



MESSAGE OF THE CEO

THE SUSTAINABILITY ISSUE AT OI

The issues related to Sustainability have been gaining increasing visibility and importance in the company's agenda, as observed by the gradual evolution of the initiative's implementation related to the topic.

We can say that 2010 was the year that we have reached a few essential rungs on the ladder of our alignment related to Sustainability, improving our proactive stance, recognizing that environmental investments can contribute for the best risk management, as well as for business opportunities generation.

We know it is essential to incorporate this theme in our strategy, our business and processes, as well as in our operations. In this sense, we have been improving our practices, as we spread this concept in the company.

We continue performing internal campaigns for environmental awareness, as well as updating our Sustainability Policy, whose goal is to establish guidelines to lead the construction of mechanisms that aim the business continuity and management of environmental impacts. This commitment represents the institutional basis of the Oi Sustainability Program, which aims to promote practices related to the issue by raising awareness and commitment of employees, managers and partners of the company.

For nearly two years, Oi has committed to a public commitment, adhering to the United Nations Global Compact, whose principles have become an important benchmark for the corporate decisions.

Therefore, through this message, we declare our continuing support to the Global Compact, reaffirms our commitment to its ten principles, as well as we show in this report the practices adopted focusing the Defense of Human Rights, Labor Rights, The Environment and Fighting Corruption.

We always invest in our talents and support the diversity of our People, through a human resources management based on employees training and development, worker safety and health and on recognition programs creation.

Our Code of Ethics, which incorporates the principles of the Global Compact in many respects, completed three years in 2010. Extensive to our suppliers and partners, it is continu-

ously published on our internal communication channels, in classroom training and through the actions of the Agents of Ethics, reinforcing the importance of the guidelines set forth herein.

The Corporate Governance integrates our management model, including by the adoption of Sustainability goals to the major executives of the company. We have also developed a series of environmental responsibility initiatives, among which stand out the creation of the inventory and reporting of the greenhouse gases emissions, the expansion of the batteries and mobile phones collection sites in Oi stores, beyond measures to reduce consumption of electricity, among others.

Oi Futuro, an arm of social responsibility of the company, present in all states of Brazil, has been operating for a decade in social programs in the areas of education, culture and sports, and in 2010 expanded the scope of its operations, launching the first call to support preservation and environmental conservation projects. During this period, the institute has been fulfilling its mission of democratizing the knowledge access to accelerate and promote human development, benefiting more over 4 million people.

As a result of these actions evolution and the strengthening of Sustainability in its strategy, Oi remained by the third consecutive year in the portfolio of the Corporate Sustainability Index (ISE) of BM&FBovespa, and is one of the constituents of the first portfolio of Carbon Efficient Index, launched in 2010, whose initiative is the result of a partnership among BM&Bovespa and BNDES.

Oi conscious of its role and importance of promoting social inclusion, provides convergent and integrated telecommunications services aiming to expand the number of people and locations with access to communication and information technologies, knowing that the country's sustainable development also depends on the development of each human being, and the right to life, liberty, equality, safety and property.

We are a company who thinks boldly and knows the need to incorporate socio-environmental aspects into their business. Wherefore, we want to remain acting responsibly and helping to build a sustainable world.



Luiz Eduardo Faico Pires Corrêa
Chief Executive Officer



MESSAGE FROM MANAGEMENT

With the acquisition of Brasil Telecom in January 2009, Oi started a cycle that transformed it in the main provider of telecommunication services in the country with a national presence and, in fact, the only truly integrated and quadruple play. As part of this process, throughout 2009 the Management has focused on integrating the operations of Oi and Brasil Telecom in 2010 and, with the consolidation of integration, was able to capture all operational synergies, further strengthening the company in order to keep it growing and taking advantage of the opportunities the Brazilian market offers.

In 2010, from the operational point of view, it is worth nothing that the 8.8% growth in customer base of wireless services came with the 4.1% increase in ARPU (Average Revenue Per User), which in 2010 was of R\$ 22.60 and improving the mix, with the increase in the percentage of postpaid and Oi Controle in the total customer base of 1 percentage point.

With respect to Broadband, in 2010, beyond the 3.4% growth in customer base, we had such a progress in the coverage, already reaching more than 4 thousand municipalities in Brazil, as in the process of investment in fiber to offer higher speeds. Today Oi has the largest network of fixed broadband access in Brazil, which puts the company in a very favorable position to take advantage of the massification process of these services that the country will experience in coming years.

Throughout 2010, we have evolved also in the quality of our operations, including customer service, which reflects on the quality indicators improvement established in the concession contract and released periodically by Anatel - National Telecommunications Agency.

With respect to financial performance, supported by strong cash generation and on the profitability improvement of its customer base, translated by 5.4% growth in EBITDA and 2.3 percentage points of consolidated EBITDA Margin, we could reduce our level of debt that had been raised for the acquisition of Brasil Telecom. The ratio of net debt to EBITDA fell from 2.2 to 1.8 times in 2009 since the end of 2010. Furthermore, we had success both in domestic emissions (Certified Real Estate Receivable) and international (Bonds in U.S. dollars and Euros), which allowed lengthening the average maturity of the debt, as well as reducing its average cost.

In parallel, we move forward on issues related to Sustainability. This issue is gaining more visibility and importance in the agenda of the company, which is verified with the increasing implementation of initiatives related to the subject, such as the revision and updating of its Sustainability Policy, the introduction of Sustainability targets for the company key executives, as well as the initial inventory and reporting of greenhouse gases, among other actions present in Oi Sustainability Program.

As a result of these actions evolution and the strengthening of Sustainability in its strategy, Oi remained by the third consecutive year in the portfolio of the Corporate Sustainability Index (ISE) of BM&FBovespa, and is one of the constituents of the first portfolio of Carbon Efficient Index, launched in 2010, whose initiative is the result of a partnership among BM&FBovespa and BNDES.

In summary, in the year 2010, Oi continued its strategic move, has established itself as the leading telecommunications operator in Brazil, at the same time it improved its profit and reduced its debt level.

In the year 2011, the strategy is to continue this cycle, exploring growth opportunities with a focus on fixed broadband nationwide, wireless services, especially in Regions II* and III**, and Pay TV, an important protection tool for the wireline services business. Moreover, the focus on improving the quality of Oi services remains a priority, since the company believes that, for growth to be sustainable the client must realize increasingly quality on the given service.

An important contribution to the success of this strategy will be the entry of Portugal Telecom's at Oi's equity structure. In January 2011, we announced the signing of contractual instruments needed to implement the partnership with Portugal Telecom. This strategic partnership brings financial and operational benefits for Oi.

Operationally, the entry of this new partner will greatly add to the company in terms of quality, offers, technology and expertise in international operations. Portugal Telecom has a wide experience in the mobile market, TV and fixed and mobile broadband in Portugal and in countries where it operates.

This alliance will allow Oi to enhance its capacity on investment and expansion in national broadband markets, Pay TV, 3G and converging services. Both companies will develop cooperative strategies to boost its presence in markets that already work and new.



2010 SUSTAINABILITY ANNUAL REPORT

MESSAGE FROM MANAGEMENT

In addition, capital improvements already announced to the market allow the company to achieve greater financial strength to face the new challenges facing the Brazilian market.

Given the above, the year 2011 will bring Oi new and important challenges, and we are confident we will succeed once more in the defined strategy.

Luiz Eduardo Falco Pires Corrêa
Chief Executive Officer

José Mauro Mettrau Carneiro da Cunha
Chairman of the Board

* Region II: Includes the states of the South and Midwest regions, and the states of Rondônia and Acre.

** Region III comprises São Paulo state.

THE ECONOMY AND OUR MARKET

At the end of the year, the Central Bank adopted macroeconomic policies aimed at reducing the accelerated pace of credit extensions growth for consumption. This move was seen as the beginning of the financial distress cycle implemented by the Monetary Authority. There is an expectation of inflation rise for 2011, which will keep rising and reach the level of 5.8%, according to the Focus Central Bank research, held on March 14, 2011. The market consensus, in terms of activity for 2011, is a GDP growth above 4.5%. This strong rate of the Brazilian economy growth is supported by the level of unemployment tax that in November 2010 reached the lowest level of the series started in 2002.

The global economic activity kept showing signs of strength throughout 2010. The emerging countries continue to grow at significant rates and the developed economies expanding at a slower pace and still far from full utilization of the productive factors. However, major advanced economies, such as the United States and Germany, have shown consistent signs of growth acceleration. On the other hand, emerging countries, particularly India, China and Brazil, have to deal with the growth excesses.

THE TELECOMMUNICATIONS SECTOR IN 2010

The total of telecommunications services accesses in Brazil resulted about 268.6 million in 2010, represented by 42 million operating wireline terminals, 203 million wireless customers, 13.8 million Internet access in fixed broadband and 9.8 million PayTV customers.

The evolution of 14.5% or 34 million accesses compared to 2009 represents the second major growth in the sector history, mainly driven by significant net additions of wireless segment.

> WIRELINE SERVICES

The Brazilian market for wireline services ended in 2010 with 42 million lines in service, an evolution of 1.2% over the previous year. This segment is mature, only with marginal growth, once there is a global trend of traffic migration from wireline services to wireless services.

On the other hand, while at the end of 2009, the wireline services operators had 80% of its total wireline terminals on service, on 2010, this ratio changed to 77%.

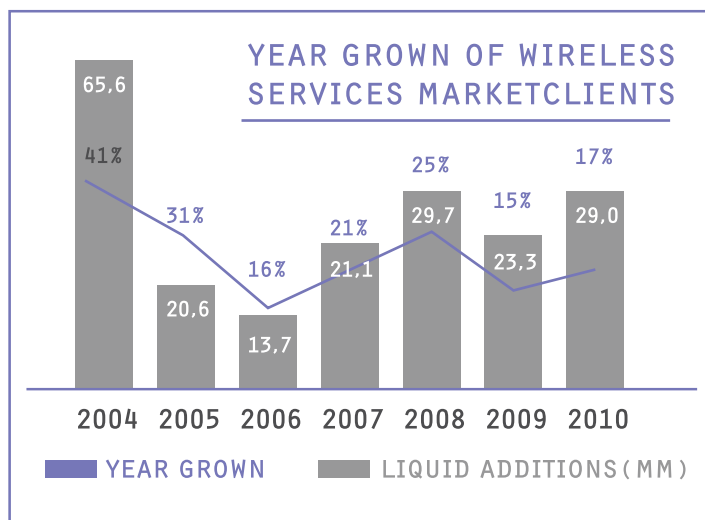
> WIRELESS SERVICES

With 203 million customers in 2010 and the penetration rate of 104.7% over the population, the Brazilian wireless phone market showed significant growth for another year, remaining as the fifth largest in Latin America and the fifth position in global terms. Net additions summed 29 million customers in 2010, reflecting surprising growth of 16.6% in the year, exceeding 2009, which had net additions of 23.3 million and 15.5% expansion.

An increase of 16.1% in the year, the prepaid segment represents 82.3% of total wireless customers at the end of 2010, whose ratio in 2009 was 82.5%.

The postpaid segment had an 18.1% evolution, exceeding the 8.8% in 2009.

In 2010, it is proper to stand out the significant evolution of the mobile broadband accesses. With nearly 12 million new additions in 2010, the third generation (3G) accesses totaled 18.9 million at the end of the year. Of this total, about 4.3 million are minimodem, while the remainder of the 3G access through wireless devices via data plans. The significant growth of 170% on the basis of access 3G shows the potential of this market.



> FIXED BROADBAND

The internet access market for via broadband has remained as one of the levers of sector growth in 2010. At the end of December 2010, the customer base reached about 13.8 million hits, showing growth of 21.2% compared to December

2009, representing 2.4 million new customers. The penetration of the broadband services in the country, considering the cable access technologies, ADSL and radio, stood at 24% of households, showing that there is still great potential for expansion in this market.

About 54% of net additions in broadband services customer base were fixed by means of ADSL technology (57% in 2009), which is the main broadband technology offered by Oi.

It is noteworthy that the fixed broadband net additions deceleration, recorded from 2010, due to the fact that the alternative connection via mobile broadband increased considerably, with offers of all wireless operators in the market.

> PAY TV

In 2010, Pay TV services customer base showed record progress with 2.3 million new connections, which grew 30.7% this year, surpassing the 18.2% in 2009. The Pay TV accesses amounted to 9.8 million subscribers.

This evolution, for another year, was driven by the growth of packet-oriented for lower purchasing power of Brazilian population, which there is still strong demand in the country. The penetration rate for the total number of households reached approximately 17%, exceeding the 2009 13%, which proves this market growth potential in the country.

Accesses via DTH (Direct to Home) technology were responsible for 73.9% of new customers, followed by cable technology with 29.0%. It is worth noting that new entrants in the market, among which Oi, use the DTH technology.

REGULATORY FRAMEWORK

> CONCESSION AGREEMENTS, PGMU AND RELATED INSTRUMENTS

It was planned for 2010, the quinquennial review of the Public Switched Telephone Network (PSTN) in its various forms and the reprint of instruments associated to them, as the General Plan on Universal Goals (PGMU), the General Plan of Quality Goals (PGMQ), AICE Regulation's (Special Class Individual Access) and the PSTN Regulation.

On November 24, 2010, it was voted in open session of the Anatel Director's Board, the new text of the Concession Agreement, with major changes, especially the elimination of

a clause which prevents the performance of the PSTN concessionaires on the Pay TV market.

The signing of the new Concession Agreement, originally scheduled for December 31, 2010, ended up being postponed because of the discussions concerning the proposed new PGMU, marked by divergence in economic and financial impacts arising from the care of the proposed goals, and especially on the necessity of addressing the sources of funding required for the viability of the Plan, the condition under the General Telecommunications Law.

In this framework, the contract amendment was signed, in December 2010, establishing the new deadline for the signing of new contracts and editing of regulatory instruments related, on May 02, 2011. Negotiations between Concessionaires, Anatel and the Executive Branch were restarted in early 2011.

> REGULATION UPDATE GENERAL PLAN

In October 2010, were completed two years of the Regulation Update General Plan (PGR), a moment in which could be previewed the completion of the short-term actions set out in the Plan, including new regulations on matters of great importance for the sector. Not all of these actions were finalized. The status of the main agenda items is presented as follows:

- **Regulation of LTOG (Compulsory and Free Telephone Directory):** provides rules for the distribution and supply of Telephone Directory and the Directory Assistance Service. 11/2010 The Public Consultation has been completed, but the Regulation has not been edited;
- **Numbering Regulation:** provides solution to ensure numbering resources for wireless services for São Paulo's capital (national area code 11). 13/2010 The Public Consultation was completed and the Regulation was published in December 2010;
- **Supervisory Regulations and Administrative Penalties (Public Consultation 21 and 22/2010):** The Public Consultations have been finalized, but the Regulations have not been edited. Regulations must present developments, such as: changes in the criteria of penalty's dosimetry, possibility of pecuniary penalties



substitution by the obligations of making and the possibility of celebrating the demeanor adjustment terms or the substitutive agreements in the event of regulation breaches by the operators. In the case of regulation enforcement, adoption of a mechanism for prior notification, reducing the flow of fines and the adoption of alternative dispute;

- **New Rules of Local Areas (Public Consultation 23/2010):** the new regulation, published in January 2011, expands geographic reach to local areas, which would adversely affect the volume of calls and long distance networks of remuneration associated with these called;
- **New Rules of Operation Industrial Hotline (EILD):** 50/2010 submitted to public consultation in December 2010, with completion scheduled for March 2011. Regulation on Public Consultation proposes relevant changes in EILD supply conditions, introducing stricter rules for the provision of special EILD and expanding the concept of standard EILD;
- **New Rules of reversible assets:** Public Consultation 52/2010 was also released in late 2010, with completion scheduled for March 2011. Regulation on Public Consultation disciplines the prior consent for replacement concession, encumbrance and disposal of reversible goods. Besides this, it foresees more strict conditions for the Concessionaire goods control.
- **H Band:** the bidding of this frequency band, last available bandwidth for the provision of SMP with 3rd generation technology, was held in December 2010, with limits on the participation of providers already licensed for this service, preventing Oi of disputing all available tracks. In areas where could participate in the bidding, Oi obtained the license 22 and 25 sectors, which correspond to small areas in Mato Grosso do Sul and Goiás. Nextel, the main winner of the auction, will be the 5th operator with national coverage;
- **MVNO (mobile virtual network operator):** was approved in November 2010, Resolution 550, which allows the provision of the SMP by virtual operators (MVNO). By the end of 2010, there were still no providers of this nature operating.
- **Competition General Plan (PGMC):** foreseen on

PGR as a short-term action, the PGMC Regulation is still being prepared by the Agency. The PGMC will define relevant markets for the Telecommunications Sector, as rules for nomination of Business Groups that contain companies with Significant Market Power (SMP), and obligations to encourage competition.

PROFILE

Oi, through its holding company, Tele Norte Leste (TNL) and its subsidiaries, among which, Telemar Norte Leste (Telemar), TNL PCS (“Oi Mobile”) and Brasil Telecom (BRT) offers a broad range of convergent products that include traditional services of wireline and wireless services, data transmission, access to broadband internet, internet providers and Pay TV. These services are offered to residential, corporate customers from small, medium and large companies, government entities and other telecommunications companies, and individuals. Oi is the leading provider of telecommunications services in Brazil. TMAR holds the concession to operate wireline services in 16 states in the North, Northeast and Southeast regions, and Brasil Telecom has a concession for wireline services in the Federal District and nine states in the South, Midwest and North of the country.

With the acquisition of Brasil Telecom’s control, Oi started to operate in nationwide range wireless services and data transmission, with a unified portfolio in all regions of the award. Services offer in nationwide range gives the company the necessary scale to compete on equal terms with major international competitors present in Brazil.

Pioneer and, in fact, the only integrated operator in the country, Oi believes that the development capacity of convergent offers is an important competitive advantage, aiming at customer loyalty.

From 2009, Oi began operating a submarine cable network of Globenet (wholly-Brasil Telecom) fiber optic transmission that connects Brazil, Colombia, Venezuela, Bermuda and the United States. Corporate networks Globenet and Metrored add to Oi data backbone, becoming the largest and most capillary data coverage in the country. There are over 176,000 kilometers, distributed in 23,300 km of international (Globenet) backbone, 32,600 km of national backbone and 120,300 km of state and metropolitan networks.

Apart from traditional telecommunications services, Oi pro-

vides Pay TV and broadband internet services, through its subsidiary Oi TV, for residential, commercial and corporate customers in the cities of Belo Horizonte, Poços de Caldas, Barbacena and Uberlândia in Minas Gerais state. With Oi TV integrating the full portfolio of services, Oi became the first company quadruple play in Brazil, offering combined wireline and wireless services, broadband and Pay TV. Currently, the Pay TV services, using DTH satellite technology, are offered to cities in the State of Rio de Janeiro, for Distrito Federal and 13 other Brazilian states (Alagoas, Bahia, Ceará, Espírito Santo, Goiás, Minas Gerais, Paraíba, Paraná, Pernambuco, Rio Grande do Norte, Rio Grande do Sul, Santa Catarina and Sergipe).

The company ended 2010 with 64.0 million Revenue Generating Units, 20 million wireline lines in service (“Oi Fixo”), 39.3 million in wireless services (“Oi Móvel”), 4.3 million hits in broadband wireline Internet (“Oi Velox”) and 275 000 customers of Pay TV (“Oi TV”).

Oi image reflects a lifestyle linked to innovation, boldness, intelligence and reliability. The slogan “It’s that simple” summarizes the company’s identity. The company’s goal is to offer the very latest in telecommunications and overcome the levels of demand from customers and the market.

For the third consecutive year, Oi is part of the Corporate Sustainability Index (ISE) of BM&FBovespa, reflecting the high degree of company’s commitment to social responsibility and adopt sustainable management practices. Oi also integrates the first Carbon Efficient Index BM&FBovespa portfolio. TNL and BrTO have their shares traded on the BM&FBovespa and the NYSE, while TMAR are only traded on the BM&FBovespa.

STRATEGY AND NEW BUSINESS

Initiatives of enterprises controlled by TNL aim to achieve and maintain the market leadership as well as generate value for its shareholders. All these initiatives reflect the placement of its administration, marked by flexibility, simplicity and objectivity.

Oi’s strategy to maintain the market leadership, increase competitiveness and improve financial performance, creating value for shareholders and other stakeholders, includes:

- **Focus on convergence:** Through it, Oi consolidates the differentiation that has in the market by offering integrated packages of wireline and wireless services,

broadband and Pay TV. Convergence is the main tool for customer loyalty and boost sales to, assuring important synergies that reduce operating costs of the company;

- **Expansion of customer base and evolution of broadband services:** Being an important lever for growth and essential element to the future of integrated communication services, access to broadband internet is one of the major instruments of our strategy. To leverage this growth, Oi has continuously investing in expanding their broadband networks (wireline and wireless), in expanding the supply of Internet access at high speeds and the evolution towards new technologies. Oi has the largest network of fixed broadband access of the country, with coverage of over 4,300 municipalities;

- **Expertise in new business and markets:** The search for innovation and continuing growth of new businesses is an essential part of Oi’s strategy. Expand operations to new business from existing platforms and work in segments that complement the offered services to customers are the key to assure the future growth of the organization. The company continually analyzes new business opportunities in telecommunications and in adjacent relevant services segments, such as internet, Information Technology and others, which have synergy with the company’s business in order to leverage new revenue streams and strengthen its position in the national and international telecommunications scenario;

- **Explore opportunities for profitable growth, as domestic wireless operator:** Differentiation through convergence and innovative offerings remains the primary strategy to consolidate our leadership in this segment. The advantage of convergence and innovation in offers with a focus on services, and not the device selling, will continue to be important differentials to widen participation in markets where it operates and on the profitability of their operations. The company will continue exploring the added value services offer and new products through its customer base, enhancing further the expansion of its revenue and profitability;

- **Increase efficiency and control costs, while main-**

taining the services quality: Initiatives to improve internal processes, with consequent optimization of costs and resource allocation, are part of our strategy to increase operational efficiency and economies of scale. Besides that, improving the quality of customer services will remain a strategic priority for the company.

OI AND PORTUGAL TELECOM

In January 2011, Oi and Portugal Telecom's shareholders and controlling shareholders signed a strategic partnership that will enable Oi to strengthen its operations and production capacity and increase investments in Brazil, focused on broadband and wireless services, increasing the company's economic value. With this transaction's completion there were changes in the stock structure.

On January 25, 2011, the controlling shareholders of Oi and Portugal Telecom signed the contractual documents and shareholder agreements between the parts, formalizing partnership and strategic investments by Portugal Telecom and Oi. The formalization of the operation provides continuity the understanding memorandum between the companies announced on July 28, 2010.

This partnership will allow Oi strengthen their operations and competitive capacity, increase investments in Brazil, focused on broadband and wireless services, aiming to increase economic value to the company. In due course, will be announced a detailed plan for the strategic partnership between the Oi and Portugal Telecom, which will draw together plans for technology exchange, joint purchasing and international expansion.

The agreement signed today preserves the rights of Oi controlling shareholders, Andrade Gutierrez, La Fonte, Fundação Atlântico, BNDES and pension funds, and will keep the company under private control. The operation foresees that Oi will acquire participation up to 10% Portugal Telecom capital, reinforcing the foundations of this strategic partnership. Taken together, the association between Oi and Portugal Telecom also includes direct benefits to society, shareholders, employees and consumers, and strengthens the financial structure of the Oi.

Portugal Telecom has a wide experience in the wireline and wireless market, TV and broadband internet in Portugal and in other countries where it operates. This partnership will allow Oi to expand its investment's capacity and the national expansion on broadband, PayTV, 3G and converged services mar-

kets. Both companies will develop cooperation strategies for : (A) expand its presence in markets that already operate and in new ones; (b) achieve scale benefits, boost research and development initiatives,, and (c) create value for shareholders.

Upon of all phases of the operation completion, a committee of engineering, networks, technology, innovation and service delivery will be created - that will work in conjunction with existing committees - to share best practices, enabling both companies to benefit from synergies and take decisions on operational matters.

OPERATION

The entry of Portugal Telecom in Oi's capital occurred through direct and indirect acquisition of the companies (TNL and Telemar) shares and the purchase of shares in its parent companies. The operation involved purchases of stakes in various levels of Oi corporate structure and was established as follows:

1. Portugal Telecom acquired 35% stake in the controlling holding companies Telecom AG and LF Tel, which are the controlling shareholders of Telemar Participações (TelemarPart);
2. Portugal Telecom also reached 12.1% share in Telemar Participações, buying shares from other shareholders and participating in the capital increase of TelemarPart provided in the operation;
3. The operation also relied on capital increases in Tele Norte Leste Participações and Telemar Norte Leste (Telemar), with the issuance of common and preferred shares.

CAPITAL INCREASES

On February 21, 2011, the company issued a Notice to the Shareholders about the beginning of the Capital increase of TNL and TMAR. The Investors who entitled shares at the close of trading day February 21, 2011 received the preemptive right to subscribe for shares in the Capital Increase. The shareholders had 30 days from the day February 22, 2011, inclusive, that is, until the day March 24, 2011, to exercise their preemptive rights to subscribe shares, as well as to express the firm order subscription leftovers.

The capital increase provided for the issuance of up to 126,218,801 new ordinary shares of TNL, priced at R\$ 38.55, and up to 252,437,601 preferred shares of TNL,

priced at R\$ 28.27 , a total capital increase of TNL, at most, R\$ 12,002,145,758.82.

In TMAR, the capital increase foresaw the issuance of up to 95,159,514 new ordinary shares at a price of R\$ 63.71 , and 117,117,560 preferred shares to class A TMAR priced at R\$ 50.71, with a total capital increase of TMAR of up to R\$ 12,001,644,104.54 .

On March 25, 2011 TNL and Telemar issued Notice to Shareholders for the period of closure exercise of preemptive rights to subscribe for shares on the capital increase.

At TNL, were subscribed, on exercise of preemptive rights, 56,314,613 shares and 58,606 preferred shares at an issue price of R\$ 38.55 per common share and R\$ 28.27 per preferred share, totaling R\$ 2,172,585,122.77.

Moreover, in the same period, 102,473 shares and 28,350,569 preferred shares were subject to firm subscription order for leftovers, totaling R\$ 805,420,919.78.

Thus, in TNL, considering the exercise of preemptive rights and the firm subscription order for leftovers, was subscribed a total of 56,417,086 shares and 28,409,175 preferred

shares, totaling an increase of R\$ 2,978,006,042.55, wich represents 24.81% of the maximum amount of Capital Increase approved.

In TMAR were subscribed on exercise of preemptive rights, 46,969,013 shares and 46,216,078 preferred class "A" shares , at an issue price of R\$ 63.71 per common share and R\$ 50.71 per share preferred class "A" totaling R\$ 5,336,013,133.61.

In addition, during the same period, 108 common shares and 12,480,778 preferred class "A" shares were the subject of firm subscription orders for leftovers totaling R\$ 632,907,133.06.

Thus, in TMAR, considering the exercise of preemptive rights and the firm subscription order for leftovers, was subscribed a total of 46,969,121 shares and 58,696,856 preferred Class "A" shares, totaling an increase of R\$ 5,968,920,266.67 witch represents 49.73% of the maximum amount of Capital Increase approved.

On March 28, 2011, were held meetings of the companies Board of Directors for the partial Capital Increase approval.

After the transaction completion, the shareholding structure of TNL and TMAR became as follows:

OWNERSHIP STRUCTURE	ON SHARES	% ON	PN SHARES	% PN	TOTAL	% TOTAL
TNL						
Telemar Participações	103,813,689	55.51%	--	--	103,813,689	21.78%
PREVI	6,857,087	3.67%	11.730.869	4.05%	18,587,956	3.90%
Luxemburgo Participações	--	--	11.412.900	3.94%	11,412,900	2.39%
LF Tel S.A.	--	--	11.412.700	3.94%	11,412,700	2.39%
Portugal Telecom	20,752,270	11.10%	28.298.549	9.77%	49,050,819	10.29%
Treasury	3,020,880	1.62%	6.166.566	2.13%	9,187,446	1.93%
Others	52,584,892	28.12%	220.611.054	76.17%	273,195,946	57.31%
Total	187,028,818	100.0%	289.632.638	100.00%	476,661,456	100.00%
TMAR						
Tele Norte Leste Participações	150,971,022	98.01%	91.250.247	47.91%	242,221,269	70.31%
Telemar Participações	--	--	13.079.176	6.87%	13,079,176	3.80%
Portugal Telecom	--	--	32.475.534	17.05%	32,475,534	9.43%
Luxemburgo Participações S.A.	--	--	11.240.386	5.90%	11,240,386	3.26%
LF Tel S.A.	--	--	11.240.386	5.90%	11,240,386	3.26%
Others	3,061,191	1.99%	30.738.889	16.14%	33,800,080	9.81%
Treasury shares	1	0.00%	440.132	0.23%	440,133	0.13%
Total	154,032,214	100.0%	190.464.750	100.00%	344,496,964	100.00%

With the subscription closure, Portugal Telecom now holds direct and indirect stake of 25.28% in the Telemar's total capital. The effective shares transfer to Portugal Telecom is subject to financial liquidation of the acquisition.

OPERATIONAL PERFORMANCE

The revenue generating units growth, totaling about 64 million, due mainly to the expansion of wireless services customers, as well as the growing demand for internet access services on fixed broadband.

In 2010, Oi totaled 63.956 million Revenue Generating Units (UGR), registering a 2.106 million from UGR growth, or 3% compared to 2009, mainly due to the continuous expansion of the wireless services customer base, beyond the demand growth for fixed broadband Internet access services.

WIRELINE SERVICES

The basis of wireline terminals registered a decline of 6% on the year, totaling 20.025 million of wireline terminals on service. By offering products such as “Alternative Plans”, Pay TV and “Oi Conta Total”, the company has been trying to soften the historical trend of falling customer base for wireline phones.

WIRELESS SERVICES

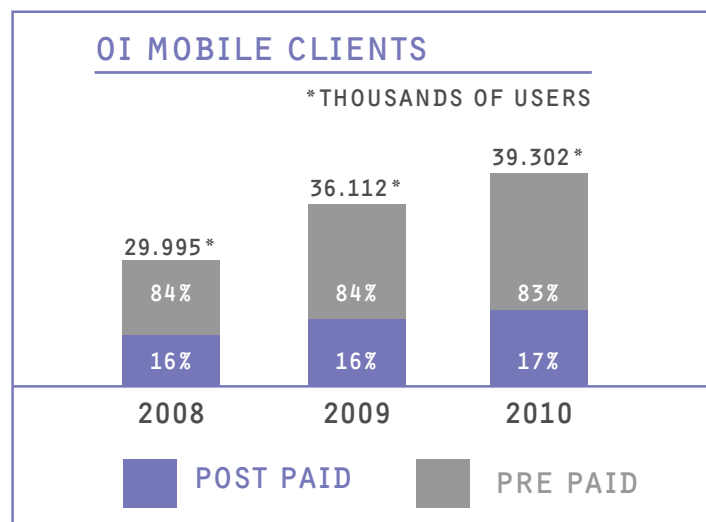
The wireless phone base grew 8.8% in 2010, with net additions of 3.190 million new customers, ending the year with 39,302,000 hits. It is noteworthy that the end of 2010 net additions represented 60% of net additions throughout the whole year. This movement is due to the major aggressiveness on offers at the end of the year, mainly reflected in the expansion of prepaid plan customers in Regions II* and III** and in “Oi Control” plan in Region I ***.

The “Oi Controle” customer base ended 2010 with 2.131 million customers, presenting an increase of 45.8% in the year. In this product, the customer authorizes a monthly debit on his credit card bill, enabling a recurrence of a similar post-paid plans recipe. Throughout this year, the company has conducted several campaigns seeking to increase this product sales.

The postpaid customers basis, including “Oi Controle”, ended the year with a 15.8% growth over the end of 2009, reaching a total of 6.697 million customers at the end of 2010, which represented 17% of the wireless services total basis at the end of the year (16% in the end of 2009). In 2010, this growth was driven by “Oi Controle.”

In the prepaid segment, the number of customers amounted to 32.605 million at the end of 2010, representing 83% of the total wireless basis, a 7.5% increase over the last year same period.

At the end of 2010, the convergent “Oi Conta Total” had 1.439 million customers, almost unchanged from the previous year. It is noteworthy that this product is now available in Region II *** only at the end of 3T10.



* Region II: Includes the states of the South and Midwest, and states of Rondonia and Acre.

** Region III comprises São Paulo State.

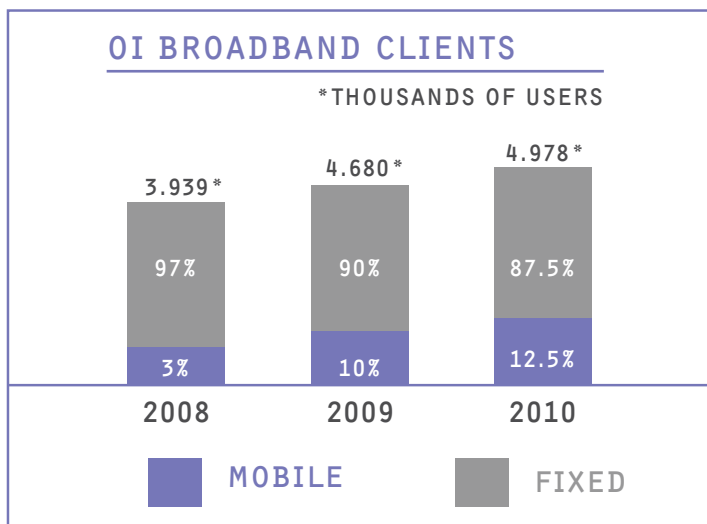
*** Region I: comprises the states of the Southeast (except São Paulo), Northeast and North (except Rondonia and Acre).



BROADBAND (WIREFINE AND WIRELESS)

Accesses to fixed broadband Internet (“Oi Velox”) totaled at the end of 2010, 4.354 million customers (cumulative basis), representing a 3.4% increase on the previous base, which is equivalent to 143 thousand customers. In late 2010, this basis represented 21.5% of wireline terminals on service (19.5% in late 2009). In 2010, the customers number using the 3G wireless data service totaled 624 thousand, corresponding to 425 thousand minimodem users and 199 thousand wireless data packets, making a growth of 33% in the year.

The broadband customers base, including wireline and wireless access, increased 6.4% compared to 2009, totaling 4.978 million users.



VIDEO – OI TV

The company ended the year of 2010 by providing Pay TV subscription services via DTH to 14 Brazilian states (Alagoas, Bahia, Ceará, Espírito Santo, Goiás, Minas Gerais, Paraíba, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Santa Catarina and Sergipe) and the Federal District.

At the end of 2010, the TV subscription customer base totaled 275 thousand customers, with net additions of 41,000 customers a year.

For 2011, in order to retain the wireline customer base, the company will seek to continually improve the breadth of its offerings, focusing its efforts on Oi TV penetration increase.

ECONOMIC AND FINANCIAL PERFORMANCE

As CVM 457/2007 Instruction establishes, the company is presenting Consolidated Financial Statements in accordance with international standards (adoption of IFRS - International Financial Reports Standards) for the year ended December 31, 2010 comparing the year ended on December 31, 2009.

OPERATIONAL AND FINANCIAL SUMMARY:

TNL CONSOLIDATED	2009	2010
Operating indicators		
Users RGU**(thousand)	61,850	63,956
Wireline service	21,293	20,025
Wireless service	36,112	39,302
Broadband service	4,211	4,354
Oi TV	234	275
Financial Information (R\$ million)		
Gross revenue	45,863	45,928
Net revenue	29,997	29,479
EBITDA	9,768	10,296
Net income	5,092	1,750
Shareholder's equity	20,111	19,974
Gross debt	29,918	29,920
Net debt	21,889	18,711
Capex	5,126	3,090

**RGU: Revenue Generation Unit

Consolidated gross revenues reached R\$ 45.928 billion in 2010, almost unchanged from the previous year. The wireless services expansion, data communications services and Pay TV expansion, which together already account for 45% of gross revenue, were offset by lower revenues from wireline services.

Consolidated net revenue totaled R\$ 29.479 billion in 2010, with a slight decrease of 1.7% in the year.

The revenues related to voice traffic in wireline services, as local calls, wireline-wireless, long distance and public telephony continue with a declining trend. In wireline services, the top gainers were the increases in data revenues, mainly due to the “Oi Velox”, and the recipe of “network use”.

Wireless services has been another source of growth, whose revenue grew 12.8% in the year. The main highlights of 2010 were:



- “Signatures” revenue (+13.2%) mainly due to the expansion of 7% of the base postpaid customers average;
- “Network use” revenues (+10.8%) justified by expanding the customer base, mainly in Region III*. It is noteworthy that this revenue is also assisted by the bounty offered by other wireless operators for calls on-net and to wireline services. These offers generate a credit excess to the user and thus the client has the possibility of a higher number of off-net calls;
- Revenue of “data / value added” increased 41% in the year, reaching a representative 14.1% of total revenues from wireless services in 2010 (11.5% in 2009). This behavior reflects the expansion of the 3G subscriber base and increased the text messages “SMS” volume.

The revenue from wireless services accounted for 24.4% of consolidated gross revenue (21.7% in 2009).

Costs and operating expenses (ex-depreciation and amortization) totaled R\$ 19.183 billion in 2010, representing a decline of 5.2% compared to 2009 costs, ignoring all non-recurring events in 2009. This decrease reflects, mainly, the synergy gains with Brasil Telecom’s integration, which had an impact in almost all costs and expenses lines.

It is noteworthy that in the year 2009 to Other Operational Expenses (Income) line reflects the non-recurring effect that comes from accounting for business combinations on the acquisition of Brasil Telecom, as described in Note 1 (a) that accompanies the company’s financial statements.

In addition, over 2009 other costs were also impacted by non-recurring effects related to: (A) costs relating to integration with Brasil Telecom, (b) geographical relocation of the customer service call center positions, (c) PAES expenses (Special Installment Plan, also known as REFIS II - Fiscal Refinancing Program II) (d) other expenses related to tentative recovery.

It’s worthy note the reduction in the following accounts:

- “Personal” costs (-8%), the fall is a reflection of the synergies arising from integration with Brasil Telecom;
- Cost of equipment of SMP and “other” (-62%) reduction reflects the strategic guideline of the compa-

ny in Region II** to replicate the successful strategy of Region I focused on selling loose chips in the retail segment;

- Third Part Services (-5%): Resulting reduction from the synergies of integration with Brasil Telecom that allowed less spending on the plant maintenance;
- Advertising expenses (-11%): Decrease mainly due to synergies with Brasil Telecom;
- Provision for Doubtful Debtors (-23.5%): The improved economic outlook, coupled with the renegotiation policy of customers in debt, influenced this performance. The PDD represented 2.1% of gross revenues in 2010 (2.8% in 2009).

In 2010, consolidated EBITDA totaled R\$ 10.296 billion. The EBITDA margin registered 34.9%, representing a 2.3% expansion compared to an EBITDA margin of 2009. This improvement in EBITDA is primarily due to reduced costs, due to synergies captured with the integration of Brasil Telecom’s and Oi operations.

In 2009, EBITDA for purposes of comparison, were deducted the non-recurring effects mentioned above.

The company calculates EBITDA as earnings or loss before net financial income, income tax and social contribution, depreciation and amortization, minority interest and patrimonial equity.

EBITDA is not a measure recognized by the accounting practices adopted in Brazil, by IFRS or U.S. GAAP and do not representing the cash flow for the indicated periods and should not be considered as an indicator of operating performance or as a substitute for cash flow as a measure of liquidity. EBITDA does not have a standard meaning and of the company’s EBITDA calculation may not be comparable to other companies EBITDA .

While EBITDA does not provide a way to measure operational cash flow in accordance with accounting practices adopted in Brazil, the IFRS or U.S. GAAP, the company’s management believes that EBITDA is an important indicator to analyze the operational economic performance and the company’s liquidity in order not to be affected by (i) fluctuations in interest rates, (ii) changes in the tax burden from income tax and social contribution, as well as (iii) by the levels of depreciation and amortization, being commonly used by investors and market analysts.

Additionally, EBITDA is also used by certain investors and financial analysts as an indicator of operating performance of companies and / or cash flow.



EBITDA (R\$ MILLION)	QUARTER			YEAR	
	4T09	3T10	4T10	2009	2010
Net Income	(596)	538	284	5,093	1,749
Net Financial Income	722	524	774	2,387	2,432
Income Tax and Social Contribution	111	187	(346)	328	(84)
Depreciation and Amortization	1,897	1,546	1,562	7,033	6,199
Total	2,134	2,795	2,274	14,841	10,296

The after taxes net income, social contributions and minority interests amounted to R\$ 1.750 billion in 2010.

* Region III comprises the Sao Paulo state.

** Region II: comprises the South and Midwest states and Rondonia and Acre states.

CONSOLIDATED CASH FLOW

The company presented cash flow generation of R\$ 8.470 billion on December 31, 2010 (R\$ 9.011 billion on December 31, 2009). In the year 2010, were raised approximately R\$ 11.941 billion and R\$ 11.404 were put aside for loan and financing payment

INDIRECT CASH FLOW STATEMENT (R\$ MILLION)	2009	2010
Earnings Before Taxes	5,421	1,666
Result Items that do not affect the Cash Balance	7,795	12,658
Changes to Shareholder's Equity	(1,337)	(1,415)
Cash Balance from Operations*	(2,868)	(4,439)
Operating cash generation	9,011	8,470
Cash balance invested in capital expenditure	(9,940)	(4,619)
Cash flow net of capital expenditure	(929)	3,851
Cash balance invested in financing activities	(2,363)	(1,004)
Cash flow net of financing activities	(3,292)	2,847
Initial cash balance	9,498	6,206
Final cash balance	6,206	9,052

* Financial charges, income tax, minority interests, dividends and interest on capital, surplus reserve and treasury shares.

INVESTMENTS

In 2010, consolidated investments totaled R\$ 3.090 billion, in line with the company's budget programming, representing 10.5% of net sales (17.1% in 2009). The amount represents a decrease of 40% over the previous year.

It is worth mentioning that during 2010, the company made several efforts to optimize the combined system of Oi and Brasil Telecom, in order to capture synergies in both the wireless and data network. This allowed the capacity increasing for physical investments even with a cash need of expenditure lower than the year 2009.

IN R\$ MILLION	2009	2010	Δ YEAR (%)
Wireline Services	2,679	2,127	(20.6)
Expansion and Quality	1,150	1,053	(8.4)
Data / Communic, Syst, / Other	1,529	1,074	(29.8)
Wireless Services	2,447	963	(60.6)
Expansion and Quality	2,447	963	(60.6)
TOTAL	5,126	3,090	(39.7)

OPERATING INVESTMENTS

> WIRELINE SERVICES

In 2010, wireline terminals and public telephones in service totaled over 20 million terminals that are serviced by more than 5,600 switching centers. Oi's PSTN network serves to 4,844 municipalities, representing coverage of approximately 77% of the population and 87% of the country's municipalities.

During 2009/2010 the work was done for the TMAR and BrTO integration of switching networks. During this same period, investments in NGN (Next Generation Network) technology equipment, mainly due to regulatory requirements for number portability service, representing about 400 thousand accesses that allow efficiency increase, with the use of infrastructure based on IP network transportation and call control, and the offer possibility of new convergent services.

Moreover, in the 2009/2010 Oi increased their converged services offer "Oi Conta Total", long distance plans, "Oi Velox" and "Oi TV" for its wireline services customers.

> WIRELESS SERVICES

After the integration of wireless networks, Oi has started operating nationwide by offering voice and data services in all regions of grants. This consolidation was important not only to provide the standardization of services, as well as for integrating operations. In 2010, investments were made for significant expansion of transmission capacity and capillarity of 2G and 3G networks throughout Brazil. The second generation (2G) wireless network covers 3,076 municipalities (55.3% of all municipalities in the country), through 12,516 radio stations 2G base, while the wireless network of third generation (3G) is available in 212 municipalities, through 4,839 3G radio base stations, which allow speeds of wireless broadband access at rates up to 14 Mbps in 27 Brazilian states.

Oi unified the core network for voice and data control, including and network management operating activities. The beginning of integrated operations was one of the factors that contributed to the increase in new customers net additions, reaching more than 39 million users in 2010.

The service platforms have been integrated to allow the unification of Oi offerings in all regions of grants. The new wireless pre-paid plans also were gathered in a single architec-

ture services. The text messages and multimedia platforms were consolidated with a focus on reducing operating costs and improving service quality.

> BROADBAND ACCESS

After the integration of BrTO's xDSL with TMAR access networks for the provision of "Oi Velox" service to residential and corporate markets in 2009, Oi ended 2010 with an installed base of 3.6 million hits on the Region I* and 2.65 million hits in Region II** for wireline broadband services of up to 14 Mbps.

With the evolution of xDSL access network in 2010, the provision of services for Ultra Broadband for accesses up to 100 Mbps VDSL2 increased to 17 cities. Thus, we consolidated the changes in the approach the client bandwidth model, by reducing the extent of the network access between the client and the first active element of the plant, using FTTN (Fiber-to-the-Node/ fiber optic to the Cabinet Office) technology. For the provision of services for Ultra Broadband speeds up to 100 Mbps, capillary optical fiber access FTTH (Fiber-to-the-Home / Fiber Optic to home user) has been developed using in three cities of Region I* and five of Region II**.

* Region I: comprises the states of the Southeast (except São Paulo), Northeast and North (except Rondonia and Acre).

** Region II: Includes the states of the South and Midwest, and the states of Rondonia and Acre.

> IP NETWORK

Oi's IP network is present throughout Brazil, with nine POPs (point of presence) of high capacity located in the states of Bahia, Ceará, Minas Gerais, Pernambuco, Paraná, Rio de Janeiro, Rio Grande do Sul and São Paulo and the Federal District with capacity of 254 Gbps for national and 219 Gbps for international traffic capacity. The ability to interconnect the IP network between Regions I* and II** was expanded to 80 Gbps. The content caches for user experience quality increase have been expanded to 60 Gbps of capacity.

The integration and capacity expansion of IP backbone enables the introduction of projects of national stamp of greater magnitude. The IP network has vital importance in the provision of traditional services (Internet access), corporate services and to monitor developments in the key market trends, such as Ultra Broadband and IPTV.

* Region I: comprises the states of the Southeast (except São Paulo), Northeast and North (except Rondonia and Acre).

** Region II: Includes the states of the South and Midwest, and the states of Rondonia and Acre.



> TRANSPORT NETWORK

The integration of transport networks in the Oi and Brasil Telecom resulted in a own network of optical fibers covering virtually the entire national territory, beyond providing international connectivity to North America, Venezuela, Bermuda and Colombia. There are over 21,950 km of submarine cables, 2,000 km land backbone connecting the POPs (point of presence) and is currently with fully protected circuits, with redundancy and low latency, totaling 23,950 km (Glo-benet). The national backbone is approximately 32,000 km, with State Networks / Metropolitan of a about 120,000 km area. As on this plane of optical fibers, were implemented new transmission facilities in major centers in Regions I, II and III by the Synergy Transportation Project, providing connectivity services to the entire area where the company operates. Additionally, we increased the level of availability with the creation of alternative routes for traffic through the use of the connections between Brasil Telecom and Oi networks.

Complementing the Optical Transport Network, Oi ended 2010 with contracted capacity for services via Satellite Systems 2.381 MHz C-band and 782.3 MHz Ku band, dedicated mainly to provide transport to the North of the country, beyond providing services related to PGMU (Universal Goals General Plan).

Thus, today Oi has a Transport Network with great capacity and quality to cope with the traffic demand by the company ended services. The core of the network, involving Rio de Janeiro, Sao Paulo, Belo Horizonte, Curitiba and Brasilia, has an average capacity of 800 Gbps.

> PAY TV

In 2009, was promoted the scanning plant network for Pay TV (HFC) in Belo Horizonte. With this scan, there was a saving in the frequency spectrum, with the possibility of delivering new services over the same infrastructure. The process of replacing the STB (set-top box) analog by digital continued throughout the year 2010. This network currently has installed capacity of approximately 392 thousand homes passed.

Also in 2009, Oi TV service using the DTH technology was launched, with satellite channel offer. This access uses the Amazonas satellites 1 and 2 for the signal repetition, allowing a wide coverage and can progress to Latin America. The video distribution solution with regard to partnership of Tele-

fônica for sharing the Head End capture and feeding the via satellite signal structure, although Oi has a grid of their own programs with unique content.

In 2010, the Head End was structured in a way so it has the ability to provide TV content for various types of devices (TV, notebook, tablets, wireless devices etc..) in various types of network and access: IPTV, broadband access (WebTV), 3G wireless phone (MoTV), cable (HFC) and satellite (DTH). Being hired to expand the Head End for HDTV channels supply.

INVESTMENTS IN RESEARCH AND DEVELOPMENT

Since its inception, Oi has differentiated itself by its actions and innovative attitudes.

Innovation is at Oi's DNA and their employees, always focused on offering new solutions and delivering real benefits to its customers, which result in better outcomes for the company and its shareholders. Evolving this vision, in 2009, the company created an innovation management area of R&D with the mission to coordinate and encourage the efforts and projects developed by the company.

Using the concept of "open service innovation", Oi sets its ecosystem through cooperation and technological development agreements with national research centers and institutions for teaching and research, through the National Network of Education and Research - RNP, and partnered with the telecommunications equipment industry with domestic technology and domestic suppliers with great potential for innovation.

Investments in innovation and R&D in projects developed in 2010 totaled R\$ 99.3 million.

DEBT

The company estimates the net debt as the outstanding balance of loans and financing, which considers the balance of derivative financial instruments and debentures (convertible and non-convertible), net of cash balances and cash and investments equivalents. Other companies may calculate net debt differently from the company.

Net debt is not a measure in accordance with the account



practices adopted in Brazil, IFRS or U.S. GAAP, however the company's management believes that the measurement of net debt is helpful, both for company and for investors and financial analysts in evaluating the degree of financial leverage relative to operating cash flow.

The consolidated net debt ended the year in R\$ 18.711 billion, representing a reduction of R\$ 3.178 billion over the previous year, and a ratio Net Debt / EBITDA of 1.8 x. The reduction on the company's indebtedness is aligned with the strategy of deleveraging in 2010, previously announced by the company to the market.

The appreciation of the real against other currencies and good liquidity in the international emissions market enabled the company to manage its liabilities by fundraising at more attractive rates and pre-paying shorter expensive debts. This strategy has allowed that the middle term of the debt could be lengthened as well as reducing the effective cost of 105.6% of DI for the year 2010 against 107% in 2009.

At the end of the year, 26.2% of the total debt was contracted in foreign currency. However, due to hedging operations (hedge), only the equivalent of R\$ 625 million (U.S. \$ 375 million, 2.1% of total) represented, in fact, some exposure to currency fluctuations for the company. Additionally, it is important to mention that the payments flow on these debts until August 2017 is covered by hedge contracts, as well as by financial investments held in dollars and euro.

DEBT – TNL CONSOLIDATED (R\$ MILLION)	DEC 09	DEC 10
Short Term	8,774	7,667
Long Term	21,144	22,253
Total Debt	29,918	29,920
Local Currency	24,137	21,308
Foreign Currency	4,689	7,828
Swap	1,092	784
(-) Cash	(8,029)	(11,209)
(=) Net Debt	21,889	18,711

CAPITAL MARKETS

SOCIAL CAPITAL

By late 2010, the company's capital of, R\$ 5,448,730,783.63, was represented by 391.8 million shares, with 130.6 million ON shares and 261.2 million PN shares.

	CAPITAL	TREASURY	CONTROLLING SHARES	FREE-FLOAT
Shares TNE				
Common	130,611,732	3,020,880	68,504,187	59,086,665
Preferred	261,223,463	6,166,566	0	255,056,897
Total	391,835,195	9,187,446	68,504,187	314,143,562

OUR SHARES

The fears with the resurgent U.S. economy, the fiscal crisis of the major Europe countries and the monetary tightening in China made the BM&FBovespa ends 2010 with modest appreciation of 1%.

In 2010, the telecommunications industry, represented by the index ITEL (Telecommunications Sector Index), had un-

derperformed the Ibovespa index recording a 7.4% loss in the year.

The preferred and common Tele Norte Leste shares ended the year traded at R\$ 24.29 and R\$ 32.30, with losses of 27.5% and 21.2% respectively.

In the New York Stock Exchange (NYSE), the company's ADRs had a 31.3% devaluation, higher than the PNs in the

local market, basically due to the devaluation of the dollar against the real in, 4.3%

DIVIDENDS

The Tele Norte Leste Participações (TNLP) Management will submit to the Annual General Shareholders Meeting deliberation, to be convened, the proposed payment of R\$ 339.082 million in dividends, corresponding to the legal minimum concerned on the net income for 2010.

INVESTOR RELATIONS

The Investor Relations area of the Oi has as mission to develop and implement appropriate and consistent policy of transparency and information disclosure, besides to cultivate closer relationships with analysts and investors and be the main communication channel between the company and the market players' capital, at national and international levels.

Among the activities undertaken by the Investor Relations, are meetings with local and foreign investors, the Association of Capital Market Analysts (Apimec) meetings and participation in conferences and roadshows in Brazil and abroad, as well as conferences aimed at investment professionals and capital market.

In 2010, the study highlights the participation of the Investor Relations team at:

- 22 conferences and five roadshows , in Brazil and abroad, having met with 974 investors and analysts;
- Numerous meetings with small groups of investors, with a range of 319 participants in five public meetings at Apimec , held in the cities of Rio de Janeiro, Brasilia, Belo Horizonte, Fortaleza and Porto Alegre;
- Oi Investor Day, with the presence of representatives of the controlling shareholders and top executives of Oi, the company held two events with the financial community, the Oi Investor Day, whose goal was to present the financial developments, operational performance and strategies for the company's future . The events were held in Sao Paulo, on November 11, 2010, and New York on November 30, 2010. The event in Sao Paulo counted on 203 participants and the New York had

156 presents. Oi Investor Day also addressed the theme of Sustainability, with gifts made by recyclable material, distribution of material only in digital media, besides being an event whose carbon emissions were offset.

INTANGIBLE ASSETS

HUMAN CAPITAL

Oi is a company focused on people, because it knows that the valuation of its intellectual and human capital, the main intangible assets of the company, is the basis of their success and of the constant pursuit of business excellence.

Oi adopts the best practices of the labor market and has an effective policy for human resources, based on training, development, health and safety of its employee and in recognition programs investment.

Formed by a range of audiences, Oi is a company that supports diversity and values its talent, skills and abilities.

More information about the practices or Human Resources policies can be found in People chapter.

BRAND

Oi always was more than one Telecom company. This is reflected in the converging products they offer and on its brand, which represents a life style linked to innovation, boldness, intelligence and reliability.

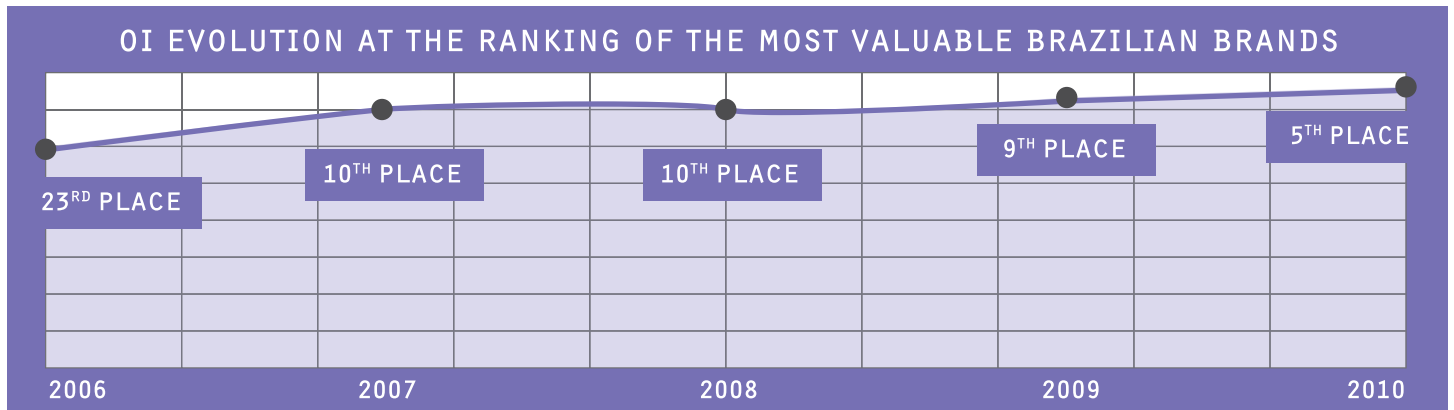
Oi's brand communication is accessible to all people of all ages and regions. It is a modern brand that reflects the quality of its services, combined with the attitude and positive outlook on life. The way the Oi passes its message is straightforward. It's slogan "It's that simple", summarizes the identity of the company.

According to the ranking of the 500 most valuable brands in the world, prepared by Brand Finance, Oi jumped from 432nd position in 2009 to 195th in 2010. This year, the brand was valued at US\$ 4.3 billion, nearly the triple of the previous year's value, which was US\$ 1.5 billion.

In addition, in the list of national brands, the company rose from 9th to 5th place. Oi's evolution in the ranking is a re-



flection of solid work, result of several consistent communication actions, which are part of a long-term strategy defined by the company. With its nationwide presence, the Oi brand becomes stronger and strengthened.



AWARDS AND RECOGNITIONS IN 2010

1. Outstanding Contribution - Silver in Corporate Director Category:

Organized: 9th edition of the E-learning Brazil (SP)

2. Centerpiece on Environmental Responsibility and one of the 50 best companies in corporate citizenship

Organized: Management and HR Publishing (SP)

3. 100 Best Companies in IDHO (Indicator of Human and Organizational Development)

Organized: Management and HR Publishing (SP)

4. IMPAR Award 2010 - The most remembered company by Santa Catarina's people in the category Wireline services

Organized: RIC Record Santa Catarina in partnership with IBOPE Intelligence (SC)

5. II Telesales Award - in the categories Innovation and People Management

Organized: *Magazine Client SA* (SP)

6. Citizen Company Certificate

Organized: Regional Accounting Council of the State of Rio de Janeiro (RJ)

7. Pop Award 2010 List – wireless operator best remembered by the people in Goiânia

Organized: *Jornal O Popular* (GO)

8. Brands of Recall Award – wireline and wireless

services most remembered company by the public of Pernambuco.

Organized: *Jornal do Commercio* (PE)

9. ISE - Corporate Sustainability Index of BM&FBovespa

Organized: BM&FBovespa and the Center for Sustainability Studies at the Getulio Vargas Foundation

GOVERNANCE

Good corporate governance is an essential condition for the organizations that aim at the perennial of their businesses, and represents an important factor for the company's access to capital markets and to meet the growing society demands relative to environmental responsibility in the corporate world.

Oi adopts the model GRC - Corporate Governance, Risk Management and Internal Control in its structure in order to ensure transparency of its business, corporate responsibility and accountability.

One of the assumptions of this model is to strengthen the culture and good practices of Corporate Governance and Sustainability in the company, developing and promoting internal or external actions, using as reference national and international models, intensifying the relationship with the entities of Corporate Governance in Brazil or abroad.

In this process of acculturation, which has been evolving Oi develops its employees through on-line and present trainings (e-learning). Since its launch, in 2009, about 7,700 employ-

ees concluded the corporate governance, risk management, internal controls, sustainability and policy competencies and delegation of authority e-learnings. Besides that, about 350 employees received classroom training. In 2010, we performed the 1° Workshop on Governance, Risk and Controls for 104 Directors and Managers, with the goal of leveling the knowledge of corporate risk, to guide their management and contribute to the continuous improvement of the governance model, whose themes integrate the content program including the Company's Leadership Academy, which this year included the participation of 102 executives.

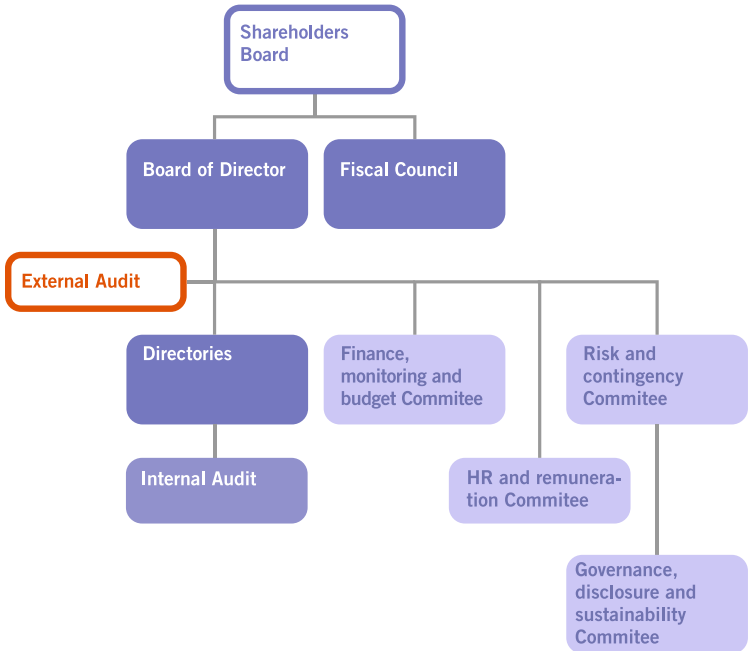
Besides these initiatives, whose main objective is to ensure proper risk management, best practices and internal controls in its processes, Oi seeks to ensure a wide transparency of its business by maintaining a strong public information flow, such as disclosure of: (I) Annual and Quarterly Results, (ii) Annual Reports, (iii) filings made with the SEC, CVM and BM&FBovespa (Acts and Relevant Facts, Notices to Shareholders, Minutes of Assemblies, Minutes of Board of Directors and Market Communications, (iv) public presentations, (v) its website, (vi) relations with analysts, investors, risk rating agencies, press offices and other channels of publicity, with the goal of maintaining an alignment between the shareholders interests, represented by the Board of Directors, and the professional managers responsibilities.

Oi supported the 11 International Conference on Corporate Governance, promoted by the Brazilian Institute of Corporate Governance (IBGC), fueling the debate about globalization, convergence of governance practices and regulatory changes.

In order to give transparency to its practices, Oi has participated in the main rankings and indices of Corporate Governance and Sustainability, such as the Corporate Sustainability Index (ISE/BM&FBovespa), Efficient Carbon Index (ICO2/BM&FBovespa), the Survey Transparency Sustainability of Management & Excellence. Moreover, voluntarily answered the Carbon Disclosure Project 8 (questionnaire on global climate change) and released its inventory on the site of the GHG Protocol.

As the main part of the system of Oi Corporate Governance, its Board of Directors is structured to define the strategic guidelines and serve the interests of the company, considering the balance between the desires of its shareholders and other stakeholders.

CORPORATE GOVERNANCE STRUCTURE *



* Refers to Tele Norte Leste Participacoes S.A.

COMMITTEES OF THE BOARD OF DIRECTORS

Oi Board of Directors currently has three Advisory Committees: (I) Finance, Monitoring and Budget Committee, (ii) Human Resources and Compensation Committee and (iii) Contingencies and Risk Committee.

The Finance Budget and Monitoring Committee aims to assist the Board in overseeing the financial aspects of strategic planning, financial strategy, annual budget, tax planning and business performance.

The Human Resources and Remuneration Committee aims to assist in overseeing the human resources strategy, the issues associated with large-scale changes in organizational structure, the compensation strategy and performance evaluation.

The Risks and Contingencies Committee assists in overseeing the performance of internal audit, compliance with laws, regulations, policies and code of conduct, the process of information disclosure, management of corporate risks and control of contingencies management.



COMMITTEES OF THE BOARD OF DIRECTORS

EFFECTIVE MEMBERS	
José Mauro Mettrau Carneiro da Cunha (President)	
Otávio Marques de Azevedo	
Alexandre Jereissati Legey	
Pedro Jereissati	
Fernando Magalhães Portella	
Ivan Ribeiro de Oliveira	
Marcel Cecchi Vieira	
Julio Cesar Maciel Ramuno	
Fábio de Oliveira Moser	
ALTERNATE MEMBERS	
José Augusto da Gama Figueira	
Lúcio Otávio Ferreira	
Carlos Francisco Ribeiro Jereissati	
Cristiano Yazbek Pereira	
Carlos Jereissati	
Luis Otávio Mourão	
João José de Araújo Pereira Pavel	
Joaquim Dias de Castro	
Ricardo Ferraz Torres	

Note: Referring to Tele Norte Leste Participacoes S / A - Position in 12/31/2010

COMPOSIÇÃO DO CONSELHO FISCAL

EFFECTIVE MEMBERS	
Sérgio Bernstein (President)	
Allan Kardec de Melo Ferreira	
Ary Joel de Abreu Lanzarin	
Fernando Linhares Filho	
ALTERNATE MEMBERS	
Sidnei Nunes	
Dênis Kleber Gomide Leite	
Dílson de Lima Ferreira Júnior	
Aparecido Carlos Correia Galdino	

Note: Referring to Tele Norte Leste Participacoes S / A - Position in 12/31/2010

DIRETORIA

MANAGEMENT	
Luiz Eduardo Falco Pires Corrêa (President)	
Alex Waldemar Zornig (Investor Relations and Financial Director)	
Julio Cesar Fonseca (Director)	
Francisco Aurélio Sampaio Santiago (Director)	
Maxim Medvedovsky (Director)	

Note: Referring to Tele Norte Leste Participacoes S / A - Position in 12/31/2010

EVOLUTION OF CORPORATE GOVERNANCE IN OI



CORPORATE GOVERNANCE, DISCLOSURE AND SUSTAINABILITY COMMITTEE

Among the main responsibilities of this Committee, stands out: assessing the adoption of good corporate governance practices, ensuring and establishing guidelines for the preparation of financial statements and information disclosure of

o the market, reporting to the Risk and Contingencies Committee of the Board of Directors (map and the evolution of risk management and controls), and assess issues related to corporate sustainability.

This Committee is composed by the Controller's Directors, People, Management and Quality, Legal and Corporate Investor Relations.

FISCAL COUNCIL AND WHISTLEBLOWING HOTLINE

The main responsibility of this Council is to monitor management's activities, examine the financial statements and report its findings to shareholders with quarterly meetings in normal character, and whenever necessary in extraordinary circumstances.

This Council also meets periodically with the independent auditors to discuss the evaluation and opinion on the financial statements and internal controls.

The work scope of this Council was expanded due to the implementation of Sarbanes-Oxley Law. From this, the Fiscal Council also became responsible for: ensuring the proper procedures for the information dissemination, monitor the assessment of the internal controls effectiveness over financial reporting, as well as establishing procedures to receive, keep and progress on the complaints to accounting, internal accounting controls or auditing matters.

For the fifth consecutive year since its deployment to meet Sarbanes-Oxley Law, the whistleblowing hotline - available on the company website - did not record events related to accounting, internal accounting controls or auditing.

GOVERNANCE PORTAL

Offered since 2009, this tool aims at improving communication between staff in decision making and control of the organization. Through it, the availability of necessary content for the Board of Directors occurs rapidly and safely, preventing the movement of documents through improper means.

Moreover, there is a guarantee that directors always have access to updated versions of the documents, which occurs with the optimization of printing, documents copies reproduction and work hours.

A key benefit of this tool is to improve the corporate gover-

nance process, assisting directors and other administrators in performing their duties.

BOARD OF DIRECTORS SELF-ASSESSMENT

The self-assessment questionnaire* of the Board of Directors is applied annually, as defined in this body's laws.

This instrument is of paramount importance for the understanding of rules on the proper performance of its functions, individual and collective, representing one of the best corporate governance practices, as established by the Brazilian Institute of Corporate Governance.

Self-assessment also helps in the development of a Board of Directors more mature and better prepared technically and strategically.

*Applied to the Board of Directors of Tele Norte Leste Participacoes SA and Brasil Telecom S/A.

STOCK OPTION PLAN

The Extraordinary General Assembly held on April 11, 2007 approved the Stock Option Plan, set out in the company's website (<http://www.oi.com.br/ri>) and available on the CVM (<http://www.cvm.gov.br/>). Thus, it falls to the Board of Directors to manage that plan, which must periodically create Stock Option Programs.

The first Stock Option Program, established in 2007, included about 40 beneficiaries executives that are entitled to the total grant of common and preferred shares up 1.99% of the social capital of TNL, which option may be exercised in four equal annual increments from 2008 until 2011.

In 2010, 12,722 options were exercised for common shares and 96,164 stock options in some TNLP's PN by some executives plan participants, through the option exercise to buy the first, second and third batches of the approved program.

RISK MANAGEMENT AND INTERNAL CONTROLS

Oi understands that risk management is an essential part of good corporate governance and aims to preserve the integrity of the business, its material assets, financial and socio-environmental, besides helping the company to achieve its goals.

The Risk Management Model, created in Oi, is supported in most modern concepts, being an essential tool for proper assessment, monitoring and treatment of risks as well as im-



provement of management practices and improving the environment control, and consequently level rise of corporate governance, and recognition from their stakeholders .

The structure of risk management and controls is based on international reference models such as the Internal Control - Integrated Framework, the Coso (Committee of Sponsoring Organizations of the Treadway Commission), COBIT (Control Objectives for Information and Related Technology), the IT Governance Institute, and the Brazilian Standard for Risk Management (ABNT - NBR ISO 31000).

The methodology of Oi's risk management comprises the mapping of risk assessment as the evaluation level and the characteristics of the processes that was assessed, allowing the division of the structure:

- **Corporate Risk** – perception of senior management on internal and external uncertainty capable of affecting the business;
- **Processes Risk** – risks in the organization processes, involving the perception of managers about the uncertainties that may affect the goals of these processes;
- **Social and Environmental Risks** – impacts (risks) incurred by the environment and stakeholders (employees, customers, community, government, investors, suppliers etc.) with regard to aspects (risk factors) arising from the activities developed by the company;
- **Resources Risk** – risks in the organization's assets (people, facilities, networks, equipment, systems, suppliers), encompassing the technical insight of the uncertainties able to affect these resources.

The publication and dissemination of information via intranet system , combined with training sessions and workshops focused on corporate governance, risk and controls were other factors that contributed to the acculturation and the consolidation of management activities of the risks inherent to Oi's processes.

To mitigate their risk, the company's ongoing process designed and implemented controls as well as conducts monitoring of its environment for the losses prevention, the safeguarding of assets and support in making executive decisions.

Besides that, the process involves the manager's self-assessment, whose evaluation is independent, conducted by the of Internal Controls Department and External Audit.

All this information is recorded and updated on a System of Corporate Risk Management, which allows greater transparency, security, reliability and traceability of information, contributing to the executive decision making and improving the control environment of the company.

Another important Oi tool of risk and controls is the policy of Policy for Competence and Delegation (PADA), which aims to ensure the adequacy of the approved levels inherent in the greater relevance processes.

The monitoring of controls related to the processing and dissemination of financial information has supported the maintenance of certification in accordance with U.S. Sarbanes-Oxley law.

Management assessed and concluded by the effectiveness of the internal controls of the company, on financial disclosure, on December 31, 2010.

INFORMATION SECURITY

The area of Information Security Management was present in the areas of Business, IT and engineering supporting the products and services development, especially providing knowledge to the areas about the importance of information security and setting technology standards for the entire network.

The measures applied to network security aim to minimize the risks related to the setting of safety standards and the detection and prevention of its incidents, as well as the monitoring of the company's business rules.

The measures adopted for the security applications aim to automate many manual processes, protecting Oi's information from the inception, safe development, maintenance and insurance of the products and services life cycle.

With regard to access management, decisions have been taken to protect the company from unauthorized access or information leaks. The challenge in 2010 was managing systems with thousands of hits, improving processes, attendance times and keeping the confidence level of information in accordance with regulations and adherence to national and international safety standards.

Other ongoing activities related to policy compliance and, by assessing the level of compliance controls ahead of the Information Security, the business continuity plan and the continuation of initiatives aimed at raising awareness of employees.

CORPORATE SUSTAINABILITY INDEX (ISE)

For the third consecutive year, Oi integrates the Corporate Sustainability Index (ISE) of BM&FBovespa portfolio. The portfolio, effective in the period from January 03, 2011 to December 30, 2011, comprises 38 companies in 18 economic sectors.

ISE identifies the listed companies that stand out by their commitment and strategic alignment with sustainable development, which are differentiated by investors who value environmental responsibility in the attainment of their economic results, with a focus on business continuity. Created in 2005, ISE has become a comparison performance standard with other market indicators and encouraged the creation of socially responsible investment funds.

This demonstrates that the company is leveraging sustainability in its strategy, continuing the implementation of good practices and reaffirming the importance of the actions of the Sustainability Oi Program.

The challenges to remain in this portfolio are continuous and inspire the company to build a new development model, seeking financial excellence, considering the society in which it operates, respecting human beings and the environment.

Participate in the ISE is a strategic decision that involves the entire company. Thus, Oi believes that besides ISE representing a reputable market reference and fuel tool the best sustainability practices, it contributes to the improvement of the company's management model.

CARBON EFFICIENT INDEX (ICO2)

In 2010, Oi was selected to be a part of in the Carbon Efficient Index (ICO2). BM&FBovespa and BNDES conjoint initiative, the index aims to measure the return on a theoretical portfolio composed of papers IBrX-50 (50 selected stocks among the most traded on BM&FBovespa in terms of liquidity), of which Oi is part of, reconsidered depending on the efficiency degree of the companies greenhouse gases emission.

This indicator is an instrument of economic incentive for the

company to expand its environmental management practices aimed at climate change, and signal to the capital markets, domestic and international, that Oi is aligned with the most advanced discussions on climate changes.

ETHICS

The Oi Code of Ethics, one of the main tools for ensuring and enhancing the importance of ethical principles in the company, established in September 2007, is the result of a collaborative process involving the participation of employees who contributed to the elaboration of its contents. It is a document written by people who share the same culture and focused on educational, not punitive actions.

Over the three years since the adoption of Code of Ethics, the Ethics Committee, composed of five executive directors, responsible for managing the code and processing received cases by the complaints channel, starred in 336 cases, of which 55 are relative to 2010.

This complaints channel, available on the company website, it treats all the information received as confidential, regardless of their form of record, whether anonymous or identified.

In 2010 the number of Agents of Ethics was expanded for 38 employees, of which 24 are women and 14 men. Chosen by the Ethics Committee, and from different areas of the company, these agents are intended to disseminate the ethical culture in Oi, advising employees on matters of day to day work in accordance with the guidelines of the Code of Ethics.

Oi recognizes the importance of ethics in the management of the company. Therefore, it maintains a permanent monitoring and treatment of received questions, to ensure the credibility of your code and the performance of its Committee. Complaints or inquiries can be made on the website, via voicemail, email and query formulation Agents of Ethics.

Oi develops ongoing communication campaigns with employees covering the entire company with the intention to increase the visibility of the issues addressed by the Code. Besides that were conducted classroom trainings that brought together 108 employees in different states, as well as 1,813 employees completed the online training (e-learning) throughout 2010.

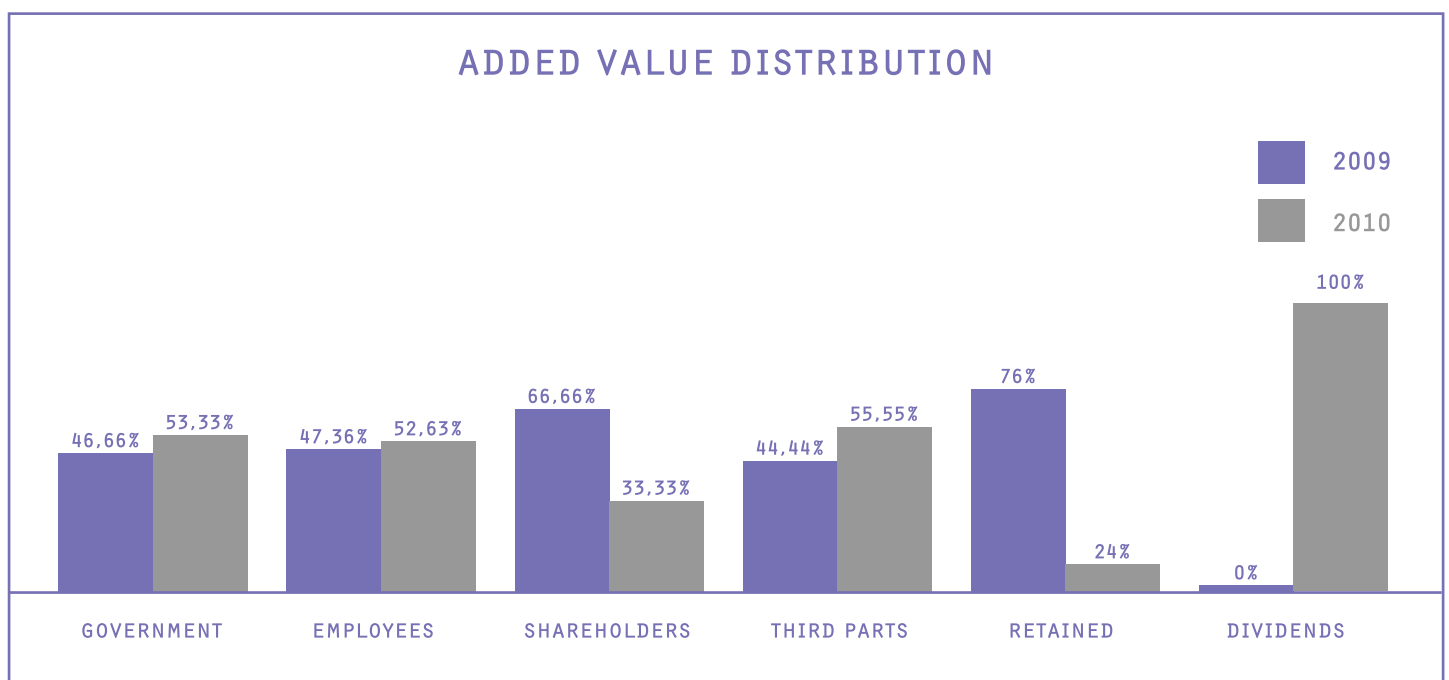


ADDED VALUE

In 2010, OI has generated an added income value of R\$ 19.04 billion, as the company promoted the distribution of the wealth generated by their activities. The added value to be distributed, not less than 55.7%, were allocated to public cof-fers, under different forms of taxes.

ADDED VALUE DEMONSTRATION (R\$ MILLION)	2009		2010	
Gross Revenue		45,863		45,928
Gross Revenues after deduction		41,219		40,320
Other Revenues and expenses		5,241		(181)
Third-part inputs		(16,254)		(15,115)
Gross Revenue Added		30,206		25,024
Retentions		(8,894)		(7,913)
Net Value Added Generated		21,312		17,111
Value added from transfer		1,601		1,929
		% total		% total
Value Added to be Distributed	22,913	100.00%	19,040	100.00%
Personnel and Charges	2,055	9.00%	1,967	10.30%
Taxes, Charges and Contributions	11,197	48.90%	10,596	55.70%
Interest and Financial Expenses	2,989	13.00%	3,204	16.80%
Rent and Insurance	1,580	6.90%	1,523	8.00%
Minority Interest	819	3.60%	322	1.70%
Employee profit sharing	—	0.00%	—	0.00%
Dividends	—	0.00%	339	1.80%
Retained earnings	4,274	18.70%	1,089	5.70%

ADDED VALUE DISTRIBUTION





CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF INCOME

IN R\$ MILLION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Operating Revenue	10,851	13,660	16,091	19,427	22,125	23,686	24,232	25,153	27,197	45,863	45,928
Local Services Revenue	4,688	8,793	9,852	11,075	11,582	12,140	11,899	11,653	11,192	17,641	16,652
Long Distance Revenue	1,040	1,568	2,066	2,964	3,661	3,795	3,703	3,587	3,854	6,161	5,610
Contact Center	0	0	46	94	256	0	0	0	0	0	0
Public Telephone Revenue	459	570	669	808	1,017	1,111	1,117	1,106	656	968	522
Data	679	787	906	1,184	1,608	2,061	2,513	2,879	3,397	8,668	9,312
Other	3,985	1,941	2,069	1,949	1,889	1,825	1,526	1,491	1,697	2,490	2,626
Wireline	0	0	483	1,354	2,112	2,754	3,474	4,436	6,401	9,935	11,206
Deductions from Gross Revenue	(2,724)	(3,556)	(4,217)	(5,424)	(6,283)	(6,939)	(7,360)	(7,569)	(8,461)	(15,866)	(16,449)
Net Operating Revenue	8,127	10,103	11,874	14,003	15,842	16,747	16,872	17,584	18,736	29,997	29,479
Cost of Services and Goods Sold	(5,302)	(6,803)	(8,201)	(8,685)	(9,126)	(8,796)	(9,360)	(9,256)	(9,657)	(18,458)	(16,639)
Gross Income	2,825	3,301	3,673	5,318	6,715	7,951	7,512	8,328	9,079	11,539	12,841
Operating Income (Expenses)	(1,595)	(2,651)	(2,201)	(2,826)	(3,567)	(4,483)	(4,394)	(4,392)	(5,788)	(3,731)	(8,743)
Equity Accounting Adjustments	0	18	-19	75	119	54	163	36	42	0	0
Seeling	(910)	(1,424)	(1,429)	(1,739)	(1,982)	(2,680)	(2,593)	(2,691)	(3,547)	(5,302)	(4,886)
General and Administrative	(791)	(877)	(837)	(855)	(950)	(1,084)	(1,207)	(1,222)	(1,613)	(3,067)	(2,790)
Other Operating Expenses, net	0	(368)	(70)	(306)	(809)	(773)	(757)	(515)	(670)	(2,046)	(1,067)
Other Non-Recurring Extraordinary Income	105	0	153	0	55	0	0	0	0	6,684	0
Net Operating Income Before Financial Result	1,230	649	1,472	2,492	3,148	3,468	31,181	3,935	3,291	7,808	4,097
Financial Revenues	281	821	384	606	776	908	733	960	1,326	1,601	1,929
Financial Expenses	(321)	(1,265)	(2,409)	(2,785)	(2,417)	(2,524)	(2,022)	(1,439)	(2,710)	(3,988)	(4,361)
Financial Result	(39)	(444)	(2,024)	(2,178)	(1,641)	(1,616)	(1,290)	(478)	(1,384)	(2,387)	(2,432)
Operating Income	1,190	206	(553)	314	1,507	1,852	1,829	3,457	1,907	5,421	1,666
Income Before Taxes and Minority Interests	1,206	204	(524)	246	1,370	1,815	1,812	3,457	1,907	5,421	1,666
Income Tax and Social Contribution	(175)	22	371	113	(447)	(371)	(210)	(615)	(475)	(328)	84
Employees Profit Sharing	(65)	(28)	(131)	0	0	0	0	0	0	0	0
Net Income	709	140	(416)	213	751	1,114	1,310	2,318	1,155	5,092	1,749
Minority Interest	(257)	(57)	(132)	(145)	(173)	(329)	(292)	(524)	(278)	819	322
Share Outstanding on the Balance Sheet (MM, ex-Treasury)	369,750	369,470	375,065	381,777	379,803	382,122	382,122	382,122	382,122	382,523	382,647
ON	121,820	121,927	123,792	126,030	126,601	127,374	127,374	127,374	127,374	127,576	127,591
PN	247,930	247,542	251,273	255,747	253,202	254,748	254,748	254,748	254,748	254,947	255,056
Dividends / Interest on Capital (In R\$ Million)	251	303	500	800	1,100	785	330	671		2,005	1,539
EBITDA (In R\$ Million)	4,032	3,558	5,353	6,175	6,531	6,765	6,102	6,517	6,068	14,841	10,296

CONSOLIDATED BALANCE SHEET

IN R\$ MILLION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS											
Current Asset	6,054	4,951	6,002	9,725	10,941	9,839	10,374	12,724	17,052	18,318	22,173
Cash and Cash Equivalents	2,093	1,234	1,513	4,326	5,472	3,771	4,687	6,690	10,738	8,024	11,200
Accounts Receivable	2,502	2,146	2,639	3,533	3,630	3,711	3,804	3,286	3,896	5,942	5,894
Credits Receivable	14	16	1	101	0	0	0	0	0		
Deferred and Recoverable Taxes	1,144	1,293	1,457	1,263	1,172	1,607	1,170	2,113	1,447	1,637	2,176
Prepaid Expenses	0	97	178	223	244	393	336	352	0		
Inventories	0	36	109	137	232	159	171	124	153	163	98
Other Current Assets	301	128	106	142	191	197	206	158	818	2,552	2,805
Long Term Assets	1,176	1,949	2,362	2,510	2,834	2,920	3,707	4,046	7,969	12,548	12,960
Loans Receivable	0	0	0	16	15	15	11	6		0	0
Credits Receivable	13	0	84	238	133	106	281	61		0	0
Deferred and Recoverable Taxes	953	1,561	1,681	1,590	1,678	1,673	2,135	2,249	3,612	6,495	6,054
Judicial Deposits	135	273	313	388	542	812	999	1,208	1,841	5,468	6,453
Fiscal Incentives	70	84	74	53	46	51	64	64	0	0	
Financial Investments	0	0	141	0	0	0	0	0	1	4	10
Prepaid Expenses	0	30	68	225	247	262	211	430	0	0	0
Other	5	0	0	1	172	1	6	28	2,515	581	443
Permanent Assets	12,241	19,867	19,034	16,923	15,538	14,402	13,508	13,546	15,523	43,136	40,004
Investments	42	160	433	359	237	164	97	38	49	55	55
Property, Plant and Equipment	12,200	19,249	17,965	16,005	14,810	12,518	11,733	11,580	12,719	25,296	23,349
Intangible Assets	0	0	0	0	0	1,294	1,309	1,597	2,755	17,785	16,600
Deferred Assets	0	458	636	559	490	426	369	330	0	0	0
Total Assets	19,472	26,766	27,398	29,158	29,313	27,161	27,590	30,316	40,544	74,002	75,137
LIABILITIES AND SHAREHOLDERS EQUITY											
Current Liabilities	3,566	5,609	5,407	6,893	7,989	8,512	5,886	6,813	9,149	18,273	19,316
Suppliers	1,358	2,199	1,633	1,903	1,853	1,802	1,971	1,774	1,903	4,055	4,039
Loans and Financing	786	1,371	1,747	2,646	3,041	2,828	1,999	1,990	4,021	8,690	7,711
Payroll and Related Accruals	186	182	261	261	247	130	138	198	274	362	568
Payable and Deferred Taxes	548	524	765	705	1,169	1,225	833	1,410	973	1,639	2,479
Tax Financing Program – REFIS	0	0	0	101	109	117	126	135	143	176	68
Dividends and Interest on Capital	458	538	703	1,067	1,442	1,068	554	917	511	361	1,039
Concession Payable (Oi)	0	604	0	0	0	0			267	315	532
Debentures	0	18	21	16	18	1,225	93	76	0	0	0
Amount Payable Relating to the Pegasus Acquisition	0	0	177	65	57	0			0	0	0
Other	230	174	98	131	53	117	170	314	1,059	2,674	2,879
Long Term Liabilities	3,023	9,072	10,836	11,658	11,470	8,703	10,576	10,354	20,432	35,619	35,848
Loans and Financing	2,045	6,249	7,706	8,291	7,748	5,802	5,318	5,205	16,315	21,445	22,276
Payable and Deferred Taxes	43	1	1	1	1	121	69	79	287	5,298	4,845
Tax Financing Program – REFIS	0	0	0	906	854	825	766	683	504	948	878
Contingency Provisions	882	1,491	1,792	1,207	1,627	1,833	2,154	1,947	2,256	5,423	5,101
Debentures	0	1,300	1,300	1,207	1,207		2,160	2,171	0	0	0
Other	53	29	37	46	33	121	109	268	1,071	2,505	2,748
Unrealized Earnings	179	2	0	60	30	21	13	0			0
Minority Interest	2,368	2,057	2,034	2,002	1,860	1,945	2,156	2,491	1,730	8,827	8,794
Shareholders' Equity	10,245	9,766	8,860	8,284	7,661	7,979	8,959	10,657	9,233	11,283	11,179
Share Capital	4,142	4,309	4,477	4,644	4,812	4,689	4,689	4,689	5,449	5,449	5,449
Capital Reserve	863	704	537	369	201	24	25	29	106	131	143
Earnings Reserve	2,545	2,383	310	3,531	2,950	3,266	4,246	6,324	4,676	6,924	6,810
Retained Earnings	2,782	2,627	3,796	0	0	0	0	(11)	(825)	0	0
Treasury Shares	(91)	(260)	(260)	(260)	(302)		0	(373)	(369)	(359)	(354)
(!) Ajuste de avaliação patrimonial									0	(861)	(869)
(!) Dividendos adicional proposto									809	0	0
(!) Outros resultados abrangentes									(613)		
Total Liabilities and Shareholders' Equity	4	3	0	0	0	0	0	0			
Total do passivo e patrimônio líquido	19,472	26,766	27,398	29,158	29,313	27,161	27,590	30,316	40,544	74,002	75,137



COMMITMENTS TO SUSTAINABILITY

Sustainability-related issues have gained increasing importance in companies' agendas. Therefore, it is important to report properly the economic, social, and environmental consequences of their business, and how they intend to optimize the positive aspects, as well as to improve the negative ones that may accompany it. Society, environment, and profit are no longer disconnected; they are seen as integrated under the perspective of sustainable development.

Oi has evolved gradually in the implementation of sustainability-related initiatives. In 2010, it continued the process of education of its employees, as it believes that only with their awareness and commitment, the issue may be transformed into action and become part of the company everyday routine. Besides reinforcing the Sustainability Policy guidelines, Oi inserted the theme in its management model, including the adoption of corporate Sustainability goals for its main executives.

The Sustainability Policy represents the institutional basis of Oi Sustainability Program, a corporate program that aims at promoting these practices through the awareness and commitment of Oi's employees and managers, whose actions and goals should reflect the importance of sustainability for the image, the business management, and operations, its measurement and evidence being possible.

Another important factor to emphasize is the performance of the inventory and reporting of emissions of greenhouse gases by Oi, which confirms its concern about the effects of climate change for the corporate sustainability.

Oi remains a signatory to the Global Compact, a voluntary commitment reinforced every year through the demonstration of continued investment in social, educational, cultural actions, and environmental projects in line with the ten principles that govern this initiative.

Oi has worked in the identification and assessment of socio-environmental risks of incidental impacts originated from its operations, and is attentive to the evolution of new policies, proposals and laws, including those regarding waste management in the value chain of telecommunications companies. In addition, it respects the regulatory initiatives originated from the regulating agency of telecommunications services or from government agencies, aiming at incorporating the prin-

ciples and criteria of environmental management to the performance of the companies' activities.

In the context of Sustainability, the telecommunication industry is of great importance and scope; it provides the society technology, products, and services that enable new opportunities for education among other areas, bringing benefits and improvement to the people's quality of life. Social inclusion can promote innovation and development of several locations, favoring their growth, and the access to citizenship.

Delivering convergent and integrated telecommunications services, and broadening the digital inclusion through the access to information technology, Oi does spare no efforts to internalize the concept of Sustainability in its business and in the society where it is inserted. Oi knows that the values and practices related to Sustainability should be a source of inspiration for the formulation of new businesses, and knows that it can no longer think strategically, without consideration of this issue.

POLICY

In 2010, Oi reviewed and updated its Sustainability Policy, which aims at establishing sustainability guidelines to direct the company's activities, projects, processes, operations, and business, as well as the management of risks, and the assessment of their socio-environmental impacts.

The Policy also establishes a vision of sustainability integrated to the company's business, inclusive reflecting the best practices in the marketplace. One of the goals with the diffusion of this policy is to have employees identifying opportunities, proposing solutions, and adopting new sustainable practices in the company. These practices should encourage their incorporation into the work routine, and be reflected in the goals of some areas.

> OI'S SUSTAINABILITY POLICY CONSISTS OF THE FOLLOWING GUIDELINES:

- To promote, implement, and disseminate sustainable development actions as ongoing investment;
- To define and apply good Corporate Governance practices to meet the commitments to shareholders;
- To respect the consumer, other businesses, the citizens, and the environment in all phases of the



marketing, business, and operations, through guidelines based on ethics and environmental responsibility, so that its actions do not bring negative impacts to the society and the environment, and that meet its long-term needs;

- To educate the employees and other stakeholders on the importance of the relations with the environment, through education for Sustainability;
- To expand the assessment of practices related to Sustainability through regular meetings of the Corporate Governance, Disclosure and Sustainability Committee;
- To seek to engage and encourage the relationship with the stakeholders, and be open to criticism about the nature of its processes, products, and services;
- To emphasize the importance of the knowledge of the Code of Ethics and its application to the major company decisions and the behavior of its employees and suppliers;
- To identify and assess the social, economic, and environmental aspects and impacts on the processes, projects, and activities of the company, prioritizing the most significant;
- To seek new economically feasible technologies, and to improve the company's operations and processes, in order to minimize the impacts on the environment;
- To emphasize the importance of Sustainability criteria in the selection and management of suppliers;
- To contribute to the physical and emotional well-being of the employees and their families through internal actions;
- To respect the diversity, fighting discrimination, bullying, sexual harassment, and corruption in all their forms;
- To respect the free association of its employees to unions, and the right to collective bargaining;

- To promote and expand the company's practices of social responsibility;
- To establish guidelines for the management of intangible assets, helping to boost the company's value;
- To comply with legal requirements linked to the business and Sustainability commitments assumed voluntarily by Oi;
- To forbid child labor practices, sexual exploitation of children and adolescents, slave, forced, or compulsory labor, discrimination in all its forms and illegal punishments;
- To use water and energy consciously, with control and management; adopting measures to replace obsolete equipment for better exploitation of the resources;
- To reduce, reuse, and recycle waste wherever possible;
- To create mechanisms for conflict of interest solving, without compromising the society's collective interests;
- To develop new business by identifying opportunities offered by Sustainability;
- To drive the strategic decisions in accordance with the ten principles of the United Nations' Global Compact;
- To prevent pollution and contribute effectively to fight the negative effects caused by climate change; identifying, quantifying, reducing, and offsetting its emissions of greenhouse gases;
- To seek continual improvement of its socio-environmental performance;
- To divulge internally and to the stakeholders the Sustainability practices, indicators, and targets.



SUSTAINABILITY GOALS

In 2010, Oi also integrated Sustainability to its Management Model, through the inclusion of Sustainability goals for its main executives.

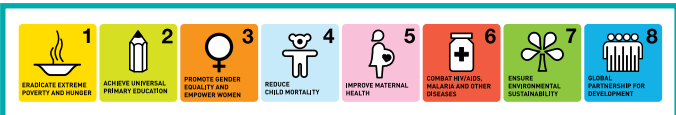
These goals are deployed along the areas that have implemented plans of action, whose achievements are measurable, traceable, and proving.

GLOBAL COMPACT

Since 2009, Oi is a signatory of the United Nations' Global Compact. With that, it reinforced the adoption of core values internationally accepted as part of the Human Rights, Labor Relations, Environment, and War on Corruption, thus confirming the philosophy it applies to its business.

While the principles that integrate the Global Compact are already Oi's focus of performance, the company develops additional actions to improve this compliance, and to remain among the signatories of this UN's document in the Brazilian network. The table below lists such actions.

In addition, in 2010, the company sponsored the Progress Communication Workshop organized by the Ethos Institute, which brought together the signatory companies of the Global Compact to detail the preparing of the Progress Communication Report that should be sent annually to the UN. By supporting this event, Oi gives another public demonstration of its commitment to promote the best Sustainability practices.



Actions/Initiatives entitled to Global Compact	Correlation to the Global Compact Principles										Correlation to the Millennium Goals								Location at 2010 Sustainability Annual Report
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
GRC model adoption – Corporate Governance, Risk and Control																			Economic D.>Corp. Governance
Online training (e-learning), Corporate Governance, Risk Management, Internal Control, Sustainability and Jurisdiction Policy and delegation of authority																			Economic D.>Corp. Governance
Corporate Governance Committee Action, Disclosure and Sustainability																			Economic D.>Corp. Governance>Corp. Governance Committee, Disclosure and Sustainability
Supervisory Board Report Channel																			Economic D.>Corp. Governance>Supervisory Board and Report Channel
Administration Board Governance Portal																			Economic D.>Corp. Governance>Governance Portal
Corporate risk mapping																			Economic D.>Corp. Governance>Risk Man. and Internal Control
Internal Controls Environment proper to Sabanes-Oxley Certification																			Economic D.>Corp. Governance>Risk Man. and Internal Control
Jurisdiction Policy and Delegation of Authority																			Economic D.>Corp. Governance>Risk Man. and Internal Control
Information Security Management																			Economic D.>Corp. Governance>Information Security
Code of Ethics																			Economic D.>Corp. Governance>Ethics
Website Report Channel																			Economic D.>Corp. Governance>Ethics
Ethics Agents																			Economic D.>Corp. Governance>Ethics
Ethics Committee																			Economic D.>Corp. Governance>Ethics
Ethics Online training (e-learning)																			Economic D.>Corp. Governance>Ethics
Sustainability Policy																			Social D.>Sustainability Commitment>Politics
Online Sustainability Training (e-learning) to customers and supplier																			Social D.>Sustainability Commitment>Education to sustainability
Renewal of all Collective Bargaining Agreements and Work Hours Agreements – 2010/2012																			Social D.>People>HR Strategic Management
Trade union membership and collective bargaining																			Social D.>People>HR Strategic Management
Quality of Life Program																			Social D.>People>Health, Welfare, Quality of life
Pregnant Program																			Social D.>People>Health, Welfare, Quality of life
Child Day Event for the employee's child with Sustainability theme																			Social D.>People>Communication and Organizational Culture
Web collaboration Platform - Inovative																			Social D.>People>Communication and Organizational Culture
JOIA Program Actions – Oi way of attending and learning																			Social D.>People>Communication and Organizational Culture
Volunteer Program																			Social D.>People>Oi Solidária
Christmans Dream with no hunger Campaing																			Social D.>People>Oi Solidária
Suply chain sustainability																			Social D.>Suppliers
Client accessibility																			Social D.>Clients>Special Attendance
Professional Qualification Exam Center (Cequal)																			Social D.>Clients>Cequal
Users Board																			Social D.>Clients>Users Board
Event support focused on sustainability																			Social D.>Communication>SWU Aid
Event support focused on sustainability																			Social D.>Communication>Amazon TEDx Aid
Institutional Partnership with AfroReggae																			Social D.>Social Resp.>Afroreggae
Oi program of Motived Cultural Aids																			Social D.>Social Resp.>Culture
Oi Tonomundo																			Social D.>Social Resp.>Education
Oi Kabum! – Art and Technology Schools																			Social D.>Social Resp.>Education
Nave – Advanced Education Center																			Social D.>Social Resp.>Education
Oi Conecta																			Social D.>Social Resp.>Education
Oi Novos Brasis																			Social D.>Social Resp.>Social
Motived Sports Aid																			Social D.>Social Resp.>Esportes
Oi Program of Environmental Projects																			Social D.>Social Resp.>Environment
Program for broadband at schools																			Social D.>Social Resp.>Other Actions (Institutional, Partenserships)
Integrated Border																			Social D.>Social Resp.>Other Actions (Institutional, Partenserships)
Northeast flood victims Support																			Social D.>Social Resp.>Other Actions (Institutional, Partenserships)
Term of mutual cooperations against pedophilia																			Social D.>Social Resp.>Other Actions (Institutional, Partenserships)
Green effect emissions inventory																			Environmental D.>Environmental Resp.>Green Effect emission inventory
Electric Power consumption reduction Action																			Environmental D.>Environmental Resp.>Electric Power and Power Efficiency
Electric Power consumption reduction Action																			Environmental D.>Environmental Resp.>Green IT
Water consumption reduction Actions																			Environmental D.>Environmental Resp.>Water
Residue management																			Environmental D.>Environmental Resp.>Residue Management
Selective Collect at the main administrative buildings																			Environmental D.>Environmental Resp.>Selective Collect
Mobile and batteries' Disposal																			Environmental D.>Environmental Resp.>Other actions
Pluvial Water reuse project																			Environmental D.>Environmental Resp.>Other actionsactions
Sustainable lightning project																			Environmental D.>Environmental Resp.>Other actions
Environmental Good Manners Manual elaboration																			Environmental D.>Environmental Resp.>Other actions
Printer Standardization for double-sided print																			Environmental D.>Environmental Resp.>Other actions
(!) Utilização de videoconferência																			Environmental D.>Environmental Resp.>Other actions
Corporate fleet reduction																			Environmental D.>Environmental Resp.>Other actions
Oi Móvel account model substitution																			Environmental D.>Environmental Resp.>Other actions
Employee's mobile invoice in digital format																			Environmental D.>Environmental Resp.>Other actions
(!) Hotsite "Responsabilidade no dia a dia" com indicadores de Sustentabilidade																			D. Ambiental> Resp. Ambiental> Outras Ações

Oi reaffirms its commitment to the Global Compact principles, through the message of the CEO at the opening of this report.

EDUCATION FOR SUSTAINABILITY

Education for Sustainability is a process of recognition of social values, which aims at developing skills and modifying attitudes toward business, society, and the environment conservation. The intent is to understand the relationships between people and their cultures, and contribute to the building of a critical awareness, improving the quality of life, and the Sustainability of the organizations.

At Oi's, this practice has been crafted gradually and permanently, in a threefold relationship between information, education, and culture; and it has as its main fronts: market communications, internal awareness campaigns, conduction of classroom and online training for employees, dissemination of information and data in internal communication tools (hot site), and online training for suppliers and consumers. In addition, the company is building programs focused on educating its employees with training of trainers on the Sustainability issue in their areas of performance.

PEOPLE

Working with Oi is for those who have a more daring thinking, and willingness to leave one's mark on the world.

Oi is a company for people who bet on intelligence and courage to make a difference. Their compass is pointed at the customer and at the marketplace. Oi sees life from a lighter, funnier angle, invests heavily in recognition and quality of life programs, and encourage the exercise of citizenship through Volunteering Program. More than respecting diversity, Oi believes that this is what makes the difference.

Oi has in its team 11,819 employees, 417 interns, and 77 Technical Apprentices. Of the total employees, 61% are male, and 39% female. The executive positions are occupied by 76% men, and 24% women.

The average age of the employees is 36 years, with an average seniority of 8 years in the company. Oi is present in 26 states, plus the Federal District, with professionals based in

more than 150 addresses.

Through specialized programs, they form a first-class team: 390 Management enablers, 27 Black Belts, 213 Green Belts, 385 project leaders, 250 members of TOP - Process Optimization Teams, and 234 process leaders.

STRATEGIC MANAGEMENT

Oi is the largest Brazilian telecommunications company, the only one with full convergence in its industry; the third worldwide to have its business bundled under a single brand. To innovate with quality, the People area works permanently on the adequacy of its structure and processes to the company's business strategies, in order to enable greater operational efficiency. To that purpose, in 2010, a refinement was carried out of the strategic control tools, through new instruments, metrics, and management indicators.

In line with the consolidation of a strategic HR for the integration of Oi and Brasil Telecom in a company of national reach, the unification of processes and procedures for People management was completed in 2010. For this purpose, the standardization of the work hours control system and third part management model was performed, as well as the improvement of the health and work safety processes - with 100% of the legal documentation updated, in accordance with the applicable law.

The company continued performing to achieve constant improvement of work relations. All Collective Bargaining Agreements and Work Hours Agreements - 2010/2012 were renewed, maintaining the alignment with the best market practices and with the unions, as well. The agreements include 100% of the company employers, and provide, in addition to wage increase, other items related to health and safety, such as medical and dental care, food and medicines, and participation in the profits - essential to consolidate the processes of unification of the companies Oi and Brasil Telecom.

In addition, the People area performed incisively in the processes of unification and transition of contracts with network service providers in internal and external plants. A follow-up was conducted with monitoring of terminations, thus ensuring the compliance with the labor legislation and incidental contingencies, apart from the support in structuring and implementing the process of Prior Reconciliation with involvement of Trade Unions and the Labor Attorney General Office.

Oi respects the rights of its employees to join unions, and guarantees their rights to collective bargaining. The company seeks constantly to reconcile both parties' interests, promoting dialogue with the representative bodies in the telecommunications industry, thus avoiding impacts on the operation.

CAREER AND DEVELOPMENT

At Oi's, each employee has the opportunity to make a shift in his/her career. This is the way to motivate the teams' routine, and to enjoy the best they have to contribute to the company's needs and success. The proof is that Oi works with Career Management, the main tools of which are a free internal recruitment processes, and a professional development strategy that, in addition to guiding the development and self-knowledge, shows the way to a good career planning.

Furthermore, the process of Performance Analysis at Oi is annual, and includes all employees in the company. In 2010, 10,428 employees (80% of the company) participated in the five stages of the process, from self-assessment to the feedback meeting with the Manager. This process is among the main employees' career management tools, and represents the beginning of the development cycle. The individual performance in face of the business skills is assessed, and from it the identified gaps allow conducting actions of individual development, aimed at reaching a balance between the company growth and the person.

In addition, the corporate programs assisted all employees in all hierarchical levels in 2010. The actions of performance assessment cycle of business skills, along with specific actions related with technical competences and ongoing education activities totaled 452,560 hours of training.

POSITION	TOTAL	TRAINING HOURS
Director	70	1,228.77
Manager	762	30,551.69
Employee	12,205	420,779.54
Total	13,037	452,560.00

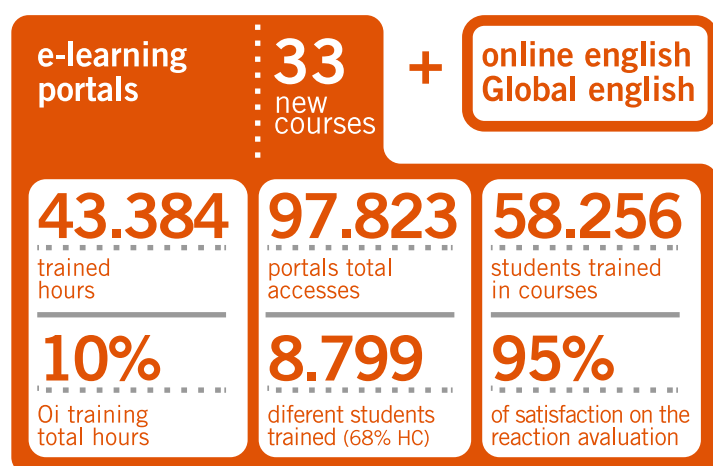
Oi's structured development programs seek to support the different types of competence described in the Model (business, leadership, and techniques,) and they reflect the permanent development commitment of the employee, using methodologies that support professional growth in both the current position (training and upgrading,) and future posi-

tions (development.)

As is the case of the implementation of the Training Track in Project Management, a corporate education program consisted of a series of educational activities, in class and online, designed for leaders and members of Oi's project offices. The main purpose of the track is the consolidation of the "Oi's Way" of doing project management, by establishing a single, common language, and developing all project leaders in their technical skills, thus gaining in speed, productivity, performance, and sustainability for the business.

In the development of technical skills, Oi has as highlights the actions of remote education (e-learning), which totaled over 40,000 hours of training, in addition to training aimed at updating the operating teams in technological upgrades.

The e-learning offered to employees covers topics as diverse as fundamental principles of telecommunications, portability, regulation, feedback, coaching, sustainability, management of internal controls, enterprise risk management, corporate governance, management model, performance analysis, ethics, and time management, among others.



Oi has a strategy of ongoing development of Managers, the Leadership Academy. This initiative aims at promoting and consolidating a culture focused on services, through a learning methodology that develops them to manage "moments of truth" with their employees, and to support, in the day-to-day, the attitudes that lead to the company growth. In 2010, two modules were diffused, Oi's Way of Leadership and Management Model.

On the other hand, the Generation Program - which promotes the development of young talents - reached in 2010



its highest levels, in comparison with recent years. This program addresses approximately 684 professionals, including young talents involved in their development and professional growth. In 2010, 31,797 were enrolled in the internship program in the 1st half of the year, in which 420 students were recruited; and in the second half of 2010, 19,406 were enrolled for 214 available positions. 18,405 candidates participated in the Trainees Program processes; of these, 11 were selected for the Newly Graduated Trainee Program; 11 for the Executive Trainee Program, focusing on management; and 30 for the Expert Trainee Program, with technical focus. In addition, 940 Employees competed for 25 positions in the Accelerated Development Program.

Oi values its talents also through internal recruitment, which is a priority for the company. All positions are offered, first, internally; and for management positions there is a committee that evaluates each final candidate. In 2010, 82% of the open executive positions were filled by internal candidates, via assessment. Overall, 61.8% of the positions opened in the year were filled by employees through internal recruitment. This fact becomes even more significant, when compared with the number of people who show interest in working with Oi, by enrolling their résumés in the system used by the company (<http://vagas.com>): 368,728 people. For the year, 176 interns were hired as employees, averaging 15 per month, 39% more than in 2009. Finally, 2,172 employees had job promotions and salary increases.

There was an evolution in the Recruitment and Selection Process, which was measured in the satisfaction survey, feedback of the process and improvement of the tool. The admissions process was perceived as more transparent; more quality and flexibility in hiring, as well as an increase in growth opportunities for the employees.

HEALTH, WELLNESS, AND QUALITY OF LIFE

Thinking about the physical and emotional well-being of its employees, Oi promotes a series of initiatives aimed at valuing the care and recognition of its human capital.

Among these actions, it could be mentioned the work gymnastics, which occurs at the main buildings of the different states where the company operates. In 2010, 37,000 assistances were performed.

Besides this activity, in rooms devoted to quality of life, the employees may schedule, through the corporate intranet, ses-

sions of shiatsu, RPG (global postural re-education), and nutritional counseling. In 2010, we had 10,000 attendances to shiatsu sessions and more than 4,000 in RPG.

Pregnant women in the company are followed-up by a counsel plan over the telephone, which informs, minimizes doubts, and encourages the adherence to prenatal programs essential to the health of the baby. Multidisciplinary monitoring of the mother during pregnancy is performed, under which it is possible to assist in the early detection of any typical diseases, and contribute for a safe and smooth pregnancy. The pregnant employee has at her disposal a wide range of information, from the importance of the prenatal care to the preparing of the trousseau. She also gets the kits "Welcome to the Program" and "Oi Baby." In 2010, 190 pregnant employees were assisted by this program. In addition, in the 2010/2012 Collective Agreement, the company extended the maternity leave of its employees to six months.

The Oi Jogging and Walking Group is another initiative of Oi's Life Quality Program formed by employees who want to practice jogging, without competition purposes. Training sessions are supervised by a physical education professional from a specialist firm hired by Oi. The benefits for the company and the employee are perceived as an indoor environment with greater spirit of collaboration, more ability to focus, and teamwork.

COMMUNICATION AND ORGANIZATIONAL CULTURE

2010 was the year in which communication with employees was based on sustainability guidelines. Either in the management of the services culture, or the promotion by the JOIA Program, as well as in the implementation of the innovation program, or even in events and corporate gifts, the focus this year was to consolidate the sustainable world vision and the enterprise.

The subject was addressed, for example, in the book dedicated to the Children's Day (silver medal in the ABA Award of best design projects) - a gift for the employees' children up to 12 years old, who came in contact with recycling tips through an accessible and enjoyable language.

If, on one hand, the environment was discussed in an educational manner, the principles were adopted in a structured way, such as the making of the corporate magazine with recycled material, and a sustainable design proposal, in addition to lower production costs. The relaunch of the Magazine Con-



exão not only excelled with a distinctive graphic design, but featured an inclusive approach of the telecommunications market: the employees themselves are the key players and customers of the medium. The recognition factor is strongly perceived by the company, but meritocracy is not limited to internal communication media.

One of the great features of 2009 was the launch of a web collaboration platform - Inovativa. In 2010, this movement gained legitimacy and celebrated strategic partnerships for the organization. Presented as a virtual space to enable the employee sharing his or her ideas, and contributing to the proposals from other Oi colleagues; the main objective of the tool being to encourage the production and deployment of ideas in line with the company strategy through an environment of collaboration and innovation. In the first cycle on cost reduction, five ideas were recognized by the Innovation Committee, and the employees involved were awarded. In September 2010, began the second cycle of Inovativa - Quality in the "Oi Móvel" and "Oi Velox" Services - which aim at capturing suggestions that result in improvement to the customer experience with these services. During the two months of the campaign, Inovativa had 8,500 unique hits, and 152 ideas recorded.

In this line of consolidating the organizational culture of a services company that places the attitude of people serving people at the heart of the business strategy, the actions of the JOIA (Jeito Oi de Atender e Aprender) Program were reinforced throughout Brazil.

In 2010, 224 JOIA circuits were performed until the month of October, all over the country. The circuit's intent is to bring together professionals from different areas, and to promote the exchange of knowledge of the business. The JOIA Space that concentrates all information and relationship systems of the program was redesigned to be more modern and more aligned to Oi's brand identity. In the JOIA service channel, in which the employee himself is the protagonist of the service, an average of 1,500 records per month were solved, always putting the employee at the center of the value chain. And in the JOIA recognition program, where it is possible to record a compliment to a colleague or team - Joinha - over 5,000 individual or team praises were sent, which honored more than 3,000 professionals, including Managers and employees.

The JOIA Day was conducted in person in Rio de Janeiro, and broadcasted live to all of Brazil, in a total of 62 points connected by videoconferencing simultaneously. The event has

a special atmosphere that creates wonder and makes history, building culture. Each issue during the year works a major issue for Oi's strategy, which is addressed through presentations, videos, and lectures. In the four editions of the event held in 2010, themes such as motivation, team, client, and future were addressed. An average of four thousand employees all over Brazil participated in each edition of JOIA Day, which featured geographic interactivity and strategic alignment through the word of the CEO.

Finally, the campaigns conducted by Oi aim at supporting the internal and external movements of the company, engaging and mobilizing the employees for a specific cause. In 2010, we performed many actions. Among the key ones, can be highlighted: launch of the new dental care plan, Performance Analysis, Management Model, Market Actions in Region II*, and Expansion of the Oi TV.

*Region II: Includes the states of the South and Midwest regions, and the states of Rondonia and Acre.

SOLIDARY OI

Every year, Oi conducts the Volunteering Program. To do good, the employee need only to have good will and some time available, one morning or afternoon to participate. The success of Oi's program is due to several factors. One is the constant commitment of the employees, which shows that the attitude of being solidary is in the workforce's DNA.

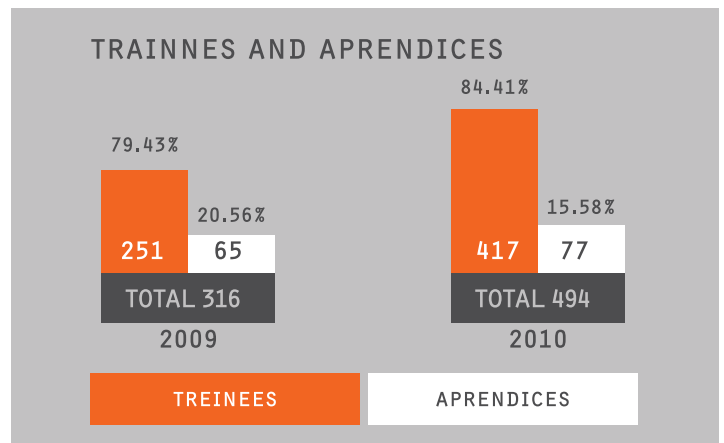
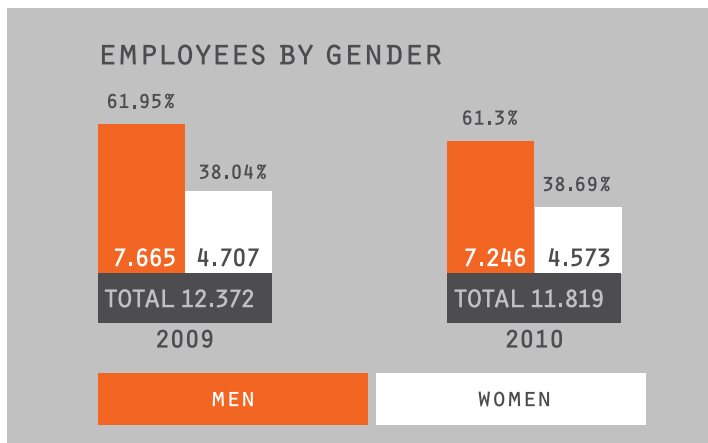
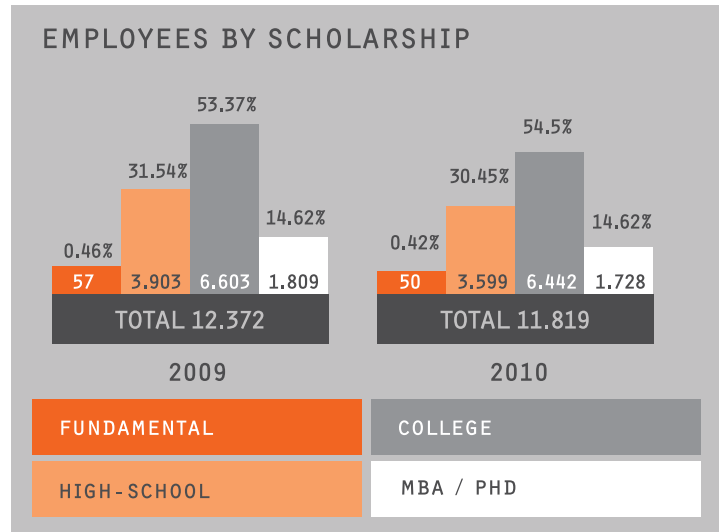
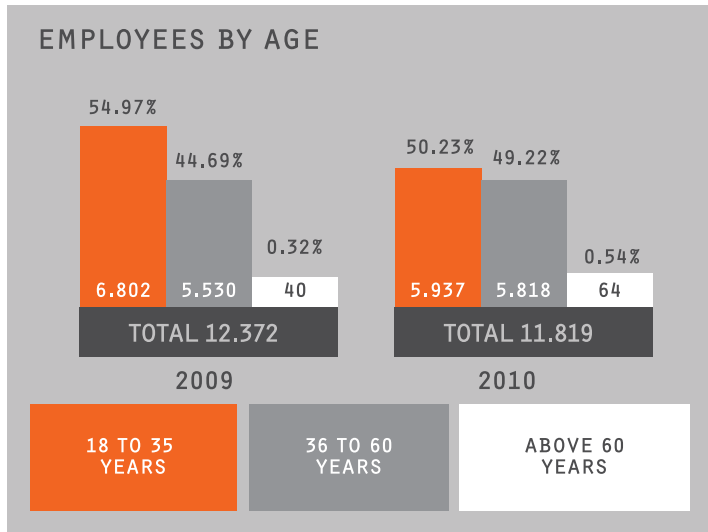
The partnership celebrated since 2003 with Junior Achievement, the largest and oldest organization of practical business education in the world has been crucial to include the employee in a larger context, not only teaching, but volunteering. The program encourages each participant to believe that his or her attitude does make a difference for the planet. In 2010, we continued the Sustainability project divided into two cycles, with the brochures "Our Planet, Our Home" and "Attitude For the Planet," the objective of which was to make young people aware of the importance of the sustainable development. A total of 1,010 participating employees shared their knowledge with 12,281 students from 69 public schools in 26 states of Brazil and in the Federal District.

In addition to this partnership, annually between the months of November and December, Oi encourages its employees to participate in the Dream Campaign Christmas Without Hunger, a partnership between OI and the NGO Ação da Cidadania. The activity, which happens eight years now, collects food, toys, and books, which make Christmas happier for



needy children throughout Brazil. The objective of action is to encourage the solidary attitude and to cooperate in building a better and fairer world. In total, 1,143 pieces of clothing; 2,701 toys; 1,263 books; and 1,900 kilos of nonperishable food were donated in 2010.

MAJOR INDICATORS



SUPPLIERS

Aiming at ensuring better delivery of services to its customers, and preventing situations of risk for the company, Oi maintains a system of assessment, development, and qualification of suppliers. Through it, it optimizes the relationship between suppliers and the organization, and prioritizes the selection of the best business partners, as well.

The qualification process consists in identifying partners that share the same goals of the organization, and also involves an effort of long-term cooperation to achieve the desired improvements.

For this purpose, Oi rates the quality of service delivery of suppliers through a methodology that calculates the Supplier Qualification Index (IQF). This evaluation process enables establishing objective and transparent criteria for selection of suppliers (service providers), and to promote their development, creating conditions for the maintenance of long-term contractual agreements. The IQF is made up of five pillars that are analyzed: operational efficiency, contract performance, processes compliance, customer satisfaction, and human resource management. In the human resource management pillar, the compliance with health and work security, labor legislation, and social security are analyzed, as well



as the provisions in collective agreements, and a module regarding training. In 2010, about 140 IQF reviews were performed for this pillar with circa 33 suppliers.

In the stage of economic and financial analysis of the supplier, the company includes the compliance with social and environmental criteria, through the completion of a questionnaire on Sustainability.

The company contracts establish clauses of Social and Environmental Responsibility, and provide for the compliance with Oi's Code of Ethics. In 2010, a workgroup was created to improve these clauses, including specific requirements related to the non-employment of child labor, forced labor, and forced labor. In addition, requirements are included that emphasize the prohibition of using corporal, mental punishment, or physical coercion and verbal abuse against employees of the contracted suppliers. As of 2011, these items will be integral part of contracts.

The social and environmental clauses of the company's contracts are being supplemented, including the requirements related with the compliance with the environmental regulations in force, and the need for the vendor being aware of possible environmental impacts related to activities performed because of the products and services provided. More than being aware, it will be required that the contractor's employees who are acting on Oi's behalf, are trained and know how to deal with possible emergency situations and / or social and environmental accidents associated with the provision of the contracted services.

In addition, Oi has specific programs for the development of its suppliers, ranging from training to certification of the sales force and field technicians.

The company has credit lines linked to some of its suppliers via export credit agencies from their countries, at lower interest rates, so that they can facilitate the purchase of its products. In 2010, we disbursed funds originated from five financing contracts related with our suppliers.

In 2010, the company had 3,326 suppliers, with 3,267 local (based in Brazil) and 59 foreign. The purchases volume was R\$ 7.55 billion; 99% of the amount was paid to local suppliers.

CUSTOMERS

Oi, the largest Brazilian telecommunications company knows how important it is to treat the customer well, and keep it loyal to the company. Therefore, one of its main guidelines is to improve the quality of its services, and satisfy its customer.

CUSTOMER RELATIONSHIP

Focused on providing quality telecommunications services, bringing people together, and generating value for the customers, in 2010, in order to intensify the solution of the customer's demands at the first contact, the Customer Relationship Directorate created a Master Relationship Plan six main work fronts that seek improvements in the assistance.

These fronts include the focus on managing people in customer services; standardization of procedures aiming at simplifying and streamlining the customer service, and improving the operation; creation of a model of unified flow of information; creation of proactive fronts with the major consumer protection agencies; and the evolution of the technological and automation environment of customer services. Among the actions undertaken, may be mentioned:

- Mapping and optimization of processes that directly impact the customer relationship with Oi, aiming to raise the standard of customer service, thus obtaining the commitment of the entire company;
- Campaign of quality in all customer service operations, impacting the reduction of complaints with the regulating agency;
- Prioritizing the evaluation process, and ongoing development of the call center agents through a new model of quality control implemented in the service during 2010 in the regions I* and III**, bringing gains in process analysis, generating more support to the decision-making, and improving the quality perceived by the end customer.

In addition to the plan, other actions are continually developed, in order to increase the efficiency in Oi's relationship with its customers.

Oi also took an important step in the improvement of the quality of its services, through the implementation of mechanisms

(automation tools and implementation program to improve the customer's experience), whose goal is to optimize and generate greater stability of its fixed, mobile, and data transmission network. This set of mechanisms allowed reducing the number of customers' complaints, and the time of resolution of the faults.

Aiming at further increasing the customer loyalty, the procedures for installing and maintaining the "Oi Velox" were reviewed, in order to improve the quality of the service offered, and the customer experience with the product. Several initiatives have been adopted that also contributed to a significant reduction in the number of calls to the company's customer service.

In addition, Oi deployed the network infrastructure for Internet broadband connection in more than 4,000 municipalities, which communication actions were carried out with local public institutions, and price repositioning - Popular Broadband - to encourage Internet use by the population of these new locations.

Daily, Oi seeks to achieve the goals of three operational indi-

cators required by the National Telecommunications Agency (Anatel), and help to reduce the volume of complaints recorded with the entity. At the end of each month, the daily accomplishments of these indicators are ranked by Anatel, which generates the Service Performance Index (IDA, for the acronym in Portuguese), also published on the website <http://www.anatel.gov.br>.

The IDA aims at encouraging providers to improve the handling of complaints, making them more effective in resolving problems identified by service users. The provider starts at the score 100, and loses points due to deviations from the performance goals previously established. The IDA is dynamic: the goals will be progressive, to promote the excellence of the service.

The index takes into account the ability of the provider to meet the demands within five days, decrease the amount of claims, reduce disputes, and avoid relapses. Thus, the better the performance in achieving the goals established by Anatel, the higher the index obtained by the provider.

Oi's IDA in 2010 in the categories wireline services, wireless services, and long-distance national calls can be viewed below:

SERVICES IN 2010		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Region I	Oi (wireline)	89.73	92.98	77.03	72.35	74.95	80.93	82.2	87.27	89	89.55	89.83	87.25
Region I	Oi (wireless)	83.1	92.5	84.67	92.4	89.9	91.7	91.7	92.86	92.05	94.3	90.9	91.75
Region I	DLD (Domestic Long Distance)	85.37	88.68	88.72	94.6	88.49	98.66	99	97.94	96.33	98	99	99.67
Region II	BRT (Fixed)	89.28	94.48	82.03	85.55	85.5	87.88	84.9	87.69	89.5	91.43	92.1	93.63
Region II	BRT GSM (Mobile)	78.13	89.55	77.9	84.65	81.1	79.85	78.15	77.27	85	87	85.65	86.15
Region II	LDN (Domestic Long Distance)	87.29	100	100	100	87.77	94.18	100	91.66	100	100	100	100

In order to monitor the customer's satisfaction, the company carries out two surveys on an ongoing basis and, through monitoring outcomes; it is constantly in search of improved indicators. The Overall Customer Satisfaction survey measures the satisfaction of the customers' base with the company; with the products they own; and with the major moments of the customer's relationship with the company; in addition to determining the occurrence of clients with problems, their nature and solution. The Overall Satisfaction with Services survey measures the satisfaction of customers who have contacted the Service Center, regarding service time, ARU (Audio Response Unit), human assistance, and troubleshooting.

The satisfaction survey is in constant process of transformation and adaptation in order to always reflect the current dynamics of Oi's business, and to adjust to the needs of inter-

nal areas, considering the evolution of processes, products, and services of the company. Thus, changes made in 2010 allowed a more detailed customer experience, in order to resolve their requests in an increasingly assertive manner.

* Region I: comprises the states of the Southeast (except Sao Paulo), Northeast and North (except Rondonia and Acre).

** Region III comprises the State of Sao Paulo.

CONSUMER PROTECTION

In 2010, the areas of the company responsible for operations with the consumer defense agencies structured proposals of agendas, which were previously aligned between the Courts of Justice and the Legal Board, resulting in the completion of registration, investigation, representation, and enforcement of judgments and agreements made from them. These agen-



das represent higher concentration of hearings in a single day. The main objective of the Courts is to reduce its base of dockets, and to speed up the resolution of judicial litigation. This initiative brings benefits to customers, since the problem can be solved in a shorter period, because the dates of hearings are anticipated. The same operation is also performed at the Procons (consumer defense agencies).

In addition, a restructuring of Back offices handling the complaints from consumer protection agencies (Special Civil Courts, Anatel, and consumer protection agencies) was carried out, in order to improve the quality of the handling of complaints and to increase the customer's satisfaction. Actions such as the review of processes, procedures, and controls; improved service to agents and law firms; deployment of automation, treatment, and control of incoming complaints tools; automation of panel of operational indicators provide the company opportunities for business improvements and consequent achievement of its goals.

CONSUMER FREEDOM

Oi was the only operator in Brazil, which, in an innovative and courageous manner, teamed up with consumers in defense of cell phones unlocking. Since early 2007, all the company's handsets are already unlocked out of the stores. In addition, Oi was the first operator to abolish the contractual penalty for loyalty, which reinforces the relationship of respect for the company by the client. These are some of the company's initiatives in the struggle for total freedom of the consumer. Oi, through its advertising campaigns in the media, always sought to strengthen these consumer's rights.

In March 2010, Anatel (National Telecommunications Agency) confirmed the right of consumers to purchase their mobile devices unlocked without any charge, at any time, including the moment of the acquisition.

SPECIAL ASSISTANCE

Oi adopts initiatives that reinforce its commitment to accessibility for disabled persons, whose reality of assistance was changed as of May 2008, beginning with visually impaired "Oi Fixo" customers. They may, now, request to receive their "Oi Móvel" bills and contract in Braille (reading system through touch).

Moreover, there is the Alternative Service Plan, with a franchise of one thousand text messages (SMS), which will con-

tribute to the communication of hearing and speech impaired persons. This mechanism was especially designed for this audience, in compliance, also, with the Anatel Resolution 477. The company adapted many of the "Oi Atende" stores to people with reduced mobility, also in compliance with Anatel Resolution 426. Such stores have special terminals adapted for hearing impaired people. Moreover, some of them offer assistance in Libras (Brazilian Sign Language), aimed at people with hearing impairments.

It is worth informing that since 2010, customers with visual impairments of prepaid plans receive their bonus balance via audio.

This report is, for the first time, accessible to visually impaired people as well.

PROFESSIONAL QUALIFICATION OF PARTNER

Oi developed the Center for Professional Qualification Examination (CEQUAL), the largest professional certification program in Brazil, which aims to ensure excellence in quality of customer service through outsourced labor.

Since the beginning of this program in 2000, Oi has already rated and certified more than 17,000 professionals, whose technicians have direct contact with the customer upon the service process of the contracted services, such as installation or incidental repair, believing in the importance of this qualification for the appropriate relationship with the customer.

Oi signed a Technical Cooperation Agreement with the Ministry of Labor and Employment (MTE), under which the application of the MTE logo to the certification portfolio, and in the diffusion of courses and other CEQUAL' actions was authorized. In addition, it may develop, together with the MTE, activities of best practices focusing on professional qualification and certification, aligned to the National Plan for Qualification of the Federal Government.

CERTIFICATIONS

Oi holds ISO 9001:2000 in professional certification process for operators of professional services to customers, attesting the knowledge and skills for implementation of telecommunications services since 2001. As of 2009, the company received certification of its land lines billing process, in compliance with Anatel Resolution 426. The company also has

certified its mobile telephony billing process, even this being a regulatory obligation.

Oi also has the certification of procedures for the collection, calculation, consolidation, and delivery of the quality indicators to Anatel. This certification is valid for the Personal Mobile Service (SMP) and the Switched Fixed Telephone Service (STFC), in compliance with Resolutions 335 and 417, respectively, as provided for in Anatel's General Plan for Quality Goals (PGMQ).

USERS' COUNCIL

The Users' Council, of advisory nature is a channel of relationship with society, through which it is possible to learn, internalize, and evaluate suggestions in order to improve the quality of services delivered, and to increase customers' satisfaction.

This Council is made up of customers, associations, and entities that have characteristics of consumer defense, but anyone can sign up, integrating the users' group, whether as a candidate to counselor, or a voter. In June 2010, elections to renew the mandate of the representatives of Oi's Users' Council were held.

At Oi, the work is developed by the 31 Users' Councils, with about 158 counselors who work in all states of Regions I* and II**, conducting in average 150 meetings per year. Another function of this council is to bring together the company and the consumer protection bodies, by facilitating the dialogue between the parties.

To learn more about the Users' Council, go to: <http://www.oi.com.br>About Us> Information>Users Council>.

* Region I: comprises the states of the region Southeast (except Sao Paulo), Northeast and North (except Rondonia and Acre).

** Region II: includes the states of the South and Midwest regions, and the states of Rondonia and Acre.

COMMUNICATION

WEB PRESENCE

Aiming to be even closer to the people, Oi stepped up its web presence during the year, either through a repositioning of its online environments and through the most expressive and le-

gitimate presence in social networks. Projects such as the Oi Moda, for example, appear in many different Internet faces: website, Twitter, and Facebook.

The @DigaOi profile changed the way the company communicates with customers, answering questions, helping, and indicating its best service channels. With that, it is becoming, in no time, a reference to solve problems of customers connected on Twitter.

Breaking the barrier between on- and off-line, events sponsored by Oi were broadcast over the web, mainly through the "Oi Acontece," content hub generated by our pillars. From fashion weeks to events like the SWU, Oi has consolidated as a platform of content consumption, bringing users those experiences that they could not experience in person.

The creation of Oi's brand channel on YouTube, where users can find from OiFM interviews to stories of the Oi Moda, and more explanatory videos of the products, helps in approaching the client and in the dissemination of Oi's web services.

SPONSORSHIP OF SWU

In 2010, Oi sponsored the SWU - Starts With You, an event that happened in October, bringing together music, art, and a discussion forum involving Sustainability issues.

The SWU is a movement of awareness of sustainability, which aims at mobilizing the largest possible number of people around the cause, showing that, through small actions, through simple individual everyday attitudes, it is possible to help building a better world to live.

The SWU got together in three days of event, nearly 164,000 people, while 3,000 attended the Global Forum on Sustainability, which brought together 44 national and international personalities to an agenda for discussions on solutions, opportunities, ideas, and experiences for a more sustainable world.

In addition, the SWU has mobilized a large number of people through different media, and actions on social networks, with the support of a mass campaign, with messages, information, and tips for small routine actions that can transform everyday realities.

As part of actions in an event focusing on Sustainability, the "Celularia," a space created to charge mobile phones through solar energy panels installed to supply this area can

be highlighted, and also the “Oi Trocadores”, where it was possible to replace second-hand clothing parts or accessories with others also left by someone. The goal was to give a new identity to what was no longer useful.

During the event, 30 tons of waste were collected and sent to the recycling plant installed at the event (sorting and pressing).

In addition, supporting the independent music scene, Oi, through the “Oi Novo Som” stage brought more than 20 national and international bands, which presented their hits, which were broadcast live via the “Oi Acontece” website.

Oi also provided the entire telecommunications and wireless infrastructure (Wi-Fi) to the event.

SPONSORSHIP OF TEDX AMAZON

Oi participated in the 1st edition of the TEDx Amazonia, sponsoring this event under the theme “Quality of life for all species,” aiming at spreading new ideas, and generating actions that help building a better world.

TED (Technology Entertainment and Design), whose slogan is Ideas Worth Spreading is an annual conference held in California (USA) since 1984. TEDx, on the other hand, like the ones of Sao Paulo and of the Amazon region is an event organized independently by TED at different places in the world.

The TEDx Amazonia was a meeting that brought together, on the shores of Rio Negro, more than 50 thinkers from different fields of activity, such as arts, technology, and business, who discussed in short lectures, ways to improve the quality of life of more than 5 million species on Earth.

Aiming at reinforcing the importance of the debate around Sustainability, a tool was created on the website “Oi Acontece” to take the contents of the TEDx lectures to the general public.

OI PONTOS RELATIONSHIP PROGRAM

Launched in 2010, the Oi Pontos relationship program is inserted in Oi’s strategy to offer products to win the Premium segment. Through it, the postpaid “Oi Móvel” customer earns points whenever it uses the “Oi Móvel” and other products, such as “Oi Fixo”, “Oi Velox”, “Oi Velox 3G”, “Oi Dados”, or makes a long distance call with the code 31. Each R\$ 1 in Oi services, the customer earns 1 point in Oi Pontos.

With this initiative, customers accumulate points, and may redeem them in exchange for services of the company, or awards from the Multiplus Loyalty Network, such as hotels nights, and even airline tickets.

SPONSORSHIP OF WORLD CUP 2014

In 2010, Oi announced the official sponsorship of the World Cup 2014 to be held in Brazil. In addition, Oi will also be the official provider of telecommunications services to the FIFA World Cup 2014.

Oi has a long history of support to sports, since the launch of its brand, as it believes that sport is an important factor of social transformation. Therefore, the institute for social responsibility Oi Futuro encourages projects included in the Law for Encouragement of Sport of the Ministry of Sports.

This initiative also reinforces association of the Oi brand with positive attributes of sport, such as passion, overcoming limits, and team spirit.

SOCIAL RESPONSIBILITY

OI FUTURO

Oi’s performance in social responsibility takes place through Oi Futuro, a nonprofit, independent legal entity with its own charter, boards, objectives, and action programs.

Created in 2006, taking over the role played until then by the Instituto Telemar, which since the turn of the millennium had been working to open new horizons in education and culture, Oi Futuro, in line with its mission to democratize the access to knowledge, in order to accelerate and promote human development, ended the decade with significant projects in these two areas.

Also in 2010, it expanded its scope. It started to encourage initiatives also in the segment of sport - winning the award “Entrepreneur Friend of Sport” - and of environment, launching the first proclamations of support to projects in these two areas. The area of Education reviewed its strategic direction,



and began giving more emphasis on producing educational content for the improvement of basic education in the country.

Last year, the geographic scope of Oi Futuro's performance also expanded and gained national projection, reflecting Oi's dimension that, in 2009, by incorporating Brasil Telecom, began offering services in nine more states and the Federal District. In all, more than 4 million people are benefited by projects supported in Oi Futuro's four areas of performance. See below the highlights in each one:

> CULTURE

2010 was the first year in which Oi Futuro performed effectively in all regions of the country, through the management of the Oi Cultural Sponsorships Program, which reached a record number of enrollments (5,444) and sponsored projects (259) in the history of the Program. This was also a year of consolidation of the new cultural spaces in Ipanema and Belo Horizonte.

An important innovation in the year was the deployment of the Center for the Preservation of the Telecommunications Museum in Rio de Janeiro, created within the most modern international techniques of packaging, preservation of documents, and museum objects.

> OI FUTURO (CULTURAL SPACES)

In 2010, Oi Futuro was nominated for one of the most important awards in the field of Brazilian culture. Awarded by Editora Abril, the 6th Bravo Award! And the Bradesco Prime of Culture elected Oi Futuro one of Brazil's top three in the category "Calendar". The recognition of this excellence resulted in increased national and international visibility, as demonstrated by exhibits from the United States, France, Italy, and Iran, which are scheduled to start in early 2011.

With one of the most powerful sound equipment in the city, Oi Futuro Ipanema won musicians, critics, and the general public featuring 24 groups from Rio de Janeiro, Sao Paulo, Pernambuco, Pará, and the Federal District. Oi Futuro Flamengo, on the other hand, completed five years of activities with a special program in performing arts, including some co-productions with other countries, and 13 shows of big visual artists, consolidating its position as central pole of arts and technology. Oi Futuro Belo Horizonte, which houses the Museum of Telecommunications - the Oi Futuro Theater Klaus Vianna - and an art gallery attracted an audience of about

55,000 people who attended an agenda of shows, performances, exhibitions, and discussions on different artistic expressions, in permanent interface with the new media.

The musical project Multiplicidade, which since 2005 has united on a single stage visual arts and experimental sound in multimedia shows, pushed the boundaries of Oi Futuro Flamengo, and filled Oi Casa Grande with four special presentations. The last one of the year, with Eumir Deodato was elected by critics and by the popular vote of the journal O Globo one of the ten best shows of 2010

> TELECOMMUNICATIONS MUSEUM

In its fourth year of existence, the Telecommunications Museum - both in Rio de Janeiro and Belo Horizonte (BH) - has intensified its educational program, strengthening ties with the institutions, and improving the complementary activities to the visit. In Rio, 13,000 students participated in guided tours, and in BH, 10,000 students. In both cities, the museum received over 70,000 visitors.

In this first year of operation of the Technical Reserve, more than 4,000 items of collections have been handled, such as: Phonebooks, Telephony equipment and instruments, collection of the Magazine Sino Azul, and cataloging of 90% of the collection of furniture. The year was also marked by the implementation of the MEDIATECA that will make the entire digitized historical archives available to researchers.

> EDUCATION

Oi Futuro investigates how education can interact with the experience of a world characterized by information technology and communication. In this sense, some programs have become emblematic of the way the company operates.

This is the case of Oi Tonomundo, which combines education and technology, and uses computer laboratories installed in the most remote regions of the country as centers of communal production and universalization of knowledge. The program already received more than ten awards in its career, and became a public policy for digital inclusion in the states of Pernambuco, Espirito Santo, and Sergipe, and also in public schools of Fortaleza (CE), Natal (RN), Tiradentes (MG), Belém (PA), and Itaituba (PA).

Oi Kabum! and its art and technology schools, where youths are trained in Graphic Design, Web Design, Audio Design, Computer Graphics, Video, and Photography also follows its



successful career and gained more recognition as the winner of the Network 2010 award in the category “Training” of the “Private Sector” class. Some 400 young people a year are trained at the Oi Kabum! units of Rio de Janeiro, Recife, Salvador, and Belo Horizonte.

Focused on information technology and communication, the Nave - Advanced Education Center - a teaching solutions research and development center for high schools that aims at contributing to the quality and innovation of education in Brazil completed its sixth year of existence, always working through partnerships with state departments of education, the private sector, and third sector organizations. The project caught the attention of Microsoft, which in 2009 included the Nave as one of 130 most innovative schools in the world in 2010 within the Program “Microsoft’s Innovative Schools”, and chose it as “Mentoring School”.

Oi Conecta, a program in partnership with the Federal Government, takes broadband to over 40,000 public schools, thus benefiting some 26 million students. Detailed information on these projects is available on the website <http://www.oifuturo.org.br/educacao>.

In 2010, the impressive results of these projects led Oi Futuro to define an expansion of the strategy for performance in the area of education, in order to put more emphasis on the production of relevant content for the improvement of basic education in Brazil. Content was developed for the courses in Portuguese, mathematics, and sustainability, which will be shared via the Internet with public schools across the country, benefited from the broadband installation performed by Oi.

In partnership with the Municipal Department of Education of Rio de Janeiro, Oi Futuro developed the Educopedia, a platform of digital lessons on each subject, with support material for teachers, lesson plans, educational games, and videos, with the goal of making education more attractive and motivating for children and teens, and equipping the teacher as well. In addition, the Educopedia is another alternative for subject reinforcement, and for students who missed classes, or who did not understand the content taught. The Educopedia activities include lesson plans in all subjects, according to the Municipal Department of Education’s curriculum guidelines. The program offers a fast and easy option for teachers who wish to integrate technology to their classes. The courses are divided into 32 digital lessons, which correspond to the weeks of the school year.

Oi Futuro conducted an original research to understand the relationship of the school community with technology, also in partnership with the Municipal Department of Education of Rio de Janeiro.

> SOCIAL

Oi Futuro provides technical and financial support to social projects developed by nonprofit organizations nationwide. Annually, through the Oi Novos Brasis Program, projects are selected that use information and communication technology to promote human development.

In 2010, the seventh edition of the bidding process received 756 enrollments, an increase of 19% over the previous year. Projects were selected in all regions of the country. Know the selected ones that will be performed in 2011:

AMAZONAS

Organization: OPIPAM – Organização do Povo Indígena Parintintin do Amazonas

Project: Writing its Own Story

Objective: To promote the revitalization, record, systematization, and diffusion of specific aspects of the culture of the indigenous people Parintintin, through activities in indigenous schools involving students and indigenous scholars, holders of the ethno-knowledge of the Kagwahiva culture.

Place of Performance: Humaitá

BAHIA

Organization: COOPERREDE – Cooperativa Rede de Produtoras da Bahia

Project: Women of the Backlands: Women in Network

Objective: To contribute to rural women and their solidary groups having access to information technologies, allowing its citizens’, productive and commercial organization, while increasing their income generation and quality of life.

Place of Performance: Araci, Conceição do Coité, Feira de Santana, Retirolândia, Santaluz, Tucano, Valente and Serrinha <http://www.rededeprodutorasba.org.br>

Organization: SaferNet Brasil

Project: Multiplying Rights: workshops to promote the safe and ethical use of the Internet through the Oi Kabum! and Nave Project

Objective: To potentize the use of communication technol-



ogies to strengthen the promotion of safe and ethical use of the Internet by stimulating online care and citizenship among young Brazilian Internet users.

Place of Performance: Salvador, Belo Horizonte, João Pessoa, Recife, Rio de Janeiro
<http://www.safernet.org.br>

CEARÁ

Organization: IFAN – Instituto da Infância

Project: Navigating at Game Time

Objective: To contribute to the improvement of learning of children from 7 to 12 years, in the socio-affective, cognitive, and cultural aspects.

Place of Performance: Aracoiaba e Ocara
<http://www.ifan.com.br>

DISTRITO FEDERAL

Organization: Guaimbê – espaço e movimento criAtivo

Project: Rádio Griô

Objective: To deploy a radio station to diffuse knowledge and practices of the oral tradition of the Regional Nascentes & Veredas, with the active participation of griot masters, apprentices, teachers, and students of partner schools in each location and communities involved.

Place of Performance: Brasília, Alto Paraíso de Goiás, Cavalcante, Cocalzinho de Goiás, Colinas do Sul, Goiânia, Minaçu, Monte Alegre de Goiás, Pirenópolis, Rubiataba, Teresina de Goiás, Belo Horizonte, Belo Vale, Chapada Gaúcha, Congonhas, Ituiutaba, Nova Lima e Ribeirão das Neves
<http://www.guaimbe.org.br>

MINAS GERAIS

Organization: CEDEFES – Centro de Documentação Eloy Ferreira da Silva

Project: Promotion and development of social and environmental Maroon agents in the Middle Jequitinhonha

Objective: To train and develop young maroons to work as socio-environmental agents in their regions to promote tourism and heritage preservation, and classification of these young people for the job market..

Place of Performance: Araçuaí, Berilo, Chapada do Norte e Minas Novas
<http://www.cedefes.org.br>

PARAÍBA

Organization: Centro Cidadania – Ação e Educação Socioambiental

Project: Digital Inclusion and Social Sustainability in the Semi-Arid

Objective: To promote the social inclusion of young people and their families through the deployment of an itinerant information technology school, using for sustainability of this school the processing of cashew nuts, thus creating the necessary conditions for poor communities to generate and hold jobs.

Place of Performance: Água Branca, Cacimbas, Desterro, Imaculada, Mãe d'Água, Maturéia, Teixeira e Brejinho
<http://www.centrocidadania.org>

PIAUI

Organization: Comunicadores de Rádio – Fundação Dom Avelar Brandão Vilela

Project: A Look into Citizenship

Objective: To discuss and provide practical solutions that favor the inclusion of visually impaired subjects in the world of those who see, via radio, using the internet as platform

Place of Performance: All cities in the state of Piauí
<http://www.comunicadoresderadio.com.br>

PARANÁ

Organization: Associação Outro Olhar – Associação de Cooperação Técnica para o Desenvolvimento Humano

Project: Indians: Culture and Opportunity on the Net

Objective: To provide the opportunity for use of communication and information technology as a tool for expression of the culture and the reality of indigenous communities in the states of Santa Catarina and Parana.

Place of Performance: Chopinzinho, Diamante d'Oeste, Guarapuava, Nova Laranjeiras, Entre Rios e Ipuçu.

RIO DE JANEIRO

Organization: Mitra – Pastoral do Menor

Project: Passport to Citizenship

Objective: To contribute to the articulation of strategic players committed to ensuring the rights of children and adolescents, and mobilizing the civil society, aiming at the social integration of children and adolescents under homeless conditions, as provided for in the Children and Adolescents Stat-

ute (ECA) and the Municipal Assistance Policy.

Place of Performance: Rio de Janeiro

<http://www.pastoraldomenor.org.br>

Organization: AAJBRJ – Associação dos Amigos do Jardim Botânico

Project: Flourish-Families

Objective: To develop multidisciplinary approach with families whose children show poor school performance, so that the transformation of the quality of family relationships encourages the participation of parents in their children's school life, changing those indicators.

Place of Performance: Rio de Janeiro

<http://www.amigosjb.org.br>

Organization: Banco da Providência

Project: Young Communications Agency

Objective: To empower young people to use information and communication technologies in favor of their access to employment and local development in their communities.

Place of Performance: Rio de Janeiro

<http://www.bancodaprovidencia.org.br>

Organization: Escola de Gente – Comunicação em Inclusão

Project: Accessibility Promotion Agents

Objective: To educate youths as Accessibility Promotion Agents through workshops of accessible media with content and innovative practices in Brazil, in order to multiply these experiences and reflections in their communities.

Place of Performance: Rio de Janeiro

<http://www.escoladegente.org.br>

RIO GRANDE DO SUL

Organization: CEDEJOR – Centro de Desenvolvimento do Jovem Rural

Project: Chão de Sonhos Youth Network

Objective: To promote the formation of a Chão de Sonhos Rural Youth Network of the Southern States of Brazil with emphasis on the diffusion of social and productive entrepreneurship and cultural representative initiatives of the lifestyle of this population, through the use of information and communication technologies.

Place of Performance: Sobradinho, Fernandes Pinheiro, Guaporanga, Imbituva, Inácio Martins, Ipiranga, Irati, Ivaí, Mal-

et, Paulo Frontin, Prudentópolis, Rebouças, Rio Azul, Teixeira Soares, Vera Cruz, Arroio do Tigre, Boqueirão do Leão, Cachoeira do Sul, Candelária, Encruzilhada do Sul, Gramado Xavier, Ibarama, Paraíso do Sul, Passa Sete, Rio Pardo, Santa Cruz do Sul, Segredo, Sinimbu, Tunas, Anitópolis, Braço do Norte, Grão Pará, Gravatal, Lauro Muller, Orleans, Rio Fortuna, São Ludgero, São Martinho, Siderópolis, Treviso, Urussanga e Santa Rosa de Lima.

<http://www.cedejor.org.br>

Organization: CUFA RS – Central Única das Favelas

Project: Trans-photography - a look into the future!

Objective: To conduct workshops on photography as a means of social inclusion, seeking to provoke debate and reflection in the communities with teens, providing greater interest and value to formal education, and building new relationships with the school community.

Place of Performance: Alvorada, Cachoeira do Sul, Canoas, Cidreira, Eldorado do Sul, Frederico Westphalen, Guaíba, Montenegro, Pelotas, Porto Alegre, Rio Grande, Santa Cruz do Sul, Santa Maria e Sapucaia do Sul.

<http://www.cufars.org.br>

Organization: Esporte Clube Cidadão – Associação Cristã de Moços do Rio Grande do Sul Vila Restinga Olímpica

Project: Transforming Realities through Information and Communication Technology

Objective: To create opportunities and to qualify youths in different information and communication technologies, as well as social technologies, thus contributing to the formation of the critical and participatory citizen, through training and qualification, favoring the development of low-income communities.

Place of Performance: Porto Alegre

<http://www.acm-rs.com.br>

Organization: CIRANDAR – Centro de Integração de Redes Sociais e Culturas Locais

Project: GRAVAÊH! Mobile Studio

Objective: To promote, coordinate, and disseminate musicians and bands from all segments and styles, in a mobile recording studio technologically equipped, discovering talents.

Place of Performance: Caxias do Sul, Gramado, Porto Alegre, Rio Grande, Santa Maria, Torres e Uruguaiana.

<http://www.cirandar.org.br/gravaeh>

RORAIMA

Organization: M2H RR – Movimento Hip Hop de Roraima

Project: My Community, Our Place

Objective: To empower youths in audio visual, web design, and cultural production, to enable them to develop in their communities the promotion of socio-cultural actions reproduced by youths of the community itself.

Place of Performance: Boa Vista, Bonfim, Caracaraí, Irace-
ma, Mucajaí e Pacaraima

<http://www.hiphop-roraima.blogspot.com>

SÃO PAULO

Organization: Associação Educacional e Assistencial Casa do Zezinho

Project: WEB 2.0 Agency

Objective: To create a digital agency to empower youths from Casa do Zezinho, aiming at their performing in the digital marketing and communications market.

Place of Performance: São Paulo

<http://www.casadozezinho.org.br>

Organization: ONG JD – ONG Pró Crianças e Jovens Diabéticos

Project: The Good Fight – Digital Mapping of Diabetes Patients' Rights

Objective: To make available over the web the legislation in force of interest to diabetic patients, enabling the maintenance of an updated database that can be easily retrieved.

Place of Performance: Âmbito Nacional

<http://www.prodiabeticos.org.br>

TOCANTINS

Organization: Instituto Ecológica Palmas

Project: Spreading the Digital and Professional Inclusion in Tocantins

Objective: To promote the inclusion of youths in the labor market through the dissemination and replication of acquired knowledge about graphic design, with participants having free access to the internet.

Place of Performance: Pium / <http://www.ecologica.org.br>

In addition, the Company has supported 27 projects of Public Funds for Childhood and Adolescence (FIA), through part-

nerships with the State and Municipal Councils of Defense of the Rights of Children and Adolescents of Sao Paulo, Alagoas, Bahia, Ceará, Distrito Federal, Espirito Santo, Goias, Maranhao, Minas Gerais, Pará, Paraná, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Santa Catarina, Sergipe, Pernambuco, and Mato Grosso.

> SPORTS

In the sports area, Oi, through Oi Futuro was the first telecom company to invest in socio-sports projects inserted in the Federal Law for Incentive to Sport. In 2010, Oi Future launched its first bidding process for Incentivized Sports Sponsorship selecting 20 projects from different regions of the country, which will receive the investment of R\$ 3 million. The program, aimed at sports and para-sports projects, seeks to support and promote the Brazilian sport through the development of new technologies and innovative and sustainable sports actions that may be implemented in different communities. Oi's role in the Sports area has already started to yield recognitions, and in 2010, the company received from the Sports Ministry the seal "Entrepreneur Friend of Sports".

> ENVIRONMENT

The year also marked the launch of Oi's first bidding process for the selection of projects related with environmental issues. The Oi Program of Projects for the Environment 2010 aims at supporting all over the country, initiatives with multiplying effect to build a new reality for the different communities, from big cities to the farthest reaches of Brazil, selecting projects of environment conservation and protection in the areas of new enterprises financing, integrating sustainability and environmental conservation; implementation / strengthening of social technologies that promote sustainable development and environmental conservation; use of new technologies for environmental preservation; and education for sustainability.

AFROREGGAE

Since 2010, Oi is the institutional partner of one of the most active NGOs in the country, the Afro Reggae Cultural Group. With centers in five communities in Rio de Janeiro, 14 art groups and special projects throughout the country and abroad, AfroReggae became a reference for socio-cultural management, with great success in the removal of youths

from crime through art and culture . Currently, about 7 thousand young people are benefited directly or indirectly by the institution.

The partnership aims at contributing to the spread of sustainable values that incentivize ethics, social well-being, and actions for the environmental balance, in favor of the development of the society.

The company's sponsorship of AfroReggae includes the artistic productions of the group, social inclusion projects, music and art workshops, and other cultural and educational activities. Being closer to the areas where AfroReggae performs, the company wants to take its product and services offerings to these communities, promoting citizenship through information and incentivizing the sustainable development.

Oi also sponsored the third season of the television show Conexões Urbanas, one of the cultural activities of higher strength and visibility of the cultural group.

It is through such initiatives that the company intends to expand social integration, intensify the connection among people, and promote transformations, leveraged by all sorts of collective movements

OTHER ACTIONS (PARTNERSHIPS, INSTITUTIONAL)

> BROADBAND PROGRAM IN SCHOOLS

The Presidential Decree 6.424 of 2008 reflected the negotiation process that resulted in the change of the concession agreements with wireline services operators, the Switched Fixed Telephony Service (STFC). The operators made the following commitments: to deploy backhauls* in all Brazilian municipal seats and install connection of 1 Mbps in each one of the 56,000 urban public schools in elementary and high school by 2010. The Ministry of Education and Culture updated the amended list for the eligible public schools, and about 51 thousand schools should have access to broadband Internet. In both cases, without costs for the federal, state, and municipal government until 2025.

By December 2010, Oi took the access to high speed internet connection to more than 4,600 municipalities, in 46,800 in urban public schools. This number represents the fulfillment of over 100% of the initial commitment. In addition, it signed with state and municipal bodies, 3,015 terms

of adherence to the multimedia communication services, including the donation of modems.

The success of the Broadband Program in Schools proves the capacity and efficiency of the company in implementing projects that benefit the society. Oi, in partnership with the federal government is proud of having deployed in less than three years, a digital inclusion program in public schools that few countries in the world have. Thus, from the access to information afforded by the use of broadband internet, students ensure their inclusion in the future work market, and access to citizenship.

* Support network infrastructure of the Fixed Switched Telephone Service for a broadband connection, linking the access networks to the carrier's backbone.

> INTEGRATED BORDER

The Integrated Border Project will take 25 points of electronic service of the Bank of Brasil (BB) to the State of Amazonas, on the border with Colombia, benefiting about 7,000 people in several municipalities, including some places inside the forest where it is only possible to go by waterways, or on Armed Forces' aircrafts. The arrival of the BB stimulates the local development, with growth of commerce and tax collection.

Much of the inhabitants of these locations are Indians, riparian settlers, and military who take up to 14 hours by boat to withdraw their salary or retirement benefits in the nearest bank branch. The project contributes to the Government's strategy to occupy and guarantee the national sovereignty at border regions, especially in the Amazon Region.

With the Integrated Border, Army soldiers are being trained to assist people to seek new business with credit lines aimed at sustainable family farming. The project modifies a reality marked by trading through barter (exchange of goods or services) or foreign currency.

In all, seven priority points were installed, four of them in 2010: Palmeira Javari, Estirão do Equador, Maturacá, and Barcelos.

> PRESENCE IN ANTARCTICA

Since March 2006, the telecommunications services in the Antarctic Station Comandante Ferraz (EACF) are performed exclusively over the Oi network, under an agreement signed with the Interministry Commission for Sea Resources (CIRM), coordinated by the Brazilian Navy. Since then, Oi's



performance in Antarctica has been essential to enable communication between researchers and military working in the EACF with universities, research centers, government agencies, and their family in Brazil and elsewhere.

In 2009, the modernization and upgrade of telecommunications equipment was performed, and Oi's site in Antarctica was restructured. In addition, the company donated to the Brazilian Antarctic Program (Proantar) resources for the acquisition of a vessel adapted to operate under the climatic conditions of the Antarctic continent, in order to support the logistics of loading and unloading materials from ships for the EACF.

Annually, Oi conducts training of the military who spend 13 months in the continent, through a special program of training on the concepts of network, satellite broadcast, wireless services, covering the operation and maintenance, and a systemic view of the infrastructure established in the Brazilian base in Antarctica, in order to have the military able and safe to act in emergency situations, preparing them for the hardships that involve energy and freezing of antennas, and also to restart equipment, which cannot be run remotely from Brazil.

In 2011, during the operation of preventive maintenance of EACF's telecommunications equipment, modern equipment and devices to protect the antennas in operation will be deployed, to ensure optimum operation and durability under those weather conditions.

> POINTS OF PRESENCE OF THE BRAZILIAN ARMY

In compliance with Anatel's requirements regarding the acquisition process of Brasil Telecom, Oi connected 49 points of presence in the Brazilian Army: 25 border detachments and platoons; three border companies; eight battalions; six mechanized cavalry regiments; six military hospitals; and one instruction field.

In 2011, another 16 border points will be connected, which are isolated in the Amazon region, and whose implementation is awaiting the availability of Army transportation. Oi will also connect the Brazilian military contingent in Haiti, in response to a demand of the Army made in 2010.

In each of these points, Oi provides 1 Mbps for data transmission; three portable computers (Laptops), and 20 telephone extensions. There is no cost for the Army. The project costs with installation, maintenance, and monthly bill will be borne entirely by Oi until 2025.

In addition to the connection of the points of presence, Oi equipped a training center in the Amazon Military Command in Manaus, and delivered training to soldiers appointed by the Army, enabling them to operate the network, and to perform the preventive and corrective maintenance of the equipment installed. The project contributes for a significant improvement in communications at these points of presence. In many of them, the Internet is coming for the first time. This allows connectivity of the military stationed in these places with the world, and enables the Army to use information technology tools for different purposes, for example, to make more effective the control of the border areas, and to enhance the capabilities of military hospitals with health services management applications.

> SUPPORT FOR FLOOD VICTIMS IN THE NORTHEAST

To help people affected by the heavy rains that occurred in 2010 in the states of Alagoas and Pernambuco, Oi campaigned for the supply of donations through text messages via cell phone, sent to its postpaid plan customers, and made available space in its buildings in all capitals of Brazil for the collection and transportation of all materials shipped and delivered to the victims.

> TECHNOLOGY SOLUTIONS APPLIED TO THE GOVERNMENT

Oi devoted itself in recent years to develop Telecommunications and Information Technology solutions aimed at improving public indicators of education, health, and safety, thus contributing to the local autonomy, policy making, technical action, and fulfillment of their respective demands.

The Oi Giga (Guide to technology-based public integration, management, and administration) is the realization of this work, which makes the company the one single provider to combine its portfolio with solutions customized to the needs of the municipal, state, and federal government.

> ELECTIONS 2010

Oi has had a key role in the Brazilian electoral process in 2010.

The company provided the data communication network to interconnect the TRES (Regional Electoral Courts) of each State to their respective elections offices, and provided services required specifically for the polling day, such as telephone ter-



minals, access to broadband internet, and data circuits.

It is the third time that Oi performs in general elections by offering data network. This choice was the result of a bidding process conducted by the Superior Electoral Court (TSE), which allowed the company to show presence all over Brazil (except in the State of Sao Paulo).

The elections were observed by over 150 representatives of governmental and non-governmental organizations from different corners of the world. They came to Brazil to monitor the electoral process, considered one of the most advanced today. One of the main praises was related with the speed provided by the transmission network and the electronic ballot box, both at the voting booth and at the vote counting process.

> VOICE IN THE FIELD

Oi has worked in partnership with the Government of the State of Espirito Santo in the New Strategic Plan for Agricultural Development of the State (New Pedeag).

The program aims at providing farmers a modern telecommunications network, with voice and data transmission, in addition to Internet access, thus widening the bargaining power of farmers in face of the market of products and supplies. It also creates the conditions to raise the standard of well-being of rural households located in towns outside the PGMU (General Plan for Universalization Goals) profile.

Oi's role goes beyond a mere strategic partner in initiatives aimed at the sustainable development of the state of Espírito Santo. Its performance in the partnership has been to provide consultancy regarding the telecommunications infrastructure to be built, management, operation, and maintenance of the network, ensuring continuity of the service provision.

> PARTNERSHIPS IN SOCIAL CAMPAIGNS

Aware of its social role, Oi supported the Campaign of SMS (short message service) messaging for the Ministry of Health encouraging the vaccination of its customers against influenza (H1N1), and the campaign of the Attorney General Office of Bahia against sexual violence. In addition, it developed more than 15 card prints of Public Telephony in partnership with the Armed Forces, public agencies and associations, and nonprofit entities. The prints contribute to the diffusion

throughout Brazil of the beauties, events, sociocultural and institutional actions of each State, incentivizing tourism, and supporting awareness campaigns.

> LEGAL FAST TRACK

In order to simplify and speed up the solutions of lawsuits that reach the courts, Oi continued with the Legal Fast Track project, in partnership with the State Courts of Justice. They are 31 units scattered all over Brazil, serving the purpose of promoting settlements.

> TERM OF MUTUAL COOPERATION AGAINST PEDOPHILIA

Oi is increasingly committed to fulfilling its social role in the country. And, therefore, it has been involved in projects that aim at increasing the awareness of the population on matters of great importance, such as, for instance, the fight against crimes related with children and adolescents over the Internet. The company has adopted several initiatives, among which actions of communication to alert parents, children, and adolescents on the telephone bills of the "Oi Fixo" product, in addition to information on the website.

This position is a result of the Term of Mutual Cooperation Against Pedophilia, which Oi signed in partnership with Saf-eNet Brazil (entity for the defense of secure internet access), government agencies, and other telecommunications carriers.

The Term was created in 2008 to meet the need to increase the effectiveness of tracing the origin of Internet connections by which the crimes were committed, in addition to engaging more entities in actions of education and prevention. Oi was the first operator to sign this document, and has made large investments in its Internet network, in order to provide information increasingly detailed and precise about the identity of those responsible.



MAJOR SOCIAL INDICATORS 2010

	2010			2009		
	Value (thousands)	% of GP	% of NR	Value (thousands)	% of GP	% of NR
Basis of Calculation						
Net Revenue (NR)	29,479,382			29,996,832		
Operational Result (OR)	1,665,687			5,420,507		
Gross Payroll (GP)	1,967,099			2,054,600		
Internal Social Indicators	Value (thousands)	% of GP	% of NR	Value (thousands)	% of GP	% of NR
Food	103,725	5.27%	0.35%	105,021	5.11%	0.35%
Compulsory social levies	338,562	17.21%	1.15%	411,368	20.02%	1.37%
Private insurance	50,889	2.59%	0.17%	57,215	2.78%	0.19%
Health	68,587	3.49%	0.23%	68,054	3.31%	0.23%
Occupational safety and medicine	6,525	0.33%	0.02%	8,058	0.39%	0.03%
Education	0	0.00%	0.00%	0	0.00%	0.00%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Professional Training and Professional Development	11,809	0.60%	0.04%	16,308	0.79%	0.05%
Childcare or childcare assistance	6,897	0.35%	0.02%	6,535	0.32%	0.02%
Sharing of profits or results	318,322	16.18%	1.08%	114,092	5.55%	0.38%
Others	26,313	1.34%	0.09%	64,274	3.13%	0.21%
Total – Internal Social Indicators	931,628	47.36%	3.16%	850,925	41.42%	2.84%
External Social Indicators	Value (thousands)	% of OR	% of NR	Value (thousands)	% of OR	% of NR
Education	24,065	1.44%	0.08%	22,815	0.42%	0.08%
Culture	66,156	3.97%	0.22%	52,496	0.97%	0.18%
Sport	8,476	0.51%	0.03%	5,398	0.10%	0.02%
Total of contributions to society*	98,697	5.93%	0.33%	80,709	1.49%	0.27%
Taxes (including social levies)	10,596,090	636.14%	35.94%	11,196,694	206.56%	37.33%
Total – External Social Indicators	10,694,787	642.06%	36.28%	11,277,403	208.05%	37.60%
Indicators Related to Employees						
Number of employees at the end of year			11,819			12,372
Number of admissions during the year			1,525			1,838
Number of outsourced personal			128,216			145,405
Number of interns/trainees			417			251
Number of women working in the company			4,573			4,707
% of leadership positions helds by woman			24%			24%
Number of disabled or special-requirement			272			297

Other Information: Responsible for accounting information: Piero Carbone (CRC-RJ 059672) CPF: 528.180.477-49

*These values include tax incentives and donations to Fund for Childhood and Adolescence – FIA



ENVIRONMENTAL RESPONSIBILITY

RISKS AND OPPORTUNITIES FROM CLIMATE CHANGE

Oi is alert to the scenario of climate change that is building up on the planet, and the impacts that these changes can bring to its customers. So, it manages systematically the main risks and opportunities associated with this issue.

The company's risk originated from changes in the global climate can be categorized as operational, financial, strategic, or compliance.

Among the operational risks, point out:

- Material damage to networks, centrals, towers, antennas, telecommunications and administrative buildings caused by heavy rains, floods, landslides, winds, hurricanes, tornadoes, or lightning;
- Decrease of the useful life of equipment, due to the possibility of increased humidity and salinity of the air;
- Delays or interruptions of the company service because of the possibility of damage to and failure of network or equipment due to natural phenomena;
- Declining productivity in the company processes due to the possibility of removal of employees affected by diseases and epidemics of climatic origin.

With regard to its financial risks, point out the possibility of increased costs of insurance policies to cover damage to equipment or facilities caused by natural phenomena, as well as water and electricity consumption due to the increase in the average temperature regions where the company operates.

Among the strategic risks is the possibility of losing customers, as well as damage to the company image due to defects, delays, and service interruptions caused by weather phenomena. In addition, there is the possibility of constraints to the development and expansion of Oi's network, in case of a power shortage due to climate change.

With regard to the compliance risks, point out the possibility of receiving significant regulatory sanctions (including fines or loss of concession) for noncompliance with the minimum goals for quality and availability of the service delivered to

customers.

In 2010, Oi, as well as thousands of people suffered the devastating effects of the significant increase in volume and intensity of rainfall in different regions of Brazil. Because of these events, the realization of impacts on the telephone network was inevitable and, because of that we highlight the commitment of the company's technical teams, to recover the damage and restore Oi's services affected within a satisfactory time.

This work does not stop there. The frequency of weather events and their impacts bring to Oi the opportunity for continuous improvement in its operational resilience, as well as the possibility of developing new products and services to face a new world scenario.

On the other hand, Oi is doing its part to minimize those impacts on Nature. In this sense, it has developed actions that aim at reassessing its logistics (route optimization, replacement of fuel, etc.); reducing commuting through the use of videoconference; purchasing green IT equipment, and implementing energy efficiency programs as well. All these initiatives can help reducing the effects of global warming.

In addition, Oi, in order to increase the awareness of its employees, has been conducting educational campaigns of communication, in order to sensitize them, and engage them in the prevention of climate change as a way to contribute for the optimal use of the company's internal resources, so that it can progressively offer adequate services to this new global reality.

INVENTORY OF GREENHOUSE GASES EMISSION

Oi performs annually, its Inventory of Greenhouse Gas (GHG) emissions, from which it is possible to identify and account for the emissions originated in the company, resulting from its economic activity. In addition, Oi integrates the ICO2 (Carbon Efficient Index) of the BM&FBovespa, and divulges the results of its inventory in the CDP (Carbon Disclosure Project) in the Brazilian GHG Protocol Program, and on the company's website as well.

The elaboration of the Inventory was based on the methodology of the Brazilian GHG Protocol Program, covering the three scopes. While scope 1 refers to direct emissions, which in the case of Oi, takes into account those originated from fuel consumption of own corporate or located fleet for the exclusive use its employees, scopes 2 and 3 refer to indirect emis-

sions, 2 regarding electric power consumption, and 3 regarding emissions originated from outsourced services (building maintenance, maintenance of internal and external plant, logistics, etc.), and transport of its employees (use of vans and taxis, business air travel and daily moving in private cars). Oi's Inventory, concerning the emissions of 2010, obtained the external quality assurance by ICF International

There is a series of actions in progress at the company, as part of that above-mentioned corporate program, among which is the development of initiatives aimed at the management of greenhouse gases emission, to enable the adoption of reduction targets in the future.

See below a table with Oi's total emissions, in CO2 equivalent tons:

YEAR	SCOPE 1	SCOPE 2	SCOPE 3	TOTAL
2009	2,720.32	31,667.03	123,566.41	157,953.76
2010	4,185.80	72,526.31	114,093.75	190,805.86

The complete inventory of the company's emissions can be accessed through <http://www.oi.com.br/sustentabilidade>.

INSTALLATION OF RADIO BASE STATIONS (RBSS)

Oi has progressively pursued excellence in its processes of installation and maintenance of its radio base stations, developing studies that enable such goal.

In line with the legislation and the National Environment Policy, Oi has consistently expanded and improved the quality of its network, to minimize the interference in the environment.

The company also complies with Anatel's requirements regarding the limits of radio frequency for mobile telephony, submitting reports regarding the intensity of the non-ionizing radiation from RBSs. In addition, it takes steps to reduce the noise level of equipment in its facilities.

Oi also uses Geotechnology systems that enable identifying the existence of radio base stations in areas of environmental preservation and conservation, allowing the review of all environmental licensing of the mobile network from the mapping of geographical coordinates, to ensure full adherence to the environmental legislation in force, specific to each conservation area.

The constant search for improvements in service quality is a reflection of Oi's Sustainability Policy, which provides for respect for the environment in technological development, using rationally the resources available and renewable. These aspects, aligned to the compliance with its obligations to the managing and supervising agencies of our activities, make evident the company's commitment to sustainable development.

ELECTRICITY AND ENERGY EFFICIENCY

Among the actions implemented by the company on its main facilities, to reduce energy consumption, point out:

- the replacement of HVAC systems in the end of their life cycles, and adequacy of environments;
- the purchase of stabilized energy supply equipment of high performance and efficiency;
- the use of photovoltaic system (solar panels) on sites that cannot be served with commercial energy;
- automation of HVAC systems;
- the replacement of lighting systems.

These actions helped the company saving 18.74 GWh of electricity in 2010. In addition, about 12% of Oi's electricity consumption is supplied by incentivized sources (small hydroelectric centrals - PCH, and biomass plants), thus contributing to the use of renewable energy.

GREEN IT

IT-related activities (Information Technology) consume a significant amount of energy. So, one of the main ways of contributing to the Sustainability strategy of the company is to use energy more efficiently. The total amount of energy consumed in the data centers is not restricted to the IT equipment itself. According to market data, to each watt consumed by IT equipment, corresponds the same additional amount consumed by other equipment of the data center.

Among Oi's major initiatives aimed at efficient use of resources, we highlight two major areas related to energy:

- Reduction of the energy consumption of IT equipment through the acquisition of equipment with



greater energy efficiency; server migration and virtualization project; technological upgrade of storage solutions (storage); and Green Wave project, which aims at removing underutilized or inefficient equipment from data centers;

- Increase of energy efficiency of data centers, through the implementation of infrastructure works.

The biggest challenge for Oi's IT infrastructure is to reduce the energy consumption of the data centers, thus ensuring that the growth of the installed capacity is supported by the lowest possible amount of energy.

WATER

Oi has permanently developed actions to reduce water consumption, among which point out:

- Ongoing monitoring of water meters;
- The use of air blowers and consumption reducers in faucets, showers, and toilets;
- The reactivation of wells at the branches Piauí, Ceará, Pernambuco, Pará, Minas Gerais to reuse water in some activities;
- Guidance of cleaning teams in yards washing.

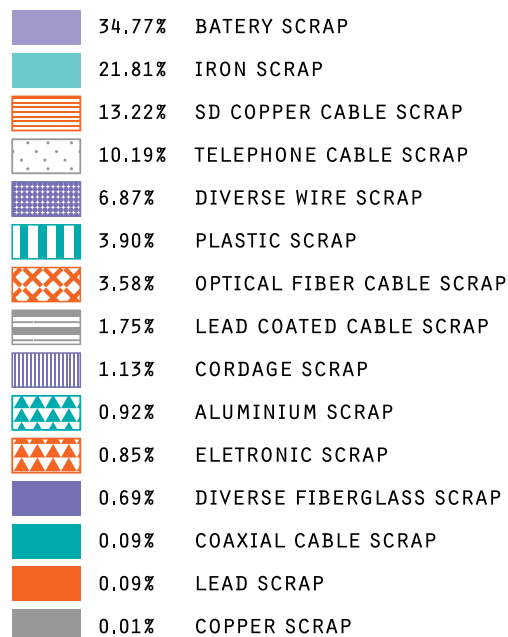
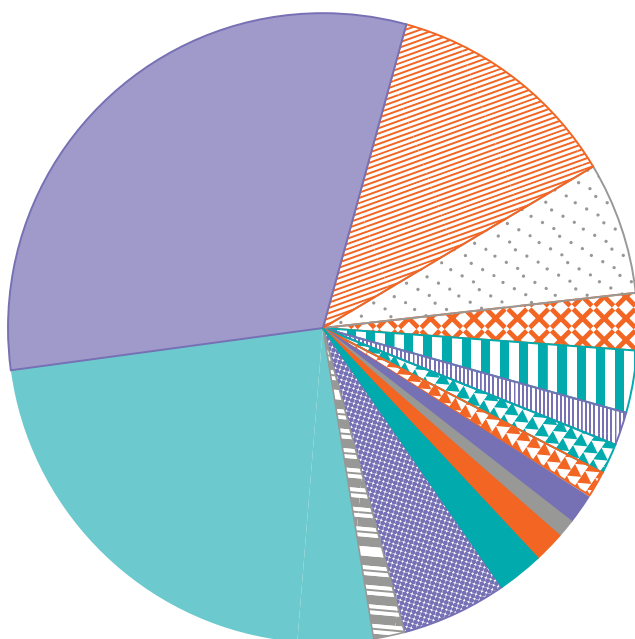
WASTE MANAGEMENT

Oi performs the management of discarded material (scrap) with service providers, and the sale is made to recycling companies accredited by environmental agencies.

In 2010, 3,981.88 tons of scrap were sold for recycling, made up of copper, aluminum, iron, optic fiber and copper cables,

telephone cables, IT scrap, glass fiber, parts of vandalized public telephone sets, furniture scraps. From the recycling of this material, public cleaning brooms, waste bags, recycled PVC and polyethylene bags are produced.

% WEIGHT BY MATERIAL TYPE



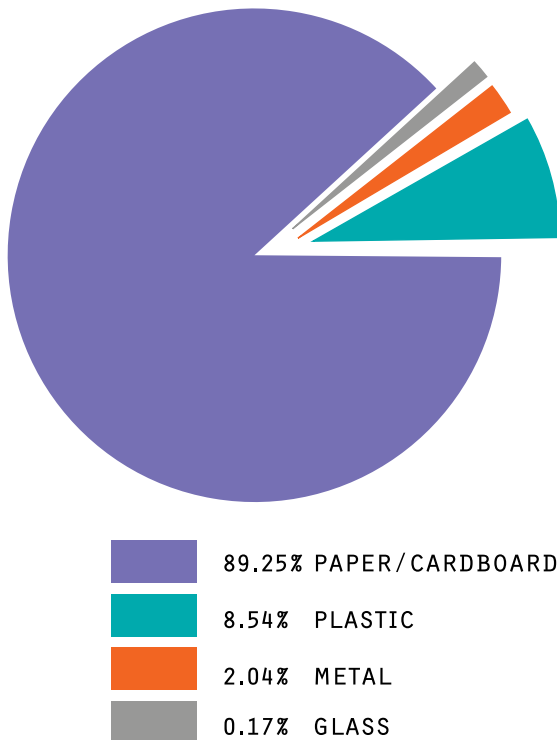


SELECTIVE WASTE SORTING

The fight for conservation of the environment, and the human survival in the planet are directly related with the issue of the waste generated every day. So, this waste issue is also a responsibility of the enterprises, which look for alternatives to manage the waste they produce.

Reduce, reuse, and recycle residues is always possible, and it is one of Oi's Sustainability Policy tenets. In this sense, the company has performed selective waste sorting at its main administrative buildings for three years now, since its deployment, what resulted in the collection of 201.73 tons of recyclable material, as shown by the following chart:

% WEIGHT BY MATERIAL TYPE



Oi's selective waste sorting benefits not only the environment, but the community life, as well, generating income for cooperatives of pickers of recyclable material, whose partnership is also celebrated with the local authorities, and with private recycling companies.

DISPOSAL OF BATTERIES AND HANDSETS

Oi makes available collecting stations at its stores and franchises, allowing the collection of mhandsets, batteries, and their respective accessories, in order to contribute for the environment preserve, and to comply with the federal regulations applied in consequence of the Resolution 401/08 of the National Council for the Environment (CONAMA).

In 2010, there was expansion of collection points all over Brazil, and external communication campaigns were conducted, aiming at incentivizing consumers to dispose of their electronic waste at Oi's stores, and at its exclusive agents. Oi also extended this initiative to its employees, making available collecting stations in 42 administrative buildings, and promoting regular internal communication, aiming at the awareness on the importance of disposing correctly the cell phones and their accessories, and batteries. In consequence, considering only these buildings, the employees mobilized and sent for recycling more than 14,000 items in 2010.

This collection was made in partnership with the specialized reverse logistics company that performs the environmentally correct disposal of the collected items.

OTHER ACTIONS

Aiming at contributing with the environment, and cost reduction, Oi expanded its number of videoconference rooms, replacing partially its corporate travel. In 2010, compared to 2009, there was an increase of circa 10% in the use of videoconference by the employees.

The enterprise proceed with the reduction of the corporate fleet, which decreased 4% against last year, and expanded dry wash in other States, a process in which biodegradable products are employed, thus reducing water consumption, and avoiding the generation of polluting residues and waste.

The standardization of printers by the company for face and back printing, allowed saving 13 thousand paper reams. The replacement of the "Oi Move!" billing model, which migrated from enveloped to self-enveloped, reduced significantly the costs of bill issuing, and contributed to the saving of 350 tons of paper per year. These changes show another practice of the company related with the corporate Sustainability guidelines that benefit, also, the reduction of operating costs. In addition, since 2010, our employees' billings are made available on Oi's website in digital format.



Within the purpose of Education for Sustainability of its employees, the company created the hot site “Responsibility on the day to day”, on the corporate intranet, providing more visibility of the main consumption indicators of the company related with environmental aspects, such as water, electricity, selective waste sorting, travel, among others.

The project of rainfall water reuse was completed by the end of the year and is enduring tests, and the sustainable lighting as well, which allowed reducing by 50% the quantity of light bulbs, equivalent to 430,730 KW/h. The use of this eco-efficient equipment or mechanisms allows users improving the optical performance, increasing the lighting level, and reducing the energy consumption.

Oi performs the environmental disposal and management of materials that consists in the collection, handling, and final disposal of fluorescent, mercury vapor, mixed light, sodium vapor, and other damaged light bulbs. In 2010, about 150 thousand light bulbs were sent to a specialized company in their handling.

Still in 2010, Oi performed the digitalization of about 125,400 dockets of civil nature of the Expansion Plan of the company, equivalent to 115 million pages. With the deployment of this measure, Oi decided to eliminate the management of these dockets physically, restricting them to digital media. Such initiative allowed reducing the storage space and paper, and the increase of efficiency in the management of these processes, because after the digitalization, the OCR (Optical Character Recognition) procedure was performed, allowing the search of words or sentences inside the digitized document. Another important aspect is that there was no generation of photocopies, as the original dockets were returned to the court offices, and the copies to the lawyers’ offices.

Listed below are other important initiatives, focused on the environmental responsibility, implemented by the company in 2010 that deserve highlight. They are:

- the acquisition of new HVAC equipment with freezing fluids of low depletion of the ozone layer;
- the use of water condensation treatment in HVAC systems, with physical system and usage, without chemicals that pollute the water table;
- the use of fluids for firefighting, of the inert FE-227 gas with low aggression to the ozone layer;
- removal and transportation of inoperative stationary batteries by recycling companies accredited with the National Council for the Environment (CONAMA);
- the disposal of lubricating oil from electric power generators by collection companies certified by the National Council for the Environment CONAMA.

For 2011, the deployment is foreseen, of a project, of initiative of employees that was selected through the Inovativa (a web collaboration platform), which consists in the adoption of reusable envelopes for internal correspondence. These reusable envelopes have a layout with space for several senders and addressees, and may be used ten to 20 times, thus reducing the costs with the printing of labels, and complying with the issue of Sustainability, as it reduces the amount of paper used.

In addition, Oi, concerned with the environmental issues discussed by the society, and intending to democratize the access to this information for its employees, prepared a Manual of Best Environmental Practices. This brochure of legal guidelines lists the main legislation applicable to licensing and best environmental practices in the area of telecommunications services.



CORPORATE INFORMATION

EXTERNAL AUDIT

Pursuant to CVM Instruction 381/2003, we inform that Tele Norte Leste Participações and its subsidiaries hired Deloitte Touche Tohmatsu Auditores Independentes to audit their financial statements, prepared in keeping with the Brazilian accounting principles. In addition, Deloitte rendered fiscal-related consulting services whose fees did not exceed 5% of the payment set for external audit services.

The company's Policy, regarding the hiring of services unrelated to audit by the Tele Norte Leste Participações, is based on the independence and transparency of the external auditor principles. These principles are: (a) the auditor should not audit their own work, (b) the auditor should not perform management functions in his client, and (c) the auditor should not promote the interests of his client.

IMPORTANT NOTICE TO SHAREHOLDERS

CVM Instruction nº 358, art. 12: The controlling shareholders, direct or indirect, and the shareholders who elect the members of the Board of Directors or the Fiscal Council, as well as any person or entity, or group of persons acting to-

gether or representing the same interest, that achieve , direct or indirect, participation, wich corresponds to 5% (five percent) or more of type or class representative shares of the listed company capital must notify CVM and the company in accordance with the article terms.

	CAPITAL	TREASURY	CONTROLLING SHARES	FREE-FLOAT
Shares TNE				
Common	130,611,732	3,020,880	68,504,187	59,086,665
Preferred	261,223,463	6,166,566	0	255,056,897
Total	391,835,195	9,187,446	68,504,187	314,143,562
Shares TMAR				
Common	107,063,093	1	104,227,873	2,835,219
Preferred (A)	130,703,927	223,5	104,329,417	26,151,010
Preferred (B)	1,063,967	0	6	1,063,961
Total	238,830,987	223,501	208,557,296	30,050,190
Ações BRTO				
Common	203,423,176	0	161,990,002	41,433,174
Preferred	399,597,370	13,231,556	128,675,049	257,690,765
Total	603,020,546	13,231,556	290,665,051	299,123,939

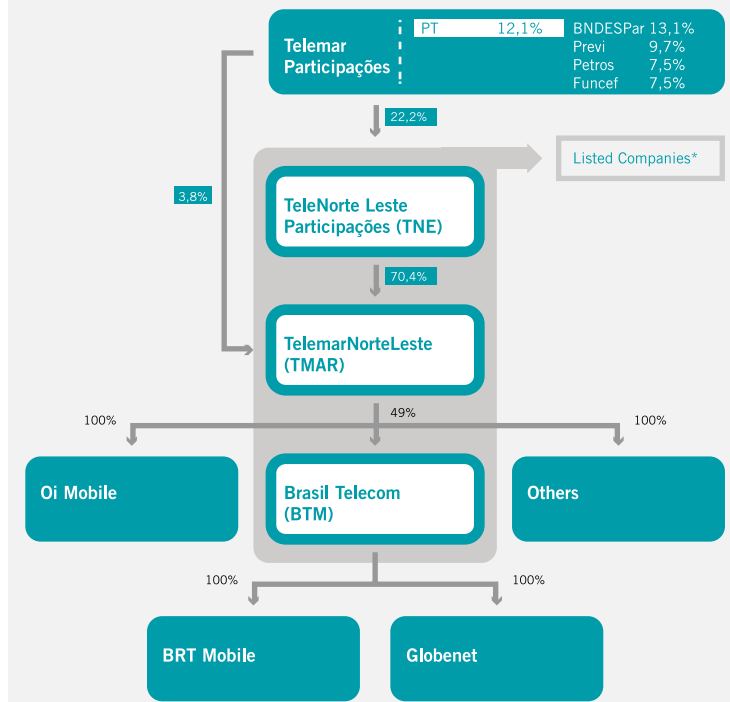
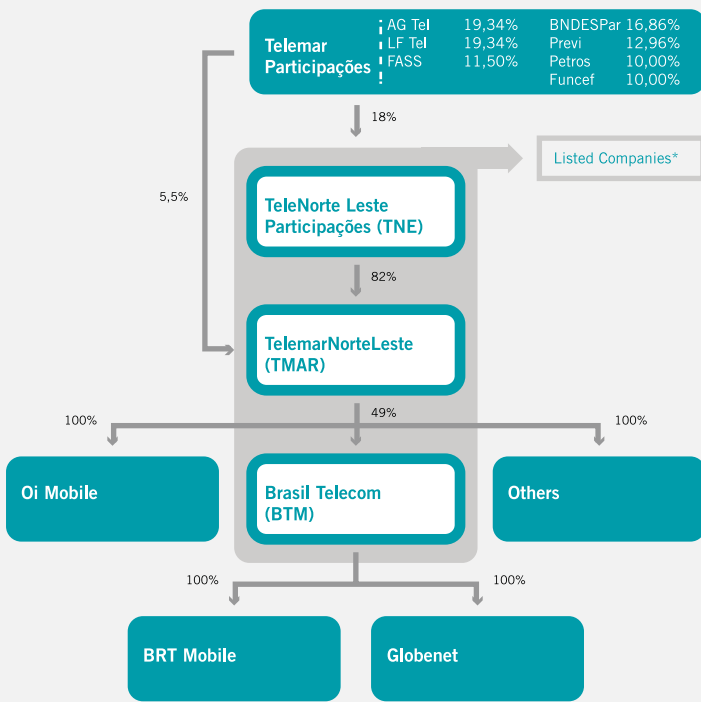


2010 SUSTAINABILITY ANNUAL REPORT

CORPORATE INFORMATION

OWNERSHIP STRUCTURE (POSITION ON 12/31/2010)

ACTUAL OWNERSHIP STRUCTUREL (POSITION ON 03/31/2011)



* Tickers at Bovespa and NYSE: TNE (TNLP4/TNLP3 and TNE); BRTMO (BRTMO4/BRTMO3 and BTM), TMAR (TMAR3/TMAR5/TMAR6)

Includes minorities stakes of TmarPart ,PT, AG, LF, FASS, BNDES and Pension Funds)

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CORPORATE INFORMATION

INDEPENDENT AUDITORS

(On 12/31/2010)

Independent Auditors Deloitte Touche Tohmatsu - SEC and CVM

STOCK EXCHANGE

Bolsa de Valores de São Paulo (BMF&Bovespa)

Código das Ações: Tele Norte Leste Participações S.A.

– **TNLP3 e TNLP4** Telemar Norte Leste S.A. – **TMAR3,**
TMAR5 e TMAR6 Brasil Telecom S.A. – **BRT04 e BRT03**

New York Stock Exchange (NYSE) nos EUA

Código dos ADRs: **TNE** (Tele Norte Leste Participações S.A.)
e **BTM e BTM/C** (Brasil Telecom S.A.)

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