, through Africatel GmbH & Co. KG ("Africatel GmbH"), an indirect subsidiary of Oi, and direct holder of Oi's 75% stake in Africatel, 75% of Africatel's capital, and Samba Luxco S.à.r.l ("Samba Luxco"), a Helios Investors LP affiliate, holds the remaining 25% in Africatel. Africatel holds PT Portugal's stake in telecommunications companies operating in Sub-Saharan Africa, including, but not limited to, its stakes in Unitel, Cabo Verde Telecom, SA in Cape Verde, MTC - Telecomunicações Limited in Namibia, and CST Companhia Santomense de Telecomunicações S.A.R.L. in São Tomé e Príncipe. Africatel GmbH and Samba Luxco are parties to a shareholders' agreement under which PT Portugal holds the ownership and controlling management of Africatel ("Africatel Shareholders' Agreement").

On September 16, 2014, Africatel GmbH and PT received a letter from Samba Luxco where Samba Luxco exercises an alleged right to sell the shares it holds in Africatel (put option), pursuant to Africatel's shareholders' agreement. According to this letter, this put option results from the indirect transfer of Africatel shares, previously held by PT, to Company as the payment for the capital increase made in the context of the Transaction.

In response, on September 26, 2014 Africatel GmbH stated to Samba Luxco that there had not been any action or event that, under Africatel's shareholders' agreement terms, would trigger the right to exercise the put option and informed that Africatel GmbH intended to challenge the exercise of the put option by Samba Luxco under the current circumstances, which under Africatel's shareholders' agreement, it could lead to an arbitration proceeding for the future resolution of this issue. On the same date, Oi disclosed a Material Fact notice about Samba Luxco's intentions, the understanding that the exercise of the put option is not applicable, that Oi's Board of Directors had decided to authorize Oi's management to take the necessary actions to sell Oi's stakes in Africatel.

Africatel GmbH and Samba Luxco have already held meetings where Samba Luxco indicated that it is willing to explore alternatives to obtain liquidity from its investment in Africatel. If the Company acquires Samba Luxco's stake in Africatel after the Transaction, voluntarily or as a result of the exercise of Samba Luxco's right to sell, under the Africatel shareholders' agreement, this acquisition would reduce our financial resources. If such acquisition were financed by additional debt, this would have a material adverse on the combined consolidated leverage after the Company's business combination.

Merger of TNL PCS S.A. (“TNL PCS”) with and into Oi Móvel

In February 2014 TNL PCS (mobile telephony operator in Regions I and III) was merged with and into Oi Móvel (mobile telephony operator in Region II). As a result of the merger, Oi Móvel became the Company’s sole operator to provide mobile telephony services in Brazil.

The merger was undertaken at historical carrying amounts of the involved entities as it consisted of a transaction between entities under common control.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting basis

The Company’s quarterly information has been prepared for the quarter ended September 30, 2014 and in accordance with IAS 34 and CPC 21 (R1) issued by the Accounting Pronouncements Committee (CPC), which address interim financial reporting.

CPC 21 (R1)/IAS 34 requires that management use certain accounting estimates. The quarterly information has been prepared based on the historical cost, except for certain financial assets and financial liabilities measured at their fair values.

This quarterly information do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the accounting practices adopted in Brazil. There were no changes in the accounting policies adopted in the period ended September 30, 2014 as compared to those applicable in the year ended December 31, 2013, and there are no significant differences in the accounting policies adopted by PT Portugal as compared to those adopted by the Company.

For the purpose of improving its financial reporting, the Company made the following changes in its financial statements: (i) presentation of the Statement of Cash Flows by the direct method, under which the main classes of gross cash receipts and gross payments are disclosed; (ii) presentation of the business segments divided into two operating segments, Telecommunications in Brazil and Telecommunications in Portugal; (iii) presentation of a single note of profit or loss by nature; and (iv) presentation of employees and officers profit sharing expenses in line item personnel expenses. In order to ensure the comparability with current year, some 2013 figures have been restated or reclassified.

Functional and presentation currency

The Company and its subsidiaries operate mainly as telecommunications industry operators in Brazil and Portugal, and engage in activities typical of this industry. The items included in the financial statements of each group company are measured using the currency of the main economic environment where it operates (“functional currency”). The individual and consolidated financial statements are presented in Brazilian reais (R\$), which is the Company’s functional and presentation currency.

To define its functional currency, management considered the currency that influences:

- the sales prices of its goods and services;
- the costs of services and sales;
- the cash flows arising from receipts from customers and payments to suppliers;

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

- interest, investments and financing.

Transactions and balances

Foreign currency-denominated transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses arising on the settlement of the transaction and the translation at the exchange rates prevailing at yearend, related foreign currency-denominated monetary assets and liabilities are recognized in the income statement, except when qualified as hedge accounting and, therefore, deferred in equity as cash flow hedges and net investment hedges.

Group companies with a different functional currency

The profit or loss and the financial position of all Group entities, none of which uses a currency from a hyperinflationary economy, whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the rate prevailing at the end of the reporting period;
- revenue and expenses disclosed in the income statement are translated using the average exchange rate;
- All resulting foreign exchange differences are recognized as a separate component of equity, in line item 'Valuation adjustments to equity';
- The exchange differences arising on translating the net investment in foreign operations and loans and other foreign currency instruments designated as hedges of these investments are recognized in equity. When a foreign transaction is partially disposed of or sold, the foreign exchange differences previously recognized in equity are recognized in the income statement as part of the gain or loss from the sale; and
- goodwill and fair value adjustments, arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

As at September 30, 2014, the balance sheets of the subsidiaries expressed in euro were translated at the exchange rate prevailing at the balance sheet date of €1.00=R\$3.095, and the income statements and statements of cash flows of the same companies were translated at the exchange rate €1.00=R\$3.025.

(b) Critical estimates and accounting judgments

In preparing the quarterly information, the Company's management uses estimates and assumptions based on historical experience and other factors, including expected future events, which are considered reasonable and relevant. The use of estimates and assumptions frequently requires judgments related to matters that are uncertain with respect to the outcomes of transactions and the amount of assets and liabilities. Actual results of operations and the financial position may differ from these estimates. The estimates that represent a significant risk of causing material adjustments to the carrying amounts of assets and liabilities were disclosed in the Company's financial annual statements referred to above. In the period ended September

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

30, 2014, there was no material change in the accounting estimates adopted by the Company and its subsidiaries.

The consolidated financial statements are presented in Brazilian reais, which is the functional currency of Oi and a significant portion of the Group's operations. The financial statements of investees presented in a foreign currency have been translated into Brazilian reais using the exchange rates prevailing at the end of the reporting period to translated assets and liabilities, the average exchange rates for the period to translate the income statement and the statement of cash flows, and the historic exchange rates to translate capital line items.

3. FINANCIAL INSTRUMENTS AND RISK ANALYSIS

3.1. Overview

The table below summarizes our financial assets and financial liabilities carried at fair value at September 30, 2014 and December 31, 2013.

	Accounting measurement	Company		Consolidated	
		09/30/2014			
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash equivalents	Fair value	668,415	668,415	2,805,497	2,805,497
Cash investments	Fair value	90,616	90,616	450,926	450,926
Accounts receivable (i)	Amortized cost	1,788,168	1,788,168	9,238,320	9,238,320
Derivative financial instruments	Fair value	1,726,563	1,726,563	2,450,809	2,450,809
Dividends and interest on capital receivable	Amortized cost	326,632	326,632		
Due from related parties	Amortized cost	3,076,623	3,076,623		
Liabilities					
Trade payables (i)	Amortized cost	1,438,326	1,438,326	6,339,312	6,339,312
Borrowings and financing					
Borrowings and financing (ii)	Amortized cost	14,929,192	14,867,281	30,794,796	30,549,787
Debentures	Amortized cost	8,524,450	8,548,406	7,679,299	7,679,299
Liabilities	Amortized cost			15,051,539	16,479,375
Derivative financial instruments	Fair value	408,073	408,073	529,413	529,413
Dividends and interest on capital	Amortized cost	182,032	182,032	185,680	185,680
Licenses and concessions payable (iii)	Amortized cost	29,974	29,974	1,327,090	1,327,090
Tax refinancing program (iii)	Amortized cost	978,249	978,249	1,541,600	1,541,600
Other liabilities (Payable for the acquisition of equity interest) (iii)	Amortized cost	429,735	429,735	429,735	429,735

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Accounting measurement	Company		Consolidated	
		12/31/2013			
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash equivalents	Fair value	418,699	418,699	2,118,646	2,118,646
Cash investments	Fair value	47,995	47,995	591,639	591,639
Accounts receivable (i)	Amortized cost	1,844,012	1,844,012	7,096,679	7,096,679
Derivative financial instruments	Fair value	1,356,071	1,356,071	2,073,179	2,073,179
Dividends and interest on capital receivable	Amortized cost	673,508	673,508		
Due from related parties	Amortized cost	228,269	228,269		
Other receivables	Amortized cost	1,775,691	1,775,691	1,775,691	1,775,691
Available-for-sale financial asset (iv)	Fair value			914,216	914,216
Liabilities					
Trade payables (i)	Amortized cost	1,659,794	1,659,794	4,732,174	4,732,174
Borrowings and financing					
Borrowings and financing (ii)	Amortized cost	13,418,258	13,043,219	26,478,941	26,103,901
Debentures	Amortized cost	10,393,168	10,396,157	9,374,685	9,303,058
Derivative financial instruments	Fair value	403,056	403,056	566,651	566,651
Dividends and interest on capital	Amortized cost	220,168	220,168	230,721	230,721
Licenses and concessions payable (iii)	Amortized cost			1,484,407	1,484,407
Tax refinancing program (iii)	Amortized cost	569,901	569,901	1,120,304	1,120,304
Other liabilities (Payable for the acquisition of equity interest) (iii)	Amortized cost	418,069	418,069	418,069	418,069

(i) The balances of trade receivables and trade payables have near terms and, therefore, they are not adjusted to fair value.

(ii) A significant portion of this balance consists of loans and financing granted by the BNDES, export credit agencies, and other related parties, which correspond to exclusive markets and, therefore, their fair values is similar to their carrying amounts.

(iii) There is no market for licenses and concessions payable, the tax refinancing program, and other obligations (payable for the acquisition of equity interest); therefore, they are not adjusted to fair value.

(iv) As a result of the Company's capital increase subscribed by Portugal Telecom with PT Portugal assets, of the amount recognized at April 30 2014, R\$570,990 was reclassified as PT Portugal's investment amount and R\$263,028 was reclassified to treasury shares, since subsequently to the Company's capital increase a Portugal Telecom maintained only the investment in Oi.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

3.2. Fair value of financial instruments

The Company and its subsidiaries have measured their financial assets and financial liabilities at their market or actual realizable values (fair value) using available market inputs and valuation techniques appropriate for each situation. The interpretation of market inputs for the selection of such techniques requires considerable judgment and the preparation of estimates to obtain an amount considered appropriate for each situation. Accordingly, the estimates presented may not necessarily be indicative of the amounts that could be obtained in an active market. The use of different assumptions for the calculation of the fair value may have a material impact on the amounts obtained.

(a) Derivative financial instruments

The method used for calculation of the fair value of derivative financial instruments was the future cash flows associated to each instrument contracted, discounted at market rates prevailing at September 30, 2014.

(b) Non-derivative financial instruments measured at fair value

The fair value of securities traded in active markets is equivalent to the amount of the last closing quotation available at the end of the reporting period, multiplied by the number of outstanding securities.

For the remaining contracts, the Company carries out an analysis comparing the current contractual terms and conditions with the terms and conditions effective for the contract when they were originated. When terms and conditions are dissimilar, fair value is calculated by discounting future cash flows at the market rates prevailing at the end of the period, and when similar, fair value is similar to the carrying amount on the reporting date.

(c) Fair value measurement hierarchy

CPC 46/IFRS 13 defines fair value as the price for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction on measurement date. The standard clarifies that the fair value must be based on the assumptions that market participants would consider in pricing an asset or a liability, and establishes a hierarchy that prioritizes the information used to build such assumptions. The fair value measurement hierarchy attaches more importance to available market inputs (i.e., observable data) and a less weight to inputs based on data without transparency (i.e., unobservable data). Additionally, the standard requires that an entity consider all nonperformance risk aspects, including the entity's credit, when measuring the fair value of a liability.

CPC 40/IFRS 7 establishes a three-level hierarchy to measure and disclose fair value. The classification of an instrument in the fair value measurement hierarchy is based on the lowest level of input significant for its measurement. We present below a description of the three-level hierarchy:

Level 1—inputs consist of prices quoted (unadjusted) in active markets for identical assets or liabilities to which the entity has access on measurement date;

Level 2—inputs are different from prices quoted in active markets used in Level 1 and consist of directly or indirectly observable inputs for the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability or

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

that can support the observed market inputs by correlation or otherwise for substantially the entire asset or liability.

Level 3—inputs used to measure an asset or liability are not based on observable market variables. These inputs represent management’s best estimates and are generally measured using pricing models, discounted cash flows, or similar methodologies that require significant judgment or estimate.

There were no transfers between levels and/or allocations to Level 3 between September 30, 2014 and December 31, 2013.

	Fair value measurement hierarchy	COMPANY		CONSOLIDATED	
		Fair value	Fair value	Fair value	Fair value
		09/30/2014	12/31/2013	09/30/2014	12/31/2013
Assets					
Cash equivalents	Level 2	668,415	418,699	2,805,497	2,118,646
Cash investments	Level 2	90,616	47,995	450,926	591,639
Derivative instruments	Level 2	1,726,563	1,356,071	2,450,809	2,073,179
Available-for-sale financial asset	Level 1				914,216
Liabilities					
Derivative instruments	Level 2	408,073	403,056	529,413	566,651

3.3. Measurement of financial assets and financial liabilities at amortized cost

We concluded that the discount to present value of financial assets and financial liabilities under the amortized cost method does not apply, based on the valuation made for this purpose, for the following main reasons:

- Accounts receivables: near-term maturity of bills.
- Trade payables, dividends and interests on capital: all obligations are due to be settled in the short term.
- Borrowings and financing: all transactions are adjusted for inflation based on contractual indices.
- Licenses and concessions payable, tax refinancing program and other payables (payables for the acquisition of equity interests): all obligations are adjusted for inflation based on the contractual indices.

3.4. Financial risk management

The Company’s and its subsidiaries’ activities expose them to several financial risks, such as: market risk (including currency fluctuation risk, interest rate risk on fair value, interest rate risk on cash flows, and price risk), credit risk, and liquidity risk. The Company and its subsidiaries use derivative financial instruments to protect them against certain exposures to these risks.

Risk management is carried out by the Company's treasury officer, in accordance with the policies approved by management.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The Hedging and Cash Investments Policies, approved by the Board of Directors, document the management of exposures to market risk factors generated by the financial transactions of the Oi Group companies.

Under the Hedging Policy, market risks are identified based on the features of financial transactions contracted and to be contracted during the year. Several scenarios are then simulated for each of the risk factors using statistical models, used as basis to measure the impacts the on Group's financial income (expenses). Based on this analysis, the Executive Committee annually agrees with the Board of Directors the Risk Guideline to be followed in each financial year. The Risk Guideline is equivalent to the worst expected impact of financial income (expenses) on the Group's net income, with 95% of level of confidence. To ensure a proper risk management, according to the Risk Guideline, the treasury can contract hedging instruments, including derivative transactions such as swaps and currency forwards. The Company and its subsidiaries do not use derivative financial instruments for other purposes.

With the approval of the Policies, a Financial Risk Management Committee that meets monthly was created, currently consisting of the CEO, the CFO, the Executive Planning Officer, the Development and New Business Management Officer, the Tax Officer, the General Controller, and the Treasury Officer, and the Internal Audit Officer as observer.

According to their nature, financial instruments may involve known or unknown risks, and it is important to assess to the best judgment the potential of these risks.

3.4.1. Market Risk

(a) Foreign exchange risk

Financial assets

Foreign currency-denominated cash equivalents and cash investments are basically maintained in securities issued by financial institutions abroad similar to Bank Certificates of Deposit (CDBs) traded in Brazil (time deposits), and euro-denominated time deposits.

The risk associated to these assets arises from the possible exchange rate fluctuations that may reduce the balance of these assets when translated into Brazilian reais. The Company's and its subsidiaries' assets subject to this risk represent approximately 29.53% (13.25% at December 31, 2013) of our total cash and cash equivalents and cash investments.

Net investment in foreign subsidiaries

The risks related to the Company's investments in foreign currency arise mainly from the investments in subsidiary PT Portugal and its subsidiaries. The Company does not have any contracted instrument to hedge against the risk associated to the net investments in foreign companies; however, the Company contracted non-deliverable forwards (NDFs) to hedge part of the euro-denominated debt of its foreign subsidiaries.

Financial liabilities

The Company and its subsidiaries have foreign currency-denominated or foreign currency-indexed borrowings and financing. The risk associated with these liabilities is related to the possibility of fluctuations in foreign exchange rates that could increase the balance of such liabilities. The Company's and subsidiaries' borrowings and financing exposed to this risk represent approximately 60.7% (41.1% at December 31, 2013) of total liabilities from borrowings and financing, less the currency hedging transactions contracted. In order to

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

minimize this type of risk, we enter into foreign exchange hedges with financial institutions. Out of the consolidated foreign currency-denominated debt, 55.9% (99.6% at December 31, 2013) is protected by exchange swaps, currency forwards, and cash investments in foreign currency. The unrealized gains or losses on hedging transactions are measured at fair value, as described in 3.2 (a) above.

These financial assets and liabilities are presented in the balance sheet as follows:

	COMPANY			
	09/30/2014		12/31/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash equivalents	34,157	34,157	37,297	37,297
Cash investments			869	869
Derivative instruments	1,723,049	1,723,049	1,349,991	1,349,991
Financial liabilities				
Borrowings and financing	7,280,368	7,280,368	6,753,088	6,753,088
Derivative instruments	286,698	286,698	231,166	231,166

	Consolidated			
	09/30/2014		12/31/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash equivalents	1,038,262	1,038,262	369,292	369,292
Cash investments	85,400	85,400	30,334	30,334
Available-for-sale financial asset			914,216	914,216
Derivative instruments	2,362,211	2,362,211	1,954,915	1,954,915
Financial liabilities				
Borrowings and financing	32,403,365	32,403,365	14,566,437	14,566,437
Derivative instruments	397,965	397,965	369,464	369,464

Derivative financial instruments are summarized as follows:

	Derivatives designated for hedge accounting		
	COMPANY		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	
Cross currency swap contracts US\$/R\$	4.5 - 7.3	723,299	435,184
Cross currency swap contracts US\$/fixed rate	6.0	472,857	420,215
EUR/R\$ non-deliverable forwards (NDFs)	< 1 year	41,705	

	Derivatives designated for hedge accounting		
	CONSOLIDATED		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	
Cross currency swap contracts US\$/R\$	0.8 - 7.7	1,244,800	865,664
Cross currency swap contracts US\$/fixed rate	6.0	472,858	420,215
EUR/R\$ non-deliverable forwards (NDFs)	< 1 year	41,705	

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Derivatives not designated for hedge accounting		
	COMPANY		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	
US\$/R\$ non-deliverable forwards (NDFs)	< 1 year	190,503	130,675
EUR/R\$ non-deliverable forwards (NDFs)	< 1 year	7,987	132,751

	Derivatives not designated for hedge accounting		
	CONSOLIDATED		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	
Cross currency swap contracts US\$/R\$	0.1 - 1.3	18,437	21,649
Cross currency swap contracts R\$/US\$	1.3	(29,058)	(31,969)
US\$/R\$ non-deliverable forwards (NDFs)	< 1 year	207,518	177,140
EUR/R\$ non-deliverable forwards (NDFs)	< 1 year	7,987	132,752

The main foreign currency hedge transactions contracted with financial institutions to minimize the foreign exchange risk are as follows:

Cross currency swap contracts (plain vanilla)

US\$/R\$: Refer to foreign exchange swaps to protect its US dollar-denominated debt payments. Under these contracts, the asset position is in US dollars plus a fixed interest rate or in US LIBOR plus a fixed interest rate, and the liability position a percentage of interbank deposit rate (CDI) or a fixed rate in real. The main risk of loss in the asset position of these instruments is the US dollar exchange rate fluctuation; however, such losses would be fully offset by the US dollar-denominated debt's maturities.

R\$/US\$: Refer to foreign exchange swaps to reverse swap contracts. Under these contracts, the asset position is in US dollar plus a fixed rate and the liability position is a percentage of CDI. The main risk of loss in the liability position of these instruments is the US dollar exchange rate fluctuation; however, such possible losses would be fully offset by the maturities of the reversed US dollar-denominated swaps.

Non-deliverable forwards (NDFs)

US\$/R\$: Refer to future US dollar sales transactions using NDFs to protect against a depreciation of the Brazilian real in relation to the US dollar. The main strategy for these contracts is to set the foreign exchange rate for the contract period at a fixed amount, thus mitigating the risk of adverse fluctuations on US dollar-denominated debt. In order to extend the hedging period, we can roll over these instruments by selling US dollars for the period equivalent to the short-term NDF in the portfolio and simultaneously purchase US dollars for longer positions.

Euro/R\$: Refer to future Euro dollar sales transactions using NDFs to protect against a depreciation of the Brazilian real in relation to the US dollar. The main strategy for these contracts is to set the foreign exchange rate for the contract period at a fixed amount, thus mitigating the risk of adverse fluctuations on Euro-denominated debt. In order to extend the hedging period, we can roll over these instruments by selling Euro for the period equivalent to the short-term NDF in the portfolio and simultaneously purchase Euro for longer positions.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

As at September 30, 2014 and 2013, the amounts shown below were recorded as gain or loss on derivative financial instruments (see Note 6):

	Three-month periods ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gain/(loss) on currency swaps	559,109	66,727	799,631	53,811
Currency forwards	222,796	(124,508)	241,614	(160,216)
Total	781,905	(57,781)	1,041,245	(106,405)

	Nine-month periods ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gain/(loss) on currency swaps	60,782	164,263	56,415	341,528
Currency forwards	(319,870)	271,925	(396,888)	226,273
Total	(259,088)	436,188	(340,473)	567,801

We recognized the changes in other comprehensive income the changes below, referring to foreign currency hedges designated for hedge accounting treatment:

Table of changes in hedge accounting effects in other comprehensive income		
	COMPANY	CONSOLIDATED
Balance at Dec 31, 2013	57,474	57,474
Gain on designated hedges	96,782	111,420
Transfer on ineffective portion to profit or loss	10,924	10,244
Amortization of hedges to profit or loss at the effective rate	6,092	6,728
Deferred taxes on hedge accounting	(38,692)	(43,654)
Share of subsidiary's hedge accounting	9,632	
Balance at Sep 30, 2014	142,212	142,212

(a.1) Foreign exchange risk sensitivity analysis

As at September 30, 2014, management estimated the depreciation scenarios of the Brazilian real in relation to other currencies, at the end of the reporting period. The rates used for the probable scenario were the rates prevailing at the end of September 2014. The probable rates were then depreciated by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

Description	Rate	
	09/30/2014	Depreciation
<i>Probable scenario</i>		
US dollar	2.45100	0%
Euro	3.09540	0%
<i>Possible scenario</i>		
US dollar	3.06375	25%
Euro	3.86925	25%
<i>Remote scenario</i>		
US dollar	3.67650	50%
Euro	4.64310	50%

As at September 30, 2014, management estimated the outflow for the payment of interest and principal of its debt pegged to exchange rates based on the interest rates prevailing at the end of this reporting period and the exchange rates above.

The impacts of foreign exchange exposure, in the sensitivity scenarios estimated by the Company, are shown in the table below:

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

COMPANY				
09/30/2014				
Description	Individual risk	Probable scenario	Possible scenario	Remote scenario
US dollar debt	Dollar	5,090,719	6,363,399	7,636,079
Derivative instruments (net position - US\$)	Dollar	(8,754,391)	(10,942,989)	(13,131,587)
US dollar cash	Dollar	(34,157)	(42,696)	(51,236)
Euro debt	Euro	2,429,198	3,036,498	3,643,797
Derivative financial instruments (net position - euro)	Euro	(5,249,622)	(6,562,028)	(7,874,433)
Total pegged to exchange rate		(6,518,253)	(8,147,816)	(9,777,380)

CONSOLIDATED				
09/30/2014				
Description	Individual risk	Probable scenario	Possible scenario	Remote scenario
US dollar debt	Dollar	12,030,438	15,038,048	18,045,657
Derivative instruments (net position - US\$)	Dollar	(11,959,304)	(14,949,130)	(17,938,956)
US dollar cash	Dollar	(293,559)	(366,949)	(440,339)
Euro debt	Euro	20,739,394	25,924,243	31,109,091
Derivative financial instruments (net position - euro)	Euro	(5,249,622)	(6,562,028)	(7,874,433)
Euro cash	Euro	(907,981)	(1,134,976)	(1,361,972)
Total pegged to exchange rate		14,359,366	17,949,208	21,539,048

(b) Interest rate risk

Financial assets

Cash equivalents and cash investments in local currency are substantially maintained in financial investment funds exclusively managed for the Company and its subsidiaries, and investments in private securities issued by prime financial institutions.

The interest rate risk linked to these assets arises from the possibility of decreases in these rates and consequent decrease in the return on these assets.

Financial liabilities

The Company and its subsidiaries have borrowings and financing subject to floating interest rates, based on the Long-term Interest Rate (TJLP) or the CDI, in the case of real-denominated debt, and on the LIBOR, in the case of U.S. dollar-denominated debt, and EURIBOR in the case of euro-denominated debt.

As at September 30, 2014, approximately 43.6% (63.2% at December 31, 2013) of the incurred debt, less adjustment for derivative transactions, was subject to floating interest rates. After the derivative transactions, approximately 51.9% (76.0% at December 31, 2013) of the consolidated debt was subject to floating interest rates. The most material exposure of Company's and its subsidiaries' debt after the hedging transactions is to CDI. Therefore, a continued increase in this interest rate would have an adverse impact on future interest payments and hedging adjustments. However, as the Company's and its subsidiaries' cash is invested mainly in securities pegged to the CDI fluctuation, the net exposure to CDI of current liabilities does not constitute a material risk for the Company and its subsidiaries.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

We continuously monitor these market rates to assess the possible contracting of instruments to hedge against the risk of fluctuation of these rates.

These assets and liabilities are presented in the balance sheet as follows:

	COMPANY			
	09/30/2014		12/31/2013	
	Carrying amount	Market value	Carrying amount	Market value
Financial assets				
Cash equivalents	634,258	634,258	381,402	381,402
Cash investments	90,616	90,616	47,126	47,126
Due from related parties	3,076,623	3,076,623	228,269	228,269
Derivative instruments	3,514	3,514	6,080	6,080
Financial liabilities				
Borrowings and financing	12,251,380	12,251,380	13,070,601	13,070,601
Derivative instruments	121,375	121,375	171,890	171,890

	CONSOLIDATED			
	09/30/2014		12/31/2013	
	Carrying amount	Market value	Carrying amount	Market value
Financial assets				
Cash equivalents	2,856,909	2,856,909	1,749,354	1,749,354
Cash investments	365,526	365,526	561,305	561,305
Derivative instruments	88,598	88,598	118,264	118,264
Financial liabilities				
Borrowings and financing	19,465,049	19,465,049	19,115,168	19,115,168
Derivative instruments	131,448	131,448	197,187	197,187

The amounts of contracted derivatives to hedge against floating interest rates on outstanding debt are summarized below:

	Derivatives designated for hedge accounting		
	COMPANY		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	
Fixed rate/DI swaps	6.0	(32,848)	(53,625)

	Derivatives designated for hedge accounting		
	CONSOLIDATED		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	
Fixed rate/DI swaps	6.0	(32,848)	(53,625)
US\$ LIBOR/US\$ fixed rate swaps	0.8	(1,254)	(4,066)

	Derivatives not designated for hedge accounting		
	COMPANY		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	
US\$ LIBOR/US\$ fixed rate swaps	7.3	(85,013)	(112,185)

	Derivatives not designated for hedge accounting		
	CONSOLIDATED		
	Maturity (years)	Fair value	
		Amounts (payable)/receivable	
	09/30/2014	12/31/2013	

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

US\$ LIBOR/US\$ fixed rate swaps	1.3 - 7.3	(93,761)	(133,417)
US\$ fixed rate/US\$ LIBOR swaps	7.3	85,013	112,185

The main hedging transactions contracted with financial institutions to minimize the interest rate risk are as follows:

Interest rate swaps

US\$ LIBOR/US\$ fixed rate: Refer to interest rate swaps to protect debt payments pegged to US dollar floating rates from exchange fluctuation. Under these contracts, the asset position in US dollar LIBOR and the liability position is a fixed rate. The risk of loss in the asset position of these instruments is, therefore, the fluctuation of the US dollar LIBOR; however, such possible losses would be fully offset by maturities of US dollar-denominated debt pegged to LIBOR.

US\$ fixed rate/US\$ LIBOR: Refers to the interest rate swap transaction that changes US dollar-denominated debt payments from fixed rate to floating rate. Under this contract, the asset position is a US dollar fixed rate and a LIBOR liability position to reduce the cost of the backing debt, as part of the Company's onerous liability management strategy.

R\$ fixed rate/CDI: Refer to interest rate swaps to convert a foreign exchange swap liability position at a fixed rate into R\$ to a liability subject to a DI percentage. This transaction is intended to swap the exchange peg of a certain dollar-denominated debt to a floating DI position, cancelling the debt's current fixed rate position.

As at September 30, 2014 and 2013, the amounts shown below were recorded as gain or loss on derivative financial instruments (see Note 6):

	Three-month periods ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gain (loss) on interest rate swap	(23,636)	25,170	(45,646)	93,646
Total	(23,636)	25,170	(45,646)	93,646
	Nine-month periods ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gain (loss) on interest rate swap	(65,082)	(28,330)	(20,528)	63,431
Total	(65,082)	(28,330)	(20,528)	63,431

We recognized in other comprehensive income the changes below, referring to interest rate hedges designated for hedge accounting treatment:

Table of changes in hedge accounting effects in other comprehensive income		
	COMPANY	CONSOLIDATED
Balance at Dec 31, 2013	(56,624)	(56,624)
Gain on designated hedges	21,503	23,132
Transfer on ineffective portion to profit or loss	92	92
Amortization of hedges to profit or loss at the effective rate	3,368	2,358
Deferred taxes on hedge accounting	(8,487)	(8,697)
Share of subsidiary's hedge accounting	409	
Balance at Sep 30, 2014	(39,739)	(39,739)

(b.1) Interest rate fluctuation risk sensitivity analysis

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Management believes that the most significant risk related to interest rate fluctuations arises from its liabilities pegged to the TJLP, the USD LIBOR, EURIBOR, and mainly the CDI. This risk is associated to an increase in those rates.

As at September 30, 2014, management estimated the fluctuation scenarios of the rates CDI, TJLP, EURIBOR, and USD LIBOR. The rates used for the probable scenario were the rates prevailing at the end of the reporting period. These rates have been stressed by 25 and 50 percent, and used as benchmark for the possible and remote scenarios. Note that the TJLP has remained stable since January 2013 at 5.0% per year.

09/30/2014														
Interest rate scenarios														
Probable scenario					Possible scenario					Remote scenario				
CDI	TJLP	6M USD LIBOR	3M EURIBOR	6M EURIBOR	CDI	TJLP	6M USD LIBOR	3M EURIBOR	6M EURIBOR	CDI	TJLP	6M USD LIBOR	3M EURIBOR	6M EURIBOR
10.81	5.00	0.33040	0.08300	0.18300	13.51	6.25	0.41300	0.10375	0.22875	16.22	7.50	0.49560	0.12450	0.27450

As at September 30, 2014, management estimated the future outflows for the payment of interest and principal of its debt pegged to CDI, TJLP, EURIBOR, and US\$ LIBOR based on the interest rates above. The outflows for repayment of Oi Group related party debt were not considered.

Such sensitivity analysis considers payment outflows in future dates. Thus, the aggregate of the amounts for each scenario is not equivalent to the fair values, or even the present values of these liabilities. The fair values of these liabilities, should the Company's credit risk remain unchanged, would not be impacted in the event of fluctuations in interest rates, as the interest rates used to estimate future cash outflows would be the same rates that discount such flows to present value.

The impacts of exposure to interest rates, in the sensitivity scenarios estimated by the Company, are shown in the table below:

COMPANY				
09/30/2014				
Transaction	Individual risk	Probable scenario	Possible scenario	Remote scenario
CDI-indexed debt	CDI increase	2,497,301	3,015,957	3,530,705
Derivatives (net position - CDI)	CDI increase	3,325,640	4,102,447	4,870,380
TJLP-indexed debt	TJLP increase	268,622	299,794	319,447
US LIBOR-indexed debt	US LIBOR increase	22,542	23,453	24,362
Derivatives (net position - LIBOR)	Drop in US LIBOR	(924,513)	(945,943)	(967,374)
Total pegged to interest rates		5,189,592	6,495,708	7,777,520

CONSOLIDATED				
09/30/2014				
Transaction	Individual risk	Probable scenario	Possible scenario	Remote scenario
CDI-indexed debt	CDI increase	3,450,556	4,139,257	4,821,911
Derivatives (net position - CDI)	CDI increase	4,024,563	4,943,602	5,851,975
TJLP-indexed debt	TJLP increase	1,494,279	1,678,196	1,823,735
US LIBOR-indexed debt	US LIBOR increase	143,127	148,526	153,926
Derivatives (net position - LIBOR)	Drop in US LIBOR	(93,427)	(97,321)	(101,214)
EURIBOR debt	EURIBOR increase	19,121	19,497	19,873

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Total pegged to interest rates		9,038,219	10,831,757	12,570,206
--------------------------------	--	-----------	------------	------------

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

3.4.2. Credit risk

The concentration of credit risk associated to trade receivables is immaterial due to the diversification of the portfolio. Doubtful receivables are adequately covered by an allowance for doubtful accounts.

Transactions with financial institutions (cash investments and borrowings and financing) are made with prime entities, avoiding the concentration risk. The credit risk of financial investments is assessed by setting caps for investment in the counterparts, taking into consideration the ratings released by the main international risk rating agencies for each one of such counterparts. As at September 30, 2014, approximately 96.2% of the consolidated cash investments were made with counterparties with an AAA, AA or sovereign risk rating.

3.4.3. Liquidity risk

The liquidity risk also arises from the possibility of the Company being unable to discharge its liabilities on maturity dates and obtain cash due to market liquidity restrictions.

Management uses its resources mainly to fund capital expenditures incurred on the expansion and upgrading of the network, invest in new businesses, pay dividends, and refinance its debt.

Conditions are met with internally generated cash flows, short- and long-term debt, and third party financing. These sources of funds, coupled with the Company's solid financial position, will continue to ensure the compliance with established capital requirements.

The Oi Group has three revolving credit facilities that increases short-term liquidity and increases the cash management efficiency, and is consistent with its capital cost reduction strategic focus. The revolving credit facilities were contracted in March 2011, November 2011, and December 2012 with syndicates consisting of several global banks.

The following are the contractual maturities of the financial liabilities, including estimated interest payments, where applicable:

	COMPANY				
	Less than a year	One to three year	Four to five years	Over five years	Total
At September 30, 2014					
Borrowings and financing, and derivative instruments (i)	1,303,905	7,240,314	5,778,650	3,443,501	17,766,370
Debentures (i)	1,007,884	4,874,495	4,201,247	1,614,772	11,698,398
Trade payables (ii)	234,024				234,024
Licenses and concessions (iii)	29,974				29,974

	CONSOLIDATED				
	Less than a year	One to three year	Four to five years	Over five years	Total
At September 30, 2014					
Borrowings and financing, and derivative instruments (i)	7,253,387	20,718,208	9,361,833	17,628,318	54,961,746
Debentures (i)	1,007,884	4,890,036	4,247,598	1,631,619	11,777,137
Trade payables (ii)	1,659,971				1,659,971
Licenses and concessions (iii)	634,432	690,059	2,599		1,327,090

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The amounts disclosed in the tables take into account the contractual undiscounted payment outflow estimates, these amounts are not reconciled with the amounts disclosed in the balance sheet for borrowings and financing, derivative financial instruments, and trade payables.

- (i) Includes the future interest payment estimates, calculated based on the applicable interest rates and takes into account all the interest and principal payments that would be made on the contractual settlement dates;
- (ii) Consists of the estimated obligations for the purchase of fixed-line and mobile telephony equipment in Brazil with contractual obligations entered into with our suppliers, including all the significant terms and conditions, and the approximate transaction life; and
- (iii) Consists of obligations due to ANATEL related to the radiofrequency licenses. Includes accrued, unpaid interest for each period.

Capital management

The Company manages its equity structure according to best market practices.

The objective of capital management is to ensure that liquidity levels and financial leverage that allow the sustained growth of the Group, the compliance with the strategic investment plan, and returns to our shareholders.

The Company may change its capital structure, according to existing economic and financial conditions, to optimize its financial leverage and debt management.

The indicators used to measure capital structure management are: gross debt to gross debt to accumulated twelve-month EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization), net debt (gross debt less cash and cash equivalents and cash investments) to accumulated twelve-month EBITDA, and the interest coverage ratio, as follows:

Gross debt to EBITDA	from 2x to 4.0x
Net debt to EBITDA	from 1.4x to 3x
Interest coverage ratio (*)	greater than 1.75

(*) Measures the Company's ability to settle its future interest obligations.

3.4.4. Risk of acceleration of maturity of borrowings and financing

Under some debt instruments of the Company, default events can trigger the accelerated maturity of other debt instruments. The impossibility to incur in new debt might prevent such companies from investing in their business and incur in required or advisable capital expenditures, which would reduce future sales and adversely impact their profitability. Additionally, the funds necessary to meet the payment commitments of the borrowings raised can reduce the amount of funds available for capital expenditures.

The risk of accelerated maturity arising from noncompliance of financial covenants associated to the debt is detailed in Note 17, 'Covenants'.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

4. NET OPERATING REVENUE

	Three-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gross operating revenue	3,411,008	3,472,929	13,316,262	11,346,229
Deductions from gross revenue	(1,803,197)	(1,755,967)	(4,474,559)	(4,247,146)
Taxes	(521,788)	(595,598)	(2,169,506)	(2,357,444)
Other deductions	(1,281,409)	(1,160,369)	(2,305,053)	(1,889,702)
Net operating revenue	1,607,811	1,716,962	8,841,703	7,099,083

	Nine-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gross operating revenue	10,305,227	10,309,615	37,245,555	33,808,216
Deductions from gross revenue	(5,403,427)	(5,151,229)	(13,178,107)	(12,594,902)
Taxes	(1,618,515)	(1,803,659)	(6,710,882)	(7,183,796)
Other deductions	(3,784,912)	(3,347,570)	(6,467,225)	(5,411,106)
Net operating revenue	4,901,800	5,158,386	24,067,448	21,213,314

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

5. REVENUE AND EXPENSES BY NATURE

	Three-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Net operating revenue	1,607,811	1,716,962	8,841,703	7,099,083
Operating income (expenses):				
Interconnection	(278,616)	(370,040)	(796,806)	(906,837)
Personnel	(163,415)	(154,250)	(970,917)	(676,175)
Third-party services	(355,043)	(400,591)	(2,038,262)	(1,560,279)
Grid maintenance service	(145,298)	(176,970)	(532,962)	(580,197)
Handset and other costs			(259,141)	(95,576)
Advertising and publicity	(6,013)	(6,838)	(244,235)	(117,546)
Rentals and insurance	(101,501)	(109,230)	(824,126)	(566,225)
Provisions/reversals	(62,114)	(85,169)	(135,645)	(201,983)
Allowance for doubtful accounts	(26,847)	(56,215)	(156,762)	(201,231)
Taxes and other income (expenses) (i)	(84,896)	519,702	(507,393)	(228,912)
Other operating income (expenses), net (ii)	499,636		627,997	173,000
Operating expenses excluding depreciation and amortization	(724,107)	(839,601)	(5,838,252)	(4,961,961)
Depreciation and amortization	(218,661)	(209,702)	(1,701,203)	(1,091,809)
Total operating income (expenses)	(942,768)	(1,049,303)	(7,539,455)	(6,053,770)
Profit before financial income (expenses) and taxes	665,043	667,659	1,302,248	1,045,313
Financial income (expenses):				
Financial income	221,095	121,392	389,474	237,513
Financial expenses	(805,246)	(805,521)	(1,627,524)	(1,055,583)
Total financial income (expenses)	(584,151)	(684,129)	(1,238,050)	(818,070)
Profit (loss) before taxes	80,892	(16,470)	64,198	227,243
Income tax and social contribution	(73,250)	188,738	(59,243)	(54,975)
Profit attributable to non-controlling interests			2,687	
Profit attributable to owners of the Company	7,642	172,268	7,642	172,268
Operating expenses by function:				
Cost of sales and/or services	(690,060)	(827,811)	(5,072,096)	(3,750,528)
Selling expenses	(309,244)	(357,737)	(1,580,386)	(1,365,218)
General and administrative expenses	(296,750)	(310,675)	(1,206,318)	(908,954)
Other operating income	377,161	81,984	727,987	705,828
Other operating expenses	83,043	(171,089)	(408,382)	(729,286)
Share of profits of subsidiaries	(106,918)	536,025	(260)	(5,612)
Total operating income (expenses)	(942,768)	(1,049,303)	(7,539,455)	(6,053,770)

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Nine-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Net operating revenue	4,901,800	5,158,386	24,067,448	21,213,314
Operating income (expenses):				
Interconnection	(868,074)	(1,179,731)	(2,346,958)	(3,061,013)
Personnel	(542,552)	(499,811)	(2,536,309)	(1,885,175)
Third-party services	(1,133,816)	(1,084,284)	(5,371,507)	(4,591,358)
Grid maintenance service	(419,663)	(522,569)	(1,475,580)	(1,802,032)
Handset and other costs			(577,725)	(380,267)
Advertising and publicity	(12,261)	(40,539)	(580,666)	(406,300)
Rentals and insurance	(392,991)	(359,521)	(2,436,533)	(1,587,138)
Provisions/reversals	(200,345)	(205,036)	(492,455)	(518,891)
Allowance for doubtful accounts	(70,782)	(141,901)	(550,747)	(806,236)
Taxes and other income (expenses) (i)	617,787	953,087	(1,410,677)	(976,579)
Other operating income (expenses), net (ii)	447,595	291,819	1,953,526	872,945
Operating expenses excluding depreciation and amortization	(2,575,102)	(2,788,486)	(15,825,631)	(15,142,044)
Depreciation and amortization	(636,036)	(619,518)	(4,263,382)	(3,195,170)
Total operating income (expenses)	(3,211,138)	(3,408,004)	(20,089,013)	(18,337,214)
Profit before financial income (expenses) and taxes	1,690,662	1,750,382	3,978,435	2,876,100
Financial income (expenses):				
Financial income	643,770	361,722	1,067,685	879,762
Financial expenses	(2,606,311)	(2,139,143)	(4,740,594)	(3,329,440)
Total financial income (expenses)	(1,962,541)	(1,777,421)	(3,672,909)	(2,449,678)
Profit (loss) before taxes	(271,879)	(27,039)	305,526	426,422
Income tax and social contribution	286,175	337,392	(290,543)	(116,069)
Profit attributable to non-controlling interests			(687)	
Profit attributable to owners of the Company	14,296	310,353	14,296	310,353
Operating expenses by function:				
Cost of sales and/or services	(2,155,590)	(2,526,362)	(13,352,324)	(11,393,161)
Selling expenses	(940,179)	(987,839)	(4,552,469)	(4,301,004)
General and administrative expenses	(939,196)	(943,057)	(3,223,961)	(2,747,567)
Other operating income	516,935	362,831	2,711,165	1,428,521
Other operating expenses	(344,333)	(228,427)	(1,670,141)	(1,311,122)
Share of profits of subsidiaries	651,225	914,850	(1,283)	(12,881)
Total operating income (expenses)	(3,211,138)	(3,408,004)	(20,089,013)	(18,337,214)

- (i) Includes share of profits of subsidiaries.
- (ii) The non-recurring revenue (expenses) for the nine-month period ended September 30, 2014 basically include the gain, net of transaction expenses, amounting to R\$1.3 billion recognized in the context of the agreement entered into on December 3, 2013 by the Company and SBA Torres Brasil for the transfer of 100% of the shares of one of its subsidiaries that holds 2,007 telecommunication towers used to provide mobile telephony services and R\$355 million resulting from the revision of the methodology to determine the provisions for losses in corporate lawsuits and the reversal of R\$186 million from the provision related to the adhesion to the REFIS tax refinancing program. Revenue (expenses) for the nine-month period ended September 30, 2013 basically include a R\$201 million gain recognized after the revision of the methodology used to calculate the provisions for losses in labor lawsuits, reversals of accrued employee profit sharing, totaling R\$330 million, and the sale of a property amounting to R\$173 million.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

6. FINANCIAL INCOME (EXPENSES)

	Three-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Financial income				
Interest and inflation adjustment on other assets	99,122	66,790	196,861	148,491
Investments yield	56,248	26,802	109,104	76,929
Dividends received (i)			1,659	1,626
Interest and inflation adjustment on intragroup loans	34,947	18,761		
Exchange differences on translating foreign cash investments	3,564	186	31,578	7,084
Other income	27,214	8,853	50,272	3,383
Total	221,095	121,392	389,474	237,513
Financial expenses and other charges				
a) Borrowing and financing costs				
Interest on borrowings payable to third parties	(209,929)	(189,471)	(730,561)	(375,661)
Interest on debentures	(208,610)	(213,930)	(209,328)	(214,605)
Inflation adjustment and exchange differences on third-party borrowings	(933,355)	(150,795)	(1,262,860)	(185,402)
Derivative transactions	758,269	(32,611)	995,599	(12,759)
Interest and inflation adjustment on intragroup borrowings	(56,552)	(60,680)		
Subtotal:	(650,177)	(647,487)	(1,207,150)	(788,427)
b) Other charges				
Interest and inflation adjustment on other liabilities	(70,123)	(69,696)	(196,825)	(158,693)
Tax on transactions and bank fees	(47,958)	(18,000)	(149,998)	(46,578)
Inflation adjustment of provisions	197	(39,714)	20,443	(101,563)
Interest on taxes in installments - tax financing program	(19,023)	(10,643)	(29,120)	(23,942)
Other expenses	(18,162)	(19,981)	(64,874)	63,620
Subtotal:	(155,069)	(158,034)	(420,374)	(267,156)
Total	(805,246)	(805,521)	(1,627,524)	(1,055,583)
Financial income (expenses)	(584,151)	(684,129)	(1,238,050)	(818,070)

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Nine-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Financial income				
Interest and inflation adjustment on other assets	283,288	237,316	578,968	492,180
Investments yield	157,958	58,341	324,611	213,584
Dividends received (i)			31,270	78,173
Interest and inflation adjustment on intragroup loans	90,294	52,579		
Exchange differences on translating foreign cash investments	2,052	1,110	12,361	41,407
Other income	110,178	12,376	120,475	54,418
Total	643,770	361,722	1,067,685	879,762
Financial expenses and other charges				
a) Borrowing and financing costs				
Interest on borrowings payable to third parties	(555,579)	(544,880)	(1,814,384)	(1,119,508)
Interest on debentures	(713,161)	(606,453)	(715,261)	(608,429)
Inflation adjustment and exchange differences on third-party borrowings	(290,035)	(879,766)	(377,732)	(1,261,132)
Derivative transactions	(324,170)	407,858	(361,001)	631,232
Interest and inflation adjustment on intragroup borrowings	(197,169)	(198,944)		
Subtotal:	(2,080,114)	(1,822,185)	(3,268,378)	(2,357,837)
b) Other charges				
Interest and inflation adjustment on other liabilities	(207,867)	(120,949)	(600,578)	(399,854)
Tax on transactions and bank fees	(91,173)	(52,903)	(328,105)	(125,864)
Inflation adjustment of provisions	(112,100)	(58,021)	(183,348)	(228,656)
Interest on taxes in installments - tax financing program	(46,469)	(28,672)	(81,457)	(58,882)
Other expenses	(68,588)	(56,413)	(278,728)	(158,347)
Subtotal:	(526,197)	(316,958)	(1,472,216)	(971,603)
Total	(2,606,311)	(2,139,143)	(4,740,594)	(3,329,440)
Financial income (expenses)	(1,962,541)	(1,777,421)	(3,672,909)	(2,449,678)

- (i) In May 2014, subsidiary TMAR received dividends from PT of €0.10 per share, totaling €8,965, which had been attributed on April 30, 2014.

7. INCOME TAX AND SOCIAL CONTRIBUTION

In Brazil income taxes encompass the income tax and the social contribution. The income tax rate is 25% and the social contribution rate is 9%, generating aggregate nominal tax rate of 34%.

In Portugal, income taxes comprise the income tax at a rate of 23%, plus: (1) a municipal tax up to 1.5% of taxable income, (2) a state tax of 3.0% levied on taxable income between Euro 1.5 million and Euro 7.5 million, at the rate of 5.0% on taxable income between Euro 7.5 million and Euro 35 million, and at the rate of 7.0% on taxable income in excess Euro 35 million, resulting in a maximum aggregate tax rate of approximately 31.5% for taxable income higher than Euro 35 million.

The provision for income tax and social contribution is broken down as follows:

	Three-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Income tax and social contribution				
Current taxes	(6,337)	(3,320)	(55,696)	(35,301)
Deferred taxes	(66,913)	192,058	(3,547)	(19,674)
Total	(73,250)	188,738	(59,243)	(54,975)

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Three-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Pre-tax profit	80,892	(16,470)	64,199	227,243
Profit of companies not subject to income tax and social contribution calculation			43,181	(41,937)
Total taxed income	80,892	(16,470)	107,380	185,306
Income tax and social contribution				
Income tax and social contribution on taxed income	(27,503)	5,600	(36,509)	(63,004)
Share of profits of subsidiaries	(36,353)	182,249	(88)	(1,909)
Tax incentives (basically, operating profit) (i)	6	18	(8,702)	11,337
Permanent deductions (additions) (ii)	(9,400)	871	33,257	(5,806)
Utilization of tax loss carryforwards				25,361
Unrecognized deferred tax assets (iii)			(27,507)	(20,954)
Effects of differentiated tax rates (iv)			(19,694)	
Income tax and social contribution effect on profit or loss	(73,250)	188,738	(59,243)	(54,975)

	Nine-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Income tax and social contribution				
Current taxes	(7,514)	(8,778)	(418,894)	(353,514)
Deferred taxes	293,689	346,170	128,351	237,445
Total	286,175	337,392	(290,543)	(116,069)

	Nine-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Pre-tax profit	(271,879)	(27,039)	305,526	426,422
Profit of companies not subject to income tax and social contribution calculation			19,366	(516)
Total taxed income	(271,879)	(27,039)	324,892	425,906
Income tax and social contribution				
Income tax and social contribution on taxed income	92,439	9,193	(110,463)	(144,808)
Share of profits of subsidiaries	221,416	311,049	(436)	(4,380)
Tax incentives (basically, operating profit) (i)	18	18	18,400	48,316
Permanent deductions (additions) (ii)	(27,698)	17,132	(81,495)	16,292
Utilization of tax loss carryforwards			446	25,626
Unrecognized deferred tax assets (iii)			(79,971)	(57,115)
Effects of differentiated tax rates (iv)			(37,024)	
Income tax and social contribution effect on profit or loss	286,175	337,392	(290,543)	(116,069)

- (i) Refers to the exploration profit recognized in the profit or loss of subsidiary Oi Móvel pursuant to Law 11638/2007.
- (ii) The main components of permanent deduction (addition) tax effects are: nondeductible fines, sponsorships, nondeductible donations, income from expired dividends, goodwill amortization (pre-merger period), and income from the decrease in tax refinancing program fine and interest under Law 12996/2014.
- (iii) Refer to adjustments to deferred tax assets because of subsidiaries that do not recognize tax credits on tax loss carryforwards.
- (iv) This line item corresponds to the effects of the difference between the tax rate levied in Brazil and the tax rates levied on other Group companies, namely in Portugal and in Africa.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The quarterly information for the quarter ended September 30, 2014 has been prepared considering management’s best estimates and incorporates, as regards the tax treatment, the criteria set out in the Transitional Tax Regime (RTT).

Management conducted an early assessment of the material aspects of its operations/activities, based on the new provisions of the tax introduced by Provisional Act 627, of November 11, 2013 (“MP 627/2013”), as subsequently amended during its approval procedure by the National Congress, resulting in Bill 02/2014 (“PLV 02/2014”), and the provisions of Regulatory Instruction 1397, of September 16, 2013, as amended by Regulatory Instruction 1422, of December 19, 2013 (“IN 1397/2013”). Based on this valuation, Management did not identify any material impacts as compared to the currently used regime.

We emphasize that the PLV 02/2014 resulted in the publication of the Law 12973/2014 on May 14, 2014, which, in a preliminary analysis, does not change the conclusions described above. The Company will assess the possibility of an early adoption of this law by the deadline set by the Federal Revenue Service, i.e., February 2015. Additionally, there were no adjustments by not applying the law in advance.

8. CASH, CASH EQUIVALENTS AND CASH INVESTMENTS

Cash investments made by the Company and its subsidiaries in the periods ended September 30, 2014 and December 31, 2013 are classified as held for trading securities and are measured at their fair values.

(a) Cash and cash equivalents

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Cash and banks	75,941	23,317	548,456	306,184
Cash equivalents	668,415	418,699	2,805,497	2,118,646
Total	744,356	442,016	3,353,953	2,424,830

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Exclusive investment funds	579,003	360,053	1,458,600	1,354,627
Bank certificates of deposit (CDBs)	25,005	20,352	645,896	500,984
Time deposits	28,983	32,887	632,920	225,944
Repurchase agreements	35,424	4,997	65,202	30,250
Other		410	2,879	6,841
Cash equivalents	668,415	418,699	2,805,497	2,118,646

(b) Cash investments

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Exclusive investment funds	72,586	31,113	234,855	492,510
Private securities	18,030	16,882	193,961	99,129
Government securities			22,110	
Total	90,616	47,995	450,926	591,639
Current	72,586	31,113	256,965	492,510
Non-current	18,030	16,882	193,961	99,129

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

(c) Breakdown of the exclusive investment funds portfolios

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Repurchase agreements	451,496	210,540	1,092,558	772,862
Bank certificates of deposit (CDBs)	121,678	145,595	273,759	445,981
Time deposits	4,827	3,356	86,408	117,224
Other	1,002	562	5,875	18,560
Securities classified as cash equivalents	579,003	360,053	1,458,600	1,354,627
Government securities	72,586	30,244	234,855	462,177
Other		869		30,333
Securities classified as short-term investments	72,586	31,113	234,855	492,510
Total invested in exclusive funds	651,589	391,166	1,693,455	1,847,137

The Company and its subsidiaries have cash investments in exclusive investment funds in Brazil and abroad, for the purpose of obtaining a return on its cash, and which are benchmarked against the CDI in Brazil and LIBOR abroad.

9. ACCOUNTS RECEIVABLE

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Billed services	1,393,916	1,495,414	7,812,997	5,589,716
Unbilled services	597,769	599,264	1,663,430	1,467,865
Mobile handsets and accessories sold	56,480	43,546	943,341	693,140
Allowance for doubtful accounts	(259,997)	(294,212)	(1,181,448)	(654,042)
Total	1,788,168	1,844,012	9,238,320	7,096,679

The aging list of trade receivables is as follows:

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Unbilled	597,769	599,264	1,663,430	1,467,865
Current	218,723	254,113	3,880,362	2,998,638
Receivables from other carriers	492,644	669,377	651,920	1,403,182
Past-due up to 60 days	565,334	422,578	1,919,966	1,142,804
Past-due from 61 to 90 days	34,496	41,468	282,625	162,219
Past-due from 91 to 120 days	32,469	35,830	204,609	145,272
Past-due from 121 to 150 days	25,788	24,690	164,225	113,931
Past-due from 151 to 180 days	80,942	90,904	489,249	316,810
Over 180 days past-due (i)			1,163,382	
Total	2,048,165	2,138,224	10,419,768	7,750,721

(i) This line item refers to PT Portugal subsidiaries' accounts receivable, basically consisting of receivables from government entities and telecommunications operators.

The changes in the allowance for doubtful accounts were as follows:

	COMPANY	CONSOLIDATED
Balance at Dec 31, 2013	(294,212)	(654,042)
Acquisition of investments - PT Portugal		(652,964)
Allowance for doubtful accounts	(70,782)	(550,747)
Trade receivables written off as uncollectible	104,997	607,185
Exchange differences		1,303
Held-for-sale assets		67,817

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Balance at Sept 30, 2014	(259,997)	(1,181,448)
---------------------------------	------------------	--------------------

10. CURRENT AND DEFERRED TAXES

	ASSETS			
	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Current recoverable taxes				
Recoverable income tax (IRPJ) (i)	13,995	17,736	610,544	411,782
Recoverable social contribution (CSLL) (i)	5,045	6,395	138,437	158,475
IRRF/CSLL - withholding income taxes (ii)	89,236	48,984	296,116	336,883
Total current	108,276	73,115	1,045,097	907,140
Deferred taxes recoverable				
Income tax on tax credits – merged goodwill (iii)	1,212,139	1,311,330	1,212,139	1,311,330
Social contribution on tax credits – merged goodwill (iii)	436,370	472,079	436,370	472,079
Income tax on temporary differences (iv)	855,738	1,216,978	1,936,858	2,739,904
Social contribution on temporary differences (iv)	303,635	387,278	737,443	848,677
Income tax on tax loss carryforwards (iv)	1,352,389	603,760	2,674,865	1,859,941
Social contribution on tax loss carryforwards (iv)	437,154	213,608	956,031	747,316
Other deferred taxes (v)	32,258	113,571	131,492	295,185
Non-total current	4,629,683	4,318,604	8,085,198	8,274,432

	LIABILITIES AND EQUITY			
	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Current taxes payable				
Income tax payable	9,586	9,217	299,491	275,735
Social contribution payable	58,338	58,207	139,760	156,582
Total current	67,924	67,424	439,251	432,317
Deferred taxes				
Deferred income tax			1,402	
Non-current			1,402	
Temporary additions by nature:			1,402	
Other temporary differences			1,402	

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Temporary add-backs (deductions) by nature:	2,807,882	3,387,665	4,322,810	5,371,990
Fair value adjustments in the context of the business combination with PT			(1,467,188)	
Provisions	988,423	1,170,920	1,668,060	1,704,234
Provisions for suspended taxes	32,921	160,795	132,808	206,653
Provisions for pension funds and impacts of CPC 33 (R1) (IAS 19 R)	226,470	228,027	1,123,055	228,124
Allowance for doubtful accounts	101,534	107,442	644,273	611,713
Profit sharing	15,950	24,459	36,851	63,031
Foreign exchange differences	156,810	155,202	371,669	493,488
Merged goodwill (iii)	1,648,509	1,783,409	1,648,509	1,783,409
Adjustment to fair value of financial assets			399,136	238,974
Hedge accounting	(44,260)	2,919	(52,789)	(438)
Other temporary add-backs and deductions	(318,475)	(245,508)	(181,574)	42,802

- (i) Refer mainly to prepaid income tax and social contribution that will be offset against federal taxes payable in the future.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

- (ii) Refer to corporate income tax credits on cash investments, intragroup loans, government entities, and other that are used as deductions from income tax for the periods, and social contribution withheld at source on services provided to government agencies.
- (iii) The Company merged the deferred income tax and social contribution amounts calculated as tax benefit originating from the goodwill paid on acquisition and recognized by the acquirees in 2009. The tax credits are realized as goodwill based on the STFC license and the appreciation of tangible assets is amortized, and should be utilized in tax offsetting estimated until 2034.
- (iv) Deferred income tax and social contribution assets are recognized only to the extent that it is probable that there will be a positive tax base for which temporary differences can be used and tax loss carryforwards can be offset. Deferred income tax and social contribution assets are reviewed at the end of each annual period and are written down as their realization is no longer possible. In Brazil, the Company and its subsidiaries located in Brazil offset their tax loss carryforwards against taxable income up to a limit of 30% per year, pursuant to the prevailing tax law. This line item also includes the tax loss carryforwards determined by PT Portugal, which have are subject to a twelve-year statute of limitations and can be offset against up to 70% of the taxable income for each year.

Additionally, as at September 30, 2014, only part of tax credits on tax loss carryforwards or tax credits on temporary differences has been recognized for direct and indirect subsidiaries that do not have a profitability history and or do not expect to generate sufficient taxable profit. Unrecognized tax credits total R\$291,650 (R\$223,503 at December 31, 2013).

The table below shows the expected realization periods of deferred tax assets resulting from tax credits on tax loss carryforwards and temporary differences:

	COMPANY	CONSOLIDATED
2014	5,119	736,960
2015	170,109	304,949
2016	337,939	806,418
2017	299,752	815,990
2018	458,478	950,117
2019 to 2021	1,677,519	2,941,013
2022 to 2023		(1,249)
2024 and following years		(249,001)
Total	2,948,916	6,305,197

- (v) Refer mainly to prior years' prepaid income tax and social contribution that will be offset against federal taxes payable.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Changes in deferred income tax and social contribution

	COMPANY					Balance at 09/30/2014
	Balance at 12/31/2013	Recognized in deferred tax income/ expenses	Add-backs/ (offsets)	Recognized directly in equity	Recognized in financial income/ (expenses)	
Deferred tax assets/(liabilities)						
Provisions	1,170,920	(182,497)				988,423
Provisions for suspended taxes	160,795	(127,874)				32,921
Provisions for pension funds and impacts of CPC 33 (R1) (IAS 19 R)	228,027	(20,265)		18,708		226,470
Allowance for doubtful accounts	107,442	(5,908)				101,534
Profit sharing	24,459	(8,509)				15,950
Foreign exchange differences	155,202	1,608				156,810
Merged goodwill	1,783,409	(134,900)				1,648,509
Hedge accounting	2,919			(47,179)		(44,260)
Other temporary add-backs and deductions	(245,508)	(68,173)		(4,794)		(318,475)
Income tax loss carryforwards	603,760	651,594		97,035		1,352,389
Social contribution carryforwards	213,608	188,613		34,933		437,154
Other deferred taxes – prior years' credit balance	113,571		(93,257)		11,944	32,258
Total	4,318,604	293,689	(93,257)	98,703	11,944	4,629,683

	Balance at 12/31/2013	Acquisition of investment - PT Portugal	Recognized in deferred tax income/ expenses	Add-backs/ (offsets)	Recognized directly in equity	Recognized in financial income/ (expenses)	Foreign exchange differences	Held-for-sale assets	Balance at 09/30/2014
Deferred tax assets related to:									
Business combination with PT		(1,508,156)	47,406				(6,438)		(1,467,188)
Provisions	1,704,234	134,714	(170,631)	(1,003)			765	(19)	1,668,060
Provisions for suspended taxes	206,653		(73,845)						132,808
Provisions for pension funds and impacts of CPC 33 (R1) (IAS 19 R)	228,124	857,606	(179,070)		211,337		5,058		1,123,055
Allowance for doubtful accounts	611,713	32,271	(13)				302		644,273
Profit sharing	63,031		(26,180)						36,851
Foreign exchange differences	493,488		(121,819)						371,669
Merged goodwill	1,783,409		(134,900)						1,648,509
Adjustment to fair value of financial assets	238,974		160,162						399,136
Hedge accounting	(438)				(52,351)				(52,789)
Other temporary add-backs and deductions	42,802	25,334	(259,603)	14,420	(4,794)		267		(181,574)
Income tax loss carryforwards	1,859,941	1,751	713,678	(1,719)	97,035		2,460	1,719	2,674,865
Social contribution carryforwards	747,316		173,782		34,933				956,031
Other deferred taxes – prior years' credit balance	295,185			(219,015)		55,322			131,492
Total	8,274,432	(456,480)	128,967	(207,317)	286,160	55,322	2,414	1,700	8,085,198
Deferred tax liabilities related to:									
Unattributed dividends		(201,270)	(468)		(233)		3,589	198,382	
Other temporary differences		(56,542)	(148)				(426)	55,714	(1,402)
Total		(257,812)	(616)		(233)		3,163	254,096	(1,402)

11. OTHER TAXES

	ASSETS			
	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Recoverable State VAT (ICMS) (i)	420,298	756,615	1,656,428	2,102,249
Taxes on revenue (PIS and COFINS)	17,472	43,865	185,612	197,036
Other	14,752	14,586	108,088	65,958
Total	452,522	815,066	1,950,128	2,365,243
Current	247,074	569,079	1,174,055	1,474,408
Non-current	205,448	245,987	776,073	890,835

	LIABILITIES AND EQUITY			
	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
State VAT (ICMS)	308,447	712,584	926,039	1,248,232
ICMS Agreement No. 69/1998	16,452	20,568	82,419	443,305
Taxes on revenue (PIS and COFINS)	322,370	832,106	582,924	1,141,601
FUST/FUNTEL/broadcasting fees	107,804	107,730	794,766	762,289
Other	73,066	116,433	152,638	264,183
Total	828,139	1,789,421	2,538,786	3,859,610

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Current	741,073	1,179,803	1,676,217	2,112,598
Non-current	87,066	609,618	862,569	1,747,012

(i) Recoverable ICMS arises mostly from prepaid taxes and credits claimed on purchases of property, plant and equipment, which can be offset against ICMS payable within 48 months, pursuant to Supplementary Law 102/2000.

12. JUDICIAL DEPOSITS

In some situations the Company makes, by legal requirement or to provide guarantees, judicial deposits to ensure the continuity of ongoing lawsuits. These judicial deposits can be required for lawsuits with a likelihood of loss, as assessed by the Company based on the opinion of its legal counsel, as probable, possible, or remote.

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Civil	6,874,843	6,556,381	8,834,530	8,355,816
Tax	620,059	584,377	2,450,698	2,277,236
Labor	1,124,897	998,855	1,948,568	1,734,136
Total	8,619,799	8,139,613	13,233,796	12,367,188
Current	880,395	1,070,693	1,085,920	1,316,252
Non-current	7,739,404	7,068,920	12,147,876	11,050,936

As set forth by relevant legislation, judicial deposits are adjusted for inflation.

13. INVESTMENTS

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Investment in subsidiaries	18,185,191	19,411,927	23,103	
Joint arrangements			88,202	86,633
Tax incentives, net of allowances for losses	10,273	10,273	31,579	31,656
Goodwill	10,639,185	11,618		
Other investments	3,799	3,799	144,981	55,351
Total	28,838,448	19,437,617	287,865	173,640

In May 2014, Oi acquired 100% of PT Portugal shares through a capital increase (Note 22).

Summary of changes in investment balances

	COMPANY	CONSOLIDATED
Balance at Dec 31, 2013	19,437,617	173,640
Acquisition of investments by PT Portugal		126,349
Share of profits of subsidiaries (i)	651,225	(1,283)
Acquisition of investment – PT Portugal (Note 1)	5,709,900	
PT Portugal capital increase (ii)	3,849,423	
Subsidiaries' share of other comprehensive income - PT Portugal	(560,306)	
Exchange differences on translating the investment in PT Portugal	35,286	
Transfer to treasury shares	(263,028)	
Subsidiaries' share of other comprehensive income	30,800	
Dividends	(32,453)	
Other	(20,016)	(10,841)
Balance at Sept 30, 2014	28,838,448	287,865

(i) In consolidated, the share of profits of subsidiaries refers to the investments in joint arrangements, AIX, and Paggo Soluções.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

- (ii) In May 2014, a capital contribution was made to PT Portugal amounting to €1,250 million to prepay debt and thus reduce the Company's euro-denominated debt.

The main data related to direct equity interests in subsidiaries are as follows:

			COMPANY			
			09/30/2014			
			In thousands		Equity interests - %	
			Shares			
Subsidiaries	Equity	Profit (loss) for the period	Common	Preferred	Total capital	Voting capital
TMAR	18,766,676	570,291	154,032,213	189,400,783	100	100
Oi Serviços Financeiros	6,693	6,692	799		100	100
Oi Holanda	57,211	(6,494)	100		100	100
Rio Alto	638,004	203,823	215,538,129		50	100
PT Portugal	(1,063,169)	(40,895)	50,000		100	100

Subsidiaries	COMPANY					
	Share of profits of subsidiaries				Investment value	
	Three-month periods ended		Nine-month periods ended			
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	12/31/2013
BrT CS		50,104		155,234		
BrT Venezuela			(603)			20,739
TMAR	(67,041)	373,435	570,291	651,880	18,766,676	18,999,604
Oi Serviços Financeiros	1,162	1,162	6,692	3,148	6,693	2,959
Oi Holanda	(42,625)	51,804	(6,613)	45,068	57,211	63,704
PT Portugal	(31,713)		(40,895)		(1,063,169)	
Rio Alto	26,463	5,108	109,381	5,108	319,002	239,115
Unrealized results on investees	6,836	54,412	12,972	54,412	98,778	85,806
Total	(106,918)	536,025	651,225	914,850	18,185,191	19,411,927

Summarized financial information

Subsidiaries	09/30/2014		
	Assets	Liabilities	Revenue
TMAR	35,534,729	16,768,053	8,776,791
Oi Serviços Financeiros	58,628	51,935	
Oi Holanda	3,760,409	3,703,198	
Rio Alto	757,830	119,826	
PT Portugal (i)	28,696,978	28,280,970	3,539,355

- (i) This data corresponds to PT Portugal's consolidated information, taking into account the effects of the price allocation made by the Company and the results of operations that the Company recognized after the capital increase date. Accordingly, includes the portion corresponding to the non-controlling interests.

Subsidiaries	12/31/2013		09/30/2013
	Assets	Liabilities	Revenue
BrT CS			217,161
BrT Venezuela	26,649	5,910	
TMAR	36,968,904	17,969,300	9,636,049
Oi Serviços Financeiros	53,058	50,099	

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Oi Holanda	3,653,460	3,589,756	
Rio Alto	530,882	52,651	

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT

	COMPANY						
	Works in progress	Automatic switching equipment	Transmission and other equipment (1)	Infrastructure	Buildings	Other assets	Total
Cost of PP&E (gross amount)							
Balance at Dec 31, 2013	834,104	5,195,236	16,492,574	4,173,512	959,329	2,022,561	29,677,316
Additions	679,057		37,482			952	717,491
Write-offs		(784)	(19,451)	(24,672)		(4,254)	(49,161)
Transfers	(856,091)	223,173	(36,117)	554,081	(20,385)	135,339	
Balance at Sept 30, 2014	657,070	5,417,625	16,474,488	4,702,921	938,944	2,154,598	30,345,646
Accumulated depreciation							
Balance at Dec 31, 2013		(5,018,200)	(13,652,151)	(3,402,849)	(634,666)	(1,570,725)	(24,278,591)
Depreciation expenses		(26,410)	(282,808)	(220,623)	(16,606)	(38,959)	(585,406)
Write-offs		784	18,899	22,298		4,212	46,193
Transfers		(187,466)	407,917	(220,822)	21,202	(20,831)	
Balance at Sept 30, 2014		(5,231,292)	(13,508,143)	(3,821,996)	(630,070)	(1,626,303)	(24,817,804)
Property, plant and equipment, net							
Balance at Dec 31, 2013	834,104	177,036	2,840,423	770,663	324,663	451,836	5,398,725
Balance at Sept 30, 2014	657,070	186,333	2,966,345	880,925	308,874	528,295	5,527,842
Annual depreciation rate (average)		11%	10%	8%	8%	12%	

(1) Transmission and other equipment includes transmission and data communication equipment.

	CONSOLIDATED						
	Works in progress	Automatic switching equipment	Transmission and other equipment (1)	Infrastructure	Buildings	Other assets	Total
Cost of PP&E (gross amount)							
Balance at Dec 31, 2013	4,569,682	18,433,046	40,786,730	26,560,833	2,901,761	5,107,575	98,359,627
Acquisition of investments - PT Portugal	452,844	6,004,681	4,537,199	16,357,177	2,957,154	9,693,740	40,002,795
Additions	2,617,560	43,156	605,599	209,259	33,288	172,976	3,681,838
Write-offs	(2,004)	(784)	(51,202)	(30,880)	(268)	(6,804)	(91,942)
Transfers	(3,304,021)	366,136	3,458,146	(836,236)	420,861	(219,639)	(114,753)
Foreign exchange differences	2,817	31,282	35,618	82,247	20,599	52,047	224,610
Transfer to non-current assets held for sale	(21,791)	(33,363)	(286,894)	(289,263)	(25,195)	(167,887)	(824,393)
Balance at Sept 30, 2014	4,315,087	24,844,154	49,085,196	42,053,137	6,308,200	14,632,008	141,237,782
Accumulated depreciation							
Balance at Dec 31, 2013		(16,205,637)	(30,382,012)	(21,106,757)	(1,974,138)	(3,904,797)	(73,573,341)
Acquisition of investments - PT Portugal		(5,685,512)	(3,169,003)	(11,029,655)	(1,238,292)	(7,840,705)	(28,963,167)
Depreciation expenses		(292,828)	(1,798,087)	(551,056)	(115,697)	(449,170)	(3,206,838)
Write-offs		784	40,486	27,874	186	5,807	75,137
Transfers		(163,189)	(745,823)	875,490	455,501	(316,628)	105,351
Foreign exchange differences		(30,483)	(24,191)	(57,621)	(9,091)	(48,180)	(169,566)
Transfer to non-current assets held for sale		21,922	181,302	117,475	6,893	86,420	414,012
Balance at Sept 30, 2014		(22,354,943)	(35,897,328)	(31,724,250)	(2,874,638)	(12,467,253)	(105,318,412)
Property, plant and equipment, net							
Balance at Dec 31, 2013	4,569,682	2,227,409	10,404,718	5,454,076	927,623	1,202,778	24,786,286
Balance at Sept 30, 2014	4,315,087	2,489,211	13,187,868	10,328,887	3,433,562	2,164,755	35,919,370
Annual depreciation rate (average)		11%	10%	8%	8%	12%	

(1) Transmission and other equipment includes transmission and data communication equipment.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Additional disclosures

Pursuant to ANATEL's concession agreements, all property, plant and equipment items capitalized by the Company that are indispensable for the provision of the services granted under said agreements are considered returnable assets and are part of the concession's cost. These assets are handed over to ANATEL upon the termination of the concession agreements that are not renewed.

As at September 30, 2014, the residual balance of the Company's returnable assets is R\$2,851,614 (R\$2,825,719 at December 31, 2013) and consists of assets and installations in progress, switching and transmission equipment, payphones, outside network equipment, power equipment, and systems and operation support equipment. In consolidated, this balance amounts to R\$8,122,129 (R\$7,685,240 at December 31, 2013).

In the period ended September 30, 2014, financial charges and transaction costs incurred on works in progress were capitalized at the average rate of 9% per year.

15. INTANGIBLE ASSETS

	COMPANY			
	Intangibles in progress	Data processing systems	Other	Total
Cost of intangibles (gross amount)				
Balance at Dec 31, 2013	5,821	2,263,582	148,460	2,417,863
Additions	60,820		28	60,848
Transfers	(49,424)	49,103	321	
Balance at Sept 30, 2014	17,217	2,312,685	148,809	2,478,711
Accumulated amortization				
Balance at Dec 31, 2013		(2,110,414)	(57,575)	(2,167,989)
Amortization expenses		(49,339)	(1,291)	(50,630)
Balance at Sept 30, 2014		(2,159,753)	(58,866)	(2,218,619)
Intangible assets, net				
Balance at Dec 31, 2013	5,821	153,168	90,885	249,874
Balance at Sept 30, 2014	17,217	152,932	89,943	260,092
Annual amortization rate (average)		20%	20%	

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	CONSOLIDATED						
	Goodwill	Intangibles in progress	Data processing systems	Regulatory licenses	Customer portfolio	Other	Total
Cost of intangibles (gross amount)							
Balance at Dec 31, 2013	615,473	184,387	6,657,925	4,041,011		931,964	12,430,760
Acquisition of investments - PT Portugal (1)	10,574,704	52,819	575,983	1,656,050	3,215,523	3,091,687	19,166,766
Additions		435,310	193,768			179,083	808,161
Write-offs			(125)			(2,569)	(2,694)
Transfers		(546,322)	446,985			94,653	(4,684)
Foreign exchange differences	52,863	(151)	13,767	8,314	16,075	3,539	94,407
Transfer to non-current assets held for sale		(19,990)	(105,983)	(13,851)		(664,955)	(804,779)
Balance at Sept 30, 2014	11,243,040	106,053	7,782,320	5,691,524	3,231,598	3,633,402	31,687,937
Accumulated amortization							
Balance at Dec 31, 2013	(461,078)		(5,348,057)	(2,072,607)		(629,527)	(8,511,269)
Acquisition of investments - PT Portugal (1)			(428,721)	(514,850)		(2,155,564)	(3,099,135)
Amortization expenses			(405,197)	(257,057)	(119,156)	(275,134)	(1,056,544)
Write-offs			476			7,871	8,347
Foreign exchange differences			(7,967)	(3,205)	(2,770)	(3,813)	(17,755)
Transfer to non-current assets held for sale			46,297	12,675		457,603	516,575
Balance at Sept 30, 2014	(461,078)		(6,143,169)	(2,835,044)	(121,926)	(2,598,564)	(12,159,781)
Intangible assets, net							
Balance at Dec 31, 2013	154,395	184,387	1,309,868	1,968,404		302,437	3,919,491
Balance at Sept 30, 2014	10,781,962	106,053	1,639,151	2,856,480	3,109,672	1,034,838	19,528,156
Annual amortization rate (average)			20%	9%		20%	

(1) Includes the customer list and the licenses of the mobile operations in Portugal under the business combination.

Goodwill

The Company and its subsidiaries also recognize goodwill arising on the acquisition of investments based on expected future earnings.

In December 2013, annual impairment tests were conducted based on ten-year discounted cash flow projections, using perpetuity-based amounts in the last year, which is the period in which the entity expected to recover the investments made when the business was acquired, by applying an average growth rate of 45.2% for Pay TV, 6.3% for Means of Payment, 12.7% for RII Internet provider, and 7.5% for RII Multimedia, discount rate of 11.0%, and use of perpetuity-based amounts in the last year. The tests did not show any impairment losses, as summarized below:

Cash-generating unit (CGU)	Asset balance	Goodwill allocated to the CGU	Recoverable amount valuation basis	Value in use
Pay TV	46,723	37,690	84,413	1,197,958
Means of payment	65,160	36,211	101,371	182,680
RII Internet service provider	34,630	73,173	107,803	5,502,574
RII multimedia	184,943	7,321	192,264	720,447
Total	331,456	154,395	485,851	7,603,659

The increases in goodwill made in 2014 refer to the goodwill arising on the business combination of PT, as explained in Note 1.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

The information on the item Acquisition of investments – PT Portugal refers to the consolidation, beginning May 5, 2014, of the intangible assets of PT Portugal and its subsidiaries, which basically consist of the amount of the licenses of the mobile operations in Portugal and their customer portfolios of the residential, personal and corporate segments, recognized in the context of the allocation of the acquisition price to the business combination with PT, as described in Note 1.

16. TRADE PAYABLES

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Infrastructure, network and plant maintenance materials	188,113	318,014	1,490,760	1,806,553
Services	806,421	855,811	3,713,603	2,057,117
Rental of polls and rights-of-way	372,655	419,850	576,474	608,006
Other	71,137	66,119	558,475	260,498
Total	1,438,326	1,659,794	6,339,312	4,732,174

17. BORROWINGS AND FINANCING

(Includes debentures and convertible and non-convertible securities)

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Borrowings and financing	11,045,624	9,213,758	44,643,855	26,179,605
Accrued interest and other charges on borrowings and financing	483,470	272,937	1,582,950	789,383
Debentures	7,957,679	9,854,649	7,126,770	8,880,740
Accrued interest on debentures	599,332	578,075	585,091	533,500
Borrowings (from subsidiaries)	3,654,562	4,155,757		
Accrued interest and other charges on borrowings (intragroup from subsidiaries)	18,236	48,077		
Leases			135,118	
Incurring debt issuance cost	(305,261)	(311,827)	(548,150)	(529,602)
Total	23,453,642	23,811,426	53,525,634	35,853,626
Current	618,967	2,288,654	5,066,818	4,158,708
Non-current	22,834,675	21,522,772	48,458,816	31,694,918

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Borrowings and financing by type

	COMPANY		CONSOLIDATED			
	09/30/2014	12/31/2013	09/30/2014	12/31/2013	Maturity (principal and interest)	TIR %
BNDES	1,007,147	859,803	6,002,263	5,915,781		
Local currency	1,007,147	859,803	6,002,263	5,915,781	Sep 2014 to Jul 2021	10.66
Public debentures	7,665,580	9,370,060	7,711,861	9,414,240	Sep 2014 to Jul 2021	10.57
Private debentures	891,431	1,062,664			Sep 2014 to May 2022	12.53
Financial institutions	10,521,946	8,626,892	37,081,160	21,053,207		
Local currency	3,002,030	1,626,257	7,541,363	6,104,897		
CCB	1,310,127		4,601,574	3,192,051	Sep 2014 to Jan 2028	11.72
Senior Notes	1,105,257	1,136,599	1,105,257	1,136,599	Sep 2014 to Sep 2016	11.91
CRI	466,227	460,732	1,446,785	1,428,511	Sep 2014 to Aug 2022	7.92
Other	120,419	28,926	387,747	347,736	Sep 2014 to Dec 2033	11.99
Foreign currency	7,519,916	7,000,635	29,539,797	14,948,310		
ECA credit facilities	225,983		3,440,012	4,354,639	Sep 2014 to May 2022	7.44
Senior Notes	7,293,933	7,000,548	10,999,794	10,593,584	Sep 2014 to Feb 2022	11.70
Non-convertible securities			15,099,991		Jul 2016 to Jun 2025	
Other		87		87		
PT Portugal Group financing			3,278,500			
European Investment Bank			1,620,936		Dec 2014 to Sep 2021	
Export Credit Facility			204,829		Nov 2014 to May 2023	
Commercial paper			1,235,831		Oct 2014 to Nov 2014	
Leases			135,118			
Other financing			81,786			
Loans from subsidiaries	3,672,799	4,203,834			Sep 2014 to Feb 2022	12.53
Subtotal	23,758,903	24,123,253	54,073,784	36,383,228		
Incurring debt issuance cost	(305,261)	(311,827)	(548,150)	(529,602)		
Total	23,453,642	23,811,426	53,525,634	35,853,626		

Acronyms:

ECA - Export Credit Agency

CCB - Bank Credit Note

CRI - Certificate of Real Estate Receivables

Debt issuance costs by type

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Financial institutions	272,035	271,535	462,310	484,494
Local currency	32,485	23,989	95,843	102,621
Foreign currency	239,550	247,546	366,467	381,873
BNDES - Local currency	664	736	4,826	5,552
Public debentures	32,562	39,556	32,562	39,556
Non-convertible securities			48,452	
Total	305,261	311,827	548,150	529,602
Current	63,700	52,583	107,801	97,055
Non-current	241,561	259,244	440,349	432,547

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Breakdown of the debt by currency

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Brazilian reais	16,173,274	17,058,338	21,122,255	21,287,189
US dollar	4,865,757	4,345,261	11,678,558	12,158,610
Euro	2,414,611	2,407,827	20,724,821	2,407,827
Total	23,453,642	23,811,426	53,525,634	35,853,626

Breakdown of the debt by index

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Fixed rate	8,404,580	8,117,419	30,073,236	13,078,474
CDI	11,268,758	12,440,372	9,879,152	10,233,218
TJLP	777,645	630,229	5,266,444	5,138,940
LIBOR	204,978		2,706,295	3,743,010
IPCA	2,677,263	2,600,117	3,671,712	3,576,429
EURIBOR			1,748,309	
INPC	120,418	23,289	180,486	83,555
Total	23,453,642	23,811,426	53,525,634	35,853,626

Maturities

The long-term debt matures as follows:

	COMPANY	CONSOLIDATED
	09/30/2014	
2015	1,691,823	2,299,430
2016	2,115,918	7,863,780
2017	4,769,574	9,606,924
2018	1,042,892	6,164,889
2019 and following years	13,456,029	22,964,142
Total	23,076,236	48,899,165

Scheduled allocation of debt issuance cost to the income statement

Debt issuance costs classified in non-current liabilities will be expensed on subsequent years, as follows:

	COMPANY	CONSOLIDATED
	09/30/2014	
2015	15,892	27,112
2016	53,385	92,139
2017	49,832	79,089
2018	43,387	85,396
2019 and following years	79,065	156,613
Total	241,561	440,349

Description of main borrowings and financing

Local currency-denominated financing

Development Banks

The Company and its subsidiary obtained financing facilities with BNDES to fund the expansion and improve the quality of their fixed and mobile nationwide networks and meet their regulatory obligations.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

In April 2014, the Company and its subsidiaries disbursed R\$836 million (of which R\$209.7 million to Oi, R\$408.4 million to TMAR, and R\$217.9 million to Oi Móvel). The related debt issuance costs, totaling R\$3.4 million, are being amortized through profit or loss for the period, according to this issuance's contractual terms, using its effective interest rate.

In the period ended September 30, 2014, the Company amortized principal installments plus adjusted interest totaling R\$114 million in the Company and R\$1,106 million on a consolidated basis.

Revolver credit facilities

In August 2014, R\$1,300 million were disbursed through Bank Credit Note (CCB), under a revolver credit facility transaction entered into by Oi with Banco do Brasil, Bradesco, HSBC and Santander in December 2012, totaling R\$1.5 billion.

Foreign currency-denominated financing

ECA credit facilities

TMAR contract financing facilities with export credit agencies to finance part of the investments in equipment and services that incorporate foreign technology.

In June 2014, US\$382.5 million (R\$855.8 million) were repaid of a financing agreement entered into by TMAR with the China Development Bank in July 2011.

In May 2014, US\$30.3 million (R\$67.8 million) were repaid of a financing agreement entered into by TMAR with Cisco System Capital in March 2011.

In April 2014, US\$98.1 million (R\$222.8 million) were disbursed under a financing agreement entered into by TMAR with the Export Development Canada in July 2012.

In March 2014, US\$92.5 million (R\$209.4 million) were disbursed under a financing agreement entered into by Oi with the ONDD (Office National Du Dueroire/Nationale Delcrederedienst) amounting to US\$257 million to finance part of Oi's investments for the next two years.

Borrowings

In September 2014 PT Portugal repaid €12.5 million of a financing agreement with the European Investment Bank.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Public and private debentures and convertible and non-convertible securities

				COMPANY		CONSOLIDATED	
Issuer	Issue	Principal	Maturity	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Oi	10 th	R\$1,500 million	2019	1,586,201	1,604,207	1,586,201	1,604,207
Oi	9 th	R\$2,000 million	2020	2,312,583	2,262,961	2,312,583	2,262,961
Oi	8 th	R\$2,350 million	2018	2,421,275	2,350,976	2,421,275	2,350,976
Oi	7 th	R\$1,000 million	2017	1,016,679	1,039,569	1,016,679	1,039,569
Oi	5 th (1 st series) (i)	R\$1,754 million	2014		1,792,259		1,792,259
Oi	5 th (2 nd series)	R\$246 million	2020	328,842	320,088	328,842	320,088
TMAR	2 th	R\$31 million	2021			46,281	44,180
Public debentures				7,665,580	9,370,060	7,711,861	9,414,240
Oi	8 th	R\$2,500 million	2016		189,966		
Oi	6 th	R\$999 million	2022	891,431	872,698		
Private debentures				891,431	1,062,664		
PTIF		€1,000 million	2020			3,152,273	
PTIF		€750 million	2018			2,383,580	
PT Portugal		€400 million	2016			1,252,249	
PTIF		€600 million	2016			1,924,215	
PTIF		€750 million	2019			2,426,497	
PTIF		€250 million	2017			810,303	
PTIF		€500 million	2025			1,567,926	
PTIF		€500 million	2017			1,582,948	
Non-convertible securities (ii)						15,099,991	

Acronyms:

PTIF – Portugal Telecom International Finance B.V.

(i) In April 2014, the Company fully repaid R\$1,754 million of the 1st issue of the 5th series of public debentures of Oi S.A.

(ii) All borrowings in non-convertible securities of the PT Portugal Group companies have been issued in years prior to 2014.

On August 28, 2014, Portugal Telecom International Finance B.V. fully repaid €750 million in convertible securities issued in 2007.

The debentures issued by the Company and its subsidiaries do not contain renegotiation clauses.

Commercial paper programs

PT Portugal entered into several commercial paper programs, under which it had already issued a total of €404.5 million (R\$1,220 million) as at June 30, 2014, plus accrued interest, maturing in July to November 2014.

During the third quarter of 2014, PT Portugal issued a commercial paper totaling €249.5 million and repaid a total of €257.8 million during the same quarter.

Guarantees

BNDES financing facilities are collateralized by receivables of the Company and its subsidiaries TMAR and Oi Móvel. The Company provides guarantees to its subsidiaries TMAR and Oi Móvel for such financing facilities, totaling R\$4,995 million.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

On May 5, 2014 the outstanding EMTN Notes, Exchangeable Bonds and financing agreements of PT Portugal and Portugal Telecom International Finance B.V. started to be guaranteed by Oi, except for the commercial papers issued by PT Portugal.

Covenants

The financing agreements of the Company and its subsidiaries TMAR, Oi Móvel and PT Portugal with BNDES and other financial institutions, and the debentures issued require compliance with financial ratios (covenants). The financial ratios of the BNDES agreements are calculated semiannually, in June and December. Other financial ratios are calculated on a quarterly basis.

Specifically for the subsidiaries' BNDES agreements, the financial ratios are calculated based on the Company's consolidated financial reporting.

At the end of the reporting period, on September 30, 2014, all ratios were complied.

In connection with the business combination between the Company and PT (Note 1), the Company continues to comply with its financial covenants of the BNDES financing agreements, other financial institutions, and its issues of debentures and securities as at September 30, 2014.

Committed and not used credit facilities

The revolver credit facility transactions were structured so that the Company and its subsidiaries can use the credit facility at any time, over the contractual periods. These transactions provide a comfortable liquidity cushion, strengthening the Group's capital structure and credit profile, and increase our cash management efficiency.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Assets				
Currency swaps	1,471,363	1,073,000	2,090,336	1,631,015
Interest rate swaps	3,514	6,080	88,598	118,264
Non-deliverable forwards (NDFs)	251,686	276,991	271,875	323,900
Total	1,726,563	1,356,071	2,450,809	2,073,179
Current	254,187	283,071	414,858	452,234
Non-current	1,472,376	1,073,000	2,035,951	1,620,945
Liabilities				
Currency swaps	275,207	217,601	383,300	355,456
Interest rate swaps	121,375	171,890	131,448	197,187
Non-deliverable forwards (NDFs)	11,491	13,565	14,665	14,008
Total	408,073	403,056	529,413	566,651
Current	373,726	309,532	468,706	409,851
Non-current	34,347	93,524	60,707	156,800

19. LICENSES AND CONCESSIONS PAYABLE

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
SMP			1,233,980	1,484,407
STFC concessions	29,974		93,110	
Total	29,974		1,327,090	1,484,407

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Current	29,974	634,432	457,173
Non-current		692,658	1,027,234

Correspond to the amounts payable to ANATEL for the radiofrequency concessions and the licenses to provide the SMP services, and STFC service concessions, obtained at public auctions.

The payment schedule is as follows:

	COMPANY	CONSOLIDATED
2014		2,993
2015	29,974	699,327
2016		604,829
2017		17,342
2018 to 2019		2,599
Total	29,974	1,327,090

20. TAX REFINANCING PROGRAM

The outstanding balance of the Tax Debt Refinancing Program is broken down as follows:

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Law 11941/09 tax financing program	973,913	565,565	1,534,255	1,108,435
REFIS II - PAES	4,336	4,336	7,345	11,869
Total	978,249	569,901	1,541,600	1,120,304
Current	56,177	52,838	98,585	100,302
Non-current	922,072	517,063	1,443,015	1,020,002

The amounts of the tax refinancing program created under Law 11941/2009, divided into principal, fine and interest—which include the debt declared at the time the deadline to join the program was reopened as provided for by Law 12865/2013 and Law 12996/2014—are broken down as follows:

	CONSOLIDATED				
	09/30/2014				12/31/2013
	Principal	Fines	Interest	Total	Total
Tax on revenue (COFINS)	807,034	20,794	292,060	1,119,888	610,313
Income tax	47,324	3,789	91,847	142,960	186,882
Tax on revenue (PIS)	22,291	1,066	34,670	58,027	80,575
Social security (INSS – SAT)	(8,553)	2,229	33,477	27,153	43,204
Social contribution	16,351	1,638	21,687	39,676	50,679
Tax on banking transactions (CPMF)	17,014	1,689	19,193	37,896	35,471
Other	45,791	5,823	64,386	116,000	113,180
Total	947,252	37,028	557,320	1,541,600	1,120,304

The payment schedule is as follows:

	COMPANY	CONSOLIDATED
2014	24,254	38,212
2015	97,016	152,888
2016	97,016	152,888
2017	97,016	152,888
2018	97,016	152,888
2019 to 2021	291,049	458,664
2022 to 2025	274,882	433,172
Total	978,249	1,541,600

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The increase of the tax refinancing program balance in the quarter reflects the adjustment for inflation to the balances already divided in installments and the refinancing of new debts under the terms and conditions set forth by Law 11941/2009, as amended by Law 12996/2014.

21. PROVISIONS

Broken down as follows:

Type	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Labor				
Overtime	235,372	246,841	464,859	474,910
Indemnities	66,115	73,511	153,117	150,612
Sundry premiums	51,017	57,145	126,212	128,765
Stability/reintegration	65,088	74,632	120,392	120,863
Additional post-retirement benefits	48,773	43,363	81,726	75,048
Salary Differences and related effects	28,331	33,668	51,882	56,997
Lawyers/expert fees	16,954	20,439	28,779	30,969
Severance pay	6,182	8,428	21,320	24,945
Labor fines	3,799	4,201	15,916	16,758
Severance Pay Fund (FGTS)	5,372	6,345	9,333	10,723
Employment relationship	189	380	5,493	5,467
Joint liability	958	1,262	1,761	2,292
Other claims	23,064	26,233	53,528	43,925
Total	551,214	596,448	1,134,318	1,142,274
Tax				
State VAT (ICMS)	119,287	124,594	379,549	361,540
FUST/FUNTEL				147,350
Income tax			70,637	
Tax on services (ISS)	534	1,629	70,069	67,350
Tax on net income (ILL)			20,509	19,998
INSS (joint liability, fees, and severance pay)	3,473	3,024	31,305	12,462
Other claims	2,278	1,584	71,523	31,672
Total	125,572	130,831	643,592	640,372
Civil				
Corporate	1,572,040	2,062,709	1,572,040	2,062,709
ANATEL estimates	219,014	210,118	586,749	557,960
ANATEL fines	103,374	96,572	500,278	487,548
Small claims courts	119,929	48,720	254,366	137,859
Other claims	203,254	286,354	567,838	587,595
Total	2,217,611	2,704,473	3,481,271	3,833,671
Total provisions	2,894,397	3,431,752	5,259,181	5,616,317
Current	824,065	770,294	1,524,441	1,223,526
Non-current	2,070,332	2,661,458	3,734,740	4,392,791

In compliance with the relevant Law, the provisions are adjusted for inflation on a monthly basis.

Breakdown of contingent liabilities, per nature

The breakdown of contingent liabilities with a possible unfavorable outcome and, therefore, not recognized in accounting, is as follows:

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Labor	515,704	467,388	1,004,250	877,287

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Tax	5,744,282	5,097,600	19,652,658	17,995,906
Civil	364,479	343,943	1,383,808	1,037,903
Total	6,624,465	5,908,931	22,040,716	19,911,096

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Summary of changes in provision balances

	COMPANY			
	Labor	Tax	Civil	Total
Balance at Dec 31, 2013	596,448	130,831	2,704,473	3,431,752
Inflation adjustment	49,998	6,748	55,354	112,100
Additions/(reversals)	(26,571)	(7,889)	(118,817)	(153,277)
Write-offs for payment/terminations	(68,661)	(4,118)	(423,399)	(496,178)
Balance at Sept 30, 2014	551,214	125,572	2,217,611	2,894,397

	CONSOLIDATED			
	Labor	Tax	Civil	Total
Balance at Dec 31, 2013	1,142,274	640,372	3,833,671	5,616,317
Acquisition of investments - PT Portugal	7,471	86,198	48,040	141,709
Inflation adjustment	122,197	(34,574)	95,725	183,348
Additions/(reversals) (i)	38,354	2,835	142,744	183,933
Write-offs for payment/terminations	(176,012)	(51,703)	(639,117)	(866,832)
Exchange adjustment	34	595	212	841
Liabilities on held-for-sale assets		(131)	(4)	(135)
Balance at Sept 30, 2014	1,134,318	643,592	3,481,271	5,259,181

(i) In September 2014, Management reviewed the methodology used to calculate the provisions for losses in civil lawsuits—corporate lawsuits involving the financial participation agreements—including statistical techniques as a result of the higher experience accumulated in the matter. The change in estimate generated a reversal amounting to R\$374,869 in Company and on a consolidated basis related to prior periods.

Certain additions to/(reversals of) provisions for contingencies were recognized in other operating income (expenses), net and do not include a R\$354,869 (Note 5) reversal provided for civil lawsuits involving the financial participation agreements and R\$46,347 related to other expenses on provision for contingencies.

Guarantees

The Company has bank guarantee letters and guarantee insurance granted by several financial institutions and insurers to guarantee commitments arising from lawsuits, contractual obligations, and biddings with ANATEL. The total adjusted amount of contracted guarantees and guarantee insurance effective at September 30, 2014, corresponds to R\$5,942,029 (R\$5,370,896 at December 31, 2013), Company, and R\$16,060,671 (R\$15,498,243 at December 31, 2013) on a consolidated basis. The commission charges on these contracts are based on market rates.

22. EQUITY

(a) Issued capital

Capital increase as a result of the business combination of Oi S.A. and PT

The Board of Directors approved, at the meetings held on April 30, 2014 and May 5, 2014, the capital increase of the Company totaling R\$13,959,900 (of which R\$8,250 million in cash and R\$5,710 million through the assignment of PT assets (Note 1)), through the issue of 2,262,544,570 common shares and 4,525,089,141 preferred shares, all of which are registered, book-entry and without par value.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Capital increase through the capitalization of reserves

The Board of Directors approved, at the meeting held on June 18, 2014, the capital increase of the Company totaling R\$7,111, without the issue of new shares, through the capitalization of the profit reserve, aimed at incorporating into issued capital the reinvestment tax incentive of calendar year 2008. This capitalization shall be in due time submitted to the Company's Extraordinary Shareholders' Meeting for a decision on the amendment to Article 5 of our Bylaws.

As a result of the changes above, subscribed and paid-in capital increased to R\$21,438,220 (R\$7,471,209 at December 31, 2013), represented by the following shares, without par value:

	Number of shares (in thousands)	
	09/30/2014	12/31/2013
Total capital in shares		
Common shares	2,861,553	599,009
Preferred shares	5,723,167	1,198,078
Total	8,584,720	1,797,087
Treasury shares		
Common shares	84,251	84,251
Preferred shares	72,808	72,808
Total	157,059	157,059
Outstanding shares		
Common shares	2,777,302	514,758
Preferred shares	5,650,359	1,125,270
Total outstanding shares	8,427,661	1,640,028

The Company is authorized to increase its capital under a Board of Directors' resolution, in common and preferred shares, up to the share capital ceiling of R\$34,038,701,741.49, within the legal ceiling of 2/3 for the issuance of new nonvoting preferred shares.

By resolution of the Shareholders' Meeting or Board of Directors' Meeting, the Company's capital can be increased by capitalizing retained earnings or reserves previously set up for this purpose by the Shareholders' Meeting. Under these conditions, the capitalization can be made with any change in the number of shares.

Capital is represented by common and preferred shares, without par value, and the Company is not required to maintain the current proportion of these types of share on capital increases.

By resolution of the Shareholders' Meeting or the Board of Directors, the preemptive right on issuance of shares, warrants or convertible debentures can be cancelled in the cases provided for in article 172 of the Brazilian Corporate Law.

(b) Treasury shares

Treasury shares at September 30, 2014 originate from the corporate events that took place in the first half of 2012 and the second quarter of 2014, described below:

- (i) on February 27, 2012 the Extraordinary Shareholders' Meeting of Oi S.A. approved the Merger Protocol and Justification of Coari with and into the Company and, as a result, the cancelation of the all the treasury shares held by the Company on that date;
- (ii) on February 27, 2012 the Extraordinary Shareholders' Meeting of Oi S.A. approved the Merger Protocol and Justification of TNL with and into the Company and the Company's

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

- shares then held by TNL, as a result of the merger of Coari with and into the Company, were canceled, except for 24,647,867 common shares that remained in treasury;
- (iii) starting April 9, 2012 Oi paid the reimbursement of shares to withdrawing shareholders.
- (iv) As a result of the Company's capital increase approved by the Board of Directors on April 30 and May 5, 2014, and due to subscription made by PT in PT Portugal assets, R\$263,028 was reclassified to treasury shares (Note 3.1, iv).

(c) Capital reserves

Capital reserves are recognized pursuant to the following practices:

Special merger goodwill reserve: represents the net amount of the balancing item to goodwill recorded in assets, as provided for by CVM Instruction 319/1999.

Special merger reserve – net assets: represents the net assets merged by the Company under the corporate reorganization approved on February 27, 2012.

Investment grant reserve: recognized due to the investment grants received before the beginning of FY 2008 as a balancing item to an asset received by the Company.

Law 8200/91 special inflation adjustment reserve: recognized due to the special inflation adjustments of permanent assets and the purpose of which was the offset of distortions in inflation adjustment indices prior to 1991.

Interest on works in progress: consists of the balancing item to interest on works in progress incurred through December 31, 1998.

Other capital reserves: consist of the funds invested in income tax incentives before the beginning of FY 2008.

(d) Profit reserves

Profit reserves are recognized pursuant to the following practices:

Legal reserve: allocation of 5% of profit for the year up to the limit of 20% of capital. This allocation is optional when the legal reserve plus the capital reserves exceeds 30% of capital. This reserve is only used for capital increase or absorption of losses.

Investments reserve: consists of the balances of profit for the year, adjusted pursuant to article 202 of Law 6404/76 and allocated after the payment of dividends. The profits for the year used to recognize this reserve was fully allocated as retained earnings by the related shareholders' meetings in light of the Company's investment budget and pursuant to Article 196 of the Brazilian Corporate Law.

(e) Dividends and interest on capital

Dividends are calculated pursuant to the Company's bylaws and the Brazilian Corporate Law. Mandatory minimum dividend are calculated in accordance with Article 202 of Law 6404/76, and preferred or priority dividends are calculated pursuant to the Company's Bylaws.

Preferred shares are nonvoting, except in the cases specified in paragraphs 1-3 of Article 12 of the Bylaws, but are assured priority in the payment of the noncumulative minimum dividends

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

equal to the higher of 6% per year of the amount obtained by dividing capital stock by the total number of shares of the Company or 3% per year of the amount obtained by dividing book equity by the total number of shares of the Company.

By decision of the Board of Directors, the Company can pay or credit, as dividends, interest on capital pursuant to Article 9, paragraph 7, of Law 9249/1995. The interest paid or credited will be offset against the annual mandatory minimum dividend amount, pursuant to Article 43 of the Bylaws.

The Annual Shareholders' Meeting held on April 30, 2014 approved the allocation of the profit for the year 2013 amounting to R\$1,493,015 to the recognition of an investment reserve.

(f) Share issue costs

We recognized in this line item the share issue costs related to the corporate transactions: (1) capital increase, in accordance with the plan for the business combination between the Company and PT (Note 1) and (2) corporate reorganization of February 27, 2012. These costs directly attributable to the mentioned events are basically represented by expenses on the preparation of prospectus and reports, third-party professional services, fees and commissions, transfer costs, and registration costs.

(g) Other comprehensive income

We recognize in this line item other comprehensive income, which includes hedge accounting gains and losses, actuarial gains and losses, foreign exchange differences arising on translating the net investment in foreign subsidiaries, including exchange differences in intragroup loans that are part of the net investment in foreign subsidiaries, reclassification adjustments, and the tax effects related to these components, which are not recognized in the income statements.

The interim financial information form filed with CVM's Empresas.Net system presents in the balance sheet only with the 'Valuation adjustment to equity' and 'Other comprehensive income' line items - equity (and not line items 'Share issue costs' and 'Change in equity interest percentage') and the statement of changes in equity presents only the line item 'Other comprehensive income' (not presenting line item 'Share issue costs' or line item 'Change in equity interest percentage').

As a result, the effects discussed in the topic above are presented in aggregate in the relevant existing line items, referred to above, as shown below:

	Other comprehensive income	Share issue costs	Change in equity interest percentage	Total
Balances at Dec 31, 2013	(91,531)	(56,547)	3,916	(144,162)
Share issue costs		(200,245)		(200,245)
Hedge accounting gain	91,582			91,582
Subsidiaries' hedge accounting gain	10,041			10,041
Actuarial loss	(36,316)			(36,316)
Subsidiaries' actuarial loss	(644,890)			(644,890)
Exchange losses on investment abroad	35,286			35,286
Exchange losses on subsidiaries' investment abroad	84,584			84,584
Other comprehensive income	30,744			30,744
Balances at Sep 30, 2014	(520,500)	(256,792)	3,916	(773,376)

(h) Basic and diluted earnings per share

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The Company's bylaws award different rights to holders of common and preferred shares with respect to dividends, voting rights, and in case of liquidation of the Company. Accordingly, basic and diluted earnings per share were calculated based on profit for the period available to common and preferred shareholders.

Basic

Basic earnings per share are calculated by dividing the profit attributable to controlling shareholders, available to common and preferred shareholders, by the weighted average number of common and preferred shares outstanding during the period.

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common and preferred shares, to estimate the dilutive effect of all convertible securities. Currently we do not have any potentially dilutive shares.

The table below shows the calculations of basic and diluted earnings per share:

	Three-month period ended 09/30/2014	Nine-month period ended 09/30/2014	Three-month period ended 09/30/2013	Nine-month period ended 09/30/2013
Profit attributable to owners of the Company	7,642	14,296	172,268	310,353
Profit allocated to common shares – basic and diluted	2,518	4,681	54,070	97,411
Profit allocated to preferred shares – basic and diluted	5,124	9,615	118,198	212,942
Weighted average number of outstanding shares (in thousands of shares)				
Common shares – basic and diluted	2,777,303	1,771,727	514,758	514,758
Preferred shares – basic and diluted	5,650,359	3,639,208	1,125,270	1,125,270
Earnings per share (in reais):				
Common shares – basic and diluted	0.001	0.003	0.11	0.19
Preferred shares – basic and diluted	0.001	0.003	0.11	0.19

23. EMPLOYEE BENEFITS

This note should be read together with the related disclosures made in Note 25 to the financial statements for the year ended December 31, 2013.

As at September 30, 2014, the consolidated liabilities with retirement benefits recognized in the balance sheet refer to the pension funds in Brazil and in Portugal, as a result of the business combination with PT completed on May 5, 2014.

	Brazil	Portugal	Total
Actuarial assets	53,967	5,785	59,752
Current	4,098		4,098
Non-current	49,869	5,785	55,654
Actuarial liabilities	611,212	3,323,704	3,934,916
Current	112,544		112,544
Non-current	498,668	3,323,704	3,822,372

(a) Pension funds

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

The Company and its subsidiaries sponsor retirement benefit plans (“pension funds”) for their employees, provided that they elect to be part of such plan, and current beneficiaries. The table below shows the existing pension plans as at September 30, 2014.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Benefit plans	Sponsors	Manager
TCSPREV	Oi, Oi Móvel, BrT Multimídia, iG and BrTI	FATL
BrTPREV	Oi, Oi Móvel, BrT Multimídia, iG and BrTI	FATL
TelemarPrev	Oi, TMAR, Oi Móvel and Oi Internet	FATL
PAMEC	Oi	Oi
PBS-A	TMAR and Oi	Sistel
PBS-Telemar	TMAR	FATL
PBS-TNCP	Oi Móvel	Sistel
CELPREV	Oi Móvel	Sistel

Sistel – Fundação Sistel de Seguridade Social

FATL – Fundação Atlântico de Seguridade Social

Telemar Participações S.A., the Company's parent, is one of the sponsors the TelemarPrev benefit plan.

For purposes of the pension plans described in this note, the Company can also be referred to as the "Sponsor".

The sponsored plans are valued by independent actuaries at the end of the annual reporting period. For the year ended December 31, 2013, the actuarial valuations were performed by Mercer Human Resource Consulting Ltda. The Bylaws provide for the approval of the supplementary pension plan policy, and the joint liability attributed to the defined benefit plans is ruled by the agreements entered into with the pension fund entities, with the agreement of the National Pension Plan Authority (PREVIC), as regards the specific plans. PREVIC is the official agency that approves and oversees said plans.

The sponsored defined benefit plans are closed to new entrants because they are close-end pension funds. Participants' and the sponsors' contributions are defined in the funding plan.

Actuarial liabilities are recognized for the sponsored defined benefit plans that report an actuarial deficit. For the plans that report an actuarial surplus, assets are recorded when there is an express authorization for offsetting them against future employer contributions.

The related liabilities disclosed in the balance sheet as at September 30, 2014 have been recognized based on the actuarial studies as at December 31, 2013, prepared using the "Projected Credit Unit Method", adjusted by the costs on retirement benefits and benefit payments in the period and the actuarial losses determined at September 30, 2014 related to the difference between the actual and budget income of the pension funds and the impact of the revision of the discount rates used to discount the actuarial liabilities. The main actuarial assumptions taken into consideration in the actuarial studies as at December 31, 2013 and September 30, 2014 after the revision of the discount rates are as follows:

	CONSOLIDATED			
	BrTPREV	TCSPREV	PBS-Telemar	TelemarPrev
MAIN ACTUARIAL ASSUMPTIONS USED				
Nominal discount rate of actuarial liability	11.83%	11.83%	11.83%	11.83%
Estimated inflation rate	5.50%	5.50%	5.50%	5.50%
Estimated nominal salary increase index	7.93%	7.93%	7.93%	5.5% to 10.9%
Estimated nominal benefit growth rate	5.50%	5.50%	5.50%	5.50%
Total expected rate of return on plan assets	8.9%	8.9%	8.9%	8.9%
General mortality biometric table	AT2000	AT2000	AT2000	AT2000
Biometric disability table	Zimmermann Nichzugs	Zimmermann Nichzugs	Zimmermann Nichzugs	Zimmermann Nichzugs
Biometric disabled mortality table	Winklevoss	Winklevoss	Winklevoss	Winklevoss
Turnover rate	6%	6%	Nil	0% to 14.5%

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	CONSOLIDATED			
	PBS-A	PAMEC	PBS-TNCP	CELPREV
MAIN ACTUARIAL ASSUMPTIONS USED				
Nominal discount rate of actuarial liability	11.83%	11.83%	11.83%	11.83%
Estimated inflation rate	5.50%	5.50%	5.50%	5.50%
Estimated nominal salary increase index	N.A.	N.A.	10.92%	8.80%
Estimated nominal benefit growth rate	5.50%	N.A.	5.50%	5.5%
Nominal medical costs growth rate	N.A.	7.67%	N.A.	N.A.
Total expected rate of return on plan assets	8.9%	8.9%	8.9%	8.9%
General mortality biometric table	AT2000	AT2000	AT2000	AT2000
Biometric disability table	Zimmermann Nichzugs	Zimmermann Nichzugs	Zimmermann Nichzugs	Zimmermann Nichzugs
Biometric disabled mortality table	Winklevoss	Winklevoss	Winklevoss	Winklevoss
Starting age of benefit	N.A.	N.A.	N.A.	55 years
Turnover rate	N.A.	Nil	Nil	Nil

The main movements in the actuarial liabilities related to pension plans in the period ended September 30, 2014 were as follows:

	COMPANY	CONSOLIDATED
Balance at December 31, 2013	643,063	643,562
Pension plan costs, net	51,757	51,836
Actuarial losses (gains), net	39,101	39,101
Payments, contributions and reimbursements	(123,287)	(123,287)
Balance at September 30, 2014	610,634	611,212

The main movements in the actuarial assets related to the pension plans in the period ended September 30, 2014 were as follows:

	COMPANY	CONSOLIDATED
Balance at December 31, 2013	67,086	69,793
Pension plan income, net	58,146	58,346
Effect of the asset/onerous liability recognition ceiling	(52,750)	(52,750)
Actuarial gains (losses), net	(15,923)	(15,923)
Payments, contributions and reimbursements	(4,994)	(5,499)
Balance at September 30, 2014	51,565	53,967

(b) Pension funds in Portugal

PT Comunicações and PT SI sponsor defined benefits plans under which these companies grant pension supplements to retired and active employees, healthcare services to retired employees and eligible relatives and salaries to suspend and pre-retired employees until retirement age.

The related liabilities disclosed in the balance sheet as at September 30, 2014 have been recognized based on the actuarial studies as at December 31, 2013, prepared using the “Projected Credit Unit Method”, adjusted by the costs on retirement benefits and benefit payments in the period and the actuarial losses determined at September 30, 2014 related to the difference between the actual and budget income of the pension funds and the impact of the revision of the discount rates used to discount the actuarial liabilities. The main actuarial assumptions taken into consideration in the actuarial studies as at December 31, 2013 and September 30, 2014 after the revision of the discount rates are as follows:

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	09/30/2014	05/05/2014
Nominal discount rate of actuarial liability		
Pension supplements	2.00%	3.00%
Healthcare	2.50%	4.00%
Salaries payments to suspended and pre-retired employees	0.75%	2.00%
Salary growth rate for liabilities to:		
Pension supplements and healthcare	1.75%	1.75%
Salaries of suspended and pre-retired	0% - 1.75%	0% - 1.75%
Estimated nominal benefit growth rate	Indexed to GDP	Indexed to GDP
Estimated inflation rate	2.00%	2.00%
Healthcare cost trend growth rate	3.00%	3.00%
General mortality biometric table	PA (90) adjusted	PA (90) adjusted

The following are the main movements in the actuarial liabilities from pension supplements, healthcare, and salaries payments to suspended and pre-retired employees during the period May 5 to September 30, 2014:

	Pension supplements	Healthcare	Salaries payments to suspended and pre-retired employees	Total liabilities from retirement benefits
Present value of actuarial liability at May 5, 2014	363,898	1,157,889	2,456,347	3,978,133
Interest on actuarial liabilities	4,048	18,580	19,148	41,776
Cost of current service	617	4,270		4,887
Downsizing costs	2,148	2,148	86,552	90,848
Change in the health plan benefits		(156,920)		(156,920)
Benefits paid by the sponsors	(1,807)	(26,004)	(198,505)	(226,317)
Benefits paid by the funds	(18,868)			(18,868)
Amortizing contributions received from sponsor				
Actuarial losses included in other comprehensive income		239,284	124,936	364,220
Foreign currency translation adjustments	1,496	7,680	13,026	22,203
Present value of actuarial liability at period-end	351,532	1,246,927	2,501,504	4,099,962
Fair value of plan assets at May 5, 2014	301,124	994,620		1,295,744
Actual return on plan assets	7,952	(462,656)		(454,703)
Estimated return on plan assets	3,420	15,175		18,594
Actuarial losses included in other comprehensive income (i)	4,532	(477,831)		(473,297)
Benefits paid by the funds	(18,868)			(18,868)
Reimbursements made by the funds		(34,790)		(34,790)
Foreign currency translation adjustments	1,252	(6,590)		(5,339)
Fair value of plan assets at period-end (ii)	291,460	490,584		782,044
Recognized net actuarial liability/(asset)	60,072	756,343	2,501,504	3,317,918

(i) These actuarial losses reflect basically the impairment of the investment in Banco Espírito Santo (“BES”) shares since May 5, 2014, amounting to R\$423 million, as a result of the BES corporate reorganization announced on August 3, 2014 under which the current shareholders became holders of an entity with assets not related to the banking business and not listed in the market.

(ii) The healthcare fund was created in 2004 to cover the liabilities from the healthcare plan independently managed by PT Prestações pursuant to an investment policy that includes shares, debentures, and other investments. As at September 30, 2014, the total exposure of these investments to the capital funds managed by Global Investment Opportunities SICAV da Rocha dos Santos Holding amounted to R\$246 million.

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

(c) Employee profit sharing

In the period ended September 30, 2014, the Company and its subsidiaries located in Brazil recognized provisions for employee profit sharing based on individual and corporate goal attainment estimates totaling R\$46,912 in Company and R\$140,657 on a consolidated basis. Additionally, in the same period PT Portugal and its subsidiaries recognized provisions for performance premiums totaling R\$49,064.

24. SEGMENT INFORMATION

The Company's management uses operating segment information for decision-making. The business segments are valued according to the performance of the Group companies, divided into two operating segments: (a) Telecommunications in Brazil and (b) Telecommunications in Portugal.

The revenue generation of each business segment is assessed by Management based on a view segmented by customer, into the following categories:

- Residential Services, focused on the sale of fixed telephony services, including voice services, data communication services (broadband), and pay TV;
- Personal Mobility, focused on the sale of mobile telephony services to subscription and prepaid customers, and mobile broadband customers; and
- Enterprise/Corporate, which includes corporate solutions offered to our small, medium-sized, and large corporate customers.

The operating segment called "Telecommunications in Portugal" includes the companies PT Comunicações (fixed line network), Meo, S.A. (mobile network), PT Cloud, and PT Data Center. In addition to the reportable segment, PT Portugal has other businesses that do not comply individually or in aggregate with any of the quantitative thresholds that would require a disclosure as a reportable segment. These businesses relate primarily to the following Group companies: (i) MTC, CVT and Timor Telecom, which render fixed and mobile telecommunications services and (ii) certain Portuguese support companies, namely PT - Sistemas de Informação, PT Inovação, PT Pro-Serviços Administrativos e de Gestão Partilhados and PT Contact – Telemarketing e Serviços de Informação.

The performance of each segment is extracted from the Company's and its subsidiaries' accounting records and are segregated as shown below for the three- and nine-month periods ended September 30, 2014 and 2013 in the case of the segment telecommunications in Brazil and just for the period between May 5 and September 30, 2014 in the case of the segment telecommunications in Portugal:

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Breakdown of the results of operating per reportable segment

	Telecommunications in Brazil		Telecommunications in Portugal	
	Three-month periods ended			
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Net operating revenue	6,737,528	7,099,083	1,833,471	
Operating expenses				
Depreciation and amortization	(1,102,869)	(1,091,809)	(530,763)	
Interconnection	(627,142)	(906,837)	(174,241)	
Personnel	(673,693)	(676,175)	(188,335)	
Third-party services	(1,540,663)	(1,560,279)	(482,564)	
Grid maintenance service	(481,444)	(580,197)	(47,740)	
Handset and other costs	(171,314)	(95,576)	(74,746)	
Advertising and publicity	(198,365)	(117,546)	(30,415)	
Rentals and insurance	(763,033)	(566,225)	(57,939)	
Provisions/reversals	(136,810)	(201,983)	1,442	
Allowance for doubtful accounts	(140,098)	(201,231)	(13,532)	
Taxes and other income (expenses)	(432,095)	(228,912)	(31,644)	
Other operating income (expenses), net	561,151	173,000	68,524	
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES	1,031,153	1,045,313	271,518	

	Telecommunications in Brazil		Telecommunications in Portugal	
	Nine-month periods ended			
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Net operating revenue	20,548,947	21,213,314	3,068,100	
Operating expenses				
Depreciation and amortization	(3,257,713)	(3,195,170)	(890,141)	
Interconnection	(2,053,984)	(3,061,013)	(289,692)	
Personnel	(2,041,033)	(1,885,175)	(313,819)	
Third-party services	(4,558,072)	(4,591,358)	(789,160)	
Grid maintenance service	(1,392,453)	(1,802,032)	(67,723)	
Handset and other costs	(446,728)	(380,267)	(114,424)	
Advertising and publicity	(500,647)	(406,300)	(50,256)	
Rentals and insurance	(2,333,120)	(1,587,138)	(98,878)	
Provisions/reversals	(494,101)	(518,891)	1,814	
Allowance for doubtful accounts	(516,547)	(806,236)	(27,003)	
Taxes and other income (expenses)	(1,294,723)	(976,579)	(59,484)	
Other operating income (expenses), net	1,886,680	872,945	68,526	
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES	3,546,506	2,876,100	437,860	

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Reconciliation of operating income before financial income (expenses) and taxes per segment with consolidated income

	Three-month periods ended	
	09/30/2014	09/30/2013
SEGMENT OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES PER SEGMENT		
Telecommunications in Brazil	1,031,153	1,045,313
Telecommunications in Portugal	271,518	
Other businesses	(423)	
CONSOLIDATED INCOME BEFORE FINANCIAL INCOME (EXPENSES)	1,302,248	1,045,313
FINANCIAL INCOME (EXPENSES)		
Financial income	389,474	237,513
Financial expenses	(1,627,524)	(1,055,583)
LOSS BEFORE TAXES	64,198	227,243
Income tax and social contribution	(59,243)	(54,975)
PROFIT (LOSS) FOR THE PERIOD	4,955	172,268
Profit attributable to owner of the Company	7,642	172,268
Profit attributable to non-controlling interests	(2,687)	

	Nine-month periods ended	
	09/30/2014	09/30/2013
SEGMENT OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES PER SEGMENT		
Telecommunications in Brazil	3,546,506	2,876,100
Telecommunications in Portugal	437,860	
Other businesses	(5,931)	
CONSOLIDATED INCOME BEFORE FINANCIAL INCOME (EXPENSES)	3,978,435	2,876,100
FINANCIAL INCOME (EXPENSES)		
Financial income	1,067,685	879,762
Financial expenses	(4,740,594)	(3,329,440)
LOSS BEFORE TAXES	305,526	426,422
Income tax and social contribution	(290,543)	(116,069)
PROFIT (LOSS) FOR THE PERIOD	14,983	310,353
Profit attributable to owner of the Company	14,296	310,353
Profit attributable to non-controlling interests	687	

The tables below show the revenue components as per customer segmentation:

Telecommunications in Brazil

	Three-month periods ended	
	09/30/2014	09/30/2013
Residential	2,450,698	2,564,461
Personal mobility	2,180,476	2,329,622
SMEs/Corporate	2,039,354	2,105,608
Other services	67,000	99,392
Total revenue of the telecommunications in Brazil segment	6,737,528	7,099,083

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Nine-month periods ended	
	09/30/2014	09/30/2013
Residential	7,522,494	7,697,219
Personal mobility	6,577,856	6,901,106
SMEs/Corporate	6,226,534	6,338,025
Other services	222,063	276,964
Total revenue of the telecommunications in Brazil segment	20,548,947	21,213,314

Telecommunications in Portugal

	Three-month periods ended	
	09/30/2014	09/30/2013
Residential	526,189	
Personal mobility	489,199	
SMEs/Corporate	549,792	
Other services	268,291	
Total revenue of the telecommunications in Portugal segment	1,833,471	

	Five-month periods ended	
	09/30/2014	09/30/2013
Residential	880,186	
Personal mobility	804,489	
SMEs/Corporate	936,873	
Other services	446,552	
Total revenue of the telecommunications in Portugal segment	3,068,100	

Reconciliation of consolidated revenue with segments' revenue

	Three-month periods ended	
	09/30/2014	09/30/2013
Revenue related to the reportable segments	8,570,999	7,099,083
Revenue related to other businesses (i)	480,717	
Eliminations	(210,013)	
Total revenue	8,841,703	7,099,083

	Nine-month periods ended	
	09/30/2014	09/30/2013
Revenue related to the reportable segments	23,617,047	21,213,314
Revenue related to other businesses (i)	879,258	
Eliminations	(428,857)	
Total revenue	24,067,448	21,213,314

(i) Represented primarily by the companies MTC, Cabo Verde Telecom, Timor Telecom and some Portuguese business support companies.

The investments in subsidiary PT Portugal and its subsidiaries have been incorporated into Oi S.A. beginning May 2014 (Note 1), and the results disclosed in segment reporting refer to the months May and September 2014 and, therefore, do not have a comparison basis.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Breakdown of the assets and liabilities per geographic segment

Total assets, liabilities and tangible and intangible assets by geography, and capital expenditures on tangible and intangible assets are as follows:

	09/30/2014				
	Total assets	Total liabilities	Tangible assets	Intangible assets	Capital expenditures on tangible and intangible assets
Brazil	79,163,701	55,792,466	25,555,188	14,482,529	4,036,475
Portugal	21,511,490	25,217,908	10,241,388	4,987,922	385,976
Other, primarily Africa	7,127,124	706,671	122,794	57,705	67,548

25. RELATED-PARTY TRANSACTIONS

Transactions with consolidated related parties

	COMPANY	
	09/30/2014	12/31/2013
Assets		
Accounts receivable	683,333	422,863
BrT Call Center	16,414	5,278
BrTI	8,410	7,281
Oi Internet	2,359	7,019
BrT Multimídia	6,114	2,747
Oi Móvel	491,320	284,754
TMAR	148,735	110,323
Telemar Internet	8,818	2,705
TNL PCS		2,756
PT	1,163	
Due from related parties	3,076,623	228,269
TMAR	742,467	190,976
BrT Call Center	6,204	35,618
BrT Multimídia		69
BrTI		1,606
Oi Móvel	109	
PTIF (i)	2,327,843	
Dividends and interest on capital receivable	326,632	673,508
TMAR	322,688	672,522
Oi Serviços Financeiros	3,944	986
Other	222,044	214,142
TMAR	57,805	68,022
TNL PCS		11,316
BrT Call Center	37,242	37,242
BrTI	266	266
Oi Internet	31	241
BrT Multimídia	48,200	37,358
Oi Móvel	78,500	59,697

- (i) In August 2014, PTIF issued notes totaling €750,000, maturing in 2015 and paying interest equivalent to the 6M Euribor + 2.5% p.a. The Company purchased all these notes.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

	COMPANY	
	09/30/2014	12/31/2013
Liabilities		
Trade payables	352,616	640,874
BrT Call Center	154,057	156,860
Oi Internet	965	295
BrT Multimídia	80,158	50,789
Oi Móvel	64,954	137,106
TMAR	41,773	220,239
TNL PCS		71,306
Telemar Internet		2,071
Paggo Administradora	10,321	2,208
PT	332	
PT Inovação e Sistemas	56	
Borrowings and financing	3,672,799	4,203,834
Oi Móvel	1,751	664,498
Oi Holanda	3,671,048	3,539,336
Debentures	891,431	1,062,664
TMAR	891,431	1,062,664
Other payables	70,904	81,893
BrT Call Center	411	411
BrTI		24,915
Oi Internet	30	30
BrT Multimídia	55,867	37,196
Oi Móvel	14,558	13,247
TNL PCS		5,952
TMAR	38	142

	Three-month period ended	
	COMPANY	
	09/30/2014	09/30/2013
Revenue		
Revenue from services rendered	158,516	118,608
BrTI	860	49
BrT CS		(10)
Oi Internet	(96)	1,636
BrT Multimídia	5,401	3,472
Oi Móvel	120,896	72,123
TMAR	28,352	31,124
Telemar Internet	1,068	370
TNL PCS		9,844
PT	2,035	
Other operating income	12,895	10,998
BrT Call Center	2,954	1,889
Oi Internet		
BrT Multimídia	599	72
Oi Móvel	9,342	9,037
Financial income	34,947	18,761
BrT Call Center	12	379
Oi Móvel	11,760	1,946
BrTI		38
BrT Multimídia		2
TNL PCS		2,217
TMAR	16,882	14,179
PT	6,293	

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Nine-month period ended	
	COMPANY	
	09/30/2014	09/30/2013
Revenue		
Revenue from services rendered	388,935	376,184
BrTI	1,867	2,259
BrT CS		51
Oi Internet	1,856	4,608
BrT Multimídia	11,904	7,793
Oi Móvel	283,641	246,011
TMAR	81,493	84,539
Telemar Internet	1,709	1,300
TNL PCS	3,855	29,623
PT	2,610	
Other operating income	36,430	37,015
BrT Call Center	6,963	7,019
Oi Internet	1	585
BrT Multimídia	1,499	1,474
Oi Móvel	27,967	27,937
Financial income	90,294	52,579
BrT Call Center	651	471
Oi Móvel	29,352	6,894
BrTI	91	96
BrT Multimídia	4	2
TNL PCS	3,738	7,025
TMAR	50,165	38,091
PT	6,293	

	Three-month period ended	
	COMPANY	
	09/30/2014	09/30/2013
Operating costs and expenses	(418,867)	(393,361)
BrT CS		(21,708)
BrT Multimídia	(13,888)	(9,788)
Oi Móvel	(195,940)	(176,318)
TMAR	(18,579)	(19,434)
TNL PCS		(30,921)
Pointer Networks		(36)
Paggo Administradora	(4,920)	(416)
Telemar Internet		(2,198)
BrT Call Center	(185,575)	(132,190)
Oi Internet	315	(352)
PT	(224)	
PT Inovação e Sistemas	(56)	
Financial expenses	(56,552)	(60,680)
Oi Móvel	(53)	(5,611)
TMAR	(24,824)	(23,910)
Oi Holanda	(31,675)	(31,159)

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Nine-month period ended	
	COMPANY	
	09/30/2014	09/30/2013
Operating costs and expenses	(962,523)	(1,137,670)
BrT CS		(59,440)
BrT Multimídia	(30,219)	(29,192)
Oi Móvel	(450,439)	(540,172)
TMAR	(55,363)	(58,632)
TNL PCS	(8,323)	(85,315)
Pointer Networks		(2,905)
Paggo Administradora	(8,227)	(1,364)
Telemar Internet		(6,313)
BrT Call Center	(409,092)	(353,242)
Oi Internet	(139)	(1,095)
PT	(665)	
PT Inovação e Sistemas	(56)	
Financial expenses	(197,169)	(198,944)
Oi Móvel	(34,387)	(14,389)
TMAR	(73,345)	(63,624)
Oi Holanda	(89,437)	(87,199)
TNL PCS		(33,732)

Credit facilities

The purpose of the credit facilities extended by the Company to its subsidiaries in Brazil is to provide them with working capital for their operating activities and the maturities of these loans can be rescheduled according to these companies' projected cash flows. The disbursed amounts bear interest equivalent to 115% of CDI (115% of CDI at December 31, 2013). For information on Company loans to PTIF, see item (i) of the 'Transactions with consolidated related parties' table.

Lease of transmission infrastructure

The transactions conducted with TMAR and Oi Móvel refer to the provision of services and the assignment of means involving mainly interconnection and Industrial Exploration of Dedicated Line (EILD).

The transactions conducted with Oi Internet, subsidiary of TMAR, refer to the provision of dial port rental services.

Guarantees

The Company is the guarantor of subsidiaries TMAR, Oi Móvel, PT Portugal, and PTIF in financing obtained from the BNDES, public debentures, and other loans. The Company recorded for the period ended September 30, 2014, as commissions on guarantee provided, income amounting to R\$53,365 (R\$48,570 for the period ended September 30, 2013). Additionally, TMAR provided guarantees to the Company on the CRI transaction at the cost of 0.5% of the outstanding balance per year. Related expenses for the period ended September 30, 2014 totaled R\$284 (R\$327 for the period ended September 30, 2013).

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Transactions with unconsolidated related parties

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Accounts receivable and other assets		1,179	1,465,687	19,237
PT		917		10,272
Unitel (i)			1,273,502	1,855
Contax		262	3,270	6,540
TODO			26	570
Multitel (ii)			19,854	
PT-ACS			5,314	
Fundação PT			4,422	
Sportinveste Multimédia (iii)			101,220	
Siresp (iv)			3,670	
Fibroglobal (v)			47,032	
Yunit (vi)			7,377	

- (i) This line item includes dividends receivable by PT Ventures from said subsidiary, amounting to R\$1,166 million and accounts receivable related to services rendered amounting to R\$48.2 million.
- (ii) This line item includes financing granted to this subsidiary amounting approximately to R\$2.8 million.
- (iii) This line item includes financing granted to this subsidiary amounting approximately to R\$101 million. In the past, the Company recognized provisions totaling R\$25 million related to this financing.
- (iv) This line item includes financing granted to this subsidiary amounting approximately to R\$3.6 million.
- (v) This line item includes financing granted to this subsidiary amounting approximately to R\$42.6 million.
- (vi) This line item includes financing granted to this subsidiary amounting approximately to R\$6.9 million.

	COMPANY		CONSOLIDATED	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Trade and other payables	3,916	7,195	55,053	57,626
PT		130		2,006
Unitel			2,821	
Contax		2	31,840	27,625
TODO	3,729	5,053	5,014	19,692
PT Inovação e Sistemas			8	7,384
Veotex	187	313	503	919
Multitel			168	
PT-ACS			7,718	
Fundação PT			1	
Sportinvest Multimédia			378	
Siresp			12	
Fibroglobal			5,530	
Yunit			1,060	

	Three-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Revenue				
Revenue from services rendered	337	658	38,972	11,873
PT		419		2,778
Unitel			12,133	193
Contax	337	239	8,572	8,040
TODO			351	676
Ability				186
Multitel			1,049	
PT-ACS			552	
Sportinvest Multimédia			100	
Siresp			11,491	

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Fibroglobal			944	
Fundação PT			3,780	

	Nine-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Revenue				
Revenue from services rendered	2,733	1,820	130,346	34,270
PT	2,011	1,231	59,936	8,457
Unitel			19,530	610
Contax	722	574	21,556	22,773
TODO		15	785	1,772
Ability				658
Multitel			1,844	
PT-ACS			552	
Sportinvest Multimédia			173	
Siresp			20,552	
Fibroglobal			1,638	
Fundação PT			3,780	

	Three-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Costs/expenses				
Operating costs and expenses	(4,614)	(5,130)	(32,648)	(20,763)
PT		(55)		(622)
Unitel			(8,204)	
Multitel			(339)	
Sportinvest Multimédia			(669)	
Fibroglobal			(10,974)	
PT Inovação e Sistemas				(2,026)
PT Comunicações				(466)
Veotex	(521)	(452)	(2,546)	(2,463)
TODO	(4,093)	(4,623)	(7,533)	(7,630)
Ability				(7,556)
PT-ACS			(2,383)	

	Nine-month period ended			
	COMPANY		CONSOLIDATED	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Costs/expenses				
Operating costs and expenses	(14,577)	(16,682)	(81,718)	(67,599)
PT	(664)	(175)	(25,066)	(1,773)
Unitel			(8,204)	
Multitel			(339)	
Sportinvest Multimédia			(669)	
Fibroglobal			(10,974)	
PT Inovação e Sistemas	(58)		(1,442)	(5,144)
PT Cloud e Data				(375)
PT Comunicações			(782)	(624)
Veotex	(1,426)	(1,363)	(7,597)	(7,383)
TODO	(12,429)	(15,144)	(22,758)	(28,112)
Ability				(24,188)
PT-ACS			(3,887)	

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Services provided by Contax

The Company and subsidiaries TMAR and Oi Móvel engaged call center and collection services from Contax, which is controlled by the controlling shareholders of TmarPart. Contax provides customer services to fixed-line telephony customers, outbound telemarketing services to capture new mobile telephony customers, support to prepaid and subscription mobile telephony customers, technical support to Velox subscribers (ADSL), and collection services. Total costs of services provided by Contax for the period ended September 30, 2014 were R\$51,694 (R\$52,637 for the period ended September 30, 2013), Parent, and R\$1,185,485 (R\$1,199,945 for the period ended September 30, 2013) on a consolidated basis.

Financing agreements with the BNDES

The Company entered into financing agreements with BNDES, controlling shareholder of BNDESPAR, which holds 5.099% (13.05% at December 31, 2013) of the voting capital of TmarPart, holding company of the Group and, therefore, a Company related party.

The balance due related to BNDES financing at September 30, 2014, was R\$1,007 million (R\$860 million at December 31, 2013), Company, and R\$6,002 million (R\$5,916 million at December 31, 2013), on a consolidated basis, and we recognized related financial expenses totaling R\$52 million (R\$140 million for the period ended September 30, 2013), Company, and R\$356 million (R\$350 million for the period ended September 30, 2013), on a consolidated basis.

Compensation of key management personnel

The compensation of the officers responsible for planning, managing and controlling the Company's activities, including the compensation of the directors and executive officers, was R\$10,537 in the Parent and R\$10,654 on a consolidated basis (R\$12,154 in the Parent and on a consolidated basis for the period September June 30, 2013).

26. OTHER INFORMATION

Transfer of mobile towers

On December 3, 2013 the Company entered into an agreement with SBA Torres Brasil for the transfer of the shares representing 100% of the capital of one of the latter's subsidiaries that owns 2,007 telecommunications towers that are used to provide mobile de telephony services. This transaction was completed on March 31, 2014 and the gain recognized in other operating income, less transaction cost, was R\$1.3 million.

On June 24, 2013 the Company entered into a new agreement with SBA Torres Brasil for the transfer of the shares representing 100% of the capital of one of the latter's subsidiaries that owns 1,641 telecommunications towers that are used to provide mobile de telephony services, for the approximate aggregate amount of R\$1.2 billion. This transaction should be completed by December 2014.

Increase of Switched Fixed-line Telephone Services Tariff

The STFC tariff adjustment authorized by the ANATEL for Company and its subsidiary TMAR is effective beginning April 18, 2014. The increases of the following tariffs were approved: local services and national long-distance services by 0.65%, local interconnection fees (TU-RL) by 10.69%, beginning April 17, 2014, and the credit amount to be used in Payphones by 0.40%.

Execution of an agreement with Banco BTG Pactual S.A.

On August 26, 2014, Oi entered into an agreement with Banco BTG Pactual S.A. under which the latter will act as commissioner to develop alternatives aimed at render viable a proposal for the acquisition of the stake indirectly held by Telecom Italia SpA in TIM Participações S.A.

Approval of preparatory actions for the sale of Africatel

At the Board of Directors' meeting held on September 16, 2014, Oi's management was authorized to take all the necessary actions to divest the Company's stakes in Africatel Holdings B.V. ("Africatel"), representing 75% Africatel's share capital, and/or dispose of its assets. Oi will lead the sale process, even though we believe that it would be in the best interests of both Africatel shareholders to maximize the value of their investments, that this sale be coordinated with Samba Luxco S.à.r.l ("Samba Luxco"), a Helios Investors L.P. affiliate that holds the remaining 25% of Africatel's share capital. Oi is committed to work with its local partners and each one of the operating companies where Africatel holds investments to ensure a coordinated transition of its interests in these companies.

Notwithstanding the above, our indirect subsidiary Africatel GmbH & Co. KG ("Africatel GmbH"), direct holder of the Oi's investment in Africatel, received on September 16, 2014 a letter from Samba Luxco, where Samba Luxco exercises an alleged right to sell the shares it holds in Africatel (put option), pursuant to Africatel's shareholders' agreement. According to this letter, this put option results from the indirect transfer of Africatel shares, previously held by PT, to Company as the payment for the capital increase made in May last year (Note 1).

As disclosed in Note 1 "Risks related to the stake held in Unitel", the Company believes that there was not any action or event that, under Africatel's shareholders' agreement terms, would trigger the right to exercise the put option. Accordingly, without prejudice to the value the Company attributes to maintaining a relationship of mutual respect with Samba Luxco, Africatel GmbH intends to challenge the exercise of this put option by Samba Luxco in the current circumstances, which, as provided for by Africatel's shareholders' agreement, could lead to an arbitration proceeding as a way of resolving the issue in the future.

Oi intends to focus its efforts on the sale of Africatel and/or its assets and believes that if this goal is successfully met, a possible arbitration would be unnecessary.

In accordance with CPC 31/IFRS 5, in the quarterly financial information for the period ended September 30, 2014 the Company classified the assets and liabilities of its operations in Africa as non-current assets held for sale and liabilities directly associated to non-current assets held for sale, respectively. The table below shows the main classes of such assets and liabilities classified as held for sale, including some assets in Brazil:

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

	COMPANY	CONSOLIDATED
	09/30/2014	09/30/2014
Assets of the operations in Africa held for sale:		
Cash and cash equivalents		138,608
Accounts receivable		158,867
Dividends receivable from Unitel		1,165,702
Investment in Unitel		4,109,690
Intangible assets		294,903
Property, plant and equipment		360,662
Other assets		186,432
Subtotal		6,414,864
Properties classified as held for sale in Brazil	24,508	118,527
Total	24,508	6,533,391
Liabilities directly associated to assets held for sale		
Borrowings and financing		62,510
Trade payables		106,137
Deferred taxes		259,425
Other liabilities		220,101
Total liabilities		648,173

The assets and of the operations in Africa are stated at the lower of their carrying amounts and their fair values less costs to sell. As for investment in Unitel, its fair value was determined based on PT Portugal's asset valuation reports, as part of the capital increase transaction (Note 1).

Rio Forte Securities

On June 30, 2014, Portugal Telecom, SGPS S.A. ("PT") disclosed a notice related to the investment made by PT International Finance BV ("PTIF") and PT Portugal SGPS S.A. ("PT Portugal") in a commercial paper of Rio Forte Investments S.A., a company part of the Portuguese group Espírito Santo ("GES"), (respectively, "Securities" and "Rio Forte"), when both PTIF and PT Portugal were PT subsidiaries.

According to said notice, the Securities had been issued in the total amount of €97 million, and bore average annual interest of 3.6% and matured on July 15 and July 17, 2014 (€47 and €50 million, respectively), stressing since April 28, 2014 no other investment and/or renewal of this type of investments had been made.

Both PT Portugal and PTIF (collectively "Oi Subsidiaries") became Company subsidiaries due to the assignment of all PT Portugal shares to the Company by PT, to pay in the Company's capital increase approved on April 28 and 30, 2014.

The Securities, amounting to €47 million, matured on July 15, 2014. The remaining Securities, amounting to €50 million, matured on July 17, 2014. Rio Forte did not settle its liabilities on the due dates and the cure period for payment of the securities that matured on July 15 and 17, 2014 ended on July 22 and 24, 2014, respectively, without the repayment of the securities.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Terms of the agreement entered into by the Company, Telemar Participações S.A. (“TmarPart” or “CorpCo”) and PT related to the cash investments made in Rio Forte securities

On July 15, 2014, the Company entered into a Memorandum of Understanding with PT aimed at laying down the bases for an agreement with regard to the cash investments made in the Securities. On July 8, 2014, Oi and PT established the terms that will be included in the definitive agreements and which would be submitted to the approval of Oi’s Board of Directors and PT’s shareholders’ meeting.

On September 8, 2014, PT’s shareholders’ meeting and the Boards of Directors of the Company and TmarPart approved the terms and conditions of the definitive agreements related to the investments made in the Securities. These agreements were executed on the same date by the Company, Oi Subsidiaries, TmarPart, and PT. The agreements provide for (i) an exchange (the “Exchange”) through which Oi Subsidiaries transfer the Securities to PT in exchange for preferred shares and common shares of the Company (or CorpCo, if after the merger of Company shares with and into CorpCo, as established in the corporate reorganization described in the Material Fact Notices of October 1, 2013 and February 20 and September 8, 2014, described in Note 1) and held by PT, as well as (ii) the assignment by Oi Subsidiaries of a call option on the Company shares to the benefit of PT (“Call Option”).

The Company filed a consultation with the CVM about of the Exchange and the Call Option and its actual implementation is subject to a CVM response.

Main terms of the Exchange Agreement and Other Covenants (“Exchange Agreement”)

The Oi Subsidiaries and PT SGPS will conduct an exchange whereby PT SGPS will transfer to the Oi Subsidiaries unencumbered Oi shares corresponding to 474,348,720 OIBR3 and 948,697,440 OIBR4 shares (the “Exchanged Shares”); and Oi, as compensation, will transfer the Commercial Paper to PT SGPS, in the total principal amount of €897 million, with no additional consideration (the “Exchange”).

With implementation of the Exchange, PT will become the holder of the Securities and the sole responsible for negotiating with Rio Forte and the decisions related to the Securities, and the Company is responsible for the supporting documentation to PT to take the necessary actions to collect the receivables represented by the Securities.

The Exchange, which includes the transfer of the Exchanged Shares to the Oi Subsidiaries and the transfer of the Securities to PT, shall be concluded within three business days after the date of CVM’s approval. In the event that the Exchange is not approved by March 31, 2015, none of the parties will be obligated to consummate the Exchange

In September 2014 the market value of all the shares to be received under the share exchange transaction, estimated based on the shares’ stock market quotation on the same date, is R\$2,500 million.

Main terms of the Call Option for the Purchase of Shares (“Option Contract”)

The terms of the Call Option Agreement, the Call Option will involve 474,348,720 Oi common shares and 948,697,440 Oi preferred shares (or equivalent number of CorpCo Shares after the Merger of Shares (“Shares Subject to the Option”)) and can be exercised, in whole or in part, at any time, pursuant to the following terms and conditions:

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

(i) Term: six (6) years, noting that PT SGPS's right to exercise the Option on the Shares Subject to the Option will be reduced by the percentages below:

<u>Date of Reduction</u>	<u>% of Shares Subject to the Option that cease to the subject to the Option each year</u>
From the 1st anniversary of the Closing Date	10%
From the 2 nd anniversary of the Closing Date	18%
From the 3 rd anniversary of the Closing Date	18%
From the 4 th anniversary of the Closing Date	18%
From the 5 th anniversary of the Closing Date	18%
From the 6 th anniversary of the Closing Date	18%

(ii) Exercise Price: R\$1.8529 per preferred share and R\$2.0104 per common share of Oi (and, as the case may be, R\$2.0104 per common share of TmarPart), as adjusted by the interbank deposit rate (CDI), plus 1.5% per annum, calculated pro rata temporis, from the date of the Exchange to the date of the effective payment of each exercise price, in whole or in part, of the Option.

Neither Oi nor CorpCo are required to maintain the Exchanged Shares in treasury. In the event that PT Portugal, PT Finance and/or any of Oi's subsidiaries do not hold, in treasury, a sufficient number of Shares Subject to the Option to transfer to PT, the Option may be financially settled through payment by the Oi Subsidiaries of the amount corresponding to the difference between the market price of the Shares Subject to the Option and the respective exercise price corresponding to these shares.

Whenever the Option is exercised, PT will undertake its best efforts to integrate the shareholder bases of PT and CorpCo in the shortest time possible.

While the Option is effective, PT may not purchase shares of Oi or TmarPart, directly or indirectly, in any manner other than by exercising the Option. PT may not transfer or assign the Option, nor grant any rights under the Option, including security, without the consent of Oi. If PT issues, directly or indirectly, derivatives that are backed by or referenced to Oi or TmarPart shares, it shall immediately use the proceeds derived from such a derivative transaction, directly or indirectly, to acquire the Shares Subject to the Option.

Oi may terminate the Option if (i) the Bylaws of PT SGPS are amended voluntarily to remove or amend the provision that limits the voting right to 10% of all votes corresponding to the capital stock of PT; (ii) PT directly or indirectly engages in activities that compete with the activities of Oi or its subsidiaries in the countries in which they operate; (iii) PT SGPS violates certain obligations under the Option Contract.

The Option shall only become effective and in full effect after the consummation of the Exchange and will terminate automatically if the Exchange is not consummated by March 31, 2015.

As at November 11, 2014 the fair value of the call option referred to above, the exercise of which is contingent to CVM's approval, is estimated at R\$411 million calculated by the Company using the Black-Scholes model and theoretical share volatility assumptions, using the Revenue Approach valuation technique provided for by paragraphs B10 and B11 of CPC 46/IFRS 13 Fair Value Measurement.

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

Other information regarding the Transaction, corporate approval and business combination of Oi and PT

In addition to the definitive agreements related to the cash investments in the Securities, on September 8, 2014 the parties also signed amendments to the agreements executed on February 19, 2014 and which regulate the Transaction, to provided for, without limitation: (i) the extension of the deadlines to complete the Transaction; (ii) the merger of PT with and into CorpCo will no longer occur as part of the Transaction, without preventing PT from adopting an alternative structure to attain the same goal of combining the share bases of Oi and PT; and (iii) the amendment of the bylaws of CorpCo to limit to 7.5% of the voting rights (I) of PT SGPS, and (II) of any shareholder that, as a result of the distribution of CorpCo shares by PT to its shareholders, results in a shareholding greater than 15% of the shares representing the total capital stock of CorpCo, excluding the CorpCo shares previously held or that will be acquired by other means.

The parties intend to develop a new structure to integrate the share bases of PT and CorpCo, and the first Board of Directors of CorpCo elected in preparation for its migration to the *Novo Mercado* segment of the São Paulo Stock Exchange shall consist of: Antônio Gomes Mota, Fernando Magalhães Portella, Fernando Marques dos Santos, Paulo José Lopes Varela, José Mauro Mettrau Carneiro da Cunha, Rafael Luís Mora Funes, Renato Torres de Faria, Rui Horta e Costa, Sérgio Franklin Quintella, Thomas C. Azevedo Reichenheim, and Vitor da Conceição Gonçalves.

Other information

The Company reiterates that the definitive agreements agreed on September 8, 2014 will enable the continued implementation of the business combination and the merging of the shareholder bases of Oi and PT in order to migrate CorpCo to the *Novo Mercado* segment of the BM&FBovespa, with the highest standards of corporate governance, increase in liquidity, with dispersed ownership in the market and the acceleration of synergies created by the transaction.

27. SUBSEQUENT EVENTS

Receipt of a Business Acquisition Proposal for PT Portugal

Firm proposal made by Altice

The Company receive on November 2, 2014 a firm proposal filed by Altice S.A. for the acquisition of PT Portugal SGPS, S.A.'s assets related to its operations ("Target Assets") based on an enterprise value of €7 billion, less cash and debt.

The enterprise value of the proposal considers an earn-out payment of €400 million contingent to future revenue generation as well as €400 million contingent to generation of free operating cash flows. The final price is subject to adjustments customary in business acquisition and sale transactions.

The proposal's Target Assets do not include PT Portugal's investments in Africatel GmbH & Co. KG and Timor Telecom S.A., PT Portugal's debt, or the investments in Rio Forte Investments S.A. (which are subject to an exchange agreement with PT, subject to the CVM's approval).

Oi S.A. and Subsidiaries
Notes to the Quarterly Information
(Amounts in thousands of Brazilian reais, unless otherwise stated)

Firm proposal made by Apax together with Bain Capital

On November 11, 2014 the Company received a proposal filed by Apax Partners LLP (“Apax”) together with Bain Capital LLP (“Bain Capital”), as investment advisors to de Apax VIII Fund and Bain Capital Funds for the acquisition of PT Portugal SGPS, S.A.’s assets (“Target Assets”) based on an enterprise value of €7 billion, less cash and debt.

The enterprise value of the proposal considers an earn-out payment of €400 million contingent to future revenue generation, as well as €400 million contingent to generation of EBITDA. The final price is subject to adjustments customary in business acquisition and sale transactions.

The proposal’s Target Assets do not include PT Portugal’s investments in Africa, PT Portugal’s debt, or the investments in Rio Forte Investments S.A. (which are subject to an exchange agreement with Portugal Telecom SGPS, S.A., subject to the CVM’s approval).

The proposals have been submitted to the Company’s board of directors for analysis and decision-making.

Resignation of our CEO

On October 7, 2014, Mr. Zeinal Abedin Mahomed Bava resigned from his position as Chief Executive Officer of the Company. Pursuant to article 30-A of the Company’s bylaws, the Executive Officers, in a meeting held on this date, appointed Mr. Bayard De Paoli Gontijo to cumulatively hold his current position as Chief Financial Officer and Investor Relations Officer with the position of Chief Executive Officer, until the Board of Directors decides to appoint a replacement for the position of Chief Executive Officer.

Reverse Share Split

The Company’s Board of Directors approved on October 15, 2014 a proposal to be submitted to the Extraordinary Shareholders’ Meeting to be called for November 18, 2014, for a 1:10 reverse split of all Company common shares and preferred shares, so that each ten common shares or ten preferred shares are converted into a single common share or a single preferred shares, respectively. The Company’s shares traded on the NYSE as ADSs will also be subject to this reverse share slip, following the same reverse share slip ratio used in Brazil, so that these ADSs will continue to be traded at the ratio of one ADS per each share.

The purpose of the reverse share slip proposal is to reduce the volatility of Company shares at a time the number of trades in the stock exchange is low. This transaction intends to protect the Company and its shareholders from percentage fluctuations resulting from small changes in share quotations and, at the same time, avoid that shareholders, especially foreign investment funds, are unable to invest in Company shares due to their quotation. In addition, the reverse share slip proposal aims at complying with the requirements of the NYSE Listing Standards, which requires, without limitation, a minimum average closing price of \$1.00 per share listed in this stock exchange over a 30 consecutive trading day period.

As a result of the reverse share slip, our current 2,861,553,190 common shares and 5,723,166,910 preferred shares will be converted into 286,155,319 common shares and 572,316,691 preferred shares, respectively, with the resulting change of Article 5 of the Company’s bylaws. Once the reverse share slip is approved by Shareholders’ Meeting, the holders of common shares or preferred shares will have 30 days as from the publication of the Notice to Shareholders, to be published after said shareholders’ meeting, to adjust their share positions, per type of share, in multiples of ten shares, through trading on the

Oi S.A. and Subsidiaries

Notes to the Quarterly Information

(Amounts in thousands of Brazilian reais, unless otherwise stated)

BM&FBOVESPA, to be able to continue a Company shareholders with at least one share after the reverse share slip is completed.

After this 30-day period for Company shareholders to adjust their shareholding positions, possible share fractions resulting from the reverse share slip will be separated, combined in whole numbers, and sold in as many auctions as necessary, to be held in due time on the BM&FBOVESPA. The proceeds of these fraction share auctions will be paid to the respective shareholders, after the financial settlement of the sale.