3Q14 RESULTS

RIO DE JANEIRO, 13 NOVEMBER 2014

IMPORTANT NOTICE

This release contains forward-looking statements, according to the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about perspectives and expectations, are forward-looking statements.

The words "anticipates", "believes", "estimates", "expects", "forecasts", "intends", "plans", and similar terms, when related to the Company or its management, indicate forward-looking statements. These statements reflect the current view of management and are subject to various risks and uncertainties. These statements are based on various assumptions and factors, including general economic, market, industry, and operational factors. Any changes to these assumptions or factors may lead to practical results different from current expectations. Excessive reliance should not be placed on those statements.

Forward-looking statements relate only to the date they are made, and the Company is not obligated to update them as new information or future developments arise.

METHODOLOGY

Full consolidation of Oi with all subsidiaries of PT Portugal that were included in Oi following the capital increase.

Oi's results included in this proforma consolidation are consistent with those historically presented by Oi in the same periods.

The results of PT Portugal's companies have been included in the consolidated financial statements of Portugal Telecom as of May 5th, adjusted by the following:

- The effect of the consolidation of Unitel under the equity method was excluded, since the company now understands that has no significant influence over this subsidiary, thus not applying the equity method on this investment.
- The results are presented in line with the Brazilian format, which are different from the presented in Portugal, mainly due to the following aspects:
  - Total operational revenues previously presented by Portugal Telecom included services, sales and other operational revenues, while from a report standpoint in Brazil it only includes services and sales.
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  - For the calculation of the Routine EBITDA, there was an adjustment related to the following significant effects identified in 2013: gain with a concession agreement, gain with AG/LF dividends, gain with the disposal of CTM and curtailment costs.

IN ORDER TO MAXIMIZE SHAREHOLDER VALUE WE WILL PURSUE FOUR PRIORITIES

Continue the turnaround with better COPEX control and commitment to reduce cash burn going forward

Improve our balance sheet profile

Move our corporate governance standards to the highest levels in Brazil

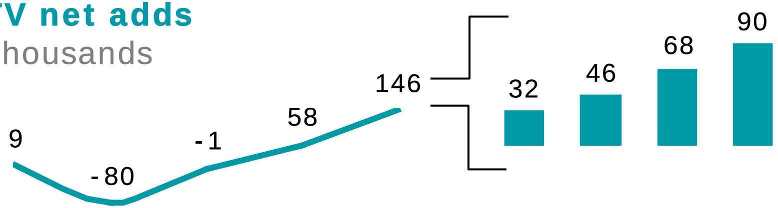
Be a protagonist in consolidation to enhance value for all shareholders

THIRD QUARTER FINANCIAL REVIEW

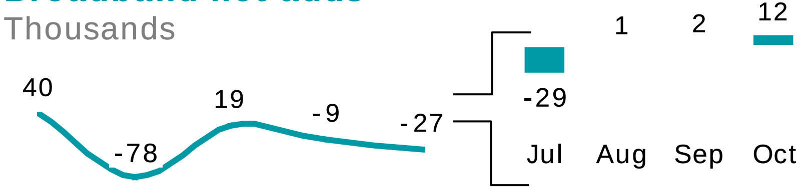
REVENUES HAVE SLOWED DOWN AS A RESULT OF THE WEAK GROSS ADDS OF THE FIRST NINE MONTHS…BUT WE ARE NOW SEEING SIGNS OF IMPROVEMENT

Customer

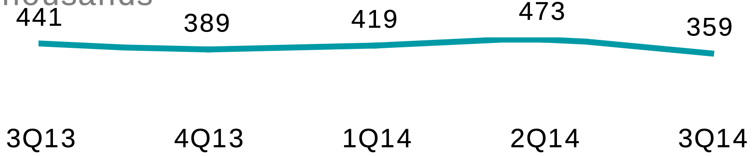
TV net adds
Thousands



Broadband net adds
Thousands

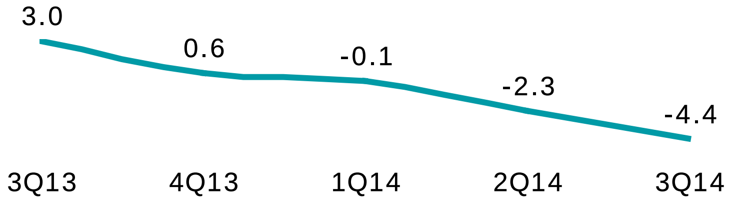


Mobile net adds
Thousands

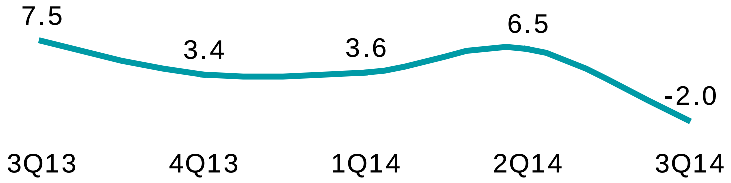


Revenues

Residential
% y.o.y



Personal mobility customer revenues
% y.o.y



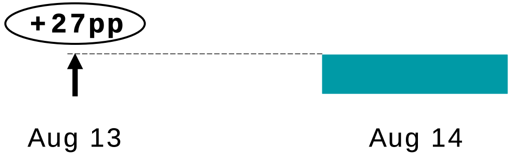
A SUCCESSFUL TV OFFER WILL PULL BROADBAND GROWTH AND PROTECT FIXED LINE

Oi

- Tiered pricing to enhance 3P formation
- Local Globo HD in over 2 thousand municipalities
- Entry level offer with +18 HD channels

Share of TV net adds

%



Churn (3P vs stand-alone)

%

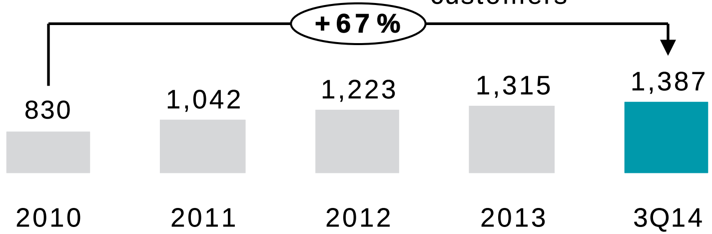
TV	-46%
Fixed line	-52%

MEO

Pay-TV customers

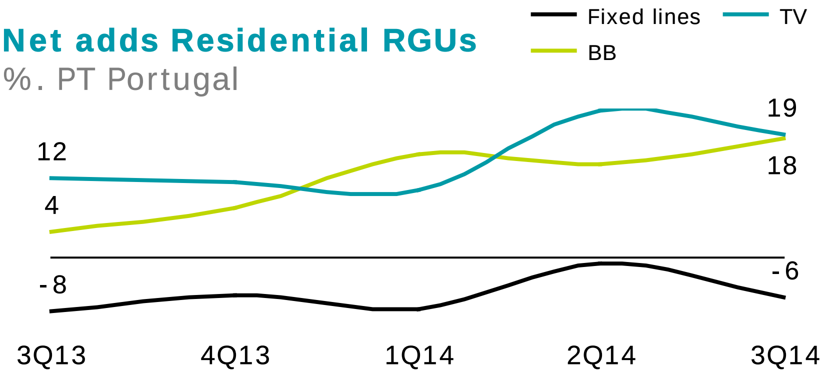
Thousand. PT Portugal

TV customers penetration in unique customers 52%



Net adds Residential RGUs

%. PT Portugal

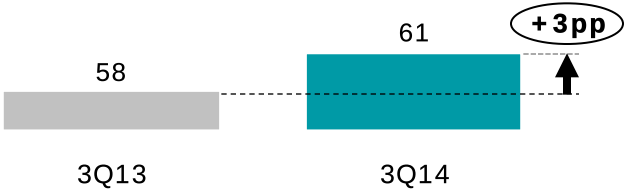


CONVERGENCE IS A GREAT OPPORTUNITY FOR OI'S WIRELESS BUSINESS

Oi

RGUs per household

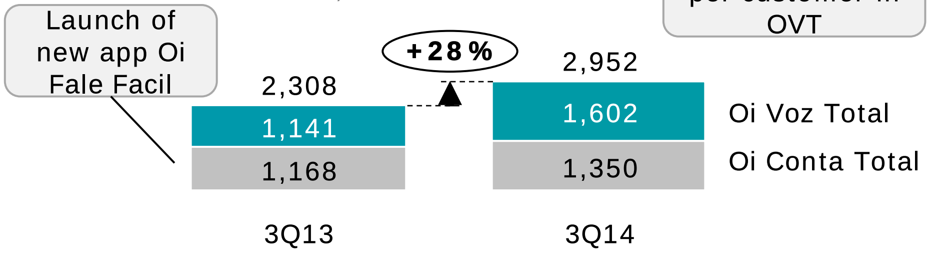
Households with more than 1P. %



Fixed lines with prepaid mobile bundle

Thousand. Oi Voz Total, Oi Conta Total

~1,5 SIM cards per customer in OVT



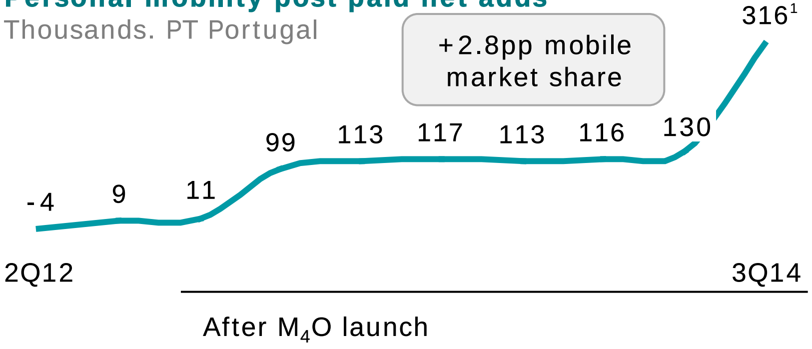
- Future uplift with impact in churn and mobile market share
  - Fully exploit Oi Voz Total opportunity
  - Leverage growing 3P base to beyond

MEO

Personal mobility post paid net adds

Thousands. PT Portugal

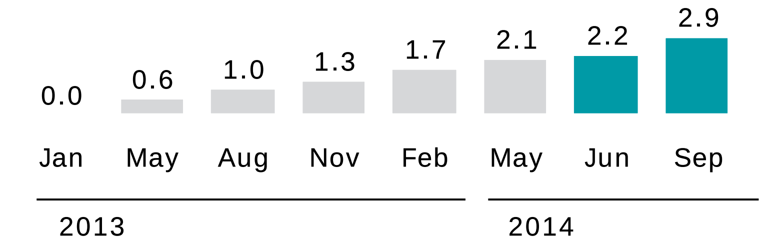
+2.8pp mobile market share



M40 RGUs

Million. PT Portugal

~1.3MM SIM Cards

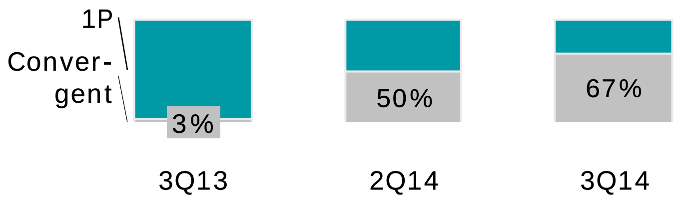


1 Include data cards for M5O

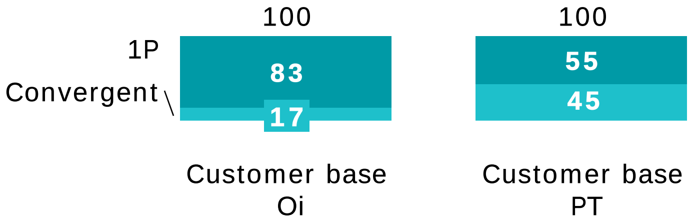
B2B TRANSFORMATION THROUGH CONVERGENCE AND PENETRATION OF NEW REVENUE DRIVERS IS ON TRACK

SME - Convergence

Weight of mobile net adds
%

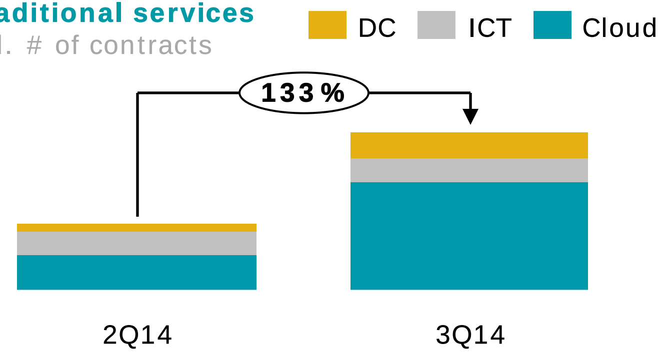


Convergent customer penetration
%. 3Q14

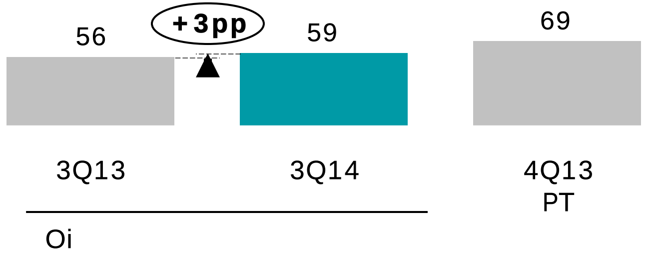


Corporate – Share of wallet and data

Non-traditional services
Indexed. # of contracts

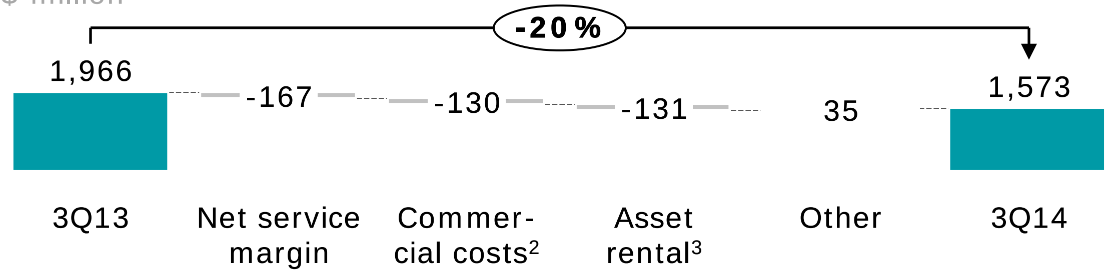


Non-voice revenues
% of Corporate revenues

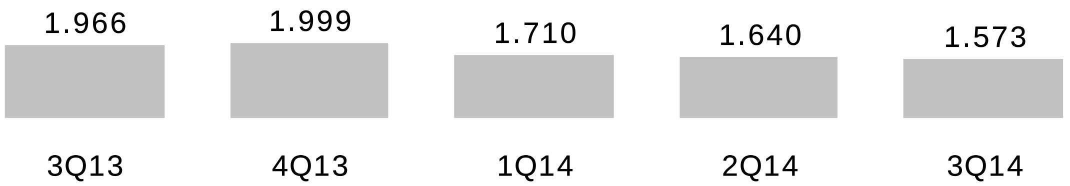


WE ARE ACCELERATING ALL OUR EFFORTS ON REDUCING OPEX

Brazil EBITDA[1]
R$ million



Brazil EBITDA[1]
R$ million

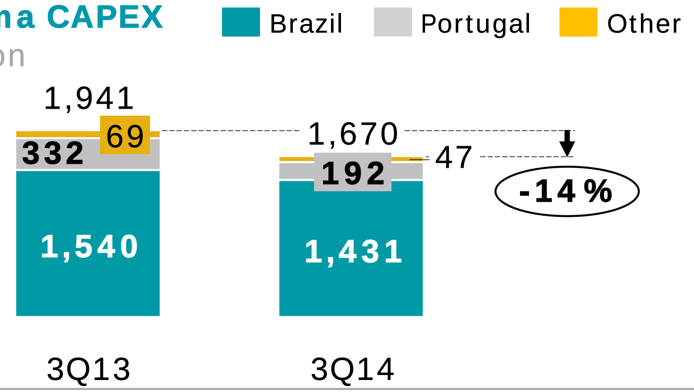


- Stabilization period for transformation programs
  - Deployment of new workforce management tool
  - Remodeling sales channels and commissioning policy
  - Reshaping offers and credit policy
- Rio Forte event impacted business focus
- Technical recession of Brazilian economy (GDP drop of -0.2% in 1Q14 and -0.6% in 2Q14)
- MTR cuts (-25% in 2014 and -33% in 2015) with impact on VC tariffs

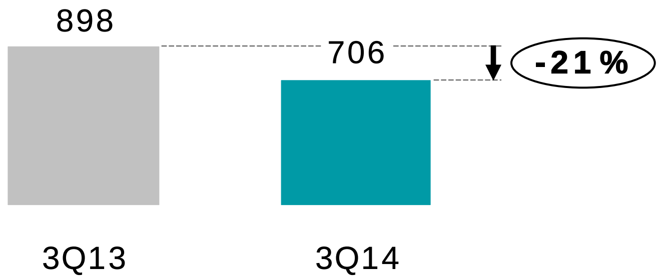
1 Routine
2 COGS / Marketing / Other commercial
3 After monetization

CAPEX CONTROL WAS NOT SUFFICIENT TO OFFSET THE EBITDA PERFORMANCE

Proforma CAPEX
R$ million



Proforma EBITDA[1] minus CAPEX
R$ million



Relationship with suppliers

- Rationalization of suppliers
- Renegotiation of contracts
- “Pay As You Go” model (Users and Capacity)
- Focus on network TCO optimization

Extracting network synergies

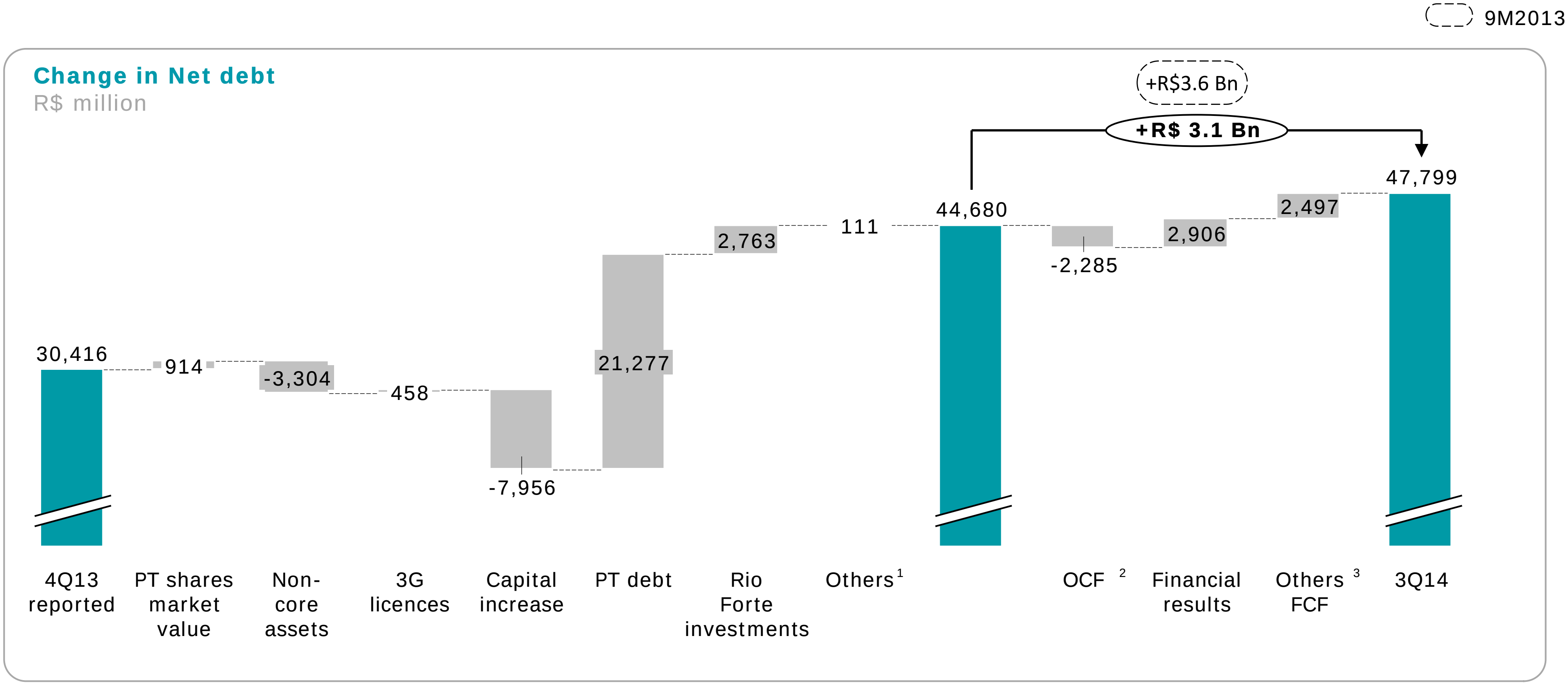
- Boosting 3G coverage, using existing 2G sites
- Expansion of offload WiFi capacity
- Leverage multiple play with DTH based HDTV services
- Increasing sharing synergies: infrastructure (Fiber swap), TV network (DTH over PON)
- Increase profitability of 3G Network by decreasing non-paid data traffic

Infrastructure sharing

- RAN Sharing is one more step in rationalizing the common infrastructure. This initiative will be completely transparent to the user perception, not interfering in the relationship between user and operator.
- FTTH agreement in Portugal with Vodafone allowed for FTTH footprint expansion without investment

1 Routine

WE ARE COMMITTED TO REDUCING CASH BURN



1 Others: Debt of assets for sale (83); FX impact (28) 2 OCF: -EBITDA (6,302) + CAPEX (4,453) + Delta WCR (-436)
3 Others FCF: Judicial deposits (807), Fistel / Bonus (782), Others (908)
Note: Figures based on statutory accounts consolidating PT Portugal (“PT assets”) as from May 2014

CONTINUING THE TURNAROUND AND IMPROVING CASH FLOW

COPEX REDUCTION WILL ACCELERATE AT OI

Key strategic levers

Product & Commercial
- Focus on net adds (multiplay)
- Capture Oi TV price premium
- Increase commercial productivity (and level of B2B outsourcing)

Operations
- Continue Field force productivity and quality gains
- Capture back office efficiency

IT / Engineering
- Reduction of IT applications
- Reduce costs of Oi Data Centers
- Capture OPEX savings from network sharing

Customer Care
- Adjust pricing of 3d party suppliers
- Adjust SLA in accordance to customer expectations

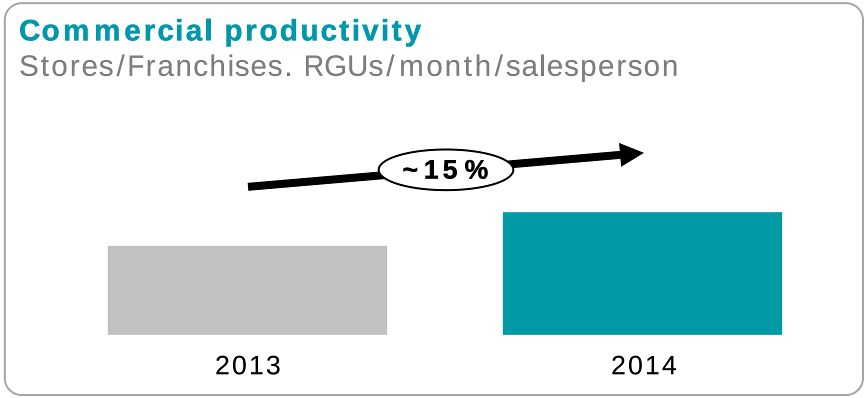
Organization
- Organization simplification (whilst accelerating decision making process)

Others
- Judicial costs and legal contention

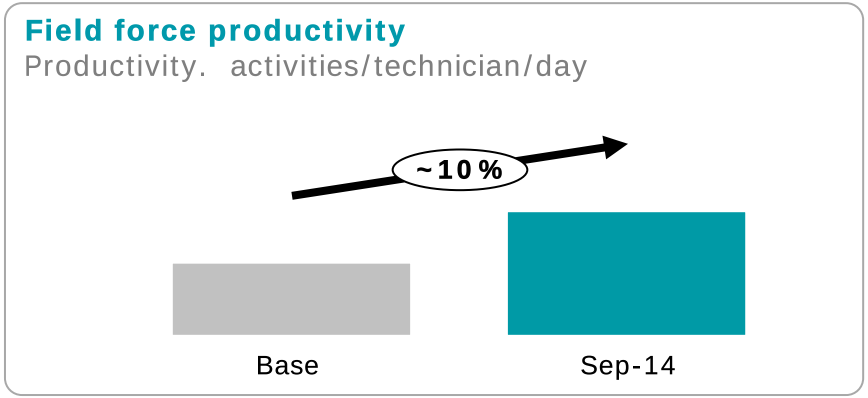
Improvement in EBITDA minus Capex 2015 in a range of R$1.2 – 1.8bn

THE OPERATIONAL TRANSFORMATION IS ALREADY UNDERWAY TO DELIVER COST REDUCTION

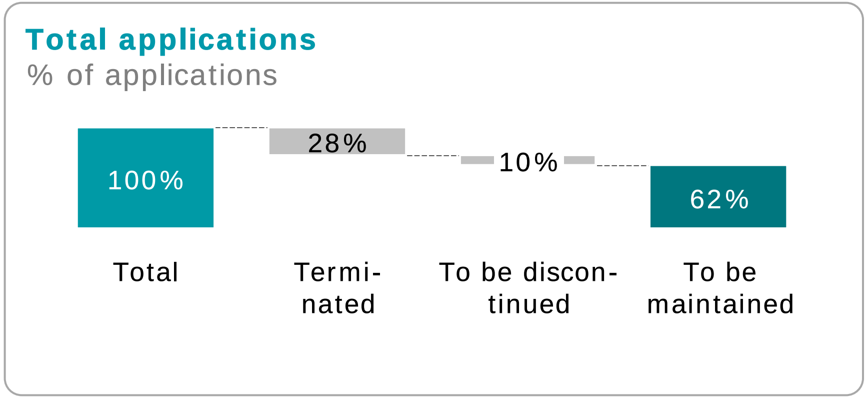
Increase of commercial productivity



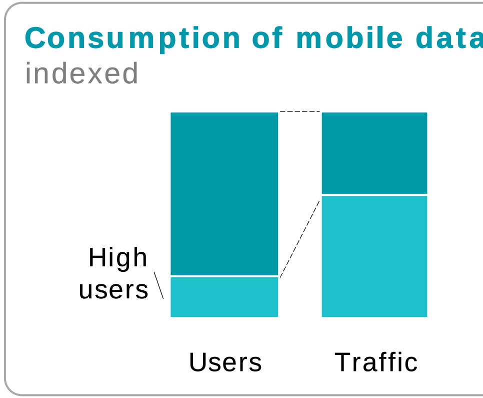
Transformation of field operations



Optimization of IT applications



Optimization of mobile network usage (FUP)



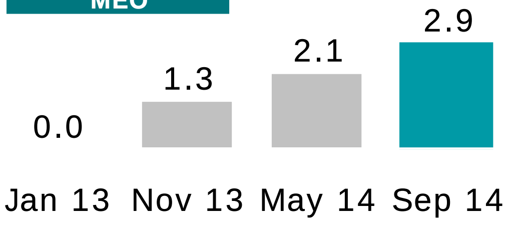
Consumption cap more rational use of network and executed CAPEX and QoS improvement

PORTUGUESE TRENDS ARE IMPROVING

M4O customers

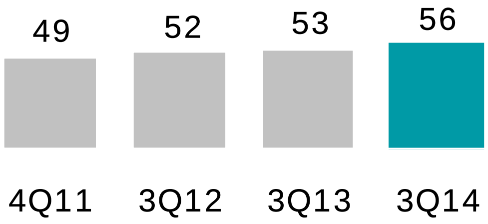
Million

36% are new customer to MEO



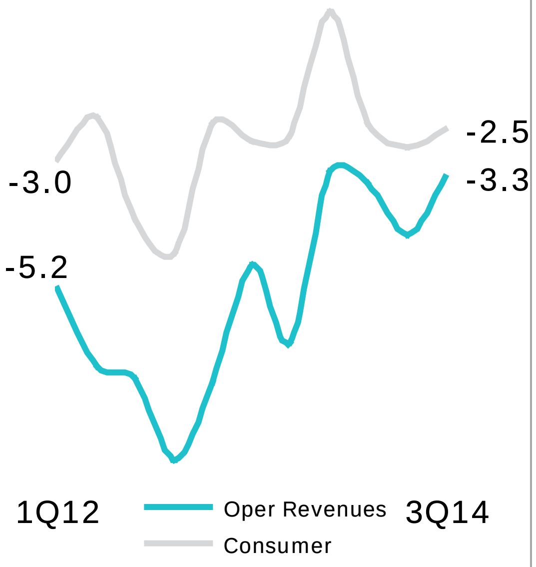
3P market share

% vs. main competitor



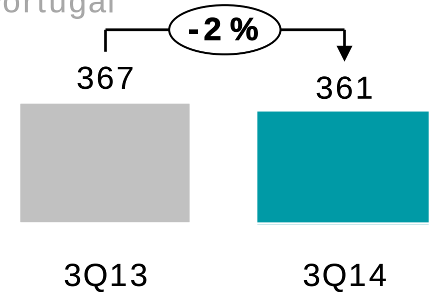
Revenues

% y.o.y – as reported by PT Portugal



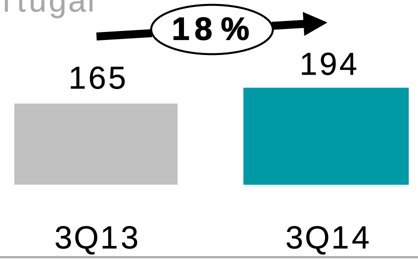
OPEX

Euro million. As reported by PT Portugal



EBITDA minus Capex

Euro million. As reported by PT Portugal

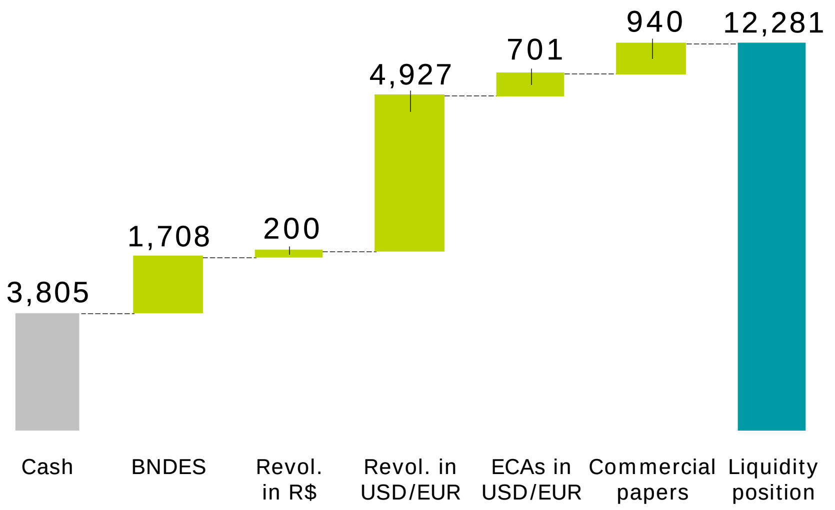


IMPROVE BALANCE SHEET PROFILE

WE HAVE A SOLID LIQUIDITY POSITION AND LOW FUNDING REQUIREMENTS UP TO THE BEGINNING OF 2016

Liquidity

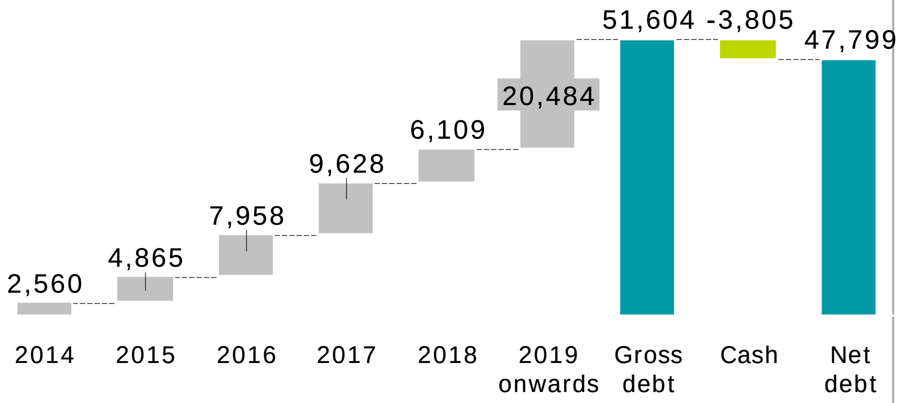
R$ million. Sept 2014



Gross debt amortization schedule

R$ million. Sept 2014

Average debt maturity: 4.0 years



	2Q14	3Q14
Gross debt / EBITDA[1]	3.79x	3.76x

1 LTM reported EBITDA

WE WILL SELL ASSETS TO STRENGTHEN OUR FINANCIAL FLEXIBILITY; ANY AND ALL DEALS WILL HAVE THE AIM OF MAXIMIZING SHAREHOLDER VALUE

Asset monetization

	Transaction value (R$ bi)	Impact of disposals on EBITDA (R$ bi)
Mobile towers	5.3	3.0
Real estate		
Globenet		
Mobile towers 4Q14	1.2	1.0

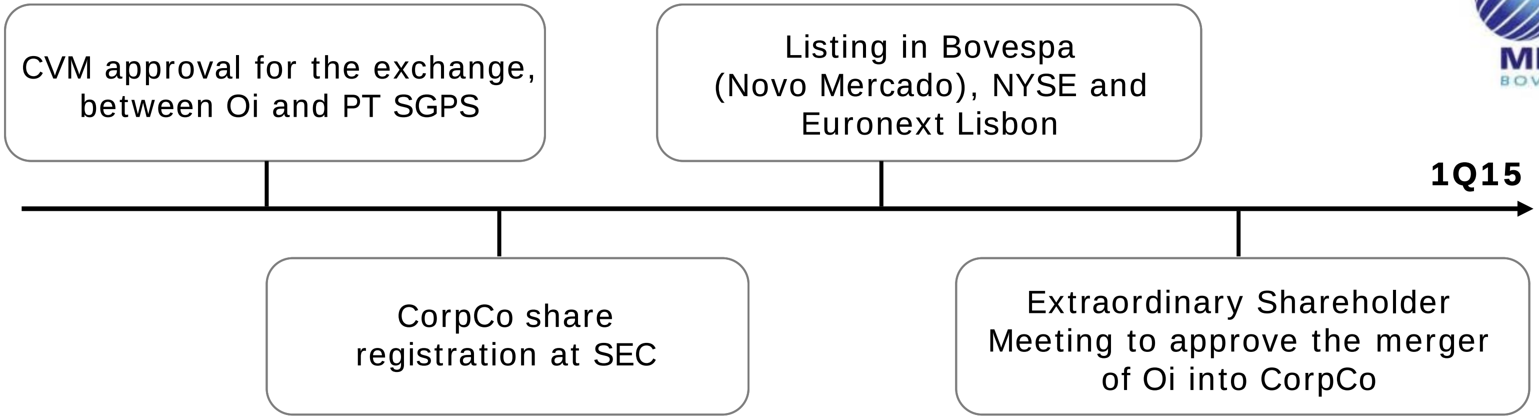
Full year routine impact in EBITDA of R$650 million
(excl. mobile towers disposal in 4Q14)

Future Options

- Divestment of Oi’s stake in Africatel
- Proposals received for PT Portugal
  - Altice S.A.: €7,025 billion EV
  - Apax and Bain: €7,075 billion EV

WE ARE COMMITTED TO IMPROVING CORPORATE GOVERNANCE AT OI

Commitment to migrate to Novo Mercado



Delayed due to:

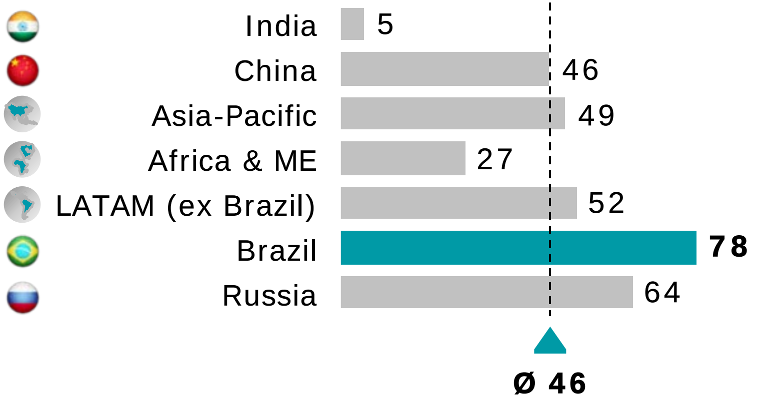
- Qualified opinion on 2Q14 financials ✓
- CVM approval of exchange
- SEC approvals

CURRENT MARKET STRUCTURE OF BRAZIL IS UNBALANCED AND UNSUSTAINABLE, DEMANDING MARKET CONSOLIDATION

Strong investment requirements

CAPEX for access

USD per inhabitant / access



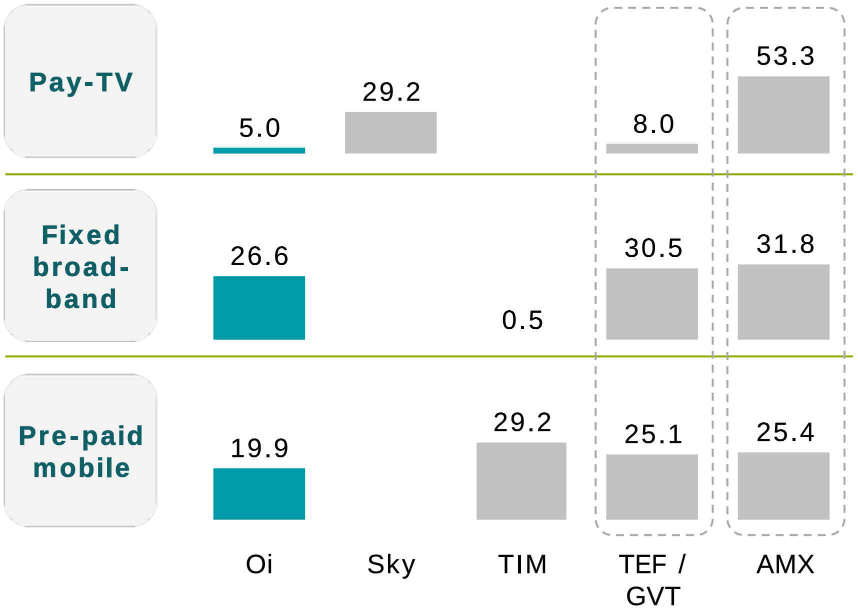
High Capex per access related to Brazil's geographic dispersion and continental dimension

SOURCE: Yankee Group, 2Q2014; Ovum, Jan2014; WWM, Merrill Lynch Global Wireless Matrix, 2Q2014;

Unbalanced market shares

Market share

%. 2Q14



SOURCE: Teleco

WRAP UP: MAXIMIZING SHAREHOLDER VALUE THROUGH FOUR PRIORITIES

Continue the turnaround with better COPEX control and commitment to reduce cash burn going forward

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